



*Management Discussion & Analysis*



# Management Discussion and Analysis

## INDIAN ECONOMY

India's economy grew at 8.6% last year, next only to China and this is certainly a remarkable achievement as it comes in the backdrop of a challenging period of global recession where a few countries were even on the brink of bankruptcy and had to seek huge bailouts. With the world economy coming out of recession, the Indian economy has successfully re-positioned itself on a faster growth trajectory, which prompts us to believe that the country will be able to grow at a rate of 9%, on a sustained basis.

### Indian Energy Sector

At present, India's per capita energy consumption stands at about 400 Kg of oil equivalent against world's average energy consumption of about 1700 Kg of oil equivalent. Nevertheless, India is the 5<sup>th</sup> largest consumer of energy in the world and is expected to become the 3<sup>rd</sup> largest consumer of energy in the world by 2025, after US and China. However, inadequate energy addition on the supply-side has widened the demand-supply gap over the years, triggering concerns regarding India's energy security. Hence, Government of India is carrying out progressive energy reforms and is also taking steps to augment energy supplies.

It has been assessed that GDP growth of 9% requires commercial energy growth of 7%. It is also expected that fossil fuels will continue to be the mainstay of India's supply basket in the short to medium term scenario and natural gas is expected to contribute significantly to our energy growth. Natural Gas consumption in the country has witnessed an impressive CAGR of about 13.5% in the last five years, making it the fastest growing segment among the fossil fuels.

Natural gas sourcing through increased domestic production and imports; adequate and timely gas infrastructure development and progressive policy reforms across the value chain are underway for ensuring accelerated development of gas market in the country. Continued investments and enhanced

collaboration in the entire value chain among the various participants is required to address India's energy security needs in a more sustainable and environment friendly manner.

### Natural Gas Demand-Supply Outlook

In terms of overall gas supply in the country, the year 2010-11 has seen an increase in natural gas volumes to 154 MMSCMD from 147 MMSCMD in the year 2009-10.

The share of natural gas in India's energy mix is around 10% against a world average of around 24%, providing a large scope for higher utilization of natural gas in India. The demand for natural gas is largely met through domestic production with imports contributing to about 20% of the total consumption as compared to over 75% imports in case of oil.

Going forward, given the advantages of natural gas in terms of efficiency, price and environmental impact, the demand for natural gas in the country may reach up to 600 MMSCMD by 2030 offering several opportunities for the development of the gas industry in India. In this scenario, India would have to augment its domestic production manifold, or else, would have to increasingly rely on gas imports in the coming years.

### Natural Gas Infrastructure

Gas transmission infrastructure plays a crucial role in the gas industry for efficient delivery of gas to end consumers. Your Company's major strength has been development of gas transmission infrastructure in the country and several new pipelines are at different stages of execution in various parts of the country, which will lead to doubling of the existing pipeline length in the next five years.

### Policy Initiatives

In the context of high global energy prices, the Government is giving increasing thrust to align the domestic prices of fuels with the global price levels, so as to give the right signals to both

consumers and investors. In the natural gas sector, in the year 2010-11 the Government took up price revision of the APM (Administered Price Mechanism) gas in which the gas price was almost doubled to \$ 4.2/MMBTU providing significant shift in the revenues from gas business.

The year also saw developments on cross-border pipeline imports such as the Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline project. An Inter-Governmental Agreement (IGA) and Gas Pipeline Framework Agreement were signed with the related parties in the project. Your Company is playing the lead role in organizing the discussions in the project so that it comes to fruition.

## OPPORTUNITIES, THREATS, RISKS, CONCERNS & MITIGATION

### Transmission of Natural Gas

Your Company is the market leader in the transmission of natural gas with its 8,644 Km of pipeline network and has a market share of 74% in natural gas volume.

Your Company embarked on a pipeline network augmentation in 2008-09 for laying another 7,500 Km of pipelines at an investment of about ₹ 30,000 crore, out of which around 1,200 kms have been completed so far. These pipelines are being built on an open access and common carrier principle and when commissioned, the total length of the pipeline network of your Company will be over 14,500 kms with a total transmission capacity of about 300 MMSCMD. With this pipeline network addition, your Company will be creating access to newer demand centers for the major domestic source points and the LNG re-gasification facilities. This will further strengthen your Company's position as India's premier natural gas transmission Company and lead to higher growth.

During the year 2010-11, your Company has signed Gas Transmission Agreements (GTAs) with 22 shippers to transport their gas through the pipelines owned and operated by your

Company. In respect of RIL D6 KG Basin gas, execution of GTAs with many more shippers are under progress to transport the gas post allocation of additional gas to consumers by the Empowered Group of Ministers (EGoM) of the Government.

### Sourcing of Gas

It is imperative that market development through huge investments in gas infrastructure has to be supplemented with supply addition. The supply addition can be from existing gas fields or from new domestic discoveries (both conventional and non-conventional sources like shale gas, CBM etc.) and from gas imports through trans-national pipelines and LNG. According to MoP&NG's Statistics for 2009-10, India has approximately 1,437 BCM of proven natural gas reserves as of January 2010, which at current consumption level yields an R/P (Reserves to Production) ratio of approximately 30 years. There are possibilities of new discoveries from the blocks awarded in NELP rounds and future shale gas exploration, which can increase the availability of natural gas from domestic sources.

Your Company has been taking proactive steps for sourcing gas to meet the ever increasing needs of the Indian customers, thereby maintaining and increasing its market share. Your Company is in the process of obtaining approval from MoP&NG for sale & transportation of additional 1 MMSCMD of gas from Bandra formation and 3 MMSCMD Gas from C-series gas fields of ONGC in the western off-shore region. Besides, your Company is also in the process of tying-up gas from marginal and isolated fields of ONGC in KG-Basin, Cauvery basin, Assam and Gujarat regions.

Inadequate supply addition from domestic sources over the years has brought in the need for more gas imports. Your Company pioneered the efforts to bring in the first shipment of LNG in the year 2004 at Dahej, Gujarat, through its Joint Venture, PLL. Your Company is also playing a key role in developing a 5 MMTPA LNG terminal through its Joint Venture, RGPPL at Dabhol, Maharashtra and bringing in LNG for commissioning the same.

Your Company has also entered into a short

term agreement to buy LNG from international suppliers. Further, your Company has also imported about 0.2 MMTPA of LNG in this financial year from various international sellers on spot basis in addition to sourcing of around 80 MMSCM of Spot RLNG from Petronet LNG Ltd. (PLL).

Your Company is also in discussions with several global sellers and domestic players with a long-term objective to secure additional supplies to meet the short-fall in demand over the next few decades. Your Company is also in active discussions to source about 38 MMSCMD of natural gas through transnational pipelines from Turkmenistan.

### Inter-State Gas Grid

Your Company is implementing the following five new Natural Gas Pipelines which have been authorized by MoP&NG:

1. Dadri – Bawana – Nangal Pipeline
2. Chainsa-Jhajjar-Hissar Pipeline
3. Jagdishpur-Haldia Pipeline
4. Dabhol – Bangalore Pipeline
5. Kochi-Mangalore/ Bangalore Pipeline

As a part of these pipelines, your Company is also executing spur-line connectivity to Chittorgarh in Rajasthan, Moradabad in UP and Kashipur, Rudrapur, Roorkee, Haridwar & Rishikesh in Uttarakhand. Your Company is also upgrading its pipeline network in the KG Gas Basin & Cauvery Basin.

All above pipelines are at various stages of execution. These would increase the transmission capacity to approximately 300 MMSCMD and would also almost double the length of existing gas pipeline.

In addition to the above, your Company is also planning to lay offshore pipeline from Kochi LNG terminal to NTPC Kayamkulam for supplying gas to NTPC power plant.

### E&P

Your Company is participating in 27 E&P and 1 CBM Block. Hydrocarbon discoveries are in place in 7 E&P blocks where your Company presently has participating interest. Out of the 7 blocks, development activities have started in 2 E&P

blocks in Myanmar, whereas one block in the Cambay basin is in commercial production. Declaration of commerciality has been approved in the Mahanadi Offshore block. In the remaining 3 blocks, with hydrocarbon discovery, appraisal activities are in progress.

Your Company has opportunities to acquire more E&P blocks to be offered under future NELP / CBM / Shale Gas bidding rounds in India and overseas.

Your Company has been continuously building skills for E&P through recruitment of experienced E&P personnel, engagement of Advisors in the field of Geophysics, Drilling & Petrophysics and purchase of advanced hardware and software for Geological and Geophysical interpretation, well test data interpretation and well planning and designing.

### Petrochemicals

In order to have a strong presence in the Petrochemicals sector, your Company is doubling the capacity of its existing Petrochemical plant at Pata. In addition, it is also in the process of setting up a green-field 2,80,000 TPA Petrochemical Complex at Lepetkata in District Dibrugarh, Assam, through BCPL and furthermore, it is also a co-promoter in ONGC Petro-additions Limited (OPAL), which is implementing a green-field petrochemical complex of 1.1 MMTPA Ethylene capacity at Dahej in the state of Gujarat.

### Regulatory Framework

The Petroleum and Natural Gas Regulatory Board (PNGRB) Act, 2006, provides a legal framework for regulating the refining, processing, storage, transportation, distribution, marketing and sale of petroleum, petroleum products and natural gas, but excluding the activities of production of crude oil and natural gas, so as to protect the interests of consumers and entities engaged in these activities.

The main functions of PNGRB, inter-alia, include

- (a) granting authorizations for laying, building, operating or expanding new common carrier or contract carrier pipelines and for laying, building, operating or expanding new city gas distribution networks,



- (b) declaring pipelines as common carrier or contract carrier,
- (c) regulating access to common carrier or contract carrier pipelines and
- (d) regulating transportation rates of common carrier or contract carrier pipelines and CGD networks.

PNGRB has notified several Regulations pertaining to Natural Gas Pipelines, City Gas Distribution (CGD) networks and Petroleum Product Pipelines.

PNGRB has also issued Orders on transportation tariffs (on provisional basis) for certain Natural Gas Pipelines, which includes your Company's HVJ-DVPL-GREP Pipeline System and the DUPL-DPPL Pipeline system.

#### Prices of Natural Gas

During the year, MoP&NG, has revised the price of APM and Non-APM Natural gas produced by National Oil Companies (NOCs), effective from June 1, 2010 and July 1, 2010 respectively.

As per the order by MoP&NG, APM gas price has been revised to US\$ 2.52/MMBTU for consumers in North-East and to US\$ 4.2/MMBTU for all others.

Further, Non-APM price of natural gas produced by NOC's has been revised to US\$ 5.25/MMBTU for Western & Northern Zone (covering Maharashtra, Gujarat and other States covered by HVJ/DVPL), US\$ 4.5/MMBTU for the K G Basin, US\$ 4.75/MMBTU for the Cauvery Basin, US\$ 4.2/MMBTU for the North East and US\$ 5/MMBTU for Rajasthan, South Gujarat and isolated customers in Gujarat.

From June 1, 2010, MoP&NG has also allowed your Company to levy a marketing margin of ₹ 200/MSCM on the gas sold at APM prices. At present, the volume of APM gas is around 50 MMSCMD. Prior to this, your Company was allowed to levy marketing margin only on the non-APM gas. This shall help your Company to recover costs associated with the marketing of APM gas also.

Price of gas supplied from Ravva Satellite is US\$ 4.30/MMBTU and RLNG is supplied at ex-

terminal pooled price as declared by PLL on monthly basis. Further, Term RLNG are also being supplied on cost plus basis based on term contracts from the supplier.

#### Price of Petrochemicals, LPG and other LHC

Petrochemical, LPG and Other LHC prices are influenced by global demand supply position and vary from time to time.

#### Sharing of Under Recoveries

Government of India is a major shareholder of your Company. Decision on sharing of under recoveries on petroleum products given as discount to Oil Marketing Companies are taken by the Government of India.

As per Government of India's directives, in order to make LPG affordable to domestic consumers, your Company is sharing the under-recoveries of the national Oil Marketing Companies (OMCs), since the year 2003-04, totaling to an amount of ₹ 10,650 crore. During the year under review, your Company has made a provision of ₹ 2,111 crore on account of sharing the under-recoveries of the OMCs.

#### Natural Gas Pipeline Tariff

In terms of the Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008, your Company submitted financial costs and data of its various natural gas pipelines viz. HVJ-GREP-DVPL; DVPL-GREP up-gradation, DUPL-DPPL, KG Basin Network, Cauvery Basin Network, Mumbai Region Network, Gujarat Regional Network, Chainsa – Jhajjar – Hissar and Dadri – Bawana – Nangal Pipeline to PNGRB for determination of pipeline tariffs.

The initial provisional tariff orders for the HVJ-GREP-DVPL system; DVPL-GREP Upgradation system and the DUPL-DPPL pipeline system have been issued by PNGRB during 2010-11 and are implemented by your Company w.e.f. 20.11.2008 for the HVJ-GREP-DVPL and the DUPL-DPPL pipeline systems and w.e.f. 01.04.2010 for the DVPL-GREP upgradation pipeline system. The final computations in respect of the initial unit natural gas pipeline tariff for the HVJ-GREP-DVPL and its upgradation system has been submitted to PNGRB as

integrated tariff, while the final computations in respect of the DUPL-DPPL pipeline is in progress and shall be submitted to PNGRB, after considering the adjustments required for, inter-alia, actual capital and operating costs etc. As per regulations, your Company shall adjust with customers the difference between the provisional tariff and the final tariff, retrospectively.

Your Company is awaiting the provisional tariff orders from PNGRB for the other natural gas pipelines.

#### PHYSICAL PERFORMANCE

	2010-11	2009-10
Natural Gas Throughput (MMSCMD)	117.91	106.74
Liquid Hydrocarbon Sales (TMT)	1,373	1,443
Polymers Sales (TMT)	420	410
LPG Transported (TMT)	3,337	3,161

#### FINANCIAL PERFORMANCE

##### Income

On the back of improved physical performance, particularly in the Gas Transmission segment, increase in the APM gas prices and increase in the Liquid Hydrocarbons prices, your Company registered a turnover (net of Excise Duty) of ₹ 32,459 crore in FY 2010-11, a 30% increase, as against net turnover of ₹ 24,996 crore in the previous year. The increase in turnover was achieved despite provision for sharing under-recovery of OMCs on Petroleum Products for an amount of ₹ 2,111 crore during FY 2010-11 against ₹ 1,327 crore during last year. The other income was ₹ 519 crore as against ₹ 541 crore in the last year. The total income was ₹ 33,110 crore against ₹ 25,558 crore during last year, registering a growth of 30%.

##### Cost of Sales

Cost of sales including depreciation and interest was ₹ 27,870 crore as against ₹ 20,980 crore during the previous year showing an increase of 33%. The increase was mainly on account of increase in gas purchase cost due to increase in the APM gas price, higher fuel cost due to

increase in non-APM gas price for our internal consumption, higher cost towards repair, maintenance, stores & spares due to major turnaround at the Petrochemical plant, and increase in depreciation on account of higher capitalization.

### Profitability

Your Company achieved a Net Profit after Tax of ₹ 3,561 crore in the current financial year 2010-11 against ₹ 3,140 crore during the previous year, registering an increase of 13%. The increase was mainly due to increase in marketing margin from the sale of APM gas, increase in natural gas Transmission and growth in polymer sales.

### Segment Wise Turnover (Net of ED)

(₹ in crore)

S.NO.	PARTICULARS	2010-11	2009-10
1	Transmission Services		
	a) Natural Gas	3,544	2,926
	b) LPG Transmission	475	447
2	Gas Trading	22,654	15,821
3	Petrochemicals	2,939	2,904
4	LPG & Other Liquid Hydrocarbons	2,786	2,833
6	Unallocated	61	65
<b>TOTAL SALES</b>		<b>32,459</b>	<b>24,996</b>

### Shareholders' Funds

The reserves and surplus increased to ₹ 17,985 crore at the end of the current financial year as compared to ₹ 15,531 crore in the corresponding previous year. As on 31<sup>st</sup> March 2011, net worth of your Company stood at ₹ 19,054 crore as compared to ₹ 16,607 crore as on 31<sup>st</sup> March, 2010.

### Ratio Analysis

Return to Net Worth (PAT/Net Worth) for your Company during the current financial year stood at 19%. Return on Capital Employed (ROCE) was 23% for FY 2010-11. Debt–Equity ratio was at a very comfortable position of 0.12 as on 31<sup>st</sup> March, 2011. Diluted EPS went up to ₹ 28 during the year 2010-11 from ₹ 25 per share for

the period ended on 31<sup>st</sup> March 2010. Market capitalization as on 31<sup>st</sup> March, 2011 was ₹ 58,984 crore as against ₹ 51,982 crore as on 31<sup>st</sup> March, 2010.

### Funds Flow

The source of funds comprising equity, loan and deferred tax liability stood at ₹ 23,197 crore as compared to ₹ 19,669 crore in the previous year. There has been an increase in reserves and surplus from ₹ 15,531 crore to ₹ 17,985 crore. The capital work in progress stood at ₹ 5,879 crore as against ₹ 2,330 crore in the previous year.

### MATERIAL DEVELOPMENT IN HR AND INDUSTRIAL RELATIONS

Your Company's Industrial Relations climate remained congenial and constructive. There were no Man Days or Man Hours lost on account of any sort of industrial conflict. There was no incident of Strike/ Gherao/ Assault etc. Wage negotiation with Unions representing Company's workmen was completed and Long Term Settlement (LTS) was arrived at during November, 2010.

A significantly large portion of extant HR Policies were reviewed and revised in a comprehensive manner during FY 2010-11. Following major Human Resource (HR) initiatives marked the Company's progress on the employee's compensation, welfare and development fronts:

1. Pay Revision for Workmen category of employees w.e.f. 01.01.2007
2. Introduction of 'Paternity Leave', 'Child Care Leave' and 'Disability Leave'; and enhancement of Maternity Leave entitlement
3. Review of general terms and conditions of secondment of GAIL employees to Joint Ventures/ Subsidiaries
4. Review of working pattern of various Work Centres/ Offices of GAIL
5. Income ceiling for determining dependency of family members of

employees for the purposes of Medical and LTC facilities.

6. Enhancement of coverage in terms of Group Personal Accident Insurance scheme
7. Enhancement of coverage limit under Group Insurance Scheme in lieu of EDLI in case of Death/ Total Permanent Disablement

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

Your Company's core business is natural gas which is a Green Fuel. Your Company through its wholly owned subsidiary, GAIL Gas Limited and other joint ventures, is promoting the use of CNG in transport sector, which replaces petrol and diesel usage and thereby reducing pollution.

In a similar way, your Company is promoting PNG for household usage that replaces LPG. Further, your Company has initiated various measures for improving the efficiency of operations, thereby reducing the fuel consumption, which results in the reduction of release of carbon-dioxide and other pollutants into the atmosphere

A few important initiatives undertaken in the financial year under review, in the context of sustainable development, are mentioned below:

#### • Optimum usage of scarce resources

Petroleum and Natural Gas are available in limited quantities as per the present estimates and shall not last long. So the need arises to conserve fuel consumption for the cause of prolonging the availability of these non renewable fuels.

- o Various initiatives were taken for conservation of energy like resizing the fan blades, target lighting, maximum possible usage of direct sunlight, etc. CFLs are used extensively. Equipments are run in optimum numbers and for



optimum time

- o All the applicable standards and regulations with respect to effluents and emissions by various International and National agencies, statutory agencies are complied with. The discharge of effluents and emissions has been reduced to the extent possible and wherever possible, zero-discharge principle is adopted.
- o The concept of natural lighting is being incorporated in new offices. Solar energy is being increasingly utilized for water-heating and street lighting.
- o Wind energy power project with installed capacity of 4.5 MW was commissioned and being utilized for captive consumption in Gujarat. It is planned to increase the installed capacity of wind energy project.

• **Greenbelt Development**

Your Company had complied with the statutory requirements of development of forest at its various sites.

Your Company constantly endeavors to minimize the direct and indirect environmental impact of its business operations and strives to enrich the environment wherever possible. Many tree planting and horticulture related improvement programmes have been implemented and these are ongoing processes in your Company to enhance the pollution-free environment in and around its units. The green cover, together with large water bodies in our units, has created an ideal habitat for birds. Your Company has so far developed a green belt of over 1 million trees and the process of encouraging tree plantations in the barren areas is continuing.

• **Water Conservation**

Your Company's water conservation efforts are directed for reducing the usage of water and increasing the usage of treated or untreated waste-water for horticulture



**Shri B.C. Tripathi, CMD, GAIL receiving 2010 Award for Oil & Gas Pipeline Transportation Company of the Year from Shri S. Jaipal Reddy, Hon'ble Union Minister of Petroleum & Natural Gas, GOI**

etc. This is in full evidence at our establishments where inefficient use of water is eliminated at the design stage itself for ensuring productive & efficient utilization of water in the process plants. The comprehensive wastewater management facilities comprise oil removal facilities, chemical treatment and biological treatment facilities with extended aeration process. Treated wastewater is used for firewater use. Your Company makes continuous efforts to maximize recycling of treated wastewater. By treatment of wastewater, your Company ensures conservation of this precious resource and in turn improves sustainability.

• **Rainwater Harvesting**

"Rainwater Harvesting" was also undertaken at most of the work centers, to recharge the groundwater strata effectively. Rain water is stored and utilized for captive consumption.

• **Air Monitoring**

Your Company implemented flaring system at various important sites to prevent

discharge of hydrocarbons directly into the atmosphere.

Your Company continuously monitors ambient air quality by the State of the Art Ambient Air Quality Monitoring Stations at various process plants. The levels of pollutants are maintained below the stipulated norms. Adequate stack height has been provided as per statutory requirements for effective dispersion of the pollutants. Clean fuel is utilized to avoid air pollution.

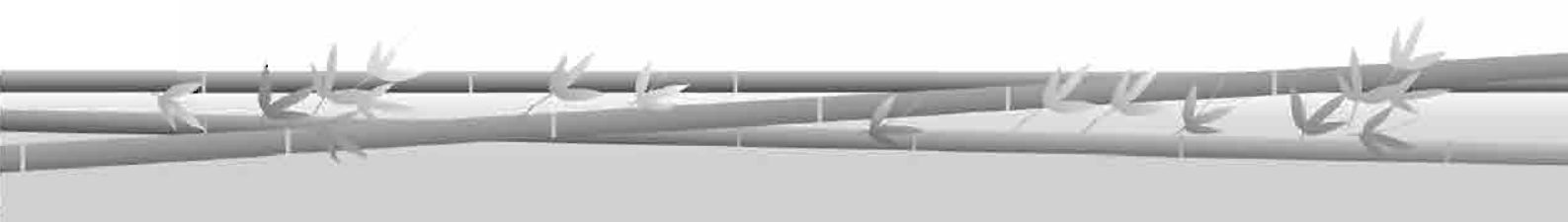
• **Solid Waste Management**

In your Company's process plants, hazardous solid waste is stored or disposed off as per the laid down norms of the licensing authority.

The solid wastes are collected, stored and handled, in a manner which has no detrimental effect on the ground water and the environment.

• **Halon replacement**

The process of replacement of Halon (which is a green-house gas) by alternatives is in progress.



## CORPORATE SOCIAL RESPONSIBILITY

From what started in the early 1990s, effectively as R&R (Relief & Rehabilitation) efforts for the 'Project Affected Persons' (PAPs) and social welfare programmes under the 'Tribal Sub Plan' and 'Special Component Plan' of the Government of India, CSR in your Company today has evolved as a distinct function, with a dedicated team, operating within the framework of a well-structured CSR Policy.

In alignment with the intent of the Government, translated through the DPE guidelines, your Company's CSR Policy provides for an annual allocation of 2% of the PAT of the previous financial year, for socially impactful and sustainable programmes. As per the *CSR Policy*, funds from within the annual allocation of 2% of PAT are earmarked, for contribution towards various endeavours focused at enhancing the *Triple Bottom Line*. For the year 2010-11, approximately ₹ 70 crore were earmarked for expenditure under the CSR programmes.

Your Company follows a project based accountability approach in implementing its CSR projects which are largely undertaken in and around the rural areas adjoining major work centres/installations. There is a well laid down system for identifying and implementing programmes, with defined timelines and project milestones, in terms of a standardized Agreement signed with every external executing partner. These programmes are taken up under the seven thrust areas identified by your Company which include Literacy Enhancement, Education, Community Development, Drinking Water/Sanitation, Environment Protection, Infrastructure & Healthcare. Efforts are made to take up programmes with an in-built system of monitoring till project completion and thereafter ensuring their sustainability once these are completed at your Company's end and handed over to the community. This 'Innovation in Process' of *CSR Project-implementation* is an acknowledged



Shri B.C. Tripathi, CMD, GAIL & Shri N.K. Nagpal, Company Secretary, GAIL receiving ICSI National Award for Excellence in Corporate Governance from Shri Pranab Mukherjee, Hon'ble Minister of Finance, GOI

achievement of your Company and the CSR team is striving to further hone these systems and processes, through professional guidance from an academic institution of repute in this domain.

### Annual programmes undertaken under Thrust Areas

Your Company has been taking up several CSR programmes at the Corporate and work centre levels under its identified thrust areas. The range of these programmes varies from those focussed at promoting the cause of Education and Literacy Enhancement, (including computer literacy) to Skill Development of rural and semi urban youth for employability. Providing Healthcare & Medical treatment/aids & equipments to benefit the poor and the disabled, improving the levels of rural hygiene and sanitation, making reach potable drinking water to water deprived areas, overall development of the community by upgradation of the infrastructure, such as roads, drainages, public utilities, street lighting are specific areas where the consistent effort of your Company have brought a difference in

the quality of life of local populace around its major work centres.

Care has been taken to include specific environment-friendly projects under the annual CSR fold, which include rain water harvesting, water recharging and ground water reuse at some locations, a gas based crematorium in Delhi, installation of nearly 1000 solar lights as well as widespread tree plantation.

### Flagship Programmes

Your Company has taken up a few 'flagship programmes' which have been carried out, on a year to year basis under the Thrust areas of 'Education' & 'Skill Development/Empowerment'. Recognizing the fact that *urban poverty* has reached an alarming level in the last decade, your Company has taken up a project for imparting education to slum children, mainly rag-pickers. The programme under the banner of 'Padho Aur Badho' involves setting up Non-*formal Education* centres for slum children for mainstreaming them into Government school education system. So far, 100 such centres



have been set up and are running in the NCR region, covering more than 1,500 students. It is proposed to continue this programme over a five year period, so as to cover at least 5,000 children.

Another successful flagship programme, **GAIL Utkarsh** aims at providing specialized coaching for IIT-JEE entrance examination to students belonging to the lower economic strata. This year, 51 students successfully made it through the IIT/JEE, ISRO, UPTU and AIEEE entrance examinations. The programme started last year, has been very successful and has been replicated by other Corporates after its success story in your Company.

Another key CSR Initiative taken up by your Company, is in the area of 'Skill Development and Empowerment' for the youth of rural and semi urban areas. The project has been taken up in District Guna, Madhya Pradesh, in partnership with IL&FS Clusters and seeks to provide vocational training to young men and women of the lower economic strata of society, in various trades culminating in employment in various service sectors such as retail, hospitality etc. So far 270 students have successfully completed the training program with a 100% successful placement rate. GAIL has also imparted vocational training in Auraiya district, UP and NCR of Delhi under the "Swarn Jayanti Gram Svarozgar Yojana" (SGSY) of the Ministry of Rural Development, wherein GAIL has partnered under the Public-Private-Partnership (PPP) model. More than 5,000, youth have so far benefited from this collaboration and have been gainfully engaged in the Retail, IT, Hospitality, Apparel making sector.

#### Other CSR initiatives

#### Activities taken up by the GAIL Charitable and Education (C&E) Trust

The GAIL C&E Trust, which was set up in the year 2009, has extended financial assistance in form of Scholarships to various school children, across its work centres, selected on *need-cum-merit* basis. The Trust has also extended scholarships to the successful candidates of its

**Utkarsh** programme for supporting their education in the IITs post selection through the IIT-JEE exam. It is proposed to enlarge and enhance the scope of activities to be taken up by the Trust in the coming years.

#### Relief measures for victims of Natural Calamities

As in the past, your Company rose to the occasion to extend relief and succour to the victims of major natural calamities. A contribution of ₹ 1.84 crore was made by your Company towards rehabilitation of the victims of cloudburst in Leh region of Jammu and Kashmir.

#### INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

Your Company has developed internal control systems in its various business processes, commensurate with the size and nature of business. Your Company has an independent in-house Internal Audit Department functionally reporting to the Audit Committee, which is considered as global best practice.

Internal Audit Department consists of professionally qualified executives from various disciplines who carry out audit of financial,

technical and other business activities of your Company besides reviewing the adequacy of internal control systems, risk management process etc., under the 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. Forward looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Actual results, performances or achievements may vary materially from those expressed or implied, economic conditions, Government policies and other incidental factors such as litigation and industrial relation. Readers are cautioned not to place undue conviction on the forward looking statements.**



**Shri S.L. Raina, Director (HR), GAIL & Shri P.K. Jain, Director (Finance), GAIL receiving 'The Most Efficient PSU' Award from Shri Sushil Kumar Shinde, Minister of Power, GOI**