



## Directors' Report

### Dear Shareholders,

On behalf of the Board of Directors of your Company, I am delighted to present the 30<sup>th</sup> Annual Report of your Maharatna Company, along with Audited Financial Statements for the financial year 2013-14.

### YEAR UNDER RETROSPECT

During the year under review, your Company's 1000 kms long Dabhol-Bengaluru Pipeline Project was awarded the coveted Platts Global Energy Awards 2013 as Premier Project in Large Construction Category.

The year 2013-14 has been a year of venturing into new businesses and expanding the scale of operations in an effort to be a global energy player. Your Company entered into the elastomer business by approving the project for setting up 110 KTA capacity Poly Butadiene Rubber (PBR) Plant at a cost of ₹ 2,575 crore at Dahej in a joint venture with ONGC.

Further, your Company and Shipping Corporation of India have entered into a MoU for cooperation in the LNG shipping business.

Your Company has also signed an MoU with Paradip Port Trust Limited for setting up an LNG terminal at Paradip in Odisha.

On the Exploration and Production (E&P) front, gas production from A-1 and A-3 Blocks in Myanmar has started during the FY 2013-14. The total revenue from E&P business during FY 2013-14 was ₹ 244 crore.

### FINANCIAL HIGHLIGHTS

Your Company has recorded sustained growth in all key financial parameters during the year 2013-14. The important financial highlights of the year are as under: (₹ in crore)

Particulars	2013-14		2012-13	
	US \$ Million	(₹ in crore)	US \$ Million	(₹ in crore)
Turnover (Net of ED)	9,445	57,245	8,608	47,333
Other income	192	1,162	173	954
Cost of sales (excluding interest and depreciation and including extraordinary items)	8,383	50,808	7,466	41,054
Gross margin	1,254	7,599	1,315	7,233
Interest	60	366	35	195
Depreciation	194	1,176	178	981
Profit before tax	1056	6,402	1,102	6,058
Provision for tax	334	2,027	370	2,036
Profit after tax	722	4,375	731	4,022
Appropriations				
Interim dividend	94	571	92	507
Proposed final dividend	123	748	129	710
Corporate dividend tax	37	224	37	203
Net transfer to/from bond redemption reserve	(1)	(5.94)	0	(0.43)
Transfer to CSR reserve	3	17.87	2	13.13
Transfer to general reserve	72	438	73	402
Net surplus after Appropriations	393	2,382	398	2,187
<b>1 US \$ in INR converted at the exchange rate prevalent as on 31<sup>st</sup> March of the respective financial year</b>	<b>60.61</b>		<b>54.99</b>	

### DISINVESTMENT BY PRESIDENT OF INDIA

The Government of India (GoI) has disinvested 15,672,024 shares on 27<sup>th</sup> March, 2014 through CPSE ETF. After disinvestment, the President of India is holds 711,733,651 equity shares representing 56.11% of paid-up share capital of GAIL.

### DIVIDEND

Your Company has a consistent track record of dividend payment. So far, it has disbursed dividend of over ₹ 11,900 crore to the shareholders.

The Board of Directors of your Company had earlier approved payment of an interim dividend @ 45% on equity share of ₹ 10 each (₹4.5 per equity share) amounting to ₹ 571 crore, which was paid in February, 2014. Further, the Board has recommended the payment of final dividend @ 59% on the paid-up equity share capital of the Company of ₹ 10 each (₹ 5.9 per equity share) for FY 2013-14.

With this, the total dividend payment for the fiscal year 2013-14 will be 104% on equity share of ₹ 10 each (₹ 10.40/- per equity share) amounting to ₹ 1,319 crore on its paid-up equity capital of ₹ 1,268.48 crore, which is the highest ever dividend paid by your Company. The total dividend pay out including dividend tax accounts for 35.28% of Profit after Tax (PAT).

### CONTRIBUTION TO EXCHEQUER

Your Company has contributed over ₹ 6,993 crore in 2013-14 to the exchequer through dividend, duties, taxes and others, as compared to ₹ 5,780 crore in 2012-13.

### CREDIT RATING

Your Company has been reaffirmed the highest domestic credit rating of AAA from ICRA, CARE and CRISIL. The international rating agency, Moody's International, Hong Kong, has also reaffirmed the corporate issuer rating of Baa2, which is one notch higher than the sovereign rating. Further, Fitch Ratings has also assigned a long-term foreign currency issuer default rating of BBB with a negative outlook, which is equal to the sovereign rating.

### STRATEGIC INITIATIVES

In order to grow sustainably, your Company has developed a strategy for the period 2011-2020. This strategy is currently under execution and your Company is closely monitoring the progress on various strategic initiatives as well as analysing the dynamic environment to assess its impact on GAIL's businesses. The top



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

management of your Company has been playing a crucial role in achieving the strategic objectives and to make GAIL an integrated hydrocarbon major with significant upstream, midstream and downstream interests by 2020.

In the upstream segment, your Company aspires to import substantial LNG through conventional route as well as through terminal capacity booking and also acquiring equity in producing assets/liquefaction facilities to source equity-linked LNG. Your Company has made remarkable progress in importing 25 LNG cargoes under various short-term contracts with suppliers like GDF (France), GNF (Spain) and Excelerate Energy (USA) as well as on spot basis to meet the growing demand of the Indian market. Further, the US subsidiary of your Company has booked LNG capacity in Dominion Cove Point's LNG liquefaction terminal in the US. In addition, your Company is pursuing LNG shipping business by charter hiring LNG ships to transport LNG from the US to India and other global markets. Your Company is also pursuing LNG trading business through its wholly owned subsidiary, GAIL Global Singapore Pte Limited.

To facilitate increase in LNG volumes, your Company plans to set up LNG terminals/floating storage and regasification units and is also booking additional regasification capacities in existing and new terminals being set up by other companies. Your Company has also executed regasification agreement with Petronet LNG Limited for regasifying 2.5 MMTPA LNG in the planned Dahej expansion LNG terminal in Gujarat to meet the ever increasing demand along its existing pipeline networks.

To bridge the demand-supply gap of natural gas and address the energy security needs of the country, your Company is actively participating in the transnational pipeline project, the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline project. GSPA has already been signed to import 38 MMSCMD gas into the country through this pipeline.

In the midstream segment, your Company aspires to retain its leadership position through continuous pan-India expansion of pipeline network. Your Company now has approximately 11,000 kms network of pipeline in the country. Various other pipeline projects are at different phases of execution which will take the network size to around 15,000 kms.

On the retail side, your Company is targeting additional 40-50 cities/Geographical Areas (GAs) through its subsidiary and joint ventures (JVs) for city gas distribution (CGD) in the coming few years.

In the downstream segment, your Company aspires to be amongst the top petrochemical players in the country by expanding existing capacities, setting up new plants, acquiring equity stakes in upcoming projects, along with product off-take rights for marketing. Your Company is currently doubling existing petrochemical capacity at Pata and the project is under implementation. A green field petrochemical plant is also being setup in Assam through your Company's subsidiary, Brahmaputra Cracker & Polymer Limited (BCPL). Another petrochemical plant at Dahej is being set up through a JV, ONGC Petro-additions Limited (OPaL). By 2015, your Company is expected to have 1.7 MMTPA polymers for marketing.

In order to achieve all the strategic goals, significant thrust is being given to strengthen and develop the human resource of your Company. Accordingly, recruitment, training and development policies are being suitably aligned with strategic objectives to enable your Company implement and achieve its strategic goals by 2020.

## SEGMENT PERFORMANCE

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

### » Natural Gas Marketing

Natural gas continues to constitute your Company's core business. During 2013-14, gas sales clocked 79.18 MMSCMD, compared to 81.44 MMSCMD in the previous financial year. Major supplies of natural gas include fuel to power plants, feedstock for gas-based fertilizer plants and LPG extraction. Your Company holds around 67% market share in India's gas marketing.

### » Transmission

#### ▶ Natural Gas

Your Company owns and operates a network of about 11,000 kms of natural gas high pressure trunk pipeline with a pan-India capacity of around 206 MMSCMD of natural gas. Average gas transmission during the year was 96.22 MMSCMD, compared to 104.90 MMSCMD in the previous financial year mainly due to the decrease in gas from RIL's KG D6 block.

#### ▶ LPG

Your Company is the only company in India, which owns and operates exclusive pipelines for LPG transmission for third-party usage. Your Company owns and operates two LPG pipeline transmission systems with a total length of 2038 kms. Out of this, 1415 km of pipeline network transports LPG from western to northern parts of India (Jamnagar - Loni LPG Pipeline) and the balance 623 kms of pipeline network transports LPG in the country's southern part (Vizag-Secunderabad LPG Pipeline). The LPG transmission system has a capacity to transport up to 3.8 MMTPA of LPG. In 2013-14, the LPG transmission through put achieved was about 3.15 Million MT.

### » Petrochemicals

During 2013-14, your Company has produced 436 Thousand MT (TMT) of polymers and sold 445 TMT of polymers.

### » LPG and Other Liquid Hydrocarbon Production

Your Company has seven LPG plants in the country for production of LPG and other liquid hydrocarbons. In 2013-14, the total liquid hydrocarbon production was 1307 TMT, which included 1030 TMT of LPG, 135 TMT of Propane, 22 TMT of Pentane and 120 TMT of Naphtha.

## » Exploration and Production (E&P)

The financial year 2013-14 has seen significant transformation of the E&P business of GAIL. The production of gas has started from overseas blocks A-1 and A-3, Myanmar.

Your company has earned a revenue of ₹ 244 crore from E&P activities through the sale of gas in A-1 and A-3 in Myanmar and crude oil in Cambay Onland block CB-ONN-2000/1 during the year 2013-14.

At present, GAIL has participating interest in 20 E&P blocks of which 18 blocks are in India and 2 in Myanmar.

GAIL is the Operator in three onland blocks viz. (i) RJ-ONN-2004/1 in Rajasthan basin awarded during NELP-VI bidding round, ii) CY-ONN-2005/1 in Cauvery basin awarded during NELP-VII bidding round and (iii) CB-ONN-2010/11 in Cambay basin awarded during NELP-IX bidding round. GAIL is the non-operating partner in the remaining 17 blocks. In Rajasthan onland block, one well has been drilled during FY 2013-14 and future course of action is being charted. Drilling of wells is planned during the year 2014-15 in Cauvery onland block. In Cambay onland block, the acquisition of 131 KM<sup>2</sup> 3D seismic data has been initiated.

Declaration of Commerciality (DoC) for gas discovery has been submitted to the Government in Block MN-OSN-2000/2 (Mahanadi offshore Block, NELP-II) while DoC for gas discovery Kathalchari – 1 in Block AA-ONN-2002/1 (Tripura Onland Block, NELP-IV) has been recently approved by the Government.

## BUSINESS ADVANCEMENT

### » Global Initiatives

In April 2013, GAIL Global (USA) LNG LLC, a US subsidiary of GAIL, signed a Terminal Service Agreement (TSA) with Dominion Cove Point LNG LP for booking 2.3 MMTPA liquefaction capacity in the Cove Point LNG liquefaction project located at Lusby in the State of Maryland in the US.

Under this agreement, your Company through its US subsidiary has to procure its share of natural gas and deliver it to the Cove Point pipeline for liquefaction at the terminal. Your Company has already short-listed potential gas suppliers / transporters for supply of gas to the Cove Point LNG liquefaction project. Discussions are underway with the short-listed party(s) for finalising the terms and conditions.

Your Company is pursuing Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline project for import of gas to India. Asian Development Bank has been appointed as the Transaction Advisor (TA) for the TAPI project. Incorporation of a company for implementing the project is underway. Your Company is playing a lead role in discussions on the project.

### » Domestic Initiatives

The domestic business initiatives of your Company are as follows:

#### » Poly Butadiene Rubber (PBR) Plant

Your Company would be setting up a PBR plant of 110,000 tonnes per annum capacity at a cost of ₹ 2,575 crore at Dahej, Gujarat through a 50:50 joint venture with ONGC. The necessary approval for setting up the project has been obtained. The project is scheduled for commissioning during 2017 and your Company would be playing a lead role in executing the project.

## » Natural Gas Pipeline Projects

During the financial year, your Company commissioned various pipeline networks and auxiliary systems, which include the following:

- Capacity Augmentation of Auraiya-Jagdishpur pipeline from Dibiyapur to SV-2 and from Sachendi to Kanpur Fertilizers & Cements Ltd.
- Karanapur-Moradabad-Kashipur pipeline has been further extended upto Rudrapur by commissioning of the Kashipur-Rudrapur pipeline.
- Commissioning of the Kochi-Koottanad-Bengaluru / Mangalore Phase-I pipeline done in August 2013 after receipt of LNG from PLL Kochi.
- Last Mile consumer connectivity (approximately:- 112 kms) extended to 66 numbers of consumers for supplying of natural gas around 5,55 MMSCMD.

## » Non-Conventional Energy

Your Company has installed wind energy projects of 118 MW capacity. Your Company had started with a modest capacity of 4.5 MW wind energy in the state of Gujarat in year 2009-10 for captive use. After the success of the wind project, additional Wind Energy Generation of 14.7 MW was installed in the state of Gujarat for captive use in the year 2011-12. Your Company graduated to commercial production after commissioning 100 MW of wind energy projects in the states of Tamil Nadu and Karnataka in the year 2011-12.

In the year 2011-12, your Company entered into solar power generation by winning the bid to setup a 5 MW Solar Plant under the Jawaharlal Nehru National Solar Mission in Rajasthan. The project was commissioned in February 2013 and is generating 25000 – 28000 kWh per day.

## SUBSIDIARIES & JOINT VENTURES

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

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

### » Natural Gas, LNG and Power

#### » GAIL Global (Singapore) Pte Limited (wholly owned subsidiary)



GAIL Global (Singapore) Pte Limited, primarily started as an overseas investment arm of your Company and was operationalized for LNG trading in 2012. It commenced its business operations by delivering its first cargo at Dahej in November, 2012. The Company is also targeting third-party sales, ship chartering and risk management activities along with supplying LNG cargoes to India. In the year 2013-14, GG SPL supplied 4 cargoes to GAIL.

The total revenue of the Company for 2013-14 was US \$ 189.33 Million and PAT was US \$ 1.16 Million.



Shri B.C. Tripathi, CMD, GAIL meeting with Mr. Wang Dongjin, Vice President, CNPC & President Petrochina in Beijing, China

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



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

The total revenue of the Company for the year ended 31<sup>st</sup> December, 2013 was US \$ 38.03 Million and PAT was US \$ 4.52 Million.

► **GAIL Global (USA) LNG LLC (wholly owned subsidiary of GGUI)**



GAIL Global (USA) LNG LLC, a wholly owned subsidiary of GAIL Global (USA) Inc., was formed in the state of Delaware, USA on 28<sup>th</sup> March, 2013 for entering into contractual agreements with Dominion Cove Point LNG, LP for booking LNG tolling capacity of 2.3 MMTPA in its Dominion Cove Point LNG terminal located at Lusby in the state of Maryland and for booking capacity in associated Dominion Cove Point Pipeline.

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

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

The joint venture company, GAIL China Gas Global Energy Holdings Limited, was formed with an objective to pursue gas sector

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

► **Petronet LNG Limited (PLL)**



PLL, which was formed for setting up of LNG import and re-gasification facilities, currently owns and operates an LNG re-gasification terminal of 10 MMTPA capacity located at Dahej, Gujarat. PLL has a long-term LNG supply contract with RasGas, Qatar for import of 7.5 MMTPA of LNG.

PLL is undertaking capacity expansion to 15 MMTPA at Dahej for which pre-project activities are in progress. Further, PLL has also setup up an LNG re-gasification terminal at Kochi, Kerala with a capacity of 5 MMTPA which was commissioned in August, 2013. PLL has a long term LNG supply contract with Exxon Mobil's Gorgon Project for supply of 1.44 MMTPA of LNG for its Kochi terminal.

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

The total revenue of the Company for 2013-14 was ₹ 37,747.58 crore and PAT was ₹ 711.92 crore.

► **Ratnagiri Gas and Power Pvt. Limited (RGPPL)**



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

The power block has been revived and is under commercial operation since 19<sup>th</sup> May, 2009. The power block was operated at a Power Load Factor (PLF) of 8.74% with a generation loss of 12760 Million Units due to non-availability of domestic gas in FY 2013-14.

The gas delivery to your Company's pipeline network through high pressure delivery system was started in January, 2013 and commissioned with effect from 22<sup>nd</sup> May, 2013. Since the power generation is envisaged using the domestic gas entirely, the integrated LNG terminal shall be utilized for tolling purposes. RGPPL has already entered into a long term agreement with GAIL for commercial utilization of LNG terminal and commenced tolling operations.

As on 31<sup>st</sup> March, 2014, the paid up capital of the Company was ₹ 2,964.90 crore and out of this, your Company's share of contribution was ₹ 974.31 crore.

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

The Company's total revenue for 2013-14 was ₹ 2,216.34 crore and profit was ₹ 112.05 crore. However, the company is in financial crisis due to non-liquidation of high receivables from its beneficiaries leading to inability in meeting its debt servicing obligations for the year 2013-14.



► **City Gas Distribution (CGD)**

► **GAIL Gas Limited (wholly owned subsidiary)**



GAIL Gas was incorporated with the objective of focused implementation of City Gas Distribution (CGD) projects in the country. During the year, GAIL Gas laid 550 kms MDPE pipeline in the cities of Sonipat, Meerut, Dewas, Kota, Agra, Ferozabad & Bharatpur. New CNG stations were installed and are operational at Dibiypur (Uttar Pradesh) & Kota (Rajasthan). Additional stations are planned at Ferozabad, Bharatpur & Sonapat. During the year, GAIL Gas achieved conversion of 1,177 PNG Domestic customers progressively in the cities of Sonipat, Meerut, Dewas, Kota and Ferozabad and the total number of customers drawing gas went up from 4,427 in March 2013 to 5,604 in March 2014. The sales volume from industrial & commercial customers grew from 451.61 MMSCM in FY 2012-13 to 519.66 MMSCM in FY 2013-14.

The marketing activities of the Company are progressing well and it has tied-up over 844 industrial and 45 commercial consumers. To expand the business canvas, GAIL Gas formed a joint venture company with Vadodara Mahanagar Sewa Sadan (VMSS) to carry forward the ongoing City Gas Distribution business and augment the infrastructure for expanding CGD business in the city of Vadodara, and with Rajasthan State Petroleum Corporation Ltd. to form a joint venture company for implementation of CGD projects in the state of Rajasthan.

The total revenue of the Company for FY 2013-14 was ₹ 991.11 crore and PAT was ₹ 11.44 crore.

► **Aavantika Gas Limited (AGL)**



AGL was incorporated to implement CGD projects in Madhya Pradesh. As on 31<sup>st</sup> March 2014, AGL operated 14 CNG stations including 7 daughter stations, 5 online stations and 2 mother stations.

Further, as on 31<sup>st</sup> March 2014, AGL supplied PNG to around 1900 domestic, 19 commercial and 31 industrial consumers in its authorized geographical regions. AGL is also catering to the fuel requirement of over 11,500 CNG vehicles operating in the region. Your Company has 22.5% stake, along with HPCL as an equal partner.

The total revenue of the Company for 2013-14 was ₹ 115.26 crore and PAT was ₹ 0.50 crore.

► **Bhagyanagar Gas Limited (BGL)**



Bhagyanagar Gas Ltd.

BGL was incorporated to implement CGD projects in Andhra Pradesh. As on 31<sup>st</sup> March, 2014, BGL operated 29 CNG stations including 24 daughter stations, 2 online stations and 3 mother stations.

Further, as on 31<sup>st</sup> March 2014, BGL supplied PNG to over 2100 domestic, 34 commercial and 2 industrial consumers in its authorized geographical regions. BGL is also catering to the fuel requirement of around 20,650 CNG vehicles operating in the region. Your Company has 22.5% stake, along with HPCL as an equal partner.

The total revenue of the Company for 2013-14 was ₹ 116.87 crore and PAT was ₹ 14.99 crore.

► **Central U.P. Gas Limited (CUGL)**



CUGL was incorporated to implement CGD projects in Uttar Pradesh. As on 31<sup>st</sup> March, 2014, CUGL operated 14 CNG stations including 2 mother stations, 11 online stations and 1 daughter booster station.

Further, as on 31<sup>st</sup> March 2014, CUGL supplied PNG to around 4200 domestic, 36 industrial and 77 commercial customers in its authorized geographical regions. CUGL is also catering to the fuel requirement of around 40,900 CNG vehicles operating in the region. Your Company has 25% stake, along with BPCL as an equal partner.

The total revenue of the Company for 2013-14 was ₹ 196.73 crore and PAT was ₹ 25.03 crore.

► **Green Gas Limited (GGL)**



GGL was incorporated to implement CGD projects in Uttar Pradesh. As on 31<sup>st</sup> March, 2014, GGL operated 14 CNG stations including 5 daughter stations, 5 online stations and 4 mother stations.

Further, as on 31<sup>st</sup> March 2014, GGL supplied PNG to over 3600 domestic, 3 industrial and 7 commercial customers in its authorized geographical regions. GGL is also catering to the fuel requirement of over 28600 CNG vehicles operating in the region. Your Company has 22.5% stake, along with IOCL as an equal partner.

The total revenue of the Company for 2013-14 was ₹ 162.01 crore and PAT was ₹ 22.62 crore.

► **Indraprastha Gas Limited (IGL)**



IGL was incorporated to implement CGD projects in Delhi's National Capital Territory (NCT) and cities in adjoining National Capital Region (NCR). As on 31<sup>st</sup> March, 2014, IGL operated 325 CNG stations including 75 mother stations, 212 online stations and 38 daughter stations.

Further, as on 31<sup>st</sup> March 2014, IGL supplied PNG to around 4.5 lacs domestic, 585 industrial and 1277 commercial customers in its authorized geographical regions. IGL is also catering to the fuel requirement of around 7.2 Lac CNG vehicles operating in the region, which includes the entire public transport of the national capital and also the world's largest bus fleet on CNG. Your Company has 22.5% stake, along with BPCL as an equal partner.

The total revenue of the Company for 2013-14 was ₹ 3,922.16 crore and PAT was ₹ 360.26 crore.

► **Mahanagar Gas Limited (MGL)**



MGL was incorporated to implement CGD projects in Mumbai and adjoining areas. As on 31<sup>st</sup> March, 2014, MGL operated 169 CNG stations including 19 mother stations, 130 online stations and 20 daughter stations.

Further, as on 31<sup>st</sup> March 2014, MGL supplied PNG to over 7 lacs domestic, 53 industrial and 2289 commercial customers in its authorized geographical regions. MGL is also catering to the fuel requirement of around 3.6 Lac CNG vehicles operating in the region. Your Company has 49.75% stake, along with British Gas as an equal partner.

The total revenue of the Company for 2013-14 was ₹ 1,885.15 crore and PAT was ₹ 297.25 crore.

#### ► Maharashtra Natural Gas Limited (MNGL)



MNGL was formed for implementation of CGD projects in and around Pune. As on 31<sup>st</sup> March, 2014, MNGL operated 28 CNG stations including 5 mother stations, 8 online stations and 15 daughter stations.

Further, as on 31<sup>st</sup> March 2014, MNGL supplied PNG to over 12,300 domestic, 83 industrial and 31 commercial customers in its authorized geographical regions. MNGL is also catering to the fuel requirement of around 60,200 CNG vehicles operating in the region. Your Company has 22.5% stake, along with BPCL as an equal partner.

The total revenue of the Company for 2013-14 was ₹ 344.08 crore and PAT was ₹ 56.66 crore.

#### ► Tripura Natural Gas Company Limited (TNGCL)



TNGCL was incorporated to implement CGD projects in Agartala. As on 31<sup>st</sup> March, 2014, TNGCL operated 4 CNG stations including 2 mother stations and 2 daughter stations.

Further, as on 31<sup>st</sup> March 2014, TNGCL supplied PNG to around 14,650 domestic, 45 industrial and 254 commercial customers in its authorized geographical regions. TNGCL is also catering to the fuel requirement of around 6150 CNG vehicles operating in the region. Your Company has 29% stake, in the joint venture.

The total revenue of the Company for 2013-14 was ₹ 42.19 crore and PAT was ₹ 6.57 crore.

#### ► Petrochemicals

##### ► Brahmaputra Cracker and Polymer Limited (BCPL) (Subsidiary)



BCPL is setting up a 2,80,000 TPA polymer plant and project execution is in progress. The total revised project cost, as approved by the Cabinet Committee for Economic Affairs (CCEA) in November 2011 is ₹ 8,920 crore. The Company is now in the final phase of project execution and has achieved an overall physical progress of 93.6% and financial progress of 81.03% till the end of the financial year.

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

##### ► ONGC Petro-additions Limited (OPaL)



OPaL is implementing a green field petrochemical complex of 1.4 MMTPA Polymer capacity at Dahej, Gujarat. Your Company is a co-promoter of the project, with 15.50% equity stake while Oil and Natural Gas Corporation Limited (ONGC) and Gujarat State Petroleum Corporation Limited (GSPC) are the other promoters.

Apart from above, your Company holds equity interest in China Gas Holdings Limited, Fayum Gas Company, South-East Asia Gas Pipeline Company Limited and Gujarat State Energy Generation Ltd. It also has the right to appoint a Director on the Board of these companies.

During the year 2013-14, your Company disinvested 60 million shares of China Gas Holdings Limited and presently holds 150 million shares. The Company has a right to nominate a Director on the Board of the company.

#### IT ADVANCEMENTS

Your Company is an IT-savvy organization and is continually striving to provide the best of technology applications to its valued users. With newer interventions in the IT domain, we have not only endeavoured to attain seamless integration with GAIL's business transactions, processes and systems, but also proactively sensitized the users with emerging paradigms in system usage and technology transformations.

By adopting the latest and state-of-the-art IT solutions, which are keeping in pace with the fast changing industry and its way of working, we continually strive for efficiency enhancement of employees and have enabled access of required information to the right person, by the use of the latest IT security solutions.

Your Company is in the forefront of leveraging IT to bring in systemic improvements. In the last few years, your Company has introduced many new functionalities and features in SAP platform, which has been a part of the functional upgrade for bringing improvement and transparency in business operations. Your Company has also adopted latest and state-of-the-art IT solutions like Document Management System, and Private Cloud platform with Disaster Recovery (DR) setup of IT infrastructure, in line with the industry's latest technological advancements. Going further, System's manageability and availability have been enhanced substantially with this future-ready and DR-enabled cloud infrastructure.

Your Company is in the process of rolling out Business Intelligence - Analytics and Dashboard for easy and dynamic analysis of business critical information and its easy visualization.

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

For strengthening information security and identifying the potential internal and external threats, your Company has carried out Information Systems Audit through an expert external audit agency. The IT operations of your company have been certified with ISO 9001:2008. Your company is also preparing for ISO 27001 certification for Information Security Management Framework (ISMS) and Crisis Management Plan (CMP) in line with CERT-In Guideline.

#### HEALTH, SAFETY AND ENVIRONMENT MANAGEMENT

Health, Safety and Environment (HSE) management is a key driver of operational excellence in your Company. GAIL has an elaborate HSE Management System in place to ensure the health and safety of its employees and protect environment for a sustainable development. Your Company believes in prevention of all health, safety and environment hazards. HSE performance of various installations of your Company is monitored on a regular basis through monthly HSE reports, audits and Surprise Safety Checks by senior officials. HSE sub-committee of Board of Directors, which is the apex body for matters related to HSE, met three times during the year to review your Company's performance and emergency preparedness in this regard.



On 27th June, 2014, an unfortunate mishap occurred on the Tatipaka-Kondapalli gas pipeline segment of your Company leading to the loss of civilian lives and causing damage to the property in the vicinity. As a responsible Company, all efforts were undertaken for rescue. Your Company has also initiated steps towards relief and rehabilitation of the affected people. Further, your Company has decided to adopt the Nagaram Village and will endeavour to transform it into a model village.

Your Company has taken a number of measures to reassess and address safety related issues. M/s Engineers India Limited has been engaged to reassess the health, safety and integrity of various natural gas pipeline systems including KG Basin and the LPG pipeline networks. In addition, a reputed international consultant is being engaged to review and compare the Standard Operating Procedures (SOPs) and safety measures across GAIL's hydrocarbon assets with that of the international majors and reset benchmarks. Further, your Company's Internal Audit group has initiated fresh technical audits of the various pipeline systems. Further, the Company's Crisis Management Plan of 2012 is being overhauled including the measures taken to ensure swift reporting of incidents across the Company and external bodies. The framework of the HSE department is being further strengthened to ensure ZERO Tolerance to deviation from SOPs, increase safety awareness and enhance emergency response systems.

Your Company has taken a new initiative to implement Behavioural Based Safety (BBS) programme in its installations in a phased manner from this year as a part of continuous improvement of safety culture in the organization. This year, the BBS program was rolled out in the Company's process plants at Vijaipur, Vaghodia, Gandhar and Usar. Your Company identified common life threatening causes of accidents and launched a "Life Saver Scheme" for employees and workers. Your Company has prepared a Corporate Film on Health, Safety and Environment in GAIL to inform and educate our business partners and other stake holders.

» **Corporate HSE Policy**

Your Company is committed to conduct business with a robust and integrated HSE Management System with a focus on improving harmony with the environment through sustainable development. The safety and health of everyone who works for your Company is of paramount importance and these attributes are embedded within the core organizational values of GAIL. Our employees and contract workers are strongly encouraged to adopt a safe working culture and behaviour to ensure effective implementation of the HSE policy. Complying with applicable HSE rules and regulations and going beyond in setting internal targets is one of the important elements of the HSE Management in your Company.

» **Safety Performance**

Safety performance is measured in your Company through "HSE index" which is evaluated on the basis of important HSE Management System elements. Your Company achieved the HSE index of 99.06% as against the MoU target of 98%.

» **Safety Training**

Your Company imparts regular and structured HSE training to its employees to upgrade their skills, knowledge and competence to carry out HSE-critical functions effectively. Regular training is also imparted to contract workers, tanker drivers and others to make them aware of the probable hazards in their work area and avoid unsafe acts.

Keeping in view the challenge posed by one of fastest growing waste stream i.e. e-wastes, your Company organized a two-day HSE workshop on the theme "E-Waste Management" for its business heads, fire and safety heads and environment engineers. Faculty from the Ministry of Environment & Forests and prestigious institutions imparted valuable insights about the e-waste management and the applicable rules and regulations.

» **Safety Audits**

Safety Audits are carried out in your Company to ensure implementation of the HSE Management system guidelines and emergency preparedness. Safety audits are carried out by external safety auditors and experienced in-house auditors.

» **Occupational Health**

Your Company has implemented occupational hygiene measures and medical surveillance programmes to monitor and control the occupational health of its employees. Your Company has prepared guidelines on occupational health management in the organization to manage the occupational health of its employees and workers.

The Corporate Occupational Health Committee met four times during the year to monitor the occupational health programme in your Company. As a measure of a broader coverage of occupational health programme, your Company formed eleven new local level occupational health committees at its compressors and pumping stations in addition to the existing six local level occupational health committees at its process plants. All employees of your Company at various work centres undertake periodic medical examination as per guidelines.

**SUSTAINABILITY INITIATIVES**

Your Company published its fourth Sustainability Report - 'Care Share and Grow' for FY 2013-14. The stakeholder centric report focuses on a growth that creates value for all our stakeholders. The report highlights the various initiatives taken in the economic, environmental and social dimensions to secure the long term interests of our stakeholders. 'Care Share and Grow' is in line with the global sustainability reporting standards of GRI (Global Reporting Initiative) G3.1 guidelines on Sustainability Reporting and the Oil & Gas Sector Supplement (OGSS). The report is externally assured in line with Assurance Standard AA1000AS with application level A+. It is a Type 2 Moderate level assured report including data verification at different sites of GAIL. The report is available on the GAIL website ([www.gailonline.com](http://www.gailonline.com)).

Your Company has a defined Sustainability Governance Structure following a top-down approach that spans across various critical functions to effectively manage organizational complexities. The Sustainable Development Committee, sub-committee of the Board is headed by an Independent Director with all the Functional Directors as members except Chairman & Managing Director, supported by the Sustainable Development Steering Committee, headed by the Director (Business Development) to provide impetus and direction to achieve sustainability goals, meet targets and monitor on-ground implementation of the various initiatives. At sites, we have the multi-disciplinary Sustainability Committee and Sustainability Team at the corporate level.

One of the Gas Processing Units at Gandhar was certified for Energy Management System ISO 50001:2011, which enable a systematic approach in achieving continual improvement of energy performance,

including energy efficiency, energy use and consumption. Your Company has also taken up the implementation of SA 8000 across its operation with pilot site as Hazira Compressor Station. With this, it is aimed to ensure meeting the voluntary requirements in the workplace that will protect and empower personnel within a company's scope of control and influence.

This year, your Company participated in the Carbon Disclosure Project (CDP) for the first time. CDP is an international, not-for-profit organization providing the only global system for companies and cities to measure, disclose, manage and share vital environmental information. Your Company is the highest scoring public sector company among the Indian CDP responders in 2013.

Your Company is the only PSU in Oil and Gas sector to become the founding member of the GRI Focal Point India Sustainability and Transparency Consortium. The Consortium provides a platform to share and engage with various organizations to discuss issues related to sustainability reporting. Your Company also hosted the launch of the GRI G4 Guidelines in India at GAIL Corporate Office in Delhi. In addition, senior official's of your Company had a fruitful interaction with senior executives from GRI, sharing industry perspective in the field of sustainability.

Your Company also became the founding member of the India Green House Gas (GHG) Program along with various other major companies. The programme is a voluntary initiative launched by World Resources Institute (WRI) India, the Confederation of Indian Industry and The Energy and Resources Institute on GHG accounting, standardize measurement and management of GHG emissions in India. The programme promotes a more competitive, profitable and sustainable business environment, broadening engagement between policymakers and the business sector in supporting the overall advancement of national goals.

Going beyond the mandatory requirements, your Company has set clear targets through Sustainability Aspirations 2020, with respect to the management of Green House Gas (GHG) emissions, water consumption, energy efficiency and training / awareness on sustainability. This initiative has been highly appreciated at various national and international forums. The details of the progress are presented in our Sustainability Report FY 2013-14. All these initiatives are aimed at building the social and environmental capital of your Company to make it a truly sustainable company.

In line with the SEBI requirements, your Company provides a complete disclosure on the Company's performance on the 9 Principles of National Voluntary Guideline and Core Elements. The BRR FY 2013-14 is contained in a separate section in the Annual Report FY 2013-14.

#### **INCLUSIVE GROWTH- INITIATIVES FOR SOCIAL GROWTH**

Your Company believes that CSR plays a major role in developing a nation. Therefore, your Company has made Corporate Social Responsibility (CSR) an integral part of its ethos and culture. Your Company has a dedicated team operating within the framework of a well-structured CSR policy, which mandates 2% contribution of the Company's PAT to CSR activities. Further, your Company has constituted a CSR Committee of the Board to deliberate and decide on the CSR proposals. The details of the same are contained in the report on Corporate Governance.

Following the project-based approach as put-forth by the DPE and as detailed in your Company's CSR policy, your Company has implemented

CSR programmes primarily in and around the rural areas adjoining major work centres/installations of your Company. These programmes are taken up under the seven thrust areas identified by your Company - education /literacy enhancement, skill development/ empowerment, community development, drinking water/ sanitation, environment protection/ horticulture, infrastructure and healthcare/ medical facility. Major initiatives undertaken by your Company under these thrust areas are detailed in Management Discussion & Analysis.

#### **VIGILANCE**

Various improvements were introduced in systems and processes by your company for achieving better e-governance. Some of these significant improvements are:

- Complaint Monitoring System (CMS) to process all complaints which are received in various work centres and departments centrally.
- E-Tendering threshold limit has been reduced from ₹ 50 lacs to ₹ 25 lacs.
- Renewal of ISO Certification of Corporate Vigilance Department.
- Quarterly automatic alerts to respective Officer In-charge for taking suitable action to resolve instances of outstanding retention money of the vendors.
- Improvements have been made in Tender Monitoring System to generate more customized reports.

Vigilance Awareness Week-2013 was observed from 28<sup>th</sup> October, 2013 to 2<sup>nd</sup> November, 2013 under the aegis of the Central Vigilance Commission (CVC), at the Corporate Office, New Delhi and at all your Company work centres. Shri Pratyush Sinha, former Central Vigilance Commissioner graced the inaugural ceremony as the Chief Guest and administered Vigilance Pledge to the employees. On this occasion, a magazine "JAGROOK" published by the Corporate Vigilance Department, containing CVC circulars and articles on the subject of Good Governance including case studies was released. The theme of the Vigilance Awareness Week this year was "Promoting Good Governance Positive Contribution of Vigilance". In order to spread awareness of the theme, various competitions such as online quiz, essay writing (Hindi & English), slogan writing (Hindi & English) and poster painting were organized across different centers of your Company. A customer interactive meet and a vendor interactive meet were organized at Jaipur and Noida respectively. Customers from various segments such as Natural Gas, Liquid Hydrocarbon and Petrochemical as well as vendors providing project related services/supplies to your Company actively participated in the two meets.

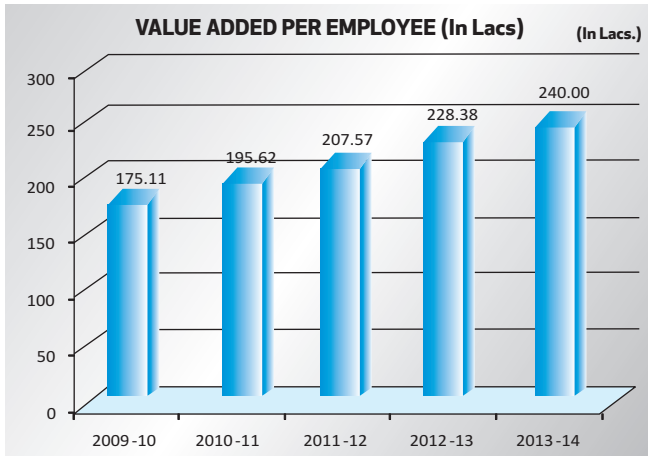
#### **CAPABILITY BUILDING**

Your Company lays a strong emphasis on attracting, acquiring and deploying the best talent across all its business functions. A highly engaged and dynamic workforce has led to a continuous rise in the value added per employee in the last 5 years. Value added per employee gives an account of efforts of the Company's employees to make the best and most productive use of the resources available to them.

#### **» Training**

Your Company lays great emphasis on the development of human resources in the existing and new areas of its business. GAIL Training Institute (GTI) organizes systematic and structured programmes for capability building across all levels within the organization. In recognition of its initiatives, GTI has received the prestigious national





award for Innovative Training Practices from the Indian Society for Training and Development (ISTD) and the Golden Peacock National Training Award - 2014.

GTI, Noida and Jaipur have maintained the track record of excellent MoU performance in all the parameters in the MoU signed with the administrative ministry. The key achievements are as under:

- ▶ Percentage actualization of training plan has been more than 100% for the financial year ending 31<sup>st</sup> March, 2014. A total 224 training programmes were organized during the period under review. 17910 man-days of training were organized by GTI, Noida & Jaipur in the above period. Training days per employee is 4.51.
- ▶ The development plan of the executives is directly linked with the Performance Management System.
- ▶ Training budget as percentage of employee cost for FY 2013-14 is 4.71%.
- ▶ A mentorship programme has been established for the new joining executives and all mentees have been assigned their respective mentors.
- ▶ Yoga classes are organized at GTI and at various sites to reduce stress. Eleven programmes/sessions were organized during FY 2013-14.
- ▶ 96 man-days of training on awareness of succession planning have been organized.
- ▶ 56 man-days of training have been imparted on Risk Management to GAIL employees.
- ▶ 216 man-days of training have been imparted on Project Management to GAIL employees.
- ▶ With the objective to share and manage knowledge within the organization, Technical Knowledge Sharing Seminar and sessions are organized every year.
- ▶ 5 company wide business quizzes were organized to keep the GAIL employees updated with the latest developments in the business areas of GAIL.

In its pursuit of offering training programmes to external organizations and to convert itself into a revenue generating centre, GTI has successfully organized training programmes for participants from other organizations like RGPPL, HPCL, BCPL, IGL, MGL, MNGL, GSPL, HMEL etc. Further, in collaboration with the American Society

of Mechanical Engineers (ASME), USA, GTI is successfully running certificate courses in ASME B31.8, B 31.8S and B 31Q for various external organizations.

#### ▶ Development Programme for Senior Management

Your Company realizes that it is critical to continually strive to develop and enhance the capability and competence of its senior level executives in order to prepare them for future leadership positions. As an effort towards the same, the Senior Management Development Centre (SMDC) exercise has been undertaken as part of the Leadership Development Program. SMDC has been conducted for senior executives in the Chief Manager and above grades and as of now around 600 senior executives have been covered under this exercise.

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

#### ▶ Representation of Priority Section

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

Details with regard to group wise total number of employees and the representation of SCs, STs and OBCs amongst them in your Company as on 31<sup>st</sup> March, 2014 are given in the table below:

GROUP	EMPLOYEES ON ROLL	SC	ST	OBC (NCL)	PWD
A	2947	454	180	513	38
B	592	123	72	99	12
C	424	77	14	126	33
D	52	17	5	14	2
<b>TOTAL</b>	<b>4015</b>	<b>671</b>	<b>271</b>	<b>752</b>	<b>85</b>

A total of 132 new employees joined the Company during the FY 2013-14. The total manpower of the Company as on 31<sup>st</sup> March, 2014 stood at 4022 (including Whole-Time Directors & CVO) with 16.71% the Company's employees belonging to the SC category; 6.75 % to the ST category; 18.73 % to the OBC (NCL) category; 8.02 % to minorities and 2.12 % to PWDs category. Your Company's workforce comprised of 244 women employees as on 31<sup>st</sup> March, 2014.

#### ▶ Official Language

Your Company is continuously making vigorous efforts for the propagation and successful implementation of the Official Language Policy of the Union. The Official Language Implementation Committees at Corporate as well as work centre level held their quarterly meetings regularly to monitor and review the progress made in achieving the targets fixed in the Annual Programme.

In an endeavour to familiarize the new entrants in the company with the Official Language Act and various OL rules, training to ETs and GETs is being imparted at the induction level. To inculcate the

knowledge of the Official Language among the newly promoted employees from S7 to E1 and E2 grades, special 2-days' training programmes have been designed and implemented at the corporate level besides other regular workshops at all the work centres.

With a view to create greater awareness and consciousness among employees, Hindi Fortnight was celebrated from 14<sup>th</sup> to 28<sup>th</sup> September, 2013 across the Company. During the fortnight innovative and interesting competitions, cultural activities, Kavi Sammelan, seminars on Hindi activities etc. were conducted. Every Monday/first working day of the month is being observed as Hindi Diwas across the Company.

Bilingual software with Unicode fonts were made available across the Company. 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.

As an innovative initiative, names of all employees of your Company in official e-mail IDs are being displayed in Hindi also. The terminology being used across GAIL has been standardized and circulated.

Training in translation is being provided to all nodal officers on quarterly basis through the Central Translation Bureau, Ministry of Home Affairs.

In order to provide a larger platform to discuss the problems and difficulties in implementation of the Official Language, an annual conference was organized on 22<sup>nd</sup> February, 2014 wherein senior officials from corporate office and work centres participated and shared their valuable thoughts.

The bilingual website of GAIL was launched on 22<sup>nd</sup> February, 2014 by Director (HR).

In order to cultivate the habit of reading Hindi books among employees of GAIL and their family members, two books "Anger Management" and "Time Life Management" in Hindi were distributed to all employees on the occasion of "Vishwa Hindi Diwas".

#### ► Women Empowerment

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

#### INNOVATION, RESEARCH & DEVELOPMENT

Your Company firmly believes that innovation can lead to multiple benefits for the organization. Accordingly, the Company makes constant efforts to create a culture that supports innovation in all its business verticals. Your Company has a Suggestion Scheme for the employees to promote organization-wide idea generation for incremental innovation. The suggestions are evaluated in a time bound manner for implementation and the best suggestion is awarded with the CMD trophy.

As part of the activities of Sectoral Innovation Council by MoPNG, your Company has been nominated as the coordinator for mid-stream sector of Oil & Gas industries and aims to promote industry-wide innovation in the sector.

Your Company has further intensified its thrust on Research & Development (R&D) activities and put in place a R&D Policy and Manual that streamlines the Selection, Award and Monitoring of R&D projects. Your Company is pursuing various R&D projects in identified thrust areas

with a focus on developing high-impact innovative technologies that unlock new energy sources, improve efficiency of existing operations, and add value to the products. In addition, few projects are also being pursued on CO<sub>2</sub> utilization to reduce carbon footprint.

Your Company has successfully completed a pilot project for Land Fill Gas (LFG) recovery at Ghazipur Landfill site, Delhi. This is the first project of its kind in India to be implemented on an active landfill site. It is also the first project of your Company to have been successfully validated and registered with UNFCCC for availing carbon credits. This project shows your Company's efforts towards sustainable utilization of resources.

Your Company has a judicious mix of R&D portfolio comprising of various Basic/Applied/Pilot & Technology development projects encompassing the natural gas value chain. In addition, few projects are also being pursued in upcoming areas like Underground Coal Gasification, Fuel Cells, Hydrogen, and Gas Hydrates in line with the Company's aspiration to emerge as an integrated hydrocarbon major by 2020. These projects are being pursued in association with reputed research organizations / institutes.

#### TOTAL QUALITY MANAGEMENT (TQM)

Your Company continues to focus on continual and sustainable improvement in the process, system and functional areas. Customer satisfaction is the top agenda of your Company and is being continuously monitored through regular interactions. Preliminary steps have been undertaken by the department to initiate Deming Prize related works for one of its units. Major achievements of your Company in TQM are as under:

- Customer Satisfaction Index achieved during FY 2013-14 is 92%.
- Your Company has undertaken 137 number of QC Projects at various work centres of GAIL which have resulted in financial savings of ₹ 826.49 lacs (tangible gains) from these projects for the FY 2013-14, which has led towards continual improvement (intangible gains) as well as tangible gains.
- LPG Gandhar plant received Energy Management system certificate of ISO : 50001-2011

#### PROCUREMENT FROM MSES

The Government of India has notified a Public Procurement Policy for Micro and Small Enterprises (MSEs), Order 2012. In terms of this policy, the total procurement made from MSEs (including MSEs owned by SC/ST Entrepreneurs) during the year 2013-2014 for goods & services is about ₹18,000 lacs which is approximately 8.64% of the total procurement of goods & services of about ₹ 2,08,000 lacs.

#### MOU PERFORMANCE

A Memorandum of Understanding (MoU) is signed every year between your Company and its administrative ministry i.e. MoPNG, with the aim to enhance the performance level of the Company through the targets set therein. The MoU for the year 2013-14 was signed between the Chairman & Managing Director and the Secretary (P&NG), Government of India on 25<sup>th</sup> March, 2013.

The thrust while fixing MoU targets was more towards improving performance on critical aspects of the Company which include gas marketing, gas transmission, project implementation, Capital expenditure, New Business Areas, Quality Management and Safety among others. Significant thrust has been given on Corporate Social Responsibility, R&D, Sustainability, Human Resources and Corporate Governance.

Your Company has been consistently achieving an excellent MoU rating from the inception of MoU system i.e. from 1989-90 to 2012-13. For the year 2013-14, in spite of the economic slowdown and relatively unfavourable conditions compared to preceding years, GAIL is hopeful in achieving an excellent performance. The final ratings of your Company on MoU 2013-14 shall be declared in August 2014.

## LAURELS

### » Corporate

- ▶ Greentech Gold Award for outstanding achievement in Corporate Social Responsibility (CSR) in Gold Category.
- ▶ Global HR Excellence Award for Talent Management 2014 and Best Employer 2013-14 award for Best HR Strategy in Line with Business, by World HRD Congress.
- ▶ Sustainability Performance Award by Indian Chamber of Commerce at 4<sup>th</sup> Corporate Governance and Sustainability Vision Summit & Awards 2014.

### » HSE

- ▶ International Safety Award-2014 with merit from British Safety Council, UK to GPU, Vijaiapur/GAIL Khara.
- ▶ International Safety Award-2014 from British Safety Council, UK to GAIL Vaghodia (4<sup>th</sup> time in a row)/Gandhar/NCR/Rajamundry.
- ▶ Golden Peacock Environment Excellence Award-2013 to GAIL Gandhar from Institute of Directors, New Delhi.
- ▶ Golden Peacock Occupational Health and Safety Award-2013 to GAIL Lakwa from Institute of Directors, New Delhi.
- ▶ National Safety Council of India (NSCI) Suraksha Puraskar (Bronze Trophy)- 2012 to LPG Plant, Vijaiapur.
- ▶ National Safety Council of India (NSCI) Suraksha Puraskar (Bronze Trophy)- 2012 to HVJ Compressor Station, Vijaiapur.
- ▶ National Safety Council of India (NSCI) Prashansa Patra-2012 to GAIL, Vaghodia.
- ▶ Safety Innovation Award-2013 from Institution of Engineers (India) to GAIL Usar/Vaghodia/Mumbai/Mansarampur/Abu Road.
- ▶ Gujarat State Safety Award-2012 (Shield) to GAIL, Vaghodia.
- ▶ Gujarat Safety Council "Appreciation Certificate" for Safety to RPNHQ, Vadodara region for the year of 2012.

## 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 ACPIOs/ CPIO/ Appellate Authorities at its units/offices across the country to provide information to citizens under the provisions of RTI Act.

## SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

As per Section 212 of the Companies Act, 1956, documents in respect of subsidiary companies viz. Directors' Report, Auditor's Report, Balance Sheet and Profit & Loss Account are required to be attached to the Balance Sheet of the holding Company. The Ministry of Corporate Affairs vide circular dated 8<sup>th</sup> February, 2011, has granted exemption under section 212 of the Companies Act, 1956 to companies from attaching the aforesaid documents of subsidiary companies with the Annual Report, subject to compliance of the conditions mentioned in the said circular.

Your Company has five subsidiary companies as on 31<sup>st</sup> March, 2014. Your Board has accorded the necessary approval for not attaching Directors' Report, Balance Sheet, Profit & Loss Account, Auditor's Report and other



Shri B.C. Tripathi, CMD, GAIL receiving CWC LNG Executive of the Year Award

statutory data/ documents of subsidiary companies viz. GAIL Gas Limited, Brahmaputra Cracker & Polymer Limited, GAIL Global (Singapore) Pte Limited, GAIL Global (USA) Inc. and GAIL Global (USA) LNG LLC with the Balance Sheet of your Company. All the conditions mentioned in the circular are being complied to by your Company. The Annual Report of the said subsidiary companies is available on your Company's website [www.gailonline.com](http://www.gailonline.com). Besides, a physical copy will be made available to the shareholders on request in writing.

Consolidated Financial Statements, as per applicable Accounting Standards and statement containing brief financial details of your Company's subsidiaries for the financial year ended 31<sup>st</sup> March, 2014 form part of the Annual Report. Annual accounts of subsidiaries and the related detailed information are open for inspection by any member at the registered office of the Company and of the respective subsidiary companies during working days.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

## CORPORATE GOVERNANCE

Your Company believes that good corporate governance is critical in establishing a positive organizational culture and it is evident by responsibility, accountability, consistency, fairness and transparency towards its stakeholders. Pursuant to clause 49 of the Listing Agreement and DPE guidelines on Corporate Governance, a report on Corporate Governance forms part of this Report at **Annexure- B**.

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

Secretarial Compliance Report confirming compliance by Practicing Company Secretary to the applicable provisions of the Companies Act, 1956, Listing Agreement, DPE guidelines on Corporate Governance, SEBI Guidelines, forms part of this Report at **Annexure- D**.

## ENERGY CONSERVATION, TECHNOLOGY ABSORPTION

The details of conservation of energy and technology absorption in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forms a part of this report at **Annexure-E**.

### PARTICULARS OF EMPLOYEES

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

However, as per notification dated 31<sup>st</sup> March, 2011 issued by the Ministry of Corporate Affairs, amending provisions of said rules, has exempted Government companies for not including such particular in the Directors' Report. As your Company is a Government Company, such particulars have not been included as part of Directors' Report. Any member desirous of obtaining such particulars may write to the Company and the same will be provided.

### FIXED DEPOSITS

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

### FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, foreign exchange earnings were ₹ 210.01 crore and foreign currency outgo was ₹ 9,229.22 crore.

During the year under review, there was an outgo of ₹ 3.97 crore on foreign tours and training and ₹ 1.35 crore on advertising and publicity.

### DIRECTORS

During the year, the following ceased to be Directors on the Board of your Company:

- Shri Arun Agarwal, Independent Director w.e.f. 23<sup>rd</sup> February, 2014 consequent upon completion of tenure for 3 years.
- Shri R.D. Goyal, Director (Projects) w.e.f. 28<sup>th</sup> February, 2014 upon attaining the age of superannuation.

Dr. Ashutosh Karnatak, Director (Projects) was appointed on the Board of your Company as Additional Director w.e.f. 1<sup>st</sup> March, 2014.

The tenure of Shri B.C. Tripathi as Chairman & Managing Director was extended for a period of five years beyond 31.07.2014 by Government of India

Further, Shri Prabhat Singh, Director (Marketing) and Shri P. K. Singh, part-time (Govt. Nominee) Director are retiring by rotation and being eligible have offered themselves for re-appointment.

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

### CODE OF CONDUCT

Pursuant to the requirements of clause 49 of the Listing Agreement and DPE guidelines on Corporate Governance, the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year ending 31<sup>st</sup> March, 2014.

### DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirmed that:

- in the preparation of the annual accounts for the financial year ending 31<sup>st</sup> March, 2014, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
- selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;

- 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;
- prepared the annual accounts for the financial year ending 31<sup>st</sup> March, 2014 on a going concern basis;
- have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively and
- laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

### AUDITORS

#### Statutory Auditors

The statutory auditor of your Company is appointed by Comptroller & Auditor General of India (CAG). M/s M. L. Puri, Chartered Accountants, New Delhi and M/s G.S. Mathur & Co., were appointed as Joint Statutory Auditors of your Company for 2013-14.

The review of your Company's Annual Accounts for the financial year ending 31<sup>st</sup> March, 2014 by CAG forms part of this report. Notes on accounts referred in the Auditors' Report are self-explanatory and therefore, does not call for any further comment.

#### Cost Auditors

Your Company has appointed M/s Rohit & Associates, Vadodara; M/s R Nanabhoy & Co., Mumbai; M/s Chandra Wadhwa & Co., New Delhi; M/s M Goyal & Co., Jaipur; M/s Dhananjay V. Joshi & Associates, Pune; M/s DGM & Associates, Guwahati; M/s Mani & Co., Kolkata and M/s K.L. Jaisingh & Co., Noida as cost auditors for 2013-14.

The due date for filing cost audit reports for the financial year ended 31<sup>st</sup> March, 2013 was 27<sup>th</sup> September, 2013 and the same were filed to Registrar of Companies on 24<sup>th</sup> September, 2013.

### ACKNOWLEDGMENT

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

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

Your Directors also wish to thank all the shareowners, business partners and members of GAIL family for reposing their faith, trust and confidence in your Company.

On behalf of your Directors, I would like to place on record our deep appreciation for the hard work, dedication, commitment and solidarity of your Company's employees.

Your Directors and employees look forward to the future with confidence and stand committed to creating a bright future for all stakeholders.

For and on behalf of the Board



**B.C. Tripathi**  
Chairman & Managing Director

Place : New Delhi  
Dated : 04.08.2014