

Directors' Report



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Dear Shareholders,

On behalf of the Board of Directors of your Company, I am delighted to present the 29th Annual Report of your Maharatna Company, along with Audited Financial Statements for the financial year 2012-13.

YEAR IN RETROSPECT

The year gone by shall always be remembered as a golden year of your Company. This year, your Company received Maharatna Status - another recognition by the Government of India of your Company's potential and efforts to be a global energy major. It also acknowledges the significant role that your Company is playing in the nation's social and economic development. Your Company is the youngest public sector undertaking to be recognized with this honor.

Your Company made a landmark achievement by commissioning 5 MMTPA LNG regasification facility at Dabhol. Further, 1,000 Km long Dabhol-Bengaluru pipeline project was also commissioned during the year.

Subsidiary of your Company in the USA has signed a Terminal Service Agreement (TSA) with Dominion Cove Point LNG LP in USA for a commitment of 2.3 MMTPA liquefaction capacity in the Cove Point LNG liquefaction terminal project in the US. The LNG from this terminal will be available for bringing to India as well as trading it in the international markets. With this milestone, your Company will have access to 5.8 MMTPA of LNG linked to Henry Hub prices.

Further, your Company has become the No 1 Indian Company in terms of long term LNG and natural gas import tie-ups.

FINANCIAL HIGHLIGHTS

Your Company has recorded sustained growth in all key financial parameters during the year 2012-13 and the important financial highlights are as under:

Particulars	2012-13	2011-12
Turnover (Net of ED)	47,333	40,281
Other income	954	808
Cost of sales (excluding interest and depreciation and including extraordinary items)	41,054	34,842
Gross margin	7,233	6,247
Interest	195	116
Depreciation	981	791
Profit before tax	6,058	5,340
Provision for tax	2,036	1,686
Appropriations		
Interim dividend	507	381
Proposed final dividend	710	723
Corporate dividend tax	203	179
Net transfer to/from bond redemption reserve	(0.43)	(24)
Transfer to CSR reserve	13.13	-
Transfer to General Reserve	402	365
Net surplus after Appropriations	2,187	2,030



Shri B.C. Tripathi, CMD GAIL speaking on the occasion of Investors & Analyst Meet at Mumbai

DIVIDEND

Your Company has a consistent track-record of dividend payment. So far, your Company has disbursed dividend of over ₹ 10,500 Crores to the shareholders.

The Board of Directors of your Company had earlier approved payment of an interim dividend @ 40% on equity share of ₹10 each (₹4 per equity share) amounting to ₹507 Crores, which was paid in February, 2013. Further, the Board has recommended payment of final dividend @ 56% on equity share of ₹10 each (₹5.60 per equity share) for 2012-13.

With this, the total dividend payment for the fiscal year 2012-13 will be 96% on equity share of ₹10 each (₹9.60/- per equity share) amounting to ₹ 1,217 Crores on its paid-up equity capital of ₹ 1,268.48 Crores, which is highest ever dividend paid by the Company. The total dividend payout including dividend tax accounts for 30.28% of profit after tax.

CONTRIBUTION TO EXCHEQUER

Your Company has contributed over ₹ 5,780 Crores in 2012-13 to the exchequer through dividend, duties, taxes and others, as compared to ₹5,560 Crores in 2011-12.

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. Further, Fitch Ratings has also assigned a long-term foreign currency issuer default rating of BBB- with a negative outlook, which is equal to sovereign rating.

BUSINESS STRATEGY

To pursue a high growth trajectory, your Company has developed strategy for the period from 2011-2020. This strategy is currently under execution and the Company is closely monitoring progress on various strategic initiatives as well as keeping track of changes in external environment that have potential impact on its business. The top management of your Company has been playing a key role in driving it towards becoming an integrated hydrocarbon major with significant upstream, midstream and downstream interests by 2020.



In the upstream segment, your Company aspires to import substantial LNG through conventional route as well as through terminal capacity booking and also acquire equity in producing assets/liquefaction facilities to source equity-linked LNG. Having acquired the Maharatna status, your Company would be able to pursue M&A opportunities vigorously. Your Company has made remarkable progress in sourcing LNG by finalizing several short/ medium term and long-term deals with suppliers, like GDF (France), GNF (Spain), Sabine Pass Liquefaction LLC (US) and Gazprom (Russia). Further, a US subsidiary of your Company has booked LNG capacity in Dominion Cove Point's LNG liquefaction terminal in US. Besides, the Company is in discussion with other potential suppliers to tie-up more volumes. In addition, your Company is pursuing multiple trading plays in LNG through its wholly owned subsidiary, GAIL Global Singapore Pte Limited.

To support higher LNG volumes, your Company plans to set up LNG terminals/floating storage and regasification units and also tie-up additional regasification capacities in existing and new terminals being set up by other companies. Your Company has successfully commissioned LNG terminal at Dabhol, as owner's engineer and also tied-up additional regasification capacities at this LNG terminal with RGPPL. Further, your Company also tied-up additional regasification capacities at Dahej LNG terminal with Petronet LNG Limited (PLL).

Considering the growing natural gas demand and India's energy security, your Company is actively participating in the transnational pipeline project, Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline project. GSPA has been signed to import 38 MMSCMD gas into the country through this pipeline.

In the midstream segment, your Company aspires to retain in leadership position through continuous pan-India expansion of pipeline network. Your Company recently commissioned the Dhabol-Bengaluru pipeline to bring gas to Bengaluru, the IT hub of India, and other potential demand centres along this pipeline. With this, your Company now has a total network of over 10,700 km pipeline in the country. Various other pipeline projects at different phases of execution will take the network size to 15,000 km by 2015.

On the retail side, your Company is targeting additional 40-50 cities/Geographical Areas (GAs) through its subsidiary and JVs for City Gas Distribution (CGD) in the coming few years. Your Company's wholly owned subsidiary, GAIL Gas Limited, is progressing on track with respect to the city gas projects in the cities of Kota, Dewas, Meerut and Sonapat.

In the downstream segment, your Company aspires to be among the top petrochemical players in the country by expanding existing capacities, setting up new plants, acquiring equity stakes in upcoming projects, along with product off-take rights for marketing. Your Company is currently doubling existing capacity at Pata and the project is expected to be completed on schedule. A greenfield petrochemical plant is also being set up in Assam through your Company's subsidiary, Brahmaputra Cracker & Polymer Limited (BCPL). Another plant at Dahej is being set up through a JV, ONGC Petro-additions Limited (OPaL). By 2015, your Company is expected to market 1.7 MMTPA of polymers. For handling such a large product portfolio, your Company is strengthening its petrochemical trading capability as well as scaling up its distribution network.

As a responsible corporate citizen, your Company aims to reduce carbon footprint in a phased manner and contribute towards low carbon economy. For this, your Company has set targets for renewable energy projects and significant progress has been made so far. On the wind energy front, your Company plans to set up 500 MW wind power capacity in the next 3-4 years and against this, about 118 MW capacity has already been set up.

Further, your Company has also established a 5 MW solar project in Rajasthan and plans to set up additional capacities in the coming years.

In order to achieve all the strategic goals efficiently and in a time bound manner, your Company is giving significant thrust on strengthening and developing its human resource. Your Company's training and development policies are being suitably aligned with strategic objectives to enable the organization to implement strategic plans by 2020.

BUSINESS SEGMENT PERFORMANCE

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

- **Natural Gas Marketing**

Natural gas continues to constitute your Company's core business. During 2012-13, gas sales clocked 81.44 MMSCMD, compared to 84.17 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 60% market share in India's gas marketing.

- **Natural Gas Transmission**

Your Company owns and operates a network of about 10,700 kms of natural gas high pressure trunk pipeline with a pan-India capacity of around 210 MMSCMD of natural gas. Average gas transmission during the year was 104.9 MMSCMD, compared to 117.62 MMSCMD in the previous financial year.

- **LPG Transmission**

Your Company is the only one 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 kms. Out of this, 1,415 km of pipeline network transports LPG from western to northern parts of India (Jamnagar – Loni pipeline) and the balance 623 kms of pipeline network transports LPG in the country's southern part (Vizag-Secunderabad pipeline). The LPG transmission system has a capacity to transport up to 3.8 MMTPA of LPG. In 2012-13, the LPG transmission throughput achieved was about 3.136 Million MT.

- **Petrochemicals**

During 2012-13, your Company has produced 437 Thousand MT of polymers and sold 427 Thousand MT of polymers.

- **LPG and Other Liquid Hydrocarbon Production**

Your Company has seven LPG plants in the country. In 2012-13, total liquid hydrocarbon production was about 1.376 Million MT, which mainly included 1.078 Million MT of LPG, 0.130 Million MT of Propane, 0.02 Million MT of Pentane and 0.148 Million MT of Naphtha.

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

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

	India	Overseas	Total
Onshore blocks	10	-	10
Shallow water blocks	3	2	5
Deep water blocks	15	-	15
Total	28	2	30

Hydrocarbon discoveries are in place in seven E&P blocks (five domestic blocks and two overseas blocks). Crude oil production is in progress from one of the onland blocks in Cambay basin and during 2012-13, revenue of ₹78 Crore have been generated.



Development activities are in progress in blocks A-1 and A-3 at Myanmar offshore since November, 2009. Four development wells have been drilled in Myanmar's Mya field. Drilling of additional development well in Myanmar's Shwe field is in progress. Further, Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) work is in progress for drilling and production platforms. Gas production is expected to start during 2013-14.

Field Development Plan for one oil discovery in the block CB-ONN-2003/2 (Ankleshwar onland) has been approved. Declaration of commerciality has been submitted to the Government for approval in the Tripura onland block (AA-ONN-2002/1).

Your Company is operating three onland blocks (in Rajasthan, Cambay and Cauvery onland block) and is the joint operator in one Cambay onland block. During 2012-13, two exploratory wells were drilled in the Rajasthan onland block (RJ-ONN-2004/1). Seismic data acquisition has been completed in the Cauvery onland block (CY-ONN-2005/1) and interpretation of the data is in progress. The Government has granted the petroleum exploration license for Cambay onland block (CB-ONN-2010/11). Seismic data acquisition in this block is planned during 2013-14.

In addition to four E&P blocks that were awarded during 2011-12, your Company was awarded one more E&P block CB-ONN-2010/8 in Cambay onland basin (where BPRL is the operator) during 2012-13 under NELP-IX bidding round.

BUSINESS DEVELOPMENT

• Global Initiatives

During 2012-13, your Company executed a long-term LNG supply contract for 2.5 MMTPA from Russia with Gazprom Marketing and Trading Singapore Limited. Under the terms of the agreement, your Company is expected to receive 2.5 Million MT of LNG / year over 20 years, starting from 2018-19. Under the contract, LNG will be sustainably priced with an oil-indexed formula and delivered to India's Dahej, Dabhol and Kochi terminals.

Further, your Company had also contracted 0.72 MMTPA (12 cargoes/year) LNG supply with Gas Natural Fenosa, Spain, for a three-year term starting 2013 and 0.36 MMTPA (6 cargoes per year) LNG supply with Gaz De France, France, for a two-year term starting 2013. These contracts were executed during this financial year to encounter the immediate concerns of domestic supply shortage. In addition, during this financial year, your Company imported spot cargoes equivalent to 0.30 MMTPA from time-to-time.

In April, 2013, a US subsidiary of your Company signed Terminal Service Agreement (TSA) with Dominion Cove Point LNG LP for booking 2.3 MMTPA liquefaction capacity over 20 years in the Cove Point LNG liquefaction terminal project in US. Your Company is exploring various options for sourcing and transportation of gas for supplying gas to this LNG terminal.

Further, Your Company has signed a Memorandum of Understanding (MOU) with EDF Trading North America, LLC (EDFT) for cooperation in the areas of North American upstream equity gas investments, gas supply to export facilities and LNG supply optimization.

Your Company is pursuing Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline project for import of gas to India. Agreements with respect to Transit fee and Transportation tariff are likely to be concluded soon. Your Company is playing a lead role in discussions on the project

• Domestic 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 1,300 km, which include the following:

- 1,000 Km Dabhol-Bengaluru Pipeline Project
- 164 Km Ludhiana to Jalandhar and Saharanpur to Haridwar sections of Bawana Nangal Pipeline Spur Line Project
- Last mile consumer connectivity (74 km) extended to 34 numbers of consumers for supplying around 7.96 MMSCMD gas
- RLNG terminal at Dabhol commissioned as Owner's Engineer

Apart from these, 41 Km Kochi-Koottanad-Bengaluru/Mangalore Phase-I Pipeline Project has been mechanically completed. However the commissioning of the same line would be done synchronizing with the PLL Kochi LNG Terminal and also the readiness of end consumers.

❖ LNG Regasification Terminals and Shipping

Your Company has successfully commissioned LNG terminal at Dabhol as owners engineers and also tied up additional regasification capacity at this terminal with RGPPL. Your Company has underwritten the terminal capacity and will be the commercial operator of Dabhol terminal for 25 years. Dabhol Terminal will act as a gateway to meet the gas demand of consumers in Maharashtra, Goa and Karnataka.

Your Company also entered into an understanding with Petronet LNG Limited for reserving exclusive 2.5 MMTPA in the planned Dahej expansion LNG terminal in Gujarat to meet ever increasing demand along its existing pipeline networks.

Your Company is formulating a 'Shipping Strategy' for shipping LNG from Sabine Pass and Dominion Cove Point LNG terminals in the US.

❖ Renewable Energy

Your Company had installed till date wind energy projects of 117.95 MW capacity. GAIL had started with a modest capacity of 4.5 MW wind energy in State of Gujarat in year 2009-10 for captive use. After the success of wind project, additional Wind Energy Generation of 14.7 MW was installed in the State of Gujarat for captive use in year 2011-12. Your Company graduated to commercial production after commissioning 98.75 MW of wind energy projects in the states of Tamil Nadu and Karnataka in year 2011-12.

In 2011-12, your Company entered into solar power generation by winning the bid to set up a 5 MW solar plant under Jawaharlal Nehru National Solar Mission. The Project was commissioned in February 2013 and is generating 30,000-35,000 KWh per day.

SUBSIDIARIES AND JOINT VENTURES

Your Company has formed subsidiaries and joint venture companies for CGD, petrochemicals, LNG, gas trading, power generation and shale gas. Your Company is one of the pioneers to introduce city gas projects in India for natural gas supplies to households, commercial and transport sectors through its subsidiary and joint venture companies.

The details of subsidiary and joint venture companies are mentioned hereunder:

• **Natural Gas, LNG and Power**

❖ **GAIL Global (Singapore) Pte Limited (wholly owned subsidiary)**



GAIL Global (Singapore) Pte Limited, primarily started as an overseas investment arm of your Company and was operationalized for LNG trading in 2012. It has commenced its business operations and successfully delivered its first cargo at Dahej in November, 2012. The Company is also targeting third-party sales, ship chartering and risk management activities along with supplying LNG cargoes to India.

Total revenue of the Company for 2012-13 was USD 33 Million and Profit After Tax was USD 0.92 Million.

❖ **GAIL Global (USA) Inc (wholly owned subsidiary)**



GAIL Global (USA) Inc., a wholly owned subsidiary of your Company, was formed during 2011-12. The main aim behind forming this subsidiary was 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 revenues of the Company for the year ended 31st December, 2012 were USD 21 Million and Profit After Tax was USD 3.97 Million.

❖ **GAIL Global (USA) LNG LLC (wholly owned subsidiary)**



GAIL Global (USA) LNG LLC, a wholly owned subsidiary of GAIL Global (USA) Inc., was formed in the state of Delaware, USA on 28th March, 2013 for entering into contractual agreements with Dominion Cove Point LNG, LP for booking of LNG

Tolling capacity of 2.3 MMTPA in its Dominion Cove Point LNG terminal located at Lusby in the state of Maryland and for booking capacity in associated Dominion Cove Point Pipeline.

GAIL Global (USA) LNG LLC has adopted calendar year as its fiscal year, as such the first accounts of the Company will be prepared for the year ended 31st December, 2013.

❖ **GAIL China Gas Global Energy Holdings Limited**

The joint venture company, GAIL China Gas Global Energy Holdings Limited, 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 it, along with China Gas Holdings Limited as equal partner.

❖ **Petronet LNG Limited (PLL)**



PLL was formed to set up LNG import and re-gasification facilities. It 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 Ras Gas, Qatar, to import 7.5 MMTPA of LNG. This Joint Venture of your Company is planning to expand capacity to 15 MMTPA at Dahej, for which pre-project activities are in progress. Further, PLL is also setting up an LNG re-gasification terminal at Kochi, Kerala, with a capacity of 5 MMTPA. This facility is scheduled to be commissioned in 2013. PLL has entered into long-term LNG supply contract with Exxon Mobil's Gorgon Project to supply 1.44 MMTPA of LNG for its Kochi terminal.

Your Company has 12.5% equity stake in PLL, along with BPCL, Oil and Natural Gas Corporation Limited (ONGC) and Indian Oil Corporation Limited (IOCL) as equal partners.

Total revenue of the Company for 2012-13 was ₹ 31,554 Crore and Profit After Tax was ₹ 1,149 Crore.



Shri B.C. Tripathi, CMD, GAIL receiving Certificate of **Maharatna Status** from Shri Pranab Mukherjee Hon'ble President of India



❖ Ratnagiri Gas and Power Pvt. Limited (RGPPPL)



RGPPPL was formed in July, 2005 as joint venture for taking over and operating erstwhile Dabhol Power Project assets consisting of 1967.08 MW gas based combined cycle Power Block and 5MMTPA LNG Block. The assets were transferred to RGPPPL in October, 2005.

The Power Block has been revived and under commercial operation since 19th May, 2009. The Power Block operated at a Power Load Factor (PLF) of 31.21% during 2012-13.

The Gas delivery to your Company's pipeline network through High Pressure delivery system was started in January, 2013. Subsequent to which necessary systems required for commercial operation has been commissioned with effect from 22nd May 2013. Since the power generation is envisaged using the domestic gas entirely, integrated LNG terminal shall be utilized for tolling purposes. RGPPPL has already entered into a long term agreement with your Company for commercial utilization of LNG terminal and commenced tolling operations.

As on 31st March, 2013, the paid up capital of the Company was ₹ 2916 Crore and out of this, your Company's share of contribution was ₹ 974 Crore. RGPPPL has met its full debt servicing obligations upto 2012-13 and paid maiden dividend @5% in 2011-12.

Your Company has 32.86% equity stake in RGPPPL along with NTPC holding 32.86%, MSEB Holding Company Limited 17.41% and Indian Financial institutions 16.87%.

The Company's total revenue for 2012-13 was ₹ 2,290 Crore and suffered a loss of ₹ 375 Crore.

• City Gas Distribution (CGD)

❖ GAIL Gas Limited (wholly owned subsidiary)



GAIL Gas was incorporated with an objective of focused implementation of the country's CGD projects. GAIL Gas today operates over 300 Km of steel pipeline network and approximately 500 Km of MDPE Pipeline in the cities of Sonipat, Meerut, Dewas, Kota, Agra & Ferozabad.

GAIL Gas has put up a total CNG Compression Capacity of around 2.50 Lac Kg/day through 10 Mother/Online CNG Stations & 7 Daughter Booster Stations at Sonipat, Meerut, Dewas, Kota, Vijapur, Panvel, Ferozabad and Vadodara.

Your Company's subsidiary has taken up investment for setting up the infrastructure along the national highways for building green corridors. To encourage the conversion of vehicles on CNG and make CNG refuelling available at highways, GAIL Gas has commissioned two CNG stations at Panvel & Vijapur; two more stations at Dibiyapur & Kovvur are scheduled to be commissioned in 2013-14.

GAIL Gas is supplying natural gas to 422 industrial units and 11 commercial customers. GAIL Gas has also commenced gas supplies to around 4,400 domestic customers progressively in the cities of Sonipat, Meerut, Dewas and Kota.

GAIL Gas is implementing the CGD Project in Taj Trapezium Zone (TTZ) including Ferozabad, Fatehpur-Sikri, Bharatpur, Govardhan & Vrindavan, with a total project cost of ₹ 146 Crores.

GAIL Gas has implemented uniform price mechanism in Taj Trapezium Zone (TTZ) area w.e.f. 16.7.2012. The marketing activities of GAIL Gas are progressing well and GAIL Gas has tied-up over 580 industrial and 45 commercial consumers. GAIL Gas has also signed over 200 GSCs with the customers at Mandi Gobindgarh and Khanna.

GAIL Gas Joint venture foray at the state level has already commenced with the incorporation of the JV with Kerala State Industrial Development Corporation (KSIDC) in Kerala as Kerala GAIL Gas Ltd. and with Andhra Pradesh Gas Infrastructure Corporation Ltd. (APGIC) in Andhra Pradesh as Andhra Pradesh Gas Distribution Corporation Ltd. (APGDC) for pursuing Gas Distribution opportunities in respective States. Furthermore GAIL Gas has joined hands with Vadodara Mahanagar Sewa Sadan (VMSS) for expansion of ongoing City Gas Distribution in the city of Vadodara. Similarly GAIL Gas is in advanced stage for formal tie-ups with Rajasthan State Petroleum Corporation Ltd. (RSPCL) and Karnataka State Industrial & Infrastructure Development Corporation Ltd. (KSIIDC) in the states of Rajasthan & Karnataka for distribution of natural gas to small/ medium industrial units in

various clusters along the pipeline corridor and dispensing of CNG to vehicles.

❖ Aavantika Gas Limited (AGL)



AGL was incorporated to implement CGD projects in Madhya Pradesh. As on 31st March, 2013 was operating 14 CNG stations including 7 Daughter stations, 5 Online stations and 2 Mother stations.

Further, during 2012-13, AGL supplied PNG to over 1380 domestic, 24 industrial and 6 commercial consumers in their authorized geographical region. AGL is also catering to fuel requirement of over 11,000 CNG vehicles operating in the region. Your Company has 22.5% stake in AGL, along with HPCL as equal partner.

Total revenue of the Company for 2012-13 was ₹ 119 Crore and Profit After Tax was ₹ 0.21 Crore.

❖ Bhayanagar Gas Limited (BGL)



BGL was incorporated to implement CGD projects in Andhra Pradesh. As on 31st March, 2013, BGL was operating 29 CNG stations including 24 Daughter stations, 2

Online stations and 3 Mother stations. Further, project work in respect of three CGD projects, namely Hyderabad, Vijayawada and Kakinada, are in progress.

During 2012-13, BGL supplied PNG to over 1700 domestic, 15 commercial and 1 industrial consumer in its authorized geographical region. BGL is also catering to fuel requirement of around 20,000 CNG vehicles operating in the region. Your Company has 22.5% stake in the Company, along with HPCL as equal partner.

Total revenue of the Company for 2012-13 was ₹ 84 Crore and Profit After Tax was ₹ 3 Crore.

❖ Central U.P. Gas Limited (CUGL)



CUGL was incorporated to implement CGD projects in Uttar Pradesh. As on 31st March, 2013, CUGL was operating 12 CNG stations including 2 mother stations and 10 online stations.

During 2012-13, CUGL supplied PNG to around 3000 domestic, 30 industrial and 40 commercial customers in its authorized

geographical regions. BGL is also catering to fuel requirement of around 35,000 CNG vehicles operating in the region. Your Company has 25% stake in the joint venture, along with BPCL as equal partner.

Total revenues of the Company for 2012-13 was ₹ 148.02 Crore and Profit After Tax was ₹ 20.98 Crore.

❖ Green Gas Limited (GGL)



GGL was incorporated to implement CGD projects in U.P. As on 31st March, 2013, GGL was operating 11 CNG stations including 6

Daughter stations, 2 Online stations and 3 Mother stations. The Ministry of Petroleum and Natural Gas (MoPNG) has authorized GGL for CGD in Lucknow and Agra.

During 2012-13, GGL supplied PNG to around 1600 domestic, 3 industrial and 2 commercial customers in its authorized geographical regions. GGL is also catering to fuel requirement of around 25,000 CNG vehicles operating in the region. Your Company has 22.5% stake in the joint venture, along with IOCL as equal partner.

Total revenue of the company for 2012-13 was ₹ 126 Crore and Profit After Tax was ₹ 21 Crore.

❖ Indraprastha Gas Limited (IGL)



IGL was incorporated to implement CGD projects in Delhi's NCT and cities in adjoining National Capital Region (NCR). As on 31st March, 2013, IGL was operating 324 CNG

stations including 149 mother stations, 124 online stations and 51 daughter stations.

During 2012-13, IGL supplied PNG to around 3.8 Lac domestic, 400 industrial and 950 commercial customers in its authorized geographical regions. IGL is also catering to fuel requirement of around 6.5 Lac CNG vehicles operating in the region, which includes the entire public transport of the national capital and also the world's largest bus fleet on CNG. Your Company has 22.5% stake in the joint venture, along with BPCL as an equal partner.

Total Revenue and Profit After Tax (PAT) of the Company for 2012-13 are ₹ 3,380 Crore and ₹ 354 Crore respectively.

❖ Mahanagar Gas Limited (MGL)



MGL was incorporated to implement CGD projects in Mumbai and adjoining areas. As on 31st March, 2013, MGL was operating 160 CNG stations including 18 mother stations, 129 online stations and 13 daughter stations.

During 2012-13, MGL supplied PNG to around 6 Lac domestic, 40 industrial and 1900 commercial customers in its authorized geographical regions. MGL is also catering to fuel requirement of around 3 Lac CNG vehicles operating in the region. Accepting the Central Government authorization, 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 joint venture, along with British Gas as equal partner.

Total revenues of the Company for 2012-13 was ₹ 1514 Crores and Profit After Tax was ₹ 299 Crore.

❖ Maharashtra Natural Gas Limited (MNGL)



MNGL was formed for implementation of CGD projects in and around Pune. MNGL has received authorization from MoPNG

for CGD in Pune, including Pimpri, Chinchwad, Talegaon, Hinjewadi and Chakan areas. As on 31st March, 2013, MNGL was operating 17 CNG stations including 3 mother stations, 3 online stations and 11 daughter stations.

During 2012-13, MNGL supplied PNG to around 6000 domestic, 50 industrial and 20 commercial customers in its authorized geographical regions. MNGL is also catering to fuel requirement of around 45,000 CNG vehicles operating in the region. Your Company has 22.5% stake in the joint venture, along with BPCL as equal partner.

Total revenue of the Company for 2012-13 was ₹ 182 Crore and Profit After Tax was ₹ 35 Crore.

❖ Tripura Natural Gas Company Limited (TNGCL)



TNGCL was incorporated to implement CGD projects in Agartala. As on 31st March, 2013, TNGCL was operating 3 CNG stations including 2 mother stations and 1 daughter station.

During 2012-13, MNGL supplied PNG to around 11,000 domestic, 40 industrial and 200 commercial customers in its authorized geographical regions. MNGL is also catering to fuel requirement of around 4500 CNG vehicles operating in the region. Your Company has 29% stake in the joint venture.

Total revenue of the Company for 2012-13 was ₹ 26 Crore and Profit After Tax was ₹ 5 Crore.

• 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.

The total revised project cost, as approved by the Cabinet Committee for Economic Affairs (CCEA) in November 2011, is 8,920 Crores. The Company is now in final phase of project execution and has achieved an overall physical progress of 91% and financial progress of 73% till the end of the financial year. The commissioning of the project is set to take place in December, 2013.

Your Company has 70% equity share in BCPL with Oil India Limited (OIL), Numaligarh Refinery Limited (NRL) and Government of Assam each having 10% equity share.

❖ ONGC Petro-additions Limited (OPaL)



OPaL is implementing a green field petrochemical complex of 1.4 MMTPA Polymer capacity at Dahej, Gujarat. Your Company is a

co-promoter of the project, with 15.50% equity stake in OPaL, while Oil and Natural Gas Corporation Limited (ONGC) and Gujarat State Petroleum Corporation Limited (GSPC) are the other promoters.



IT DEVELOPMENTS

Your Company is an IT-savvy organization and is continuously adopting the latest and state-of-the-art IT solutions, keeping pace with the fast changing industry. This helps in continuous efficiency and productivity improvement of employees and also enables right information to the right person by the use of latest IT security solutions.

Your Company has migrated business-critical applications to a centralized private cloud platform, along with Disaster Recovery (DR) IT infrastructure, in line with the industry's latest technological advancements. System's manageability and availability have been enhanced substantially with this future-ready and DR-enabled cloud infrastructure.

Your Company has completed implementing an electronic Document Management System (DMS), in line with the industry best practices. This enabled your Company to digitize important documents and records across locations and also provided electronic workflow and secure authorization-based access to information.

Your Company is in the forefront of leveraging IT to bring in systemic improvements. This effort of your Company has been duly recognized at various forums. Your Company has been recently awarded with SAP ACE Award for Best Run Award for innovative use of SAP. During the year, your Company has also been certified as Customer Centre for Expertise (CCOE) by SAP.

Your Company has implemented Joint Venture Accounting (JVA) system for Exploration & Production (E&P) business on SAP platform. This has facilitated in capturing end-to-end JVA business processes and also enables partner accounting from a single system. With the implementation of JVA, your Company has enhanced efficiency, transparency and regulatory compliance in E&P activities.

Your Company has also initiated implementation of centralized enterprise-wide Geographic Information Systems (GIS)-based Pipeline Integrity Management System for its cross-country pipeline network, using industry standard assessment models to fulfil the national/international statutory codes. This will ensure seamless and consistent data flow from engineering to operations and will also result in continuous updation of O&M data and aging of the pipelines.

HEALTH, SAFETY AND ENVIRONMENT MANAGEMENT

Your Company is a responsible corporate citizen and Health, Safety and Environment (HSE)

excellence has been extensively promoted as a corporate culture within the organization. The safety and health of employees and external stakeholders are embedded in your Company's core organizational values. Your Company's HSE policy, inter-alia, aims to ensure safety of public, employees, plant and equipment. It also ensures compliance with all statutory rules and regulations, imparting training to its employees, carrying out safety audits of its facilities and promoting eco-friendly activities.

HSE sub-committee of Board of Directors, which is the apex body in your Company for all matters related to HSE, met three times during the year to review your Company's performance and emergency preparedness in this regard.

• Corporate HSE Policy

Your Company is committed to promote globally comparable levels of HSE management system in the areas of its business of exploration and production of hydrocarbons, transmission and distribution of natural gas, production of LHC, transmission of LPG, petrochemicals, power generation etc., with focus on improving environmental harmony through sustainable development.

• Safety Performance

Your Company has always strived to maintain highest standards of safety. This is reflected in the HSE index, which evaluates the organization's safety performance on various elements of HSE covering all business activities. During the year, your Company achieved the HSE index of 98.89% as against the Excellent MOU target of 98.5% signed with the Ministry.

• Safety Training

Your Company, in its constant efforts to keep employees fully aware of the HSE aspects, provides regular training to employees, contract workers, tanker drivers and others through internal as well as external resources.

Your Company organized a two-day HSE workshop for all business heads, fire and safety heads and HR representatives from sites. Theme of this year's workshop was taken as Disaster Management, in view of the ever rising risks to people and installations. The theme also helped to create awareness amongst the employees regarding methods and measures to tackle any disaster. Leading experts in the country from National Disaster Management Authority (NDMA) and Oil Industry Safety Directorate (OISD)

closely interacted with employees during the workshop.

Your Company laid specific emphasis on construction safety related trainings during the current year, as mega expansion projects are underway at various locations.

• Safety Audits

To ensure compliance to statutory rules and regulations, implementation of safe work practices and continual improvement in the Safety Management System, your Company installations are being regularly audited through External Safety Auditors and experienced in-house auditors. During 2012-13, twenty three External Safety Audits and seven safety audits by experienced in-house auditors were undertaken.

Your Company also complied with the recent Emergency Response and Disaster Management Plan (ERDMP) guidelines of PNGRB and submitted ERDMP documents to PNGRB in September, 2012.

• Occupational Health

Your Company has a Corporate Occupational Health Committee supported by six local level occupational health committees, which meet every quarter for continuous monitoring and improvement of occupational health of employees. During 2012-13, all employees at the work centres were medically examined.

SUSTAINABLE DEVELOPMENT INITIATIVES

Your Company released its second sustainability report – "Shaping the Future" – for 2011-12. This stakeholder-centric report is a communication of your Company's efforts to make a positive impact upon economic growth, ecological balance and social progress and help shape the future of millions of people towards achieving shared objectives. It is in line with the latest global standards of GRI, which is the de-facto international benchmark and externally assured with application level A+.

To create a mechanism towards governing sustainability, your Company has defined a structure that spans across various critical functions to effectively manage organizational complexities. A Sustainable Development Committee (SDC) chaired by an Independent Director has been broad-based with inclusion of all functional Directors except Chairman & Managing Director as its members. Further, your Company has constituted a Sustainable Development Steering Committee (SDSC), headed by the Director (Business Development) to provide impetus and direction



to achieve sustainability goals, meet targets and monitor on-ground implementation of SD projects. In addition, your Company has also formed multi-disciplinary sustainability committees at all sites.

In 2012, your Company drafted Sustainability Development Aspirations 2020 through intensive consultations with internal and external stakeholders concerned with on-ground implementation of projects to identify priority areas of sustainability development. Through Sustainability Development Aspirations 2020, your Company has set clear targets with respect to management of Green House Gas (GHG) emissions, water consumption, energy efficiency and training / awareness on sustainability. Apart from identifying priority areas, your Company has identified specific SD projects and the crucial ones among them have been included as a part of MoU with the MoPNG, which further signifies your Company's commitment towards a sustainable future.

Your Company organized its first UN-ESCAP Training in partnership with Global Compact Network India, after becoming a signatory to the United Nations Global Compact (UNGC) last year.

Further, SEBI vide circular dated 13.08.2012 mandated the inclusion of Business Responsibility Reports (BRR) as part of the Annual Reports for top 100 listed companies based on Market Capitalization of the BSE and the NSE. The BRR provides a disclosure framework based on NVGs which maps the Company's performance on the 9 Principles and Core Elements. In compliance to the said circular, the BRR is contained in a separate section in the Annual Report.

TOWARDS RESPONSIBLE BUSINESS CONDUCT

Your Company believes that CSR plays a major role in developing a country. Therefore, it has made Corporate Social Responsibility (CSR) as an integral part of its ethos and culture. Your Company has a dedicated team operating within the framework of a well-structured CSR policy, which mandates 2% contribution of the 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 work centres/installations of your Company. 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.

HUMAN RESOURCE MANAGEMENT

Your Company has been laying strong emphasis on attracting and acquiring best talent and also on efficient deployment of manpower on right jobs as per business requirements of the Company. Highly engaged and dynamic workforce has led to continuous rise in value added per employee in 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.

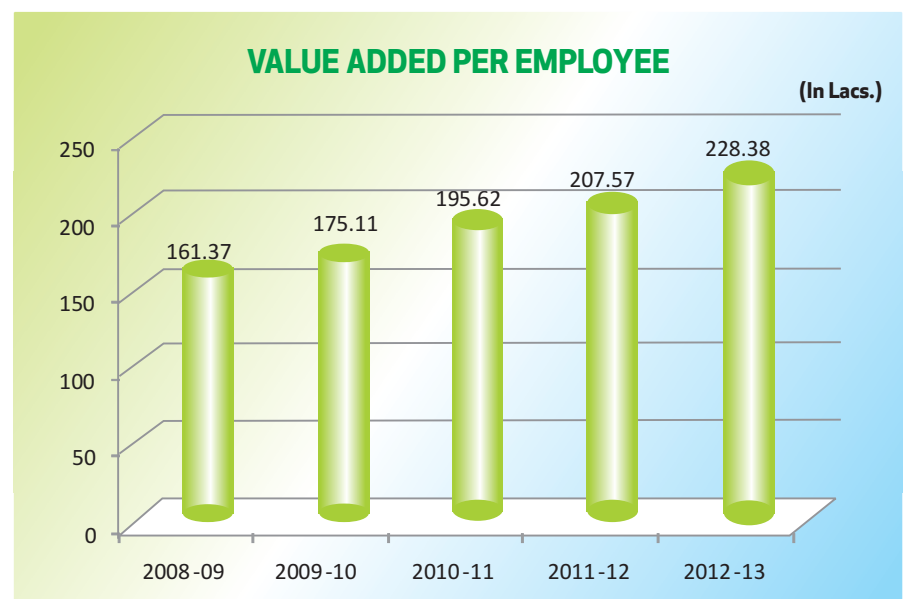
• Training

Your Company has been witnessing rapid growth vertically & horizontally. Your company is expanding its operations in domestic market as well as its presence abroad. Your Company is also implementing various new projects to strengthen its presence across the entire gas value chain. With new technological developments and phenomenal expansion taking place in the hydrocarbon sector, need of the industry is changing from merely acquiring the latest state of the art technologies and equipment

to engaging qualified personnel suitably equipped with knowledge, skills, attitude and a practical exposure to the highly specialized jobs. Further, in line with Strategy 2020, capability building will be required in the existing thrust areas & new strategic business areas. Therefore, it is the need of the hour to invest in the training & development of human resource in more systematic & structured manner. ISO 9001:2008 certified GAIL Training Institutes (GTIs) at Noida & Jaipur have been consistently working towards development of Human Capital of the Organization.

GTI, Noida & Jaipur have maintained the track record of excellent MOU performance in all the parameters in the MoU signed with Mo PNG. The Key achievements in training areas under:

- ❖ Percentage actualization of training plan has been more than 100% for the financial year ending 31st March, 2013. Total 208 training programs were organized during the period under review. Total 17,701 mandays of training has been organized by GTI, Noida & Jaipur in the above period. On an average 4.46 days of training has been organized per employee.
- ❖ As per plan, Senior Leadership & Business Knowledge programs have been organized for developing critical mass of leaders through a system of career planning & development.
- ❖ Multi-skilling / Skill Upgradation





programs have been organized of non-executives.

- ❖ Mentorship program has been established for the new joining Executives & all such executive trainees have been assigned the respective mentors.
- ❖ Yoga classes are being organized at GTI & at various sites to reduce stress. Total 13 programs/sessions were organized during 2012-13.
- ❖ Training sessions on Health Safety & Environment are being organized at sites. Total 59 sessions were organized as against the target of 40 sessions.
- ❖ 4 training programs on Awareness of succession planning have been organized.
- ❖ Total 2000 man hours of training have been imparted on Sustainable development to create awareness on sustainable development.
- ❖ With the objective of Knowledge Management within the organization, Technical Knowledge Sharing Seminar and sessions are organized every year
- ❖ Various companywide business quizzes were organized to keep the employees updated with the latest developments in the business areas of your company.

GAIL Training Institute (GTI) has been awarded as Emerging HRD thinkers Award by Indian Society for Training & Development (ISTD).

In its pursuit of offering training programs to external organizations and to convert itself into a revenue generating centre, GTI has successfully organized training programs for participants from other organizations like RIL, BPCL, RGPPL, IOCL, BCPL, IGL, MNGL, Adani Gas Limited, Siti energy, Sabarmati Gas Limited etc. Further, in collaboration with American Society of Mechanical Engineers (ASME), U.S.A., GTI is successfully running certificate courses in ASME B31.8, B 31.8S and B 31Q for various external organizations.

• Leadership Development Programme

Your Company realizes that it is critical to continually to develop and enhance the capability and competence of its senior level executives in order to prepare them for leadership positions. As an effort towards the same, Senior Management

Development Centre (SMDC) exercise has been undertaken as part of the Leadership Development Program. SMDC has been conducted for senior executives in Chief Manager and above grades and as of now 525 senior executives have been covered under this exercise.

In order to fill in the developmental gaps of such executives identified through SMDC exercise, a comprehensive Individual Development Plan (IDP) has been drawn up for all the participants of SMDC exercise. The IDP consists of customized training programmes at premier business schools, e-learning courses and distribution of books.

• Vigilance

The Vigilance Department of your Company is now certified under ISO-9001:2008 in recognition of its contribution and continuous focus on improving the Company's systems and procedures. Your Company has introduced a range of measures to bring clarity and transparency in procurement and work contracts which includes webhosting of tenders on GAIL as well as across Government websites, e-tendering and reverse auction for specified threshold values.

In compliance of the guidelines issued by the Central Vigilance Commission, the Vigilance Awareness Week 2012 was observed by your Company at the Corporate Headquarters and at all other regional installations. The Vigilance Commissioner graced the occasion as the Chief Guest on the inaugural day and administered the Vigilance Pledge to employees of major GAIL establishments connected through video conferencing. On this occasion, a magazine Jagrook, containing CVC circulars, articles on anti-corruption and case studies was also released by the Corporate Vigilance Department. During the Vigilance Awareness Week, Customer Interactive Meet and Vendor Interaction Meet were organized at Indore and GTI, Noida, respectively. Customers from various segments, such as natural gas, liquid hydrocarbon and petrochemicals, as well as vendors providing project-related services/supplies to your Company participated in these meets.

• Representation of Priority Section

Your Company has been complying with the Presidential Directives and other instructions/guidelines issued from time to time pertaining to Policies and Procedures of Government of India in regard to reservation, relaxations, concessions etc. for Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs) and Persons with Disabilities (PWDs) in Direct Recruitment.

Details with regard to Group-wise total number of employees and the representation of Scheduled Castes, Scheduled Tribes, and Other Backward Classes amongst them in your Company as on 31st March, 2013 have been given in table below:

GROUP	EMPLOYEES ON ROLL	SC	ST	OBC
A	2,853	437	171	485
B	568	125	74	86
C	477	82	15	144
D	56	17	5	14
TOTAL	3,954	661	265	729

A total of 99 new employees joined your Company during the 2012-13. Total Manpower of the Company as on 31st March, 2013 stood at 3961 (including Whole-time Directors & CVO) with 16.68% of its employees belonging to SC category, 6.7% to ST category, 18.40% to OBC category, 7.24% to Minorities and 2.09% to PWDs category. Your Company's workforce comprised of 234 women employees as on 31st March, 2013.

• Official Language

Your Company is continuously making vigorous efforts for the propagation and successful implementation of the Official Language Policy of the Union. The Official Language Implementation Committees at corporate as well as work centre level, held their quarterly meetings regularly to



monitor and review the progress made in achieving the targets fixed in the Annual Programme.

In an endeavour to familiarize the Company's new entrants with Official Language Act and various Official Language rules, training to ETs and GETs is being imparted at induction level. To inculcate the knowledge of Official Language among the newly promoted employees from S7 grade and new joiners at E0, E1 and E2 grades, a special two-days training programme have been designed and implemented at corporate level, apart from other regular workshops at all the workcentres.

Your Company observed 2012-13 as Sahitya Varsh. Competitions viz. short story, poem and article in Hindi were conducted during this period. With a view to create greater awareness and consciousness among employees, Hindi Fortnight was celebrated from 14th to 28th September, 2012, across the Company. During the fortnight innovative and interesting competitions, cultural activities, Kavi Sammelan, Mushaira, seminars on Hindi activities etc. were conducted. Employees participated with great enthusiasm. To involve families of GAIL employees, various competitions and other cultural activities were also conducted for them. First working day of every month is being observed as Hindi Diwas across your Company.

In order to cultivate the habit of reading Hindi books among employees, a book in Hindi was distributed to all employees.

An innovative inter-PSU competition was also conducted by your Company for all Delhi-based member PSUs of Town Official Language Implementation Committee (TOLIC).

Your Company was awarded for best implementation of OL policy among TOLIC member PSUs during 2012-13 by Secretary, Official Language, Ministry of Home Affairs, Government of India.

Bilingual software with Unicode fonts were made pan-organizationally available. To impart working knowledge of Hindi as well as computer training to employees in bilingual software, a comprehensive and time-bound programme was prepared and implemented during the year.

Training in translation is being provided to all Nodal Officers on a quarterly basis through Central Translation Bureau, Ministry of

Home Affairs, Government of India.

To provide a larger platform to discuss the problems and difficulties to implement Official Language, annual conference was organized on 22nd March, 2013, wherein senior officials from corporate office and work centres participated and shared their valuable thoughts.

• **Women Empowerment**

To encourage and recognize the role of women employees in your Company's success story, GAIL Women Employees Award Scheme has been instituted in your Company since 2009. Since then, awards to Women employees based on their performance in their functional area are conferred every year on International Women's Day.

INNOVATION, RESEARCH AND DEVELOPMENT

Your Company recognizes that individual innovation, creativity and initiative are crucial determining factors and are required to be channelized to achieve organizational excellence. Your Company has an Innovation Council that solicits screens and implements the suggestions from employees. An appropriate reward is given to all ingenious suggestions and the best suggestion is awarded the CMD trophy.

At times, the ideas need to be developed into useful process/product through R&D efforts. Your Company has an R&D portal on its intranet where detailed information on its R&D projects is disseminated. The employees can provide suggestions and feedback on the R&D projects to carry out any improvement or mid-course correction. Your Company is also soliciting innovative ideas from its stakeholders at large through its R&D portal. Recognizing the need importance to channelize the R&D efforts, your Company has developed and put in place the R&D Policy and Manual. It is expected that this policy document would pave the way for integration of the R&D efforts.

Your Company recognizes the importance of R&D to remain at the forefront of technology. your Company has set a goal to spend at least 1% of previous year's PAT on R&D every year. It has identified the thrust areas of R&D in line with its business areas and follows a focused R&D strategy to take up projects in such areas. Many basic / fundamental / applied research projects have been taken up through various reputed engineering institutes / laboratories this year in the major thrust areas (viz. Natural

Gas transportation & Storage, Fuel Cell & Nano-composites, CO₂ and unconventional energy utilization and so on). It is expected that the successful outcome of these projects would provide good value to your Company in due course.

Your Company is setting up a unique, first-of-its kind pilot project for extraction of LandFill Gas (LFG) and its conversion to CNG after purification. The project is being implemented at the Ghazipur landfill site in Delhi. The Phase-I of the project (landfill closure, capture & flaring of landfill gas) is already completed in the designated area. This innovative project will demonstrate the possibility of LFG extraction from an un-scientifically managed landfill site and help generate a clean fuel. It will also help to combat global warming by capturing methane gas that was getting released into the atmosphere. The success of this pilot project would open up the possibility of replicating its success country-wide.

Your Company has also taken up various technology development projects towards improvement in energy efficiency, process optimization and others at various sites. Further, your Company is actively exploring technologies that can be used to exploit various non-conventional energy sources, like shale gas, gas hydrates, Underground Coal Gasification (UCG) and others to develop alternate sources for augmenting the country's energy supplies.

TOTAL QUALITY MANAGEMENT

Your Company continues to focus on continual and sustainable improvement in the process, systems and functional areas. Customer satisfaction is the top agenda of your Company and is being continuously monitored through regular interactions. Major achievements of your Company in TQM are as under:-

- Customer satisfaction index achieved during 2012-13 by your Company is 90%.
- 112 quality circle projects have been undertaken in process and system areas in your Company, which lead towards continual improvements as well as tangible gains.

ACCOLADES AND RECOGNITIONS

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 conferred with Maharatna Status by DPE- youngest Maharatna PSU among total 7 Maharatnas. Your Company has been recognised for its performance in various areas. Some of them are mentioned below:



• Corporate Awards

- ❖ SCOPE Excellence Award (Institutional Category) for 2010-11
- ❖ Ranked 1st among Gas utilities in Asia in the Platts Global Ranking of Energy Companies in 2012
- ❖ Petrofied Award 2012 (for performance during 2011-12) for:
 - ◆ Oil and Gas Pipeline Transportation Company of the Year
 - ◆ Project Management (₹ 500 to ₹2000 Crore)- Company of the Year
 - ◆ Environment Sustainability- Company of the Year

• HSE Awards

- ❖ International Safety Award for outstanding achievement in safety from British Safety Council, the United Kingdom, for Gas Processing Unit and natural gas compressor station, Vaghodia; Gas Processing Unit, Gandhar; regional natural gas pipeline network, National Capital Region, Delhi.
- ❖ Sarvashrestha Suraksha Puraskar for Gas Processing Unit and for natural gas compressor station, Vijaipur from National Safety Council, MP chapter and National Safety Council, Mumbai, respectively, for 2010.
- ❖ GAIL Vaghodia bagged Gujarat State Safety Award from Gujarat Safety Council Vadodara
- ❖ Golden Peacock Occupational Health & Safety Award - 2012 for GAIL, Khera, from Institute of Directors, New Delhi
- ❖ Golden Peacock Environment Management Award-2012 from Institute of Directors, New Delhi for GAIL, Vaghodia
- ❖ Safety Innovation Award from Institution of Engineers, New Delhi for Khera Compressor station and Regional Natural Gas Pipeline Network, National Capital Region, Delhi

RIGHT TO INFORMATION

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

SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

As per Section 212 of the Companies Act, 1956, documents in respect of subsidiary companies viz. Directors' Report, Auditor's Report, Balance



Shri B.C. Tripathi, CMD, GAIL and Mr. Salvador Gabarrò Serra, Chairman, Gas Natural Fenosa, Spain signing LNG Supply agreement in Barcelona

Sheet and Profit & Loss account are required to be attached to the Balance sheet of the holding Company. Ministry of Corporate Affairs vide circular dated 8th February, 2011 has granted exemption under section 212 of the Companies Act, 1956 to companies from attaching the aforesaid documents of subsidiary companies with the Annual Report, subject to compliance of the conditions mentioned in said circular.

Your Company has 5 (five) subsidiary companies as on 31st March, 2013. Your Board has accorded necessary approval for not attaching Directors' Report, Balance sheet, Profit & Loss Account, Auditors' Report and other statutory data/ documents of subsidiary companies viz. GAIL Gas Limited, Brahmputra Cracker & Polymer Limited, GAIL Global (Singapore) Pte Limited, GAIL Global (USA) Inc. and GAIL Global (USA) LNG LLC (incorporated on 28th March, 2013) with the Balance Sheet of your Company. All the conditions mentioned in the circular are being complied by your Company. Annual Report of said subsidiary companies are available on your Company's website i.e. www.gailonline.com and physical copy will be made available to shareholder on request in writing.

Consolidated Financial Statements as per applicable Accounting Standards and statement containing brief financial details of your Company's subsidiaries for the financial year ended 31st March, 2013 is forming part of the Annual Report. Annual accounts of subsidiaries and the related detailed information are open for inspection by any member at the registered office of the

Company and of the respective subsidiary companies during working days.

MANAGEMENT DISCUSSION AND ANALYSIS

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

CORPORATE GOVERNANCE

Your Company believes that good corporate governance is critical in establishing a positive organizational culture and it is evident by responsibility, accountability, consistency, fairness and transparency towards its stakeholders. Pursuant to clause 49 of the Listing Agreement with the Stock Exchanges and 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 Practicing 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 and technology absorption in accordance with

Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forms a part of this report at **Annexure-E**.

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

As per provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, every company is required to provide particulars of employees in the Directors' Report exceeding the stipulated remuneration limit(s).

However, as per notification dated 31.03.2011 issued by Ministry of Corporate Affairs, amending provisions of said Rules, has exempted Government companies for not including such particular in the Directors' Report. As your Company is a Government Company, such particulars have not been included as part of Directors' Report. Any member desirous of obtaining such particulars may write to the Company and same will be provided.

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 ₹ 32.02 Crores. Expenditure in foreign currency was ₹ 1,708.92 Crores

During the year under review, your Company has incurred an expenditure of ₹ 8.55 Crores on foreign tours and training, ₹ 0.37 Crores on entertainment and ₹ 33.76 Crores on advertising and publicity.

DIRECTORS

Shri P.K. Singh was appointed as Part-time (Government Nominee) Director, Shri M. Ravindran was appointed as Director (HR) and Shri Rajive Kumar was appointed as Part-time (Government Nominee) Director w.e.f. 10th April, 2013, 1st June, 2013 and 26th June, 2013 respectively.

Shri S.L. Raina, Director (HR), Shri Sudhir Bhargava, Part-time (Govt. Nominee) Director, Dr. Neeraj Mittal, Part-time (Govt. Nominee) Director and Shri R.P. Singh, Part-time non-official (Independent) Director were Director(s) upto 31st May, 2013, 8th May, 2013, 10th April, 2013, and 9th August, 2012 respectively. Shri Mahesh Shah, Shri R.M. Sethi and

Dr. Vinayshil Gautam were Part-time non-official (Independent) Directors upto 10.08.2012. 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 31st March, 2013.

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 31st March, 2013, 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 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 31st March, 2013 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 2012-13.

The review of your Company's Annual Accounts for the financial year ending

31st March, 2013 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 comment.

• 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 Dhananjay 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 2012-13 for the purpose of cost audit on 30th May, 2012.

The due date for filing cost audit reports for the financial year ended 31st March, 2012 was 31st January, 2013 and the same were filed to Registrar of Companies on 20th December, 2012.

ACKNOWLEDGMENT

Your Directors express their gratitude for constant support and cooperation showed by the Government of India, especially the Ministry of Petroleum and Natural Gas, various state governments, and regulatory and statutory authorities.

Your Directors acknowledge wise counsel received from Statutory Auditors and CAG and are grateful for their consistent support and assistance.

Your Directors also wish to thank all the stakeholders for reposing their faith, trust and confidence in your 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 for driving GAIL towards a glorious future.

For and on behalf of the Board



B.C. Tripathi
Chairman & Managing Director

Place: New Delhi
Dated: 14.08.2013