



Annual Report

2008-2009



GAIL (India) Limited







We are celebrating 25 years of spreading Green Energy through our cross country high pressure natural gas pipelines. We resolve to take further with newer vigor our commitment of creating clean fuel industrialization all around us.

Winning the Top Indian Company award thrice in the Gas Processing, Distribution and Marketing sectors has energized us to move upstream to secure gas supplies for our core transmission business. GAIL has been ranked 2nd among global gas utilities in Asia by Platts and awarded Oil and Gas Pipeline Transportation Company of the year by Petrofed for the second time in a row. Having received these awards along with awards for excellence in Human Resources, Cost Management and Safety Innovation, today we are proud to be recognized as the Most Diversified Public Sector Undertaking of India. We are keenly aware of our responsibility to our stakeholders for continued consistent performance

At GAIL, we look beyond business. We strive to take care of the society and environment around us through specifically designed programmes for medical and health care, literacy enhancement, environment protection, infrastructure, street lighting, drinking water and community development.





Annual Report

2008-2009

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Vision

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

Mission

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



NOTICE

NOTICE is hereby given that the **Twenty-fifth Annual General Meeting** of the Members of **GAIL (India) Limited** will be held on **Tuesday, the 8th day of September, 2009 at 10.30 a.m.** at Air Force Auditorium, Subroto Park, New Delhi- 110010, to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2009, Profit & Loss Account for the year ended 31st March, 2009, Directors' Report, Auditors' Report and the comments thereupon of Comptroller & Auditor General of India.
2. To declare final dividend of 30% (Rs. 3/- per share) on the paid-up equity share capital of the Company for the year ended 31st March, 2009 as recommended by the Board and confirm the interim dividend of 40% (Rs. 4/- per share) already paid in the month of February, 2009.
3. To appoint a Director in place of Shri A.K. Purwaha, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri S. Sundarshan, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To authorize Board of Directors of the Company to fix remuneration of the Statutory/Branch Auditors of the Company in terms of the provisions of section 224(8)(aa) of the Companies Act, 1956 and to pass the following resolution, with or without modification(s), as Ordinary Resolution :

"RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to decide and fix the remuneration of the Statutory/Branch Auditors of the Company for the Financial Year 2009-10, as may be deemed fit by the Board."

SPECIAL BUSINESS

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

6. **"RESOLVED THAT** in accordance with the provisions of section 257 and other applicable provisions, if any, of the Companies Act, 1956, Prof. A.Q. Contractor, who was appointed as an Additional Director w.e.f. 04.09.2008, pursuant to the provisions of section 260 of the Companies Act, 1956, by the President of India vide letter No. 31024/27/2006-CA dated 04.08.2008 be and is hereby appointed as a Director of the Company, liable to retire by rotation."

7. **"RESOLVED THAT** in accordance with the provisions of section 257 and other applicable provisions, if any, of the Companies Act, 1956, Shri Apurva Chandra, who was appointed as an Additional Director w.e.f. 23.01.2009, pursuant to the provisions of section 260 of the Companies Act, 1956, by the President of India vide letter No. 31023/1/2007-CA dated 23.01.2009 be and is hereby appointed as a Director of the Company, liable to retire by rotation."
8. **"RESOLVED THAT** in accordance with the provisions of section 257 and other applicable provisions, if any, of the Companies Act, 1956, Shri R.D. Goyal, who was appointed as an Additional Director w.e.f. 01.07.2009, pursuant to the provisions of section 260 of the Companies Act, 1956, be and is hereby appointed as a Director (Projects) of the Company, liable to retire by rotation, on such terms and conditions, remuneration and tenure as may be determined by the President of India from time to time."

By order of the Board

Sd/-

(N.K. Nagpal)

Company Secretary

Place: New Delhi

Date: 13.07.2009

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM DULY COMPLETED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE SCHEDULED TIME OF THE MEETING (ANNEXED WITH THE NOTICE).**
2. The Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956 in respect of the Special Business is annexed herewith.
3. A brief resume of the Director(s) proposed for appointment/re-appointment as mandated in Clause 49 of the Listing Agreement is annexed with the Notice.
4. The documents referred to in the accompanying Notice and Explanatory Statement thereto, are open for inspection by members, at the Registered Office of the Company during office hours i.e. between 11:00 a.m. and 1:00 p.m., on all working days, except Saturday, Sunday and holiday(s), upto the date of the Annual General Meeting.
5. The office of R&TA, MCS Ltd. has been shifted from Sri Venkatesh Bhawan, W-40 Okhla Industrial Area, Phase-II, New Delhi-110020 to **F-65 Okhla Industrial Area, Phase-I, New Delhi-110020** for maintaining the Register of Members, Index of Members and copies of Annual Return etc.
6. The Register of Members and Share Transfer Books of the Company shall remain closed from **Saturday, the 22nd August, 2009 to Tuesday, the 8th September 2009 (both days inclusive)** to determine the entitlement of the final dividend @ 30% (Rs. 3/- per share) if so approved by the members of the Company at the aforesaid AGM. The Company had already paid interim dividend @ 40% (Rs. 4/- per share) in the month of February, 2009. The said final dividend after declaration at the said AGM, will be paid to those eligible members whose name(s) appear-
 - a) as member(s) holding shares in **physical mode**, in the Register of Members of the Company after giving effect to all valid and complete transfers, lodged with R&TA/Company on or before **21st August, 2009**; and
 - b) as Beneficial Owner(s) holding shares in **electronic mode**, details as furnished by the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), for said purpose.
7. Members holding shares in multiple folios in **physical mode** are requested to apply for consolidation to the R&TA/Company along with relevant Share Certificates.
8. Members who have not encashed their Dividend Warrant may approach the R&TA/ Company for issuance of demand draft(s) upon completion of necessary formalities in the said behalf in lieu of such unpaid warrant. Unclaimed/unpaid dividend for the financial year 2001-02 which is due for transfer to IEPF, should be claimed by the members before **23rd September, 2009**.

After that date, no claim shall lie against the Fund/Company, in respect of the said amount.

9. Regarding modalities of dividend viz change of address/bank details/ECS mandate, members are requested to refer "Dividend" section of Report on Corporate Governance and may also visit Company's website at www.gailonline.com, 'Investor Zone' section for further reference. The Company and R&TA has designated an exclusive e-mail ID viz. investorqueries@gail.co.in and admin@mcsdel.com to facilitate investors to register their complaints, if any.
10. Members are requested to:-
 - (i) bring their copy of Annual Report and Attendance Slip at the venue of the meeting.
 - (ii) quote their Folio/DP & Client Id No. in all correspondence with the R&TA/ Company.
 - (iii) note that briefcase, mobile phone, bag, helmets, eatables and other belongings **will not be allowed** to be taken inside the venue of the meeting for security purposes and shareholders will be required to take care of their belongings.
 - (iv) note that **no gifts** will be distributed at the Annual General Meeting.
 - (v) note that **shareholders present in person or through registered proxy** shall only be entertained.
 - (vi) the attendance slip/proxy form should be **signed** as per the specimen signature registered with the R&TA / Depository Participant (DP).
 - (vii) please **carry photo ID card** for identification/verification purposes.
 - (viii) note that entry to the **hall** will be strictly on the basis of the admission card, which will be provided at the venue counters, in exchange for duly completed and signed Attendance Slip.

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

ITEM NO. 6

Prof. A.Q. Contractor, part-time non-official (Independent) Director was nominated by the President of India vide letter No. 31024/27/2006-CA dated 04.08.2008, as a Director on the Board of Directors of the Company w.e.f. 04.08.2008, however, before his appointment, the notice of 24th AGM scheduled for 04.09.2008 were already printed and under dispatch, therefore, his tenure as Additional Director expired on 04.09.2008. The appointment of Prof. A.Q. Contractor was renewed by the Board, as an Additional Director w.e.f. 04.09.2008 till the conclusion of this Annual General Meeting. The Board recommends that Prof. A.Q. Contractor may be appointed as a Director, liable to retire by rotation.

The Company has received a Notice along with requisite fee from a member under section 257 of the Companies Act, 1956, proposing the candidature of Prof. A.Q. Contractor as Director of the Company.

Your Directors recommend the resolution for approval of the shareholders.

Prof. A.Q. Contractor is interested in this resolution to the extent of his appointment as a Director. No other Director of the Company is concerned / interested in the proposed resolution.

ITEM NO. 7

Shri Apurva Chandra, part-time Director (Government Nominee) was nominated by the President of India vide letter No. 31023/1/2007-CA dated 23.01.2009, as a Director on the Board of Directors of the Company w.e.f. 23.01.2009. He was inducted as an Additional Director, till the conclusion of this Annual General Meeting. The Board recommends that Shri Apurva Chandra may be appointed as a Director, liable to retire by rotation.

The Company has received a Notice along with requisite fee from a member under section 257 of the Companies Act, 1956, proposing the candidature of Shri Apurva Chandra as Director of the Company.

Your Directors recommend the resolution for approval of the shareholders.

Shri Apurva Chandra is interested in this resolution to the extent of his appointment as a Director. No other Director of the Company is concerned / interested in the proposed resolution.

ITEM NO. 8

Shri R.D. Goyal was appointed as Director (Projects) on whole-time basis by the President of India vide letter No. C-13028/6/2007-CA dated 17.04.2009 till the date of his superannuation or until further orders, whichever event occurs earlier. Further, he was inducted as an Additional Director w.e.f. 01.07.2009 till the conclusion of this Annual General Meeting. The Board recommends that Shri R.D. Goyal may be appointed as a Director, liable to retire by rotation.

The Company has received a notice along with requisite fee from a member under section 257 of the Companies Act, 1956, proposing the candidature of Shri R.D. Goyal as a Director of the Company.

Your Directors recommend the resolution for approval of the shareholders.

Shri R.D. Goyal is interested in this resolution to the extent of his appointment as a Director. No other Director of the Company is concerned/ interested in the proposed resolution.

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

ITEM NO. 3

Shri A.K. Purwaha, Director (Business Development) is an Electrical Engineer from Delhi University. He has over 29 years of extensive experience in the Oil & Gas Sector. He started his career with ONGC in the Drilling Business Group, at the time of the inception of Bombay High and also worked in Bombay High. He joined GAIL in 1985 and has gained experience in cross-country Pipeline for gas distribution, Operation and Maintenance of Gas Pipeline systems and Project Management for gas based LPG recovery plants. Prior to taking over as Director (Business Development), Shri Purwaha served as Managing Director of Mahanagar Gas Limited (MGL) from September 2001 to September 2006. Shri A.K. Purwaha holds 615 equity shares in the Company.

Shri A.K. Purwaha holds the Directorship and the Chairmanship/ Membership of Committee(s) of the following other Companies:

Directorship	Chairmanship/Membership
1. Brahmaputra Cracker & Polymer Limited	Mahanagar Gas Limited- Audit Committee
2. Ratnagiri Gas and Power Private Limited	
3. Mahanagar Gas Limited	
4. NATGAS, Egypt	
5. GAIL China Gas Global	

ITEM NO. 4

Shri S. Sundareshan, Additional Secretary, Ministry of Petroleum & Natural Gas, Government of India, is an IAS Officer from Kerala Cadre (1976). He is an MBA from University of Leeds, United Kingdom and M.A. from University of Mumbai.

During his IAS career spanning over three decades, he has served in various departments falling under various sectors, which primarily include Chairman, Forward Markets Commission, Government of India, Joint Secretary, Department of Economic Affairs, Ministry of Finance, Government of India, Secretary to the Government of Kerala in the Department of Expenditure and Managing Director, Kerala State Milk Marketing Federation and Kerala Live Stock Development Board. He was Minister Economic & Commercial in Embassy of India in Tokyo from 1999-2002. Shri S. Sundareshan does not hold any equity shares in the Company.

Shri S. Sundareshan holds the Directorship and the Chairmanship/ Membership of Committee(s) of the following other Companies:

Directorship	Chairmanship/Membership
1. Oil and Natural Gas Corporation Limited	Nil
2. Indian Oil Corporation Limited	
3. Indian Strategic Petroleum Reserves Limited	

ITEM NO. 6

Prof. A.Q. Contractor is a Professor in Indian Institute of Technology (IIT) Mumbai. He has done his B.Sc. from Institute of Science. Prof. A.Q. Contractor also holds masters degree in science and Ph.D. from IIT Mumbai. He has a vast teaching experience in various national and international universities. He is an accomplished and prolific researcher. He has to his credit several publications and patents. He is also founder of Polymeric Sensors Pvt. Ltd., being incubated on the technology developed by him at IIT Mumbai. Prof. A.Q. Contractor does not hold any equity shares in the Company.

Prof. A.Q. Contractor holds the Directorship and the Chairmanship/ Membership of Committee(s) of the following other Companies:

<i>Directorship</i>	<i>Chairmanship/Membership</i>
1. Polymeric Sensors Private Limited	<i>Nil</i>

ITEM NO. 7

Shri Apurva Chandra, Joint Secretary, Ministry of Petroleum & Natural Gas, Government of India, is an IAS Officer from Maharashtra Cadre (1988). He has done Diploma in Business Finance from ICFAI and B.Tech (Civil Engineering) and M.Tech (Structural Engineering) from IIT, Delhi.

During his IAS career spanning over two decades, he has worked on various assignments in Government of India and Government of Maharashtra. He has contributed a lot in all the areas that he has served as Controller of Rationing of Mumbai and Commissioner, Sugar in Maharashtra and was responsible for the operations of the crucial sugar sector in Maharashtra. He was actively involved in the process of leasing of sick cooperatives mills, co-generation of power from bagasse and production of ethanol for the bio-fuel programme. Shri Apurva Chandra does not hold any equity shares in the Company.

The details of Directorship and the Chairmanship/Membership of committee(s) of Shri Apurva Chandra of other companies is as follows:

<i>Directorship</i>	<i>Chairmanship/Membership</i>
<i>Nil</i>	<i>Nil</i>

ITEM NO. 8

Shri R.D. Goyal, Director (Projects) holds a Bachelor in Mechanical Engineering from MITS, Gwalior and a Master in Production Engineering from University of Roorkee (now IIT). He has a career spanning more than three decades in Hydrocarbon industry. Prior to becoming Director (Projects), he served the company as Executive Director (Projects) and spearheaded the task of concurrent implementation of some of the major cross country gas pipeline projects such as Dahej-Vijaipur, Vijaipur- Dadri, Dadri- Bawana- Nangal , Chainsa - Jhajjar- Hissar Pipelines stretching over 2,200 Km and installation of four compressor stations at Jhabua, Vijaipur, Kailaras and Chainsa. He held various key positions in GAIL before becoming Director (Projects).

He has served the Fertilizer and Petroleum Sectors in various capacities at different locations. He was also involved in the commissioning of the first gas based fertilizer plant in GAIL on Hazira-Vijaipur-Jagdishpur Pipeline at NFL, Vijaipur.

Shri R.D. Goyal holds 300 equity shares in the Company.

The details of Directorship and the Chairmanship/ Membership of committee(s) of Shri R.D. Goyal of other companies is as follows:

<i>Directorship</i>	<i>Chairmanship/Membership</i>
<i>Nil</i>	<i>Nil</i>



ATTENDANCE SLIP

GAIL (India) Limited

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

Folio/DP & Client ID No. : No. of Shares :
 Name : Father Name :
 Address :

I hereby record my presence at the **Twenty-fifth Annual General Meeting** of the Company to be held on **Tuesday**, the **8th day of September, 2009** at **10.30 a.m.** at **Air Force Auditorium, Subroto Park, New Delhi - 110010.**

Signature of Shareholder/Proxyholder

NOTES:

1. The attendance slip should be signed as per the specimen signature registered with the R&TA /Depository Participant (DP). Such duly completed and signed Attendance Slips should be handed over at the counter of R&TA against which R&TA will provide admission card. Entry to the hall will be strictly on the basis of admission card as provided by R&TA. **Please carry photo-ID card for identification/verification purposes.**
2. That shareholder(s) present in person or through registered proxy shall only be entertained.
3. That briefcase, mobile phone, bag, eatables, helmets and other belongings **will not be allowed** to be taken inside the venue of the meeting for security purposes and shareholder(s)/proxyholder(s) will be required to take care of their belonging(s).
4. That **no gifts** will be distributed at the Annual General Meeting.



PROXY FORM

GAIL (India) Limited

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

I/We of being a member of GAIL (India) Limited hereby appoint..... of or failing him of or failing him of as my/our proxy, in my/our absence to attend and vote for me/us and on my/our behalf at the **Twenty-fifth Annual General Meeting** of the Company to be held on **Tuesday**, the **8th day of September, 2009** at **10.30 a.m.** at **Air Force Auditorium, Subroto Park, New Delhi- 110010.**

Folio/DP & Client ID No. : No. of Shares :
 Name : Father Name :
 Address :

Signed this day of, 2009

Affix
Revenue
Stamp

Signature

NOTES:

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



Statutory Auditors

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

Branch Auditors

M/s SCJ Associates Chartered Accountants,
Agra

M/s Rupa Sekar & Associates Chartered Accountants,
Bhopal

Cost Auditors

M/s R.J.Goel & Co. Cost Accountants,
New Delhi

M/s Ramanath Iyer & Co. Cost Accountants,
New Delhi

M/s K.G.Goyal & Co. Cost Accountants,
Jaipur

M/s Shome & Banerjee Cost Accountants,
New Delhi

M/s K.Narsimhma Murthy Cost Accountants,
Hyderabad

M/s Bandyopadhyaya & Bhaumik & Co. Cost Accountants, Kolkata

M/s R.M.Bansal & Co. Cost Accountants, Kanpur

Company Secretary

Shri N.K. Nagpal

Stock Exchanges where Shares/GDRs of the Company are listed

Bombay Stock Exchange Limited Floor 1, Phiroze Jeejeebhoy
Towers, Dalal Street
MUMBAI-400001

National Stock Exchange of India Limited Exchange Plaza
Plot No. C/1, G Block
Bandra-Kurla Complex,
Bandra (East) MUMBAI - 400051

London Stock Exchange (GDRs) 10, Paternoster Square
London - EC4M 7LS(U.K.)

Registrar and Share Transfer Agent

MCS Limited F-65, Okhla Industrial Area
Phase- I, New Delhi - 110020

Bankers

State Bank of India Corporate Accounts Group
Branch Jawahar Vyapar
Bhavan 11th & 12th Floors
Tolstoy Marg,
New Delhi - 110001

ICICI Bank Ltd 9A, Phelps Building
Connaught Place
New Delhi - 110001

HDFC Bank Ltd. 1st Floor, Kailash Building
26, Kasturba Gandhi Marg
New Delhi-110001

Registered Office

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

Subsidiary Companies

GAIL Global (Singapore)
Pte Limited 5 Shenton Way, #23-03
UIC Building,
Singapore - 068808

Brahmaputra Cracker and
Polymer Limited Hotel Brahmaputra
Ashok, M.G.Road,
Guwahati, Assam-781001

GAIL Gas Limited 16, Bhikaiji Cama Place
R.K. Puram,
New Delhi - 110066



Board of Directors

Sh. B.C. Tripathi

Chairman & Managing Director
(w.e.f. 01.08.2009)

&
Director (Marketing)
(till 31.07.2009)



Dr. U.D. Choubey

Chairman & Managing Director
(till 31.07.2009)



Sh. R. K. Goel
Director (Finance)



Sh. Santosh Kumar
Director (Projects)
(till 30.06.2009)



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



Sh. R.D. Goyal
Director (Projects)
(w.e.f. 01.07.2009)



Sh. S. Sundareshan
Director



Sh. Apurva Chandra
Director



Dr. Amit Mitra
Director



Dr. A.K. Kundra
Director



Dr. U.K. Sen
Director



Prof. A.Q. Contractor
Director



Major Activities During FY 2008-09

Projects

Natural Gas pipeline connectivity to

- Pune city gas
- Consumers of Usar region
- City Gate Stations at Noida, Greater Noida, Gurgaon and Faridabad
- East-West pipeline at Oduru (A.P.), Mhaskal (Maharashtra) and Ankot (Gujarat)

LPG pipeline connectivity to

- Essar Oil Refinery at Jamnagar
- IOCL bottling plant at Vijaipur and Gandhar
- BPCL bottling plant at Jaipur

Petrochemicals

MoU with IOCL for setting up of petrochemical plant at Barauni

Laying of the foundation stone of the 6th gas cracker furnace at Pata plant.

City Gas Distribution

GAIL Gas Limited won rights for rolling out city gas distribution projects in Meerut, Sonapat, Dewas and Kota

Gas supply to Fertilizer Plants

Signing of Term Sheets for supply of natural gas to Barauni plant of Urvarak Videsh Limited and Bhatinda, Panipat and Nangal plants of National Fertilizers Limited.

Gas Cooperation Agreements with

- Tamil Nadu
- Himachal Pradesh
- Karnataka
- MoU with IFFCO

for setting up of a Gas based Power Plant in Barauni

Silver Jubilee Stamp

A special commemorative postage stamp was released on the occasion of GAIL's silver jubilee by Her Excellency, Smt. Pratibha Patil, President of India.

E&P

GAIL consortium awarded one onland block in Cauvery (CY-ONN-2005/1) during NELP-VII bidding round

Petroleum Exploration License (PEL) received for all three 3 CBM Block Core holes drilling in 3 CBM blocks Tatapani-Ramkola (TR-CBM-2005/III), Mand Raigarh (MR-CBM-2005/III) and Raj Mahal (RM-CBM-2005/III)

Drilling of wells of undertaken in 8 blocks



Directors' Report



Directors' Report

Dear Shareholders,

The setting up of your Company in August 1984 heralded a new era of natural gas in the country and now your Company has completed 25 years of service to the nation. It gives me immense pleasure, to present the 25th Annual Report of your "Navratna" Company along with Audited Financial Statements for the Financial Year 2008-09, on behalf of the Board of Directors of your Company.

SERVICE THE NATION WITH GREEN FOOTPRINTS

The natural gas infrastructure of your Company plays a significant role in serving the nation by facilitating equitable geographical distribution of economic benefits. It provides access to the domestic gas producers, making gas available to the customers including those who are remotely located, facilitating monetization and development of gas fields which are otherwise scattered and devoid of market access. The pipeline network has created choice for customers by providing cheaper, environment-friendly alternative fuel and has reduced import-dependency as natural gas has substituted liquid fuels such as Naphtha, fuel oil, etc.

Natural gas infrastructure developed by your Company over the years has touched the life of common man in many ways, be it social, economic or environmental aspects. The development has not only supported various industrial segments like power and fertilizer, but also helped to further expand and meet the demand in these sectors. It has also helped in improving the quality of life in the alarmingly polluted cities like Delhi, Mumbai, Agra, Firozabad, etc. In addition to the direct benefits, the indirect benefits as a result of these infrastructural developments by your Company, has helped in social development in the rural areas by extending basic amenities.

Your Company has also spearheaded the spread of City Gas and Piped Gas network in the country which has helped in bringing down pollution levels in metros such as Delhi and Mumbai. The pipeline network of your Company caters to the gas consumers in the states of Gujarat, Maharashtra, Rajasthan, Madhya Pradesh, Delhi, Haryana, Uttar Pradesh, Andhra Pradesh, Tamil Nadu, Assam and Tripura.

Your Company has interest in the business of Natural Gas, LPG, Liquid Hydrocarbons and Petrochemicals, the latter being value-added products and diversified into Exploration & Production and City Gas Distribution.

Your Company has made significant contributions to the nation's economy by supplying natural gas through its pipeline network for:

- ▶ Generation of over 11,000 MW of power
- ▶ Production of over 11.5 million tonnes per annum of Urea
- ▶ Production of more than 1 million ton per annum of LPG in the country
- ▶ Over 5.75 lac vehicles in the country today running on CNG supplied by your Company and over 7 lac households on Piped Natural Gas (PNG) in the country
- ▶ Production of petrochemicals of around 700,000 tonnes per annum which is used in the plastics industry

The overall contribution to the nation has been truly remarkable. With its robust future plans, your Company is committed to build a green future for India.





HIGHLIGHTS

During the year 2008-09, the important physical & financial highlights are as under:-

PHYSICAL HIGHLIGHTS

Particulars	2008-09	2007-08
Gas Transmission (MMSCMD)	83.29	82.10
LPG Production (TMTs)	1,088	1,043
Pentane / Propane / SBP Solvents / Naptha Production (TMTs)	313	305
Polymer Production (TMTs)	420	386
LPG Transmission (TMTs)	2,744	2,754

FINANCIAL HIGHLIGHTS

(Rs. in crores)

Particulars	2008-09	2007-08
Turnover (Net of ED)	23,776	18,008
Other Income	797	556
Cost of Sales (excluding Interest and Depreciation and including extraordinary items)	19,722	14,058
Gross Margin	4,851	4,506
Interest	87	80
Depreciation	560	571
Profit Before Tax	4,204	3,855
Provision for Tax	1,400	1,254
Profit after Tax	2,804	2,601
Appropriations		
Interim Dividend	507	338
Proposed Final Dividend	381	507
Corporate Dividend Tax	151	144
Transfer to Bond Redemption Reserve	32	32
Transfer to General Reserve	280	260
Balance carried forward to Balance Sheet	1,453	1,320

BONUS

As shareholders granted approval in 24th Annual General Meeting held on 4th September, 2008, the Authorized Share Capital of your Company increased from Rs.1,000 crores to Rs.2,000 crores which facilitated issuance of one fully paid-up bonus share for every two equity shares held by the shareholders of the Company. The Company implemented the proposal of bonus shares in the month of October, 2008. Consequently, the paid-up share capital of the Company was increased from Rs. 845.65 crores to Rs.1268.48 crores.

DIVIDEND

Your Company has a consistent track-record of dividend payment. So far, your Company has disbursed dividend of more than Rs 6,500 crores to the shareholders including Government of India (Rs. 4,324 crores), which is more than eight times the original investment of Rs. 845.65 crores by the Government in its equity capital.

The Board of Directors of the Company had earlier approved payment of an interim dividend @ 40% per equity share (Rs.4/- per equity share) amounting to Rs. 507.39 crores, this interim dividend was paid on the enhanced share capital base of Rs.1268.48 crores and the same was paid in the month of February, 2009.

Further, the Board has recommended payment of final dividend @ 30% per equity share (Rs.3/- per equity share) amounting to Rs. 380.54 crores. With this, the total dividend payment for the fiscal 2008-09 will be at 70 % (Rs.7/- per equity share) amounting to Rs. 887.93 crores.

CORPORATE STRATEGY

Your Company has developed Strategic Plan for the period 2007-12. The goals set by your Company includes doubling of its bottom line by the year 2011-12. The strategy developed to realize the set goals is as under:

- ▶ **Gas Sourcing & Marketing:** Tying-up with producers and suppliers for marketing and transmission of natural gas on long term and sustainable basis. This is likely to be realized by securing more gas from new gas finds and pursuing early finalization of contracts with customers and suppliers.
- ▶ **Gas Transmission:** Expanding of the pipeline infrastructure by expanding the capacity from 6,700 km to 12,000 km with the laying of new pipelines by 2011-12.
- ▶ **City Gas:** Pursuing of City Gas distribution opportunities in the country. This requires the introduction of Compressed Natural Gas for the automotive sector and Piped Natural Gas for commercial and domestic use in 230 cities and 5 corridors in a phased manner.
- ▶ **Petrochemicals:** In the area of Petrochemicals business, your Company plans to examine possible options for expansion of Petrochemical Complex at Pata and explore green field participation in new ventures in India and abroad.

- ▶ **E&P:** Your Company also plans to strengthen E&P capability and resources by participating as a major partner / operator in domestic E&P/CBM bidding. This would help in developing E&P as a self-sustainable business for augmenting additional supplies of natural gas. These would include investments in both domestic on-land and off-shore field with a balanced portfolio of developmental and exploratory projects.
- ▶ **Globalization:** On the globalization front, focus on areas having synergy with existing businesses by entering into new and emerging gas rich countries with focus on sourcing of gas and participation in downstream activities.

The natural gas demand in India is at an inflection point and several forces are at work that could dramatically grow the natural gas demand. The present sources of natural gas are projected to deplete in the coming years and therefore, there is a need to look at new sources that are coming up. Collectively, such a rapid rise in expected demand and re-alignment of sources of gas supply will interact to determine the robust future gas industry structure.

Your Company has launched project 'Next Wave' for development of long term Strategy for the coming decade. The objective is not only to identify growth opportunities but also to ensure preparedness for implementation.

BUSINESS SEGMENTS OF GAIL-PERFORMANCE

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

▶ Natural Gas

Your Company owns and operates a network of over 7,000 km of natural gas high pressure trunk pipeline with a capacity to carry 148 MMSCMD of natural gas across the country. It supplies nearly 82 million cubic metres of natural gas per day as fuel to power plants, as feedstock for gas based fertilizer plants and to over 500 other small, medium and large industrial units to meet their energy and process requirements. Your Company's share of gas transmission business is 79% and the Company holds 70% market share in gas marketing in India.

Natural gas continues to constitute the core business of your Company. During the year 2008-09, Gas Sales was 79 MMSCMD compared to 69 MMSCMD in the previous financial year. The Gas Transmission during the year was 83 MMSCMD compared to 82 MMSCMD in the previous financial year.

During the year under review, your Company has transmitted a volume of 83 MMSCMD of natural gas and traded volume was around 79 MMSCMD.

▶ Petrochemicals

Your Company owns and operates a gas based integrated petrochemical plant at Pata, Uttar Pradesh with a capacity of producing 4,10,000 TPA of Polymers i.e. HDPE and LLDPE. Your Company is in the process of installing an additional furnace of 1,00,000 TPA capacity at Pata to further increase polymer production capacity of the plant.

Your Company is currently in the process of setting up a 2,80,000 TPA Assam Petrochemical Complex at an investment of Rs. 5,460 crores under joint venture with NRL, OIL and Assam Government.

During 2008-09, your Company has produced 4,20,000 MT of polymer and sold 4,23,000 MT of polymer.



Shri B.C.Tripathi, Current CMD, GAIL and the then Director (Mktg.), and Mr. Manoj Kumar, Director, Industries, HP Govt. exchange documents as part of MoU signed between GAIL and Himachal Pradesh Government

▶ LPG Transmission

Your Company is the only Company in India which owns and operates pipelines for LPG transmission. It has a 1,900 km LPG pipeline network, 1,300 km of which connects the Western and Northern parts of India and 600 km of network is in the Southern part of the country. The LPG transmission system has a capacity to transport 3.8 MMTPA of LPG. LPG transmission throughput was 2.7 million MT in the year 2008-09.

▶ Other Liquid Hydrocarbon

Your Company has 7 LPG plants in the country. In the year 2008-09, total Liquid Hydrocarbon production was over 1.4 million MT which mainly included 1.1 million MT of LPG, 0.15 million MT of Propane and 0.05 million MT of Pentane.

▶ Sourcing of Gas

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

▶ Exploration and Production (E&P)

During the year 2008-09, your Company acquired one exploration block in Cauvery Onland, CY-ONN-2005/1 as Operator in NELP-VII bidding round. Your Company was also associated with hydrocarbon discovery in Cambay onland block CB-ONN-2003/2.

As on 31st March, 2009, your Company had participating interest in 27 E&P blocks and 3 CBM block of which 15 were acquired in NELP-VI bidding round and 3 in CBM-III bidding round.

Out of these, 24 E&P blocks are in India and 3 blocks are overseas (A-1 and A-3 blocks in Myanmar and Block 56 in Oman). One of the onland block in Cambay basin is generating revenue and Rs. 32.72 crores has been generated as revenue during the year 2008-09.

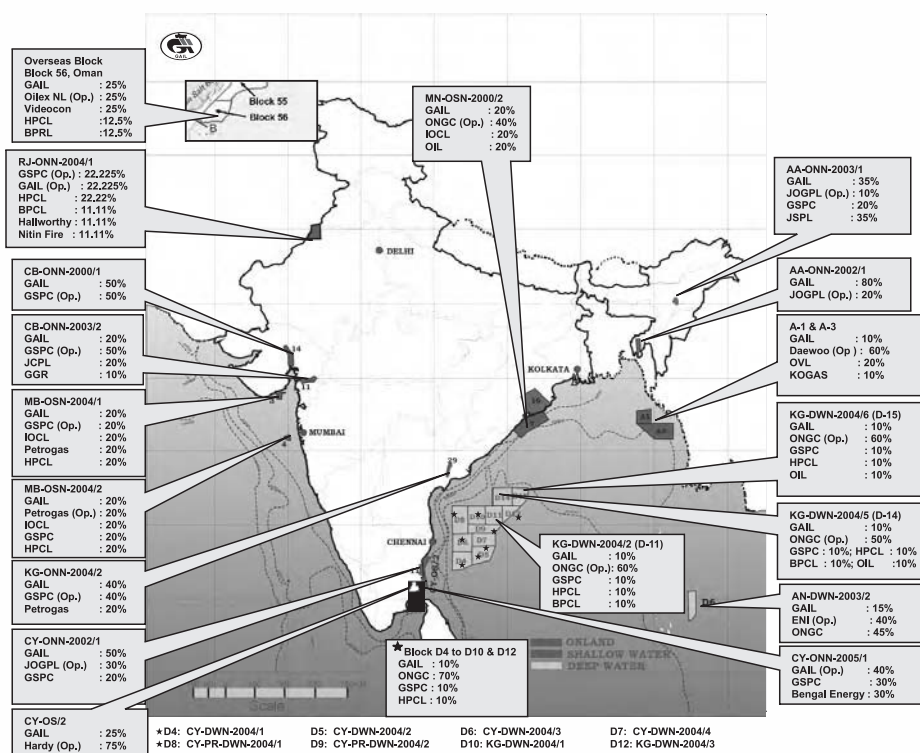
A Gas Sales and Purchase Agreement (GSPA) has been signed for blocks A-1 and A-3 Myanmar by the Consortium and Government of Myanmar with China National Petroleum Corporation (CNPC) for export of gas to China in which GAIL is participating along with OVL. Presently, the Front End Engineering Design (FEED) study

is in progress for preparation of Field Development Plan.

As on 31st March, 2009, your Company is operating two onland E&P blocks viz. RJ-ONN-2004/1 (Rajasthan Onland) and CY-ONN-2005/1 (Cauvery Onland).

▶ Coal Bed Methane

Your Company has participating interest in 3 Coal Bed methane blocks, 2 of which are in Chattisgarh and 1 in Jharkhand. These blocks were awarded in CBM-III bidding round to the consortium led by Arrow Energy of Australia.



CBM Drilling

INITIATIVES

► Organizational Initiatives

During the year under review, your Company has adopted various technology initiatives. Your Company is an extremely IT savvy organization and continuously adopting latest and state-of-the-art IT solutions keeping pace with fast changing industry. These solutions are not only helping in continuous improvement in efficiency and productivity of employees but also ensuring 'right information to right person' by use of latest security solutions.

In last one year, your Company has come up with a state-of-the-art 3-way Disaster Recovery (DR) center at Jaipur to ensure resumption of business critical systems like SAP-ERP setup, Gas Management System (GMS) etc. in the eventuality of any disaster like fire, flood, earthquake, cyber attack etc. in the primary data center at Noida. During the unfortunate fire incidence at Noida during July, 2008, the entire business operation was resumed back from the DR setup within few hours time without any impact to the business and without any loss of data.

As part of Supplier Relationship Management (SRM) and to bring more transparency in tendering process, E-tendering system has been rolled out at all major locations of your Company. On the other hand, for better customer satisfaction, your Company has started sending automated SMS intimation to the customers on price change, dispatch status etc. besides other CRM initiatives like online customer ledger, online feedback monitoring etc.

To enhance the IT security, your Company has deployed latest and best of its class Antivirus, Antispam, Content filtering solution etc. in entire organization which protects your Company data from external and internal threats.

To keep pace with the industry and to adopt the changed business scenario, your Company is planning to upgrade the SAP-ERP system to the latest version with additional facilities like reverse auctioning, e-recruitment, Governance Risk & Compliance (GRC) etc. Also the IT operation and processes have been streamlined & structured and the Business Information System (BIS) wing has been certified with ISO 9001:2000.

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

Under Quality Management, your Company has been certified ISO: 9001-2000 which includes its sites and corporate office. Action is being taken to modify the existing ISO system as per ISO: 9001-2008, 100 Quality Circle projects at all the sites of your Company, which has resulted an annual saving of approximately Rs.90 lacs during the financial year 2008-09.

► Domestic Business Initiatives

Your Company established a world class National Gas Management Centre (NGMC) with an objective of round-the-clock marketing and control of transmission assets of the Company from a single location. NGMC deals with your Company's natural gas transportation and LPG transmission business throughout India in which live data is available at a centralized location for monitoring of pipeline and delivery condition of all major customers' terminals.

National Gas Management Center, which is the first of its kind for the gas business in

India, encompasses management of entire gas trading of your Company, transportation and LPG transmission business throughout India with the availability of live data at centralized location for monitoring pipeline parameters, delivery conditions at all major customer terminals, gas reconciliation and accounting for entire gas business.

To ensure efficient real time management and gas nominations, delivery and allocation with accurate gas reconciliation, a Gas Management System (GMS), a web enabled system, is also available in NGMC, which integrates all the shippers, suppliers, customers and transporters of gas to provide better co-ordination and transparency in Gas Transportation business.

Your Company is in the process of acquiring 19% equity stake in ONGC Petro-additions Limited (OPaL) along with co-promoter status. OPaL is setting up a petrochemical complex at Dahej in Gujarat for producing 1.1 million tonnes per annum of ethylene, which is scheduled to be commissioned by the end of the year 2012.

Further, your Company has signed Memorandum of Understanding (MoU) with-

- IOCL for evaluating the potential of setting up of petrochemical complex in Barauni, Bihar and
- IFFCO to evaluate the potential of setting up of gas based power plant & other industries including chemicals, fertilizers, CNG & PNG in India



Dr. U.D. Choubey, the then CMD, GAIL and Shri Sarthak Behuria, Chairman, IOCL after signing of MOU for Petrochemical Plant at Barauni in presence of Shri R.S. Pandey, Secretary, Ministry of Petroleum and Natural Gas



In its efforts to reduce Green House Gas (GHG) emissions, your Company has signed an agreement for sale of steam through waste heat recovery at its Vaghodia processing plant. Your Company has initiated steam conversion project based on waste heat recovery system from gas turbines. This rare, multi-benefit project would not only utilize Clean Development Mechanism (CDM) for power generation, but also lead to conservation of gas as well as increased energy efficiency.

▶ Global Business Initiatives

Your Company is globalizing its business activities with an objective of exploring growth opportunities and entering new markets. Your Company is continuously pursuing gas sector business opportunities abroad.

Your Company has been successful in Myanmar, Egypt, China and Oman in securing participation in gas sector related projects and also has participating interest in two offshore blocks (A-1 & A-3) in Myanmar and one onshore block (Block 56) in Oman. Your Company has secured participating interest in three retail gas companies in Egypt and one retail gas company in China.

Further, your Company has a wholly owned subsidiary company namely 'GAIL Global (Singapore) Pte Ltd', at Singapore for

pursuing overseas business of your Company. In addition your Company has recently formed a Joint Venture with China Gas Global Energy Holdings Limited wherein your Company and China Gas are equal partners. In order to have long term association with China Gas and also to expand business in the fast growing downstream Chinese gas sector, the Joint Venture(JV) will pursue opportunities in CNG, City Gas, Pipeline, CBM, LNG and E&P projects.

In addition, your Company has been nominated as a nodal agency from Indian side by Government of India for pursuing Iran-Pakistan -India (IPI) natural gas pipeline project and Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline project for supply of gas to India from Iran and Turkmenistan respectively.

During the year under review, your Company signed a Memorandum of Understanding (MoU) with Delta Compressor of Argentina for pursuing CNG opportunities abroad and SIBUR Holding for pursuing gas processing & gas based petrochemical opportunities in Russia.

PIPELINE PROJECTS

During the financial year 2008-09, your Company has completed connectivity to Pune city gas and consumers of Usar (Mumbai) region. Further, your Company has provided connectivity to supply piped natural gas to City Gate stations at Noida, Greater Noida, Gurgaon & Faridabad. Connectivity to East-west pipeline has been provided at Oduru in Andhra Pradesh, Mhaskal in Maharashtra and Ankot in Gujarat to enable flow of gas from Reliance D-6 block in K.G. Basin



to consumers in various regions thereby enabling optimum utilization of pipeline networks on national basis.

LPG Pipeline connectivity has also been provided to Essar Oil at Jamnagar to take LPG into JLPL system. LPG pipeline connectivity have also been given to IOCL bottling plant at Vijaipur & Gandhar and BPCL bottling plant at Jaipur.

Your Company is executing various major pipelines extending over 2,000 km Dahej - Vijaipur pipeline and Vijaipur - Dadri pipeline are being executed to enhance DVPL/GREP capacity upto 80 MMSCMD. Further, Dadri - Bawana - Nangal pipeline, Chainsa - Jhajjar - Hissar pipeline are under execution to meet the requirement of various consumers in northern region.

The pipeline from Dadri to Bawana will supply gas to Pragati Power at Bawana to cater power needs of NCR region during Commonwealth Games 2010. These projects will enable your Company to maintain its domination in the gas transmission and distribution business.

In north-east region, your Company is also operating 69 km regional pipelines in Assam and Tripura. The pipelines existing in Assam supply gas to LPG plant of your Company and ASEB. In Tripura, the pipelines are connecting ONGC gas fields at Agartala dome, Rokhia and Konaban. Your Company is also supplying natural gas to Tripura Natural Gas Company Limited.

Your Company has proudly laid the first pipeline in the country in desert area from Gamnewala to Ramgarh to supply gas to RSEB's power plant. 66 km Dandewala - Gamnewala - Ramgarh pipeline has been laid which supplies gas to RSEB.

Your Company has taken various initiatives to transparently execute the projects without any time & cost overruns through meticulous Project monitoring.

SUBSIDIARIES & JOINT VENTURES

Apart from its area of direct operations, your Company has formed joint venture companies for City Gas Distributions and Petrochemicals. For CNG, the JVs include Joint Ventures overseas while for petrochemicals, currently your Company has two joint ventures in the country and is scouting for one overseas. Your Company was the first Company to introduce City Gas Projects in India for supplies to households, commercial users and for the transport sector by forming Joint Venture Companies.

► Subsidiaries



► GAIL Gas Limited

For implementation of the City Gas Distribution projects, your Company has incorporated a wholly

owned subsidiary, GAIL Gas Limited on 27th May 2008. The setting up of the subsidiary will also help in part compliance of requirement of unbundling of the business for your Company which may come in future. The equity holding of GAIL in the City Gas Joint Venture Companies is also proposed to be transferred to GAIL Gas Limited.

GAIL Gas participated in the 1st bidding round for CGD conducted by PNGRB for 5 out of 6 cities namely Dewas, Kota, sonapat, Mathura, Meerut & Kakinada. GAIL Gas won authorisation for 4 cities namely Dewas, Kota, Sonapat and Meerut in the highly competitive environment.

► GAIL Global (Singapore) Pte Limited

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



► Brahmaputra Cracker and Polymer Limited (BCPL)

Your Company has 70% equity share in Brahmaputra Cracker and Polymer Limited (BCPL)

with Oil India Limited (OIL), Numaligarh Refinery Limited (NRL), Govt. of Assam, each having 10% equity share. The authorized capital of the Company is Rs. 1,200 crores. Feedstock Supply Agreements have been signed between Brahmaputra Cracker and Polymer Limited (BCPL) and all the three suppliers viz., Oil India Limited and Numaligarh Refinery Limited. Technology license agreements have been signed for cracker, polyethylene and polypropylene units.

► Joint Ventures



► Aavantika Gas Limited (AGL)

AGL is a Joint Venture of your Company and

Hindustan Petroleum Corporation (HPCL) for implementation of City Gas Projects in the cities of Madhya Pradesh. Your Company has 22.5% stake in the Company alongwith HPCL as equal partner. MOPNG has authorized AGL for CGD in Indore, Gwalior & Ujjain.

In Indore, AGL is operating 4 CNG stations to serve more than 450 vehicles whereas, in Ujjain, it is operating 1 CNG station.

Till date, AGL has invested about Rs 13.9 crores and planning to expand the existing network to the surrounding areas as well as implement CGD network in the new cities like Gwalior and Ujjain.



► Bhagyanagar Gas Limited (BGL)

BGL is currently operating two Auto LPG station in Hyderabad and one Auto LPG station in Tirupathi. It is currently operating 6 CNG stations in Vijaywada and three CNG stations in Hyderabad and one CNG station in Rajahmundry.

Your Company has 22.5% stake in the Company along with HPCL as equal partner. Till date, BGL has made a total investment of Rs. 23.62 crores. BGL has received authorization from MOPNG for CGD in Hyderabad & Vijaywada.

BGL has plans to expand the existing network to the surrounding areas as well as implement CGD network in the new cities like Rajahmundry and Kakinada.

Accordingly, BGL has also submitted bid for the city of Kakinada in the bidding process initiated by PNGRB.



► Central U.P. Gas Limited (CUGL)

CUGL is currently operating six CNG stations in Kanpur and two CNG stations in Bareilly. Recently, CUGL commenced its domestic supply of PNG with connections to 35 households. Your Company has 22.5% stake in the Company along with BPCL as equal partner.



Gas Terminal Station

Till date, CUGL has made a total investment of Rs. 60.19 crores. in Kanpur and Bareilly CGD projects. It has received authorization from MOPNG for CGD in Kanpur & Bareilly.



▶ **Green Gas Limited (GGL)**

MOPNG has authorized GGL for CGD in Lucknow & Agra. Till date, GGL has made a total investment of Rs. 81.75 crores in Lucknow and Agra City Gas Distribution projects. The Company is currently operating four CNG stations in Lucknow and three CNG stations in Agra. GGL has tied up for commencement of domestic supply of PNG with connections to 514 households, 30 commercial and 1 industrial establishment. Your Company has 22.5% stake in the Company along with IOCL as equal partner.



▶ **Indraprastha Gas Limited (IGL)**

IGL is supplying piped gas to around 1.33 lac domestic, 313 commercial, 15 small industrial consumers and CNG to over 2.50 lac vehicles through 164 CNG stations in Delhi. IGL is also operating three CNG stations in Noida, two CNG stations in Greater Noida, two in Ghaziabad, three in Faridabad and four CNG stations in Gurgaon.

IGL is the largest CGD entity in terms of CNG sales and vehicles in India and is fast spreading its CGD network beyond its existing areas of operations. IGL has received authorization from MOPNG for CGD in Delhi & its suburbs, viz. NOIDA (Gautam Budh Nagar), Gurgaon & Faridabad.

PNGRB has authorised IGL for CGD in NCT of Delhi. Till date, IGL has made an investment of Rs 727 crores. In view of the competing scenario, IGL has also submitted bid for the city of Meerut and Sonapat in the bidding process initiated by PNGRB. Your Company has 22.5% stake in the Company along with BPCL as equal partner.



▶ **Mahanagar Gas Limited (MGL)**

MGL is a Joint Venture of your Company and British Gas. MGL has set up 132 CNG stations catering to over 1.9 lac vehicles spread over Mumbai, Thane, Mira-Bhayandar and Navi-Mumbai areas beside supplying PNG to over 3.8 lac domestic customers covering 23 lac people, 1000 small industrial & commercial consumers. Till date, MGL has invested

around Rs 850 crores in the city of Mumbai. It has received authorization from MOPNG for CGD in Mumbai, District Thane including Navi Mumbai & Mira Bhayander. PNGRB has authorised MGL for CGD in Mumbai & Greater Mumbai.

Your Company has 49.75% stake in the Company along with British Gas as equal partner.



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

MNGL is a Joint Venture of your Company and Bharat Petroleum Corporation Limited (BPCL) for implementation of City Gas Projects in Pune city. MNGL received authorization from MOPNG for CGD in Pune including Pimpri-Chinchwad area. It has started 7 stations supplying CNG to nearly 150 vehicles. Till date MNGL has made a total investment of Rs. 87.45 Crores. MNGL is fast spreading its CGD network beyond its existing areas of operations i.e. Pune to the areas of Pimpri, Chichwad, Talegaon, Hinjewadi & Chakan. Your Company has 22.5% stake in the Company along with BPCL as equal partner.



▶ **Petronet LNG Limited (PLL)**

PLL was formed for setting up of LNG import and regasification facilities. PLL has a long term LNG supply contract with Ras Gas and Qatar, for import of 7.5 MMTPA of LNG. PLL Dahej terminal has been expanded to 10 MMTPA capacity. Your Company has 12.5% equity stake in the Company along with BPCL, ONGC and IOCL as equal partners.

▶ **Ratnagiri Gas and Power Private Limited (RGPPL)**

RGPPL is a joint venture Company between your Company, NTPC, Financial Institutions and MSEB. Your Company has 28.33% stake in the Company along with NTPC as equal partner. The capacity of the Ratnagiri Gas & Power Station is 2,150 MW.



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

TNGCL is presently supplying gas to 7,193 domestic, 113 commercial, 28 industrial consumers and has set up one CNG station in Agartala catering to more than 800 vehicles. TNGCL received authorization from MOPNG for CGD in Agartala. Your Company has 29% stake in the Company. The business will be executed through Joint Venture with Reliance Gas Corporation Limited (RGCL).

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

The joint venture company has been formed with an objective to pursue gas sector opportunities, mainly in China. Your Company has 50% equity interest in the company along with China Gas as equal partner.

HEALTH, SAFETY & ENVIRONMENT- SUSTAINABLE DEVELOPMENT

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 & Health of employees and external stakeholders are embedded in the core organizational values of the Company. The HSE policy, inter-alia, aims to ensure safety of public, employees, plant & equipment, ensure compliance with all statutory rules and regulations, imparting training to its employees, carrying out safety audits of its facilities and promoting eco-friendly activities.

During the year under review, major health and safety initiatives taken are mentioned below:-

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

Your Company is committed to promote highest levels of Safety, Health, Environment and Loss Control in the areas of its business of natural gas and LPG transmission, production of LPG, petrochemicals etc., with clear emphasis on improving the environment for sustainable development. The safety and occupational health of its employees and external stakeholders are of paramount importance and all these attributes are embedded within the core organizational values of the organization. Your Company provides appropriate levels of training to employees to ensure that they are able to fulfill HSE responsibilities.

▶ **Safety Performance**

On the road to Health, Safety & Environment (HSE) excellence, your Company has adopted a top-down approach and has embraced the principles and codes of best HSE practices in its HSE Management System. HSE Management System comprises of 18 elements which includes Leadership & Commitment, Employees' Participation, Facility Design, Construction & pre-startup safety review, Process Safety Information, Risk Analysis and Management, Third Party

Services, Personnel Safety, Control of Defeat and Reliability of Critical System and Devices, Work Permit System, Operation & Maintenance, Inspection & Maintenance, Management of Change, Training, Incident Investigation and Analysis, Occupational Health, Environment Management, Emergency Planning and Response and Compliance Audit.

Your Company continues to demonstrate excellent safety performance. Safety Indices across all work centers are meticulously monitored with an aim for improvement.

► Safety Training

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



Safety Award

► External Safety Audits (ESA)

Your Company's safety practices and systems are audited for continual improvement by national, international agencies and inter unit safety audit teams. During the year 2008-09, a total 12 nos. of external safety audits were carried out. Major work centers have been certified for Integrated Management Systems (IMS). IMS outlines the standards needed to align with or conform to internationally accredited certifications such as ISO 9001 (quality assurance), ISO 14001 (environment) and OHSAS 18001 (health and safety).

During the year under review, inter unit safety audits have also been carried out for seven units of your Company.

► Occupational Health

Your Company continued its commitment to

improve the well being of its employees. During the year 2008-09, all employees at the work centers were medically examined. Besides, contract workers, CISF personnel, villagers from nearby areas were also covered under the program.

CORPORATE SOCIAL RESPONSIBILITY

Your Company has set high standards of discharging corporate social responsibilities. The Company has earmarked 1% of profit after tax of the previous financial year for CSR programmes. The funds are used for economic, environmental and social upliftment of communities in and around the work centers in the major thrust areas such as Community Development, Infrastructure, Drinking water/Sanitation, Literacy enhancement/Empowerment, Educational aids, Healthcare/Medical.

Your Company has set up Air Pollution Related Disease Diagnostic Centers (APRDCs) in over 20 cities in various parts of the country at a cost of about Rs.4 crores. Under this programme, the



Donation of cycles to high school student of Borgum Basti

diagnostic centers equipped with modern diagnostic amenities related to respiratory and cardio-vascular diseases and well trained medical personnel have been set up in partnership with reputed Government / trust managed hospitals/institutions to provide diagnostic facilities and treatment to the people who are not able to afford baseline investigations for diagnosis. APRDC also works as R&D for development of facilities for diagnosing suspended particles, which are known to cause acute heart diseases.

Major initiatives undertaken, during the year under review, by your Company includes:-

- Contribution to Cama and Albess Hospital, Mumbai for setting up of a state-of-the-art Oncology unit for treatment of under privileged people of the society exclusively women and children.

- Installation of 100 solar street lights near its petrochemical plant in District Auraiya, Uttar Pradesh.

- Contribution to the Wildlife Trust of India for operation of Mobile Veterinary Unit Services (MVS) in Assam for rescue, rehabilitation and release of distressed and diseased wild animals by providing them appropriate veterinary services.

- Funding for solar heater for the Blind school at Abu Road, Rajasthan apart from support to physically handicapped in other areas also.

- Various community development programmes such as providing of mid day meal for children through sponsorship of food delivery vehicles in Delhi & Gujarat, providing playground equipments for children's parks in Gujarat and facilitating the senior and aged through provision of furniture and fixtures in old age home in Chennai.

- Continued support to the rehabilitation of leprosy patients by enabling purchase of raw material for power looms being run by leprosy cured patients, reconstructive surgeries for such patients and imparting vocational training so as to help them in achieving a degree of self sufficiency at various locations in UP and Delhi.

- Distribution of sewing machines, tricycles and motorized vehicles at Andhra Pradesh, Mumbai & Delhi for empowerment of physically challenged.

- Contribution for construction of Bharat Ghars, community centers, library building and bus shelters for use by the local population in the rural areas.



Donation of School Bags

HUMAN RESOURCE

Humans are one of the most critical resources in the business which can be continuously harnessed to maximise the effectiveness of the enterprise. A number of initiatives have been taken to this end in order to upgrade the skills and attitudes of employees at all levels while creating a congenial and secure work environment to motivate them.

With a view to strengthen mechanisms for speedy and effective settlement of employee grievances in the Company, an Online Grievance Redressal System was launched.

President of India has notified presidential directives issued by MoPNG vide its letter dated 24.04.2009 with respect to pay revision of employees of your Company w.e.f. 01.01.2007.

▶ Training Initiatives

Oil & Gas industry is rapidly transforming all along the value chain. This evolution poses new challenges and throws up significant growth opportunities to your Company. Training and Development is a strategic focus and essential to embark upon various growth initiatives. GAIL Training Institute (GTI) at Noida & Jaipur have been set up as Intellectual wing to equip human resources with necessary Knowledge, Skills and Attitude (KSA) to retain your Company's competitiveness in the emerging marketplace. Both these Institutes are certified for ISO 9001 Quality Management System. The Training programs are identified by synchronizing organizational needs with individual needs through an e-Performance Management System (e-PMS). It is one of the important parameters of assessment of MOU performance of your Company & track record of Excellent performance has been maintained in FY 2007-08. During the period under review, 12,710 training days were imparted.

Your Company amended object clause of Memorandum of Association through postal ballot process, to carry on business of training including consultancy on commercial basis.

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

▶ Representation of Women Employees and SC/ST/OBC

As on 31st March, 2009 there were 174 women employees (4.91%), (116 executives and 58 non-executives) in the Company.

The total manpower of the Company as on 31st March, 2009 stood at 3,544 out of which 17.24% belong to SC, 6.88% belong to ST, 16.96% to OBC, 7.34% to Minorities and 2.31% to physically challenged.

▶ Vigilance Function

Your Company organized a 'Vendor Interaction Programme' during the Vigilance Awareness Week to obtain feedback about vendor issues. Suggestions given by vendors were given due consideration after deliberations by the management. Your Company also organized a 'Customers' Meet' at one of its Zonal Offices on the same occasion to discuss various issues of mutual interest. By organizing such meetings with vendors & customers, your Company has been able to improve the level of trust, transparency and confidence building among its stakeholders.

To bring about complete transparency in contract and procurement activities, your Company is regularly hosting tenders on its website for wide publicity. Tenders related to Original Equipment Manufacturers and Proprietary items are also hosted on the website. It is mandatory for the vendors / contractors to enter into the agreement with your Company under Integrity Pact, wherever the contract value is Rs. 1 crores and above and all tenders above Rs. 50 lacs are taken up under e-tendering.

▶ 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 Regional level held their quarterly meetings regularly to monitor and review the progress made in achieving the targets fixed in the Annual Programme.

Your Company was recognized for excellence in propagation and implementation of the Official Language Policy of Government of India. Her Excellency, Smt. Pratibha Devisingh Patil, Hon'ble President of India gave away the award to CMD, GAIL in a glittering function held in Vigyan Bhawan on 14th September, 2008.

In an endeavor to remove the hesitation of employees in using Hindi for official purposes, several Hindi workshops were organized at all the work centers.

For the purpose of ensuring wider participation of employees innovative efforts were made like introducing a new incentive scheme "Rajbhasha Catalyst"; to encourage employees to write original articles on technical subjects in Hindi. An essay competition on the subject "Asian Oil & Gas Market: opportunities, prospects & energy security" was organized among PSUs under MOPNG etc.

With a view 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. Further, in order to promote the use of Hindi as the official Language by more and more employees, an Official Language Catalyst Scheme was launched.



Shri B.K. Handique, the then MoS for Chemicals & Fertilisers and Mines, Shri R.K. Goel, Director (Finance) and Shri A.K. Purwaha, Director (BD), GAIL flagging off the truck carrying raw materials for construction activities of Central Control Room of Petrochemical Plant of BCPL

ACCOLADES

In connection with celebration of silver jubilee year of your Company, the Department of Post brought out a commemorative postage stamp of your Company, which was released by Her Excellency, Smt. Pratibha Devisingh Patil, Hon'ble President of India, in a glittering function held in the Rashtrapati Bhawan in the month of November, 2008.

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

▶ Corporate Awards

- Your Company has been adjudged the Oil and Gas Transportation Company for the year 2007-08 by Petrofed.
- Your Company has won the Safety Innovation Award 2008 for excellence in innovative safety measures for its Agartala, Vaghodia, Gandhar, Nasirabad, Pata, Vijaipur and Hazira units. This is the highest number of units of any company receiving this prestigious award from Institution of Engineers in a year.
- Your Company has been ranked 2nd among gas utilities in Asia in the Platts Global Ranking of Energy Companies.
- Your Company has been selected as the top Indian company in the Gas Processing, Distribution and Marketing

Sector for the Dun & Bradstreet Corporate Rolta Corporate Awards 2008.

- Your Company received the Award for the Most Diversified PSU in the country from Dalal Street Investment Journal.
- Your Company has been ranked among the Forbes 2000 companies.
- Your Company won the Amity Award for excellence in Human Resources.

▶ HSE

During the year 2008-09, your Company has been awarded 23 nos. of coveted awards/appreciation for its excellent performance in HSE. Some of the significant awards conferred upon your Company are as under:

- International Safety award from British Safety Council for Petrochemical Plant at Pata, Gandhar and Rajamundry installations and Vijaipur unit.
- Golden Peacock Award for Occupational Health & Safety from Institute of Directors to Hazira Gas Compressor Station.
- Two top awards from Oil Industry Safety Directorate for Gas Processing Unit, Vijaipur and HVJ Pipeline
- "Suraksha Puraskar" from National Safety Council to Gas Processing Unit, Gandhar and HVJ Compressor Station, Vijaipur.

- "Certificate of appreciation" from Gujarat Safety council to Gas Processing Plant, Vaghodia, Hazira Compressor Station & Regional Pipeline network Head Quarters, Baroda.

▶ Others

- Your Company has once again received the National Award for Excellence in Cost Management from The Institute of Cost and Works Accountants of India (ICWAI). Your Company as a organization won the second award under the category of Public Sector Manufacturing (Large), Pata unit won the Second Award in public sector Manufacturing (Large) category & Vijaipur LPG unit won the Good Performance Award in public sector manufacturing (Large) category of National Award for Excellence in Cost Management 2008.
- Indira Gandhi Rajbhasha Award by the Government of India to propagate and implement the Official Language Policy.

RIGHT TO INFORMATION

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

MANAGEMENT DISCUSSION AND ANALYSIS

The detailed Management Discussion and Analysis form 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, 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**.

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 D**.



Dun and Bradstreet Award

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

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

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 under review, foreign exchange earnings were Rs 6.96 crores. Expenditure in foreign currency was Rs. 1,949.12 crores.

During the year under review, your Company has incurred expenditure of Rs. 0.42 crores on foreign tours, foreign training, seminars & conferences, Rs. 0.11 crores on entertainment and Rs. 11.89 crores on advertising & publicity.

DIRECTORS

Dr. U.K. Sen was appointed as non-official part-time (Independent) Director w.e.f. 29.04.2008. Shri M.R. Hingnikar, Director (HR) ceased to be a Director w.e.f. 27.07.2008. Prof. A.Q. Contractor was appointed as non-official part-time (Independent) Director w.e.f. 04.08.2008. Shri D.N. Narasimha Raju, Joint Secretary, MOPNG, Part-time Director, Government Nominee ceased to be a Director w.e.f. 23.01.2009 and in his place Shri Apurva Chandra, Joint Secretary, MOPNG was appointed as a Director w.e.f. 23.01.2009. Shri R.D. Goyal was appointed as Director (Projects) w.e.f. 01.07.2009.

CODE OF CONDUCT

In line with 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, 2009.

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

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

- i) in the preparation of the annual accounts for the financial year ended 31st March, 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures;

- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors have prepared the annual accounts for the financial year ended 31st March, 2009 on a going concern basis.

AUDITORS

▶ **Statutory Auditors**

The Statutory Auditor of the your Company is appointed by Comptroller & Auditor General of India (CAG). M/s Mehra Goel & Co., Chartered Accountants, New Delhi was appointed as Statutory Auditors of your Company for the year 2008-09. M/s SCJ Associates, Chartered Accountants, Agra and M/s Rupa Sekar & Associates, Chartered Accountants, Bhopal were appointed as Branch Auditors for U.P. Petrochemicals Complex at Pata and LPG Plant at Vijapur respectively for the year 2008-09.

The review 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**

Pursuant to the directions of the Central Government for audit of cost accounts, your Company has appointed M/s R.J.Goel & Co., Delhi for Vijapur- LPG, M/s Ramnath Iyer & Co., New Delhi for Pata - LPG, M/s K.G.Goyal & Co., Jaipur for Vaghodia -LPG, M/s Shome & Banerjee, New Delhi for Gandhar - LPG, M/s K.Narsimhma Murthy, Hyderabad for Usar - LPG, M/s Bandyopadhyaya & Bhaumik & Co., Kolkata for Lakwa - LPG and M/s R.M.Bansal & Co., Kanpur for CNG Station, Baroda as Cost auditor for the year ended 31st March, 2009.

ACKNOWLEDGMENT

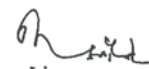
The Board of Directors acknowledge their gratitude for the valuable guidance and support received from Government of India in particular the Ministry of Petroleum and Natural Gas (MOPNG) and various State Governments.



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

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

For and on behalf of the Board



**Dr. U.D. Choubey
Chairman & Managing Director**

Place: New Delhi

Dated: 13.07.2009



Management Discussion and Analysis





Management Discussion and Analysis

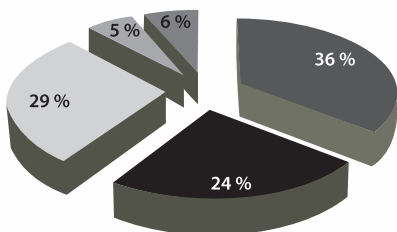
ECONOMIC DEVELOPMENTS- MACRO

Indian Gas Sector - An Analysis

Owing to the climate change concerns worldwide, the emphasis on clean energy is increasing day-by-day. Natural Gas, with its inherent environment-friendly nature, is assuming greater significance in the energy sector.

Share of Natural Gas in India's energy basket has gradually increased to 9%. Although it is still low compared to the world average of 24%, the steep growth in demand coupled with recent increase in supplies owing to the large discoveries on the east coast has instilled the confidence that the Natural Gas contribution in Indian energy sector will significantly increase. The likely increase of share of gas in consumption pattern in Indian context is further supported by the fact that only around 20% of India's sedimentary basin has been explored.

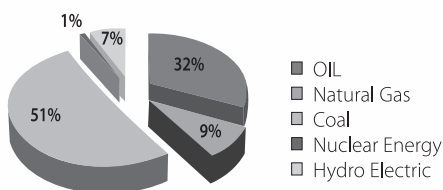
Primary Energy Consumption India



Source : BP Statistical Report 2008

- Oil
- Natural Gas
- Coal
- Nuclear Energy
- Hydro Electric

Primary Energy Consumption India



Source: BP Statistical report 2008

With the growth in demand from Power, Fertilizer, City Gas, etc. and presence of multiple players and gradual developments on the regulatory front, scenario of Indian Natural Gas sector is changing. There is an enhanced infrastructure requirement owing to the growing gas demand which require more supplies from indigenous as well as imported sources.

Gas Demand Outlook

Natural Gas sector in country is progressively becoming competitive in nature due to changes in policies relating to gas pricing, presence of multiple players in upstream, midstream and downstream segments of the industry and alignment of customers towards a market determined gas pricing regime. These changes are going to significantly alter the dynamics of hitherto controlled and regulated Natural Gas industry to a free market scenario.

Presently, power sector consumes roughly around 46% of the total Natural Gas sales in the country followed by fertilizer sector which consumes around 25%.

Gas Demand Projections	MMSCMD	
	2009-10	2011-12
Power	103	127
Fertilizer	56	76
City Gas	14	16
Industrial	17	20
Petrochemicals	29	33
Sponge Iron	7	8
Total	226	280

Source: Working group report on Petroleum & Natural gas sector for the eleventh plan period

Gas Supply Outlook

The situation on the supply side is going to change because of large discoveries of gas from New Exploration and Licensing Policy (NELP) blocks in the East Coast. Higher re-gasification capacities of LNG terminals at Dahej, Dabhol, Hazira and Kochi are being planned by your Company, Petronet LNG Limited (PLL) & Hazira LNG Private Limited (HLPL) to meet the ever increasing demand for LNG in the country. However, the contracted LNG volume is far less compared to the capacities envisioned to be created.

Gas Supply Projections	MMSCMD	
	2009-10	2011-12
Sources		
ONGC & OIL	56	51
Pvt./JVs (as per DGH)	60	58
LNG	53	83
Additional anticipated supply	74	94
Total	243	286

Source: Working group report on Petroleum & Natural gas sector for the eleventh plan period

OPPORTUNITIES, THREATS, RISKS, CONCERNS & MITIGATION

Gas Sourcing

As the country's leading marketer and transporter of gas, your Company has been proactive in sourcing gas to maintain and increase its market share. These efforts have assisted your Company in receiving the marketing rights for about 18 MMSCMD including entire PMT gas of 17.3 MMSCMD. Further, your Company is in process of tying up additional 5.5 MMSCMD from C Series, Bandra formation and Vasai gas fields in western offshore region of ONGC.

Your Company is in talks with suppliers like HOEC (Tamil Nadu), SGL Consortium (Rajasthan) and other new upstream players under NELP to source additional gas.

Further, to meet the requirements of customers, your Company has sourced around 426 MMSCMD of Spot RLNG till date in 2008-09 from sources like PLL/HLPL to meet the additional demand.

Your Company is in the process of signing gas transportation agreement for RIL's KG Basin gas which is being distributed in line with EGOM Directives to designated consumers viz. fertilizers, LPG Plants, power and city gas distribution projects and RLNG contracts of total quantity around 10.53 MMSCMD were renewed with 81 consumers during the year.

Gas Transmission

Your Company is the market leader in the field of transmission and distribution commanding a share of around 79% of the entire gas available and owns and operates a network of over 7,000 km of Natural Gas high pressure trunk pipeline

Your Company has been authorized by MOPNG for 5 upcoming pipelines as well for up gradation of 2 existing pipelines and is in the process of laying the pipelines in phased manner. The total length of these pipelines



along with the 3 capacity augmentation lines will be around 6,600 km. This will further strengthen your Company's position as a major gas transmission Company and expand the transmission network. These pipelines will be built by your Company on an open access and common carrier principle and are expected to be completed in two phases in the next 3-4 years. When these pipelines are commissioned, the capacity is expected to increase from 150 MMSCMD to around 300 MMSCMD.

The country is facing a rapid decline of domestic volumes from existing major suppliers. Further, with the deregulation, new players may enter into the market resulting lowering of transmission charges. Your Company sources majority of gas from ONGC producer for which a Gas Sales Agreement has been executed between your Company & ONGC. Your Company also sources gas from other suppliers namely OIL, PLL, Cairn Energy, PMT etc. for which requisite agreements are in place.

In order to further augment the existing supplies, your Company has executed contracts with ONGC, PMT, PLL, HLPL for sourcing additional gas, entered into a MoU with Reliance Industries Limited (RIL) and ONGC for cooperation in the gas sector and is in discussions with ONGC for sourcing Coal Bed Methane (CBM) gas from CBM blocks owned by ONGC in the eastern region.

Inter-State Gas grid

Your Company plans to complete seven new Gas pipelines spread over 6,600 km at an estimated Capex of Rs. 28,000 crores by financial year 2011-12. This would increase the transmission capacity to approximately 300 MMSCMD and almost double gas pipeline networks to over 12,000 km of natural gas pipelines.

Dadri Nangal Pipeline, augmentation of HVJ & GREP Pipeline and Chainsa-Jhajjar-Hissar Pipeline



are already under execution. The other major pipelines planned are Jagdishpur-Haldia Pipeline, Dabhol-Bangalore Pipeline and Kochi-Mangalore-Bangalore Pipeline. Your Company has received the authorization from MOPNG for laying these pipelines.

Your Company is planning to lay offshore pipeline from Kochi LNG terminal to NTPC Kayamkulam for supplying gas to NTPC power plant. Your Company is also executing a gas pipeline from Langetala gas fields to RRUVNL Power plant at Ramgarh in Jaisalmer district of Rajasthan.

Your Company has also applied to PNGRB for EOI of Central India pipeline from Vijayawada (AP) to Vijaipur (MP) with approximate length of 1,050 km and capacity of 30 MMSCMD.

E&P

Your Company is participating in 27 E&P and 3 CBM Blocks. In 8 E&P blocks, hydrocarbon discoveries have been made. Other blocks are in exploration phase where seismic data acquisition, geological studies and drilling is planned as per Annual Work Programme. Most of these services are outsourced and currently their prices are linked with crude oil prices as well as availability of equipments specially deep water vessels. With the launch of New Exploration and Licensing Policy (NELP), the Company has opportunities to acquire E&P blocks and to carry out exploration in these blocks.

As your Company is operating 2 onland blocks, its scientific capabilities of E&P department is being enhanced by engaging experienced domain experts as advisors, workstation for geological interpretation & modeling and field association & trainings etc. Apart from above, your Company has recruited experienced drilling personnel. The new exploration opportunities are also being evaluated technically as well as commercially.

The volatility in crude oil prices could affect the revenue from E&P blocks.

Subsidy

As per Government of India's directives, in order to make LPG affordable to common man, your Company is sharing the subsidy burden on account of under-recoveries on domestic LPG, since the year 2003-04.

Your Company has borne a subsidy of Rs. 7,212 crores since FY 2003-04. During the year under review, Company has made a provision of Rs. 1,781 crores on account of subsidy which includes Rs. 87 crores on account of lower subsidy provided during FY 2007-08.

Gas Policy & Pricing

Petroleum and Natural Gas Regulatory Board Act, 2006 has been enacted by Parliament and Gas Pipeline Policy has been announced by Government of India for business of Natural Gas transmission, refining, processing, storage, transportation, distribution and marketing. The Regulator will oversee and promote the development of natural gas sector and it also envisages an arm length relationship between transmission entity and marketing / exploration activity. The regulator has issued regulation namely "Petroleum & Natural Gas Regulatory Board Determination of Natural Gas Pipeline Tariff Regulation, 2008" in respect of Natural Gas Transmission tariff which, inter-alia, includes:

- ▶ Natural Gas pipelines includes Spur Line and excludes Dedicated Pipeline and CGD networks.
- ▶ Capacity of Natural Gas Pipeline means the sum of capacity requirements of the entity (I/C + GSA), firm-up contracted capacity with other entities (GTA) and at least 33% of sum of own requirement and firm-up capacity.
- ▶ Tariff shall be uniform within a Zone. Each Zone shall be of 300 km each. Each tariff zone shall have a corridor of 50 km or 10% of the length of the pipeline, whichever is lower, on either side of the pipeline. The First zone shall start from the point of origin of pipeline.
- ▶ Tariff shall be worked out on DCF methodology based on the balance economic life of the pipeline.
- ▶ Economic Life of the pipeline shall be a period of 25 years beginning from the date of commencement of physical activity for laying the pipeline.
- ▶ Tariff Review shall be done by the PNGRB after every five consecutive years.

Government of India has prepared the gas utilization policy which governs the priority area for gas distribution from Reliance Industries D-6 Block in K. G. Basin. Fertilizer, Power, City Gas, etc. are major beneficiaries under the policy.

Presently, gas is being marketed under multiple pricing mechanism, which is being governed as per various Production Sharing Contracts (PSC) and considering the priority areas for mass consumption.

APM gas is supplied to Power & Fertilizer sector at base price of Rs 3,200/1,000 SCM. Price for city gas & small consumers is around Rs 3,840/1,000

SCM, while same is supplied to non APM consumers as US\$ 4.75/MMBTU. Price of gas supplied from Ravva Satellite is around US\$ 4.30/MMBTU and RLNG is supplied at ex-terminal pooled price as declared by PLL on monthly basis.

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

Tariff Review

Government of India notified the Petroleum and Natural Gas Regulatory Board (PNGRB) Act, 2006 in 2006. Accordingly, PNGRB was established on October 1, 2007 and notified various regulations including Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008. As per Tariff Regulation each entity engaged in Natural Gas business has to submit to the PNGRB, the financial costs and other data for determination of natural gas pipeline tariff. PNGRB has prescribed the methodology for working out the transportation tariff of natural gas pipeline, in accordance of which GAIL is in the process of finalizing the Natural Gas Pipeline Tariffs for all its pipeline networks for onward submission to PNGRB.

Petrochemicals

Your Company owns and operates a gas based integrated petrochemical plant at Pata, Uttar Pradesh with a capacity of producing 4,10,000 TPA of Polymers i.e. HDPE and LLDPE. Your Company is in the process of installing an additional furnace of 1,00,000 TPA capacity at Pata to further increase polymer production

capacity of the plant. Your Company is currently in the process of setting up a 2,80,000 TPA Petrochemical Complex at Lepetkata in district Dibrugarh, Assam at an investment of Rs. 5,460 crores under Joint venture with OIL, NRL and Assam Government.

PHYSICAL PERFORMANCE

	2008-09	2007-08
Total Gas Throughput (MMSCMD)	83.29	82.10
Total Liquid Hydrocarbon Sales (TMT)	1,405	1,344
Total Polymers Sales (TMT)	423	391
Total LPG Transported (TMT)	2,744	2,754
Crude oil Sale (MT)	13,153	2,684

FINANCIAL PERFORMANCE

Income

Your Company registered a turnover (net of Excise Duty) of Rs. 23,776 crores in FY 2008-09, a 32% increase, as against Net Sales of Rs. 18,008 crores in the previous year. The increase in turnover was achieved despite subsidy provision of Rs. 1,781 crores during FY 2008-09 against Rs.1,314 crores during last year. The other income was Rs. 797 crores as against Rs. 556 crores in the last year. The total income was Rs. 24,578 crores against Rs. 18,594 crores during last year, registering a growth of 32%.

Cost of Sales

Cost of sales including depreciation and interest was Rs. 20,369 crores as against Rs. 14,709 crores during the previous year showing an increase of 38%. The increase was mainly on account of increase in volume of PMT gas purchase, increase in salary expenditure due to provision on account of wage revision etc.



Shri C. N. Trivedi, Executive Director-Pata explaining the model of GAIL 's Pata Petrochemical Plant to Shri R. S. Pandey, Secretary, Ministry of Petroleum and Natural Gas (extreme right). Also present on the occasion were Shri B. C. Tripathi, Current CMD, GAIL (extreme left), Dr. U. D. Choubey, the then CMD, GAIL (2nd from left), Shri A. K. Purwaha, Director (Business Development), GAIL (2nd from right)

Segment Wise Turnover (Net of ED)

(Rs. in crores)

S. No.	PARTICULARS	2008-09	2007-08
1	Transmission Services		
	a) Natural Gas	2,216	2,026
	b) LPG Transmission	380	382
2	Gas Trading	15,435	10,332
3	Petrochemicals	2,705	2,569
4	LPG & Other Liquid Hydro Carbons	2,964	2,641
5	GAILTEL	24	28
6	Unallocated	52	30
	TOTAL SALES	23,776	18,008

Profitability

The Net Profit of the Company during the current financial year 2008-09 was Rs. 2,804 crores against Rs. 2,601 crores during the previous year, an increase of 8%. The increase in Net Profit was mainly due to higher production of polymer products, higher Gas Transmission volume, better product prices of LPG & polymer etc. LPG subsidy during the period increased by Rs. 467 crores to Rs. 1,781 crores compared to Rs. 1,314 crores in the corresponding previous period.

Shareholders' Fund

The reserves and surplus were at Rs. 13,501 crores at the end of the current financial year as compared to Rs. 12,159 crores at the end of the last financial year. As on 31st March 2009, networth of the Company stood at Rs. 14,575 crores as compared to Rs. 12,842 crores as on 31st March, 2008.

Ratio Analysis

PAT to Networth & PAT to Net Sales for the Company during the year under review stands at 19% & 12% respectively. Return on Capital Employed (ROCE) is 25% for FY 2008-09. Debt Equity ratio stands at very comfortable position of 0.08 as on 31st March, 2009. Diluted EPS has gone up to Rs. 22 during the year 2008-09 from Rs. 21 per share for the period ended on 31st March 2008. Market capitalization as on 31st March, 2009 was Rs. 30,983 crores as against Rs. 35,928 crores as on 31st March, 2008.

Funds Flow

The source of funds comprising equity, loan and deferred tax liability stood at Rs. 17,296 crores as

compared to Rs. 15,590 crores in the previous year. During the year under review, the paid-up capital of the Company has increased from Rs. 845.65 crores to Rs. 1268.48 crores consequent upon issuance of one fully paid-up bonus share for every two equity shares. There has been an increase in reserves and surplus from Rs. 12,159 crores to Rs. 13,501 crores. The capital work in progress stood at Rs. 2,426 crores as against Rs. 817 crores in the previous year.

MATERIAL DEVELOPMENT IN HR AND INDUSTRIAL RELATIONS

Your Company believes that a continuous thrust on learning by the employees has been its unique preposition which has always yielded results and is the source of sustainable key competitive advantage. Towards this end, your company has been quite proactive in the area of Human Resource Development.

The total employee strength of your company stood at 3,544 on 31st March, 2009.

Industrial relations scenario remained harmonious and cordial for most part of the year. However, on account of pay revision issues, strike was observed by the Officers of the Company at Industry level in January, 2009. However, officers rendered extra work on 10th and 11th January, 2009 (2nd Saturday and Sunday) without any additional compensation. This resulted in a loss of 0.06% of the available man days.

Company continues to focus on employee oriented initiatives with a view to tap potential of employees while synergising individual development and organizational growth.

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

Your Company is committed to operational excellence alongwith improvement in environmental performance. It is highly sensitive to the changing requirements of the environment and stake holders, which reflected in all its activities.

Your Company being a Natural Gas Company is environment friendly, spreading green energy by transportation of Natural Gas and LPG through pipelines, promoting CNG as alternate fuel for transport sector, promoting PNG for household use and developing green and healthy environment in and around its work stations.

Few of the initiatives undertaken during the year to protect and sustain the environment are mentioned as under:

► Environmental Performance

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





guidelines. Your Company has taken up various projects on renewable energy sources like wind energy for meeting its energy needs, Flare Gas Recovery Project at Pata Petrochemical plant, Waste Heat Recovery projects at various plants, Biogas Plant from Kitchen Waste at Pata, Tapping Solar Energy for Solar water heating Systems at various plants and various process engineering related energy efficiency projects at each plant.

▶ Greenbelt Progress

Your Company develops green and healthy environment in and around its work stations. Your Company's process plant is among the Plants converted from Barren Land into a Green Oasis. The green cover together with large water bodies in the complex has created an ideal habitat for birds, in the process plants. Tree planting and Horticulture related improvement programmes are ongoing process in your Company to enhance the pollution free environment in and around.

▶ Water Conservation & Rainwater Harvesting

Your Company's water conservation efforts are directed at prevention of water wastage. Waste of water use is eliminated at the design stage itself for ensuring productive & efficient utilization of water in the process plants. The comprehensive wastewater management facilities comprise of oil removal facilities, chemical treatment and Biological treatment facilities with Extended Aeration process.

"Rainwater Harvesting" was also undertaken at most of our work centers, to recharge the groundwater strata effectively.

▶ Air Monitoring

Your Company continuously monitors ambient air quality. The pollutants are maintained below stipulated norms, by providing adequate stack heights for effective dispersion together with the use of clean fuel. Continuous monitoring of ambient air quality is done by State of the Art Ambient Air Quality Monitoring Stations at its process plants.

▶ Solid Waste Management

In your process plants, the solid wastes are collected, stored and handled, in a manner which has no detrimental effect on the ground water or other environment.

CORPORATE SOCIAL RESPONSIBILITY

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

INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

Your Company has developed internal control system in its various business processes commensurate with size and nature of business. Your Company has an independent in-house Internal Audit Department functionally reporting to the Audit Committee. Internal Audit Department consists of professionally qualified executives from various disciplines who carry out audit of financial, technical and other business activities of the Company besides reviewing the adequacy of internal control systems, risk management process etc. under Internal Audit Charter which contains best global practices in the profession of Internal Auditing.

CAUTIONARY STATEMENT

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



Dr. U.D. Choubey, the then CMD, GAIL (3rd from right) handing over a cheque of Rs. 87.88 lakhs towards voluntary contribution of GAIL employees for Flood Relief to the Prime Minister's National Relief Fund to Shri Murli Deora, Hon'ble Union Minister of Petroleum and Natural Gas (extreme right) and Shri R.K. Goel, Director (Finance) (3rd from left), Shri Santosh Kumar, the then Director (Projects) (extreme left), Shri B.C. Tripathi, Current CMD (2nd from right), Shri A.K. Purwaha, Director (Business Development) (2nd from left) were present on the occasion.

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company believes that governance should be functioning beyond compliances, adherence to regulatory framework, financial prudence and should create fair and transparent processes and reporting systems.

Your Company is driven by its core values viz. ethical practices, concern for people at work, delight of customers and striving to meet the stakeholder's expectations and societal aspirations. The focused approach, professionalism of the Board and fair and transparent processes have led your Company to reach new heights.

Corporate Governance in the Company has been strengthened by formulating and adopting the Code of Conduct for Directors and Senior Management Personnel, Code of Conduct for prevention of insider trading,

Policy on risk assessment and minimizing procedures etc. Your Company makes best efforts to use best-in-class technology, focus on all aspects of the Natural Gas value chain promote highest levels of safety in its operations, maintain better health of its employees, a clean environment for sustainable development and meet the objectives of shareholders by providing them fair returns and value.

2. BOARD OF DIRECTORS

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

i. Composition of the Board

Your Company being a Government Company, appointment/ nomination of all the Directors is being done by the President of India, through the Ministry of Petroleum & Natural Gas (MOPNG). The Articles of Association of the Company stipulates that the number of Directors shall not be less than three and not more than twenty.

As on 31st March, 2009, there were 11 (Eleven) Directors on the Board comprising of 5 (Five) Whole-time Directors including the Chairman & Managing Director and 6 (Six) Part-time Directors including two officials of the Government of India and four Independent Directors. The composition and attendance record of the Company's Board of Directors was as follows:

Name and Designation of the Director(s)	No. of Board Meetings attended	Attendance at last Annual General Meeting	Directorships held in other Public Limited Companies	Membership/ Chairmanship in Committees of the Board of the other Companies
I. Whole-time Directors				
Dr. U.D. Choubey, Chairman and Managing Director	9	Yes	5	1
Sh. M.R. Hingnikar, Director (HR) (upto 27.07.2008)	3	-	-	-
Sh. R.K. Goel, Director (Finance)	8	Yes	6	1
Sh. Santosh Kumar, Director (Projects)	9	Yes	3	Nil
Sh. A.K. Purwaha, Director (Business Development)	9	No	4	1
Sh. B.C.Tripathi, Director (Marketing)	8	Yes	7	Nil
II. Part-time Directors (Government Nominee)				
Sh. S. Sundareshan	7	No	3	Nil
Sh. D.N. Narasimha Raju (upto 23.01.2009)	5	No	-	-
Sh. Apurva Chandra (w.e.f. 23.01.2009)	2	-	Nil	Nil
III. Part-time Non-official Directors (Independent)				
Dr. Amit Mitra	4	No	2	Nil
Dr. A.K. Kundra	8	Yes	3	1
Dr. U.K. Sen (w.e.f. 29.04.2008)	7	Yes	Nil	Nil
Prof. A.Q. Contractor (w.e.f. 04.08.2008)	4	Yes	Nil	Nil

Note: 1 During the year 2008-09, 9 (Nine) Board Meetings were held.

2 24th Annual General Meeting was held on 04.09.2008.

3 Directors are not related to each other inter-se.

4 None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees across all the Companies in which he is a Director. Membership/Chairmanship in Committee is reckoned pertaining to Audit Committee and Shareholders/Investors Grievance Committee and based on latest disclosures received from Director(s).

5 None of Non-executive Directors, hold any Equity Shares in the Company.

6 Tenure of Dr. Amit Mitra and Dr. A.K. Kundra expired on 17.11.2006 and pending decision of the Government on the matter they are continuing on the Board.

ii. Details of Board meetings

During the financial year 2008-09, 9 (Nine) meetings of the Board were held, the details of which are as below:

S. No.	Meeting No.	Date of Board Meeting
1.	261st	29.04.2008
2.	262nd	13.05.2008
3.	263rd	23.06.2008
4.	264th	29.07.2008
5.	265th	01.10.2008
6.	266th	23.10.2008
7.	267th	21.11.2008
8.	268th	28.01.2009
9.	269th	30.03.2009

3. AUDIT COMMITTEE

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

The Audit Committee of the Company comprises solely of three Part-time Non-official (Independent) Directors viz. Dr. A.K. Kundra as the Chairman, Dr. Amit Mitra and Dr. U.K. Sen as the Members.

Besides the above, the Director (Finance), Statutory Auditors of the Company and Head of Internal Audit are the permanent invitees to the meetings of Audit Committee. Senior functional executives are also invited, as and when required, to provide necessary inputs to the Committee. The Company Secretary acts as the Secretary to the Committee.

During the financial year 2008-09, 8 (Eight) meetings of Audit Committee were held. The details of Audit Committee meetings held during the year are as follows:

S. No.	Meeting No.	Date of Board Meeting
1.	70th	13.05.2008
2.	71st	28.07.2008
3.	72nd	12.08.2008
4.	73rd	22.09.2008
5.	74th	20.10.2008
6.	75th	19.11.2008
7.	76th	27.01.2009
8.	77th	28.01.2009

Out of the above meetings, Dr. A.K. Kundra, Dr. Amit Mitra and Dr. U.K. Sen attended 8 (Eight), 1 (One) and 8 (Eight) meetings respectively.

4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Committee meets to, inter-alia, oversee redressal of Shareholder's and investors' grievances with respect to transfer of shares, non- receipt of dividend, Annual Report, non-allotment of shares through Offer for Sale by Government of India etc.

The Shareholders/Investors Grievance Committee of the Company comprises of Dr. A.K. Kundra, Part-time Non-official (Independent) Director as the Chairman, Shri Santosh Kumar, Director (Projects), Shri A.K. Purwaha, Director (Business Development) and Shri B.C. Tripathi, Director (Marketing) w.e.f. 01.10.2008 as the Members. Shri M.R. Hingnikar, Director (HR) was member of the Committee upto 27.07.2008. The Company Secretary acts as the Compliance Officer of the Company. During the financial year 2008-09, a meeting of Shareholders / Investors Grievance Committee was held on 11.11.2008.

Based on the report received from Registrar & Transfer Agent of the Company viz. MCS Limited in respect of shareholders complaints received through SEBI, Stock Exchanges and other statutory bodies which are only identified as complaints. The status of the complaints received and redressed during the respective quarters are being placed at the meetings of the Audit Committee and the Board. During the year 2008-09, 121 complaints were received from the shareholders/investors through SEBI, Stock Exchanges and other statutory bodies, pertained to matters like non-receipt of dividend, annual report, credit of bonus shares etc. All the 121 complaints were resolved to, therefore, as on 31.03.2009, there were no investor complaints pending.

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

The Company/R&TA has designated an exclusive e-mail ID viz. investorqueries@gail.co.in and admin@mcsdel.com to facilitate investors to register their complaints, if any. Member(s) may also visit our website at www.gailonline.com, 'Investor Zone' section for further reference.

5. REMUNERATION COMMITTEE

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

The details of remuneration paid to Whole-time Directors of the Company for the financial year 2008-09, is as below:

(Rs. in Lacs)

S. No.	Names of the Director	Salary & Allowances	Contribution to PF, Gratuity and Other Funds	Other Benefits and Perquisites	Performance Linked Incentives	Total
1.	Dr. U.D.Choubey, Chairman & Managing Director	15,16,878	1,07,490	3,56,702	2,49,367	22,30,437
2.	Sh. M.R. Hingnikar, Director (HR) (upto 27.07.2008)	3,33,136	31,599	43,850	1,98,688	6,07,273
3.	Sh. R.K. Goel, Director (Finance)	15,08,268	1,13,295	4,95,160	2,41,906	23,58,629
4.	Sh. A.K. Purwaha, Director (Business Development)	13,67,357	1,04,498	1,00,468	2,37,308	18,09,631
5.	Sh. Santosh Kumar, Director (Projects)	13,26,174	1,07,093	3,67,348	2,37,308	20,37,923
6.	Sh.B.C.Tripathi Director (Marketing)	14,10,698	1,08,293	1,19,342	2,36,856	18,75,189

The payment made to Whole-time Directors of the Company includes performance linked incentives, as per the policy of the Company, which is applicable to all the employees of the Company and is based on performance parameters viz. Corporate Performance, Unit Performance and Individual Performance. The remuneration did not include provision for leave, gratuity and post retirement benefits as per revised AS-15 since the same were not ascertained for individual employee and effect of pay revision for which estimated provision have been made. (Refer note no. 7 of schedule-14 of the accounts).

The service contract of Whole-time Directors is for five years (or till superannuation, whichever is earlier) and is renewable. The notice period of three months or salary in lieu thereof is required in case of severance of

service. During the year under review, your Company has not introduced any stock-option scheme.

The details of sitting fees paid to the Part-time Non-official (Independent) Directors, for attending the meetings of the Board of Directors and Committee(s) thereof, is given below:

<i>(Rs. in Lacs)</i>		
S. No.	Name of the Independent Director(s)	Amount
1.	Dr. Amit Mitra	0.70
2.	Dr. A. K. Kundra	3.10
3.	Dr. U.K. Sen	2.00
4.	Prof. A.Q. Contractor	0.60

In addition, during the year under review, 3 (three) meetings of Independent External Monitors (IEMs) constituted under Integrity Pact Programme (IPP) were held and Dr. A.K. Kundra, being a member of IEM was paid Rs. 30,000/- as honorarium for attending the said meeting(s).

6. OTHER SUB-COMMITTEES

Apart from statutory sub-committees viz. Audit Committee and Shareholders / Investors Grievance Committee, there are other Board level Committees for implementing the overall business strategy, value creation for the stakeholders and implementing the business plans as approved by the Board of Directors. The details of these sub-Committees of the Board are enumerated below:

S. No.	Names of Committee(s)	Constitution	Power(s)
1.	Business Development & Marketing Committee	1. Dr. A.K. Kundra, Chairman 2. Director (Finance) 3. Director (BD) 4. Director (Marketing) 5. Dr. U.K. Sen 6. Prof. A.Q. Contractor	Proposals of business development and marketing groups that fall within powers of Board like strategic planning, strategic alliance, joint ventures and acquisition / merger Globalization through business participation in a foreign country, Opening of offices abroad, Consideration of new areas of business, Issue related to Policy/ rules / regulations relating to marketing of natural gas, LPG, polymers, GALLTEL and other products and services, subject to DPE circular dated 22nd July, 1997.
2.	Compensation Committee	1. Director(Finance), Chairman 2. Director (HR) 3. Dr. U.K. Sen	Formulation of ESOP scheme.
3.	Corporate Social Responsibility Committee	1. CMD, Chairman 2. Director (Marketing) 3. Shri S. Sundareshan 4. Prof. A.Q. Contractor	To approve the proposals of CSR.
4.	Empowered C&P Committee	CMD and all the Functional Directors. CMD is the Chairman of the Committee	To approve Procurement cases.
5.	Ethics Committee	1. Dr. A. K. Kundra, Chairman 2. Shri Apurva Chandra 3. Dr. Amit Mitra 4. Dr. U.K. Sen 5. Prof. A.Q. Contractor	To deal with all the aspects of ethics in the Company.
6.	H.R. Committee	1. CMD, Chairman 2. All the Functional Directors 3. Dr. Amit Mitra 4. Dr. U.K. Sen	Issues pertaining to rules and regulations relating to recruitment and conditions of service of the employees of the company, social welfare schemes, incentives schemes and changes therein and amendment in CDA Rules, subject to DPE circular dated 22nd July, 1997.
7.	Project Appraisal Committee	1. CMD, Chairman 2. Director (Finance) 3. Shri Apurva Chandra 4. Dr. A.K. Kundra 5. Prof. A.Q. Contractor 6. Concerned Functional Director	Projects costing above Rs.50 crores. Projects costing Rs.100 crores or more would require appraisal, subject to DPE circular dated 22nd July, 1997.
8.	Redressal of Vendors Grievance Committee	1. Dr. A. K. Kundra, Chairman 2. Director (Finance) 3. Director (Projects) 4. Prof. A.Q. Contractor	To develop a mechanism for Redressal of Vendor Grievances. All proposals to be put to the Board for consideration shall be routed through the Redressal of Vendor Grievance Committee
9.	Share Transfer Committee	1. Director (Finance),Chairman 2. Director (Projects) 3. Director (BD) 4. Director (HR)	To approve transfer/ transmission of shares, issuance of duplicate share certificates etc.

The minutes of sub-committees of the Board are also placed before the Board from time to time.

7. GENERAL BODY MEETINGS

Location and time, where last three AGMs were held

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

Year	2005-06	2006-07	2007-08
AGM	22 nd	23 rd	24 th
Date & Time	14.08.2006 10:30 a.m.	03.09.2007 10:30 a.m.	04.09.2008 10:30 a.m.
Venue	Air Force Auditorium, Subroto Park, New Delhi-110010	Air Force Auditorium, Subroto Park, New Delhi-110010	Air Force Auditorium, Subroto Park, New Delhi-110010
Special Resolution passed	Voluntary Delisting of the Equity Shares of the Company from the Delhi Stock Exchange Association Limited.	None	Increase in the Authorised Share Capital of the Company from Rs. 1,000 crores to Rs. 2,000 crores.
Details	To authorize the Board of the Directors of the Company, to seek voluntary delisting of its equity shares from the Delhi Stock Exchange Association Limited.	---	To amend the Clause V of the Memorandum of Association and Article 5 of the Articles of Association to increase the Authorized share capital of the Company.

During the financial year 2008-09, a special resolution for amending existing clause nos. 17 & 20 and adding new clause nos. 23 & 24 in the Object Clause of the Memorandum of Association of your Company was passed by means of postal ballot. The said resolution was passed by requisite majority.

No special resolution is proposed to be passed by Postal Ballot at the ensuing Annual General Meeting.

8. DISCLOSURES

- i. Annual Financial statements 2008-09 are in conformity with applicable Accounting Standards. During the year, there have been no materially significant related party transaction that may have potential conflict with the interest of the Company at large. The details of "Related Party Disclosures" are being disclosed in Notes no. 13 of schedule 14 to the accounts in the Annual Report.
- ii. The CEO/CFO of the Company has certified the specified matters to the Board/Audit Committee as required under Clause 49 V of the Listing Agreement.

- iii. Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct of the Company for the financial year ending on 31st March, 2009.
- iv. In pursuance of the Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Board

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

- v. Government of India came out with 'Offer for Sale' of shares of your Company in the year 2004. As per information made available by MCS Ltd., as on 31.03.2009, there are 25 pending cases for share credit consisting of 1,312 equity shares (including 437 bonus shares).
- vi. None of the Non-executive Directors have any pecuniary relationship or transactions with the Company during the financial year ending on 31st March, 2009.

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

- viii. The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement, save and except composition of Board of Directors, as specified in clause 49(1A) (ii) of the Listing Agreement with respect to required number of independent Directors on the Board. The Company has complied with the requirements of the SEBI, Stock Exchanges or regulatory authorities on capital market related activities as applicable from time to time.

During the year 2007-08, a show-cause notice was received from SEBI for non-compliance of clause 49 pertaining to non-requisite number of Independent Directors. Further, a notice of hearing was received from SEBI during the year under review. After due hearing, SEBI disposed off the adjudication proceedings against the Company as the non-compliance was not on account of omission or commission of your Company.

Your Company is regularly taking up the matter with Ministry of Petroleum & Natural Gas, Government of India for appointment of requisite number of Independent Directors on the Board of the Company. The Government of India is in the process of selecting Independent Directors through a process of Search Committee and will take some time before the Government nominates requisite number of Independent Directors on the Board of your Company.

- ix. The Company has so far adopted the applicable non-mandatory requirements of clause 49 of the Listing Agreement with Stock Exchanges except w.r.t. training of Board members. Tenure of Dr. Amit Mitra, Independent Director has exceeded, a period of nine years, on the Board of Company.
- x. DPE has formulated Guidelines on Corporate Governance for Central Public Sector Enterprises, 2007 which are voluntary in nature, issued for experimental basis and thereafter, suitable improvements would be made by DPE and your Company, is generally complying with the same.

xi. To reaffirm the investors' confidence in the financial disclosure, SEBI has ordered peer review for statutory auditors of your Company vide its letter dated 10.02.2009.

xii. Your Company received a letter F.No.ROC/05/01/07/GAIL INDIA LTD/13253 dated 03.02.2009 regarding technical scrutiny of the prospectus and annual accounts of the company for the financial year ended on 31.03.2005 and the same was duly replied by your Company.

9. MEANS OF COMMUNICATION

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

- ▶ The quarterly results of the Company were announced within a month of end of quarter and audited annual results along with results for the fourth quarter were announced within three months of the end of the financial year. In order to attain maximum shareholder-reach, the financial results of the Company during the year 2008-09 were published in leading newspapers (English & Hindi) viz. Economic Times, Hindustan Times, Times of India, Hindustan, Pioneer, Lokmat Samachar etc.
- ▶ Information relating to shareholding pattern, compliance with corporate governance norms etc. were posted on SEBI's Electronic Data Information Filing and Retrieval System (EDIFAR) website in addition to the website of the Company.
- ▶ "Limited Review" reports of the financial results for the respective quarter(s) were obtained from the statutory auditors of the Company and also filed with the respective Stock Exchange(s).
- ▶ Financial results are displayed on the website of the Company viz., www.gailonline.com. Official news/press releases and presentations made to analysts are also hosted on the Company's website from time to time.

10. DIVIDEND

▶ Date of Book closure and Dividend payment date

During the financial year 2008-09, the Board of Directors approved the payment of dividend, for which the respective Record Date / Book Closure and dividend payment dates, the details of which are as follows:

S. No.	Dividend Declared	Dividend (%)	Record Date/ Book Closure	Dividend Payment Date
1.	Interim Dividend	40 (Rs 4/- per share)	02.02.2009	05.02.2009
2.	Final Dividend (Proposed)	30 (Rs 3/- per share)	22.08.2009 to 08.09.2009	17.09.2009

With this, the Company has paid a total dividend of 70% (Rs.7/- per equity share) each on the paid-up equity share capital, for the year ended 31st March, 2009.

▶ Change of Address/Bank Details/ECS Mandate

For change of address/bank details/ECS mandate, Members may approach-

- i) if shares are held in **physical mode**, to the Company/R&TA of the Company.
- ii) if shares are held in **electronic mode**, to their Depository Participant (DP). The Company/R&TA will not entertain such requests, if any.

Bank Account details and 9-digit MICR Code of their Bankers, as noted in the records of their DP is used for the purpose of overprinting on Dividend Warrants or remittance of dividend through **Electronic Clearing Service (ECS)**, wherever applicable. It is, therefore, necessary that the members holding shares in electronic mode should ensure their correct bank details and/or 9-digit MICR Code number are noted in the records of the DP so that no ECS rejection takes place. As per the ECS Mandate noted in the records of DP, the amount of dividend will be credited directly to bank account

through RBI's Electronic Clearing Service (ECS). The credit of dividend amount can also be confirmed from pass book/bank statement.

Members holding shares in **physical mode** and desirous of availing this facility may give the details of their bank account, i.e., 9-digit MICR Code, along with photocopy of a cheque or a blank cancelled cheque relating to the designated bank account to the R&TA/Company.

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

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

Accordingly, unclaimed/unpaid dividend for the financial year 2001-02 which is due for transfer to IEPF, should be claimed by the members before **23rd September, 2009**. After that date, no claim shall lie against the Fund/Company, in respect of the said amount. A separate communication has also been sent to all the concerned shareholders in this regard.

During the year, your Company has transferred an amount of Rs. 2,68,436 in the Investor Education and Protection Fund (IEPF) for unclaimed/unpaid dividend of FY 2000-01. The due dates of transfer of unpaid/ unclaimed dividend to IEPF for the respective financial years are as under:



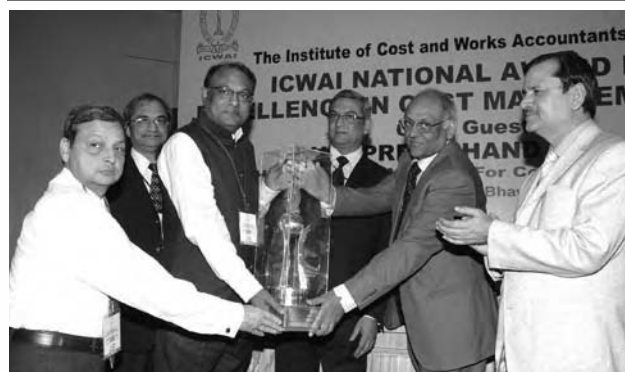
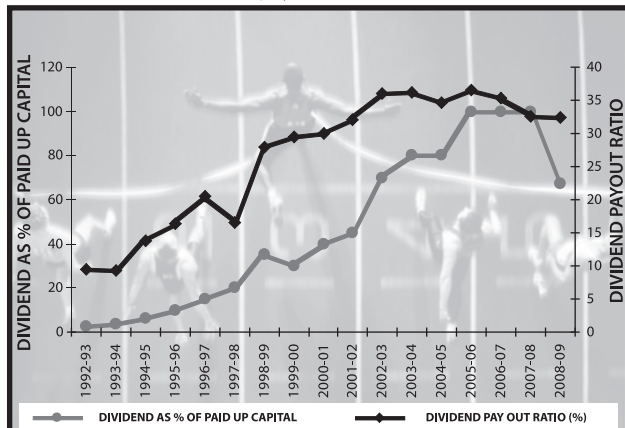
Dr. U.D. Choubey, the then CMD, GAIL and Dr. U.S. Awasthi, Managing Director, IFFCO exchanging documents after signing of MoU between GAIL and IFFCO for cooperation in natural gas sector projects. The MoU was signed by Shri A.K. Purwaha, Director (BD), GAIL (extreme right) and Shri V.K. Bali, Director (Technical), IFFCO (extreme left). Shri Santosh Kumar, the then Director (Projects), GAIL (centre) was also present on the occasion.

S. No.	FY	Type of Dividend	Dividend (%)	Last date for claiming Unpaid Dividend*	Due date for transfer to IEPF
1	2001-02	FINAL	45	23.09.2009	23.10.2009
2	2002-03	INTERIM	30	27.01.2010	27.02.2010
		FINAL	40	29.09.2010	29.10.2010
3	2003-04	INTERIM	40	07.01.2011	07.02.2011
		FINAL	40	29.09.2011	29.10.2011
4	2004-05	INTERIM	40	19.12.2011	19.01.2012
		FINAL	40	27.09.2012	27.10.2012
5	2005-06	INTERIM	60	16.01.2013	16.02.2013
		SPL INTERIM	20	14.02.2013	14.03.2013
		FINAL	20	13.08.2013	13.09.2013
6	2006-07	INTERIM	55	27.12.2013	27.01.2014
		SPL INTERIM	25	11.03.2014	11.04.2014
		FINAL	20	02.09.2014	02.10.2014
7	2007-08	INTERIM	40	16.12.2014	16.01.2015
		FINAL	60	03.09.2015	03.10.2015
8	2008-09	INTERIM	40	27.01.2016	27.02.2016
		FINAL (PROPOSED)	30	07.09.2016	07.10.2016

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

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

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



ICWAI Award

11. GENERAL SHAREHOLDER INFORMATION

► Forthcoming AGM : Date, time and venue

The 25th Annual General Meeting of the Company is scheduled for **Tuesday, the 8th day of September, 2009 at 10.30 a.m. at Air Force Auditorium, Subroto Park, New Delhi- 110010.**

► Financial year

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

► Listing on Stock Exchanges

The Company's listing details are as follow:

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

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

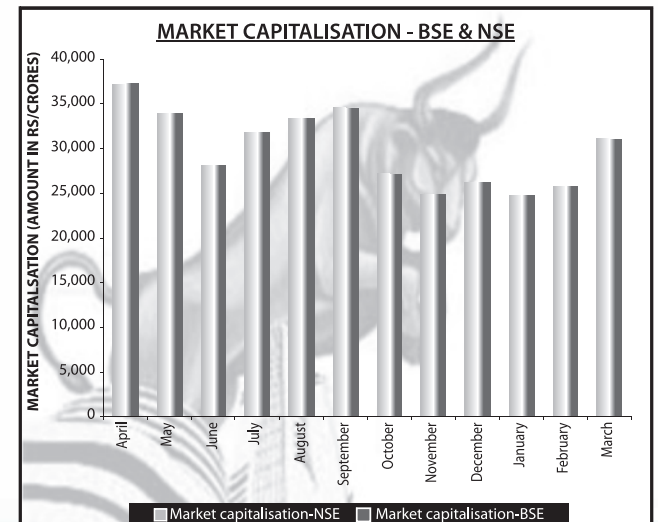
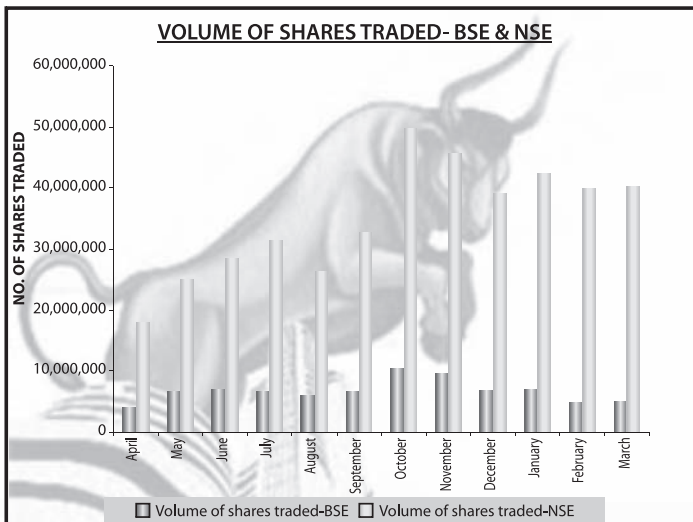
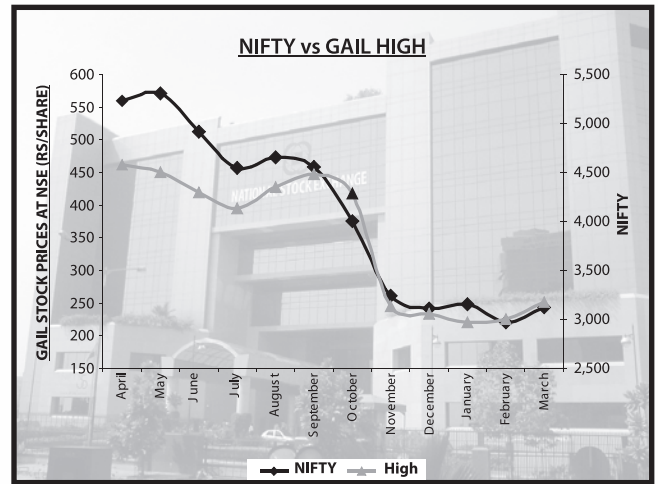
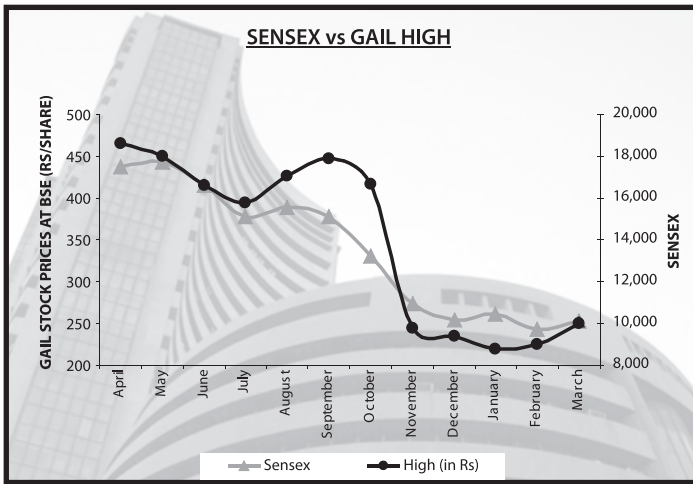
The Annual listing fees for the listed equity shares and Bonds of the Company, pertaining to the year 2009-10 has been paid to the concerned Stock Exchanges on demand. The Company has also made the payment of the Annual Custody Fees to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), for the financial year 2009-10, based on the folio/ISIN positions as on 31.03.2009.



▶ Market Price Data

Market Price Data: High, Low during each month in the financial year 2008-09										
MONTHS	BSE			NSE			MARKET CAPITALISATION (RS. IN CRORES)		MARKET INDEX	
	High (in Rs.)	Low (in Rs.)	Volume (No. of Shares)	High (in Rs.)	Low (in Rs.)	Volume (No. of Shares)	BSE	NSE	Sensex	Nifty
April	465	417	4,056,859	462	418	17,996,185	37,293	37,217	17,481	5,231
May	450	381	6,604,515	451	381	25,097,273	33,847	33,860	17,736	5,299
June	415	329	7,031,772	419	328	28,550,501	28,156	28,173	16,633	4,909
July	395	306	6,736,081	395	307	31,295,651	31,826	31,763	15,130	4,539
August	426	366	6,094,543	427	368	26,368,867	33,391	33,429	15,580	4,650
September	447	362	6,624,669	447	362	32,574,837	34,486	34,553	15,107	4,558
October*	417	165	10,383,417	417	165	49,765,336	27,063	27,228	13,204	4,001
November	245	175	9,680,621	245	176	45,735,679	24,875	24,888	10,945	3,241
December	235	193	6,746,692	233	190	39,126,680	26,131	26,162	10,189	3,110
January	219	186	6,963,332	220	186	42,374,550	24,754	24,773	10,470	3,147
February	225	195	4,861,031	225	195	39,864,337	25,788	25,826	9,725	2,970
March	250	195	5,166,463	251	191	40,279,657	30,983	31,154	10,127	3,123

* Company issued one fully paid-up bonus share for every two equity shares held in the month of October, 2008.



► **Registrar and Transfer Agent (R&TA)**

MCS Ltd.

Unit: GAIL (India) Limited

F65, Okhla Industrial Area

Phase-I

NEW DELHI - 110020

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

Fax: 91-11-41709881

Website: www.mcsdel.com

E-mail: admin@mcsdel.com

► **Share Transfer System**

The shares of the Company are being compulsorily traded in dematerialized form w.e.f. 15.02.1999 and are available for trading under both the depositories in India viz. NSDL and CDSL. MCS Ltd. is the depository interface of the Company. In order to strengthen the Know Your Customer (KYC) norms, which is already in existence for shareholders holding shares in electronic mode, has been made applicable for shareholders holding shares in physical mode. The transfer requests are processed through the Company's R&TA.

The Company has a Share Transfer Committee in place which considers the requests for transfer/transmission of shares, issue of duplicate share certificates, re-materialization, etc.

During the year, half-yearly certificate(s), confirming due compliance of the share transfer formalities by the Company [clause 47(c) of the Listing Agreement]; and Secretarial Audit Report(s) [under SEBI (Depositories and Participants) Regulations, 1996] for reconciliation of

total admitted capital with both the depositories, were obtained from a practicing Company Secretary and the same were also submitted with the Stock Exchanges within the stipulated time. The Company has also opted for voluntary Secretarial Audit from the practising Company Secretary.

► **Distribution of shareholding:**

The distribution of shareholding of the Company as on 31st March, 2009 is detailed below:

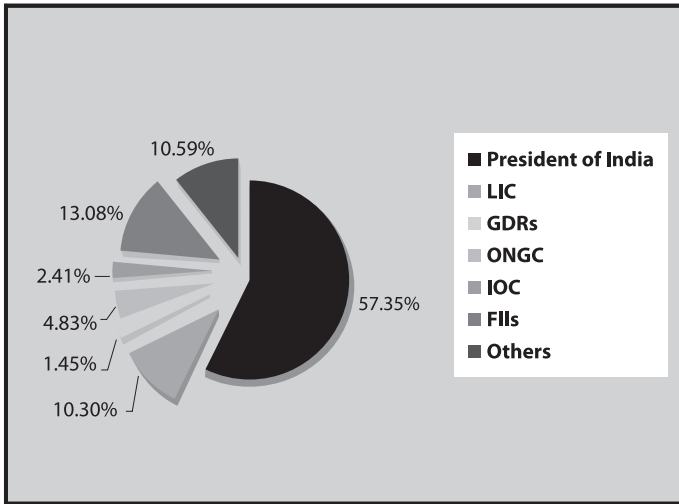
No. of equity shares held	No. of Share-holders	% to Total	No. of Shares	% to Total
1	4,431	2.12	4,431	0.00
2-10	13,874	6.64	88,659	0.01
11-50	80,621	38.57	24,86,987	0.20
51-100	42,402	20.28	33,00,821	0.26
101-200	34,116	16.32	51,15,682	0.40
201-750	28,151	13.47	96,46,041	0.76
751-5000	4,441	2.12	73,74,982	0.58
5001-10000	300	0.14	20,97,033	0.16
10001-15000	128	0.06	16,34,499	0.13
15001 and above	585	0.28	123,67,28,265	97.50
TOTAL	2,09,049	100.00	126,84,77,400	100.00

► **Geographical Distribution of Shareholders as on 31st March 2009**

S. No.	City	No. of Shareholders	% to Total	No. of Shares	% to Total
1	AHMEDABAD	12,334	5.90	22,31,677	0.18
2	BANGLORE	8,900	4.26	14,29,052	0.11
3	BHUBHANESHWAR	400	0.19	41,205	0.00
4	CHANDIGARH	1,194	0.57	1,75,722	0.01
5	CHENNAI	7,474	3.58	37,82,325	0.30
6	DELHI	21,817	10.44	79,36,24,147*	62.57
7	GUWAHTI	546	0.26	76,445	0.01
8	HYDERABAD	4,837	2.31	7,00,998	0.06
9	JAIPUR	3,007	1.44	3,10,699	0.02
10	KANPUR	1,566	0.75	1,74,974	0.01
11	KOLKATA	10,344	4.95	40,71,903	0.32
12	MUMBAI	47,564	22.75	45,13,45,396	35.58
13	NAGPUR	1,126	0.54	1,20,149	0.01
14	PATNA	825	0.39	95,348	0.01
15	THIRUVANTHAPURAM	593	0.28	104,939	0.01
16	OTHERS	86,522	41.39	1,01,92,421	0.80
	TOTAL	2,09,049	100.00	126,84,77,400	100.00

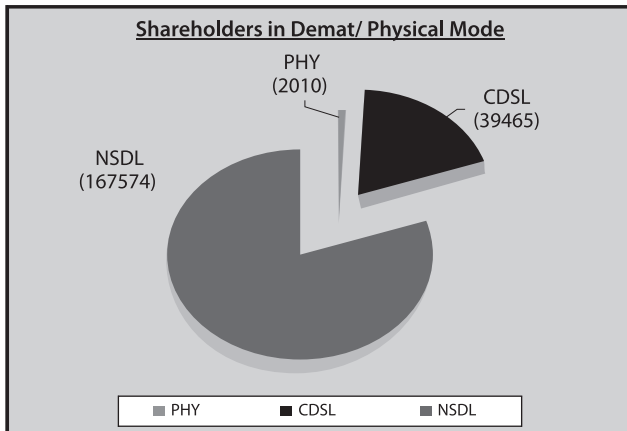
* President of India holds 72,74,05,675 equity shares of the Company out of which 72,73,90,047 equity shares in physical mode, consisting 57.35% of total paid-up equity capital.

► **Shareholding Profile as on 31st March, 2009**



► **Dematerialization of shares and liquidity**

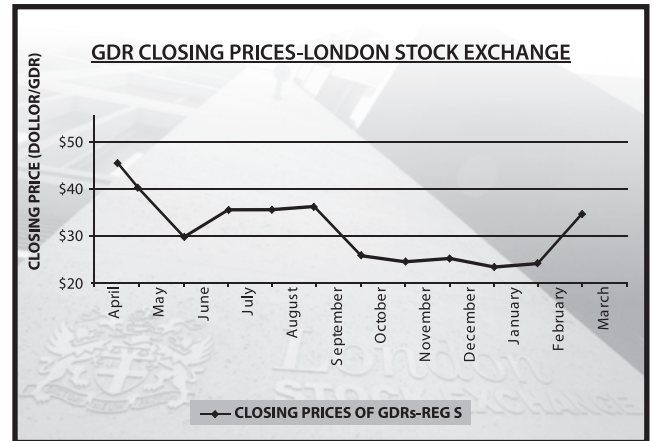
As on 31st March, 2009, the Company has 2,09,049 no. of Shareholders, out of which 2,010 shareholders were holding equity shares in physical mode, 2,07,039 shareholders were holding equity shares in demat mode. The demat ISIN of the Company's equity shares is INE129A01019 and Corporate Identification Number of Company is L40200DL1984GOI018976.



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

The Government of India had disinvested 135 million equity shares out of its holding in the international market through GDR mechanism in 1999-2000. A total no. of 22.5 million GDRs were issued, one GDR representing six underlying equity shares. As on 31st March, 2009, a total number of 30,80,682 GDRs representing 184,84,092 (1.45%) number of equity shares were outstanding. The conversion of GDRs into equity shares has no impact on total equity capital.

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



► **Major Plant Locations**

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

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

► **Address for correspondence**

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

Phone: 91-11-26172580/26182955

Fax No.: 91-11-26185941

Website: www.gailonline.com

E-mail id: investorqueries@gail.co.in



AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF GAIL (INDIA) LIMITED

We have examined the compliance of conditions of Corporate Governance by GAIL (India) Ltd. for the year ended 31st March, 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges and Guidelines on Corporate Governance for Central Public Sector Enterprises, 2007.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement subject to that requisite number of the Independent Directors on the Board which was less than half of the total strength of the Board as required under clause 49 of the Listing agreement and payment of Rs. 30,000/- to an Independent Director subject to approval in AGM, as per the sanction letter of Central Vigilance Commission dated 23.10.2007. The Company has informed that the Government of India is in process of selecting requisite number of Independent Directors, since GAIL is a Government Company. The Company has also complied with the Guidelines on Corporate Governance for Central Public Sector Enterprises.

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

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

Place: New Delhi

Dated: 21.07.2009

For Mehra Goel & Co.

Chartered Accountants

Sd/-

R.K. Mehra

Partner

Membership No.: 6102

ANNEXURE TO THE DIRECTORS' REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

- 1) Retrofitting of RG heater with PLC based Burner Management System: Improved burner with PLC based Burner management system has been installed for RG heaters to replace earlier inefficient burners at Vijaipur with an investment of around Rs. 1 crore. The new PLC based Burner management system resulted in fuel saving of around 10,479 MMBTU of natural gas which corresponds to saving of around Rs. 24 lacs.
- 2) Switching over of CCVT/TEG power to Grid Power: CCVT and TEG installed at remote RR stations to supply electrical power are reliable but less efficient source of power supply. CCVT/TEG has been replaced by Grid supply at some of RR stations in HVJ, JLPL, VSPL & Vadodara resulted in saving of around Rs. 96 lacs.
- 3) Modification done in lighting system: Optimization, replacement of conventional lighting system by energy efficient lighting like T-5 tube lights, CFL, MH lamps, Electronic chokes etc. along HVJ, JLPL etc. & automation of lighting control system of switchgear room at Jhabua compressor station resulted in saving of around 1.5 lac units which corresponds to saving of around Rs. 7 lacs.
- 4) Purging of Flare Header by using inert gas: Natural gas is being saved by purging the flare header by nitrogen in place of natural gas at GPU Gandhar. This has resulted in saving of around 3,13,944 SCM of natural gas which corresponds to saving of around Rs. 23 lacs.
- 5) Installation of Energy Efficient UPS: At GPU, Vijaipur old thyristered UPS is replaced with energy efficient IGBT based



MoU with TIDCO

UPS which has resulted in saving of around 0.35 lac units which corresponds to saving of around Rs. 1.75 lacs.

- 6) Installation of Variable speed Drive: Installed variable speed drive in one of the cooling tower fans at Gandhar to provide optimized cooling. Total reduction in energy consumption is around 28,558 KWH which corresponds to saving of around Rs. 1.7 lacs.
- 7) Stoppage of Pre Chlorination pump by system modification: At GPU Gandhar, pre-chlorination has been stopped and chlorination is being done through existing water flow line modification. This has resulted in energy saving to the tune of 6,570 KWH which corresponds to saving of around Rs. 0.37 lacs.
- 8) Installation of VFD for DVPL gas after coolers & Lube oil cooler at Vijaipur: To harnessing the benefit from climatic variations, Variable Frequency Drives have been installed for gas after coolers & lube oil cooler of DVPL compressors. The estimated energy saving is around 1.5 lacs units which corresponds to saving of around Rs. 7.5 lacs.
- 9) Reduction of pressure setting of compressed air system: As per recommendation of energy audit, pressure setting of air compressors reduced for unloading from 8.4 to 7.4 kg/cm² & loading from 7.7 to 6.7 kg/cm². This has resulted into energy saving of around @12 units per hour which corresponds to saving of around 0.27 lacs KWH or which corresponds to saving of around Rs. 1.35 lacs.
- 10) Replacement of conventional tube lights with energy efficient tube lights is under implementation. In the first phase, 1100 Nos. of conventional 40W tube-rods have been replaced with T5 28 W energy efficient tube-rods in the plant. This will result into a saving of nearly 1,10,000 units of electricity/ Rs. 3.68 lacs.
- 11) In view of energy saving measure, Electrical maintenance has replaced 5,000 incandescent lamps of 60 watts with 13 watts CFL, 1400 Nos of 40 watts tube rods with T5-28 watt energy efficient tube rods and 1100 Nos. of conventional 40W tube-rods have been replaced with T5 28 W energy efficient tube-rods in the plant resulted in monetary saving of around Rs. 20.5 lacs/annum.
- 12) The C2 Hydrogenation unit in gas cracker unit has been a source of Ethylene loss on account of poor selectivity of the catalyst and resulting in more Ethane recycle, due to conversion of product Ethylene into Ethane. Catalyst replaced in all the three reactors with an investment of around Rs. 6 crores which resulted in saving of around Rs. 7 crores per annum, achieved in terms of energy as well as increased production of polymer.
- 13) In the D. M. Plant, recovery of heat from incoming steam condensate to Thermax Condensate Polishing Unit has been done by joining the tube side outlet of the heat exchanger to the condensate header so that the flow through the tube side increases up to 220 m³/hr, resulting in effective heat transfer from hot condensate to outgoing condensate to

Boiler / HRSG and decreasing the load on the cooling tower. The flow through heat exchanger has been increased by injection of the condensate in D.M. export line. The implementation of above modification scheme resulted in the saving of around Rs. 61 lacs per annum.

- 14) In four of the cooling tower pumps (one from CT-1 and three from CT-3) coating of polymeric material has been done in the pump casings / pump impellers which shall result in improved performance of the pumps and corresponds to a monetary saving of Rs. 32 lacs/annum. Coating of polymeric material on other Cooling water pumps is under progress.
- 15) Vapor from Propylene exchanger at GPU (08-EE-35) was taken in Knock out drum-I of 1st stage of Propylene refrigeration Compressor. This closed the Anti-Surge Valve from 60% open to 20% open condition. Thus load on all four stages of C3R Compressor were balanced. This modification has resulted in a saving of Rs. 1.54 crores per annum.
- 16) As a step towards protection of environment, Solar water heaters have been installed in public buildings / Bachelor Hostel accommodation (23 Nos) and Guest house (18 Nos) as an alternative source of energy to conserve fossil fuel.

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

- 1) Installation of aerodynamic FRP fan blades in Cooling Towers: Blades of ID fans in TR-12 at Vijapur are being replaced with aerodynamic FRP fan blades with an estimated investment of Rs. 3.0 lacs. Estimated energy saving will be to the tune of 1 lac units/year which corresponds to saving of around Rs. 5 lacs/year.
- 2) Replacement of conventional metallic wear rings with non-metallic wear ring in cooling water circulation pumps at Vijapur. Non-metallic composite wear ring will be fitted on CWC pumps C&D as per API 610 (9th edition) in place of conventional metallic wearing ring with an estimated investment of Rs. 1.0 lac. Estimated energy saving will be around 0.76 Lac units/year which corresponds to saving of around Rs. 3.8 lacs.
- 3) Installation of power controller for HVAC compressor motors: Power controllers will be used to control the power supply for 110 KW HVAC compressor motors with an estimated investment of Rs. 3.0 lacs. Estimated energy saving will be around 0.56 lacs Units/year which corresponds to saving of around Rs. 2.8 lacs.
- 4) Replacement of GLS lamps with CFLs Action being taken to replace conventional incandescent lighting with CFLs in Vijapur Township with an estimated investment of Rs. 8.0 lacs. Estimated energy saving will be around 2.1 lac Units/year which corresponds to saving of around Rs. 10.5 lacs.
- 5) Installation of solar water heater at Vijapur: A set of 4x500 LPD capacity solar water heaters is being installed in the bachelor hostels to replace electric geysers with an estimated investment of Rs. 4.5 lacs. Estimated energy saving will be around 0.2 lac Units/year which corresponds to saving of around Rs. 1 lac.



- 6) Flare gas recovery project: This project will recover gases going into flare system for utilization in boilers. The project is under implementation. With an estimated investment of around Rs. 6 crores, the project would result into fuel savings of around 1.2 MT/hr which corresponds to saving of around Rs. 7 crores / year plus CDM benefit additionally.
- 7) Ethylene boil off gas diversion to HDPE units: The project comprising of existing BOG compressor up gradation and associated pipings is under implementation. With an estimated investment of Rs. 9.85 crores, the project will benefit by improving energy efficiency and increasing ethylene production by 1.5 MT/hr which corresponds to saving of around Rs. 10 crores / year plus CDM benefit additionally.

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

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

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

As per **Form A** annexed.

B. TECHNOLOGY ABSORPTION

(e) Efforts made in technology absorption:

As per **Form B** annexed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

Owing to huge domestic demand for polymers during FY 2008-09, there were no exports during the year.

(g) Total foreign exchange used and earned:

During the year, your Company has incurred expenditure of Rs. 0.42 crores on foreign tours, foreign training, seminars & conferences, Rs. 0.11 crores on entertainment and Rs. 11.89 crores on advertising & publicity.

FORM - A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER & FUEL CONSUMPTION

1. ELECTRICITY

	2008-09	2007-08
a. Purchased Unit (KWH)	263089553	259242945
Total Amount (Rs. in lacs)	11402.00	10363.86
Rate/Unit (Rs./KWH)	4.33	4.00
b. Own Generation		
(i) Through Diesel Generator Unit (KWH)	590533	440482
Units per liter of Diesel Oil (KWH/Litres)	2.54	2.67
Cost/Unit (Rs./KWH)	14.53	13.40
(ii) Through Steam Turbine/Generator Units (KWH)	207969525	198155526
Units per ltr. of fuel oil/gas	2881.68	3013.23
Cost/Unit	3.93	3.84

2. COAL

Quantity (tonnes)	NIL	NIL
Total cost		
Average rate		

3. FURNACE OIL

Quantity (K. ltrs.)	NIL	NIL
Total amount		
Average rate		

4. OTHERS/INTERNAL GENERATION

Natural Gas Consumption (SCM / Year)	2017888	2161632
Total Amount (Rs in lacs)	319.81	233.66
Cost of natural gas / SCM (Rs. / SCM)	15.85	10.81

B. CONSUMPTION PER UNIT OF PRODUCTION

	2008-09	2007-08
ETHYLENE		
Production (MT)	431580	393389
Electricity (KWh/MT)	49.49	51.37
Furnace Oil	Nil	Nil
Coal	Nil	Nil
Others - Fuel Gas (MT/MT)	0.27	0.29
- Steam (MT/MT)	0.94	0.94
HDPE		
Production (MT)	198545	135530
Electricity (KWh/MT)	332.58	334.56
Furnace Oil	Nil	Nil
Coal	Nil	Nil
Others - Steam (MT/MT)	0.83	0.84
LLDPE		
Production (MT)	221481	250051
Electricity (KWh/MT)	248.00#	238.00
Furnace Oil	Nil	Nil
Coal	Nil	Nil
Others - Fuel Gas (MT/MT)	0.042	0.035
- Steam (MT/MT)	0.79#	0.58

The specific consumptions of steam / Electricity in LLDPE plant are on the higher side due to comparatively lower plant load in 2008-09.

FORM - B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

RESEARCH & DEVELOPMENT (R&D)

1. Specific areas in which R&D carried out by the Company

During the year 2008-09, usage of H-CNG & Underground coal gasification were pursued.

2. Benefits derived as a result of the above R&D

Since the interactions with the relevant organizations were continuing, no specific benefits could be derived during this time.

3. Future plan of action

A new emphasis was laid by the Company with formation of a new R&D Department, which has adopted a number of prioritized projects and the two of which were included in the MoU of GAIL with MOPNG in 2009-10 i.e. Hydrocarbons from waste plastics & Energy from Municipal Solid waste.

4. Expenditure on R&D

(a) Capital	: Rs. Nil
(b) Recurring	: Rs. Nil
(c) Total	: Rs. Nil
(d) Total R&D expenditure as a percentage of total turnover	: N.A.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

Efforts were initiated for absorption of technologies in the fields of H-CNG & Underground coal gasification etc.

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

Since the efforts were initiated, no immediate benefits could be derived.

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

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

STATEMENT SHOWING THE PARTICULARS OF EMPLOYEES WHO ARE IN RECEIPT OF REMUNERATION OF NOT LESS THAN RS. 24,00,000/- PER ANNUM DURING THE FINANCIAL YEAR 2008-09 OR NOT LESS THAN RS. 2,00,000/- PER MONTH DURING PART OF THE FINANCIAL YEAR 2008-09

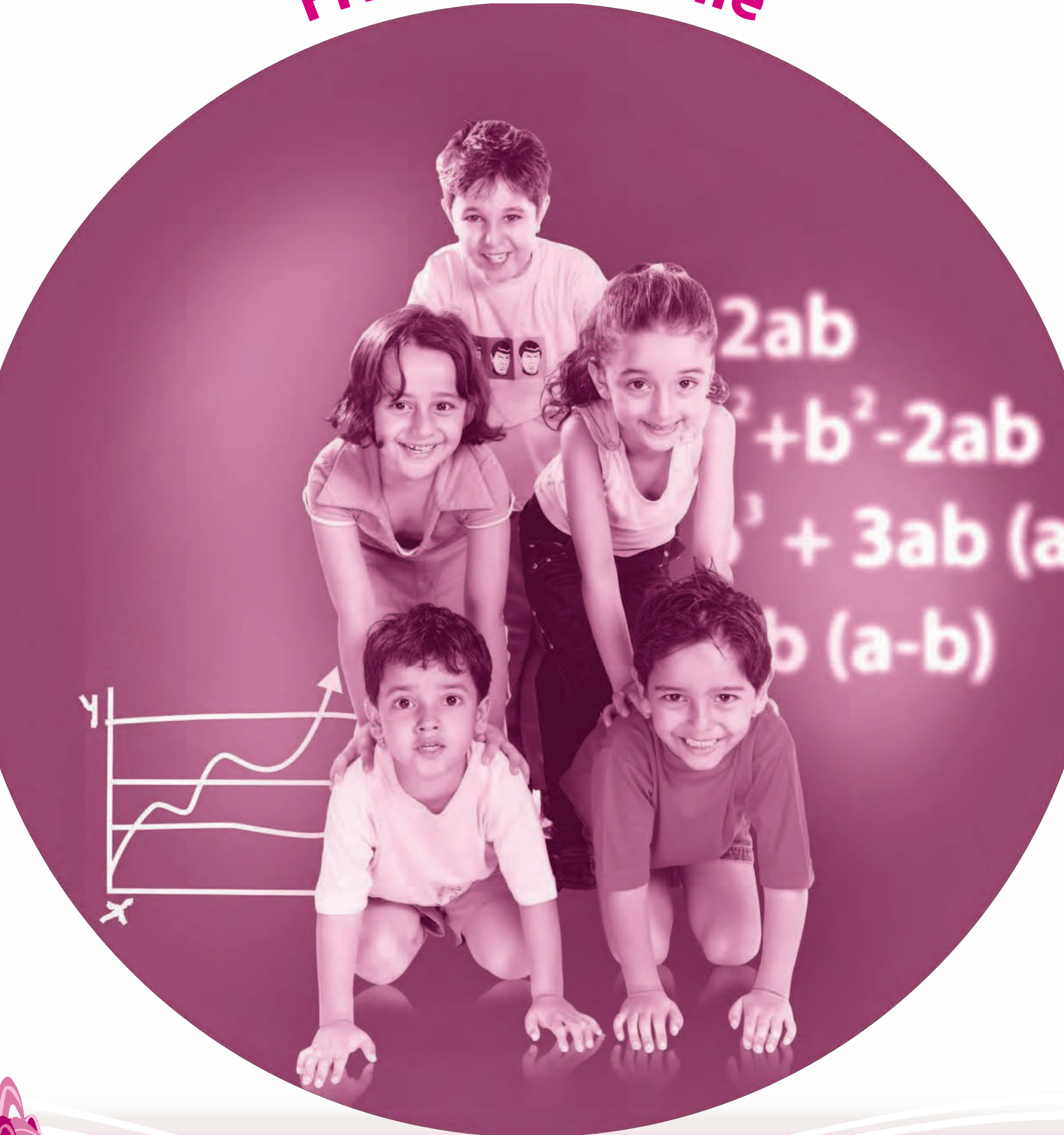
S. No.	Name of the Employee (S/Shri)	Designation	Age	Last employment	Date of Joining	Qualification	Expe-rience	Remuneration Gross (in Rs.)
1	SURENDRA NATH	GENERAL MANAGER (MAINTENANCE)	60	BONGAIGAON REFINERY	19.09.1990	B.Tech (Mechanical), ME, Diploma (Management)	29	2,700,288.70
2	RAM SHANKER	CHIEF MANAGER (POLICY & IR)	60	GOVT.OF UP	31.08.1985	BA, SAS, LLB, Diploma (Labour Studies, Diploma (Management), Diploma (PM &IR).	39	2,695,918.02
3	Y. VEERANJANEYULU	EXECUTIVE DIRECTOR (F&A)	60	PETROFIOS CO-OP	30.03.1985	B.Com., SAS	33	2,162,739.97
4	S D ROY	CHIEF MANAGER (SECURITY)	60	GAIL(ON DEPUTATION)	19.03.1996	BA, MA (Public Admnistration)	38	2,148,943.13
5	I N JHA	EXECUTIVE DIRECTOR (C&P)	60	ENGINEERS INDIA LTD.	25.01.1985	BE (Mechanical), PG Diploma (Marketing), MBA (Finance), LLB	36	2,100,278.53
6	ALKA R KUMAR	GENERAL MANAGER (CSR)	60	ONGC	27.12.1984	BA, MA (Sociology)	37	1,992,444.89
7	SANTOSH KUMAR	DIRECTOR (PROJECTS)	60	ITI LTD., RAEB A	02.04.1986	BE (Electrical)	38	1,936,427.03
8	R S KHARB	DY. MANAGER (GAILTEL-O&M)	60	INDIAN AIR FORCE	04.05.1987	Diploma (Electronics & Telecom), BA	41	1,916,974.84
9	OM NARAYAN	MANAGING DIRECTOR - IGL & GM (CGM)	60	C.II.	20.10.1986	BE (Mechanical)	35	1,855,605.62
10	BALMIKI SINGH	CHIEF MANAGER (GAILTEL O&M)	60	OIL INDIA LTD	04.09.1987	Diploma (Electronics & Radio Engg)	42	1,789,237.66
11	JANARDAN LOHUMI	DY. MANAGER (HR)	60	INDIAN AIR FORCE	31.07.1985	MA, LLB, PG Diploma (Management)	40	1,684,721.97
12	TARUN KRISHNA MAJUMDAR	GENERAL MANAGER	60	M/S ANDREW YULE	27.02.1992	BE (Mechanical), ME, MBA (Finance)	37	1,680,797.86
13	DARSHAN LAL GANDHI	DY. GENERAL MANAGER (SECURITY)	60	ARMY HEADQUARTER	11.07.1994	B.Sc., Certificate, Diploma (Industrial Safety)	38	1,619,366.09
14	TAPAN BORAH	MANAGER (CGM)	41	ASOM FRONTIER	27.01.1996	BE (Electrical)	18	1,510,384.32
15	ANAND SWARUP	SR. MANAGER (C&P)	43	TRIVENI ENG.	02.11.1992	BE (Mechanical)	22	1,480,202.80
16	VN BABU	SR. MANAGER (F&A)	49	ANANTHAN & SUND	26.06.1991	B.Com., ICWA	20	1,465,762.87
17	G GUNASEKARAN	MANAGER (INSTRUMENTATION)	34	-	09.07.1997	BE (Instrumentation)		1,350,517.03
18	HARBANSH SINGH	JR. ENGINEER (GAILTEL O&M)	60	INDIAN AIR FORCE	31.12.1988	Diploma (Electronics & Telecon), BA.	41	1,336,079.95
19	JASBIR SINGH	GENERAL MANAGER (PD P/L)	48	IOC	09.03.1987	BE (Mechanical), M.Tech (System & Management)	27	1,326,887.35
20	SURESH CHANDRA VERMA	SR. MANAGER (SECURITY)	60	DELHI ADMINISTRATION	12.02.1990	BA, LLB, Fire Sub-Officer Course, MA.	41	1,229,687.87
21	ANINDYA NANDI	MANAGER (O&M)	35	-	08.07.1997	BE (Instrumentation)		1,154,754.80
22	NARAYAN NAYAK	MANAGER (PC-MAINTENANCE)	36	-	03.07.1996	B.Tech (Mechanical)		1,076,425.47
23	CHIRADEEP DATTA	CHIEF EXECUTIVE ASSISTANT	42	-	24.07.1989	BE (Electrical)		888,051.64
24	RAMESH TIRKEY	LEADING FIREMAN (SG)	60	INDIAN ARMY	13.10.1989	8th Standard, Fire Man Course	41	883,058.49
25	BHAGWAN DASS	SR. FOREMAN SPL. GR. (NG PL O&M)	60	CHANDPUR CONST.	14.11.1985	9th Standard	40	870,849.53
26	CHANDAN BARUAH	MANAGER (GAILTEL T/C)	35	-	17.05.1999	Diploma (Instrumentation), BE (Electronics & Telecom)		829,950.96
27	KALYAN BANIA	DY. MANAGER (E&P)	34	-	01.03.2002	B.Sc., M.Sc.		807,804.79
28	V GIRISH .	-	32	-	01.03.2002			807,804.79
29	AJAY PILLAI .	MANAGER (O&M)	37	BIRLA VXL LTD	11.03.1998	BE (Production), PG Diploma (Management)	15	765,619.52
30	CHATURBHAI VIRJIBHAI VAHANESA	SR. INSPECTOR (F&S)	60	INDIAN ARMY	19.04.1989	9th Standard	39	666,163.27
31	SOUMYA SAILAJA SATAPATHY	SR. OFFICER (E&P)	27	-	05.07.2005	B.Sc. (Geology), M.Sc. (Applied Geology)		616,589.58
32	PT SATISH KUMAR	MANAGER (LPG P/L O&M)	36	ASIAN PEROXIDES	19.06.1998	BE (Chemical), MBA (Finance)	15	608,025.58
33	M S KUSHWAHA	LEADING FIREMAN (SG)	60	ARMY MEDICAL CO	27.04.1989	SSC 10th Standard, Fire Man Course	40	600,848.85
34	M B SHEDBAL	CHIEF MANAGER (DGS)	45	BL-VL LTD	02.04.1996	BE (Mechanical), MBA (Marketing)	24	571,886.26
35	AJAY KUMAR GARG	EXECUTIVE DIRECTOR (F&A)	54	EPI	27.03.1986	B.Sc.(Hons), MBA (Finance)	33	571,698.00
36	ARVIND JADHAV	CHIEF VIGILANCE OFFICER	53	GOVT.OF INDIA (IAS)	01.03.2007	PG Diploma in International Trade, MBA		563,684.28
37	BHAVANASI MADHUSUDAN RAO	CHIEF MANAGER (LPG P/L O&M)	46	CEMENT CORPORATION	29.07.1991	BE (Mechanical), ME	24	561,027.97

S. No.	Name of the Employee (S/Shri)	Designation	Age	Last employment	Date of Joining	Qualification	Expe-rience	Remuneration Gross (in Rs.)
38	RAKESH DOLEY	SR. ENGINEER (ELECTRICAL)	34	BHEL	02.02.2006	BE (Electrical)	9	555,294.12
39	SANJAY GHOSHAL	MANAGER (ELECTRICAL)	43	HINDUSTAN COPPER	24.02.1997	B.Sc.Engg. (Electrical), PG Diploma (Personnel Management), MMM, Certified Energy Auditor	20	539,807.67
40	GYANENDRA KUMAR SHARMA	MANAGER (MECHANICAL)	34	-	07.07.1997	BE (Mechanical), MBA		502,198.16
41	U SAMBASIVA RAO	DY. GENERAL MANAGER (O&M) TN & PONDICHERRY	48	NTPC	18.09.1990	B.Sc., M.Sc.(Tech)	24	500,975.58
42	TL SHARNAGAT	MANAGER (BIS-MM)	40	L&T RAIPUR	24.08.1998	BE (Mechanical), PG Diploma (Management), MBA (Marketing)		
43	AMALRAJ ANDREWS	SR. ENGINEER (LPG P/L O&M)	41	COCHIN REFINERY	11.04.1995	Diploma (Petrochemical)	19	392,478.64
44	KAHURAJI GALAJI KATARA	LEADING FIREMAN (SG)	60	INDIAN ARMY	22.04.1989	8th Standard, Fire Man Course	39	388,997.39
45	SARAT KUMAR SAHOO	SR. MANAGER (MEDICAL SERVICES)	50	HCL,GHATSILA	24.08.1992	MBBS, MD (Medicine), MBA (Health Care & Administration)	24	380,984.60
46	V P MOHOD	MANAGER (PC- OPERATIONS)	43	MANGALORE REFINERY	08.01.1998	BE (Chemical), Certified Energy Manager	17	331,771.96
47	KRISHAN KUMAR S	SR. MANAGER (PC-OPERATIONS)	38	SPIC ORGANICS LTD.	29.05.1998	BE (Chemical), Diploma Production	17	329,836.24
48	HEMANT MOHTA	DY. MANAGER (F&A)	32	-	11.07.2000	B.Com (Hons), CA, CS		328,808.32
49	T SARAVANAN	MANAGER (PC-OPERATIONS)	33	-	09.07.1997	B.Tech (Chemical)		280,766.47
50	K SANTOSH KUMAR	MANAGER (PC-OPERATIONS)	33	-	08.07.1997	B.Tech (Chemical)		266,315.23
51	ASAD ANWAR SYED	MANAGER (GPU-MAINTENANCE)	44	OSWAL CHEMICAL	20.05.1996	Diploma (Civil), B.Sc. Engg. (Mechanical)	18	229,684.00

Notes:

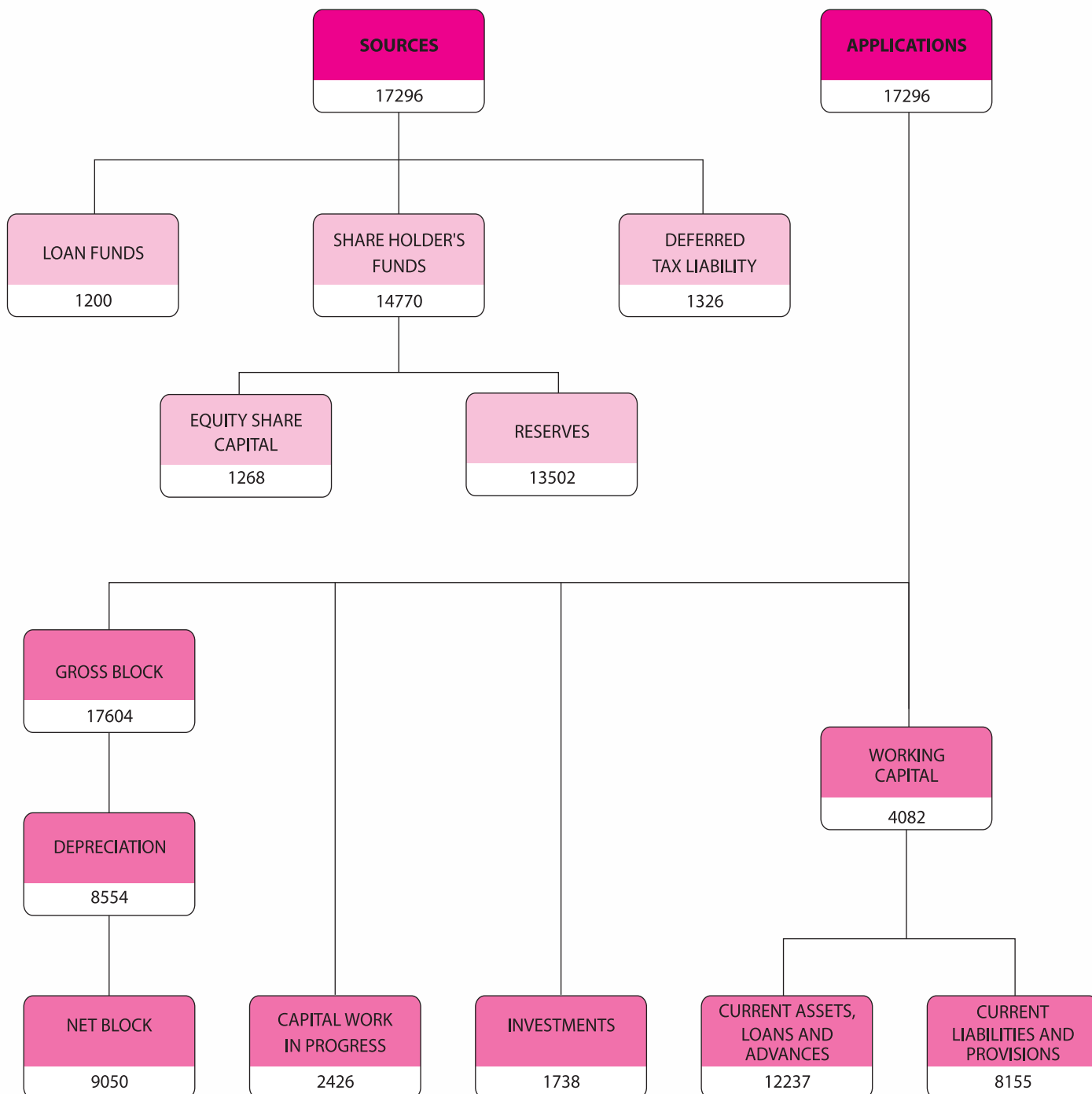
1. Remuneration includes salary, allowances, leave encasement, leave travel concession, payment for subsidized leased accommodation, reimbursement of medical expenses to employees and employer's contribution to Provident Fund etc. However, it does not include the monetary value of the medical treatment provided in the Company's dispensaries/ hospitals at Project sites, since it can not be quantified employees-wise. In addition, the employees are entitled to gratuity/ group insurance in accordance with Company's Rules.
2. None of the employees listed above is related to any Director of the company.
3. Remuneration mentioned above is inclusive of retirement /separation benefits paid during the year and is not indicative of any regular remuneration structure of Directors/ employees of the Company.
4. The nature of employment is contractual in all the above cases.

Five Year Profile



SOURCES AND APPLICATION OF FUNDS AS AT 31ST MARCH 2009

(Rs. in Crore)



FIVE YEAR PROFILE

(A) FINANCIAL	2004-05	2005-06	2006-07	2007-08	2008-09
PAID-UP CAPITAL	845.65	845.65	845.65	845.65	1,268.48
RESERVES & SURPLUS	7,780.46	9,127.64	10,547.26	12,159.23	13,501.15
SECURED LOANS	1,600.00	1,600.00	1,100.00	1,100.00	1,100.00
UNSECURED LOANS	397.40	316.56	237.85	165.87	100.13
DEFERRED TAX LIABILITY (NET)	1,255.23	1,299.70	1,318.67	1,319.69	1,325.93
	11,878.74	13,189.55	14,049.43	15,590.44	17,295.69
REPRESENTED BY :					
GROSS BLOCK	14,222.35	14,469.48	14,932.56	16,957.86	17,603.98
LESS : DEPRECIATION	6,376.47	6,913.52	7,478.19	8,024.57	8,553.66
NET FIXED ASSETS	7,845.88	7,555.96	7,454.37	8,933.29	9,050.32
CAPITAL WORK-IN-PROGRESS	309.08	615.59	1,936.94	816.66	2,426.33
INVESTMENTS / ADVANCES FOR INVESTMENT (PENDING ALLOTMENT)	783.95	1,443.35	1,463.84	1,490.88	1,737.27
NET CURRENT ASSETS	2,939.83	3,574.65	3,194.28	4,349.61	4,081.77
	11,878.74	13,189.55	14,049.43	15,590.44	17,295.69
GROSS SALES	12,927.07	14,875.49	16,545.85	18,580.21	24,292.24
GROSS MARGIN	3,950.37	3,954.38	3,542.05	4,508.47	4,850.92
DEPRECIATION	944.89	560.46	575.19	573.90	559.90
INTEREST	134.09	117.30	107.08	79.57	87.00
PROFIT/(LOSS) BEFORE TAX	2,871.39	3,276.62	2,859.78	3,855.00	4,204.02
PROFIT/(LOSS) AFTER TAX	1,953.91	2,310.07	2,386.67	2,601.46	2,803.70
DIVIDEND INCL. INTERIM DIVIDEND	676.52	845.65	845.65	845.65	887.93
CORPORATE DIVIDEND TAX	92.51	118.60	123.62	143.72	150.90
INTERNAL GENERATION	2,898.80	2,870.53	2,961.86	3,175.36	3,363.60
NET WORTH	8,559.65	9,874.81	11,262.42	12,842.38	14,575.12
CAPITAL EMPLOYED INCLUDING ASSETS UNDER CONSTRUCTION & INVESTMENTS	11,878.74	13,189.55	14,049.43	15,590.44	17,295.69

(B) GAS THROUGHPUT/PRODUCTION	2004-05	2005-06	2006-07	2007-08	2008-09
NATURAL GAS (MMSCMD)	71.56	78.87	77.29	82.10	83.29
LPG (M / T)	1094835	1042219	1026413	1042597	1087986
SBP SOLVENT/NAPHTHA (M / T)	58876	56218	65469	75126	101493
PENTANE (M / T)	57525	53346	72826	73505	58392
PROPANE (M / T)	181863	173920	178736	155873	152671
ETHYLENE (M / T)	319290	325808	367150	393389	431580
HDPE/LLDPE (M/T)	298787	311469	353921	385593	420108
(C) FINANCIAL RATIOS					
NET WORTH PER RUPEE OF PAID-UP CAPITAL (Rs.)	10.12	11.68	13.32	15.19	11.49
BORROWINGS TO NET WORTH (Rs.)	0.23	0.19	0.12	0.10	0.08
PROFIT BEFORE TAX TO CAPITAL EMPLOYED (%)	24.17	24.84	20.36	24.73	24.31
PROFIT BEFORE TAX TO NET WORTH (%)	33.55	33.18	25.39	30.02	28.84
PROFIT BEFORE TAX TO GROSS SALES (%)	22.21	22.03	17.28	20.75	17.31
PROFIT BEFORE TAX TO GROSS FIXED ASSETS (%)	20.19	22.65	19.15	22.73	23.88
GROSS SALES TO CAPITAL EMPLOYED (%)	108.83	112.78	117.77	119.18	140.45
EARNING PER SHARE (Rs.)	23.11	27.32	28.22	30.76	22.10
DIVIDEND PER SHARE (Rs.)	8.00	10.00	10.00	10.00	7.00
DIVIDEND PAYOUT RATIO (INCLUDING DIVIDEND TAX)	39.36	41.74	40.61	38.03	37.05



ANNUAL ACCOUNTS



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

We have audited the attached Balance Sheet of GAIL (India) Limited as at March 31, 2009, and also the Profit and Loss Account and the Cash flow statement of the Company for the year ended on that date annexed thereto in which are incorporated the accounts of the two units audited by branch auditors. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) The allocation of work amongst the auditors has been followed as per the directions contained in letter addressed to GAIL (India) Limited by the office of the Comptroller & Auditor General of India, New Delhi.
- c) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examinations of those books. The Branch Auditor's Report have been forwarded to us and have been appropriately dealt with;
- d) The Balance Sheet and Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- e) In our opinion, the Balance Sheet Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- f) Disclosure in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 is not required as per notification No. GSR 829(E) dated October 21, 2003 issued by the Department of Company Affairs;

- g) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read together with the significant accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009.
 - b) in the case of Profit & Loss account, of the profit for the year ended that date; and
 - c) in the case of Cash Flow Statement, of the cash flow of the Company for the year ended on that date.

For Mehra Goel & Co.
Chartered Accountants

R.K. Mehra
Partner
M.No. 6102

Place : New Delhi
Dated : June 12, 2009.

Annexure to the Auditor's report

The Annexure referred to in the auditor's report to the shareholders of GAIL (India) Limited for the year ended March 31, 2009. We report that :

- (i) (a) The company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanation given to us, there is a regular programme of verification of fixed assets which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.

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

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

In our opinion and according to the information and explanations given to us,

the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.

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

- (iii) The Company has neither granted nor taken any loans secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion, and according to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.
- (v) On the basis of our examination of the books of accounts, and as per information and explanation given to us, the company has not made any transactions in respect of any party during the financial year that needs to be entered in the register pursuant to the section 301 of the companies Act, 1956.
- (vi) The company has not accepted any deposits from the public during the year covered under sections 58A and 58AA or any other relevant provision of the Companies Act, 1956.
- (vii) In our opinion, the company's internal audit system is commensurate with its size and nature of its activities.

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

- (ix) (a) According to the records of the company, the company is generally regular in depositing undisputed statutory dues including Provident fund, Investor Education and Protection Fund, Employees' State Insurance, Sales tax, Wealth tax, Service Tax, Custom duty, Excise duty, cess and any other statutory dues with the appropriate authorities. According to the information and explanation given to us, no undisputed amounts payable in respect of Sales tax, Service Tax, Custom duty, Excise duty and other statutory dues were outstanding at the year end for a period of more than six months from the date they become payable.
- (b) As certified by the Management on which we have relied upon, the dues of Excise Duty, Custom Duty, Entry Tax, Sales Tax and other Taxes which have not been deposited on account of disputes and the forum where the dispute is pending, are given below :

Sl. No.	Statute	Subject Matter of Dispute	Amount	Period of Dispute	Status - Forum
1.	Entry Tax	(a) Entry Tax on Market Value of Natural Gas instead of its Purchase Price (Including Interest)	212.78	1999-2006	Allahabad High Court
		(b) Rajasthan Entry Tax Demand	8.11	2002-03 onwards	Dy. Commissioner, Appeals, Kota
2.	Sales Tax	(a) Non-acceptance of declaration form for concessional sales tax	0.16	1995-96 & 1996-97	Asstt. Commissioner, Commerical Tax, Guna
		(b) Surcharge on Turn over tax -Rajasthan	0.44	2002-03,2003-04 & 2004-05	State tax Tribunal, Ajmer
		(c) CST demand on Transmission charges with penalty & interest thereon	0.48	2005-06 and 2006-07	AP High Court
3.	Excise	(a) LPG valuation Dispute	15.57	Jan 01 to Feb 05	CESTAT Mumbai & CESTAT, Ahmedabad
		(b) Dispute on Pentane Classification	46.70	March 2000 to Feb. 2002 & Aug. 2005 to March 2008	CESTAT Ahmedabad & CESTAT, New Delhi
		(c) Classification dispute of MFO as Motor Spirit	19.39	July 04 to August 07	CESTAT Ahemdabad
4.	Service Tax	(a) Demand of differential service tax based on service tax returns for the period from October 06 to March 07	0.10	AY-2002-03, 2003-04 & 2006-2007	Commissioner (Appeals) Vadodara
5.	Income Tax	(a) Liability of Tax on disallowance of deductions claimed & Penalty	80.82	AY-2002-03, 2003-04 & 2006-07	ITAT Delhi & CIT (A)
		(b) Demand for short deduction of TDS	0.23	AY 2009-10	CIT (Appeals)-Baroda
6.	Other taxes	(a) Notified Area tax on revised value. (incl. interest)	2.48	1985-86 to 2008-09	Ahmedabad High Court

- (x) The company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedure and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to a financial Institution, bank and debenture holders.
- (xii) In our opinion, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities other than to its employees. In our opinion, the company has maintained adequate documents and records in respect of such loans.
- (xiii) The company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, clause 4(xiii) of the order not applicable.

- (xiv) According to the information and explanation given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4 (xiv) of the order is not applicable.
- (xv) According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks and financial institutions during the year.
- (xvi) According to the information & explanation gives to us, company has not raised any term loans during the year.
- (xvii) According to the information and explanation given to us, company has not raised any short term loan during the year.
- (xviii) The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

- (xix) The company has not issued any debentures during the year.
- (xx) During the year no money has been raised by public issues.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For Mehra Goel & Co.
Chartered Accountants

R.K. Mehra
Partner
Membership No. 6102

Place : New Delhi
Date : June 12, 2009.

Balance Sheet as at 31st March, 2009

(Rs. in Crores)

	SCHEDULE NO.	AS AT 31st MARCH, 2009		AS AT 31st MARCH, 2008	
SOURCES OF FUNDS					
Shareholder's Funds					
Capital	1	1,268.48		845.65	
Reserves and Surplus	2	13,501.15	14,769.63	12,159.23	13,004.88
Loan Funds					
Secured Loans	3	1,100.00		1,100.00	
Unsecured Loans		100.13	1,200.13	165.87	1,265.87
Deferred Tax Liability (Net)					
			1,325.93		1,319.69
			<u>17,295.69</u>		<u>15,590.44</u>
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	17,603.98		16,957.86	
Less : Depreciation		8,553.66		8,024.57	
Net Block		9,050.32		8,933.29	
Capital Work in Progress	5	2,426.33	11,476.65	816.66	9,749.95
Investments					
Advances for Investments (Pending Allotment)	6A		1,437.52		1,441.09
			299.75		49.79
Carried Forward			<u>13,213.92</u>		<u>11,240.83</u>

Balance Sheet as at 31st March, 2009

(Rs. in Crores)

	SCHEDULE NO.	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
Brought Forward		13,213.92	11,240.83
Current Assets, Loans and Advances	7		
Inventories		601.41	569.81
Sundry Debtors		1,503.34	1,073.54
Cash and Bank Balances		3,456.15	4,472.99
Other Current Assets		54.63	56.82
Loans and Advances		6,621.01	4,236.86
		12,236.54	10,410.02
Less : Current Liabilities and Provisions	8		
Current Liabilities		4,177.92	3,361.02
Provisions		3,976.85	2,699.39
		8,154.77	6,060.41
Net Current Assets		4,081.77	4,349.61
TOTAL		17,295.69	15,590.44
Contingent Liabilities not provided for (Refer Schedule 14)			
Notes on Accounts	14		
Schedules 1 to 14 and Accounting Policies form Part of Accounts			

N. K. Nagpal
Secretary

R. K. Goel
Director (Finance)

B. C. Tripathi
Director (Marketing)

Dr. U. D. Choubey
Chairman & Managing
Director

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

RK Mehra
(Partner)
Membership No. 6102

Place : New Delhi

Dated : June 12, 2009

Profit & Loss Account for the Year ended 31st March, 2009

(Rs. in Crores)

	SCHEDULE NO.	YEARS ENDED 31st MARCH, 2009		YEARS ENDED 31st MARCH, 2008	
INCOME					
Sales		23,573.65		17,871.67	
Less : Excise Duty		516.29		572.01	
		<u>23,057.36</u>		<u>17,299.66</u>	
LPG Transmission / RLNG Shippers Charges		694.30		680.41	
Income from Telecom		24.29		28.13	
		<u>23,775.95</u>		<u>18,008.20</u>	
Add : Accretion to Stock					
Closing Stock		239.66		234.66	
Less : Opening Stock		234.66	5.00	204.78	29.88
			<u>23,780.95</u>		<u>18,038.08</u>
Other Income	9		796.62		556.35
TOTAL			<u>24,577.57</u>		<u>18,594.43</u>
EXPENDITURE					
Purchase of Gas for trading			14,328.39		9,480.19
Gas Pool			752.00		720.47
Manufacturing, Transmission, Administration, Selling & Distribution and other Expenses	10	4,652.60		3,912.09	
Depreciation	4	559.91		571.02	
		<u>5,212.51</u>		<u>4,483.11</u>	
Less : Expenditure during construction period transferred to Capital Work-in-Progress	11	16.74	5,195.77	2.16	4,480.95
TOTAL			<u>20,276.16</u>		<u>14,681.61</u>
Profit before Interest and Finance Charges			4,301.41		3,912.82
Interest and Finance Charges	12	87.00		79.58	
Less : Interest and Finance Charges transferred to Capital Work-in-Progress	11	-	87.00	0.01	79.57
Profit for the year	Carried Forward		<u>4,214.41</u>		<u>3,833.25</u>

(Rs. in Crores)

SCHEDULE NO.	YEARS ENDED 31st MARCH, 2009	YEARS ENDED 31st MARCH, 2008
Brought Forward	4,214.41	3,833.25
Less : Prior Period Adjustments (Net) 13	<u>10.39</u>	<u>(21.75)</u>
Profit before Tax	4,204.02	3,855.00
Provision for Taxation - Current (Includes Wealth Tax Rs. 1.00 Previous Year: 0.10)	1,386.35	1,244.98
- Deferred	6.24	1.02
- FBT	<u>7.73</u>	<u>7.54</u>
	1,400.32	1,253.54
Profit after Tax	2,803.70	2,601.46
Amount available for appropriation	2,803.70	2,601.46
APPROPRIATIONS		
Interim Dividend	507.39	338.26
Proposed Final Dividend	380.54	507.39
Corporate Dividend Tax	150.90	143.72
Bond Redemption Reserve	32.13	32.13
General Reserve	280.00	260.15
Balance Carried to Balance Sheet	1,452.74	1,319.81
TOTAL	<u>2,803.70</u>	<u>2,601.46</u>
Details of Earning Per Share		
A. Profit after tax	2,803.70	2,601.46
B. Weighted Average No. of Equity Shares (Refer Note No.-24 of Notes of Accounts)	1,268,477,400	1,268,477,400
C. Nominal Value per Equity Share (Rs.)	10/-	10/-
D. Basic and Diluted Earning Per Share (Rs.) (Refer Note No.-24 of Notes of Accounts)	22.10	20.51

Notes on Accounts

14

Schedules 1 to 14 and Accounting policies form part of Accounts

N. K. Nagpal
Secretary

R. K. Goel
Director (Finance)

B. C. Tripathi
Director (Marketing)

Dr. U. D. Choubey
Chairman & Managing
Director

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

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

Place : New Delhi

Dated : June 12, 2009

Schedule 1 - Share Capital

(Rs. in Crores)

	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
AUTHORISED		
200,00,00,000 (Previous Year: 100,00,00,000) Equity Shares of Rs. 10/- each	<u>2,000.00</u>	<u>1,000.00</u>
ISSUED, SUBSCRIBED AND PAID-UP		
126,84,77,400 (Previous Year: 84,56,51,600) Equity Shares of Rs. 10/- each fully paid-up (Includes 42,28,25,800 (Previous Year: Nil) Equity shares of Rs. 10/- each issued as bonus shares out of General Reserve)	<u>1,268.48</u>	<u>845.65</u>
TOTAL	<u>1,268.48</u>	<u>845.65</u>

Schedule 2 - Reserves and Surplus

(Rs. in Crores)

	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
Capital Reserve (Grant Received from Danish Govt. for construction of Gas Technology Institute at Noida)		
As per Last Account	1.86	1.98
Less: Transferred to Profit & Loss Account	<u>0.12</u>	<u>0.12</u>
	1.74	1.86
Share Premium Account	0.27	0.27
Investment Allowance (Utilised) Reserve		
As per Last Account	146.48	215.10
Less: Transferred to General Reserve	<u>127.37</u>	<u>68.62</u>
	19.11	146.48
Bonds Redemption Reserve		
As per Last Account	160.64	128.51
Add: Transferred from Profit & Loss Account	<u>32.13</u>	<u>32.13</u>
	192.77	160.64
General Reserve		
As per Last Account	2,013.14	1,684.37
Add: Transferred from Investment Allowance (Utilised) Reserve	127.37	68.62
Add: Transferred from Profit & Loss Account	280.00	260.15
Less: issue of Bonus Share	<u>422.83</u>	<u>-</u>
	1,997.68	2,013.14
Profit and Loss Account		
As per Last Account	9,836.84	8,517.03
Add: Transferred from Profit & Loss Account	<u>1,452.74</u>	<u>1,319.81</u>
	11,289.58	9,836.84
TOTAL	<u>13,501.15</u>	<u>12,159.23</u>

Schedule 3 - Loan Funds

(Rs. in Crores)

	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
SECURED LOANS		
Bonds Series - I (6.10% Secured Non-convertible redeemable Bonds -Series - I are redeemable in 5 equal instalment commencing from the end of the 8 th year upto the end of the 12 th year from the deemed date of allotment August 22, 2003.) (Bonds are secured on pari passu basis, by charge on freehold non agricultural land at village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery, spares, tools and accessories and other movables of the Company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, GREP Vaghodia Plant, Gandhar Plant and Vadodra plant both present and future and whether installed or not and lying or in store)	500.00	500.00
Bonds Series - II (5.85% Secured Non-convertible redeemable Bonds -Series - II are redeemable in 5 equal instalment commencing from the end of the 6 th year upto the end of the 10 th year from the deemed date of allotment March 25, 2004). (Bonds are secured on pari passu basis, by charge on freehold non agricultural land at village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery, spares, tools and accessories and other movables of the Company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, GREP Vaghodia Plant, Gandhar Plant, DUPL Projects and Vadodra Plant both present and future and whether installed or not and lying or in store)	600.00	600.00
	<u>1,100.00</u>	<u>1,100.00</u>
UNSECURED LOANS		
- Other Loans and Advances		
- Oil Industry Development Board (including Rs. 65.75 (Previous Year: Rs. 65.75) due for payment within one year)	100.13	165.87
TOTAL	<u>1,200.13</u>	<u>1,265.87</u>

Schedule 4 - Fixed Assets (Tangible / Intangible Assets)

(Rs. in Crores)

DESCRIPTION	GROSS BLOCK (AT COST)			DEPRECIATION					NET BLOCK	
	As at 1.4.2008	Additions/ Adjustments during the year	Sales/ Adjustments during the year	As at 31.3.2009	Upto 31.3.2008	For the Year	Adjustments during the year	As at 31.3.2009	As at 31.3.2009	As at 31.3.2008
Tangible Assets (A)										
Land : Freehold	63.75	5.73	-	69.48	-		-	-	69.48	63.75
Leasehold	75.48	(0.00)	1.12	74.36	7.29	0.65	(0.16)	7.78	66.58	68.19
Building : Office/Others	394.00	3.31	0.01	397.30	101.10	10.91	(0.01)	112.00	285.30	292.90
Residential	261.43	(0.11)	0.05	261.27	51.82	5.05	(0.02)	56.85	204.42	209.61
Bunk Houses	1.57	-		1.57	1.50	0.02	0.00	1.52	0.05	0.07
Plant and Machinery	15,643.07	685.90	61.64	16,267.33	7,640.02	501.43	(18.53)	8,122.92	8,144.41	8,003.05
Railway Lines & Sidings	5.48	0.00	-	5.48	4.49	0.26	-	4.75	0.73	0.99
Electrical Equipments	139.42	2.53	1.25	140.70	53.51	7.56	(0.74)	60.33	80.37	85.91
Furniture, Fixtures and other Equipments	278.99	17.11	12.69	283.41	137.85	24.88	(11.30)	151.43	131.98	141.14
Transport Equipments	2.63	0.01	0.12	2.52	1.78	0.15	(0.06)	1.87	0.65	0.85
E&P Assets										
Producing Property	-	-	-	-	-	-	-	-	-	-
Support Equipment & Facilities	1.65	0.00	-	1.65	0.19	0.09	-	0.28	1.37	1.46
Total (A)	16,867.47	714.48	76.88	17,505.07	7,999.55	551.00	(30.82)	8,519.73	8,985.34	8,867.92
Intangible Assets (B)										
Right of Use *	46.64	7.32	-	53.96	-	-	-	-	53.96	46.64
Softwares / Licences	43.75	1.20	-	44.95	25.02	8.91	-	33.93	11.02	18.73
Total (B)	90.39	8.52	-	98.91	25.02	8.91	-	33.93	64.98	65.37
TOTAL (A+B)	16,957.86	723.00	76.88	17,603.98	8,024.57	559.91	(30.82)	8,553.66	9,050.32	8,933.29
Previous Year	14,932.56	2,066.26	40.96	16,957.86	7,478.19	571.02	(24.64)	8,024.57	8,933.29	7,454.37
* Right of use for laying pipelines is a perpetual right of use of land but does not bestow upon the company, the ownership of land and hence, treated as intangible asset. However, no amortisation is provided on the same, being perpetual in nature.										

Schedule 5 - Capital work-in-Progress

(Rs. in Crores)

	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
A. Plant & Machinery		
Linepipe Construction and related facilities including Cathodic Protection and Dispatch Terminals	701.33	299.37
Compressor Station	0.02	6.38
Telecom/Telesupervisory System	1.68	-
LPG Pipeline Project	-	2.27
LPG Projects	2.58	2.73
Petrochemicals	6.62	5.26
Telecom Project	0.01	
Others	25.07	29.00
Exploratory Well in Progress	331.54	293.09
Development Well in Progress	12.28	-
B. Buildings	2.39	1.10
Less : Provision for abandonment of Work in Progress	<u>0.33</u>	<u>0.53</u>
	2.06	0.57
C. Linepipes, Capital items in Stock/Transit	1,342.28	176.16
Less : Provision for losses/obsolescence	<u>0.08</u>	<u>8.08</u>
	1,342.20	176.08
D. Advance for Capital Expenditure		
(Unsecured - Considered Good)	0.94	1.91
(Unsecured - Considered Doubtful)	<u>1.80</u>	<u>1.40</u>
	2.74	3.31
Less : Provision for Doubtful Advances	<u>1.80</u>	<u>1.40</u>
	0.94	1.91
TOTAL	<u>2,426.33</u>	<u>816.66</u>

Schedule 6 - Investment

(Rs. in Crores)

	AS AT 31st MARCH, 2009	31st MARCH, 2008
LONG-TERM INVESTMENT		
1. Trade Investments		
Quoted *-		
a) In Joint Venture Companies:		
3,15,00,000 (Previous Year: 3,15,00,000) Equity Shares of Rs. 10/- each fully paid-up in Indraprastha Gas Ltd.	31.50	31.50
9,37,50,000 (Previous Year: 9,37,50,000) Equity Shares of Rs. 10/- each fully paid up in Petronet LNG Ltd. (includes 1,00,00,000 equity shares allotted at a premium of Rs. 5/- per share).	98.75	98.75
b) In Associate Company		
21,00,00,000 (Previous Year 21,00,00,000) Equity Shares of HK\$ 0.01/- each fully paid up in China Gas Holding Ltd. China, acquired at a premium of HK\$ 1.148/ share.	136.32	136.32
c) In Government of India Bonds		
6.96 % Oil Companies GOI Special Bonds 2009 (Alloted in lieu of claims pending with Oil Co-ordination Committee).	6.00	6.00
7 % Oil Companies GOI Special Bonds 2012 (Alloted in lieu of claims pending with Oil Co-ordination Committee).	9.59	9.59
d) Others		
570,600 (Previous Year: 570,600) Equity Shares of Rs. 10-each fully Paid-up in Gujarat Industries Power Co. Ltd. (includes 1,90,200 Equity Shares acquired during the year 1996-97 at a premium of RS.15/- per share).	0.86	0.86
5,14,00,267 (Previous Year: 5,14,00,267) Equity Shares of Rs. 10/- each fully paid up in ONGC Ltd. (Acquired 3,42,66,845 shares during 1999-2000 at a price of RS.162.34 per Share and 1,71,33,422 bonus shares received during 2006-07 .	556.29	556.29
NIL (Previous Year: 3,62,100) units of 6.75% Tax Free US 64 Bonds of RS.100/- each guaranteed by GOI, having maturity date on 01.06.2008.	-	3.62
* Aggregating market value of the above mentioned quoted securities Rs. 4,905.94 (Previous Year. Rs. 6,343.17) (includes cost where market price not available).		
Carried Forward	839.31	842.93

(Rs. in Crores)

	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
Brought Forward	839.31	842.93
Unquoted - At cost		
a) In Subsidiary Company		
21,00,000 (Previous Year : 21,00,000) Equity Shares of USD 1 each fully paid up in GAIL Global (Singapore) Pte. Ltd. incorporated in Singapore (100% subsidiary Company).	9.64	9.64
35000 (Previous Year : 35000) Equity Shares of Rs. 10/- each fully paid up in Brahmaputra Cracker & Polymer Ltd.	0.04	0.04
50,000 (Previous Year : NIL) Equity Shares of Rs. 10/- each fully paid up in GAIL Gas Ltd.	0.05	-
b) In Joint Venture Companies		
4,44,49,960 (Previous Year : 4,44,49,960) Equity shares of Rs. 10/- each fully paid up in Mahanagar Gas Ltd.	44.45	44.45
12,497 (Previous Year : 12,497) Equity shares of Rs. 10/- each fully paid up in Bhagyanagar Gas Ltd.	0.01	0.01
1,35,00,000 (Previous Year : 1,35,00,000) Equity shares of Rs. 10/- each fully paid up in Central UP Gas Ltd.	13.50	13.50
12,500 (Previous Year : 12,500) Equity shares of Rs. 10/- each fully paid up in Green Gas Ltd.	0.01	0.01
25,000 (Previous Year : 25,000) Equity shares of Rs. 10/- each fully paid up in Maharashtra Natural Gas Ltd.	0.03	0.03
50,00,00,000 (Previous Year : 50,00,00,000) Equity shares of Rs. 10/- each fully paid up in Ratnagiri Gas Power Project Ltd.	500.00	500.00
12,500 (Previous Year : 12,500) Equity shares of Rs. 10/- each fully paid up in Aavantika Gas Ltd.	0.01	0.01
c) In Associate Companies		
2,07,60,000 (Previous Year. 2,07,60,000) Equity Shares of Rs.10/- each fully paid-up in Gujrat State Electricity Generation Ltd.	20.76	20.76
19,000 (Previous Year. 19,000) Equity shares of LE 100/- each fully paid up in Fayum Gas Company registered in Egypt.	8.10	8.10
2,20,000 (Previous Year. 2,20,000) Equity Shares of LE 10/- each fully paid up in Shell Compressed Natural Gas Company, Egypt registered in Egypt.	1.61	1.61
Carried Forward	1,437.52	1,441.09

(Rs. in Crores)

	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
Brought Forward	1,437.52	1,441.09
2. Non Trade Investments - Others		
Unquoted - At cost		
i) 30 Shares (Previous Year: 30) of Rs. 50 each fully paid up in Darpa Co-operative Housing Society Ltd., Vadodara	-	-
ii) 50 Shares (Previous Year: 50) of Rs. 50 each fully paid up in Ashoka Apartments Co-operative Housing Society Ltd., Vadodara	-	-
iii) 400 Shares (Previous Year : 400) of Rs. 10 each fully paid up in Sanand Members Association, Ahmedabad	-	-
iv) 35 Shares (Previous Year: 35) of Rs. 50 each fully paid up in Green Field (B) Co-operative Housing Society Ltd., Mumbai	-	-
TOTAL	1,437.52	1,441.09

Schedule 6A - Advances for Investments (Pending Allotment)

(Rs. in Crores)

	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
<u>Join Venture companies</u>		
i) Bhagyanagar Gas Ltd.	17.48	9.98
ii) Tripura Natural Gas Ltd.	0.83	0.83
iii) Green Gas Ltd.	15.48	7.00
iv) Maharashtra Natural Gas Ltd.	22.48	18.48
v) Aavantika Gas Ltd.	13.50	13.50
vi) Ratnagiri Gas & Power Pvt. Ltd.	192.90	-
<u>Subsidiary Companies</u>		
i) Brahmaputra Cracker and Polymer Ltd.	29.13	-
ii) GAIL Gas Ltd.	7.95	-
TOTAL	299.75	49.79

Schedule 7 - Current Assets, Loans and Advances

(Rs. in Crores)

	AS AT 31st MARCH, 2009		AS AT 31st MARCH, 2008	
A. CURRENT ASSETS				
INVENTORIES				
(As taken, valued and certified by the Management)				
Stores and Spares *	305.91		295.18	
Less: Provision for Losses/Obsolescence	2.70	303.21	4.60	290.58
Construction Surplus - Capital/Stores	88.51		73.12	
Less: Provision for Losses/Obsolescence	29.97	58.54	28.55	44.57
Stock of Gas** /Polymers/LPG and Other Products		239.66	234.66	569.81
* includes Rs. 21.72 (Previous Year: Rs. 25.98) in transit		601.41		
**after adjustment of calorific value				
SUNDRY DEBTORS				
Debts outstanding for a period exceeding six months				
- Unsecured, Considered Good	151.45		75.97	
- Unsecured, Considered Doubtful	127.68	279.13	104.37	180.34
Other Debts				
- Unsecured, Considered Good	1,351.89		997.57	
- Unsecured, Considered Doubtful	0.42	1,352.31	-	997.57
		1,631.44		1,177.91
Less : Provision for Doubtful debts		128.10	104.37	1,073.54
		1,503.34		
CASH AND BANK BALANCES				
Cash in hand	0.16		0.14	
Cheques/Stamps in hand	0.01	0.17	0.02	0.16
BANK BALANCES (SCHEDULED BANKS)				
On Current Account (includes Corporate Liquid Term Deposit Rs.82.20 (Previous Year : Rs. 44.40))	133.08		137.47	
On Current Account -Dividend Payable	2.88		2.23	
On Current Account -JV Consortium (Rs. 24914/- (Previous Year : Rs. 24963/-)	-		-	
On Short Term Deposit	1,838.63		3,323.88	
On Short Term Deposit -Gas Pool Money (includes interest accrued but not due Rs.28.63 (Previous Year : Rs. 10.26)	1,413.66		582.53	
On Short Term Deposit -CSR (includes interest accrued but not due Rs.0.35 (Previous Year : Rs. Nil))	10.35		-	
On Short Term Deposit -JV Consortium (includes interest accrued but not due Rs.3.10 (Previous Year : Rs.6.38) (Refer Note No. 5 of Notes to Accounts)	57.38	3,455.98	426.72	4,472.83
		3,456.15		4,472.99
OTHER CURRENT ASSETS				
Interest accrued but not due (Including on investments of Rs.0.04 (Previous Year : Rs. 0.12)		54.63		56.82
Carried Forward		5,615.53		6,173.16

(Rs. in Crores)

	AS AT 31st MARCH, 2009		AS AT 31st MARCH, 2008	
Brought Forward		5,615.53		6,173.16
B. LOANS AND ADVANCES				
Loans/Advances to Subsidiaries	81.03		66.03	
(Unsecured, Considered Good) GAIL Global (Singapore) Pte. Ltd., (100% subsidiary Company incorporated in Singapore) (Includes interest accrued Rs. 2.71 (Previous Year: Rs. 3.58)				
Loans to Employees				
- Secured, Considered Good	142.91		157.56	
- Unsecured, Considered Good (including dues from Directors Rs. 0.12 (Previous Year: Rs. 0.20) (Maximum amount due at any time during the year Rs 0.20) (Previous Year: Rs. 0.35)	23.17		21.75	
Others	0.18	247.29	0.18	245.52
(Unsecured, Considered Good)				
Advances recoverable in cash or in kind or for value to be received				
- Unsecured, Considered Good (includes Rs 1131.74 (Previous Year: Rs. 1160.69) paid / adjusted against Income tax demand under protest.)	2,650.45		1,948.35	
- Unsecured, Considered Doubtful	1.38		1.26	
	2,651.83		1,949.61	
Less: Provision for Doubtful Advances	1.38	2,650.45	1.26	1,948.35
Advance tax / TDS		3,509.32		1,949.63
Claims Recoverable				
- Unsecured, Considered Good	169.92		49.86	
- Unsecured, Considered Doubtful	2.91		0.27	
	172.83		50.13	
Less Provision for doubtful claims	2.91	169.92	0.27	49.86
Deposits with Customs, Port Trust and Others				
- Unsecured, Considered Good	44.03		43.50	
- Unsecured, Considered Doubtful	0.39		0.31	
	44.42		43.81	
Less: Provision for doubtful claims	0.39	44.03	0.31	43.50
TOTAL		12,236.54		10,410.02

Schedule 8 - Current Liabilities and Provisions

(Rs. in Crores)

	AS AT 31st MARCH, 2009		AS AT 31st MARCH, 2008	
A. CURRENT LIABILITIES				
Sundry Creditors (includes Rs. 57.38 (Previous Year Rs. 426.72) payable to JV consortium)	1,972.49		1,797.75	
Deposits/Retention Money from Contractors and others	212.28		185.38	
Abandonment Cost (E&P)	1.25		1.13	
Other Liabilities	452.93		637.50	
Gas Pool Money	1,512.25		710.60	
Unclaimed Dividend (Amount due for credit to Investor Education and Protection Fund is Rs. Nil (Previous Year. Nil)	2.88		2.23	
Interest accrued but not due (includes on loan Rs. 19.22 (Previous Year. Rs. 19.31)	23.84	4,177.92	26.43	3361.02
B. PROVISIONS				
Provision for taxation / FBT/ Wealth Tax	3,390.53		2,018.64	
Provision for Proposed Dividend	380.54		507.39	
Provision for Corporate Dividend Tax	64.67		86.23	
Provision for Leave Encashment and Post Retirement Benefits	141.11	3,976.85	87.13	2,699.39
TOTAL		8,154.77		6,060.41

Schedule 9 - Other Income

(Rs. in Crores)

	YEAR ENDED 31st MARCH, 2009		YEAR ENDED 31st MARCH, 2008	
Dividend from long term (trade) investment		216.29		201.16
Interest on :				
- Bonds (Long term trade investment)		1.13		1.33
- Deposits with Banks		354.38		248.75
- Others		29.23		18.52
		384.74		268.60
(Tax deducted at source : Rs. 80.97 (Previous Year : Rs. 47.90)				
Add : Transferred to Expenditure during construction period (Schedule 11)	(0.20)	384.54	(0.03)	268.57
Export Incentives		-		0.60
Miscellaneous Income including liabilities written back (Tax deducted at source. Rs. 0.36 (Previous Year. Rs. 0.50)		195.91		86.03
Add : Transferred to Expenditure during construction period (Schedule 11)	(0.12)	195.79	(0.01)	86.02
TOTAL		796.62		556.35

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

(Rs. in Crores)

	YEAR ENDED 31st MARCH, 2009	YEAR ENDED 31st MARCH, 2008
Raw Material consumed	2,128.31	1,714.84
Employees Remuneration and Benefits*		
Salaries, Wages and Allowances	420.59	377.49
Contribution to Provident and Other Funds	68.32	17.47
Welfare Expenses	87.76	75.05
	576.67	470.01
Power and Water Charges		
Power, Fuel and Water Charges	132.06	126.78
Gas used as Fuel	737.45	601.59
	869.51	728.37
Stores and Spares consumed	194.53	206.02
Rent	12.66	12.59
Rates and Taxes (includes U. P entry tax on gas)	53.75	45.22
Licence Fees - Telecom	1.78	2.21
Bandwidth Consumption	0.46	0.72
Repairs and Maintenance		
Plant and Machinery	77.95	85.41
Buildings	13.52	16.17
Others	23.99	22.23
	115.46	123.81
Insurance	9.41	17.90
Communication Expenses	8.07	8.04
Printing and Stationery	2.68	2.63
Travelling Expenses	35.68	31.96
Books and Periodicals	0.57	1.15
Advertisement and Publicity	11.89	9.16
Carried Forward	4,021.43	3,374.63

(Rs. in Crores)

	YEAR ENDED 31st MARCH, 2009	YEAR ENDED 31st MARCH, 2008
Brought Forward	4,021.34	3,374.63
Payment to Auditors		
Audit Fees	0.27	0.22
Tax Audit fees	0.04	0.04
Management Services	0.00	0.03
Out of Pocket Expenses	0.09	0.16
	0.40	0.45
Entertainment Expenses	0.11	0.45
Recruitment and Training Expenses	7.67	6.74
Vehicle Hire and Running Expenses	14.09	14.68
Survey Expenses	165.55	87.65
Dry Well Expenses written off	199.53	284.59
Oil & Gas Producing Expenses (Operators)	5.20	0.75
Royalty on Crued Oil	3.60	0.89
Consultancy Charges	18.08	10.30
Data Processing Expenses	0.82	1.66
Donation	4.38	15.78
Research and Development Expenses	-	0.01
Loss on sale / written off of assets(net)	43.74	12.32
Bad Debts/Claims/Advances/Stores written off	0.29	0.08
Provision for Doubtful Debts, Advances, Claims, Deposits and obsolescence of Stores and Capital Items	26.31	(2.65)
Excise Duty on Stock (net)	(8.76)	(3.94)
Expenses on Enabling Facilities	0.87	1.37
Selling & Distribution Expenses	7.79	3.11
Discount on Sales	20.44	16.88
Commission on Sales	14.81	13.13
Security Expenses	46.24	38.04
Corporate Social Responsibility Expenses	31.13	12.82
Other Expenses	28.88	22.35
TOTAL	4,652.60	3,912.09

*** Includes :**

- 1) Rs.111.04 (Previous Year : Rs. 44.67) on account of retirement benefits viz. Leave encashment, Medical, Long Service award, terminal benefit, sick leave and gratuity.

Schedule 11 - Expenditure during Construction Period

(Rs. in Crores)

	YEAR ENDED 31st MARCH, 2009		YEAR ENDED 31st MARCH, 2008	
Employees Remuneration and Benefits				
Salaries, Wages and Allowances	10.66		0.70	
Contribution to Provident and Other Funds	0.57		0.06	
Welfare Expenses	1.69	12.92	0.12	0.88
Power, Fuel and Water Charges		0.07		1.15
Rent		0.56		
Repairs and Maintenance - Plant and Machinery		-		0.01
Repairs and Maintenance - Building		0.04		-
Repairs and Maintenance - Others		0.12		0.02
Insurance		0.02		-
Printing and Stationery		0.04		0.01
Communication Expenses		0.23		0.01
Entertainment Expenses		0.05		0.01
Travelling Expenses		2.41		0.06
Books and Periodicals		0.01		
Recruitment and Training Expenses		0.03		-
Vehicle Hire and Running Expenses		-		0.03
Interest and Finance Charges		-		0.01
Consultancy Charges		0.06		-
Data Processing Expenses		0.01		-
Depreciation		0.11		
Other Expenses		0.06		(0.02)
		16.74		2.17
Less : - Interest Income	0.20		0.03	
- Misc. Income	0.12	0.32	0.01	0.04
Net Expenditure		16.42		2.13
Less :Transferred to Capital Work-in-progress				
a) Mfg., Transmission, Admn., Selling & Distribution and Other Expenses	16.74		2.16	
b) Interest & finance Charges	-		0.01	
c) Other Income	(0.32)	16.42	(0.04)	2.13
Balance Carried over to Balance Sheet		NIL		NIL

Schedule 12 - Interest and Finance Charges

(Rs. in Crores)

	YEAR ENDED 31st MARCH, 2009		YEAR ENDED 31st MARCH, 2008	
Interest on Term Loans				
Foreign Currency Loans	-		0.05	
Other Loans	8.51	8.51	12.87	12.92
Bonds		65.60		65.78
Others		12.81		0.75
Commitment and other Finance Charges		0.08		0.13
TOTAL		87.00		79.58

Schedule 13 - Prior Period Adjustments

(Rs. in Crores)

	YEAR ENDED 31st MARCH, 2009	YEAR ENDED 31st MARCH, 2008
Purchase of Gas	0.01	25.03
Raw Material	0.40	-
Salaries, Wages and Allowances	-	(0.66)
Welfare Expenses	-	0.07
Travelling Expenses	-	(0.17)
Advertisement and Publicity	(0.05)	(0.10)
Power, Fuel and Water Charges	0.20	(0.14)
Stores and Spares consumed	(4.36)	(0.47)
Rent	-	0.02
Rates and Taxes	0.32	0.01
Depreciation(Net)	(0.01)	2.88
Repairs and Maintenance	0.35	(0.04)
Communication Expenses	-	0.32
Recruitment and Training Expenses	0.02	-
Vehicle hire and Running Expenses	-	(0.01)
Survey Expenses	-	(2.95)
Interest	(0.37)	-
Profit/Loss on sale of Assets	(0.28)	
Consultancy Charges	0.94	0.13
Other Expenses	(0.12)	0.18
TOTAL	(2.95)	24.10
Less:		
- Sales	(8.25)	44.25
- Interest Income	1.08	0.00
- Miscellaneous Income	(6.17)	1.60
TOTAL (NET)	10.39	(21.75)

Cash Flow Statement For The Financial Year Ended 31st March, 2009

(Rs. In Crores)

	2008-09	2007-08
A. CASH FLOW FROM OPERATING ACTIVITIES		
1 Net Profit Before Tax And Extraordinary Items	4204.02	3855.00
2 Add:		
Depreciation	559.90	573.90
Capital Reserve	(0.12)	(0.12)
Exchange Rate Variation on loan to subsidiary	(17.07)	0.00
Interest Expenditure	87.00	79.57
Dividend Income On Investments	(216.29)	(201.16)
Interest Income	(384.54)	(268.57)
Provision For Employees Benefits	53.98	35.48
Provision For Pay Revision	79.39	105.00
Provision For Doubtful Debts	23.73	0.75
Other Provisions	2.84	0.93
Provision / Write Off Of Asset / CWIP	199.53	284.59
Foreign Translation Reserve Write Back	0.00	0.00
Profit/Loss On Sale Of Assets (net)	43.74	12.32
	432.09	622.69
3 Operating Profit Before Working Capital Changes (1+2)	4636.11	4477.69
4 Changes In Working Capital (excluding Cash & Bank Balances)		
Trade And Other Receivables	(1265.82)	(693.83)
Inventories	(22.84)	(13.51)
Trade And Other Payables	731.34	668.58
	(557.32)	(38.76)
5 Cash Generated From Operations (3+4)	4078.79	4438.93
6 Direct Taxes Paid	(1500.91)	(1026.78)
NET CASH FROM OPERATING ACTIVITIES (5+6)	2577.88	3412.15
BALANCE CARRIED FORWARD	2577.88	3412.15

Cash Flow Statement For The Financial Year Ended 31st March, 2009

	(Rs. In Crores)	
	2008-09	2007-08
Balance Brought Forward	2577.88	3412.15
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2553.51)	(1241.90)
Sale of Fixed Assets	23.44	12.43
Investment In other Companies	(246.39)	(27.04)
Loans & Advances To Subsidiary	2.06	7.50
Interest Received	305.96	195.55
Dividend Received	216.29	201.16
NET CASH FROM INVESTING ACTIVITIES	(2252.15)	(852.30)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds From Long Term Borrowings	0.00	-
Repayment of Long Term Borrowings	(65.74)	(71.98)
Interest Paid	(89.59)	(81.67)
Dividend & Dividend tax Paid	(1187.24)	(593.62)
NET CASH FROM FINANCING ACTIVITIES	(1342.57)	(747.27)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(1016.84)	1812.58
CASH AND CASH EQUIVALENTS AS AT 01.04.2008 (OPENING BALANCE)	4472.99	2660.41
CASH AND CASH EQUIVALENTS AS AT 31.03.2009 (CLOSING BALANCE)	3456.15	4472.99
Notes :		
1. Cash & Cash Equivalents Include:		
Cash & Bank Balances		
As Per Balance Sheet	3456.15	4472.99
Unrealised (gain)/ Loss On Foreign Exchange	0.00	0.00
Total Cash & Cash Equivalents	3456.15	4472.99

N. K.Nagpal
Secretary

R.K.Goel
Director (Finance)

B. C.Tripathi
Director (Mktg.)

Dr. U. D.Choubey
Chairman & Managing
Director

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

Place : New Delhi
Dated : June 12, 2009

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

ACCOUNTING POLICIES

1. Accounting Convention

The financial statements are prepared on accrual basis of accounting under historical cost convention in accordance with generally accepted accounting principles in India and the relevant provisions of the Companies Act, 1956 including accounting standards notified there under.

2. Use of Estimates

The preparation of financial statements requires estimates and assumptions which affect the reported amount of assets, liabilities, revenues and expenses of the reporting period. The difference between the actual results and estimates are recognized in the period in which the results are known or materialized.

3. Fixed Assets

Fixed Assets are valued at historical cost on consistent basis and are net of refundable taxes & levies wherever applicable. All costs relating to acquisition of fixed assets till commissioning of such assets are capitalized. In the case of commissioned assets where final payment to the Contractors is pending, capitalization is made on provisional basis, including provisional liability pending approval of Competent Authority, subject to necessary adjustment in cost and depreciation in the year of settlement.

4. Intangible Assets

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

5. Capital Work in Progress

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

- b. The capital work in progress includes advance for capital goods/ material in Transit/ value of materials / equipment etc. received at site for use in the projects

6. Borrowing Cost

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

7. Expenses Incurred During Construction Period

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

8. Depreciation / Amortisation

- I. Depreciation on Fixed Assets other than those mentioned below is provided in accordance with the rates as specified in Schedule XIV of the Companies Act, 1956, on straight line method (SLM) on pro-rata basis (monthly pro-rata for bought out assets).
 - a. Assets costing upto Rs.5,000/- are depreciated fully in the year of capitalisation.
 - b. Bunk Houses are amortised on assumption of five years life.
 - c. Oil and Gas Pipelines including other related facilities are depreciated @ 3.17% per annum on SLM basis based on useful life of 30 years.
 - d. Computers at the residence of the employees are depreciated @ 23.75% per annum on SLM basis. Furniture, Electric Equipments and Mobiles provided for the use of employees are depreciated @ 15% per annum on SLM basis.

- e. Cost of the leasehold land not exceeding 99 years is amortised over the lease period.
- f. Depreciation due to price adjustment in the original cost of fixed assets is charged prospectively.
- g. Capital expenditure on the assets (enabling facilities), the ownership of which is not with the Company, is charged off to Revenue.
- h. Software / Licences are amortised in 5 years on straight line method.
- i. No depreciation is being charged on ROU being perpetual in nature.
- j. After impairment of assets, if any, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.
- II. Capital assets installed at the consumers premises on the land whose ownership is not with the company, has been depreciated on SLM basis in accordance with the rates as specified in Schedule XIV of the Company's Act, 1956.

9. Foreign Currency Translation

- a. Transactions in foreign currency are accounted at the exchange rate prevailing on the transaction date.
- b. Monetary items (such as Cash, Receivables, Loans, Payables, etc.) denominated in foreign currencies, outstanding at the year end, are translated at exchange rates (BC Selling Rate for Payables and TT Buying Rate for Receivables) prevailing at year end.
- c. Non monetary items (such as Investments, Fixed Assets, etc), denominated in foreign currencies are accounted at the exchange rate prevailing on the date of transaction(s).
- d. Any gains or loss arising on account of exchange difference either on settlement or on translation is accounted for in the Profit & Loss account.

10. Investments

Investments are classified into current and

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

11. Inventories

- a. Raw materials and Finished products are valued at cost or net realisable value, whichever is lower. Finished products include excise duty and royalty wherever applicable.
- b. Stock in process is valued at cost or net realisable value, whichever is lower. It is valued at cost where the finished products in which these are to be incorporated are expected to be sold at or above cost.
- c. Stores and spares and other material for use in production of inventories are valued at weighted average cost or net realisable value, whichever is lower. It is valued at weighted average cost where the finished products in which they will be incorporated are expected to be sold at/or above cost.
- d. Surplus / Obsolete Stores and Spares are valued at cost or net realisable value, whichever is lower.
- e. Surplus / Obsolete Capital Stores, other than held for use in construction of a capital asset, are valued at lower of cost or net realisable value.

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

13. Grants

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

14. Sale proceeds are accounted for based on

the consumer price inclusive of Statutory Levies and charges upto the place where ownership of goods is transferred.

15. Income from Consultancy/Contact Services, if any, is recognized based on Proportionate Completion Method.
16. The interest allocable to operations in respect of assets commissioned during the year is worked out by adopting the average of debt equity ratios at the beginning and closing of that year and applying the average ratio of debt thus worked out to the capitalised cost.
17. Pre-project expenditure relating to Projects which are considered unviable / closed is charged off to Revenue in the year of declaration/closure.

18. Employees Benefits

- a. All short term employee benefits are recognized at their undiscounted amount in the accounting period in which they are incurred.
- b. Employee Benefits under Defined Contribution Plan in respect of provident fund is recognized based on the undiscounted obligation of the company towards contribution to the fund. The same is paid to the provident fund which is administered through a separate trust.
- c. Employee Benefits under Defined Benefit Plans in respect of leave encashment, compensated absence, post retirement medical scheme, long service award and other terminal benefits are recognized based on the present value of defined benefit obligation, which is computed on the basis of actuarial valuation using the Projected Unit Credit method. Actuarial liability in excess of respective plan assets is recognized during the year.
- d. Provision for gratuity as per actuarial valuation is funded with a separate trust.

19. Taxes on Income

Provision for current tax is made as per the provisions of the Income Tax Act, 1961.

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

20. R&D Expenditure

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

21. Exploration and Development Costs:-

- i) The Company follows Successful Efforts Method for accounting of Oil & Gas exploration and production activities, which includes:-
 - a. Survey Costs are expensed in the year in which these are incurred.
 - b. Cost of exploratory wells is carried as 'Exploratory wells in progress'. Such exploratory wells in progress are capitalized in the year in which the Producing Property is created or is expensed in the year when determined to be dry / abandoned.
 - c. All wells appearing as "exploratory wells in progress" which are more than two years old from the date of completion of drilling are charged to Profits and Loss Account except those wells which have proved reserves and the development of the fields in which the wells are located has been planned.
- ii) Capitalization of Producing Properties
 - a. Producing Properties are capitalised when the wells in the area / field are ready to commence commercial production having proved developed oil and gas reserves.
 - b. Cost of Producing Properties includes cost of successful exploratory wells, development wells, initial depreciation of support equipments & facilities and estimated future abandonment cost.

iii) Depletion of Producing Properties

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

iv) Production cost of Producing Properties

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

22. Provisions, Contingent Liabilities, Contingent Assets & Capital Commitments

- a. Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

Contingent Assets are neither recognized nor disclosed in the financial statements. Contingent liabilities exceeding Rs. 5 Lacs in each case are disclosed by way of notes to accounts.

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

23. Impairment

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

GENERAL

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

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

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

27. a. Claims (including interest on delayed realization from customers) are accounted for, when there is no significant uncertainty that the claims are realizable.
- b. Liability in respect of MGO of Natural gas is not provided for where the same is secured by MGO recoverable from customers. Payments/receipts during the year on account of MGO are adjusted on receipt basis.
- c. Minimum charges relating to transportation of LPG are accounted for on receipt basis.

N. K.Nagpal
Secretary

R. K.Goel
Director (Finance)

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Director (Mktg.)

Dr. U. D.Choubey
Chairman & Managing
Director

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

Place : New Delhi
Dated : June 12, 2009

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

SCHEDULE 14 - NOTES ON ACCOUNTS

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

- i) Share in Capital Commitment of Joint Ventures based on their unaudited statement of accounts: Rs. 340.58 Crores (Previous Year: Rs.308.43 Crores).
- ii) Company's own unexecuted capital commitment: Rs 2890.08 Crores (Previous Year: Rs 452.26 Crores).

2. Contingent Liabilities :-

- I. Claims against the Company not acknowledged as debts: Rs 4758.54 Crores (Previous Year: Rs 3822.84 Crores), which mainly include:-
 - (a) Claims of ONGCL for Rs 352.74 Crores (Previous Year: Rs 390.85 Crores) on account of interest for delayed payment and MGO, etc. Out of these MGO claims of Rs 48.69 Crores (Previous Year: Rs 68.23 Crores) are recoverable on back-to-back basis.
 - (b) Income tax assessments up to the Assessment Year 2006-07 have been completed and a demand of Rs 1212.56 Crores relating to the Assessment Years 1996-97 to 2006-07 (Previous Year: Rs 1162.90 Crores) is raised by disallowing deductions claimed by the company. The company has already made the payment of Rs 1131.74 Crores (Previous Year: Rs 1160.69 Crores) under protest. Based upon the decision of the appellate authorities and the interpretation of the Income Tax Act, the company has been legally advised that the demand is likely to be deleted or it may be substantially reduced. The company has filed appeal against the demand for the Assessment Years 1996-97 to 2004-05 with Income Tax Appellate Tribunal (ITAT) and for Assessment Year 2005-06 & 2006-07 with Commissioner of Income Tax (Appeal).
 - (c) Legal cases for claim of Rs 2507.59 Crores (Previous Year: Rs 2304.04 Crores) by vendors on account of Liquidated damages/Price Reduction Schedule, Natural

Gas price differential etc and by customers for Natural gas transmission charges etc. Further details are not disclosed as same are expected to prejudice the legal proceedings.

- II. Bank Guarantee & Letters of Credit : Rs 1105.82 Crores (Previous Year: Rs 191.75 Crores) including bank guarantees issued on behalf of subsidiaries Rs 9.00 Crores (Previous Year: Nil)
 - III. The Company has issued corporate guarantee for Rs. 254.34 Crores (Previous Year: Nil) in favour of Oil Industry Development Board (OIDB) on behalf of Brahamputra Cracker & Polymer Limited (BCPL), a subsidiary of the company, for raising a loan.
 - IV. Share in Contingent Liabilities of Joint Ventures based on their unaudited statement of accounts: Rs 229.05 Crores (Previous Year: Rs 229.51 Crores).
3. Sales Tax demand of Rs 3449.18 Crores (Previous Year: Rs 3449.18) and interest thereon Rs 1513.04 Crores (Previous Year: Rs 1513.04) for Hazira unit in Gujarat State: Sales Tax Authorities, Ahmedabad have treated the transfer of Natural Gas by the company from the state of Gujarat to other states during the period April, 1994 to March, 2001 as inter-state sales under Section 3(a) of the Central Sales Tax Act. The company has been paying sales tax under section 12 of the Gujarat Sales Tax Act against Form 17 since inception (1987) and accordingly the sales tax assessments have been completed. Based on the interpretation of the provisions of the Sales Tax Act and legal advice from the experts, the company had filed writ petition and special leave petition in the Supreme Court of India. In February, 2005 the case was transferred by Hon'ble Supreme Court to Gujarat Sales Tax Tribunal for decision. The Tribunal has given its judgment on 16.05.2005 accepting the contention of the company for interstate transfer of Natural Gas as branch transfer and not the interstate sale and set aside the demand under

section 41-B of the Gujarat Sales Tax Act. The Hon'ble Tribunal has given further instruction to the Assessing Authority to re-assess and decide tax liability in accordance with the law for the period 1998-99 to 2000-2001 considering interstate transfer of natural gas as branch transfer. The Sales Tax Authorities had filed rectification application under section 72 of the Gujarat Sales Tax Act, 1969 in Gujarat Sales Tax Tribunal against its judgment dated 16.05.2005. The Tribunal had dismissed the rectification application of the sales tax authorities vide its order dated 06.07.2006. The sales tax authorities have now filed petition in hon'ble high Court Ahmedabad against the order of the tribunal and no hearing has yet taken place. In opinion of the management there is a remote possibility of crystallizing this liability.

- 4. (a) Freehold land acquired for city gas Lucknow and Kanpur, Jhansi Maintenance Base Sectionalising Valves in Jamnagar Loni Pipeline and Mumbai valuing Rs 1.70 Crores (Previous Year: Rs 1.78 Crores) are valued / capitalized on provisional basis.
- (b) Title deeds for freehold land, valuing Rs 3.19 Crores (Previous Year: Rs 2.16 Crores) and leasehold land valuing Rs 23.23 Crores (Previous Year: Rs 21.91 Crores) are pending execution.
- (c) Title Deeds in respect of ten residential flats at Asiad Village, New Delhi, valuing Rs 1.17 Crores (Previous Year: Rs 1.17 Crores) are still in the name of ONGCL. Concerned authorities are being pursued for getting the same transferred in the name of the Company.
- (d) The cost of right of use (ROU) amounting to Rs 53.96 Crores as on 31.03.2009 (Previous Year: Rs 46.64 Crores) has been capitalized as intangible asset. The Company has perpetual Right of Use but has no ownership of land.

5. (a) The balance retention from PMT JV consortium amounting to Rs 57.38 Crores (Previous Year: Rs 426.72 Crores) includes interest (net of TDS) amounting to Rs 3.10 Crores (Previous Year: Rs 88.00 Crores) on Short term deposits for the year. The TDS amounting to Rs. Nil (Previous Year: Rs 21.14 Crores) has been deducted by the bankers on the interest earned on Short term deposits. This interest income and TDS does not belong to the company hence not accounted for.
- (b) Liability on account of Gas Pool Money amounting to Rs.1512.25 Crores (Previous Year: Rs. 710.60 Crores) includes interest amounting to Rs. 108.13 Crores (Previous Year: Rs. 19.55 Crores) on short term deposits. This interest does not belong to the company hence not accounted as income.
6. 'Advance recoverable in Cash or in kind or value to be received' includes an amount of Rs.3.02 Crores (Previous Year: Rs.3.11 Crores) recoverable on account of Disinvestment by Government of India of its equity in the company by way of GDR/offer for sale.
7. The Pay Revision of the employees of the company due w.e.f. 1st January 2007 has been approved by Government of India. Pending implementation of pay revision, provision of Rs. 184.39 Crores (upto Previous Year Rs 130.71 Crores) after adjustment of adhoc advance of Rs.58.94 Crores has been made on estimated basis having regard to the guidelines issued by Government of India. Further as per the guidelines, gratuity limit has been enhanced to Rs 10 Lakhs per employee. Considering these, the actuarial valuation for gratuity has been provided for during the year.

8. A net amount of Rs 2.22 Crores (Previous Year: Rs 6.22 Crores) has been credited to Profit & Loss account due to exchange rate variation.
9. The required disclosure under the Revised Accounting Standard 15 is given as below:

(i) DEFINED CONTRIBUTION PLAN

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

An amount of **Rs 20.25 Crores** (Previous Year Rs. 15.50 Crores) expense recognized as for defined contribution plan (Contributory Provident Fund).

(ii) DEFINED BENEFIT PLAN

Brief description.

A) Earned Leave Benefit (EL)

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

B) Half Pay Leave (HPL)

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

C) Gratuity

15 days salary for every completed year of service. Vesting period is 5 years and payment is restricted to Rs 10 Lakhs (Previous Year : Rs.3.50 Lakhs).

D) Post Retirement Medical Benefit (PRMS)

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

E) Terminal Benefits

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

F) Long Service Award (LSA)

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

The following table summarizes the components of net benefit expenses recognized in the Profit and Loss Account.

	Gratuity		PRMS		EL		Terminal Benefits		SL		LSA	
	08-09	07-08	08-09	07-08	08-09	07-08	08-09	07-08	08-09	07-08	08-09	07-08
A. Expenses recognized in the P&L Account												
Current Service Cost	6.90	4.10	1.45	1.11	5.73	3.65	0.12	1.12	2.33	1.31	-	-
Past service cost	8.49	-	-	-	-	-	-	-	-	-	-	-
Interest on Benefit Obligation	3.52	3.56	1.34	1.25	3.08	2.99	0.08	0.06	1.20	1.22	-	-
Expected Return on Plan Assets	(4.13)	(3.78)	-	-	-	-	-	-	-	-	-	-
Net actuarial Gain / (Loss) recognized in the year	(33.28)	(1.86)	(6.45)	1.47	(27.85)	6.63	0.14	(0.85)	(11.54)	(0.18)	(1.93)	-
Expenses recognized in P&L Account for FY 2008-09	48.06	2.02	9.24	3.83	36.66	13.27	0.06	0.33	15.07	2.35	1.93	2.40
Expenses recognized in P&L Account for Transitional Period	-	-	-	-	-	1.35	-	0.80	-	15.11	-	3.21
B. The amount recognized in the Balance Sheet												
Present value of Obligation as at 31.03.2009 (I)	101.45	50.42	27.84	19.19	72.86	44.03	1.10	1.13	32.01	17.16	7.30	5.62
Fair value of Plan Assets as at 31.03.2009 (II)	54.68	51.05	-	-	-	-	-	-	-	-	-	-
Difference (II) - (I)	(46.77)	0.63	(27.84)	(19.19)	(72.86)	(44.03)	(1.10)	(1.13)	(32.01)	(17.16)	(7.30)	(5.62)
Net Asset / (Liability) recognized in the Balance Sheet	(46.77)	0.63	(27.84)	(19.19)	(72.86)	(44.03)	(1.10)	(1.13)	(32.01)	(17.16)	(7.30)	(5.62)
C. Changes in the Present Value of the Defined Benefit Obligations:												
Present value of Obligations as at 01.04.2008	50.42	44.62	19.19	15.66	44.03	37.34	1.13	0.80	17.16	15.11	5.62	3.21
Interest Cost	3.52	3.56	1.34	1.25	3.08	2.99	0.08	0.06	1.20	1.22	-	-
Current Service Cost	6.90	4.09	1.45	1.11	5.73	3.65	0.12	1.12	2.33	1.31	-	-
Past service cost	8.49	-	-	-	-	-	-	-	-	-	-	-
Expected return on plan assets	(4.13)	-	-	-	-	-	-	-	-	-	-	-
Actual return on plan assets	4.30	-	-	-	-	-	-	-	-	-	-	-
Benefit Paid	(1.33)	-	(0.59)	(0.30)	(7.83)	(6.58)	(0.09)	-	(0.22)	(0.30)	(0.25)	-
Net Actuarial Gain / (Loss) on Obligation	(33.28)	(1.86)	6.45	1.47	27.85	6.63	0.14	(0.85)	11.54	(0.18)	1.93	-
Present Value of the Defined Benefit Obligation as at 31.03.2009	101.45	50.41	27.84	19.19	72.86	44.03	1.10	1.13	32.01	17.15	7.30	-
D. Changes in the Fair Value of Plan Assets												
Fair Value of Plan Assets as at 01.04.2008	51.71	47.27	-	-	-	-	-	-	-	-	-	-
Expected return on Plan Assets	4.14	3.78	-	-	-	-	-	-	-	-	-	-
Contributions by Employer	0.01	-	-	-	-	-	-	-	-	-	-	-
Benefit Paid	(1.34)	-	-	-	-	-	-	-	-	-	-	-
Actuarial Gain / (Loss)	0.16	-	-	-	-	-	-	-	-	-	-	-
Fair Value of Plan Assets as at 31.03.2009	54.68	51.05	-	-	-	-	-	-	-	-	-	-
Principal actuarial assumption at the Balance Sheet Date												
Discount rate	7%	8%	7%	8%	7%	8%	7%	8%	7%	8%	7%	8%
Expected return on plan assets	8%	8%										
Annual increase in costs	-	-	5%	5.50%	-	-	5%	5.5%	-	-	5%	5.50%
Annual increase in salary	5%	5.50%	-	-	5%	5.50%	-	-	5%	5.50%	-	-
Mortality table referred												
			LIC (1994-96) DULY MODIFIED									
			AGE		WITHDRAWAL RATE % (2008-09)						WITHDRAWAL RATE % (2007-08)	
Withdrawal Rate/Employee turnover rate			UPTO 30 YEARS		3%						3%	
			UPTO 44 YEARS		2%						2%	
			ABOVE 44 YEARS		1%						1%	

NOTE:

- (i) The estimates of future salary increases considered in actuarial valuation, taken account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
10. MOP&NG had issued scheme of sharing the under recoveries of Oil marketing Companies on account of non-revision in selling price of PDS Kerosene and domestic LPG. During the year, the Company has given discounts to Oil marketing Companies amounting to Rs.1781.20 Crores (Previous Year: Rs.1313.74 Crores) out of which Rs.86.98 Crores (Previous Year: Rs.387.24 Crores) pertain to short provision for the quarter Jan-March'2008. Corresponding adjustment on account of CST amounting to Rs.20.93 Crores (Previous Year: Rs.20.05 Crores) has been made.
11. (a) The Company is raising provisional invoices for sale of R-LNG as the supplier M/s Petronet LNG Ltd (PLL) is also raising provisional invoices on the Company since customs duty on import of LNG by PLL has been assessed on provisional basis.
- (b) With effect from April 1, 2002, Liquefied Petroleum Gas prices has been deregulated and is now based on the import parity prices fixed by the Oil Companies. However, the pricing mechanism is provisional and is pending finalization. Additional asset/liability or impact on profits, if any, arising due to such change, will be recognized on finalization of pricing mechanism.
- (c) Petroleum and Natural Gas Regulatory Board (PNGRB) have issued PNGRB ("Determination of Natural Gas Pipeline Tariff") Regulations 2008 effective from 20th November 2008. As per these Regulations, the natural gas pipeline tariff being charged by the company for its pipeline networks in operation is subject to revision with retrospective effect in accordance with the Regulations. Impact on profits, if any, will be recognized when the pipeline tariff is revised in accordance with the Regulations.
- (d) Value of Annual Take or Pay Quantity (ATOPQ) of Gas is accounted for on receipt basis and shown as liability till make up Gas is delivered to customer, during the recovery period, in terms of the Gas Sales Agreement with the customers.
12. In compliance of Accounting Standard 17 on "Segment Reporting" as notified under Companies Accounting Standard Rules,2006, the required information is given as per Annexure A to this schedule. The Company has adopted following Business segments as its reportable segment.
- (i) Transmission services
a) Natural Gas
b) LPG
- (ii) Natural Gas Trading

- (iii) Petrochemicals
(iv) LPG and other Liquid Hydrocarbons
(v) GAILTEL
(vi) Others

There are no geographical segments.

13. In compliance of Accounting Standard 18 on "Related party Disclosures" as notified under Companies Accounting Standard Rules,2006, the names of related parties, nature of relationship and detail of transactions entered therewith are given in Annexure B.
14. (a) In compliance of Accounting Standard 22 on "Accounting for taxes on Income" as notified under Companies Accounting Standard Rules,2006, the Company has provided accumulated net deferred tax liability in respect of timing difference as on 31st March,2009 amounting to Rs.1325.93 Crores (Previous Year: Rs 1319.69 Crores). Net Deferred tax expense for the year of Rs 6.24 Crores (Previous Year: Rs. 1.02 Crores) has been charged to Profit & Loss Account. The item- wise details of deferred tax liability are as under:

(Rs in Crores)

	As on 31st March, 2009	As on 31st March, 2008
Deferred tax liability:		
a) Depreciation	1470.56	1421.96
b) Others	12.76	12.76
Less: Deferred Tax Assets:		
c) Provision for Retirement Benefits other than Gratuity	47.96	29.62
d) Provision for Doubtful Debts/Claims/Advances	56.99	48.05
e) Others including liability for pay revision	52.44	37.36
f) Deferred tax Liability (net)	1325.93	1319.69

14. (b) Income Tax Provisions for the current year includes Rs. 22.17 Crores related to Financial Year 1998-99 being demand paid on an order passed under section 154 of the Income Tax Act, 1961.
15. In Compliance of Accounting Standard 27 on "Financial Reporting of Interests in Joint Ventures" as notified under Companies Accounting Standard Rules,2006, brief description of Joint Ventures of the Company are:
- (i) **Mahanagar Gas Limited:** A Joint venture with British Gas Plc. and Government of Maharashtra to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in Mumbai. The Company has invested Rs 44.45 Crores for acquiring

4,44,49,960 equity shares of Rs 10 each of the Company, presently being 49.75% of the paid up capital.

- (ii) **Indraprastha Gas Limited:** A Joint venture with BPCL and Government of National Capital Territory (NCT) of Delhi to supply gas to domestic, commercial units and CNG for transport sector in Delhi. The Company has invested Rs 31.50 Crores for acquiring 3,15,00,000 equity shares of Rs 10 each of the Company, presently being 22.50% of the paid up capital.
- (iii) **Petronet LNG Limited:** A Joint venture with BPCL, IOCL and ONGCL for setting up LNG imports facilities. The Company has invested Rs 98.75 Crores for acquiring 9,37,50,000 equity shares of Rs 10 each of the Company, presently being 12.50% of the paid up capital.
- (iv) **Bhagyanagar Gas Limited:** A Joint Venture Company with HPCL for distribution and marketing of CNG, Auto LPG, Natural Gas and other gaseous fuels in Andhra Pradesh with the equity participation of 22.50% of the paid up capital. The Company has an investment of Rs. 0.01 Crores and has been allotted 12,497 equity shares of Rs 10 each of the Company. The Company has further paid Rs 17.48 Crores (Previous Year: Rs. 9.98 Crores) as advance pending allotment of equity shares.
- (v) **Tripura Natural Gas Company Limited :** A Joint Venture Company with Assam Gas Company Limited and Tripura Industrial Development Corporation for transportation and distribution of natural gas through pipelines in Tripura with the equity participation of 29% of the paid up capital. The Company has paid Rs 0.83 Crores (Previous Year: Rs. 0.83 Crores) as advance pending allotment of equity shares.
- (vi) **Central UP Gas Limited:** A Joint Venture Company with BPCL to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in Kanpur, Uttar Pradesh with the equity participation of 22.50% of the paid up capital. The Company has an investment of Rs. 13.50 Crores and has been allotted 1,35,00,000 equity shares of Rs 10 each of the Company.
- (vii) **Green Gas Limited:** A Joint Venture Company with IOCL to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in Agra & Lucknow, Uttar Pradesh with the equity participation of 22.50% of the paid up capital. The Company has an investment of Rs. 0.01 Crores and has been allotted 12,500 equity shares of Rs 10 each of the Company. The Company has paid Rs 15.48 Crores (Previous Year: Rs. 7 Crores) as advance pending allotment of equity shares.
- (viii) **Maharashtra Natural Gas Limited:** A Joint Venture Company with BPCL to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in Pune, Maharashtra with the equity participation of 22.50% of the paid up capital. The Company has an investment of Rs. 0.03 Crores and has been allotted

25,000 equity shares of Rs 10 each of the Company. The Company has paid Rs 22.48 Crores (Previous Year: Rs. 18.48 Crores) as advance pending allotment of equity shares.

- (ix) **Ratnagiri Gas and Power Private Limited:** A Joint Venture company promoted by GAIL, NTPC and other Financial Institutions for the revival of the Dabhol Project with the equity participation of 28.33% of the paid up capital. The Company has an investment of Rs. 500.00 Crores and has been allotted 50,00,00,000 equity shares of Rs 10 each of the Company. The Company has paid Rs 192.90 Crores (Previous Year: Nil) as advance pending allotment of equity shares.
- (x) **Avantika Gas Ltd.** A Joint Venture company promoted by GAIL and HPCL to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in MP with the equity participation of 22.5% of the paid up capital. The Company has an investment of Rs. 0.01 Crores and has been allotted 12,500 equity shares of Rs 10 each of the Company. The Company has paid Rs 13.50 Crores (Previous Year: Rs. 13.50 Crores) as advance pending allotment of equity shares.

The Company's share in the assets and liabilities as at 31st March, 2009 and in the Income and expenditure for the year in respect of above Joint ventures, based on unaudited statements of accounts as furnished by them, is as under: Final adjustments shall be effected during the year in which audited accounts are received.

(Rs in Crores)

	2008-09	2007-08
A. Assets		
Long Term Assets	1992.84	2071.54
Current Assets	711.62	469.90
B. Current Liabilities & Provisions	507.75	352.16
C. Income	1974.52	1619.90
D. Expenditure	1889.52	1362.32
E. Contingent Liability (*)	229.05	229.51

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

16. Jointly Controlled Assets

- (i) The Company has participated in joint bidding under the Government of India New Exploration Licensing Policy and overseas exploration bidding and has 24 Blocks (PY 24 Blocks) for which the Company has entered into Production Sharing Contract with respective host Governments along with other partners for Exploration & Production of Oil and Gas. The Company is a non-operator, except in Block RJ-ONN-2004/1 where it is a joint operator, and would share in Expense/Income/Assets/Liabilities based upon

its percentage in production sharing contract. The participating interest in the following twenty three NELP Blocks in India and one overseas block in Oman as on 31st March, 2009 is as under:

Sl No.	Joint Venture under NELP Blocks	Participating Interest	Sl No.	Joint Venture under NELP Blocks	Participating Interest
1	MN-OSN-2000/2	20%	13	CY-DWN-2004/1	10%
2	CB-ONN-2000/1	50%	14	CY-DWN-2004/2	10%
3	AA-ONN-2002/1	80%	15	CY-DWN-2004/3	10%
4	CY-ONN-2002/1	50%	16	CY-DWN-2004/4	10%
5	AA-ONN-2003/1	35%	17	CY-PR-DWN-2004/1	10%
6	CB-ONN-2003/2	20%	18	CY-PR-DWN-2004/2	10%
7	AN-DWN-2003/2	15%	19	KG-DWN-2004/1	10%
8	Block 56, Oman	25%	20	KG-DWN-2004/2	10%
9	RJ-ONN-2004/1	22.225%	21	KG-DWN-2004/3	10%
10	KG-ONN-2004/2	40%	22	KG-DWN-2004/5	10%
11	MB-OSN-2004/1	20%	23	KG-DWN-2004/6	10%
12	MB-OSN-2004/2	20%	24	CY-ONN-2005/1	40%

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

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

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

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

- (iv) The Company's share in the assets and liabilities as at 31st March 2009 and in the Income and the expenditure for the year in respect of joint operations project blocks has been incorporated in the Company's financial statements based upon un audited statement of accounts submitted by the operators are given below and final adjustments shall be effected during the year in which audited accounts are received.

(Rs in Crores)

Particulars	2008-09	2007-08
Income	33.76	17.62*
Expenses	380.94	363.39
Fixed Assets(Gross Block)	4.58	3.70
Producing Property	-	-
Other Assets	386.41	342.22
Current Liabilities	125.91	105.81

* Including excess of test production revenue of Rs 10.73 Crores

- (v) Share of Minimum work programme committed under various production sharing contracts in respect of E & P joint ventures is Rs 585.67 Crores (Previous Year: Rs 449.72 Crores)

Quantitative information:

Details of Company's Share on 31.03.2009 for Block no. CB-ONN-2000/1:

(Value Rs in Crores)

Particulars	Opening stock		Production (Treated & processed crude)		Sales		Closing Stock	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Crude Oil	(MT)		(MT)		(MT)		(MT)	
Year ended 31/03/09	73.56	0.05	13697.26	-	13153.22	35.42*	617.60	0.25
Year ended 31/03/08	-	-	2757.97**	-	2684.41	6.90	73.56	0.05

* The above value includes test production sales from PK#1 and Sanand East Field for Rs 2.71 Crores.

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

Details of Company's share of Proved Oil Reserves as on 31.03.2009 for Block no. CB-ONN-2000/1:

Particulars	Opening	Addition	Deletion	Production	Closing
	Qty (MT)	Qty (MT)	Qty (MT)	Qty (MT)	Qty (MT)
Crude Oil	740,000.00			14,181.63	7,25,818.37

As intimated by Gujarat State Petroleum Corporation Ltd (Operator)

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

18. In some cases, the Company has received intimation from Micro and Small Enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006". The Company has certified that as a practice, the payment to Suppliers is made within 7-10 days. No payments beyond appointed date were noticed. The amount remaining unpaid as at 31st March 2009 is Rs.1741.78 Crores (Previous Year: Rs. 1627.02 Crores). No payments beyond the appointed date were noticed. No interest was paid or payable under the Act.
19. Following Government of India's approval, the shareholders of the Company in the Annual General Meeting held on 15th September, 1997 approved the transfer of all the assets including Plant and Machinery, accessories and other related assets which are part of Lakwa Project to Assam Gas Cracker Complex at a price to be determined by an independent Agency and on terms and stipulations as the Board may in its discretion deem fit. The Cabinet committee on Economic affairs (CCEA) has approved the setting up of Assam Gas based cracker project at Lepetkata by formation of a JVC in which GAIL will have equity participation of 70%. A company by the name of Brahmaputra Cracker and Polymer Limited has been incorporated during 2006-07. The gross block of fixed assets and Capital work in progress value of Lakwa unit is Rs.252.58 Crores as on 31st March 2009 (Previous Year: Rs. 252.16 Crores).
20. Non-Refundable Deposits made with the concerned authorities for railway crossings, forest crossings, removal and laying of electric/telephone poles and lines are accounted for under Capital Work-in-Progress on the basis of work done/confirmation from the concerned department.
21. Balances grouped under Material with Contractors, Sundry Debtors, Loans and Advances, Deposits and Sundry Creditors, etc. are subject to confirmation.
22. Duty Entitlement Pass Book (DEPB)/Duty Entitlement Exemption Certificate (DEEC) income is accounted for on the basis of acceptance/certificate issued by Director General of Foreign Trade (DGFT).
23. The Company has incurred an expenditure of Rs 0.32 Crores (Previous Year: Rs. 0.32 Crores) on account of proposed City gas projects to be set up under JV which is accounted under capital Work in progress. This amount would be recoverable from the proposed Joint ventures to be formed for city gas distribution projects in India.
24. In accordance with the approval of the Shareholders in the Annual General Meeting held on 4th September 2008, the Company has during the year allotted Bonus Shares in the ratio of one equity share for every two equity shares held by share holders. The paid up share capital of the company increased to Rs. 1268.48 Crores. EPS of the current and previous year has been calculated in accordance with Accounting Standard-20 as notified under Companies Accounting Standard Rules, 2006. Further, the Board in its meeting held on 6th October 2008 had approved the appointment of Independent Trustee for disposal of odd lot of shares. Accordingly, resulting 17,532 fractional equity shares for 35,064 shareholders were consolidated and allotted to the Trustee who sold the same and distributed the sale proceeds equally among all entitled shareholders. The calculation of basic and diluted earnings per share for the year ended 31.03.08 has been adjusted for bonus shares issued during 2008-09.
25. In terms of approval of Board of Directors, the Company levied service charge @ Rs.110/- per 1000 SCM w.e.f. 1.10.2008 on supply of Natural Gas to APM customers and intimated to Ministry of Petroleum & Natural Gas (MOP&NG). In terms of MOP&NG letter dated 20.04.2009, revenue of Rs.89.41 Crores recognised in the books of Accounts towards service charge till 31.3.2009 have been reversed and provision of Rs. 2.64 Crores has been made for taxes doubtful of recovery.
26. The Profit & Loss Account includes: -
 (a) Expenditure on Public Relations amounting to Rs 11.89 Crores (Previous Year: Rs 9.16 Crores). The ratio of annual expenditure on Public Relations and Publicity to the annual turnover is 0.0005:1 (Previous Year: 0.0005:1).
 (b) Research and Development Expenses Rs Nil (Previous Year: Rs 0.01 Crores).
 (c) Entertainment Expenses Rs.0.11 Crores (Previous Year: Rs 0.45 Crores).
27. Previous Year's (PY) figures have been regrouped and recast to the extent practicable, wherever necessary. Figures in brackets indicate deductions

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

I. Quantitative Information

(Value Rs. In Crores)

	Opening Stock		Purchase		Sales		Internal Consumption		Closing Stock	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Natural Gas including RLNG (MMSCM)										
Year Ended 31.03.2009	162.13	146.34	29031.20	17946.15	26667.75	17336.27	2201.85	3140.47	173.92	171.84
Year Ended 31.03.2008	146.88	101.03	25529.03	12517.09	23274.55	12060.52	2014.95	2537.88	162.13	146.34
LPG (M/T)										
Year Ended 31.03.2009	9003.48	11.10	-	-	1092214.12	1871.33	-	-	6738.19	9.51
Year Ended 31.03.2008	5983.96	5.43	-	-	1039485.42	1668.30	-	-	9003.48	11.10
Pentane (M/T)										
Year Ended 31.03.2009	1695.63	5.64	-	-	58528.46	204.49	-	-	1296.38	2.89
Year Ended 31.03.2008	1910.70	5.02	-	-	73748.34	263.30	-	-	1695.63	5.64
Propane (M/T)										
Year Ended 31.03.2009	3882.36	6.64	-	-	153152.75	604.71	-	-	4069.76	7.44
Year Ended 31.03.2008	3346.36	5.72	-	-	155291.60	528.97	-	-	3882.36	6.64
SBP Solvent(M/T)										
Year Ended 31.03.2009	529.46	1.10	-	-	33697.13	155.44	-	-	121.60	0.23
Year Ended 31.03.2008	831.90	1.46	-	-	32573.08	139.73	-	-	529.46	1.10
Naptha (MT)										
Year Ended 31.03.2009	1611.98	4.17	-	-	68038.40	252.92	-	-	1520.49	2.64
Year Ended 31.03.2008	1543.89	3.36	-	-	42821.44	153.66	-	-	1611.98	4.17
Polymers (M/T)										
Year Ended 31.03.2009	9958.16	36.48	-	-	422545.82	2944.11	0.50	-	7519.89	25.22
Year Ended 31.03.2008	15159.37	59.61	-	-	390756.93	2888.20	-	-	9958.16	36.48
C2/C3 (M/T)*										
Year Ended 31.03.2009	2665.61	3.39	-	-	-	-	-	-	4757.25	6.77
Year Ended 31.03.2008	620.56	0.88	-	-	-	-	-	-	2665.61	3.39
Ethylene (M/T)										
Year Ended 31.03.2009	955.85	1.87	-	-	-	-	-	-	730.90	1.54
Year Ended 31.03.2008	3749.80	8.25	-	-	-	-	-	-	955.85	1.87
Butene-1 (M/T)*										
Year Ended 31.03.2009	895.59	2.79	-	-	-	-	-	-	592.76	1.82
Year Ended 31.03.2008	484.35	1.68	-	-	109.77	0.94	-	-	895.59	2.79
CNG (000'KG)										
Year Ended 31.03.2009	-	-	-	-	10345.32	21.96	-	-	-	-
Year Ended 31.03.2008	-	-	-	-	6626.86	14.11	-	-	-	-
Other Products(M/T)										
Year Ended 31.03.2009	7728.22	15.09	-	-	42249.78	149.64	13260.12	25.86	5844.10	9.50
Year Ended 31.03.2008	8753.13	12.34	-	-	42474.22	136.32	12105.58	18.54	7728.22	15.09

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

(ii) Natural Gas used for Fuel & Raw Material.

(iii) Captive Consumption of Polymer includes 0.500 MT(Previous Year Nil) of free sample.

(*) Ethylene, Butane 1 and C2/C3 are consumed internally for manufacture of final products at PATA

(Rs in crores)

	2008-09	2007-08
II. CIF Value of Imports		
I) Capital Goods	28.47	31.15
ii) Spare Parts & Components	73.14	78.41
III. a) Expenditure in Foreign Currency		
I) Interest/Commitment Charges	0.00	0.05
ii) Technical/Consultancy/License Fee/Engineering	27.26	23.27
iii) Others	1921.86	679.31
b) Earnings in Foreign Currency		
I) Sales	0.00	0.00
ii) Others (Including Tender fee)	6.96	6.87
IV. Remuneration paid/payable to Directors		
Functional Directors including Chairman & Managing Director:		
Salaries & Allowances	0.89	0.55
Contribution to Provident and Other Funds	0.06	0.08
Other Benefits and Perquisites	0.14	0.41
	<u>1.09</u>	<u>1.04</u>
Independent Directors:		
Directors Sitting Fee	0.06	0.05
Honorarium	-	-
(Rs. 30,000/- (Previous Year: Nil))		

- a. In addition to above remuneration, Whole time Directors are allowed the use of Staff cars including for private journeys upto a ceiling of 1000 Kms. per month on payment in accordance with the Bureau of Enterprises Circular.
- b. The remuneration did not include Provision for Leave, Gratuity and Post Retirement Benefits as per revised Accounting Standard-15 since the same were not ascertained for individual employees, and effect of Pay revision for which estimated provisions have been made (refer Note No-7 & 9).

V. Licensed Capacity, Installed Capacity and Actual Production*

	CURRENT YEAR 2008-09				PREVIOUS YEAR 2007-08			
	Licensed Capacity	Installed Capacity	Gas Throughput	Production	Licensed Capacity	Installed Capacity	Gas Throughput	Production
I) Natural Gas including RLNG (MMSCMD)								
a) HVJ,GREP & DVPL	69.30	69.30	50.62	-	69.30	69.30	46.34	-
b) Others	73.40	73.45	22.53	-	72.50	72.50	22.76	-
c) RLNG Shipper	-	-	10.14	-	-	-	13.00	-
ii) LPG (M/T)	1112376	1112376	-	1087986	1168844	1110844	-	1042597
iii) Propane (M/T)	201085	201085	-	152671	201085	201085	-	155873
iv) Ethylene (M/T)	400000	400000	-	431580	400000	400000	-	393389
v) HDPE/LLDPE (M/T)	410000	410000	-	420108	410000	410000	-	385593
vi) Pentane	82454	82454	-	58392	82454	82454	-	73505
vii) SBP Solvent/Naptha	110743	110743	-	101493	110743	110743	-	75126
viii) CNG (000'KG)	-	-	-	10345	-	-	-	6627
ix) C2/C3**	-	400000	-	584625	-	400000	-	544133
x) Butane-1***	10000	10000	-	9374	10000	10000	-	9463

Notes :

* As certified by the company and relied upon by auditors

** Internally consumed

***Internally consumed

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

	CURRENT YEAR 2008-09			PREVIOUS YEAR 2007-08		
	Qty.	Rs in crores	%	Qty.	Rs in crores	%
i) Raw Material Consumed						
a) Gas (MMSCM)						
- Indigeneous	1294.04	2128.31	100.00	1167.25	1714.84	100.00
- Imported	-	-	-	-	-	-
Sub total		2128.31			1714.84	
ii) Stores , Spares Component						
Consumed						
- Indigeneous	-	107.89	55.46	-	90.04	43.70
- Imported	-	86.64	44.54	-	115.98	56.30
Sub total		194.53	100.00		206.02	100.00
Total		2322.84			1920.86	

N. K. Nagpal
Secretary

R. K. Goel
Director (Finance)

B. C. Tripathi
Director (Marketing)

Dr. U. D. Choubey
Chairman & Managing
Director

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

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

Place : New Delhi

Dated : June 12, 2009

Information About Business Segments For Financial Year 2008-09

(Annexure - A)
(Rs in Crores)

SL NO	SEGMENTS	Transmission Services **		Natural Gas Trading **	Petro-Chemicals	LPG & Liquid Hydro Carbons	GAILTEL	OTHERS ***	Un-allocable	Total	Elimination	Consolidated Total
		Natural Gas	LPG									
1	REVENUE											
	External Sales/Other Income	2,216.11	380.33	15,434.15	2,705.03	2,964.13	24.29	51.91	-	23,775.95	-	23,775.95
	Intersegment sales	266.33	-	2,874.15	25.85	-	-	-	-	3,166.33	3,166.33	-
	Total revenue	2,482.44	380.33	18,308.30	2,730.88	2,964.13	24.29	51.91	-	26,942.28	3,166.33	23,775.95
2	RESULTS											
	Segment Result (Profit before Interest & Tax)	1,598.18	221.13	348.09	1,209.96	859.07	(4.55)	(338.81)	-	3,893.07	-	3,893.07
	Unallocated expenses (Net)								202.88	202.88	-	202.88
	Operating Profit	1,598.18	221.13	348.09	1,209.96	859.07	(4.55)	(338.81)	(202.88)	3,690.19	-	3,690.19
	Interest Expenses								87.00	87.00	-	87.00
	Interest/ Dividend Income								600.83	600.83	-	600.83
	Provision for Taxation								1400.32	1400.32	-	1400.32
	Profit/(Loss) from Ordinary Activities	1,598.18	221.13	348.09	1,209.96	859.07	(4.55)	(338.81)	(1,089.37)	2,803.70	-	2,803.70
	Extra Ordinary Items	-	-	-	-	-	-	-	-	-	-	-
	Net Profit/(Loss)	1,598.18	221.13	348.09	1,209.96	859.07	(4.55)	(338.81)	(1,089.37)	2,803.70	-	2,803.70
3	OTHER INFORMATION											
	Segment Assets	8,270.69	997.53	-	2,095.21	1,307.20	49.11	22.32		12,742.06	-	12,742.06
	Unallocated Assets	-	-	-	-	-	-	-	12,708.33	12,708.33	-	12,708.33
	Total Assets	8,270.69	997.53	-	2,095.21	1,307.20	49.11	22.32	12,708.33	25,450.39	-	25,450.39
	Segment Liabilities	1,475.79	44.90	-	103.38	91.64	18.94	126.55		1,861.20	-	1,861.20
	Unallocated Liabilities								6,293.50	6,293.50	-	6,293.50
	Total Liabilities	1,475.79	44.90	-	103.38	91.64	18.94	126.55	6,293.50	8,154.70	-	8,154.70
	Cost to acquire fixed assets	643.05	32.23	-	22.58	18.28	-	2.67	4.19	723.00	-	723.00
	Depreciation*	236.56	68.49	-	154.12	84.77	7.41	0.82	7.74	559.91	-	559.91
	Non Cash expenses other than Depreciation*	29.53	0.13	23.80	0.96	2.91	5.29	-	207.24	269.86	-	269.86

Sales net off Excise Duty

* Excluding Prior period adjustments

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

*** Others includes E&P & City Gas.

Information About Business Segments For Financial Year 2007-08

(Annexure - A)
(Rs in Crores)

SL NO	SEGMENTS	Transmission Services **		Natural Gas Trading **	Petro-Chemicals	LPG & Liquid Hydro Carbons	GAILTEL	OTHERS ***	Un-allocable	Total	Elimination	Consolidated Total
		Natural Gas	LPG									
1	REVENUE											
	External Sales/Other Income	2,025.98	382.58	10,332.36	2,568.73	2,640.66	28.13	29.76	-	18,008.20	-	18,008.20
	Intersegment sales	221.89	-	2,315.99	18.54	-	-	-	-	2,556.42	2,556.42	-
	Total revenue	2,247.87	382.58	12,648.35	2,587.27	2,640.66	28.13	29.76	-	20,564.62	2,556.42	18,008.20
2	RESULTS											
	Segment Result (Profit before Interest & Tax)	1,478.16	217.97	204.13	1,215.35	871.01	1.08	(340.11)	-	3,647.59	-	3,647.59
	Unallocated expenses (Net)								182.75	182.75	-	182.75
	Operating Profit	1,478.16	217.97	204.13	1,215.35	871.01	1.08	(340.11)	(182.75)	3,464.84	-	3,464.84
	Interest Expenses								79.57	79.57	-	79.57
	Interest/ Dividend Income								469.73	469.73	-	469.73
	Provision for Taxation								1,253.54	1,253.54	-	1,253.54
	Profit/(Loss) from Ordinary Activities	1,478.16	217.97	204.13	1,215.35	871.01	1.08	(340.11)	(1,046.13)	2,601.46	-	2,601.46
	Extra Ordinary Items	-	-	-	-	-	-	-	-	-	-	-
	Net Profit/(Loss)	1,478.16	217.97	204.13	1,215.35	871.01	1.08	(340.11)	(1,046.13)	2,601.46	-	2,601.46
3	OTHER INFORMATION											
	Segment Assets	6,812.93	1,033.99	-	2,180.76	1,257.67	56.57	30.93		11,372.85	-	11,372.85
	Unallocated Assets	-	-	-	-	-	-	-	10,278.00	10,278.00	-	10,278.00
	Total Assets	6,812.93	1,033.99	-	2,180.76	1,257.67	56.57	30.93	10,278.00	21,650.85	-	21,650.85
	Segment Liabilities	1,396.78	45.68	-	178.69	222.45	19.25	106.37		1,969.22	-	1,969.22
	Unallocated Liabilities								4,091.19	4,091.19	-	4,091.19
	Total Liabilities	1,396.78	45.68	-	178.69	222.45	19.25	106.37	4,091.19	6,060.41	-	6,060.41
	Cost to acquire fixed assets	1,709.89	17.28	-	312.75	14.96	0.80	3.55	7.03	2,066.26	-	2,066.26
	Depreciation*	250.91	66.87	-	146.04	88.61	9.72	0.47	8.40	571.02	-	571.02
	Non Cash expenses other than Depreciation*	(1.77)	0.13	0.77	0.25	0.14	-	284.59	10.23	294.34	-	294.34

Sales net off Excise Duty

* Excluding Prior period adjustments

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

*** Others includes E&P & City Gas.

RELATED PARTY DISCLOSURES

(Annexure - B)

I) Relationship

A) Joint Venture Companies/Associates

- 1) Mahanagar Gas Limited
- 2) Indraprastha Gas Limited
- 3) Petronet LNG Limited
- 4) Bhagyanagar Gas Limited
- 5) Tripura Natural Gas Corporation Limited
- 6) Central UP Gas Limited
- 7) Green Gas Limited
- 8) Maharashtra Natural Gas Limited
- 9) Avantika Gas Ltd.
- 10) Shell Compressed Natural Gas
- 11) Gujrat State Electricity Generation Ltd.
- 12) National Gas Company "Nat Gas"
- 13) Fayum Gas Company
- 14) China Gas Holding Ltd.
- 15) GAIL China Gas Global Energy Holding Ltd.

B) Whole time Directors:

- 1) Dr U. D. Choubey ,Chairman and Managing Director
- 2) Shri R. K. Goel
- 3) Shri M. R. Hingnikar (up to 27th July 2008)
- 4) Shri Santosh Kumar
- 5) Shri A.K. Purwaha
- 6) Shri B C Tripathi

C) Unincorporated Joint venture for Exploration & Production Activities:

- | | | |
|-----|-------------------|---|
| 1) | NEC - OSN - 97/1 | (Non-operator with participating interest: 50%,
GAIL has relinquished from the Block on 11th September 2007) |
| 2) | CB - ONN - 2000/1 | (Non-operator with participating interest: 50%) |
| 3) | A-1, Myanmar | (Non-operator with participating interest: 10%) |
| 4) | CY-OS/2 | (Non-operator with participating interest: 25%) |
| 5) | AA-ONN-2002/1 | (Non-operator with participating interest: 80%) |
| 6) | CY-ONN-2002/1 | (Non-operator with participating interest: 50%) |
| 7) | AA-ONN-2003/2 | (Non-operator with participating interest: 35%) |
| 8) | CB-ONN-2003/2 | (Non-operator with participating interest: 20%) |
| 9) | AN-DWN-2003/2 | (Non-operator with participating interest: 15%) |
| 10) | A-3, Myanmar | (Non-operator with participating interest: 10%) |
| 11) | Block 56, Oman | (Non-operator with participating interest: 25%) |
| 12) | RJ-ONN-2004/1 | (Joint operator along with GSPCL and having participating interest of 22.225%) |
| 13) | KG-ONN-2004/2 | (Non-operator with participating interest: 40%) |
| 14) | MB-OSN-2004/1 | (Non-operator with participating interest: 20%) |
| 15) | MB-OSN-2004/2 | (Non-operator with participating interest: 20%) |
| 16) | RM-CBM-2005/III | (Non-operator with participating interest: 35%) |
| 17) | TR-CBM-2005/III | (Non-operator with participating interest: 35%) |
| 18) | MR-CBM-2005/III | (Non-operator with participating interest: 40%) |
| 19) | AD-7, Myanmar | (Non-operator with participating interest: 10%) |

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

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

(Rs in Crores)

	2008-09	2007-08
1) Sales	736.47	597.09
2) Amount receivable as at Balance Sheet Date for (1) above	40.10	27.72
3) Purchases	5575.00	3982.96
4) Amount payable as at Balance Sheet Date for (4) above	370.00	180.00
5) Reimbursement for other expenditure received/receivable	4.80	12.03
6) Amount receivable as at Balance Sheet Date for (6) above	5.33	9.19
7) Dividend Income	51.67	41.80

B) Details relating to parties referred to in item no.- 1 (B) above

	2008-09	2007-08
1) Remuneration *	1.09	1.04
2) Interest bearing outstanding loans receivable	0.12	0.20
3) Interest accrued on loans given	0.16	0.17
4) Other Receivables	0.40	-

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

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

(Rs in Crores)

	2008-09	2007-08
1) Minimum work program commitment	288.55	241.13
2) Survey and other expenses	123.15	64.99
3) Other assets	390.99	326.38
4) Amount outstanding on Balance Sheet date	76.86	89.34
5) Amount written Off- Dry well expenditure	172.86	271.73
6) Sale of Crude Oil	32.95	17.62

Disclosure as required by Clause 32 of the Listing Agreement

(Annexure - C)

(Rs in Crores)

		Current Year		Previous Period	
		Amount as on 31.03.2009	Maximum amount outstanding during the year ended 31.03.2009	Amount as on 31.03.2008	Maximum amount outstanding during the year ended 31.03.2008
1	Loans and advances in the nature of loans:				
a	To subsidiary Company: GAIL (Global) Singapore PTE Limited	81.03	81.03	66.03	73.53
b	To Companies in which Directors are interested	Nil	Nil	Nil	Nil
c	Where there is no repayment schedule or repayment beyond seven years or no interest or interest below Section 372 A of Companies Act	Repayment of Loan would be five years from the date of drawl i.e 24/9/2004. Rate of interest on loan is 6 months LIBOR + 100 basis points		Repayment of Loan would be five years from the date of drawl i.e 24/9/2004. Rate of interest on loan is 6 months LIBOR + 100 basis points	
2	Investment by the Subsidiary Company in the shares of GAIL (India) Limited and its subsidiaries	Nil	Nil	Nil	Nil

Balance Sheet Abstract and Company's General Business Profile

I. **Registration Details**
 Registration No.

State Code

Balance Sheet
 Date Date Month Year

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

Public Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Right Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="3"/>	Private Placement	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

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

Total Liabilities	<input type="text" value="-"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="6"/> <input type="text" value="9"/>	Total Assets	<input type="text" value="-"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="6"/> <input type="text" value="9"/>
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Sources of Funds:

Paid up Capital	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="8"/>	Reserves and Surplus	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="5"/>
Secured Loans	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>	Unsecured Loans	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="3"/>
Deferred Tax Liability	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="3"/>		

Application of Funds

Net Fixed Assets	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="2"/>	Investments / Advances for Investments	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="7"/>
Net Current Assets	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="7"/>	Misc. Expenditure	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Accumulated losses	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>		

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

Total Revenue (Net of ED)

- 2 4 5 7 7 5 7

Profit/Loss before Tax

(+) (-)

(+) - - 4 2 0 4 0 2

Earning per share in Rs.

Rs. P.

2 2 1 0

Total Expenditure

- 2 0 3 7 3 5 5

Profit/Loss after Tax

(+) (-)

(+) - - 2 8 0 3 7 0

Dividend (%)

7 0

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

Item Code No.

(ITC Code)

2 7 1 1 2 1 0 0

Product Description

N A T U R A L G A S

Item Code No.

(ITC Code)

2 7 1 1 1 9 0 0

Product Description

L P G

Item Code No. :

(ITC Code)

3 9 0 1 2 0

Product Description

P O L Y E T H E L E N E

Item Code No. :

(ITC Code)

2 7 1 1 2 0 0

Product Description

P R O P A N E

N.K. Nagpal
Secretary

R.K.Goel
Director (Finance)

BCTripathi
Director (Marketing)

Dr. U. D. Choubey
Chairman & Managing Director

Place: New Delhi
Date : June 12, 2009

Statement pursuant to Section 212(1) (e) of the Companies Act, 1956 relating to Company's interest in the Subsidiary Company

Name of the subsidiary Company	GAIL Global Singapore (Pte) Limited	Brahmputra Cracker & Polymer Limited	GAIL Gas Limited
1 The financial year of the subsidiary Company ended on	31.03.2009	31.03.2009	31.03.2009
2 Date from which it became subsidiary Company	14.09.2004	08.01.2007	27.05.2008
3a) Number of Shares held by GAIL (India) Limited alongwith its nominees in the subsidiary at the end of financial year of the subsidiary company	2,100,000 equity shares of USD 1 per share	35040 equity shares of Rs. 10 per share	50000 equity shares of Rs. 10 per share
3b) Extent of Shareholding	100%	70%	100%
4 The net aggregate amount of Subsidiary Company profit so far it concerns the members of Holding Company:			
a) Not dealt within the Holding Company Accounts:			
i) for the financial year ended 31.03.2009 (Rs in crores)	4.33	Nil	Nil
ii) for previous financial years of the subsidiary company since it became the holding company subsidiary	7.30	Nil	Nil
b) Dealt within the Holding Company Accounts:			
i) for the financial year ended 31.03.2009	Nil	Nil	Nil
ii) for previous financial years of the subsidiary company since it became the holding company subsidiary	Nil	Nil	Nil

N. K. Nagpal
Secretary

R. K. Goel
Director (Finance)

B. C. Tripathi
Director (Marketing)

Dr. U. D. Choubey
Chairman & Managing Director

Place : New Delhi
Dated : June 12, 2009

Schedule of Fixed Assets (Township)

(Rs. in Lacs)

DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 1.4.2008	Additions/ Adjustments during the year	Sales / Adjustments during the year	As at 31.03.2009	As at 1.04.2008	For the Year	Adjustments during the year	As at 31.03.2009	As at 31.03.2009	As at 31.3.2008
Land : Freehold	2,863.01	-	-	2,863.01	107.53	-	-	107.53	2,755.48	2,755.48
Land : Leasehold	388.81	79.59	-	468.40	72.56	15.50	-	88.06	380.34	316.25
Building, Roads Etc.	24,640.60	76.14	(621.21)	25,337.95	5043.95	501.98	73.18	5619.11	19,718.84	19,596.65
Drainage, sewage & Water Supply Sys.etc	1,247.43	41.22	53.62	1,235.03	656.23	82.87	(5.12)	733.98	501.05	591.20
Furniture, Fixtures & Other Equipment	1,582.48	86.32	29.85	1,638.95	860.84	90.55	1.72	953.11	685.84	721.64
Transport Equipments	23.45	-	0.04	23.41	1.21	1.09	(0.04)	2.26	21.15	22.24
Total	30,745.78	283.27	(537.70)	31,566.75	6,742.32	691.99	69.74	7,504.05	24,062.70	24,003.46

Income and Expenditure Account

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009
ON PROVISIONS OF TOWNSHIP, EDUCATION, MEDICAL AND OTHER FACILITIES.**


(Rs. in Lacs)

S.NO.	PARTICULARS	YEAR ENDED 31ST MARCH, 2009	YEAR ENDED 31ST MARCH, 2008
INCOME			
1	RECOVERY OF HOUSE RENT	90.38	77.37
2	RECOVERY OF UTILITIES	117.33	85.67
3	OTHER RECOVERIES	6.79	6.41
4	EXCESS OF EXPENDITURE OVER INCOME	3,132.44	2,721.31
	TOTAL	3,346.94	2,890.76
EXPENDITURE			
1	SALARIES,WAGES & PF CONTRIBUTION	775.72	487.70
2	CONSUMABLES, STORES & MEDICINES	28.20	25.99
3	SUBSIDIES FOR SOCIAL & CULTURAL ACTIVITIES	119.28	170.06
4	REPAIRS & MAINTENANCE	555.23	510.11
5	DEPRECIATION	691.99	638.46
6	UTILITIES: POWER, GAS & WATER	451.94	370.72
7	LAND RENT	20.36	20.22
8	WELFARE - SCHOOL	252.70	248.56
9	BUS HIRE CHARGES	194.45	170.83
10	CLUB & RECREATION	12.18	5.77
11	MISC EXPENSES - TAXES,LICENSE FEES,INS ETC.	96.69	87.16
12	HORTICULTURE EXPENSES	148.20	155.18
	TOTAL	3,346.94	2,890.76

Addendum to the Director's Report

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF GAIL (INDIA) LIMITED FOR THE YEAR ENDED 31ST MARCH 2009 AND REPLIES OF THE MANAGEMENT.

Comments of the Comptroller and Auditor General of India	Management Replies
<p>The preparation of financial statements of GAIL (India) Limited for the year ended 31st March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 12.06.2009.</p> <p>I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619 (3) (b) of the Companies Act, 1956 of the financial statements of GAIL (India) Limited for the year ended 31st March 2009. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to the inquiries of the statutory auditors and Company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619 (4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:</p> <p>Comment on Profitability</p> <p>Balance Sheet</p> <p>(1) Fixed Assets (Schedule-4) Gross Block - Rs. 17,603.98 crore</p> <p>(i) The above does not include liability of Rs.11.46 crore towards extra work completed and claimed by Contractor for laying of Jamnagar Loni Pipeline which was accepted by a committee duly constituted by the Board of Directors of the Company. This has resulted in understatement of assets (Gross Block) and current liability by Rs.11.46 crore each. Consequently this has also resulted in understatement of depreciation and overstatement of profit by Rs.5.12 crore.</p> <p>(ii) The above does not include provision of Rs.17.68 crore in respect of low business potential Optical Fibre cable (OFC) links where current operating expenditure exceeded current revenue. The non-provision of low business potential OFC links of an unviable business had resulted in overstatement of fixed assets and profit and understatement of provisions to the extent of Rs.17.68 crore each.</p>	<p>The contractor completed the works in 2001 and the company did not find the subject claims of contractor as tenable and therefore, no liability on this account was recognised. In 2009, the Vendor Grievance Redressal Committee made positive recommendations subject however to certain conditions and approval by the Competent Authority. As there is no present obligation, recognition of liability is not considered necessary by the Management.</p> <p>The concerned assets are in active use and are part of a Cash Generating Unit, where current operating expenditure do not exceed current revenue. Therefore, no provision is considered necessary by the Management.</p>
<p>(2) Current Assets, Loans and Advances (Schedule-7) Sundry Debtors - Rs.1503.34 crore</p> <p>The above includes Rs.29.82 crore on account of invoices raised by the Company without any contractual provisions for over-drawl of gas against daily nominated quantity. As the amounts are doubtful of recovery for want of contractual provision adequate provision should have been made by the Company. Non provision thereof has resulted in overstatement of Current assets, loan & advances and profit to the extent of Rs.29.82 crore each.</p>	<p>The contractual rates are applicable only for the contracted quantity. In case, gas is drawn more than the contracted quantity, the rate of highest priced gas available in the pipeline with additional 20% overdrawl charges is applied based on the agreement/ subsequent letter issued to customers. As the debt is good and relates to the month of August 2008 only, it has not been considered necessary by the Management to make provision for doubtful debt.</p>

<p>Profit and Loss Account</p> <p>(3) Manufacturing, Transmission, Administration, selling & distribution and other expenses (Schedule - 10)</p> <p>Security expenses - Rs.46.24 crore</p> <p>The above does not include the provision for liability of Rs.3.07 crore towards 60 percent arrears of 6th Central Pay Commission pay able to the CISF personnel. As the services have already been availed of by the Company a suitable provision on this account should have been made and non provision thereof has resulted in understatement of liability and overstatement of profit to the extent of Rs.3.07 crore each.</p>	<p>Noted.</p>
<p>Comment on Financial Position</p> <p>(4) Capital work in progress (Schedule-5) - Rs.2426.33 crore</p> <p>Plant & Machinery Linepipe Construction and related facilities Cathodic Protection and Dispatch Terminals - Rs. 701.33 crore</p> <p>This does not include Rs.7.78 crore for completed works by the Contractor, appearing from Daily Progress Report of Project Management Consultant as compared to last 'Abstract of Payments' to contractors' up to March 2009. This has resulted in understatement of Capital work in progress, liability for work done and overstatement of unexecuted capital commitment to the extent of Rs.7.78 crore each.</p>	<p>Liability for the works has been recognised based on the recommendations of EIL (Project Management Consultant). This practice has been followed consistently. Method of computation of liability, in view of audit observation, will be reviewed with EIL and necessary action, if required, will be taken during 2009-10.</p>
<p>For and on behalf of the Comptroller & Auditor General of India</p> <p>Sd/- Naina A.Kumar Principal Director of Commercial Audit & Ex-Officio Member Audit Board II</p> <p>Place : New Delhi Date : 6th August 2009</p>	<p>For and on behalf of the Board of Directors</p> <p> (B.C.Tripathi) Chairman & Managing Director</p> <p>Place : New Delhi Date : 7th August 2009</p>

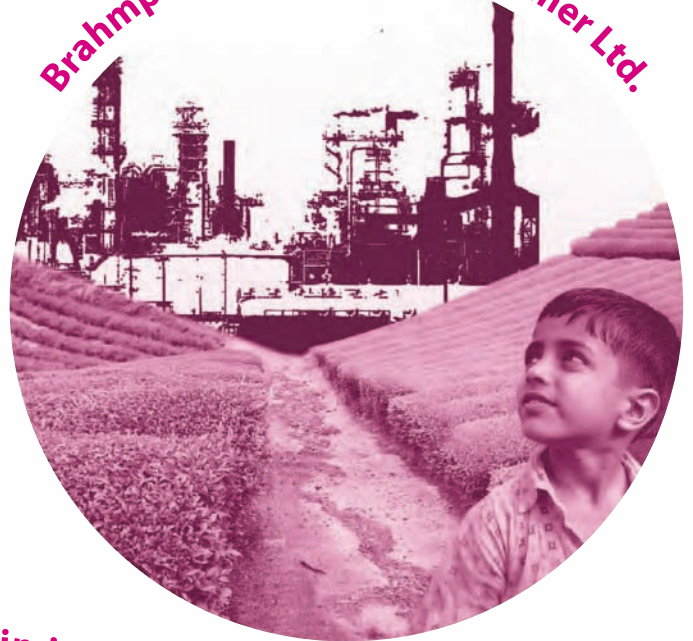


SUBSIDIARY COMPANIES

GAIL Global (Singapore) Pte. Ltd.



Brahmputra Cracker and Polymer Ltd.



Gail Gas Limited



GAIL Global (Singapore) Pte. Ltd.

GAIL GLOBAL (SINGAPORE)





Directors' Report

The directors present their report to the shareholder together with the audited financial statements for the financial year ended 31 March 2009.

Directors

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

Kirpa Ram Vij
Raj Kumar Goel
Ashok Kumar Purwaha

Arrangements for directors to acquire shares or debentures

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

Directors' interests in shares or debentures

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

	Holdings in which a director is deemed to have an interest	
	At 01.04.2008	At 31.03.2009
Ultimate holding corporation		
- Gail (India) Ltd		
<u>No. of Ordinary shares, issued and fully paid</u>		
Ashok Kumar Purwaha	410	410
A subsidiary of ultimate holding Corporation		
No. of Ordinary shares, issued and fully paid		
Raj Kumar Goel	10	10
Ashok Kumar Purwaha	10	10

Directors' contractual benefits

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

Share options

During the financial year, there were:-

- (i) no options granted by the Company to any person to take up unissued shares in the Company.
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has indicated its willingness to accept re-appointment.

On behalf of the Board of Directors

Raj Kumar Goel
Director

Ashok Kumar Purwaha
Director

Place : Singapore

Date : 16 April 2009



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

- (a) the financial statements set out on pages 6 to 22 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2009 and of the results of the business, changes in equity and cash flows of the Company for the financial year then ended; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors

Raj Kumar Goel
Director

Ashok Kumar Purwaha
Director

Place : Singapore

Date : 16 April 2009

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

We have audited the accompanying financial statements of GAIL Global (Singapore) Pte. Ltd., set out on pages 6 to 22, which comprise the balance sheet of the Company as at 31 March 2009, the income statement, statement of changes in equity and the cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

- (a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statement and balance sheet and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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



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

Opinion

In our opinion,

- (a) the financial statements of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 March 2009 and the results, changes in equity and cash flows of the Company for the financial year ended on that date; and
- b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Nexia TS Public Accounting Corporation
Public Accountants and Certified Public Accountants

Place : Singapore
Date : 16 April 2009

Balance Sheet As At 31st March, 2009

	Notes	2009 US\$	2009 Rs. in Crores	2008 US\$	2008 Rs. in Crores
ASSETS					
Current Assets					
Cash at Bank	3	1,644,601	8.31	109,705	0.44
Other Receivables	4	-		1,382,250	5.56
Other Current Assets	5	300		593	
		<u>1,644,901</u>	<u>8.31</u>	<u>1,492,548</u>	6.00
Non-current Assets					
Financial Assets, available-for-sale	6	15,135,797	76.48	16,994,305	75.63
Total Assets		<u>16,780,698</u>	<u>84.79</u>	<u>18,486,853</u>	81.63
LIABILITIES					
Current Liabilities					
Other Payables	7	594,652	3.00	996,285	3.95
Borrowings	8	15,500,422	78.32	-	
		<u>16,095,074</u>	<u>81.32</u>	<u>996,285</u>	
Non-current Liabilities					
Borrowings	8	-		15,803,264	68.73
Total Liabilities		<u>16,095,074</u>	<u>81.32</u>	<u>16,799,549</u>	72.68
NET ASSETS		<u>685,624</u>	<u>3.47</u>	<u>1,687,304</u>	8.95
EQUITY					
Share Capital	9	2,100,000	9.64	2,100,000	9.64
Other Reserves	10	(3,930,169)	(17.75)	(2,071,661)	(7.99)
Retained Earnings		2,515,793	11.57	1,658,965	7.30
Total Equity		<u>685,624</u>	<u>3.46</u>	<u>1,687,304</u>	8.95

Income Statement for the financial year ended 31st March, 2009

	Notes	2009 US\$	2009 Rs. in Crores	2008 US\$	2008 Rs. in Crores
Revenue	11	1,466,025	7.41	1,382,250	5.81
Expenses (net)					
- Professional fees		(10,234)	(0.05)	(8,768)	(0.03)
Safe custody charges		(16,273)	(0.08)	(16,427)	(0.07)
Bank Charges		(2,159)	(0.01)	(2,176)	(0.01)
- Currency translation gain/(loss)		19,073	(0.09)	(21,642)	(0.09)
- Finance	12	(599,399)	(2.91)	(1,010,448)	(4.25)
- Other		(205)		(2,000)	(0.01)
Total expenses		(609,197)	3.41	(10,61,461)	(4.36)
Profit before income tax		<u>856,828</u>	<u>4.27</u>	<u>320,789</u>	<u>1.35</u>
Income tax expense	13			-	
- Net profit		<u>856,828</u>	<u>4.27</u>	<u>320,789</u>	<u>1.35</u>

Statement of changes in equity for the financial year ended 31st March, 2009

	Note	Share Capital US\$	Share Capital Rs. in Crores	Other Reserves US\$	Other Reserves Rs. in Crores	Retained Earnings US\$	Retained Earnings Rs. in Crores	Total Equity US\$	Total Reserves Rs. in Crores
2009									
Beginning of financial year		2,100,000	9.64	(2,071,661)	(7.99)	1,658,965	7.30	1,687,304	8.95
Fair value reserves	10(b)(i)	-		(1,206,317)	(6.34)	-		(1,206,317)	(6.34)
Currency translation reserves	10(b)(ii)	-		(652,191)	(3.42)	-		(652,191)	(3.42)
Net Profit		-		-		856,828	4.27	856,828	4.27
End of financial year		2,100,000	9.64	(3,930,169)	(17.75)	2,515,793	11.57	685,624	3.46
2008									
Beginning of financial year		2,100,000	9.64	897,459	3.94	1,338,176	5.95	4,335,635	19.53
Fair value reserves	10(b)(i)	-		(3,601,544)	(14.47)	-		(3,601,544)	(14.47)
Currency translation reserves	10(b)(ii)	-		632,424	2.54	-		632,424	2.54
Net Profit		-		-		320,789	1.35	320,789	1.35
End of financial year		2,100,000	9.64	(2,071,661)	(7.99)	1,658,965	7.30	1,687,304	8.95

Cash Flow Statement for the financial year ended 31st March, 2009

	Notes	2009 US\$	2009 Rs. in Crores	2008 US\$	2008 Rs. in Crores
Cash flows from operating activities					
Net Profit		856,828	4.27	320,789	1.35
Adjustment for:					
- Interest expense	12	599,399	2.91	1,010,448	4.25
		1,456,227	7.18	1,331,237	5.60
Change in working capital					
- Other receivables		1,382,250	6.98	29,909	0.63
- Other payables		(401,633)	(2.03)	(17,543)	(0.43)
- Other current assets		293		(388)	
Net Cash provided by operating activities		2,437,137	12.13	1,343,215	5.80
Cash flows from financing activities					
Repayment of borrowings		(302,842)	(1.26)	(309,825)	(1.24)
Interest paid	12	(599,399)	(2.91)	(1,010,448)	(4.30)
Net cash used in Financing Activities		(902,241)	(4.17)	(1,320,273)	(5.54)
Net Increase in cash in bank		1,534,896	7.96	22,942	0.06
Cash at bank at beginning of the financial year		109,705	0.35	86,763	0.38
Cash at bank at end of the financial year	3	1,644,601	8.31	109,705	0.44

Notes to the Financial Statements for the financial year ended 31st March, 2009

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

The financial statements of the Company for the financial year ended 31 March 2009 were authorised for issue in accordance with resolution of the directors on 16 April 2009.

1 Corporate information

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

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

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

2 Summary of significant accounting policies

(a) Basis of preparation

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

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions.

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company is subject to the uncertainty caused by the world financial crisis. The world economy has experienced significant downward pressure and credit has become very tight. Significant judgment is required to determine the fair value and forecasts of business that may have impact on cashflow, collectibility and realisability of assets. In making these judgments, the Company has relied on their view of the economy. There are no other areas involving a higher degree of judgement or complexity, or area where estimates and assumptions are significant to the financial statements.

Interpretations and amendments to published standards effective in 2008

On 1 April 2008, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS that is relevant to the Company:

Amendment to FRS 1	Presentation of Financial Statements- Capital Disclosure
FRS 107	Financial Instruments: Disclosures

The adoption of the above FRS did not result in any substantial changes to the Company's accounting nor any significant impact on these financial statements. FRS 107 and the complementary amended FRS 1 introduce new disclosures relating to financial instruments and capital respectively.

Critical Accounting Estimates and Judgements

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

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

(b) Financial assets

(a) Classification

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

(i) Loans and receivables

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

(ii) Financial assets, available-for-sale

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

(b) Recognition and derecognition

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

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

(c) Initial measurement

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

(d) Subsequent measurement

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

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

(e) Impairment

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

(i) Loans and receivables

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

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

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

(ii) Financial assets, available-for-sale

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

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

(c) Other payables

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

(d) Provisions

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

(e) Income taxes

Current income tax is recognised at the amount expected to be paid or recovered from the tax authorities.

Deferred income tax is recognised for all temporary differences except when the deferred income tax arises from the initial recognition of an asset or liability affects neither accounting nor taxable profit or loss at the time of the transaction.

Current and deferred income tax is measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date, and are recognised as income or expenses in the income statement, except to the extent that the tax arises from a transaction which is recognised directly in equity.

(f) Revenue recognition

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

(i) Dividend Income

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

(g) Finance expense

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

(h) Foreign currencies translations

The financial statements are presented in United States dollar, which is the functional currency of the Company.

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on these items are included in the fair value reserve.

(i) Fair value estimation of financial assets and liabilities

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

(j) Borrowings

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

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

	2009 US\$	2009 Rs. in Crores	2008 US\$	2008 Rs. in Crores
3 Cash at Bank				
Cash in Bank	1,644,601	8.31	109,705	0.44
4 Other Receivables				
Other receivables-related party	-	-	1,382,250	5.56
5 Other Current Assets				
Prepayment	300	-	593	-
6 Financial Assets, Available-for-Sale				
Beginning of financial year	16,994,305	86.24	19,963,425	87.56
Fair value loss (Note 10(b)(i))	(1,206,317)	(6.34)	(36,01,544)	(14.47)
Currency translation (loss)/gain (Note 10 (b)(ii))	(652,191)	(3.42)	632,424	2.54
End of financial year	15,135,797	76.48	16,994,305	75.63
Financial assets, available-for-sale include the following:				
listed securities				
- Equity securities, Egypt	15,135,797	76.48	16,994,305	75.63

7 Other Payables

Amount due to ultimate holding corporation
Accrued operating expenses

2009 US\$	2009 Rs. in Crores	2008 US\$	2008 Rs. in Crores
584,343	2.95	983,811	3.90
10,309	0.05	12,474	0.05
594,652	3.00	996,285	3.95

The amount due ultimate holding corporation pertains to accrued interest for borrowing from ultimate holding corporation

8 Borrowings

Loan from holding corporation - current
Loan from ultimate holding corporation non-current

2009 US\$	2009 Rs. in Crores	2008 US\$	2008 Rs. in Crores
15,500,422	78.32	-	-
-	-	15,803,264	68.73

(a) Security granted

The loan is secured by 15% paid up capital in National Gas Company SAE Egypt (Natgas) with investment cost of \$15,135,797 (2008:US\$16,994,305) as at 31 March 2009 (Note 6).

The current portion loan from ultimate holding corporation is payable on September 2009.

(b) Fair value of non-current borrowings

Loan from holding company-non-current

2009 US\$	2009 Rs. in Crores	2008 US\$	2008 Rs. in Crores
-	-	15,803,264	68.73

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

9 Share Capital

The Company's share capital comprises fully-paid 2,100,000 (2008: 2,100,000) ordinary shares with no par value, amounting to a total of US\$2,100,000 (2008: US\$2,100,000)

10 Other Reserves

a. Composition

Fair value reserves
Currency translation reserves

2009 US\$	2009 Rs. in Crores	2008 US\$	2008 Rs. in Crores	
(5,439,834)	(23.53)	(42,33,517)	(17.19)	
1,509,665	5.78	2,161,856	9.20	
(3,930,169)	(17.75)	(2,071,661)	(7.99)	
b. Movement				
(i) Fair value reserve				
Beginning of financial year	(4,233,517)	(17.19)	(631,973)	(2.72)
Fair value loss	(1,206,317)	(6.34)	(3,601,544)	(14.47)
End of financial year	(5,439,834)	(23.53)	(4,233,517)	(17.19)
(ii) Currency translation different				
Beginning of financial year	2,161,856	9.20	15,29,432	6.66
Financial assets, available for sale - currency translation (loss)/gain	(652,191)	(3.42)	632,424	2.54
End of financial year	1,509,665	5.78	2,161,856	9.20

11 Revenue

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

12 Finance expenses

Interest expense - loan from ultimate holding corporation

2009 US\$	2009 Rs. in Crores	2008 US\$	2008 Rs. in Crores
599,399	2.91	1,010,448	4.25

13 Income taxes

No income tax expense was provided as there is no taxable income during the financial year.

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

Profit before income tax

Tax calculated are tax rate of 18% (2008:18%)

- Income not subject to income

2009 US\$	2009 Rs. in Crores	2008 US\$	2008 Rs. in Crores
856,828	4.27	320,789	1.35
154,229	0.77	57,742	0.24
(154,229)	(0.77)	(57,742)	(0.24)
-	-	-	-

14 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence.

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

Interest expense for loan from ultimate holding corporation

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

2009 US\$	2009 Rs. in Crores	2008 US\$	2008 Rs. in Crores
599,399	2.91	1,010,448	4.25

15 Financial Risk Management

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

(a) Market risk

(i) Price risk

The Company is exposed to equity securities price risk for financial assets, available-for-sale held by the Company. The equity securities are listed in the Egyptian Exchange. The management of the Company manages its price risk by diversifying its portfolio.

As at each of the balance sheet date, if prices for equity securities change by 5% with all other variables including tax rate being held constant, the equity will be increased/decreased by US\$756,789 (2008: \$849,715) for the financial year.

(ii) Interest rate risks

The Company is exposed to interest rate risk through the impact of interest rate changes on borrowings.

The Company obtains additional financing through loan from ultimate holding corporation. The Company obtains the most favourable interest rates available without increasing its interest rate exposure.

Sensitivity analysis for interest rate risk

	Average Interest rate	Increase/ decrease (%) in basis points	Net profit US\$	Rs. in Crores
2009				
USD LIBOR	3.56	+12.5	782,120	3.95
		-18.8	969,758	4.90
2008				
USD LIBOR	6.31	-	320,789	1.35
		-	320,789	1.35

(ii) Currency risk

The Company's exposure to currency risk is not significant as the Company's transactions are mainly in United States dollars which is the functional currency of the Company.

The Company's currency exposure are analysed as follows:

	USD US\$	SGD US\$	EGP US\$	Total US\$	Rs. in Crores
At 31.3.2009					
Financial assets					
Cash at bank	162,976	6,613	1,475,012	1,644,601	8.31
Financial assets, available for sale	-	-	15,135,797	15,135,797	76.48
	162,976	6,613	16,610,809	16,780,398	84.79
Financial liabilities					
Other payables	584,343	10,309	-	594,652	3.00
Borrowings	15,500,422	-	-	15,500,422	78.33
	16,084,765	10,309	-	16,095,074	81.33
Currency exposure	(15,921,789)	(3,696)	16,610,809	685,324	3.46
At 31.3.2008					
Financial assets					
Cash at bank	105,548	3,396	761	109,705	0.44
Other receivables	-	-	1,382,250	1,382,250	5.56
Financial assets, available for sale	-	-	16,994,305	16,994,305	75.63
	105,548	3,396	18,377,316	18,486,260	81.63
Financial liabilities					
Other payables	983,811	12,474	-	996,285	3.95
Borrowings	15,803,264	-	-	15,803,264	68.73
	16,787,075	12,474	-	16,799,549	72.68
Currency exposure	(16,681,527)	(9,078)	18,377,316	1,686,711	8.95

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

There are no significant concentrations of credit risk within the Company.

(c) Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company manages its liquidity risk by ensuring the availability of adequate funds to meet its obligation.

The table below analyses the maturity profile of the Company's financial liabilities based on contractual undiscounted cash flows

	Not later than one year US\$	Not later than one year Rs. in Crores	Between one and five years US\$	Between one and five years Rs. in Crores	Total US\$	Total Rs. in Crores
At 31.3.2009						
Other payables	594,652	3.00	-		594,652	3.00
Borrowings	15,500,422	78.33	-		15,500,422	78.33
	16,095,074	81.33	-		16,095,074	81.33
At 31.3.2008						
Other payables	996,285	3.95	-		996,285	3.95
Borrowings	-		15,803,264	68.73	15,803,264	68.73
	996,285	3.95	15,803,264	68.73	16,799,549	72.68

(d) Capital risk

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company return capital to shareholders, issue new shares, or obtain new borrowings.

Management monitors capital based on gearing ratio. The Company's strategy is to maintain gearing ratios below 100%. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculate as borrowings plus other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	2009 US\$	2009 Rs. in Crores	2008 US\$	2008 Rs. in Crores
Net debt	14,450,473	73.01	16,689,844	72.25
Total equity	685,624	3.46	1,687,304	8.95
Total capital	15,136,097	76.47	18,377,148	81.20
Gearing ratio	95%	95%	90%	90%

16 New or revised accounting standards and interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2009 or later periods and which the Company has not early adopted. The Company's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Company is set out below:

(a) FRS 1(R) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)

The revised standard requires:

- ▶ All changes in equity arising from transaction with owners in their capacity as owners to be presented separately from components of comprehensive income;
- ▶ Components of comprehensive income not to be included in statement of changes in equity.
- ▶ Items of income and expenses and components of other comprehensive income with subtotals, or in two separate statements (a separate statement of profit and loss followed by a statement of comprehensive income);
- ▶ Presentation of restated balance sheet as at the beginning of the comparative period when entities make restatements or reclassifications of comparative information.

The revisions also include changes in the titles of some of the financial statements primary statements.

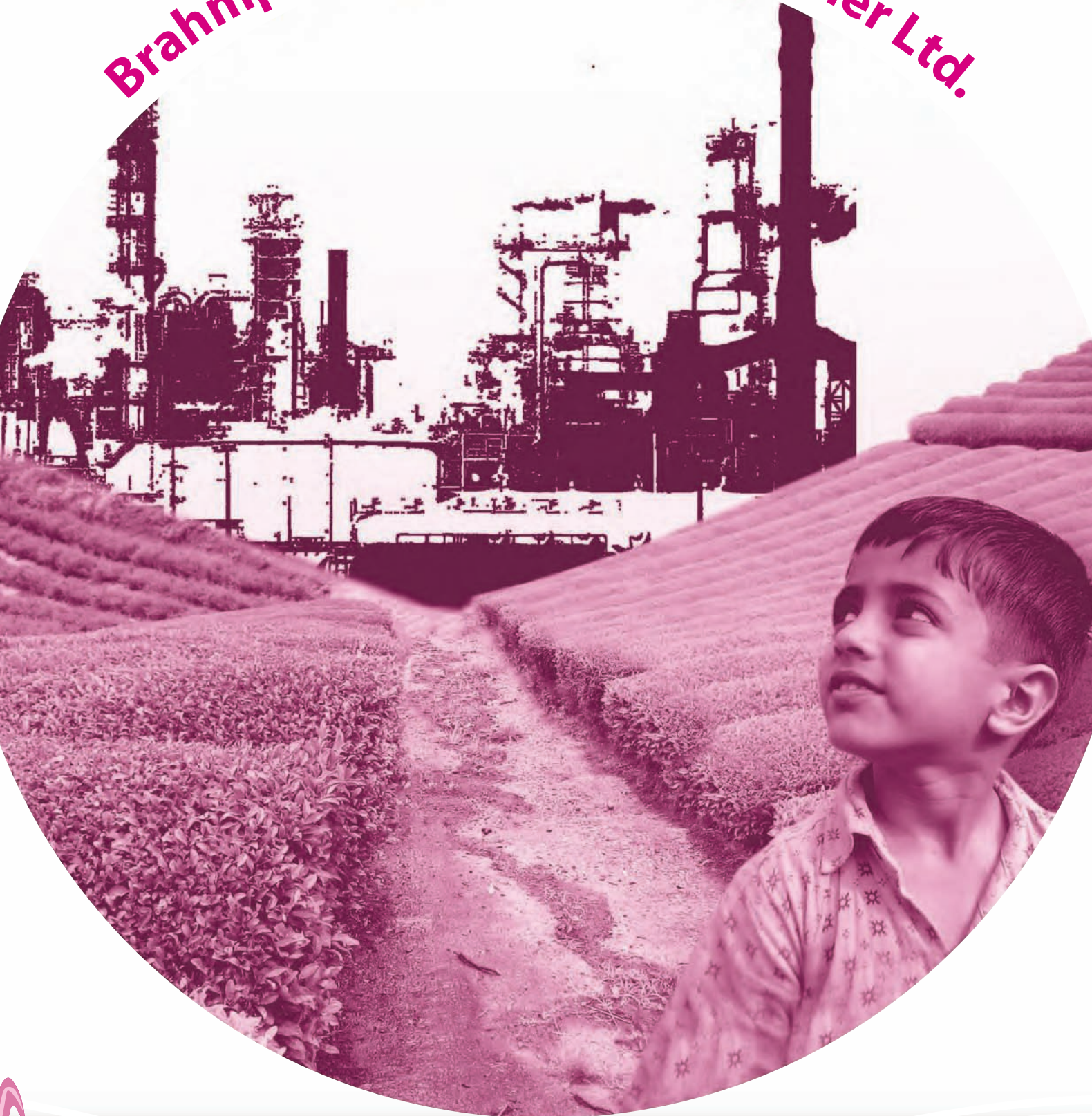
The Company will apply the revised standard from 1 April 2009 and provide comparative information that conforms to the requirements of the revised standard. The key impact of the application of the revised standard is the presentation of an additional primary statement, that is, the statement of comprehensive income.

Detailed Income Statement for the Financial yearended 31st March, 2009

	2009 US\$	2009 Rs. in Crores	2008 US\$	2008 Rs. in Crores
Income	1,466,025	7.41	1,382,250	5.81
Less: Administrative Expenses				
Professional fees	(10,234)	(0.05)	(8,768)	(0.03)
Nominee fee expense	-	-	(2,000)	(0.01)
Safe custody charges	(16,273)	(0.08)	(16,427)	(0.07)
Membership fee	(205)	-		
Bank charges	(2,159)	(0.01)	(2,176)	(0.01)
	<u>(28,871)</u>	<u>(0.14)</u>	<u>(29,371)</u>	<u>(0.12)</u>
Less: Other operating income/(expenses)				
Foreign exchange income/(loss)	19,073	(0.09)	(21,642)	(0.09)
Less: Finance Costs				
Loan interest expense to holding company	(599,399)	(2.91)	(1,010,448)	(4.25)
Total Expenses	<u>(609,197)</u>	<u>(3.14)</u>	<u>(1,061,461)</u>	<u>4.46</u>
Profit before income tax	<u>856,828</u>	<u>4.27</u>	<u>320,789</u>	<u>1.35</u>



Brahmputra Cracker and Polymer Ltd.



Auditors' Report to the Shareholders of Brahmaputra Cracker and Polymer Limited

We have audited the attached Balance Sheet of Brahmaputra Cracker and Polymer Limited Guwahati,-781 00 1, Assam as at 31 st March, 2009 and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- a. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.
- b. In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examinations of those books.
- c. The Balance Sheet and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d. In our opinion the Balance Sheet and Cash Flow Statement dealt with by this report comply with the applicable Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.
- e. On the basis of written representations received from the directors as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.

- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with significant Accounting Policies and Notes on Accounts thereon, give the information as required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In so far as it related to the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2009 and
 - ii. In the case of Cash Flow Statement, of the cash flows of the company for the year ended on that date.

For Sanjoy K. Das & Co.
Chartered Accountants

(Proprietor)

Place: Guwahati
Date : 19.05.2009

ANNEXURE REFERRED TO IN PARAGRAPH 2 OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF BRAHMAPUTRA CRACKER AND POLYMER LIMITED, GUWAHATI, ASSAM FOR THE YEAR ENDED 31 ST MARCH. 2009.

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
2. It has been represented to us that a physical verification of fixed assets has been carried out by the Management at reasonable intervals during the year and such verification has not revealed any discrepancies.
3. No substantial part of fixed assets have been disposed off during the year.
4. In our opinion, the question of valuation and the physical verification of in respect of finished goods, stores, spares and raw materials is not applicable to the company since the company has no stock of finished goods, stores, spares and raw materials.
5. In our opinion, the question of procedure of physical verification of stocks followed by the Management is not applicable to the Company.
6. In our opinion the requirement of maintaining proper records of inventory, the reconciliation of discrepancies noticed between the physical stocks as verified and book records are not applicable to the Company for the year under audit.
7. The Company has not granted or taken any Secured or Unsecured Loans during the year, from any companies, firm's or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
8. In our opinion and according to the information and explanations given to us during the course of audit, there are adequate internal control procedures commensurate with the size and nature of business of the company relating to purchase of inventory and fixed assets and for the sale of goods.
9. In our opinion & as per the Information & Explanations given to us, the company has not made transactions in respect of any party during the financial year under audit that needs to be entered in the Register in pursuance of section 301 of the Companies Act 1956.
10. In our opinion and according to information and explanations given to us, the company has not accepted any deposit from public.(u/s 58A & 58AA).
11. In our opinion, the company has an adequate internal audit system commensurate, with the size and nature of its business.
12. We have broadly reviewed in the books of account maintained by the company pursuant to the order made by the Central Government for the maintenance of cost records prescribed under section 209 (1) (d) of the companies Act, 1956 . and we are of the opinion that prima-facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examinations of this records.
13. a. In our opinion and according to information and explanations produced before us, the company is regular in depositing undisputed statutory dues including provident fund, income tax, wealth tax, sales tax, customs duty, excise duty and any other statutory dues with the appropriate authorities.
- b. There are no undisputed statutory dues outstanding as at 31st March 2009 for the period of more than six months from the date they become payable.
14. As the Company is yet to start its operation the question of accumulated losses does not arise.
15. Company has no dues to any financial institution or bank. There are no debenture holders of the company.
16. Company has not granted any loan and advance on the basis of security by way of pledge of shares, debentures and other securities.
17. The provision of any special statute are not applicable to this company.
18. The company has not invested any amount in share or securities during the year.
19. The Company has not given any guarantee or loans taken by others from Bank or financial institution.
20. Company has not obtained any Term Loan from Financial Institute during the financial year.
21. Company has not used any funds raised on short term basis for long term investment and vice versa.
22. Company has not made any preferential allotment of shares during the year.
23. Company is not having any debentures.
24. Company has not raised any money through public issue during the year.
25. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For Sanjoy K. Das & Co.
Chartered Accountants

Place : Guwahati
Date : 19.05.2009

(Proprietor)

BRAHMAPUTRA CRACKER AND POLYMER LTD.

BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule No.	AS AT 31st MARCH, 2009		AS AT 31st MARCH, 2008
		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
SOURCES OF FUNDS				
a) Share Capital	1	500,700		500,700
b) Advance against Equity	2	1,654,617,447		754,862,604
c) Capital Subsidy	3	1,374,269,000		300,000,000
Loan Funds:				
Secured Loans		-		-
Unsecured Loans		-		-
TOTAL SOURCES OF FUNDS		3,029,387,147		1,055,363,304
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	4	769,058,547	714,581,992	
Less: Depreciation		18,155,151	247,470	
Net Block		750,903,396		714,334,522
Capital Work in Progress	5	1,126,257,731		261,195,231
I E D C	6	161,702,012		88,475,532
Current Assets, Loans and Advances				
Cash & Bank Balances	7	1,237,255,493	222,484,497	
Other Current Assets	8	1,799,002	542,065	
Loans and Advances	9	243,514,019	484,370	
		1,482,568,514	223,510,932	
Less: Current Liabilities & Provisions				
Current Liabilities	10	479,899,745	252,055,584	
Provisions		32,219,161	171,729	
Net Current Assets		970,449,608		(28,716,381)
Miscellaneous Expenditure	11	20,074,400		20,074,400
TOTAL APPLICATION OF FUNDS		3,029,387,147		1,055,363,304

Notes on Accounts

Schedule '1' to '12' and Accounting Policies form Integral part of Accounts

Rakesh Kumar
CFO

J K Singh Teotia
COO

P C Sharma
Director

R K Goel
Director

As per our report of even date
Sanjoy K. Das & Co
Chartered Accountants

Proprietor
(Membership No. 050691)

Place : Guwahati
Date: 19.05.09

SCHEDULE TO THE ACCOUNTS AS AT 31ST MARCH 2009

	AS AT 31st MARCH, 2009 Amount (Rs.)	AS AT 31st MARCH, 2008 Amount (Rs.)
SCHEDULE 1		
SHARE CAPITAL		
A Authorised	12,000,000,000	12,000,000,000
1200,000,000 Equity Shares of Rs.10 Each	<u>12,000,000,000</u>	<u>12,000,000,000</u>
B Issued, Subscribed & paid Up		
50070 equity Shares Of Rs. 10/- Each Fully Paid Up	500,700	500,700
	<u>500,700</u>	<u>500,700</u>
SCHEDULE 2		
ADVANCE AGAINST SHARE CAPITAL		
A In the form of consideration in Cash from N.R.L. and O.I.L.	649,420,000	83,820,000
B In the form of consideration of Land/Other adjustable amounts from Govt of Assam and GAIL(India)Ltd	1,005,197,447	671,042,604
	<u>1,654,617,447</u>	<u>754,862,604</u>
SCHEDULE 3		
CAPITAL RESERVE		
A Capital Subsidy From Govt. of India	1,374,269,000	300,000,000
	<u>1,374,269,000</u>	<u>300,000,000</u>

Schedule 4 - Fixed Assets

(Rounded in Rs.)

DESCRIPTION	GROSS BLOCK (AT COST)			DEPRECIATION		NET BLOCK			As at 31.3.2009	As at 31.3.2008
	As at 1.4.2008	Additions/ Adjust- ments during the year	Sales/ Adjust- ments during the year	As at 31.3.2009	Upto 31.3.2008	For the Year	Adjust- ments during the year	As at 31.3.2009		
Tangible Assets (A)										
Land: Leasehold	712,550,049	41,938,791	-	754,488,840	-	15,928,098	-	15,928,098	738,560,742	712,550,049
Furniture, Fixtures & other Office Equipment	2,020,503	5,776,706	-	7,797,209	241,750	1,105,908	-	1,347,658	6,449,551	1,778,753
EDP	11,440	4,427,749	-	4,439,189	5,720	799,689	-	805,409	3,633,781	5,720
Transport Equipments/ Vehicles	-	1,232,869	-	1,232,869	-	-	-	-	1,232,869	-
TOTAL (A)	714,581,992	53,376,115	-	767,958,107	247,470	17,833,694	-	18,081,164	749,876,943	714,334,522
Intangible Assets (B)										
Software/ Licenses	-	1,100,440	-	1,100,440	-	73,987	-	73,987	1,026,453	-
TOTAL (B)	-	1,100,440	-	1,100,440	-	73,987	-	73,987	1,026,453	-
TOTAL (A+B)	714,581,992	54,476,555	-	769,058,547	247,470	17,907,681	-	18,155,151	750,903,396	714,334,522
Previous Period	-	714,581,992	-	714,581,992	-	247,470	-	247,470	714,334,522	-

Schedule 5

	AS AT 31st March, 2009	AS AT 31st March, 2008
	Amount (Rs.)	Amount (Rs.)
CAPITAL WORK IN PROGRESS		
A PMC Fees for Project Related services	370,027,021	33,037,231
B CWIP-Enabling Assets	756,230,710	228,158,000
	<u>1,126,257,731</u>	<u>261,195,231</u>

Schedule 6

INCIDENTAL EXPENDITURE DURING CONSTRUCTION

Manpower Cost	57,941,292	22,475,439
Rent	10,711,524	1,727,953
Rates and Taxes	32,235,081	747,939
Repair and Maintenance:		
Building	1497609	1,236,608
Others	<u>138898</u>	78,629
Communication Expenses	629,982	247,885
Printing and Stationary	1,240,849	138,198
Travel Expenses	7,043,749	2,110,435
Advertisement and Publicity	1,989,608	828,439
Remuneration to Auditors	50,000	56,180
Recruitment and Training Expenses	471,180	41,190
Vehicle Hiring & Running Expenses	5,576,228	1,359,107
Survey and Investigation Expenses	13,051,652	6,983,000
Professional and Consultancy Charges	2,231,535	35,074,628
CSR Expenditure	30,000	-
CISF	7,140,987	-
Inagural Expenses	-	15,992,252
Miscellaneous Expenses	6,498,782	1,890,121
Depreciation	17,907,681	247,470
Bank Charges	13,339	3,155
IEDC (2007-08 pending adjustment)	88,475,532	-
Coin Adjustment	4	-
GROSS	254,875,512	91,238,628
Less: Interest from Banks	92,789,040	2,763,096
Less: Misc Income	384,460	-
NET	<u>161,702,012</u>	<u>88,475,532</u>

Current Assets & Loans and Advances

Schedule 7

CASH AND BANK BALANCES

Bank balance with Scheduled Banks :	6,638,465	5,763,603
Term Deposit Accounts	1,230,617,028	216,720,894
Total Cash and Bank Balances	<u>1,237,255,493</u>	<u>222,484,497</u>

Schedule 8

OTHER CURRENT ASSETS

Interest Accrued on Bank Term Deposits	1,799,002	542,065
	<u>1,799,002</u>	<u>542,065</u>

	AS AT 31st March, 2009 Amount (Rs.)	AS AT 31st March, 2008 Amount (Rs.)
Schedule 9		
LOANS AND ADVANCES-CONSIDERED GOOD		
Unsecured considered Good		
Deposit with Authorities	242,914,019	484,370
Other Advances	600,000	-
Total Loans and Advances	<u>243,514,019</u>	<u>484,370</u>
Schedule 10		
CURRENT LIABILITIES & PROVISIONS		
A Current Liabilities		
Sundry Creditors For Assets	417,613,731	248,007,634
Sundry Creditors For Expenses	57,643,540	2,929,950
Deposit /Retention Money	4,642,474	1,118,000
	<u>479,899,745</u>	<u>252,055,584</u>
B Provisions		
Provision for Income tax (Net of TDS)	31,538,747	171,729
Provision for FBT	680,414	-
	<u>32,219,161</u>	<u>171,729</u>
Total Current Liabilities & Provisions	<u>512,118,906</u>	<u>252,227,313</u>
Schedule 11		
MISCELLANEOUS EXPENDITURE		
(To the Extent of Not Written off or Adjusted)		
Preliminary Expenses		
ROC Registration Fees	20,005,600	20,005,600
Professional Fees For Formation of Company	35,000	35,000
Other Expenses	33,800	33,800
TOTAL	<u>20,074,400</u>	<u>20,074,400</u>

SCHEDULE 12

NOTES TO ACCOUNTS AS AT 31-03-2009

1. The Estimated amounts of contracts valuing Rs 10,73,53,08,595/- (Prev. Period Rs 50,04,048/-) are remaining to be executed on Capital Accounts and not provided for.
2. There are Nil cases of contingent liabilities as at 31-3-09 (Prev Yr Nil).
3. Income tax provision to the tune of Rs 3,15,38,747 (Prev Period Rs 1,71,729/-) and FBT to the tune of Rs 6,80,414/- (Prev Period Nil) has been kept in the books of accounts. The provision for Income Tax is on account of interest earned on Short Term Deposits kept by investing surplus funds.
4. No deferred tax liability has been recognized since the project is in the construction stage.
5. The tax exemptions on account of WCT, Entry Tax and VAT from Government of Assam as envisaged at the time of approval of the project by CCEA have been applied by the company. The exemption notifications in respect of the same are still awaited.
6. The financial statements include amount valuing at Rs 61,19,47,017/- (Prev. Period Rs. 57,00,08,226/-) towards leasehold land provided by the Govt. of Assam to the project which is counted towards their advance towards subscription to the equity share capital.
7. The Leasehold Land of Rs 75,44,88,840/- (Prev. Period Rs 71,25,50,049/-) acquired for the project are capitalised on provisional basis based upon the awards under relevant Land Acquisition Act . The title deed to the land is yet to be registered in the name of the Company.
8. The employees of the company are on secondment terms and conditions from GAIL (India) Ltd. Expenses have been accounted under IEDC Head on the basis of the debit advices from GAIL (India) Ltd.
9. To the extent information available with the company, 'Nil' amount (Prev Period Nil) were due to small scale Industry (SSI).
10. Balances grouped under Loans and Advances, Deposits and Sundry Creditors are subject to confirmation.
11. There are 'Nil' cases of imports during the year and therefore the disclosure of the CIF Value of the imports does not become applicable. An amount of Rs 12,35,32,157/- (Prev. Period Nil) has been accounted as expenditure in foreign currency in respect of liability on account of import of technical knowhow which is valued at BC Selling rate and TT Buying rate as on 31.03.09 for liability and withholding tax payable respectively.
12. The Equity shares of Rs 5,00,700 to the subscribers to the Memorandum and Articles of Association has been considered as deemed allotment.
13. During the year, the equity calls amounting to Rs 2,54,52,00,000/- (Rs 1,97,96,00,000/- from GAIL, Rs 28,28,00,000/- each from NRL and OIL) were made. Amount received (Cash and consideration other than Cash during the year 2008-09 were Rs 28,28,00,000/- each from NRL & OIL and Rs 29,22,16,052/-from GAIL (India) Ltd and Rs 4,19,38,791/- from Government of Assam. Allotment of Shares in respect of Advance received from all the promoters is yet to be made.
14. The Capital Grant of Rs 1,37,42,69,000/- (Prev. Period Rs 30,00,00,000/-) which is received from the Govt. of India till 31st March 2009 by way of contribution towards the total capital outlay and no repayments are ordinarily expected are recognized in the financial statements as capital reserve.
15. An amount of Rs 2,00,74,400/- was incurred during the period 2007-08 towards incorporation expenses of the Company which is deferred revenue expenditure to be amortised equally over period of five years from the year the plant is ready for commercial production.
16. The work for the Project Management Consultancy services for the project has been awarded to M/s Engineers India Ltd as per the agreed schedule of reimbursable cost and fees.
17. The Company was incorporated on 8th Jan 2007 and accordingly the previous figures are for the period from 8th Jan 2007 to 31st Mar 2008 and hence are not comparable.
18. During the year, License Agreements for import of technology for LLDPE/HDPE Unit with M/s Ineos Europe Limited, UK and for PP Unit with M/s Lummus Novolen Technology GmbH, Germany have been finalized at an estimated value of Rs 95,35,74,055/- and Rs 46,85,16,045/- respectively.
19. The fees for Statutory Auditor for the financial year 2008-09 has been fixed at Rs 50,000/- plus Service tax and out of pocket expenses (Prev Period Rs 50,000 plus Service tax and out of pocket expenses).
20. The Company has not prepared the Profit and Loss Account since it is in the construction stage of Assam Gas Cracker Project and yet to be ready for commercial production. However the requisite details as required under Statute have been disclosed in the Statement of 'Incidental Expenditure during Construction' forming part of Financial Statements.
21. The previous year figures have been regrouped and rearranged wherever necessary.

Rakesh Kumar CFO	J. K. Singh Teotia COO	P. C. Sharma Director	R. K. Goel Director
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As per our separate report of even date
Sanjoy K Das & Co
Chartered Accountants

Place: Guwahati
Date: 19.05.2009

Proprietor
(Membership No. 050691)

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AS AT 31ST MARCH 2009

BALANCE SHEET

1. FIXED ASSETS

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

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

Assets acquired out of Government Grants are capitalized, by way of corresponding credit to Capital Reserves.

2. INTANGIBLE ASSETS

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

3. CAPITAL WORK IN PROGRESS:

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

4. BORROWING COSTS

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

5. EXPENSES INCURRED DURING CONSTRUCTION PERIOD

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

6. DEPRECIATION & AMORTISATION

Depreciation on fixed assets, other than those mentioned below is provided in accordance with the rates as specified in Schedule XIV of the Companies act, 1956, on Written Down Value(WDV) on pro-rata basis (Monthly pro-rata for bought out assets)

a) Assets costing upto Rs 5,000 are depreciated fully in the year of capitalization

- b) Bunk Houses are depreciated on assumption of five years life.
- c) Cost of the leasehold land not exceeding 99 years is amortised over the lease period.
- d) Capital expenditure on the assets, the ownership of which are not with the company, and referred to as enabling facilities are shown separately under the heading "Capital Expenditure-Enabling Facilities".These assets will be amortized over useful life of the assets or five years, whichever is less from the date from which they are put into use.
- e) Intangible assets will be amortized equally over period of five years from the date of recognition.
- g) Depreciation due to price adjustments on account of foreign exchange rate variations or otherwise in the original cost of fixed assets will be charged with the prospective effect..
- i) Indirect expenses incurred during the construction period which are not related to the construction activity nor are incidental thereto, will be treated as deferred revenue expenditure and written off to revenue within a period of five years after the commencement of production.

7. FOREIGN CURRENCY TRANSLATION

- a) Transactions in foreign currency are accounted at the exchange rates prevailing on the transaction date.
- b) Monetary items (such as Cash, Receivables, Loans, Payables etc) denominated in foreign currencies, outstanding at the year end, are translated at exchange rates (BC Selling rate for Payables and TT buying rate for Receivables) prevailing at year end.
- c) Non monetary items (such as Investments, Fixed Assets etc) denominated in foreign currencies are accounted at the exchange rate prevailing on the date of transaction(s).
- d) Any gains or loss arising on account of exchange difference either on settlement or on translation is accounted for.

8. CAPITAL GRANTS

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

9. PRELIMINARY EXPENSES

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

10. PROVISIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

- a) Provisions are recognized when there is present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made.
- b) Liabilities for expenses are recognized only when such liabilities exceed Rs 0.10 Lakhs
- c) Contingent liabilities are disclosed in each case above Rs 5 lacs
- e) Show cause notices issued by various Govt Authorities when converted into demand are only considered as Contingent Liabilities.
- f) Commitments made on capital account and not provided for, are recognized in each case exceeding Rs 5 Lacs.

- b) Liquidated damages ,if any,will be accounted for as and when recovery is effected and the matter is considered settled by the Management. Liquidated damages ,if settled after capitalisation of the assets are charged to revenue ,if below Rs 50 lacs in each case otherwise adjusted in the cost of the relevant assets.
- c) Insurance claims will be accounted for on the basis of claims admitted by the insurers.
- d) Custom duty and other claims (including interest on delayed payments) will be accounted for on acceptance in principle.

Rakesh Kumar
CFO

J. K. Singh Teotia
COO

P. C. Sharma
Director

R. K. Goel
Director

As per our separate report of even date

Sanjoy K Das & Co
Chartered Accountants

Place: Guwahati
Date: 19.05.2009

Proprietor
(Membership No. 050691)

11. TAXES ON INCOME

- a) Provision for tax during the construction period is made on interest earned on investments during the construction period, which, is treated for tax purposes as "Income from other Sources". Such provision has been debited under the head IEDC-Interest on STDRs.
- c) No deferred tax liability has been recognized during the construction period.
- d) On commissioning, the company will be eligible for tax incentives under section 80IE of the Income-tax Act, 1961, and will be liable to Minimum Alternative Tax only under section 115JB of the said Act.

12. GENERAL

- a) Prepaid expenses and prior period expenses/income upto Rs1 lac in each case will be charged to relevant heads of account of the current year.



BRAHMAPUTRA CARCKER AND POLYMER LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2009

	(Rs. In Lacs)	
	2008-09	2007-08
A. CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASES OF FIXED ASSETS	(125.38)	(1,445.73)
CAPITAL WORK-IN-PROGRESS	(8650.63)	(2,611.95)
CHANGES IN WORKING CAPITAL		
INCIDENTAL EXPENSES DURING CONSTRUCTION	(732.26)	(884.75)
LESS : DEPRECIATION	<u>179.08</u>	<u>2.47</u>
MISC. EXPENDITURE	-	(200.74)
CURRENT ASSETS LOANS AND ADVANCES	(2442.87)	(10.27)
CURRENT LIABILITIES & PROVISIONS	2598.92	2,522.27
NET CASH FROM INVESTING ACTIVITIES	(9,173.14)	(2,628.70)
B CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM ISSUE SHARE CAPITAL	-	5.00
PROCEEDS FROM ADVANCE AGAINST SHARE CAPITAL FROM NRL , OIL , GAIL(INDIA) LTD & GOVT OF ASSAM	8,578.16	1,848.54
PROCEEDS FROM CAPITAL SUBSIDY FROM GOVT OF INDIA	10,742.69	3,000.00
NET CASH FROM FINANCING ACTIVITIES	19,320.85	4,848.54
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B)	10,147.71	2,219.84
OPENING CASH AND CASH EQUIVALANTS	2,224.84	-
CLOSING CASH AND CASH EQUIVALANTS	12,372.55	2,224.84

Rakesh Kumar
CFO

J. K. Singh Teotia
COO

P. C. Sharma
Director

R. K. Goel
Director

As per our separate report of even date
Sanjoy K Das & Co
Chartered Accountants

Proprietor
(Membership No. 050691)

Place: Guwahati
Date: 19.05.2009

Balance Sheet Abstract And Company's General Business Profile For The Accounting Period Ended 31.03.2009

I Registration Details			
Registration No	008290	State Coode	02
Balance Sheet			
Date	31.03.2009		
II Capital raised during the year (Rs.in Lakhs)			
Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
III Position of Mobilisation and Deployment of Funds : (Rs.in Lakhs)			
Total Liabilities	30293.87	Total Assets	30293.87
Sources of Funds			
Paid up capital	5.01	Reserve & Surplus	13742.69
Advance against share capital	16546.17		
Secured Loans	Nil	Unsecured Loan	Nil
Defferred Tax Liability	Nil		
Application of Funds :			
Net Fixed Assets	20388.63	Investment/Advance for investment	
Net Current Assets	9704.50	Misc. Expenditure	200.74
Accumulated Losses	Nil		
Performance of the Company (Rs. In Lakhs)			
Turnover	Nil	Total Expenditure	Nil
Profit/Loss before Tax	Nil	Profit/Loss after Tax	Nil
Earning Per share (In Rs.)	Nil	Dividend	Nil
V Generic names of the Principal Products/Services of Company (As per monetary terms)			
Item Code No. (ITC Code)	Nil		
Product Description	Business not yet started		

Rakesh Kumar
CFO

J. K. Singh Teotia
COO

P. C. Sharma
Director

R. K. Goel
Director

As per our separate report of even date
Sanjoy K Das & Co
Chartered Accountants

Proprietor
(Membership No. 050691)

Place: Guwahati
Date: 19.05.2009



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BRAHMAPUTRA CRACKER & POLYMER LIMITED, GUWAHATI FOR THE YEAR ENDED 31st MARCH 2009.

The preparation of financial statement of Brahmaputra Cracker & polymer Limited, Guwahati for the year ended 31 March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on this financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, The Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 19-05-2009.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act, 1956 of the financial statement of Brahmaputra Cracker & polymer Limited, Guwahati for the year ended 31 March 2009. This supplementary audit has been carried out independently and is limited primarily to inquiries of the Statutory Auditors and Company Personnel and selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' Report under Section 619(4) of the Companies Act, 1956.

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

Sd/-
(A.Roychoudhury)
Principal Director of Commercial Audit
& Ex-officio Member, Audit Board I, Kolkata

Place : Kolkata
Date : 20-07-2009



GAIL Gas Limited



GAIL Gas Limited





AUDITORS' REPORT

To,
The Members of GAIL Gas Limited.

We have audited the attached Balance Sheet of GAIL GAS LIMITED, as at 31st March'2009 and also the Statement of "Incidental Expenditure During Construction" of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - (c) The Balance Sheet and the Statement of "Incidental Expenditure During Construction" dealt with by this report are in agreement with the books of account.
 - (d) In our opinion the Balance Sheet and the Statement of "Incidental Expenditure During Construction" dealt with by this report comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable.
 - (e) Disclosure in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 is not required pursuant to order of the Central Govt., Deptt. Of Company Affairs, Ministry of Finance vide notification No.GSR 829 (E) dated October 21,2003.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the significant accounting policies and notes thereon give the information required by Companies Act, 1956, in the manner so required and give a true & fair view in conformity with the Accounting Principles generally accepted in India.
- (a) In case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009; and
 - (b) In case of the Statement of "Incidental Expenditure During Construction" of expenditure incurred by the Company for the year ended 31st March, 2009.

For L C Kailash and Associates
Chartered Accountants

Place : Delhi
Date : 04.06.2009

Kailash Gupta
Executive Partner
Membership No.91122

Annexure to the Auditor's Report

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

The Annexure referred to in the auditor's report to the shareholders of GAIL GAS LIMITED for the year ended March 31, 2009. We report that:

- (I) (a) The Company has maintained records showing quantitative details and situation of fixed assets.
 - (b) According to the information and explanation given to us, there is a regular programme of verification of fixed assets which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Fixed assets have been physically verified by the management during the year and no discrepancies were noticed on such verification.
 - (c) There was no disposal of fixed assets during the year.
- (II) (a) According to the information and explanations given to us, the inventory of stores and spares were physically verified by the management, except those lying with contractors at the end of the year.
 - (b) According to information and explanations given to us in our opinion procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) According to the information and explanations given to us, no discrepancy had been noticed on physical verification of stock of stores and spares as compared to the Book Records.
- (III) (a) The Company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under sec. 301 of the Companies Act, 1956.
 - (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Sec. 301 of the Companies Act, 1956.
- (IV) In our opinion and according to information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets. The Company has not yet started any commercial activity, thus there is no sale of goods and services. During the course of our audit, we have neither come across nor have we been informed of any continuing failure to correct major weakness in the internal controls system of the company.
- (V) (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (VI) Company has not accepted any deposits from the public covered by sec. 58A and 58AA of the Companies Act, 1956. Therefore clause (VI) of the order does not require any comment or explanation from the auditors.
- (VII) Company has taken the support of in house Internal Audit system of its holding company GAIL (India) Ltd, which in our opinion commensurate with the size of the Company & nature of its business.
- (VIII) No books of accounts are maintained by the company prescribed by the Central Government for the maintenance of Cost Records under section 209(1)(d) of the Companies Act, 1956, as during the year company has no operations from manufacture, sale or supply of any of its products.
- (IX) (a) According to the records, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Wealth tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities.
 - (b) According to the information and explanation given to us, no undisputed amounts payable in respect of Sales Tax, Service Tax, Custom Duty, Excise Duty and other statutory dues were outstanding at the year end for a period of more than six months from the date they become payable.



- (c) As certified by the Management on which we have relied upon, there are no dues of Excise Duty, Custom Duty, Entry Tax, Sales Tax and other Taxes which have not been deposited on account of disputes.
- (X) There are no accumulated losses at the end of financial year being first year of the Company and incurred no cash losses in the current year as the Company has not started manufacturing and any trading activity during the year.
- (XI) In our opinion and according to information and explanation given to us, the Company has not raised any fund through loan or issue of securities and as such not defaulted in repayment of dues to financial institutions, banks or security holders.
- (XII) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (XIII) The Company is not a chit fund, nidhi, mutual benefit fund or society. Accordingly the provisions of clause 4(XIII) of the Companies (Auditor's report) Order, 2003 are not applicable to the Company.
- (XIV) According to the information and explanation given to us, the Company has not dealt in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(XIV) of the Companies (Auditor's report) Order, 2003 are not applicable to the Company.
- (XV) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (XVI) According to the information and explanation given to us, the Company has not raised any term loan during the year.
- (XVII) According to the information and explanation given to us, the Company has not raised any short term loan during the year.
- (XVIII) The Company has not made any preferential allotment of shares to parties or Companies covered in register maintained under section 301 of the Companies Act, 1956.
- (XIX) The Company has not issued any debenture during the year.
- (XX) The Company did not raise money by public issue during the year.
- (XXI) According to information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For: L C Kailash and Associates
Chartered Accountants

Kailash Gupta
Executive Partner
Membership No.91122

Place: Delhi
Date: 04.06.2009

BALANCE SHEET AS AT 31st March, 2009

		(Rupees)	
	Schedule No.		As at 31st March, 2009
SOURCES OF FUNDS			
SHARE HOLDERS' FUNDS			
Capital	1A	500,000	
Advance against Shares pending allotment	1B	79,500,000	
Reserves and Surplus		0	80,000,000
LOAN FUNDS			
Secured Loans		0	
Unsecured Loans		0	
			0
TOTAL			80,000,000
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	2	2,832,002	
Less : Depreciation		68,090	
Net Block		2,763,912	
Capital Work-in-progress	3	115,180,495	
			117,944,407
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	4	0	
Sundry Debtors		0	
Cash and Bank balances		1,091,852	
Loans and advances		5,185,599	
			6,277,451
LESS : CURRENT LIABILITIES AND PROVISIONS			
Liabilities	5	44,205,479	
Provisions (Provision for FBT)		16,379	
			44,221,858
NET CURRENT ASSETS			(37,944,407)
MISCELLANEOUS EXPENDITURE			0
(To the extent not written off or adjusted)			
TOTAL			80,000,000

Schedules 1 to 5, Balance Sheet abstract and Company's General Business Profile, Cash Flow Statement, Notes on Accounts and Accounting Policies form an integral part of the Accounts.

Preeti Agarwal
Company
Secretary

R.K. Sharma
CFO

M. Ravindran
CEO

PK. Jain
Director

B.C. Tripathi
Director

In terms of our report of even date
For L. C. Kailash and Associates
Chartered Accountants

Place: Delhi
Date: 04.06.2009

(Kailash Gupta)
Executive Partner
Membership No.91122

INCIDENTAL EXPENDITURE DURING CONSTRUCTION FOR THE YEAR ENDED 31st MARCH, 2009

(Rupees)

**For the year ended
31st March, 2009**

GENERAL ADMINISTRATION

Advt & Publicity	4,189,886
Audit Fees	27,575
Books-News Paper & Periodical	3,953
Bank Charges	1,650
Communication Exp	313,049
Company's Cont to PF	1,237,401
Consultancy Chg-Other Professional Fees	5,000
Data Processing Exp	37,016
Depreciation	68,090
Electricity Charges	93,180
Entertainment Expenses	222,942
Insurance Charges	412
Other Expenses	40,992
Fringe Benefit Tax	266,539
Repair & Maint-Others	260,399
Salary & Wages	15,630,289
Travelling Expenses	2,033,811
Welfare Expenses	2,866,959
Misc Office Expenses	51,518
Office Rent	3,230,888
Meeting Expenses	41,379
Photocopy Charges	31,850
Postage & Telegrams	9,661
Printing & Stationery Exp	47,645
Preliminary Expenses	12,609,200
Recruitment Expenses	828,005
Telephone Charges	75,902
Vehicle Hire Charges	579,784
	44,804,975
Less : Non operating receipts :	
i) Interest on Investment	4,402
ii) Others	151,115
	155,517
Net expenditure	44,649,458
Expenditure Allocated to	
a) CWIP- CNG Corridor	21,375,651
b) CWIP - CGD Project	23,273,807
	44,649,458

Preeti Agarwal
Company Secretary

R K Sharma
C F O

M Ravindran
C E O

P K Jain
Director

B C Tripathi
Director

In terms of our report of even date
For, L C Kailash And Associates
Chartered Accountants

Date: 04.06.2009
Place: Delhi

(Kailash Gupta)
Executive Partner
Membership No.91122

SCHEDULE 1A- CAPITAL

	(Rupees)
	As at 31st March,2009
AUTHORISED CAPITAL	
20,00,00,000 Equity Shares of Rs. 10/- each	2,000,000,000
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	
50000 Equity Shares of Rs. 10/- each Subscribers to the Memorandum & Articles of Association	500,000
TOTAL	500,000

SCHEDULE - 1B CAPITAL

	(Rupees)
	As at 31st March,2009
In the form of Consideration other than cash pending allotment A/C GAIL (India) Ltd	79,500,000
TOTAL	79,500,000

SCHEDULE 2 - FIXED ASSETS

(Rupees)

	GROSS BLOCK			DEPRECIATION		NET BLOCK
	Cost of Assets including Installations, duties and Taxes	Sales / Adjustments during the year	As at 31st March 2009	for the year 31st March, 2009	Upto 31st March, 2009	As at 31st, March 2009
ASSETS						
Furniture & Fixtures	1,816,872	0	1,816,872	49,243	49,243	1,767,629
Intangible Assets- Computer Software	40,500	0	40,500	1,350	1,350	39,150
Office Equipments	955,450	0	955,450	4,125	4,125	951,325
Misc Assets	19,180	0	19,180	13,372	13,372	5,808
Total	2,832,002	0	2,832,002	68,090	68,090	2,763,912

SCHEDULE 3 - CAPITAL WORK - IN - PROGRESS

(Rupees)

	Accretion during the year	Adjustments during the year	Capitalised during the year	As at 31st March 2009
CGD Project	60,004,642	0	0	60,004,642
CNG Corridor Project	55,110,805	0	0	55,110,805
Material in Transit- Capital Store (office)	65,048	0	0	65,048
TOTAL	115,180,495	0	0	115,180,495

SCHEDULE 4 - CURRENT ASSETS , LOANS AND ADVANCES

(Rupees)

As at 31st
March,2009

		(Rupees)
		As at 31st March,2009
A. CURRENT ASSETS		
(at cost as certified by the Management)		
1. Stores	0	
2. Sundry Debtors	0	
3. Cash & Bank balance		
a) Short term deposits with scheduled Banks	500,000	
b) Balance with scheduled Banks	587,450	
c) Interest Accrued but not due on FDR with SBI	<u>4,402</u>	1,091,852
B. LOANS & ADVANCES (Unsecured considered good unless stated otherwise by the Management)		
a) Advances recoverable in cash or in kind or for value to be received :		
(i) Security Deposit receivable considered good (HHECIL)	1,950,795	
(ii) Considered doubtful	<u>0</u>	
	1,950,795	
Less : Provision for bad & doubtful debts	<u>0</u>	1,950,795
b) Claims Recoverable (Service Tax Input Credit)		3,234,804
TOTAL		6,277,451

SCHEDULE 5 - CURRENT LIABILITIES & PROVISIONS

(Rupees)

As at 31st
March,2009

		(Rupees)
		As at 31st March,2009
A) CURRENT LIABILITIES		
Account Payable- GAIL	3,285,115	
Audit Fees Payable	24,451	
Service Tax Payable	82,400	
Int. on Service Tax Payable	1,981	
TDS Payable	1,377,156	
Sundry Creditors	<u>38,761,648</u>	43,532,751
Deposits,retention money from contractors and others		<u>672,728</u>
TOTAL (A)		44,205,479
B) PROVISION for FBT		<u>16,379</u>
TOTAL (B)		16,379
GRAND TOTAL (A + B)		44,221,858



ACCOUNTING POLICIES

A) BALANCE SHEET

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

2) Intangible Assets

Intangible assets like software and licenses which are expected to provide future enduring economic benefits are capitalized as Intangible Assets.

3) Capital Work-in-Progress

The Capital Work-in-Progress includes advance for capital goods/material in Transit/value of material/equipment etc. received at site for use in the projects.

4) Borrowing Cost

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

5) Expenses Incurred During Construction Period

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

6) Depreciation/Amortisation

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

- a) Assets costing upto Rs. 5,000/- are depreciated fully in the year of capitalization
- b) Cost of the leasehold land not exceeding 99 years is amortised over the lease period .
- c) Software/Licences are amortised in 5 years on straight line method.

2) Capital assets installed at the consumer premises on the land whose ownership is not with the company, has been depreciated on SLM basic in accordance with the rates as specified in schedule XIV of the Company's Act, 1956.

7) Foreign Currency Translation

- a) Transaction in foreign currency are accounted at the exchange rate prevailing on the transaction date.
- b) Monetary items (such as cash, receivables, loans, payables, etc.) denominated in foreign currencies, outstanding at the year end, are translated at exchange rates (BC Selling rate for Payables and TT Buying rate for Receivables) prevailing at year end.
- c) Non monetary items (such as Investments, Fixed Assets, etc.) denominated in foreign currencies are accounted at the exchange rate prevailing on the date of transaction (s).
- d) Any gains or loss arising on account of exchange difference either on settlement or on translation is accounted for in the Profit & Loss account.

8) Inventories

- a) Raw materials and finished products are valued at cost or net realizable value, whichever is lower.
- b) Stock in process is valued at cost or net realizable value, whichever is lower. It is valued at cost where the finished products in which these are to be incorporated are expected to be sold at or above cost.
- c) Stores and spares and other material for use in production of inventories are valued at weighted average cost or net realizable value, whichever is lower. It is valued at weighted average cost where the finished products in which they will be incorporated are expected to be sold at/or above cost.
- d) Surplus/obsolete stores and spares are valued at cost or net realizable value, whichever is lower.
- e) Surplus/obsolete capital stores, other than held for use in construction of a capital assets, are valued at lower of cost or net realizable value.

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

B) PROFIT & LOSS ACCOUNT

- 10) Sale proceeds will be accounted for based on the consumer price inclusive of statutory Levies and charges upto the place where ownership of goods is transferred.
- 11) Pre-Project expenditure relating to Projects which are considered unviable/closed will be charged off to Revenue in the year of declaration /closure.

12) Employee Benefits

- a) All short term employee benefits are recognized at their undiscounted amount in the accounting period in which they are incurred.
- b) Employee Benefits under Defined Contribution Plan in respect of provident fund is recognized based on the undiscounted obligation of the Company towards contribution to the fund. The same is paid to the provident fund which is administered through a separate trust.
- c) Employee benefits under Defined Benefit Plan in respect of leave encashment, compensated absence, post retirement medical scheme, long service award and other terminal benefits are recognised based on the present value of defined benefit obligation, which is computed on the basis of actuarial valuation using the projected Unit Credit method. Actuarial liability in excess of respective plan assets is recognized during the year.
- d) Provision for gratuity as per actuarial valuation is funded with a separate trust.

13) Taxes on Income

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

14) Contingent Liabilities and Capital Commitments

- a) Contingent liabilities are disclosed in each case above Rs. 5 lakhs.
- b) Estimated amount of contracts remaining to be executed on capital account are disclosed in each case above Rs. 5 lakhs.

15) Impairment

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

GENERAL

- 16) Prepaid expenses and prior period expenses/income upto Rs. 1,00,000/- in each case are charged to relevant heads of account of the current year.
- 17) Liquidated damages, if any, are accounted for as and when recovery is effected and the matter is considered settled by the Management. Liquidated damages, if settled, after capitalization of assets are charged to revenue, if below Rs. 50 lakhs in each case, otherwise adjusted in the cost of relevant assets.
- 18) Insurance claims are accounted for on the basis of claims admitted by the insurers.
- 19) a) Custom duty and other claims (including interest on delayed payments) are accounted for on acceptance in principle.
- b) Liability in respect of MGO of Natural Gas is not provided for where the same is secured by MGO recoverable from customers. Payments/receipts during the year on account of MGo are adjusted on receipt basis.

Preeti Agarwal
Company Secretary

R.K. Sharma
CFO

M. Ravindran
CEO

P. K. Jain
Director

B.C. Tripathi
Director

As per our separate report of even date
For L.C. Kailash and Associates
Chartered Accountants

(Kailash Gupta)
Membership No.91122

Place: Delhi
Date: 04.06.2009

NOTES TO ACCOUNTS

1. The present period is the first accounting period, therefore the requirements of disclosure of the corresponding figures for the previous year is not applicable.
2. The Equity shares of Rs. 500,000 to the subscribers to the Memorandum and Articles of Association has been considered as deemed allotment. The amount of Rs. 7,95,00,000 spent by GAIL (India) Ltd on behalf of GAIL GAS Ltd has been considered as Advance Against Equity Capital pending allotment.
3. An amount of Rs. 126,09,200 has been incurred towards incorporation expenses of the Company which has been charged to IEDC in terms of AS 26.
4. The estimated amount of contracts over Rs. 5.00 lakhs amounting Rs.3,00,64,824.00 are remaining to be executed on Capital Accounts and not provided for.
5. To the extent information available with the Company, Nil amount were due to Medium & Small Scale Industry.
6. Balances grouped under Loans and Advances, Deposits, Sundry Debtors and Sundry Creditors are subject to confirmation.
7. There are NIL cases of imports and foreign currency expenditure during the year and therefore the disclosure of the CIF value of the imports and foreign currency expenditure does not become applicable.
8. The Company has not prepared the Profit and Loss Account since none of its projects is ready for commercial production. However the requisite details as required under statute have been disclosed in the Statement of "Incidental Expenditure During Construction" forming part of Financial Statements.
9. The persons working for GAIL Gas Ltd are on the rolls of GAIL (India) Limited and placed at GAIL Gas Ltd. Expenses have been accounted under IEDC Head on the basis of Debit Advices from GAIL (India) Ltd.
10. Employees Benefits in terms of AS-15 (Revised) have been considered by GAIL(India) Ltd as all the employees are posted at GAIL Gas Ltd. and are on the rolls of GAIL (India) Ltd.
11. Provident Fund Contributions have been regularly deposited with the Trust maintained by GAIL (India) Ltd.
12. Since all the payments were released by GAIL (India) Ltd. on behalf of GAIL Gas Ltd, the deduction of Statutory dues like TDS, deposition of TDS and submission of Return have been taken care of by GAIL (India) Ltd. In respect of Bills provided for as on 31.03.09, necessary liabilities towards TDS has been created in the books.
13. No deferred tax liability has been recognized since the company is yet to start its commercial production.
14. The total net IEDC of Rs.4,46,49,458.00 has been allocated to CNG Corridor Project & CGD Project in the ratio of Capital Outlay as on 31.03.2009.
15. Accounting Standard 17 on "Segment Reporting" issued by ICAI, is not applicable, since commercial operation has not yet started.
16. A. The entire Equity Share Capital of the Company is held by GAIL (India) Ltd, Holding Company.
B. Related Party disclosure as per Accounting Standard 18.
 - a. Relation and name of the related parties are:
 - i. Holding Company : GAIL (India) Ltd.
 - ii. Fellow Subsidiary Company:
 - a. GAIL Global (Singapore) Pte Ltd.
 - b. Brahmaputra Cracker & Polymer Ltd
 - iii. Associate Company:
 - a. Mahanagar Gas Limited
 - b. Indraprastha Gas Limited
 - c. Petronet LNG Limited
 - d. Bhagyanagar Gas Limited

- e. Tripura Natural Gas Corporation Ltd.
 - f. Central UP Gas Ltd.
 - g. Green Gas Ltd.
 - h. Maharashtra Natural Gas Ltd.
 - i. Ratnagiri Gas & Power Pvt Ltd.
 - j. Avantika Gas Ltd.
 - k. Shell Compressed Natural Gas
 - l. Gujarat State Electricity Generation Ltd
 - m. National Gas Company "Nat Gas"
 - n. Fayum Gas Company
 - o. China Gas Holding Ltd.
 - p. GAIL China Gas Global Energy Holding Ltd.
 - iv. Key Management Personnel: Mr M. Ravindran, C E O
- b. Related Party Transactions:

		(Rs. in Lacs)			
SI No	Particulars	Holding Company	Fellow Subsidiary	Associates	Key Management Personnel
1	Purchase	32.50	0.00	228.22*	0.00
2	Sales	0.00	0.00	0.00	0.00
3	Remuneration	0.00	0.00	0.00	14.93
4	Reimbursement of remuneration to staff	185.31	0.00	0.00	0.00
5	Income	0.00	0.00	0.00	0.00
6	Outstanding Balance Payable	32.85	0.00	228.22*	0.00
7	Counter Guarantee given to Bank on behalf of the Company	900.00	0.00	0.00	0.00
8	Advance Against Equity	795.00	0.00	0.00	0.00

*The amount pertains to related party mentioned at SI No.iii(b) as mentioned above.

There is no transaction occurred with Fellow Subsidiary.

17. Contingent Liability: Bank Guarantees for Rs. 9.00 Crores submitted to PNGRB towards bid bond for participating in the bidding process of five cities namely Dewas, Kota, Meerut, Sonipat & Mathura of which the counter guarantee has been given on our behalf by GAIL (India) Limited.
18. In case of bought out assets, the depreciation for full month has been charged for the assets bought out/installed or put to use from 1st to 15th of the month and no depreciation has been charged for the month if it is between 16th to 31st of the month as per the accounting conventions of the Company.
19. The Rent Lease Deed of Rs.2,10,94,800.00 pertaining to rental of office premises of the Company at Noida (U.P.) taken from HHECIL A-2, Sector-2, Noida has not yet been registered by the Lessor under the agreement executed on 29/8/08 and 10/3/09. Thus provision for 50% share in stamp duty and registration charges of lease deed shall be accounted for in the year the lease rent deed is executed by the Lessor.

Preeti Agarwal
Company Secretary

R.K. Sharma
CFO

M. Ravindran
CEO

P. K. Jain
Director

B.C. Tripathi
Director

As per our separate report of even date
For L.C. Kailash and Associates
Chartered Accountants

(Kailash Gupta)
Membership No.91122

Place: Delhi

Date: 04.06.2009



CASH FLOW STATEMENT FOR THE FIRST ACCOUNTING PERIOD ENDED 31.03.2009

		(Rupees)
A CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS	(2,832,002)	
CAPITAL WORK-IN-PROGRESS	(115,180,495)	
LESS: DEPRECIATION	68,090	
CURRENT ASSETS LOANS AND ADVANCES	(5,185,599)	
CURRENT LIABILITIES & PROVISIONS	44,221,858	
NET CASH FROM INVESTING ACTIVITIES.		(78,908,148)
B CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM ISSUE OF SHARE CAPITAL	500,000	
PROCEEDS FROM ADVANCE AGAINST SHARE CAPITAL	79,500,000	
FROM GAIL(INDIA) LTD		
NET CASH FROM FINANCING ACTIVITIES		80,000,000
NET INCREASE IN CASH & CASH EQUIVALENTS		1,091,852
CASH & CASH EQUIVALENTS- OPENING		
CASH & CASH EQUIVALENTS- CLOSING		1,091,852

Preeti Agarwal
Company Secretary

R K Sharma
C F O

M Ravindran
C E O

P K Jain
Director

B C Tripathi
Director

In terms of our report of even date
For, L C Kailash And Associates
Chartered Accountants

Date: 04.06.2009
Place: Delhi

(Kailash Gupta)
Executive Partner
Membership No.91122

STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

Balance Sheet Abstract and Company's General Business Profile

I REGISTRATION DETAILS

Registration No.	U	4	0	2	0	0	D	L	2	0	0	8	G	O	I	1	7	8	6	1	4
State Code	5	5																			
Balance Sheet Date	3	1	0	3	2	0	0	9													
	Date		Month		Year																

II CAPITAL RAISED DURING THE YEAR (AMOUNT RS. IN LAKHS)

Public Issue	N	I	L	Bonus Issue	N	I	L
Rights Issue	N	I	L	Private Placement	N	I	L

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT ROUNDED IN RS.)

Total Liabilities	1	2	4	2	8	9	9	4	8	Total Assets	1	2	4	2	8	9	9	4	8
SOURCES OF FUNDS																			
Paid-up Capital	8	0	0	0	0	0	0	0	0	Reserves and Surplus						0	.	0	0
**																			
Secured Loans						0	.	0	0	Unsecured Loans						0	.	0	0
APPLICATION OF FUNDS																			
Net Fixed Assets	1	1	7	9	4	4	4	0	7	Investments						0	.	0	0
Net Current Assets										Misc. Expenditure						0	.	0	0
-	3	7	9	4	4	4	0	7											
Accumulated Losses	0	0	0	0	0	0	0	0											

** Includes Advance against Equity pending allotment for Rs.795.00 lakhs.



IV PERFORMANCE OF COMPANY (AMOUNT RS. IN LAKHS)

Turnover (including other income)

					0	.	0	0
--	--	--	--	--	---	---	---	---

+ - Profit / (Loss) before tax

					0	.	0	0
--	--	--	--	--	---	---	---	---

(Please tick appropriate box + for profit, - for loss)

Earnings Per Share (Rs.)

					0	.	0	0
--	--	--	--	--	---	---	---	---

Total Expenditure

					0	.	0	0
--	--	--	--	--	---	---	---	---

+ - Profit / (Loss) after tax

					0	.	0	0
--	--	--	--	--	---	---	---	---

Dividend Rate (%)

					0	.	0	0
--	--	--	--	--	---	---	---	---

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS) -

Item Code No. (ITC Code)

2	7	1	1	2	1	0	0
---	---	---	---	---	---	---	---

Item Code No. (ITC Code)

2	7	1	1	1	1	0	0
---	---	---	---	---	---	---	---

Item Code No. (ITC Code)

	N	A					
--	---	---	--	--	--	--	--

Product Description

N	A	T	U	R	A	L	G	A	S
---	---	---	---	---	---	---	---	---	---

Product Description

C	N	G					
---	---	---	--	--	--	--	--

Product Description

		N	A				
--	--	---	---	--	--	--	--

Preeti Agarwal
Company Secretary

R K Sharma
C F O

M Ravindran
C E O

P K Jain
Director

B C Tripathi
Director

Place: Delhi
Date: 04.06.2009

COMMENT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF GAIL GAS LIMITED FOR THE YEAR ENDED 31ST MARCH 2009 AND REPLY OF THE MANAGEMENT.

Comments of the Comptroller and Auditor General of India	Management Replies
<p>The preparation of financial statements of GAIL Gas Limited for the year ended 31 March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 4 June 2009.</p> <p>I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act, 1956 of the financial statements of GAIL Gas Limited for the year ended 31 March 2009. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to the inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matter under Section 619 (4) of the Companies Act, 1956 which has come to my attention and which in my view is necessary for enabling a better understanding of the financial statements and the related Audit Report.</p> <p>Comment on Financial Position Balance Sheet Application of funds Capital Work-in-Progress (Schedule.3) Rs.11.52 Crore</p> <p>The above includes Rs.1.26 crore being the expenditure on preliminary expenditure on formation of Company, which should have been treated as an expense in accordance with Accounting Standard 26 prescribed under Section 211 (3)(c) of the Companies Act 1956.</p> <p>In view of withdrawal of Guidance Note on 'Treatment of Expenditure during Construction Period' by the Institute of Chartered Accountants of India, a Profit & Loss Account should have been prepared.</p> <p>Non compliance to the above has resulted in overstatement of Capital Work-in-Progress and understatement of expenses and losses by Rs.1.26 Crore.</p>	<p>Profit & Loss Account was not prepared as the commercial operations have not started. However, the opinion of the Expert Advisory Committee of Institute of Chartered Accountants of India would be taken in this regard and accounting effect, if any, would be taken during 2009-10.</p>
<p>For and on behalf of the Comptroller & Auditor General of India</p> <p>Sd/- Naina A.Kumar Principal Director of Commercial Audit & Ex-Officio Member Audit Board II</p> <p>Place : New Delhi Date : 06th August 2009</p>	<p>For and on behalf of the Board of Directors</p> <p>(R.K.Sharma) (PK.Jain) CFO Director</p> <p>Place : New Delhi Date : 06th August 2009</p>

Consolidated Financial Statements



AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF GAIL (INDIA) LIMITED ON CONSOLIDATED FINANCIAL STATEMENTS OF GAIL (INDIA) LIMITED, ITS SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES.

We have examined the attached Consolidated Balance Sheet of GAIL (INDIA) LTD. ("the Company"), its subsidiaries, joint ventures and associates as at 31st March 2009 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on the date annexed thereto. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. We did not audit the financial statements of subsidiaries namely Gail Global (Singapore) Pte. Ltd., Bramhaputra Cracker & Polymers Ltd. And GAIL Gas Ltd., whose financial statements reflect total assets of Rs.471.34 crores as at March 31, 2009 and total revenue of Rs.6.72crores and net cash inflows of Rs.109.63 crores for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amount included in respect of the subsidiaries, is based solely on the reports of the other auditors.
3. We did not audit the financial statements of associates namely Fayum Gas, Shell Compressed Natural Gas Egypt, Gujarat State Electricity Generation, Natural Gas Company "NATGAS" and China Gas Holding Limited. These financial statements have been audited by other auditors, except for Gujarat State Electricity Generation and

China Gas Holding Ltd. whose financial statements are unaudited. In the case of audited financial statements, the reports or certificate have been furnished to us. Our opinion, in so far as it relates to the amount included in respect of these associates, is based solely on the reports of the other auditors and unaudited financial statements, as the case may be.

4. In respect of Fayum Gas, Shell Compressed Gas and NATGAS, the Accounts drawn up as at December 31, 2008 and in respect of China Gas Holding Limited, the Accounts drawn upto September 30, 2008, have been used in the consolidation. As per information and explanations given to us, no significant transactions or other events occurred between the reporting date of aforesaid entities and 31st March, 2009, which require adjustment.
5. We did not audit the financial statements of Joint Ventures, whose financial statement reflect total assets of Rs. 18620.51 crores, total liabilities of Rs. 18620.51crores as at March 31, 2009 and total revenue of Rs.11430.74 crores, total expenditure of Rs.10808.02 crores for the year ended on that date. Our opinion, in so far as it relates to the amount included in respect of these joint ventures, is based on the unaudited Financial Statements.
6. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, viz, "Consolidated Financial Statements" Accounting Standard (AS) 23, viz "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard (AS) 27, viz "Financial Reporting of Interests in Joint Ventures", issued by The Institute of Chartered Accountants of India.
7. Subject to our comments in Para 2, 3, 4, 5, above and Note No.2, 21 to 25 of Schedule 14-Notes to Accounts to Consolidated Financial Statements of the company and on the basis of the information and explanations given to us and on the consideration of separate audit reports on individual audited financial statements of

the Company, its subsidiary, joint ventures and associate companies, we report that in our opinion, the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:-

- (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company as at 31st March 2009;
- (b) in the case of Consolidated Profit and Loss Account, of the consolidated results of operations of the Company for the year on that date; and
- (c) in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of the Company for the year ended on that date.

For Mehra Goel & Co.
Chartered Accountants

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

Place: New Delhi
Date: June 12, 2009

Consolidated Balance Sheet as on 31 st March, 2009

(Rs. in Crores)

	SCHEDULE NO.	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
SOURCES OF FUNDS			
Shareholder's Funds			
Capital	1	1,268.48	845.65
Reserve and Surplus	2	14,132.39	12,706.90
		-----	-----
Loan Funds	3		
Secured Loans		3,699.75	3,613.69
Unsecured Loans		124.46	173.03
		-----	-----
Minority Interest		166.68	73.80
Deferred Tax Liability (Net)		1,392.52	1,384.76
		-----	-----
TOTAL		20,784.28	18,797.83
		-----	-----
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	20,106.04	19,364.22
Less : Depreciation		8,987.41	8,288.45
		-----	-----
Net Block		11,118.63	11,075.77
Capital Work in Progress	5	4,187.89	2,285.89
		-----	-----
		15,306.52	13,361.66
Investments	6	1,025.65	1,022.51
		-----	-----
Carried Forward		16,332.17	14,384.17

(Rs. in Crores)

	SCHEDULE NO.	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
Brought Forward		16,332.17	14,384.17
Current Assets, Loans and Advances	7		
Inventories		724.66	630.20
Sundry Debtors		1,601.17	1,155.22
Cash and Bank Balances		3,781.13	4,632.06
Other Current Assets		59.43	58.77
Loans and Advances		6,892.71	4,335.00
		-----	-----
		13,059.10	10,811.25
Less : Current Liabilities and Provisions	8		
Current Liabilities		4,463.00	3,551.46
Provisions		4,143.99	2,846.13
		-----	-----
		8,606.99	6,397.59
Net Current Assets		4,452.11	4,413.66
Miscellaneous Expenditure (To the extent not written off or adjusted)			
Preliminary Expenditure		-	-
		-----	-----
TOTAL		20,784.28	18,797.83
		-----	-----
Contingent Liabilities not provided for (Refer Schedule 14)			

N.K.Nagpal
Secretary

R.K.Goel
Director(Finance)

B.C.Tripathi
Director(Marketing)

Dr. U. D. Choubey
Chairman & Managing Director

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

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

Place : New Delhi
Dated : June 12, 2009

Consolidated Profit & Loss Account for the Year ended 31st March, 2009

(Rs. in Crores)

	SCHEDULE NO.	YEAR ENDED 31st MARCH, 2009		YEAR ENDED 31st MARCH, 2008	
INCOME					
Sales		24,516.72		18,761.08	
Less : Excise Duty		575.94	23,940.78	632.31	18,128.77
		-----		-----	
LPG Transmission Charges/RLNG Shipper Charges			694.30		680.41
Income from Telecom			24.29		28.13
Increase (decrease) in Inventories					
Closing Stock		238.60		234.18	
Less : Opening Stock		234.77	3.83	204.90	29.28
		-----		-----	
Other Income	9		832.02		574.05
			-----		-----
TOTAL			25,495.22		19,440.64
			-----		-----
EXPENDITURE					
Purchases			14,427.85		9,599.89
Gas Pool			752.00		720.47
Manufacturing, Transmission, Administration					
Selling & Distribution and other Expenses	10	5,120.33		4,253.88	
Depreciation	4	718.35		662.71	
		-----		-----	
			5,838.68		4,916.59
Less : Incidental Expenditure during construction transferred to Capital Work-in-Progress	11	(49.62)	5,789.06	(28.69)	4,887.90
		-----		-----	
Preliminary Expenditure written off			2.28		2.48
			-----		-----
TOTAL			20,971.19		15,210.74
			-----		-----
Profit before Interest and Finance Charges			4,524.03		4,229.90
Interest and Finance Charges	12	231.66		149.53	
Less: Interest and Finance Charges transferred to Capital Work-in-Progress		(0.45)	231.21	(0.20)	149.33
		-----		-----	
Profit for the year	Carried Forward		4,292.82		4,080.57

(Rs. in Crores)

	SCHEDULE NO.	YEAR ENDED 31st MARCH, 2009	YEAR ENDED 31st MARCH, 2008
Brought Forward		4,292.82	4,080.57
Less : Prior Period Adjustments (Net)	13	11.84	(21.75)
Profit for the year before Tax		4,280.98	4,102.32
Provision for Taxation - Current {Includes Wealth Tax Rs. 1.00 (Previous Year: Rs. 0.10)}		1,475.00	1,328.69
- Deferred		7.70	4.74
- FBT		8.23	7.73
Profit after Tax		2,790.05	2,761.16
Add: Share of Profit/(Loss) in Associates for the year		36.30	21.74
Group Profit after Tax		2,826.35	2,782.90
Amount available for appropriation		2,826.35	2,782.90
APPROPRIATIONS			
Interim Dividend		507.39	338.26
Proposed Dividend		380.54	539.23
Corporate Dividend Tax		150.90	149.13
Bond Redemption Reserve		32.13	32.13
General Reserve		293.56	270.27
Balance Carried to Balance Sheet		1,461.83	1,453.88
TOTAL		2,826.35	2,782.90
Details of Earning Per Share			
A. Group Profit after tax		2,826.35	2,782.90
B. Weighted Average No. of Equity Shares (Refer Note No: - 26 of Notes of accounts)		1,268,477,400	1,268,477,400
C. Nominal Value per Equity Share (Rs.)		10/-	10/-
D. Basic and Diluted Earning Per Share (Rs.) (Refer Note No: - 26 of Notes of accounts)		22.28	21.94
Notes on Accounts	14		
Schedules 1 to 14 and Accounting policies form part of Accounts			

N.K.Nagpal
Secretary

R.K.Goel
Director (Finance)

B.C. Tripathi
Director (Marketing)

Dr. U. D. Choubey
Chairman & Managing Director

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

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

Place : New Delhi
Dated : June 12, 2009

Schedule 1 - Share Capital

(Rs. in Crores)

	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
AUTHORISED		
200,00,00,000 (Previous Year 100,00,00,000) Equity Shares of Rs. 10/- each	2,000.00	1,000.00
ISSUED, SUBSCRIBED AND PAID-UP		
126,84,77,400 (Previous Year: 84,56,51,600) Equity Shares of Rs.10/- each fully paid up (Includes 42,28,25,800 (Previous Year: NIL) equity shares of Rs. 10 each issued as bonus shares out of General Reserve)	1,268.48	845.65
TOTAL	1,268.48	845.65

Schedule 2 - Reserves and Surplus

(Rs. in Crores)

	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
Capital Reserve		
(Grant received from Danish Govt. for construction of Gas Technology Institute at Noida)		
As per Last Account	23.19	1.98
Add- During the year	75.42	21.33
Less : Transferred to Profit & Loss Account	(0.12)	(0.12)
	98.49	23.19
Share Premium Account	14.70	14.70
Investment Allowance (Utilised) Reserve		
As per Last Account	146.48	215.10
Less : Transferred to General Reserve	(127.37)	(68.62)
	19.11	146.48
Bonds Redemption Reserves		
As per Last Account	160.64	128.51
Add : Transferred from Profit & Loss Account	32.13	32.13
	192.77	160.64
General Reserve		
As per Last Account	1,990.54	1,701.80
Add : Transferred from Profit & Loss Account	293.56	270.27
Add : Transferred from Investment Allowance (Utilised) Reserve	127.37	68.62
Less: Issue of Bonus Shares	(422.83)	-
Add: Adjustment due Joint Venture Regrouping (Refer Note No - 19 of Notes on accounts)	(8.88)	(50.15)
	1,979.76	1,990.54
Foreign Currency Translation Reserve	5.44	6.36
Profit and Loss Account		
As per Last Account	10,364.99	8,914.58
Add: Profit During the Year	1,461.83	1,453.88
Less: Adjustment due Dividend Received from Associate	(4.70)	(3.47)
	11,822.12	10,364.99
TOTAL	14,132.39	12,706.90

Schedule 3- Loan Funds

(Rs. in Crores)

	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
SECURED LOANS		
Bonds Series - I	500.00	500.00
(6.10% Secured Non-convertible redeemable Bonds -Series - I are redeemable in 5 equal installment commencing from the end of the 8th year upto the end of the 12th year from the deemed date of allotment August 22, 2003.) (Bonds are secured on pari pasu basis, by charge on freehold non agricultural land at village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery , spares, tools and accessories and other movables of the company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plant and Vadodra plant both present and future and whether installed or not and lying or in store)		
Bonds Series - II	600.00	600.00
(5.85% Secured Non-convertible redeemable Bonds -Series - II are redeemable in 5 equal installment commencing from the end of the 6th year upto the end of the 10th year from the deemed date of allotment March 25, 2004).(Bonds are secured on pari pasu basis, by charge on freehold non agricultural land at village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery , spares, tools and accessories and other movables of the company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plant, DUPL projects and Vadodra plant both present and future and whether installed or not and lying or in store)		
Term Loan		
External Commercial Borrowing	2.49	4.98
From Financial Institution	-	1.43
From Banks	1,360.53	1,350.20
From Others	1,236.73	1,157.08
	-----	-----
Carried Forward	3,699.75	3,613.69

(Rs. in Crores)

	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
Brought Forward	3,699.75	3,613.69
UNSECURED LOANS		
From Banks :		
- State Bank of India, London	-	-
- Other Banks (repayment within one year)	12.74	-
From others		
- Oil Industry Development Board {including Rs. 65.75 (Previous Year Rs 65.75) due for payment within one year}	100.28	166.02
- Sales Tax Deferred	5.47	5.47
Deposit From Customers (Deposits from commercial customers of natural gas refundable on termination of the gas sales agreements)	5.97 -----	1.54 -----
TOTAL	3,824.21 -----	173.03 -----

Schedule 4 - Fixed Assets

(Rs. in Crores)

DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2008	Additions/ Adjustments during the Year	Sales/ Adjustments during the Year	As at 31.03.2009	As at 01.04.2008	For the Year	Adjustments during the Year	As at 31.03.2009	As on 31.03.2009	As on 31.03.2008
Tangible Assets										
Freehold	137.06	5.73	71.19	71.60	-	-	-	-	71.60	137.06
Leasehold	84.55	4.47	(71.93)	160.95	8.73	2.50	0.14	11.09	149.86	75.82
Building : Office/Others	443.55	7.72	(39.70)	490.97	108.61	16.40	(2.48)	127.49	363.48	334.94
Residential	261.43	(0.11)	0.05	261.27	51.82	5.05	0.02	56.85	204.42	209.61
Roads and Fences	1.29	0.01	-	1.30	0.17	0.03	(0.01)	0.21	1.09	1.12
Electrical Installations	0.94	0.02	(0.03)	0.99	0.18	0.04	-	0.22	0.77	0.76
Bunk Houses	1.57	-	-	1.57	1.50	0.02	-	1.52	0.05	0.07
Plant and Machinery	17,900.14	780.35	115.93	18,564.56	7,888.84	650.71	9.88	8,529.67	10,034.89	10,011.30
Railway Lines & Sidings	5.48	-	-	5.48	4.49	0.26	-	4.75	0.73	0.99
Communication Systems	4.67	0.67	0.47	4.87	2.09	0.38	(0.17)	2.64	2.23	2.58
Electrical Equipments	141.65	2.87	1.27	143.25	54.43	7.85	0.76	61.52	81.73	87.22
Furniture Fixture and other Equipments	282.68	18.35	11.78	289.25	139.05	25.29	11.21	153.13	136.12	143.63
Office Equipments	2.57	0.93	0.09	3.41	0.62	0.32	(0.02)	0.96	2.45	1.95
Vehicles	0.26	0.25	(0.15)	0.66	0.13	0.05	(0.02)	0.20	0.46	0.13
Transport Equipments	2.63	0.01	0.12	2.52	1.77	0.15	0.07	1.85	0.67	0.86
Intangible Assets										
Right of Use *	46.64	7.32	-	53.96	-	-	-	-	53.96	46.64
Softwares / Licences	45.46	2.26	(0.06)	47.78	25.83	9.21	0.01	35.03	12.75	19.63
E&P Assets										
Producing Property	-	-	-	-	-	-	-	-	-	-
Support Equipment & Facility	1.65	-	-	1.65	0.19	0.09	-	0.28	1.37	1.46
Total	19,364.22	830.85	89.03	20,106.04	8,288.45	718.35	19.39	8,987.41	11,118.63	11,075.77
Share in Joint Venture Assets included above	2,406.36	107.85	12.15	2,502.06	263.88	158.44	(11.43)	433.75	2,068.31	2,142.48
Previous Year	15,697.06	3,776.41	109.25	19,364.22	7,650.36	662.71	24.62	8,288.45	11,075.77	8,046.70
Share in Joint Venture Assets included above	764.50	1,710.15	68.29	2,406.36	172.17	91.69	(0.02)	263.88	2,142.48	592.33

* Right of use for laying pipelines is a perpetual right of use of Land but does not bestow upon the company, the ownership of Land and hence, treated as intangible assets.

However, no amortisation is provided on the same, being perpetual in nature.

Schedule 5 - Capital Work-in-Progress

(Rs. in Crores)

	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
Linepipe Construction and related facilities including Cathodic Protection	701.33	299.37
Compressor Stations	0.02	6.38
Telecom/Telesupervisory System	1.68	-
LPG Pipeline Project	-	2.27
LPG Projects	2.58	2.73
Petrochemicals	6.62	5.26
Telecom Projects	0.01	-
Others	43.03	42.26
Survey, Studies and other service-Cochin	-	4.50
Solid Cargo Port	-	-
Engineering/project construction	1,648.28	1,382.47
Building	-	0.03
Exploratory & Development Well in Progress	343.82	293.09
Construction of CNG Station	48.22	42.94
Preoperative expenditure, pending allocation in respect of Jointly controlled Entity	-	-
Buildings	2.39	1.10
Less : Provision for abandonment of Work in Progress	(0.33)	(0.53)
Linepipes, Capital Items in Stock/Transit	1,379.80	200.97
Less : Provision for losses/obsolescence	(0.08)	(0.08)
Advance for Capital Expenditure (Unsecured - Considered Good)	10.52	3.13
(Unsecured - Considered Doubtful)	1.80	1.40
	12.32	4.53
Less : Provision for Doubtful Advances	(1.80)	(1.40)
TOTAL	4,187.89	2,285.89

Schedule 6 - Investments

(Rs. in Crores)

	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
LONG-TERM INVESTMENTS		
1. Trade Investments		
Quoted * -		
a) In Associate Company		
21,00,00,000 (Previous Year : 21,00,00,000) Equity Shares of HK\$ 0.01/- each fully paid up in China Gas Holding Ltd., registered in China, acquired at a premium of HK\$ 1.148/- per share	51.84	51.84
Add: Goodwill	84.48	84.48
Add: Share of Profit in Associate	48.45	27.84
Less: Dividend Received	(3.93)	(2.49)
	180.84	161.67
3,000,000 (Previous Year 3,000,000) Equity shares of LE 5/- per share in NAT GAS Equity share has acquired at a premium LE 34.5 per Equity Share	21.21	21.21
Add: Goodwill	62.41	62.41
Add: Share of Profit	34.99	24.15
	118.61	107.77
b) In Govt of India Bond		
6.96 % Oil Companies GOI Special Bonds 2009 (Alloted in lieu of claims pending with Oil Co-ordination Committee)	6.00	6.00
7 % Oil Companies GOI Special Bonds 2012 (Alloted in lieu of claims pending with Oil Co-ordination Committee)	9.59	9.59
c) Other		
570,600 (Previous Year : 570,600) Equity Shares of Rs.10/-each fully Paid-up in Gujarat Industries Power Co. Ltd.(includes 1,90,200 Equity Shares acquired during the year 1996-97 at a premium of Rs.15/- per share)	0.86	0.86
5,14,00,267 (Previous Year : 5,14,00,267) Equity Shares of Rs.10/- each fully paid up in ONGC Ltd. (Acquired 3,42,66,845 shares during 1999-2000 at a price of Rs.162.34 per Share and 1,71,33,422 bonus shares received during the year 2006-07)	556.29	556.29
NIL (Previous Year 3,62,100) units of 6.75% Tax Free US64 Bonds of Rs 100/- each guaranteed by GOI, having maturity date on 01.06.2008.	-	3.62
* Aggregate market value of the above mentioned quoted securities is Rs. 4,905.94 Cr (previous year Rs. 6,343.17 Cr) (includes cost where market price not available)		
Carried Forward	872.19	845.80

(Rs. in Crores)

	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
Brought Forward	872.19	845.80
Unquoted - At Cost		
In Associate Companies		
2,07,60,000 (Previous Year : 2,07,60,000) Equity Shares of Rs.10/- each fully paid-up in Gujrat State Electricity Generation Ltd.	20.76	20.76
Add: Share of Profit	20.78	18.38
Less: Dividend received	(1.04)	-
	40.50	39.14
19,000 (Previous Year : 19,000) Equity shares of LE 100/- each fully paid up in Fayum Gas Company registered in Egypt.	4.59	4.59
Add: Goodwill	3.50	3.50
Add: Share of Profit	6.66	4.03
Less: Dividend received	(7.40)	(5.18)
	7.35	6.94
2,20,000 (Previous Year : 2,20,000) Equity Shares of LE 10/- each fully paid up in Shell Compressed Natural Gas Company, Egypt registered in Egypt.	0.33	0.33
Add: Goodwill	1.28	1.28
Add: Share of Profit	(0.53)	(0.35)
	1.08	1.26
Carried Forward	921.12	893.14

(Rs. in Crores)

	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008
Brought forward	921.12	893.14
2. Non Trade Investments - Others		
Unquoted - At cost		
(a) i). 30 Shares (Previous year 30) of Rs.50 each fully paid up in Darpan Co-operative Housing Society Ltd., Vadodara	-	-
ii). 50 Shares (Previous year 50) of Rs.50 each fully paid up in Ashoka Apartments Co-operative Housing Society Ltd., Vadodara	-	-
iii). 400 Shares (Previous year 400) of Rs.10 each fully paid up in Sanand Members Association, Ahmedabad.	-	-
iv). 35 Shares (Previous year 35) of Rs.50/-each fully paid up in Green Fields(B) Cooperative Housing Society Ltd, Mumbai	-	-
3. INVESTMENTS (Current Investments-Non-Trade)		
Quoted		
Mutual Fund Scheme	104.53	129.37
TOTAL	1,025.65	1,022.51

Schedule 7 - Current Assets, Loans and Advances

(Rs. in Crores)

	AS AT 31st MARCH, 2009		AS AT 31st MARCH, 2008	
A. CURRENT ASSETS				
INVENTORIES				
(As Certified by the Management)				
Raw Material (LNG)	46.17		5.21	
Raw Material in Transit	-		4.07	
CNG and Natural Gas in Pipeline	0.10		0.08	
Stores and Spares including Construction Surplus*	432.49		388.15	
Less : Provision for Losses/Obsolescence	32.94		33.32	
	-----		-----	
	399.65		354.91	
Stock of Gas**/Polymers/LPG and Other Products	278.84		266.01	
* includes Rs 21.72 (previous year Rs 25.98) in transit	-----		-----	
** after adjustment of calorific value.	724.66		630.20	
SUNDRY DEBTORS				
Debts outstanding for a period exceeding six months				
- Unsecured, Considered Good	152.91		77.21	
- Secured, Considered Good	0.01		-	
- Unsecured, Considered Doubtful	128.08	281.00	104.67	181.88
	-----		-----	
Other Debts				
- Secured, Considered Good	1.88		1.97	
- Unsecured, Considered Good	1,446.37		1,076.04	
- Unsecured, Considered Doubtful	0.42	1,448.67	-	1,078.01
	-----		-----	
	1,729.67		1,259.89	
Less : Provision for Doubtful debts	(128.50)	1,601.17	(104.67)	1,155.22
	-----		-----	
CASH AND BANK BALANCES				
Cash in hand	0.63		0.50	
Cheques/Stamps in hand	0.01	0.64	0.39	0.89
	-----		-----	
BANK BALANCES WITH SCHEDULED BANKS				
On Current Account (includes Corporate Liquid Term Deposit Rs. 82.20 (Prevoius Year: Rs 44.40))	184.72		137.94	
On Current Account -Gas Pool Money	-		-	
On Current Account -JV Consortium	-		-	
On Fixed Deposit Account	52.74		84.23	
On Short Term Deposit	2,059.13		3,398.22	
On Short Term Deposit -Gas Pool Money (includes interest accrued but not due Rs.28.63 (Prevoius Year Rs. 10.26))	1,413.66		582.53	
On Short Term Deposit -JV Consortium (includes interest accrued but not due Rs. 3.10 ((Prevoius Year Rs. 6.38) (refer note 7 of notes to accounts))	57.38	3,767.63	426.72	4,629.64
	-----		-----	
BANK BALANCES WITH OTHER BANKS				
On current accounts		12.86	1.53	4,632.06
OTHER CURRENT ASSETS				
Interest accrued but not due on Deposits / Bonds	55.11		57.94	
Interest accrued on Fixed Deposits	4.32	59.43	0.83	58.77
	-----		-----	
Carried Forward		6,166.39		6,476.25

(Rs. in Crores)

	AS AT 31st MARCH, 2009		AS AT 31st MARCH, 2008	
Brought Forward		6,166.39		6,476.25
B. LOANS AND ADVANCES				
Loans to Employees				
- Secured, Considered Good	142.91		157.56	
- Unsecured, Considered Good (including dues from Directors Rs. 0.12 (Previous Year : Rs.0.20)) (Maximum amount due at any time during the year : Rs. 0.20) (Previous Year : Rs. 0.35)	23.30		21.97	
Others (Unsecured, Considered Good)	1.58	167.79	1.20	180.73
Advances recoverable in cash or in kind or for value to be received				
- Unsecured, Considered Good (includes Rs.1131.74 (Previous Year Rs. 1160.69) paid / adjusted against Income tax demand under protest)	2,780.73		1,975.41	
Others - Unsecured, Considered Doubtful	0.11 1.38		5.59 1.26	
	2,782.22		1,982.26	
Less : Provision for Doubtful Advances	(1.38)	2,780.84	(1.26)	1,981.00
Advance Tax / TDS		3,685.65		2,067.34
Claims Recoverable				
- Unsecured, Considered Good	169.92		49.86	
- Unsecured, Considered Doubtful	2.91		0.37	
	172.83		50.23	
Less : Provision for doubtful claims	(2.91)	169.92	(0.37)	49.86
Deposits with Customs, Port Trust and Others				
- Unsecured, Considered Good	74.47		45.12	
- Unsecured, Considered Doubtful	0.39		0.31	
	74.86		45.43	
Less : Provision for doubtful deposits	(0.39)	74.47	(0.31)	45.12
		6,878.67		4,324.05
Trade and security Deposits				
- Unsecured, Considered Good		14.04		10.95
TOTAL		13,059.10		10,811.25

Schedule 8 - Current Liabilities and Provisions

(Rs. in Crores)

	AS AT 31st MARCH, 2009	AS AT 31st MARCH, 2008	
A. CURRENT LIABILITIES			
Sundry Creditors (includes Rs. 57.38 (Previous Year : Rs. 426.72) payable to JV consortium)	2,126.77	1,926.62	
Deposits/Retention Money from Contractors and Others	214.33	187.33	
Abandonment Cost (E&P)	1.25	1.13	
Other Liabilities	535.04	655.27	
Due to Promoter Companies	0.16	0.21	
Other Liabilities - Gas Pool Money	1,512.25	710.60	
Unclaimed Dividend (Amount due for credit to Investor Education & Protection Fund is Rs. NIL (Previous Year : NIL)	2.96	2.28	
Interest accrued but not due (includes on loan Rs. 19.22 (Previous Year : Rs. 19.31)	50.54	40.16	
Trade and Security Deposits	19.70	27.86	
	-----	-----	3,551.46
B. PROVISIONS			
Provision for taxation/FBT/Wealth Tax	3,556.15	2,127.35	
Provision for Proposed Dividend	380.54	539.23	
Provision for Corporate Dividend Tax	64.67	91.64	
Provision for Gratuity	0.38	0.14	
Provision for Leave Encashment and Post Retirement Medical Benefits	142.25	87.77	2,846.13
	-----	-----	-----
TOTAL	8,606.99	6,397.59	

Schedule 9 - Other Income

(Rs. in Crores)

	YEAR ENDED 31st MARCH, 2009	YEAR ENDED 31st MARCH, 2008
Dividend from long term (trade) investment	231.22	211.19
Interest on :		
- Bonds/Debentures (Long term trade investment)	1.13	3.26
- Deposits with Banks	367.55	256.41
- Others	43.06	14.72
	-----	-----
	411.74	274.39
(Tax deducted at source : Rs. 80.97 (Previous Year: Rs. 47.90))		
Surplus on Disposal of Investments	0.39	1.09
Export Incentives	-	0.60
Liabilities/Provisions no longer required written back (Miscellaneous Income)	198.33	88.66
(Tax deducted at source : Rs. 0.36 (Previous Year: Rs. 0.50))		
Less : Transferred to Incidental Expenditure during construction (Schedule 11)	(9.66)	(1.88)
	-----	-----
TOTAL	832.02	574.05

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

(Rs. in Crores)

	YEAR ENDED 31st MARCH, 2009	YEAR ENDED 31st MARCH, 2008
Raw Material consumed	2,128.31	1,714.84
Employees Remuneration and Benefits		
Salaries, Wages and Allowances	451.71	406.73
Contribution to Provident and Other Funds	69.63	18.41
Welfare Expenses	89.72	76.05
Secondment charges	1.34	0.80
	-----	-----
	612.40	501.99
Power, Fuel and Water Charges	398.08	351.96
Gas Fuel Charges	737.45	601.59
Stores and Spares consumed	204.71	214.82
Rent	19.79	16.83
Rates and Taxes (includes UP entry tax on gas)	58.89	46.92
Licence Fees - Telecom	1.78	2.21
Bandwidth Consumption	0.46	0.72
Repairs and Maintenance		
Plant and Machinery	144.34	100.19
Buildings	15.96	17.16
Others	25.84	23.73
	-----	-----
	186.14	141.08
Insurance	25.43	30.40
Communication Expenses	8.42	8.14
Printing and Stationery	2.87	2.66
Travelling Expenses	40.69	35.47
Books and Periodicals	0.57	1.15
Advertisement and Publicity	13.63	9.82
	-----	-----
Carried Forward	4,439.62	3,680.60

(Rs. in Crores)

	YEAR ENDED 31st MARCH, 2009	YEAR ENDED 31st MARCH, 2008
Brought Forward	4,439.62	3,680.60
Payment to Auditors		
Audit Fees	0.48	0.37
Management Services	0.02	0.03
Out of Pocket Expenses	0.09	0.16
	0.59	0.56
Entertainment Expenses	0.25	0.52
Recruitment and Training Expenses	7.94	6.74
Vehicle Hire and Running Expenses	16.75	16.46
Equipment Hire charges	1.16	1.15
CNG Transportation	1.29	0.95
CNG Dispensing Charges	1.46	1.44
Operating Expenses at CNG Stations	5.21	3.71
Lease Charges	1.09	1.70
Survey Expenses	166.86	87.65
Consultancy Charges	18.56	14.78
Legal and Professional charges	5.83	4.06
Data Processing Expenses	0.90	1.67
Donation	4.42	15.81
Research and Development Expenses	-	0.01
Directors fees	0.27	0.50
Loss on sale / written off of assets(net)	43.69	12.66
Loss on sale/Revaluation of Investments	-	-
Bad Debts/Claims/Advances/Inventories written off	2.80	0.08
Dry Well Expenses written off	199.53	284.59
Provision for Doubtful Debts, Advances, Claims and Deposits	26.50	(2.65)
Excise Duty on Stock (Net)	(8.76)	(3.94)
Expenses on Enabling Facilities	0.87	1.37
Selling & Distribution Expenses	9.04	4.56
Discount on Sales	20.54	16.88
Commission on Sales	14.81	13.19
Dealers' Commission	2.02	1.73
Security Expenses	48.62	40.06
Oil & Gas Producing Expenses (Operators)	5.20	0.75
Royalty on Crude Oil	3.60	0.89
Corporate Social Responsibility Expenses	31.13	-
Other Miscellaneous Expenses	48.44	45.33
Exchange Fluctuation	4.27	0.07
Less: Transfer to Capital Work in Progress		
Employees Remuneration and Benefits	3.13	-
Operating and Other Expenses	1.04	-
TOTAL	5,120.33	4,253.88

Schedule 11 - Incidental Expenditure during Construction

(Rs. in Crores)

	YEAR ENDED 31st MARCH, 2009		YEAR ENDED 31st MARCH, 2008	
Employees Remuneration and Benefits				
Salaries, Wages and Allowances	18.01		4.81	
Contribution to Provident and Other Funds	0.69		0.14	
Welfare Expenses	1.98	20.68	0.34	5.29
	-----		-----	
Power, Fuel and Water Charges		0.08		1.16
Stores & Spares Consumed		-		-
Rent		1.95		0.30
Repairs and Maintenance				
Plant and Machinery	-		2.99	
Buildings	0.19		0.17	
Others	0.16	0.35	0.23	3.39
	-----		-----	
Insurance		0.02		5.15
Communication Expenses		0.32		0.05
Travelling Expenses		3.31		0.43
Recruitment and Training Expenses		0.16		-
Interest and Finance Charges		0.45		0.20
Vehicle Hire and Running Expenses		0.62		0.19
Consultancy Charges		0.28		4.25
Polymer Consumption		-		-
Other Expenses		19.94		8.45
Depreciation		1.91		0.03
		-----		-----
		50.07		28.89
Less :				
- Interest Income	9.48		1.85	
- Misc. Income	0.18	9.66	0.03	1.88
	-----	-----	-----	-----
Net Expenditure		40.41		27.01
Less : Transferred to Capital Work-in-progress	-		-	
-Mfg., Transmission, Admn., Selling & Distribution and Other Expenses	49.62		28.69	
Interest & finance Charges	0.45		0.20	
Other Income	(9.66)	40.41	(1.88)	27.01
	-----	-----	-----	-----
Balance Carried over to Balance Sheet		-		-
		-----		-----

Schedule 12 - Interest and Finance Charges

(Rs. in Crores)

	YEAR ENDED 31st MARCH, 2009		YEAR ENDED 31st MARCH, 2008	
Interest				
Foreign Currency Loans	-		0.05	
On term loans	127.83		68.52	
Other Loans	17.93	145.76	12.95	81.52
		-----	-----	
Bonds		65.60		65.78
Others		17.77		0.75
Bank Charges		2.45		1.35
Commitment and other Finance Charges		0.08		0.13
		-----		-----
TOTAL		231.66	TOTAL	149.53
		-----		-----

Schedule 13 - Prior Period Adjustments

(Rs in Crores)

	YEAR ENDED 31st March 2009		YEAR ENDED 31st March 2008	
Purchase of Gas		0.01		25.03
Raw Material		0.40		-
Salaries, Wages and Allowances		(0.07)		(0.86)
Power, Fuel and Water Charges		0.20		(0.14)
Stores and Spares consumed		(4.36)		(0.47)
Rent		-		0.03
Depreciation(Net)		(0.01)		2.88
Repairs and Maintenance		0.35		(2.68)
Consultancy Charges		0.94		0.13
Other Expenses		(0.48)		0.18
		-----		-----
TOTAL		(3.02)		24.10
Less :-				
Sales	(9.77)		44.25	
- Interest Income	1.08		-	
Miscellaneous Income	(6.17)	(14.86)	1.60	45.85
		-----		-----
TOTAL (NET)		11.84		(21.75)
		-----		-----

SCHEDULE 14: CONSOLIDATED NOTES ON ACCOUNTS FOR THE YEAR ENDED 31.03.2009

SIGNIFICANT ACCOUNTING POLICIES

I. BASIS OF PREPARATION

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

II. PRINCIPLES OF CONSOLIDATION

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

- i. The Financial Statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21-"Consolidated Financial Statements" as notified under Companies Accounting Standard Rules, 2006.
- ii. The Financial Statements of Joint Venture Company have been combined by applying proportionate consolidation method on a line by line basis on items of assets, liabilities, income and expenses after eliminating proportionate share of unrealized profits or losses in accordance with Accounting Standard (AS) 27 on "Financial Reporting of Interests in Joint Ventures" as notified under Companies Accounting Standard Rules, 2006.
- iii. The consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate Financial Statements except as otherwise disclosed in the Notes to Accounts.
- iv. The excess of the cost to the Company of its investment in Subsidiaries and Joint Ventures over its proportionate share in the equity of the investee company as at the date of acquisition of stake is recognized in the financial statements as Goodwill. In case the cost of investment in a subsidiary or Joint Venture is less than the proportionate share in the equity of the investee as on the date of the investment, the difference is treated as Capital reserve.
- v. Minority Interest's share of Net Profit/Loss of Consolidated Subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the Net Income attributable to the shareholders of the Company.
- vi. Minority Interest's share of Net Assets of Consolidated subsidiaries is identified and presented in the Consolidated Balance Sheet separately from liabilities and the equity of the Company's shareholders.

- vii. Investments in Associates have been accounted for using the equity method in accordance with Accounting Standard AS-23-"Accounting for investment in Associates in Consolidated Financial Statements" as notified under Companies Accounting Standard Rules, 2006. The excess/deficit of cost of investment over the proportionate share in equity of the Associate as at the date of the acquisition of stake has been identified as Goodwill/Capital reserve and included in the carrying value of the investment in Associate and disclosed separately. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the Associate.
- viii. The accounts of all Group Companies are drawn upto the same reporting date as the parent entity (i.e. Financial Year ended March 31, 2009) except for overseas Associates. In respect of Fayum Gas, Shell Compressed Gas and Nat Gas, the accounts drawn up as at December 31, 2008 have been used, and in respect of China Gas Holding Limited, the accounts drawn up to September 30, 2008 have been used. No adjustments have been done for the period subsequent to that date, since there are no significant transactions.
- ix. The financial statements of the Subsidiary-GAIL (Global) Singapore Pte Limited are prepared in accordance with Singapore Financial Reporting Standards assuming the company is a going concern and converted in Indian Rupees as per Accounting Standard (AS 11).
- x. The company has incorporated a wholly owned subsidiary named "GAIL Gas Limited" during the year and the same has been considered for consolidated financial statement.
- xi. The financial statements of Fayum Gas, Shell Compressed Gas and NatGas have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian Laws and regulations and according to the historical cost basis assuming the company is a going concern and converted in Indian Rupees as per Accounting Standard (AS 11). While the financial statements of China Gas Holding Limited has been prepared in accordance with the Hongkong Accounting Standards and relevant Hongkong Laws and regulations and according to the historical cost basis assuming the company is a going concern and converted in Indian Rupees as per Accounting Standard (AS 11).

- III. Investment other than in Subsidiaries, Joint Ventures and Associates have been accounted for as per Accounting Standard (AS) 13 on "Accounting for Investments" as notified under Companies Accounting Standard Rules, 2006.

IV. OTHER SIGNIFICANT ACCOUNTING POLICIES:

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

NOTES TO THE ACCOUNTS

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

Name of Company	Country of Incorporation	Relation	Proportion of ownership interest as on 31.03.2009.
GAIL Global (Singapore) PTE Ltd	Singapore	Subsidiary	100%
Bramhaputra Cracker & Polymers Ltd	India	Subsidiary	70.00%
GAIL GAS Limited	India	Subsidiary	100%
Mahanagar Gas Limited	India	Joint Venture	49.75%
Indraprastha Gas Limited	India	Joint Venture	22.50%
Petronet LNG Limited	India	Joint Venture	12.50%
Bhagyanagar Gas Limited	India	Joint Venture	22.50%
Central UP Gas Limited	India	Joint Venture	22.50%
Green Gas Limited	India	Joint Venture	22.50%
Maharastra Natural Gas Limited	India	Joint Venture	22.50%
Aavantika Gas Limited	India	Joint Venture	22.50%
Ratnagiri Gas & Power (Private) Ltd	India	Joint Venture	28.33%
Tripura Natural Gas Co Ltd.	India	Joint Venture	29.00%
Fayum Gas	Egypt	Associate	19.00%
Shell Compressed Natural Gas Egypt	Egypt	Associate	10.48%
Gujarat State Electricity Generation(GSEG)	India	Associate	12.85%
Natural Gas Company "Nat Gas "	Egypt	Associate	15.00%
China Gas Holding Limited	Bermuda	Associate	6.30%

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

Particulars	Name of Joint Venture	Accounting Policies		Proportion of GAIL's share (Gross Amount)
		GAIL (India) Ltd.	Subsidiaries / Joint Venture	
Inventories				
Valuation of Stores and spares	Mahanagar Gas Limited / Indraprastha Gas Limited	Valued at weighted average cost or net realizable value, whichever is lower	Valued at weighted average cost.	11.79
Valuation of Raw Materials	Indraprastha Gas Limited	Valued at weighted average cost or net realizable value, whichever is lower	Valued at lower of cost on First In First Out (FIFO) basis or Net Realizable Value.	0.10
Depreciation rates				
Software / Licences	Petronet LNG Limited	Software / Licences are amortized in 5 years on straight line method	Software/Licenses are amortised in 3 years on Straight Line Method.	0.04
Compressors	Maharashtra Natural Gas Limited	Compressors are depreciated @ 10.34% p.a.	Compressors are depreciated @ 4.75% p.a.	0.02
All Assets	Tripura Natural Gas Co Ltd / Brahmaputra Cracker & polymers Ltd.	Assets are depreciated on SLM basis	All Assets are depreciated on WDV basis	Not Quantifiable
Employee Benefits	All Subsidiary & Joint Ventures, except Petronet LNG Limited & GAIL Gas Limited.	Implemented Revised AS-15	Implementation of AS-15 is un-ascertained	Not Quantifiable
Exchange Rate Fluctuation	All Subsidiary & Joint Ventures, except Maharashtra Natural Gas Limited.	Exchange Difference relating to acquisition of fixed assets is accounted in Profit & Loss accounts.	Un-ascertained	Not Quantifiable

The effect of above differential accounting policies could not be quantified on profit & loss account.

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

- I. Share in Capital Commitment of Joint Ventures based on their unaudited statement of accounts: Rs. 340.58 Crores (Previous Year: Rs. 308.43 Crores).
- II. Company's own unexecuted capital commitment: Rs. 2890.08 Crores (Previous Year: Rs.452.26 Crores).

4. Contingent Liabilities :-

- I. Claims against the Company not acknowledged as debts: Rs. 4758.54 Crores (Previous Year: Rs 3822.84 Crores), which mainly include: -
 - a) Claims of ONGCL for Rs 352.74 Crores (Previous Year: Rs 390.85 crores) on account of interest for delayed payment and MGO, etc. Out of these MGO claims of Rs. 48.69 Crores (Previous Year: Rs 68.23 Crores) are recoverable on back-to-back basis.
 - b) Income tax assessments up to the Assessment Year 2006-07 have been completed and a demand of Rs. 1212.56 crores relating to the Assessment Years 1996-97 to 2006-07 (Previous Year: Rs. 1162.90 crores) is raised by disallowing deductions claimed by the company. The company has already made the payment of Rs. 1131.74 crores (Previous Year: Rs. 1160.69 crores) under protest. Based upon the decision of the appellate authority and the

interpretation of the Income Tax Act, the company has been legally advised that the demand is likely to be deleted or it may be substantially reduced. The company has filed appeal against the demand for the Assessment Years 1996-97 to 2004-05 with Income Tax Appellate Tribunal (ITAT) and for Assessment Year 2005-06 & 2006-07 with Commissioner of Income Tax (Appeal).

- c) Legal cases for the claim of Rs. 2507.59 crores (Previous Year: Rs. 2304.04 crores) by vendors on account of Liquidated damages / Price Reduction Schedule, Natural Gas price differential, etc. and by customers for Natural gas transmission charges, etc. Further details are not disclosed as same are expected to prejudice the legal proceedings.
- II. Bank Guarantee and Letters of Credit : Rs. 1105.82 Crores (Previous Year: Rs 191.75 Crores) including bank guarantees issued on behalf of subsidiaries Rs. 9.00 Crores (Previous Year: Nil).
- III. The Company has issued corporate guarantee for Rs. 254.34 crores (Previous Year: Nil) in favour of Oil Industry Development Board (OIDB) on behalf of Brahamputra Cracker & Polymer Limited (BCPL), a subsidiary of the company, for raising a loan.
- IV. Share in Contingent Liabilities of Joint Ventures based on their unaudited statement of accounts: Rs. 229.05 Crores (Previous Year : Rs. 229.51 crores).
5. Sales Tax demand of Rs 3449.18 crores (Previous Year: Rs 3449.18) and interest thereon Rs 1513.04 crores (Previous Year: Rs 1513.04) for Hazira unit in Gujarat State: Sales Tax Authorities, Ahmedabad have treated the transfer of Natural Gas by the company from the state of Gujarat to other states during the period April, 1994 to March, 2001 as inter-state sales under Section 3(a) of the Central Sales Tax Act. The company has been paying sales tax under section 12 of the Gujarat Sales Tax Act against Form 17 since inception (1987) and accordingly the sales tax assessments have been completed. Based on the interpretation of the provisions of the Sales Tax Act and legal advice from the experts, the company had filed writ petition and special leave petition in the Supreme Court of India. In February, 2005 the case was transferred by Hon'ble Supreme Court to Gujarat Sales Tax Tribunal for decision. The Tribunal has given its judgment on 16.05.2005 accepting the contention of the company for interstate transfer of Natural Gas as branch transfer and not the interstate sale and set aside the demand under section 41-B of the Gujarat Sales Tax Act. The Hon'ble Tribunal has given further instruction to the Assessing Authority to re-assess and decide tax liability in accordance with the law for the period 1998-99 to 2000-2001 considering interstate transfer of natural gas as branch transfer. The Sales Tax Authorities had filed rectification

application under section 72 of the Gujarat Sales Tax Act, 1969 in Gujarat Sales Tax Tribunal against its judgment dated 16.05.2005. The Tribunal had dismissed the rectification application of the sales tax authorities vide its order dated 06.07.2006. The sales tax authorities have now filed petition in hon'ble high Court Ahmedabad against the order of the tribunal and no hearing has yet taken place. In opinion of the management there is a remote possibility of crystallizing this liability.

- 6 (a) Freehold land acquired for city gas Lucknow and Kanpur, Jhansi Maintenance Base Sectionalising Valves in Jamnagar Loni Pipeline and Mumbai valuing Rs 1.70 crores (Previous Year: Rs 1.78 crores) are valued / capitalized on provisional basis.
- (b) Title deeds for freehold land, valuing Rs 3.19 Crores (Previous Year: Rs 2.16 Crores) and leasehold land valuing Rs 23.23 Crores (Previous Year: Rs 21.91 Crores) are pending execution.
- (c) Title Deeds in respect of ten residential flats at Asiad Village, New Delhi, valuing Rs1.17 crores (Previous Year: Rs 1.17 Crores) are still in the name of ONGCL. Concerned authorities are being pursued for getting the same transferred in the name of the Company.
- (d) The cost of right of use (ROU) amounting to Rs 53.96 crores as on 31.03.2009 (Previous Year: Rs 46.64 crores) has been capitalized as intangible asset. The Company has perpetual Right of Use but has no ownership of land.
- 7 (a) The balance retention from PMT JV consortium amounting to Rs 57.38 Crores (Previous Year: Rs 426.72 Crores) includes interest (net of TDS) amounting to Rs 3.10 Crores (Previous Year: Rs 88.00 Crores) on Short term deposits for the year. The TDS amounting to Rs. Nil (Previous Year: Rs 21.14 Crores) has been deducted by the bankers on the interest earned on Short term deposits. This interest income and TDS does not belong to the company hence not accounted for.
- (b) Liability on account of Gas Pool Money amounting to Rs.1512.25 Crores (Previous Year: Rs. 710.60 Crores) includes interest amounting to Rs. 108.13 Crores (Previous Year: 19.55 Crores) on short term deposits. This interest does not belong to the company hence not accounted as income.
- 8 'Advance recoverable in Cash or in kind or value to be received' includes an amount of Rs. 3.02 Crores (Previous Year: Rs. 3.11 Crores) recoverable on account of Disinvestment by Government of India of its equity in the company by way of GDR/offer for sale.

9. The Pay Revision of the employees of the company due w.e.f. 1st January 2007 has been approved by Government of India. Pending implementation of pay revision, provision of Rs. 184.39 Crores (upto Previous Year: Rs. 130.71 Crores) after adjustment of adhoc advance of Rs.58.94 Crores has been made on estimated basis having regard to the guidelines issued by Government of India. Further as per the guidelines, gratuity limit has been enhanced to Rs. 10 Lakhs per employee. Considering these, the actuarial valuation for gratuity has been provided for during the year.
10. A net amount of Rs 2.22 Crores (Previous Year: Rs 6.22 Crores) has been credited to Profit & Loss account due to exchange rate variation.
11. The required disclosure under the Revised Accounting Standard 15 is given as below:

(i) DEFINED CONTRIBUTION PLAN

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

An amount of Rs 20.25 Crores (Previous Year Rs. 15.50 Crores) expense recognized as for defined contribution plan (Contributory Provident Fund).

(ii) DEFINED BENEFIT PLAN

Brief description.

A) Earned Leave Benefit (EL)

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

B) Half Pay Leave (HPL)

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

C) Gratuity

15 days salary for every completed year of service. Vesting period is 5 years and payment is restricted to Rs 10 Lakhs (Previous Year : Rs.3.50 Lakhs).

D) Post Retirement Medical Benefit (PRMS)

Upon payment of one time prescribed contribution by the

superannuated employees/those who resigned from service can avail the facility subject to the completion of minimum of 10 years of service and 50 years of age.

E) Terminal Benefits

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

F) Long Service Award (LSA)

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

The following table summarizes the components of net benefit expenses recognized in the Profit and Loss Account.

	Gratuity		PRMS		EL		Terminal Benefits		SL		LSA	
	08-09	07-08	08-09	07-08	08-09	07-08	08-09	07-08	08-09	07-08	08-09	07-08
A. Expenses recognized in the P&L Account												
Current Service Cost	6.90	4.10	1.45	1.11	5.73	3.65	0.12	1.12	2.33	1.31	-	-
Past service cost	8.49	-	-	-	-	-	-	-	-	-	-	-
Interest on Benefit Obligation	3.52	3.56	1.34	1.25	3.08	2.99	0.08	0.06	1.20	1.22	-	-
Expected Return on Plan Assets	(4.13)	(3.78)	-	-	-	-	-	-	-	-	-	-
Net actuarial Gain / (Loss) recognized in the year	(33.28)	(1.86)	(6.45)	1.47	(27.85)	6.63	0.14	(0.85)	(11.54)	(0.18)	(1.93)	-
Expenses recognized in P&L Account for FY 2008-09	48.06	2.02	9.24	3.83	36.66	13.27	0.06	0.33	15.07	2.35	1.93	2.40
Expenses recognized in P&L Account for Transitional Period	-	-	-	-	-	1.35	-	0.80	-	15.11	-	3.21
B. The amount recognized in the Balance Sheet												
Present value of Obligation as at 31.03.2009 (I)	101.45	50.42	27.84	19.19	72.86	44.03	1.10	1.13	32.01	17.16	7.30	5.62
Fair value of Plan Assets as at 31.03.2009 (II)	54.68	51.05	-	-	-	-	-	-	-	-	-	-
Difference (II) - (I)	(46.77)	0.63	(27.84)	(19.19)	(72.86)	(44.03)	(1.10)	(1.13)	(32.01)	(17.16)	(7.30)	(5.62)
Net Asset / (Liability) recognized in the Balance Sheet	(46.77)	0.63	(27.84)	(19.19)	(72.86)	(44.03)	(1.10)	(1.13)	(32.01)	(17.16)	(7.30)	(5.62)
C. Changes in the Present Value of the Defined Benefit Obligations:												
Present value of Obligations as at 01.04.2008	50.42	44.62	19.19	15.66	44.03	37.34	1.13	0.80	17.16	15.11	5.62	3.21
Interest Cost	3.52	3.56	1.34	1.25	3.08	2.99	0.08	0.06	1.20	1.22	-	-
Current Service Cost	6.90	4.09	1.45	1.11	5.73	3.65	0.12	1.12	2.33	1.31	-	-
Past service cost	8.49	-	-	-	-	-	-	-	-	-	-	-
Expected return on plan assets	(4.13)	-	-	-	-	-	-	-	-	-	-	-
Actual return on plan assets	4.30	-	-	-	-	-	-	-	-	-	-	-
Benefit Paid	(1.33)	-	(0.59)	(0.30)	(7.83)	(6.58)	(0.09)	-	(0.22)	(0.30)	(0.25)	-
Net Actuarial Gain / (Loss) on Obligation	(33.28)	(1.86)	6.45	1.47	27.85	6.63	0.14	(0.85)	11.54	(0.18)	1.93	-
Present Value of the Defined Benefit Obligation as at 31.03.2009	101.45	50.41	27.84	19.19	72.86	44.03	1.10	1.13	32.01	17.15	7.30	-
D. Changes in the Fair Value of Plan Assets												
Fair Value of Plan Assets as at 01.04.2008	51.71	47.27	-	-	-	-	-	-	-	-	-	-
Expected return on Plan Assets	4.14	3.78	-	-	-	-	-	-	-	-	-	-
Contributions by Employer	0.01	-	-	-	-	-	-	-	-	-	-	-
Benefit Paid	(1.34)	-	-	-	-	-	-	-	-	-	-	-
Actuarial Gain / (Loss)	0.16	-	-	-	-	-	-	-	-	-	-	-
Fair Value of Plan Assets as at 31.03.2009	54.68	51.05	-	-	-	-	-	-	-	-	-	-
Principal actuarial assumption at the Balance Sheet Date												
Discount rate	7%	8%	7%	8%	7%	8%	7%	8%	7%	8%	7%	8%
Expected return on plan assets	8%	8%										
Annual increase in costs	-	-	5%	5.50%	-	-	5%	5.5%	-	-	5%	5.50%
Annual increase in salary	5%	5.50%	-	-	5%	5.50%	-	-	5%	5.50%	-	-

Mortality table referred**LIC (1994-96) DULY MODIFIED**

Withdrawal Rate/Employee turnover rate	AGE	WITHDRAWAL RATE % (2008-09)	WITHDRAWAL RATE % (2007-08)
	UPTO 30 YEARS		3%
UPTO 44 YEARS		2%	2%
ABOVE 44 YEARS		1%	1%

NOTES

- (i) The estimates of future salary increases considered in actuarial valuation, taken account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- 12 MOP&NG had issued scheme of sharing the under recoveries of Oil marketing Companies on account of non-revision in selling price of PDS Kerosene and domestic LPG. During the year, the Company has given discounts to Oil marketing Companies amounting to Rs.1781.20 Crores (Previous Year: Rs.1313.74 Crores) out of which Rs.86.98 Crores (Previous Year: Rs.387.24 Crores) pertain to short provision for the quarter Jan-March'2008. Corresponding adjustment on account of CST amounting to Rs.20.93 Crores (Previous Year: Rs.20.05 Crores) has been made.
- 13 (a) The Company is raising provisional invoices for sale of R-LNG as the supplier M/s Petronet LNG Ltd (PLL) is also raising provisional invoices on the Company since customs duty on import of LNG by PLL has been assessed on provisional basis.
- (b) With effect from April 1, 2002, Liquefied Petroleum Gas prices has been deregulated and is now based on the import parity prices fixed by the Oil Companies. However, the pricing mechanism is provisional and is pending finalization. Additional asset/liability or impact on profits, if any, arising due to such change, will be recognized on finalization of pricing mechanism.
- (c) Petroleum and Natural Gas Regulatory Board (PNGRB) have issued PNGRB ("Determination of Natural Gas Pipeline Tariff") Regulations 2008 effective from 20th November 2008. As per these Regulations, the natural gas pipeline tariff being charged by the company for its pipeline networks in operation is subject to revision with retrospective effect in accordance with the Regulations. Impact on profits, if any, will be recognized when the pipeline tariff is revised in accordance with the Regulations.
- (d) Value of Annual Take or Pay Quantity (ATOPQ) of Gas is accounted for on receipt basis and shown as liability till make up Gas is delivered to customer, during the recovery period, in terms of the Gas Sales Agreement with the customers.
14. In respect of Subsidiary and Joint Ventures, the following additional notes to accounts are disclosed.

I. Petronet LNG LTD.

- a) Custom Duty on import of Project Material / equipment has been assessed provisionally (current and previous years) and additional liability, if any, on this account will be provided on final assessment.
- b) The Company has option to claim deduction under section 80IA of the Income Tax Act, 1961 in respect of Power Generation and Port Undertaking and also under section 80B in respect of its Regasification Undertaking. However, provision for income tax has been made without considering the aforesaid deductions. The Company will review the option at the time of filing of its income tax return.

II. Indraprastha Gas Limited

- a) The Company has installed CNG Stations on land leased from various Government Authorities under leases for periods ranging from one to five years. However, assets constructed / installed on such land are being depreciated generally at rates specified in Schedule XIV to the Companies Act, 1956, as the management does not foresee non-renewal of the above lease arrangements by the Authorities.
- b) Deposits from commercial customers of natural gas, refundable on termination/alteration of the gas sales agreements, are considered as long term funds.
- c) The Company has taken certain equipments and vehicles under operating lease agreements. The total lease rentals recognized as expense during the year under the above lease agreements aggregates Rs. 7.64 Cr (Previous year Rs 6.90 Cr). Lease obligations under non-cancelable periods are as follows:

	2008-09	2007-08
i) Amounts payable in next 1 year	Rs. 6.27 Cr.	Rs. 2.15 Cr.
ii) Amounts payable in next 2 years to 5 years	Rs. 10.39 Cr.	NIL
iii) Amounts payable in over 5 years	NIL	NIL

III. Mahanagar Gas Ltd.

- a) Rupee Term Loans of Rs NIL (Previous year: Rs 2.88 Cr) from a financial institution and External Commercial Borrowings (ECB) of Rs 5.00 Cr (previous year: Rs 10.00 Cr) are secured by hypothecation of all moveable property except underground pipelines, both present and future and certain immovable property both present and future respectively, on pari passu basis.

- b) Company has taken on lease few equipments / machines for some CNG Retail Outlets. Lease charges are dependent on sale of CNG at these outlets and hence there are no minimum lease payments. The term of the contract is three years, renewable for a further period of three years at the discretion of the Company. The Company can exercise purchase option at the end of the contract. The contract does not impose any restrictions concerning dividend, additional debt and further leasing. Lease payments recognized in the Profit and Loss account for the year is Rs.2.20 Cr (Previous year: Rs. 3.34 Cr).
- c) Company has entered into agreements for taking on leave and license basis certain residential/office premises. All the agreements contain a provision for its renewal. Lease payments recognized in the Profit and Loss account under Rent for the year is Rs. 3.11 Cr (Previous year: Rs. 1.98 Cr).
- d) The Foreign Investment Promotion Board (FIPB) through its approval had allowed the Company to continue with the arrangements of foreign equity participation upto 50% in the paid up capital of the Company until December 2006. This approval was subject to the condition that the Company would be required to bring an IPO to divest the shareholding of the promoters to 35% each as per the Joint Venture Agreement. One of the Shareholders of the Company has represented to the FIPB for waiver of the said condition and the proposal is under consideration by FIPB.

IV. Bramhaputra Cracker and Polymer Ltd.

- a) The Company has not prepared the Profit and Loss Account since it is in the construction stage of Assam Gas Cracker Project and yet to be ready for commercial production. However the requisite details as required under Statute have been disclosed in the Statement of 'Incidental Expenditure during Construction' forming part of Financial Statements.
- b) The Equity shares of Rs 5,00,700/- to the subscribers to the Memorandum and Articles of Association has been considered as deemed allotment.
- c) The Capital Grant of Rs. 137.43 Crores (Previous Year: Rs. 30.00 Crores) which is received from the Govt. of India till 31st March, 2009 by way of contribution towards the total capital outlay and no repayments are ordinarily expected are recognized in the financial statements as capital reserve.

- d) The financial statements include amount valuing at Rs. 61.19 Crores (Previous Year: 57.00 Crores) towards leasehold land provided by the Govt. of Assam to the project which is counted towards their advance towards subscription to the equity share capital.
- e) The Leasehold Land of Rs. 75.45 Crores (Previous Year: Rs. 71.26 Crores) acquired for the project are capitalized on provisional basis upon the awards under relevant Land Acquisition Act. The title deed to the land is yet to be registered in the name of the Company.
- f) The tax exemptions on account of WTC, Entry tax and VAT from Government of Assam as envisaged at the time of approval of the project by CCEA have been applied by the company. The exemption notifications in respect of the same are still awaited.

V. Maharashtra Natural Gas Ltd.

- a) The Company has made the following changes in the Accounting Policies during the year: -
 - i) During the year the company has changed the rate of depreciation on Compressors from 13.75% to 4.75% as prescribed under Schedule XIV of the Companies Act, 1956. Had there been no change, the depreciation would have been higher by Re. 0.15 Crores and consequently Profit before tax (PBT) is lower to this extent.
- 15. Unaudited financial statements of joint venture Petronet LNG Ltd., Indraprastha Gas Limited, Mahanagar Gas Limited, Bhagyanagar Gas Limited, Central UP Gas Limited, Green Gas Limited, Aavantika Gas Limited, Ratnagiri Gas Power Limited, Maharashtra Natural Gas Limited, Tripura Natural Gas Ltd. have been included in consolidation in absence of the audited financial statements. The figures included in the consolidated financial statements relating to these unaudited joint venture company are as under:

Total assets are Rs. 4431.32 Cr. (Previous Year : Rs. 4108.49 Cr.) and total liabilities of Rs. 4431.32 Cr. (Previous Year : Rs. 4108.49 Cr.) and Total Income of Rs. 1974.52 (Previous Year :Rs. 1619.90 Cr.) and total expenditure of Rs. 1889.52 Cr. (Previous Year : Rs. 1362.30 Cr.)
- 16. Unaudited financial statements of an associate Gujarat State Electricity Generation (GSEG) and China Gas Holding Limited, have been included in consolidation in absence of the audited financial statements. Total Share of Profit included in the Consolidated Financial Statements is Rs 23.01 Crores.

17. Due to short participation by the other joint venture partners there is difference between the % of ownership as per Joint Venture Agreement and actual % of Share capital currently held by the Company i.e. GAIL (INDIA) LIMITED. The management is of the opinion that it is a temporary phase and other joint venture partner will contribute the balance contribution in the share capital of joint venture as per the joint venture agreement. Hence, GAIL (INDIA) LIMITED ownership in the joint ventures are considered only to the extent of % ownership mentioned in Joint Venture agreement.

Excess contribution in the Equity Share Capital of the various Joint Ventures as on date, over and above the contractual % amounting to Rs. (104.03) Crores {previous year Rs. (20.20) Cr.} is included in the 'Advance Recoverable in cash or in kind or for value to be received'.

18. In the previous year the Joint Venture/Associates were incorporated in the consolidated financial statement based on the unaudited financial statement, wherever audited financial statements were not available at the time of consolidation. Adjustment due to Joint Venture regrouping and adjustment due to Joint Venture/Associates audited statements of such Joint Venture/Associates on the profit/(loss) is Rs. (8.88) Cr (Previous Year Rs (50.15)) Crores.

19. The consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate Financial Statements. However, there are some differences in certain accounting policies followed by the company, subsidiary, joint ventures and associates but the impact of the same in the opinion of the management is not material.

20. In compliance of Accounting Standard 17 on "Segment Reporting" as notified under Companies Accounting Standard Rules, 2006, the required information is given as per Annexure A to this schedule.

Business Segments: The business segments have been identified as

- (i) Transmission services
 - Natural Gas
 - LPG
- (ii) Natural Gas Trading
- (iii) Petrochemicals
- (iv) LPG and other Liquid Hydrocarbons
- (v) GAILTEL
- (vi) City Gas Distribution
- (vii) Unallocable

21. In compliance of Accounting Standard 18 on "Related party Disclosures" as notified under Companies Accounting Standard Rules, 2006, the name of related parties, nature of relationship and details of transaction entered therewith are given in Annexure B.

22. i) In compliance of Accounting Standard 22 on "Accounting for taxes on Income" as notified under Companies Accounting Standard Rules, 2006, the Company has provided Accumulated net deferred tax liability in respect of timing difference as on 31st March, 2009. The item-wise details of deferred tax liability as on 31.03.2009 are as under:

	(Rs in crores)	
	2008-09	2007-08
Deferred Tax Liability		
a). Depreciation	1538.41	1453.88
b). Others	12.76	46.48
Less :- Deferred Tax Assets		
a). Provision for Gratuity & Retirement Benefits	100.67	67.11
b). Provision for Doubtful Debts / Claims / Advances	57.06	48.11
c). Preliminary Expenses & others	0.92	0.38
Deferred Tax Liability (net)	1392.52	1384.76

ii) Income Tax Provisions for the current year includes Rs. 22.17 Crores related to Financial Year 1998-99 being demand paid on an order passed under section 154 of the Income Tax Act, 1961.

23. Jointly Controlled Assets

(i) The Company has participated in joint bidding under the Government of India New Exploration Licensing Policy and overseas exploration bidding and has 24 Blocks (PY 24 Blocks) for which the Company has entered into Production Sharing Contract with respective host Governments along with other partners for Exploration & Production of Oil and Gas. The Company is a non-operator, except in Block RJ-ONN-2004/1 where it is a joint operator, and would share in Expense/Income/Assets/Liabilities based upon its percentage in production sharing contract. The participating interest in the following twenty three NELP Blocks in India and one overseas block in Oman as on 31st March, 2009 is as under:

Sl. No.	Joint Venture under NELP Blocks	Participating Interest
1	MN-OSN-2000/2	20%
2	CB-ONN-2000/1	50%
3	AA-ONN-2002/1	80%
4	CY-ONN-2002/1	50%
5	AA-ONN-2003/1	35%
6	CB-ONN-2003/2	20%
7	AN-DWN-2003/2	15%
8	Block 56, Oman	25%
9	RJ-ONN-2004/1	22.225%
10	KG-ONN-2004/2	40%
11	MB-OSN-2004/1	20%
12	MB-OSN-2004/2	20%
13	CY-DWN-2004/1	10%
14	CY-DWN-2004/2	10%
15	CY-DWN-2004/3	10%
16	CY-DWN-2004/4	10%
17	CY-PR-DWN-2004/1	10%
18	CY-PR-DWN-2004/2	10%
19	KG-DWN-2004/1	10%
20	KG-DWN-2004/2	10%
21	KG-DWN-2004/3	10%
22	KG-DWN-2004/5	10%
23	KG-DWN-2004/6	10%
24	CY-ONN-2005/1	40%

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

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

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

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

(iv) The Company's share in the assets and liabilities as at 31st March 2009 and in the Income and the expenditure for the year in respect of joint operations project blocks has been incorporated in the Company's financial statements based upon un audited statement of accounts submitted by the operators are given below and final adjustments shall be effected during the year in which audited accounts are received.

(Rs in crores)

Particulars	2008-09	2007-08
Income	33.76	17.62*
Expenses	380.94	363.39
Fixed Assets	4.58	3.70
Producing Property	-	-
Other Assets	386.41	342.22
Current Liabilities	125.91	105.81

* Including excess of test production revenue of Rs 10.73 crores

(v) Share of Minimum work programme committed under various production sharing contracts in respect of E & P joint ventures is Rs. 585.67 crores (Previous Year: Rs 449.72 crores)

Quantitative information:
Details of Company's Share on 31.03.2009 for Block no. CB-ONN-2000/1:

(Value Rs. in Crores)

Particulars	Opening stock		Production (Treated & processed crude)		Sales		Closing Stock	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Crude Oil	(MT)		(MT)		(MT)		(MT)	
Year ended 31/03/09	73.56	0.05	13697.26	-	13153.22	35.42*	617.60	0.25
Year ended 31/03/08	-	-	2757.97 **	-	2684.41	6.90	73.56	0.05

* The above value includes test production sales from PK#1 and Sanand East Field for Rs 2.71 crores.

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

Details of Company's share of Proved Oil Reserves as on 31.03.2009 for Block no. CB-ONN-2000/1

Particulars	Opening Qty (MT)	Addition Qty (MT)	Deletion Qty (MT)	Production Qty (MT)	Closing Qty (MT)
Crude Oil	740,000.00			14,181.63	7,25,818.37

▶ As intimated by Gujarat State Petroleum Corporation Ltd (Operator)

24. Following Government of India's approval, the shareholders of the Company in the Annual General Meeting held on 15th September, 1997 approved the transfer of all the assets including Plant and Machinery, accessories and other related assets which are part of Lakwa Project to Assam Gas Cracker Complex at a price to be determined by an independent Agency and on terms and stipulations as the Board may in its discretion deem fit. The Cabinet committee on Economic affairs (CCEA) has approved the setting up of Assam Gas based cracker project at Lepetkata by formation of a JVC in which GAIL will have equity participation of 70%. A company by the name of Brahmaputra Cracker and Polymer Limited has been incorporated during 2006-07. The gross block of fixed assets and Capital work in progress value of Lakwa unit is Rs.252.58 Crores as on 31st March 2009 (Previous Year: Rs. 252.16 Crores).
25. Duty Entitlement Pass Book (DEPB)/Duty Entitlement Exemption Certificate (DEEC) income is accounted for on the basis of acceptance/certificate issued by Director General of Foreign Trade (DGFT).
26. In accordance with the approval of the Shareholders in the Annual General Meeting held on 4th September 2008, the Company has during the year allotted Bonus Shares in the ratio of one equity share

for every two equity shares held by share holders. The paid up share capital of the company increased to Rs. 1268.48 Crores. EPS of the current and previous year has been calculated in accordance with Accounting Standard-20 as notified under Companies Accounting Standard Rules, 2006. Further, the Board in its meeting held on 6th October 2008 had approved the appointment of Independent Trustee for disposal of odd lot of shares. Accordingly, resulting 17,532 fractional equity shares for 35,064 shareholders were consolidated and allotted to the Trustee who sold the same and distributed the sale proceeds equally among all entitled shareholders. The calculation of basic and diluted earnings per share for the year ended 31.03.08 has been adjusted for bonus shares issued during 2008-09.

27. In terms of approval of Board of Directors, the Company levied service charge @ Rs.110/- per 1000 SCM w.e.f. 1.10.2008 on supply of Natural Gas to APM customers and intimated to Ministry of Petroleum & Natural Gas (MOP&NG). In terms of MOP&NG letter dated 20.04.2009, revenue of Rs.89.41 crore recognised in the books of Accounts towards service charge till 31.3.2009 have been reversed and provision of Rs. 2.64 crore has been made for taxes doubtful of recovery.
28. Previous year's (PY) figures have been regrouped and recast to the extent practicable, wherever necessary. Figures in brackets indicate deductions.
29. Jointly controlled Entity:

GAIL (India) Limited share in assets, liabilities, income, expenses contingent liabilities and capital commitments of jointly controlled Entities as per Annexure - C

N.K.Nagpal
Secretary

R.K.Goel
Director (Finance)

B.C.Tripathi
Director (Marketing)

Dr. U D Choubey
Chairman & Managing Director

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

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

Place : New Delhi
Dated : June 12, 2009

INFORMATION ABOUT BUSINESS SEGMENTS FOR FINANCIAL YEAR 2008-09

(Annexure - A)
(Rs in Crores)

SL NO	SEGMENTS	Transmission Services **		Natural Gas Trading **	Petro-Chemicals	LPG & Liquid Hydro Carbons	GAILTEL	City Gas	Un-allocable	Total	Elimination	Consolidated Total
		Natural Gas	LPG	Note-1	Note-2			Note-3	Note-4			
1	REVENUE											
	External Sales	2,216.11	380.33	15,428.13	2,705.03	2,964.13	24.29	578.22	363.13	24,659.37	-	24,659.37
	Intersegment sales	266.33	-	3,236.88	25.85	-	-	-	-	3,529.06	3,529.06	-
	Total revenue	2,482.44	380.33	18,665.01	2,730.88	2,964.13	24.29	578.22	363.13	28,188.43	3,529.06	24,659.37
2	RESULTS											
	Segment Result (Profit before Interest & Tax)	1,598.18	221.13	444.94	1,208.55	859.07	(4.55)	182.93	-	4,510.25	-	4,510.25
	Unallocated expenses	-	-	-	-	-	-	-	604.72	604.72	-	604.72
	Operating Profit	1,598.18	221.13	444.94	1,208.55	859.07	(4.55)	182.93	(604.72)	3,905.53	-	3,905.53
	Interest Expenses	-	-	-	-	-	-	-	231.21	231.21	-	231.21
	Interest/ Dividend Income	-	-	-	-	-	-	-	642.96	642.96	-	642.96
	Provision for Taxation	-	-	-	-	-	-	-	1,490.93	1,490.93	-	1,490.93
	Profit/(Loss) from Ordinary Activities	1,598.18	221.13	444.94	1,208.55	859.07	(4.55)	182.93	(1,683.90)	2,826.35	-	2,826.35
	Extra Ordinary Items	-	-	-	-	-	-	-	-	-	-	-
	Net Profit/(Loss)	1,598.18	221.13	444.94	1,208.55	859.07	(4.55)	182.93	(1,683.90)	2,826.35	-	2,826.35
3	OTHER INFORMATION											
	Segment Assets	8,270.69	997.53	478.42	2,318.55	1,307.20	49.11	652.67	1,592.61	15,666.78	254.50	15,412.28
	Unallocated Assets	-	-	-	-	-	-	-	13,978.92	13,978.92	-	13,978.92
	Total Assets	8,270.69	997.53	478.42	2,318.55	1,307.20	49.11	652.67	15,571.53	29,645.70	254.50	29,391.20
	Segment Liabilities	1,475.79	44.90	180.14	154.59	91.64	18.94	212.80	79.68	2,258.48	70.96	2,187.52
	Unallocated Liabilities	-	-	-	-	-	-	-	6,419.40	6,419.40	-	6,419.40
	Total Liabilities	1,475.79	44.90	180.14	154.59	91.64	18.94	212.80	6,499.08	8,677.88	70.96	8,606.92
	Cost to acquire fixed assets	643.05	32.23	0.48	28.03	18.28	-	98.58	9.92	830.57	-	830.57
	Depreciation*	236.56	68.49	12.81	155.91	84.77	7.41	36.54	115.75	718.24	-	718.24
	Non Cash expenses other than Depreciation*	29.53	0.13	23.74	0.96	2.91	5.29	2.71	207.24	272.51	-	272.51

* Sales is net of Excise Duty

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

Notes

1 Includes JV Petronet LNG Limited

2 Includes Subsidiary BCPL

3 Includes JVs: IGL, BGL, MGL, CUGL, GGL, MNGL, Avantika, TNGCL; Subsidiary: GAIL Gas; & City Gas business of GAIL

4 Includes subsidiary GAIL (Global) Singapore Pte. Ltd.; and Associate company's share and JV: RGPPL

INFORMATION ABOUT BUSINESS SEGMENTS FOR FINANCIAL YEAR 2007-08

(Annexure - A)
(Rs in Crores)

SL. SEGMENTS NO	Transmission Services **		Natural Gas Trading **	Petro- Chemicals	LPG & Liquid Hydro Carbons	GAILTEL	City Gas	Un- allocable	Total	Elimination	Consoli- dated Total
	Natural Gas	LPG	Note-1	Note-2			Note-3	Note-4			
1 REVENUE											
External Sales	2,025.98	382.58	10,377.15	2,568.73	2,640.66	28.13	500.66	313.42	18,837.31	-	18,837.31
Intersegment sales	221.89	-	2,592.74	18.54	-	-	-	-	2,833.17	2,833.17	-
Total revenue	2,247.87	382.58	12,969.89	2,587.27	2,640.66	28.13	500.66	313.42	21,670.48	2,833.17	18,837.31
2 RESULTS											
Segment Result (Profit before Interest & Tax)	1,478.16	217.97	293.53	1,213.94	871.01	1.08	175.18	-	4,250.87	-	4,250.87
Unallocated expenses	-	-	-	-	-	-	-	464.93	464.93	-	464.93
Operating Profit	1,478.16	217.97	293.53	1,213.94	871.01	1.08	175.18	(464.96)	3,785.94	-	3,785.94
Interest Expenses	-	-	-	-	-	-	-	149.33	149.33	-	149.33
Interest/ Dividend Income	-	-	-	-	-	-	-	487.45	487.45	-	487.45
Provision for Taxation	-	-	-	-	-	-	-	1,341.16	1,341.16	-	1,341.16
Profit/(Loss) from Ordinary Activities	1,478.16	217.97	293.53	1,213.94	871.01	1.08	175.18	(1,467.97)	2,782.90	-	2,782.90
Extra Ordinary Items	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss)	1,478.16	217.97	293.53	1,213.94	871.01	1.08	175.18	(1,467.97)	2,782.90	-	2,782.90
3 OTHER INFORMATION											
Segment Assets	6,812.93	1,033.99	339.43	2,274.54	1,257.67	56.57	553.04	1,663.11	13,991.28	97.02	13,894.26
Unallocated Assets	-	-	-	-	-	-	-	11,301.16	11,301.16	-	11,301.16
Total Assets	6,812.93	1,033.99	339.43	2,274.54	1,257.67	56.57	553.04	12,964.27	25,292.44	97.02	25,195.42
Segment Liabilities	1,396.78	45.68	107.35	203.91	222.45	19.25	172.31	77.01	2,244.74	44.15	2,200.59
Unallocated Liabilities	-	-	-	-	-	-	-	4,197.00	4,197.00	-	4,197.00
Total Liabilities	1,396.78	45.68	107.35	203.91	222.45	19.25	172.31	4,274.01	6,441.74	44.15	6,397.59
Cost to acquire fixed assets	1,709.89	17.28	3.30	384.21	14.96	0.80	66.70	1,579.27	3,776.41	-	3,776.41
Depreciation*	250.91	66.87	12.77	146.06	88.61	9.72	35.12	52.66	662.72	-	662.72
Non Cash expenses other than Depreciation*	(1.77)	0.13	0.78	0.25	0.14	-	0.33	294.82	294.68	-	294.68

* Sales is net of Excise Duty

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

Notes

1 Includes JV Petronet LNG Limited

2 Includes Subsidiary BCPL

3 Includes JVs: IGL, BGL, MGL, CUGL, GGL, MNGL, Avantika, TNGCL; & City Gas business of GAIL

4 Includes subsidiary GAIL (Global) Singapore Pte. Ltd.; and Associate company's share and JV: RGPPL

RELATED PARTY DISCLOSURES

I) Relationship

A) Joint Venture Companies / Associates

- 1) Mahanagar Gas Limited
- 2) Indraprastha Gas Limited
- 3) Petronet LNG Limited
- 4) Bhagyanagar Gas Limited
- 5) Tripura Natural Gas Corporation Limited
- 6) Central UP Gas Limited
- 7) Green Gas Limited
- 8) Maharastra Natural Gas Ltd.
- 9) Aavantika Gas Co Limited
- 10) Shell Compressed Natural Gas
- 11) Gujarat State Electricity Generation Ltd.
- 12) National Gas Company " Nat Gas"
- 13) Fayum Gas Company
- 14) China Gas Holdings Limited
- 15) GAIL China Gas Global Energy Holdings Ltd.

B) Whole time Directors:

- 1) Dr U. D. Choubey, Chairman and Managing Director
- 2) Shri R. K. Goel
- 3) Shri Santosh Kumar
- 4) Shri A.K. Purwaha
- 5) Shri B. C. Tripathi
- 6) Shri M. R. Hingnikar (Upto 27th July '2008)
- 7) Shri P. K. Gupta
- 8) Shri J Ravi Babu
- 9) Shri S. D. Dhiman
- 10) Shri S. C. Hatwal
- 11) Shri S. P. Selvan
- 12) Shri Shyama Sunder
- 13) Shri K. V. Vishwanathan
- 14) Shri Amit Das
- 15) Shri Rajesh Vedvyas

C) Unincorporated Joint venture for Exploration & Production Activities:

- 1) NEC - OSN - 97/1 (Non-operator with participating interest: 50%,
GAIL has relinquished from the Block on 11th September 2007)
- 2) CB - ONN - 2000/1 (Non-operator with participating interest: 50%)
- 3) A-1, Myanmar (Non-operator with participating interest: 10%)
- 4) CY-OS/2 (Non-operator with participating interest: 25%)
- 5) AA-ONN-2002/1 (Non-operator with participating interest: 80%)
- 6) CY-ONN-2002/1 (Non-operator with participating interest: 50%)
- 7) AA-ONN-2003/2 (Non-operator with participating interest: 35%)
- 8) CB-ONN-2003/2 (Non-operator with participating interest: 20%)
- 9) AN-DWN-2003/2 (Non-operator with participating interest: 15%)
- 10) A-3, Myanmar (Non-operator with participating interest: 10%)
- 11) Block 56, Oman (Non-operator with participating interest: 25%)
- 12) RJ-ONN-2004/1 (Joint operator along with GSPCL and having participating interest of 22.225%)

- 13) KG-ONN-2004/2 (Non-operator with participating interest: 40%)
 14) MB-OSN-2004/1 (Non-operator with participating interest: 20%)
 15) MB-OSN-2004/2 (Non-operator with participating interest: 20%)
 16) RM-CBM-2005/III (Non-operator with participating interest: 35%)
 17) TR-CBM-2005/III (Non-operator with participating interest: 35%)
 18) MR-CBM-2005/III (Non-operator with participating interest: 40%)
 19) AD-7, Myanmar (Non-operator with participating interest: 10%)

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

A) Details relating to parties referred to in item no. I (A) above:	(Rs in Crores)	
	2008-09	2007-08
1) Sales	736.47	597.09
2) Amount receivable as at Balance Sheet Date for (1) above	40.10	27.72
3) Purchases	5575.00	3982.96
4) Amount payable as at Balance Sheet Date for (3) above	370.00	180.00
5) Reimbursement for other expenditure received/receivable	4.80	12.03
6) Amount receivable as at Balance Sheet Date for (5) above	5.33	9.19
7) Dividend Income	51.67	41.80

B) Details relating to parties referred to in item no. I (B) above:	(Rs in Crores)	
	2008-09	2007-08
1) Remuneration *	2.50	2.36
2) Interest bearing outstanding loans receivable	0.40	0.56
3) Interest accrued on loans given	0.42	0.44
4) Other Receivables	0.96	-

* Remuneration includes Basic, Allowances, reimbursements, contribution to PF and perquisites.

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

C) Details relating to parties referred to in item no. I (C) above:	(Rs. In Crores)	
	2008-09	2007-08
1) Minimum work program commitment	288.55	241.13
2) Survey and other expenses	123.15	64.99
3) Other assets	390.99	326.38
4) Amount outstanding on Balance Sheet date	76.86	89.34
5) Amount written Off- Dry well expenditure	172.86	271.73
6) Sale of Crude Oil	32.95	17.62

SHARE OF GAIL IN ASSETS, LIABILITIES, INCOME, EXPENSES, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS OF JOINTLY CONTROLLED ENTITIES

S.N. Description	Mahanagar Gas Limited		Indraprastha Gas Limited		Petronet LNG Limited		Bhagyanagar Gas Limited	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
1 Loan Funds								
i. Secured Loans	2.49	6.41	-	-	285.22	197.20	-	-
ii. Unsecured Loans	5.47	5.47	5.97	1.54	-	-	-	-
2 Reserves and Surplus	293.83	245.02	137.58	112.64	154.18	108.57	0.94	0.26
3 Current Liabilities	56.07	46.92	18.87	17.97	92.06	53.59	5.69	3.06
4 Provisions	24.28	21.19	92.35	71.44	88.08	53.76	0.14	0.04
5 Fixed Assets								
i. Gross Block	363.66	323.89	184.10	149.92	246.88	246.48	5.15	4.47
ii. Depreciation	113.24	94.34	84.74	69.83	63.28	50.49	0.65	0.43
Net Block	250.42	229.55	99.36	80.09	183.60	195.99	4.50	4.04
iii. CWIP	75.58	59.88	17.95	13.26	230.87	132.67	0.93	0.76
6 Investments	43.07	36.47	23.43	24.48	38.03	68.42	-	-
7 Current Assets								
i. Inventories	6.57	5.98	5.36	5.17	48.20	11.37	-	-
ii. Sundry Debtors	32.26	30.91	7.17	5.28	83.89	41.62	0.15	0.17
iii. Cash and Bank balances	18.57	14.92	32.89	31.47	82.23	44.82	3.26	0.56
iv. Loans and Advances	27.37	17.17	102.95	79.59	78.40	45.11	0.24	0.12
v. Other current assets	-	-	1.87	1.11	2.10	0.52	0.03	0.01
8 Income								
i. Sales (Net of Excise Duty)	319.47	295.40	191.87	158.46	1,053.59	819.41	7.49	7.18
ii. Other Income	7.13	4.30	5.94	4.60	9.50	6.70	0.20	0.03
9 Expenses								
i. Purchases	128.58	116.89	92.44	68.25	921.95	695.80	5.80	5.82
ii. Manufacturing, Transmission, Administration, Selling & Distribution and other Expenses	87.62	73.58	45.97	36.73	31.72	28.11	1.07	1.09
iii. Interest and Finance Charges	0.51	0.77	0.51	0.23	12.65	12.80	-	-
10 Contingent Liabilities	24.69	13.11	12.60	0.78	190.13	158.30	0.35	0.02
11 Capital Commitments	59.64	41.28	15.78	14.40	135.58	168.92	0.47	0.94

ANNEXURE-C

(Rs. in Crores)

Green Gas Limited		Central UP Gas Ltd.		MNGL		Aavantika		RGPPL		TNGCL	
2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
6.09	5.00	-	-	4.05	-	-	-	2,301.90	2,305.08	-	-
-	-	-	-	-	-	-	-	12.74	-	0.14	0.16
2.20	0.94	2.10	0.92	(0.89)	(0.17)	(0.36)	(0.14)	(189.93)	(1.29)	1.65	0.90
2.13	3.53	0.80	1.88	3.21	3.13	0.73	0.60	120.42	73.62	0.88	1.14
0.64	0.24	1.17	-	0.08	0.03	-	0.02	0.11	-	0.04	-
4.70	4.64	9.97	7.97	4.72	0.72	2.17	0.05	1,601.00	1,595.49	2.49	2.07
1.06	0.66	1.06	0.73	0.10	0.01	0.08	-	166.83	46.91	0.93	0.73
3.64	3.98	8.91	7.24	4.62	0.71	2.09	0.05	1,434.17	1,548.58	1.56	1.34
10.25	7.61	3.10	4.07	9.72	6.55	0.09	1.70	1,273.84	1,211.18	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	0.01	-	-	-	-	-	-	64.18	38.43	0.11	0.05
0.22	0.57	0.14	0.20	0.07	-	-	-	41.88	43.23	0.27	0.27
3.21	0.67	4.23	4.09	0.23	3.01	3.82	4.56	43.19	31.35	1.07	0.93
0.99	0.26	0.97	0.38	1.84	1.05	0.25	0.13	10.75	4.53	0.07	0.01
0.02	0.01	-	-	-	-	0.07	0.12	0.50	0.14	0.03	-
10.76	8.04	7.01	5.19	0.29	-	0.15	-	349.62	307.94	2.80	2.11
0.03	0.02	0.40	0.39	0.05	-	0.39	-	7.68	0.02	0.13	0.07
6.22	4.23	2.79	2.29	0.08	-	-	-	-	-	1.23	1.04
2.37	2.22	1.92	1.71	1.21	0.17	0.88	0.14	420.34	253.34	0.96	0.74
0.65	0.27	0.01	-	0.03	-	-	-	121.01	55.91	-	-
1.10	0.09	0.15	-	0.03	-	-	-	-	56.66	-	-
0.26	6.02	3.68	-	14.83	-	-	-	110.35	76.87	-	-

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2009

(Rs. in Crores)

	2008-09	2007-08
A. CASH FLOW FROM OPERATING ACTIVITIES		
1. Net Profit Before Tax and Extraordinary Items	4317.28	4124.06
2. ADD:		
Depreciation	718.34	665.59
Deferred Revenue / Other Expenses written off	2.80	0.96
Capital Reserve	(0.12)	(0.12)
Exchange Rate Variation	4.27	0.07
Interest Expenditure	231.21	149.33
Dividend Income on Investments	(231.22)	(211.19)
Interest Income	(411.74)	(274.39)
Provision for Employees Benefits	54.48	35.71
Provision for Gratuity	0.24	0.04
Provision for Payrevision	79.39	105.00
Provision for Doubtful Debts	23.83	1.04
Other Provisions	2.74	0.93
Provision / Writte off of Assets / CWIP	199.53	284.59
Foreign Translation Reserve Write back	0.00	0.00
Profit / Loss on Sale of Assets (Net)	43.69	12.66
3. Operating Profit Before Working Capital Changes (1 + 2)	717.44 5034.72	770.22 4894.28
4. Changes in Working Capital (Excluding Cash & Bank Balances)		
Trade and Other Receivables	(1412.84)	(718.83)
Inventories	(85.70)	(1.51)
Trade and Other Payables	905.21	715.10
5. Cash Generated from Operations (3+4)	(593.33) 4441.39	(5.24) 4889.04
6. Direct Taxes Paid	(1591.71)	(1107.58)
NET CASH FROM OPERATING ACTIVITIES (5+6)	2849.68	3781.46
BALANCE CARRIED FORWARD	2849.68	3781.46

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2009

(Rs. in Crores)

	2008-09	2007-08
BALANCE BROUGHT FORWARD	2849.68	3781.46
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2936.68)	(1606.15)
Sale of Fixed Assets	23.44	12.43
Investment in Other Companies	(3.14)	(56.12)
Interest Received	330.31	200.03
Dividend Received	231.22	211.19
NET CASH FROM INVESTING ACTIVITIES	(2354.85)	(1238.62)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	107.15	298.65
Repayment of Long Term Borrowings	(69.66)	(175.82)
Capital Subsidy	75.42	21.33
Interest Paid	(221.28)	(140.41)
Dividend & Dividend Tax Paid	(1223.81)	(599.21)
NET CASH FROM FINANCING ACTIVITIES	(1332.18)	(595.46)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(837.35)	1947.38
OPENING ADJUSTMENT FOR JV / ASSOCIATES	(13.58)	(53.62)
CASH AND CASH EQUIVALENTS AS AT 01.04.2008 (OPENING BALANCE)	4632.06	2738.30
CASH AND CASH EQUIVALENTS AS AT 31.03.2009 (CLOSING BALANCE)	3781.13	4632.06
NOTES :		
1 Cash & Cash Equivalents include :		
Cash & Bank Balances		
As per Balance Sheet	3781.13	4632.06
Unrealised (Gain)/ loss on foreign Exchange	0.00	0.00
Total Cash & Cash Equivalents	3781.13	4632.06

N.K. Nagpal
Secretary

R.K. Goel
Director (Finance)

B.C.Tripathi
Director (Marketing)

Dr. U D Choubey
Chairman & Managing
Director

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

Place : New Delhi
Date : June 12, 2009

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

GLOSSARY

Gas Industry specific terminologies

CBM	Coal Bed Methane
CNG	Compressed Natural Gas
DGH	Director General Hydro-carbon
DVPL	Dahej-Vijaipur Pipeline
E&P	Exploration and Production
ESA	External Safety Audits
GPU	Gas Processing Unit
GTI	GAIL Training Institute
HDPE	High Density Polyethylene
HSE	Health Safety and Environment
HVJ	Hazira Vijaipur Jagdishpur
JLPL	Jamnagar-Loni Pipeline
LLDPE	Linear Low Density Polyethylene
LNG	Liquified Natural Gas
LPG	Liquified petroleum Gas
MMSCMD	Metric Million Standard Cubic Meters Per Day
MMT	Metric Million Tonne
MMTPA	Metric Million Tonne Per Annum
MOP&NG	Ministry of Petroleum and Natural Gas
MOU	Memorandum of Understanding
MTs	Metric Tonnes
MW	Mega-Watt
NELP	New Exploration & Licensing Policy
O&M	Operation and Maintenance
OLHC	Other Liquid Hydro-Carbon
PNG	Piped Natural Gas
SBPS	Special Boiling Point Solvent
TPA	Tonnes Per Annum
VSPL	Vizag-Secundarabad pipeline

General abbreviations

BIS	Business Information System
CSR	Corporate Social Responsibility
ERP	Enterprise Resource Planning
JVCs	Joint Venture Companies
PSU	Public Sector Unit
QC	Quality Circle
SCADA	Supervisor Control and Data Acquisition
TQM	Total Quality Management

Financial terms

BSE	Bombay Stock Exchange
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
EBIDTA	Earnings Before Interest Depreciation Tax and Amortization
ED	Excise Duty
EPS	Earning Per Share
GDP	Gross Domestic Product
NSE	National Stock Exchange
PAT	Profit After Tax
PBIDTA	Profit Before Interest Depreciation Tax and Amortization
PBIT	Profit Before Interest and Tax
PBT	Profit Before Tax
ROCE	Return on Capital-Employed
ROIC	Return on Invested-Capital
RONW	Return on Net-Worth

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