PRELIMINARY SALE DOCUMENT DATED FEBRUARY 17, 2004

This Preliminary Sale Document does not constitute an offer to any person to purchase the equity shares of GAIL (India) Limited and is being issued for the sole purpose of inviting bids for the equity shares being offered pursuant to this Preliminary Sale Document..

100% BOOK BUILDING OFFER

Offer for Sale by the President of India

acting through and represented by the Director, Ministry of Petroleum and Natural Gas, Government of India (the "**Selling Shareholder**") of equity shares in

GAIL (India) Limited

Offer for Sale by the Selling Shareholder of up to 84,565,160 Equity Shares of Rs. 10 each of GAIL (India) Limited (the "Company" or "GAIL") at a price of Rs. [•] for cash aggregating to Rs. [•] million (hereinafter referred to as the "Offer"). The Offer would constitute up to 10% of the fully diluted post-offer paid-up capital of the Company. The equity shares offered for sale are listed on The National Stock Exchange of India Limited (Designated Stock Exchange), The Stock Exchange, Mumbai and The Delhi Stock Exchange Association Ltd.

The Price Band for the Offer will be decided by the Selling Shareholder and advertised by the Selling Shareholder prior to the Bid Opening Date as decided by them.

The Equity Shares being offered pursuant to this Offer are already listed. As advised by the Securities and Exchange Board of India ("SEBI"), the SEBI guidelines for the public issues/offers do not apply to a listed company facilitating one of the shareholders to dispose off it's shareholding through an offer for sale such as this Offer. However, the Selling Shareholder has voluntarily decided to adopt the SEBI Guidelines particularly the guidelines for the 100% Book Building Process, save for specified deviations (See "Deviations from SEBI Guidelines", Page 80). Pursuant to the decision of the Selling Shareholder, upto 5% of the Offer shall be available for allocation on a proportionate basis to the Employees, a maximum of 50% of the Net Offer shall be available for allocation on a discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Net Offer shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% of the Net Offer shall be available for allocation on a proportionate basis to Retail Bidders , subject to valid Bids being received at or above the Offer Price. The Selling Shareholder reserves the right in its sole discretion to transfer the Equity Shares to Retail Bidders at a differential lower price as compared to the price for QIBs and Non-Institutional Bidders. Further the Selling Shareholder, in its sole discretion may decide to offer Equity Shares, to the Employees whose Bid Amount is a maximum of Rs. 50,000, at the same price at which Equity Shares are offered to Retail Bidders.The Selling Shareholder is solely responsible for this decision and the consequences thereof.

THE COMPANY

The Company was incorporated on August 16, 1984 under the name Gas Authority of India Limited and registered in India under the Companies Act, 1956. The name of the Company was changed to "GAIL (India) Limited" vide a fresh certificate of incorporation issued by the Registrar of Companies, NCT of Delhi & Haryana, on November 22, 2002. The Registered Office of the Company is: GAIL Bhawan, 16 Bhikaiji Cama Place, R.K. Puram, Ring Road, New Delhi – 110 066; Tel no: +91 1126172580; Fax no: +91 11 26185941; E-Mail: gailofs@gail.co.in; Website: www.gailonline.com

SEBI DISCLAIMER

The shares offered under this sale offer being already listed on the stock exchanges, the SEBI guidelines for public issues/offers are not applicable to this sale offer by the Selling Shareholder. The Selling Shareholder has on its own volition decided to follow the process that is substantially similar to the process specified in the SEBI guidelines. However this document does not constitute an offer document or prospectus in terms of the SEBI guidelines. This is not a document issued by or on behalf of the Company. The document has been voluntarily forwaded by the Selling Shareholder to SEBI for seeking its guidance/suggestions and the Selling Shareholder has on its own volition also decided on the terms of the offer, price band, allocation pattern etc. SEBI's guidance to the Selling Shareholder should not in any way be construed or deemed that the sale document has been cleared or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the projects or for the correctness of the statements made or opinions expressed in this sale document, the Company has confirmed that the requirements under the listing agreement have been complied with.

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Offer unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Offer. The Equity Shares of the Company are already quoted on the Stock Exchanges. The price band and final pricing decided by the Selling Shareholder may be different from the prices quoted on the Stock Exchanges. For taking an investment decision, investors must rely on their own examination of the Company and the Offer including the risks involved. The Equity Shares offered in the Offer have not been recommended or approved by the SEBI, nor does SEBI guarantee the accuracy or adequacy of this Preliminary Sale Document. Specific attention of the investors is invited to the summarised and detailed statements in Risk Factors as perceived by the Company beginning on page no. • of this document.

COMPANY'S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accepts responsibility for and confirms that this Preliminary Sale Document contains all information with regard to the Company, which is material in the context of the Offer, that the information contained in this Preliminary Sale Document is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Preliminary Sale Document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. The Company has made disclosures from time to time in compliance with the terms of the listing agreements with the Stock Exchanges.

SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

It is the Selling Shareholder's absolute responsibility to provide and disseminate information about the terms of the Offer, in the Preliminary Sale Document and during the offer process.

FILING

The Department of Company Affairs, Ministry of Finance, GoI has noted that SEBI has informed that the offer document is to be called a "Preliminary Sale Document" and has said that accordingly, the Ministry of Disinvestment may file this Preliminary Sale Document with the Registrar of Companies along with the requisite fee so that it can be placed on record for public inspection. Therefore, a copy of this Preliminary Sale Document is filed with the Registrar of Companies for public inspection. See section on 'Filing'.

BOOK RUNNING LEAD MANAGERS **REGISTRAR TO THE OFFER**

HSBC Securities and Capital Markets (India) Private Limited
52/60 Mahatma Gandhi Road
Fort, Mumbai– 400 001
Tel no.: +91-22-2267 4921
Fax no.: +91-22-2263 1984
Email: gail_offer@hsbc.co.in

ICICI Securities Limited
41/ 44, Minoo Desai Marg
Colaba
Mumbai – 400 005
Tel no.: +91-22-2288 2460
Fax no.: +91-22-2283 7045
Email: gail_offer@isecltd.com

MCS Limited
Sri Padmavathi Bhavan
Plot. No 93, Road no. 16
MIDC Area, Andheri (East)
Mumbai- 400 093
Tel no: +91-22-2820 1785
Fax no: +91-22-2820 1783
Email: gail_offer@mcsind.com

OFFER PROGRAM

Bid/ Offer opens on	**February 27, 2004**
Bid/ Offer closes on	**March 5, 2004**

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SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

DEFINITIONS OF GENERAL TERMS

Term	Description
"GAIL" or "our Company" or "the Company" or "GAIL (India) Limited"	GAIL (India) Limited, a public limited company incorporated under the Companies Act, 1956
"we", "us" and "our"	Unless the context otherwise requires, refers to GAIL (India) Limited

DEFINITIONS OF OFFER-RELATED TERMS

Term	Description
Allocation	Unless the context otherwise requires, transfer of Equity Shares from the Selling Shareholder to the successful Bidders pursuant to the Offer.
Articles / Articles of Association	Articles of Association of GAIL (India) Limited
Auditors	The statutory auditors of our Company, M/s. S. Mann and Co., Chartered Accountants
Bankers to the Offer	The banks which are clearing members and registered with SEBI as banker(s) to the Offer at which the Public Offer Account will be opened in this case being Hongkong and Shanghai Banking Corporation, ICICI Bank, IDBI Bank, HDFC Bank, Kotak Bank and Canara Bank.
Bid	An offer made during the Bidding Period by a prospective investor to acquire the Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Offer
Bid Closing Date / Offer Closing Date	The date after which the BRLMs and the Syndicate Members will not accept any Bids for the Offer, which shall be notified in an English national newspaper and a Hindi national newspaper.
Bid cum Application Form/ Bid Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of our Company and which will be considered as the application for transfer of the Equity Shares in terms of this Preliminary Sale Document
Bid Opening Date / Offer Opening Date	The date on which the BRLMs and the Syndicate Members shall start accepting Bids for the Offer, which shall be the date notified in an English

Term	**Description**
	national newspaper and a Hindi national newspaper.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Preliminary Sale Document
Bidding Period / Offer Period	The period between the Bid Opening Date / Offer Opening Date and the Bid Closing Date / Offer Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Board of Directors / Board	The Board of Directors of GAIL (India) Limited or a committee thereof
Book Building Process / Method	Book building route as provided in the SEBI Guidelines as amended from time to time. The Selling Shareholder has voluntarily decided to adopt the SEBI Guidelines particularly the guidelines for the 100% Book Building Process and the processes, procedures and practices which are generally followed in the 100% Book Building Process, save for specified deviations (See "Deviations from SEBI Guidelines").
BRLMs	Book Running Lead Managers to the Offer, in this case being HSBC Securities and Capital Markets (India) Private Limited and ICICI Securities Limited
CAN / Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process
Companies Act / The Act	The Companies Act, 1956, as amended from time to time
Cut-off Price	The Offer Price finalised by the Selling Shareholder in consultation with the BRLMs.
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Accounts to the Public Offer Account after the Final Sale Document is filed with the RoC for public inspection, following which the Equity Shares shall be transferred to the successful Bidders
Designated Stock Exchange	The National Stock Exchange
Director(s)	Director(s) of GAIL (India) Limited unless otherwise specified
Employees	The regular and full time employees on the permanent rolls of the Company and the wholetime Directors of the Company, as on the cut-off date being – January 31, 2004.
Employee Portion	The portion of the Offer being a maximum of 5% of the Offer
Equity Shares	The equity shares of Rs.10 each of the Company, unless otherwise specified in the context thereof
Escrow Accounts	Accounts opened with Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when

Term	Description
	submitting a Bid, or the amount payable by the Bidder after allocation within the Pay-in Period, as the case may be
Escrow Agreement	Agreement entered into amongst the Company, the Selling Shareholder, the Registrar, the Escrow Collection Banks, the BRLMs and the Syndicate Members in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as banker(s) to the Offer at which the Escrow Account will be opened, in this case being Hongkong and Shanghai Banking Corporation, ICICI Bank, IDBI Bank, HDFC Bank, Kotak Bank and Canara Bank.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FII / Foreign Institutional Investor	Foreign institutional investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside of India) Regulations, 2000 and SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
Final Sale Document	The final sale document containing, inter alia, the Sale / Offer Price that is determined at the end of the Book Building Process, the size of the Offer and certain other information. The final sale document would be filed with RoC if required
Financial year / Fiscal / FY / Fiscal year	The twelve months ended March 31st of a particular year
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Government	Central and/or State Government in India and/or any instrumentality thereof, unless otherwise specified in the context thereof
I.T. Act	Income-Tax Act, 1961, as amended from time to time except as stated otherwise
Margin Amount	The amount paid by the Bidder at the time of submission of his / her Bid, being 0% to 100% of the Bid Amount
Memorandum / Memorandum of Association	The Memorandum of Association of GAIL (India) Limited
Net Offer	The Offer size i.e. up to 84,565,160 Equity Shares less the allocation of Equity Shares to the Employees
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Bidders or Employees and who bid for Equity Shares and whose Bid Amount is for an amount more than Rs. 50,000
Non-Institutional Portion	The portion of the Offer being a minimum of 25% of the Net Offer which is available for allocation to Non-Institutional Bidders (subject to requiste valid Bids being received in other categories at or above the Offer Price)
Non Residents	All Bidders who are not "persons resident in India" as defined in FEMA (Transfer or Issue of Security by a Person Resident Outside of India) Regulations, 2000

Term	Description
NRI / Non Resident Indian	A person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, and as defined under Foregn Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
OCB / Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
Offer / Offer for Sale / Sale	The Offer for Sale by the Selling Shareholder of up to 84,565,160 Equity Shares of GAIL (India) Limited at the Offer Price, determined through book building, in terms of the Preliminary Sale Document.
Offer Price / Sale Price	The final price at which Equity Shares will be transferred in terms of this Preliminary Sale Document. The Offer Price will be decided by the Selling Shareholder in consultation with the BRLMs on the Pricing Date.
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	This term means (I) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount the period commencing on the Bid Opening Date and extending until the closure of the Pay-in Date
Preliminary Sale Document	This document which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Offer. This document is not a document issued by or on behalf of the Company and maybe filed with RoC, if required.
Price Band	Price band of a minimum price (floor of the price band) and the maximum price (cap of the price band) which shall be advertised by the Selling Shareholder prior to the Bid Opening Date and includes any revisions thereof.
Pricing Date	The date on which the Selling Shareholder, in consultation with the BRLMs, finalises the Offer Price
Promoter	The GoI
Public Offer Account	An account opened with the Bankers to the Offer to receive monies from the Escrow Accounts on the Designated Date
Qualified Institutional Buyers / QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 mn, pension funds with minimum corpus of Rs. 250 mn and multilateral and bilateral development financial institutions
QIB Portion	The portion of the Offer being a maximum of 50% of the Net Offer which is

Term	Description
	available for allocation to QIBs (subject to requiste valid Bids being received in other categories at or above the Offer Price)
Registered Office of our Company / Registered Office of the Company	16 Bhikaiji Cama Place, R.K. Puram, Ring Road, New Delhi – 110 066
Registrar/ Registrar to the Offer	In this case being MCS Limited having its registered office as indicated on the cover page of this Preliminary Sale Document
Retail Bidder(s)	Individual Bidders (including HUFs and NRIs) whose Bid Amount is not more than Rs.50,000 in any of the bidding options in the Offer
Retail Portion	The portion of the Offer being a minimum of 25% of the Net Offer which is available for allocation to Retail Bidder(s) (subject to requiste valid Bids being received in other categories at or above the Offer Price)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI, as amended, including instructions and clarifications issued by SEBI from time to time
Selling Shareholder	The President of India, acting through and represented by the Director, Ministry of Petroleum and Natural Gas, the Government of India
Stock Exchanges	The National Stock Exchange of India Ltd, The Stock Exchange, Mumbai and The Delhi Stock Exchange Association Ltd
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	The agreement to be entered into among the Selling Shareholder, GAIL (India) Limited and the members of the Syndicate, in relation to the collection of Bids in this Offer
Syndicate Members	Intermediaries registered with SEBI and eligible to act as Underwriters, and Syndicate Members who are appointed by the BRLMs. In this case, ● and ●
Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 and amendments thereof
TRS / Transaction Registration Slip	The slip or document issued by the members of the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and Syndicate Members
Underwriting Agreement	The Agreement among the Syndicate, GAIL (India) Limited and the Selling Shareholder to be entered into on or after the Pricing Date
US GAAP	Generally Accepted Accounting Principles in the United States

ABBREVIATIONS OF GENERAL TERMS

Abbreviation	Full Form
APM	Administrative Price Mechanism
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
Bn	Billion
BPCL	Bharat Petroleum Corporation Limited
BSE	The Stock Exchange, Mumbai
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Ltd
DGH	Directorate General of Hydrocarbons
DSE	The Delhi Stock Exchange Association Ltd
EGM	Extraordinary General Meeting
EPS	Earnings per Share
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999
FIPB	Foreign Investment Promotion Board
GDP	Gross Domestic Product
GDR	Global Depository Receipt
GIR Number	General Index Registry Number
GoI	Government of India
HPCL	Hindustan Petroleum Corporation Limited
HSBC	HSBC Securities and Capital Markets (India) Private Limited
HUF	Hindu Undivided Family
I-Sec	ICICI Securities Ltd
IOC	Indian Oil Corporation Ltd
Kms	Kilometres
LSE	The London Stock Exchange
Mn	Million
NAV	Net Asset Value
NRE Account	Non Resident External Account
NSDL	National Securities Depository Ltd
NSE	National Stock Exchange of India Ltd
OIL	Oil India Limited
OMCs	Oil Marketing Companies
ONGC	Oil and National Gas Corporation Limited
PBT	Profit before Tax
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number

PAT	Profit after Tax
PLL or Petronet	Petronet LNG Limited
PSU	Public Sector Undertaking
RBI	Reserve Bank of India
RoC	Registrar of Companies NCT of Delhi and Haryana
RONW	Return on Net Worth
Rs.	Rupees (currency of India)
Sq. ft	Square Feet
Sq. m	Square Metre
USD	US Dollar
w.e.f	With effect from

GLOSSARY OF TECHNICAL AND INDUSTRY TERMS

Term	Description
BCM / bcm	Billion Cubic Metres
Bopd	Barrels of oil per day
CNG	Compressed Natural Gas
E&P	Exploration and Production
FOB	Free on Board value
Kcal	Kilo Calories
LIBOR	London Interbank Offer Rate
LNG	Liquid Natural Gas
LPG	Liquid Petroleum Gas
MSCM / mscm	Thousand Metric Standard Cubic Metres
MMSCMD / mmscmd	Million Metric Standard Cubic Metres per Day
MMTPA / mmtpa	Million Metric Tonnes per Annum
MMT / mmt	Million Metric Tonnes
MoPNG	Ministry of Petroleum and Natural Gas, Government of India
OFC	Optical Fiber Cable
QRs	Quantitative Restrictions
PPAC	Petroleum Planning and Analysis Cell, MoPNG, GoI
PSC	Production Sharing Contract
SCM / scm	Standard Cubic Metres
SCADA	Supervisory Control And Data Acquisition
TAIPP	Tariff Adjusted Import Parity Price
TCF / tcf	Trillion cubic feet

Term	Description
BCM / bcm	Billion Cubic Metres
Bopd	Barrels of oil per day
CNG	Compressed Natural Gas
E&P	Exploration and Production
FOB	Free on Board value
Kcal	Kilo Calories
LIBOR	London Interbank Offer Rate
LNG	Liquid Natural Gas
LPG	Liquid Petroleum Gas
MSCM / mscm	Thousand Metric Standard Cubic Metres
MMSCMD / mmscmd	Million Metric Standard Cubic Metres per Day
MMTPA / mmtpa	Million Metric Tonnes per Annum
MMT / mmt	Million Metric Tonnes
MoPNG	Ministry of Petroleum and Natural Gas, Government of India
OFC	Optical Fiber Cable
QRs	Quantitative Restrictions
PPAC	Petroleum Planning and Analysis Cell, MoPNG, GoI
PSC	Production Sharing Contract
SCM / scm	Standard Cubic Metres
SCADA	Supervisory Control And Data Acquisition
TAIPP	Tariff Adjusted Import Parity Price
TQM	Total Quality Management
VA	Value Analysis
VAT	Value Added Tax
VRS	Voluntary Retirement Scheme

FORWARD-LOOKING STATEMENTS PERTAINING TO THE COMPANY

This Preliminary Sale Document contains certain “forward-looking statements”. These forward looking statements generally can be identified by words or phrases such as we “aim”, “believe”, “expect”, “estimate”, “anticipate”, “intend”, “plan”, “objective”, “project”, “shall”, “will”, “will continue”, “will pursue”, “may” or other words or phrases of similar import. Similarly, statements that describe the Company’s objectives, plans or goals are also forward-looking statements.

All forward looking statements are subject to risks, uncertainties and assumptions about the Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the Company’s expectations include, among others:

- General economic and business conditions in India;
- Supply and demand of natural gas, LPG and petrochemical products in India;
- The Company’s ability to successfully implement its strategy, growth and expansion plans and technological changes;
- Changes in the value of the Indian Rupee and other currency changes;
- Changes in the Indian and international interest rates;
- Changes in laws and regulations that apply to the Indian natural gas, LPG and petrochemical industries;
- Increasing competition in and the conditions of the Indian natural gas, LPG and petrochemical industries;
- Changes in political conditions in India;
- Market prices for natural gas, LPG and petrochemical products;
- The cost, availability and quality of the Company’s raw material supplies;
- The loss or shut down of operation at any of the Company’s facilities including as a result of expansion of projects or interruptions in the supply of gas;
- The loss of any significant customers;
- An adverse outcome in the legal proceedings in which the Company is involved;
- Changes in any global conditions and situations affecting India and the Indian oil and gas industry; and
- Labour unrest or other difficulties.

For further discussion of factors that could cause the Company’s actual results to differ materially from the expectations of the Company, see “Risk Factors as perceived by the Company”, “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Preliminary Sale Document. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Selling Shareholder, nor the Company, nor BRLMs, nor any Syndicate Member or any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. The Selling Shareholder, the Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the completion of necessary formalities as may be required by the Stock Exchanges.

CERTAIN CONVENTIONS; USE OF MARKET DATA PERTAINING TO THE COMPANY

Except where the context otherwise requires, all references to "India" contained in this Preliminary Sale Document mean the Republic of India, all references to the "U.S." or U.S.A.", or to the "United States" are to the United States of America. References to "we", "us", "our", the "Company" or "GAIL" mean GAIL (India) Limited unless the context indicates or otherwise requires. All references to the "Selling Shareholder", the "GoI", the "Government" or the "Central Government" mean the Government of India.

In this Preliminary Sale Document, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

FINANCIAL DATA PERTAINING TO THE COMPANY

Unless stated otherwise, the financial data in this Preliminary Sale Document is derived from the Company's financial statements prepared in accordance with AS included elsewhere in this Preliminary Sale Document.

The term "income" used in the Company's financial statements and elsewhere in this Preliminary Sale Document refers to the Company's revenues.

There are significant differences between AS and US GAAP; accordingly, the degree to which the AS financial statements included in this Preliminary Sale Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Sale Document should accordingly be limited. The Company has not attempted to explain those differences or quantify their impact on the financial data included herein, and the Company urges you to consult your own advisors regarding such differences and their impact on the Company's financial data.

The Company's fiscal year commences on April 1 and ends on March 31.

In this Preliminary Sale Document, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

MARKET DATA PERTAINING TO THE COMPANY

Market data used throughout this Preliminary Sale Document has been obtained from reports compiled by Company, reports compiled by the major oil and gas marketing companies and industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes that market data used in this Preliminary Sale Document is reliable, it has not been independently verified. Similarly, reports compiled by the Company and reports compiled by the major oil and gas marketing companies, while believed by the Company to be reliable, have not been verified by any independent sources.

All capacity and markest share data is for India unless other wise noted.

CURRENCY

In this Preliminary Sale Document, all references to "Rupees" and "Rs." are to the legal currency of India, all references to "U.S. Dollars", "Dollars", "US$" and "$" are to the legal currency of the United States.

Any percentage amounts set forth in "Risk Factors as Perceived by the Company", "Our Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Preliminary Sale Document, unless otherwise indicated, have been calculated on the basis of the Company's financial statements prepared in accordance with AS.

SUMMARY OF THE OFFER FOR SALE BY THE SELLING SHAREHOLDER

The allocation pattern as decided by the Selling Shareholder is as follows:

The present Offer to the public in terms of this Preliminary Sale Document is for up to 84,565,160 Equity Shares of Rs. 10/- each fully paid up with an aggregate nominal value of Rs. 845.65 million.

Equity Shares offered:	
Offer for Sale by Government of India	Up to 84,565,160 Equity Shares of Rs.10/- each
Of which:	
Reserved for Allotment to Employees	Maximum of **4,228,258** shares (Allocation on proportionate basis)
Net Offer	**80,336,902** Equity Shares of Rs.10/- each
Qualified Institutional Buyers Portion	Maximum of **40,168,450** shares (Allocation on a discretionary basis)
Non-Institutional Portion	Minimum of **20,084,226** shares (Allocation on a proportionate basis)
Retail Portion	Minimum of **20,084,226** shares (Allocation on a proportionate basis)
Equity Shares outstanding prior to the Offer	845,651,600 Equity Shares of Rs.10/- each
Equity Shares outstanding after the Offer*	845,651,600 Equity Shares of Rs.10/- each

*As this is an Offer for Sale, there will be no change in the number of Equity Shares outstanding subsequent to the Offer.

RISK FACTORS AS PERCEIVED BY THE COMPANY

An investment in Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Preliminary Sale Document, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

Unless stated otherwise, the financial data in this section are derived from the unconsolidated financial statements of the Company prepared in accordance with AS, the Companies Act, and included elsewhere in this Preliminary Sale Document.

Unless the context otherwise requires, for the purposes of this sub-section "Risk Factors as Perceived by the Company" of this Preliminary Sale Document references to "GAIL", "the Company", "GAIL (India) Limited", "we", "us" and "our Company" refers to GAIL (India) Limited, a public company incorporated under the Companies Act.

Internal Risk Factors

We are dependent upon key suppliers for our natural gas and a disruption in the supply of gas from them could disrupt our business

We are dependent upon key suppliers for our natural gas. In October 1999, GAIL entered into a Memorandum of Understanding with ONGC to purchase natural gas from our suppliers' existing discoveries which are under production. The Memorandum of Understanding is for a period of 15 years, and GAIL and ONGC further agreed that the terms and conditions of the Memorandum of Understanding would be reviewed after further deregulation of the gas marketing industry. In Fiscal 2003, we purchased approximately 84% of our natural gas directly from ONGC. The remainder of our gas supply is provided by OIL and three joint ventures, including a consortium of Cairn Energy (India) Pte. Ltd., Videocon Petroleum Ltd., Ravva Oil (Singapore) Pte. Ltd., and ONGC (the "Ravva Joint Venture"), a consortium of Reliance, British Gas Exploration and Production (India) Limited (formerly held by, Enron Oil and Gas India Limited) and ONGC (the "Tapti Joint Venture") and another consortium of Reliance, British Gas Exploration and Production (India) Limited (formerly held by, Enron Oil and Gas India Limited) and ONGC (the "Panna-Mukta Joint Venture").

For the fiscal year ended March 31, 2003, 71%, of our sales were attributable to the sale of natural gas. In addition to supplying the natural gas transmitted through the HVJ Pipeline and the Regional Pipelines, natural gas is the primary raw material used in our LPG production business and our petrochemical business and is used for power plants along the pipelines. We are undertaking several initiatives to increase the availability of natural gas, including seeking other joint venture companies to serve as suppliers, studying the feasibility of importing natural gas from neighboring countries, studying the feasibility of producing gas domestically through new methods and engaging in oil and gas exploration and production activities. However, there can be no assurances that any of these initiatives will be successful. A disruption in the supply of gas from ONGC or from our other suppliers, for any period of time could, disrupt our business.

We do not have firm agreements for the sale of all of our take-or-pay gas purchase commitments with Petronet LNG Limited ("PLL")

The import and re-gassification of LNG at the Petronet terminal at Dahej is expected to begin in March 2004. We have the transmission rights for 100% of the gas and a take-or-pay commitment to market 60% of the gas. Our take-or-pay commitment with PLL is for 25 years, and we must pay for gas under this commitment regardless of whether we have arranged for the subsequent sale of such gas. If we do not have a purchaser for the gas, whether under a gas purchase agreement, a spot sale or otherwise, we will suffer a loss.

For Fiscal 2005 and 2006, we have a take-or-pay commitment for 5.0 mmscmd. For Fiscal 2007, we have a minimum take-or-pay commitment of 10.5 mmscmd. As of February, 2004, we had signed binding agreements with customers for 4.89 mmscmd , usually for a term of 2 to 5 years. We have signed heads of agreement with potential customers in respect of 15.4 mmscmd. Heads of agreement are not binding contracts. However, we believe that, given the demand for natural gas in India, especially along the HVJ corridor where significant shortfalls exist, we will be able to sign binding agreements with customers for all of our commitments. If we are unable to do so, or if we are unable to renew or replace our gas sale agreements as they expire, it will have a material negative impact on our revenues and margins.

We face significant competition in our petrochemicals business, from both domestic and foreign manufacturers

We face significant competition in our petrochemical business from other domestic polymer manufacturers, like Indian Petrochemicals Corporation Limited ("IPCL"), Reliance Industries Limited ("Reliance"), who have also acquired a stake in IPCL, and Haldia Petrochemicals Ltd. ("HPL"). Because the products produced at our petrochemical complex are commodities, we will be competing with the other domestic polymer manufacturers primarily on the basis of price and quality.

Petrochemical products have shown a historical pattern of price cycles, which have typically been influenced by the general economic environment and by industry capacity and supply. These cycles are also affected by announcements of new capacity. Polymer prices began increasing in April 2003 and increased 50% for the nine months ended December 31, 2003. There can be no assurance that prices will stay at current levels or will not decline again during this period. Declines in worldwide prices for petrochemical products could have an adverse effect on the prices that we may charge for our petrochemical products.

We also face competition from imports of polymers from nearby polymer producing countries, including countries in the Middle East, Saudi Arabia, Korea and Malaysia. The Indian petrochemicals industry has historically been protected from international competition through high customs duties on petrochemical imports. During the month of January 2004, import duties on polymer products similar to those produced by us were reduced to approximately 20%. To the extent reductions in duties are made, we will face greater competition from international petrochemical producers, including large multinational companies that have significantly greater financial and other resources than we do.

We are beginning to engage in oil and gas exploration and production activities

As a part of our efforts to increase access to gas supplies, we have entered into consortia formed to engage in oil and gas exploration and production activities. The consortia in which we participate have been awarded rights to explore a total of twelve blocks in India and Myanmar. See “Our Business — Exploration and Production”.

While we select our consortia partners based significantly upon the experience of such companies in oil and gas exploration and production, such ventures involve exposure to risks over an extended period of time. Few blocks that are explored are ultimately developed into producing wells. There can be no assurance that the exploration programmes, or any programmes undertaken in the future, will result in recoupment of the financial investments made by us or profitable commercial oil and gas production.

We supply a significant quantity of natural gas to a limited number of customers

In addition to supplying our own gas processing plants (LPG plants and the petrochemical complex), we currently supply natural gas to over 400 customers. Fertiliser plants and power generation facilities are the predominant consumers of natural gas in India, accounting for over 90% of the gas consumed in India in Fiscal 2003 in volume terms. Our ten largest customers, most of which are government-controlled entities, accounted for approximately 33% of net sales of natural gas in Fiscal 2003 in volume terms. Our major customers, as well as the quantity of gas to be supplied to each such customer, are determined by the Ministry of Petroleum and Natural Gas based on the recommendations of the Gas Linkage Committee. A disruption in the business of, or failure or delay in the receipt of payment from, key customers could adversely affect our business, although we have taken measures to mitigate against such risks. Gas is supplied to such customers pursuant to contracts (generally for a period of up to 5 years) which fix the commercial terms of the arrangement and generally contain provisions for customer deposits, bank guarantees and standby or revolving letters of credit, and “take or pay” minimum guaranteed offtake requirements.

We are undertaking or developing several significant new projects which will entail risks

We are undertaking or developing several significant new projects, including constructing new gas transmission pipelines, expanding our petrochemical complex, developing infrastructure for the telecommunications business and engaging in oil and gas exploration and production activities. Such projects entail engineering, construction and other normal commercial risks, and there can be no assurance that the projects currently contemplated by us will be completed or will operate as planned. In addition, specific projects contemplated by us remain subject to further technical and financial review and to formal approval by our Board and in certain cases the GoI. There can be no assurance that such approvals, where required, will be issued or that such projects will be implemented as currently planned. In addition, there can be no assurances that we will be able to fund our currently planned capital expenditures from our operations, and we may be required to incur additional financing. There can be no assurances that such financing, if required, will be obtained. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” and “Business— Projects Under Development”.

Our contingent liabilities as per AS are as follows:

As of December 31, 2003, our contingent liabilities not provided for include:

- Claims against us which have not been acknowledged as debts, in the amount of Rs. 75,755.4 million;

- Bonds executed, letters of credit and guarantees/counter guarantees, in the amount of Rs. 1,140.2 million;

- Guarantees given in relation to interest in joint ventures, in the amount of Rs. 3,500 million; and

- Our share in the contingent liabilities of our joint ventures, based on their audited and unaudited statements of accounts, in the amount of Rs. 38.4 million.

To the extent that any of these contingent liabilities become actual liabilities, they will adversely affect our results of operations and financial condition in the future.

The GoI is our controlling shareholder and we are subject to extensive regulation and supervision by the GoI and its departments

Immediately following the Offering, the GoI will hold 484,937,117 Equity Shares being approximately 57.35%, of our issued share capital, in the event that entire 10% offered for sale is disinvested. Consequently, the GoI, acting through the MoPNG, will continue to control us and will continue to have the power to appoint our Directors and to determine the outcome of most actions requiring approval of the Board of Directors or shareholders. The interests of the GoI may not be the same as the interests of the other investors in the Shares.

In addition, under our Articles of Association, the President of India may issue directives with respect to the conduct of the business and affairs of GAIL. Certain matters with respect to our business are reserved for the decision of the President of India. We may not take action in respect of any matter reserved for the President without his approval.

We are subject to extensive regulation and supervision by the GoI and its departments. Major policy and management decisions by us require the approval of the GoI. In addition, so long as the GoI's shareholding in GAIL equals or exceeds 51%, we will continue to be classified as a Government company under the Companies Act and will be subject to laws and regulations generally applicable to PSUs in India. These laws and regulations include matters such as planned capital expenditures, generation of funds through the issuance of securities and personnel issues. See "Regulations and Policies".

In addition, under the current policy of the GoI, disputes between Government enterprises, such as GAIL and GoI departments, must be referred to a Committee of Secretaries of the Government before any legal action may be commenced. Disputes between Government enterprises must be referred to the Bureau of Public Enterprises (a department of the GoI). See "Regulations and Policies" and "Outstanding Litigation and Material Developments".

GAIL is a flagship company of the GoI and is in the natural gas processing, transmission, distribution and marketing business. Presently, GoI has no plans to reduce its shareholding in GAIL to below 51%. However, if the GoI shareholding in GAIL or other PSU companies involved in the oil and gas business and with whom GAIL has business relationship is reduced to below 50%, this reduction in shareholding and the consequent loss of control of the GoI, or loss of PSU status for the relevant company, may alter the current business and commercial arrangements that exist between GAIL and the relevant company.

We are defendants in a number of legal proceedings that if determined against us, could have a material adverse impact on our results of operations and financial condition

We are defendants in a number of legal proceedings incidental to our business and operations. We are also subject to claims against us arising from excise duty, sales tax, customs, income tax, consumer disputes and other disputed demands. Contingent liabilities not provided for in our accounts in respect of these claims was Rs.75,755.4 million at December 31, 2003.

Should any new developments arise, such as a change in Indian law or a ruling against us by courts or appellate courts or tribunals, we may need to establish reserves in our financial statements, which could increase our expenses and our current liabilities. Furthermore, if a claim is determined against us and we are required to pay all or a portion of the disputed amount, it could have a material adverse affect on our results of operations.

All of the above legal proceedings are pending at different levels of adjudication before various courts, appellate courts, tribunals, enquiry officers, and appellate tribunals.

For more information regarding litigation involving our Directors, our joint venture companies or us, see "Outstanding Litigation and Material Developments".

Shareholdings may be diluted by additional issuances of Equity Shares and any dilution may adversely affect the market price of the Equity Shares

Immediately following the Offering, the GoI will hold 484,937,117 Equity Shares being approximately 57.35%, of the issued share capital of the Company, in the event that entire 10% offered for sale is disinvested. The future disposal of Equity Shares by the GoI, or by other shareholders that hold a significant percentage of the Equity Shares, may adversely affect the trading price of the Equity Shares. You may also experience dilution to your shareholding to the extent that we make future equity offerings. For a period of six months from the date of closure of the Offer, the GoI has undertaken that it shall not sell any Equity Shares other than those sold pursuant to the Offer. Further, IOC and ONGC have also undertaken that they shall not sell the 4.829% shareholding held by each in the Company for a period of six months from the date of closure of the Offer. There can be no assurance that we will not issue additional Equity Shares or related securities immediately following this Offer. Further, there can be no assurance the GoI or ONGC or IOC will not dispose off Equity Shares or related securities immediately after six months from closure of the Offer.

We do not maintain insurance to cover the replacement of the pipelines comprising our pipeline network

We have insurance policies covering risks of fire, flood, earthquake and property damage covering significant assets such as our compressors, terminals, liquefied petroleum gas plants and petrochemical plant, as well as injury to third parties and damage to their property, in each case which we consider adequate. However, we do not maintain insurance to cover the replacement of the pipelines comprising our pipeline network because we believe, over time, the cost of replacement in the event of loss would be less than the cost of the applicable insurance premiums. We have also taken measures to limit both the likelihood of damage to the pipelines and the effect of damage that a section of the pipeline could have on other sections. Approximately 95% of our pipelines are underground which reduces the likelihood that they will be damaged from accidents or sabotage. Our SCADA and other data control systems also allow us to monitor the pipeline to detect any damage quickly. If a section is damaged, then we can isolate that section to ensure that minimal loss of gas or LPG occurs.

We regularly work with volatile and hazardous materials that subject us to risks that may impact our operations

Due to the nature of our business, including the storage and sale of natural gas and LPG, we handle highly flammable and explosive materials. Despite compliance with requisite safety requirements and standards, our operations are subject to the usual hazards associated with using, storing, transporting and disposing such materials, including:

- explosions;
- fires;
- severe weather and natural disasters;
- mechanical failure;
- chemical spills;
- discharges or releases of hazardous substances or gases;
- storage tank leaks;
- other environmental risks; and
- terrorist attacks.

These hazards can cause personal injury and loss of life, catastrophic damage to or destruction of property and equipment and environmental damage and could result in a suspension of operations and the imposition of civil or criminal penalties. We have experienced minor incidents that have caused property damage and personal injuries in the past, and there can be no assurance that such accidents will not happen in the future. The loss or shutdown over an extended period of operations at any of our major operating facilities would have a material adverse effect on us.

We maintain insurance for flood, fire and earthquake on our facilities, except for our gas and LPG pipelines, as well as third party liability insurance, which we believe is in accordance with relevant regulations and customary industry practices. However, the amount of our insurance coverage may be less than the replacement cost of all covered property and may not be sufficient to cover all financial losses. See above risk-factor "—We do not maintain insurance to cover the replacement of pipelines comprising our pipeline network". If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our results of operations and financial position.

Approvals Applied For and Not Yet Received

We have applied and obtained various statutory and environmental approvals from the various authorities concerned in relation to our business. These approvals, such as the consent orders under the Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention and Control of Pollution) Act, 1981 are required to be periodically renewed. Although, adequate steps have been taken by the Company to file applications for renewal, we cannot be certain that we will receive such approvals. In the event that the said approvals are not granted by the appropriate authority, it may have an adverse effect on our operations. See "Government Approvals".

External Risk Factors

The regulatory framework in India is evolving and regulatory changes could have a material adverse effect on our organization and operations

The MoPNG is the primary administrator of the Indian Oil and Gas industry. The Petroleum Regulatory Board Bill, 2002 was placed before the Parliament (the Lok Sabha/Lower House of Parliament has since been dissolved). This Bill had sought the establishment of the Petroleum Regulatory Board to regulate the refining, processing, storage, transportation, distribution, marketing and sale of petroleum, petroleum products and natural gas (except for the production of natural gas). In addition, on September 29, 2003, the MoPNG issued "A Draft Policy for Development of Gas Pipelines Network" and invited comments and suggestions regarding the draft policy from various stakeholders (such as government departments, consumers and state governments) and the public. The draft policy calls for the appointment of a regulator to oversee the transmission, distribution, supply and storage of natural gas and to promote development of the natural gas sector. The proposed regulator would be responsible for approving the level of transmission charges and authorizing the construction of new pipelines. The draft policy calls for application of the common carrier principles. Any company will be able to apply for approval to construct a pipeline. The draft policy provides that all trunk pipelines for transportation of gas across the country covering more than one state or pipelines with natural gas pressure of more than a certain level will be built and managed by a company to be notified by the GoI, and until such notification occurs, by GAIL. See "Regulations and Policies".

It is expected that the draft policy will be finalised after consideration of the various comments and sugestions received by the GoI. At this stage, it is not certain how the regulatory changes envisaged by the draft policy will affect our organization and operations but any new legislation or regulation, including the appointment of a new regulator, could have a material impact on our business. For example, transmission tariffs could be reset by the proposed regulator. The returns from any new pipelines that we develop, including the proposed National Gas Grid, may vary from those that we currently experience. In addition, it may be necessary or desirable for us to separate our gas transmission business from our gas marketing business to reduce any perceived or actual conflicts. We are taking certain steps to prepare for any such changes, such as keeping separate accounts for transmission and marketing transactions. However, the timing and content of any new regulation is not in our control and could be more extensive or restrictive than is currently envisaged in the draft policy.

Due to significant changes in the regulatory environment, our past financial performance may not be a clear indicator of what our future results will be. In addition, on-going regulatory changes make it more difficult to predict what the regulatory environment and market will be in the future and more difficult to plan for the medium- and long-term. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Operations—Government control and industry regulation".

If the policy regarding under-recovery of the subsidy on LPG to domestic consumers is extended beyond Fiscal 2004, we may have to continue to share this under-recovery with the OMCs

After nationalisation of the petroleum industry in the 1970's and prior to 1998, prices of all major petroleum products were fixed pursuant to the administered pricing mechanism ("APM") and overseen by the oil coordination committee. The APM was based on a "cost plus" pricing system under which companies engaging in exploration and production, refiners and marketing companies were all guaranteed fixed returns on net worth plus reimbursement of eligible operating costs. Under the system, selling prices of any given petroleum product was uniform for each marketing company within a specific area except for variances resulting from differing tax rates from one State to another. The APM operated through a system of "oil pool" accounts through which cash flows relating to various charges, subsidies and other adjustments were managed, allowing for certain products, including domestic LPG, to be cross-subsidised by income from other products such as petrol.

Pursuant to a resolution of the MoPNG dated November 21, 1997, the consumer prices of all petroleum products other than petrol, diesel, aviation turbine fuel, kerosene for the public distribution system and domestic LPG were decontrolled effective April 1, 1998. Currently, pricing of all petroleum products except for kerosene for the public distribution system and domestic LPG is influenced by market factors. In practice, however, the OMCs, all of who are directly or indirectly controlled by the GoI, meet periodically (usually once every two weeks) and determine whether or not to revise the uniform prices charged by them. As such, retail price competition has yet to emerge.

As part of its decision to dismantle the APM, the GoI introduced a subsidy on domestic LPG on a flat rate basis. It was also decided that the OMCs would not increase the selling prices of domestic LPG during Fiscal 2004. The resulting under-recoveries of the OMCs in Fiscal 2004 will be absorbed and shared among the OMCs, GAIL and ONGC.

The mechanism for sharing the LPG under-recovery has materially and adversely affected our results of operations in Fiscal 2004 and our sales and profit for the nine months ended December 31, 2003 have been decreased by Rs. 2,421 million because of the effects of this policy. See "Management's discussion and Analysis of Financial Conditions and Results of Operations— Factors affecting our operations— Potential Liabilities relating to Domestic LPG Sales". It is not clear whether the under-recovery of subsidy on domestic LPG will continue in Fiscal 2005 at current levels. Further if it does, GAIL's share of the under-recovery is not yet decided. If we are required to share any under-recovery in Fiscal 2005 or beyond, it will have a material negative impact on our earnings. See "Management Discussion and Analysis of Results of Operations— Potential liabilities relating to domestic LPG Sales".

An increase in the end price to consumers of natural gas will have a negative impact on the earnings from our business

The end price to consumers, in other words the price consumers actually pay for natural gas, is the aggregate of the consumer price, transmission charges, royalties and taxes. An increase in the end price to consumers of natural gas (including through an increase in the consumer price or an increase in royalties and taxes due to an increase in the producer price) would negatively impact earnings from our LPG and petrochemicals business. The GoI is currently considering a possible upward revision of natural gas prices. If the increase is approved, it will increase the cost base of our LPG and petrochemicals businesses and would consequently have a material negative impact on the margins of our LPG and petrochemical businesses. Although the price for natural gas is generally a pass-through cost for our natural gas sales business, any such price increase will also have a negative impact on our natural gas sales business because we also use natural gas to power various elements of our pipeline system. See "Management Discussion and Analysis of Results of Operations - Natural Gas Pricing".

India has a limited supply of proven natural gas reserves and our business and growth will be adversely affected unless we can obtain natural gas from other sources

India has a limited supply of proven natural gas reserves. Currently, we are significantly dependent on the gas supplied by ONGC. To the extent production is not increased from existing fields or new discoveries are not made, our future growth will be adversely affected unless we can obtain natural gas from other sources.

Based on industry estimates, total gas production in India, which is a function of available supply, will start to level off by 2004. However, the recent discovery of a major natural gas deposit in the Krishna-Godavari basin (the "KG Basin") and further positive indications from the KG basin and other offshore exploration sites could lead to an expanded supply of natural gas as early as Fiscal 2007. In addition, the regassified LNG that should be available at the PLL terminal at Dahej from March 2004 onwards is an important new source of natural gas for us. We are also undertaking several initiatives to secure additional sources of gas supply, including seeking other joint venture companies to serve as suppliers, including participating in joint ventures involved in oil and gas exploration and production activities, participating in other joint ventures for importing liquid natural gas into the country, studying the feasibility of importing natural gas from neighboring countries and studying the feasibility of producing gas domestically through new methods. However, there can be no assurances that any of these initiatives will be successful or that additional supplies of natural gas will become available to us from alternative sources.

Our performance is linked to the performance of the Indian economy and the natural gas, LPG and petrochemical industries in India

Demand for our products can be adversely affected by factors such as increase in natural gas prices and Indian and global macroeconomic performance.

A general slowdown in economic growth in India could cause our business to suffer. Past slowdowns in economic growth in India, particularly in Fiscal 1998, Fiscal 2000 and Fiscal 2001 affected Indian manufacturing industries. We sell almost all of our products in the Indian market. Our performance and the growth of our business are dependent on the health of the overall Indian economy. Any slowdown in the Indian economy could affect us, our contractual counter-parties and our customers. A lower level of economic activity could result in a decline in demand for our products, which could adversely affect our net sales and margins and limit our future growth prospects. India’s trade relationships with other countries can also influence Indian economic conditions. If trade deficits increase or are no longer manageable, the Indian economy, our business and the price of our Equity Shares, could be adversely affected.

You will not receive the Equity Shares you purchase in this Offer until several days after you pay for them, which will subject you to market risk.

The Equity Shares you purchase in this Offer will not be credited to your demat account with depository participants until approximately fifteen working days from the Bid Closing Date (or approximately ten working days from the date that you make payment for the Equity Shares).You can start trading your Equity Shares only after they have been credited to your demat account and trading formalities having been completed.

Since the Equity Shares are already listed on the Stock Exchanges, you will be subject to market risk from the date you pay for the Equity Shares to the date they are credited to your demat account and trading having commenced.

Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account,or that trading in the Equity Shares will commence, within the specified time periods.

After this offering, the price of our Equity Shares may be highly volatile

The prices of our Equity Shares on the stock exchanges may fluctuate after this offering as a result of several factors, including:

- volatility in the Indian and global securities market;
- our results of operations and performance, in terms of market share;
- performance of our competitors, the Indian natural gas, LPG and petrochemical industries and the perception in the market about investments in the natural gas sector;
- media reports about the Government's process of selling its stake in our Company and other companies in which the Government has an equity participation;
- changes in the estimates of our performance or recommendations by financial analysts;
- significant developments in India's liberalisation, deregulation, fiscal, environmental and any other policies and regulations.

The prices of our Equity Shares may fluctuate after this Offer. There can be no assurance that the Offer Price will correspond to the prices at which our Equity Shares will trade in the market subsequent to this offering.

Terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in loss of customer confidence, and adversely affect our business, operational and financial results

Terrorist attacks, such as the ones that occurred in New York and Washington, D.C. on September 11, 2001, New Delhi on December 13, 2001 and Bali on October 12, 2002, and other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition.

More generally, any of these events could adversely affect natural gas and other fuel prices, cause consumer spending to decrease, cause increased volatility in the financial markets and have an adverse impact on the economies of India and other countries, including economic recession.

Political instability or changes in the Government in India could delay the liberalisation of the Indian economy and adversely affect economic conditions in India generally and our business in particular

Almost all of our operations are located in India, and in Fiscal 2003 almost 100% of our income was derived from the domestic market. Our business, and the market price and liquidity of our Equity Shares may be affected by foreign exchange rates and controls, interest rates, changes in government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

Since 1991, successive Indian Governments have pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. Nevertheless, the roles of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The present government, formed in October 1999, has announced policies and taken initiatives that support the continued economic liberalisation policies that have been pursued by previous governments. The rate of economic liberalisation could change, and specific laws and policies affecting petroleum industry, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalisation and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular if new restrictions on the private sector are introduced or if existing restrictions are increased.

The Lok Sabha has been dissolved and general elections are likely to take place in India in April-May 2004. The new Government formed after the general elections in India may or may not follow the current policy of economic liberalisation.

Regional conflicts in Asia and other foreign markets could adversely affect the Indian economy and cause our business to suffer

The Asian region has from time to time experienced instances of civil unrest and hostilities among neighbouring countries, including between India and Pakistan. Since May 1999, military confrontations between India and Pakistan have occurred in Kashmir. Also, since 2003, there have been military hostilities and civil unrest in Iraq. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companes, including our shares, and on the market for petroleum products.

NOTES TO RISK FACTORS

1. The average cost of acquisition of Equity Shares of Rs.10 each held by the Selling Shareholder is Rs.10.

2. The net asset value per equity share of Rs.10/- each as on December 31, 2003 is Rs.85.10.

3. The net worth of GAIL as of December 31, 2003 is Rs. 71,967 million.

4. The present offer is an Offer of Sale of up to 84,565,160 Equity Shares of Rs.10/- each at a price of Rs.● for cash aggregating Rs.● million.

5. The Company has entered into the following related party transaction. Such parties and ransactions have been identified as per Accounting Standard - 18 " Related Party Disclosure" issued by the Institute of Chartered Accountant of India.

6. Post Offer the Selling Shareholder shall continue to be the controlling shareholder of the Company. The Company would remain a Government company.

(Rs in Million)

Related Party	Nature of Transactions	Nine months ended	Year ended	Year ended March 31, 2002

		December 31, 2003	March 31, 2003	
MAHANAGAR GAS LTD. (Joint Venture Company)	Sales	653	653	451
	Outstanding as at balance sheet date	41	29	29
	Reimbursement of expenses received / receivable	2	8	24
	Outstanding expenses as at balance sheet date.	-	-	-
INDRAPRASTHA GAS LTD. (Joint Venture Company)	Sales	1312	1252	582
	Outstanding as at balance sheet date	179	89	73
	Reimbursement of expenses received / receivable	12	22	18
	Outstanding expenses as at balance sheet date.	13	4	2
PETRONET LNG LTD. (Joint Venture Company)	Sales	-	-	-
	Outstanding as at balance sheet date	-	-	-
	Reimbursement of expenses received / receivable	2	4	3
	Outstanding expenses as at balance sheet date.	7	5	4
BHAGYANAGAR GAS LTD. (Joint Venture Company)	Sales	-	-	-
	Outstanding as at balance sheet date	-	-	-
	Reimbursement of expenses received / receivable	6	-	-
	Outstanding expenses as at balance sheet date.	6	-	-

6. Investors may note that in case of over-subscription in the Offer, Allocation to Non-Institutional Bidders and Retail Bidders shall be on proportionate basis. For more information, see "Terms of Offer" on page ● of this Preliminary Sale Document.

7. Investors are free to contact the BRLMs for any complaints, clarification or information on the Offer. For contact details of the BRLMs please refer to the cover page of this Preliminary Sale Document.

8. Investors are advised to refer to the paragraph entitled "Statement on Basis of Offer Price" on page ● of this Preliminary Sale Document.

SUMMARY INFORMATION ON THE COMPANY

You should read the following summary together with the risk factors and the more detailed information about the Company, and its financial data included elsewhere in this Preliminary Sale Document.

Company's Business

The Company is the largest natural gas transmission company in India and operates a network of over 4,600 kilometres of gas pipeline, including the HVJ Pipeline located in northwestern India. The Company currently transports about 63 mmscmd of natural gas, representing approximately 90% of the total amount of natural gas transported by pipelines in India. In addition, the Company operates seven plants at six locations which process natural gas to produce liqufied petroleum gas ("LPG") and owns and operates a petrochemical plant that produces high-density polyethylene and linear low-density polyethylene. For the fiscal year ending March 31, 2003, the Company had total operating revenues of Rs. 117.8 billion and net profit after tax of Rs. 17.6 billion.

Operating Strengths

The Company believes that it is well situated to maintain and enhance its position in the markets in which it competes, and takes advantage of growth opportunities in these industries on account of its competitive strengths, which include the following:

- *Dominant Market Position;*
- *Significant Barriers to Entry*
- *Principal Assets Are Relatively New*
- *Synergies between Businesses*
- *Project Management Capabilities*
- *Intensive Operations and Maintenance Programmes*
- *Strong Management Team;*
- *Efficient Workforce*

Operating Strategy

The Company intends to increase profitability and improve its market position in the industries in which it operates by pursuing the following business strategies:

Configure capacity to match the supply and demand situation

The Company strives to maximise the economic value of the available supply of natural gas by transmitting gas to some of the most important power generation utilities, fertiliser plants and industrial facilities in India.

Integrate backward to secure access to additional gas supply

The Company is working to obtain new sources of natural gas by participating in the exploration and production of petroleum and natural gas, by investing in infrastructure to support the importation of LNG and by continuing to explore international pipeline import possibilities.

Integrate forward into profitable, value-added businesses

The Company intends to focus on downstream opportunities, which offer enhanced returns where it believes it has a competitive advantage. In addition to its continued involovement in the petrochemicals sector, the Company has taken a number of steps in the retail marketing of gas, which the Company views as a natural extension of its bulk transportation business.

Overseas Expansion

Due to the limited nature of gas reserves in India, the Company is expanding its business activities overseas with a focus on gas sector projects and gas based value added products. At present, the Company is targeting Myanmar, Bangladesh, Iran, Egypt and the Philippines as possible countries for investment.

Acquisition and Diversification

With the opening up of the Indian hydrocarbons sector and disinvement of the GoI's equity stake in PSUs, the Company is examining the possibility of equity participation in other companies and also planning to diversify into the production of synthetic gas, gas based appliances and renewable energy resources such as hydrogen to stimulate gas demand in the retail sector.

SUMMARY UNCONSOLIDATED FINANCIAL DATA OF THE COMPANY - PERTAINING TO SECTION III

The following selected unconsolidated financial data have been prepared in accordance with AS, the Companies Act and the SEBI Guidelines and restated as described in the Auditor's Report of S. Mann & Co dated January 20, 2004 in the section entitled "Unconsolidated Financial Data". You should read these financial data in conjunction with the Company's audited unconsolidated financial statements for each of fiscal 2001, 2002 and 2003 and the nine months ended December 31, 2003, including the notes thereto and the reports thereon, which appear elsewhere in this Preliminary Sale Document, and "Management's Discussion and Analysis of Financial Condition and Results of Operations". AS differ in certain significant respects from US GAAP. For more information on these differences, see "Summary of Significant Differences Between Indian Accounting Standards and US GAAP" included elsewhere in this Preliminary Sale Document.

Summary of Profit and Loss Account, as restated

(Rs in Million)

PARTICULARS	**For the Nine Months Ended December 31,2003**	**For the Year Ended March 31,2003**	**For the Year Ended March 31,2002**	**For the Year Ended March 31,2001**	**For the Year Ended March 31,2000**	**For the Year Ended March 31,1999**
Sales	79,918	104,152	93,886	91,850	77,102	61,931
LPG Transmission Charges	1,884	2,151	1,771	124	0	0
Income from Telecom	136	116	18	0	0	0
	81,938	**106,419**	**95,675**	**91,974**	**77,102**	**61,931**
Internal Consumption of Gas/Polymers	8,322	11,257	10,054	8,613	7,051	4,503
	90,260	**117,676**	**105,729**	**100,587**	**84,153**	**66,434**
Other Income	1,680	3,188	2,096	1,420	1,493	2,510
Total income / revenue	**91,782**	**120,938**	**107,626**	**102,290**	**86,225**	**68,980**
Total expenditure	**73,166**	**95,838**	**89,699**	**86,504**	**75,946**	**56,742**
Net Profit after tax as per audited statement of accounts (A)	**12,392**	**16,391**	**11,858**	**11,262**	**8,613**	**10,599**
Total adjustments (B)	**0**	**1,176**	**115**	**(2,424)**	**(3,499)**	**(2,459)**
Adjusted Profit Available for appropriation (A +B)	**12,392**	**17,567**	**11,973**	**8,838**	**5,114**	**8,140**

Summary of Assets and Liabilities, as restated

(Rs in Million)

	PARTICULARS	**As at December 31,2003**	**As at March 31,2003**	**As at March 31,2002**	**As at March 31,2001**	**As at March 31,2000**	**As at March 31,1999**
A	Net Fixed Assets	87,843	69,557	69,663	70,972	63,031	59,585
B	Investment	7,602	6,879	6,882	6,614	5,439	5,037
C	Current Assets, Loans and Advances	32,967	47,559	39,522	28,503	22,538	15,220
D	Liabilities and Provisions:	56,445	59,428	56,441	53,715	47,258	40,847
E	**Networth (A+B+C-D)**	**71,967**	**64,567**	**59,626**	**52,374**	**43,750**	**38,995**
F	Share Capital	8,457	8,457	8,457	8,457	8,457	8,457
G	Reserves and Surplus (less miscellaneous expenditures, to the extent not written off)	63,510	56,110	51,169	43,917	35,293	30,538
H	**Net worth (F+G)**	**71,967**	**64,567**	**59,626**	**52,374**	**43,750**	**38,995**

SECTION II – OFFER FOR SALE BY THE SELLING SHAREHOLDER

GENERAL INFORMATION

Authority for the Offer

The Offer has been approved by the GoI and communicated by the MoPNG to the Company vide its D.O.No. G-34015/3/2003-Fin.II dated December 26, 2003 authorizing disinvestment of up to 10% Equity Shares of the Company, amounting to 84,565,160 shares, in the domestic capital market. Pursuant to the decision taken by GoI, the MoPNG acting for and on behalf of the President of India, has been authorized to offer up to 84,565,160 shares held by the President of India in the Company by way of Offer for Sale through a public offer.

As per the letter no. 4 / 3 / 2004 / DD-II, dated February 9, 2004, from the Ministry of Disinvestment, the Selling Shareholder has voluntarily decided to substantially adopt the SEBI Guidelines, particularly the guidelines for procedure for the 100% Book Building Process save for specified deviations (See "Deviations from SEBI Guidelines").

The Company has noted the Offer in terms of a resolution passed by the Board of Directors on January 8, 2004. The Company has approved this Preliminary Sale Document through the Board resolution dated February 17, 2004.

The Selling Shareholder has good and clear title to the Equity Shares forming part of this Offer and the Equity Shares are free of all restrictions on transfer, liens, encumbrances, security interests and claims whatsoever. There are no legal or regulatory restrictions on the Selling Shareholder undertaking this Offer.

DISCLAIMER CLAUSE

THE SHARES OFFERED UNDER THIS SALE OFFER BEING ALREADY LISTED ON THE STOCK EXCHANGES, THE SEBI GUIDELINES FOR PUBLIC ISSUES/OFFERS ARE NOT APPLICABLE TO THIS SALE OFFER BY THE SELLING SHAREHOLDER. THE SELLING SHAREHOLDER HAS ON ITS OWN VOLITION DECIDED TO FOLLOW THE PROCESS THAT IS SUBSTANTIALLY SIMILAR TO THE PROCESS SPECIFIED IN THE SEBI GUIDELINES. HOWEVER THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER DOCUMENT OR PROSPECTUS IN TERMS OF THE SEBI GUIDELINES. THIS IS NOT A DOCUMENT ISSUED BY OR ON BEHALF OF THE COMPANY. THE DOCUMENT HAS BEEN VOLUNTARILY FORWADED BY THE SELLING SHAREHOLDER TO SEBI FOR SEEKING ITS GUIDANCE/SUGGESTIONS AND THE SELLING SHAREHOLDER HAS ON ITS OWN VOLITION ALSO DECIDED ON THE TERMS OF THE OFFER, PRICE BAND, ALLOCATION PATTERN ETC. SEBI'S GUIDANCE TO THE SELLING SHAREHOLDER SHOULD NOT IN ANY WAY BE CONSTRUED OR DEEMED THAT THE SALE DOCUMENT HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECTS OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS SALE DOCUMENT, THE COMPANY HAS CONFIRMED THAT THE REQUIREMENTS UNDER THE LISTING AGREEMENT HAVE BEEN COMPLIED WITH.

THE BOOK RUNNING LEAD MANAGERS, HSBC SECURITIES AND CAPITAL MARKETS (INDIA) PRIVATE LIMITED AND ICICI SECURITIES LIMITED HAVE FURNISHED TO THE SELLING SHAREHOLDER A DUE DILIGENCE CERTIFICATE DATED FEBRUARY, 17, 2004.

Caution

The Selling Shareholder, the Company, the Directors and the BRLMs accept no responsibility for statements made otherwise than in the Preliminary Sale Document or in the advertisements or any other material issued by or at their instance and anyone placing reliance on any other source of information including the Company's website, would be doing so at his or her own risk.

However, the Company accepts responsibility for the information that it has disclosed to the public in the past pursuant to the requirements of the listing agreements with the Stock Exchanges.

The BRLMs accept no responsibility, save to the limited extent as provided in the Underwriting Agreement to be entered into among the Selling Shareholder, the Underwriters and the Company and the Memorandum of Understanding among the Selling Shareholder, the BRLMs and the Company dated January 21, 2004.

All information shall be made available by the Selling Shareholder, the Company and the BRLMs to the public and investors at large and no selective or additional information will be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres.

DISCLAIMER IN RESPECT OF JURISDICTION

This Offer is being made in India to persons resident in India including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law (and who are authorised under their constitution to hold and invest in shares), state industrial development corporations, insurance companies registered under the Industrial Regulatory and Development Authority, pension funds with a minimum corpus of Rs.250 million, provident funds with a minimum corpus of Rs. 250 million, and to NRIs, FIIs, Multilateral and Bilateral financial institutions. This Preliminary Sale Document does not, however, constitute an offer to sell or an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Preliminary Sale Document comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in New Delhi, India, only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Preliminary Sale Document has been voluntarily forwarded by the Selling Shareholder to SEBI and SEBI has provided guidance and suggestions regarding this Preliminary Sale Document. Accordingly, the Equity Shares represented hereby may not be offered or sold, directly or indirectly, and this Preliminary Sale Document may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Preliminary Sale Document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of the NSE

As required, a copy of this Preliminary Sale Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter dated February 6, 2004, granted permission to the Company to use the NSE's name in this Preliminary Sale Document as one of the stock exchanges on which the shares are listed. The NSE has scrutinized this Preliminary Sale Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Preliminary Sale Document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Preliminary Sale Document; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoter, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of BSE

As required, a copy of this Preliminary Sale Document has been submitted to BSE. The BSE has given vide its letter dated February 16,2004, permission to the Company to use the BSE's name in this Preliminary Sale Document as one of the stock exchanges on which the shares comprising this Offer are proposed to be traded. The BSE has scrutinised this Preliminary Sale Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

The BSE does not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Preliminary Sale Document; or
2. warrant that this Company's securities will be tradedor will continue to be listed on the BSE; or
3. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company; and it should not for any reason be deemed or construed that this Preliminary Sale Document has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

[DISCLAIMER CLAUSE OF DSE

DISCLAIMER IS AWAITED]

LISTING

The Equity Shares of the Company are listed on the NSE, BSE and the DSE. The National Stock Exchange has been chosen as the Designated Stock Exchange for the purposes of this Offer for Sale.

The Equity Shares are eligible for trading on BSE and DSE. Whilst, the Equity Shares are listed on NSE, trading permission from NSE is not available in respect of the Equity Shares on Offer. The Company has made an application to NSE seeking the requisite permission for dealing in the Equity Shares on Offer. If the permission to deal in is not granted by the NSE, the Selling

Shareholder will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Preliminary Sale Document. If such money is not repaid within eight days after the GoI becomes liable to repay it i.e. from the date of refusal or within 70 days from the date of Offer Closing Date, whichever is earlier, then the Selling Shareholder shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money.

The Company and/or the Selling Shareholder shall ensure that all steps for the completion of the necessary formalities for commencement of dealing at the NSE is taken within seven working days of finalization and adoption of the basis of Allocation for the Offer.

FILING

SEBI vide its letter no. DIL/NB/2132/2004 dated January 29, 2004 has inter alia stated "the document may be called 'sale document' ". Further, the GoI has in terms of its letter NO. 4/3/2004/DD-II dated February 12, 2004 communicated that RoC filing for the Offer be made as per letter no. 1/32/DI-/D.Cell dated February 10, 2004 issued by the Department of Company Affairs, Ministry of Finance, GoI. The Department of Company Affairs in its aforementioned letter clarified in a transaction similar to the Offer that *"It has been noted that SEBI has informed that the offer document is to be called "Preliminary Sale Document". Accordingly, therefore, the Ministry of Disinvestment may please file this "Preliminary Sale Document" with the Registrar of Companies, alongwith the requiste fee so that it can be placed on record for public inspection".*

A copy of the Preliminary Sale Document along with the supporting documents may be filed with the RoC, if required. The Preliminary Sale Document is not a document issued by or on behalf of the Company. A copy of the Preliminary Sale Document is being voluntarily filed with the Corporation Finance Department of SEBI at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021 for the purposes of guidance only.

PROHIBITION FROM ACCESSING CAPITAL MARKETS

The Company, its Directors, joint venture companies, other companies or entities promoted by the Company and companies or entities with which the Company's directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

CONSENTS

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors and Bankers to the Offer; and (b) Book Running Lead Managers to the Offer and Syndicate Members, Escrow Collection Bankers and Registrar to the Offer, to act in their respective capacities, have been obtained and filed along with a copy of the Preliminary Sale Document with the RoC.

M/s S. Mann and Company, chartered accountants, the statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Preliminary Sale Document and such consent and report has not been withdrawn up to the time of delivery of this Preliminary Sale Document for filing with the RoC.

Expert Opinion
Except as stated elsewhere in this Preliminary Sale Document, the Selling Shareholder has not obtained any expert opinions.

Basis of Allocation

The present Offer in terms of this Preliminary Sale Document is for up to 84,565,160 fully paid-up Equity Shares. The Offer would constitute up to 10% of the paid up capital of the Company. The Selling Shareholder, reserves the right, at its sole discretion, after determination of the Offer Price, to transfer the Equity Shares to Retail Bidders at a differential lower price, as compared to the Offer Price at which Equity Shares will be transferred to Non-Institutional Bidders and QIBs. The Selling Shareholder has voluntarily decided that the basis of allocation for this Offer is as follows:

(A) For Employees

- Bids received from the Employee bidders at or above the Offer Price within the Price Band shall be grouped together to determine the total demand under this category. The allocation to all the successful Employee bidders will be made at the Offer Price.The Selling Shareholder, in its sole discretion may decide to offer Equity Shares, to the Employees whose Bid Amount is a maximum of Rs. 50,000, at the same price at which Equity Shares are offered to the Retail Bidders.

- If the aggregate demand in this category is less than or equal to the Employee Portion at or above the Offer Price within the Price Band, full allocation shall be made to the Employee bidders to the extent of their demand. In the event of shortfall of demand in this category the number of Equity Shares in the Net Offer shall stand increased.

- If the aggregate demand in this category is greater than the Employee Portion at or above the Offer Price within the Price Band, the allocation shall be made on a proportionate basis up to a minimum of one Equity Share. For the method of proportionate basis of allocation, refer below.

(B) For Retail Bidders

- Bids received from the Retail Bidders at or above the Offer Price within the Price Band shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Bidders will be made at the Offer Price. The Selling Shareholder, reserves the right, at its sole discretion, after determination of the Offer Price, to transfer the Equity Shares to Retail Bidders at a differential lower price, as compared to the Offer Price at which Equity Shares will be transferred to Non-Institutional Bidders and QIBs.

- The Net Offer size less allocation to Non-Institutional Bidders and QIBs shall be available for allocation to Retail Bidders who have bid in the Offer at a price which is equal to or greater than the Offer Price within the Price Band.

- If the aggregate demand in this category is less than or equal to the Retail Portion at or above the Offer Price within the Price Band, full allocation shall be made to the Retail Bidders to the extent of their demand.

- If the aggregate demand in this category is greater than the Retail Portion at or above the Offer Price within the Price Band, the allocation shall be made on a proportionate basis up to a minimum of one Equity Share. For the method of proportionate basis of allocation, refer below.

(C) For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Offer Price within the Price Band shall be grouped together to determine the total demand under this category. The allocation to all successful Non-Institutional Bidders will be made at the Offer Price.

- The Net Offer size less allocation to QIBs and Retail Portion shall be available for allocation to Non-Institutional Bidders who have bid in the Offer at a price which is equal to or greater than the Offer Price within the Price Band.

- If the aggregate demand in this category is less than or equal to Non-Institutional Portion at or above the Offer Price within the Price Band, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.

- In case the aggregate demand in this category is greater than Non-Institutional Portion at or above the Offer Price within the Price Band, allocation shall be made on a proportionate basis up to a minimum of one Equity Share. For the method of proportionate basis of allocation refer below.

(D) For QIBs

- Bids received from the QIBs Bidders at or above the Offer Price within the Price Band shall be grouped together to determine the total demand under this category. The allocation to all the QIBs will be made at the Offer Price.

- The Net Offer size less allocation to Non-Institutional Portion and Retail Portion shall be available for allocation to QIBs who have bid in the Offer at a price which is equal to or greater than the Offer Price within the Price Band.

- The Selling Shareholder, in consultation with the BRLMs, would have the discretion for any allocation to QIBs based on a number of criteria including the following: prior commitment, investor quality, price, earliness of the Bid, existing and continued shareholding of the QIB in the Company during the period prior to the Bid Opening Date and until the Pricing Date.

Method of Proportionate Basis of Allocation

In the event the Offer is over-subscribed, the basis of allocation to Retail Bidders and Non-Institutional Bidders shall be finalised in consultation with the Designated Stock Exchange. The executive director or managing director (or any other senior official nominated by him) of the

Designated Stock Exchange along with the BRLMs and the Registrar to the Offer shall be responsible for ensuring that the basis of allocation is finalised in a fair and proper manner.

The allocation shall be made on a proportionate basis by adopting the applicable guidelines of SEBI in this respect as amended from time to time. Currently, the allocation shall be made on a proportionate basis as explained below:

(a) Bidders will be categorised according to the number of Equity Shares applied for.

(b) The total number of Equity Shares to be allocated to all successful Employee bidders, Retail Bidders and Non-Institutional Bidders as a whole in their respective categories shall be made on a purely proportionate basis depending on the over subscription level within that category rounded off to the nearest integer. For example if the Retail Portion is over subscribed 10 times all successful Bidders would be allocated $1/10^{th}$ of the Equity Shares for which they have submitted Bids.

(c) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allocated to the Bidders in that category, the remaining Equity Shares available for allocation shall be first adjusted against any other category, where the allocated Equity Shares are not sufficient for proportionate allocation to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Expenses of the Offer

The expenses of the Offer payable by the Selling Shareholder inclusive of brokerage, underwriting commission, fees payable to the BRLM, Syndicate Members, other advisors to the Offer, fees of Legal Advisors to the Offer and Auditors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, depositories charges, fees payable to the Registrar to the Offer and other miscellaneous expenses will be met out of the proceeds of the Offer.

Fees Payable to the BRLMs

The total fees payable to the Book Running Lead Managers will be as per the letter of appointment dated December 31, 2003 issued by the Selling Shareholder, a copy of which is available for inspection at the registered office of the Company.

Fees Payable to the Registrar to the Offer

The fees payable to the Registrar to the Offer will be as per the letter of appointment dated January 23, 2004, a copy of which is available for inspection at the registered office of the Company.

Adequate funds will be provided to the Registrar to the Offer to enable them to send refund orders or allocation advice by registered post.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:
(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Withdrawal of the Offer

The Selling Shareholder, in consultation with the BRLMs, reserves the right not to proceed with the Offer anytime after the Bid Opening /Offer Opening Date but before Allocation, without assigning any reason therefor.

Transfer of Equity Shares or Refund Orders

The Company shall facilitate the Selling Shareholder to give credit to the beneficiary account with Depository Participants within two working days of finalisation of the basis of transfer of Equity Shares. The Company shall facilitate the Selling Shareholder to dispatch refund orders, if any, of value up to Rs.1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

The Selling Shareholder undertakes that:

- Allocation of Equity Shares will be made only in dematerialized form within 15 working days from the Offer Closing Date;
- Dispatch of refund orders will be done within 15 working days from the Offer Closing Date; and
- The Selling Sharehlder shall pay interest at the rate of 15% per annum for any delay beyond the 15 working day time period as mentioned above, if the transfer is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 working day time prescribed above.

The Selling Shareholder will provide adequate funds required for dispatch of refund orders or Allocation advice to the Registrar to the Offer.

Refunds will be made by cheques, pay-orders or demand drafts drawn on an Escrow Collection Bank(s) appointed by the Selling Shareholder, and payable at par at places where Bids are received from the Escrow Accounts in terms of the Escrow Agreement. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Offer Program

BID/ OFFER OPENS ON	:
BID/ OFFER CLOSES ON	:

Bids and any revision in Bids shall be accepted **only between 10 am and 3 pm** Indian Standard Time ("**IST**") during the Bidding Period as mentioned above at the Bidding Centres mentioned on the Bid-cum-Application Form except on the Bid/Offer Closing Date, the Bid shall be accepted **only between 10 am and 1 pm** IST and uploaded until such time as may be permitted by the BSE and the NSE on the Bid/Offer Closing Date.

The Selling Shareholder and the BRLMs shall advertise the Price Band prior to the Bid opening Date in two national newspapers (one each in English and Hindi). The Selling Shareholder shall retain the right to revise the Price Band during the Bidding Period at any level above or below the Price Band first advertised prior to the Bid Opening Date. In the event that the Selling Shareholder decides to revise the Price Band, the Selling Shareholder may in consultation with the BRLMs decide to either extend or not extend the Bidding Period. In the event that the Selling Shareholder decides to extend the Bidding Period, the decision to extend the Bidding Period shall be published in two national newspapers (one each in English and Hindi).

Book Running Lead Managers:

HSBC Securities and Capital Markets (India) Private Limted
52/60 Mahatma Gandhi Road
Fort, Mumbai 400 001
Phone: +91 22 22674921
Fax: +91 22 22631984
Email: gail_offer@hsbc.co.in

ICICI Securities Limited
41/44 Minoo Desai Marg
Colaba
Mumbai 400 005
Phone: +91 22 5634 1100
Fax: +91 22 2284 0492
Email: gail_offer@isecltd.com

Statement Of Inter-Se Allocation Of Responsibilities as furnished to the Selling Shareholder:

S.No.	Activities	Responsibility	Co-ordinator
1.	Capital structuring with the relative components and formalities such as type of instruments etc.	I-SEC & HSBC	HSBC
2.	Due diligence of the Company's operations/management/business plans/legal etc. Drafting and Design of sale document and of statutory advertisement including memorandum containing salient features of the prospectus. The BRLMs shall ensure	I-SEC & HSBC	HSBC

	compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalization of prospectus and RoC filing.		
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, etc.	I-SEC & HSBC	HSBC
4.	Appointment of other intermediaries viz Registrars, Printers, Advertising agency and bankers to the offer.	I-SEC & HSBC	I-SEC
5.	Marketing of the issue, which will cover inter alia • Formulating marketing strategies, preparation of publicity budget • Finalise Media & PR strategy • Finalising centers for holding conferences for brokers etc. • Finalise collection centers Follow-up on distribution of publicity and issue material including form, prospectus and deciding on the quantum of the issue material.	HSBC I-SEC	I-SEC
6.	Finalize the list and division of investors for one to one meetings, deciding pricing and institutional allocation in consultation with the Selling Shareholder, finalization of Final Sale Document and RoC Filing.	HSBC I-SEC	HSBC
7.	The post bidding activities including management of escrow accounts, coordinate non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders etc.	HSBC I-SEC	I-SEC
8.	The post issue activities for the issue will involve essential follow up steps, which include the formalities in relation to admissions of the Equity Shares to trading and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as the Registrars to the Issue, Bankers to the Offer and the Bank handling refund business. The BRLMs shall be responsible for ensuring that these agencies fulfill their functions and enable to discharge this responsibility through suitable agreements with the Company.	HSBC I-SEC	I-SEC

The selection of various agencies like the Registrar to the Offer, Bankers to the Offer, Escrow Collection Bank(s), Syndicate Members, Brokers, advertising agencies, public relations agencies etc. will be finalised by the Selling Shareholder.

REGISTERED OFFICE

GAIL (India) Limited,
GAIL Bhawan
16 Bhikaiji Cama Place,
R.K. Puram,
Ring Road,

New Delhi - 110066
India
Tel. : +91 1126172580
Fax.: +91 1126185941

Compliance Officer

Mr. N.K. Nagpal,
Company Secretary
GAIL (India) Limited,
GAIL Bhawan
16 Bhikaiji Cama Place,
R.K. Puram
New Delhi - 110066
India
Tel. : +91 1126172580
Fax.: +91 1126185941
E-mail: gailofs@gail.co.in

Registrar to the Offer

MCS Limited
Sri Padmavathi Bhavan
Plot. No 93, Road no. 16
MIDC Area, Andheri (East)
Mumbai- 400 093
Tel no: +91-22-2820 1785
Fax no: +91-22-2820 1783

The Registrar to the Offer is also the Registrar and Transfer Agent to the Company.

It is the obligation of the Selling Shareholder to redress the complaints, if any, of investors participating in this Offer. The Selling Shareholder has authorized the Compliance Officer to redress the complaints, if any, of investors participating in this Offer. The Registrar to the Offer is also authorized to any pre Offer / post Offer related problems. Investors can contact the Compliance Officer or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of letters of allocation, credit of transferred shares in the respective beneficiary accounts, refund orders etc.

Domestic Legal Counsel for the Offer

Dua Associates
204 Tolstoy House
15 Tolstoy Marg
New Delhi – 110 001
Tel: +91 11 23714408
Fax: +91 11 23357097
E-mail : duadel@duaassociates.com

Dua Associates
7[TH] Floor World Trade Centre I
Cuffe Parade, Mumbai 400 005
Tel: +91 22 56369966
Fax: +91 22 56364849
E-mail: mumdel@duaassociates.com

International Legal Counsel for the Offer

Allen & Overy
9th Floor, Three Exchange Square
Central
Hong Kong
Tel: +852 29747000
Fax: +852 29746999
E-mail: gail@allenovery.com

Legal Counsel to the Underwriters

Amarchand & Mangaldas & Suresh A. Shroff & Co.
Amarchand Towers
216, Okhla Industrial Estate, Phase - III
New Delhi 110 020
Tel : +91 11 26920500, 26920421-26, 51590700
Fax : +91 11 26924900, 51614086
Email: am.delhi@amarchand.com

Peninsula Chambers Amarchand Towers
Peninsula Corporate Park 216,
Ganpatrao Kadam Marg Okhla Industrial Estate,
Lower Parel Phase -III
Mumbai 400 013 New Delhi 100 013
Tel:+91 22 2496 4455 /5660 4455 Tel:+91 11 2692 0500
Fax:+91 22 2496 3666 /5662 8466 Fax:+91 11 2692 0400

Auditors to the Company

S. Mann & Co.
Chartered Accountants
1006, 10th Floor
Vikrant Tower
Rajindra Place
New Delhi- 110 008
Tel: +91 11 2573 5612, 2581 1989
Fax: +91 11 2575 4596
E-mail : SMANNANDCO@hotmail.com

Bankers to the Offer and Escrow Collection Bankers

The Hongkong and Shanghai Banking Corporation Limited,

52/60, Mahatma Gandhi Marg,
Fort, Mumbai – 400 001
Fax: +91 22 2262 3890

ICICI Bank Limited
ICICI Bank Towers
Bandra-Kurla Complex
Mumbai – 400 051
Fax: +91 22 2653 1061

HDFC Bank Limited,
6th Floor, Hindustan Times House,
18-20, Kasturba Gandhi Marg,
New Delhi – 110 001
Fax: +91 11 2335 9601/2372 5993

Canara Bank
38, Ansal Tower
Nehru Place
New Delhi – 110 019
Fax: +91 11 2628 6075

IDBI Bank LimitedSurya Kiran Building
19 K.G. Marg
New Delhi – 110 001
Fax: +9111 23358297

Kotak Mahindra Bank Limited
Bakhtawar
2nd Floor 229 Nariman Point
Mumbai – 400 021
Fax: +91 22 22817527

Credit Rating

As this is an Offer for Sale of Equity Shares there is no credit rating for this Offer. The credit ratings for the various borrowing programs by our Company in the last three years have been listed below:

Borrowing Program	**Rating Agency**	**Rating**	**Date of letter from the rating agency**
*Rs.5000 mn Non Convertible Debenture Programme	ICRA Limited	'LAAA'	▪ August 13, 2001 ▪ Renewed on January 28, 2002 ▪ Further renewed on January 31, 2003
Rs.5000 mn Bonds Programme	ICRA	'LAAA'	September 30, 2003

	Limited		
**Rs.10000 mn Bonds Programme	ICRA Limited	'LAAA'	September 30, 2003

* The programme was not implemented.

** The programme is yet to be implemented.

Book Building Process

Book Building refers to the collection of Bids from investors, based on the Price Band, with the Offer Price being finalized after the Bid Closing Date. The principal parties involved in the Book Building Process are:

1. The Selling Shareholder and the Company;
2. The Book Running Lead Managers;
3. The Syndicate Members who are intermediaries registered with SEBI and eligible to act as underwriters. The BRLMs appoint the syndicate members; and

The Equity Shares being offered pursuant to this Offer are already listed and consequently the SEBI Guidelines do not apply to this Offer. However, the Selling Shareholder has voluntarily decided to substantially adopt the SEBI Guidelines particularly the guidelines for the 100% Book Building Process, save for specified deviations (See "Deviations from SEBI Guidelines"). Further the processes, procedures and practices which are generally followed in the 100% Book Building Process, save for specified deviations (See "Deviations from SEBI Guidelines"), would be adopted. Pursuant to the decision of the Selling Shareholder, up to 5% of the Offer shall be available for allocation to Employees on a proportionate basis, subject to valid Bids being received at or above the Offer Price within the Price Band. Further, not less than 25% of the Net Offer shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Net Offer shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Offer Price within the Price Band. Further, 50% of the Net Offer shall be allocated on a discretionary basis to QIBs. The Selling Shareholder, in consultation with the BRLMs, has discretion with respect to any allocation to QIBs based on a number of criteria including the following; prior commitment, investor quality, price, earliness of the bid, existing and continued shareholding of the QIB in the Company during the period prior to the Bid Opening Date and until the Pricing Date.

In this regard, the Selling Shareholder has appointed the BRLMs to procure Bids in the Offer.

The process of Book Building is relatively new and investors are advised to make their own judgement about investment through this process prior to making a Bid in the Offer. QIBs are not allowed to withdraw their Bid after the Bid/Offer Closing Date. For further details see "Terms of the Offer".

Steps to be taken by the Bidders for bidding:

- Check whether he/ she is eligible for bidding (for further details see "Terms of the Offer");
- Bidder necessarily needs to have a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Preliminary Sale Document and in the Bid cum Application Form.

Underwriting Agreement

The underwriting arrangement is not mandatory and is based on the contractual arrangement between the Selling Shareholder, the Company and the Underwriters.

After the determination of the Offer Price and prior to filing of the Final Sale Document with the RoC, the Company and the Selling Shareholder will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Offer. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Final Sale Document with RoC)

Name and Address of the Underwriters	**Indicated Number of Equity Shares to be Underwritten**	**Amount Underwritten (Rs. million)**

The above-mentioned table is indicative underwriting and this would be finalized after the pricing and allocation. The above Underwriting Agreement is dated •.

In the opinion of the Selling Shareholder and the Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s).

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount.

Allocation to QIBs is discretionary as per the terms of this Preliminary Sale Document and may not be proportionate in any way and the patterns of allocation to the QIBs could be different for the various Underwriters.

Applicability of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997

Any acquisition of Equity Shares in this Offer will not be exempted from the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and any acquirer of shares breaching any of the thresholds prescribed in these regulations should ensure that they comply with the requirements of these regulations.

OBJECTS OF THE OFFER

The Director, MoPNG acting for the President of India proposes to carry out the disinvestment of upto 84,565,160 Equity Shares of Rs.10/- each through this Preliminary Sale Document. The Company will not receive any proceeds from the Offer.

TERMS OF THE OFFER

The Offer for Sale is being made by the Selling Shareholder and this Preliminary Sale Document is not being issued by or on behalf of the Company. The Equity Shares being offered are subject to the provisions of the Companies Act, SCRA, Securities Contracts (Regulations) Rules, 1957, the Memorandum and Articles, the conditions of the FIPB and RBI approvals, the terms of this Preliminary Sale Document, Final Sale Document, Bid-cum-Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in other documents/ certificates that may be executed in respect of the Offer. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, RoC and/ or other authorities, as in force on the date of the Offer and to the extent applicable. The Equity Shares being offered pursuant to this Offer are already listed and as advised by SEBI in its letters dated January 29, 2004 and February 16, 2004, the SEBI Guidelines for public issues/offers do not apply to this Offer. However, the Selling Shareholder has informed the BRLMs and the Company by letters dated February 9, 2004 that it has voluntarily decided to adopt the SEBI Guidelines, particularly the guidelines for the 100% Book Building Process save for specified deviations (See "Deviations from SEBI Guidelines"). Further, the processes, procedures and practices which are generally followed in the 100% Book Building Process save the deviations indicated in the letter dated February 9, 2004 would be adopted for this Offer.

AUTHORITY FOR THE OFFER

The Offer has been approved by the GoI and communicated by the MoPNG to the Company vide its letter no.D.O.No. G-34015/3/2003-Fin.II dated December 26, 2003 authorizing disinvestment of up to 10% Equity Shares of the Company, amounting to 84,565,160 shares, in the domestic capital market. Pursuant to the decision taken by GoI, the MoPNG acting for and on behalf of the President of India, has been authorized to offer up to 84,565,160 shares held by the President of India in the Company by way of Offer for Sale through a public offer.

As per the letter no. 4/3/2004/DD-II, dated February, 9, 2004, from the Ministry of Disinvestment, the Selling Shareholder has voluntarily decided to substantially adopt the SEBI Guidelines, particularly the guidelines for procedure for the 100% Book Building Process save for specified deviations (See "Deviations from SEBI Guidelines").

The Company has noted the Offer in terms of a resolution passed by the Board of Directors on January 8, 2004. The Company has approved this Preliminary Sale Document through its Board resolution dated February 17, 2004, passed by the Board of Directors.

RANKING OF EQUITY SHARES

The Equity Shares being offered shall be subject to the provisions of the Memorandum and Articles and as the Equity Shares are already listed they rank pari-passu with the existing Equity Shares of the Company, including rights in respect of dividends.

FACE VALUE AND OFFER PRICE

The Equity Shares with a face value of Rs. 10/- each are being offered in the Offer at a price of Rs. [•] per share. After the determination of the Offer Price, the Selling Shareholder shall transfer the Equity Shares allocated to QIBs and Non-Institutional Bidders at the Offer Price. Notwithstanding what is stated above, the Selling Shareholder reserves the right, at its sole discretion, after determination of the Offer Price to transfer the Equity Shares to Retail Bidders at a differential lower price as compared to the Offer Price at which Equity Shares will be transferred to Non-Institutional Bidders and QIBs.

At any given point of time there shall be only one denomination of the Equity Shares.

MINIMUM SUBSCRIPTION

This being an offer for sale and the Equity Shares being offered pursuant to this Offer are already listed on the Stock Exchanges, the requirement of minimum subscription is not a pre-condition for completion of the Offer.

RIGHTS OF THE EQUITY SHAREHOLDER

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- The right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Memorandum and Articles.

For a detailed description of the main provisions of the Articles dealing with voting rights, dividend, forfeiture and lien, restrictions on transfer and transmission and/or consolidation/ splitting, refer to the section on "Main Provisions of Articles of Association of GAIL (India) Limited" on page [•] in this Preliminary Sale Document.

TRADING LOT AND MARKET LOT

The Equity Shares in this Offer shall be transferred only in dematerialised form. The trading of the Company's Equity Shares shall only be in dematerialised form for all investors.

Since trading of the Equity Shares is in dematerialised form, the tradeable lot is one Equity Share. Allocation of Equity Shares through this Offer will be done only in electronic form in multiples of one Equity Share to the successful Bidders.

JURISDICTION

Exclusive jurisdiction for the purpose of this Offer is with competent courts/ authorities in New Delhi, India.

NOMINATION FACILITY TO INVESTOR

In accordance with Section 109A of the Companies Act, the sole or First Bidder, along with other joint bidders, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares allocated, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Corporate Office of the Company or the Registrar and Transfer Agents of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the board, elect either:

a) to register himself or herself as the holder of the equity shares; or
b) to make such transfer of the equity shares, as the deceased holder could have made.

Further, the board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of ninety days, the board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the equity shares, until the requirements of the notice have been complied with.

Since the transfer of Equity Shares in the Offer will be made only in dematerialised form, there is no need to make a separate nomination with the Company. Nominations registered with respective Depository Participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective Depository Participant.

Application by NRIs / FIIs / Multilateral and Bilateral development financial institutions

The Company has received approval from the FIPB pursuant to its letter no. FC.II. 606(97)/684 (97) dated January 28, 2004 for the transfer of Equity Shares in this Offer to NRIs, FIIs registered with SEBI, Foreign Venture Capital Funds registered with SEBI and Multilateral and Bilateral development financial institutions.

The Company has received in-principle approval from the RBI for transfer of shares to NRIs, FIIs and Multilateral and Bilateral development financial institutions, pursuant to its letter no. ECDEL FID II/ /06.04.117/03-04 dated February 09, 2004. The final permission of the RBI for acquisition of shares is to be received on completion of certain filing requirements. Subject to obtaining such approvals, it will not be necessary for the investors to seek separate permission from the FIPB/RBI for this specific purpose. However it is to be distinctly understood that there is no reservation for NRIs, FIIs and Multilateral and Bilateral development financial institutions and all NRIs, FIIs and Multilateral and Bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation. As per the policy of RBI, OCBs are not permitted to participate in thise Offer.

The transfer of Equity Shares to NRIs, FIIs and Multilateral and Bilateral development financial institutions shall be subject to the conditions as may be prescribed by Government of India or RBI while granting such approvals.

The Equity Shares have not been and will not be registered under the US Securities Act, 1933, as amended (the "Securities Act") or any state security laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "US Persons" (as defined in Regulation S of the Securities Act) except pursuant to an exemption from or in a transaction not subject to the registration requirement of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "Qualified Institutional Buyers", as defined in Rule 144A of the Securities Act and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

OFFER STRUCTURE

The present Offer is an offer for sale of up to 84,565,160 Equity Shares, of Rs. 10/- each, for cash at a price of Rs. [•] per Equity Share aggregating to Rs. [•] million. The Selling Shareholder has voluntarily decided to adopt the SEBI Guidelines, particularly the guidelines for the 100% Book Building Process, save for specified deviations (See "Deviations from SEBI Guidelines")on the terms and conditions specified in this Preliminary Sale Document. Further, the processes, procedures and practices which are generally followed in the 100% Book Building Process, save for specified deviations (See "Deviations from SEBI Guidelines"), would be adopted.

	Employees	**QIBs**	**Non-Institutional Bidders**	**Retail Bidders**
Number of Equity Shares*	Up to 4,228,258 Equity Shares of Rs. 10/- each	(a) Up to 40,168,450 Equity Shares of Rs. 10/- each; or (b) Net Offer size less allocation to Non-institutional Bidders and Retail Bidders; whichever is higher	(a) Minimum of up to 20,084,226 Equity Shares of Rs. 10/- each; or (b) Net Offer size less allocation to QIBs and Retail Bidders; whichever is higher	(a) Minimum of up to 20,084,226 Equity Shares of Rs. 10/- each; or (b) Net Offer size less allocation to QIBs and Non-Institutional Bidders; whichever is higher
Percentage of Offer size available for allocation	Up to 5% of Offer size	Up to 50% of Net Offer	Minimum 25% of Net Offer	Minimum 25% of Net Offer
Basis of Allocation if respective category is oversubscribed	Proportionate	Discretionary	Proportionate	Proportionate
Minimum Bid	30 Equity Shares and in multiples of 30 Equity Shares	Minimum Bid Amount of Rs. 50,001 and in multiples of 30 Equity Shares	Minimum Bid Amount of Rs. 50,001 and in multiples of 30 Equity Shares	30 Equity Shares and in multiples of 30 Equity Shares
Maximum Bid	Not exceeding 5% of the Offer	Not exceeding the size of the Offer	Not exceeding the size of the Offer	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 50,000/-

	Employees	**QIBs**	**Non-Institutional Bidders**	**Retail Bidders**
Allocation Mode	Compulsory in dematerialised form	Compulsory in dematerialised form	Compulsory in dematerialised form	Compulsory in dematerialised form
Trading Lot	One	One	One	One
Minimum Lot size for Allocation	One	One	One	One
Who can Apply	Employees#	Public financial institutions, as specified in section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multi-lateral and bi-lateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, Insurance Companies registered with Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of Rs. 250 million and	Resident Indian individuals, HUF (in the name of *Karta*), corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs) applying for such number of Equity Shares such that the Bid Amount does not exceed Rs. 50,000

	Employees	QIBs	Non-Institutional Bidders	Retail Bidders
		Pension Funds with minimum corpus of Rs. 250 million		
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid-cum-Application Form to the BRLMs or Syndicate Members	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the BRLMs or Syndicate Members	Margin Amount applicable to Non-institutional Bidders at the time of submission of Bid-cum-Application Form to the BRLMs or Syndicate Members	Margin Amount applicable to Retail Bidders at the time of submission of Bid-cum-Application Form to the BRLMs or Syndicate Members
Margin Amount	Full Bid Amount	Nil	Full Bid Amount	Full Bid Amount

(*) Subject to valid Bids being received at or above the Offer Price within the Price Band, under subscription, if any, in any of the categories, would be allowed to be met with spill-over from any of the other categories, at the discretion of the Selling Shareholder in consultation with the BRLMs.

(#) The Selling Shareholder, in its sole discretion may decide to offer Equity Shares, to the Employees whose Bid Amount is a maximum of Rs. 50,000, at the same price at which Equity Shares are offered to Retail Bidders.

OFFER PROCEDURE

Book Building Procedure

This Offer is being voluntarily made by the Selling Shareholder through the 100% Book Building process, on the terms and conditions specified in this Preliminary Sale Document save for specified deviations (See “Deviations from SEBI Guidelines”). Pursuant to the decision of the Selling Shareholder, up to 5% of the Offer shall be available for allocation to Employees on a proportionate basis, subject to valid Bids being received at or above the Offer Price within the Price Band. Further, not less than 25% of the Net Offer shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Net Offer shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Offer Price within the Price Band. Further, 50% of the Net Offer shall be allocated on a discretionary basis to QIBs. The Selling Shareholder, in consultation with the BRLMs, has discretion with respect to any allocation to QIBs based on a number of criteria including the following; prior commitment, investor quality, price, earliness of the bid, existing and continued shareholding of the QIB in the Company during the period prior to the Bid Opening Date and until the Pricing Date.

Bidders are required to submit their Bids through the Syndicate. The Selling Shareholder in consultation with the BRLMs reserves the right to reject any Bid procured by BRLMs and/or Syndicate Members without assigning any reason thereof in case of QIBs. In case of Non-Institutional Bidders and Retail Bidders, the Selling Shareholder would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be transferred to all successful Bidders only in dematerialised form.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a BRLM or Syndicate Member, as the case maybe, for the purpose of making a Bid in terms of this Preliminary Sale Document. The Bidder shall have a maximum of three bidding options in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN and filing of the Final Sale Document with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a BRLM or Syndicate Member, as the case maybe, the Bidder is deemed to have authorised the Company and the Selling Shareholder to make the necessary changes in this Preliminary Sale Document and the Bid-cum-Application Form as would be required for filing the Final Sale Document with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid-cum-Application Form
Employees	Yellow
Indian Public or NRIs applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs or Multilateral and Bilateral development financial institutions applying on a repatriation basis	Blue

Who can Bid

- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid-cum-Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
- Indian Mutual Funds registered with SEBI;

- Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations, as applicable);

- Venture Capital Funds registered with SEBI;

- Foreign Venture Capital investors registered with SEBI;

- State Industrial Development Corporations;

- Trusts/Societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/Societies and who are authorised under their constitution to hold and invest in equity shares;

- NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws

- Scientific and/ or industrial research organisations authorised to invest in equity shares.

- Insurance Companies registered with Insurance Regulatory and Development Authority.

- Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares.

- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares.

- Multilateral and Bilateral development financial institutions.

Note: The BRLMs, Syndicate Members and any associate of the BRLMs and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Offer where allocation is discretionary. Further, the BRLMs and Syndicate Members shall not be entitled to subscribe to this Offer in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines and as specified in this Preliminary Sale Document.

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

No single FII can hold more than 10% of the paid-up capital of the Company (i.e, 10% of 845,651,600 Equity Shares of Rs.10/- each). In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of its total issued capital or 5% of its total issued capital in case such sub-account is a foreign corporate or individual. Under present regulations, the maximum permissible FII investment in the Company is restricted to 24% of its total issued capital. This can be raised to the prescribed sectoral cap by passing a resolution by the Board and a special resolution by shareholders of the Company. However, as of the date hereof, no such resolution has been passed and the maximum permissible FII investment in the Company is 24% of its total issued capital.

The SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual foreign venture capital investor registered with SEBI should not exceed 25% of the Company's paid up capital. The aggregate holdings of foreign venture capital investors registered with SEBI, could however, go upto the prescribed sectoral cap for the Company.

Bidders may bid as per the limits prescribed above.

The above information is given for the benefit of the Bidders. The Company, the Selling Shareholder and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Preliminary Sale Document. Bidders are advised to make their independent investigations and ensure that their number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

a) **For Employees:** The Bid must be for a minimum of 30 Equity Shares and in multiples of 30Equity Shares thereafter, the maximum Bid Amount not exceeding upto 5% of the Offer size. The Cut-off option is an option provided to the Employee indicating their agreement to bid and purchase Equity Shares at the Offer Price as determined by the Book Building Process.

b) **For Retail Bidders:** The Bid must be for a minimum of 30 Equity Shares and in multiples of 30 Equity Shares thereafter, the maximum Bid Amount not exceeding Rs. 50,000. In case of revision of Bids, the Retail Bidders have to ensure that the Bid Amount does not exceed Rs. 50,000. In case the Bid Amount is over Rs. 50,000 due to revision or on exercise of Cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders category. The Cut-off option is an option provided to the Retail Bidders indicating their agreement to bid and purchase Equity Shares at the Offer Price as determined by the Book Building Process.

c) **For other (Non-Institutional Bidders and QIBs) Bidders:** The Bid must be for a minimum of such number of Equity Shares so as to ensure that the minimum Bid Amount is above Rs. 50,000. Above this minimum Bid Amount the Bid can be in multiples of 30 Equity Shares. A Bid cannot be submitted for more than the size of the Offer. All Retail Bidders whose Bid Amount exceeds Rs. 50,000 will be considered under this category. The maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. In case of revision in Bids, Non-Institutional Bidders have to ensure that the Bid Amount is greater than Rs.50,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 50,000 or less due to a revision in Bids, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Bidders' category would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to bid at Cut-off.

A QIB cannot withdraw its bid after the Bid/Offer Closing Date.

Bidding Process

1. The Preliminary Sale Document has been voluntarily filed with SEBI and will be filed with the RoC at least three days before the Bid/Offer Opening Date.

2. The BRLMs and Syndicate Members will circulate copies of the Preliminary Sale Document along with the Bid-cum-Application Form to potential investors.

3. Any investor who would like to obtain the Preliminary Sale Document along with the Bid-cum-Application Form can obtain the same from the registered office of the Company or from any of the BRLMs or Syndicate Members.

4. The Selling Shareholder and the BRLMs shall declare the Bid/Offer Opening Date, Bid/Offer Closing Date at the time of filing the Preliminary Sale Document with RoC and also publish the same in two widely circulated national newspapers (one each in English and Hindi). This advertisement shall contain the salient features of the Preliminary Sale Document as specified under Form 2A of the Companies Act and the method and process of bidding and the names, addresses and telephone numbers of the BRLMs and Syndicate Members.

5. The Selling Shareholder and the BRLMs shall advertise the Price Band prior to the Bid Opening Date in two national newspapers (one each in English and Hindi). The Selling Shareholder shall retain the right to revise the Price Band during the Bidding Period at any level above or below the Price Band first advertised prior to the Bid/Offer Opening Date. In the event that the Selling Shareholder decides to revise the Price Band, the Selling Shareholder may in consultation with the BRLMs decide to either extend or not extend the Bidding Period. In the event that the Selling Shareholder decides to extend the Bidding Period the decision to extend the Bidding Period shall be published in two national newspapers (one each in English and Hindi).

6. The BRLMs and Syndicate Members shall start accepting Bids from the Bidders from the Bid/Offer Opening Date.

7. Investors who are interested in bidding for the Equity Shares should approach any of the BRLMs or Syndicate Members or their authorised agent(s) to register their Bid.

8. The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the BRLMs or Syndicate Members. Bid-cum-Application Forms which do not bear the stamp of the BRLMs or Syndicate Members will be rejected.

Bidding

1. During the Bidding Period, the Bidders may approach the BRLMs or the Syndicate Members to submit their Bid. The BRLMs and Syndicate Members shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.

2. Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" below) and specify the demand (i.e. the number of Equity Shares bid for). The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Offer Price, the maximum number of Equity Shares bid for by a Bidder at or above the Offer Price within the Price Band will be considered for allocation and the rest of the Bid(s), irrespective of the bid price, will become automatically invalid.

3. The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any BRLM or Syndicate Member. Submission of a second Bid-cum-Application Form to either the same or to another BRLM or Syndicate Member will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the transfer of Equity Shares in this Offer. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph "Build up of the Book and Revision of Bids" on page [•] of this Preliminary Sale Document.

4. The BRLMs and Syndicate Members will enter each option into the electronic bidding system as a separate Bid and the Bid Amount paid by the Bidder and generate a Transaction Registration Slip (TRS), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form. It will be the responsibility of the Bidder to collect the TRSs from the BRLM or Syndicate Member, as the case maybe.

5. Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment" on page [•] of this Preliminary Sale Document.

Bids at Different Price Levels

1. The Price Band will be advertised prior to the Bid Opening Date. The Bidders can bid at any price with in the Price Band, in multiples of Re. 1. The Bidding Period shall be open for at least 5 (five) days and not more than 10 (ten) days. The Selling Shareholder in consultation with the BRLMs shall finalise the Offer Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.

2. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity shares at a specific price. Employees whose Bid Amount is upto a maximum of Rs. 50,000 and Retail Bidders **may bid at "Cut-off". However, bidding at "Cut-off" is prohibited for Non-Institutional Bidders and QIBs and such Bids from Non-Institutional Bidders and QIBs shall be rejected.**

3. Employees whose Bid Amount is upto a maximum of Rs. 50,000 and Retail Bidders who bid at the Cut-off agree that they shall purchase the Equity Shares at any price within the Price Band. Employees whose Bid Amount is upto a maximum of Rs. 50,000 and Retail Bidders bidding at Cut-off shall deposit the Bid Amount based on the cap of the Price Band

in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by successful Employees (whose Bid Amount is upto a maximum of Rs. 50,000) and Retail Bidders (i.e. the total number of Equity Shares allocated in the Offer multiplied by the Offer Price), successful Employees (whose Bid Amount is upto a maximum of Rs. 50,000) and Retail Bidders shall receive the refund of the excess amounts from the Escrow Account.

4. The Price Band can be revised during the Bidding Period by the Selling Shareholder, without any restrictions. The Selling Shareholder in consultation with the BRLMs, can revise the Price Band by informing the Stock Exchanges, issuing a press release and notification on the terminal of the BRLMs and the Syndicate Members. In case of a revision in the Price Band, the revised Price Band and extension of the Bidding Period, if any, will be published in two national newspapers (one each in English and Hindi). In the event that the Selling Shareholder decides to revise the Price Band, the Selling Shareholder may in consultation with the BRLMs decide to either extend or not extend the Bidding Period. In the event that the Selling Shareholder decides to extend the Bidding Period the decision to extend the Bidding Period, such decision shall be published in two national newspapers (one each in English and Hindi).

5. In case of an upward revision in the Price Band announced as above, Employees (whose Bid Amount is upto a maximum of Rs. 50,000) and Retail Bidders who had bid at Cut-off could either (i) revise their bid or (ii) make additional payment based on the cap of the revised Price Band, with the BRLM or Syndicate Member to whom the original bid was submitted. In case of the Employees whose Bid Amount is upto a maximum of Rs. 50,000 and Retail Bidders if the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 50,000, the bid will be considered for allocation under the Non-Institutional Portion in terms of this Preliminary Sale Document. If, however, the Bidder does not either revise the bid or make additional payment and the Offer Price is higher than the cap of the Price Band prior to revision, the number of shares bid for shall be adjusted for the purpose of allocation, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off.

6. In case of a downward revision in the price band, announced as above, Employees whose Bid Amount is upto a maximum of Rs. 50,000 and Retail Bidders who have bid at Cut-off could either revise their bid or the excess amount paid at the time of bidding would be refunded from the Escrow Accounts.

Escrow Mechanism

The Selling Shareholder, the Company, BRLMs and the Syndicate Member shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of the Bid and/or revision. Cheques or demand drafts received towards Margin Amount from Bidders would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of this Preliminary Sale Document and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Offer Account with the Bankers to the Offer. Payments of refund to the Bidders shall also be made from the Escrow Collection Banks, as per the terms of the Escrow Agreement and this Preliminary Sale Document.

The Bidders should note that the escrow mechanism has been established as an arrangement between the Selling Shareholder, the Company, the BRLMs, the Syndicate Members, the Escrow Collection Bank(s) and the Registrar to the Offer, to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

Each Bidder shall, with the submission of the Bid-cum-Application Form draw a cheque, demand draft for the Bid Amount of the Bid in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph "Payment Instructions") and submit the same to the BRLM or the Syndicate Member, with whom the Bid is being deposited. Bid-cum-Application Forms accompanied by cash shall not be accepted. The Bid Amount has to be paid at the time of submission of the Bid-cum-Application Form based on the highest bidding option of the Bidder.

The BRLMs and the Syndicate Members shall deposit the cheque/ demand draft with the Escrow Collection Bank. The Escrow Collection Bank will hold all monies collected for the benefit of the Bidders until such time as the Designated Date. On the Designated Date, the Escrow Collection Bank shall transfer the funds in respect of successful Bidders from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Offer Account with the Bankers to the Offer. The balance amounts after the transfer to the Public Offer Account, lying credited with the Escrow Collection Banks shall be held for the benefit of the Bidders who are entitled to refunds. On the Designated Date and no later than 15 working days from the Bid/Offer Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation, to the respective Bidders.

Each category of Bidders i.e. Employees, QIBs, Non-Institutional Bidders and Retail Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The details of the Margin Amount payable by each category of Bidders is mentioned under the heading "Offer Structure" on page. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Offer Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than Pay-in Date, which shall be a minimum period of two days from date of communication of the allocation list to the BRLMs and the Syndicate Members by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the BRLMs or the Syndicate Members do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid-cum-Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he/she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 working days from the Bid/Offer Closing Date.

Electronic Registration of Bids

1. The BRLMs and the Syndicate Members will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity with each city where a stock exchange centre is located in India, where the Bids are accepted.

2. NSE and BSE will offer a screen-based facility for registering Bids for the Offer. This facility will be available on the terminals of the BRLMs and/or the Syndicate Members and their authorised agents during the Bidding Period. BRLMs and/or the Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on an half-hourly basis. On the Bid Closing Date, the BRLMs and the Syndicate Members will upload the Bids until such time as permitted by the Stock Exchanges.

3. The aggregate demand and price for bids registered on each of the electronic facilities of NSE and BSE will be downloaded on a half-hourly basis, consolidated and displayed online at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

4. At the time of registering each Bid, the BRLMs and the Syndicate Members shall enter the following details of the investor in the on-line system:

   - (a) Name of the investor
   - (b) Investor Category – Individual, Corporate, NRI, FII, or Mutual Funds etc.
   - (c) Numbers of Equity Shares bid for
   - (d) Bid price
   - (e) Bid-cum-Application Form number
   - (f) Whether payment is made upon submission of Bid-cum-Application Form
   - (g) Depository Participant Identification no. and Client Identification no. of the dematerialised account of the Bidder.

5. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's sole responsibility to obtain the TRS from the BRLM or the Syndicate Member.** The registration of the Bid by the BRLM or the Syndicate Member, as the case maybe, does not guarantee that the Equity Shares shall be allocated either by the Selling Shareholder or the BRLMs or the Syndicate Members or the Company. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

6. The BRLM or the Syndicate Member, as the case maybe, also has the right to accept the Bid or reject it without assigning any reason, in case of QIBs. In case of Non-Institutional Bidders, Employees and Retail Bidders, Bids would not be rejected except on the technical grounds listed elsewhere in this Preliminary Sale Document.

7. It is to be distinctly understood that the permission given by NSE and/or BSE to use their network and software of the online IPO system should not in any way be deemed or construed that the compliance with various statutory and other requirements by the Selling Shareholder, the Company, BRLMs are cleared or approved by NSE and/or BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, the management of the Company or any scheme or any project of the Company.

8. It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that the Preliminary Sale Document has been cleared or approved by NSE and the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Preliminary Sale Document; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and/or the BSE.

Build Up of the Book and Revision of Bids

1. Bids shall be registered through the BRLMs and/or the Syndicate Members and shall be electronically uploaded to the NSE or BSE system on an hourly basis.

2. The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

3. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and also indicating the change on the relevant websites and the terminals of the BRLMs and the Syndicate Members. Revisions of the Price Band may or may not be accompanied by an extension of the Bid Closing Date.

4. During the Bidding Period, any Bidder who has registered an interest in the Equity Shares at a particular price level is free to revise the Bid to a higher price level (upward revision) as well as to lower price level subject to the lower end of the Price Band (downward revision) using the printed Revision Form which is a part of the Bid-cum-Application Form.

5. Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. The Bidder must complete the details of all the options in the Bid-cum-Application Form or earlier Revision Form and revisions for all the options as per the Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form or the earlier Revision Form and is changing only one of the options in the Revision Form, the Bidder must still fill the details of the other two options that are not being revised, in the Revision Form. Incomplete or inaccurate Revision Forms may not be accepted by the BRLMs and/or the Syndicate Members.

6. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the earlier Bid, the Bidders will have to use the services of the same BRLM or Syndicate Member through whom the original Bid was placed. Bidders are advised to retain copies of the blank Revision Form.

7. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Preliminary Sale Document. In case of QIBs, the BRLMs and Syndicate Members may at their sole discretion waive the payment requirement at the time of one or more revisions by such bidders.

8. When a Bidder revises a Bid, the Bidder shall surrender the earlier TRS and get a revised TRS from the BRLM or the Syndicate Member, as the casy maybe. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his/her having revised the Bid.

9. In case of discrepancy of data between the electronic book and the physical book, the decision of the BRLMs based on the physical records of the Bid-cum-Application Form shall be final and binding on all concerned.

Price Discovery and Allocation

1. After the Bid/Offer Closing Date, the BRLMs shall analyse the demand generated at various price levels and discuss pricing strategy with the Selling Shareholder.

2. The Selling Shareholder will, in consultation with the BRLMs, finalise the "Offer Price". The Selling Shareholder will in consultation with the BRLMs finalise the number of Equity Shares to be allocated to successful QIB Bidders. After the determination of the Offer Price, the Selling Shareholder shall transfer the Equity Shares allocated to QIBs and Non Institutional Bidders at the Offer Price. Notwithstanding what is stated above, the Selling Shareholder reserves the right, at its sole discretion, after the determination of the Offer Price, to transfer the Equity Shares to Retail Biddersat a differential lower price as compared to the Offer Price at which Equity Shares will be transferred to Non-Institutional Bidders and QIBs.

3. The allocation for QIBs of up to 50% of the Net Offer size would be discretionary. The Selling Shareholder, in consultation with the BRLMs, would have the discretion for any allocation to QIBs based on a number of criteria including the following: prior commitment, investor quality, price, earliness of the Bid, existing and continued shareholding of the QIB in the Company during the period prior to the Bid Opening Date and until the Pricing Date. The allocation to Non-Institutional Bidders and Retail Bidders of not less than 25% of the Net Offer size, and to the Employees of not more than 5% of the Offer size, respectively, would be on a proportionate basis, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Offer Price within the Price Band.

4. Under-subscription, if any, in any category, would be allowed to be met with spill-over from any of the other categories, at the sole discretion of the Selling Shareholder in consultation with the BRLMs.

5. Allocation to NRIs, FIIs, Foreign Venture Capital Funds and Multilateral and Bilateral development financial institutions applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for Offer/Allocation of Equity Shares to them.

6. The BRLMs, in consultation with the Selling Shareholder, shall notify the Syndicate Members of the Offer Price, Allocations to their respective Bidders and the balance amounts payable by the Bidders, where the full Bid Amount has not been collected from the Bidders.

7. The Selling Shareholder reserves the right to cancel the Offer any time after the Bid/Offer Opening Date but before Allocation.

8. QIB Bidders shall not be allowed to withdraw their Bid after the Bid/ Offer Closing Date.

9. The Allocation details shall be put on the website of the Registrar to the Offer.

Signing of Underwriting Agreement and RoC Filing

1. The Selling Shareholder, the Company, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement, upon the Selling Shareholder and the BRLMs reaching an agreement regarding the Offer Price and Allocation(s) to the Bidders.

2. After the Underwriting Agreement is signed between the Selling Shareholder, the Company, the BRLMs and the Syndicate Members, the Final Sale Document will be filed with the RoC. The Final Sale Document would have details of the Offer Price, Offer size, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Offer Price and Final Sale Document

An advertisement will be issued by the Selling Shareholder after the filing of the Final Sale Document with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Offer Price. Any material updates between the date of Preliminary Sale Document and the date of Final Sale Document will be included in such advertisement.

Issuance of Confirmation of Allocation Note

1. The BRLMs or Registrar to the Offer shall send to the Syndicate Members a list of their Bidders who have been allocated Equity Shares in the Offer.

2. The BRLMs or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Offer. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account(s) at the time of bidding shall pay in full the amount payable into the Escrow Account(s) by the Pay-in Date specified in the CAN.

3. Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar subject, however, to realisation of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price for all the Equity Shares transferred to such Bidder.

Designated Date and Transfer in the Offer

After the funds are transferred from the Escrow Account to the Public Offer Account on the Designated Date, the Selling Shareholder would ensure the transfer of Equity Shares to the successful Bidders within two working days of the finalisation of the basis of Allocation.

All successful Bidders will receive credit for the Equity Shares directly in their depository account. **Equity shares will be transferred only in the dematerialised form to the successful Bidders**. Successful Bidders will have the option to re-materialise the Equity Shares so transferred, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Offer.

The Selling Shareholder will ensure the transfer of Equity Shares within 15 working days of Bid Closing Date.

GENERAL INSTRUCTIONS

Do's:

- Check if you are eligible to apply;
- Read all the instructions carefully and complete the Employee Bid cum Application Form (yellow in colour), Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour), as the case may be;
- Ensure that the application form bears the correct details of the Depository Participant, Beneficiary Account, bank details and the address in accordance with those maintained with the Depository Participant;
- Ensure that the names mentioned in the Bid Form are in the same sequence as in the Beneficiary Account maintained with the Depository Participant as there will be no transfer of Equity Shares in physical form;
- Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a BRLM or a Syndicate Member, as the case maybe;
- Ensure that you bid only within the Price Band;
- Ensure that you have collected a TRS for all your Bid options;
- Submit revised Bids to the same BRLM or member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS;
- Ensure that your Bid Amount corresponds to the category under which you have bid.

Don'ts:

- Do not Bid for lower than the minimum Bid size;
- Do not Bid/ revise the Bid to a price that is less than the lower end of the Price Band or higher than the upper end of the Price Band;

- Do not Bid on another Bid-cum-Application Form after you have submitted the Bid to a BRLM or a Syndicate Member;
- Do not pay the Bid Amount in cash;
- Do not send Bid-cum-Application Forms by post; instead hand them over to a BRLM or Syndicate Member;
- Do not Bid at Cut-off price for QIBs and Non-Institutional bidders;
- Do not fill up the Bid-cum-Application Form for an amount that exceeds the investment limit or maximum number of Equity Shares that can be held by him under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- Do not submit Bid accompanied with Stockinvest.

INSTRUCTIONS FOR COMPLETING THE BID-CUM-APPLICATION FORM

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLMs or Syndicate Members.

Bids and Revision of Bids

Bids and revision of Bids must be:

a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (yellow colour for Employees, white colour for Resident Indians and NRI applying on non-repatriation basis and blue colour for NRI, FIIs and Multilateral and Bilateral development financial institutions applying on repatriation basis).

b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.

c) For Employees, the Bids must be for a minimum of 30 Equity Shares and in multiples of 30 thereafter subject to a maximum Bid not exceeding 5% of the Offer.

d) For Retail Bidders, the Bids must be for a minimum of 30 Equity Shares and in multiples of 30 thereafter subject to a maximum Bid Amount of Rs. 50,000.

e) For Non-Institutional and QIBs, Bids must be for a minimum of such number of Equity Shares so as to ensure that the Bid Amount exceeds Rs. 50,000 and in multiples of 30 Equity Shares thereafter. Bids cannot be made for more than the size of the Offer. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.

f) In single name or in joint names (not more than three).

g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Details

The name of the sole or First Bidder's bank, branch, type of account and account numbers must be mandatorily completed in the Bid-cum-Application Form. This is required for the Bidder's own safety so that these details can be printed on the refund orders. Refund orders will be either printed with these bank account details or as per the bank account details mentioned in the Bidder's depository account. Bid-cum-Application Forms without these details are liable to be rejected.

Bidders Depository Account Details

Equity Shares shall be transferred only in dematerialised form. All Bidders should mention their Depository Participant's name, Depository Participant identification number and beneficiary account number in the Bid-cum-Application Form. Please ensure that in case of joint names, the names stated in the Bid-cum-Application Form should be in the same order as the names stated in the Bidders' Depository account.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid-cum-Application Form. Failing this, the Selling Shareholder in consultation with the BRLMs reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, the Selling Shareholder in consultation with the BRLMs reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this the Selling Shareholder in consultation with the BRLMs reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this the Selling Shareholder in consultation with the BRLMs reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

The Selling Shareholder in consultation with the BRLMs in their absolute discretion, reserves the right to relax the above conditions of simultaneous lodging of supporting information and documents along with the Bid-cum-Application form, subject to such terms and conditions as they may deem fit.

Bids by eligible NRIs, FIIs and Multilateral and Bilateral development financial institutions on a repatriation basis

1. NRIs / FIIs / Multilateral and Bilateral development financial institutions Bidders can obtain the Bid-cum-Application Forms from the BRLMs or the Syndicate Members.

2. NRIs / FIIs / Multilateral and Bilateral development financial institutions may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allocation on repatriation basis.

3. The NRIs who intend to make payment through NRO Accounts shall use the Bid-cum-Application form meant for Indian public (White in colour) and Allocation, if any, would be on non-repatriation basis.

4. Bids and revision to Bids must be made:

    a. On the Bid-cum-Application Form or the Revision Form, as applicable, (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
    b. In a single name or joint names (not more than three).
    c. On a Revision Form with the same application number as the Bid Form.

5. NRIs - For a minimum of 30 Equity Shares and in multiples of 30 thereafter subject to a maximum Bid Amount of Rs. 50,000 for the Bid to be considered as part of the Retail Portion. Bids for minimum Bid Amount of Rs. 50,001 and above would be considered under Non Institutional Portion for the purposes of allocation: FIIs – for a minimum Bid Amount of Rs. 50,001 and in multiples of 30 Equity Shares thereafter subject to a maximum of 10% of equity share capital of the Company; for further details see "Offer Procedure - Maximum and Minimum Bid Size" .

Transfer of the Equity Shares to NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI or Multilateral and Bilateral development financial institutions shall be subject to FIPB and RBI approvals or any other requisite approval as may be necessary. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to Indian tax laws and regulations and any other applicable laws provided the investments are made by inward remittances from outside India through approved banking channels or out of funds held in NRE Accounts or FCNR Accounts.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid-cum-Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE Accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. The Selling Shareholder and the Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Payment Instructions

The Selling Shareholder, the BRLMs and the Syndicate Members shall open Escrow Accounts for the Offer with the Escrow Collection Banks for the collection of the Bid Amounts and Margin Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to Allocation.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account

The Bidders who have paid the Bid Amount/ Margin Amount on application shall draw a payment instrument for the Bid Amount/ Margin Amount in favour of the Escrow Account and submit the same to the BRLM or the Syndicate Member along with the Bid-cum-Application Form.

In case the Margin Amount is less than 100% of the Bid Amount, on receipt of the CAN, an amount equal to any difference between the amount payable by the Bidder for Equity Shares allocated at the Offer Price and the Margin Amount paid at the time of Bidding, shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be a minimum period of two days from the date of communication of the allocation list to the BRLMs and Syndicate Members by the BRLMs.

The payment instruments for payment into the Escrow Account should be drawn in favour of:

a) In case of resident Bidders: "**Escrow Account- GoI Offer GAIL**"
b) In case of non-resident Bidders: "**Escrow Account- GoI Offer GAIL- NR**"
c) In case of Employees: "**Escrow Account- GoI Offer GAIL – Employees”**

In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non Resident Ordinary Account (“NRO Account”) of NRI bidders applying on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.

In case of Bids by FIIs, the payment should be made out of funds held in special rupee account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to special rupee account. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow

Account. The monies deposited in the Escrow Account will be held for the benefit of the Bidders until the Designated Date.

In case of Bids by Multilateral and Bilateral development financial institutions applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels, along with documentary evidence in support of the remittance.

On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Offer Account with the Bankers to the Offer. On the Designated Date and no later than 15 working days from the Bid/Offer Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allocation, to the Bidders.

Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn with immediate effect. Hence, payment through stockinvest would not be accepted in this Offer.

Submission Of Bid-Cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the BRLMs or the Syndicate Members at the time of submission of the Bid-cum-Application Form unless waived by the BRLM or the Syndicate Member, as the case maybe, at its sole discretion.

The collection center of the BRLMs or Syndicate Members will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder. No separate receipts shall be issued for the money paid on the submission of Bid-cum-Application Form or Revision Form.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made in favour of the First Bidder. All communications will be addressed to the First Bidder and will be despatched to his or her address.

Multiple Applications

A Bidder should submit only one application (and not more than one) for the total number of Equity Shares required. Two or more applications will be deemed to be multiple applications if the sole or First Bidder is one and the same.

Procedure for application by Mutual Funds:

In case of a mutual fund, a separate application can be made in respect of each scheme of the mutual fund registered with SEBI and such application in respect of more than one scheme of the mutual fund will not be treated as multiple applications provided that the applications clearly indicate the scheme concerned for which the application has been made.

The Selling Shareholder in consultation with the BRLMs reserves the right to reject, in their absolute discretion, all or any multiple Bids in all or any categories.

'PAN' or 'GIR' Number

Where the maximum Bid for Equity Shares by a Bidder is for the total value of Rs. 50,000 or more, i.e. the actual numbers of Equity Shares Bid for multiplied by the Bid Amount is Rs. 50,000 or more, the Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her PAN allotted under the I.T. Act or where the same has not been allotted, the GIR Number and the income-tax circle, ward or district. In case neither the PAN nor the GIR Number has been allotted, the Bidders must mention "Not allotted" in the appropriate place. Bid-cum-Application Forms without this information will be considered incomplete and are liable to be rejected.

RIGHT TO REJECT BIDS

The Selling Shareholder in consultation with the BRLMs reserves the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non-Institutional Bidders, Employees and Retail Bidders, the Selling Shareholder and the Company in consultation with the BRLMs has the right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the highest value of Equity Shares bid for;
- Bank account details (for refund) are not given;
- Age of First Bidder not given;
- Bid by minor (except through a guardian);
- PAN or GIR Number not given if Bid is for Rs. 50,000 or more;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than the lower end of the Price Band;
- Bids at a price higher than the upper end of the Price Band;
- Bids at Cut-off Price by a Non-Institutional Bidder or QIB;
- Bids for number of Equity Shares which are not multiples of 30 Equity Shares
- Category not ticked;
- Signature of sole and/ or joint Bidder missing;

- Bid-cum-Application Form bears inadequate Depository account and beneficiary account details;
- Multiple Applications as defined elsewhere;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied with Stockinvest;
- Bid-cum-Application Form does not have the stamp of the BRLMs or Syndicate Members;
- Bid-cum-Application Form that does not have Bidders' depository account details;
- Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Offer Opening Date advertisement and this Preliminary Sale Document and as per the instructions in this Preliminary Sale Document and the Bid-cum-Application Form;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations see the details regarding the same at page [·] of this Preliminary Sale Document;
- Bids from OCBs;
- Bids not validly executed, without signatures or supporting documentation.

The Equity Shares have not been and will not be registered under the US Securities Act, 1933, as amended (the "Securities Act") or any state security laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "US Persons" (as defined in Regulation S of the Securities Act) except pursuant to an exemption from or in a transaction not subject to the registration requirement of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "Qualified Institutional Buyers", as defined in Rule 144A of the Securities Act and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

Equity Shares in Dematerialised Form with NSDL or CDSL

The Equity Shares in this Offer shall be transferred only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed between the Company, Registrar and the Transfer Agent of the Company and the Depositories:

a) an agreement dated October 29, 1997 with NSDL and MCS Limited.
b) an agreement dated July 10, 1999 with CDSL and MCS Limited

All Bidders can seek Allocation only in dematerialised mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

Additional points to be noted:

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid-cum-Application Form or Revision Form.

c) Equity Shares transferred to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) Non-transferable allocation advice or refund orders will be directly sent to the sole/First Bidder by the Registrar to the Offer.

f) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

g) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.

h) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges where the Equity Shares are listed have electronic connectivity with CDSL and NSDL.

i) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors.

j) Bidders are advised to instruct their Depository Participants to accept any Equity Shares transferred to them pursuant to this Offer.

Communications

All future communications in connection with Bids made in the Offer should be addressed to the Registrar to the Offer quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date of Bid Form, name and address of the BRLM or the Syndicate Member where the Bid was submitted and cheque / draft number and issuing bank thereof.

Undertaking by the Selling Shareholder

The Selling Shareholder undertakes as follows:

a) that the complaints received in respect of this Offer shall be attended to by the Selling Shareholder expeditiously and satisfactorily. The Selling Shareholder has authorised the Compliance Officer to redress all complaints, if any, of the investors participating in this Offer;

b) that the funds required for dispatch of refund orders or allocation advice by registered post or speed post shall be made available to the Registrar to the Offer by the Selling Shareholder;

c) that the refund orders or allocation advice to the NRIs or FIIs or Foreign Venture Capital Funds or Multilateral and Bilateral development financial institutions shall be dispatched within specified time.

Dispatch of Refund Orders

The Selling Shareholder shall and the Company shall facilitate the Selling Shareholder to ensure dispatch of refund orders of value over Rs. 1,500 by registered post or speed post only and adequate funds for the purpose shall be made available to the Registrar to the Offer by the Selling Shareholder.

Procedure and Time Schedule for Transfer of Equity Shares

The Selling Shareholder and the Company in consultation with the BRLMs reserve at theirabsolute and uncontrolled discretion and without assigning any reasons thereof, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 working days of the Bid/Offer Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 working days of the Bid/Offer Closing Date. The Selling Shareholder will ensure the transfer of the Equity Shares within 15 working days from the Bid/Offer Closing Date. The Selling Shareholder shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if transfer is not made, refund orders, are not dispatched and/ or demat credits are not made to investors within two working days from the date of Allocation.

Disposal of Applications and Application Money

The Selling Shareholder shall and the Company shall facilitate the Selling Shareholder to ensure dispatch of allocation advice, refund orders and giving of benefit to the beneficiary account with Depository Participants and submission of the transfer details with the Stock Exchanges within two working days of finalisation of the basis of allocation of Equity Shares. The Company shall facilitate obtaining the required trading notice with the Stock Exchanges within two working days of finalisation of the basis of allocation of Equity Shares. The Selling Shareholder shall ensure the dispatch of refund orders, if any, of value up to Rs. 1,500, by “Under Certificate of Posting”, and dispatch of refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by the Selling Shareholder, as the Escrow Collection Bank(s) and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the BRLMs or the Syndicate Members will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

Interest on Refund of excess Bid Amount

The Selling Shareholder shall pay interest at the rate of 15% per annum on the excess Bid Amount received, if refund orders are not dispatched within 15 working days from the Bid/Offer Closing Date.

Deviations from SEBI Guidelines

The Equity Shares being offered pursuant to this Offer are already listed. As advised by SEBI in its letter dated January 29, 2004 and February 16,2004, the SEBI Guidelines for public issues/offers do not apply to this Offer. However the Selling Shareholder has informed the BRLMs and the Company by letter dated_February 9, 2004, that the Selling Shareholder has voluntarily adopted the SEBI Guidelines, particularly the guidelines for the 100% Book Building Process. Further, the processes, procedures and practices which are generally followed in the 100% Book Building Process save the deviations indicated in the letter dated February 9, 2004 would be adopted for this Offer. The Company has however been making disclosures under the listing agreements with Stock Exchanges from time to time. The deviations are as follows:

a) The Price Band to be advertised for the purposes of inviting Bids and carrying out book building will not be disclosed in the Preliminary Sale Document and would be advertised by the Selling Shareholder upto one day prior to the Bid Opening Date.

b) The Price Band would be revised, if necessary, without the need to extend the Bidding Period.

c) The terms of the Offer would provide for an automatic reduction of the demand (i.e. the number of shares bid for) of Retail Bidders who have bid at Cut-off Price, to keep it to within the payment already made by them, in case of any upward revision in the Price Band.

d) The Selling Shareholder would reserve the right at its sole discretion to offer the shares to Retail Bidders at a differential lower price as compared to the price for QIBs and Non-Institutional Bidders.

e) The post Offer period for completion of various activities would be defined as 15 working days instead of 15 calendar days.

f) The Bids received at the bidding centers would be permitted to be uploaded at intervals of one hour on all bidding days and upto the time allowed by NSE, DSE and BSE on the last day of bidding.

Undertakings by GoI and ONGC / IOC

ONGC and IOC each holding 40,839,549 Equity Shares have furninshed an undertaking that they shall not contract to sell or otherwise dispose of such Equity Shares, nor pledge, mortgage or in any manner dilute or encumber their rights in such Shares, for a period of six months from the date of transfer of Equity Shares proposed to be sold through the Offer.

GoI undertakes that, except for the Equity Shares proposed to be sold through the Offer, GoI shall not contract to sell or otherwise dispose of any of the other Equity Shares currently held, any securities convertible into, exchangeable or exercisable for such Equity Shares (including any warrants), or any option on such Equity Shares, or pledge, mortgage or in any manner dilute or encumber GoI rights in the said Equity Shares, for a period of six months from the date of transfer of Equity Shares proposed to be sold through the Offer.

STATEMENT ON BASIS OF OFFER PRICE

The Offer Price will be determined by the Selling Shareholders in consultation with the BRLMs on the basis of the assessment of market demand for the offered Equity Shares by the Book Building Process. Some of the quantitative factors, which may form the basis for computing the price are;

1. Adjusted Earning Per Share (EPS) - As per Indian Accounting Standards.

		Rupees	Weight
1	Year ended March 31, 2001	10.45	1
2	Year ended March 31, 2002	14.16	2
3	Year ended March 31, 2003	20.77	3
	Weighted Average	16.85	

Note : The Earning Per Share has been computed on the basis of adjusted profits & losses for the respective year drawn after considering the impact of accounting policy changes and prior period adjustments/ regroupings pertaining to earlier years.

2. Price/Earning (P/E) ratio in relation to Offer Price of Rs. [*]

   a. Based on year ended March 31, 2003 EPS of Rs. 20.77 [*]
   b. Based on Weighted Average Adjusted EPS of Rs.16.85 [*]

3. Average Return on Net Worth

		%	Weight
1	Year ended March 31,2001	16.87	1
2	Year ended March 31,2002	20.08	2
3	Year ended March 31,2003	27.21	3
	Weighted Average	23.11	

Note: The Average Return on Net Worth has been computed on the basis of adjusted profits & losses for the respective year drawn after considering the impact of accounting policy changes and prior period adjustments/ regroupings pertaining to earlier years.

4. Minimum Return on Increased Net Worth required to maintain pre-issue EPS.

   There is no change in net worth due to the offer for sale.

5. Net Asset Value per Share, as on December 31,2003 Rs.85.10

   Note: Net Asset Value Per Share represents Shareholders' equity less miscellaneous expenses as divided by weighted average number of shares.

6. Net Asset Value per Share after Offer

Pursuant to the Offer there is no change in the Net Asset Value per Share since this is an offer for sale by the Selling Shareholder.

7. Comparison with Industry Peers

There is no comparable industry competitor in India. GAIL is the only integrated gas company in India, and it is the dominant gas pipeline transmission and marketing company with interests in oil and gas E&P, gas processing (LPG, Propane and other liquid hydrocarbons), petrochemicals, telecommunications and retail gas supply through equity/JV participations. Other listed Indian gas companies such as Gujarat Gas Company Limited and Indraprastha Gas Limited are primarily involved in gas distribution and gas retail supply respectively.

Offer Price Per Share will be determined at the conclusion of the Book Building process.

SECTION III – THE COMPANY

Unless the context otherwise requires, for the purposes of Section III of this Preliminary Sale Document references to "GAIL", "the Company", "GAIL (India) Limited", "we", "us" and "our Company" refers to GAIL (India) Limited, a public company incorporated under the Companies Act.

CAPITAL STRUCTURE

Share Capital

Share Capital as on RoC filing date		**(Rs. in million)**	
		Aggregate nominal value	**Aggregate value at Offer Price**
Authorised Capital			
1,000,000,000	Equity Shares of Rs. 10 each	10,000	
Total Authorized capital		10,000	
Issued, Subscribed And Paid-Up Capital			
845,651,600	Equity Shares of Rs. 10 each	8,456.52	

a) The Company was incorporated on August 16, 1984 with an Authorized Share Capital of Rs. 5,000,000,000 divided into 5,000,000 Equity Shares of Rs.1000/- each. Subsequently at the Extra-Ordinary General Meeting of the Company held on January 23,1987 the Authorized share capital was increased to Rs. 10,000 million comprising of 100,00,000 Equity Shares of Rs. 1000/- each.

b) A stock split was approved at the Extra-Ordinary General Meeting of the Company held on June 12, 1995, resulting in each Equity Shares of Rs. 1000/- being sub-divided into 100 Equity Shares of Rs. 10 each and consequently the Equity Shares were sub-divided with effect from the said date.

c) The Offer has been approved by the GoI letter dated December 26, 2003 authorizing disinvestment of up to 10% Equity Shares of the Company in the domestic capital markets and noted by the Board resolution of the Company dated January 8 ,2004. The Offer to the public is by an Offer for Sale by the GoI of up to 84,565,160 Equity Shares of Rs.10/- each. MoD, GoI has provided for a reservation of up to 5% of the Offer for Employees vide D.O. No. 4(45)/2003-MODI, dated February 5, 2004.

(d) As this is an Offer for Sale, the issued, subscribed and paid-up equity capital and the share premium account will remain unchanged

Notes to the Capital Structure

1) Share Capital History of the Company

S.no.	**Date of Allotment**	**No.of Equity Shares**	**Nominal value (Rupees)**	**Issue Price (Rupees)**	**Consideration for allotment**	**Reasons for allotment**	**Cumulative share premium (Rupees)**
1.	August 16, 1984	11	1000	1000	Cash	Subscription to Equity Shares on signing of Memorandum	Nil
2.	February 23, 1985	6,000	1000	1000	Cash	Allotment to President of India	Nil
3.	April 20, 1985	3,989	1000	1000	Cash	Allotment to President of India	Nil
4.	July 18, 1985	83,300	1000	1000	Cash	Allotment to President of India	Nil
5.	November 28, 1985	4,16,700	1000	1000	Cash	Allotment to President of India	Nil
6.	February 3, 1986	5,00,000	1000	1000	Cash	Allotment to President of India	Nil
7.	February 7, 1986	8,00,000	1000	1000	Cash	Allotment to President of India	Nil
8.	August 2, 1986	10,23,500	1000	1000	Cash	Allotment to President of India	Nil
9.	August 2, 1986	9,34,400	1000	1000	Cash	Allotment to President of India	Nil
10	March 9, 1987	23,40,000	1000	1000	Cash	Allotment to President of India	Nil
11	June 22, 1987	16,00,000	1000	1000	Cash	Allotment to President of India	Nil
12	August 19, 1987	6,95,300	1000	1000	Cash	Allotment to President of India	Nil
13	September 1, 1988	50,000	1000	1000	Cash	Allotment to President of India	Nil
	Sub-Total	8453200	1000				

	June 12, 1995	845,320,000	10/-	NA	NA	8453200 Equity Shares of Rs1000 each sub-divided into 845,320,000 Equity Shares of Rs10 each	Nil
14	January 14, 1997	331600	10/-	18/-	Cash	Preferential allotment to employees of the Company	2652800
	TOTAL	**845651600**	**10**				

Details of Disinvestments made by the GoI of its equity holding in the Company.

Year and details	Number of Shares Disinvested by the Government of India	% of shares Disinvested to share capital	Shares held by Government of India after disinvestments
1995 Disinvestment through private placement in the domestic market	28,529,025	3.38	816790975
1999 Disinvestment through private placement in the domestic market	30,609,600	3.62	786181375
1999 Sale of shares to Indian Oil Corporation Limited and to the Oil and Natural Gas Commission Limited (each being a Government company)	81,679,098	9.66	704502277
1999 Disinvestments through GDR Mechanism	135,000,000	15.96	569502277
TOTAL	275,817,723	32.62%	569502277

2. Share holding Pattern

Shareholders	Before the Offer		After the Offer	
	Number of Equity Shares	Percentage	Number of Equity Shares	Percentage

Promoter – President of India*	56,95,02,277	67.35	484937117	57.35
Public	276149323	32.65	360714483	42.65
Total	84,56,51,600	100.0	84,56,51,600	100.0

* Acting through the Ministry of Petroleum and Natural Gas, the Government of India

3. Equity Shares held by top ten shareholders and number of Equity Shares held by them is as follows:

a) Top ten shareholders as on date of filing of the Preliminary Sale Document with RoC as on February 17, 2004:

Detail of top 10 shareholders of the Company as on date of filing with RoC

S.no.	NAME	NO. OF SHARES	%
1	PRESIDENT OF INDIA*	569,502,277	67.345
2	DEUTSCHE BANK TRUST COMPANY AMERICAS.	55701552	6.587
3	INDIAN OIL CORPORATION	40,839,549	4.829
4	ONGC	40,839,549	4.829
5	LIC	20,409,884	2.414
6	TEMPLETON GLOBAL ADVISORS LIMITED TEMPLETON FUNDS INC (TEMPLETON FOREIGN FUND)	12,477,810	1.476
7	GENESIS INDIAN INV.CO.Ltd GENERAL SUB FUND	7,293,996	0.863
8	UTI-SUS 1999	40,00,000	0.473
9	MERRIL LYNCH CAPITAL MARKETS ESPANA S.A SVB	36,46,600	0.431
10	UNITED INDIA INSURANCE COMPANY LIMITED	25,48,458	0.301

* Acting through the Ministry of Petroleum and Natural Gas, the Government of India

b) Top ten shareholders as of ten days prior to filing of Preliminary Sale Document with RoC:

Detail of top 10 shareholders of the Company as on February 8, 2004 with RoC

S.no.	NAME	NO. OF SHARES	%
1	PRESIDENT OF INDIA*	569,502,277	67.345
2	DEUTSCHE BANK TRUST COMPANY AMERICAS.	55,641,660	6.579
3	INDIAN OIL CORPORATION	40,839,549	4.829
4	ONGC	40,839,549	4.829
5	LIC	20,381,543	2.410
6	TEMPLETON GLOBAL ADVISORS LIMITED TEMPLETON FUNDS INC (TEMPLETON FOREIGN FUND)	98,15,248	1.161
7	GENESIS INDIAN INV.CO.Ltd GENERAL SUB FUND	7,293,996	0.863
8	UTI-SUS 1999	40,00,000	0.473

	MERRIL LYNCH CAPITAL MARKETS ESPANA S.A		
9	SVB	35,26,998	0.417
10	UNITED INDIA INSURANCE COMPANY LIMITED	25,48,458	0.301

c) Top ten shareholders as of two years prior to filing of Preliminary Sale Document with RoC:

Detail of top 10 shareholders of the Company as on February 18, 2002

S.no.	NAME	NO. OF SHARES	%
1	PRESIDENT OF INDIA*	569,502,277	67.345
2.	BANKERS TRUST COMPANY	85,587,536	10.121
3	INDIAN OIL CORPORATION	40,839,549	4.829
4	ONGC	40,839,549	4.829
5	DEUTSCHE BANK TRUST COMPANY AMERICAS.	40,000,000	4.730
6.	LIC	16,201,764	1.916
7.	UTI-SUS 1999	12,757,768	1.509
8.	GENESIS INDIA INVESTMENT CO. LTD	7,293,996	0.863
9.	UTI	3,818,036	0.451
10.	STATE BANK OF INDIA	35,09,519	0.415

4. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares, as on date.

5. None of our Directors has purchased or sold any Equity Shares during a period of six months preceding the date on which the Preliminary Sale Document is filed with SEBI.

6. The GoI, Company, Directors of the Company, BRLMs have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of the Company from any person.

7. There are no outstanding employee stock option plans or employee share purchase schemes outstanding. As on January 14, 1997, our employees were allotted 3,31,600 Equity Shares on a preferential allotment basis, these shares were subject to a lock-in of three years from date of allotment.

8. The Company has received approval from the FIPB pursuant to its letter no. FC.II. 606(97)/684 (97) dated January 28, 2004 for the transfer of Equity Shares in this Offer to NRIs, FIIs registered with SEBI, Foreign Venture Capital Funds registered with SEBI and Multilateral and Bilateral development financial institutions. The Company has received in-principle approval from the RBI for transfer of shares to NRIs, FIIs and Multilateral and Bilateral development financial institutions, pursuant to its letter no. ECDEL FID II/ /06.04.117/03-04 dated February 09, 2004.

The final permission of the RBI, for acquisition of shares is to be received on completion of certain filing requirements. Subject to obtaining such approvals, it will not be necessary for the investors to seek separate permission from the FIPB/RBI for this specific purpose.

9. We presently do not intend or propose to alter our capital structure for a period of six months from the Offer Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except that we may issue options to our employees pursuant to an employee stock option plan or, if we enter into acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

10. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.

11. At any given point of time, there shall be only one denomination for the Equity Shares of the Company and we shall comply with such disclosure and accounting norms specified by SEBI from time to time.

12. We have 84,666 shareholders as of January 22, 2004.

INDUSTRY OVERVIEW

Background

Oil and gas was first discovered in India in 1886, with a non-commercial well discovery in the Assam region. Real growth in the industry began only after independence, when the GoI decided to develop the oil and natural gas sector as a strategic resource in the various regions of the country as a part of public sector development. As a result, different state enterprises were established for exploration and production, refining and marketing of petroleum products, including the two national oil companies, ONGC and OIL. ONGC is a major player in the upstream petroleum and natural gas sector in India and accounts for over 80% of the oil and gas production in India. Prior to 1974, very little natural gas was produced or consumed in India. Following the major discovery by ONGC of oil at the Bombay High field in 1974 and significant gas reserves off the western coast of India from 1977 to 1984, the GoI studied various ways to optimise offshore gas reserves and the infrastructure facilities required therefor.

In the early 1980s, as a result of studies that revealed that the maximum economic return from natural gas could only be derived by extracting value-added products, the GoI set in motion plans to encourage the production of gas as a feedstock to manufacture fertiliser, in addition to being burned as a fuel for power generation. The GoI established GAIL in 1984 to develop gas pipeline infrastructure in different parts of the country and to set up gas processing facilities to recover high value fractions from gas before its use in downstream industries. To provide the onshore infrastructure necessary for effective transmission, processing and marketing of this natural gas, the GoI commissioned us to construct the HVJ Pipeline, which we completed in Fiscal 1988. Since then, the gas sector has grown significantly in India, with new discoveries made in Rajasthan, Tamil Nadu, Andhra Pradesh and certain northeastern states.

Industry Structure and Regulation

The oil and natural gas industry in India has traditionally been highly regulated by the GoI. This regulation has been in the form of state ownership of industry participants, regulation of consumer and producer prices and the allocation of resources to distributors and end users.

The MoPNG oversees the entire chain of activities in the oil industry: exploration and production of crude oil and natural gas; refining, distribution, and marketing of petroleum products and natural gas; and exports and imports of crude oil and petroleum products. The Directorate General of Hydrocarbons ("DGH") was set up in 1993 under the administrative control of the MoPNG, with the objective of ensuring proper reservoir management practices, reviewing and monitoring exploratory programmes, development plans for national oil companies and private companies, and monitoring production and optimum utilisation of gas fields. Other organisations in the Indian petroleum and natural gas sector include the Oil Industry Safety Directorate, which develops standards and codes for safety and fire fighting, training programmes and information dissemination, among other things, and the Oil Industry Development Board which provides financial and other assistance to foster development of the oil industry.

In response to the acute energy shortages and its own continued economic growth forecasts, the GoI commissioned several committees to study liberalisation of the oil and gas industry to encourage investment and increase production. As a result, petroleum products (except for natural gas) were removed from the APM, by which the GoI regulates industry pricing, on March

31, 2002. Pursuant to the 1997 Pricing Order issued by MoPNG, prices for natural gas were removed from the APM and replaced by partially market driven prices linked to a basket of fuel oil, with floor and ceiling limits. The 1997 Pricing Order provided for a gradual move toward market-determined consumer pricing for natural gas. We anticipate that the GoI will increase natural gas prices in 2004. To the extent natural gas prices in India approach world prices over time, producers are expected to benefit. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — General — Natural Gas Pricing”.

Supply of and Demand for Natural Gas

Exploration and Production. As of April 1, 2003, India had oil reserves of 733 mmt of crude oil reserves and 853 bcm of natural gas reserves, and produced 33 mmtpa of crude oil and 31 bcm of natural gas, according to the MoPNG. Currently, domestic production accounts for only 33% of the total demand of 106 mmtpa. In addition, the Indian Government has embarked on an ambitious hydrocarbon policy with estimated investments in exploration, drilling and related activities of USD 60 billion over the next 10 years.

A small number of foreign and domestic companies produce crude oil in India along with ONGC and OIL. ONGC’s oil and gas production mainly comes from Mumbai Offshore, Gujarat, northeast India, Krishna-Godavari basin, Cauvery basin. In Fiscal 2003, ONGC’s oil production was 26.02 mmt (520,000 bopd) and its gas production was 24.24 bcm in 2002-2003. ONGC is also the second largest producer of LPG in India. The main private participants in the exploration and production sector in India are Reliance Industries (“RIL”), Cairn Energy and British Gas (“BG”).

India produced approximately 32.02 mmt (658,000 bopd) and 33.08 mmt (660,000 bopd) of crude oil in Fiscal 2002 and Fiscal 2003, respectively, according to the MoPNG, while refining capacity was 114.67 mmt and 116.97 mmt as of April 1, 2002 and April 1, 2003, respectively. The balance of India's crude oil is imported from a variety of locations in and around the Arabian Gulf under long-term contracts and tenders with the state oil companies.

Gas Consumption and Demand. Worldwide, the percentage of global primary energy consumption of natural gas rose from 19% in 1980 to 24% in 2002. World natural gas reserves and world demand for natural gas have increased significantly in recent years. According to BP Statistical Review of World Energy, 2003, proved reserves increased from 85.9 trillion cubic metres in 1982 to 155.8 trillion cubic metres in 2002. Due to lower fuel and operating costs, natural gas has distinct economic advantages over other sources of energy. Due to lower byproduct discharges, natural gas also has substantial environmental advantages over other energy sources. High growth in demand is anticipated to take place in developing countries where demand is expected to increase at a rate of 3.9% per year between 2001 and 2025. Much of the growth is expected to come from fuel for power generation.

The Indian natural gas market is relatively underdeveloped compared to other areas of the world, with natural gas currently comprising only 8% of total primary energy consumed. The table below sets forth energy consumption patterns in different regions around the world:

Region	Oil (%)	Natural Gas (%)	Coal (%)	Nuclear Energy (%)	Hydro (%)

India	2.8	1.1	7.5	-	2.8
North America	30.2	31.2	24.7	33.6	24.1
South & Central America	6.1	3.9	0.7	0.8	20.7
Europe and Eurasia	26.3	41.2	21.1	45.8	30.2
Africa	3.4	2.7	3.8	0.5	3.1
Middle East	5.9	8.1	0.3	-	0.3
Asia Pacific*	25.3	11.9	41.9	9.3	18.8
World	100.0	100.0	100.0	100.0	100.0

Source: BP Statistical Review of World Energy, 2003.

* Excludes India.

According to figures from the MoPNG, approximately 25,076 mmscm of natural gas was consumed in Fiscal 2003. Sales volumes for Fiscal 2002 by class of end-user were as follows: fertiliser 33.4%; power generation 37.8%; sponge iron 5.2%; and other industries 23.5%. Natural gas is used by the fertiliser sector in India as fuel and as feedstock, while some gas is also used for captive power generation.

The table below illustrates the trends in natural gas consumption by various end-users in India:

	Consumption of Natural Gas in India					
	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003
			(mmscmd)			
Fertiliser.........	23.98	24.31	23.46	24.16	22.10	23.89
Power............	21.77	23.49	25.46	24.35	25.03	28.10
Sponge Iron ...	4.04	3.46	3.09	3.65	3.47	3.11
Other Industries	7.86	9.04	11.38	13.82	15.58	17.49
Total.......	57.65	60.3	63.39	65.98	66.18	72.50

Source: *GAIL-Infraline Natural Gas in India: A Reference Book*; *Company Records.*

In the last 10 years, India's natural gas consumption has increased at a growth rate of 6.3%, according to the BP Statistical Review of World Energy, 2003. According to the India Hydrocarbon Vision 2025 Report, the demand for natural gas is projected to increase sharply. This projected increase reflects general increases in energy requirements as a result of strong industrial growth in India during this period and the fact that natural gas is cheaper and more environmentally friendly than cost of alternate fuels. We expect further growth in demand for natural gas from the power sector. As new power plants are constructed to meet India's increasing energy requirements, we expect these new power plants to favour natural gas as a fuel because gas-based power plants take a shorter time to build, can operate at a higher plant load factor, have lower capital and operating costs and have substantial environmental advantages when compared to coal-based plants. We also expect further growth of demand for natural gas from the fertiliser sector.

Gas Supplies. According to GoI reports, India had total proven, probable and possible reserves of 853 bcm of gas as of April 1, 2003, which at the Fiscal 2003 production level of 31.40 bcm is expected to provide an estimated reserve life of approximately 27 years. Of this, Bombay High, or the offshore region along the west coast of India, makes up 56%. In the onshore regions, two states have significant reserves of gas: Assam and Gujarat. In addition, the states of Tamil Nadu, Rajasthan, Nagaland, Andhra Pradesh and Arunachal Pradesh have small reserves.

The table below illustrates the trends in production of natural gas from different suppliers in India:

	Production of Natural Gas					
	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003
			(BCM)			
ONGC............	23.05	22.84	23.25	24.02	24.04	24.25
OIL	1.67	1.71	1.73	1.86	1.62	1.74
Private joint venture companies......	1.68	2.87	3.47	3.60	4.05	5.40
Grand Total....	25.40	27.42	28.45	29.48	29.71	31.40

Source: Ministry of Petroleum and Natural Gas and DGH, as quoted in GAIL-Infraline Natural Gas in India: A Reference Book

The share of gas in total energy consumption has remained low primarily because of limited domestic availability of gas. The situation is likely to remain unchanged unless new gas fields are discovered, gas is imported or alternate sources of gas become commercially available. ONGC is undertaking extensive three-dimensional seismic surveys in the Bombay High gas field and South Bassein gas fields, which may result in comprehensive mapping of the reservoir, additional drilling and better reservoir management. The combination of the application of new technologies to existing fields and potential increases in the amount of gas available may lead to increased gas production from existing fields and was also a consideration in the implementation of the new gas pricing policy. In the longer term, the incentives for additional exploration embodied in the GoI's exploration licensing policy provide significant financial and operating incentives to exploration and production companies to search for new gas fields in India's territorial waters.

We are currently studying methods of supplementing the amount of natural gas produced domestically by traditional methods, including the possibility of establishing pipelines to bring gas to India from other gas producing countries in the region, importing liquid natural gas, producing gas from coal bed methane and underground coal gasification and the feasibility of the exploitation of natural gas hydrates. The transnational gas pipeline projects from Iran, Turkmenistan and Myanmar are at different stages of discussion and development. Although such projects face technical and geo-political challenges, the successful construction of such a pipeline would enable us, directly or through joint venture partners, to increase the supply of gas to end-users. In addition, the amount of natural gas that India could potentially produce from methane associated with coal beds or the underground gasification of coal beds that are currently uneconomic to mine could be significant. We have also entered into the PLL joint venture project with ONGC, IOC and BPCL which was established to set-up liquid natural gas import terminals in Gujarat and Kerala to facilitate its importation.

Natural Gas Applications. Although principally regarded as a combustible fuel, natural gas, or "rich gas" in its pure state is a complex hydrocarbon vapour that can be separated, or "fractionated", into several components that may be utilised as fuels or as raw materials for other products. The table below sets forth these different fractions and the applications for these products in India:

Fraction	Common Name	Applications
C_1	Methane	Fuel and feedstock for fertiliser plants and fuel for Power plants
C_2	Ethane	Production of petrochemicals
C_3	Propane	Production of petrochemicals, LPG and industrial fuel
C_4	Butane	Production of LPG
C_5 (and heavier)	Other fractions	Production of special boiling point solvents ("SBPs") and Pentane

Currently, approximately 64% of the natural gas purchased by us is processed in our LPG extraction plants, which extract propane and butane fractions from the gas. After the extraction of propane and butane, the remaining stream of gas, known as "lean gas", is returned to the pipeline system for other uses. The calorific value of lean gas is lower, ranging from 8,400 to 8,800 kcal/scm, depending on the processing parameters, and is rich in Methane. Fertiliser plants use lean gas to produce ammonia, which is then converted into fertilisers. While all fractions of the rich gas are capable of being used by fertiliser and power plants, value is added when fractions other than C_1 are used for the production of valuable products like LPG or petrochemicals.

Liquefied Natural Gas

Liquefied natural gas ("LNG") is natural gas super-cooled to a liquid state. Liquefaction of natural gas, by cooling it to -161^0 C, reduces the volume by a factor of 600. Since global natural gas markets are at a considerable distance from the largest reservoirs of natural gas, compression of the natural gas is essential to make its transportation economically viable. LNG is transported in custom-made ships and is re-gassified at a receiving terminal. The LNG chain consists of five discrete, capital intensive steps:

1. Dedicated gas field development and production;
2. Liquefaction;
3. Dedicated Shipping;
4. Re-gassification; and
5. Transportation and distribution to the consumer.

LNG is traded under long-term, short-term and spot contracts. Pricing of LNG is different across markets. Traditionally, LNG contracts link the price of LNG to price of crude oil.

Worldwide consumption of LNG was approximately 80 bcm in 1992 and greater than 100 bcm in 1996. Current worldwide consumption of LNG is 150 bcm. The major exporting countries of LNG are Algeria, Qatar, Indonesia, Malaysia and Australia. Japan is the most significant importer of LNG, importing 73 bcm, or 48% of the total LNG traded each year, according to the BP Statistical Review, 2003.

The liquefaction and transportation of natural gas as LNG has been conducted commercially since the mid-1960s. Geographically, India is strategically well-located as it is flanked by large gas reserves on both the east and west and is relatively close to four of the world's top five gas reserves, namely, Iran, Qatar, Saudi Arabia and the United Arab Emirates. In order to encourage gas imports, the Government of India has licensed import of LNG under the Open General License ("OGL") category. Thus LNG can be imported, re-gassified and distributed by any developer setting up the required LNG facilities, although developers must obtain approval for foreign investment from FIPB. Because of the length of its coastline, India provides a good opportunity for prospective LNG suppliers from the Middle East and East Asia to access the market. The Government of India is formulating an integrated LNG policy to promote the development of LNG projects in the country.

Liquified Petroleum Gas

Liquefied Petroleum Gas ("LPG") is a mixture of C_3 and C_4 hydrocarbons. LPG is produced from crude oil in the refining processes and from natural gas in gas processing by fractionation.

LPG is a premium quality fuel and has many applications ranging from domestic cooking fuel to industrial fuel, automobile fuel and feedstock for petrochemical production. In India, over 90% of LPG consumed is used for domestic cooking fuel, with the remainder used primarily for industrial heating and commercial establishments such as restaurants and hotels. LPG is supplied in cylinders to households and commercial users. Industrial users normally obtain LPG in bulk.

Current LPG consumption in India based on 2002-2003 figures is approximately 8.4 mmtpa. Compounded growth of about 10% is expected to continue, with demand projected to grow to 11.9 mmtpa by Fiscal 2007, according to a study conducted by market research agency MRDA on behalf of the PSU oil companies. Domestic LPG production as per 2002-2003 is 7.3 mmtpa and is expected to increase to 8.6 mmtpa by Fiscal 2007, leaving a deficit of over 3 mmtpa to be covered by imports.

PSU oil companies currently account for 98% of the market share of LPG. Because PSU Oil companies enjoy subsidy support from the Government for domestic LPG sales, the growth of private companies in the Indian market has in the past been hampered by their inability to compete with PSUs on price. The Government of India has recently announced that private companies will also be permitted to take advantage of the subsidy scheme previously only extended to PSUs.

We have applied to the MoPNG for permission to commence immediate marketing of LPG to non-domestic customers and later to domestic customers as well. The request is under consideration by the Government.

Petrochemicals

India's petrochemical industry is relatively young, having started in the 1960s with the commissioning of a few small integrated cracker complexes and a few small downstream plants. IPCL's naphtha cracker and downstream units set-up at Vadodara during the mid-1970s became the first large scale petrochemical complex in the country. The petrochemicals industry is currently concentrated near Mumbai on the west coast of India. The industry is currently dominated by four domestic producers, namely, Reliance (who acquired control of IPCL during its disinvestment in 2002), Haldia, IPCL and GAIL. Our petrochemical complex at Pata, which was commissioned in March 1999, is the first petrochemical complex located outside of the western India belt.

Demand for petrochemicals products in India is related to general industrial growth, substitutability of competing materials and the prices of petrochemical feedstocks, end-products and competing products. Rapid growth in the Indian economy since the early 1980s has resulted in significant increases in the demand for petrochemical products in India. However, per capita consumption of polymers in India of approximately 3.8 kilograms is still one of the lowest in the world and demand is therefore expected to continue to rise, together with increases in economic growth.

Historically, domestic supply of petrochemical products has been insufficient to meet demand. Accordingly, India has relied on imports for a number of petrochemical products, including ethylene, polyethylene, polyvinyl chloride and polypropylene, including niche grades for various applications. The Indian petrochemicals industry was protected from international competition through high customs duties on petrochemical imports. However, the Government of India, as part of its economic liberalisation policy, has gradually reduced customs duties on imports since 1995 to their current level of 20%. Domestic producers of petrochemicals such as GAIL will soon face increased competition from international manufacturers, including large multinationals that have significantly greater financial resources. In addition, it is expected that polymer production capacity in Asia, particularly in the Middle East and China, will reach an over-supply situation by Fiscal 2007, which may further increase competitive pressures on domestic petrochemical producers. See "Risk Factors--We face significant competition in our petrochemicals business, from both domestic and foreign manufacturers".

Telecom

Our Telecom business, which involves mainly the leasing of bandwidth, falls under the regulatory oversight of the Telecom Regulatory Auhority of India ("TRAI"). The TRAI opened the telecom sector to competition through the National Telecom Policy 1994, pursuant to which access licenses to provide cellular and basic services were issued. Subsequently, under the New Telecom Policy ("NTP") 1999, the GoI opened the long distance sector to competition.

As part of the National Long Distance Policy, Infrastructure Provider Category II ("IP II") licenses were offered for leasing/ selling transmission capacity to Telecom Service Providers. We obtained the first IP II license, which permits us to provide infrastructure services to telecom operators, in January 2001.

The TRAI has fixed a ceiling on bandwidth leasing rates, but companies are free to lease bandwidth at negotiated rates below the ceiling. Currently, there are four companies leasing bandwidth in India and no new entrants are expected in the short-to-medium term, although some of the major telecom providers may set up their own OFC networks.

OUR BUSINESS

Overview

We are the largest natural gas transmission company in India and operate a network of over 4,600 kilometres of gas pipeline, including the HVJ Pipeline located in northwestern India. We currently transport about 63 mmscmd of natural gas, representing approximately 90% of the total amount of natural gas transported by pipelines in India. In addition, we operate seven plants at six locations which process natural gas to produce liqufied petroleum gas ("LPG") and own and operate a petrochemical plant that produces high density polyethylene and linear low density polyethylene. For the fiscal year ending March 31, 2003, we had total operating revenues of Rs. 117.8 billion and net profit after tax of Rs. 17.6 billion.

The HVJ Pipeline, a 2,800 kilometre pipeline which runs from Hazira on the western coast of India through Vijaipur to Jagdishpur in north India and includes links to Delhi, forms the backbone of the natural gas transmission system in India. In Fiscal 2003, we transported approximately 33.0 mmscmd of natural gas through the HVJ Pipeline. In addition to the HVJ Pipeline, we also operate over 1,800 kilometres of regional gas pipeline networks in various regions of India, including Maharashtra (Mumbai area), Gujarat, Rajasthan, Andhra Pradesh, Tamil Nadu, Pondicherry, Assam and Tripura (together, the "Regional Gas Pipelines"). In Fiscal 2003, we transported approximately 31 mmscmd of natural gas through the Regional Gas Pipelines. We also own and operate about 1,300 kilometres of pipeline dedicated to transporting LPG from Kandla and Jamnagar in western India to Loni in northern India. We also own about 600 kilometres of LPG pipeline that runs from Vizag to Secunderabad, which we expect to become operational in the first quarter of 2004.

We operate seven natural gas processing plants, which have a total production capacity of over 1 mmtpa of LPG. While four of our natural gas processing plants are located along the HVJ Pipeline, two at Vijaipur, one at Vaghodia and one at Pata, we also operate natural gas processing plants at Usar near Mumbai, Lakwa in northeastern India and Gandhar in Gujarat.

We operate a petrochemical complex located along HVJ Pipeline at Pata. The petrochemical complex has a production capacity of 260,000 tpa of polyethylene. We have plans to increase the ethylene manufacturing capacity at the petrochemical complex to approximately 440,000 tpa by Fiscal 2007.

We are also planning to undertake several projects to enhance our infrastructure and to expand our gas transportation and distribution activities.

- *National Gas Grid*. We have conceptualized the development and construction of a national gas grid (the "**NGG**") for developing the primary high pressure inter state gas pipeline networks to provide gas to all parts of the country by linking sources and supply of natural gas to end consumers. Individual segments of the pipeline may be set up, subject to GoI approval, based on the economic viability of the segment. Pre-project activities are under way and we are in the process of planning the construction of pipeline segments to satisfy regional gas customer demand. We expect these pipeline segments to form part of the NGG. See "—Projects Under Development—Expansion of the Pipeline Network—the National Gas Grid" and

"Regulations and Policies – Draft Policy for Development of Gas Pipelines Network".

- *Oil and Gas Exploration and Production*. As a part of our efforts to increase gas supplies, we have entered into agreements with ONGC, OIL, GSPCL, Hardy Exploration and Production India Limited ("HEPI"), Gazprom, Enpro Finance Private Limited ("EFPL") and Daewoo International to engage in onshore and offshore oil and gas exploration and production activities. The consortia in which we participate are currently exploring a total of 10 onshore and offshore blocks pursuant to the terms and conditions of Production Sharing Contracts ("PSCs") signed with the GoI. In the recently concluded NELP-IV bidding round we were awarded two onshore blocks. We participate as a non-operating partner in all of these exploration blocks pursuant to the terms and conditions in each Joint Operating Agreement ("JOA"). See "—Exploration and Production".

- *City Gas Distribution.* We have entered into joint ventures to supply and market natural gas to retail and domestic customers. We currently distribute Compressed Natural Gas ("CNG") to vehicles through joint ventures in the cities of Delhi and Mumbai. We also have plans to form joint venture companies for distribution of Piped Natural Gas ("PNG") and CNG to the cities of Lucknow, Agra, Kanpur and Pune under Project Blue Sky and Bareilly city. In addition, we are a promoter of Bhagyanagar Gas Ltd., which will distribute CNG and auto LPG in Vijaywada, Hyderabad and Secundrabad. See "—Projects Under Development—Project Blue Sky".

- *Telecommunications.* Our telecommunications service arm, GAILTEL, provides both internal telecommunication services for our SCADA, voice and business application requirements and commercial bandwidth services to customers. We plan to invest Rs. 3.0 billion to expand our network from 8,000 kilometres to 18,000 kilometres as part of the proposed NGG project and to create an IP-MPLS network connecting 10 cities in the country. In conjunction with the implementation of our city gas distribution projects such as Blue Sky and Bhagyanagar, we also plan to lay OFC to create additional access to infrastructure. We intend to continue operating as an infrastructure provider and also have plans to setup data centres and bandwidth exchanges.

We are controlled by the GoI. After giving effect to the Offering, the GoI will own approximately 57.35% of our issued share capital, and will continue to retain control on us.

Operating Strengths

We believe that we benefit from certain operating strengths that have enabled us to achieve significant growth and steady profitability:

- *Dominant Market Position; Significant Barriers to Entry*. We believe that our dominant market position is the result of the geographical spread of our assets, our understanding of the Indian gas market, our excellent record of service to customers and our technical expertise. In addition, we believe there are significant barriers to entry for a company proposing to enter the market for the transmission, marketing and processing of natural gas. Such barriers include the substantial investment that would be required by a new entrant in order to duplicate the natural gas transmission and processing facilities operated by us and the relatively long lead time before such assets would generate a reasonable return on investment. We also believe that we are better positioned, given our existing asset base, to expand our existing pipelines at relatively low cost to meet any increases in supply, compared to the substantial cost to a new entrant of laying new pipelines. In addition, we currently have supply arrangements with all of the major natural gas producers in India.

- *Principal Assets Are Relatively New*. The HVJ Pipeline was constructed in phases from 1986 to 1989 and initial upgrading activities were completed in July 1998. Our 1,300 kilometre LPG pipeline from Kandla and Jamnagar in western India to Loni in northern India was commissioned in 2001. Our petrochemical complex was commissioned in March 1999. The LPG plants are also recently built and, although some of the Regional Pipelines are of older construction, the majority of our assets are not expected to require major repair or replacement in the near future. Under AS, the pipeline assets are depreciated over approximately nine years, while their economic life is in excess of 25 years, resulting in larger contributions to profitability in later periods. In addition, under AS, manufacturing facilities, such as our petrochemical complex and LPG plants, are depreciated over approximately 20 years.

- *Synergies between Businesses*. We have been successful in exploiting the synergies and value creation between our various businesses. Our expansion in the profitable LPG and petrochemicals businesses has been facilitated by the assured supply of feedstock from our own supply of natural gas. The existing pipeline infrastructure also supports joint ventures and projects for retail gas marketing in various cities of India. The increasing retail load will lead to an increase in the volumes of gas to be transmitted. Our extensive pipeline network has provided us an opportunity to set up GAILTEL, India's first company to be granted a licence for bandwidth leasing. In conjunction with our implementation of our city gas distribution projects such as Blue Sky and Bhagyanagar, we also plan to lay OFC to create additional access to infrastructure.

- *Project Management Capabilities*. We have demonstrated strong project management capabilities. We obtained the requisite government approvals, arranged financing and managed the construction of India's largest pipeline within budget. The projects we undertake involve negotiations with numerous local authorities and technical difficulties in traversing some of India's most difficult terrain. We have generally completed other projects, including our LPG plants, LPG transportation pipeline and the petrochemical complex, within budget. Since inception, we have continually analysed potential opportunities for upgrading existing services and diversifying into new product areas.

- *Intensive Operations and Maintenance Programmes*. As a result of our emphasis on operations and maintenance, which utilises our supervisory control and data acquisition ("SCADA") computer monitoring system, the HVJ Pipeline has transported gas to customers virtually without interruption since its completion. We adhere to international standards for quality assurance, and have received ISO 9002 certification with respect to a large portion of our operations, including the HVJ Pipeline and the LPG plants. We have also received ISO 14001/18001 certification for certain aspects of our operations. A majority of our pipelines have been audited for safety management by reputable national and international agencies. Various awards have been conferred on our pipelines and plants, including the prestigious Sword of Honour by the British Safety Council, UK.

- *Strong Management Team; Efficient Workforce*. Our management team is experienced and knowledgeable with respect to all aspects of the gas industry in India. We believe this will be an important competitive advantage as the Indian gas industry continues to be deregulated and as we enter deregulated segments of the gas industry, including downstream products. In addition, we place a strong emphasis on training and human resource development, which has produced an efficient and effective workforce and has contributed to our good relations with our employees. We were awarded "Navratna" status by the Government of India in 1997. The "Navratna" designation is reserved for state-owned companies that have demonstrated excellence in operations. Only 11 companies in India have received the designation. The "Navratna" status provides additional authority, delegation and empowerment of the Board. As a "Navratna" company, projects undertaken by us directly, though subject to financial limits as set out in the Navratna order, are subject only to the approval of our Board and need not be referred to the GoI for approval.

Business Strategy

Our strategy is to maintain our leading domestic position in the businesses in which we currently operate and to further establish ourselves as an integrated energy and hydrocarbon processing business with significant presence and access to related opportunities both inside and outside India. In pursuing expansion outside our existing operations, we adopt an incremental approach, by phasing capital commitments and seeking where appropriate to collaborate with strategic partners, in order to manage risk and leverage external skills and resources. The main elements of our strategy are as follows:

Configure capacity to match the supply and demand situation. In India, demand for natural gas and liquid hydrocarbon products greatly exceeds the supply of natural gas. Our objective is to maximise the economic value of available supply by transmitting natural gas to some of the most important power generation utilities, fertiliser plants and industrial facilities in India. In the process of transmission, we extract certain fractions from the gas (primarily, C_2/C_3 for petrochemicals and C_3/C_4 for LPG) for conversion to more profitable, value-added products. Whereas the transmission of gas in India is, as elsewhere, a regulated return business, the markets for these products are less regulated.

Integrate backward to secure access to additional gas supply. We are working to obtain new sources of natural gas supply in three basic ways. First, we have placed bids and been awarded blocks for selected gas focused exploration in both onshore and offshore regions in association with strategic partners such as Gazprom of Russia, ONGC, GSPC, HEPI, Daewoo International and OIL. Two of these bids are "farm-in", or pre-existing blocks. These exploration ventures are incremental and phased programmes in which we only commit capital expenditures after 39 successive indications of prospectivity. Second, we believe that imported LNG will provide a long-term complement to domestic gas sources, and are investing in infrastructure to support such importation. We are a member of Petronet LNG Ltd., a joint venture formed to import LNG and to set up LNG import terminals at various locations in the southern and western parts of India. We are expanding certain sections of the HVJ pipeline system in order to accommodate this new supply. Third, we continue to explore international pipeline import possibilities as a means of increasing the availability of gas to domestic customers.

Integrate forward into profitable, value-added businesses. We also intend to focus on downstream opportunities which offer enhanced returns where we believe we have a competitive advantage. To date, the most significant such integration is our entry into the petrochemicals sector. Cracking natural gas, rather than naphtha which is the feedstock used by our Indian competitors, affords us greater overall operational flexibility by optimising the flows of different gas fractions within the HVJ Pipeline on a real-time basis. Furthermore, the location of our petrochemical facility on the HVJ Pipeline allows us to better penetrate the populous north India inland market, away from our coastal competitors. Second, we have taken a number of steps in the retail marketing of gas, which we view as a natural extension of our bulk transportation business. For example, we have formed Mahanagar Gas Limited, a joint venture with British Gas, to promote the distribution and marketing of natural gas to domestic, commercial and small industrial consumers in Mumbai and compressed natural gas to the transport sector. We have also formed Indraprastha Gas Limited, a joint venture with BPCL, to promote the distribution and marketing of natural gas to the retail consumer and transport sector in Delhi. We have zonal marketing offices in 11 state capitals with staff dedicated to implementing various customer service initiatives with respect to petrochemical products and retail gas. We believe these retail-oriented expansion initiatives will increase the overall demand for gas in these areas.

Overseas Expansion. Increasing gas demand globally and in India has led to increased activity in gas sector projects. Due to the limited nature of gas reserves in India, we are expanding our business activities overseas with a focus on gas sector projects and gas based value added products. At present, we are targeting Myanmar, Bangladesh, Iran, Egypt and the Philippines as possible countries for investment. Opportunities in the central Asian Republics, Turkey and certain African nations are also being studied. We acquired a participating interest in an offshore block in Myanmar in 2001, where gas has recently been discovered and where further exploration and appraisal of the discovery is being planned. In addition, we have recently signed agreements to join Shell Gas B.V. in city gas distribution and CNG projects in Egypt.

Acquisition and Diversification. With the opening up of the Indian hydrocarbons sector and disinvement of the GoI's equity stake in PSUs, we are examining the possibility of equity participation in companies such as Haldia Petrochemicals Limited, Tripura Natural Gas Company Limited and Greater Calcutta Gas Supply Company Limited.

We are also planning to diversify into the production of synthetic gas, gas based appliances and renewable energy resources such as hydrogen to stimulate gas demand in the retail sector. We may also pursue power projects which support the development and expansion of pipeline infrastructure by increasing the demand for gas.

Our Background

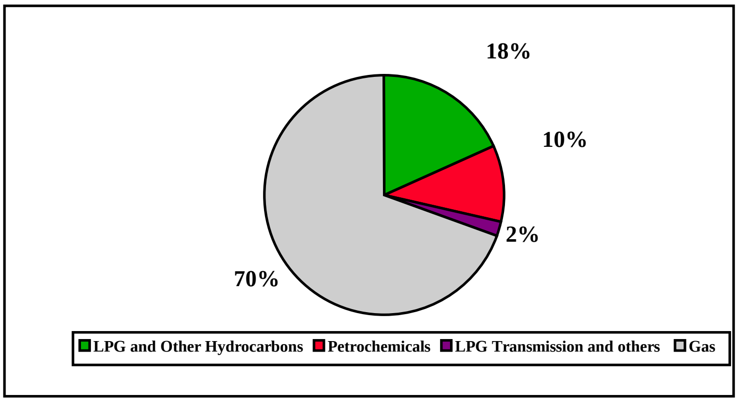
Following the discovery by ONGC of oil at the Bombay High field in 1974 and significant gas reserves off the western coast of India from 1977 to 1984, the GoI studied various ways of exploiting such resources and determined to establish nitrogenous fertiliser production facilities and, later, power generation plants at different locations throughout India. We were established on August 16, 1984 by the GoI to lay an onshore pipeline from Hazira on the west coast to supply natural gas to these facilities in the states of Gujarat, Rajasthan, Madhya Pradesh and Uttar Pradesh. Construction of the HVJ Pipeline began in late 1986 at a total project cost of approximately Rs. 17.5 billion. Laying of the pipeline was completed in 22 months time, 14 months ahead of schedule.

In the period since the construction of the HVJ Pipeline, we have further expanded our natural gas pipeline business and diversified into various other integrated energy and petrochemical activities. In 1992, we took over certain of the Regional Pipelines from ONGC. In 1991, we constructed our first LPG plant at Vijaipur. We completed our second LPG plant at Vijaipur in 1992 and have since added a LPG plant at Vaghodia in 1993 and two additional LPG plants in 1998 at Usar and Lakwa. In March 1999, we commissioned our petrochemical complex at Pata, which also includes an LPG plant. The last LPG plant was commissioned at Gandhar in 2001.

Until 1995, the Government of India owned 100% of our equity capital. In 1995, the Government of India sold 28.5 million shares, representing 3.4% of our equity capital, to certain Indian and qualified foreign institutional investors. In 1997, we offered and allotted 331,600 shares to employees who had been employed on April 1, 1995. As part of an ongoing programme of privatisation of state-owned enterprises, in February 1999, the GoI sold approximately 30.6 million shares, representing a further 3.6% of our equity capital, to various domestic and Foreign Institutional Investors in a negotiated private placement. In November 1999, the GoI sold 135 million shares, representing a further 15.9% of our equity capital through an issue of 22.5 million GDRs. Primarily to promote cooperation and the development of synergies among India's principal corporations engaged in the energy business, in March 1999, the Government of India sold 4.8% of its equity capital in GAIL to each of IOC and ONGC, representing a total of 81.7 million shares. Concurrently, we purchased from the GoI 2.5% of the GoI's equity interest in ONGC, representing a total of 34.3 million shares, for Rs.5.6 billion.

Our shares are listed on each of The Stock Exchange Mumbai, formerly the Bombay Stock Exchange, The Delhi Stock Exchange and The National Stock Exchange of India. Our GDRs are also listed on the London Stock Exchange.

The following chart details the percentage of revenue made up by each of our businesses for the nine months ended December 31, 2003.



Natural Gas Transmission Business

Sales of natural gas is our principal business. For Fiscal 2003, we had sales of Rs. 71,814 million attributable to the sale of natural gas, representing approximately 67.5% of our operating revenues.

Our pipeline network consists of the HVJ Pipeline and the Regional Pipeline's, a small number of which are owned by customers and operated by us. The table below sets forth information regarding the pipeline network owned by us as at March 31, 2003:

Region	States Covered	Total Pipeline Length	Number of Customers Served	Volume of Gas Sold - Fiscal 2003
		(km)		(mmscmd)*
HVJ	Gujarat, Madhya Pradesh, Rajasthan, Uttar Pradesh, Haryana and Delhi	2,800	278	33.03
Gujarat	Gujarat and Rajasthan	710	92	10.78
South	Andhra Pradesh, Tamil Nadu and Pondicherry.	891	33	8.43
Mumbai (formerly Bombay)	Maharashtra	125	14	9.35
North East	Assam and Tripura	69	22	1.79
Total		4595	439	63.38

Source: Company records.

* Net Sales.

The HVJ Pipeline

Overview. The HVJ Pipeline, a 2,800 kilometre pipeline which runs from Hazira on the western coast of India through Vijaipur to Jagdishpur in north India and includes links to Delhi, forms the backbone of the natural gas transmission system in India. The HVJ Pipeline also consists of receiving terminals, despatch terminals for the supply of metered gas, compressor stations for boosting the pressure of the gas as it is transmitted, the SCADA computer monitoring system and a dedicated telecommunications system to provide reliable voice and data communication.

In July 1998, we completed a Rs.23.8 billion upgrade of the pipeline, compressors and various terminals along the HVJ Pipeline (the "Gas Rehabilitation and Expansion Project"). The upgrade, which included the laying of 505 kilometres of additional pipeline, expanded the capacity of the HVJ Pipeline by 83.5%, from 18.2 million cubic metres of natural gas per day to 33.4 million cubic metres of natural gas per day. For Fiscal 2003, we transported approximately 33.03 mmscmd of natural gas through the HVJ Pipeline. We are currently implementing a further upgrade to the HVJ Pipeline which will increase the gas supply to existing customers and allow us to target new customers in Uttar Pradesh and Haryana. See "— Projects Under Development— Expansion of the Pipeline Network— National Gas Grid".

Infrastructure. The HVJ Pipeline is constructed of carbon steel line pipes ranging in size from 18 to 36 inches in diameter that are welded together. Selection of the line pipe wall thickness was made in conformity with the American Petroleum Institute engineering standards which are determined based upon population density along the pipeline route. To prevent external corrosion, the pipeline has a three layer coating of epoxy, adhesive and polyethylene and has been cathodically protected using impressed current. The epoxy, adhesive and polyethylene coating is a superior method of preventing external corrosion as compared to a conventional coal tar coating. Radiographic inspection of all welded joints was conducted using x-rays and gamma rays. Random ultrasonic testing was performed on selected joints. Buried pipeline has been laid at least one metre below ground and sectionalising valves have been installed at regular intervals and across major rivers. Pressure safety valves are also installed at the intermediate pigging stations along the line.

The receiving and despatch terminals are comprised of facilities for gas filtration, pressure reduction and flow measurement for custody transfer. In a few terminals, scrubbers, filter separators and steam/gas fired heaters for pre-heating prior to pressure reduction have also been installed. On-line gas analysis and laboratory facilities and automatic gas sampler equipment are also present. The terminals have been designed to permit the uninterrupted supply of gas and, since inception, the HVJ Pipeline has had an availability of almost 100%. Built-in safety features at the terminals include automatic closure of the terminal inlet valve in the event of fire, the use of flame and explosion proof junction boxes, isolators and field lighting systems and pressure and temperature safety valves.

Compressor stations have been installed at six separate locations along the HVJ Pipeline, including two compressor stations at Vaghodia and Khera, which were installed as a part of the Gas Rehabilitation and Expansion Project ("GREP"). Upgrades to the compressor stations at Hazira and Jhabua were also completed as a part of the GREP.

By boosting the pressure of the gas through the compressor stations as it is transmitted, we can satisfy the varying pressure requirements of our different customers. The compressor stations contain systems for feed gas compression, gas-based captive power generation (including an emergency diesel generator), instrument and plant air, fire fighting and venting and blow down. The compressor trains also include gas, thermal and ultraviolet detectors to detect the presence of gas or fire. In the event of an alarm, the fire suppressant system has the ability to isolate certain areas of the station and flood the affected zone with fire suppressant.

The table below sets forth information concerning the compressor stations as at December 31, 2003:

Station	Number of Compressors*	Flow/Unit	Inlet Pressure	Outlet Pressure	Brake Power
		(mmscmd)	(kg/cm2 a)	(kg/cm2 a)	(kw/unit)
Compressors Installed Prior to the Gas Rehabilitation and Expansion Project					
Hazira	10	2.3	46.0	93.0	2,330
Jhabua	7	3.6	58.5	93.0	2,164
Vijaipur (Main)	5	3.0	54.2	93.0	2,156
Vijaipur (Branch)	3	2.0	42.2	69.0	1,585
Auraiya (Main)	3	4.2	46.7	71.0	2,670
Auraiya (Booster)	2	9.2	70.0	93.0	4,630
Compressors Installed as a Part of the Gas Rehabilitation and Expansion Project					
Hazira	2	16.5	46.0	93.0	17,995
Jhabua	3	8.4	54.0	93.0	6,820
Vaghodia	3	15.8	50.0	93.0	14,804
Khera	3	15.5	46.0	93.0	16,882

Source: Company records.

* Including standby compressors. Our objective is generally to maintain at least 25% of our total compressors on a standby basis.

Operations and Maintenance

We have established a comprehensive operations and maintenance procedure to monitor and maintain the health of HVJ Pipeline. This procedure includes 24 hour supervision of the entire pipeline through Supervisory Control and Data Acquisition ("SCADA") system, monthly and quarterly field inspections of the pipeline, aerial surveillance for locating soil erosions leading to pipeline exposure and possible encroachments on the Right of Way ("ROW"). In addition, we also carry out yearly foot patrols of the entire length of the pipeline. The cleaning, or "Intelligent Pigging", of the HVJ pipeline's 36-inch and 30-inch sections was carried out in Aug 2001 to establish the sound health of the pipeline.

The SCADA computer monitoring system consists of three Master Control Centres ("MCCs") located at Hazira, Vijaipur and Babrala that collect data from 63 remote terminal units. Each MCC receives data from approximately one-third of the pipeline network and associated systems and forwards the data to the other two stations for pooling. The MCC are interconnected by means of UHF radio and high-speed satellite links. As a result, each MCC is capable of supervising and controlling the entire pipeline, although the MCC at Vijaipur has been designated the controlling master station.

We also have a dedicated telecommunications system to provide voice and data communications between various areas of pipeline operations. This system includes a line-of-sight digital UHF radio relay system, a satellite communication system and VHP mobile communications.

The Regional Pipelines

In addition to the HVJ Pipeline, we also operate over 1,800 kilometres of regional pipelines in various regions of India, including Maharashtra (the Mumbai area), Gujarat, Rajasthan, Andhra Pradesh, Tamil Nadu, Pondicherry, Assam and Tripura. Following the completion and commissioning of the HVJ Pipeline, the GoI transferred approximately 660 kilometres of existing pipelines from ONGC to us.

Pipelines laid by us or our customers are generally new and are cathodically protected upon installation. Pipelines transferred to us from ONGC, however, are older and need repairs and additional supervision due to the inadequacy of initial cathodic protection. We have upgraded the cathodic protection systems for most of the older pipelines and have instituted a systematic rehabilitation programme consisting of detailed pipeline health surveys, replacement of defective coatings, replacement of pipelines that have wall thicknesses below safe limits, introduction of additional insulating joints at required points and, in some cases, replacement of entire pipeline sections with new pipeline.

We also operate approximately 400 kilometres of pipelines for gas customers who have installed their own pipelines.

Suppliers

In October 1999, we entered into a Memorandum of Understanding to purchase natural gas from ONGC's existing discoveries which are under production. The Memorandum of Understanding is for a period of 15 years, and we and ONGC further agreed that the terms and conditions of the Memorandum of Understanding would be reviewed after further deregulation of the gas marketing industry. The Memorandum of Understanding replaced an earlier memorandum of understanding entered into in December 1990. In fiscal 2003, we purchased almost 84% of our natural gas directly from ONGC.

The remainder of our supply is provided by OIL and three joint ventures, including the Ravva Joint Venture, the Tapti Joint Venture and the Panna-Mukta Joint Venture. We have signed a long-term supply agreement with the Ravva Joint Venture and are negotiating a long-term supply agreement with each of the Tapti Joint Venture and the Panna-Mukta Joint Venture. We are seeking other joint venture companies to serve as suppliers and, accordingly, believe that the percentage of natural gas supplied to us by ONGC will decrease. Payment for the natural gas supplied to us by ONGC and OIL is made in accordance with the pricing scheme fixed by the 1997 Pricing Order. Payment for the natural gas supplied to us by each of the various joint ventures is made at prices as per production sharing contracts entered into by the GoI, which are currently based on international prices. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — General — Natural Gas Pricing”.

Sales and Marketing

Our customers, as well as the quantity of gas to be supplied to the customer, are determined by the MoPNG based on the recommendations of the Gas Linkage Committee. See "Regulations and Policies—The Gas Linkage Committee". Although we do not currently have extensive sales and marketing programmes associated with our gas transmission business, we expect that further liberalisation of the gas sector in India, together with and in part driven by the likelihood that additional natural gas supplies will become available, will lead to greater competition in our core business that will require us to focus more on such activities. We believe that our experience in marketing Propane and petrochemicals and our dedication to customer service in these areas, as coordinated by our 11 zonal marketing offices, will enhance our competitiveness.

We have entered into joint ventures to supply and market natural gas to retail customers. In addition to generating revenues, we believe that such projects promote familiarity among retail consumers with natural gas as a source of energy. In 1995, we formed Mahanagar Gas Limited ("MGL") as a joint venture with British Gas to promote the distribution and marketing of natural gas to domestic, commercial and small industrial consumers in Mumbai and compressed natural gas to the transport sector. We estimate that MGL is supplying gas to approximately 150,000 houses and compressed natural gas to approximately 110,000 vehicles. In 1998, we formed Indraprastha Gas Limited ("IGL") as a joint venture with BPCL to promote the distribution and marketing of natural gas to household, commercial, transportation sector in Delhi. We estimate that IGL supplies gas to over 15,000 houses and 106 commercial consumers and compressed natural gas to approximately 91,000 vehicles.

Customers

In addition to supplying our own LPG plants and petrochemical complex, we currently supply natural gas to over 400 customers. Our customers, as well as the quantity of gas to be supplied to the customer, are determined by the MoPNG based on the recommendations of the Gas Linkage Committee. See "Regulations and Policies—The Gas Linkage Committee. Our more significant customers include fertiliser plants, power generation facilities and other industrial plants. According to the MoPNG, in Fiscal 2003, approximately 33% of natural gas consumed in India was used in fertiliser, 38% of natural gas consumed in India was used for power generation, 29% of natural gas consumed in India was used for other industries. Our ten largest natural gas customers, most of which are government-controlled entities, accounted for approximately 41%

of sales of natural gas in Fiscal 2003 in volume terms. Gas is supplied to such customers pursuant to long-term contracts which fix the commercial terms of the arrangements, and generally contain provisions for customer deposits, bank guarantees and revolving letters of credit and "take or pay" minimum guaranteed offtake requirements covering 80% of the customer's contractual commitment.

Competition

Currently, we are the largest transporter and wholesale distributor of natural gas in India. Although Gujarat Gas and Assam Gas are also gas distributors, they operate on a retail level and we supply the bulk of the gas distributed by Gujarat Gas. We believe that it is unlikely that any significant new participants will enter the natural gas transportation and wholesale distribution business because of significant barriers to entry. Such barriers include the substantial investment that would be required by a new entrant in order to duplicate the natural gas transmission and processing facilities operated by us and the relatively long lead time before such assets would generate a reasonable return on investment. In addition, because we currently purchase substantially all of the natural gas produced by ONGC, OIL and the existing joint venture companies operating in India, potential competitors could face issues in locating adequate supplies of natural gas.

Liquefied Petroleum Gas Production Business

Overview

We operate seven plants at six locations, which process natural gas to produce LPG and other liquid hydrocarbons. In addition to producing LPG, three plants extract propane, five plants produce SBP solvents and four plants produce pentane. For Fiscal 2003, we had net sales of Rs.21 billion attributable to our LPG, propane, pentane and SBP solvents products, representing approximately 18% of our operating revenues. Sales of LPG, amounting to Rs.17 billion for Fiscal 2003, represented 84% of such sales.

Infrastructure

Our seven natural gas processing plants have an installed capacity to produce over 1 mmtpa of LPG. While four of our natural gas processing plants are located along the HVJ Pipeline, two at Vijaipur and one at each of Vaghodia and Pata, we also operate natural gas processing plants at Usar near Mumbai, Lakwa in northeastern India and Gandhar in Gujarat. The following table sets forth certain information concerning our seven LPG plants as at December 31, 2003:

Plant Location	Gas Processing Capacity	Production Capacity (design)				Lean Gas Returned to Pipeline
	(mmscmd)	(tonnes per annum)				(mmscmd)
		LPG	Propane	SBPS	Pentane	
Vijaipur (Distt. Guna, MP)	7.5	203,000	65000	13850	21000	7.0

- Phase I						
Vijaipur - Phase II	7.5	203,000	65000	13850	21000	7.0
Vaghodia (Gujarat)	2.5	73,000				2.4
Usar (Near Mumbai)	5.0	139,500	---			4.7
Pata (Auraiya, UP)	12.0	258,250	71,085	26740	19755	9.0
Gandhar (Gujarat)	5.0	207,000	---	25540	17400	4.5
Lakwa (Assam).....	2.0	85000	--	30000 **	--	1.85

**Present rate of gas processing = 0.7 mmscmd (Average)

Source: Company records.

Manufacturing Process

LPG is obtained by processing natural gas to separate those hydrocarbons that can be liquified by moderate pressure, such as propane, butane and heavier fractions. Out of the processes that are available for LPG and Propane extraction, we use the cryogenic method using a turbo expander to produce LPG. In this process, the gas is first dried in a molecular sieve dryer and chilled to approximately -30°C. The liquid and the vapour phases are separated and the separated vapour is expanded in a turbo expander, during which the temperature of the gas falls further to approximately -55°C in LPG recovery mode and approximately -65°C in propane recovery mode. The liquid and vapour are again separated and the lean natural gas leaving the separator is recompressed and distributed to gas customers along HVJ pipeline. The liquid collected from the two separators is then fractionated in a column to remove the lighter fractions such as ethane and methane. In the LPG recovery mode, the heavier fractions collected from the bottom of the column is further fractionated in another column into LPG and heavy hydrocarbons. The heavy hydrocarbons can be further fractionated into Pentane and SBP solvent. In the Propane recovery mode, liquid from the bottom of the first column is fed to a propane column, where propane is separated. The end products are then despatched to customers by either road or rail.

Operations and Maintenance

Operations and maintenance at the plant locations is designed to provide high machine availability, reliability and efficiency, together with low spare parts consumption. Our operations and maintenance programme has resulted in plant availability of over 96%. We have also won a number of safety awards from the Indian Oil Industry Safety Directorate, the National Safety Council and the British Safety Council in the UK. We have consistently been rated “excellent” by the GoI with respect to safety and performance in our memorandum of understanding with the GoI. We have not experienced any significant gas leaks or industrial accidents since our inception, which we attribute to our emphasis on safety and maintenance.

Suppliers

We supply the natural gas used at the two Vijaipur plants, the Vaghodia plant and the Pata plant through the HVJ Pipeline. See "— Natural Gas Transmission Business — Suppliers". Natural gas is supplied from ONGC to the Usar plant and the Lakwa plant through Regional Pipelines. Natural gas is supplied to the Gandhar plant from both the HVJ Pipeline and the Baruch Regional Pipeline.

Sales and Marketing

We are currently not allowed sell our LPG directly to end consumers, however, we are permitted to and do currently sell propane directly to industrial and commercial customers. We sell LPG to various Indian oil companies as directed by the MoPNG at import parity prices. These oil companies then market the gas to end consumers. We have requested the MoPNG to grant us permission to market LPG directly to the bulk industrial, packed commercial, auto and domestic LPG segments. The request is currently being considered by the MoPNG. If and when approval is granted, we believe that our experience marketing propane and petrochemical products directly to customers, as managed by our 11 zonal offices, and providing customer service in relation to these products, will allow us to quickly and efficiently increase our sales of LPG. See "— Petrochemical Business--Sales and Marketing".

Customers

As a result of government directives, LPG produced by us is sold to various Indian oil companies at import parity prices who then sell LPG to the ultimate end-users.

Competition

We estimate that approximately 90% of LPG is used in the household sector. Demand for LPG significantly exceeds supply and, according to a study conducted by MRDA on behalf of PSU oil companies, demand for LPG will increase to 11.9 mmtpa by 2006. Although oil companies also produce and distribute LPG, given that demand significantly exceeds supply, we do not expect to experience any significant decreases in demand from customers for the foreseeable future. Private sector suppliers may import, produce and market LPG at free market pricing if the infrastructure for importing LPG is available. The GoI currently imposes custom duties on the import of LPG.

LPG Pipeline

We have approximately 1,300 kilometres of pipeline dedicated to transporting LPG from Kandla and Jamnagar in western India to Loni in northern India. Construction of the pipeline was carried out in stages. Under the first phase of construction, which was completed in 2001, pipeline with a capacity of 1.7 mmtpa of LPG was installed from Jamnagar to Loni via Samakhiali. In the second phase of construction, which was completed in 2003, we increased the capacity of the pipeline to 2.5 mmtpa of LPG by adding a pipeline between Kandla and Samakhiali and installing an additional booster pump station at Jaipur. We have signed Transportation Service Agreements with IOC, BPC and HPCL for the transportation of LPG through the pipeline. We believe that although we have commitments for approximately 1.5 mmtpa capacity utilisation of the pipeline by PSU oil companies, actual utilisation currently far exceeds the contractual commitments for pipeline usage. The utilisation in Fiscal 2004 is estimated to be around 1.8 mmtpa. The pipeline consists of carbon steel pipe from 8 to 16 inches in diameter and crosses the states of Gujarat, Rajasthan, Haryana, Delhi and Uttar Pradesh. The pipeline supplements or replaces the transportation of LPG by road and rail, which are expensive and hazardous modes of transportation for LPG.

Petrochemical Business

Overview

We operate the Petrochemical Plant located at Pata which produces HDPE and LLDPE. The petrochemical complex is the only petrochemical plant located in north-central India. The petrochemical complex has a production capacity of 260,000 tpa of polyethylene, 11,000 tpa of propylene and 10,000 tpa of butene. Polyethylene is manufactured in numerous grades, including injection mouldings, blow mouldings, raffia, monofilament pipe and film.

Infrastructure

The petrochemical complex consists of a gas sweetening unit, a C_2/C_3 recovery unit, a gas cracker and two downstream polyethylene units. Installed capacity in the downstream polymer units is based on 7,500 operating hours per year.

The following table sets forth certain information regarding the petrochemical complex:

	Petrochemical Complex, Pata	
Feedstock..................................	Natural Gas from the HVJ Pipeline:	
	Rich Gas Input	11.6 mmscmd
	Lean Gas Output	9.6 mmscmd
Gas Cracker	Ethylene	300,000 tpa
	Propylene	11,000 tpa
Products....................................	LLDPE/HDPE	160,000 tpa
	HDPE	100,000 tpa
	Butene – 1	10,000 tpa
Technology...............................	Gas Sweetening	SNEA(P) (TotalFinaElf), France
	C_2/C_3 Recovery	EIL, India
	Gas Cracker	Stone & Webster, USA
	LLDPE/ HDPE Swing Plant	Nova Chemicals (Sclairtech), Canada
	HDPE Plant	Mitsui, Japan
	Butene 1	IFP, France

Manufacturing Process

Natural gas supplied from the HVJ Pipeline is processed and cracked at the petrochemical complex to separate out ethylene and propylene, which are considered to be the building blocks of petrochemicals. Rich gas from HVJ first enters the gas sweetening unit where CO_2 is removed. The sweetened gas is then separated into lean gas Methane (C_1) and higher compenents such as Ethane (C_2), Propane (C_3) and Butane (C_4). After compression, the lean gas exits the petrochemical complex to the Auraiya compressor station for reintroduction to the HVJ pipeline. After extraction of LPG (a mixture of Propane and Butane) and higher components of natural gas, the remaining Ethane (C_2) and Propane (C_3) is processed and cracked in the Gas Cracker Unit to produce Ethylene and Propylene, which are the building blocks of petrochemicals. The Ethylene then enters the two downstream units for processing into Linear Low Density Polythylene ("LLDPE") and High Density Polythene ("HDPE") is produced at both the downstream units, while LLDPE is produced only at one of the downstream units. The propylene produced in the cracker is sold as a commodity to various customers.

Products

We produce almost all the grades of HDPE used by plastic processing units, including injection moulding, blow moulding, raffia, monofilament, pipe, wire, cable and film. Injection moulding is used in the manufacture of housewares, buckets and tubs. Blow moulding is used in the manufacture of containers, such as detergent bottles, containers for kerosene, edible oils and containers for the storage and transport of chemicals and white oils. Raffia is used in the manufacture of sacks, jumbo bags and tarpaulins. Monofilament is used in the manufacture of ropes and nets. Pipe is used in the manufacture of Optical Fibre Ducts, small pipes for water supply systems or large pipes used in sewage systems. Film is used in the manufacture of merchant bags, frozen food bags and liners. In wire and cable, it is used for sheathing and insulation of telecom cables.

We also produce numerous grades of LLDPE, including film, rotomoulding, injection moulding and pipe and conduits. Film is used in the manufacture of milk and edible oil pouches, laminating film and cling film. Film is also used for agricultural applications such as mulching, cover for green houses, lining of canals and storage tanks and covers for temporary storage of foodgrains. Rotomoulding is used in the manufacture of water storage tanks, pallets, toys and large tote bins. Injection moulding is used in the manufacture of products such as caps, plastic flowers and shopping baskets. Pipe and conduits are used in the manufacture of drip irrigation pipes.

Operations and Maintenance

We have entered into technology licenses with each of the companies which have provided various technologies used in the petrochemical complex, including SNEA(P), Mitsui, Nova Chemicals (Sclairtech), IFP and Stone and Webster. The technology licenses generally provide for training of our engineers, commissioning assistance, a performance guarantee, a reduced fee in the event of facility expansion and periodic updating of technology.

Suppliers

We supply the natural gas used at the petrochemical complex through the HVJ Pipeline. See "— Natural Gas Transmission Business — Suppliers".

Sales and Marketing

We are expanding our sales and marketing efforts with a goal of establishing a marketing presence in all of the major petrochemical growth centres in India. We have established eleven zonal offices in major state capitals throughout India, including Mumbai, Ahmedabad, Lucknow, Bhopal, Chennai, Bangalore, Hyderabad, Kolkata, Jaipur, Chandigarh and Delhi, which are staffed with managers and sales executives to educate polymer consumers as to our products. We also have four resident offices located in major plastic consumption centres, including Baroda, Kanpur, Ludhiana and Indore. Our corporate headquarters, zonal offices and petrochemical complex are connected through a satellite based communications system that is used to monitor stock movements, inventory and production. We also have an online web-based sales order processing system that allows us to obtain up-to-date information on sales and stock movements across all of our zonal offices, corporate headquarters and the plant. Our consignment stockists access our web-based system to book orders, verify customer accounts and order status, among other things.

We have appointed 34 consignment stockists to aid in the distribution of our polymer products. In addition to holding stocks of our products to sell to customers, consignment stockists also help procure orders on our behalf. We estimate that currently over 85% of our sales are being made on an ex-works basis and the remaining volume is sold on a stock and sale basis by consignment stockists. To help secure any payment for products which are routed through a consignment stockist, we require that our consignment stockists provide us with a bank guarantee. We plan to appoint an additional 12 consignment stockists by March 2004.

We have also established a Product Application Research Center ("PARC") at Noida to provide technical service and guidance to our customers on the selection of plastics and grades of plastic, handle customer enquiries and provide quality assurance following shipment. The PARC facility has a workshop and testing facilities which are used in developing new products and product quality testing.

We have established a strategic marketing alliance with HPL which includes the marketing of polypropylene and the swapping of Polyethylene to achieve cost efficiency in logistics. Under a long term polypropylene offtake agreement signed with HPL in 2002, we source 35,000 tonnes per year of polypropylene and sell the same domestically under the brand name G-POL. Under a product swap agreement signed between us and HPL in 2002, we source our polyethylene requirements to satisfy customer demand in eastern and southern India from HPL, while HPL sources its polyethylene requirements to satisfy customer demand in northern and western India from us. We believe that the polyethylene manufactured by GAIL and HPL together, accounts for approximately 50% of production in the domestic petrochemicals market.

Customers

The HDPE and LLDPE produced by us is sold to plastics processing units throughout India. The market for the polymer products manufactured by us in India is diverse. We estimate that there are over 10,000 plastics processing units in India which consume the polymer products manufactured by us, although a significantly smaller number of such plastics processing units constitute a majority of the market. We have entered into MoUs with several large plastic processing units under which we are to supply our products at prevailing market prices. Since the commissioning of the petrochemical complex in March 1999, customers in the northern and western regions of India have been the principal customers for our products.

We believe that it is likely that a portion of our production will be sold in export markets as well.

Competition

We face competition in our petrochemical business from other domestic polymer manufacturers, including Reliance, IPCL and HPL. Because the products produced at the petrochemical complex are commodities and the GoI does not fix prices for HDPE and LLDPE, we compete with the other domestic polymer manufacturers primarily on the basis of price and quality. We also face competition from imports of polymers from nearby polymer producing countries, including Saudi Arabia, U.A.E., Korea and Malaysia, although we believe that our primary competition comes from domestic producers because imported products are subject to customs duties. Current import duties on polymer products similar to those produced by us is 20%. To the extent reductions on duties are made, we will face greater competition from international petrochemical producers.

We produce certain specialised grades of HDPE that are primarily imported which we believe may enable us to charge higher prices for such products and improve profit margins for those products. Because our petrochemical complex is the only petrochemical plant in northern India, we believe we have a competitive advantage due to shorter delivery times and lower transportation costs to customers located in this geographic region.

After experiencing a downturn over the last four years, the prices of polymers are on the rise. The price of polyethylene has increased from USD 500 per tonne to USD 800 per tonne from April 2003 to December 2003 and prices continue to increase. We believe that the upswing in the cycle will last over the next two to three years. After the reduction in duty on polymers by 11% in the mini budget announced in January 2004, domestic petrochemical manufacturers are also looking to export markets.

Exploration and Production

As part of our effort to increase access to gas supplies, we have entered into consortia with other exploration and production companies such as ONGC, OIL, EFPL, IOC GSPCL, HEPI, Gazprom and Daewoo International in 12 exploration blocks, eleven of which are in India and one of which is in Myanmar. We have selected our consortia partners based significantly on their experience in oil and gas exploration and production. We are currently a non-operating partner in all of our oil and gas exploration blocks. As of March 31, 2003, we had invested Rs.380 million in various exploration activities, including reprocessing and acquiring seismic and magnetic data and exploratory drilling of three wells. We budgeted Rs.1.0 billion for investment during Fiscal 2004 and we expect to invest Rs.2.3 billion during Fiscal 2005, primarily for drilling in deepwater exploration blocks. Recently, our consortium with Daewoo International concluded drilling of an offshore well in Myanmar and natural gas was discovered. 3-D seismic data acquisition and appraisal well(s) are planned to establish the quantity of gas reserves.

The table below sets out our equity interests in exploration blocks.

	Block	Location	Consortia Partners	Participating Interest
1.	MN-OSN-97/3	Mahanadi Offshore	GAIL	15%
			ONGC (Operator)	85%
2.	NEC-OSN-97/1	Bay of Bengal	GAIL	50%

		Offshore	GAZPROM (Operator)	50%
3.	GS-DWN-2000/2	Gujarat Saurastra Deepwater	GAIL	15%
			ONGC (Operator)	85%
4.	MB-DWN-2000/2	Mumbai Deepwater	GAIL	15%
			ONGC (Operator)	50%
			IOC	15%
			OIL	10%
			GSPCL	10%
5.	KK-DWN-2000/2	Kerala Konkan Deepwater	GAIL	15%
			ONGC (Operator)	85%
6.	MN-OSN-2000/2	Mahanadi Offshore	GAIL	20%
			ONGC (Operator)	40%
			IOC	20%
			OIL	20%
7.	CB-ONN-2000-1	Cambay Offshore	GAIL	40%
			GSPCL (Operator)	60%
8.	MN-ONN-2000/1	Mahanadi Onshore	GAIL	20%
			OIL (Operator)	40%
			ONGC	20%
			IOC	20%
9.	CY-OS/2	Cauvery Offshore	HEPI (Operator)	75%
			ONGC	0%
			GAIL	25%
10.	A-1	Myanmar Offshore	Daewoo (Operator)	60%
			Korea Gas	10%
			GAIL	10%
			ONGC Videsh	20%

In addition, we have been awarded the following two onshore exploration blocks under NELP-IV and the PSCs for these two blocks have been signed in February 2004.

	Block	Location	Consortia Partners	Participating Interest
11.	CY-ONN-2002/1	Cauvery Onshore	EFPL (Operator)	30%
			GSPC	20%
			GAIL	50%
12.	AA-ONN-2002/1	Assam-Arakan Onshore	EFPL (Operator)	20%
			GAIL	80%

Telecommunications

Our telecommunications service arm, GAILTEL, provides both internal telecommunication services for our SCADA, voice and data requirements and commercial bandwidth services under our Infrastructure Provider Category II and Internet Service Provider Licenses**.** In 2001, we received an Infrastructure Provider Category II License which allows us to provide bandwidth to telecom service providers and other service providers registered with the Department of Telecommunications. We also received an ISP license in 2002, which permits us to provide Internet Services and other IP based services such as IP-VPN. For the nine months ended December 31, 2003, we generated Rs.137 million in revenue from GAILTEL, which we expect to increase to Rs.210 million for Fiscal 2004. As compared to revenue of Rs.117 million for the previous fiscal year, this projection marks an 80% increase in revenue for the year, due primarily to increased bandwidth sales. The present order value of the capacity loaded in the network is Rs.280 million per annum.

Network

We have created an 8000 km OFC (optical fiber cable) network using DWDM (dense wave division multiplexing), SDH (synchronus digital hierarchy) and IP on SDH technologies. The network connects 73 cities, including five of the eight metropolitan areas. The network, which cost approximately Rs.2.4 billion, is spread over 10 states in the northwest and central regions of the country. The network has the following system capabilities:

- System Capacity 160 Gbps
- Installed Capacity 10 Gbps
- Activated Capacity 2.5 Gbps
- Capacity Loaded 1.04 Gbps
- Orders in Hand 1.2 Gbps
- Percentage of activated capacity booked 48%

Customers

We currently have 12 customers, 11 of which are infrastructure customers and one of which is an ISP customer. Our existing customers utilise 1040 Mbps of capacity and we have orders in hand for an additional 160 Mbps of capacity. GAILTEL's largest customer is VSNL, which accounts for 69% of the total order value, followed by Data Access, which accounts for 10% of the total order value. GAILTEL's top six customers, which together account for 98% of its revenue, are VSNL, Tata tele, Data Access, Escotel, Hutch and Bharti.

Projects Under Development

As a part of our strategic initiative to diversify our business and expand our operations, we have initiated and are considering the development of numerous important projects. Being a “Navratna” company, the Board has been delegated powers to undertake ceratin projects which need not be referred to the GoI for approval.

Transmission and Marketing of Regassified LNG

PLL is a joint venture between us, IOC, ONGC and BPCL formed to import LNG and set up LNG import terminals at Cochin and Dahej in the south and west of India. Under the Gas Sale and Purchase Agreement ("GSPA") dated September 26, 2003, entered into between PLL and GAIL, we are required to purchase 60% of the re-gassified LNG made available by PLL at their Dahej terminal. For this purpose, PLL has entered into a long-term LNG Sale and Purchase Agreement to import approximately 5 mmtpa of LNG from RasGas of Qatar for a twenty-five year period. We have signed Heads of Agreement for the supply of re-gassified LNG to 79 customers for a total quantity of 15.4 mmscmd, of which as of Feburary 10, 2004, agreements for 4.89 mmscmd have been finalised and signed. These agreements are generally for a term of two to five years. We expect to finalise gas sales agreements with these customers in the near future.

As per the LNG SPA signed with RasGas, we will transport all of the re-gassified LNG made available by PLL from the Dahej terminal based on LNG imports. We have almost completed the construction of the Dahej-Vijaipur Pipeline ("DVPL") to connect the Dahej terminal with the existing network in Gujarat and HVJ customers. The commissioning of this line will be synchronised with the commissioning of Dahej LNG terminal, which we expect to occur by the end of March 2004. The primary target market of re-gassified LNG made available from Dahej terminal will be existing consumers in Gujarat and along the HVJ corridor who currently face considerable gas shortfalls. The first LNG shipment has arrived.

Expansion of the Petrochemical Complex

The Petrochemical Complex at Pata is being expanded in two stages. In the first stage the LLDPE/HDPE (Swing Plant) is being de-bottlenecked to increase its capacity from 160,000 tpa to 210,000 tpa at a cost of Rs.760 million. We believe that de-bottlenecking will increase production capacity at the petrochemical complex by 20%. We expect to complete the de-bottlenecking in April 2004.

In the second stage of the expansion, the ethylene capacity at the complex will be increased from 300,000 tpa to 440,000 tpa by increasing the number of cracker furnaces from four to five. In order to utilize the additional ethylene, we plan to increase the polymer capacity by setting up an additional LLDPE / HDPE (Swing Plant) of 120,000 tpa. The total project cost for the second phase of the expansion is Rs.6.47 billion. The second phase is scheduled to be completed in Fiscal 2007.

Additional LPG Pipelines

We have achieved mechanical completion of a Rs.4.9 billion, 600 kilometre, LPG pipeline having a design capacity of 1.3 million tpa from Vizag to Secunderabad via Vijayawada, in the state of Andhra Pradesh. The pipeline will transport LPG produced at HPC's Vizag refinery and imported at Vizag Port by PSU oil companies, to the bottling plants at Vijayawada and Secunderabad. A proposal is under consideration to connect Kakinada Port to the pipeline by providing a connecting pipeline of approximately 45 kilometres, which will facilitate the use of the pipeline by importers using the port. A transportation service agreement has been signed with HPC for 0.23 mmt capacity of LPG. We believe that IOC and BPC will soon sign transportation service agreements to utilise the pipeline.

Expansion of the Pipeline Network

National Gas Grid

In contemplation of enacting new gas regulations, the Government issued a draft pipeline policy for discussion. The primary aim of the proposed new gas regulations, as described in the draft pipeline policy, is to bring all new pipelines under a common regulator and to establish rules and regulations for the development of the gas transportation system. The draft pipeline policy proposes that all trunk pipelines for transportation of gas across the country covering more than one state or pipeline with pressure of more than the notified level will be built and managed by a company to be notified by the Government and, until it is notified, by GAIL. Although it is unclear when or if the new gas regulations will be passed or if we will be chosen as the notified company to develop and operate the relevant trunk pipelines, we are in the process of constructing certain pipelines to satisfy customer demand that may form part of these trunk pipelines.

In January 2004, we completed the construction of a compressor station and the 610 kilometre Dahej-Vijaipur pipeline that passes through the states of Gujarat and Madhya Pradesh. The pipeline will transport re-gassified LNG from the PLL terminal at Dahej to Vijaipur, where the gas will be further distributed to Rajasthan and the National Capital Territory of Delhi. The cost of the Dahej-Vijaipur Pipeline was Rs.29.4 billion. The Dahej-Vijaipur Pipeline, which we expect to become operational by March 2004, will form part of the National Gas Grid.

We are planning implementation of the 504 kilometre Dahej-Uran Pipeline ("DUPL Pipeline"), which will provide the vital trunk pipeline link between the key gas markets of Maharashtra and Gurarat. We plan to introduce the concept of "bi-directional flow" in the DUPL Pipeline so that the pipeline can provide the flexible flow of gas from Gujarat to Maharashtra by connecting to the supply sources and vice-versa. The estimated project cost is Rs.14.2 billion and we expect to commission the pipeline by February 2006. The DUPL Pipeline will form part of the National Gas Grid.

We are progressing with pre-project activities to further expand the HVJ Pipeline which would also form part of the National Gas Grid. Phase Three of the HVJ Pipeline expansion will consist of two pipeline extensions. The first extension will be a 139 kilometre pipeline to be laid from the HVJ at Thulendi to Phulpur in Uttar Pradesh. This project, which is being undertaken to increase the gas supply to existing customers and to target new customers in Uttar Pradesh, such as IFFCO Phulphur, is budgeted at Rs.3.5 billion and we expect it to become operational by April 2005. The second extension will be a 114 kilometre pipeline from the HVJ at Dadri, to Panipat in Haryana and is being built to service IOCL Panipat Refinery and other new customers in Haryana. The second extension is budgeted at Rs.3.5 billion and we expect it to become operational by April 2005.

South Gujarat Pipeline

We are in the process of constructing a 47 kilometre pipeline network in South Gujarat for supplying R-LNG to existing consumers in South Gujarat from tap-off points on the DVPL at Ankot, Samni and Vaghodia utilising the existing pipeline network to the maximum extent possible. The construction of this line is in the advanced stages and we expect it to be completed by April 2004.

Chainsa Gurgaon Pipeline

We are in the process of constructing the 60 kilometre Chainsa Gurgaon Pipeline, which links an existing pipeline from Delhi to Gurgaon, at Gurgaon, to the HVJ Pipeline at Chainsa. The project is being implemented to increase the reliability of gas supply in the National Capital Territory for city gas distribution as well as to supply gas to new and existing consumers in and around Faridabad and Gurgaon and is expected to be completed by March 2004.

Telecommunications Infrastructure

We plan to add 10,000 kilometres to our OFC network in order to connect the southern and eastern regions of India, at an estimated cost of Rs.2.65 billion. Most of the network will be laid in phases in connection with our plans for the National Gas Grid project. In addition, we also plan to create an IP based network connecting 10 cities across the country in Fiscal 2005, at an estimated cost of Rs.350 million.

Project Blue Sky

In response to a directive from the Supreme Court of India aimed at reducing air pollution in the cities of Kanpur, Agra, Lucknow Faridabad and Pune, the Board has approved the implementation of phase-I in these cities with an investment of Rs. 5.5 billion under project Blue Sky, wherever the projects are commercially viable. GAIL is also investing Rs. 120 million to set up the City Gas Distribution Project in Bareilly by linking to HVJ pipeline via a 10 kms feeder pipeline. GAIL will be implementing the projects till the formation of joint venture companies. These projects will be eventually transferred to joint venture companies, which are under formation. Under these projects infrastructure will be created for supply of Piped Natural Gas (PNG) directly to households, hotels, restaruants, hospitals, industrial customers and CNG for automobiles. ***Cooperation Agreements and Alliances***

We have been developing business relationships for business opportunities in India and overseas in the areas of gas supply, facilities development and other projects in the gas value chain. We are a consortium member in Block-A-1 in Myanmar with Daewoo International, OVL and Korea Gas Company. Similarly, we are joining a consortium of Shell-Egypt and National Gas Company, Egypt for PNG and CNG retail projects. We are also undertaking joint business development with companies such as Shell, IFP, Gaz de France, NIGEC, IFCO, Gazprom, Kogas, Mitsubishi, Philippines National Oil Company and the Department of Energy (Government of Philippines).

Other

We are also considering minority investments in several power generation projects that are to be fueled by natural gas. The timing of any such investments is uncertain.

Research and Technology Development

We conduct research and technology development activities with respect to gas supply, operations, gas utilisation and environmental safety, all with a view to enhancing our future profitability and growth. We have initiated technology programmes to enhance reserves of natural gas from conventional and unconventional sources. The following is a summary of some of our more significant research and technology projects.

Hydrogen based Research Activities. Hydrogen is perceived to be the fuel of the future because of its non-polluting nature. Our research and development department is working to utilise hydrogen, in combination with CNG, in internal combustion engines. We are planning a project to run internal combustion engines with a fuel comprising a mixture of CNG and hydrogen. Based on the data collected and the outcome of the study, we plan to test the use of the fuel on an auto rickshaw. We are planning to develop fuel cell based distributed power systems for use in various applications.

Coke inhibitor for gas cracker furnaces. We have developed an inhibitor for reducing the coke byproduct that forms during the gas cracking (pyrolysis) process. The inhibitor reduces coke formation by 96% and, if successful, would permit us to increase the intervals s between decoking our gas cracker furnaces. We have successfully tested this technology at laboratory scale at IIT-Kanpur and set up a pilot plant having a capacity 5 kg/hr of feed. If the pilot results are successful,, we will use the inhibitor in our gas cracker furnaces at Pata and develop additional applications.

Separation of Paraffins and Olefins by Adsorption. In our gas cracker unit at Pata, ethane and ethylene are separated by cryogenic distillation. This process requires substantial energy for refrigeration and high pressure. A novel technique of separating these close boiling components by adsorption into two pure components at moderate pressures and temperatures is being developed at IIT-Kanpur. We believe that this will assist us in saving large amounts of energy.

National Gas Hydrate Programme ("NGHP"). Under the national gas hydrate programme, a programme undertaken by Indian academia and industry and funded by the Oil Industry Development Board, we are pursuing the exploration and exploitation of subsea gas hydrates as project coordinator for the gas hydrate project off the coast of Goa on behalf of NGHP. Presently, NGHP is focused on identifying the drilling location for acquiring hydrate cores to establish the resource potential of the Indian offshore area.

Process Engineered Fuels. After conducting a project with the Shiriam Institute for Industrial Research, Delhi, we have developed solid fuels from plastic waste in a pilot study. As a part of the project, we are also working to produce process engineered fuels from low grade polymer wax, which are byproducts of the petrochemical production process, blended with other non-plastic waste such as paper, leaves and sawdust. These fuels will be used kin cement kilns and boilers and other small-scale industries.

Properties

The following table sets forth certain information as at December 31, 2003 regarding our principal facilities which we own or lease.

	Location	Area in Square Metres
Corporate headquarters	Delhi	1,377
Compressor station	Hazira	378,000
Compressor station and facilities	Jhabua	260,200
Compressor station, LPG plant and facilities	Vijaipur	5,169,70
Compressor station	Khera/ Chikli	124,400
Compressor station and facilities	Auraiya/ Dibiapur	1,054,947
LPG plant	Lakwa	1,080,000
LPG plant	Usar	1,300,000
LPG plant and compressor station	Vaghodia	786,849
LPG plant	Gandhar	1,808,500
Petrochemical complex and LPG plant	Pata	7,406,637
Gas Technology Institute/Colony/Office Complex	Noida	40,572

We have rights of use to the land traversed by its pipeline. Such rights have been obtained pursuant to statutory notification and compensation of the relevant landowners.

Employees

Number of our employees for the years ended March 31, 2001, 2002 and 2003 was 3,264, 3,385 and 3,402 respectively. As at December 31, 2003, we had 3,385 employees. We attribute the decrease in the average number of employees between March 31, 2003 and December 31,2003to, superannuation, resignation and dis-continuance of services of trainees at Pata, appointed for a specific period. The workers are unionised and their wages and benefits are established by collective bargaining agreements. The prior collective bargaining agreement expired at the end of 1996 after being in effect for five years. Next round of wage negotiations concluded in December 2000 and settlements were arrived at with unions for a period of ten years w.e.f January 1, 1997.

OUR HISTORY

The Company was incorporated on August 16, 1984 under the name "Gas Authority of India Limited". The name of the Company was changed pursuant to the requisite approval under the Companies Act, to GAIL (India) Limited on November 22, 2002.

1. Key Events

GAIL was incorporated on August 16, 1984 as a public limited company under the Companies Act, 1956. At the time of incorporation, all of our shares were held by the GoI.

We were established to lay an onshore pipeline from Hazira on the west coast to supply natural gas to facilities in the states of Gujarat, Rajasthan, Madhya Pradesh and Uttar Pradesh. Construction on this pipeline began in 1986 and was completed in 1988. In 1991, we constructed our first LPG plant at Vijiapur. In 1992, we took over certain of the Regional Pipelines from ONGC and completed our second LPG plant, also at Vijiapur. We completed a third LPG plant at Vaghodia in 1993.

In 1995, the Government sold 28.5 million equity shares, representing 3.4% of the Company's equity capital, to domestic and qualified foreign investors.

In May 1995, we formed Mahanagar Gas Limited as a joint venture with British Gas and the Government of Maharashtra and own 49.75% of the equity shares.

In 1997, we offered and allotted 331,600 shares to employees who had been employed on April 1, 1995.

In December 1998, we formed Indraprastha Gas Limited as a joint venture with BPCL and own 22.5% of the equity shares in Indraprastha. In April 1998, we formed PLL, a public limited company under the Companies Act, in which we hold a 12.5% equity interest. In June , 2001 we invested in Gujarat State Energy Generation Limited and own 12.85% of its equity shares.

In 1998, we completed LPG plants at Usar and Lakwa. In July 1998, we completed a Rs.23.8 billion upgrade of the pipeline, compressors and various terminals along the HVJ pipeline.

In February 1999, the Government sold approximately 30.6 million shares, representing a further 3.6% of our equity capital to various domestic and foreign institutional investors in a private placement. In March 1999, the Government sold approximately 5% of its equity capital in us to each of IOC and ONGC, representing a total of 81.7 million shares.

In March 1999, we commissioned our petrochemical complex at Pata and additional LPG plants at Gandhar in March, 2001 and at Pata in March, 2000. In March 1999, we purchased from the Government 2.5% of its equity interest in ONGC, representing a total of 34.3 million shares, for Rs.5.6 billion. In October 1999, we entered into a Memorandum of Understanding with ONGC to purchase natural gas from existing discoveries, which are under production.

In September 2003, we formed Bhagyanagar Gas Limited, a joint venture with HPCL, and own 25% of the equity shares.

2. Main Objects of the Company

The main objects of the Company as per the Memorandum of Association are:

1) To augment, create, establish, set up, necessary plants, equipment and infrastructure facilities including utilities and provide services, for the utilisation of natural or associated or any other gas containing hydocarbon by whatsoever name called hereinafter for the sake of brevity referred to as "natural gas" obtained from within the country or from the sea or ocean bed in international waters, or inland or acquired or obtained in any manner from any other country;

2) To carry on all activities connected with the business of acquiring, purchasing and otherwise obtaining natural or associated gas available in the country and else-where.

3) To transpsort, treat, process, fractionate, blend, purify and to generally deal in or market or sell natural gas in all its forms and fractions including natural gas liquids, liquified natural gas, and by-products, and co-products, other kinds of petroleum products, chemicals by-products, and any such substances as may be obtained from treating, processing, fractionating, blending and purifying natural gas.

III To take over from Oil & Natural Gas Corporation, established under the Oil & Natural Gas Commission Act (43 of 1959), Oil India Limited a Company incorporated under the Companies Acts (1 of 1956) and having its registered office at Duliajan, or any other person, association of persons in wehatever form Company statutory corporation, Government Department engaged in exploration, production, transportation, supply, marketing, and sale of crude oil and/or natural gas and/or their products, by-products and co-products in India and outside plants, factories, equipment, installations of any kind whatsoever, including especially pipelines and related equipment, services, systems with all the relevant assets and liabilities together with the benefits or obligation under any agreements in connection with transportation, treatment, processing, fractionation, blending, purification, distribution, marketing and sale of natural gas in all its forms and fractions on such terms and conditions as may be mutually agreed upon or may be decided by the Central Government and to operate, work and maintain such plants, factories, installation, facilities, services and systems.

4) To plan, design and construct pipelines for gas, oil and oil products and other related facilities and systems for collection, gathering, treatment, fractionation, processing, blending, purifiction, distribution, marketing and sale of natural gas.

5) To act as agents, dealers, transporters, carriers, distributors, representatives of any person, association of persons in whatever form, company, statutory Corporation or Government Department or selling natural gas.

6) To liaise, co-ordinate, formulate schemes, proposals, with other gas producing, transporting, supplying agencies, organisations, Government, industrial and other users for proper utilisation of natural gas and products, by-products and co-products obtained out of treated natural gas.

7) To carry on in all their respective branches the marketing and distribution of natural gas and to purchase or other wise acquire, process, treat, experiment with, market, distribute, exchanges, supply, sell and dispose of, import, export and trade and generally deal in all kinds of natural gas, and hydrocarbon and mineral substances and the products or by-products or co-products which may be derived, produced, prepared, developed and conducted, made or manufactured therefrom and substances obtained by mixing any of the foregoing, with other substances.

8)* To plan, promote, organize, develop undertake and implement programmes for development of all forms and kinds of energy resources petroleum resources, including those pertaining to petroleum and petroleum products, oil, gas and other volatile substances, asphalt, bitumen, bituminous substances, carbon, carbon black, hydrocarbons and mineral substances, coal gasification (insite or surface coal), coal bed methane, coal slurries, petrochemicals, naturally occurring hydrates, by products, co-products and other products, as may be obtained undergrounds, on land, in water, in air or from any other source within the country and/or in any part of the world individually or in association or joint venture with any person or persons or body corporate or unincorporated joint venture.

9)* To carry on the business of transportation, distribution, conservation, marketing and sale of petroleum and petroleum products, associated natural gas, non-associated natural gas, liquified petroleum gas, cooking gas of any nature, asphalt, bitumen, DME, chemicals for all matters connected therein.

10)* To plan, promote, organize develop, undertake and implement progammes for exploration/ drilling both on-shore and off shore and to search for take on lease for license obtain concessions over or otherwise purchase and acquire any estate or interest in develop the resources of, work, dispose of or otherwise turn to account, land or sea or any other place in the whole of India or in any other part of the world containing or thought likely to contain, petroleum, petroleum resource or alternate source of energy or other oils in any form, asphalt, bitumen or similar substances or natural gas, chemicals or any substances, used or which is thought likely to be useful for any purpose for which petroleum or other oils and gas resources or can be used and undertake all activities as may be necessary and desirable.

11)* To purchase, lease, construct, build or otherwise' acquire and develop any real or leasehold estate or other rights of property, port facilities, terminals, installations building plant and machinery ships, vessels as may be necessary.

12)* To manufacture, produce, refine prepare, store, sell and to trade and deal in petroleum and other crude oils, asphalt, bitumen, LPG, LNG, NGL, CNG and all kind of mineral oils, all products and bye-products thereof including wax, paraffin, soap, paint varnish, lubricants, illuminant and butter substitutes, oil cloth, candles, glycerine, steering and in connection therewith to acquire, construct, repair, operate and use oil and other refineries, buildings, mills, factories, oil wells, derricks.

13)* To carry on the business of manufactures, producers, processors, refiners, exporters, and importers, agents, buyers, sellers and dealers in all chemical and petrochemical products such as coal tar products and their intermediates, dyes, drugs, medicines and pharmaceuticals, petroleum and its products, by-products and derivatives, all type of petrochemicals and their by-products.

14)* To plan, develop, erect and set up terminals of all kinds including LNG receiving terminal(s), Oil tanking terminal(s), etc. for providing terminalling services and activities for receipt (including import), storage, despatch (including export) handling and treatment of various kinds and forms of crude oil and refined petroleum products, gases, chemicals, liquids and all types of related facilities.

15)* To carry on business of generation of electricity, to receive, purchase, develop use, sell supply, distribute and accumulate electricity at electric power station, and to transmit, distribute, supply such power through transmission lines, either owned or hired or through National Grid or facilities of the State Electric Board as may be assigned to it by the competent Government or Government whether within India or outside India and generally to develop, generate and accumulate power at any other place, and to transmit, distribute and supply such power.

16)* To carry on the business of purchasing, selling, importing, exporting, producing, trading manufacturing or otherwise in all aspects of planning investigation, research, design and preparation 'of preliminary, feasibility and definite project reports, construction generation, operation and maintenance of Electric Power, stations and Projects, transmission, distribution and sale of Electric Power, Electric Power Development, ancillary and other allied industries and for that purpose to install, operate and manage all necessary plants, establishments and works.

17)* To carry on the business of generation, distribution and marketing of solar energy on commercial basis and business relating to solar energy.

18)* To produce, manufacture, use, or otherwise acquire, sell distribute, deal in and dispose of, alkalies and acids, gases, compounds, fertilisers, chemicals and chemical products of every nature and description and compounds, intermediates, derivatives and by-products thereof and products to be made therefrom (hereinafter for convenience referred to generally as, chemicals and products) including specifically, but without limiting the generally of the foregoing, calcium-carbide, calcium cyanamide, vat solubilised vat, azoic, salts, naphthols, all type of flotation reagents, wetting agents, insecticides and fumigants, plastics and resins dye stuffs, explosive, catalytic agents foods, direct colours, basic and rapid fast colours pigments, drugs biologicals, pharmaceutical, serums, vitamin products hormones, sutures, ligatures, drugs for disease or disabilities, in men or animals, and products derived from phosphate mines limestones, quarries, bauxite-mines, petroleum, natural gas and such natural deposits useful or suitable in the manufacture of chemicals and chemical products as hereinabove defined.

19)* To establish, provide maintain and perform scientific, technical, engineering, project management consulting/contracting services including but without limiting to technical studies, design, construction, maintenance and repair of all kinds of works and buildings, procurement, inspection, expediting, management of construction and related services for petroleum reservoir, storage and transportation of oil, gas and other minerals by pipeline or otherwise, seismic data acquisition, interpretation, logging, drilling cementing, other oil field related equipment.

20)* To promote, organise or carry on the business of consultancy services in any field of activity in which the Company in engaged in or connected therewith.

21)** To plan, establish, develop and to lay cables, provide, operate and maintain all types of telecommunication services including telephony, telex as well as wireless, data communication, telematics and other forms of communication and to maintain and manage, to acquire from any person, from body corporate or other establishment whether in India and/or outside India, technical information, know-how, process engineering, manufacturing and operating data, plans layouts and blue prints useful for designing, erection, construction, commissioning, operation and maintenance of the plant and equipment required for any of the business of the company and to acquire license and other rights and benefits in the foregoing matters and things, to act as carriers/earner, domestic and international long distance operators, basic service provider, cellular service provider, Internet service provider, broad band provider, video conferences facilities, to maintain and manage distance leased services, to provide technical specifications, standards and norms of services in the local and long distance communication, to provide inter-connection of the local network services, long distance transmission systems, and overseas communications systems.'

22)** To build, construct, maintain, improve, develop, manage and control any buildings, offices, godowns, warehouses, shops, machinery and plant and telephone exchanges, telegraph office, coaxial stations, microwave stations, repeaters stations, telecommunication lines, cables, towers or any other equipments pipelines, machinery connected with design, development, construction, maintenance and operation of telecommunication services and conveniences, which may seem or calculated, directly or indirectly, to advance the interests of the company and to subsidize, contribute to or otherwise assist or take part in doing any of these things, and/or to join with any other person and/or company and/or with any Governmental authority in doing any of these things.

Our activities are carried out and in the past have been carried out in accordance with the objects as specified in our Memorandum of Association.

September 15, 1997* Addition to main object clause of Memorandum of Association. New object clauses being Clauses 8 to 20 as stated aforesaid were inserted.

September 27, 2000** New Clauses being Clause 21 and Clause 22 were added to include within the Company's objects, new Telecom Business Activities.

2. Changes in the Memorandum of Association

Changes in the Memorandum of Association since inception of the Company i.e. August 16, 1984.

S.NO.	DATE OF AMENDMENT	NATURE OF AMENDMENT
1	January 23, 1987	Increase in Authorised Share Capital from Rs. 5000 mn divided into 500,00,00 Equity Shares of Rs. 1000/- each to Rs.10000 mn divided into 10 mn Equity Shares of Rs.1000/- each.
2	June 12, 1995	The face value of Equity Shares was sub-divided from Rs.1000/- each to Rs.10/- each.
3	September 15, 1997*	Addition to main object Clause of Memorandum of Association New object clauses being Clauses 8 to 20 as stated aforesaid were inserted.
4	September 27, 2000**	New Clauses being Clause 21 and Clause 22 were added to include within the Companys objects, new Telecom Business Activities.
5	September 28, 2001	Clause 21 of the main object clause of the Memorandum was amended by deleting the word “or grant”

6	September24, 2002	Change of name of the Company from Gas Authority of India Limited to GAIL (India) Limited and fresh certificate of incorporation issued by RoC, National Capital Territory of Delhi and Haryana on November 22, 2002.

3.Listing Details of the Company:

The Equity Shares of the Company are formally listed at the DSE, BSE, and NSE. Application has been made for the Equity Shares to be sold by the GoI to be permitted for trading on the Stock Exchnages. Other than as stated above, no application has been made for the Equity Shares to be listed as eligible for trading or quotation on any other stock exchange, market or clearing system.

The GDRs of the Company are listed and traded at the London Stock Exchange.

The Company code allotted to the Company at the stock exchanges are as follows:

- Stock Code: at BSE: 532155
- Stock symbol at NSE: GAILEQ
- GDR symbol at London Stock Exchange:
  GAIL Reg S – GAID
  GAIL 144A -- GAILY

Stock Market Data for our Equity Shares

Year	High	No of shares traded on the date when the high price was recorded	Low	No of shares traded on the date when the low price was recorded	Average	Total no of shares traded
2001	69	20,199	44	3,055	57	5,743,768
2002	90	607,463	61	43,888	72	49,993,190
2003	260	2,602,031	70	36,436	117	171,635,541

Source: www.bseindia.com and ISI

Month	High	No of shares traded on the date when the high price was recorded	Low	No of shares traded on the date when the low price was recorded	Average	Total no of shares traded
Jul-03	120	2,224,446	106	392,201	111	21,872,205
Aug-03	136	552,758	119	803,099	130	14,048,292
Sep-03	147	934,612	122	142,050	136	13,101,150
Oct-03	173	599,354	146	512,116	161	21,263,277
Nov-03	176	673,412	158	756,510	168	14,342,526
Dec-03	260	2,602,031	175	385,421	205	32,123,058
Jan-04	312.8	5,192,819	188.9	6,710,960	4,753,100	99,817,195

Source: www.bseindia.com

Market price as on January 8, 2004, immediately after the resolution by the Board of Directors approving the Offer was passed, was Rs. 279.60.

SELECTED UNCONSOLIDATED FINANCIAL DATA

Summary of Profit and Loss Account, as restated

(Rs in Million)

PARTICULARS	For the Nine Months Period April 1 to December 31,2003	For the Year Ended March 31,2003	For the Year Ended March 31,2002	For the Year Ended March 31,2001
INCOME				
Sales	79,918	104,152	93,886	91,850
LPG Transmission Charges	1,884	2,151	1,771	124
Income from Telecom	136	116	18	0
	81,938	**106,419**	**95,675**	**91,974**
Internal Consumption of Gas/Polymers	8,322	11,257	10,054	8,613
	90,260	**117,676**	**105,729**	**100,587**
Increase /Decrease of stock	(158)	74	(199)	283
Other Income	1,680	3,188	2,096	1,420
TOTAL	**91,782**	**120,938**	**107,626**	**102,290**
EXPENDITURE				
Purchase of Gas/ Polymers	50,348	63,989	62,490	62,300
Manufacturing, Transmission, Administration Selling & Distribution and Other Expenses	17,084	23,746	19,005	16,906
Depreciation	4,919	6,426	6,125	5,866
Less: Incidental Expenditure during construction transferred To capital work in progress	237	188	191	541
Interest and Finance Charges	1,051	1,864	2,269	1,972
Deferred Revenue Expenditure written off	1	1	1	1
TOTAL	**73,166**	**95,838**	**89,699**	**86,504**
Profit for the year/period before prior period expenditure	**18,616**	**25,100**	**17,927**	**15,786**
Prior period Expenditure	19	(83)	(92)	264
Profit Before Tax	**18,597**	**25,183**	**18,019**	**15,522**
Provision for Taxation				
Current Tax	6,185	8,502	4,667	4,260
Deferred Tax	20	290	1,494	0
Net Profit after tax as per audited statement of accounts (A)	**12,392**	**16,391**	**11,858**	**11,262**

Adjustments on account of:				
- Change in accounting policies/Auditors comments	0	1,176	115	(2,672)
- Impact of material adjustments and prior period items	0	0	0	248
Total adjustments (B)	**0**	**1,176**	**115**	**(2,424)**
Adjusted Profit Available for appropriation (A +B)	**12,392**	**17,567**	**11,973**	**8,838**

Summary of Assets and Liabilities, as restated

(Rs in Million)

	PARTICULARS	As at December 31,2003	As at March 31,2003	As at March 31,2002	As at March 31,2001
A	**Fixed Assets:**				
	Gross Block	111,819	110,487	107,019	100,387
	Less: Depreciation	52,745	47,837	41,589	35,725
	Net Block	**59,074**	**62,650**	**65,430**	**64,662**
	Add: Capital work in progress	28,769	6,907	4,233	6,310
	Total	**87,843**	**69,557**	**69,663**	**70,972**
B	**Investment**	**7,602**	**6,879**	**6,882**	**6,614**
C	**Current Assets, Loans and Advances**				
	Inventories	4,224	4,186	4,246	3,811
	Sundry Debtors	5,906	8,272	7,581	6,384
	Cash and Bank Balances	11,120	23,463	17,624	9,934
	Other Current Assets	27	93	275	114
	Loans and Advances	11,690	11,545	9,796	8,260
	Total	**32,967**	**47,559**	**39,522**	**28,503**
D	**Liabilities and Provisions:**				
	Secured Loans	651	1,640	3,976	6,611
	Unsecured Loans	14,043	18,832	20,272	20,497
	Current Liabilities and Provisions	30,534	27,759	27,444	24,880
	Deferred Tax Liability	11,217	11,197	4,749	1,727
	Total	**56,445**	**59,428**	**56,441**	**53,715**
E	**Networth (A+B+C-D)**	**71,967**	**64,567**	**59,626**	**52,374**
	Represented by				
F	**Share Capital**	**8,457**	**8,457**	**8,457**	**8,457**
G	**Reserves and Surplus**				
	Capital Reserve	23	24	26	111
	Share Premium	3	3	3	3
	Investment Allowance Reserve	2,666	2,666	2,666	2,666
	General Reserve	9,048	7,809	12,327	4,984
	Profit and Loss Account	51,674	45,609	36,149	36,156
	Debenture Redemption reserve	96			
	Total	**63,510**	**56,111**	**51,171**	**43,920**
H	Micellaneous				

	expenditure to the extent not written off or adjusted	0	1	2	3
I	**Net worth (F+G-H)**	**71,967**	**64,567**	**59,626**	**52,374**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our audited unconsolidated financial statements for each of the fiscal years ended March 31, 2001, 2002 and 2003, and the nine months ended December 31, 2003, including the notes thereto and the reports thereon, which appear elsewhere in this Preliminary Sale Document. These financial statements are prepared in accordance with AS, the Companies Act and the SEBI Guidelines and restated as described in the Auditor's Report of M/s S. Mann & Co. dated January 20, 2004 in the section entitled "Unconsolidated Financial Data". AS differs in certain significant respects from US GAAP. For more information on these differences, see "Summary of Significant Differences Between AS and US GAAP".

The following discussion is based on our audited unconsolidated financial statements for the fiscal years ended in 2001, 2002 and 2003, and the nine months ended December 31, 2003, which have been prepared in accordance with AS, the Companies Act and the SEBI Guidelines and on information available from other sources. Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year (i.e., Fiscal 2003) are to the twelve-month period ended March 31 of that year.

Overview

In the nine months ended December 31, 2003, we received approximately 72% of our gross sales from the sale of natural gas, 13% from the sale of liquefied petroleum gas, 2% from the transmission of LPG and 13% from the sale of polymers and the remainder from other downstream products and telecom. In Fiscal 2003, we received approximately 70% of our total sales from the sale of natural gas, 18% from the sale of liquefied petroleum gas, 2% from the transmission of LPG, 10% from the sale of polymers and the remainder from other downstream products and telecom. Since Fiscal 2001, the natural gas business has not expanded significantly due to limits on the supply of natural gas. However, there has been a notable increase in the production of LPG and petrochemicals over the same period. This has led to an increase in the percentage of total sales and net profit represented by LPG and petrochemical products compared to the contribution from natural gas sales. Given the expected increase in the natural gas supply resulting from the availability of imported LNG, and considering the projected production from recent offshore discoveries, natural gas sales should retain or increase its share of our sales and profit relative to LPG and pertrochemicals for the foreseeable future.

The table below sets forth certain sales data concerning our products for the periods indicated:

	Year ended March 31,			Nine months ended December 31, 2003
	2001	2002	2003	
Natural Gas				
Sales volume (mscm)	20,946	20,676	21,130	15,836
Sales value (Rs. Millions)	71,141	70,663	71,814	56,136
Percentage of gross sales	77.35%	73.86%	67.53%	68.55%
Liquefied Petroleum Gas				
Sales volume (mt)	785,513	995,959	1,113430	826,002
Sales value (Rs. Millions)	10,052	11,086	17,477	11,556
Transmission volume (mt)	100,280	1,311,856	1,525,159	1,310,622
Transmission value (Rs. millions)	124	1,771	2,151	1,884
Percentage of gross sales	11.06%	13.44%	18.46%	16.41%
Pentane				
Sales volume (mt)	10,506	24,539	33,677	36,362
Sales value (Rs. millions)	147	319	550	559
Propane				
Sales volume (mt)	80,008	86,956	116,608	120,747
Sales value (Rs. millions)	1,253	1,310	2,219	2,320
Special Boiling Point Solvent				
Sales volume (mt)	30,663	23,768	34,341	49,543
Sales value (Rs. millions)	637	439	686	901
Butene-1				
Sales volume (mt)	-	36	1,977	1,131
Sales value (Rs. Millions)	-	2	68	52
Other products				
Sales volume (mt)	28,545	30,244	18,287	16,629
Sales value (Rs. Millions)	355	401	263	580
Polymers				
Sales volume (mt)	183,311	250,952	289,375	185,328
Sales value (Rs. millions)	8,265	9,667	11,075	7,814

Source: Audited financial statements for Fiscal 2001, 2002 and 2003 and nine months ended December 31, 2003.

Factors affecting our results of operations

Natural Gas Pricing

We purchase natural gas from our suppliers which include ONGC, OIL, the Ravva Joint Venture, the Tapti Joint Venture and the Panna-Mukta Joint Venture. Starting in March 2004, we will also purchase re-gassified LNG from Petronet LNG. The natural gas purchased is then transmitted to consumers through our pipeline network and sold to consumers, in most cases at a price set by the GoI. The sales revenue that we earn on the sale of natural gas is essentially the End Consumer Price which is itself made up of the Consumer Price, the transmission charge and royalties and taxes (each as further defined and described below). Currently, we do not realise a marketing margin on our gas sales, except for sales of gas from the Ravva satellite field (as further described below). The gas transmission charge, and the method by which the price charged by the producer and the price charged to the consumer are set, differs according to whether the gas is transmitted through the HVJ Pipeline or the Regional Pipelines. Our consumer prices for natural gas, and the gas transmission charge we earn, are set with respect to these systems as follows.

- *HVJ Pipeline*. Pursuant to the 1997 Pricing Order, the Ministry of Petroleum and Natural Gas set a fixed transmission charge of Rs.1,150 per mscm for gas transmitted through the HVJ Pipeline from October 1, 1997 until March 2000. Subsequent to March 2000, the transmission charges set out in the 1997 Pricing Order have remained in effect. This charge is linked to gas that has a calorific content of 8,500 Kcal/scm. For gas having a lower or higher calorific content, the transmission charge will decrease or increase proportionately. The transmission charge will also increase by 1% for every 10% increase in the consumer price index, although this increase will not be charged directly to the customer, but will be reimbursed to us from the funds on deposit in the Gas Pool Account. See " - Gas Pool Account".

  The 1997 Pricing Order also provides that the consumer price for natural gas (the "**Consumer Price**") is a floating price linked to an international basket of fuel oils (the "**International Reference Price**") that is determined and fixed quarterly by us as per the methodology laid down by the Ministry of Petroleum and Natural Gas. This Consumer Price was 75% of the International Reference Price in Fiscal years 2001, 2002 and 2003, subject to both a ceiling of Rs.2,850 per mscm and a floor of Rs.2,150 per mscm and is linked to a calorific content of 10,000 Kcal/scm. For gas having a lower or higher calorific content, the Consumer Price will decrease or increase proportionately. The amount the consumer actually pays (the "**End Consumer Price**") equals the Consumer Price plus our transmission charge of Rs.1,150 per mscm, royalties and sales tax, and any other applicable taxes. The producer price for the national oil companies for their domestic production (the "**Net-back Producer Price**") is calculated by taking the Consumer Price and adjusting it to account for the difference between the price of gas from the Ravva Joint Venture, the Tapti Joint Venture and the Panna-Mukta Joint Venture, which are market prices, and the Consumer Price, and also to take into account the Rs.2.5 billion per annum payment to the Gas Pool Account.

  GAIL also buys gas from the Ravva Satellite field, which is owned by the consortium of Ravva Oil, Cairn Energy, Videocon Petroleum and ONGC, at market determined rates and sells the same to consumers at market prices after adding transmission charges and a marketing margin to such price. The quantity of gas being supplied presently is about 1.20 mmscmd. No adjustment is made in the Net-back Producer Price payable to ONGC in relation to this gas because ONGC realises a higher purchase price for gas from the Ravva Satellite fields.

A proposal for an increase in the gas price is under consideration of the GoI. If the increase is approved it will have a negative impact on this business because we also use natural gas to power various elements of our pipeline system (for example, the compressors) and it is not clear whether we will be able to pass through any of these additional costs to the consumers. In addition, because natural gas is the raw material used in our LPG and petrochemical businesses, these businesses or more sensitive than our natural gas sales business to an increase in natural gas prices. Any price increase will increase the cost base, and have a material negative impact on the margins, of our LPG and petrochemicals businesses. The GoI proposal also includes a proposed increase in the transmission charge along the HVJ Pipeline. If approved, this increase could partially offset the negative impact of a corresponding increase in natural gas prices.

- *Non-HVJ Pipelines*. The current average gas transmission charge paid to us on these systems is approximately Rs.400 per mscm. With respect to those Regional Pipelines that were constructed by customers, we do not receive any transmission charge but receive a service charge from some of the consumers. The Consumer Price, the End Consumer Price and the Net-back Producer Price for gas transmitted through the HVJ Pipeline is also applicable for our other pipelines in India except for those located in the northeastern states. For these systems, the Consumer Price is a lower percentage of the International Reference Price. This Consumer Price was 45% of the International Reference Price in Fiscal 2001, 2002 and 2003, subject to both a ceiling and a floor of Rs.1,700 per mscm and Rs.1,200 per mscm, respectively, and applicable to gas with a calorific content of 10,000 Kcal/scm. For gas having a lower or higher calorific content, the Consumer Price will decrease or increase proportionately. The GoI may also make further concessions of Rs.300 per mscm on a case by case basis in the northeastern states.

The Gas Pool Account

Pursuant to the 1997 Pricing Order, an amount of Rs.2.5 billion will be deducted by us from the aggregate Consumer Prices collected and the same shall be credited to a special account called the gas pool account (the "**Gas Pool Account**") annually in quarterly instalments with a lag of one quarter. The Gas Pool Account is used to compensate OIL for concessional gas price in northeastern states, to provide marketing margin to GAIL, to compensate GAIL and OIL for increases in operating costs on account of inflation and for R&D for exploration and exploitation of small fields. Any balance amount left in the Gas Pool Account after distributions in relation to the above items is transferred to the Central Exchequer.

We have maintained the Gas Pool Account on behalf of the Government of India since its establishment, although the account is administered by a committee composed of officials of the Ministry of Petroleum and Natural Gas. In March 1999, with the approval of the Ministry of Petroleum and Natural Gas, we opened a separate bank account to which all proceeds from the Gas Pool Account have been transferred (except for a one time retention by us of Rs.946.30 million pertaining to higher purchase costs for the period April to September, 1997). We account for amounts due to the Gas Pool Account, along with accrued interest, as of any date as a current liability on our balance sheet. Amounts credited to the Gas Pool Account also appear as a current asset on our books. As at December 31, 2003, the amount on deposit in the Gas Pool Account was Rs.3.6 billion. We have made various claims on the Gas Pool Account and received Rs.0.11

billion, Rs.0.28 billion and Rs.0.26 from the Gas Pool Account in Fiscal 2001, Fiscal 2002 and Fiscal 2003, respectively.

Government control and industry regulation

Through its direct and indirect holdings, the GoI controls a majority of our issued share capital. As of December 31, 2003, the GoI held 67.35% of our issued share capital. See also, "- Cross-Shareholdings". After the Offer, the GoI will hold 57.35% of our issued share capital. The GoI, acting through the Ministry of Petroleum and Natural Gas has the power to appoint our Board of Directors. The GoI also has the ability to influence and control other government-related entities, some of which are our customers and suppliers, such as ONGC and OIL. From time to time, we are required to take actions, or refrain from taking actions, in furtherance of public policy considerations, GoI's directions and the GoI's broader objectives for the natural gas industry which may not necessarily be in our best commercial interests. For example, public policy considerations relating to the level of consumer prices for gas and related products affect our profit margins.

We are classified as an Indian Government company and are subject to the laws and regulations generally applicable to PSUs. These laws and regulations include the appointment of key management personnel and generation of funds through the issuance of securities. It is unclear which, if any, of these restrictions or control mechanisms will change following the appointment of a regulator for GAIL and the gas industry. See "Regulations and Policies".

Potential under-recoveries relating to domestic LPG sales

LPG is sold to the public on a flat rate basis. In Fiscal 2004, it was decided that the OMCs would not increase the selling price of LPG for domestic consumption during the year. Further, the OMCs were to absorb resulting under-recoveries experienced by them (as a result of the negative difference between the cost of LPG sold to them and the consumer price plus the subsidy). Increases in the cost of LPG during Fiscal 2004 were to be absorbed through a sharing mechanism between the OMCs, ONGC and GAIL.

As per the mechanism finalised for sharing this under-recovery among the above companies for Fiscal 2004, a part of the projected under-recoveries is made up partially through settlement among the OMCs by way of cross-subsidization through other retail products by allowing for higher prices for those products. The balance is shared between the OMCs and the public sector upstream companies, namely GAIL and ONGC, through the difference between the price charged to the OMCs (which was set in October 2002) and the import parity price. The mechanism for sharing the LPG under-recovery has materially and adversely affected our results of operations in Fiscal 2004, and our sales and profit for the nine months ended December 31, 2003 have been decreased Rs.2,421 million because of the effects of this policy. It is not clear whether the under-recovery on sales of domestic LPG will continue in Fiscal 2005 at current levels. Further, if it does, GAIL's share of the under-recovery has not been determined. If we are required to share any under-recovery in Fiscal 2005 or beyond, it will have a material negative impact on our earnings.

We currently have claims against the OMCs for underpayments on purchases of LPG from April 2002 to December 2003 relating to nominal reimbursements of in-land freight charges and central sales tax ("**CST**"). The claims relating to in-land freight charges amount to Rs.1,790 million and those relating to CST amount to Rs. 280 million. We also have claims against the OMCs for non-payment of the full import parity price relating to LPG from November 2002 to March 2003.

These claims amount to Rs. 1,840 million. Although we are currently not accounting for these claims as a receivable, management believes that at least a portion of some of these claims will be recoverable in Fiscal 2004.

Increasing capacity in the natural gas and petrochemicals businesses

We are increasing both the transmission and marketing capacity of our natural gas business through our contracts with PLL and the planned construction of the DVPL. In Fiscal 2005, the combination of these two activities will result in an additional 8.5 mmscmd in transmission volumes, of which 5.0 mmscmd of gas will be available to us under our take-or-pay commitments with PLL. In Fiscal 2007, these numbers will increase to 18.0 mscmd and 10.5 mscmd, respectively. See "Our Business - Projects Under Development - Transmission and Marketing of Regassified LNG" and "Risk Factors-We do not have firm agreements for the sale of all of our take-or-pay gas purchase commitments with PLL.

The petrochemical complex at Pata is being expanded in two stages. In the first stage, the LLDPE/HDPE (Swing Plant) is being increased from 160,000 tpa to 210,000 tpa by de-bottlenecking the plant. We expect to complete the debottlenecking in April 2004 and expect to invest Rs. 760 million in the project.

In the second stage of the expansion, the ethylene capacity at the complex will be increased from 300,000 tpa to 440,000 tpa by increasing the number of cracker furnaces from four to five. In order to utilise the additional ethylene, we plan to increase the polymer capacity by setting up an additional LLDPE/HDPE (Swing Plant) with a capacity of 120,000 tpa. The total project cost for the second phase of the expansion is expected to be Rs.6.47 billion. The second phase is scheduled to be completed in Fiscal 2007.

Cross-Shareholdings

Primarily to promote cooperation and the development of synergies among India's principal corporations engaged in the energy business, in March 1999 the GoI sold 9.6% of GAIL's equity capital to ONGC and IOC, (4.8% to each of them) representing a total of 81.7 million shares. See “Principal Shareholders”. Concurrently, we purchased from the GoI 2.5% of the outstganding ordinary shares of ONGC, representing a total of 34.3 million shares, for Rs.5.6 billion. To meet the fund requirements for our expansion and diversifications plans, one option available to us, subject to GoI approval, is to sell our stake in ONGC.

The GoI is proposing to undertake an offer for sale of its shares in ONGC. In relation to the said offer, we have agreed not to sell our shareholding in ONGC for a period of six months from the date of the transfer of shares in the said offer.

Our critical accounting policies

Preparation of financial statements in accordance with generally accepted accounting principles in India, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956, require our management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of our assets and liabilities, disclosures of contingent liabilities and the reported amounts of revenues and expenses. These judgments, assumptions and estimates are reflected in our accounting policies, which are more fully described in the auditor's report appearing elsewhere in this Preliminary Sale Document.

Certain of our account policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant assumptions and estimates of our management. We refer to these accounting policies as our “critical accounting policies”.

While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results, we believe that the following critical accounting policies warrant additional attention.

Fixed assets and capitalization of work-in-progress

Fixed assets are valued at historical cost. In the case of commissioned assets where the final payment to a contractor is pending, capitalisation is made on a provisional basis, including provisional liabilities pending approval of the management, subject to adjustments in cost and depreciation in the year of settlement. Costs relating to rights of use for land is capitalized as land.

Material, equipment and crop compensation (relating to rights of use) attributable to projects are capitalized upto the date of commissioning of the projects. Net borrowing costs relating to a specific project are capitalized till the project is capitalized.

Depreciation

Depreciation is provided on the rates specified in schedule XIV of Companies Act,1956 on the straight line method. Where the historical cost of a depreciable asset undergoes any change due to an increase or decrease in long term liability due to price adjustments, exchange fluctuations, the depreciation on the revised unamortised depreciable amount is provided prospectively over the residual useful life of the asset. Any addition or extension which becomes an integral part of the existing asset is depreciated over the remaining useful life of that asset. The depreciation on such additions or extensions is provided at the rate applied to the existing asset.

The pipelines are depreciated over 9 years on a straight line method even though the estimated useful life of the assets is 25 to 30 years. Costs of leasehold land not exceeding 99 years is amortized over the lease period.

Investments

Quoted investments are valued at cost or market value, whichever is lower. Unquoted investments are valued at cost. Long term investments are valued at cost. Provision is made to recognise a decline, other than temporary, in the value of investments.

Inventories

Raw materials, finished products, surplus and obsolete stores and spares, and surplus and obsolete capital stores (other than those to be used in construction of capital assets) are all valued at cost or net realizable value, whichever is lower. 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.

Deferred taxation

We are required to make provisions in our accounts for deferred tax assets and deferred tax liabilities according to Accounting Standard 22 issued by Institute of Chartered Accountants of India, which is a mandatory accouting standard. Deferred tax assets and deferred tax liabilities arise due to the differences in timing and ultimate amounts that are recognised between taxable profit and accounting profit.

Contingent Liabilities

Contingent liabilities are disclosed as per Accounting Standard 4 on “Contingencies and Event Occurring After Balance Sheet Date” issued by the Institute of Chartered Accountants of India, which is a mandatory accounting standard.

Contingent liabilities arising from tax disputes and other claims not acknowledged as debts are disclosed in the accounts for a particular fiscal year when any claim or show cause notice is received as of the balance sheet date and before the adoption of the accounts by the Board for that fiscal year.

This requires significant management judgments due to the contingent nature of the claim and may be based on opinions of legal experts, wherever necessary.

Results of operations

	Fiscal Year ended March 31,			Nine months ended December 31,
	2001	**2002**	**2003**	**2003**
			(Rs. million)	
Income				
Sales.........................…..	91,850	93,886	104,152	79,981
LPG Transmission charges	124	1,771	2,151	1,884
Internal consumption	8,613	10,055	11,257	8,322
Income from Telecom.....	-	18	117	136
Other income..................	1,420	2,096	3,188	1,680
Total income(1)	102,290	107,626	120,938	91,782

Expenditure

Purchase of gas.................	62,300	62,490	63,990	50,348
Manufacturing, transmission, administration, selling & distribution and other expenses............................	16,906	19,005	23,746	17,084
Depreciation	5,866	6,125	6,426	4,919
Total expenditure(2)............	84,532	87,430	93,974	72,115
Interest and finance charges(3)	1,971	2,269	1,864	1,051
Provision for taxation(4)	4,260	6,161	8,792	6,205
Profit after tax (as per audited accounts)………..	11,262	11,858	16,391	12,392
Profit after tax (as adjusted)	8,838	11,973	17,567	12,392

(1) In addition to the line items in the table, total income includes amounts relating to accretion to stock.
(2) In addition to the line items in the table, total expenditure includes incidental construction expenditure transferred to capital work-in-progress and deferred revenue expenditure written off.
(3) Interest and finance charges are shown net of interest and finance charges transferred to capital work-in-progress.
(4) Provision for taxation shows the aggregate of current and deferred provisions.

Income

Our sales revenues are derived from the sale of natural gas, sales of LPG and sales of petrochemical products. Sales revenues deriving from sales of natural gas accounted for 77%, 74% and 67% of total sales in Fiscal 2001, Fiscal 2002 and Fiscal 2003, respectively. Transmission charges for the LPG pipelines are accounted for separately. Revenue derived from internal sales of natural gas to our LPG and petrochemical businesses (including transmission charges), as well as revenues derived from internal sales of natural gas to our pipeline business for its power needs, are all accounted for as internal consumption. At the same time, these businesses account for the expenses related to such purchases under either purchases of gas or as manufacturing, transmission, administration, selling and distribution and other expenses. This allows us to maintain price transparency regarding the price we charge to ourselves when we use natural gas in our other businesses, as a feedstock or otherwise. Other income includes income arising from investments such as dividends, interest on bonds and debentures and interest from bank accounts as well as other miscellaneous income.

Our natural gas customers primarily consist of power stations and fertiliser companies. Our largest ten natural gas customers account for 41% of our natural gas sales. As per existing GoI policy, we are only allowed to sell LPG to OMCs at import parity prices. See " - Potential under-recoveries relating to domestic LPG sales". Our petrochemical products are sold to a wide variety of consumers. OMCs are the primary customers for our LPG transmission business.

Expenditure

The Net-back Producer Price that ONGC charges GAIL for natural gas is based on adjusted import parity prices. See "—Factors affecting our operations—Natural gas pricing". Gas purchases accounted for 74%, 72% and 68% of total expenditure in Fiscal 2001, Fiscal 2002 and Fiscal 2003, respectively. Manufacturing, transmission, administration, selling and distribution and other expenses include, among other things, employee remuneration and benefits, power, fuel and water charges, raw materials (other than purchases of natural gas), repairs and maintenance, and excise duty. For a discussion of depreciation, see "- Critical accounting policies – Depreciation".

Nine months ended December 31, 2003

For the nine months ended December 31, 2003, our Sales were Rs.79,918 million. Sales of natural gas, sales of LPG and sales of polymers and other products accounted for 72%, 17% and 11% of total Sales, respectively. Profit after tax as a percentage of total income was 13.5%.

Fiscal 2003 compared to Fiscal 2002

Income

Sales increased by Rs.10,266.2 million or 10.9% in Fiscal 2003. This was largely the result of a 2.2% increase in the volume of natural gas sold over the pipelines and an additional 117,470.3 mt of LPG sold, itself representing an 11.8% increase over Fiscal 2002. In both cases the increases were due to additional supply becoming available to us in a fiscal year where overall demand outstripped supply. LPG transmission charges increased by 21.5% to Rs.2,151.1 million as the transmission capacity increased on the LPG pipeline. Internal consumption increased by Rs.1,202.3 million or 12.0% also due to increased production of LPG and petrochemical products. Other income increased to Rs.3,187.6 million in Fiscal 2003 from Rs.2,095.9 million in Fiscal 2002 due to the increased interest income from larger cash deposits resulting from the increase in sales revenue for the fiscal year.

Expenditure

Purchases of gas increased 2.4% between Fiscal 2003 and Fiscal 2002 to Rs.63,989.5 million. The increase in sales outpaced the accompanying increase in purchases due to the increasing proportion of sales made up by LPG and petrochemical products, which experienced higher prices and margins in Fiscal 2003. Manufacturing, transmission, administration, selling and distribution and other expenses ("other expenses") increased 24.9% to Rs.23,745.6 million. While there was a general increase in all of the items that make up other expenses, the bulk of the increase was due to increases in raw material consumed, excise duty and provisions for doubtful debts, advances, claims, deposits and obsolescence of stores and capital items, the majority of which was related to the increase in production volumes. Depreciation also increased in Fiscal 2003 to Rs.6,425.9 million, a 4.9% increase. This was a result of increased capitalisation of assets resulting from additional investment in gas pipelines and gas processing plants.

Interest and finance charges

Interest and finance charges decreased in Fiscal 2003 as we reduced our overall debt burden to Rs.20,471.2 million from Rs.24,248.1 million in Fiscal 2002. This resulted in 17.7% reduction in our interest and finance charges for the fiscal year.

Taxation

The income tax rate in Fiscal 2003 was a basic rate of 35.0% plus a surcharge of 5.0%, resulting in a net rate of 36.8%, compared to a rate in Fiscal 2002 comprising a basic rate of 35.0% plus a surcharge of 2.0%, resulting in a net rate of 35.7%. Despite the slightly lower overall tax rate, the tax provision increased from Rs. 4,670 million to Rs. 8,500 million in Fiscal 2003 primarily due to the increase in profits for the year.

Profit After Tax

As a result of the foregoing factors, profit after tax increased by 38% to Rs. 16.4 billion in Fiscal 2003 from Rs. 11.9 billion in Fiscal 2002. Profit after tax as a percentage of total income increased to 13.6% in Fiscal 2003 from 11.0% in Fiscal 2002.

Total Adjustment

Total adjustment in Fiscal 2003 was a credit of Rs. 1.17 billion, as compared to a credit of Rs. 153 million in Fiscal 2002. The adjustment to our accounts for Fiscal 2003 was made in response to comments from our statutory auditors relating to provisions for bad and doubtful debts that should have been made in previous years but were not. This results in a credit for Fiscal 2003, the year in which the full provision was made, and a debit for each of the prior years when the provisions should have been taken.

Profit After Tax (As Adjusted)

As a result of the foregoing factors, profit after tax (as adjusted) increased by 46.7% to Rs. 17.6 billion in Fiscal 2003 from Rs. 12.0 billion in Fiscal 2002. Profit after tax (as adjusted) as a percentage of total income increased to 14.5% in Fiscal 2003 from 11.2% in Fiscal 2002.

Fiscal 2002 compared to Fiscal 2001

Income

Sales increased by Rs.2,035.8 million or 2.2% in Fiscal 2002. This was primarily the result of a 26.8% increase in the volume of LPG sold, which partially offset a 1.2% decrease in the volume of natural gas sales (excluding internal consumption). LPG transmission charges increased by 1,475% to Rs 1,770.6 million as the capacity of the LPG pipeline increased. Internal consumption increased by Rs.1,441.8 million or 16.7% due to further increases in LPG and petrochemical production. Other income increased to Rs.2,095.9 million in Fiscal 2002 from Rs.1,419.8 million in Fiscal 2001 due to increased dividend income and interest income arising from higher cash deposits.

Expenditure

Purchases of gas remained relatively stable between Fiscal 2002 and Fiscal 2001, only increasing by Rs.189.8 million. Gas purchases remained relatively flat compared to revenue increases because of the effect that higher margin and value-added businesses had on the sales mix. Other expenses in Fiscal 2002 increased 12.4% to Rs.19,004.7 million from Rs.16,905.6 million in Fiscal 2001. As in Fiscal 2003, there was a general increase in Fiscal 2002 compared to Fiscal 2001 in all of the items that make up other expenses. However, the biggest contribution to the increase came from raw material consumed and, to a lesser extent, increases in excise duty and provisions for doubtful debts, advances, claims, deposits and obsolescence of stores and capital items. Again, this was primarily due to the increase in LPG and petrochemical production. Depreciation also increased in Fiscal 2002 to Rs.6,125.1 million, a 4.4% increase. This was a result of increased capitalisation, particularly with respect to the JLPL and other gas pipeline investments.

Interest and finance charges

Interest and finance charges increased in Fiscal 2002 even though the aggregate of our secured and unsecured borrowing decreased somewhat from Rs.27,108.9 million compared to

Rs.24,248.1 million in Fiscal 2002. This was a result of our decision to capitalise interest charges relating to construction of the JLPL in Fiscal 2001, rather than an actual decrease in interest and finance charges in Fiscal 2002.

Taxation

The income tax rate in Fiscal 2002 was a basic rate of 35% plus a surcharge of 5%, resulting in a net rate of 35.7%, compared to a rate in Fiscal 2001 comprising a basic rate of 35.0% plus a surcharge of 13%, that resulted in a net rate of 39.6%. Despite the slightly lower overall tax rate, the tax provision increased from Rs. 4,260 million to Rs. 4,660 million in Fiscal 2002 primarily due to the increase in profits for the year.

Profit After Tax

As a result of the foregoing factors, profit after tax increased by 5.3% to Rs. 11.9 billion in Fiscal 2002 from Rs. 11.3 billion in Fiscal 2001. Profit after tax as a percentage of total income in Fiscal 2002 remained constant as compared to Fiscal 2001, at 11.0%.

Total Adjustment

Total adjustment in Fiscal 2002 was a credit of Rs. 153 million, as compared to a debit of Rs. 2.8 billion in Fiscal 2001. The principal adjustment to our accounts for Fiscal 2002 of Rs. 126 million was made in response to comments from the Government Auditor (C&AG) on our accounts.

Profit After Tax (As Adjusted)

As a result of the foregoing factors, profit after tax (as adjusted) increased by 36.4% to Rs. 12.0 billion in Fiscal 2002 from Rs. 8.8 billion in Fiscal 2001. Profit after tax (as adjusted) as a percentage of total income increased to 11.2% in Fiscal 2002 from 8.5% in Fiscal 2001.

Liquidity and Capital Resources

Our principal source of funds during Fiscal 2001, Fiscal 2002 and Fiscal 2003 and for the nine months ended December 31, 2003 have been cash flow from operations coupled with secured and unsecured borrowings. We have used our funds primarily for our working capital needs, particularly the purchase of natural gas and other raw materials, and for capital expenditures. See " – Capital Expenditures" for more details on our capital expenditures in the relevant time periods. We had surpluses of working capital (net current assets) of Rs.18,677.1 million as at March 31, 2003, Rs.12,019.8 million as at March 31, 2002 and Rs.4,290.7 million as at March 31, 2001

Cash Flows

The table below summarizes our cash flows for Fiscal 2001, Fiscal 2002 and Fiscal 2003 and the nine months ended December 31, 2003.

Cash Flow	Fiscal 2001	Fiscal 2002	Fiscal 2003	Nine months ended December 31, 2003
		(Rs. Millions)		
Net cash from operating activities	16,816	19,715	21,703	21,342
Net cash used in investing activities	13,335	3,107	3,840	23,038
Net cash used in financing activities	1,564	8,917	12,025	10,647
Net increase/(decrease) in cash and cash equivalents	1,917	7,691	5,838	(12,343)

Our operating cash flows are primarily driven by net profit before tax and extraordinary items, depreciation levels, changes in working capital and direct taxes paid. For the nine months ended December 31, 2003, there was a net decrease in cash and cash equivalents resulting from our investments during the period in the JLPL and other regional pipelines. In Fiscal 2003, net cash from operating activities increased to Rs.21,703 million from 19,715 million in Fiscal 2002 largely due to a higher net profit before tax and extraordinary items and increases in depreciation. This was only partially offset by increases in trade and other receivables and direct taxes paid. Our operating cash flow in Fiscal 2002 had also increased 17.2% from Rs.16,816 million in Fiscal 2001. In Fiscal 2002, the increase in net profit before tax and extraordinary items was bolstered by a decrease in trade receivables while most other items remained relatively comparable.

Net cash used in investing activities increased by 23.6% in Fiscal 2003 primarily due to increased purchases of fixed assets such as investments in regional gas pipelines. In Fiscal 2002, there was a year-on-year decrease of Rs.10,228 million that was largely driven by purchases of fixed assets in Fiscal 2001 that were not repeated in Fiscal 2002.

Net cash used in financing activities increased by 34.9% in Fiscal 2003 primarily due to an 87.5% increase in the dividend we paid in that fiscal year. In Fiscal 2002, there was a year-on-year increase in net cash used in financing activities of Rs.7,353 million that was a result of a Rs.2,912 million decrease in proceeds from long terms borrowings compounded by increases in long term loan repayments and the dividend paid in that year.

Indebtedness

As of December 31, 2003, Rs. 9772.86 million, or 66.50%, our outstanding term loans bore interest at fixed rates. The remaining term loans bore interest at floating rates. We adopted a currency and interest rate risk management policy with effect from April 1, 2003. Under the guidelines of this policy, the foreign currency exposures related to foreign currency loans and import transactions above US$ 400,000 are monitored and forward covers are obtained in case the loss tolerance limits are breached.

During October 2003, we entered into two forward contracts for hedging JPY exposure against USD. The first forward contract was entered into with HDFC Bank Limited at 1 USD = 110.71

JPY for a loan repayment of JPY 166.67 million due on February 26, 2004. The second forward contract was entered into with SBI at 1 USD = 110.13 JPY for a loan repayment of JPY 166.67 million due on August 26, 2004. Our net debt to equity ratio was 50% as of March 31, 2001, 45% as of March 31, 2002, 32% as of March 31, 2003 and 20% as of December 31, 2003.

Key terms of our outstanding indebtedness as of December 31, 2003 were as follows:

6.10% secured non-convertible redeemable bonds with separately transferable redeemable principal parts Series-I

We had a principal amount of Rs.5,000 million outstanding under our 6.10% secured non-convertible redeemable bonds (Series I) on December 31, 2003. We have been given until August 21, 2004 by the Company Law Board to deliver the bond certificates. These bonds have been assigned a rating of "LAAA", indicating the highest degree of safety and a fundamentally strong position, by ICRA Limited and are redeemable in 5 equal installments commencing from the end of the 8th year up to the end of the 12th year from the deemed date of allotment (August 22, 2003). These bonds bear interest at a rate of 6.10% per annum and are to be secured by mortgages and/or charges in respect of our assets.

Indian currency loans

We had a principal amount of Rs. 433.33 million outstanding under a loan from ICICI Bank Limited on December 31, 2003 with an interest rate of 11.40% per annum.

We had a principal amount of Rs.4,339 million outstanding under loan facilities from the Oil Industry Development Board on December 31, 2003 with an interest rate of 8.25% per annum. Out of these loan facilities, Rs.382 million is outstanding for the Agra Ferozabad Project, Rs.1,003 million and Rs.497 million are outstanding for the LPG Auraiya Project, Rs.875 million is outstanding for the JLPL Project, Rs.725 million and Rs.857 million are outstanding for the LPG Gandhar Project on December 31, 2003. The repayment schedule of the loans is given in the Chapter – Audited Financial Statements – Auditor's Report.

We had a principal amount of Rs.5,000 million outstanding under a loan facility from Bank of India on January 12, 2004 with the interest rate linked to the Government security three-year plus a spread of 100 basis points.

We have recently invited bids for a term loan of Rs.2,000 million and a cash credit limit/working capital demand loan of Rs.3,000 million.

Foreign currency loans

We had a principal amount of Japanese Yen 1,333.33 million outstanding under a foreign currency loan from State Bank of India, London, on December 31, 2003 with an interest rate of 1.40% per annum over six month LIBOR which was 1.47% per annum on that date. The repayment schedule of the loans is given in the Chapter – Audited Financial Statements – Auditor's Report.

We had a principal amount of US$ 90.15 million outstanding under a foreign currency loan from the Asian Development Bank ("ADB") on December 31, 2003 with an interest rate equal to the cost of qualified borrowings of ADB plus a spread which was 6.31% per annum. The repayment schedule of the loans is given in the Chapter – Audited Financial Statements – Auditor's Report.

We had a principal amount of US$ 4.75 million outstanding under a foreign currency loan from Bank of India, Tokyo, on December 31, 2003 with an interest rate of 0.75% per annum over six month LIBOR which was 2.0625% per annum on that date.

Historical and Planned Capital Expenditures

Our capital expenditure has generally been used for the construction, maintenance and expansion of the HVJ Pipeline, the LPG Transmission Pipeline from Jamnagar to Loni and certain regional pipelines as well as our petrochemical and LPG plants. We have financed our capital expenditure through a combination of internal resources and long term debt. In Fiscal 2003, we financed our entire capital expenditure through internal resources.

During Fiscal 2003, we incurred capital expenditures of Rs.5,350 million on our projects. The major projects completed were Agra Ferozabad City gas distribution project, Tataipka to Kundalama Cheruvu pipeline project and Kuthalam to PPN power plant. Our total borrowings during Fiscal 2003 decreased by Rs.3,777 million.

We plan to spend an aggregate amount of approximately Rs.38,560 million in Fiscal 2004 on the following projects:

- Gas pipeline projects – Rs.25,320 million;
- Petrochemicals – Rs.1,140 million;
- LPG pipelines – Rs.1,950 million;
- Joint venture investments – Rs.780 million;
- Exploration and production – Rs.530 million;
- New business development – Rs.6,360 million;
- Telecom infrastructure– Rs.750 million;
- Other miscellaneous projects – Rs.1,730 million.

During the first nine months of Fiscal 2004, we spent over Rs.20,000 million on various projects, primarily on the 610 km Dahej Viajipur gas pipeline. During the first nine months of Fiscal 2004, our total borrowings decreased by Rs.5,777 million mainly due to prepayment of certain loans. However, we have also received a disbursement of Rs.5,000 million on January 12, 2004 from Bank of India to meet our capital expenditure requirements.

We may adjust the amount of capital expenditure upward or downward based on cash flow from operations and market conditions.

Principal sources of liquidity

As on December 31, 2003, cash and bank balances and current investments amounted to Rs.4,632 million. We believe that our anticipated cash flows from operations, together with our existing cash and issuance of short-term and long-term debt, will be sufficient to meet our capital expenditure and working capital requirements for Fiscal 2004. Our anticipated cash flows from operations however depend on a number of factors beyond our control, such as the price of natural gas and the existence of future regulations that may affect our transmission prices. If cash flows from operations are insufficient to meet our financing requirements in Fiscal 2004, we may need to incur further debt.

Transactions with related parties

GAIL, together with Bharat Petroleum Corporation Limited ("BPCL"), Indian Oil Corporation Limited ("IOCL"), Oil and Natural Gas Corporation Limited ("ONGCL"), has provided twelve corporate guarantees in favor of various lenders of PLL who have arranged loan facilities totalling Rs.14,000 million. Our share in the corporate guarantees as of December 31, 2003 is Rs. 3,500 million, which is one-fourth of the total guarantees of Rs.14,000 million. These corporate guarantees are valid until June 30, 2004. The corporate guarantees have been subsequently counter guaranteed by PLL.

We, together with BPCL, IOCL and ONGC, have provided an LNG time charter party guarantee to Mitusui O.S.K. Lines Limited ("Mitsui") in connection with the time charter party agreement between PLL and the consortium led by Mitsui.

We, together with BPCL, IOCL and ONGC, have provided a commitment letter to Qatar General Petroleum Corporation, Mobil QM Gas Inc. and Ras Laffan Liquified Natural Gas Company Limited ("RasGas") in connection with the LNG sale and purchase agreement between RasGas and PLL.

We also provided an undertaking to Oil Industry Development Board ("OIDB") for the execution of a guarantee for a loan of Rs.250 million in favour of Indraprastha Gas Limited ("IGL"). We have, however, not executed the guarantee in favor of OIDB.

IGL has a loan facility of Rs.3,000 million from OIDB, of which Rs.648.75 million is outstanding as of June 13, 2003.

The State Bank of India has, on our behalf, provided a performance bank guarantee in favour of MoPNG and ONGC for their faithful performance of the production sharing contract with respect to Block CY-OS/2.

As of December 31, 2003, we had Rs.1 million in outstanding to Directors and an aggregate amount of Rs.4 million outstanding in loans to key management personnel. All employees, including Directors and key management personnel, are entitled to various categories of loans in accordance with our policy.

Qualitative and quantitative disclosures about market risk

Our exposure to financial market risks derives primarily from changes in interest rates and foreign exchange rates. Our interest rate risk results from our variable rate debt obligations, the details of which are as follows. Our market risk is largely derived from changes in the price of natural gas.

Interest Rate Risk

Our interest rate risk results from changes in interest rates, which may affect our financial expenses. We bear interest rate risk with respect to the following indebtedness.

The rate of interest applicable to the loan of Rs.5,000 million outstanding at January 12, 2004 under the loan facility from Bank of India is Government security three-year rate plus 100 basis points.

The rate of interest applicable to the Japanese Yen 1,333.33 million outstanding at December 31, 2003 under the foreign currency loan from State Bank of India, London, is 1.40% per annum over six month LIBOR which was 1.47% per annum on that date..

The rate of interest applicable to the US$90.15 million outstanding at December 31, 2003 under the foreign currency loan from the Asian Development Bank is its cost of qualified borrowings plus a spread of 0.6%, which totalled 6.31% per annum.

The rate of interest applicable to the US$4.75 million outstanding at December 31, 2003 under the foreign currency loan from Bank of India, Tokyo, is 0.75% per annum over six month LIBOR which was 2.0625% per annum on that date.

A rise in interest rates may increase our interest payment obligations under the instruments described above. We do not bear interest rate risk in relation to our other indebtedness, all of which requires interest payments at fixed rates of interest.

Exchange Rate Risk

From time to time we borrow in currencies other than Rupees, principally in US dollars and Japanese yen. A weakening of the Rupee against the dollar or yen may increase (in Rupee terms) our interest expenses on dollar or yen-denominated loans as well as the repayment of principal on those loans. We enter into foreign exchange forward and derivative contracts to hedge these risks, but these contracts may not protect us fully from losses due to fluctuations in foreign exchange rates.

We also import equipment for our project, operations and maintenance requirements. The appreciation or depreciation of the Indian rupee equivalent relative to the currency of our equipment imports can reduce or increase our payment obligations.

Effect of inflation

During Fiscal 2001, Fiscal 2002 and Fiscal 2003, the All India Consumer Price Index increased by 3.8%, 4.3% and 4.0% , respectively. Since we set the price for our products sold in India based on various factors, including inflation, inflation has not had a significant effect on the result of our operations to date. We do not expect that inflation rates in India will have a significant impact on our results of operations for the foreseeable future.

Unusual and infrequent events of transactions

To our knowledge, there have not been any events, other than those described in this Preliminary Sale Document, that should be deemed “unusual” or “infrequent”.

OUR MANAGEMENT

Board of Directors

Our Chairman and Managing Director, Shri. Proshanto Banerjee, is also the Chief Executive Officer. He conducts the day-to-day operations of our Company under the overall supervision, direction and control of the Board.

Under the Articles of Association, the Company cannot have fewer than 3 or more than 20 Directors. The Company currently has eleven Directors on its Board.

The following table sets forth certain details regarding the members of the Board of Directors as of January 9, 2004:

Name, Designation, Father's Name, Address, Occupation.	Age (Years)	Other Directorships
SHRI PROSHANTO BANERJEE Chairman & Managing Director (S/o late Dr. A.N. Banerjee) C-1/10 SDA, New Delhi-110016 Service	56	Indraprastha Gas Ltd. Mahanagar Gas Ltd.
SHRI J.K. JAIN Director (Finance) (S/o late Sh. T.C. Jain) B-11, Asian Games Village, New Delhi-110049 Service	58	Gujarat State Energy Generation Limited
SHRI S.P. RAO Director (Projects) (S/o late Sh. Narsimha Rao) E-82, Asian Games Village, New Delhi 110049 Service	57	Bhagyanagar Gas Ltd.
SHRI B.S. NEGI Director (Planning) (S/o Sh. M.S. Negi) R-550, Asian Games Village, New Delhi—110049 Service	57	Petronet LNG Ltd.
SHRI M.R. HINGNIKAR (Director (Human Resources)	51	Mahanagar Gas Ltd.

(S/o late Sh. R.C. Hingnikar) E-81, Asian Games Village, New Delhi—110049 Service		
DR. AMIT MITRA Non-official part time Director (S/o late Sh. H.D. Mitra) C-2, Greater Kailash Enclave-I, New Delhi 1100 Service	56	Principal Asset Management Company Limited. Advisory Board of the India Fund of UTI India Steel Authority of India Limited
DR. A.K. KUNDRA Non-official part time Director (S/o late Sh. A.R. Kundra) H.No. 1138, Sector 44-b, Chandigarh Retired	60	--
DR. R.K. PACHAURI Non-official part time Director (S/o late Sh. A.R. Pachauri) 160, Golf Link, New Delhi-110003 Service	63	National Thermal Power Corporation Limited Indian Oil Corporation Limited
SHRI B.C. BORA Non-official part time Director (S/o late Sh. M.C. Bora) H-29, Sector 27, Noida-201301 Retired	62	--
SHRI BADAL K DAS Director (S/o Sh. Bachhanidh Das) C-11/126, Moti Bagh-I, New Delhi-110 021 Service	56	ONGC Limited IOC Limited ONGC Videsh Limited
SHRI A.K. SRIVASTAVA Director (S/o Sh. Adya Prasad)	43	Bharat Petroleum Corporation Limited IBP Company Limited

D-1/46, Satya Marg, Chanakyapuri, New Delhi - 110 021 Service		Hindustan Petroleum Corporation Limited

Details Of Directors

Shri Proshanto Banerjee, **CMD,** earned a degree as a Chemical Engineer from the Institute Of Technology, Varanasi, India and holds a MMS from Jamnalal Bajaj Institute of Management Studies, University of Mumbai. He has also completed a Senior Executive Programme on Strategic Leadership in London. He is a member of the Society of Petroleum Engineers, and the American Management Association, both American organisations. He is also a member of the Chartered Institute of Purchasing & Supply, based in the United Kingdom. In India, he is a member of the Indian Institute of Chemical Engineers, the National Advisory Committee on Surface Transport of the Confederation of Indian Industries, the Indian Society for Training and Development and the Indian Institute of Industrial Engineers. He has served Indian Oil Corporation for more than three decades in various capacities. He is the Chairman of Indraprastha Gas Limited and Mahanagar Gas Limited.

Shri J.K. Jain, Director (Finance), joined the company in 1985 as Manager (Finance) and became Director (Finance) in 1996. Prior to joining the Company, Mr. Jain worked in several large public sector companies. He holds a Bachelor of Commerce degree from Vikram University in India and is a fellow member of the Institute of Chartered Accountants of India.

Shri S.P. Rao, Director (Projects), joined the Company in 1985 as Senior Manager (Pipelines) after working in the Indian oil industry in the areas of general operation and maintenance of oil refineries. Prior to being appointed as Director (Projects) Mr. Rao served as Executive Director (Operation & Maintenance. He has a Bachelor's degree in Science Engineering (Electrical) from REC Rourkela, Orrisa and is a fellow member of the Institute of Engineers of India.

Shri B.S. Negi, Director (Planning), joined the Company in November 1985 as Manager (Mechanical). He has 30 years of experience in the areas of project management, construction management, operation and maintenance of process plants including gas transmission systems. He has a B.E in Mechanical Engineering, an M.E. in Turbo Machine and has done post-graduate work in the area of Management. He is a fellow of the Indian Institute of Mechanical Engineers.

Shri M.R. Hingnikar, Director (HR), joined the Company in 1993 as the Senior Manager in Technology & Projects. He has more than 26 years of experience in the petroleum and petrochemical field (in areas from natural gas handling to crude oil refining to petrochemicals). He holds a B.Tech degree in Chemical Engineering) from L.I.T Nagpur, a M.Tech in Chemical Engineering from IIT, Mumbai and an MBA from the University of Hull, U.K.

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 & 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. R. K. Pachauri is the Director General of TERI, New Delhi. He holds a Ph.D in Economics and a Ph.D in Industrial Engineering from North Carolina State University, in the United States. He is a Graduate from the Institute of Production Engineers and the Institute of Mechanical

Engineers, both located in London, England. He is an eminent writer, having written more than 20 books pertaining to energy, presented several papers on issues relating to energy & the environment, and is a member of the editorial board of various journals. He is a member of the Economic Advisory Council and also sits on various committees relating to the environment, power, energy, petroleum and natural gas.

Dr. A.K. Kundra retired from the Indian Administrative Service as Secretary to the Government of India, Ministry of Mines, on April 30, 2003. He 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 he has held jobs which have given him professional knowledge and experience in the fields of industry, corporate management, commerce, international trade and finance. Dr. Kundra has published a book titled “The Performance of India’s Export Zones: A Comparison with Chinese Approach” and occasionally writes articles for the financial dailies.

Shri B.C. Bora, ex C&MD of ONGC and Oil India Ltd., has a degree in Chemical Engineering from the Banaras Hindu University. He is also a fellow of the Institution of Engineers in India and a member of the Society of Petroleum in the United States. He has held important positions in various associations and societies relating to exploration geology. He has had extensive experience in the upstream sector of the petroleum industry, both in India and abroad, and is now a consultant advising various companies, trade associations and the state government of Assam in energy related areas.

Shri Badal K. Das graduated in English (Hons) from Ravenshaw College, Cuttak. Thereafter he obtained a post graduation degree in Political Science from the University of Allahbad. He joined the Indian Administrative Service in 1972. Presently, he is an Additional Secretary and Financial Advisor, Ministry of Petroleum and Natural Gas, GoI.

Shri A.K. Srivastava obtained an B.E degree in Electric Engineering, AIMIE, SCRA Jamalpur and has a B.E. degree in Mechanical Engineering from the Council of Engineering Institution, London. He has also obtained a post-graduate diploma in managemnt from AIMA, New Delhi. Mr. Srivastava joined the I.A.S in 1982 and was allocated to U.P cadre. He is currently posted as Joint Secretary, MoPNG.

Changes in the Board of Directors in the Last Three Years

NAME	**DATE OF**	**DATE OF**	**REASON**
S/Shri	**APPOINTMENT**	**CESSATION**	
C.R. Prasad	September 13, 1996	January 31, 2001	Superannuated
C.L. Bashal	October 13,1998	November 30, 2000	Superannuated
Ashwin C. Muthiah	April 28, 1999	June 28, 2000	Resignation
S.Vijayaraghavan	February 6, 2001	September 2, 2003	Resignation
Proshanto Banerjee	August 27, 2001	-	Appointed as CMD
Ravi Saxena	January 28, 1998	January 21, 2002	Demise

Surajit Mitra	May 9, 2002	July 16, 2003	Resignation
H.P. Chandna	March 5, 1998	December 31, 2002	Superannuated
B.S. Negi	January 1, 2003	-	Appointed
S. Niyogi	February 14, 1997	June 30, 2003	Superannuated
K.S. Govindarajan	April 28, 1999	August 18, 2003	Resignation
M.C. Bagrodia	April 28, 1999	August 18, 2003	Resignation
M.R. Hingnikar	July 28, 2003	-	Appointed
R.K. Pachauri	August 18, 2003	-	Appointed
A.K. Kundra	August 18, 2003	-	Appointed
B.C. Bora	August 18, 2003	-	Appointed
Badal K. Das	September 9, 2003	-	Appointed
A.K. Srivastava	September 10, 2003	-	Appointed

Compensation of Directors

For details of compensation of the whole-time Directors, please refer to the section entitled "Statutory and Other Information". The part-time Directors do not receive any remuneration from the Company except for sitting fees and other related expenses.

Shareholding of the Directors

The Articles of Association do not require the Directors to hold any Equity Shares in the Company.

The following table details shareholding of the Directors in the Company (as on January 22, 2004)

S.NO.	NAME	Number of Shares held
1	Proshanto Banerjee	NIL
2	J.K. Jain*	300*
3	S.P. Rao	200
4	B.S. Negi	200
5	M.R. Hingnikar	200
6	Dr. R.K. Pachauri	NIL
7	Dr. A.K. Kundra	NIL
8	Dr. Amit Mitra	NIL
9	B.C. Bora	NIL
10	Badal K. Das	NIL
11	A.K. Srivastava	NIL

*****Shri J.K. Jain holds 100 shares on behalf of the President of India

Term of Office of the Directors

Shri Badal K. Das and Shri A.K Srivastava, as additional Directors on the Board, hold office up to the date of the next annual general meeting. All other Directors of the Company except the Chairman & Managing Director retire by rotation. For the details of the terms of office of the above Directors, please refer to "Statutory and Other Information".

Corporate Governance

The Company is required to follow the guidelines in respect of corporate governance as contained in the listing agreements entered into by the Company with the Stock Exchanges.

Composition of the Board

Since the Chairman of the Board is an executive chairman, the listing agreements applicable to the Company require the Board to be composed of at least 50% independent Directors. The Board of the Company is comprised of eleven Directors. While five Directors are executive Directors, six are non-executive Directors. Two of the non-executive Directors are employees of the Government of India and hold senior positions in the Ministry of Petroleum and Natural Gas, Government of India. All Directors of the Company have been appointed/ nominated by the President of India to the Board of the Company.

Non-executive Directors

The Company does not pay any remuneration to the non-official part-time Directors except the sitting fees for attending the meetings of the Board and the Committees thereof and incidental expenses thereto.

The Board of the Company has laid down a code of conduct detailing internal procedures and conduct for all Board members and senior management in order to prevent insider trading in securities of the Company.

Report on Corporate Governance

A separate section on Corporate Governance is provided in the Annual Report of the Company, which includes a report on corporate governance.

COMMITTEES

The Company has constituted the following committees:

Audit Committee

The members of the audit committee are

- Dr. A.K.Kundra;
- Sh Badal K. Das;
- Dr. Amit Mitra; and
- Sh B.C. Bora.

The audit committee has been constituted in accordance with the provisions of the listing agreements and the Companies Act, 1956. The scope and functions of the committee are as required by clause 49 of the listing agreements. The audit committee is comprised solely of non-executive Directors of the Company. Dr. A.K. Kundra is the Chairman of the Committee. The quorum of the audit committee is two members. The Company Secretary of the Company is also the secretary of the audit committee.

Compensation Committee

The Board has constituted a compensation committee for employee stock option schemes (ESOP) for our employees, comprising of the Human Resources Director, the Finance Director and three Navratna Directors. Dr.A.K. Kundra and Shri B.C. Bora have been nominated to the committee. The quorum of the committee is two Directors.

Share Transfer Committee

The scope and function of the share transfer committee of the Company is to approve, among other things, transfer/transmission of shares, issuance of duplicate shares.. The committee is comprised of all the functional Directors. The quorum of the committee is two Directors or one-third of the committee members, whichever is higher.

Shareholder/Investor Grievance Committee and Mechanism Adopted To Address Investor Grievances

The scope and function of the committee is to look into the grievances of investors. In order to comply with clause 49 of the listing agreements, a Board sub-committee has been constituted to look into the status of investors' grievances. Presently the committee is comprised of Dr. R.K. Pachauri as Chairman and Shri S.P. Rao and Shri M.R. Hingnikar as members of the Committee.

Investors' grievances are settled by the secretarial department of the Company and by M/s. MCS Limited, the Registrar and Share Transfer Agent of the Company, and the status of the same is reviewed by the investor grievance committee. The meetings of the investor grievance committee are generally held on a quarterly basis.

Investor's requests/complaints that have been received and disposed of by the Company during the last quarter ended December 31, 2003 are as follows:

- Requests / Complaints pending at the beginning of the quarter: 15
- Requests / Complaints pending during the quarter: 97
- Disposal of Request / Complaints during the quarter: 109
- Disposal of Request / Complaints at the end of the quarter: 3

The time usually taken by the investor grievance committee to dispose of the grievances of the investors is approximately two to four weeks.

Key Managerial Personnel

Details of our key managerial personnel are as follows:

1. I.N. Jha, Executive Director, Contracts & Procurement (C&P), age 55 years, is an Engineer with a B.E (Mechanical) from Ranchi University. He also holds a Masters in Business Administration (M.B.A) (Finance) from Delhi University and Bachelor of Laws (LL.B) from Delhi University. He joined GAIL on January 25, 1986 as

Manager (C&P). Prior to joining GAIL he worked for Hindustan Steel Works Construction Ltd. and Engineers India Ltd. from 1972 to 1985. In fiscal year 2002-2003 he received a gross remuneration of Rs. 800, 650.00.

2. S. Ghosh, Executive Director, Operations & Maintainence (O&M), age 56 years, is an Engineer with a B.E. (Chemical) from Jhadavpur University. He joined GAIL on December 6, 1985 as Manager (Chemical). Prior to joining GAIL he worked for Fertiliser Corporation of India Ltd. (FCI) and Hindustan Fertilisers Corporation Ltd. (HFCL) from 1971 to 1985. In fiscal year 2002-2003 he received a gross remuneration of Rs. 758,984.00.

3. Dr. U.D. Choubey, Executive Director, GAILTEL, age 54 years, holds the degrees of Master of Science (M.Sc.) (Chemistry) from Patna University, MBA from Indian Institute of Business Management, Ph.D Chemistry (Hydrocarbon) from Indian School of Mines, and a LL.B. from Delhi University. He joined GAIL on April 29, 1986 as Senior Deputy Manager (Marketing). Prior to joining GAIL he worked for Project Development of India Ltd. (PDIL) from 1973 to 1986. In fiscal year 2002-2003 he received a gross remuneration of Rs. 743,425.00.

4. R.K. Goel, Executive Director (Finance), age 52 years, holds a B.Com. degree from Punjab University and is a Chartered Accountant. He joined GAIL on July 26, 1988 as Manager (Finance & Accounts). Prior to joining GAIL he worked for Leader Engineering Works Ltd., Oriental Bank of Commerce, Indian Oil Corporation Ltd. (IOC), and Mahanagar Telephone Nigam Ltd. (MTNL) from 1974 to 1988. In fiscal year 2002-2003 he received a gross remuneration of Rs. 947, 836.00.

5. A.K. Ray, Executive Director (Marketing), age 56 years, holds a B.E. (Chemical) from Jhadavpur University and a Post Graduate Diploma (P.G. Dip.) in Business Management from Calcutta University. He joined GAIL on July 28, 1995 as Deputy General Manager (Marketing). Prior to joining GAIL he worked for Ciba Giegy of India Ltd., and Indian Petrochemical Co. Ltd. from 1968 to 1995. In fiscal year 2002-2003 he received a gross remuneration of Rs.753, 307.00.

6. Rajeev Khanna, Executive Director (Planning & Business Development), age 53 years, holds a Bachelor of Science (B.Sc.)-Hons. (Petroleum Engineering) from Indian School of Mines, Dhanbad and an MBA (O & M) from Delhi University. He joined GAIL on September 1, 1995 as Deputy General Manager (Business Development). Prior to joining GAIL he worked for Oil & Natural Gas Company Ltd. (ONGC Ltd.), Planning Commission of India, and Oil India Ltd. from 1974 to 1995. In fiscal year 2002-2003 he received a gross remuneration of Rs. 772, 385.00.

7. Y. Veeranjaneyulu, Executive Director (Internal Audit), age 55 years, holds a Bachelor of Commerce (B.Com.) degree from Andhra University, and a Subordinate Accounts Service from Director General, Posts & Telegraph. He joined GAIL on March 30, 1985 as Manager (Finance & Accounts). Prior to joining GAIL he worked for Posts & Telegraph Department, STC of India Ltd. and Petrofios Co-op Ltd., Baroda from 1975 to 1985. In fiscal year 2002-2003 he received a gross remuneration of Rs. 805, 071.00.

8. A.K. Fotedar, Executive Director (O&M Petrochemicals), age 50 years, holds a B.Sc. degree and a Diploma in Engineering (Instrumentation) from Madras Institute of

Technology, Chennai. He joined GAIL on April 4, 1985 as Senior Deputy Manager (Instrumentation). Prior to joining GAIL he worked for Hindustan Aluminium, National Fertilisers Ltd. (NFL) and KRIBHCO from 1974 to 1985. In fiscal year 2002-2003 he received a gross remuneration of Rs. 915,820.00.

9. Anil Kumar De, Executive Director, age 57 years, holds a B.E. from University of Burdwan, a Master of Technology (M.Tech.) IIT Kharagpur and an A.M.I.E. (Electronics & Telecom). He joined GAIL on May 4, 1985 as Manager (Instrumentation). Prior to joining GAIL he worked for Steel Authority of India Ltd. from 1967 to 1985. In fiscal year 2002-2003 he received a gross remuneration of Rs. 839, 304.00. He is on secondment to Indraprastha Gas Limited as Managing Director for a period of three years.

10. B.K. Bhattacharyya, Executive Director (Projects), age 56 years, holds a B.E. (Electrical) from Jhadavpur University. He joined GAIL on June 6, 1985 as Manager (Electrical). Prior to joining GAIL he worked for Basant Pran Electronics, Oil India Ltd., Dev. Consulting Projects Ltd. from 1969 to 1985. In fiscal year 2002-2003 he received a gross remuneration of Rs. 737,440.00.

11. C.N. Trivedi, Executive Director (Joint Venture Andhra Pradesh), age 48 years, holds a Bachelor of Technology (B.Tech.) (Chemical) from Nagpur University, LL.B. from Nagpur University. He joined GAIL on July 22, 1991 as Senior Manager (Pipelines). Prior to joining GAIL he worked for FCI and ONGC Ltd. from 1975 to 1991. In fiscal year 2002-2003 he received a gross remuneration of Rs. 762, 415.00. He has been assigned the responsibility of establishing a joint venture company Bhagyanagar Gas Ltd. with Hindustan Petroleum Corporation Ltd. (HPCL) in Andhra Pradesh.

12. Santosh Kumar, Executive Director (Human Resources), age 54 years, holds a B.E. (Electrical) from Allahabad University. He joined GAIL on April 2, 1986 as Manager (Training). Prior to joining GAIL he worked in MNR College of Engineering, Allahabad, HFCL and ITI Ltd. from 1971 to 1986. In fiscal year 2002-2003 he received a gross remuneration of Rs. 767,087.00.

All the key managerial personnel mentioned above are permanent employees of GAIL. None of them are related to each other. Anil Kumar De, Executive Director is on secondment to Indraprastha Gas Ltd., New Delhi with effect from July 2, 2001.

Shareholding of Key Managerial Personnel

In 1997 the Company had allotted 3,31,600 Equity Shares to its 1658 employees at a premium of Rs. 8 per Equity Shares. Each eligible employee was entitled to subscribe to 200 Equity Shares.

Following is the list of Key Managerial Personnel holding the shares of the Company as on December 31, 2003:

S.No.	Name	Number of shares held
1.	I.N. Jha	200

2.	S. Ghosh	200
3.	U.D. Choubey	200
4.	Y. Veeranjaneyulu	200
5.	A.K. Fotedar	200
6.	Anil Kumar De	200
7.	C.N. Trivedi	200
8.	Santosh Kumar	200
9.	B.K. Bhattacharya	150

Changes in our Key Managerial Personnel in the Last Three Years.

Following are the changes in our Key Managerial Personnel in the last three years:

Function	Manager Name	Date of Appointment	Date of Cessation/ Promotion	Reason
Projects	Anil Kumar De	May 4, 1985	July 02, 2001	Secondment to Indraprastha Gas Ltd., New Delhi
Business Development	Rajeev Khanna		April 1, 2003	Promoted as Executive Director
Operations & Maintainance	S Gosh		April 1, 2003	Promoted as Executive Director
Telecom	Dr. U.D. Choubey		April 1, 2003	Promoted as Executive Director
O&M Petrochemicals	AK Fotedar		April 1, 2003	Promoted as Executive Director
Projects	BK Bhattacharyya		April 1, 2003	Promoted as Executive

				Director
Finance	R.K. Goel		April 1, 2003	Promoted as Executive Director
Human Resources	Santosh Kumar		April 1, 2003	Promoted as Executive Director

Human Resources

As of December 31, 2003, the Company had 3,385 employees. Out of these, 2198 employees are in the Executive cadre and 1187 employees are in Non-executive cadre.

The table below provides details of our employees by their educational qualification as on December 31, 2003.

Qualifications	No. of Employees
Engineers	1118
MBA/MSW/IMPM	165
CA	43
CS	8
ICWA	29
AMIE	102
MCA	4
MBBS	4
MS/MD	7
Ph.D.	9
Graduate (B.A./B.Sc./B.Com)	406
Post Graduate (M.A./M.Sc./M.Com)	278
ITI	201
PGDBM	162
Others	849
Total	3385

The Company recruits employees based on emerging business needs and recruitment is largely undertaken at induction level. In view of the organizational requirements, especially diversification into new business areas, recruitment is also undertaken at senior levels.

Human Resource Initiatives

Certain functions in the Company have been restructured and realigned and consequently the position of a Director (Marketing) has been created. Marketing activities have been restructured and new groups like Retail Marketing, Gas Sourcing and Pricing have been created. Zonal offices have been set up in the state capitals. The functions of the Business Development Group have been realigned with a special emphasis on mergers and acquisitions, diversification and globalization.

The Corporate and Strategic Planning Group has been set up to produce the Company's strategy for the next 10 years under project Disha. A 10-year Corporate Plan has already been developed. Project Parivartan has been taken up to bring about transformation and evolve a Shared Vision for the Company through employee involvement at all levels. Decisionmaking powers have been delegated to different executive levels with accountability so as to infuse greater responsibility.

In the area of the Performance Management System (PMS), intensive training programmes have been conducted at various locations covering all executives of the Company with special emphasis on identification of key performance areas. Steps have been taken for an effective succession planning of the key positions of the Company. Initiatives have been taken to make the PMS more effective by leveraging IT and making it e-PMS.

A web-enabled Human Resources Information System (HRIS) has been launched for effective and objective decisions.

An assessment/development center for the senior officials of the Company has been launched. Called the Senior Management Development Center (SMDC), its purpose is to map the potentials of the key officials of the Company and provide them with adequate exposure and training to develop the desired competency.

The Company in its endeavour to implant professional expertise in new areas of functioning has started a program of induction of young and dynamic talents from the ranked business schools, to ensure a new dimension to its new ventures.

Corporate HRD is set to transform from activity-based strategies to result-oriented strategies with the mission of aligning it with business strategy.

Training

A new training policy for all employees was formulated with the objective of "one training per employee per year". The Company has its own training institute known as GAIL Training Institute, which is located at NOIDA U.P., for the training of its employees. The Company has plans to convert the Institute into a hub for all gas-related training where personnel of other organizations can also get training for a fee.

A mutually complementary relationship has been established with Indian School of Business, Hyderabad and the Energy Delta Institute of Netherlands to train the executives on the latest management and industry practices.

Bonus or Profit Sharing Plan for our Key Managerial Personnel

Presently the Company does not have a profit sharing scheme for the employees of the Company. The Key Managerial Personnel of the Company do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled to under HR policies concerning employee benefits and their shareholding (if any) in the Company. The Company has currently two schemes – a Performance Payment Scheme and a Productivity Linked Incentive - under which all the employees are rewarded according to their performance and productivity.

Productivity of employees

Employee productivity, which is measured as a ratio of sales turnover in a fiscal year to the number of employees at the end of the fiscal year, increased from Rs. 23.78 million in Fiscal 2000 to Rs. 34.63 million in Fiscal 2003.

Trade Unions

Two unions represent our non-executive employees, while a separate body represents our officers. These are as follows:

GAIL Employees Association (GEA): GEA represents all the non-executive employees of work centres and site offices of the Company (except the corporate office). At present the total membership of the union is around 1100. It is registered under the Trade Unions Act, 1926 and is affiliated with Bhartiya Mazdoor Sangh (BMS), a national trade union. GEA is recognized by the Company.

GAIL Karamchari Sangh (GKS): GKS represents non-executive employees at the corporate office of the Company, numbering about 100. It is also registered under the Trade Unions Act, 1926 but is not formally recognized by the Company.

The earlier settlements with GEA and GKS on the revision of pay and allowances having expired on December 31, 1996, negotiations for wage revision were held between GEA and GKS which resulted in the signing of a Memorandum of Settlement with GKS on November 16, 2000 and the signing of a Memorandum of Settlement with GEA on November 17, 2000. Both Settlements are for a period of 10 years with effect from January 1, 1997 and will remain in force until December 31, 2006.

The management of the Company at its establishment situated at Rajahmundry has also entered into a Memorandum of Settlement on March 15, 2000 with GAIL Contract Employees Union Rajahmundry, the representative body of contract labourers of erstwhile contractors. Under the Settlement, these contract labourers would form a co-operative society and GAIL would award the job contract to that society. Accordingly, a co-operative society in the name and style of Vasista Techno Non-Techno Crafts Labour Co-operative Society Ltd. was formed by those contract labourers. The parties had agreed that the Settlement would come into effect from the date of execution of the job contract with the co-operative society on or before March 31, 2000 and would remain in force for five years from that date. The Settlement would be extended or continued thereafter on mutual terms. In accordance with the Settlement, the Company has signed an agreement with Vasista Techno Non-Techno Crafts Labour Co-operative Society Ltd.

The management of the Company at its establishments located in Baroda, Vaghodia, Bharuch and Ahmedabad has also entered into another Memorandum of Settlement on September 22, 1997 with the contract labourers engaged through various contractors represented by Gujarat Mazdoor Panchayat, Ahmedabad and Working Class Union, Bharuch. Under the Settlement the unions agreed that the contract labourers who raised the dispute would form a cooperative society and GAIL management would agree to enter into a job contract with the society. GAIL agreed to take the services of the society for a period of three years from the date of execution of the agreement. The Company signed an agreement on November 28, 1998 with Progressive Technical Workers' Cooperative Ltd., the cooperative society formed by the contract labourers.

A similar settlement was arrived between contract workmen in Fire & Safety and Housekeeping jobs at LPG Plant Vaghodia on October 16, 1998 for a period of three years and an agreement was entered into with Allied Services Workers Cooperative Ltd., the society formed by the workmen. The settlements/agreements with both the Progressive Technical Workers' Cooperative Ltd. and the Allied Services Workers Cooperative Ltd. having expired after three years, members of both the cooperative societies, through their union Chemical Mazdoor Union, raised the issue of revision of wages, allowance, and other benefits. A Memorandum of Understanding (MoU) was reached between the parties on March 23, 2001. Subsequent to the MoU, members of the Baroda-based cooperative formed a separate union, the Gujarat Kamdar Progressive Union, which also agreed to abide by the terms and conditions of the MoU. As per the MoU, GAIL agreed to use the services of the cooperative societies for a further period of five years with effect from December 1, 2000. In pursuance of the terms of the MoU, a Memorandum of Settlement was entered into on June 22, 2001 for a period of five years with effect from December 1, 2000. Subsequently, an agreement with Progressive Technical Workers' Cooperative Ltd. has been entered into. The arrangement with Allied Services Workers Cooperative Ltd. is continuing in accordance with the terms and conditions of the settlement, although the new agreement is pending finalization.

We believe that our relations, not only with our employees who are on the regular rolls of the company, but also the personnel engaged through contractors, are healthy and congenial. However, future labour unrest at our facility or at the facilities of our vendors could adversely affect our manufacturing operations and our operating results.

OUR PROMOTER

The Government of India is the sole promoter of our Company.

The Government of India has promoted, either individually or in conjunction with other entities, companies in various sectors including in the oil and gas sector.

The administrative ministry for the purposes of the Company is the MoPNG, GoI.

RELATED COMPANIES

Subsidiary Companies

The Company has no subsidiary companies.

The related companies comprise five companies in which the Company has joint venture participation. The list of the group companies and their relationship with the Company is described below:

Joint Ventures and Associate Company

Sl.No.	Name of Company	Relationship	Percentage of ownership interest held by Company
1	Petronet LNG Limited	Joint Venture	12.50
2	Mahanagar Gas Limited	Joint Venture	49.75
3	Indraprastha Gas Limited	Joint Venture	22.50
4	Bhagyanagar Gas Limited	Joint Venture	25.00
5	Gujarat State Energy Generation Limited	Associate Company	12.85

Petronet LNG Limited / PLL

PLL was incorporated on April 2, 1998 as a public limited company under the Companies Act, 1956. PLL obtained its certificate for commencement of business on June 1, 1998. According to a letter from the Ministry of Petroleum & Natural Gas, Government of India dated July 4, 1997, the joint venture was approved with an authorized capital of Rs. 12 bn. Pursuant to the letter, GAIL, ONGC, IOCL and BPCL entered into a promoter's agreement dated May 24, 2001 in relation to the promotion and management of PLL. Subsequently, a Shareholders' Agreement dated June 2, 2001 was entered into between GAIL, ONGC, BPCL, IOCL and G.D.F International, France to induct GdF as a shareholder in PLL and to further define rights and liabilities among the shareholders. We have the right to appoint one director to the Board of Directors of PLL as long as we hold 10% of the issued and paid up share capital of PLL.

PLL was established to import LNG and set up LNG terminals and associated facilities, such as jetties, re-gasification and storage facilities.

PLL has filed a Preliminary Sale Document dated January 12, 2004 with SEBI for public issue of 260,979,900 equity shares of Rs. 10/- each. This issue would constitute 34.8% of the fully diluted post issue paid-up capital of PLL. This will be the first public issue by PLL.

Shareholding Pattern

As of December 31, 2003, the shareholding pattern of PLL was as follows:

Name of the shareholder	Percentage (%)
BPCL	12.50
GAIL (India) Limited	12.50

Indian Oil Corporation Limited	12.50
Oil and Natural Gas Company Limited	12.50
Gaz De France International	10
Public/Others	40
Total	100

Board of Directors

The Board of Directors of PLL as of December 31, 2003 is comprised of:

Mr. B.K. Chaturvedi,
Mr. Suresh Chand Mathur,
Mr. Sham Sunder,
Mr. Prosad Dasgupta,
Mr. Ashok Sinha,
Mr. B.S. Negi (Nominee of GAIL),
Mr. Jacques Gautier,
Mr. N.K. Nayyar and
Mr. Y.B. Sinha

Financial Performance

The audited financial performance of PLL for the last three years is set out below:

(Rs Million except per share data)

For the year ended March 31,	**2001**	**2002**	**2003**
Equity Share capital*	0.002	0.004	0.50
Share Application Money	1100	1320	1320
Capital Work In Progress	24.44	4620.05	10662.37
Pre-operative Expenditure Pending Allocation	550.28	957.75	1387.91

The work is under progress from last three years, therefore no profit and loss account has been prepared.
** Face Value per equity share Rs. 10.*

Contingent Liabilities not provided for as on September 30, 2003

1. Claims against PLL not acknowledged as debts: Rs. 3.87 mn

2. Guarantees given by banks are as under:
   a) Custom Authorities – Rs.73.87 mn
   b) Others – Rs.1162.70 mn

   The above Guarantees have been Counter Guaranteed by PLL in favour of banks.

3. PLL has given Counter Guarantees in favour of four promoter companies against commitment letter provided by them to the Consortium Lenders/LNG supplier/LNG shipper.

For litigation pertaining to this company see ***"Outstanding Litigation and Material Development"***

Mahanagar Gas Limited ("MGL")

MGL was incorporated on May 8, 1995 as a joint venture between GAIL, British Gas Plc ("BG"), and the Government of Maharashtra ("GoM"). MGL started operations in Fiscal Year 1996. We entered into a Joint Venture Agreement with British Gas Plc (now known as BG Transco plc) on December 6, 1994. However, by way of an Assignment and Amendment Agreement dated August 22, 2000, BG Transco plc assigned its benefits, liabilities, duties and obligations under the joint venture agreement in favour of BG Energy Holdings Limited. MGL is engaged in the distribution and sale of PNG to domestic, commercial and industrial customers and in the sale of CNG to the transport sector in greater and suburban Mumbai. MGL buys natural gas from us at our city gate station in Wadala and then uses its own distribution and marketing infrastructure including, among other things, pipelines, compressors and dispensing units, to market natural gas to different customer segments in Mumbai. MGL has 57 CNG dispensing outlets in Mumbai. As of October 31, 2003, MGL's customers included approximately 182,350 households, 523 commercial establishments, 39 small-scale industries and 100,000 taxis, threewheelers and buses. The Ministry of Petroleum and Natural Gas has allocated 1.5 MMSCD of natural gas to MGL.

Pursuant to the joint venture agreement, GAIL has the right to nominate three directors to the Board of Directors of MGL. As long as we hold not less than 35% of the paid-up equity share capital of MGL, there shall be no quorum in a meeting of the Board of Directors unless a Director nominated by GAIL is present. Subject to the quorum requirement, any action of the Board of Directors may be taken by an affirmative vote if at least one Director nominated by GAIL is present. We also have the power to nominate the Managing Director of MGL.

Shareholding pattern

The shareholding pattern of MGL as of December 31, 2003 was as follows:

Name of the shareholder	**Percentage (%)**
GAIL (India) Limited	49.75
BG Energy Holdings Limited	49.75
Government of Maharashtra	0.50
Total	**100**

Board of Directors

The Board of Directors of MGL as of December 31, 2003 is comprised of:

Mr. Proshanto Bannerjee (Chairman - nominee of GAIL),
Mr. A. K. Purwaha (Managing Director- nominee of GAIL),
Mr. Mohan R. Hingnikar (nominee of GAIL),
Mr. Nigel Shaw,
Mr. R. Srikant,
Mr. Gary Morgan,
Mr. Vishwas Dhumal and
Mr. Ajay Sondhi

Financial Performance

The key operating results and financial position of MGL for the financial year ended March 31, 2001, March 31, 2002 and March 31, 2003 are as follows:

(Rs Million except per share data)

For the year ended March 31,	2001	2002	2003
Total revenues#	868.46	1463.62	2125.50
Profit after tax	245.10	431.46	539.10
Equity share capital	889.00	889.00	893.42
Reserves*	154.70	449.92	625.50
Earnings per share (Rs.)	2.75	4.85	6.05
Book Value per share (Rs.)	11.79	15.11	17.00

#Includes gross sales, incusive of sales tax and excise duty
*Net of miscellaneous expenses not written off
Source: Audited Annual Reports of MGL for the relevant periods

Contingent Liabilities as on March 31, 2003

1. Estimated amount of contracts to be executed on capital account and not provided for (net of advances paid): Rs.940.79 mn.

2. Claims against MGL not acknowledged as debts: Rs.16.75 mn.

3. Letter of credit for Rs.22.25 mn in favour of foreign suppliers.

For litigation pertaining to this company see ***"Outstanding Litigation and Material Development"***

Indraprastha Gas Limited ("IGL")

IGL was incorporated on December 23, 1998 under the Companies Act, 1956. A joint venture agreement dated April 27, 2000 was entered into between Bharat Petroleum Corporation Limited ("BPCL") and GAIL to implement, through IGL, a project to commercialise the use of Compressed Natural Gas ("CNG") for the automotive sector and to market and distribute Piped Natural Gas ("PNG") for the domestic and commercial sectors in Delhi. A shareholders agreement dated July 1, 2000 was executed among GAIL, BPCL, IL&FS Trust Company Limited, Infrastructure Development Finance Company Limited and UTI. According to its terms, the shareholders agreement terminates upon the completion of an initial public offering of IGL's equity shares, whether by way of a new issue of equity shares or by way of an offer for sale of the existing equity shares of the shareholders. An initial public offering of IGL's shares through an offer for sale was completed on December 19, 2003, thus terminating the shareholders agreement. A new shareholders agreement is being drawn up.

Shareholding Pattern

As of December 31, 2003, the shareholding pattern of IGL was as follows:

Name of the shareholder	Percentage (%)
GAIL (India) Limited	22.50

BPCL	22.50
Government of NCT of Delhi	5
Infrastructure Development Finance Company Limited	8.57
IL&FS Trust Company Limited	8.57
UTI–India Infrastructure Fund Unit Scheme 1999	4.29
Public/Others	28.57
Total	**100**

Board of Directors -

The Board of Directors of IGL as of December 31, 2003 is comprised of:

1. Mr. Prashanto Banerjee (Chairman – nominee of GAIL),
2. Mr. Anil Kumar De (Managing Director– nominee of GAIL),
3. Mr. P.S.Bhargava,
4. Mr. S.Radhakrishnan,
5. Mr. Krishan Sehgal,
6. Mr. Shahzaad Dalal,
7. Mr. Sadashiv Rao and
8. Mr. G.S.Patnaik

Financial Performance

The audited financial performance of IGL for last three years is stated as below:

(Rs Million except per share data)

For the year ended March 31,	**2001**	**2002**	**2003**
Total revenues	303.58	1209.79	3093.18
Profit after tax	16.03	65.36	539.83
Equity share capital	1400.00	1400.00	1400.00
Reserves	19.58	71.74	532.61
Earnings per share (Rs.)	(0.10)	0.36	4.20

Contingent Liabilities as on June 30, 2003

1. Customs duty claims of Rs.30.71 million against which IGL has filed an appeal. The entire claim amount has been deposited by IGL under protest.

2. IGL has received a show cause notice from customs authorities in respect of valuation of goods for payment of duty. IGL has disputed this claim and deposited Rs.8 million under protest.

3. Prices of natural gas for the year ended March 31, 2003, year ended March 31, 2002 and March 31, 2001 might be under review by the MoPNG, GoI. Currently, purchases of gas are being made based on rate specified in the MoPNG intimation dated September 18, 1997.

Additional liability if any arising out of the aforesaid revision will be recognised when prices are finalised.

For litigation pertaining to this company see ***"Outstanding Litigation and Material Development"***

Share Quotation

The details of the equity share price of IGL on the BSE is stated as below:

Month	High (Rs.)	Low (Rs.)
December 2003	159.7	106.1
January 2004	153.7	97.1

Source: www.bseindia.com

Bhagyanagar Gas Limited ("BGL")

BGL was incorporated on August 22, 2003. Pursuant to a Memorandum of Understanding signed on February 19, 2002 between GAIL and Hindustan Petroleum Corporation Limited ("HPCL") towards the formation of a Joint Venture Company ("JVC") as promoters, a Joint Venture Agreement was entered into on February 29, 2003. The JVC was formed for the purpose of distributing and marketing CNG, PNG, Gas and Auto LPG and other gaseous fuels for domestic, commercial, industrial and automotive use in the State of Andhra Pradesh. According to the joint venture agreement, BGL is required to invest in and establish certain required infrastructure, including but not limited to:

- facilities for compression of natural gas;
- laying pipeline network for the distribution of natural gas;
- distribution points/ retail outlets for Auto LPG/CNG; and
- transportation equipment, such as specially designed trucks, to enable BGL to carry out the business as stated above. BGL has prepared a roll-out plan and is in the process of acquiring land and obtaining statutory clearances.

Shareholding Pattern

As of December 31, 2003, the shareholding pattern of BGL was as follows.

Name of the shareholder	Percentage (%)
GAIL (India) Limited	25
Hindustan Petroleum Corporation Limited	25
Kakinada Sea Ports Ltd.	50
Total	**100**

Board of Directors

The Board of Directors of BGL as of December 31, 2003 comprised of:

1. Shri M.B. Lal (Chairman)
2. Shri N.K. Puri
3. Shri S.P. Rao (Nominee of GAIL)

4. Shri C.N. Trivedi (Nominee of GAIL)

Financial Performance

Since its incorporation on August 22, 2003, no financial statements have been prepared..

Gujarat State Energy Generation Limited ("GSEG")

GSEG was incorporated on December 30, 1998. GAIL entered into a subscription and shareholders agreement with Gujarat State Petroleum Corporation Limited on June 7, 2001. GSEG is one of the Independent Power Producers ("IPPs") established after the liberalisation of the power sector in India. GSEG commissioned a 156.1 MW gas-based power plant near Hazira, Gujarat in June 2002.

Pursuant to the subscription and shareholders agreement, we have the ability to nominate one director to the board of GSEG, as long as GAIL, together with its affiliates, holds not less than 11% of the paid up equity share capital of GSEG.

Shareholding Pattern

As of December 31, 2003, the shareholding pattern of GSEG was as follows:

Name of the Shareholder	**Percentage (%)**
Gujarat State Petroleum Corporation Ltd.	31.40
Krishak Bharti Co-operative Ltd.	30.19
GAIL (India) Limited	12.85
Gujarat Electricity Board	12.38
Gujarat Power Corporation	6.98
Gujarat Industries Power Company Ltd.	3.10
Gujarat Industrial Investment Corporation Ltd.	3.10
Total	**100**

Board of Directors

The board of directors of GSEG as of December 31, 2003 is comprised of:

1. Dr. Manjula Subramaniam (Chairperson),
2. Mr. D.J. Pandian (Managing Director),
3. Mr. Atanu Chakraborty,
4. Mr. P.K. Pujari,
5. Mrs. V.L. Joshi,
6. Mr. J. K. Jain, (nominee of GAIL),
7. Mr. Chandra Pal Singh,
8. Mr. V. N. Rai,
9. Mr. T. R. Chaudhry,
10. Mr. R. K. Dhami (Alternate Director),
11. Dr. P.K. Awasthi (Alternate Director) and
12. Mr. B.D. Sinha (Alternate Director)

Financial Performance

The operating results of Gujarat State Energy Generation Limited for the fiscal years 2001, 2002 and 2003 are presented below:

(Rs million except per share data)

For the year ended March 31,	**2001**	**2002**	**2003**
Total revenues*	-	820.93	3378.94
Profit after tax*	-	29.04	58.60
Equity share capital	1,050.00	1,614.80	1614.80
Reserves**	-	(9.14)	54.57
Earnings per share (Rs.)	-	0.19	0.36
Book Value per share (Rs.)	9.71	9.94	10.34

*Total Revenues and PAT for FY 2001 transferred to pre-operative expenses since the project was not commissioned during this period
** Net of miscellaneous expenditures not written off
in book value and EPS, reserve-net of miscellaneous expenditure not written off, are taken
Source: Audited Annual Reports of GSEG for the relevant periods

Contingent Liability not provided for as on March 31, 2003

1. GSEG has contingent liability based on a bank guarantee issued by Central Bank of India in favour of the supplier of GSEG, amounting in the aggregate to Rs.142.8 mn.

For litigation pertaining to this company see ***"Outstanding Litigation and Material Development"***

Investment

The Company holds shares in the following companies-

S.No.	Name of Company	No. of shares held
1	Oil & Natural Gas Corporation Limited	34,266,845 equity shares
2	Gujarat Industries Power Company Limited	570,600 equity shares

The Company has entered into agreements with Shell Gas B.V. for purchase of stake in two companies incorporated in Egypt namely Fayum Gas S.A.E ("FGC") and Shell Compressed and Natural Gas S.A.E. ("SCNGE"). FGC, an Egyptian joint stock company, is primarily engaged in constructing, operating and maintaining the gas transmission and distribution network in the Governorate of Fayum. We expect to acquire an equity stake in FGC of 19% of its share capital. SCNGE is engaged in setting up CNG fuel stations and conversion centers. SCNGE currently has constructed one operational CNG station and one conversion center, and has two additional fuelling stations under construction. We expect to acquire an equity stake in SCNGE of 22% of its share capital. Share purchase agreements for the acquisition of both companies were signed on December 1, 2003.

The Company is also examining opportunities in other jurisdictions including Myanmar and Iran. The Company has participating interests in certain exploration and production blocks (both onshore and offshore). See "Our Business".

RELATED PARTY TRANSACTION DETAILS

The Company has entered into the following related party transactions. These parties and transactions have been identified as per Accounting Standard- 18 "Related Party Disclosure" issued by the Institute of Chartered Accountant of India.

(Rs in Million)

Related Party	Nature of Transactions	December 31, 2003	March 31, 2003	March 31, 2002
MAHANAGAR GAS LTD. (Joint Venture Company)	Sales	653	653	451
	Outstanding as at balance sheet date	41	29	29
	Reimbursement of expenses received / receivable	2	8	24
	Outstanding expenses as at balance sheet date.	-	-	-
INDRAPRASTHA GAS LTD. (Joint Venture Company)	Sales	1312	1252	582
	Outstanding as at balance sheet date	179	89	73
	Reimbursement of expenses received / receivable	12	22	18
	Outstanding expenses as at balance sheet date.	13	4	2
PETRONET LNG LTD. (Joint Venture Company)	Sales	-	-	-
	Outstanding as at balance sheet date	-	-	-
	Reimbursement of expenses received / receivable	2	4	3
	Outstanding expenses as at balance sheet date.	7	5	4
BHAGYANAGAR GAS LTD. (Joint Venture Company)	Sales	-	-	-
	Outstanding as at balance sheet date	-	-	-
	Reimbursement of expenses received / receivable	6	-	-
	Outstanding expenses as at balance sheet date	6	-	-

REGULATIONS AND POLICIES

The oil and gas industry in India has traditionally been highly regulated by the GoI. Regulation has taken several forms, including state ownership of industry participants, regulation of consumer and producer prices and regulation of the allocation of resources to distributors and end-users.

Public Sector Undertakings ("PSUs")

The Company is a PSU. Other natural gas exploration and production companies owned by the GoI which are PSUs include ONGC and OIL, which dominate the industry. While there has been private sector participation in exploration, production and development, their contribution to total energy production is small. PSUs are subject to various laws and regulations concerning personnel matters, including the appointment of key management personnel and the hiring, dismissal and compensation of employees, as well as budgeting, capital expenditures and the generation of funds through the issuance of securities, etc.

Usually a single Government ministry or department is designated as the primary supervisor of each PSU. The MoPNG has been designated as the administrative ministry for the Company. Major policy and management decisions by the Company require consultation with, and, in some cases, approval of, the MoPNG. The MoPNG also approves the Company's five-year plans and annual budgets, both of which must be consistent with the current five-year plan of the GoI. The Company's activities are also subject to scrutiny by the Indian Parliament, and the MoPNG must submit an annual report to the Parliament concerning, among other things, the Company's business. The Comptroller and Auditor General of India appoints the auditors of Government Companies and statutorily undertakes a review of Government owned companies under Section 619 and 619A of the Act.

Price Regulation

The amount that the Company receives for gas transmission along the HVJ Pipeline is fixed by the GoI in accordance with the 1997 Pricing Order. For other pipelines, transmission charges are determined by the Company.

Pricing of regassified LNG is not under the control of GoI.

The Gas Linkage Committee

In 1990, a subgroup appointed by the Ministry of Petroleum and Natural Gas reviewed the gas production potential of ONGC's and OIL's various fields and formulated a gas utilization policy. In 1991, the GoI established the Gas Linkage Committee to reassess gas production potential and establish priorities for projects based on the availability of gas. The Gas Linkage Committee, an inter-ministerial committee, is chaired by the Secretary of the MoPNG and includes representatives of the Company, ONGC, OIL, the planning commission and the Departments of Economic Affairs, Expenditure, Power, Steel, Fertiliser and Chemicals and Petrochemicals. The Gas Linkage Committee is responsible for reviewing the implementation of projects utilizing natural gas with a view to ensuring maximum and timely synchronization of these projects with the availability of gas; recommending allocations of gas to downstream consumers to ensure that such allocation is economically efficient; and monitoring the users of gas and making recommendations regarding cancellation of gas supplies to those units that are not using the allocated gas satisfactorily. Hence, the consumers and quantity of gas to be supplied by the Company are determined by the Ministry of Petroleum and Natural Gas based on the recommendations of the Gas Linkage Committee.

The Ministry of Petroleum and Natural Gas makes three types of allocations based on the recommendations of the Gas Linkage Committee: firm allocations, fall-back allocations and in principle allocations.

Firm Allocations. Firm allocations are made to consumers based on the availability of gas as projected by the producers and where the consumer has fairly established the viability of its downstream project and is in a position to enter into a gas purchase agreement within 60 days. If the consumer enters into a firm allocation gas supply contract, it will generally be subject to an 80%. "take or pay" arrangement requiring a minimum offtake or payment of penalties. Any firm allocation to a consumer is subject to availability and the requirement that the consumer have a dual fuel facility.

Fall-Back Allocations. Fall-back allocations are made to consumers when the availability of gas for supply to consumers is dependent on failure of consumers with firm allocations to draw the allocated gas. Fall-back allocations are also made from isolated and small pools where availability of gas has not been confirmed for a longer period and the source of supply is a limited number of wells, resulting in a possible disruption of supply. Consumers receiving fall-back allocations are also required to keep dual fuel capability. If consumers do receive gas under a fall-back allocation, there is no 'take or pay' arrangement and the consumers only pay for the fuel they actually consume.

In Principle Allocations. In principle allocations are made to consumers based upon projected availability of gas which would become available on undertaking investment on the part of the producer and subject to the consumer establishing viability for implementation of their project. These allocations are indicative in nature.

Licensing Policy

Under the New Industrial Policy, all industrial undertakings are exempt from licencing except for certain products such as distillation and brewing of alcoholic drinks, cigars and cigarettes of tobacco and manufactured tobacco substitutes, all types of electronic aerospace and defence equipment, industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose and matches and those reserved for the small scale sector. Natural gas is exempt from compulsory licensing. An industrial undertaking exempted from licencing needs only to file information in the Industrial Entrepreneurs Memorandum (IEM) with the SIA, which will issue an acknowledgement. No further approvals are required.

Foreign Direct Investment ("FDI") in Gas Sector

Foreign investment in Indian securities is regulated through the industrial policy of GoI and FEMA. While the industrial policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the industrial policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India ("FIPB") and the RBI. Under present regulations, the maximum permissible FII investment in the Company is restricted to 24% of the total issued capital of the Company. This can be raised to the prescribed sectoral cap by adoption of a resolution by the Board followed by a special resolution by the shareholders of the Company. However, as of date, no such resolution has been recommended to the shareholders of the Company for adoption.

As per the sector specific guidelines of the GoI the following relevant sectoral caps for FDI are presently applicable:

Sector	Guidelines
Petroleum (including natural gas other than refining)	a. Under the exploration policy, FDI is allowed up to 100% under the automatic route for small and medium sized fields subject to and under the policy of the Government on private participation in: (a) exploration of oil and (b) the discovered fields of national oil companies. b. FDI upto 100% is permitted on the automatic route on petroleum product marketing FDI in this sector would be permissible subject to the existing sectoral policy and regulatory framework in the oil marketing sector. c. For petroleum products and the pipeline sector, FDI is permitted up to 100% on the automatic route subject to and under the Government policy and regulations thereof. d. FDI up to 100% is permitted for natural gas /LNG pipelines with prior Government approval.

Legal Framework of the Oil and Gas Industry in India

The legal framework for exploration and production of oil and gas is provided mainly in the following laws:

1. The Oilfields (Regulation and Development) Act, 1948 ("**Oilfields Act**") provides, *inter alia*, for the regulation of oilfields and for the development of mineral oil resources. The Oilfields Act was amended in 1999 to provide for a New Exploration Licensing Policy ("**NELP**")

2. The Petroleum and Natural Gas Rules, 1959, amended by the Petroleum and Natural Gas (Amendment) Rules, 2003, provide, *inter alia*, that no person shall prospect for petroleum

unless it has been granted a petroleum exploration license and no person shall mine for petroleum unless it has a petroleum mining lease granted pursuant to these rules.

3. The Petroleum Act, 1934 ("**Petroleum Act**"), provides, *inter alia*, that no person shall produce, refine or blend petroleum unless done in accordance with the rules prescribed by the Central Government and that no person shall store or transport petroleum unless permitted by the Central Government to do so.

4. The Petroleum Rules, 2002 ("**Petroleum Rules**"), provide, *inter alia,* for permission of the Chief Controller of Explosives to be required if a person intends to refine, crack, reform or blend petroleum.

5. The Petroleum and Mineral Pipelines (Acquisition of Right of User in Land) Act, 1962 ("Right of User Act") provides for the acquisition of right of user in land for laying pipelines for the transport of petroleum and minerals. The Right of User Act provides inter alia, that the Central Government shall, on being satisfied that any land is required for laying such pipelines, declare by notification in the Official Gazette, that the right of user in the land for laying the pipeline should be acquired.

The MoPNG oversees the entire chain of activities in the oil industry: exploration and production of crude oil and natural gas; refining, distribution, and marketing of petroleum products and natural gas; and exports and imports of crude oil and petroleum products. The Directorate General of Hydrocarbons ("DGH") was set up in 1993 under the administrative control of the MoPNG, with the objective of ensuring correct reservoir management practices, reviewing and monitoring exploratory programmes, development plans for national oil companies and private companies, and monitoring production and optimum utilization of gas fields. Other organizations in the Indian petroleum and natural gas sector include the Oil Industry Safety Directorate, which develops, among other things, standards and codes for safety and fire fighting, training programmes, information dissemination; and the Oil Industry Development Board, which provides financial and other assistance for conducive development of the oil industry.

New Exploration Licensing Policy

To encourage investment in the sector, licenses are being offered under the New Exploration Licensing Policy ("NELP"). Licenses issued under NELP have far more generous terms than previous agreements, and coupled with the deregulation in pricing and returns for crude producers should provide the country with a platform for growth in the production of domestic crude. The fiscal regime has been designed so that companies can share profits from petroleum production with the Government after they have recovered their investment. An early cost recovery mechanism has been provided for under which companies are allowed up to 100% cost recovery. There are no upfront payments such as signature bonuses, licensing fees, area rentals, discovery bonuses, import duties, etc. The fourth round of bidding under NELP has been completed. The salient points of this policy provide for:

- National oil companies to compete with private companies for Petroleum Exploration licenses ("PEL")
- Separate and more attractive fiscal regime for deep waters
- Smooth operating environment for investors. No state participation and hence no carried interest in the venture

The earlier rounds of NELP are now yielding positive results, as evidenced by the large gas finds by Reliance recently in the deep-water block KG-DWN-98/3 (D6) in the Krishna Godavari (KG) basin off the East coast of India (Andhra Pradesh). Cairn Energy has also made discoveries in blocks allotted to them under the NELP.

The Petroleum Regulatory Board Bill, 2002 (proposed to be renamed as Petroleum and Natural Gas Regulatory Board Bill)

The Petroleum Regulatory Board Bill, 2002 was introduced in the Parliament on May 6, 2002 (the Lower House of the Parliament has since been dissolved). This Bill sought the establishment of the Petroleum Regulatory Board (proposed to be renamed as Petroleum and Natural Gas Regulatory Board) to regulate the refining, processing, storage, transportation, distribution, marketing and sale of petroleum and petroleum products (excluding production of crude oil and Natural Gas) so as to:

1. Protect the interests of consumers and entities engaged in specified activities relating to petroleum and petroleum products,

2. Ensure uninterrupted and adequate supply of petroleum and petroleum products in all parts of the country, including remote areas, at fair prices;

3. Promote competitive markets and related matters;

4. Provide access of third parties to common carrier pipelines.

Draft Policy for Development of Gas Pipelines Network

The GoI has also circulated a Draft Policy for Development of Gas Pipelines Network ("Draft Pipeline Policy") and invited comments and suggestions regarding the draft policy from various stakeholders (such as government departments, consumers and state governments) and the public. The objective of the Draft Pipeline Policy is to promote investment in gas pipelines and to provide inter-connectivity between regions, consumers and producers and to provide a framework for future growth of the gas sector. The GoI proposes to adopt the Draft Pipeline Policy for laying natural gas pipelines in the interim period until a statutory provision is made.

The Draft Pipeline Policy envisages appointment of a Regulator for regulating transmission, distribution, supply and storage system for natural gas and LNG and to promote development of the sector. It will oversee access to the gas pipeline on non-discriminatory, common carrier principle with level playing field for all users. It will approve tariff rates for gas transmission in all cases where gas is transported on the common carrier principle and a tariff has not been finalized by the users with the owners of the pipeline. It will also perform such other functions as may be prescribed or assigned. Until a Regulator is appointed, the GoI will continue to regulate.

As per the Draft Pipeline Policy, transportation of all gas will be done through a network of pipelines laid in accordance with authorization granted by the Regulator. No pipeline will be laid without such authorization. If any issue arises relating to the operation of the pipeline on a non-discriminatory basis or the tariff of the pipeline, the parties may approach the Regulator who may pass such orders as may be appropriate and fair on the facts of the case. The Draft Pipeline Policy further provides that all trunk pipelines for transportation of gas across the country covering more than one state or pipelines with natural gas pressure of more than the notified level will be built and managed by a company to be notified by the GoI, and until such notification occurs, by GAIL. All gas pipelines except captive transmission gas pipelines laid for exclusive use of a large consumer will be built on the common carrier principle and their capacity will be expanded or an additional pipeline will be laid if so desired by the Regulator to meet the requirements of new players.

Tariff for the transmission pipeline and/or for the distribution pipelines would be approved by the Regulator so as to provide a reasonable rate of return as may be fixed by the Regulator. This tariff should be applied as a cap to enable lower negotiated rates based on market prices.

To ensure grid connectivity, the Regulator may issue appropriate directions for operations of any pipeline network existing on the date of this policy or for which any authorization has been granted but the pipeline is yet to become operational and such direction may include taking over management of the pipeline by the notified Company for a specified time.

To promote and develop the gas sector there will be a "National Advisory Council" consisting of stake holders of the gas grid system to give advice on such matters to the GoI and the Regulator.

Telecom Sector Regulation

The Department of Telecommunications of the Government of India formulates developmental policies for the accelerated growth of the telecommunication services. The Department of Telecommunications is also responsible for grant of licenses to private sector operators for providing basic and value added services in various cities and telecom circles as per approved policy of the Government. The Department of Telecommunications is also responsible for frequency management in the field of radio connection in close coordination with the international bodies. It also enforces wireless regulatory measures by monitoring wireless transmission of all users in the country.

The Telecom Commission was set up by the Government of India vide Notification dated 11th April, 1989 with administrative and financial powers of the Government of India to deal with various aspects of Telecommunications. The Telecom Commission and the Department of Telecommunications are responsible for policy formulation, licensing, wireless spectrum management, research and development and standardization/validation of equipment etc.

The Telecom Regulatory Authority of India ("**TRAI**") has been reconstituted through the Telecom Regulatory Authority of India (Amendment) Act, 2000 for bringing about functional clarity, strengthening the regulatory framework and the disputes settlement mechanism by making it mandatory for Government to seek recommendations of TRAI in respect of specified matters and by the setting up of separate dispute settlement mechanism. Accordingly a separate disputes settlement body known as "Telecom Dispute Settlement and Appellate Tribunal" has been set up to adjudicate any dispute between a licensor and licensee, between two or more service providers, between a service provider and a group of consumers, and to hear and dispose of appeals against any decision or order of TRAI.

GOVERNMENT APPROVALS

In view of the approvals listed below, we can carry on our current business activities and no further major approvals from any Government authority are required to continue those activities.

We have received the following major Government approvals pertaining to the Offer:

Approval from Government of India, Ministry of Finance Department of Economic Affairs, FIPB Unit ("FIBP") pursuant to its letter no.FC II 606 (97)/684(97)dated January 28, 2004 for transfer of Equity Shares in this Offer from the Selling Shareholders to Non Resident Indians, FIIs and Foreign Venture Capital Funds registered with SEBI and bilateral and multilateral development financial institutions on repatriation basis.

We have received an in-principle approval of the RBI pursuant to its letter no. EC.DEL.FID.11/ 06.04.117/03-04 dated February 9, 2004 advising that the RBI has no objection under Regulation 10A(9b) of the Notification No.FEMA.20/2000-RB dated May 3, 2000 for transfer of the Government of India's shares (to the extent of 10% of the equity capital) of the Company to NRIs at a price determined under the book building process. As per the said approval Overseas Corporate Bodies would not be eligible to invest in the Offer for Sale. The final permission for acquisition of shares is to be received on completion of certain filing requirements. Subject to obtaining such approvals, it will not be necessary for the investors to seek separate permission from the FIPB/ RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI and all eligible non-residents, NRI, FII and Foreign Venture Capital Funds registered with SEBI applicants will be treated on the same basis with other categories for the purpose of allocation

We have also received a communication from SEBI vide their letter no. DIL/NB/2132/2004 dated January 29, 2004 advising that the relevant SEBI Guidelines are applicable to an offer for sale by an unlisted company only and the SEBI Guidelines do not envisage a listed company facilitating one of the shareholders to dispose off his holdings through an offer for sale. The letter further provides that, since GoI acting on behalf of the President, is the shareholder/seller and the disinvestment initiative on which GoI has now embarked is part of the transition process that will lead on to greater market orientation and larger investor participation as such, in public interest, SEBI will extend guidance/support to the GoI in its desire to disinvest.

<u>Material Approvals regarding our Business</u>

We have received the following major government approvals pertaining to our business:

I. <u>NATURAL GAS PIPELINES</u>

With regard to laying of gas pipelines, GAIL has obtained the requisite approvals for acquiring the right of use in land for all pipelines laid by GAIL from the competent authority under the Petroleum and Mineral Pipelines (Acquisition of Right of User in Land) Act, 1962 and all other approvals necessary for laying and operating such gas pipelines. However, there are certain cases pending before the appropriate court regarding enhancement of compensation awarded by the competent authority under the aforesaid Act, See section on "Outstanding Litigation and Material Developments".

1. HVJ PIPELINE

1.1 HAZIRA, GUJARAT

Location	Approval No. & Date	Period of validity	Purpose	Approving Authority
Hazira Compressor Station, Surat, Gujarat	Registration No. 082726 dated March 13, 2003	Renewed for the year 2003/2004	License to set up new factory	Chief Inspector of Factories under Factories Act, 1948
Hazira Compressor Station, Surat, Gujarat	License no. P-12(25)3086 GJ – SUR-502 dated April 2, 1996	Valid upto December 31, 2004.	Importation of 50 KL petroleum of the Class B in bulk to be stored in the approved premises.	Chief Controller of Explosives under the Petroleum Act 1934
Hazira Compressor Station, Surat, Gujarat	Dated May 1, 1989		Approval for layout of the proposed 2x2.7 MW 6.6 KV Gas Turbine Generator and 1350 KW 415 V. DG set	Deputy Chief Electrical Inspector, Gandhinagar
Hazira Compressor Station, Surat, Gujarat	Dated November 18, 1997		Approval for upgrading HVJ pipeline system showing 2x1600 'x' mers at Hazira Compressor Station	Deputy Chief Electrical Inspector, Gandhinagar

1.2 VAGHODIA, GUJARAT

Location	Approval No. & Date	Period of validity	Purpose	Approving Authority
LPG Project, Vagodia, Baroda, Gujarat	No.L11014/1/99-GP(i) dated September 1, 1999	-	Appointment of Executive Director from the, Corporate Office, New Delhi as occupier under the Factories Act, 1948	Ministry of Petroleum and Natural Gas, GOI
LPG Recovery Plant, GIDC Vagodia, Gujarat	No.L11014/1/99-GP dated December 16, 2003		Appointment of Executive Director, Incharge of Natural Gas as occupier under the Factories Act, 1948	Director, Ministry of Petroleum and Natural Gas, GOI
LPG Recovery Plant, Vaghodia	License no. PV(WC) S-297/GJ/ GJ/BRD/PV/S-56	Renewed upto March 31, 2004.	Storage of 966 MT of LPG in the licensed premises at GIDC Industrial Estate,	Chief Controller of Explosives under the

	dated January 19, 1993		Vagodia.	Indian Explosives Act, 1884
LPG Recovery Plant, Vaghodia	Approval no. CEI/3/4/98/GAIL /37 dated June 15, 1998		Approval for energizing 2x1600 KVA & 1x1250 KVA 6.6 KV/.433 KV Transformer sub-station	Deputy Director, Central electricity Authority, Electrical Inspect-orate Division New Delhi
LPG Recovery Plant, Vaghodia	Consent order No. 21438 (no date specified)	Valid upto January 31, 2004	Grant of consent to operate the LPG Recovery Plant under the Air (Prevention and Control of Pollution) Act, 1981	Gujarat Pollution Control Board, Assam, Gandhinagar
LPG Plant, Vaghodia	No.ALC/ADI/9R /(24)91 dated April 16, 1991 and amended on September 26, 2003		Registration of GAIL as principal employer under the Contract Labour (Regulation and Abolition) Act, 1970	Assistant Labour Commissione r, Ministry of Labour, Government of India

1.3 JHABUA, MADHYA PRADESH

Location	Approval No. & Date	Period of validity	Purpose	Approving Authority
Jhabua Compressor Station, Jhabua, Madhya Pradesh	No.L11014/1/99-GP(ii) dated September 1, 1999		Appointment of Executive Director from the, Corporate Office, New Delhi as occupier under the Factories Act, 1948	Ministry of Petroleum and Natural Gas, GOI
Jhabua Compressor Station, Jhabua, Madhya Pradesh	No.11738/TS/W Z/MPPCB/2003 dated July 16, 2003	Valid upto June 30, 2004	Consent order under Water (Prevention and Control of Pollution) Act, 1974	Member Secretary, Madhya Pradesh Pollution Control Board
Jhabua Compressor Station, Jhabua, Madhya Pradesh	No.11740/TS/W Z/MPPCB/2003 dated July 16, 2003	Valid upto June 30, 2004	Consent order under Air (Prevention and Control of Pollution) Act, 1981	Member Secretary, Madhya Pradesh Pollution Control

				Board
Jhabua Compressor Station, Jhabua, Madhya Pradesh	License no.P-12(8)961/MP-1956 dated December 31, 2002	Renewed upto December 31, 2005.	Storage of Diesel in the licensed premises	Chief Controller of Explosives under the Petroleum Act, 1934
Jhabua Compressor Station, Jhabua, Madhya Pradesh	NOC No. T/3101-64/958 dated June 17, 1990		Approval to energise electrical system	Chief Electrical Inspector (Electrical Safety), Bhopal
Jhabua Compressor Station, Jhabua, Madhya Pradesh	NOC no. NRIO/ GAIL/11/96/712 dated August 26/27, 1998		Approval to energise electrical system	Electrical Inspector, CEA, Delhi

1.4 KHERA, MADHYA PRADESH

Location	**Approval No. & Date**	**Period of validity**	**Purpose**	**Approving Authority**
Khera Compressor Station, Khera, Madhya Pradesh	No.L11014/1/99-GP(ii) dated September 1, 1999		Appointment of Executive Director from the, Corporate Office, New Delhi as occupier under the Factories Act, 1948	Ministry of Petroleum and Natural Gas, GOI
Khera Compressor Station, Khera, Madhya Pradesh	License No.191/14795/UJN/2m(i) dated December 26, 2002	Renewed for the year 2003/2004	License to set up new factory	Chief Inspector of Factories under Factories Act, 1948
Khera Compressor Station, Khera, Madhya Pradesh	No. 9735/TS/ MPPCB/2003 dated June 16, 2003	Valid upto June 30, 2004	Renewal of consent order under Air (Prevention and Control of Pollution) Act, 1981	Member Secretary, Madhya Pradesh Pollution Control Board
Khera Compressor Station, Khera,	No. 9733/TS/MPPCB /2003 dated June 16, 2003	Valid upto June 30, 2004	Renewal of consent order under Water (Prevention and Control of Pollution) Act, 1974	Member Secretary, Madhya Pradesh

Madhya Pradesh				Pollution Control Board
Khera Compressor Station, Khera, Madhya Pradesh	No. NRIO/GAIL/11/98/853 dated October 30, 1998		Approval to energise electrical equipment like transformers, HT Panel, HT Cable, Gas engine Generator, Diesel Engine Generator along with associated equipment	Superintending Engineer, Central Electricity Authority, Regional Inspectorial Organisation, New Delhi
Khera Compressor Station, Khera, Madhya Pradesh	No.ALC-46/1(11)/94 dated June 28, 1994		Registration as principal employer under the Contract Labour (Regulation and Abolition) Act, 1970	
Khera Compressor Station, Khera, Madhya Pradesh		Renewed upto December 31, 2005.	Storage of 50 KL of Petroleum in Class B in the licensed premises	Chief Controller of Explosives under the Petroleum Act, 1934

1.5 VIJAIPUR, MADHYA PRADESH

Location	**Approval No. & Date**	**Period of validity**	**Purpose**	**Approving Authority**
Vijaipur Compressor Station, Vijaipur, Madhya Pradesh	No.L11014/1/99-GP(ii) dated September 1, 1999		Appointment of Executive Director from the, Corporate Office, New Delhi as occupier under the Factories Act, 1948	Ministry of Petroleum and Natural Gas, GOI
LPG Recovery Plant, Vijaipur, Guna, Madhya Pradesh	License no. P/HQ/MP/15/603 (P14350) dated May 1, 1998	Valid upto December 31, 2006.	Importation of 940 KL petroleum of the class A in bulk to be stored in the approved premises at Village Allipura, Tah Raghogarh, Guna, Madhya Pradesh..	Chief Controller of Explosives under the Petroleum Act 1934
LPG Recovery Plant, Vijaipur, Guna, Madhya Pradesh	License no. P/HQ/MP/15/32 (P13454) dated November 8, 1990	Valid upto December 31, 2006.	Importation of 3325 KL petroleum of the class A in bulk to be stored in the approved premises at Village Allipura, Tah.Raghogarh,Guna, Madhya Pradesh.	Chief Controller of Explosives under the Petroleum Act 1934
LPG	License no.	Renewed	Storage of 7200 MT of	Chief

Recovery Plant, Vijaipur, Guna, Madhya Pradesh	PV(NC) S-56/MP-27/pvs dated October 23, 1990	upto March 31, 2005.	LPG in the licensed premises at Allipura Village, Raghogarh Distt, Guna, MP.	Controller of Explosives under the Indian Explosives Act, 1884
LPG Recovery Plant, Vijaipur, Guna, Madhya Pradesh	License no. PV(NC) S-71/MP-28/pvs dated November 18, 1991	Renewed upto March 31, 2005.	Storage of 2400 MT of LPG in the licensed premises at Allipura Village, Raghogarh Distt, Guna, MP.	Chief Controller of Explosives the Indian Explosives Act, 1884
LPG Recovery Plant, Vijaipur, Guna, Madhya Pradesh	License no. PV(NC) S-64/MP-57/pvs dated February 11, 1994	Renewed upto March 31, 2005.	Storage of 3234 MT of Propane in the licensed premises at Allipura Village, Raghogarh Distt, Guna, MP.	Chief Controller of Explosives under the Indian Explosives Act, 1884
LPG Recovery Plant, Vijaipur, Guna, Madhya Pradesh	Renewal of consent no. 721/TS/ Wz/MPPCB/2002 dated January 10, 2002	Renewal up to 31.10.2004.	The renewal of consent is valid for product and production capacity of (1) 5 main compressors of each having capacity 2.95 mmscmd of natural gas (2) 3 branch line compressor each having capacity 1.95 MMSCMD of natural gas.	Chief Engineer, Madhya Pradesh State Pollution Control Board (MPPCB) under Water (Prevention & Control of Pollution) Act, 1974
LPG Recovery Plant, Vijaipur, Guna, Madhya Pradesh	Renewal of consent no. 723/TS/ Wz/MPPCB/2002 dated January 10, 2002	Renewal up to 31.10.2004.	The renewal of consent is valid for product and production capacity of (1) 5 main compressors of each having capacity 2.95 mmscmd of natural gas (2) 3 branch line compressor each having capacity 1.95 MMSCMD of natural gas.	Chief Engineer, Madhya Pradesh State Pollution Control Board (MPPCB) under Water (Prevention & Control of

				Pollution) Act, 1974
LPG Recovery Plant, Vijaipur, Guna, Madhya Pradesh	Renewal of consent no. 22699/TS/Wz/M PPCB/2003 dated December 19, 2003	Renewed up to 31.12.2006.	The renewal of consent is valid for product and production capacity of (i) LPG- 50,000 MT/month (ii)Propane -1,50,000 tons/ per annum (iii)SBP Solvent - 5,000 TPA (iv)Pentane mixture- 45,000 TPA (v)Normal Pentane - 30,000 TPA (vi) ISO Pentane- 15,000 TPA	Member Secretary, Madhya Pradesh State Pollution Control Board (MPPCB) under section 21 (4) of the Act to GAIL, Vijaipur, Guna MP

1.6 DIBIYAPUR, UTTAR PRADESH

Location	**Approval No. & Date**	**Period of validity**	**Purpose**	**Approving Authority**
Dibiyapur Compressor Station, Uttar Pradesh	13/Haz/auth/14/2003 dated October 14,2003	Valid upto September 18, 2008	Authorisation to handle hazardous waste	Member Secretary, Uttar Pradesh Pollution Control Board
Dibiyapur Compressor Station, Uttar Pradesh	UP-4342/P-12(17)2889 dated June 14,2002	Valid up to December 2, 2004	Storage of diesel	Controller of Explosives under the Indian Explosives Act, 1884

II. <u>LPG PLANTS</u>

1. **USAR, MAHARASHTRA**

Location	**Approval No. & Date**	**Period of Validity**	Purpose	**Approving Authority**
LPG Recovery Plant, Usar, Raigarh, Maharashtra	No.L11014/1/99-GP(iv) dated September 1, 1999		Appointment of Executive Director from the, Corporate Office, New Delhi as occupier under the Factories Act, 1948	Ministry of Petroleum and Natural Gas, GOI
LPG Recovery Plant, Usar	No. 55035 Rg. No Raigad-2 CMS (i)	Valid upto December	Licence to work a factory	Chief Inspector,

	314 DATED November 11, 1998	31, 2004		Factories, Maharashtra
LPG Recovery Plant, Usar	No. PV-(WC0S-848/MSMR/KOL /PVS-134 dated September 11, 1998	Valid upto March 31, 2004	Licence to store 4290 MT of LPG 3x3041 cubic meters (CCOE 1,2, 3 & 4)	Controller of Explosives under the Indian Explosives Act, 1884

2. LAKWA, ASSAM

Location	**Approval No. & Date**	**Period of validity**	**Purpose**	**Approving Authority**
Lakwa Distt Sibsagar, Assam	No.L-11014/1/99-GP dated December 16, 2003	-	Appointment of Executive Director, Corporate Office, New Delhi as occupier under the Factories Act, 1948	Director Ministry of Petroleum and Natural Gas, GOI
Lakwa Distt Sibsagar, Assam	WB/2-I/T-2046/PT-I/99-2M/97/1460 Dated September 10, 2003	April 1, 2003 to March 31, 2004	Renewal of consent to operate under the Air Act	Office of the Pollution Control Board, Assam, Bamunimaidam, Guwahati
Lakwa Distt Sibsagar, Assam	RIO/01-08-06/75-76 dated February 22, 1999	Approval granted	To energise 2 No.3.9 MVA, 6.6 KV Engine Generators and 2 No. 1600 KVAx2,6.6/ 0.4 KVs/stn	Central Electricity Authority, Regional Inspectorial Organisation, Shillong
Lakwa Distt Sibsagar, Assam	WB/2-I/T-2466/99-2M/109/2306 Dated November 11, 2003	Valid upto March 31, 2004	Renewal of consent to operate under the Water Act	Office of the Pollution Control Board, Assam, Bamunimaidam, Guwahati

3. GANDHAR, GUJARAT

Location	**Approval/ Licence No. and Date**	**Period of validity**	**Purpose**	**Approving Authority**
LPG Processing	No.L11014/1/99-		Appointment of	Director,

Complex, Village Rozatankaria Taluk Amod, Distt Baruch, Gujarat	GP dated December 16, 2003		Executive Director from the, Corporate Office, New Delhi as occupier under the Factories Act, 1948	Ministry of Petroleum and Natural Gas, GOI
Gandhar Village, Roza tankaria, Taluk Amod, Distt Baruch, Gujarat	Registration No. 087062	Valid upto December 31,2004	Licence to work a factory	Chief Inspector of Factories, Government of Gujarat
Gandhar Village, Roza tankaria, Taluk Amod, Distt Baruch, Gujarat	GJ/BRO/pvs-116 dated July 15, 2002	Valid upto March 31, 2005	Renewal of licence for storage of 2271.3 MT LPG in the licensed premises.	Jt.C.C. E. under the Indian Explosives Act, 1884
Village Rozatankaria, Tal Amod, Distt Baruch	PV(WC) S-781/GJ dated March 1, 2001	Valid upto March 31, 2005	Licence to import and store of 2271.3 MT LPG cubic meters 3x1610 M^3 Kgs in the licenced premises	Jt. C.C.E. under the Explosives under the Indian Explosives Act, 1884
LPG Recovery Plant Gandhar Village, Roza tankaria, Taluk Amod, Distt Baruch, Gujarat	GJ/BRO/486 dated April 11, 2003	Valid upto December 31, 2005	Renewal of licence number P-12(25)3854/ GJ/BRO-486 to import and store 19.4 KL of petroleum Class B in Bulk.	Chief Controller of Explosives under the Indian Explosives Act, 1884
LPG Recovery Plant Gandhar Village, Roza tankaria, Taluk Amod, Distt Baruch, Gujarat	GJ/BRO/487 dated February 12, 2002	Valid upto December 31, 2004	Renewal of licence P-12(25)3834 GJ/BRO- 487 to import and store 1871 KL of Petroleum Class A in bulk.	Joint Chief Controller of Explosives under the Indian Explosives Act, 1884
Village Rozatankaria, Tal Amod, Distt Baruch	P-12(25)3834/ GJ/BRO-487 dated March 8, 2001	Valid upto December 31, 2004	Licence to import and store1871 KL of Petroleum in Class A in bulk in the licenced premises	Chief Controller of Explosives under the Indian Explosives Act, 1884
Village Rozatankaria, Distt Baruch, Gujarat	WRIO/ CG-232 (I-9763)/SE/ 2000-2001/2378 dated November	Approval granted	To energise 2x8 MVA, 66/6.6 KV Transformer sub-station	Regional Inspectorial Organisation, Central

	1, 2000			Electricity Authority, GOI
Village Rozatankaria, Distt Baruch, Gandhar Gujarat	WRIO/CG-232 (I-10087)/SE/ 2000-2001/3229 dated January 17, 2001	Approval granted	To energise 4x1600 KVA, 6.6/ .433 KV Transformers and associated equipment.	Regional Inspectorial Organisation, Central Electricity Authority, GOI
Village Rozatankaria, Distt Baruch, Gandhar Gujarat	WRIO/CG-232 /SE/ 2002-2003/ 2120 dated October 25, 2002	Approval granted	To energise 125 KVA, 415 V diesel generating set near the administrative building.	Regional Inspectorial Organisation, Central Electricity Authority, GOI
Village Rozatankaria, Distt Baruch, Gandhar Gujarat	PC/BRCH – 1148/14824 dated October, 2003	Valid upto June 30, 2004	Extension of the Consent Order for operation of the plant under the Water (Prevention and Control of Pollution) Act, 1974	Gujarat Pollution Control Board

4. PATA, UTTAR PRADESH

Location	**Approval No. and Date**	**Period of validity**	**Purpose**	**Approving Authority**
Petrochemical Complex, Pata Distt. Auraiya	Acknowledgement No.1282/SIA /IMO/2003 dated May 20, 2003		Expansion project for Manufacture of I20 KTA of LLDPE/HDPE	SIA, Ministry of Commerce and Industry, New Delhi
Petrochemical Complex, Pata Distt. Auraiya	Acknowledgement No.1240/SIA /IMO/2001 dated June1, 2001		Debottlenecking project for Manufacture of expanded capacity upto 210 KTA of LLDPE/HDPE	SIA, Ministry of Commerce and Industry, New Delhi
Petrochemical Complex, Pata Distt. Auraiya	1630 F/ Licence/ EWH-177 dated June 28, 2003	Valid upto December 31, 2004	Renewal of factory licence	Director Factories, Uttar Pradesh
Petrochemical Complex, Pata Distt. Auraiya	Licence no. PV(CC) S-125/ UP-152/PVS dated March 26, 1998	Valid upto March 31, 2005	Licence to store C2/ C3 Nos., 3000 MT mixture and Off. Spec. Ethylene1 No., 525 MT in the licenced premises	Chief Controller of Explosives under the Indian Explosives Act, 1884
Petrochemical Complex, Pata Distt. Auraiya	Licence no. PV(CC) S-265/ UP-153/PVS	Valid upto March 31, 2005	Licence to store Propylene and C2/ C3 Nos., 3000 MT Propylene	Chief Controller of Explosives

	dated March 26, 1998		Nos., 676 MT mixture in the licenced premises	under the Indian Explosives Act, 1884
Petrochemical Complex, Pata Distt. Auraiya	Licence no. PV(CC) S-267/ UP-170/PVS dated November 3, 1998	Valid upto March 31, 2005	Licence to store Off- Spec Propylene-1 No., 70 MT and Hydrogen –2 Nos., 146 MT in the licenced premises	Chief Controller of Explosives under the Indian Explosives Act, 1884
Petrochemical Complex, Pata Distt. Auraiya	Licence no. PV(CC) S-266/ UP-174/PVS dated February 2, 1999	Valid upto March 31, 2005	Licence to store C4 Mix-1 Nos., 690 MT Butane1-2 Nos., 1352 MT in the licenced premises	Chief Controller of Explosives under the Indian Explosives Act, 1884
Petrochemical Complex,Village Pata Distt. Auraiya	Licence no. PV(CC) S-278/ UP-200/PVS dated February 3, 2000	Valid upto March 31, 2005	Licence to store 5500 MT LPG in mounded cubic meters 5x 2743 M^3 Kgs in five no. 105 A,B,C,D & E in the licenced premises.	Chief Controller of Explosives under the Indian Explosives Act, 1884
Petrochemical Complex,Village Pata Distt. Auraiya	Licence no. PV(CC) S-279/ UP-225/PVS dated August 25, 2000	Valid upto March 31, 2005	Licence to store 4 Bullets, 4880 MT LPG-2580 MT & Propane-2300 MT in the licenced premises	Chief Controller of Explosives under the Indian Explosives Act, 1884
Petrochemical Complex,Village Pata Distt. Auraiya	Laconic no P/HQ/UP/15/ 4235(P26347) dated May 30, 2003	Valid upto December 31, 2005	Licence to import and store 4500 KL of Petroleum Class A in bulk in the licenced premises	Chief Controller of Explosives under the Indian Explosives Act, 1884
Petrochemical Complex,Village Pata Distt. Auraiya	P-12 (17) 2489/ UP-4480 dated March 12, 1998	Valid upto December31, 2004	Licence to import and store 4160 KL of petroleum Class A in bulk and 320 KL of petroleum Class B in bulk in the licenced premises	Chief Controller of Explosives under the Indian Explosives Act, 1884
Petrochemical Complex, Village Pata Distt. Auraiya	P-12 (17) 2735/ UP-4813 dated March 18, 1999	Valid upto December31, 2005	Licence to import and store 30 KL of petroleum Class A in bulk and 320 KL of petroleum Class B	Chief Controller of Explosives under the

			in bulk in the licenced premises	Indian Explosives Act, 1884
Petrochemical Complex, Village Pata Distt. Auraiya	Licence no. UP-4058 dated December 29, 1998	Valid upto December31, 2004	Licence to store 20 KL	Chief Controller of Explosives under the Indian Explosives Act, 1884
Petrochemical Complex, Village Pata Distt. Auraiya	UP-1242/CGS dated July 30, 1999	Valid upto March 31, 2005	Licence to store 15 NOS. CO, 50 NOS. 02 250 NOS. N2, 450 NOS.H2 50 NOS. DA	Chief Controller of Explosives under the Indian Explosives Act, 1884
Petrochemical Complex, Village Pata Distt. Auraiya	UP-1205/CGS dated March 30, 1999	March 31, 2005	Licence to store NET 12000 KG.	Chief Controller of Explosives under the Indian Explosives Act, 1884
Petrochemical Complex, Village Pata Distt. Auraiya	P-12 (17) 2919 dated February 16, 1998	December 31, 2004	Licence to store 21.4 KL of petroleum in Class A in bulk	Chief Controller of Explosives under the Indian Explosives Act, 1884
Petrochemical Complex, Village Pata Distt. Auraiya	PV (CC) S-270/UP dated November 3, 1998	March 31, 2005	Licence to store 225 MT of Liquid Nitrogen	Chief Controller of Explosives under the Indian Explosives Act, 1884
Petrochemical Complex, Village Pata Distt. Auraiya	PV (CC) S-269/UP dated November 9, 1998	March 31, 2005	Licence to store 225 MT of Liquid Nitrogen	Chief Controller of Explosives under the Indian Explosives Act, 1884
Petrochemical Complex, Village Pata	133 /Consent Order /743/03 Lucknow dated	Valid upto December 31, 2003	Consent order to operate plant under the Air (Prevention and Control	Uttar Pradesh Pollution Control

Distt. Auraiya	April 10, 2003		of Pollution) Act, 1981	Board.
Auraiya Compressor Station, Dibiyapur, Auraiya, Uttar Pradesh	No.L11014/1/99-GP(iii) dated September 1, 1999		Appointment of Executive Director from the, Corporate Office, New Delhi as occupier under the Factories Act, 1948	Ministry of Petroleum and Natural Gas, GOI
Petrochemical Complex, PATA, Auraiya, Uttar Pradesh	No.L11014/1/99-GP(iii) dated September 1, 1999		Appointment of Executive Director from the, Petrochemical Complex, Pata, Auraiya Uttar Pradesh as occupier under the Factories Act, 1948	Ministry of Petroleum and Natural Gas, GOI
Petrochemical Complex, Pata, Auraiya	No.K/46(4-12)/88-E-3 dated April 5, 1988		Registration of GAIL as principal employer under the Contract Labour (Regulation and Abolition) Act, 1970	Assistant Labour Commissioner, Ministry of Labour, Government of India

5. VIJAIPUR, MADHYA PRADESH

Location	**Approval No. & Date**	**Period of validity**	**Purpose**	**Approving Authority**
Vijaipur LPG Plant, Vijaipur, Madhya Pradesh	No.L11014/1/99-GP(ii) dated September 1, 1999		Appointment of Executive Director from the, Corporate Office, New Delhi as occupier under the Factories Act, 1948	Ministry of Petroleum and Natural Gas, GOI
LPG Recovery Plant, Vijaipur, Guna, Madhya Pradesh	License no. P/HQ/MP/15/603 (P14350) dated May 1, 1998	Valid upto December 31, 2006.	Importation of 940 KL petroleum of the class A in bulk to be stored in the approved premises at Village Allipura, Tah Raghogarh, Guna, Madhya Pradesh..	Chief Controller of Explosives under the Petroleum Act 1934
LPG Recovery Plant, Vijaipur, Guna, Madhya Pradesh	License no. P/HQ/MP/15/32 (P13454) dated November 8, 1990	Valid upto December 31, 2006.	Importation of 3325 KL petroleum of the class A in bulk to be stored in the approved premises at Village Allipura, Tah.Raghogarh,Guna, Madhya Pradesh.	Chief Controller of Explosives under the Petroleum Act 1934
LPG Recovery Plant, Vijaipur, Guna, Madhya Pradesh	License no. PV(NC) S-56/MP-27/pvs dated October 23, 1990	Renewed upto March 31, 2005.	Storage of 7200 MT of LPG in the licensed premises at Allipura Village, Raghogarh Distt, Guna, MP.	Chief Controller of Explosives under the Indian Explosives

				Act, 1884
LPG Recovery Plant, Vijaipur, Guna , Madhya Pradesh	License no. PV(NC) S-71/MP-28/pvs dated November 18, 1991	Renewed upto March 31, 2005.	Storage of 2400 MT of LPG in the licensed premises at Allipura Village, Raghogarh Distt, Guna, MP.	Chief Controller of Explosives under rules 49 and 50 of the Indian Explosives Act, 1884
LPG Recovery Plant, Vijaipur, Guna , Madhya Pradesh	License no. PV(NC) S-64/MP-57/pvs dated February 11, 1994	Renewed upto March 31, 2005.	Storage of 3234 MT of Propane in the licensed premises at Allipura Village, Raghogarh Distt, Guna, MP.	Chief Controller of Explosives under the Indian Explosives Act, 1884
LPG Recovery Plant, Vijaipur, Guna, Madhya Pradesh	Renewal of consent no. 721/TS/ Wz/MPPCB/2002 dated January 10, 2002	Valid up to October 31, 2004.	The renewal of consent is valid for product and production capacity of (1) 5 main compressors of each having capacity 2.95 mmscmd of natural gas (2) 3 branch line compressor each having capacity 1.95 MMSCMD of natural gas.	Chief Engineer, Madhya Pradesh State Pollution Control Board under Water (Prevention & Control of Pollution) Act, 1974
LPG Recovery Plant, Vijaipur, Guna, Madhya Pradesh	Renewal of consent no. 723/TS/ Wz/MPPCB/2002 dated January 10, 2002	Valid up to October 31, 2004.	The renewal of consent is valid for product and production capacity of (1) 5 main compressors of each having capacity 2.95 mmscmd of natural gas (2) 3 branch line compressor each having capacity 1.95 MMSCMD of natural gas.	Chief Engineer, Madhya Pradesh State Pollution Control Board under Water (Prevention & Control of Pollution) Act, 1974
LPG Recovery Plant, Vijaipur, Guna, Madhya Pradesh	Renewal of consent no. 22699/TS/Wz/MPPCB/2003 dated December 19, 2003	Valid up to December 31, 2006.	The renewal of consent is valid for product and production capacity of (i) LPG- 50,000 MT/month (ii)Propane -	Member Secretary, Madhya Pradesh State Pollution Control Board under

			1,50,000 tons/ per annum (iii)SBP Solvent -35,000 TPA (iv)Pentane mixture- 45,000 TPA (v)Normal Pentane - 30,000 TPA (vi) ISO Pentane- 15,000 TPA	the Air (Prevention and Control of Pollution) Act, 1981

1. **JAMNAGAR – LONI LPG PIPELINE**

1.1 **SAMKHIALI, GUJARAT**

Location	**Approval No. and Date**	**Period of validity**	**Purpose**	**Approving Authority**
Samakhiali Booster Station, Lakadiya, Kutch,Gujarat	WRO/CG-240 (I-10185) 2001-2002/ AD/154 dated April 10, 2001	-	To energise 2 x 1475 KVA, 6600 volts Diesel Generator sets under Rule 47 A of Indian Electricity Rules, 1956.	Electrical Inspector, Panaji, Central Electricity Authority, Ministry of Power (Department of Power), Government of India
Samakhiali Booster Station, Lakadiya, Kutch,Gujarat	GJ/BRO-487 dated February 12, 2002	Valid upto December 31, 2004	Renewal of licence for import and storage of 1871 KL of Petroleum Class A in bulk.	Joint Chief Controller of Explosives, Navi Mumbai, Department of Explosives
Samakhiali Booster Station, Lakadiya, Kutch, Gujarat	GJ/BRO-486 dated April 11, 2003	Valid upto December 31, 2005	Renewal of licence no. P/12(25) 3854/ GJ/BRO/486 for import and storage of 19.4 KL of Petroleum Class B in bulk.	Joint Chief Controller of Explosives, Navi Mumbai, Department of Explosives

1.2 **AJMER, RAJASTHAN**

Location	**Approval No. and Date**	**Period of validity**	**Purpose**	**Approving Authority**
Ajmer Booster Station	License No.25363 dated May 14, 2002	The date of expiry of the license is March 31, 2005.	License to work a factory at LPG Pumping Station at Post Box no. 21, Nasirabad, Ajmer, Rajasthan The license allows GAIL to employ not more than 25 persons on any one day during the year and using motive power not exceeding 3164 H.P.	Chief Inspector of Factories under the Factories Act, 1948
Abu Road and Ajmer Booster Stations	No.L11014/1/99 -GP(ii) dated February 28, 2002		Appointment of Executive Director from the, Corporate Office, New Delhi as occupier under the Factories Act, 1948	Director, Ministry of Petroleum and Natural Gas, GOI
Village Gaderi, Nasirabad, P.O. Distt, Ajmer, Rajasthan	License no. P-12 (20) 1276/RA 2388 dated July 12, 2001.	The license is valid upto December 31, 2004	Import of 62.5 KL petroleum of the class A otherwise than in bulk to be stored in the approved premises at Khasra 10 of Diwadi (V) and Khasra No. 58 and 59 of Gaderi, Ajmer, Rajasthan.	Chief Controller of Explosives under the Petroleum Act, 1934
Ajmer Booster Station	Letter No. NRIO/ GAIL/ RAJ/ NASIRABAD(Ajmer)/ 7/2003/23-24 dated Jan 22, 2003		Inspection of Electrical Installations at Nasirabad carried out by the Assistant Director for Electrical Inspector on January 6, 2003.	Central and Electricity Authority, Office of the Superintendin g Engineer, Regional Inspectorial Organisation (N), New Delhi
Ajmer Booster Station	Letter number AJ-46 (24)/ 2003-ALC dated April 26, 2003 vide Regn. No. AJ(R)/ 2003 dated April 25, 2003		Approving Village Dilwari, Nasirabad, Ajmer approving the establishment as Principal Employer	Office of the Regional Labour Commissioner (Central), Ministry of Labour Registration under Contract Labour (Regulation

				and Prohibition) Act, 1970
Ajmer Booster Station	Consent to Operate number F. 12(1-47) RPCB/Gr. III/3558 dated November 8, 2001	Valid upto August 24, 2004.	To operate the LPG pipeline passing through the district of Alwar, Ajmer, Jaipur, Pali and Sirohi in Rajasthan and Booster Station near Abu Road, Ajmer and tap off station near Ajmer and Jaipur.	Member Secretary, Rajasthan State Pollution Control Board under the Air (Prevention and Control of Pollution) Act, 1981
Ajmer Booster Station	Consent No. F. 12 (1-47) RPCB /Gr.III/ 3562 dated November 8, 2001	Valid upto to August 24, 2004.	To operate the LPG pipeline passing through the district of Alwar, Ajmer, Jaipur, Pali and Sirohi in Rajasthan and Booster Station near Abu Road, Ajmer and tap off station near Ajmer and Jaipur.	Rajasthan State Pollution Control Board under the Water (Prevention and Control of Pollution) Act, 1974

1.3 **ABU ROAD, RAJASTHAN**

Location	Approval No. and Date	Period of validity	Purpose	Approving Authority
Abu Road Booster Station	License No.25363 dated May 14, 2002	up to March 31, 2005.	License to work a factory at LPG Pumping Station at Post Box no. 21, Nasirabad, Ajmer, Rajasthan The license allows GAIL to employ not more than 25 persons on any one day during the year and using motive power not exceeding 3164 H.P.	Chief Inspector of Factories under the Factories Act, 1948
Abu Road Booster Station, Village Tartori, Abu Road, Sirohi	License No. 24984 dated July 21, 2001	up to March 31, 2004	The license allows GAIL to employ not more than 100 persons on any one day during the year and using motive power not exceeding 5110 KW/H.P.	Chief Inspector of Factories under the Factories Act, 1948
Abu Road Booster Station	License no. P-12 (20) 1277/R9-2388 dated June 20, 2001	December 31, 2004	Importation of 69 KL petroleum of the class B in bulk to be stored in the approved premises.	Chief Controller of Explosives under the Petroleum Act, 1934

V. TELECOM BUSINESS

We have received the following major Government approvals in relation to our telecom business.

1. License No. 10-30/2000-BS-I dated January 15, 2001 vide the License Agreement for Infrastructure Provider Category-II (“IP-II”) between the Director (BS), Department of Telecommunications, Government of India (“Licensor”) and GAIL. The Licensor has granted to GAIL under the Telegraph Act, 1885 on a non-exclusive basis, the IP-II License to establish as well as lease, rent out or sell digital transmission capacity namely end-to-end bandwidth capable of carrying a message. The License is valid for a period of 20 years unless revoked earlier.

2. License No.820-634/2002-LR dated June 27, 2002 vide License Agreement for Provision of Internet Service between Assistant Director General (LR-I), Telecom Commission, Department of Telecommunications, Ministry of Communications, Government of India (“Licensor”) and GAIL. The Licensor has granted GAIL a license to establish, maintain and operate an Internet Service within the territory of India, which will be governed by the provisions of the Indian Telegraph Act, 1885 and Telecom Regulatory Authority of India Act, 1997. The License is for a period of 15 years unless terminated earlier.

VI. REGIONAL/ZONAL OFFICES

We have received the following major Government approvals in relation to our zonal offices in India.
Contract Labour (Regulation and Abolition) Act 1970

Location	Approval No. & Date	Purpose	Approving Authority
Baroda regional Office	No.BRC/ALC/Reg/46(13)/96 dated September 16, 1996	Registration of GAIL as principal employer; nature of services rendered by the contractors include catering, caretaking and house-keeping services	Registering Officer, Office of Assistant Labour Commissioner, Ministry of Labour, Government of India under the Contract Labour (Regulation and Abolition) Act, 1970
DVPL Project, Vaghodia	No.BRC/ALC/Reg/46(6)/2003 dated May 23, 2003	Registration of GAIL as Principal Employer; nature of services rendered by the contractors include is laying of regassified LNG pipeline and other associated work from Dahej To Sherpura Sector I And II	Assistant Labour Commissioner, Ministry of Labour, Government of India under the Contract Labour (Regulation and Abolition) Act, 1970
Ahmedabad	No.ALC/ADI/56R/(8)99 dated April 16, 1991 and amended on September 26, 2003	Registration of GAIL As Principal Employer	Assistant Labour Commissioner, Ministry of Labour, Government of India under the Contract Labour (Regulation and Abolition) Act, 1970
Agra	No.K/46(R-6)/99-E-3 dated May 11, 1999	Registration Of GAIL As Principal Employer	Assistant Labour Commissioner, Ministry of Labour, Government of India under the Contract Labour (Regulation and

			Abolition) Act, 1970
DVPL Project, Auraiya	No.K/46(R-8)/99-E-3 dated July 29, 1999	Registration of GAIL As Principal Employer	Assistant Labour Commissioner, Ministry of Labour, Government of India under the Contract Labour (Regulation and Abolition) Act, 1970

Sales Tax Registrations

Sl No.	Work Centre	Sub-work center	LST No.	CST No.
1	Petrochemical Complex-Pata	Kanpur	AU0012059 dated May 4, 1993	AU5005011 dated May 4, 1993
2	Vadodara	IPCL-Undera	1901017327 dated July 1, 2002	GUJ/17V/8199 dated June 22, 1987
3	Lakwa	Lakwa	SIB/GST-1149	SIB/CST-1081
4	Noida Haryana Delhi	Loni, Mathura, CMG, GTI, Dadri Piyala DESU, Madanpur	ND5073997 SON/IV/6103 LC/101/107574/0885	ND0077308 CST-6103 Same as LST
5	Nagapattnam	Chennai	3900682	223494
6	Rajamundry	Vijaywada, Vishakhapatnam,	KDA/08/03/2780 dated November 28,	KDA/08/03/1633 dated November

		Hyderabad	1997	28, 1997
7	Ahmedabad	Samakhiali, Jamnagar, Kandla, Kadi-Mehsana	0733001700 dated July 1, 2002	No CST number
8	Dibiyapur	Sahajahanpur, Aonla, Babrala, Jagdishpur	AU0010752	AU500455
9	Vijaipur	Ujjain, Jhabua, Indore	GNA/GNA/2549 dated April 1, 2988	GNA/ 1749 dated April 1, 1988
10	Usar	Usar	402201-S-7 dated April 1, 1996	400051-C-1 dated April 1, 1996
11	Vaghodia	Vaghodia	1922002442 dated July 1, 2002	GUJ/17V/8199 dated August 4, 1987
12	Jaipur	Abu Road, Ajmer	RST 1426/04991 dated September 1, 1999	1426/04991 (Central) dated September 1, 1999
13	Agartala	Agartala	SDR/ST/3812/96 dated October 18, 1996	SDR/1416/REV (Central) dated May 29, 1990
14	Agra	Jhansi	AG0497285 dated September 11, 1996	AGB5381231 dated September 11, 1996
15	Bangalore	Bangalore	01517338 dated November 19, 1999	01567330 dated November 19, 1999
16	Kota	Anta, Gadepan, Samcore	RST/2034/00391 dated November 19, 1996	RST/2034/00391 dated November 19, 1996

The Service Tax registration number of GAIL is No. DL1/ ST/ Leased/ 06/ GAS/ 2001.

APPROVALS/RENEWALS APPLIED FOR

1. HVJ PIPELINE

Location	Application No. & Date	Original period of validity	Purpose	Approving Authority
Hazira Compressor Station, Surat, Gujarat	Application filed for renewal	Valid upto November 30, 2003	Grant of consent under the Water (Prevention & Control of Pollution) Act, 1974	Gujarat Pollution Control Board
Hazira Compressor Station, Surat, Gujarat	Application filed for renewal	Valid upto August 31, 2003	Grant of consent under the Air (Prevention & Control of Pollution) Act, 1981	Gujarat Pollution Control Board
Vaghodia	Application for renewal in October 2003 (Factory Registration No. 078286)	Valid upto December 31, 2003	License to set up new factory	Chief Inspector of Factories under Factories Act, 1948
Jhabua Compressor Station, Jhabua, Madhya Pradesh	Application for renewal filed on November 19, 2003	Valid upto December 31, 2003	License to work a factory	Director, Industrial Health and Safety, Indore, Madhya Pradesh
Gail Complex, Vijaypur District, Guna, Madhya Pradesh	GAIL has filed an application dated December 4, 2003, with the Director, Health and Safety for renewal of the aforesaid licence.	Valid upto December 31, 2003.	The license to work a factory allows GAIL to employ not more than 500 persons on any one day during the year and to use motive power not exceeding 5000 H.P. The maximum quantity of hazardous chemicals to be stored are as follows: (a) LPG 5000 MT (b) 1500 MT (c) Pentane	Chief Inspector of Factories under the Factories Act, 1948

			250 MT.	
GAIL, Compressor Station, Vijaipur, Guna, Madhya Pradesh	GAIL has filed an application dated December 4, 2003, with the Director, Health and Safety for renewal of the aforesaid licence.	Valid upto December 31, 2003.	The license to work a factory allows GAIL to employ not more than 250 persons on any one day during the year, using motive power not exceeding 5000 H.P.	Chief Inspector of Factories, Madhya Pradesh under the Factories Act, 1948 issued in the name of the occupier Mr. S.P. Rao
Dibiyapur Compressor Station, Uttar Pradesh	EWH-153; Fees paid for renewal	Valid upto December 31, 2003	License to set up factory	Deputy Director Factories, UP, Central Division, Kanpur
Dibiyapur Compressor Station, Uttar Pradesh	333/415/03 dated May 6, 2003 (under renewal)	Valid upto December 31, 2003	Renewal of consent order under Water (Prevention and Control of Pollution) Act, 1974	Member Secretary, Uttar Pradesh Pollution Control Board
Dibiyapur Compressor Station, Uttar Pradesh	58/234/03 dated May 5, 2003 (under renewal).	Valid upto December 31, 2003	Renewal of consent order under Air (Prevention and Control of Pollution) Act, 1981	Member Secretary, Uttar Pradesh Pollution Control Board

2. **LPG PLANTS**

Location	**Application No. & Date**	**Original Period of validity**	**Purpose**	**Approving Authority**
Lakwa Distt Sibsagar, Assam	Application filed for renewal on January 25, 2003	Renewed upto March 31, 2003	Storage of 578 MT LPG	Chief Controller of Explosives under Indian Explosives Act, 1884.
Lakwa Distt Sibsagar, Assam	Application filed for renewal on September 30, 2002	Valid upto December 31, 2002	To Import and store 156 KL of Petroleum Class A in bulk	Chief Controller of Explosives under Indian Explosives Act, 1884.
Lakwa Distt Sibsagar, Assam	Application filed for renewal on November 1, 2003	Valid upto December 31, 2003	Regn. and Licence to work a factory employing not more than 200 persons on any day during the year and using motive power not exceeding 3752 HP	Chief Inspector of Factories, Assam under the Factories Act, 1948
Pata, District Auraiya, Uttar Pradesh	Application filed for renewal on December 10, 2003		Application for renewal of consent order under Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981 Acts for the year 2004	Member Secretary, UPPCB
Village Rozatankaria, Distt Baruch, Gandhar Gujarat	Application filed for renewal on December 26, 2003	Valid upto June 30, 2003 under Water Act and December 31, 2003 under the Air Act	Application filed for renewal of consent order under the Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981 for the year 2004	Gujarat Pollution Control Board
Village Rozatankaria, Tal Amod, Distt Baruch	Application filed for renewal	Valid upto December 31, 2002	Licence to import and store19.4 KL of Petroleum in Class B in bulk in the	Chief Controller of Explosives under the

			licenced premises	Indian Explosives Act, 1884

3. LPG PIPELINES

Location	**Application No. & Date**	**Original period of validity**	**Purpose**	**Approving Authority**
RPL, RRIF Area, Motikhavadi, P.O. Digvijaygam, Distt Jamnagar, Gujarat	Application filed for renewal (Consent Order no. 21472 dated May 27, 2003)	Valid upto January 2, 2004	Consent for operation of the plant under the Air (prevent and Control of Pollution) Act, 1981	Gujarat Pollution Control Board
Mithi Rohar Kandla	Form No. 2 submitted by GAIL		Renewal of factory license	Factory Inspector Gandhidham.
Mithi Rohar, Kandla	Application filed for obtaining consent orders under Air (Prevention and Control of Pollution) Act, 1981 and Water (Prevention and Control of Pollution) Act, 1974		Renewal of consent orders	Member Secretary,
P.O. Lakadia, Taluka Bhachau, Distt Kachchh (Gujarat)	GAIL/ JLPL/ SMK/ F&S/ 10-A/03 dated November 28, 2003	Valid upto December 31, 2003	Renewal of Explosive Licence	Controller of Explosives, Shradha Complex, Baroda
P.O. Lakadia, Taluka Bhachau, Distt Kachchh (Gujarat)	GAIL/JLPL/ SMK/F&S/ 10/03 dated October 30, 2003		Renewal of factory licence	The Factory Inspector

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigations, lawsuits or criminal or civil prosecutions, proceedings or tax liabilities against us, our Directors, or joint ventures/ associated companies of GAIL which would have a material adverse effect on our business. In addition, except as described below, there are no defaults, non-payment of or overdue amounts in connection with statutory dues, institutional/ bank dues or amounts due and payable to holders of any debentures, bonds and fixed deposits or any payments in arrears on preference shares which would have a material adverse effect on our business other than unclaimed liabilities by us, our Directors. Furthermore, we, our Directors, or joint ventures/ associated companies of GAIL have not been declared a willful defaulter by RBI and have not been debarred from dealing in securities and/or accessing the capital markets by SEBI and no disciplinary action has been taken against any of us by SEBI or any stock exchanges.

Pending Litigation

A. CRIMINAL CASES

1. A show cause notice dated October 20, 1994 was issued by the Registrar of Companies, Delhi (RoC) to us, stating that Rs.100 million was deposited with Citibank on July 22, 1991 with assured yield of 18.7% per annum on quarterly basis, the deposit was in the nature of a Portfolio Management Scheme and the same was disclosed in the balance sheet as on March 31, 1992 under the head 'investments' with the narration 'under Portfolio Management Scheme with banks', in contravention of the RBI Guidelines and the filing of the form of return under Section 211 and Schedule VI of the Companies Act, 1956. The contravention pertained to the non disclosure in the annual accounts of the Company of the nature of securities in which the investments were made by Citibank on our behalf.

   We replied to the notice. However, being not satisfied with the reply, the ROC filed Complaint (Case No. 315 of 1995 in the court of the Additional Chief Metropolitan Magistrate, New Delhi) against the former Director (Finance) who was holding Additional Charge of Chairman –cum- Managing Director, for violation of Section 211(1) read with Schedule VI of the Companies Act, 1956. We have filed a petition before the Delhi High Court (Company Petition No. 19 of 1995) for quashing the show cause notice. The proceedings before the Magistrate were stayed by the High Court on March 19, 1995. The matters are pending. The amount of Rs.100 million was duly recovered by us along with the stipulated interest.

2. A Criminal Proceeding is pending against our employee before the District Court, Gwalior with regard to a motor vehicle accident caused by the employee.

STATUTORY LIABILITIES

B. <u>OUR INCOME TAX LIABILITIES</u>

Our contingent liability relating to income tax is Rs. 7298.8 million, as at December 31, 2003. Against this, we have paid/adjusted an amount of Rs.7294.3 million as at December 31, 2003 under protest which payment is considered as an advance recoverable by the Company from the income tax department. Year wise details of contingent liability are as follows:

Assessment Year	Rs. Mn
1996-97	2267.4
1997-98	2361.5
1998-99	544.3
1999-00	951.8
2000-01	1173.8
	7298.8

Though there are certain deductions claimed by the Company in the Assessment Years 1992-93 to 1995-96 that were not accepted by the income tax department, there is no further liability to the Company for these years on account of there being the carried forwarded losses.

The major issue on account of which the contingent liability has occurred pertains to the deductions claimed by the Company and not accepted by the department is on account of tax holiday benefits and the manner of treatment of carry forward of losses in relation to such claims. Certain other disallowances have been made by the department while determining the assessable income of the Company for various years. The issue with respect to tax holiday benefits is the treatment by the Company of gas transmission pipeline and the LPG plants as being covered under the term ‘industrial undertaking’, eligible for such benefits. The Company has laid down Hazira – Vijaipur- Jagdishpur gas pipeline and other branch lines and also constructed LPG Plants and claimed benefits of tax holiday by way of deductions under Sections 80HH, 80IA & 80IB of the Income Tax Act, for such undertakings which has been rejected. The deduction in respect of LPG plants has been allowed partly. The department is of the view that carried forward losses need to be adjusted before allowing the deduction under the above sections to the respective undertakings. These issues relate to the Assessment Years from 1992-93 to 2000-01 and the claim of deductions of the Company in this respect is Rs.13,010 million.

There has been disallowance of claims of the Company on account of lump sum lease payment of Rs. 30 million as a deduction in various years from assesment year 1992-93 to 2000-01. Horticulture expenses claimed as a deduction in various years from Assessment Year 1995-96 to 2000-01 of Rs. 152 million, also disallowances such as in respect of consultancy fees to foreign consultants of Rs. 80.3 million, interest on loan to earn dividend of Rs. 263 million & depreciation on exchange rate variation of Rs. 87.3 million in the Assessment Year 2000-2001.

Appeals have been filed by us against the disallowances made or demands raised, for assessment years 1992-93 to 2000-01 before the Income Tax Appellate Tribunals and CIT (Appeals), which are in progress before respective authorities.

For the following years, assessment proceedings are pending with the department.

Assessment Year 2001-02

We filed the income tax return declaring taxable income of Rs.9630 million. Tax holiday benefits on pipelines and the LPG plant were claimed amounting to Rs.1380 million, which was not considered at the time of making payment of advance tax. Consequently, there was a refund claim lodged for Rs. 690 million, which has been adjusted against the demands raised for the Assessment Years 1996-97, 1997-98 and 1999-00. Regular assessment with the Assessing Officer is in progress.

Assessment Year 2002-03

We have filed the income tax return declaring taxable income of Rs.11590 million. Tax holiday benefits have been claimed by us amounting to Rs.1220 million, which was not considered at the time of making payment of advance tax. Consequently, there is a refund claim lodged by us for Rs.590 million, which has been adjusted against outstanding demand for the Assessment Year 2000-01.

Assessment Year 2003-04

We have filed the income tax return declaring taxable income of Rs.22530 million. Tax holiday benefits were claimed by us amounting to Rs.1070 million and export benefits of Rs.150 million, which were not considered at the time of making payment of advance tax. Consequently, a refund claim has been lodged by us for Rs.480 million.

C. OUR SALES TAX LIABILITIES

We have been paying sales taxes at the rate of 19% to 20% since 1987 on sales within the State of Gujarat and for the quantity of natural gas stock transferred outside Gujarat through the HVJ pipeline, tax at the rate of 4% (since 1987) is paid under Section 12 of the Gujarat Sales Tax Act. In addition, we pay sales tax to various states under the applicable sales tax act for the gas sold in those states. The assessment for the Fiscal Years 1987-88 up to Fiscal Year 1992-93 has been completed on this basis. The Sales Tax officer issued a provisional assessment order dated February 14, 2000 under the Gujarat Sales Tax Act and Central Sales Tax Act. The order held that, for the period 1994-95 to August 1999, movement of gas made from GAIL, Hazira, to outside Gujarat falls within the requirements of Section 3 (a) of Central Sales Tax Act on the stock transfers of natural gas for sales made outside the State of Gujarat.The tax was found payable at the rate of 19% on the ground that that ‘C’ Form for availing lower rate of tax has not been furnished. Penalty imposed is at 10% of tax assessed for furnishing inaccurate particulars and a further penalty of 10% was imposed for not paying Central Sales Tax. The total amount of tax and penalty found due is Rs.19508.9 million.

Against the order of the Sales Tax Officer, we filed before the Supreme Court of India, Special Leave Petition Nos. 4435-40 of 2000 and also Writ Petition No. 110 of 2000 on March 7, 2000. The Court stayed the recovery by its order dated March 10, 2000. Subsequently, the Sales Tax officer, by order dated September 29, 2000, raised a demand for interest amounting to Rs.8152.8 million for the Assessment Years 1994-95 to 1999–2000 (up to August, 1999) under Section 9 (2B) of the Central Sales Tax Act. We filed Writ Petition No. 615 of 2000 before the Supreme Court of India challenging the order dated September 29, 2000. The Sales Tax Officer filed an affidavit in the Writ Petition No. 615/2000 stating that, in view of the order of the Supreme Court dated March 10, 2000, the Sales Tax Department has decided not to take any coercive steps to recover the demand of interest.

The Assistant Commissioner for Sales Tax passed a regular assessment order dated March 22, 2003 for the assessment year 1998-99 under the Central Sales Tax Act and a demand amounting to Rs.8161.8 million, comprising a tax of Rs.4250.9 million, interest at Rs.3060.7 million and a penalty of Rs.850.2 million. We have filed Writ Petition No.213 of 2003 before the Supreme Court of India against this assessment order and have obtained a stay of the recovery of the amounts in this order. The total demand, including tax, penalty and interest is Rs.29461.57 million.

There are certain other sales tax matters pertaining to the Company involving an amount of Rs. 23.8 mn.

D. OUR CUSTOMS & EXCISE CASES TAX LIABILITIES

a. Two show cause notices dated March 8, 2002 and April 10, 2002 for the period June 22, 1997 to February 10, 2002 have been received from the office of the Commissioner of Customs, Ahmedabad, calling upon us and the joint venture consortium, comprising of M/s Enron Oil and Gas India Limited ("EOGI"), M/s Oil and Natural Gas Corporation Limited ("ONGC") and M/s Reliance Industries Limited ("Reliance"), to show cause as to why customs duty totaling Rs.5812.16 million should not be recovered. We have been deemed an importer in terms of Section 2(26) of the Customs Act, 1962 because of the purchase of gas and condensate from the joint venture consortium from the Tapti and Panna-Mukta oilfield platforms, which are not designated as areas on the continental shelf of India. The notices state that the gases/condensate explored or brought to Hazira, after its processing, is sold to us at Hazira. We and the partners of the Joint Venture Corporation have further been called upon to show cause as to why penalty and interest on delayed payment of the customs duty should not be recovered. We have replied to the show cause notice vide reply dated June 14, 2002 stating that we are not the owner of the goods between the importation and clearance for home consumption and only after processing at the Hazira complex by ONGC are the goods sold to GAIL. Since we do not take delivery of the goods imported as such, we cannot be held as importer in terms of Section 2 (26) of the Customs Act, 1962.

b. At the Petrochemical Complex at Pata, we are engaged in the production of HDPE, LLDPE, LPG, etc. The Commissioner of Customs and Excise, Kanpur, issued a show cause notice no.57/HQ/2001 dated April 30, 2001 alleging that we have inaccurately claimed modvat credit of duty on certain inputs for the manufacture of exit natural gas, which is itself wholly exempt from duty. An order dated December 28, 2001 of CCE, Kanpur, confirmed the demand of Rs.1087.2 million and imposed a penalty of Rs.1087.2 million and directed recovery of interest. Our appeal dated March 27, 2002 against the order of the CCE has been allowed by CEGAT. However, the department filed an appeal before the Supreme Court. On the same issue, there are demands of Rs.89.12 million and Rs.64.63 million for the Vaghodia and Usar plants respectively. The department's appeals are pending before the Supreme Court. With respect of the Usar LPG plant, we have received show cause notices for the period 2001-2003 amounting to Rs. 190 million to which we have filed replies.

c. Show cause notices have been received by us from the Excise Authorities to show cause as to why a central excise duty of Rs.6690 million (Vijaipur Plant), Rs.1766.7 million (Usar Plant) and Rs.1187.7 million (Vaghodia Plant), as well as a penalty of the same amounts should not be levied in respect of lean gas manufactured and cleared without payment of duty. The Excise Authorities have treated lean gas as gaseous hydro-carbon and denied the exemption available to lean gas, an exempted product. With respect to the demand of Rs.6690 million relating to the Vijaipur Plant, CCE, Indore has confirmed the demand for the period September 1997 to December 2002 and has also imposed a penalty of Rs.6690 million and interest, against which we have filed an appeal before CESTAT, New Delhi. This appeal is pending. In case of Usar Plant demand amounting to Rs. 1580 million has been dropped by the concerned commissioner.

d. The Customs Authorities, Mumbai, by a show cause notice dated January 19, 2001 have raised a differential customs duty demand of Rs.3055.25 million against project imports for Petrochemical plant at Pata, on account of the non-submission of a reconciliation statement as required under clause 7 of the Project Import Regulations 1986. The demand was confirmed by an order dated February 2, 2001 passed by the Deputy Commissioner of Customs, Mumbai, against which we filed an appeal before CEGAT. CEGAT has remanded the matter to the Deputy Commissioner of Customs, Mumbai for fresh adjudication.

e. The Commissioner of Customs, New Delhi, by its show cause notice dated July 15, 2003 has called upon us to show cause why the assessable value of telecom equipment (hardware) imported under Bills of Entry Nos. 239863 dated December 27, 2001, 239864 dated December 27, 2001, 422490 dated January 3, 2003 should not be taken collectively, on which an import duty amount of Rs.48.76 million short levied in respect of the Bills of Entry should not be demanded and recovered, why the amount of Rs. 15.95 million deposited by us should not be adjusted and appropriated towards a differential duty amount, and why interest and penalty should not be imposed. We have replied to the show cause notice vide letter dated October 13, 2003. Hearing before the Commissioner was held on January 22, 2004 and the order is awaited.

f. We have received a show cause notice dated December 10, 1998 from the authorities to show cause as to why an excise duty totaling Rs.86.86 million, corresponding to the period November 1993 to October 1998, should not be recovered for manufacturing and clearing excisable goods namely Natural Gasoline Liquid (NGL) and CNG from the LPG Recovery Plant at Vaghodia. We have replied to the notice. The Commissioner, Central Excise and Customs Vadodra, vide its order dated May 10, 1999, held that excise duty amounting to Rs.28.56 million plus Rs.90,368/- is recoverable from the Company totaling to an amount of Rs.28.65 million. Penalty has also been imposed of the same amount. Against this order of the Commissioner, Central Excise, we filed an appeal before CEGAT. For the Vijaipur plant there is also a demand on the same issue of an amount of Rs. 220.36 million and a penalty amounting to Rs. 320.36 million. The Appeal has been decided in favour of the Company on January 15, 2004,however the excise department may appeal against the aforesaid order.

g. We have received a show cause notice dated December 3, 1999 from the excise authorities proposing to disallow modvat credit availed on certain capital goods for the period 1994-1995 to 1998-1999 on the grounds that these capital goods did not qualify the definition of capital goods under Rule 57Q of the Central Excise Rules, 1944 and modvat credit has been availed without filing the requisite declaration and intimation of the receipt of the goods with the Central Excise Department. The Commissioner (Appeals) by its order dated August 29, 2003 confirmed a demand of Rs.87.5 million against which appeal has been filed by us before CEGAT which is pending.

There are certain other customs and excise duty matters pertaining to the Company involving an amount of Rs. 69.56 mn.

E. CIVIL CASES

147 civil cases have been filed by/against us on matters relating to contract, challenge to arbitration awards and other matters. The total claims by/against us in these cases amount to approximately Rs.758.592 million. The following are the details of material litigation of our Company:

1. Essar Steel Ltd. ("ESL") has filed a Civil Writ Petition before the Gujarat High Court challenging our demand notice as inconsistent with government pricing orders dated December 31, 1991, September 18, 1997 and September 30, 1997, relating to the price for gas we supplied to ESL. The contract in question related to the supply of gas by ONGC to ESL where during the tenure of the contract we were assigned the function relating to billing and realization of payment. Accordingly, we demanded payment from ESL of Rs.1245.6 million under a demand notice dated May 1,2001. ESL sought to obtain a stay of the demand/disconnection notice on the ground that its liability was not to be computed as per the existing contract price but rather under the government pricing orders; and that it was not liable to pay transportation charges because it had used a pipeline owned by it.

2. The Gujarat High Court granted a stay of our demand/disconnection notice and directed ESL to continue to pay the charges for gas regularly as per our invoice, to deposit a sum of Rs.10 million with us and to open an irrevocable letter of credit in our favour. ESL is complying with the interim order and the matter is pending.

3. The Association of Natural Gas Consuming Industries of Gujarat has filed a civil writ petition before the Supreme Court against the Union of India and other parties, including us. The petition primarily concerns the issue of the legislative competence of the Gujarat State Government to fix the price of 'natural gas' by enacting the Gujarat Gas Act. The case was referred for argument to the Supreme Court. A decision by this body is currently awaited.

4. M.C. Mehta filed a civil writ petition before the Supreme Court against the Union of India regarding the issue of environmental pollution within the Taj Trapezium Zone in the city of Agra, Uttar Pradesh. The petition asserts that the pollution is caused by the use of conventional fuel (coal/coke) by certain industries. We were made a party to the case and, as per directions of the Supreme Court, have completed laying a pipeline in Zone I at a cost of around Rs.900 million. In February 2000, we submitted

the cost of laying distribution network for Zones II and III as being Rs.1200 million. We may be required to lay pipeline for supply of natural gas to Zone II and III by the order(s) of the Supreme Court where the matter is pending.

5. ARB Inc. USA filed a suit in the Delhi High Court for a declaration and injunction against United India Insurance Company Ltd. and others, including us. We had awarded to Punj Lloyd Limited the work of installing new pipelines by Horizontal Directional Drilling (HDD) across the rivers Mahi and Sabarmati. Punj Lloyd Limited appointed M/s ARB Inc to provide technical know-how. United India Insurance Company issued three insurance policies whereby we, Punj Lloyd Ltd. and their sub-contractor were the insured parties. Subsequently, Punj Lloyd Ltd. withdrew from the project and ARB Inc. agreed to complete the remaining work itself. ARB Inc. lodged a complaint with the insurance company but no money was paid. ARB Inc. then sought a declaration of its rights as the rightful owner of the insurable interest under the insurance policy and an injunction preventing the insurance company and other parties from duly processing the claim and executing the necessary endorsements on the policy to recognize the insurable interest of ARB Inc. ARB also sought an injunction preventing the insurance company from paying the amount of the insurance claim to the other parties. The amount of loss claimed in the suit is Rs.105 million. The Delhi High Court has passed an order restraining the insurance company from paying under the insurance policy to any of the parties to the suit, including us.

6. We have filed an appeal before the Mumbai High Court against Indocan Engineering Systems Pvt. Ltd ("Indocan") challenging an injunction order entered against us. We had awarded Indocan a contract in respect of the DM water plant and condensate polishing unit Petrochemical Complex Pata, pursuant to which Indocan had furnished three bank guarantees amounting in the aggregate to Rs.13.625 million. Inadequate performance by Indocan led us to invoke the guarantees, but Civil Judge, Pune, granted an injunction enjoining us from doing so. We have filed an appeal against the injunction order. Indocan has gone into liquidation and the Official Liquidator has been made a party to the pending appeal. We also entered into arbitration with Indocan. The arbitrators awarded us an amount of Rs.35.01 million in August 2002. In the award, the tribunal observed that we had rightfully invoked the bank guarantees and that we were entitled to claim the amount with interest (subject to directions of the Mumbai High Court in the aforementioned appeal).

7. We have filed a suit in the Delhi High Court against M/s Surya Roshni Limited for recovery of a sum of Rs.13.22 million including interest representing damages arising out of the bursting of pipes which M/s Surya Roshni Limited had supplied to us.

8. We have filed two writ petitions in 2002 and 2003, respectively, before the Allahabad High Court challenging the decision of the State Government to levy an entry tax on gas purchased by us from ONGC at market value (sale price) instead of purchase price. The High Court in the writ petition filed in 2002, namely Writ (Tax) No. 1138 of 2002, passed an interim order on April 10, 2002 staying the charge of the differential amount until disposal of the writ petition. The total demand raised by the authorities was Rs.223.3 million, against which appeals are pending.

9. M/s Keti Construction (I) Ltd. invoked arbitration in 1998, claiming an aggregate of Rs.25 million arising out of a contract for the construction of residential houses in the

township of GAIL at Dibiyapur (U.P.). The arbitrator delivered a no-claim award, which was challenged by Keti Construction before the Delhi High Court. The challenge was dismissed. The period for appealing against the order has not expired.

10. We challenged in the Delhi High Court an arbitration award dated March 25, 2003 made in favour of Kalyani Mukund Limited (Kalyani) relating to a gas supply contract dated March 30, 1992. The contract was for supply of gas from the ICP-Heera Pipelines of ONGCL for projects in Raigad District, Maharashtra for manufacturing sponge iron by Kalyani. Due to defaults and delays on the part of Kalyani, we forfeited Rs.19.1 million of the security deposit and encashed the bank guarantee of Rs.57.3 million. Kalyani failed to comply with the time schedule for each of the activities undertaken. In its reply, Kalyani stated that it had complied with all its obligations under the contract and obtained approvals etc. on which it incurred huge investments.

    Kalyani filed a counter claim against us for Rs.7758.82 million

    The award dated March 25, 2003 held that we did not breach the contract but that our repudiation of obligations was without any justification and thus we were liable. The Arbitral Tribunal thus directed us to: release the bank guarantee of Rs.57.3 million; reimburse Kalyani with the bank guarantee commission of Rs.6 million including interest at 12% from the date of furnishing the bank guarantee, i.e. March 26, 1992; refund the security deposit of Rs.19.1 million including interest at 11% from March 26, 1992 until recovery; pay Rs.50 million as damages towards reimbursement of expenses incurred by Kalyani on obtaining various approvals and reports and/or surveys through the consultants; pay Rs.50 million to Kalyani for loss of profit; pay legal costs and expenses of Rs.3 million, to be paid within 4 months otherwise interest at 15% from the date of Award will also be payable.

    We have filed objections challenging the award before the Delhi High Court, which are pending.

11. We have challenged an Award dated December 3, 2002, directing us to pay to GR Engineering Limited a sum of Rs.140 million including interest on the sums at 4% per annum from January 1, 1999. We had awarded to GR Engineering Limited a contract for US$295,239 and DM 459,205 in respect of Tender No. GAIL/ND/CP/3032/76/96. The contract was for two bed systems for a mounted LPG Storage System for the purposes of design, residual engineering, supply, fabrication, erection, construction, testing and commissioning of the mounted LPG Storage System at Ussar, District Raigad, Maharashtra. The disputes concern the work of filling of murram instead of gravel. The proceedings are pending before the Delhi High Court.

12. We have challenged an arbitration award made in favour of Saw Pipes Limited. The disputes relate to a contract between Saw Pipes Limited and us for supply of pipeline to transport gas from Hazira to Babrala and Jagdishpur. Saw Pipes Limited was awarded the contract on October 31, 1994 for the supply of 513.5KMs of 36-inch polyethelene coated pipes for a total value of US$155,685,368.20. The contract was to be completed in October 1995. Saw Pipes Limited alleged that we breached the

terms of the contract. We denied the allegations and made counter claims for breach of contract by Saw Pipes Limited.

The Arbitral Tribunal passed an award dated December 17, 2002 directing us to: pay a sum of US$7,230,378.23 together with interest at 6% per annum from April 1, 1997 until the date of decree; pay a sum of Rs.1.8 million along with interest at 12% per annum with effect from April 1, 1997; and pay a sum of Rs.5 million as costs; interest at 12% per annum on converting the awarded sum along with interest from the date of decree until payment. Our claims were rejected by the Arbitral Tribunal. Objections are pending arguments before the Delhi High Court.

13. We have challenged an arbitration award dated March 28, 2003 passed in favour of Geo Miller & Co. Limited ("GML"). The dispute concerns the calculation of dues payable to GML arising from a project to build a wastewater plant at Usar. The amount of the award was Rs.5.03 million. The case is pending before the Delhi High Court.

14. We have challenged an arbitration award dated April 20, 2002 before the Delhi High Court whereby Cherrington Asia Inc. (“Cherrington”) was awarded US$847,928.25 and Rs.24.15 million, interest US$225,804.45, interest INRs.12.06 million and cost of arbitration US$300,000. The dispute before the arbitral tribunal is in relation to a project for laying 18-inch natural gas pipeline from Tatipaka to Kakinada. The contract value for the work of laying the gas pipeline was US$4,600,000 and Rs.34.5 million. The work was to be completed within five months from the Letter of Intent dated June 18, 1991. Disputes and claims concern the completion of works on time, the extra money we spent on the project cost due to the failure of Cherrington to complete the project on schedule and the consequent demand for liquidated damages by us.

15. We challenged before the Delhi High Court an arbitration award dated March 30, 2002 in favour of Thermax Limited awarding a sum of Rs.10.94 million including interest at 18% per annum, i.e. Rs.3.37 million plus costs of Rs. 0.31 million. Our counterclaim of Rs.1.81 million has been allowed. Thermax Limited has approached us for amicable settlement through DART.

F. ARBITRATION PROCEEDINGS:

There are 27 arbitration cases pending, involving an amount of Rs.678.2 million. A brief summary of the material cases is as under:

1. Ispat Industries Limited, Kolkata (IIL) invoked arbitration on January 7, 2003, based on a dispute relating to a gas supply contract dated September 10, 1991 which we entered into with IIL to supply 1.0 MMSCMD gas for IIL’s sponge iron plant at Pen Tehsil, Raigad District in Maharashtra. This contract was extended up to December 31, 2003. On March 30, 1998, we entered into a supplementary contract with IIL agreeing, *inter alia*, to revise the transmission charges. In addition to the allocation of gas under that gas supply contract, under another tripartite agreement dated December 21, 1999 entered into between IIL,

M/s Kalyani Mukand Limited and us, IIL was also assigned an allocation of 0.75 MMSCMD by M/s Kalyani. Under that tripartite agreement, IIL agreed to discharge all contractual obligations under the provisions of the gas-supply contract between M/s Kalyani and us and also agreed to pay transmission charges for the gas supply assigned by Kalyani. In the arbitration, IIL has claimed losses arising out of the short supply of gas, the fixed transportation costs for the gas assigned by Kalyani, the composition of gas, the method of sampling and the reduced pressure of gas. The total amount claimed by IIL is Rs.7965.989 million. The arbitration is pending.

2. We invoked arbitration against Control Systems International Inc. U.S.A. (CSI) under the aegis of the International Chamber of Commerce Arbitration, Paris (ICC) in 2002. The dispute concerns a purchase order dated December 12, 1996 which we placed to CSI for the supply, installation, commissioning, etc. of the LPG Loading Automation System for our LPG Lakwa Project. According to the contract, all equipment/goods were to be supplied through a single shipment and then erected, tested and commissioned at the site within the stipulated time. The value of the purchase order was US$970 min plus Rs.0.35 million. Engineers India Limited (EIL) was appointed as our consultant. We received the first instalment invoiced at US$348,300 and paid 90% of the invoice amount. CSI dispatched the second consignment of goods without inspection clearance and sent the invoice for US$492,454.17 to the bank for clearance. The bank released 90% of the invoice, i.e. US$375,415.91. We alleged that CSI had submitted a forged inspection report by forging EIL's Engineer's signatures, based on which the bank had released the payment. We have not accepted the material received against the second invoice, which is presently at the Calcutta Port. We alleged that CSI had not performed its contractual obligations even after collecting the entire amount of the contract value and lodged a complaint with the police and CBI for forgery and cheating.

   We invoked arbitration on March 28, 2002 for recovery of US$0.505 million plus Rs.0.78 million including interest at the rate of 18% per annum and a Sole Arbitrator was appointed by the ICC, Paris for the resolution of disputes between the parties.

   CSI filed a counter claim of US$1.176 million claiming a set off of the amount based on additional labour and expenses due to alleged delays on our part; for losses due to alleged delay on our part in providing variables/details and approvals required by CSI resulting in a delay in meeting the project schedule, technical obsolescence, cost overruns; expenses relating to procurement and eventual storage of hardware and software not sent to our job site; and loss on account of our encashing the Performance Bond and shipping expenses. The arbitration proceedings are pending at New Delhi.

3. M/s Vogue Ceramics Gujarat Pvt. Ltd. invoked arbitration in January 2002, based on a dispute relating to a gas supply contract. M/s Vogue Ceramics had provided a bank guarantee of Rs.3.06 million and furnished a bank draft of Rs.1.02 million as a security deposit. We terminated the contract on the ground that the specified quantity of gas allocated to M/s Vogue Ceramics had not been drawn within the stipulated period. We invoked the bank guarantee and forfeited the security deposit. The dispute concerns the forfeiture of the security deposit, encashment of

the bank guarantee and illegal termination of the contract and alleged losses arising therefrom. We filed a counterclaim for damages under the contract of Rs.28.74 million. The total amount claimed is Rs.39.08 million plus interest at 18% per annum. The arbitration proceedings are pending.

4. M/s Satish Constructions Pvt. Ltd. invoked arbitration in December 2000, based on a dispute relating to an award of work by us to them for construction of 45 numbers 'B' type and 15 numbers 'D' type residences and related works at our Township for Petrochemical Complex at Dibiyapur, District Etawah (U.P.). The dispute concerns the levy of liquidated damages, forfeiture of security deposit and a claim for the amounts spent for extra work. The total claim is of Rs.19.9 million. We raised a counter claim for Rs.61,500/- based on losses arising out of delayed completion of the works. The arbitration is pending.

5. Adison Constructions Limited ("Adison") invoked arbitration in February 2002, based on a dispute relating to payment of the final bill for civil and structural works to the LPG Recovery Project at Lakwa, District Sibsagar, Assam which were not completed within the stipulated time. Adison disputes our payment of final dues, which, in light of the delay in completion, deducted liquidated damages from the amount payable in accordance with the terms of the contract. Adison seeks an award of damages amounting to Rs.203.3 million. The arbitration proceedings are pending.

6. Surbhee Furnishers & Decorators (Surbhee) invoked arbitration in May 2001, based on a dispute relating to concerns recovery of amounts for the works undertaken by Surbhee for interior furniture, internal electrification and air conditioning works for our office at Ahmedabad. We have disputed this and raised counter claims. The total amount claimed is Rs.14.7 million. The arbitration hearings are concluded and the award is awaited.

7. Gobind Glass & Industries Ltd. invoked arbitration on March 24, 1998, based on disputes relating to the reduction in the contracted quantity of gas supplied and the applicability of `minimum guaranteed offtake' (MGO) charges. Gobind Glass & Industries alleges that we failed to supply gas on time and has made a claim of Rs.8.2 million. We made counter claims relating to the MGO charges, which currently amount to over Rs.23 million. The Arbitral Tribunal is yet to be constituted. Gobind Glass & Industries has been declared a Sick Industrial Company by BIFR on September 14, 1998 and a draft proposal for rehabilitation is under consideration by BIFR.

8. NUCON India Pvt. Ltd. invoked arbitration in the year 1999, while the work of construction of houses and other related work for us at NOIDA was in progress. NUCON India alleges defaults, delays and other breaches of the contract by us, claiming damages of Rs.14.1 million. Since August 20, 1999, the arbitration has, on the request of NUCON, been kept in abeyance by the arbitrator and will be resumed upon written request by either party.

9. Sterling Chemical Industries Ltd. invoked arbitration in July 2002 based on a dispute relating to a gas supply contract for their plant at Vasana. The dispute concerns transportation charges and the amount claimed is Rs.37.1 million towards refund of transportation charges and damages due to the short supply of

gas. We raised a counter claim amounting to Rs.1.86 million in December 2003. The matter is presently pending before the Arbitrator.

10. Madhusudan Industries and six consumers at Kadi, Gujarat invoked arbitration in 1992 based on a dispute concerning the levy of transportation charges and metering charges amounting to Rs.37.1 million for the period 1987 to 1996. The Kadi consumers have been receiving gas from ONGC since 1981 and, in 1991, ONGC entered into a similar agreement with the Kadi consumers for the supply of gas covering the period 1989 to 1996 whereby transportation charges were agreed to be levied retrospectively from 1989 to 1991. Pursuant to ONGC's transfer of gas marketing functions to us, we collected the transportation and metering charges from the consumers from 1992 to 1996. The consumers invoked arbitration contesting that the charges were wrongly collected by ONGC and us and that they are entitled to a refund of the charges paid from 1987 to 1996, which matter is pending.

11. Gujarat Borosil Ltd. (GBL) invoked arbitration based on a dispute pertaining to transportation charges for the supply of 24000 SCMD of gas. We had entered into an agreement with GBL dated February 16, 1995 for the sale of gas to GBL at its plant located at Village Govali, Taluk Jagadia, District Bharuch, Gujarat from the fields of ONGC located at Gandhar, Gujarat. There was a Supplementary Agreement dated July 8, 1996 for supply of an additional quantity of gas. An award has been passed in favour of GBL whereby it has been directed that an amount of Rs. 20.8 million be refunded by the Company on account of additional transportation charges, Rs. 5,76,572/- has been directed to be refunded on account of excess payment of escalation charges, recomputation of escalation charges @ 3% from June 1997 has been directed, refund of excess amount from June 1997 paid by GBL against bills raised by the Company for additional transportation charges @ Rs. 6,88,808/- alongwith pendente lite and future interest @ 12% per annum and costs of Rs. 3,93,615/- have been awarded.

12. We have invoked arbitration against Hindustan Sanitaryware & Industries Ltd. ("HSIL") claiming Rs.10.72 million. The dispute concerns the purchase and delivery of the quantity and volume of gas stipulated in a contract December 24, 1990 for the sale and delivery of gas by us to HSIL to be delivered at the plant of HSIL at Bahadurgarh, District Rohtak. The disputes are pending adjudication before the arbitral tribunal.

G. LAND ACQUISITION MATTERS

There are 694 cases relating to land acquisition proceedings where the parties have claimed enhancement of compensation awards, diversion of land, opening of Right Of Use (ROU) and other similar issues. The total amount involved in these cases is Rs. 509.681 million. The project sites involved in the outstanding litigation relating to land acquisition and the amounts involved therein include those at Ahmedabad, Baroda, Pata/ Auraya, Rajahmundhary.

One of the material land acquisition cases relates to land acquired for the purpose of a compressor station at Jhabua. The Collector, Jhabua, vide his order No. 33/A/16(3)/84-85 dated December 31, 1985, allotted 8.745 hectares in village Gaylor Kalan for the compressor station and 5.770 hectares in village Madhopura for GAIL Township to the D.I.C. (District Industries Centre) for further allotment to us. We executed the lease deed with District Industries Centre for a period of 99 years.

The office of the Accountant General, Madhya Pradesh raised audit objections that the purpose of the lease should be treated as commercial and, thus, we were liable for a higher premium and lease rent. Accordingly, a recovery warrant was issued by the Tehsildar, Jhabua, for the recovery of Rs.95,32,037/-, the revised amount of premium and ground rent for the land. We filed a civil suit in the Court of the Additional District Judge, Jhabua, and were granted a temporary injunction against the recovery of that amount. Tehsildar, Jhabua, challenged the temporary injunction before the High Court of Madhya Pradesh, Indore Bench. The High Court heard the parties and passed orders that we file an undertaking before the trial court expressing our willingness to pay the amount along with interest at a rate of 12% per annum. In this way, in the event the suit failed, the revenue authorities would suffer no loss because of the time consumed in the trial. The matter has been remanded and is pending before the Jhabua court.

H. SERVICE AND LABOUR MATTERS

There are 89 matters pertaining to Service and Labour pending before various forums, against the Company. The material cases against us are outlined below:

1. Employment and Service Matters

There are 18 matters pending before various forums, including 14 before various High Courts, filed by employees (including trainees, probationers, casual workers and an individual on deputation and the GAIL Officers Association (GOA). The matters relate to, *inter alia*, promotion, absorption in a higher grade, termination, a proposed promotion scheme, appointment/selection process, departmental proceedings, salary, claims against medical expenses and non-payment of dues.

The GOA has filed writ petitions, *inter alia*, against implementation of the proposed promotion scheme, for drafting a transfer policy, for quashing of Performance Appraisal Development Report (PAD) Circular (which is considered while giving promotions). In Writ Petition No. 17796/2003 filed by GOA (Southern Unit) to quash the Green Ribbon (Fast Track) Scheme which gives accelerated promotions, the Chennai High Court vide its order dated June 27, 2003 has directed that any promotion shall be subject to further orders of the Court in the writ petition.

2. Contract Labour Cases

We have been made party to 38 different proceedings filed by about 224 contract labourers against their contractors for various services provided to us by them at various locations. The proceedings are pending before various Tribunals, Labour Courts, Prescribed Authorities, including enquiry from ALC. The labourers have claimed relief against their respective contractors and against us for termination of service, retrenchment, regularization, absorption, wages, dues and compensation.

In one of the references pending before the Central Government Industrial Tribunal, Jabalpur, involving more than 100 workmen, one issue raised is what relief the workers engaged through the contractors are entitled to if the Union argues that the contractors engaged by us in Vijaypur, Guna are not genuine.

We have also initiated appropriate proceedings before various High Courts seeking, *inter alia*, a stay of some of the proceedings.

In addition, we have also been made a party to 7 proceedings pending before various High Courts filed by about 140 contract labourers provided to us by the contractors. They have claimed regularization/employment/compensation from us.

3. Other Matters

(a) There are approximately 7 proceedings pending in various Courts, including High Courts, which have been filed against us by Project Affected Persons (PAP), who are claiming employment from us stating that their land has been acquired by us.

(b) We have been made a party in 4 appeals filed by a contractor in the High Court of Madhya Pradesh. The appeals arise pursuant to the decision of the Workmen's Compensation Commission holding the contractor responsible for payment of compensation to the legal representatives of the deceased contract labourers. The Commission had ordered that we pay the amount jointly and severally with the contractor. We have deducted the required amount from the bills of the contractor and deposited them with the Commission. In these appeals, the contractor has prayed for dismissal of the order of the Commission or, in the alternative that we should be made responsible for payment of the compensation.

(c) In addition, there are 3 matters filed against us which are pending before the Industrial Tribunals and Labour Court. The first matter was filed by a casual labourer against his termination. The second matter was filed by a contractor who claims to be our employee and seeks reinstatement. The third matter was filed by four drivers working under a contingent arrangement, seeking regularization by us.

I. OUTSTANDING LITIGATIONS INVOLVING JOINT VENTURES & ASSOCIATE COMPANY OF GAIL

The following are the details of the material litigation of our related companies:

Indraprastha Gas Limited ("IGL")

Contingent Liabilities as on June 30, 2003

- Customs duty claims of Rs.30.71 million against which IGL has filed an appeal. The entire claim amount has been deposited by IGL under protest.

- IGL has received a show cause notice from customs authorities in respect of valuation of goods for payment of duty. IGL has disputed this claim and deposited Rs.8 million under protest.

- Prices of natural gas for the year ended March 31, 2003, year ended March 31, 2002 and March 31, 2001 might be under review by the Ministry of Petroleum and Natural Gas, Government of India. Currently, purchases of gas are being made based on rate specified in the MoPNG intimation dated September 18, 1997. Additional Liability if any and arising out of the aforesaid revision will be recognised when prices are finalised.

Outstanding Litgation as on December 31, 2003.

Customs Litigation

IGL had paid a customs duty amounting to Rs.12.7 mn on compressors imported from Galileo, Argentina, based on IGL's calculation of the value of the transaction. The Department of Customs issued a show cause notice vide F.No. S/6-Gr-VA-58/2000R to IGL stating that the transaction price had not included the cost of installation and commissioning and made a demand for an additional customs duty of Rs.7,61,828.00. IGL paid the duty under protest on May 8, 2000 and then claimed a refund. The refund claim was rejected by the Deputy Commissioner of Customs (Imports). IGL appealed against the order before the Customs Commissioner (Appeals), Mumbai. The contingent liability in the case is Rs.7,61,828.00 which has been paid under protest.

DRI Litigation

IGL had imported two CNG compressors each from M/s. Safe SRL, Italy and M/s. Delta, Argentina. The Directorate of Revenue Intelligence ("DRI") issued a show cause notice ("Notice") dated March 26, 2003 alleging that IGL had deliberately shifted the price from the taxable component (the price of compressors) to the non-taxable component (charges for post importation) tests/activities, such as installing and commissioning charges etc. The notice called upon IGL to show cause as to why the value of the mother compressors mentioned in the Notice should not be rejected by the DRI, why the goods mentioned in the Notice and imported should not be held liable for confiscation, why a customs duty of Rs.10.87 million should not be demanded and recovered, with interest under section 28AB of the Customs Act, 1962, why a penalty should not be imposed on IGL, and why a customs duty of Rs.8 million voluntarily deposited by IGL during the course of investigations should not be appropriated and adjusted towards customs duties and penalties payable under the notices.

The show cause notice also required IGL to show cause why Mr. A.K. De, Managing Director, Mr. L. Lobo, Director (Commercial) and Mr. O.P. Sharma, Vice President should not be liable to pay a penalty under section 112 (a) of the Customs Act, 1962.

A reply in the form of an application dated July 15, 2003 has been filed before the Settlement Commission, New Delhi wherein IGL has admitted the additional duty liability of Rs.7.18 mn and requested a grant of waiver from the imposition of the redemption fine and penalty under the provisions of the Customs Act, 1962, a grant of waiver from the levy of interest under section 28AB of the Custom Act, 1962 and a grant of immunity from prosecution under the Customs Act and all other Central Acts in relation to the offence made in the show cause notice.

Property Tax Demands

IGL received demand notices from the Assessment and Collection Department, Municipal Corporation of Delhi and the House Tax Department of New Delhi Municipal Corporation, for payment of property tax amounting to Rs.52.4 million as on June 30, 2003.

Labour Cases

IGL has been made a party, vide 35 different notices served on them by the Government of NCT of Delhi, to claims made by 35 contract laborers who had been dismissed from service by the operators appointed by them for operation of CNG stations. The matters have been referred to the designated labour court for adjudication by the Government of NCT of Delhi.

IGL has also received an order No. F.24 (1186)/2003/Lab dated July 18, 2003, under the Industrial Disputes Act, 1947 from the Government of NCT of Delhi referring a dispute to the designated labour court for adjudication. The dispute, raised by the Vyapar Tatha Udyog Karmachari Sangh, relates to whether workmen performing the duties of drive-way salesmen and technicians are entitled to be regularized as employees of IGL. IGL is in the process of preparing a reply. No orders have been received from the designated labour court on this matter as of the date of this Preliminary Sale Document.

IGL has received a show cause notice from the Industrial Tribunal, Karkardooma, Shahadra, New Delhi to appear in person on September 1, 2003 before the Industrial Tribunal in relation to an application filed by the Vypar Tatha Udyog Karmachari Sangh for an increase in the wages of laborers employed by contractors appointed by them in their CNG stations. The first hearing in this case was held on October 21, 2003 and no adverse orders have been passed.

Excise Case

IGL has received a demand cum show cause notice, C.No. CE-20/IGL/Demand/R-29/2003/1433 dated September 16, 2003 from the Deputy Commissioner of Central Excise, New Delhi. The notice seeks to recover from IGL CENVAT credit amounting to Rs.11.47 mn which was claimed during the period August 2002 to July 2003, under the provisions of the Central Excise Act, 1944 and CENVAT Credit Rules, 2002. The notice further seeks to impose interest and a penalty of the same amount on IGL.

The total contingent liability in this case amounts to Rs.22.94 mn plus interest. IGL has requested the excise department for copies of the documents on which their calculations are based and will submit a reply upon receipt of those documents.

Matter relating to CNG

In public interest litigation (M.C. Mehta V/s. Union of India- Writ Petition (Civil) No. 13029/1985) there is a pending issue relating to IGL increasing the price of CNG (from Rs.13.11 per kg. to Rs.16.83 per kg.). The Supreme Court vide its order dated July 29, 2002, directed IGL to file an affidavit which would deal with, among other things, IGL's estimates on the projected sale of CNG. Pursuant to the direction, an affidavit of Mr. P.S. Bhargava, Director (Commercial) was filed on August 20, 2002, stating that the increase in the price of CNG was necessitated on account of certain factors, including low returns on equity, increased dealer charges for an oil marketing company, lower cash flow, increased charges towards repairs and maintenance, higher salaries and wages to CNG operators and an increase in administrative expenses.

The Supreme Court has also directed the Environment Pollution (Prevention & Control) Authority ("Committee") among other things to investigate the pricing of CNG. Committee has filed two reports in this regard.

Writ Petition against location of CNG stations:

In the Writ Petition, an interim application I.A. No. 194 of 2002 is also pending, filed by Ishwar Nagar (East), Residents' Association, praying for the relocation of the CNG station located at Ishwar Nagar. The petition was filed after a fire broke out at the CNG station on July 29, 2002.

Mahanagar Gas Limited ("MGL")

Contingent Liabilities as on March 31, 2003**:**

- Estimated amount of contracts to be executed on capital account and not provided for (net of advances paid): Rs.940.79 mn.
- Claims against MGL not acknowledged as debts: Rs.16.75 mn.
- Letter of credit for Rs.22.25 mn in favour of foreign suppliers.

Outstanding Litigations against MGL, as on January 14, 2003

Sunil R. Gawade vs MGL & others: This writ petition has been dismissed by Hon'ble Bombay High Court on January 8/9, 2004, the certified true copy of the order is yet to be received.

Public Interest Litigation against MGL

Pushpa Chavan v. MGL and others: Writ Petition No. 37 of 2003 has been filed in the Bombay High Court by Ms. Pushpa Chavan and Dr. Kalpana R. Kulkarni against MGL, British Gas, GAIL, the State of Maharashtra through the Department of Energy, Municipal Corporation of Greater Mumbai, Reliance Infocom Limited and the Commissioner of Police, relating to two separate incidents which took place on February 13, 2003 at BPS Marg, Kol-Dongri, Andheri (East), Mumbai and on March 19, 2003 opposite Chandivali Photo Studio, Sakinaka, Mumbai. The Petitioners have alleged that there was leakage of PNG, which led to the fire in both incidents. The petitioners have, *inter alia*, demanded that the Municipal Corporation of Greater Mumbai revoke / cancel the permission granted to MGL and others for laying down pipelines for the supply of natural gas to the Metropolitan of Mumbai, revoke the permission for the supply of natural gas to the Metropolitan of Mumbai and also revoke the permission for the supply of PNG to the Metropolitan of Mumbai. The case is due for hearing on admission in Bombay High Court.

Civil Litigation against MGL

Mohammed Abbas Jhanhharya v. MGL: Suit No. 2401 of 2003 has been filed by Mohammed Abbas Jhanjharya in the City Civil Court, Mumbai. The matter relates to MGL potentially providing PNG to a restaurant situated in Goregaon (East), Mumbai. It is alleged that MGL is planning to provide PNG to the occupants, without asking for consent from the plaintiff who is the landlord. The plaintiff is seeking an injunction from the Court restraining MGL from providing PNG. The matter is pending before the City Civil Court.

S.R.Jadhav and others v. MGL: Suit No. 6075 of 1999 has been filed by S.R. Jadhav and others residing in Pallavi "B" Society, Pant Nagar, Ghatkopar (East), Mumbai in the City Civil Court, Mumbai. The suit alleges that MGL constructed a district regulating station ("DRS") at the premises of Pallavi "A" Society instead of Pallavi "B" Society. The matter is at the stage of recording evidence in the City Civil Court, Mumbai.

AVM Enterprises v. MGL: Suit No. 5503/98 has been filed by AVM Enterprises in the Bombay High Court alleging that, after placing an order of Rs.18.42 mn for a supply of ball valves with AVM Enterprise, MGL wrote a letter changing the original order in certain respects and reducing the value to Rs.11.58 mn. AVM Enterprises has prayed that MGL be directed to pay them Rs.13.23 mn along with interest at a rate of 21% per annum from December 1, 1998, and also be directed to take delivery of the goods, which are ready with AVM Enterprises. The matter is not yet come up for hearing in the Bombay High Court.

Consumer Complaints against MGL

There are 8 cases pending against MGL in the District Consumer Redressal Forum, Mumbai. The approximate liability in these cases could amount to Rs.6 mn. The cases relate to delays in connections, providing PNG at cheaper rates than the applicable rate, providing connections where, due to safety and technical reasons, it is not possible to provide PNG, and compensation for damages caused in an explosion allegedly caused by PNG.

Criminal Cases (In the nature of Complaint)

A complaint has been filed by the Municipal Corporation of Greater Mumbai ("MCGM") against MGL and two officers who were on deputation from GAIL (India) Ltd to MGL. The complaint related to MGL keeping or allowing to be kept combustible substances in excess of prescribed limits and without license from MCGM. MGL pleaded guilty and deposited the fine as imposed by the Hon'ble Metropolitan Magistrate Court, Mumbai.

An ex-employee of MGL, Shri M.S. Khatrkar, has filed a defamation case against Ex.Managing Director Shri G.V.S. Sai Prasad in his personal capacity, for initiating a disciplinary action against him. Because the alleged defamation pertains to the tenure period of Shri Sai Prasad, MGL has, in principle, decided to financially support the litigation.

Labour Disputes

There are two labour disputes relating to the permanency of 36 contract / casual workmen. The cases are pending before the Ministry of Labour for the Government of India.

Income Tax

In the Assessment year 2000-2001 an appeal was filed against the order under section 154 of the Income Tax Act. To minimize the levy of interest , MGL paid the full arrears of Rs.2.49 million on January 10, 2003. The appeal is still pending.

In the Assessment year 2002-2003 an intimation was received from the Income Tax Dept. for dues of Rs.469,619/- due to the short credit by the department of a Rs.400,000/- TDS certificate and the wrong levy of interest which has been clarified by a letter dated July 17, 2003.

Others (Notice served on MGL)

Smoke Affected Resident Forum v. State of Maharashtra and Others: Writ Petition No. 1762/99 filed in the Bombay High Court by Smoke Affected Resident Forum against, among others, the State of Maharashtra, Union of India, Brihanmumbai Electrical Supply and Transport ("BEST"), the Municipal Corporation of Greater Mumbai and others, praying that directions be issued to the Municipal Corporation of Greater Mumbai and the State Government and its authorities, including police authorities in Mumbai, to the effect that:

No motor vehicle (i.e. cars including taxis, trucks, buses, two and three wheelers) without unleaded petrol shall be permitted to ply in Mumbai city roads on and from August 1, 1999.

On and from October 1, 1999, the percentage of sulphur content in diesel oil shall not exceed .025 or another internationally accepted level.

As of September 1, 1999, all commercial road transport vehicles older than 15 years shall be phased out and not permitted to ply in Mumbai city after February 1, 2000.

The High Court of Bombay issued notice to MGL on April 18, 2000 requesting an appearance on April 28, 2000 to inform the High Court of Bombay on whether it would be possible for MGL to provide CNG to petrol pumps in South Mumbai and whether the CNG can be supplied through tankers. This notice made MGL party to the writ petition. From time to time, the Hon'ble High Court has passed several orders on the matter and MGL had complied with them and filed affidavits in the court relating to setting up CNG infrastructure in the city of Mumbai, including the town and suburban area. The Chief Fire Officer had, vide its letter dated March 12, 2003 issued a show cause notice to MGL in relation to alleged non-compliance of certain fire safety measures. The show cause notice was issued pursuant to two separate incidents of fire on account of a gas leakage caused by digging by external agencies. Subsequently, by letter dated March 20, 2003, MCGM suspended permission for laying the network. Thereafter, vide letter dated April

23, 2003, permission was given to MGL until May 31, 2003 for setting up CNG infrastructure. MGL has been granted necessary permission by MCGM for setting up of PNG and CNG infrastructure during the fair season commenced from October-2003.

As a result of the fire incidents in Mumbai, the Government of Maharashtra formed a committee, under the Chairmanship of Dr. Patangrao Kadam and 27 other members, to decide on measures for the prevention of gas leakage.

The Government of Maharashtra granted "Interest free Deferral of Sales Tax" (the "Deferral") for a period of 13 years commencing April 1, 1996 until March 31, 2009 on the sale of natural gas to MGL. Despite the deferral granted, MGL deposited Rs.15 million under protest, representing to the Government of Maharashtra for the deferral facility to be continued for a period of 13 years. MGL is awaiting response in the matter. As of the date of this Preliminary Sale Document, MGL is availing the deferral facility.

GAIL has raised demand on MGL for payment of an outstanding lease rental of approximately Rs.33.3 million pertaining to land at City Gate Station, Wadala, Mumbai.

There is a disputed claim of interest on lease rent for "City Gate Station Land" at Wadala, Mumbai, raised by the Collector, Mumbai city, amounting to approximately Rs.8.5 million.

Petronet LNG Limited

Contingent Liabilities not provided for as on September 30, 2003**:**

1. Claims against PLL not acknowledged as debts: Rs. 3.87 mn

2. Guarantees given by banks are as under:

    a) Custom Authorities – Rs.73.87 mn

    b) Others – Rs.1162.70 mn

    The above Guarantees have been Counter Guaranteed by PLL in favour of banks.

3. PLL has given Counter Guarantees in favour of four promoter companies against a commitment letter provided by them to the Consortium Lenders/LNG supplier/LNG shipper.

Outstanding Litigations

Labour Case

Shri Kanhiya Lal, a casual worker whose services were terminated in November 2000, filed a case against PLL before the Labour Court, New Delhi, challenging his termination as allegedly illegal, and claiming reinstatement with back wages. PLL has filed a reply stating that Mr. Lal's performance was found to be unsatisfactory, and thus, his termination justified. The case is pending hearing.

Income Tax Cases

Three appeals are pending before the Income Tax Appellate Tribunal, Delhi Bench, New Delhi ("ITAT") against the order of the Commissioner of Income Tax (Appeals) in respect of tax demand for three assessment years being 1999-2000, 2000-2001, and 2001-2002.

PLL filed a return of income declaring nil income for the said three assessment years of 1999-2000, 2000-2001, and 2001-2002, and the case was accordingly assessed. Later, the assessments were reopened and the income for 1999-2000, 2000-2001, and 2001-2002, was assessed as Rs.5,89,935/-, Rs. 41,61,991/- and Rs.4,94,54,064/- respectively. Income tax and penalty were directed to be paid by the Income Tax Officer ("ITO"). PLL's contention before the ITO was that PLL did not carry out any business activity during the three assessment years. PLL had invested its funds in Fixed Deposits with banks, which had earned interest. PLL treated this interest income as business income, and set off the amount against its pre-operative business expenses. The ITO assessed this interest income as income from other sources, and made it liable to income tax.

For all the three years PLL appealed against the ITO's orders before the Commissioner of Income Tax (Appeals), however the Commissioner of Income Tax (Appeals) upheld the ITO's order. An appeal has been filed by PLL in the ITAT, which is pending. Since that time, PLL has deposited under protest a sum of Rs. 3,57,210/- for the assessment year 1999-2000, Rs.22,45,860/- for the assessment year 2000-2001, and Rs.2,29,53,010/- for the assessment year 2001-2002 as tax. PLL has also deposited under protest, a sum of Rs.11,21,553/- towards interest on delayed payment for the said years 1999-2000, 2000-2001, and 2001-2002.

Gujarat State Energy Generation Ltd. ("GSEGL")

Contingent Liability not provided for as on March 31, 2003

GSEG has contingent liability based on a bank guarantee issued by Central Bank of India in favour of the supplier of GSEG, amounting in the aggregate to Rs.142.8 mn.

Outstanding Litigation as on December 31, 2003.

On October 23, 2001, two civil cases were filed before the Gujarat Electricity Regulatory Commission, Ahmedabad, by Consumer Education and Research Society against the Gujarat Electricity Board and seven Independent Power Producers (IPPs) in Gujarat, seeking a review of Power Purchase Agreement (PPAs) executed on the basis that tariff as per these PPAs is not competitive.

On September 27, 2002, a civil case was filed before the Gujarat Electricity Regulatory Commission, Ahmedabad, by the Gujarat Electricity Board against seven IPPs in Gujarat, seeking rationalization / reduction in tariff.

Gujarat State Energy Generation Ltd. is a party in both the cases as one of the seven IPPs.

J. CONTINGENT LIABILITIES OF OUR COMPANY

Our contingent liabilities as of December 31, 2003:

1. Claims against us not acknowledged as debts: Rs.75,755.4 million which mainly include:

(a) Claims of ONGC for Rs.3713 million based on interest for delayed payment and MGO, etc. Out of these MGO claims of Rs.560 million are recoverable on back-to-back basis.

(b) Income Tax Demand of Rs.7298.8 million relating to Assessment Years 1996-97, 1997-98, 1998-99, 1999-2000 and 2000-01.

(c) Sales Tax Demand of Rs.19508.9 million and interest thereon Rs.9952.4 million 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 the other states during the period April, 1994 to August 1999 as inter state sales under section 3(a) of the Central Sales Tax Act.

(d) Commissioner of Customs, Ahmedabad, has issued show cause notices calling upon us and the joint venture consortium, comprised of M/s Enron Oil and Gas India Limited ("EOGI"), M/s Oil and Natural Gas Commission Limited ("ONGC") and M/s Reliance Industries Limited ("Reliance"), to show cause as to why customs duty totaling to an amount of Rs.5812.16 million should not be recovered. We have been treated as importer in terms of Section 2(26) of the Customs Act, 1962 because of the purchase of gas and condensate from the joint venture consortium from the Tapti and Panna-Mukta oilfield platforms, which are not declared as designated areas. We have replied to the show cause notice vide reply dated June 14, 2002.

(e) The Customs Authorities, Mumbai, by their show cause notice dated January 19, 2001 have raised a differential customs duty demand of Rs.3055.25 million against project imports forPetrochemical Complex, Pata Plant, on account of the non-submission of a reconciliation statement as required under Project Import Regulations 1986. The demand was confirmed by an order dated February 2, 2001 passed by the Deputy Commissioner of Customs, Mumbai, against which we filed an appeal before CEGAT. CEGAT has remanded the matter to the Deputy Commissioner of Customs, Mumbai for fresh adjudication.

(f) Excise duty demand including interest and penalty of Rs.17653 million: Excise Authorities have raised demands at Vijaipur, Usar and Vaghodia by treating lean Gas as gaseous hydrocarbon and denying exemption available to lean gas, which has been treated as an exempted product. In case of the Usar Plant, the Commissioner has dropped the proceedings initiated, amounting to Rs. 1580 million.

2. Bonds executed, Letters of Credit and Guarantees/Counter Guarantees: Rs. 1140.2 million

3. Guarantees given in relation to interest in Joint Ventures: Rs.3,500 million which are:

(i) We, along with three other promoters, have issued Corporate Guarantees in favour of banks and financial institutions for a short term loan taken by Petronet LNG Limited from the banks and financial institutions. Our share in the Guarantee is Rs.3500 million, being one-fourth of the total guarantees of Rs.14,000 million issued as on March 31, 2003. The short term loan outstanding on the books of Petronet LNG Limited as on March 31, 2003 is Rs.10,675 million.

4. Share in Contingent Liabilities of Joint Ventures based on their audited/unaudited statement of accounts Rs.38.4 million.

FINANCIAL STATEMENTS - AUDITOR'S REPORT

The Board of Directors
GAIL (India) Limited

Dear Sirs,

We have examined the financial information contained in the statements annexed to this report which is proposed to be included in the offer document being issued by GAIL (India) Limited ("Company") in connection with the Offer for Sale by the Government of India of certain equity shares in the Company.

In accordance with the requirements of:

a) Paragraph B(1) of Part II of Schedule II of the Companies Act, 1956,

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('Guidelines') issued by the SEBI in pursuance of Section 11 of the SEBI Act, 1992,

c) Instructions dated January 8, 2004, received from the Company, requesting us to carry out work relating to the offer documents being issued by the Company in connection with the Offer for Sale by the Government of India of certain equity shares in the Company,

We report that:

1. We have examined the 'Statement of adjusted Profits and Losses' of the Company for each of the financial years ending 31st March, 1999, 2000, 2001, 2002 and 2003 and nine months ending on 31st December, 2003 and the 'Statement of adjusted Assets and Liabilities' as at those dates enclosed as **Annexure- I** and **Annexure-II** to this report and confirm that:

i. These statements reflect the profits and losses and assets and liabilities for each of the relevant periods as extracted from the Profit and Loss Account for the accounting years ending March 31, 1999, 2000, 2001, 2002 and 2003 and nine months ending on December 31, 2003 and the Balance Sheets as at 31st March, 2000, 2001, 2002 and 2003 and December 31, 2003, after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.18.7 of the Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000 and subject to Auditor's qualification & Comptroller and Auditor General's observations for which no adjustments could be carried out, as set out in Note 19 of Annexure IV. We have audited the Profit & Loss Account for the year ending 31st March, 2003 and Balance Sheet as at 31st March, 2003 in which are incorporated the accounts of two units audited by branch auditors. We have relied upon the Profit & Loss Account for the year ending on 31st March, 1999, 2000 and 2001 and Balance Sheet as at 31st March, 1999, 2000 and 2001 audited by M/s Jain Kapila Associates and the Profit & Loss Account for the year ending on 31st March, 2002 and Balance Sheet as at 31st March, 2002 audited by M/s Batra Sapra & Co. We have also audited the Profit & Loss Account for nine months ending 31st December, 2003 and Balance Sheet as at 31st December, 2003 in which are incorporated the accounts of two units audited by branch auditors. Adjustments may be necessary to make the accounts for the period 1st April, 2003 to 31st December, 2003, to comply with the requirements of the law relating to accounts to be laid before the Company in the general meeting, but at the date of signing of this report, we are not aware of any material adjustments which would affect the results of the accounts.

ii. The Significant Accounting Policies adopted by the company are enclosed as **Annexure-III** to this report

iii. The Notes to the 'Statement of adjusted Profits and Losses' and 'Statement of adjusted Assets and Liabilities' are enclosed as **Annexure-IV** to this report

2. We have examined the 'Statement of Accounting Ratios' of the Company for each of the financial years ended March 31, 1999, 2000, 2001, 2002 and 2003 and nine months ended 31st December, 2003, enclosed as **Annexure-'V'** to this report and confirm that they have been correctly computed from the figures as stated in the 'Statements of adjusted Profits and Losses' and 'Statement of adjusted Assets and Liabilities' of the Company referred to in paragraph 1 above and read with the notes appended in Annexure-'IV'.

3. We have examined the accompanying 'Statement of Related Party Disclosure' for the years ended March 31, 2002 and 2003 and nine months ended December 31, 2003, enclosed as **Annexure-'VI'** to this report and confirm that the relationships and transactions between the Company and its related parties have been appropriately reported in accordance with 'AS – 18 Related Party Disclosures' issued by the Institute of Chartered Accountants of India.

4. We have examined the 'Statement of dividend paid' by the Company in respect of each of the years ended March 31, 1999, 2000, 2001, 2002 and 2003 and nine months ended December 31, 2003, on the Shares of the Company, enclosed as **Annexure-'VII'** to this report and confirm that it correctly records the dividend paid in respect of each of those years.

5. We have examined the 'Statement of Tax Shelter' for the years ended March 31, 1999, 2000, 2001, 2002 and 2003 and nine months ended December 31, 2003 enclosed as **Annexure-'VIII'** to this report and report that, in our opinion it correctly reflects the 'Tax Shelter' for each of those years.

6. We have examined the 'Capitalization Statement' enclosed as **Annexure-'IX'** to this report and report that it correctly records the matters stated therein.

7. We have examined the 'Cash Flow Statement' in respect of each of the years ended March 31, 2002 and 2003 and nine months ended 31st December, 2003 enclosed as **Annexure-'X'** to this report and confirm that, in our opinion, these statements have been prepared by the Company in accordance with the requirement of Accounting Standards 3 (Cash Flow Statements) issued by the Institute of Chartered Accountants of India.

8. We have also examined the following statements and the same have been found correct:-

1.	Secured Loan	–	**Annexure - XI**
2.	Unsecured Loan	–	**Annexure - XII**

3.	Sundry Debtors	–	**Annexure - XIII**
4.	Loans and Advances	–	**Annexure - XIV**
5.	Value of Investments	–	**Annexure - XV**
6.	Other Income	–	**Annexure - XVI**

9. We have examined the statement of "Financial Reporting of Interest in Joint Ventures" enclosed as **Annexure – XVII** to this report and the same is in compliance with Accounting Standard 27 issued by the Institute of Chartered Accountants of India.

10. We have examined the accompanying 'Statement of Segment Wise Results' for the years ended March 31, 2003 and nine months ended December 31, 2003. We are also accompanying the 'Statement of Segment Wise Results' for the years ended March 31, 2002 audited by M/s Batra Sapra & Co. We hereby enclose as **Annexure-'XVIII'** to this report and confirm that statement has been prepared in accordance with Accounting Standard – 17 (Segment Reporting) issued by the Institute of Chartered Accountants of India.

We further report that the information mentioned in the items 2-10 above has been correctly computed from the figures as stated in the statements of adjusted Profits and Losses and adjusted Assets and Liabilities referred to in paragraph 1 above.

For S. Mann & Co.
Chartered Accountants

(Subhash Mann)
Partner

Date : January 20, 2004
Place : New Delhi

Annexure I – Statement of Adjusted Profit and Losses

						(Rs in Million)
PARTICULARS	**For the Nine Months Period April 1 to December 31,2003**	**For the Year Ended March 31,2003**	**For the Year Ended March 31,2002**	**For the Year Ended March 31,2001**	**For the Year Ended March 31,2000**	**For the Year Ended March 31,1999**
INCOME						
Sales	79918	104152	93886	91850	77102	61931
LPG Transmission Charges	1884	2151	1771	124	0	0
Income from Telecom	136	116	18	0	0	0
	81938	**106419**	**95675**	**91974**	**77102**	**61931**
Internal Consumption of Gas/Polymers	8322	11257	10054	8613	7051	4503
	90260	**117676**	**105729**	**100587**	**84153**	**66434**
Increase /Decrease of stock	(158)	74	(199)	283	579	36
Other Income	1680	3188	2096	1420	1493	2510
TOTAL	**91782**	**120938**	**107626**	**102290**	**86225**	**68980**
EXPENDITURE						
Purchase of Gas/ Polymers	50348	63989	62490	62300	55692	45655
Manufacturing, Transmission, Administration Selling & Distribution and Other Expenses	17084	23746	19005	16906	14146	8631
Depreciation	4919	6426	6125	5866	4923	3812
Less: Incidental Expenditure during construction transferred to capital work in progress	237	188	191	541	484	2272
Interest and Finance Charges	1051	1864	2269	1972	1668	916
Deferred Revenue Expenditure written off	1	1	1	1	1	0
TOTAL	**73166**	**95838**	**89699**	**86504**	**75946**	**56742**
Profit for the year/period before prior period expenditure	**18616**	**25100**	**17927**	**15786**	**10279**	**12238**
Prior period Expenditure	19	(83)	(92)	264	(34)	(116)
Profit Before Tax	**18597**	**25183**	**18019**	**15522**	**10313**	**12354**
Provision for Taxation						
Current Tax	6185	8502	4667	4260	1700	1755
Deferred Tax	20	290	1494	0	0	0
Net Profit after tax as per audited statement of accounts (A)	**12392**	**16391**	**11858**	**11262**	**8613**	**10599**
Adjustments on account of:						
- Change in accounting policies/Auditors comments (Refer	0	1176	115	(2672)	(3407)	(2442)

annexure IV Note 19)						
- Impact of material adjustments and prior period items (Refer Annexure -IV Note 19)	0	0	0	248	(92)	(17)
Total adjustments (B)	**0**	**1176**	**115**	**(2424)**	**(3499)**	**(2459)**
Adjusted Profit Available for appropriation (A +B)	**12392**	**17567**	**11973**	**8838**	**5114**	**8140**
Less						
Proposed Dividend (Including Interim Dividend)	3383	5920	3805	3383	2537	2960
Corporate Dividend Tax	433	433	0	345	279	325
Debenture Redemption reserve	96					
Deferred Tax Adjusted in P&L A/C		0	0	(1727)	(1967)	(2464)
General Reserve	1239	1639	1186	1126	1723	1060
Balance carried to Balance Sheet	**7241**	**9575**	**6982**	**5711**	**2542**	**6259**

The accompanying significant accounting policies and notes are integral part of this statement.

Annexure II – Statement of Adjusted Assets and Liabilities

(Rs in Million)

	PARTICULARS	As at December 31,2003	As at March 31,2003	As at March 31,2002	As at March 31,2001	As at March 31,2000	As at March 31,1999
A	**Fixed Assets:**						
	Gross Block	111,819	110,487	107,019	100,387	85,256	77,732
	Less: Depreciation	52,745	47,837	41,589	35,725	29,712	24,798
	Net Block	**59,074**	**62,650**	**65,430**	**64,662**	**55,544**	**52,934**
	Add: Capital work in progress	28,769	6,907	4,233	6,310	7,487	6,654
	Total	**87,843**	**69,557**	**69,663**	**70,972**	**63,031**	**59,585**
B	**Investment**	**7,602**	**6,879**	**6,882**	**6,614**	**5,439**	**5,037**
C	**Current Assets, Loans and Advances**						
	Inventories	4,224	4,186	4,246	3,811	4,140	2,443
	Sundry Debtors	5,906	8,272	7,581	6,384	4,886	3,228
	Cash and Bank Balances	11,120	23,463	17,624	9,934	8,016	3,479
	Other Current Assets	27	93	275	114	38	125
	Loans and Advances	11,690	11,545	9,796	8,260	5,458	5,945
	Total	**32,967**	**47,559**	**39,522**	**28,503**	**22,538**	**15,220**
D	**Liabilities and Provisions:**						
	Secured Loans	651	1,640	3,976	6,611	6,586	7,310
	Unsecured Loans	14,043	18,832	20,272	20,497	17,139	12,465
	Current Liabilities and Provisions	30,534	27,759	27,444	24,880	21,566	18,608
	Deferred Tax Liability	11,217	11,197	4,749	1,727	1,967	2,464
	Total	**56,445**	**59,428**	**56,441**	**53,715**	**47,258**	**40,847**
E	**Networth (A+B+C-D)**	**71,967**	**64,567**	**59,626**	**52,374**	**43,750**	**38,995**
	Represented by						
F	**Share Capital**	**8,457**	**8,457**	**8,457**	**8,457**	**8,457**	**8,457**
G	**Reserves and Surplus**						
	Capital Reserve	23	24	26	111	97	95
	Share Premium	3	3	3	3	3	3
	Investment Allowance Reserve	2,666	2,666	2,666	2,666	2,666	2,666
	General Reserve	9,048	7,809	12,327	4,984	3,857	2,135
	Profit and Loss Account	51,674	45,609	36,149	36,156	28,674	25,639
	Debenture Redemption reserve	96					
	Total	**63,510**	**56,111**	**51,171**	**43,920**	**35,297**	**30,538**
H	Miscellaneous expenditure to the extent not written off or	0	1	2	3	4	0

	adjusted						
I	**Net worth (F+G-H)**	**71,967**	**64,567**	**59,626**	**52,374**	**43,750**	**38,995**

Annexure III – Significant Accounting Policies

A. BALANCE SHEET

Fixed Assets and Capital Work in Progress

1. ***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. Cost of Right-of-Use (ROU) of land for laying pipelines is capitalised as land.

3. 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.

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

5. a) Incidental Expenditure during Construction (Net) is apportioned to Capital Work-in-Progress on the basis of accretions thereto.

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

6. **Depreciation/Amortisation**

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

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

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

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

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

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

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

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

7. **Foreign Currency Translation**

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

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

8. Investments

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

b. Unquoted investments are valued at cost.

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

9. Inventories

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

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

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

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

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

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

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

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

B. PROFIT & LOSS ACCOUNT

12. Sale proceeds are accounted for based on the Consumer Price inclusive of statutory levies and charges upto the delivery point.

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

14. a. Expenses common to operation and construction activities are allocated to Profit & Loss Account and Incidental Expenditure during Construction in proportion of amount of Sales (Production in the absence of sales) to accretion to Capital Work-in-Progress during the year.

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

15. **Retirement Benefits**

a. Provision for Gratuity is made on the basis of actuarial valuation made at the end of the Financial Year.

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

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

16. **Taxes on Income**

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

17. **R& D Expenditure**

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

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

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

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

b. Costs of successful / undecided exploratory wells (except for undecided for more than 5 years) is carried as wells in progress until the time producing property is created or is expensed in the year when finally determined to be dry.

c. All wells appearing as "wells in progress" the status of which remains undecided for more than 5 years are charged off to Profit and Loss Account.

GENERAL

20. 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.

21. Liquidated Damages, if any, are accounted for as and when recovery is effected and the matter is considered settled by the Management.

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

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

b. Liability in respect of MGO 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.

Annexure IV – Notes to the Statement of Adjusted Profit and Losses and the Statement of Adjusted Assets and Liabilities

NOTES TO ACCOUNTS

Contingent Liabilities as at :-

(Rs. in millions)

Particulars	**As at December ,31, 2003**	**As at March, 31, 2003**	**As at March, 31, 2002**	**As at March, 31, 2001**	**As at March, 31, 2000**	**As at March, 31, 1999**
1) Contingent Liabilities on account of Claims against the Company Not acknowledged as debts						
Sales Tax Demands	29461	29461	27662	27662	19509	0
Excise Duty Demands	22417	12630	4593	3914	9309	11413
Customs Duty Demands:	8910	8867	8867	3055	0	0
(Deposited Under protest)	(159)					
Income Tax Demands	7299	7299	6102	5206	4750	1337
(Deposited Under protest)	(7294)	(7294)	(5869)	(4552)	(1367)	(204)
ONGC Claims	3713	2168	1653	1372	1234	995
Arbitration Cases:	3139	9680	11190	3350	2880	692
Others(Claims of Contractors, Other court cases etc.)	816	1136	733	802	479	1506
Bonds executed ,Letters of Credit and Guarantees/ counter guarantees by the company	1140	1095	1271	1044	1	--
Counter Guarantees given by the company to FIIs and Banks in relation to interest in Joint Ventures.	3500	3750	1225	250	250	--
Share in Contingent Liability of JV's (IGL,PLL, MGL)based on their Audited / un-audited statement of accounts.	38	181	--	--	--	--
Total	**80433**	**76267**	**63296**	**46655**	**38412**	**15943**
2) Estimated amount of Contracts remaining to be executed on Capital Account and not provided						

for						
Share in Capital Commitment of Joint Ventures based on their Un-audited statement of Accounts	1891	1438	1980	0	0	0
Company's own capital commitment.	5345	16465	3712	2361	6801	3309

3. 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 effect on the net profits, if any, arising due to such change, will be recognized when the pricing mechanism is finalized.

4. Prices of natural gas for the period April 1, 2000 to December 31, 2003 is under review by MoPNG). Pending finalization of such prices, payments/accruals of purchase of gas are being made based on the rate specified in the MoPNG communication dated September 18, 1997. Additional liability or effect on the profits, if any, arising out of the aforesaid revision will be recognized when the prices are finalized. However, the management does not expect the price increase to be with retrospective effect.

5. MoPNG has vide notification no. P-20012/28/97-PP dated October 30, 2003 has issued the scheme for mechanism of sharing the under-recoveries of Oil Marketing Companies on account of non revision in the selling price of PDS Kerosene and Domestic LPG during the year 2003-04, Therefore, GAIL have to give the discount to Oil Marketing Companies i.e. IOCL and HPCL on dispatches to them to share the subsidies. This has resulted into decrease of sales by Rs. 2421 millions and profit by the same amount during the period ended December 31, 2003.

6. ***Pending issue of suitable notification by the Government of India specifying the period and applicable rate at which cess on turnover is payable u/s 441A of the Companies Act, the company has not provided the liability for the same.***

7. (a) Freehold land acquired for Jhansi Maintenance Base and for Intermediate Pigging Stations, Sectionalising Valves, RR Stations, etc. along the ROU in Vijaipur-Babrala/ Auraiya/Jagdishpur Sections and in Jamnagar – Loni Pipeline Rs.15 millions and Leasehold Land acquired for Lakwa and Vaghodia project Rs.78 millions are valued / capitalized on provisional basis.

(b) Title deeds for freehold land, valuing Rs. 18 millions and leasehold land valuing Rs. 266 millions are pending execution.

(c) Title Deeds in respect of ten residential flats at Asiad Village, New Delhi, valuing Rs. 12 millions are still in the name of ONGC. 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 170 millions as on December 312003 has been captilised as land. The Company has perpetual right of use but has no ownership of land.

8. ***(a) Liability under Gas Pool Account includes gas pool money for October - December 2003 quarter amounting to Rs. 628 millions which shall become due for deposit in succeeding quarter.***

(b) Deposit in Gas Pool Money Account is exclusive of claim amounting to Rs.946 millions for compensation for higher cost of gas purchased from J.V. Companies from Ravva and Tapti fields from April, 1997 to September, 1997.

(c) Purchase of gas includes Rs. 1878 millions on account of Gas Pool Account as on December 31, 2003

(d) Liabilities on account of Gas Pool Money amounting to Rs.5434 millions and 10% retention from JV consortium amounting to Rs.2923 millions includes interest (net of TDS) amounting to Rs. 181 millions on Short Term deposits as on December 31, 2003. This interest income does not belong to the company hence not accounted as income.

9. ***The Company has participated in joint bidding under the Government of India New Exploration Licensing Policy (NELP I & II) and had been allotted 8 Blocks for which the Company has entered into Production Sharing Contract with Government of India along with other partners for Exploration & Production of Oil and Gas. As per the production Sharing Contract, the company has a minimum work programme commitment of Rs. 1070 million. The Company is acting as non-operator and would have to share in expense/Income/Assets/Liabilities based upon its percentage in production sharing contract. The participating interest of the Company in these joint ventures under NELP- Blocks are as under:***

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

In addition, the Company has farm-in in the following blocks as non – operator with minimum work programme commitment of Rs. 117 million .

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

10. ***The price of Gas purchased from Joint Venture Consortium (JVC) (Indian and Foreign Partners) from Ravva, Tapti / Panna–Mukta fields is denominated in USD per MMBTU. The liability in USD has been converted at Bills Buying rate, TT selling rate and TT buying rate, prevailing as on March 31, 2003 or on the date of payment, as the case may be.***

11. ***Following Government of India's approval, the shareholders of the Company in the Annual General Meeting held on 15th September, 1997 approved the transfer of all the assets including Plant and Machinery, accessories and other related assets which are part of Lakwa Project valued at Rs. 2463 millions as on December 31, 2003 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.***

12. The company had entered into a swap transaction with HDFC Bank during June 2000 for hedging a part of the USD loan drawn from the Asian Development bank for the Gas Rehabilitation and Expansion Project of USD 29.39 million. The swap transaction has resulted in fixing the foreign exchange liability at Rs 44.6925/USD in respect of the above loan for which the company would have to pay a premium @ 3.66 % on each repayment date. As part of the debt restructuring plans the ADB loan was pre-paid during April – June 2003 and accordingly the SWAP deal with HDFC Bank was closed. At the closure, the market to market calculation indicated a credit of Rs. 1.11 crores in Company's favour which has been received on June 26,2003.

13. ***Capital reserve amounting to Rs.23 millions as on December 31, 2003 on account of Capital grant received from Danish Govt. for construction of Gas Technology Institute at NOIDA.***

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

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

16. ***During the year 1999-00, retention price of LPG for the period 1993-94 to 1995-96 have been fixed as final. Based on the final retention prices, a net claim of Rs. 605 million (Previous Year for the period 1993-94 to 1995-96 : Rs. 7785.05 million) has been lodged by the company with Oil Cordination Committee (OCC) and accounted for under the head 'Accounts Receivable' and corresponding credit has been given to 'Miscellaneous Income'. With effect from April 1, 1998 , LPG price is fixed at the ex-fractionator gate price by OCC on the basis of adjusted import parity price .***

17. ***The Company had tied up a foreign currency loan for acquisition / setting up of the GREP Pipeline and the GPU Plant at Pata from JBIC (Formerly Exim Bank, Japan) (as co-financing with ADB) amounting to 9224 million Yen (Rs 276.38 Crore) in 1994 under the reimbursement procedure, the agreement for which was signed on February 20,1998 and***

the loan was disbursed on June 29, 1998 due to delay in furnishing of the counter guarantee by Government of India. These Projects were capitalised on March 29,1997 and 13.3.98 respectively. Until 2000-01, the company had capitalized / decapitalised the liability on account of exchange rate variations on such loan. During the year 2001-02 based upon the opinion of the Expert Advisory Committee of the Institute of Chartered Accountants of India, foreign exchange variations relating to the loan equivalent to the actual amount spent in rupees for the acquisition of fixed assets have been capitalised. Consequently, foreign exchange variation relating to the excess of the loan over the actual amount spent, has been decapitalised during the year and charged to revenue. This has resulted in decreasing the profit for the year 2001-02 by an amount of Rs 1232.30 lakhs (net of Rs 1469.51 lakhs which has been decapitalised and charged to prior period expenses and Rs 237.21 lakhs credited to prior period depreciation).

18. DETAILS OF BORROWINGS IN OUR COMPANY

As on December 31, 2003

S.No	Nature of borrowings/debt	Sanctioned Amount	Amount outstanding	Date of agreement/issue	Date of maturity	Interest rate	Security
1.	6.10% Secured Non-convertible redeemable Bonds (Series I)	Rs 5,000 mn	Rs 5,000 mn	Aug-22, 2003	Five Equal Annual installments starting from 22nd August 2011 to 22nd August 2015	6.10%	To be secured by mortgages and/or charges in respect of assets.
2.	Loan from ICICI Bank Ltd.	Rs 3,000 mn	Rs 433.34 mn	Jun5, 2000	June 2005 with a pre-payment option during Dec'04	11.40%	Secured by a pari-passu charge with ADB Loan drawn for LPG pipeline project by way of hypothecation of movables including movable machinery, machinery spares, tools & accessories, present & future of Jamnagar-Kandla-Loni LPG Pipeline Project.
3.	Loans from Oil Industry Development Board for various projects	Rs 5260 mn	Rs 4339.50 mn	Jan-12, 2000 Jan-12, 2000 Jan-12, 2000 Mar30, 2001 Mar30, 2001 Mar30,	May-2009 Aug-2009 Oct- 2009 Jun- 2010 Nov-2010 Jan- 2011	8.25%	Unsecured

				2001			
4.	External Commercial Borrowing from Bank of India, Tokyo	USD 25 mn	USD 4.75 mn Rs. 218 million	Nov-1995	March 2005	2.06% (LIBOR + 0.75%)	Secured by hypothecation of Steam Turbine Cracked Gas Etylene and Propylene Compressors procured from M/s EBARA, Tokyo and installed at UPPC Pata
5.	Loan from Asian Development Bank	USD 150 mn	USD 90.15 mn Rs. 4132 million	December 11, 1998	March 2013 with a pre-payment option with a notice period of 45 days	6.31% (Cost of USD Pool Funds + 0.60%)	Unsecured, Guaranteed by Government of India
6.	Loan from State Bank of India, London	JPY 3,167 mn	JPY1,333.3 mn Rs. 572 million	February 18, 1998	August 2007	1.47% (JYP LIBOR + 1.40%)	Unsecured

19- **Impact of changes in Accounting Policies and Prior-Period Items**

Rs millions

	Particulars		31.12.03	FY ended 31-Mar-03	FY ended 31-Mar-02	FY ended 31-Mar-01	FY ended 31-Mar-00	FY ended 31-Mar-99
	Profit/ (Loss) after tax as per Audited **Statement of Accounts**	**(A)**	**12392**	**16,391**	**11,858**	**11,262**	**8,613**	**10,599**
i)	**Adjustment on account of:** a) Change in accounting policy b) Deferred Tax adjustment c) Adjustments for Statutory		 - - -	 - -	 89 -	 (20) (1,727)	 (932) (1,967)	 63 (2,464)

	auditor comments			1,177	(62)	(262)	(563)	(143)
	d) Adjustments for Govt. auditor comments		-	(1)	126	(596)	(8)	135
	Total of adjustments		-	**1,176**	**153**	**(2,605)**	**(3,470)**	**(2,409)**
	Tax impact on above adjustments			-	(38)	(67)	63	(33)
	Total of adjustments - net of tax impact	**(B)**	0	**1,176**	**115**	**(2,672)**	**(3,407)**	**(2,442)**
			-					
(II)	**<u>Prior Period Items</u>**							
	Prior-period / pre-paid income / expenses		-	-	-	392	(146)	(27)
	Total of adjustments		-	-	-	392	(146)	(27)
	Tax impact of adjustments		-	-	-	(144)	54	10
	Total of adjustments - net of tax impact	**(C)**	-	**-**	**-**	**248**	**(92)**	**(17)**
	Adjusted Profits / (Loss)	**(A+B +C)**	**12,392**	**17,567**	**11,973**	**8,838**	**5,114**	**8,140**

Note: Tax rate applicable for the year ended March 31, 2003 has been used to calculate the notional tax impact on the adjustments.

<u>Regrouping</u>

Rs. in Million

Account Head	31.12.2003	2002-03	2001-02	2000-01	1999-00	1998-99
Deferred Tax Liability			10292			
Loans & Advances				14	-9078	-7345
Inventory			-2	-2	664	162
CWIPO				-12	-668	-162
Reserves and Surplus			616			
Current Liability & Provisions			-10906		9082	7345

<u>Non Adjustment</u>

1. Provision for abandoned 7 Km. Essar Oil Pipeline has not been made for which necessary action is being taken to find out the feasibility of the pipeline and observation of the C&AG is being examined in light of current development of Essar Oil Refinery.

2. Interest Liability on an amount of Rs. 946 million, which has been retained by the company towards compensation for higher JV price for the period from April 1997 to September 1997 without approval of the Government, has not been provided as Govt. has agreed not to put GAIL to loss on this account.

3. The Depreciation on Fire Fighting System, which was changed during the year 2002-03 with retrospective effect, has been adjusted in four year i.e. 1998-99 to 2001-02 for the reformation purpose as the impact of such change of depreciation on the profit and loss account is 28 million.

4. The company is processing Natural gas for extaction of LPG and other Petrochemicals products in its HBJ system and North – eastern Region. The closing stock of residuary gas, LPG and other Petrochemicals product is not valued during the year 2000-01 in accordance with the AS-2 issued by the ICAI as opined by the Statutory Auditor. The company was not agreed with the Statutory Auditor Observation hence no impact has been taken in the Profit & Loss Account.

5. Upto the year 1998-99, machinery spares (Insurance Spares) purchased along with the fixed assets were charged off to revenue whereas in the year 1999-00 machinery spares having a minimum value of Rs. 5 lacs in each case had been capitalized and machinery spares of less than 5 lacs were capitalized during the year 2000-01 due to amendment in the relevant accounting standard. The details and impact of such change in the policy are not available and accordingly no impact has been taken into the accounts.

6. The company has changed its policy for valuation of surplus / obsolete stores and spares from cost less 2% provision to cost or net realizable value during the year 2000-01. The impact of such change of policy on the profit and loss account has not been considered for the year 1998-99 to 1999-00 as the impact is not ascertainable.

7. The company has changed its policy for valuation of surplus / obsolete stores and spares , other than held for use in the construction of a capital assets, which were shown at cost upto 1999-00 to value it at lower of cost or net realizable value during the year 2000-01. The impact of such change of policy on the profit and loss account has not been considered for the year 1998-99 to 1999-00 as the impact is not ascertainable.

8. The company has changed its policy for valuation of stock in process at cost to value it at lower of cost or net realizable value during the year 1999-00. The impact of such change of policy on the profit and loss account has not been considered for the year 1998-99 as the impact is not ascertainable.

9. During the year 2001-02, the company has changed its policy of charging pre-paid expenses and prior period expenses / income from upto Rs. 5000/- to upto Rs. 1,00,000/- in each case to relevant head of account. The company has not consider the impact of this change of policy in the previous years i.e. 1998-99 to 2000-01 as the impact of this change will be negligible.

Annexure V – Statement of Accounting Ratios

PARTICULARS	For the Nine Months Period April 1 to December 31,2003	For the Year Ended March 31,2003	For the Year Ended March 31,2002	For the Year Ended March 31,2001	For the Year Ended March 31,2000	For the Year Ended March 31,1999
Weighted Average Number of Equity Shares Outstanding During the Year	845651600	845651600	845651600	845651600	845651600	845651600
Net Worth after adjustment of Miscellaneous Expenditure to the extent not written off (in Million)	71967	64567	59626	52374	43750	38995
Earnings Per Share (Rs.)	14.65	20.77	14.16	10.45	6.05	9.63
Net Assets Value Per Share (Rs)	85.10	76.35	70.51	61.93	51.74	46.11
Return on Net Worth (%)	17.22	27.21	20.08	16.87	11.69	20.87

Formulae:

Earnings Per Share (Rs) = $\dfrac{\text{Net Profit after Tax and before extraordinary items}}{\text{Weighted Average Number of Equity Shares Outstanding during the period/Year}}$

Net Assets Value Per Share = $\dfrac{\text{Net Worth After after adjustment of Miscellaneous expenditure to the extent not written off}}{\text{Number of Equity Shares Outstanding at the end of the period /Year}}$

Return on Net Worth = $\dfrac{\text{Net Profit after Tax and before extraordinary items}}{\text{Net Worth After after adjustment of Miscellaneous expenditure to the extent not written off}}$

Note : Earnings per Share and Return on Net Worth for the period ended December 31, 2003 is for a period of 9 months and therefore not comparable with rest of the years figure

Annexure VI – Statement of Related Party Disclosure

1. The Company has entered into the following related party transaction. Such parties and ransactions have bee identified as per Accounting Standard - 18 " Related Party Disclosure" issued by the Institute of Chartere Accountant of India.

(Rs in Million)

Related Party	Nature of Transactions	31.12.2003	31.03.2003	31.03.2002
MAHANAGAR GAS LTD. (Joint Venture Company)	Sales	653	653	451
	Outstanding as at balance sheet date	41	29	29
	Reimbursement of expenses received / receivable	2	8	24
	Outstanding expenses as at balance sheet date.	-	-	-
INDRAPRASTHA GAS LTD. (Joint Venture Company)	Sales	1312	1252	582
	Outstanding as at balance sheet date	179	89	73
	Reimbursement of expenses received / receivable	12	22	18
	Outstanding expenses as at balance sheet date.	13	4	2
PETRONET LNG LTD. (Joint Venture Company)	Sales	-	-	-
	Outstanding as at balance sheet date	-	-	-
	Reimbursement of expenses received / receivable	2	4	3
	Outstanding expenses as at balance sheet date.	7	5	4
BHAGYANAGAR GAS LTD. (Joint Venture Company)	Sales	-	-	-
	Outstanding as at balance sheet date	-	-	-
	Reimbursement of expenses received / receivable	6	-	-
	Outstanding expenses as at balance sheet date.	6	-	-

2. Related party Transcation with Key Personnel

Whole time Directors:
Shri Proshanto Banerjee, Chairman and Managing Director
Shri J. K. Jain
Shri M.R.Hingnikar (w.e.f. July 28,2003)
Shri S. P. Rao
Shri B.S. Negi

Details relating to parties referred to an item no. 2 above

	31.12.03	**31.03.03**	**31.03.02**
Remuneration *	**5**	6	3
Interest bearing outstanding loans receivable	**1**	1	1
Interest accrued on loans given	**1**	1	-

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

Annexure VII – Statement of Dividend Paid

The dividends (subject to deduction of tax at source, where applicable) declared by GAIL (India) Ltd in respect of five financial years ended March 31, 2003 and for the period of nine months ending 31st December 2003 are as under:

(Rs. In Millions)

	Period ended December 31, 2003	Financial Year ended March 31, 2003	Financial Year ended March 31, 2002	Financial Year ended March 31, 2001	Financial Year ended March 31, 2000	Financial Year ended March 31, 1999
Equity Share Capital	8456	8456	8456	8456	8456	8456
Rate Of Dividend (%)	40	70	45	40	30	35
Amount Of Dividend	3383	5920	3805	3383	2537	2960
Corporate Dividend Tax	433	433	0	345	279	326

1. Interim & Final Dividend @ 30% was declared and paid for the year 1999-00.
2. Interim Dividend @ 30% was declared and paid for the year 2002-03.
3. Final Dividend @ 40% was declared and paid for the year 2002-03.
4. Interim Dividend @ 40% was declared and paid for the year 2003-04.

Annexure VIII – Statement of Tax Shelter

Rs in Million

PARTICULARS	From 1.4.03 to 31.12.03	F.Y. MAR 03	F.Y. MAR 02	F.Y. MAR 01	F.Y. MAR 00	F.Y. MAR 99
	35.87%	36.75%	35.70%	39.55%	38.50%	35.00%
PROFIT BEFORE TAX BUT AFTER EXTRAORDINARY ITEMS(A)	18,597.00	25,182.90	18,019.00	15,522.10	10,312.60	12,353.80
TAX ON ACTUAL RATE ON PROFITS	6,834.40	9,254.72	6,432.78	6,138.99	3,970.35	4,323.83
ADJUSTMENTS						
PERMANENT DIFFERENCES (B)						
DIVIDEND EXEMPT U/S10(33)/10(34)	(539.00)	-	(399.20)	(223.80)	(189.60)	(1.00)
PENALITIES	-	-	-	-	8.70	
DONATIONS	-	1.50	11.10	0.73	0.30	-
DEDUCTION U/S 80IA/80IB	(795.00)	(1,066.40)	(1,224.70)	(1,382.40)	(2,391.50)	(2,031.50)
DEDUCTION U/S 80HHC	-	(151.20)	-	-		
DEDUCTION U/S 80M		(1,128.90)				
OTHERS			(84.00)	(4.10)		2.60
INDEXATION DIFF ON LTC GAIN		-	-	-		
INT 234		100.00	-	89.80		

DEDUCTION U/S 35 (more than 100%)		**(4.51)**	**(0.80)**			
DEDUCTION U/S 35AC			**(11.10)**			
DEDUCTION U/S 80JJAA						**(8.20)**
TOTAL PERMANENT DIFF(B)	**(1,334.00)**	**(2,249.51)**	**(1,708.70)**	**(1,519.77)**	**(2,572.10)**	**(2,038.10)**
TIMING DIFF (C)						
DIFF. BETWEEN TAX DEP. AND BOOK DEP.	**(127.60)**	**(1,829.70)**	**(5,009.60)**	**(4,464.80)**	**(5,170.60)**	**(7,047.20)**
GRATUITY UNPAID DURING THE YEAR	**24.20**	**31.40**	**43.20**	**18.80**	**16.30**	**12.40**
L.E. UNPAID	**23.10**	**31.00**				**4.60**
CAPITAL EXP DEBITED TO P/L IN BOOKS		**-**	**(20.40)**	**-**		**(9.40)**
DEFFERED REVENUE EXP CLAIMED IN IT	**0.10**	**1.10**	**1.10**	**1.10**	**1.10**	
Others		**(390.10)**	**533.30**	**-**		**(1.00)**
LOSS ON SALE OF STORES		**-**	**-**	**-**		**(20.10)**
DISALLOWANCE U/S 43B		**1.20**	**(12.20)**		**11.30**	**1.40**
PROVISIONS FOR DOUBTFUL ASSEST DEBITED TO P/L	**25.70**	**1,365.70**	**280.80**	**77.80**	**34.20**	**18.80**

TOTAL TIMING DIFF (C)	**(54.50)**	**(789.40)**	**(4,183.80)**	**(4,367.10)**	**(5,107.70)**	**(7,040.50)**
NET ADJUSTMENT (B+C)	**(1,388.50)**	**(3,038.91)**	**(5,892.50)**	**(5,886.87)**	**(7,679.80)**	**(9,078.60)**
TAX SAVING THEREON	**(498.05)**	**(1,116.80)**	**(2,103.62)**	**(2,328.26)**	**(2,956.72)**	**(3,177.51)**
PROFIT AS PER IT RETURN(D)=(A+B+C)	**17,208.50**	**22,143.99**	**12,126.50**	**9,635.23**	**2,632.80**	**3,275.20**
B/F LOSSES ADJUSTED(E)	**-**	**-**	**-**			
TAXABLE INCOME (D+E)	**17,208.50**	**22,143.99**	**12,126.50**	**9,635.23**	**2,632.80**	**3,275.20**
TAXABLE INCOME AS PER MAT	**1,430.11**	**1,981.89**	**927.68**	**737.10**	**217.21**	**245.64**
TAX AS PER INCOME TAX RETURNED	**6,172.69**	**8,281.30**	**4,138.70**	**3,810.60**	**1,013.70**	**1,146.20**
INT U/S 234	**-**					
TOTAL TAX AS PER RETURN	**6,172.69**	**8,281.30**	**4,138.70**	**3,810.60**	**1,013.70**	**1,146.20**
C/F LOSSES (Long term capital losses)	**83.10**	**83.10**	**83.10**	**83.10**	**83.10**	**83.10**

NOTE-THE PROVISION FOR INCOME TAX HAS BEN CALCULATED BASED ON INCOME EARNED DURING 9 MONTHS PERIOD ENDEED31/12/03. HOWEVER TAX YEAR END OF THE COMPANY BEING 31/3/2004, THE FINAL LIABILITY FOR THE ASSESSMENT YEAR 2004-2005 WILL BE DETERMINED ON THE TOTAL INCOME OF THE COMPANY FOR THE YEAR ENDED 31/3/2004.

Annexure IX – Capitalisation Statement

(Rs. In Million)

Particulars	**Pre – issue as at December 31, 2003**
Long Term Debt (A)	14694
Total debt	**14694**
Share Holders Fund	
Share Capital	8457
Reserves after adjustments of miscellaneous expenditure, to the extent not written off #	63510
Total Shareholders Fund (B)	**71967**
Long Term Debt/ Total Shareholders Fund (A/B)	0.20

The above has been calculated after considering the adjustments .

(Rs. In Million)

Particulars	**Post – issue as at December 31, 2003 ***
Long Term Debt (A)	14694
Total debt	**14694**
Share Holders Fund	
Share Capital	8457
Reserves after adjustments of miscellaneous expenditure, to the extent not written off #	63510
Total Shareholders Fund (B)	**71967**
Long Term Debt/ Total Shareholders Fund (A/B)	0.20

The above has been calculated after considering the adjustments.

* The Government of India is selling part of its stake in the company and accordingly no money is received by the company from this offer. Therefore, there is no change in capitalisation statement, pre and post issue.

Annexure X – Cash Flow Statement

CASH FLOW STATEMENTS PREPARED FROM THE RESTATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2003, MARCH 31, 2002, MARCH 31, 2001, MARCH 31,2000 AND MARCH 31, 1999 AND FOR THE NINE MONTHS ENDED DECEMBER 31, 2003

(RS IN MILLION)

		For the Nine Months Period April 1 to December 31,2003	For the Year Ended March 31,2003	For the Year Ended March 31,2002	For the Year Ended March 31,2001	For the Year Ended March 31,2000	For the Year Ended March 31,1999
A	**CASH FLOW FROM OPERATING ACTIVITIES**						
	Net Profit Before Tax	**18597**	**26359**	**18172**	**15036**	**8664**	**12382**
	Add:						
	Depreciation	4910	6405	5854	6048	4947	3847
	Defered Revenue Expenditure written off	1	1	1	1	(4)	9
	Interest Expenditure	1051	1864	2268	2411	1917	1559
	Exchange Rate Variation	(21)	41	129	0		
	Capital Reserve		(1)	(85)	14	2	2
	Dividend Income on Investments	(539)	(1129)	(399)	(224)	(190)	(1)
	Interest Income	(546)	(1393)	(952)	(730)	(415)	(552)
	Profit/ Loss on Sale of Assets (Net)		9	5	1	3	0
	Bonds Issued by OCC against settlement of Dues		0	(60)			
	Operating Profit before Working Capital Change	**23453**	**32156**	**24933**	**22557**	**14924**	**17246**
	Add/ (Less):(Increase)/ Decrease in Current Assets						
	Trade & Other Receivables	1044	(2353)	(2435)	(1983)	(1051)	(2425)
	Inventories	(38)	56	(431)	381	(1242)	(429)
	Add/ (Less):Increase/ (Decrease) in Current Liabilities and Provisions						
	Trade & Other Payables	(4858)	95	(2736)	(718)	(3606)	638
	Cash generated from operating activities	**29317**	**29764**	**24803**	**21673**	**16237**	**13754**
	Direct Taxes Paid (Including Dividend Tax)	7975	8061	5088	4857	2063	1980
	Net Cash from Operating Activities	**21342**	**21703**	**19715**	**16816**	**14174**	**11774**
B	**CASH FLOW FROM INVESTING ACTIVITIES**						
	Purchase of Fixed Assets	(23540)	(6348)	(4252)	(14036)	(9010)	(8799)
	Sale/Adjustment of Fixed Assets		12	1	37	97	53
	Investment in Other companies	(725)	3	(207)	(290)	(402)	(4638)
	Interest Received	686	1364	952	730	415	552

	Dividend Received	539	1129	399	224	190	1
	Redemption of Debenture	2					
	Net Cash from Investing Activities	**(23038)**	**(3840)**	**(3107)**	**(13335)**	**(8710)**	**(12831)**
C	**CASH FLOW FROM FINANCING ACTIVITIES**						
	Proceeds from Long Term Borrowings	5000	0	472	3384	3950	4996
	Repayment of Long Term Borrowings	(10777)	(3810)	(3727)	0	0	0
	Interest Paid	(1054)	(1873)	(2279)	(2411)	(1917)	(1559)
	Dividend Paid	(3816)	(6342)	(3383)	(2537)	(2960)	(1691)
	Net Cash from Financing Activities	**(10647)**	**(12025)**	**(8917)**	**(1564)**	**(927)**	**1746**
	NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)	**(12343)**	**5838**	**7691**	**1917**	**4537**	**689**
	Opening Balance of Cash & Cash Equivalents	23463	17624	9933	8016	3479	2790
	Closing Balance of Cash & Cash Equivalents	11120	23462	17624	9933	8016	3479

Annexure XI – Secured Loans

(Rs. In Millions.)

Particulars	**As At December 31, 2003**	**As At March 31, 2003**	**As At March 31, 2002**	**As At March 31, 2001**	**As At March 31, 2000**	**As At March 31, 1999**
LONG TERM LOANS						
Loan from ICICI Bank Ltd. (Secured by a pari-passu charge with ADB Loan drawn for LPG pipeline project by way of hypothecation of movables including movable machinery, machinery spares, tools & accessories, present & future of Jamnagar-Kandla-Loni LPG Pipeline Project).	433.34	1166.70	1500.00	2000.00	-	-
Loan from Bank of India, Tokyo (Secured by hypothecation of Steam Turbine Cracked Gas Etylene and Propylene Compressors procured from M/s EBARA, Tokyo and installed at UPPC Pata)	217.70	322.80	526.30	691.48	823.13	800.81
Loan from Bank of India (Secured by hypothecation of all tangible movable plant and machinery, both present and future, whether installed or not and whether lying loose or in cases at site or in transit to LPG Usar Plant	-	150.00	450.00	600.00	1050.00	1350.00
Loan from Bank of Baroda (Secured by hypothecation of related movable plant & machinery, machinery spares, tools & accessories and other movable assets installed at UPPC Pata.	-	-	1500.00	3149.56	4500.00	4900.00
Loan from ICICI (Secured by hypothecation of two gas turbine compressors procured from M/s European Gas Turbines Ltd, UK and installed at the Auraiya Gas Compressor station, Auraiya, U.P.	-	-	-	170.69	213.12	259.17
Bonds Series – I (Creation of securities is in the process0	5000.00	--	-	-	-	-

Total	**5651.04**	**1639.50**	**3976.30**	**6611.73**	**6586.25**	**7309.98**

Annexure XII – Unsecured Loans

(Rs. In Millions.)

Particulars	As At December 31, 2003	As At March 31, 2003	As At March 31, 2002	As At March 31, 2001	As At March 31, 2000	As At March 31, 1999
LONG TERM LOANS						
Against Guarantees by Govt. of India :						
Asian Development Bank, Manila	4131.60	10666.20	11441.40	10788.01	8884.16	6534.24
Japan Bank for International Co-operation, Japan (formerly known as EXIM Bank, Japan)	-	2619.10	2638.70	2916.60	3466.71	3168.92
From Banks:						
State Bank of India-London	571.90	600.20	806.70	1186.29	1710.17	1801.03
From Others:						
Oil Industry Development Board	4339.50	4946.20	5385.00	5606.25	3077.50	960.70
Total	**9043.00**	**18831.70**	**20271.80**	**20497.15**	**17138.54**	**12464.89**

Notes:

a) ***The Interest rate applicable to Long term foreign currency loan taken from Bank of India is 0.75% per annum over six month LIBOR.***

b) ***The Interest rate on foreign currency loan from Asian Development Bank is based on the USD pool based cost of borrowings of ADB plus a spread of 0.60% per annum.***

c) The Interest rate on foreign currency loan from State Bank of India is 1.40% per annum over six month LIBOR.

d) The Company had a principal amount of Rs. 5000 million of 6.10% secured non-convertible redeemable bonds (Series I) outstanding at December 31, 2003. These bonds are redeemable in 5 equal installments commencing from the end of the 8^{th} year up to the end of the 12^{th} year from the deemed date of allotment (August 22, 2003) and are to be secured by mortgages and/or charges in respect of assets.

e) During October 2003, the company has entered into two forward contracts for hedging of JPY exposure against USD. The first forward contract has been entered with HDFC Bank Ltd at 1 USD = 110.71 JPY for a loan repayment of JPY 166.67 million due on Feburary 26,2004. The second forward contract is with SBI at 1 USD = 110.13 JPY for a loan repayment of JPY 166.67 million due on August 26, 2004.

Annexure XIII – Sundry Debtors

SUNDRY DEBTORS AS ON DECEMBER 31, 2003

(Rs. In Million)

A	Debts outstanding for a period exceeding six months:		
	Unsecured - Considered Good	1228	
	- Considered Doubtful	1236	
		2464	
	Less: Provision for Doubtful Debts	1236	1228
B	Other Debts:		
	Unsecured - Considered Good		4678
	Total		**5906**

Out of the total debtor outstandings as on December 31, 2003 Rs. 79 million is recoverable from the Joint venture companies. Out of these outstandings, Rs. 30 million is more than six months. The company has made a provision of Rs. 34 million towards Bad and Doubtful Debts on accounts of Joint Ventures.

Annexure XIV – Loans and Advances

The Book Value and Market Value of quoted and unquoted investments of the Company as on December 31,2003 is as below:-

(Rs. In Million)

	Particulars	Amount	Amount
A	**Loans to employees**		
	Secured - Considered Good	979	
	Unsecured - Considered Good	239	1218
B	**Advances recoverable in cash or in kind or for value to be received**		
	(i) Advances Recoverable		
	Unsecured - Considered Good	10048	
	- Considered Doubtful	13	
		10061	
	Less : Provision For Doubtful Advances	13	
			10048
	(ii) Claims Recoverable		
	Unsecured - Considered Good	51	
	- Considered Doubtful	1	
		52	
	Less : Provision For Doubtful claims	1	
			51
C	**Deposits – Considered Good Unless Otherwise Stated**		
	Balance with Customs, Port Trust and Other Government Authorities	373	
	Other Deposits	---	373
	Total		**11690**

1. No amount is recoverable from the Promoters and the Group Companies.
2. An amount of Rs. 27 million is recoverable from Joint Venture Companies.
3. An amount of Rs. 1 million is recoverable from Directors.

Annexure XV – Value of Investments

The book value and market value of quoted investments of the Company as at December 31, 2003, is as below.

(Rs In Million)

Particulars	Number Of Shares	Book Value	Market Value
LONG TERM INVESTMENTS			
A. Trade Investment -			
Quoted			
Gujrat Industries Power Co Ltd	570600	8	40
Oil & Natural Gas Corporation Ltd	34266845	5563	27354
Indraprastha Gas Ltd (JVC)	31500000	315	4664
6.96% Oil Companies GOI Special Bonds 2009	600000	60	65
Unquoted			
Mahanagar Gas Ltd (JVC)	44449960	445	-
Petronet LNG Ltd (JVC) -			
- 45 Equity Shares	-	-	-
- Advance against allotment of Equity Shares		1000	-
Bhagyanagar Gas Ltd (JVC)	12497	-	-
GSEG Ltd.	20760000	208	-
12%, 2006 GEB Bonds	3	3	-
B. Non Trade Investment - Others			
Unquoted			
a) . i). Darpan Co-operative Housing Society	30	-	-
ii). Ashoka Apartments Co-operative Housing Society Ltd., Vadodra	50	-	-
iii). Panchvati Apartments Co-operative Housing Society Ltd., Surat	30	-	-
iv). Sanand Members Association, Ahmedabad.	400	-	-
v). Green Fields(B) Cooperative Housing Society Ltd, Mumbai	35	-	-
Total		**7602**	**32123**

Market value Of Shares has been taken on 31.12.2003 - NSE

Annexure XVI – Other Income

DETAILS OF OTHER INCOME

(Rs in Million)

PARTICULARS	**For the Nine Months Period April 1 to December 31,2003**	**For the Year Ended March 31,2003**	**For the Year Ended March 31,2002**	**For the Year Ended March 31,2001**	**For the Year Ended March 31,2000**	**For the Year Ended March 31,1999**	**Nature of Income**
Interest on:							
(a) Bonds/Debentures	5	5	2	2	2	2	Recurring
(b) Loans and Advances	59	65	60	55	37	29	Recurring
(c) Deposits with Bank	482	1135	747	474	224	444	Recurring
(d) Customers outstandings	19	188	117	117	64	11	Recurring
(e) Interest on Others	-	2	30	82	89	66	Recurring
Dividend	539	1129	399	224	190	1	Recurring
AICPI income	322	288	306	280	189	113	Recurring
Receipt against LPG retention price	-	15	137	-	604	779	Recurring
Rent , Electricity, Hire & Water charges from employees	23	27	22	16	12	6	Recurring
Sale of Tender forms	2	3	4	2	2	4	Recurring
Receipt against Marketing Margin	-	-	-	-	-	963	Non Recurring
Others	200	199	244	237	128	115	Recurring
Export Incentives	66	138	36	27	-	-	Recurring
Less :Transferred to IEDC	37	6	8	96	48	23	Recurring
Total	**1680**	**3188**	**2096**	**1420**	**1493**	**2510**	

Annexure XVII – Financial Reporting in respect of Joint Ventures

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

a. **Mahanagar Gas Limited**: A Joint venture with British Gas Plc. to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in Mumbai. The Company has invested Rs 445 millions for acquiring 444,49,960 equity shares of Rs 10/- each of the Company, presently being 49.75% of the Paid up capital. Directors of the Company on the Board of MGL are Shri M.R.Hingnikar and Shri Proshanto Banerjee as Chairman.

b. **Indraprastha Gas Limited**: A Joint venture with BPCL and Government of National Capital territory (NCT) of Delhi to supply gas to domestic, commercial units and CNG for transport sector in Delhi. The Company has invested Rs 315 millions for acquiring 315,00,000 equity shares of Rs 10/- each of the Company, presently being 22.50% of the Paid up capital. Director of the Company on the Board of IGL is Shri Proshanto Banerjee as Chairman.

c. **Petronet LNG Limited**: A Joint venture with BPCL, IOCL and ONGCL for setting up LNG import facilties. The Company has been allotted 45 equity shares of Rs 10/- each in PLL. The Company has further paid Rs 1000 million as an advance against allotment of equity shares. Director of the Company on the Board of PLL is Shri B.S. Negi. The Company along with Joint Venture partners has issued Corporate Guarantees in favour of banks and financial institutions for short term loan taken by Petronet LNG Limited from banks and financial institutions amounting to Rs 14000 millions.

d. **Bhagyanagar Gas Limited**:- A Joint Venture Company with HPCL had been incorporated on 23.09.2003 for marketing of gaseous fuel in Andhra Pradesh. Company has invested an amount of Rs. 0.1 millions for acquiring 1,24,970 equity shares of the company and further proposes to invest an amount of Rs 83 millions for 22.5% equity share in the Joint venture. Director of the Company on the Board of of BGL is Shri S.P.Rao.

e. The Company share of assets and liabilities as at 31st December, 2003 and 31st March 2003 and the Income and expenditure for the Period in respect of above Joint ventures furnished by them based on un-audited accounts is as follows:

Rs in Millions

		31.12.2003	31.03.2003
A.	Assets		
	Long Term Assets	**4403**	**2063**
	Current Assets	**773**	**616**

B.	Current Liabilities & Provisions	**909**	**826**
C.	Income	**1958**	**1753**
D.	Expenditure	**1268**	**1293**

Annexure XVIII – Statement of Segment wise Results

Rs in Million

No.	Segments	Gas Processing & Sales			LPG Transmission			Others (Telecom)			Unallocated		
		9m ended 31.12.2003	**2002-03**	**2001-02**	**9m ended 31.12.2003**	**2002-03**	**2001-02**	**9m ended 31.12.2003**	**2002-03**	**2001-02**	**9m ended 31.12.2003**	**2002-03**	**2001-02**
1	**REVENUE**												
	External Sales	79,918	104,152	93,886	1,884	2,151	1,771	136	117	18	-	-	-
	Intersegment sales		-	-		-	-		-	-		-	-
	Total revenue		**104,152**	**93,886**		**2,151**	**1,771**		**117**	**18**		**-**	**-**
2	**RESULTS**												
	Segment Result(Profit before Interest &Tax)	18,343	24,788	19,059	811	726	369	(5)	9	10	-	-	-
	Unallocated expenses										586	999	502

	Operating Profit	18,343	24,788	19,059	811	726	369	(5)	9	10	(586)	(999)	(502)
	Interest Expenses											1,864	2,269
	Interest/ Dividend Income											2,522	1,352
	Provision for Taxation											8,792	6,161
	Profit/ (Loss) from Ordinary Activities		24,788	19,059		726	369		9	10		(9,132)	(7,579)
	Extraordinary items												
	Net Profit/(Loss)		**24,788**	**19,059**		**726**	**369**		**9**	**10**		**(9,132)**	**(7,579)**
3	OTHER INFORMATION												
	Segment Assets	63,096	67,281	71,079	8,852	9,060	9,987	1,158	1,122	96	-	-	-
	Unallocated Assets		-	-		-	-		-	-	18,935	31,595	23,610
	Total Assets		**67,281**	**71,079**		**9,060**	**9,987**		**1,122**	**96**		**31,595**	**23,610**
	Segment Liabilities	14,098	13,331	12,549	560	761	810	380	437	226	-	-	-
	Unallocated Liabilities		-	-		-	-		-	-	15,787	13,231	13,818
	Total Liabilities		**13,331**	**12,549**		**761**	**810**		**437**	**226**		**13,231**	**13,818**
	Cost to acquire fixed assets	782	2,686	4,427	403	(129)	2,073	87	1,045	92	54	96	59

	Depreciation*	4,095	5,377	5,145	720	958	909	68	55	1	25	30	20
	Non Cash expenses other than Depreciation*	49	1,401	291		18	-		-	-		98	-

No.	**Segments**	**Consolidated Total**		
		9m ended 31.12.2003	**2002-03**	**2001-02**
1	**REVENUE**			
	External Sales	81,938	106,420	95,675
	Intersegment sales	-	-	-
	Total revenue	**81,938**	**106,420**	**95,675**
2	**RESULTS**			
	Segment Result(Profit before Interest &Tax)	19,149	25,523	19,438
	Unallocated	586		

	expenses		999	502
	Operating Profit	18,563	24,524	18,936
	Interest Expenses	1,051	1,864	2,269
	Interest/ Dividend Income	1,085	2,522	1,352
	Provision for Taxation	6,205	8,792	6,161
	Profit/ (Loss) from Ordinary Activities	12,392	16,391	11,859
	Extraordinary items		-	-
	Net Profit/(Loss)	**12,392**	**16,391**	**11,859**
3	OTHER INFORMATION			
	Segment Assets	73,106	77,463	81,162
	Unallocated Assets	18,935	31,595	23,610
	Total Assets	**92,041**	**109,058**	**104,772**
	Segment Liabilities	15,038	14,529	13,585
	Unallocated Liabilities	15,787	13,231	13,818
	Total Liabilities	**30,825**	**27,760**	**27,403**

	Cost to acquire fixed assets	1,326	3,698	6,651
	Depreciation*	4,908	6,420	6,075
	Non Cash expenses other than Depreciation*	49	1,517	291

(a) The business segments have been identified as (i) Gas Processing and Sales, (ii) LPG Transmission and (iii) Others(Telecom). Gas Processing and Sales segment comprises of processing of natural gas to manufacture LPG & other Liquid hydrocarbons, Polymers and sales thereof and sale of natural gas.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN ACCOUNTING STANDARDS AND US GAAP

The summarized financial information included in this Preliminary Sale Document and the financial statements filed as Exhibits have been prepared in accordance with the requirements of the Indian Companies Act and accounting principles generally accepted in India (collectively "Indian Accounting Standards"), which differ in certain respects from the accounting principles generally accepted in the United States (or "US GAAP").

The following table summarizes significant differences between US GAAP and Indian Accounting Standards insofar as they affect the summarized financial information and financial statements reported in this Preliminary Sale Document.

The Company has not prepared financial statements in accordance with US GAAP. Accordingly, there can be no assurance that the table below is complete, or that the differences described would give rise to the most material differences between Indian Accounting Standards and US GAAP. In addition, the Company cannot presently estimate the net effect of applying US GAAP on its results of operations or financial position.

The effect of such differences may be material for the net results and shareholders' equity prepared on the basis of US GAAP compared to Indian Accounting Standards.

Various US GAAP and Indian Accounting Standards pronouncements have been issued for which the mandatory application date is later than the reporting dates in this Preliminary Sale Document. These, together with standards that are in the process of being developed in both jurisdictions, could have a significant impact on future comparisons between US GAAP and Indian Accounting Standards.

1.	**Contents and format of financial statements**	Companies are required to present balance sheets, profit and loss accounts and, if listed, proposing a listing or having turnover greater than Rs. 50 crores, cash flows, for two years together with accounting policies, schedules and notes. The format of the financial statements generally follows the requirements of the Companies Act.	All companies are required to present balance sheets, income statements, statements of shareholders' equity, comprehensive income and cash flows, together with accounting policies and notes to the financial statements. Disclosures in the notes to financial statements generally are far more extensive than under Indian Accounting Standards. No specific format is mandated; generally items are presented on the face of the balance sheet in decreasing order of liquidity. Income statement items may be presented using a single-step or a multiple step format. SEC registrants are generally required to present two years of balance sheets and three years for all other statements. In the initial year of registration, the SEC will generally waive the requirement for the third earliest year for foreign filers.
2.	**Investments in securities**	Investments are classified as long-term or current. Current investments are readily realisable, not intended to be held for more than one year from the date of purchase and are carried at the lower of cost or fair market value. Unrealised losses are charged to the income statement; unrealised gains are not recorded except to restore previously recorded unrealised gains that may have reversed. A long-term investment is an investment other than a current investment and is valued at cost, subject to a write-down for impairment on permanent diminution in value. Long term investments are classified as trade and other.	Investments in marketable equity securities and all debt securities are classified according to management's holding intent, into one of the following categories: trading, available for sale, or held to maturity. Trading securities are marked to fair value, with the resulting unrealised gain or loss recognised currently in the income statement. Available-for-sale securities are marked to fair value, with the resulting unrealised gain or loss recorded directly in a separate component of equity until realised, at which time the gain or loss is reported in income. Held-to-maturity debt securities are carried at amortised cost. Other than temporary impairments in the value of HTM and AFS investments are accounted for as realised losses.
3.	**Investments in associates or affiliates**	If companies are required to prepare consolidated financial statements, the equity method of accounting for investments in associates is required. The definition of associates and equity accounting are essentially similar to US GAAP. There is no requirement to apply the equity method of accounting in the standalone financial statements of the parent and associates are accounted for in the same manner as other investments in the stand alone financial statements of a parent.	Investments over which the investor can exert significant influence, generally presumed when the investor owns between 20% and 50% of the voting stock, are required to be accounted for using the equity method. The equity method requires investors to record their investment in the associate as a one-line asset and reflect their share of the investee's net income/loss in their earnings. Dividends received reduce the investment account.

4.	**Interests in joint ventures or jointly controlled assets**	AS 27, *Financial Reporting of Interests in Joint Ventures*, applies to the Company and requires interests in jointly controlled operations of a venturer to be recognized in its separate and consolidated financial statements on a proportionate consolidation basis.	A joint venture is treated as either a subsidiary or an affiliate, depending on the level of control of the joint venturer, and consolidated or accounted for using the equity method, respectively. The Securities and Exchange Commission (or SEC), as an accommodation, permits foreign companies that use proportional consolidation under home country GAAP for joint ventures that would be equity accounted (but not those that are consolidated) under US GAAP to continue this basis of accounting, provided summarized footnote disclosure of the amounts proportionately consolidated are disclosed.
5.	**Oil and gas exploration and development costs**	The Company accounts for its exploration costs in accordance with the "successful efforts" method, which is essentially similar to USGAAP.	USGAAP permits both the "successful efforts" and "full cost" method of accounting for exploration and development costs relating to oil and gas activities. Exploration costs incurred for geological and geophysical activities are commonly referred to as "G&G costs". G&G costs include the following: costs of topographical, geological, and geophysical studies; rights of access to properties to conduct those studies; and salaries and other expenses of geologists, geophysical crews, or others conducting those studies. Also included in exploration costs are expenses of carrying and retaining undeveloped properties, dry hole and bottom hole contributions, costs of drilling and equipping exploratory wells, and costs of drilling exploratory-type stratigraphic test wells. Under the successful efforts method, G&G costs, costs of carrying and retaining undeveloped properties, and dry hole and bottom hole contributions are charged to expense as incurred. The costs of drilling exploratory and exploratory-type stratigraphic test wells are capitalized, pending determination of whether the well can produce proved reserves. If it is determined the well will not produce proved reserves, the capitalized costs, net of any salvage value, are charged to expense. All drilling and completion costs that directly lead to the extraction and production of oil and gas reserves and all development dry holes are capitalized. Capitalized costs are amortized against the revenues therefrom. Because development dry holes are capitalized and exploratory dry holes are expensed, the distinction between them is extremely important and should be made by the company prior to drilling.

6.	**Fixed assets**	Capital expenditure incurred on assets not owned is typically capitalized and depreciated; the Company however, has expensed such items. Abandoned fixed assets are generally written off when abandoned,	Capital expenditure incurred on fixed assets not owned is capitalized and depreciated over its estimated useful life. Abandoned assets would be treated as impaired (see below).
7.	**Depreciation**	Depreciation is generally charged at rates prescribed by the Companies Act other than for some assets which are depreciated at higher rate.	Depreciation is provided in a systematic and rational manner over the useful economic life of the assets.
8.	**Asset impairment**	Applicable for accounting periods beginning from April 1, 2004 onwards, companies must assess whether there is any indication that an asset is impaired at each balance sheet date. If such an indication exists, the company is required to estimate the recoverable amount of the asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount and reported as an impairment loss.	SFAS No.144 develops one accounting model for long-lived assets other than goodwill that are to be disposed of by sale, as well as addresses the principal implementation issues. SFAS No.144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. The impairment review is based on undiscounted cash flows at the lowest level of independent cash flows. If the undiscounted cash flows are less than the carrying amount, the impairment loss must be measured using discounted cash flows.
9.	**Borrowing costs and interest capitalized**	Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as a cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred. Foreign exchange gains or losses relating to borrowings incurred to construct fixed assets are treated as a part of borrowing costs during the construction period.	Interest cost is capitalised as part of the cost of an asset that is constructed or produced for an enterprise's own use. The capitalisation period begins when activities to ready the asset for use commence, and ends when the asset is ready for use. The capitalised interest is expensed over the estimated useful life of the asset as part of the depreciation charge. All foreign exchange gains and losses are included in net income. Origination or commitment fees incurred to obtain a borrowing are treated as a deferred charge and amortised using the effective interest method over the life of the debt.
10.	**Intangible assets**	AS26 on Intangible Assets became effective in respect of expenditure incurred on intangible items during accounting periods commencing on or after April 1, 2003, in respect of listed public companies. The standard differentiates between intangible items and intangible assets, whereby intangible items are expensed and intangible assets should be recognized if, and only if (a) it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise, and, (b) the cost of the asset can be measured reliably.	Purchased intangibles are capitalized at their fair value. Costs relating to internally developed intangible assets are expensed when incurred. Intangible assets with finite lives are amortized over the expected period of benefit. Intangible assets with indefinite lives are not amortized but are subjected to an annual impairment test, or more frequently in the event of a triggering event.

11.	**Research and development**	Indian Accounting Standards makes a distinction between research costs and development costs. Intangible items, and internally generated intangible assets in the research phase, are to be expensed when incurred. Intangible assets arising from development should be recognized if the enterprise can clearly demonstrate technical feasibility, intention to complete, ability to use or sell the asset and to measure expenditure incurred and future economic benefits. In addition, fixed assets used for research and development purposes may be capitalised and depreciated in the same manner as other similar assets. As per the company's practice, all expenditure, other than on capital account, on research and development, are charged to profit and loss account.	All research and development expenses are expensed when incurred, except for development expenses relating to software to be marketed or sold; which may be deferred and amortized after technological feasibility is proven.
12.	**Deferred revenue expenditure**	Deferred revenue expenditure includes revenue expenses that benefit more than one period. Such expenses are deferred and amortized over the expected period of benefit. Deferred revenue expenditure includes items such as pre-operative expenses. Expenditure incurred from the date of incorporation to the date of commencement of commercial operations not directly attributable to fixed assets is treated as deferred revenue expenditure. Expenditure incurred from the date of incorporation to the date of commencement of commercial operations and directly attributable to fixed assets is generally capitalised as part of the cost of the asset. Following the issuance of AS 26, the above items would generally be classified as intangible items and expensed.	Costs in respect of any start up (pre-commencement or pre-operating) are expensed as incurred. Costs for advertising and product development are expensed as incurred.
13.	**Deferred taxation**	AS 22, *Accounting for Taxes on Income* requires deferred taxes to be provided for the tax effect of timing differences between taxable income and accounting income. Deferred tax assets arising due to unabsorbed depreciation or carry forward of losses are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Other deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.	Deferred tax liabilities and assets are recorded for the tax effect of all temporary differences between the tax and book bases of assets and liabilities and operating loss carry-forwards, at currently enacted tax rates. Changes in tax rates are reported in the income statement in the period of enactment. A valuation allowance is made against deferred taxes if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realised.
14.	**Vacation accrual**	Leave encashment is viewed as a retirement	Vacation earned but not taken is reported as a

		entitlement and is generally reported at the actuarially determined present value of future benefits.	liability based on the number of days entitlement, priced at the balance sheet salary rate.
15.	**Retirement benefits and post retirement medical benefits**	The liability for defined benefit retirement plans is reported at an actuarial valuation.	The liability for defined benefit retirement plans is reported at the present value of future benefits using the projected unit cost method, with a stipulated method to determine assumptions.
16.	**Proposed dividend**	Proposed dividends are recognized in the financial statements in the period to which they relate, even if declared after the balance sheet date.	Dividends payable are recorded when declared and the liability to pay has been established.
17.	**Revenue recognition**	In a transaction involving the sale of goods, revenue is recognized when significant risks and rewards of ownership are transferred and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods. Revenues from take-or-pay contracts (or Minimum Guaranteed Offtake ("MGO")) are recognized when received.	Revenues involving the sales of goods are recognized when all the following four criteria have been met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectibility is reasonably assured. Revenues from take-or-pay contracts are recognized when it is probable that the minimum guaranteed amounts would become collectible.
18.	**Foreign exchange**	Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items are restated at year-end exchange rates. Exchange differences arising on transactions and translation of monetary items are recognized as income or expense in the year in which they arise, except in respect of liabilities for the acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of the fixed assets. With the revision of this standard, with effect from accounting periods commencing on or after April 1, 2004, exchange differences arising in respect of liabilities for the acquisition of fixed assets are also recognized as income or expense in the year in which they arise.	All gains or losses arising from foreign currency transactions are included in determining net income.
19.	**Off-balance sheet items**	There is no specific guidance or the accounting and reporting for off-balance sheet items. Commitments and contingencies are required to be disclosed. Guarantees of the indebtedness of others are disclosed as contingent liabilities.	SEC registrants are required to provide extensive disclosures of material off-balance sheet items, contingent liabilities and financial guarantees. Commitments and contingencies are required to be disclosed. FASB Interpretation No. 45 (or FIN 45), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, requires that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee. FIN 45 is applicable on a prospective basis to guarantees issued or modified after December 31, 2002.

20.	**Related party disclosures**	Disclosures by public sector companies of related party transactions with other public sector companies do not need to be provided.	Related parties would include all entities under common control (including government departments), and there is no specific exemption for public sector or government owned entities.
21.	**Fair values of financial instruments**	There is no requirement to disclose the fair value of financial instruments.	Extensive disclosures are required of the fair values of financial instruments and the methodologies or determining fair values.
22.	**Derivative financial instruments and hedging**	The premium payable during the forward exchange contract or currency swap is amortized over the life of the instrument. In addition, if a forward exchange contract or currency swap is a hedge of a foreign currency liability on the balance sheet, the foreign currency liability is recorded in the balance sheet at the hedge contract's exchange rate and is not marked to the balance sheet exchange rate.	All derivatives, including those embedded in other contracts, are required to be recognised as assets or liabilities in the balance sheet and measured at fair value. Changes in fair value of derivatives not designated or effective as hedges are recognized in earnings. The recognition of the gain or loss on derivative financial instruments that are designated and effective as hedges depends on whether the hedge contract is a fair value hedge, cash flow hedge or foreign currency hedge. The gain or loss arising on foreign currency hedges are generally recognized in earnings in the same period as the corresponding loss or gain on the underlying transaction being hedged. Additionally, certain take-or-pay contracts may qualify to be treated as derivative financial instruments.
23.	**Segments**	Specified segment disclosures are provided which could either be business segments or geographical segments.	Segment information is provided for reportable segments based on the segments for which the chief operating decision maker allocates resources and measures performance. The amounts to be disclosed correspond to the measures of performance used by the CODM.

Auditor's Certificate

We hereby certify that the enclosed annexure states the tax benefits available to GAIL (India) Limited (the "Company") and its shareholders under the provisions of the Income Tax Act, 1961, and other direct taxes viz. Wealth Tax and Indirect tax laws presently in force.

The contents of this annexure is based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

A shareholder is advised to consider in his/her/its own case the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits which an investor can avail.

For S. Mann & Co.
Chartered Accountants

Place : New Delhi **(Subhash Mann)**
Dated: January 20, 2004 **Partner**

BENEFITS TO THE COMPANY UNDER THE INCOME TAX ACT

- In accordance with and subject to the conditions specified in section 80 HHC of the Income Tax Act, 1961, the company would be entitled to deduction in respect of profits as determined under the said section derived from exports of goods to the extent of 30% of the profits derived from the export of goods,. This benefit will not be available, as of now, for the Assessment year 2005-06 onwards.
- In accordance with and subject to the condition specified in Section 80IA of the Income Tax Act, 1961, the Company would be entitled to deduction of 100% of profits derived from Industrial Undertaking engaged in infrastructure facilities, telecommunication, power generation/ transmission for a period of 10 years from the initial assessment year provided production is started before March 31, 2003.
- In accordance with and subject to the conditions specified in Section 80-IB of the Income Tax Act, 1961, the company would be entitled to deduction of 100% of profits derived from Industrial Undertakings and LPG Plants for 3 consecutive years beginning with the initial assessment year it had started production and 30% for next 5 years. The company is claiming benefit under this provision in respect of dedicated pipelines/ LPG plants. It is also applicable for PATA Plant.
- In accordance with and subject to the conditions specified in Section 80-IC of the Income Tax Act, 1961, inserted w.e.f. assessment year 2004-05 the company would be entitled to deduction of 100% of profits derived from Industrial Undertakings for 10 years beginning with the initial assessment year it had started production for industrial undertakings set up in north east states of Assam and Tripura
- In accordance with and subject to the provisions of Section 35, the Company would be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business.
- By virtue of Section 10(34) of the IT Act, dividend income referred to in Section 115-O of the IT Act, are exempt from tax in the hands of the receiving Company.
- By virtue of insertion of new section 10(36) of the IT Act, any long term capital gain arising to the Company from the transfer of a long term capital asset being eligible equity share in a company purchased or after the Ist day of March, 2003 and before Ist day of March 2004 and held for a period of 12 months or more would not be liable to tax in the hands of the Company.
- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10(36) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of 3 years in the bonds issued by

    * National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;
    * National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988;
    * Rural Electrification Corporation Limited, a Company formed and registered under the Companies Act, 1956;
    * National Housing Bank established under section 3(1) of the National housing bank Act or Small Industries Development Bank of India Act, 1989;

- Under Section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10(36) of the Act) on the transfer of shares of the Company, as and when it is listed, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian company forming part of a eligible public issue, within a period of 6 months after the date of such transfer.
- Under Section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains (not covered under Section 10(36) of the Act) arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second provision to Section 48 or at 10% (plus applicable surcharge) (without indexation), at the option of the Company.

To the Members of the Company – Under the Income Tax Act, 1961

1. Resident Members – all categories

- By virtue of Section 10(34) of the IT Act, dividend Income referred to in Section 115-O of the IT Act, are exempt from tax in the hands of the shareholders.
- By virtue of insertion of new section 10(36) of the IT Act, any long term capital gains arising to the shareholder from the transfer of a long term capital asset being an eligible equity share in a company purchased on or after the Ist day of March, 2003 and before Ist day of March 2004 and held for a period of 12 months or more would not be liable to tax in the hands of the shareholder.

  For this purpose "eligible equity share means –
  a) an equity share in a Company being a constituent of BSE – 500 index of the Stock Exchange, Mumbai as on 1.3.2003 and the transaction of purchase and sale of such equity share are entered into on a recognized stock exchange in India;
  b) an equity share in a company allotted through a public issue on or after Ist day of March, 2003 and listed in a recognized stock exchange in India before the Ist day of March 2004 and the transaction of sale of such share is entered into on a recognized stock exchange in India.
- In terms of section 10(23D) of the Income Tax Act, 1961 all mutual funds set up by public sector banks or public financial institutions or mutual funds registered under the securities and exchange board of India or authorized by the Reserve Bank of India subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income from investment in the shares of the company.
- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10(36) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of 3 years in the bonds issued by

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  * Rural Electrification Corporation Limited, a Company formed and registered under the Companies Act, 1956;
  * National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987
  * Small Industries Development Bank of India Act, 1989;
- Under Section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10(36) of the Act) on the transfer of shares of the Company, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian company forming part of a eligible public issue, within a period of 6 months after the date of such transfer.
- Under Section 54F of the Income Tax Act, 1961 and subject to the consitions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax subject to other conditions, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
- Under Section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains (not covered under Section 10(36) of the Act) arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second provision to Section 48; indexation not available if

investments made in foreign currency as per the first provision of Section 48 stated above) or at 10% (plus applicable surcharge) (without indexation), at the option of the Company.

Non Resident Indians/Non Resident Members (Other than FIIs and Foreign Venture Capital investors)

- By virtue of Section 10(34) of the IT Act, dividend income referred to in Section 115-O of the IT Act, are exempt from tax in the hands of the recipients.
- By virtue of insertion of new section 10(36) of the IT Act, any long term capital gain arising to the above referred members from the transfer of a long term capital asset being eligible equity share in a company purchased or or after the Ist day of March, 2003 and before Ist day of March 2004 and held for a period of 12 months or more would not be liable to tax in the hands of such members.
- A non resident Indian (i.e. an individual being a citizen of India or person of Indian Origin) has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating to certain Incomes of Non-Residents".

Tax on Investment Income and Long Term Capital Gain

- Under Section 115E of the Income Tax Act, 1961, where shares in the Company are subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months shall (in cases not covered under Section 10(36) of the Act) be concessionally taxed at the flat rate of 10%(plus applicable surcharge) Without indexation benefit but with protection against foreign exchange fluctuation.

Capital gain on transfer of Foreign Exchange Assets not to be charged in certain cases

- Under provisions of Section 115F of the Income Tax Act, 1961 long term capital gains (not covered under Section 10(36) of the Act) arising to a non resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange shall be exempt from Income Tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

Return of Income not to be filed in certain cases

- Under provisions of Section 15G of the Income Tax Act, 1961 it shall not be necessary for a Non-Resident Indian to furnish his return of Income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted therefrom.

Other Provisions

- Under Section 115-I of the Income Tax Act, 1961, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any Assessment Year by furnishing his Return of Income under Section 139 of the Income Tax Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so the provisions of this chapter shall not apply to him instead the other provisions of the Act shall apply.
- Under the first provision to Section 48 of the Income Tax Act, 1961, in case of a non-resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.
- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10(36) of the Act) arising on the

transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of 3 years in the bonds issued by

* National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;
* National Highway Authority of India constituted under section 3 of National Highway Authority of India Act, 1988;
* Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956;
* National Housing Bank established under section 3(1) of the National Housing bank Act.1987 Small Industries Development Bank of India Act, 1989;

- Under Section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10(36) of the Act) on the transfer of shares of the Company, as and when it is listed, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian company forming part of a eligible public issue, within a period of 6 months after the date of such transfer.
- Under Section 54F of the Income Tax Act, 1961 and subject to the condition and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax subject to other conditions, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
- Under Section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains (not covered under Section 10(36) of the Act) arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second provision to Section 48; indexation not available if investments made in foreign currency as per the first provision of Section 48 stated above) or at 10% (plus applicable surcharge) (without indexation), at the option of assessee.

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Foreign Institutional Investors (FIIs)

- By virtue of Section 10(34) of the IT Act, dividend income referred to in Section 115-O of the IT Act, are exempt from tax in the hands of the institutional investor.
- By virtue of insertion of new section 10(36) of the IT Act, any long term capital gain arising to the Company from the transfer of a long term capital asset being eligible equity share in a company purchased or or after the Ist day of March, 2003 and before Ist day of March 2004 and held for a period of 12 months or more would not be liable to tax in the hands of the institutional investor.
- The income by way of short term capital gains or long term capital gains (not covered under Section 10(36) of the Act) realized by FIIs on sale of shares in the Company would be taxed at the following rates as per Section 115AD of the Income Tax Act, 1961.

  * Short term capital gains – 30% (plus applicable surcharge)
  * Long term capital gains – 10% (without cost indexation plus applicable surcharge).
    (shares held in a company would be considered as a long term capital asset provided they are held for a period exceeding 12 months).
- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10(36) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of 3 years in the bonds issued by

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  * National Highway Authority of India constituted under section 3 of National Highway Authority of India Act, 1988;
  * Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956;
  * National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987
    Small Industries Development Bank of India Act, 1989;

- Under Section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10(36) of the Act) on the transfer of shares of the Company, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian company forming part of a eligible public issue, within a period of 6 months after the date of such transfer.

Benefits to Members of the Company under the Wealth Tax Act, 1957

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of Section 2(ea) of Wealth Tax Act, 1957, hence Wealth Tax Act will not be applicable.

Benefits to Members of the Company under the Gift Tax Act, 1957

Gift of shares of the Company made on or after October 1, 1998 would not be liable to Gift Tax.

Notes

- All the above benefits are as per the current tax law as amended by the Finance Act, 2003 and will be available only to the sole/first named holder in case the shares are held by joint holders.

- In respect of non residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
- In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

Benefits to the Company under Sales Tax Act

The Uttar Pradesh Government has allowed exemption from the applicability of Sales Tax for the goods manufactured and sold from Uttar Pradesh Petrochemical Plant at Pata for a period of 15 years from April 30,99 to April 29, 2014 or to the extent of Rs.4654 crores, whichever is earlier. As the average annual exemption availment is Rs.100 crore, the company will enjoy such benefit until the year 2014.

Benefit to the company under the Central Excise Act

The company is selling SBP Solvent product on payment of excise duty @32% and has applied to the Govt. of India for exemption from such duty when sold to power and fertilizer industries. If such exemption is allowed, the annual duty savings would be to the tune of Rs.100 mn.

DIVIDEND POLICY

Dividends are declared at the annual general meeting of the shareholders based on recommendations by the Board. As per a letter dated February 11, 1998 from the Government of India, Ministry of Petroleum and Natural Gas, all profit-making PSEs which are essentially commercial enterprises must declare a minimum dividend on equity of 20% or a minimum dividend pay out of 20% of post tax profits, whichever is higher. The minimum dividend pay-out in respect of oil, petroleum, chemical and other infrastructure sectors should be 30% of post-tax profits.

The Board passed a resolution dated January 8, 2004 approving an interim dividend of 40% of the paid-up share capital of the Company for the financial year 2003-04.

The dividends paid by the Company during the last five fiscal years are listed below:

	FY2003	**FY2002**	**FY2001**	**FY2000**	**FY1999**
Face value of Equity Shares (in Rs. per share)	10	10	10	10	10
Dividend (in Rs. million)	5,920	3,805	3,383	2,537	2,960
Dividend rate	70%	45%	40%	30%	35%
Dividend tax (in Rs. million)	433	-	345	279	326

***Interim Dividend of 40% has been declared in 2003-04 (Rs. 338.26 mn)**

However, the amounts paid as dividend in the past are not indicative of our dividend policy in the future.

STATUTORY AND OTHER INFORMATION

Stock Market Data for Equity Shares of the Company

The relevant information has been provided in the “History” section of this Document.

Companies Under the Same Management

There are no companies under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act 1956.

Changes in Auditors during the last three years

The Auditors of the Company during the last three years are as follows:

NAME OF AUDITORS	YEAR
Jain Kapila & Associates	2000-01
Batra Sapra & Co.	2001-02
S. Mann & Co.	2002-03

Compliance with SEBI Guidelines and the Listing Agreement

Our Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time. Our Company has made disclosures from time to time in compliance with the terms of the listing agreements with the Stock Exchanges.

Other Relationships

Certain BRLMs and their respective affiliates have performed investment banking, commercial banking or advisory services for the GoI and us from time to time for which they have received customary fees and expenses. In addition, each Underwriter may, from time to time, engage in transactions with and perform services for the GoI and us in the ordinary course of business.

Commission and Brokerage on Previous Issues

Except as stated elsewhere in the Preliminary Sale Document, no sum has been paid or is payable as commission or brokerage by the Company for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since its inception.

Particulars Regarding Public Issues /Rights Issues during the Last Five Years

The Company has not made any public issue or rights issues during the last five years. However, the GoI has earlier disinvested in aggreagate 275817723 Equity Shares in the Company, details whereof are set forth in Section on "Capital Structure" of this Preliminary Sale Document. Further, the Company also made a preferential allotment of 3,31,600 Equity Shares of Rs. 10/- each, to the employees of the Company on January 14, 1997.

Outstanding Debentures or Bond Issues

The Company has issued 6.10% secured non-convertible redeemable bonds with separately transferable redeemable principal parts Series- I. The principal amount for the 6.10% secured non-convertible redeemable bonds (Series I) outstanding as on December 31, 2003 was Rs. 5000 million. The Company has been given time until August 21, 2004 to deliver the bond certificates. These bonds are redeemable in 5 equal installments from the end of the eighth year up to the end of the twelfth year from the deemed date of allotment (August 22, 2003). These bonds bear interest at a rate of 6.10% per annum and are to be secured by mortgages and/or charges in respect of our assets.

Outstanding Preference Shares

The Company has not issued any preference shares.

Capitalisation of Reserves or Profits

The Company has not capitalised the reserves or profits of the Company at any time.

Issues otherwise than for Cash

The company has not issued any capital for consideration other than cash.

Option To Subscribe

Equity Shares being offered through the Preliminary Sale Document can be applied for in the dematerialized form only.

Purchase of Property

This being an Offer for Sale, the Company is not receiving any money under this Offer. Consequently, there is no property which the Company has purchased or acquired or proposes to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present Offer or the purchase or acquisition of which has not been completed on the date of thisPreliminary Sale Document.

Except as elsewhere stated in this Preliminary Sale Document, the Company has not purchased any property in which any of the Directors, have any direct or indirect interest in any payment made thereof.

Remuneration of Managing Director/ Whole-Time Director

- ***Remuneration of Chairman & Managing Director - Mr. Proshanto Banerjee***

Mr. Banerjee joined the Company on August 27, 2001 as Chairman & Managing Director. He has been appointed by the President of India. Mr. Banerjee's appointment is for a period of 5 years or until the age of superannuation whichever is earlier and in accordance with the provisions of the Companies Act, 1956. He is entitled to draw his salary and benefits as per his service conditions with the Company as stated herein under:

Particulars As on December 31, 2003 (Rs. per month)
Pay Scale

Basic Pay	30,750
Special Personal Pay	2,075
Special Pay ....…………	770
Stagnation Pay……… …………………………….	1,110
Variable Dearness Allowance ....…..	1,4507
City Compensatory Allowance ....……	300
Catering expenses	650
Washing Allowance ....…	100
Professional updation ....…	1,000

Housing: Mr. Banerjee has been provided company accommodation by GAIL as per the Company Rules.

Pension and other superannuation benefits: Governed by the Rules and Regulations of GAIL with respect of superannuating benefit fund.

Company car and telephone: The necessary provision for a telephone at residence and arrangements for staff car are made by the Company.

Other perquisites and benefits: Mr. Banerjee is entitled to Medical Facilities, Travelling Allowance, Leave Travel Concession, Disability Leave. In addition, he is entitled to receive incentive under PPS (at corporate office rates), productivity linked incentive, leave encashment, uniform reimbursement, etc. as per the Company Rules.

Contribution towards Provident Fund, equivalent to 12% of Basic Pay, Special Pay, Special Personal Pay and Dearness Allowance, is also made by the Company.

- ***Remuneration of Director (HR) - Mr. M.R Hingnekar***

Mr. M.R Hingnekar, Dir (HR) has been appointed to the Board of the Company by the President of India with effect from July 28, 2003. Mr. Hingnekar's appointment is for a period of 5 years or until the age of superannuation whichever is earlier and in accordance with the provisions of the Companies Act, 1956. He is entitled to draw his salary and benefits as per his service conditions with the Company as stated herein under:

Particulars As on December 31, 2003 (Rs. per month)
Pay Scale

Basic Pay ....…	29000
Special Personal Pay .... ……	1648
Special Pay ....………….	720
Stagnation Pay……… ………………………………	2120
Variable Dearness Allowance ....……..	13309
City Compensatory Allowance ....……….	300
Catering expenses ....….	650
Washing Allowance ....….	100
Professional updation ....……..	1,000

Housing: Mr. Hingnekar has been provided company accommodation by GAIL as per the Company Rules.

Pension and other superannuation benefits: Are governed by the Rules and Regulations of GAIL with respect of superannuating benefit fund.

Company car and telephone: Necessary provision for telephone at residence and arrangements for staff car are made by the Company.

Other perquisites and benefits: Mr. Hingnekar is entitled to Medical Facilities, Travelling Allowance, Leave Travel Concession, Disability Leave. In addition, he is entitled to receive incentive under PPS (at corporate office rates), productivity linked incentive, leave encashment, uniform reimbursement, etc. as per the Company Rules.

Contribution towards Provident Fund, equivalent to 12% of Basic Pay, Special Pay, Special Personal Pay and Dearness Allowance, is also made by employer's side.

- ***Remuneration of Director (Projects) - Mr. S.P. Rao***

Mr. S.P Rao Director (Projects) has been appointed to the Board of the Company by the President of India with effect from October 22, 1999. Mr. Rao's appointment is for a period of 5 years or until the age of superannuation whichever is earlier and in accordance with the provisions of the Companies Act, 1956. He is entitled to draw his salary and benefits as per his service conditions with the Company as stated herein under:

Particulars As on December 31, 2003 (Rs. per month)
Pay Scale

Basic Pay	29650
Special Personal Pay ....…..	2284
Special Pay ....….........	1180
Variable Dearness Allowance ....…..	12887
City Compensatory Allowance ....…….	300
Catering expenses ....….	650
Washing Allowance ....….	100
Professional updation ....…..	1,000

Housing: Mr. Rao has been provided company accommodation by GAIL as per the Company Rules.

Pension and other superannuation benefits: Are governed by the Rules and Regulations of GAIL with respect of superannuating benefit fund.

Company car and telephone: Necessary provision for telephone at residence and arrangements for staff car are made by the Company.

Other perquisites and benefits: Mr. Rao is entitled to Medical Facilities, Travelling Allowance, Leave Travel Concession, Disability Leave. In addition, he is entitled to receive incentive under PPS (at corporate office rates), productivity linked incentive, leave encashment, uniform reimbursement, etc. as per the Company Rules.

Contribution towards Provident Fund, equivalent to 12% of Basic Pay, Special Pay, Special Personal Pay and Dearness Allowance, is also made by employer's side.

- ***Remuneration of Directors (Planning) - Mr. B.S Negi***

Mr. B.S Negi has been appointed to the Board of the Company by the President of India with effect from January 1, 2003. Mr. B.S Negi's appointment is for a period of 5 years or until the age of superannuation whichever is earlier and in accordance with the provisions of the Companies Act, 1956. He is entitled to draw his salary and benefits as per his service conditions with the Company as stated herein under:

Particulars As on December 31, 2003 (Rs. per month)
Pay Scale

Basic Pay	29000
Special Pay	1255

Stagnation Pay……… …………………………	1092
Variable Dearness Allowance	13103
City Compensatory Allowance	300
Catering expenses	650
Washing Allowance	100
Professional updation	1,000

Housing: Mr. Negi has been provided company accommodation by GAIL as per the Company Rules.

Pension and other superannuation benefits: Are governed by the Rules and Regulations of GAIL with respect of superannuating benefit fund.

Company car and telephone: Necessary provision for telephone at residence and arrangements for staff car are made by the Company.

Other perquisites and benefits: Mr. Negi is entitled to Medical Facilities, Travelling Allowance, Leave Travel Concession, Disability Leave. In addition, he is entitled to receive incentive under PPS (at corporate office rates), productivity linked incentive, leave encashment, uniform reimbursement, etc. as per the Company Rules.

Contribution towards Provident Fund, equivalent to 12% of Basic Pay, Special Pay, Special Personal Pay and Dearness Allowance, is also made by employer's side.

- ***Remuneration Details of Director (Finance) - Mr. J K Jain***

Mr. J.K Jain has been appointed to the Board of the Company by the President of India with effect from January 1, 1996. Mr. Jain's appointment was initially for a period of 5 years or until the age of superannuation whichever is earlier and in accordance with the provisions of the Companies Act, 1956. He has been reappointed with effect from December 21, 2001 until October 31, 2005 which is the age of his superannuation. He is entitled to draw his salary and benefits as per his service conditions with the Company as stated herein under:

Particulars As on December 31, 2003	**(Rs. per month)**
Pay Scale	
Basic Pay	30300
Special Personal Pay	1703
Variable Dearness Allowance	12265
City Compensatory Allowance	300
Catering expenses	650
Washing Allowance	100
Professional updation	1,000

Housing: Mr. Jain has been provided company accommodation by GAIL as per the Company Rules.

Pension and other superannuation benefits: Are governed by the Rules and Regulations of GAIL with respect of superannuating benefit fund.

Company car and telephone: Necessary provision for telephone at residence and arrangements for staff car are made by the Company.

Other perquisites and benefits: Mr. Jain is entitled to Medical Facilities, Travelling Allowance, Leave Travel Concession, Disability Leave. In addition, he is entitled to receive incentive under PPS (at corporate office rates), productivity linked incentive, leave encashment, uniform reimbursement, etc. as per the Company Rules.

Contribution towards Provident Fund, equivalent to 12% of Basic Pay, Special Pay, Special Personal Pay and Dearness Allowance, is also made by employer's side.

Borrowing Powers of Directors

At the fifteenth annual general meeting held on September 24, 1999, the Company authorized its Board to borrow an amount not exceeding in aggregate Rs.60 billion and also authorized creation of charge/mortgaging of assets of the Company as a security for borrowing(s) wherever required.

Revaluation of Assets

The Company has not revalued any of its assets since its inception.

Classes of Shares

The authorised capital is Rs. 10,000 Million divided into 100,00,00,000 Equity Shares of Rs. 10/- each.

Payment or Benefit to Officers of our Company

Except as stated otherwise in this Preliminary Sale Document, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to our officers except the normal remuneration for services rendered as Directors, officers or employees.

Mechanism for Redressal of Investor Grievances

The Registrar to the Offer, MCS Limited, will provide for retention of records for a period of at least one year from the last date of dispatch of letters of Allocation, demat credit, refund orders to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

All grievances relating to the Offer may be addressed to the Registrar to the Offer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection center where the application was submitted.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Offer for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

The Selling Shareholder has authorised the Compliance Officer of the Company, to redress all complaints, if any, of the investors participating in this Offer. We have appointed Mr. N K Nagpal, Company Secretary of the Company, as the Compliance Officer and he may be contacted in case of any pre-Offer or post-Offer-related problems. He can be contacted at:

Mr. N K Nagpal,
Company Secretary,
GAIL (India) Limited,
GAIL Bhawan
16 Bhikaiji Cama Place,
R.K. Puram, Ring Road
New Delhi -110 066
India

Tel. : +91 11 26172580
Fax. : +91 11 26185941

PROPERTIES

We have a corporate office, regional offices and land and buildings throughout India. We have acquired properties through lease agreements and sale agreements. Substantial portions of land were acquired by the GoI for us under the Land Acquisition Act, 1894 ("LA Act"). We have also acquired right of use in land for laying pipelines for the transport of Petroleum and Minerals, which right amounts to Rs. 137.1 mn as of March 31, 2003.

The details of some of the significant properties owned by us are as follows:

S No.	Location	Description	Lease/Free Hold	Area	Remarks
1.	Vadodara	Land	Lease	14700 Sq. Mtr.	Lease deed is not registered pending decision of management to dispose land.
2.	Pata	Land	Lease Hold/ Free Hold	1830.22 Acre	Litigation in respect of about 435 acres pending under LA Act. State Govt. permission for 65.52 Hect. is pending.
3.	Ahmedabad	Building/ Flats 809 – 816	Free Hold	10,760 Sq.ft.	Title document is yet to be registered.
4.	Vijaipur	Land	Free Hold/ Lease Hold	516.97 Hect.	—
5.	Jaipur	Land	Lease Hold	9223 Sq. Mt.	—
6.	Aburoad	Land	Free Hold/ Lease Hold	12964 Sq. Mt.	—
7.	Ajmer	Land	Lease Hold	19080 Sq. Mt.	Lease yet to be registered for 868 sq. m.
8.	Tartoli/Abu Road/Sirohi	Land	Free Hold	62973 Sq. Mt.	Acquired on 24-4-2002 under the LA Act
9.	Mansarampura/Jaipur/Jaipur	Land	Lease Hold.	55900 Sq. Mt.	—
10.	LPG Dispatch Terminal, Kandla	Land	Free Hold	80000 Sq. Mt.	Acquired under LA Act by order dated 30-4-2003.
11.	Dilwari/ Gadri	Land	Free Hold	126200 Sq. Mt.	Title Deed not yet received from Sub-Registrar.
12.	Mumbai (CBD Belapur)	Land/flats (36 Nos)	Lease Hold	6427.218 Sq. Mt.	Lease Deed not registered. Property tax is being paid.
13.	Mumbai (Gailalaya)	Flats (12 Nos)	Lease Hold	2140.00 Sq. Mt.	Lease Deed not registered. Property tax is being paid.
14.	VSPL (Spread V) Hyderabad	Land	Free Hold	22.5 Acres	Acquisition proceedings still pending property yet to be registered.
15.	Gandhar	Land	Free Hold	180.85 Hect.	—
16.	Gandhar	Land (Township)	Free Hold	6.14 Hect.	—
17.	Usar	Land & Building	Lease Hold	130 Hect.	Sale Deed yet to be registered
18.	Jhabua	Land	Lease/Free Hold	26.02 Hect.	Litigation pending on quantum of compensation for acquired land of 14.51 hec.

19.	Hazira	Land	Lease/Free Hold	37.80 Hect.	—
20.	Vaghodia	Land	Lease Hold	663038 Sq Mt.	—
21.	Vadodara	8 Flats	Lease Hold		—
22.	Noida (Sec 1)	Land & Building	Lease Hold	16000 Sq. Mt.	—
23.	Noida (Sec 23)	Land & Building	Free Hold	3600 Sq. Mt.	—
24.	GTI, Noida, (Sec 16A)	Land	Lease Hold	20972 Sq. Mt.	—
25.	Rajamundry (AP)	Land	Free Hold	5 Acre	—
26.	Agartala	Land	Free Hold	2.715 Acre	—
27.	Corporate office, New Delhi	19 Flats	Lease Hold		10 flats are in the name of ONGC as per the DDA records and have not been mutated in the name of GAIL. Property Tax being paid for all the flats.
28.	Corporate office, New Delhi	House with land at SDA	Free Hold	507 Sq Mt	—
29.	Corporate office, New Delhi	Land & Building	Lease Hold	1377.18 Sq. Mt.	—
30.	Lucknow	3 Floors in Vikasdeep building.	Lease Hold	6^{th}, 7^{th} and 8^{th} Floors	—
31.	Dibiapur	Land	Lease Hold/ Free Hold	261.85 Acre	7.48 Acre in the Township (not being part of the said 261.85 Acre) is yet to be acquired in favour of GAIL. Action is underway to acquire the same.
32.	Visakhapatnam (LPG Dispatch Station)	Land in Exim Park for port based activities of import/export of LPG	Lease Hold	41.90 Acre	Possession taken from Vizag Port Trust. Lease Deed yet to be executed.

Note: 1 acre = 4046.9 square meters
1 hectare = 10,000 square meters

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTIONS

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Preliminary Sale Document) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Preliminary Sale Document , delivered to the Registrar of Companies, National Capital Territory of Delhi and Haryana located at New Delhi for registration and also the documents for inspection referred to hereunder, may be inspected at the Corporate Office of our Company situated at New Delhi – 110 066 from 10.00 a.m. to 4.00 p.m. from the date of this Preliminary Sale Document until the date of Issue Closing Date.

Material Contracts

1. Letter(s) of appointment to HSBC and I-Sec from Selling Shareholder dated appointing them as BRLMs
2. Memorandum of Understanding among Selling Shareholder, the Company, BRLMs
3. Letter from Selling Shareholder appointing MCS Ltd as the Registrar to the Offer.
4. Letter dated ……… from GoI appointing Dua Associates and Allen & Overy as legal advisors to the Offer.
5. Escrow Agreement dated …….. amongst the Selling Shareholder, the Company, BRLMs, Escrow Collection Banks, Registrars to the offer and Syndicate Members.
6. Underwriting Agreement dated …….. amongst the Selling Shareholder, the Company, BRLMs, Syndicate Members…………………...
7. MoU/agreement dated ……….. between the Selling Shareholder, the Company and the Registrars to the Offer.

Material Documents

1. Memorandum and Articles of Association of GAIL as amended from time to time.
2. GAIL’s certificate of incorporation dated August 16, 1984 and Certificate of Commencement of Business dated December 21, 1984.
3. GAIL’s Fresh Certificate of Incorporation dated November 22, 2002 consequent upon change of GAIL’s name.
4. The Report of the Auditors, S. Mann and Co. as set out herein dated January 21, 2004.
5. Copies of the Annual Reports for the years ended March 31, 1999, 2000, 2001, 2002 and 2003 of the Company on which Report of the Auditors of the Company, and Chartered Accountants is based.
6. Consents of: (a) Auditors; (b) Escrow Collection Bankers to the Offer (c) Book Running Lead Managers, Syndicate Members, Domestic Legal Counsel for the Offer, International Legal Counsel to the Offer, Legal Counsel to the Underwriters, for this Offer, Directors, Registrar and Compliance Officer as referred to, in their respective capacities.
7. Powers of Attorney executed by Directors of the Company in favour of person(s) for signing and making necessary changes in the Preliminary Sale Document and the Final Sale Document.
8. Resolutions of the Board of Directors held on January 8, 2004, January 22, 2004, and February 17, 2004 for and in connection with various matters pertaining to the Offer.

9. Due Diligence Certificate dated February 17, 2004 to the Selling Shareholder from HSBC Securities and Capital Markets (India) Pvt. Ltd. and ICICI Securities Limited.
10. D.O. No. G-34015/3/2003-Fin.II, dated December 26 2003, from the MoPNG, GoI, communicating that the Government has approved the disinvestment in GAIL (India) Limited by GoI by way of offer for sale of its shareholding in the domestic market.
11. SEBI letter dated January 29, 2004 conveying non-applicability of the SEBI Guidelines.
12. SEBI guidance letter dated February 16, 2004.
13. Letter No. 4/3/2004/DD-II dated February 12, 2004 from the Ministry of Disinvestment; GoI alongwith enclosures.
14. Letter no. 4/3/2004/DD-II dated February 9, 2004 from the Ministry of Disinvestment, GoI pertaining to the deviations from the SEBI Guidelines adopted in relation to the Offer.
15. D.O. no. 4(45)/2003-MODI dated February 5, 2004 from the Ministry of Disinvestment, GoI pertaining to reservation for the Employees.
16. Letter No. 4/3/2004-DD-II dated February 16, 2004 from the Ministry of Disinvestment, GoI pertaining to differential pricing for Employees in certain cases.
17. D.O. No. 4(25)/2003(Vol II) dated February 6, 2004 from the Ministry of Disinvestment, GoI.
18. Tripartite Agreement between the NSDL, the Company and MCS Ltd dated _______
19. Tripartite Agreement between the CDSL, the Company and MCS Ltd. dated July 10, 1999.
20. Approval from GoI, Ministry of Finance and Company Affairs (Department of Economic Affairs) pursuant to its letter no FC.II.606(97)684(97) dated January 28, 2004 for the transfer of equity shares in this Offer to eligible non-resident investors, NRIs and FIIs.
21. Approval no. ECD.DEL.II/06/06.04.117/03-04 dated February 9, 2004 from the RBI for the transfer of Equity Shares in this Offer to eligible non-resident investors, NRIs and FIIs.
22. A copy of the tax benefit report dated January 20, 2004 from the Company's statutory auditors.
23. Letters from Stock Exchanges.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF GAIL (INDIA) LIMITED

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of equity shares/debentures and/or on their consolidation /splitting are detailed below:

Capital

Article 5 provides that the authorised share capital of the company is Rs. 1000,00,00,000 (Rupees One thousand crores) divided into 100,00,00,000 (one hundred crore) Equity Shares of Rs. 10/- (Rs. Ten only) each.

Company's share not to be purchased

Article 6 provides that no part of the funds of the Company shall be employed in the purchase of or in loan upon the security of the Shares of the Company except in accordance with the provisions of Section 77 of the Act.

Article 7 provides that subject to the provisions of the Act and these Articles, the Shares shall be under the control of the Board of Directors who may allot or otherwise dispose of the same to such persons, on such terms and conditions, as the Board may consider fit. Provided that option or right to call for or be allotted shares' shall not be given to any person except with the sanction of -the company in general meeting.

CALLS, LIEN AND FORFEITURE OF SHARES

Call on shares

Article 10(a) provides that the Board may, from time to time, subject to the terms on which any Shares or debentures may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such call as it thinks fit upon the Members or debentureholders in respect of all moneys unpaid on the Shares or debentures held by them respectively and each Member or Debentureholder shall pay the amount of every call so made on him to the person or persons and at the times and places appointed by the Board.
A call may be made payable by installments.

Article 10(b) provides that a thirty days notice in writing of any call shall be given by the Company specifying the time and place of payment, and the person or persons to whom such call shall be paid.

Article 10(c) provides that a call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board.

Article 10(d) provides that a call may be evoked or postponed at the discretion of the Board.

Article 10(e) provides that the Board may, from time to time at its discretion, extend the time fixed for the payment of any call, but no Member or Debentureholder shall be entitled to such extension save as a matter or grace and favour.

When interest of call payable

Article 12 provides that if any Member or Debentureholder fails to pay any call or instalment of a call due from him on or before the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such Member or Debentureholder.

Payment in anticipation of calls may carry interest

Article 13(a) provides that the Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the moneys due upon the Shares, held by him beyond the sums actually called for and upon the moneys so paid in advance or so much thereof as from time to time exceeds the amount of the calls then made upon the Shares in respect of which such advance has been made, the Company may pay interest at such rate not exceeding 6 percent per annum as the members paying such sum in advance and the Directors agree upon, and the Directors may, at any time, repay the amount so advanced upon giving to such Member three months' notice in writing.

Article 13(b) provides that no Member paying such sum in advance shall be entitled to profits or dividend or to the voting rights in respect of the moneys so paid by him until the same would, but for such payment, become presently payable'.

Article 14(a) provides that if any Member or Debenture-holder fails to pay any call or instalment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may at any time thereafter, during such time as the call or instalment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the- Company by reason of such non-payment.

Article 14(b) provides that the notice shall name a day (not being less than fourteen days from the date of service of the notice) and a place or places on and at which such call or instalment and such interest thereon at such rate as the Directors shall determine from the day on which such call or instalment ought to have been paid, are to be paid. The notice shall also state that, in the event of the non-payment at or before the time and at the place appointed, the Shares or debentures in respect of which the call was made or instalment is payable, will be liable to be forfeited.

Effects of Forfeiture

Article 15(a) provides that neither the receipt by the Company of a portion of any money, which shall from time to time, be due from any member to the Company in respect of his Shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such Shares as hereinafter provided.

Article 15(b) provides that if the requirements of any such notice as aforesaid are not complied with', every or any Shares or Debenture in respect of which such notice has been given, may at any time thereafter before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or interest or any other moneys payable in respect of the forfeited Shares or debentures and not actually paid before the forfeiture.

Article 15(c) provides that when any Share or Debenture have been so forfeited, notice of the forfeiture shall be given to the Member or Debenture-holder in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members or Register of Debenture-holders but no forfeiture shall, in any manner, be invalidated by any omission or neglect or to make any such entry as aforesaid.

Article 15(d) provides that any Share or Debenture so forfeited shall be deemed to be the property of the Company, and may be sold, re-allotted, or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board may think fit.

Article 15(e) provides that any Member whose Shares, or Debenture-holder whose debentures, have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, on demand, all calls, installments, interest and expenses owing upon or in respect of such Shares or debentures at the time of forfeiture, together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding 20 percent per annum as the Board may determine and the Board may enforce the payment thereof, if it thinks fit.

Article 15(f) provides that the forfeiture of a Share or Debenture shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demands against the Company, in respect of the Share or Debenture and all other rights incidental to the Share/ Debenture, except only such of the rights as by these Articles are expressly saved.

Article 15(g) provides that upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the Certificate or Certificates originally issued in respect of the relative Shares or debentures shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member or Debenture-holder) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a new Certificate or Certificates in respect of the said Shares or debentures to the person or persons entitled thereto.

Article 15(i) provides that the Board may at any time before any Share or Debenture so forfeited shall have been sold, re-alloted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

Declaration of forfeiture

Article 16 (l) provides that a declaration in writing that the declarant is a Director or Secretary of the Company and that a Share or Debenture in the Company has been duly forfeited in accordance with these Articles on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Shares or debentures.

Company's lien on shares

Article 19 provides that the Company shall have a first and paramount lien upon all the Shares, debentures (other than fully paid up) registered in the name of each Member/Debenture holder (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of Shares/Debentures and no equitable interest in any Shares/ Debentures shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends/interests and bonuses from time to time declared in respect of such. Shares/Debentures. Unless otherwise agreed, the registration of a transfer of Shares/Debentures shall operate as a waiver of the Company's lien, if any, on such Shares/Debentures. The Directors may at any time declare any Shares/Debentures wholly or in part to be exempt from the provisions of this clause.

Transfer and transmission of shares

Article 23 provides that the Company shall keep a book to be called the Register of Transfers and therein enter the particulars of several transfers or transmission of any share.

Article 24 (a) provides that notwithstanding anything contained in these Articles and subject to the provisions of Section 111 of the Act and subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and the Rules & Regulations made thereunder and other applicable laws, the Directors may at their absolute and uncontrolled discretion decline to register or acknowledge any transfer of shares and shall not be bound to give any reason for such refusal, in particular, may so decline in respect of the shares upon which the Company has a lien or whilewhile any monies in respect of the shares desired to be transferred or any of them remain unpaid and such refusal shall not be affected by the fact that the proposed transferee is already a member. Provided that registration of any transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebeted to the Company on any account whatsoever.

Article 24(b) provides that nothing in Sections 108,109 and 110 of the Act shall prejudice the power to refuse to register transfer or transmission by operation of law of the rights to, or interest of a member in any Shares, debentures or other securities of the Company.

Notice of refusal to register transfer: Company not bound to recognize any interest in share other than that of the registered holders

Article 25 provides that if the Directors refuse to register of any shares they shall, within two months of the date on which the instrument of transfer is delivered to the Company, send to the transferee and the transferor notice of the refusal.

Save as otherwise herein provided, the Directors shall be entitled to treat the person whose name appears on the register of members as the holder of any share, as the absolute owner thereof and accordingly shall not (except as ordered by a Court of competent jurisdiction or as by law required) be bound to recognize any benami trust or equity or equitable contingent or other claim to or interest in such share on the part of any person whether or not it shall have express or implied notice thereof.

Execution of transfer

Article 26 provides that the instrument of transfer of any Shares or debentures shall be in writing executed both by the transferor and transferee and in such form as may be prescribed. All the provisions of Section 108 of the Act and of any statutory modifications thereof for the time being shall be duly complied with in respect of all transfers and/or the registration thereof. Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by the Certificate of Shares or debentures (and if no such Certificate is in existence, alongwith the letter of Allotment of Shares or debentures) to be transferred and such evidence as the Board may require to prove the title of the transferor, his right to transfer the Shares or debentures and every instrument of transfer shall remain in the custody of the Company until destroyed by the order of the Board. The transferor shall be deemed to remain the holder of the Share or Debenture until the name of the transferee is entered in the Register of Member or Debenture-holders in respect thereof.

Transmission by operation of law

Article 29 provides that nothing contained in Article 23 shall prejudice any power of the company to register as shareholder any person to whom the right to any shares in the Company has been transmitted by operation of law.

When transfer books and register may be closed

Article 30 provides that the Directors shall have powers to the effect that the transfer books and the register of members or the register of Debenture holders may be closed for any time or times not exceeding in the whole 45 days in each year and not exceeding 30 days at a time after giving not less than 7 days' notice in accordance with Section 154 of the Act.

Director’s right to refuse registration

Article 31(1) that save as in these Articles otherwise expressly provided, the Directors shall have the same right to refuse to register a person entitled by transmission to any Shares or his nominee, as if he were the transferee named in an ordinary transfer presented for registration. Provided that registration of transfer shall not be refused on the ground of the transferor being along or jointly with any other person(s) indebted to the Company on any account whatsoever except a lien on the Shares.

Article 31(2) provides that in the case of the death of anyone or more of the persons named in the Register of Members or Debenture holders as the joint holders of any Share or Debenture the survivor(s) shall be the only persons recognized by the Company as having any title to or interest in such Share, but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on Shares or debentures held by him jointly with any other person.

Article 31(3) provides that the executors or administrators or holders of a Succession Certificate or the legal representatives of a deceased Member or Debenture-holder (not being one of the two or more joint-holders) shall be the only persons recognised by the Company as having any title to the Shares or debentures registered in the name of such Member or Debenture-holder and the Company shall not be bound to recognise such executors or administrators or holders of Succession Certificate or the legal representatives unless such executors or administrators or legal representatives shall have first obtained probate or letters of Administration or a Succession Certificate as the case may be from a duly constituted Court in the Union of India provided that in any case where the Board in its absolute discretion thinks fit, the Board may dispense with production of Probate or letters of Administration or a Succession Certificate, upon such terms as to indemnity or otherwise as the Board in its absolute discretion may think necessary.

Article 31(4) provides that all instruments of transfer shall remain in the custody of the Company until destroyed by order of the Board, but any instrument of transfer, which the Directors may decline to register, shall, on demand, be returned to the person depositing the same.

Article 31(5) provides that any person becoming entitled to Shares by transmission (that is to say in consequence of death, lunacy, bankruptcy or insolvency of any Member, or by any lawful means other than by a transfer in accordance with these Articles) may, with the consent of the Directors (which they shall not be under any obligation to give), upon producing such evidence as may from time to time properly be required by the Directors, either be registered himself as the holder of the Shares or elect to have some person nominated by him and approved by the Directors registered as such holder; provided, nevertheless, that if such person shall elect to have his nominee registered, he shall testify the election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and, until he does so, he shall not be freed from any liability in respect of the Shares.

Article 31(6) provides that a person becoming entitled to a Share by transmission shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the Share, except that he shall not, before being registered as a Member in respect of the Share, be entitled in respect of it to receive notices of or to exercise any right conferred by membership in relation to meetings of the Company.

Article 31(7) provides that no fees shall be charged by the Company in respect of the registration of any transfer, probate, letters of administration, certificate of marriage or death, power of attorney or other documents relating to or affecting the title to any Shares or for making any entry in the Register affecting the title to any Share.

Article 31(8) provides that subject to the rights of the President, nothing herein contained shall preclude the Directors from recognising a renunciation of the allotment of any Share by the allottee in favour of some other person.

Article 31(9) provides that the Company shall incur no liability or responsibility whatever in consequence of their registering or giving effect to any transfer of Shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the same Shares notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice or referred thereto in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to them of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do though it may have been entered or referred to in some book of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect hereto of the Directors shall so think fit.

INCREASE, REDUCTION AND ALTERATION OF CAPITAL

Power to increase capital

Article 32 provides that subject to the provisions of the Act, the Directors may, with the sanction of the Company in General Meeting, increase the Capital by such sum to be divided into Shares of such amount, as the resolution shall prescribe.

On what conditions new shares may be issued

Article 33(l) provides that subject to the provisions of the Act, new Shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation whereof shall direct, and if no direction be given, as the Directors, shall determine and in particular, whether only shares may be preference shares or not. Provided that no Shares (not being preference shares) shall be issued carrying voting right or rights in the Company as to dividend, capital or otherwise, which are disproportionate to the rights attaching to the holders of other shares (not being preference shares).

How far new shares to rank with shares in original capital

Article 34 provides that except so far as otherwise provided by the conditions of issue, or by these Articles, any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provision herein contained with reference to the payment of calls and installments, transfer and transmission, lien voting, surrender and otherwise.

New shares to be offered to members

Article 35(l) provides that the Company may increase its subscribed Capital by allotment of further Share subject to the provisions of Section 81 of the Act.

Articles 35(2) provides that subject to the provisions of subclause (a) above but without derogating from the powers for that purpose conferred on. the Directors under these Articles, the Company in General Meeting may determine that any Shares, (whether forming part of the original Capital or any increased Capital of the Company) shall be offered to such persons (whether members or holders of debentures of the Company or not) in such proportions and on such terms and conditions and either at premium or at par or subject to compliance with provisions of the Act, at discount; as such General Meeting shall determine and with full power to give to any such persons (whether a Member or holder of debentures of the Company or not) the option to call for or be allotted Shares of any class of the Company either at a premium or at par or (subject to compliance with the provisions of the Act) at a discount, such option being exercisable at such times and for sue consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provisions whatsoever for the issue, allotment or disposal of any Shares.

Reduction of capital etc.

Article 36 provides that subject to the provisions of Section in 100 to 104 of the Act and to such directions as may be issued by the President in this behalf, the Company, may, from time to time, by special resolution, reduce its capital by paying off capital or cancelling capital which has been lost or is unrepresented by available assets, or superfluous or by reducing the liability on the shares or otherwise as may seem expedient, and capital may be paid off upon the footing that it may be called up again or otherwise; and the Directors may, subject to the provisions of the Act, accept surrender of shares.

Buy Back of Shares

Article 36(a) provides that notwithstanding any of the provisions of these Articles, the Company shall have the power, subject to and in accordance with the relevant provisions of the Act and other applicable provisions of law, and subject to such approvals, permissions and sanctions, if any, as may be necessary, to purchase, acquire or hold its own shares or other specified securities as defined in the Act, on such terms and conditions and in such manner, and upto such limits as may be prescribed by law from time to time, and make payment out of its free reserves or security premium account of the Company or out of the proceeds of an issue other than fresh issue of shares made specifically for buy Back purpose provided that, nothing herein contained shall be deemed to affect the provisions of Sections 100 to 104 of the Act in so far as and to the extent they are applicable.

Sub-division and consolidation of shares

Article 37 provides that subject to the provisions of the Act, the Company in General Meeting may, from time to time, sub-divide or consolidate its Shares or any of them and exercise any of the other powers conferred by section 94 of the Act and shall file with the Registrar of Companies such notice of exercise of any such powers as may be required by the Act.

Power to modify

Article 38 provides that if at any time, the Capital, by reasons of the issue of preference Shares or otherwise, is divided into different classes of Shares, all or any of the rights and privileges attached to each class may, subject of the provisions of Section 106 and 107 of the Act, be modified, abrogated or dealt with by agreement between the Company and by any person purporting to contract on behalf of that class, provided such agreement is (a) ratified in writing by the holders of at least three-fourths of the nominal value of the issued shares of that class, or (b) confirmed by a special resolution passed at a separate General Meeting and supported by the votes of at least three-fourths of the holders of shares of that class and all the provisions hereinafter contained as to General Meeting shall mutatis mutandis apply to every such meeting, except that the quorum thereof shall be members holding or representing by proxy one-fifth of the nominal amount of the issued shares of that class.

BORROWING POWERS

Powers to borrow
Article 39 provides that subject to the provisions of Sections 58A, 292 and 293 of the Act, the Board of Directors may from time to time, by a resolution, passed at a Meeting of the Board accept deposits, or borrow moneys from members, either in advance of calls or otherwise or accept deposits from public and may generally raise and secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds perpetual or redeemable debentures or debenture stock, or any mortgage or charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future), including its uncalled Capital for the time being.

Securities may be assignable free from equities

Article 41 provides that the debentures, debenture-stock, bonds or other securities, may be made assignable free from any equities between the Company and the person to whom the same may be issued.

Issue at discount, etc or with special privileges

Article 42(l) provides that subject to the provisions of Section 79 and 117 of the Act, any bonds debentures, Debenture-stock, or other securities may be issued at a discount, premium or otherwise, and with any special privileges as to redemption, surrender, drawings, allotment of Shares, appointment of Directors and other wise. Debentures, Debenture-stock, Bonds or other securities with the right to allotment of or conversion into Shares shall be issued only with the consent of the Company in General Meeting.

Persons not to have priority over any prior charge

Article 43 provides that whenever any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge and shall not be entitled, by notice to the shareholders or otherwise, to obtain priority over such prior charge.

Indemnity may be given

Article 44 provides that if the Directors or any of them, or any other person shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Comapny by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

GENERAL MEETING

General Meeting

Article 45 provides that the Company shall in each year hold, in addition to any other meetings, a general meeting as its Annual General Meeting and not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next. The first Annual General Meeting of the Company will be held within eighteen months from the date of its incorporation and thereafter, subject to the provisions of Section 166 of the Act as amended, the Annual General Meeting of the Company shall be held within six months after the expiry of each financial year. It shall be held during business hours on a day that is not a public holiday. The notice calling the general meeting shall specify it as Annual General Meeting. The other general meetings which may be called at such time and place as may be determined by the Directors shall be called Extra-Ordinary General Meetings.

When extraordinary meeting to be called

Article 46 provides that the Directors may, whenever they think fit and they shall when so required by the President or on the requisition of the holders of not less than one-tenth of the paid-up capital as at that date carries the right of voting of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene an extraordinary meeting of the Company, and in the case of such requisition the following provisions shall have effect :

(1) The requisition must state the meeting and must be signed by the requisitionists and deposited at the Office and may consist of several documents in like form, each signed by one or one requisitionists.

(2) If the Directors of the Company do not proceed, within twenty-one days from the date of the requisition being so deposited, to cause a meeting to be called, on a day not later than 45 days from the date of the deposit the requisitionists, or majority of them in value, may themselves convene the meeting, but any meeting so convened shall be held three months from the date of deposit of the requisition.

(3) Any meeting convened under this Article by the-requisitionists shall be convened in the same manner as nearly as possible as that in which meeting are to be convened by the Directors.

If, after a requisition has been received, it is not possible for a sufficient number of Directors to meet in time so as to form a quorum, any Director may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

Notice of meeting

Article 47 provides that a General Meeting of the Company may be called by giving not less than twenty one day's notice in writing specifying the place, day and hour of meeting, with a statement of the business to be transacted at the meeting. Such notice shall be served on every Member in the manner hereinafter provided. Subject to the provisions of section 171(2) of the Act, a General Meeting may be convened by shorter notice than 21 days.

Provided, however, that where any resolution in intended to be passed as a special resolution at any General Meeting as required by Section 189(2) of the Act, notice of such meeting specifying the intention to propose the resolution as a special resolution shall be served.

Business of General Meeting

Article 49 provides that the business of an Annual General Meeting shall be to receive and consider the profit and loss account, the balance sheet, and the report of the Directors and of the auditors, to declare dividends, the appointment of Directors in the place of those retiring and the appointment of and the fixing of the remuneration of the auditors. All other business transacted at such meeting and all business transacted at an extraordinary meeting, shall be deemed special.

Quorum

Article 50 provides that five or more members present in person shall be quorum for any General Meeting.

Right of President to appoint any person as his representative

Article 51(1) provides that the president, so long as he is a share-holder of the Company, may from time to time, appoint any one person (who need not be a member of the Company) to represent him at all or any meetings of the Company.

Article 51 (2) provides that the person appointed under sub-clause (1) of this Article, who is personally present at the meeting shall be deemed to be a member entitled to vote and be present in person and shall be entitled to represent the President at all or any such meetings and to vote on his behalf whether on a show of hands or on a poll.

Article 51 (3) provides that the President may, from time to time, cancel any appointment made under sub-clause (1) of this Article and make a fresh appointment.

Article 51 (4) provides that the production at the meeting of an order of the President evidenced as provided in the Constitution of India shall be accepted by the Company as sufficient evidence of any such appointment of cancellation as aforesaid.

Chairman of General Meeting

Article 52 provides that the Chairman of the Board of Directors shall be entitled to take the Chair at every general meeting, or if there be no Chairman, or if at any meeting shall not be present within fifteen minutes after the time appointed for holding such meeting, or is unwilling to act as Chairman, the members present shall choose another Director as Chairman, and if no Directors shall be present, or, if all the Directors present decline to take the Chair, then the members present shall choose among themselves to be the Chairman of the General Meeting.

When a quorum not present meeting to be dissolved and when to be adjourned

Article 53 provides that if within half an hour after the time appointed for the holding of a general meeting a quorum be not present the meeting, if convened on the requisition of shareholders, shall be dissolved and in every other case shall stand adjourned to the same day in the next week at the same time and place or to such other day, time and place as the Directors may by notice to the shareholders appoint. If at such adjourned meeting a quorum be not present those members present shall be a quorum and may transact the business for which the meeting was called.

How questions to be decided at meetings

Article 54 provides that every question submitted to a meeting shall be decided in the first instance by a show of hands, and in the case of an equality of votes, the Chairman shall, both on a show of hands and at a poll (if any), have a casting vote in addition to the vote or votes to which he may be entitled as a member.

What is to be evidence of the passing of a resolution where poll not demanded

Article 55 provides that at any general meeting a resolution put to the vote of the meeting shall be decided on a show on hands, unless a poll is, before or on the declaration of the result of the show of hands, demanded by a member present in person or by proxy or by duly authorised representative, and unless a poll is so demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or lost, and an entry to that effect in the book of proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number of proportion of the vote recorded in favour of or against that resolution.

Poll

Article 56 provides that subject to the provisions of sections 179 to 186 of the Act, if a poll is duly demanded or ordered to be taken by the Chairman of the meeting, it shall be taken in such manner and at such time and place as the Chairman of the meeting directs, and either at once, or after an interval or adjournment or otherwise, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand of a poll may be withdrawn.

Power to adjourn General Meeting

Article 57 provides that the Chairman of a General Meeting may, with the consent of the meeting, adjourn the same, from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. If the meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of original meeting.

In what cases poll taken without adjournment

Article 58 provides that subject to the provisions of Section 180 of the Act, any poll duly demanded on the election of a Chairman of a meeting or any question of adjournment shall be taken at the meeting and without adjournment.

Business may proceed notwithstanding demand of poll

Article 59 provides that the demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

Chairman's decision conclusive

Article 60 provides that the Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

Votes of members

Article 61 provides that upon a show of hands every member present in person shall have one vote, and upon a poll every member present in person or by proxy or by duly authorised representative shall have one vote for every share held by him.

No voting by proxy on show of hands

Article 62 provides that no member not personally present or by duly authorised representative shall be entitled to vote on a show of hands.

Votes in respect of shares of deceased and bankrupt members

Article 63 provides that any person entitled under the transmission clause to transfer any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that seventy-two hours at least before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall satisfy the Director of his right to transfer such shares, unless the Directors shall have previously admitted his right to transfer such shares or his right to vote at such meeting in respect thereof.

Joint holders

Article 64 provides that where there are joint registered holders of any share, any one of the such persons may vote at any meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy, then one of the said persons present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for the purpose of this clause, be deemed joint holders thereof.

Votes in respect of shares of members of unsound mind

Article 65 provides that a member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote whether on a show of hands or on a poll, by his committee or other legal guardian and any such committee or guardian may, or a poll vote by proxy.

Proxies permitted

Article 66 provides that on a poll, votes may be given either personally or by proxy or by duly authorised representative.

Instrument appointing proxy to be in writing

Article 67 provides that a member entitled to attend and vote at a meeting may appoint another person (whether a member or not) as his proxy to attend a meeting and vote on a poll. No member shall appoint more than one proxy to attend on the same occasion. A proxy shall not be entitled to speak at a meeting or to vote except on a poll. The instrument appointing a proxy shall be in writing and be signed by the appointor or his attorney duly authorised in writing or if the appointor is a body corporate, be under its seal or be signed by an officer or an attorney duly authorised by it.

Instrument appointing proxy to be deposited at office

Article 68 provides that the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of authority, shall be deposited at the Registered Office of the Company not less than forty eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for taking of the poll, and in default the instrument of proxy shall not be treated as valid.

When vote by proxy valid through authority

Article 69 provides that a vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous dealt or insanity of the principal, or the revocation of the proxy or of the authority under which the proxy was executed or the transfer Of the shares in respect of which the proxy is given provided that no intimation in writing of such death, insanity, revocation, on transfer or transmission shall have been received at the office of the Company before the commencement of the meeting or adjourned meeting at which the proxy is used.

Form of proxy

Article 70 provides that an instrument appointing a proxy may be in the following form, or in any other form which the Directors shall approve :-

LIMITED

"I..of
....in the district of ....
being a member of ..../ Limited, hereby appoint.. as my proxy to vote for me and on my behalf at the Annual General Meeting/ General Meeting not being an Annual General Meeting to be held on the .... day of .... and at any adjournment thereof."

Signed this .... day of ....

No member entitled to vote etc. while call due to company

Article 71 provides that no member shall be entitled to be present, or to vote on any question either personally or by proxy or as proxy, for another member, at any general meeting or upon a poll, or be reckoned in a quorum while any call or other sum shall be due and payable to the Company in respect of any of the shares of such members.

Time for objection to vote

Article 72(l) provides that no objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered, and every vote whether given personally or by proxy, not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.

DIRECTORS

Number of directors

Article 73(a) provides that the business of the Company shall be managed by a Board of Directors. The Directors' shall not-be required to hold any Qualification Shares.

Article 73(b) provides that unless otherwise determined by the Company in General Meeting, the number of directors shall not be less than 3 (three) and not more than 20 (Twenty). These Directors may be functional Directors on whole time basis or part time.

Appointment of Directors

Article 75(l) provides that two-thirds (any fraction to be rounded off to the next number) Directors of the Company shall be persons whose period of office shall be liable to determination by retirement by rotation and save as otherwise expressly provided in the Act, be appointed by the Company in General Meeting. The remaining Directors shall not be liable to retire by rotation and shall, subject to the provisions of these Articles, be appointed by the President of India so long as the President holds 51% or more of the paid up Equity Share Capital of the Company. At every Annual General Meeting of the Company held next after the date of General Meeting in which the first Directors are appointed, in accordance with Section 255 of the Act, one-third of such Directors for the time being as are liable to retire by rotation and if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office.

Article 75(3) provides that so long as the President holds 51% or more of the paid up Equity Share Capital of the Company, the Chairman-cum-Managing Director of the Company shall be appointed by the President on such terms & conditions, remuneration and tenure as the President may determine from time to time. The Chairman cum Managing Director shall be the Chief Executive of the Company and a non-retiring Director.

Article 75(4) provides that the President shall, subject to the provisions of Section 255 of the Act and Article 75(1) appoint in consultation with Chairman of the Company, such number of functional Directors on whole time basis as deemed fit on such terms & conditions, remuneration and tenure, as the President may from time to time determine.

Article 75(5) provides that a nominee Director representing a Ministry of the Government of India she'll cease to be the Director of the Company on his ceasing to be an official of that Ministry.

Article 75(8) provides that at every Annual General Meeting of the Company, a motion for appointment of Directors shall be made subject to the provisions of Section 263 of the Act.

Article 75(9) provides that the President may from time to time or at any time remove any part-time Director appointed by him, from the office at his absolute discretion. The Chairman cum Managing Director or whole time Director may be removed from the office in accordance with the terms of appointment or if no such terms are specified, on the expiry of 3 months notice issued in writing by the President or with immediate effect on payment of remuneration in lieu of the notice period.

Article 75(10) provides that the President shall so long as he holds 51% of the paid up Equity Capital have the right to fill any vacancy in the office of the Directors including Chairman-cum-Managing Director, appointed by him, caused by removal, resignation, death or otherwise. The Chairman-cum-Managing Director may transfer function and responsibilities of functional Directors/wholetime Directors, as he may deem necessary.

Article 75(ll) provides that if a whole time Director of the Board is by infirmity or otherwise rendered temporarily incapable of carrying out his duties or is absent on leave, tour abroad or otherwise, the Chairman-cum-Managing Director may authorise any other whole time Director or an executive of the Company to discharge the current duties of the absentee wholetime Director during his absence and he may exercise all of such powers of the absentee Director, as may be authorised by the Chairman-cum-Managing Director.

Article 75(12) provides that subject to the provisions of Section 260 and 262 of the Act, the Board of Directors shall, at a meeting of the Board, have to power, at any time, and from time to time to appoint any person to be a Director, either as an addition to the Board or to fill casual vacancy, so that the total number of Directors shall not any time exceed the maximum fixed. Any person so appointed to the Board shall remain in office only upto the date of the next Annual General Meeting, but shall be eligible for appointment as a Director by the Company at that meeting.

Article 75(13) provides that subject to the provisions of these Articles, if it is provided by any Trust Deed securing or otherwise in connection with any issue of Debenture of the Company that any person or persons shall have power to nominate a Director of the Company, then in the case of any and every such issue of debentures the person or persons having such power may exercise such power from time to time and appoint a Director accordingly. Any Director so appointed is herein referred to as a Debenture Director. A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director may be appointed at his place. A Debenture Director shall not be bound to retire by rotation and to hold any Qualification Shares. A Debenture Director shall ipso facto vacate such office immediately the money owing by the Company to the Debenture-holders is paid off or on satisfaction of the liability of the Company on this account.

Article 75(14) provides that subject to the provisions of these articles, in case the Company obtains any loans and/or other facilities from financial institutions and it is a term thereof that the said financial institution shall have right to nominate one Director, then subject to such terms and conditions, the said financial institution shall be entitled to nominate one Director, on the Board of Directors of the Company, and to remove from office any such Director so appointed and to nominate another in his place or in place of the Director so appointed who resigns or otherwise vacates his office. Any Director or Directors so nominated shall not be required to retire by rotation and hold and Qualification Shares.

Chairman and Managing Director to be Chief Executive of the Company

Article 77 provides that the Chairman-cum-Managing Director or Managing Director as the case may be appointed under Article 75 shall be the Chief Executive Officer of the Comapny and shall be responsible for the management of the business of the company in general subject to the control and supervision of the Board of Directors. For this purpose, the Chairman-cum-Managing Director/Chairman/Managing Director may be authorised by the Board to exercise such powers and discretion in relation to the affairs of the Company as are specifically delegated to him by the Board and are not required to be done by the Board or the Company at its general meeting.

Alternative Director

Article 78 provides that in place of a Director who is out of India or is about to go out of India or who expects to be absent for not less than three months from the State in which meetings of the Directors are ordinarily held, the Board may appoint any person to be an Alternate Director during his absence out of India or his absence of not less than three months from the State in which the meeting of the Directors are ordinarily held and such appointment shall have effect, and such appointee while he holds office as an Alternate Director shall be entitled to notice of meetings of the Directors and to attend and to vote there at accordingly, and he shall ipso facto vacate office if and when the original Directors returns to India or the State in which the meetings of the Directors are ordinarily held or on the expiry of the period of office of the original Director.

Specific powers of Directors

Article 81 provides that without prejudice to the general powers conferred by the last preceding Article and the other powers conferred by these Articles and subject to the provisions of Section 292-294 and 297 of the Act, the Directors shall have the following powers, that is to say, power :

To acquire property

(1) to purchase, take on lease or otherwise acquire for the Company property, rights or privileges which the Company is authorised to acquire at such price, and generally on such terms and conditions as they think fit;

Works of capital nature

(2) to authorise from time to time undertaking of works of capital nature, subject to the condition that all cases involving a capital expenditure exceeding Rs. 400 crores or such higher amount as may be determined by the Board from time to time shall be referred to the President for approval and provided that :-

i) within any financial year the funds required will be found from internal resources and within the budget allocation for the project;

ii) the expenditure on such works in subsequent years would be the first call on the respective budget allocations;

To pay for property in debentures etc

(3) to pay for any property, rights or privileges acquired by or services rendered to the Company either wholly or partially in cash or in Shares, bonds, debentures or other securities of the Company, and any such Shares may be issued either as fully paid-up or with such amount credited as paid up thereon as may be agreed upon; and any such bond, debentures or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled Capital or not so charged;

To secure contracts by mortgage

(4) to secure the fulfillment of any contracts or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled Capital for the time being or in such other manner as they may think fit;

(5) to create posts, to appoint and, at their discretion, remove or suspend such managers, secretaries, officers, clerks and servants, for- permanent, temporary or special services as they may from time to time, think fit and to determine their powers and duties and fix their salaries or emoluments and to require security in such instances and to such amount as they think fit;

To appoint Trustees

(6) to appoint any person or persons (whether incorporated or not accept and hold in trust for the Company, any property belonging to the Company or in which it is interested or for any other purposes, and to execute and do all such deeds and things as may be

requisite in relation to any such trust and to provide for the remuneration of such trustee or trustees;

To bring and defend action etc.

(7) to institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers, or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any claim or demands by or against the Company;

To refer to arbitration

(8) to refer any claims or demands by or against the Company to arbitration, and to challenge, observe and perform the awards;

To give receipt

(9) to make and give receipts, releases, and other discharges for money payable to the Company, and for the claims and demands of the Company;

To authorize acceptance etc.

(10) to determine who shall be entitled to sign, on the Company's behalf bills, notes, receipts, acceptances, endorsements, cheques, releases, contracts, warrants and documents;

To appoint attorneys

(11) from time to time to provide for the management of the affairs of the Company outside their organisations in such manner as they think fit, and in particular to appoint any person to be the attorneys or agents of the Company with such powers (including power to sub-delegate) and upon such terms, as may be thought fit;

To invest money

(12) to invest and deal with any of the monies of the Comply in any currency not immediately required for the purposes thereof, upon such securities and in such manner as they may deem fit from time to time to vary or realise such investment;

To give security by way of indemnity

(13) to execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability for the benefit of the Company such mortgages of the Company's property (present and future) as they think fit, and any such mortgages may contain a power of sale and such other powers, covenants, and provisions as shall be agreed on;

To make bye- laws

(14) to make, vary, and repeal from time to time bye laws or the regulations of the business of the Company and for governing its officers and servants including wage and welfare policies, terms and conditions of service, discipline etc.;

To give bonus etc.

(15) to provide for the welfare of employees or ex-employees of the Company or of its predecessors in business and the wives, widows and families or the dependents or connections of such employees or ex-employees by building or contributing to the building of houses, dwellings or chawl or by grants of money, allowances, bonuses, profit sharing bonuses or benefit of any other kind or by creating and from time to time subscribing or contributing to provident and other association, institution, funds, profit sharing or other scheme or trusts or by providing or subscribing or contributing

towards places of instructions and recreation; hospitals and dispensaries, medical and other attendances and any other form of assistance, welfare or relief as the Directors shall think fit;

(16)(i) to subscribe or otherwise' to assist or to guarantee money to scientific institutions or objects;

(16)(ii) to set aside before recommending any dividend out of the profit of the Company such sums as they may "think proper for depreciation or to depreciation fund, Reserve or to Reserve Fund to meet contingencies or Insurance Fund or any special or other fund to meet contingencies or to repay Redeemable Preference Shares, and for special dividends and for equalising dividends and for repairing, replacing, improving, extending and maintaining any part of the properties of the Company and for such other purposes (including the purposes referred to in these Articles as the Directors may, in their absolute discretion think conducive to the interest of the Company and to invest the several sums so set aside or so much thereof as required to be invested upon such investments (subject to the restrictions imposed by the Act) as the Directors may think fit; and from time to time to deal with and vary such investments and dispose of and apply and expend all or any part thereof for the benefit of the Company, in such mannner and of such purposes as the Directors (subject to such restrictions as aforesaid) in their absolute discretion think coducive to the interest of the Company notwith-standing that the matters to which the Directors apply or upon which they expend the same, or any part thereof, may be matters to or upon which the capital moneys of the Company might rightly be applied or expended and to divide the Reserve Fund into such special funds as the Directors may think fit and to employ the assets constituting all or any of the above funds, including the Depreciation Fund, in the business of the Company or in the purchase or repayment of Redeemable Preference Shares and that without being bound to keep the same separate from the other assets, and without being bound to pay or allow interest on the same, with power, however, to the Directors at their discretion to pay or allow to credit such fund interest at such rate as the Director may think proper;

To establish Local Board

(17) from time to time and at any time to establish any local board for managing any of the affairs of the Company in any specified locality in India, or out of India and to appoint any persons to be members of such Local Board and to fix their remunerations; and from time to time and at any time to delegate to any person so appointed any of the powers, authorities and discretion for the time being vested in the Directors other than their power to make call; and to authorise the members for the time being of any such Local Board or any of them, to filiup any vacancies therein and to act notwithstanidng vancancies, and any such appointment or delegation may be made in such terms, and subject to such conditions as the Directors may think fit, and the Directors may at any time remove any person so appointed and may annul or vary any such delegation. Any such delegates may be authorised by the Directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them;

To make contracts etc.

(18) to enter into all such negotiations and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expendient for or in relation to any of the manners aforesaid or otherwise for the purpose of the Company.

To sub delegate power

(19) subject to Sections 292 and 293 of the Act, to delegate all or any of the powers, authorities and discretions for the time being vested in the Directors, subject however to the ultimate control and authority being retained by them;

Any such delegate or attorney as aforesaid may be authorised by the Directors to sub-delegate all' or, any of the powers authorities and discretions for the time being vested in them;

To borrow etc.

(20) to borrow or raise or secure the payment of money in such manner as the Company shall think fit, and in particular by way of acceptance of deposits, the issue of debentures, or Debenture stock, or bonds, perpetual or otherwise, charged upon all or any of the Company's property (both present and. future) including its uncalled Capital and to purchase, redeem, or pay off any such securities provided that no approval of the President would be necessary for borrowing from the banks for the purpose of meeting the working capital requirements on the hypothecation of the Company's current assets:

To establish Institution, Society etc.

(21) to establish, maintain, support, guarantee and subscribe to any charitable, public or useful object or any institution, society or club or fund which may be for the benefit of the Company or its employees or may be connected with any town or place where the company carries on its business or any object in which the Company may be interested;

(22) to pay and charge to the capital account of the Company and interest lawfully payable there at under the provisions of the Act;

(23) to lend moneys to subsidiaries and associated orgaisations, on such terms and conditions as they may consider desirable subject to the provisions of the Act;

(24) to insure and keep (insured against loss or damage by fire or otherwise for such period and to such extent as they may think proper all or any part of the buildings, machinery, goods, stores, produce and other movable property of the Company either separately or conjointly; also to insure all or any portion of the goods, produce, machinery and other articles imported or exported by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power;

(25) to open accounts with any bank or bankers in any currency, and pay money into and draw money from any such account from time to time as the Directors may think fit;

(26) to accept from any Member on such terms and conditions as shall be agreed, a surrender of his Shares or stock or any part thereof;

(27) to give any Director, officer or other person employed by the Company an interest in any particular business or transaction either by way of commission on the gross expenditure thereon or otherwise or a Share in the general profits of the Company, and such interest, commission or share of profits shall be treated as a part of the working expenses of the Company;

To seal, its custody and uses

Article 85 provides that the Directors shall provide a Common Seal for the purpose of the Company, and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof and the Directors shall provide for the safe custody of the seal for the time being.

The Company may exercise the powers conferred by section 50 of the Act and such powers shall accordingly be vested in the Directors.

PROCEEDINGS OF DIRECTORS

Meeting of Directors and quorum

Article 88 provides that the Directors may meet for the despatch of business, adjourn and otherwise regulate their meetings, as they think fit, provided that the Directors shall hold a meeting at least once in every three calendar months. The quorum necessary for the transaction of the business of the Directors shall be one-third of the total strength or two Directors whichever is higher as provided in Section 287 of the Act.

Place of meeting

Article 89 provides that the meeting of the Board may normally be held at the Head Office of the Company.

Director may summon meeting. How questions to be decided

Article 90 provides that a Director, may, and the Secretary on the requisition of a Director shall, at any time convene a meeting of the Directors. Questions arising at any meeting shall be decided by the majority of votes. The Chair man shall have a second or casting vote.

Meetings of the Directors shall be convened on such date, time and place as may be determined by the Chairman.

Power of quorum

Article 91 provides that a meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretion by or under the Articles of the Company for the time being vested in or exercisable by the Directors generally.

Chairman of Director’s meeting

Article 92 provides that all meetings of the Directors shall be presided over by the Chairman-cum-Managing Director, if present. If at any meeting, the Chairman-cum-Managing Director is not present at the time appointed for holding the same, the Director shall choose one of the Directors the present to preside at the meeting.

Power of Chairman

Article 93 provides that so long as the President holds 51% or more of the paid up Equity Share Capital of the Company, the Chairman-cum-Managing Director shall reserve for the decision of the President any proposals or decisions of the Directors in respect of the following:

i) Five Year Plan

ii) any programme of capital expenditure exceeding the fiduciary power of the Board.

iii) Revenue budget of the Company in case there is an element of deficit which is proposed to be met by obtaining funds from the Government.

iv) Winding up of the Company.

v) Any other matter which in the absolute opinion of the Chairman be of such importance as to be reserved for the approval of the President.

Chairman of meeting of committees

Article 95 provides that unless the Chairman of the Committee has been nominated by the Board, a Committee shall elect a Chairman at its meetings. If at any meeting, the Chairman is not present within 15 minutes after the time appointed for holding the same, the members present may choose one of their members to be the Chairman of that meeting.

Resolution without Board Meeting valid

Article 97 provides that subject to restrictions placed under Sections 289 and 292 of the Act resolutions of the Board of Directors can be passed by circulation and they shall be as valid and effectual as if they have been passed at a meeting of the Directors duly called and constituted. No resolution shall, however, be deemed to have been duly passed by the Board or by a Committee thereof by circulation unless the resolution has been circulated in draft together with the necessary papers, if any to all the Directors or to all the members of the Committee then in India, (not being less in number than the quorum fixed for a meeting of the Board or committee as the case may be) and to all other Directors or members at their usual addresses in India and has been approved by such of the Directors as are then in India or by a majority of such of them as are entitled to vote on the resolution.

RESERVES AND DIVIDENDS

Reserve Fund

Article 98(l) provides that the Directors may, before recommending any dividend set aside out of the profits of the Company such sums as they think proper as reserve fund to meeting contingencies or for equalising dividends, or for special dividends, or for repairing, improving and maintaining any of the property of the Company, and for such other purposes as the Directors shall, in their absolute discretion, think conducive to the interests of the Company and may invest the several sums so set aside upon such investments other than Shares of the Company) as they think fit from time to time deal with and vary such investments and dispose of all or any part thereof for the benefit of the Company and may divide the reserve funds into such special funds as they think fit and employ the reserve funds or any part thereof in the business of the Company and that without being bound to keep the same separate from the other assets.

Article 98(2)(i) provides that subject to the provisions of the Act and regulations made thereunder or any other applicable law/guidelines, any General Meeting may resolve that any amounts standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any moneys, investments or other, assets forming part of the undivided profits (including profits or surplus moneys arising from the realisation and, where permitted by law, from the appreciation in value of any capital assets of the Company) standing to the credit of the General Reserve or Reserve Fund or any other Reserve or Fund of the Company or in the hands of the Company .and available for dividend, be capitalised :-

a) by issue and distribution as fully paid up shares, of the Company; or

b) by crediting shares of the Company which may have been issued to and are not fully paid up with the whole or any part of the sum remaining unpaid thereon.

Provided that any amounts standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account shall be applied only in crediting the payment of capital on shares of the Company to be issued to members (as therein provided) as fully paid bonus shares.

Article 98 (2) (ii) provides that such issue and distribution under sub-clause (i) (a) above such payment to credit of unpaid capital under sub-clause (i) (b) above shall bemade to, among and in favour of the members or any class of them or any of them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution under sub-clause (i) (a) or payment under sub-clause (i) (b) above shall be made on the footing that such members become entitled thereto as capital.

Article 98 (2) (iii) provides that the director shall give effect to any such resolution and apply such portion of the profits. General Reserve or Reserve Fund or any other fund or account as aforesaid as may be required for the purpose of making payment in full for the shares, debentures or debenture stock, bonds or other obligations of the Company so distributed under sub-clause (i) (a) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid up under sub-clause (i) (b) above; provided that no such distribution or payment shall be made unless recommeded by the Directors and, if so recommended, such distribution and payment shall beaccepted by such members as aforesaid in full satisfaction of their interest in the said capitalised sum.

Article 98 (2) (iv) provides that for the purpose of giving effect to any such resolution, the Directors may settle any difficulty which may arise in regard to-the distribution or payment as aforesaid as they think expendient and in particular they may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payments be made to any members on the footing of the value so fixed and may vest any such cash, shares, debentures, debenture stock, bonds or other obligations in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such arrangement for the acceptance, allotment and sale of such shares, debentures, debenture stock, bonds or other obligations and fractional certificates or otherwise as they may think fit.

Article 98 (2) (v) provides that subject to the provisions of the Act and these Articles, in cases where some of the shares of the Company are fully paid and others are partly paid only such, capitalization may be effected by the distribution of further shares in respect of the fully paid shares, and by crediting the partly paid shares with the whole or part of the unpaid liability thereon but, so that, as between the holders of the fully paid shares, and the partly paid shares the sums so applied in the payment of such further shares and in the extinguishment or diminution of the liability on the partly paid shares shall be so applied prorata in proportion to the amount then already paid or credited as paid on the existing fully paid and partly paid shares respectively.

Article 98 (2) (vi) provides that when deemed requisite, a proper contract shall be filled in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the members entitled as aforesaid and such appointment shall be effective.

Dividends

Article 99 provides that the profits of the Company subject to Section 206 of the Act and any restrictions and limitations or special rights relating thereto created or authorised to be created by the memorandum or by these Articles shall be divisible among the members in proportion to the amount of Capital paid up in the Shares held by them respectively. Provided always that (subject as aforesaid) any Capital paid up on Shares during the period in respect of which a dividend is declared shall, unless the directives otherwise determine, only entitle the holder of such Shares to an apportioned amount of such dividends as from the date of payment.

Article 100 provides that the money paid on any share in advance of calls shall not rank for payment of dividends or confer a right to participate in profits.

Declaration of dividends

Article 101 provides that the Company in general meeting may declare a dividend to be paid to the members according to their rights and interest in the profits and may fix the time for payment but no divided shall exceed the amount recommended by the Directors.

Dividend out of profits only and not to carry interest

Article 102 (l) provides that no dividend shall be declared or paid by the Company for any financial year except out of profits of the Company for that year arrived at after providing for the depreciation in accordance with the provisions of sub-Section (2) of Section 205 of the Act or out of profits of the Company for any previous financial year or years arrived at after providing for the depreciation in accordance with those provisions and remaining undistributed or out of both or out of moneys provided by the Government for the payment of dividend in pursuance of guarantee given by the Government.

Article 102.(2) provides that where any Shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings; or the provisions of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that Share Capital as is for the time being paid up for the period and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to Capital as part of the cost of construction of the works or building or the provisions of plant.

When to be deemed net profits

Article 103 provides that the declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.

Interim dividend

Article 104 provides that the Directors may, from time to time, pay to the members, such interim dividends as in their judgement the position of the Company justified.

Debts may be deducted

Article 105 provides that the Board may deduct from any dividend payable to any Member all sums of money, if any presently payable by him to the Company on account of calls or otherwise in relation to the Shares of the Company.

No unclaimed or unpaid dividend shall be forfeited by the Board and the Company shall comply with all the provisions of the Section 205-A of the Act in respect of unclaimed or unpaid dividend.

Dividend and call together

Article 106 provides that any General Meeting dedaring a dividend may make a call on the Member of such amount as the meeting fixes, but the call on each Member shall not exceed the dividends payable to him, and the call be made payable at the same time as the dividend,' and the dividend may, if so arranged between the Company and the members, be set off against the call.

Dividends payable only in cash

Article 107 provides that subject to the provisions of Section 205 of the Act as amended, no dividend shall be payable except in cash.

Effects of transfer

Article 108 provides that a transfer of shares shall not pass the right to any dividend declared, thereon after such transfer and before the registration of the transfer.

Retention of dividend until completion of transfer

Article 109 provides that the Directors may retain the dividends payable upon Shares in respect of which any person is under these articles entitled to become a Member or which any person under these articles is entitled to transfer until such person shall become Member in respect of such Shares or shall duly transfer the same.

Dividend to joint holders

Article 110 provides that any one of the several persons who are registered as the joint holders of any share, may give effectual receipts for all dividends and payments on account of dividends in respect of such shares.

Payment by post

Article 111 provides that unless otherwise directed any dividend may be paid by cheque or warrant sent through post to the registered address of the Member or person entitled or in case of joint holders to the registered address of that one whose name stands first on the register in respect of the joint holding. Every such cheque shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant lost in transmission or for any dividend lost to the Member or person entitle thereto by the forged endorsement of any cheque or warrant or the fraudulent or improper recovery thereof by any other means.

Notice of dividend

Article 112 provides that notice of the declaration of any dividend, whether interim or otherwise, shall be given to the holders of registered Shares in accordance with the provisions of the Act.

Changes in the Articles of Association since inception of the Company i.e. August 16, 1984.

S.NO.	DATE OF AMENDMENT	NATURE OF AMENDMENT
1	January 23, 1987	Amendment in Article V regarding increase in Authorised Share Capital to Rs.1000 crores
2	June 12, 1995	Amendment in Clause 5 of Article of Association regarding change in face value of shares from Rs.1000/- to Rs.10/- each.
3	September 28, 1998	Increase in maximum number of Directors from 12 to 13.
4	September 24, 1999	A new Clause was inserted regarding Buy Back of shares. Increase in maximum number of Directors from 13 to 15.
5	September 24, 2002	Increase in maximum number of Directors from 15 to 20.
6	September 24, 2002	Change of name of the Company from Gas Authority of India Limited to GAIL (India) Limited. The RoC, National Capital Territory of Delhi and Haryana, issued a fresh certificate of incorporation on November 22,2002

As advised by SEBI by letters dated January 29, 2004 and February 16, 2004, the SEBI Guidelines do not apply to this Offer. The Selling Shareholder has voluntarily adopted the SEBI Guidelines particularly the 100% Book Building processfor this Offer. Further, the processes, procedures and practices which are generally followed in the 100% Book Building process save deviations indicated as per the decision of the Selling Shareholder which has been intimated vide the letter of the GoI dated February 9, 2004, addressed to the BRLMs and the Company. Accordingly the following declarations/ confirmation are being voluntarily made in the above context only.

Declaration

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Preliminary Sale Document is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Preliminary Sale Document are true and fair.

Confirmation

All the provisions of the Securities Contract (Regulation) Act, 1956 and the provisions of the Securities Contract Regulation Rules, 1957, as applicable, and the terms of the listing agreements and continuous disclosures made thereunder have been complied with.

Signed by the Directors of the Company

Mr. Proshanto Banerjee

Mr. J. K. Jain

Mr. S. P. Rao

Mr. B. S. Negi

Mr. M.R. Hingnikar

Mr. Badal. K. Das

Mr. A.K. Srivastava

Dr. A.K. Kundra

Dr. Amit Mitra

Dr. R.K. Pachauri

Mr. B.C. Bora

Signed By The Selling Shareholder

Mr. Swami Singh / Mr. Tarun Sridhar

Ministry of Petroleum and Natural Gas
The Government of India

Date: February 17, 2004

Place: New Delhi

(filed)