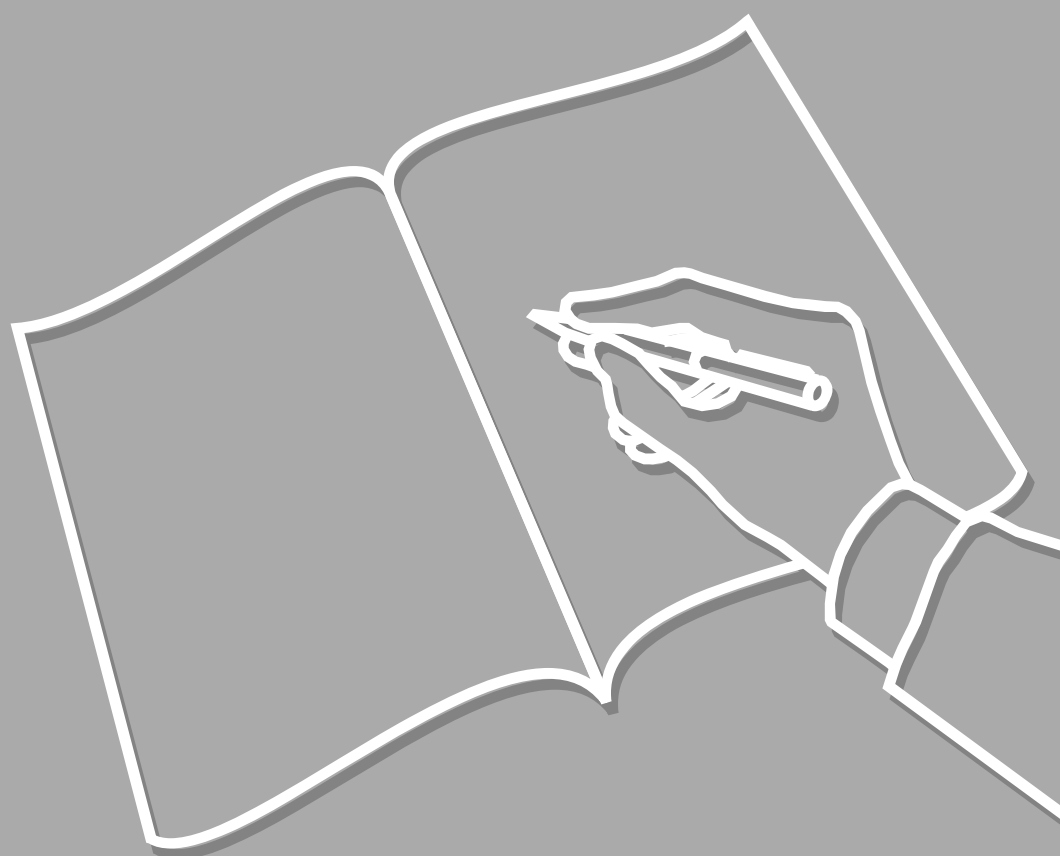


# DIRECTORS' REPORT





Shri B.C. Tripathi, CMD, GAIL receiving 2011 Platts Global Energy Awards for World's No. 1 Company in Downstream Operation

## Directors' Report

Dear Shareholders,

On behalf of the Board of Directors of your Company, I am delighted to present the 28<sup>th</sup> Annual Report of your "Navratna" Company along with Audited Financial Statements for the Financial Year 2011-12.

### FINANCIAL HIGHLIGHTS

Your Company has recorded sustained growth in all key financial parameters during the year 2011-12 and the important financial highlights are as under:-

Particulars	(` in crore)	
	2011-12	2010-11
Income from operations (Net of ED)	40,281	32,459
Other Income	549	519
Cost of Sales (excluding Interest and Depreciation and including extraordinary items)	34,583	27,005
Gross Margin	6,247	5,973
Interest	116	83
Depreciation	791	650
Profit Before Tax	5,340	5,240
Provision for Tax	1,686	1,679
Profit after Tax	3,654	3,561
Appropriations		
Interim Dividend	381	254
Proposed Final Dividend	723	698
Corporate Dividend Tax	179	155
Net Transfer to / (From) Bond Redemption Reserve	(24)	8
Transfer to General Reserve	365	356
Net surplus after Appropriations	2,030	2,090

### DIVIDEND

Your Company has a consistent track-record of dividend payment. So far, your Company has disbursed dividend of ` 9,403 crore to the shareholders.

The Board of Directors of your Company had earlier approved the payment of an interim dividend @ 30% on equity share of ` 10 each (` 3/- per equity share) amounting to ` 381 crore which was paid in the month of January, 2012. Further, the Board has recommended the payment of final dividend @ 57% on equity share of ` 10 each (` 5.70/- per equity share) for the year 2011-12.

With this, the total dividend payment for the fiscal 2011-12 will be at 87% on equity share of ` 10 each (` 8.70/- per equity share) amounting to ` 1,104 crore on its paid-up equity capital of ` 1,268.48 crore. The total dividend payout including tax accounts for 35% of profit after tax.

### CONTRIBUTION TO EXCHEQUER

Your Company has contributed over ` 5,560 crores to the exchequer by way of duties, taxes, etc as compared to ` 4,440 crores in 2010-11.

### CREDIT RATING

Your Company has been reaffirmed the highest domestic credit rating of 'AAA' from ICRA, CARE and CRISIL which indicate the highest credit quality and rated instruments carry the lowest credit risk. The international rating agency, Moody's International, Hong Kong, has also reaffirmed the Corporate issuer rating of 'Baa2', which is one notch higher than sovereign rating and revised the local currency issuer rating to 'Baa2' from 'A3' to your Company in line with the publication of Moody's Rating Implementation Guidelines titled "How Sovereign Credit Quality May Affect Other Ratings". Further, Fitch Ratings has also assigned a long term Foreign Currency Issuer default rating of 'BBB-' with negative outlook which is equal to sovereign rating.

### BUSINESS STRATEGY

Natural gas industry is poised to grow in future, which calls for an effective strategy to reap maximum out of such potential. To pave the way for future, your Company has developed strategy for the period 2011-2020 and the same has been approved by the Board of Directors. Your Company aspires to become an integrated hydrocarbon major with significant upstream, midstream and downstream interests by 2020. To realize this ambition, your Company has identified several key growth areas and initiatives, in all segments of hydrocarbon value chain.

In the Upstream segment, your Company plans for Merger & Acquisition (M&A) to acquire equity stakes in gas producing assets/ liquefaction facilities to source equity linked LNG at favorable terms for Indian market. In addition, conventional long-term LNG sourcing will continue to remain the focus area for your Company, particularly in wake of constrained domestic supplies. In order to support increased LNG imports, your Company plans to set up new LNG terminal(s) and tie-up additional re-gasification capacities in existing and upcoming LNG terminals.

Moving on to the Midstream segment, which has been the core area of your Company, several gas pipelines are being laid to maintain leadership in gas transmission. While ongoing pipeline projects such as Dhabol-Bengaluru, Kochi-Mangalore/ Bengaluru pipeline, etc. which are at different phases of execution, new projects like Jagdishpur-Haldia pipeline and Surat-Pradip pipeline will further add to the strength of your Company's core business of transmission. Your Company plans to give additional focus on strong market development efforts and strengthen marketing capability to remain the leading marketer of gas. Further, considering growing demand of natural gas and India's energy security, your Company will continue to actively participate in transnational pipeline projects like TAPI. Your Company has also started international trading desk at Singapore and plans to establish it fully in the coming years. The trading desk shall explore multiple trading plays in LNG and petrochemicals in India and abroad to accelerate marketing revenues.

Moving further on towards the natural gas retail segment, large Indian cities will be the focus for city gas business expansion. Your Company is strengthening its retail presence by setting up new city gas projects in Kota, Dewas, Meerut and Sonapat through its wholly-owned subsidiary, GAIL Gas Limited, which is also participating in PNGRB's upcoming bidding rounds for other city gas projects. GAIL Gas is targeting additional 40-50 cities/Geographical Areas (GAs) in the coming few years.

In the Downstream segment, your Company aims to be amongst the top two petrochemicals marketers in the country and for this, your Company plans to set up new capacities and further increase marketing volumes through trading. Your Company is currently doubling existing capacity at Pata besides setting up two green field crackers, one in Assam through its subsidiary, Brahmaputra Cracker and Polymer Limited (BCPL) and another at Dahej through its Joint Venture Company, ONGC Petro-additions Limited (OPAL). By the year 2014-15, your Company will have 1.7 MMTPA marketing volumes of polymers. For handling such a large product portfolio, your Company plans to strengthen its petrochemical trading capability as well as scale up its distribution network.

Your Company plans to give significant thrust on Diversification in areas like gas based power and renewable energy. Gas based power projects at various locations are being explored and various business models are under consideration for setting up such projects. On renewable energy front, your Company plans to set up 500 MW wind power capacity in the next 3-4 years. Further, your Company is targeting to set up over 300 MW of solar based power generation capacity in a phased manner.

The above initiatives call for strengthening of human capital in tune with the Vision and Goals set-out. Therefore, your Company plans to grow capabilities in priority areas – global sourcing and acquisitions, market development and trading, joint venture/subsidiary management, capital productivity, E&P/shale, power generation, risk management, regulatory management, international operations and so on.

**BUSINESS SEGMENT ANALYSIS**

**SEGMENTAL REVIEW**

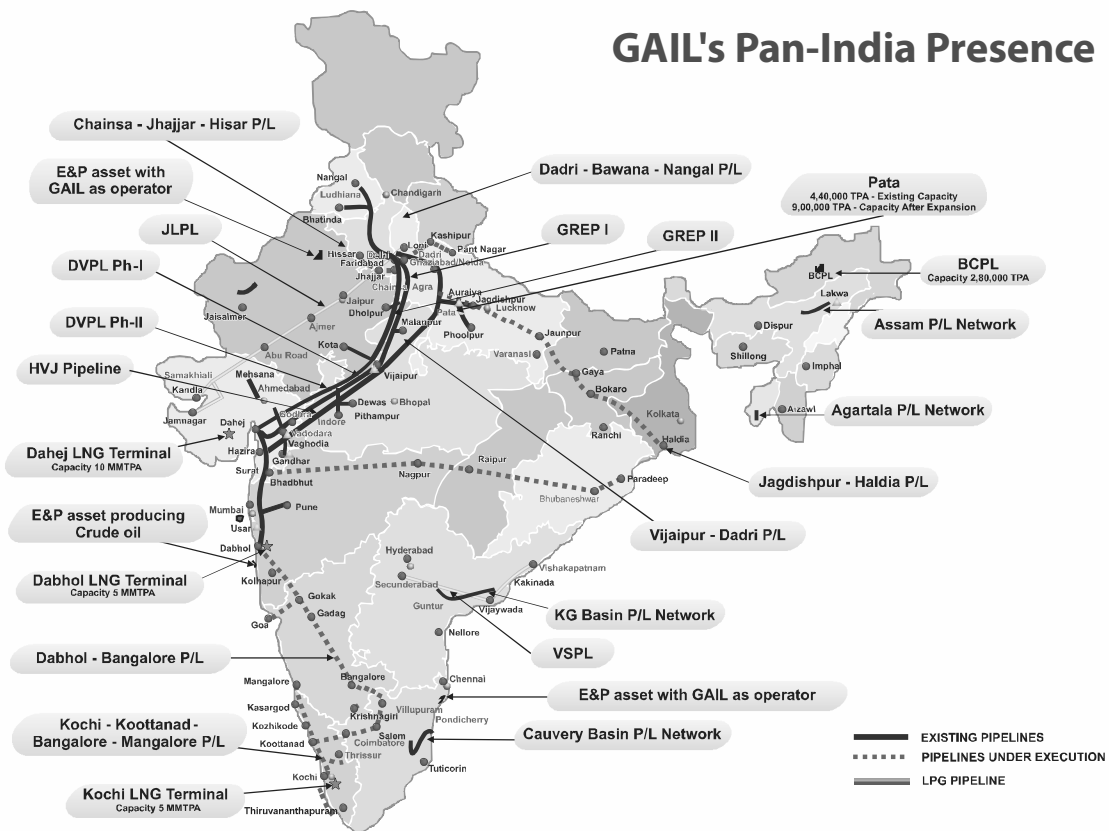
During the year under review, the segment wise business performance of your Company is as under:

• **Natural Gas Marketing**

Natural gas continues to constitute the core business of your Company. During the year 2011-12, Gas sales clocked 84.17 MMSCMD compared to 83.23 MMSCMD in the previous financial year. Major supplies of natural gas include fuel to power plants, feedstock for gas based fertilizer plants and LPG extraction. Your Company holds around 50% market share in gas marketing in India.

• **Natural Gas Transmission**

Your Company owns and operates a network of about 9,500 km of natural gas high pressure trunk pipeline with a capacity of approx. 172 MMSCMD of natural gas across the country. Gas transmission during the year was 117.62 MMSCMD compared to 117.91 MMSCMD in the previous financial year. Your Company's share of gas transmission business is around 74% in the country.



**LPG Transmission**

Your Company is the only Company in India which owns and operates exclusive pipelines for LPG transmission for third party usage. Your Company owns and operates two LPG Pipeline transmission systems with a total length of 2,038 km. Out of this, 1,415 km of pipeline network transports LPG from Western to Northern part of India (Jamnagar-Loni Pipeline) and the balance 623 km of pipeline network transports LPG in the Southern part of the country (Vizag-Secunderabad Pipeline). The LPG transmission system has a capacity to transport upto 3.8 MMTPA of LPG. In the year 2011-12, the LPG transmission throughput achieved was about 3.36 million MT.

**Petrochemicals**

During FY 2011-12, your Company has produced 441 TMT of polymers and sold 448 TMT of polymers.

**LPG & Other Liquid Hydrocarbon Production**

Your Company has 7 LPG plants in the country. In the year 2011-12, total Liquid Hydrocarbon production was about 1.44 million MT which mainly included 1.124 million MT of LPG, 0.146 million MT of Propane and 0.146 million MT of SBP solvent and Naphtha.

**Exploration and Production (E&P)**

The E&P portfolio of your Company is as follows:

	India	Overseas	Total
Onshore Blocks	9	-	9
Shallow Water Blocks	7	-	7
Deep Water Blocks	13	2	15
<b>Total</b>	<b>29</b>	<b>2</b>	<b>31</b>

Hydrocarbon discoveries are in place in 7 E&P blocks (5 domestic blocks and 2 overseas blocks).

Crude oil production is in progress from one of the onland blocks in Cambay basin and during the year 2011-12, revenue of ` 81.19 Crore was generated.

Development activities are in progress in the blocks A-1 and A-3, Myanmar offshore and production of gas is expected to start from 2013.

Declaration of commerciality has been approved in the Mahanadi Offshore block (MN-OSN-2000/2). In other blocks with hydrocarbon discovery (Cambay Onland-Ankleshwar, Cauvery Offshore and Tripura Onland), appraisal activities are under progress.

During the year, one CBM block (TR-CBM-2005/III - Tatapani Ramkola, Chattisgarh) was relinquished as the gas content within the coal seams was found to be non-commercial.

Your Company has operatorship in 3 domestic E&P blocks. During the year 2011-12, 3 exploratory wells were drilled in Rajasthan onland block (RJ-ONN-2004/1) where your Company is the Operator. Seismic data acquisition is in progress in Cauvery onland block (CY-ONN-2005/1), which is the second block where your Company is the Operator. One Cambay onland block (CB-ONN-2010/11) has been awarded, where your Company is the Operator, during NELP-IX bidding round.

**BUSINESS DEVELOPMENT**

**Overseas Business Initiatives**

Your Company is actively pursuing overseas business opportunities in the natural gas sector with an objective to contribute to the energy security of the country. The rationale for going overseas is to secure opportunities for from overseas tie-ups in newer areas such as shale gas in addition to establish foothold in resource rich countries and to strengthen and complement your Company's core business.

Your Company is scouting for upstream acquisition opportunities overseas in order to supplement gas sourcing initiatives on spot and long term basis. Upstream assets acquisition would provide sourcing opportunities besides additional revenue stream and potential upsides through new discoveries. The geographies under focus are North America, Africa, South-East Asia and Australia.

Overseas Presence	
Egypt	Singapore
→ Equity stake in two gas retail companies	→ 100% subsidiary, GAIL Global (Singapore) Pte Ltd. (GG SPL) opened office in Singapore for trading LNG, petrochemicals etc.
→ GAIL Representative Office in Cairo	
China	USA
→ Strategic partner in China Gas	→ Equity in Eagle Ford Shale Acreage through wholly-owned Subsidiary- GAIL Global (USA) Inc.
→ 50:50 JV with China Gas	
Myanmar	
→ Partner in A1, A3 E&P Blocks	
→ Participation in Myanmar China Pipeline through South-East Asia Gas Pipeline Company Limited	

Your Company has established a wholly-owned subsidiary, GAIL Global (USA) Inc. in USA during 2011. This subsidiary acquired 20% stake in Eagle Ford Shale acreage of Carrizo Oil & Gas Inc., which has significant liquid content and is currently one of the attractive unconventional resource plays in North America. The subsidiary is operational with placement of manpower from your Company. Going forward this subsidiary would explore other business opportunities in North America.

Further, your Company has signed a 20-year Sales and Purchase Agreement (SPA) with Sabine Pass Liquefaction LLC, a unit of Cheniere Energy Partners, for supply of 3.5 million tonnes/year of LNG. Your Company is the first Asian company to execute the deal indexed to Henry Hub gas price instead of the crude oil indices. Supplies are expected to commence from 2016-17.

During FY 2011-12, your Company's wholly-owned subsidiary, GAIL Global (Singapore) Pte. Ltd. (GG SPL) opened its office in Singapore with an objective to undertake trading activities in LNG and petrochemical commodities.



Under the aegis of Government of India, your Company is actively pursuing import of gas through the proposed trans-national pipeline originating in Turkmenistan and passing through Afghanistan and Pakistan to India (TAPI pipeline). Your Company has executed the Gas Sales Purchase Agreement (GSPA) with Turkmengaz for 38 MMSCMD for 30 year supply in May, 2012 at Ashgabat. Consequently, other agreements and arrangements are likely to be concluded soon. Your Company is playing lead role in the discussions on the project.

During FY 2011-12, your Company divested its entire stake in Shell CNG Egypt (SCNGE) as it did not meet the strategic objectives.

- Domestic Business Initiatives

The domestic business initiatives of your Company are as follows:

- Natural Gas Pipeline Projects

During the financial year, your Company completed commissioning of various pipeline networks and auxiliary systems having a length of about 1,337 km which include the following:

1. Commissioning of Compressors at Jhabua & Vijaiapur
2. Dahej-Vijaiapur Pipeline
3. Karanpur-Moradabad-Kashipur Pipeline and Connectivity to Siti Energy & Sarvanthi Energy
4. Agra - Ferozabad Expansion
5. Connectivity to Meerut

Further, Bawana – Nangal Pipeline was charged with gas and the pipeline network Dahej – Vijaiapur – Dadri- Bawana – Nangal / Bhatinda was dedicated to the nation by Hon'ble Prime Minister of India during inaugural ceremony of Asia Gas Partnership Summit held on 23<sup>rd</sup> March, 2012.

Due to increase in gas availability and commissioning of trunk lines, last mile consumer connectivity has been provided to 32 number of consumers in FY 2011-12 for supplying approx 6.35 MMSCMD gas.

During 2011-12, your Company was awarded authorization by

PNGRB through a competitive bidding process to lay 1,500 km natural gas pipeline from Surat in Gujarat to Paradip in Orissa, connecting west to east coast.

- Petrochemicals

In order to have a robust presence in the Petrochemical sector, your Company is doubling the capacity of its existing Petrochemical manufacturing facilities at Pata to produce 9,00,000 TPA of polymers.

Your Company is setting up a green-field 2,80,000 TPA Petrochemical Complex at Lepetkata in District Dibrugarh, Assam, through its subsidiary, Brahmputra Cracker and Polymer Limited (BCPL).

Further, your Company is also a co-promoter in ONGC Petro-additions Limited (OPaL) which is implementing a green field petrochemical complex of 1.4 MMTPA polymer capacity (dual feed cracker) in the Special Economic Zone (SEZ) at Dahej, Gujarat.

- Power Sector

Recognizing the potential reforms undertaken in the power sector and increased emphasis laid on capacity expansion in the power sector in the XII<sup>th</sup> 5 year plan, your Company is exploring opportunities in gas based power plants.

- LNG Regasification Terminals

The increasing pace of demand for natural gas far outstrips its availability from indigenous sources. LNG imports will have to keep pace to meet the growing demand and bridge the gap in supply. Currently LNG import terminals are located on the Western coast of the country. Keeping in view the demand potential for natural gas applications in the Eastern belt of the country and for feeding proposed pipelines in the region, your Company is exploring setting-up of a LNG import facility along the East Coast of India.

- Renewable Energy

At the beginning of the year, your Company had an installed capacity of 4.5 MW wind energy at Sinoi, District Bhuj, Gujarat. The power generated was being wheeled for captive use by its installation in



GAIL team led by Shri B.C. Tripathi, CMD accompanied by Shri Prabhat Singh, Director (Marketing), Shri S L Raina, Director (HR), Shri S. Venkatraman, Director (BD) and Shri Arun Singhal, CVO (in New Delhi) and the team from Cheniere led by Shri Charif Souki, Chairman and CEO (in Houston) during the signing of SPA.

Samakhiali, Kandla and Gandhar in the state of Gujarat. During this year, it has set up another 14.7 MW wind energy projects in Gujarat for captive usage and 98.75 MW wind energy projects in the states of Tamil Nadu and Karnataka for commercial sale of power.

Further, in the year 2011-12, your Company entered into solar power generation by winning the bid to setup a 5 MW Solar plant in Rajasthan under Jawaharlal Nehru National Solar Mission (JNNSM).

#### IT ADVANCEMENTS

For better serving the customer requirements and to bring about operational efficiency, your Company has always been at the forefront of adopting newer IT solutions.

Your Company has taken several new IT initiatives to enhance productivity. SAP based Gas Management System (GMS), Governance, Risk & Compliance (GRC) and Reverse Auction modules have been implemented to enhance transparency, efficiency and customer satisfaction. Reverse Auction facilitates your Company to generate greater competition and reduce procurement cost.

Your Company has implemented an online bidding portal through which existing customers can bid for supply of Spot RLNG gas. The system dynamically captures the market spot prices against the bids and has also reduced the overall cycle time of selling the spot gas. Further, your Company has implemented Tender Monitoring System to enhance & bring better transparency in the procurement process.

Your Company has also consolidated its IT infrastructure to a central virtualized environment along with its Disaster Recovery (DR) setup in line with the latest technological advancements in the industry. This will provide better manageability of the IT infrastructure.

Your Company has implemented electronic Document Management System and is rolling out the same all across company. All the important information and records of your Company shall be digitized.

IT Security is a major thrust area of IT strategy and planning in the organization. Post SAP upgrade, an external expert agency is auditing entire IT

systems and processes to strengthen Information Security, identify the risk areas and mitigate them with latest Industry standard security solutions.

The Business Information Systems department of your Company is certified with ISO 9001:2008 standard.

#### SUBSIDIARIES & JOINT VENTURES

Your Company has formed Subsidiaries and Joint Venture companies for Power Generation, Gas Trading, Shale Gas, LNG, City Gas Distribution and Petrochemicals. Your Company is one of the pioneers to introduce City Gas Projects in India for natural gas supplies to households, commercial and transport sector through its subsidiaries and joint venture companies.

The details of Subsidiary and Joint Venture Companies are mentioned hereunder:

#### NATURAL GAS, LNG & POWER

##### ➤ GAIL Global (Singapore) Pte Limited (Wholly owned Subsidiary)



GAIL Global (Singapore) Pte Ltd. is an overseas investment arm of the Company. Your Company is looking for LNG trading and Petrochemical trading through this wholly owned subsidiary company in Singapore.

Total revenue of the Company for FY 2011-12 was USD 2,290,763 and Profit After Tax was USD 2,033,075.

##### ➤ GAIL Global (USA) Inc (Wholly owned Subsidiary)

GAIL Global (USA) Inc., a wholly owned subsidiary of your Company was formed during the year 2011-12 to acquire 20% working interest in an unincorporated joint venture with Carrizo Oil & Gas Inc. in the Eagle Ford shale acreage in the state of Texas. The subsidiary is operational at Houston and going forward, would explore other business opportunities in North America.

Total revenue of the Company for the year ended 31<sup>st</sup> December, 2011 was USD 2.36 Mn and Profit After Tax was USD 0.26 Mn.

##### ➤ GAIL China Gas Global Energy Holdings Limited

The joint venture company was formed with an objective to pursue gas sector

opportunities, mainly in China. Potential gas sector projects are being identified for implementation by the company. Your Company has 50% equity interest in the company along with China Gas Holdings Limited as equal partner.

##### ➤ Petronet LNG Limited (PLL)



PLL, formed for setting up of LNG import and re-gasification facilities, currently owns and operates LNG re-gasification terminal of 10 MMTPA capacity

located at Dahej, Gujarat. PLL has a long term LNG supply contract with RasGas, Qatar for import of 7.5 MMTPA of LNG. Further, PLL is constructing a LNG re-gasification terminal at Kochi, Kerala with a capacity of 5 MMTPA and is scheduled for commissioning in fourth quarter of 2012. PLL has entered into long term LNG supply contract with Exxon Mobil for the supply of 1.5 MMTPA of LNG for the Kochi terminal, PLL. Your Company has 12.5% equity stake in PLL along with BPCL, ONGC and IOCL as equal partners.

Total revenue of the Company for FY 2011-12 was ₹ 22,780.74 Cr. and Profit After Tax was ₹ 1057.54 Cr.

##### ➤ Ratnagiri Gas and Power Private Limited (RGPPL)



The capacity of the Ratnagiri Gas & Power Station is 1,967.08 MW which is the largest gas based power generation

facility in the country and during the year 2011-12, the Company produced 11619 MU (Gross) of power. RGPPL is in the process of commissioning LNG Terminal of 5 MMTPA capacity. Your Company has 31.52% stake in the Company along with NTPC as equal partner. RGPPL is a joint venture company between your Company, NTPC and other shareholders are MSEDCL Holding Co. Ltd. and Indian Financial Institutions.

Total revenue of the Company for FY 2011-12 was ₹ 5223.83 Cr and Profit After Tax was ₹ 1089.24 Cr.

## CITY GAS DISTRIBUTION

### ➤ GAIL Gas Limited (Wholly owned subsidiary)



GAIL Gas was incorporated with an objective of focused implementation of City Gas Distribution (CGD) projects in the Country. GAIL Gas has already laid 215.15 Km steel pipeline and 370.05 Km MDPE pipeline in these cities. GAIL Gas is operating 1 CNG station each at Dewas, Kota, Meerut and Sonapat. It has also established CNG stations at Panvel, Vijapur and three stations at Vadodara. It is supplying natural gas to 67 industrial units in Kota, Dewas, Sonapat and Meerut. It has also commenced gas supplies to 1,891 domestic customers progressively. To encourage the conversion of vehicles on CNG and make CNG refueling available at highways, GAIL Gas has commissioned 2 CNG stations and 3 stations are scheduled to be commissioned in 2012-13. Effective from 16.11.2011, your Company transferred the entire distribution network and business in the Agra-Firozabad area to GAIL Gas Ltd. Accordingly, GAIL Gas is now handling 347 customers in the region for daily sales amounting to more than 1.3 MMSCMD.

Total revenue of the Company for FY 2011-12 was ` 289.01 Cr. and Profit After Tax was ` 8.34Cr.

### ➤ Aavantika Gas Limited (AGL)



AGL was incorporated with an objective of implementation of City Gas Distribution (CGD) projects in the state of Madhya Pradesh. As on date, AGL is present in three cities viz. Indore, Ujjain and Gwalior. AGL now operates 11 CNG stations -7 daughter stations (5 at Indore and 2 at Ujjain), 3 online stations (2 at Indore and 1 at Gwalior) and 1 mother station at Indore.

AGL also started supplying PNG to Domestic customers from December 2011. With this, AGL is now present in all the 4 business segments viz. CNG for Transportation sector and PNG for industrial, Commercial and Domestic sectors. Your Company has 22.5% stake in the Company along with HPCL as equal partner.

Total revenue of the Company for FY 2011-12 was ` 50.47 Cr and loss was ` 0.19 Cr.

### ➤ Bhagyanagar Gas Limited (BGL)



Bhagyanagar Gas Ltd.

BGL was incorporated with an objective of implementation of City Gas Distribution (CGD) projects in the state of Andhra Pradesh. BGL is currently operating 13 CNG stations in Hyderabad, 8 in Vijayawada, 2 at Kakinada and 1 at Rajahmundry. Further, Project work in respect of three CGD Projects, namely Hyderabad, Vijayawada and Kakinada are in progress. During FY 2011-12, it completed 2,872 PNG registrations in Hyderabad, 150 registrations in Vijayawada and 1,014 registrations in Kakinada. Your Company has 22.5% stake in the Company along with HPCL as equal partner.

Total revenue of the Company for FY 2011-12 was ` 42.02 Cr and loss was ` 0.88 Cr.

### ➤ Central U.P. Gas Limited (CUGL)



CUGL

CUGL was incorporated with an objective of implementation of City Gas Distribution (CGD) projects in the state of Uttar Pradesh. CUGL is presently operating one Mother CNG station each at Kanpur & Bareilly and 10 more online stations in Kanpur. Presently, CUGL is supplying CNG to 20,000 CNG vehicles in Kanpur and 5,000 CNG vehicles in Bareilly. As on date, CUGL is supplying PNG to 24 industrial, 26 commercial and 8 customers using PNG for power generation through gas generator. Presently, CUGL is supplying 0.175 MMSCMD of gas in form of CNG and PNG in both the cities. Your company has 25% stake in the Company along with BPCL as equal partner.

Total revenue of the Company for FY 2011-12 was ` 115.02 Cr. and Profit After Tax was ` 21.11 Cr.

### ➤ Green Gas Limited (GGL)



GREEN GAS LIMITED

GGL was incorporated with an objective of implementation of City Gas Distribution (CGD) projects in the state of U.P. GGL is currently operating 7 CNG stations in Lucknow and 4 CNG stations in Agra. GGL is supplying CNG to almost 18,000

vehicles. GGL has also commenced the domestic gas supply in both Lucknow and Agra city and industrial gas supply in Lucknow. MoPNG has authorized GGL for CGD in Lucknow & Agra. Your Company has 22.5% stake in the Company along with IOCL as equal partner.

Total revenue of the Company for FY 2011-12 was ` 101.48 Cr. and Profit After Tax was ` 23.17 Cr.

### ➤ Indraprastha Gas Limited (IGL)



IGL was incorporated with an objective of implementation of City Gas Distribution (CGD) projects in Delhi and adjoining cities of Noida, Greater Noida, Ghaziabad, Gurgaon and Faridabad. IGL is supplying piped gas to over 3.32 lac domestic consumers, 223 industrial and 639 commercial consumers in Delhi, Noida, Greater Noida and Ghaziabad. A total of 308 CNG stations have been set up by IGL in the region out of which 245 CNG stations are currently in operation. IGL is catering to CNG requirements of over 5 lac vehicles operating in the region which also includes the entire public transport of national capital and also world's largest bus fleet on CNG. Your Company has 22.5% stake in the Company along with BPCL as equal partner.

Total revenue of the Company for FY 2011-12 was ` 2,525.34 Cr. and Profit After Tax was ` 306.43 Cr.

### ➤ Mahanagar Gas Limited (MGL)



MGL was incorporated with an objective of implementation of City Gas Distribution (CGD) projects in the city of Mumbai and adjoining areas. MGL has presently set up 151 CNG stations catering to about 2.4 lac vehicles spread over Mumbai, Thane, Mira-Bhayander and Navi-Mumbai area besides supplying PNG to about 5.6 lac domestic customers and about 1,540 small industrial & commercial consumers. Accepting the Central Government authorization, the PNGRB has granted authorization and exclusivity for the existing areas of Mumbai, Thane, Navi Mumbai and Mira-Bhayander and

expansion areas of Kalyan, Dombivali, Ambarnath, Badlapur, Ulhasnagar, Bhiwandi, Taloja, Kharghar and Panvel. Your Company has 49.75% stake in the Company along with British Gas as equal partner.

Total revenue of the Company for FY 2011-12 was ₹ 1,328 Cr. and Profit After Tax was ₹ 308.58 Cr.

➤ **Maharashtra Natural Gas Limited (MNGL)**



MNGL was formed for implementation of City Gas Projects in and around Pune city.

MNGL has received authorization from MoPNG for CGD in Pune including Pimpri, Chinchwad, Talegaon, Hinjewadi & Chakan areas. At the close of the FY 2011-12, MNGL is supplying CNG to more than 27,000 vehicles which is comprising of 21,000 autos, 370 buses, 4,800 private cars and 950 taxis which are plying in Pune and Pimpri – Chinchwad. CNG is being sold through 17 CNG stations spread across the city. MNGL is also supplying PNG (Piped Natural Gas) to around 2,400 domestic, 20 industrial and 5 commercial customers. Your Company has 22.5% stake in the Company along with BPCL as equal partner. Government of Maharashtra (provisional), IDFC (PE), IL&FS and Axis Bank are other Equity partners in MNGL.

Total revenue of the Company for FY 2011-12 was ₹ 76.89 Cr. and Profit After Tax was ₹ 12.23 Cr.

**Tripura Natural Gas Company Limited (TNGCL)**



TNGCL was incorporated with an objective of implementation of City Gas Distribution (CGD) projects in Agartala. Presently, there are about 10,000 Domestic, 205 Commercial and 8 Industrial Consumers and 2 CNG Stations (one Mother Station & one Daughter Booster Station). Your Company has 29% stake in the Company.

Total revenue of the Company for FY 2011-12 was ₹ 24.90 Cr. and Profit After Tax was ₹ 3.50 Cr.

**PETROCHEMICALS**

➤ **Brahmaputra Cracker and Polymer Limited (BCPL) (Subsidiary)**



BCPL is setting up a 2,80,000 TPA polymer plant and project execution is in progress. Your Company has 70% equity share in BCPL with OIL, NRL and Government of Assam each having 10% equity share. The total revised project cost as approved by CCEA in November 2011 is ₹ 8,920 Crores. Gas Supply agreements with Oil India Limited and ONGC and the term sheet agreement for Naphtha with NRL is in place, thereby making the feedstock secured for the plant. Entire land for the project has been acquired by BCPL. Civil and structural works for all the process units is at the final stage of completion. Mechanical & Piping works is going on full swing. The mechanical completion of the project is scheduled on July 2013 and commissioning on December 2013.

**ONGC Petro-additions Limited (OPaL)**



OPaL is implementing a green field petrochemical complex of 1.1 MMTPA Ethylene capacity at Dahej in the State of Gujarat. Your Company is a co-promoter with 17% equity stake in ONGC Petro-additions Limited (OPaL). Oil and Natural Gas Corporation (ONGC) and Gujarat State Petroleum Corporation Limited (GSPC) are the other promoters of the company.

**HEALTH, SAFETY & ENVIRONMENT**

Your Company is a responsible Corporate Citizen and Health, Safety & Environment (HSE) excellence has been extensively promoted as a corporate culture within the organization. The safety and health of employees and external stakeholders are embedded in the core organizational values of the Company.

**Corporate Health, Safety & Environment (HSE) Policy**

Your Company is committed to promote globally comparable levels of Health, Safety, Environment Management System in the areas of its business of exploration and production of Hydrocarbons,

transmission and distribution of Natural Gas, production of Petrochemicals and LHCs, transmission of LPG, and generation of Power etc. with a focus on improving harmony with environment through Sustainable Development.

**Safety Performance**

Your Company has always strived to maintain highest standards of safety and this is reflected in the HSE index which evaluates the safety performance of the organization on various elements of Health, Safety and Environment covering all business activities.

Year	HSE Index	
	MoU Target (%)	Achieved (%)
2010-11	97.5	98.92
2011-12	98.0	99.05

**Safety Training**

Your Company has always endeavored to keep its employees fully aware of the HSE aspects and to meet this objective, regular training to employees, contract workers, etc. is provided through internal as well as external resources.

Your Company organized a two day HSE workshop for all business heads, fire & safety heads and HR representatives from sites. Theme of this year's workshop was "Occupational Health" in view of the ever rising risks to health while on the job and to create awareness amongst the employees regarding methods & measures to mitigate these risks.

**Safety Audits**

To ensure compliance to statutory rules and regulations, implementation of safe work practices, and continual improvement in Safety Management System, your Company installations are being regularly audited through External Safety Auditors and experienced in-house auditors. During the year 2011-12, 27 External Safety Audits and 07 audits by experienced in-house auditors were undertaken.

**Occupational Health**

Your Company has a Corporate Occupational Health Committee supported by 06 local level Occupational Health Committees which meet every quarter for continuous monitoring and improvement of the occupational health of the



employees. During the year 2011-12, all employees at the work centers were medically examined.

### **SUSTAINABILITY-CONTRIBUTION TO TRIPLE BOTTOM LINE**

Creating value beyond business forms the ethos of work at your Company. Besides wealth and value creation in financial and economic terms, your Company has always strived for providing value beyond business by taking care of the environment and society.

Your Company has taken steps to improve the governance structure of Sustainability. The Board of Directors has formed a Sustainable Development Sub-Committee to formulate, monitor and approve the sustainable development plans and implementation. In addition to this, a senior level steering committee has been formed for planning and monitoring the project implementation.

Your Company is progressively creating a portfolio of renewable businesses (solar, wind, etc.) in order to grow the share of cleaner energy in the overall energy mix. Besides, your Company is taking up several other initiatives to promote sustainable development such as Global Methane Initiative, Green House Gas Accounting Report to Measure, Manage & Mitigate GHG emissions, construction of future buildings as green buildings, and so on.

Your Company is taking measures for improving efficiency of operational processes to make them more environment friendly. This not only ensures enhanced energy efficiency but also has a positive impact on climate change and stimulates innovation across operations to enable better and sustainable performance.

Bombay Stock Exchange has recently launched the first environment friendly equity index named GREENEX. Your Company is the only company from Oil and Gas Sector to be listed in BSE-GREENEX. This is a major milestone in its sustainability journey.

Your Company has also come up with its first Sustainability Report with the theme - "Value Beyond Business". The report is based on the GRI G3 Guidelines for the financial year 2010-11 to efficiently disseminate information on various measures taken by the company on social, economic and environmental fronts.

The Report highlights your Company's business philosophy to grow in a way which is sustainable for the economy, the stakeholders, the community and the environment. Your Company has tried to address key issues which are of imperative concern for its business and stakeholders.

Your Company looks upon this effort as an essential aspect for enhancing its corporate governance structure and transparency, a way to analyze and improve its business processes and operations and an efficient communicative tool with its stakeholders

The complete details about the sustainability performance of your Company are available in the Sustainability Report available at website of your Company under the section on "Sustainable Development".

### **CONTRIBUTING TO SOCIAL PROGRESS**

Corporate Social Responsibility (CSR) is an integral part of your Company's ethos and culture. Your Company has a dedicated team, operating within the framework of a well-structured CSR Policy which mandates contribution of 2 % of your Company's Profit after Tax to CSR activities.

Following the 'Project Based Approach' as put forth by the DPE and as detailed in your Company's CSR policy, your Company has implemented CSR Programmes primarily in and around the rural areas adjoining major GAIL work centres/installations. These programmes are taken up under the seven thrust areas identified by your Company - Education / Literacy Enhancement, Skill Development/ Empowerment, Community Development, Drinking Water/Sanitation, Environment Protection/ Horticulture, Infrastructure and Healthcare/ Medical facility. Major initiatives undertaken by your Company under these thrust areas are detailed in Management Discussion & Analysis.

### **VALUING HUMAN RESOURCES**

Your Company takes pride in its highly efficient and engaged workforce which falls in Best Employer/ High Performance Range according to the survey undertaken by M/s Aon Hewitt Pvt Ltd on Employee Engagement. A highly committed and motivated young work force at your Company, have also been the reason behind

continuous rise in value added per employee during the last 5 years. Value added per employee gives an account of efforts of company's employees to make the best and most productive use of the resources available to them.

### **• Training**

To fulfill the objective of Capability Development of organization's human resource, your Company has been offering various training programs related to the gas value chain for professional development of executives working in the Oil & Gas sector from its training centers "GAIL Training Institute" (GTI) at Noida and Jaipur. To achieve your Company's vision, GTI is designing programs to sharpen knowledge, improve skills, align attitude and promote efficient use of latest technology.

During the year, GTI organized 177 training programs through which it imparted 14,079 mandays training to your Company's employees. Apart from in-house training programs, the employees are also nominated for attending external training programmes on contemporary subjects. This year, GTI had launched "e-Gyan Prawah" an e-Learning initiative for senior executives through Harvard Management Mentor covering 44 e-learning modules to support the key developmental areas. Further, customized Executive Development programs are also being organized through IIM Calcutta & Bangalore.

With an aim to create a learning environment and total quality culture in terms of people, products, services, work life, safety, energy and environment several "Business quizzes" were organized in English as well as in Hindi language. In order to motivate women employees in the organization, GTI has been taking forward the unique initiative of conferring annually "GAIL Women Employees Award".

Mentoring has been introduced for Executive Trainees (ETs) joining the organization to facilitate structured learning of Company's culture. In addition, GTI has also organized programs on creating awareness on sustainable development across all work centers. Several other initiatives such as O&M seminar, Case study workshop, HSE summit, etc. were organized during the year with an

objective of knowledge dissemination & experiencesharing.

GTI conducted courses in the field of City Gas/CNG, Natural Gas/LPG Pipeline Operation & Maintenance, Petrochemical, O&M, and Fire & Safety for the participants from external organizations like IOCL, BPCL, RGPPL, BCPL, IGL, MNGL, Adani Gas Ltd, Siti energy, Sabarmati Gas, UP Fire Service Departments, OPaL, Honda Scooters & Motorcycles, etc. As an Authorized Training Provider to American Society of Mechanical Engineers (ASME), GTI is regularly conducting specific ASME certified courses.

With consistent efforts of team members and valued contribution of faculty, GTI achieved a training efficacy score of 91.76% during the year 2011-12.

• **Leadership Development Program**

Your Company realizes that it is critical to continually strive to develop and enhance the capability and competence of its existing talent pool. With the objective of development of its senior level executives and preparing them for future leadership positions, Senior Management Development Centre (SMDC) exercise has been undertaken as part of the Leadership Development Program. SMDC has been conducted for senior executives at Chief Manager and above grades. 471 such senior executives have been covered through this exercise.

Taking the next step forward in the direction of Leadership Development, a detailed Individual Development Plan (IDP) has been drawn up for

all the participants of SMDC exercise which consists of customized training programmes, e-learning courses and suggested readings with emphasis on the development areas as identified.

• **Vigilance**

The main thrust of vigilance activities in your Company is on predictive and preventive actions rather than punitive vigilance. In accordance with this objective, several contract & procurement, operation & maintenance related system improvement measures were undertaken during FY 2011-12. Intensive inspections of various works were taken up and corrective measures suggested. Further, initiatives like Tender Monitoring System, e-QPR system, on-line written examination in e-recruitment module, etc were undertaken in furtherance of company's objective to ensure transparency in systems & procedures.

Further, under the aegis of the Central Vigilance Commission, your Company organized a day long Interactive Seminar for Independent External Monitors (IEMs). The seminar was organized to provide a platform for sharing and updating technical knowledge on procurement matters considering the vital role of IEMs in administration of the Integrity Pact adopted by your Company.

A Vigilance Awareness Week was organised during the year. On this occasion, CVC launched an On- line Tender Monitoring System (TMS) and also released an in-house

magazine titled "JAGROOK".

During the Vigilance Awareness Week, your Company organized Customer and Vendor Interactive meet. In order to spread awareness and to sensitize employees against the harmful effects of corruption, various competitions were also organized across your Company during the said period.

• **Representation of SCs, STs, OBCs, Minorities and Women Employees**

Your Company is complying with Presidential Directives on reservations for employment of Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs), physically challenged categories, etc.

Details regarding total number of employees and the representation of Scheduled Castes, Scheduled Tribes, and Other Backward Classes in your Company as on 31.03.2012 have been provided in the table below:

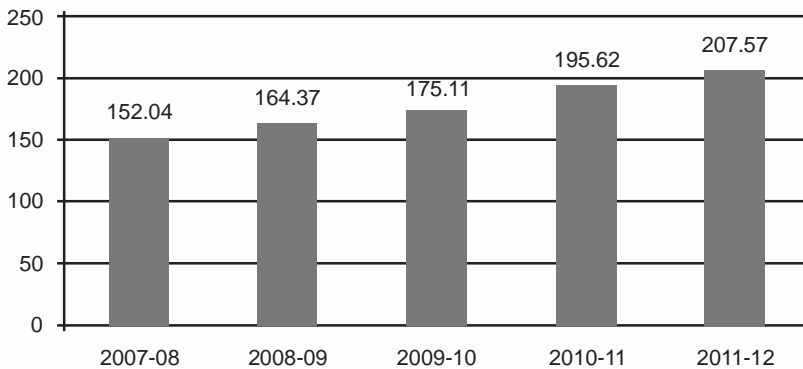
GROUP	EMPLOYEES ON ROLL	SC	ST	OBC
A	2784	437	164	453
B	530	114	69	68
C	565	93	23	172
D	58	17	5	14
<b>TOTAL</b>	<b>3937</b>	<b>661</b>	<b>261</b>	<b>707</b>

131 new employees joined your Company during the year 2011-12. Total manpower of the Company as on 31.03.2012 stood at 3,937 with 16.8 % of its employees belonging to SC category, 6.6% to ST category, 17.9% to OBC category, 7.22% to Minorities and 2.2% to Physically Challenged categories. Your Company's workforce comprised 222 women employees as on 31.03.2012. Efforts are continuing for filling up the back log of vacancies reserved for SCs, STs and OBCs.

• **Official Language**

Your Company is continuously making vigorous efforts for the propagation and successful implementation of the Official Language Policy of the Union Government. The Official Language Implementation Committees at Corporate as well as Regional / Unit level held their quarterly meetings regularly to monitor and review the progress

**VALUE ADDED PER EMPLOYEE ( In Lacs.)**



made in achieving the targets fixed in the Annual Programme.

In an endeavor to familiarize the new entrants in the company with Official Language Act and various rules, training to Executive Trainees is being imparted during their orientation programme. To inculcate the knowledge of Official Language among the newly promoted employees from S7 to E1 and E2 grades, a two days training programme has been designed and implemented at corporate level besides other regular workshops at all the work centers.

With a view to create greater awareness and consciousness amongst employees, Hindi Fortnight was celebrated from 14<sup>th</sup> to 28<sup>th</sup> September, 2011 across your Company. During the fortnight, a Business Quiz competition was conducted at company level through video conferencing besides other interesting competitions, cultural activities, seminars on Hindi activities, etc. The employees participated with great enthusiasm.

Bilingual software is provided to all offices of your Company for using on their computing device. To impart working knowledge of Hindi as well as to train employees in bilingual Software, a comprehensive programme was designed and implemented during the year. Further, the OICs/HR heads of work centers and other senior officers were imparted training for preparing e-mail communication in Hindi.

In order to cultivate the habit of reading Hindi, a book titled "Ati prabhavshali logon ki saat adaten" was distributed among all employees. Quarterly Hindi magazines are published from work centres and distributed amongst employees in order to create interest among employees and their family members towards reading and creative writing in Hindi.

#### RESEARCH AND DEVELOPMENT

Your Company has been pursuing a unique collaboration with Municipal Corporation of Delhi for extraction of Land Fill Gas (LFG) at Ghazipur landfill site for conversion to CNG after purification. A Project Management Consultant (PMC) has been retained to take up project implementation activities. A CNG station running on landfill gas will be a first-of-its-kind in the world. This innovative project will not only generate a clean fuel but also simultaneously help in combating global warming due to the capture of

methane gas that would have otherwise got released into the atmosphere. The success of this pilot project would open up the possibility of replicating its success all over the country. This project has been appreciated by the Platts Global Energy Awards Committee for the commitment towards harnessing all sources of energy.

Another project that your Company has been pursuing is on conversion of waste plastics into fuel. The bench-scale tests have given encouraging results and it is planned to conduct the pilot-scale studies in the next phase. R&D efforts are also being undertaken to develop new polymer grades to better suit the customer requirements.

Increasing the acceptability and usage of natural gas as vehicle fuel serves the twin task of reducing environmental pollution as well as expanding your Company's business. Your Company has started a collaborative project with CMERI Durgapur and IIT Kharagpur to develop composite cylinders for storage of CNG. These light-weight cylinders shall help increase the fuel efficiency of the vehicles and would also be more acceptable to the consumers. Continuing with its pragmatic approach, your Company has also started working with IIT Madras to develop nano-composite materials for storage of Hydrogen gas which is touted as the fuel of the future.

Further, your Company is actively exploring potential technologies that can be used to exploit various non-conventional natural gas sources like Shale Gas, Gas Hydrates, Underground Coal Gasification (UCG) etc. that have potential to substantially increase the availability of natural gas in the country.

With a view to give a boost to R&D spending in the country, the Department of Public Enterprises (DPE) has mandated all profitable PSUs to spend at least 1% of their Profit After Tax (PAT) on R&D from 2012-13 onwards. Realizing the importance of R&D to improve the technological capabilities and the requirement of meeting the DPE's mandate, your Company has taken proactive strategic steps in this direction.

Your Company has constituted a Research Advisory Committee (RAC) comprising of experts from Industry and Research Institutes with domain knowledge in areas relevant to its business to guide our future R&D endeavors. Your Company has also decided to take a quantum

jump in its R&D projects and has solicited research proposals from various research and engineering institutes of national repute which shall be pursued in the near future.

#### TOTAL QUALITY MANAGEMENT

Your Company is always vying for continual and sustainable improvement in the process, systems and functional areas. Customer satisfaction is on the top agenda of your Company and is being continuously monitored through regular interactions. TQM department has taken following strides towards improvement:

- The Customer satisfaction index achieved during 2011-12 by your Company is 89%;
- Your Company is targeting application for Deming award (An international recognition for overall improvements in the processes). Actions have been initiated and roadmap drawn;
- One hundred number of Quality Circle projects have been undertaken in all process & system areas in your Company, which lead towards continual improvements as well as tangible gains.

#### AWARDS & ACCREDITATIONS

Your Company has consistently been ranked "Excellent" by the Department of Public Enterprise (DPE), Government of India, ever since the introduction of the Memorandum of Understanding (MoU) based performance review system by the DPE. Your Company has been recognized for its performance in various areas, some of them are mentioned below:

- **Corporate Awards**
  - 11<sup>th</sup> ICSI National Award for Excellence in Corporate Governance, 2011
  - Corporate Governance Award 2012 by Indian Chamber of Commerce
  - Commendation Certificate from SCOPE for Corporate Governance in 2010-11
  - Platts Global Energy Award, 2011 for 'World's No. 1 Company in Downstream Operations'
  - GAIL's Jamnagar - Loni and Vizag secunderabad LPG pipeline unit won the first & second National Award for Excellence in Cost Management 2011 respectively under the category of Public Sector Service Unit.



Shri S. Venkatraman, Director (BD) receives ICC Corporate Governance Award 2012 from Shri Kamal Nath, Hon'ble Union Minister for Urban Development

- MoU Excellence Award for Best Performing CPSE in the Petroleum Sector consecutively for second year for the year 2009-10.
- HSE Awards
- International Safety Award from British Safety Council, United Kingdom for Gas Processing Unit and Natural Gas Compressor Station, Vaghodia; Gas Processing Unit, Gandhar; Jamnagar –Loni LPG Pipeline; Regional Natural Gas Pipeline Network, National Capital Region, Delhi and Agra.
- Shrestha Suraksha Puraskar for Gas Processing Unit and Suraksha Puraskar for Natural Gas Compressor Station, Vijaipur from National Safety Council, Mumbai.
- Certificate of Appreciation from Gujarat Safety Council, Vadodara for GAIL, Gandhar, Vadodara and Vaghodia.
- Golden Peacock Occupational Health & Safety Award- 2011 for GAIL, Khera from Institute of Directors, New Delhi.
- Safety Innovation Award from Institution of Engineers, New Delhi for Gas Processing Unit & Natural Gas Compressor Station at Vijaipur and Vaghodia; Gas Processing Unit, Lakwa; Natural Gas Compressor Station, Khera; Regional Natural Gas Pipeline Network, Mumbai; LPG Booster Station, Abu road and Mansarampura.
- GAIL, Usar bagged the Confederation of Indian Industry (CII) - Shohrab Godrej Green Business Centre (GBC) Environmental Best Practices Awards for 2012 under "Most Innovative

Project of the Year" Category.

- Others

- Your Company scrip was included by Bombay Stock Exchange in BSE-Sensex on the basis of average free float market capitalization for 3 months.
- GTI has received the prestigious Golden Peacock Quality Award for Training System and 'GreenTech Gold HR award for outstanding achievement in Training Excellence' for the year 2011.

#### RIGHT TO INFORMATION

In order to promote transparency and accountability, an appropriate mechanism has been set up across the Company in line with the Right to Information Act, 2005. APIOs/ PIOs/ CPIO at units/ offices across the country have been nominated to provide information to citizens under the provisions of RTI Act. 1<sup>st</sup> legal Appellate Authority have also been nominated for considering appeals of Information seeker against the orders of APIOs/ PIOs/ CPIOs.

#### MANAGEMENT DISCUSSION AND ANALYSIS

The detailed Management Discussion and Analysis forms part of this report at Annexure- A.

#### CORPORATE GOVERNANCE

Your Company believes Corporate Governance is at the root of shareholder's value creation. Pursuant to clause 49 of the Listing Agreement with the Stock Exchanges & DPE guidelines on Corporate Governance, a report on Corporate

Governance forms part of this Report at Annexure- B.

The statutory auditors of the Company have examined and certified your Company's compliance with respect to conditions enumerated in clause 49 of the Listing Agreement and DPE guidelines on Corporate Governance. The certificate forms part of this Report at Annexure- C.

Secretarial Compliance Report confirming compliance by Practising Company Secretary to the applicable provisions of Companies Act 1956, Listing Agreement, Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 forms part of this Report at Annexure- D.

#### ENERGY CONSERVATION, TECHNOLOGY ABSORPTION

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

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

The particulars of employees u/s 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is annexed to this report at Annexure- F.

#### FIXED DEPOSITS

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

#### FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, foreign exchange earnings were ` 8.85 crore. Expenditure in foreign currency was ` 2,451.42 crore.

During the year under review, your Company has incurred an expenditure of ` 5.27 crore on foreign tours and training, ` 0.17 crore on entertainment and ` 24.21 crore on advertising & publicity.

#### DIRECTORS

Dr Neeraj Mittal was appointed as Part-time (Govt. Nominee) Director w.e.f. 28.02.2012 and Smt Shyamala Gopinath, Shri R.P. Singh, Dr. A.K. Khandelwal and Shri Vivek Mehrotra were appointed as Non-official Part-time



Shri B.C. Tripathi, CMD, GAIL receiving ICSI National Award for Excellence in Corporate Governance from Shri ESL Narasimhan, Hon'ble Governor, AP in the presence of Dr. M Veerappa Moily, Hon'ble Union Minister for Corporate Affairs

(Independent) Directors w.e.f. 29.02.2012.

Prof. A.Q. Contractor, Non-official Part-time (Independent) Director and Shri Apurva Chandra, Part-time (Govt. Nominee) Director ceased to be Director(s) w.e.f. 03.08.2011 and 08.08.2011 respectively. Further, Shri Vivek Mehrotra, Non-official Part-time (Independent) Director ceased to be Director w.e.f. 14.05.2012.

The Board placed on record its deep appreciation for the valuable services rendered by outgoing Directors during their association with your Company.

#### CODE OF CONDUCT

Pursuant to the requirements of clause 49 of Listing Agreement, the Board Members and Senior Management Personnel, have affirmed compliance with the Code of Conduct for the financial year ending 31<sup>st</sup> March, 2012.

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

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

i) in the preparation of the annual accounts for the financial year ending 31<sup>st</sup> March, 2012, the

applicable accounting standards have been followed along with proper explanation relating to material departures;

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

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

iv) the Directors have prepared the annual accounts for the financial year ending 31<sup>st</sup> March, 2012 on a going concern basis.

#### AUDITORS

##### • Statutory Auditors

The Statutory Auditor of your Company is appointed by Comptroller & Auditor General of India (CAG). M/s Rasool Singhal & Co., Chartered Accountants, Aligarh and M/s M.L. Puri, Chartered Accountants, New Delhi were

appointed as Joint Statutory Auditors of your Company for the year 2011-12.

The review of Annual Accounts of your Company for the financial year ending 31<sup>st</sup> March, 2012 by CAG forms part of this report. Notes on accounts referred in the Auditors' Report are self-explanatory and therefore, do not call for any further comments.

##### • Cost Auditors

Your Company has appointed M/s Rohit & Associates, Vadodara, M/s R. Nanabhoy & Co., Mumbai, M/s Chandra Wadhwa & Co., New Delhi, M/s M Goyal & Co., Jaipur, M/s Dhanajay V. Joshi & Associates, Pune, M/s DGM & Associates, Guwahati, M/s Mani & Co., Kolkata, and M/s. K.L. Jaisingh & Co., Noida as Cost Auditors for financial year 2011-12 for the purpose of cost audit of various LPG/CNG unit/Telecom unit on 10<sup>th</sup> June, 2011.

The due date for filing Cost Audit Reports for the financial year ended 31<sup>st</sup> March, 2011 was 27<sup>th</sup> September, 2011 and the same were filed to Registrar of Companies on 24<sup>th</sup> September, 2011.

#### ACKNOWLEDGMENT

Your Directors express their gratitude for continued co-operation and support provided by Government of India, in particular the Ministry of Petroleum and Natural Gas, various State Governments, regulatory and statutory authorities from time to time.

Your Directors acknowledge the constructive suggestions received from Statutory Auditors and Comptroller & Auditor General of India and are grateful for their consistent support and help.

Your Directors also wish to thank all the stakeholders of your Company for reposing their faith, trust and confidence in the Company.

On behalf of your Directors, I would like to place on record our deep and sincere appreciation for the hard work, dedication and unstinted efforts of your Company's employees to ensure that your Company achieves greater milestones and scales the newer pinnacle of success.

For and on behalf of the Board

B.C. Tripathi  
Chairman & Managing Director

Place: New Delhi  
Date: July 19, 2012