Growing with Green Energy

ANNUAL REPORT

2010-11

GAIL (India) Limited

Asia's No. 1 Gas Utility Company

Asia's No. 1 Gas Utility Company

GAIL has been ranked No. 1 Gas utility company in Asia and second in Gas utility globally. GAIL has also been conferred 17th rank by PLATTS in the fastest growing Asian Companies.

PLATTS has been coming out with Top-250 ranks of Global Energy Company every year. This is one of the most prestigious awards in the field of Oil and Gas in the world.

PLATTS ranks the energy companies' financial performance globally, regionally and by industrial sector. Its ranking is based on four key metrics- assets worth, revenues, profits and return on invested capital. All companies in the list have more than US $2 billion assets. The fundamentals and market data comes from a database compiled and maintained by Capital IQ Compustat, a business of Standard & Poor's, which like PLATTS, is a division of the McGraw-Hill Companies.


Platts TOP 250
Global Energy Company
2010
Presented to
Gail (India) Ltd
In recognition of outstanding global financial and industry performance.

CONTENTS

Vision

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

Mission

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

Statutory Auditors

M/s Rasool Singhal & Co.	Chartered Accountants, Aligarh
M/s M.L. Puri	Chartered Accountants, New Delhi

Cost Auditors

M/s Rohit J Vora	Cost Accountants, Vadodara
M/s R. Nanabhoy & Co.	Cost Accountants, Mumbai
M/s M Goyal & Co.	Cost Accountants, Jaipur
M/s Chandra Wadhwa & Co.	Cost Accountants, New Delhi
M/s Dhanajay V. Joshi & Associates	Cost Accountants, Pune
M/s DGM & Associates	Cost Accountants, Guwahati
M/s Mani & Co.	Cost Accountants, Kolkata
M/s K.L. Jaisingh & Co.	Cost Accountants, Noida

Company Secretary

Shri N.K. Nagpal

Stock Exchanges where Shares/GDRs of the Company are listed

Bombay Stock Exchange Limited	Floor 1, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001
National Stock Exchange of India Limited	Exchange Plaza, Plot No. C/1, G Block Bandra-Kurla Complex, Bandra (East) Mumbai - 400051
London Stock Exchange (GDRs)	10, Paternoster Square London - EC4M 7LS(U.K.)

Registrar and Share Transfer Agent

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

Bankers

State Bank of India	Corporate Accounts Group Branch Jawahar Vyapar Bhavan, 11th & 12th Floors Tolstoy Marg, New Delhi - 110001
ICICI Bank Ltd.	9A, Phelps Building, Connaught Place New Delhi - 110001
HDFC Bank Ltd.	1st Floor, Kailash Building 26, Kasturba Gandhi Marg New Delhi-110001

Registered Office

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

Subsidiary Companies

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

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

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

Letter from CMD, GAIL

Our business philosophy is to grow in a manner that is sustainable for the economy, the stakeholders, the community and the environment.

Dear Shareowners,

Greetings!

Congratulations on yet another successful year of growth and achievements for your Company. The **top-line grew by a remarkable 30%** to reach ₹ 32,459 crore and the market capitalization crossed ₹ 58,000 crore by the end of the year. We are consistently moving forward towards greater heights.

Globally, there is an increasing thrust on developing cleaner energy sources and clearly, the spotlight is on natural gas. In Asia itself, gas consumption in China and India grew at a galloping rate of 21.8% and 21.5% respectively, in the year 2010. These two emerging energy powerhouses – China and India – are re-defining the Asian gas markets. In this scenario, it will be particularly gratifying for you to know that your Company has been ranked as **"Asia's No. 1 Gas Utility Company",** and globally, **"No. 2 Gas Utility Company"**, in Platts Top 250 Energy Company rankings. It underscores the rise of Asian companies among global energy majors and the strong position of your Company in the global gas-utility space.

India is slated to become the world's 3rd largest consumer of energy by 2025, and growing climate change concerns will play a significant role in increasing the demand for clean energy sources like natural gas. In order to leverage the opportunities, your Company is taking effective steps to consolidate its position in the entire gas value chain. The underlying philosophy of your Company is **to grow in a manner that is sustainable** for the economy, stakeholders, community and environment.

The implementation of the projects and initiatives as per the existing Strategic Plan, 2007-2012 is moving as envisaged. With the execution of on-going cross-country gas pipeline projects, your Company will augment its pan-India presence with a total pipeline network of about 14,500 kms. The doubling of capacity of gas-based Petrochemical Plant at Pata, at an investment of ₹ 8,140 crore, is also on fast-track.

Going forward, in order to accelerate your Company's growth in the next decade, **Strategy 2020** has been drawn-up by the Board. One of the key targets that your Company has set for itself under this strategic plan is to **reach a turnover of ₹ 1 lakh Crore by 2016-17.**

The key strategic directions that have emerged for your Company from this strategic plan include, strengthening its core business areas in natural gas value chain through LNG sourcing, securing equity gas through Mergers & Acquisitions, an aggressive push to Exploration & Production efforts, continued expansion of pipeline networks, and increasing capacities in petrochemicals. Besides all of this, city gas projects will continue to remain at the heart of our initiatives to take clean energy to the common man. Strategy 2020 also aims to tap emerging potential in gas-based power, renewable power from wind and solar, unconventional energy sources like Shale Gas and Coal Gasification. Thrust would also be given to seeding investment in emerging technologies like Fuel cells and Hydrogen. This will enable your Company to play an important role in developing the share of cleaner energy in India's overall energy mix.

At the organizational level, major emphasis is being given to capability building and continuous re-engineering of work processes in order to **develop robust enterprise architecture** and **to enhance the quality of decision making with reduced cycle-times.** Your Company will continue to strengthen the knowledge management system in the organization through greater emphasis on IT and technology.

Continuing with its value of **'business-beyond-profits'**, your Company remains committed to the vision of achieving sustainable growth for the nation. With increased allocation and well-structured CSR activities, your Company continues to make a meaningful difference in the lives of many people in the areas of its operations and beyond.

To conclude, your support is a great motivator for Team GAIL and it is our constant endeavour to drive your Company ahead in a faster and responsible manner. I am confident that your Company will cross many new milestones in the years to come by leveraging its strengths and tapping in on new opportunities. Your continued trust in the Company and our unstinting efforts to excel will continue to take your Company onto more rewarding journeys ahead.

(B.C. Tripathi)
Chairman and Managing Director

Highlights 2010-11

Turnover	PBDIT	PBT	PAT	10 Years CAGR (Turnover)	10 Years CAGR (PAT)
₹ 32,459 crore	₹ 5,973 crore	₹ 5,240 crore	₹ 3,561 crore	14%	12%
(US$ 7276 Million)	(US$ 1321 Million)	(US$ 1159 Million)	(US$ 787 Million)		

GAIL Group Companies account for

+ About 3/4th of the natural gas transmitted in India through pipelines
+ More than 1/2 of the natural gas sold in India
+ Almost 1/5th (21%) of polyethylene produced in the country
+ LPG produced for every 10th LPG cylinder in the country
+ Pipeline transmission of around 1/4th of the country's total LPG
+ Gas supply for about 1/2 of the country's fertilizer produced
+ Gas supply for about 1/2 of country's gas-based power generation
+ Operating more than 2/3rd of country's CNG stations
+ More than ½ of country's piped natural gas supply

Towards excellent growth

Asia's No. 1 Gas Utility Company — 2010

Gas Pipeline Network Augmentation — 2008

Import of LNG — 2004

Entry in Petrochemical — 1999

Navratna Status — 1997

Entry in LPG — 1990

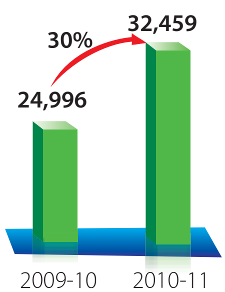
HVJ Pipeline Commissioned — 1987

Birth of GAIL — 1984

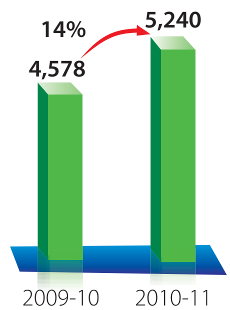
Achievements 2010-11

Financial Achievements

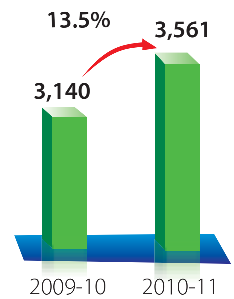
Sales (Net of ED)



PBT

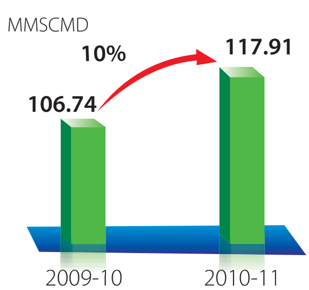


PAT

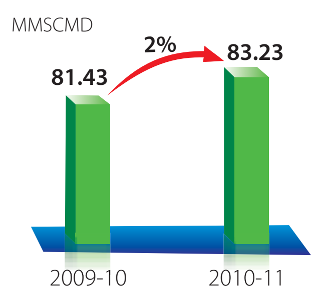


Segmental Physical Performance (Production)

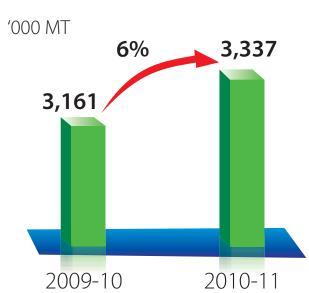
Gas Transmission



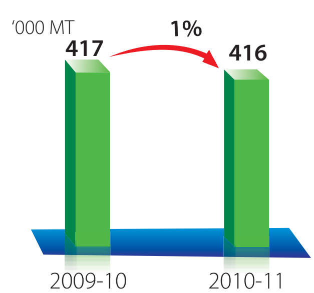
Gas Trading



LPG Transmission



Petrochemicals



Major Products and Brands

Major Products and Brands

Petrochemicals

G-Lex

Pressure Pipes, OFC Ducts, Blow Molded Containers, Thin Films, Monofilament, Raffia etc.

G-Lene

Raffia, Wire and cable, Pipe coating, Injection Moulding, Film, Rotomoulding, Coating/ Lamination

Liquid Hydrocarbons

PROPANE

Manufacture of Textiles, Glass, Picture Tubes, Automobile, Bearings, Forging, casting, melting industry, Paint shops of major car manufacturers, Ceramics, Brick Klins, Drying Ovens, Metal Industry, Refrigerant in AC, etc.

PENTANE

Artificial ice formation, Low temperature thermometers, Solvent extraction processes, Blowing agent in plastics, Pesticides, Production of Iso and normal Pentane

City Gas Distribution

CNG

Automobiles

PNG

Cooking, Water heating, Air Conditioning, Space Heating,Steam Generation, Power Generation, Dryers, Furnaces, Boilers

Telecom

GAILTEL

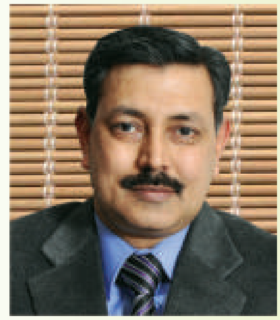
Bandwidth Leasing
Infrastructure Leasing

Sh. B.C. Tripathi
Chairman & Managing Director

Board of Directors

Sh. R.D. Goyal
Director (Projects)

Sh. S.L. Raina
Director (HR)



Sh. Prabhat Singh
Director (Marketing)

Sh. S. Venkatraman
Director (Business Development)

Sh. P.K. Jain
Director (Finance)

Sh. Sudhir Bhargava
Director

Sh. Apurva Chandra
Director

Prof. A.Q. Contractor
Director

Sh. Mahesh Shah
Director

Sh. R. M. Sethi
Director

Dr. Vinayshil Gautam
Director

Dr. U.K. Sen
Director
(upto 28.4.11)

Sh. Arun Agarwal
Director

Functional Structure

CMD

- Vigilance
- Company Secretary
- Internal Audit

DIRECTOR (BD)

DIRECTOR (HR)

- HR
- HRD
- Training
- CSR
- Legal
- Security
- RTI
- Co-ordination

DIRECTOR (FINANCE)

DIRECTOR (PROJECTS)

- Projects
  - Pipeline
  - Petrochemical Plant
- O&M
  - NGMC & Pipeline Networks
  - Gas Processing Units
  - Petrochemical Plant, Pata
- GAILTEL & Telemetry
- Contracts & Procurements
- Business Information System
- Corporate Affairs

DIRECTOR (MARKETING)

- Gas Sourcing
- Gas Marketing & Transmission
- Polymer Marketing
- LHC Marketing
- GAIL Gas Limited
- City Gas Distribution JVs
- Market Development
- Pricing
- Regulatory Affairs
- RGPPL
- Corporate Communication

- BD
  - Joint Ventures
  - M&A & Diversification
  - International
- Corporate Planning
- Project Development
- E&P
- R&D
- TQM
- HSE

- Accounts
- Mgmt. Accounting
- Taxation
- Project Evaluation
- Treasury & Banking
- Accounts Receivable\
  Accounts Payable & Insurance
- Costing

Board Structure

Functional Directors	Govt. Nominee Directors	Independent Directors
B.C. Tripathi	Sudhir Bhargava	Prof. A.Q. Contractor
R.D. Goyal	Apurva Chandra	Mahesh Shah
S.L. Raina		R.M. Sethi
Prabhat Singh		Dr. Vinayshil Gautam
S. Venkatraman		Arun Agarwal
P.K. Jain		

Sub-Committees of the Board

1 **Audit Committee**
Prof. A.Q. Contractor (Chairman) • Mahesh Shah • R.M. Sethi • Arun Agarwal

2 **Business Development & Marketing Committee**
R.M. Sethi (Chairman) • Prabhat Singh • S. Venkatraman
P.K. Jain • Apurva Chandra • Arun Agarwal

3 **Corporate Social Responsibility Committee**
B.C. Tripathi (Chairman) • S.L. Raina • Apurva Chandra • Prof. A.Q. Contractor

4 **Employee Disciplinary Committee**
B.C. Tripathi (Chairman) • R.D. Goyal • S.L. Raina • Dr. Vinayshil Gautam

5 **Empowered C & P Committee**
B.C. Tripathi (Chairman) • R.D. Goyal • S.L. Raina • Prabhat Singh
S. Venkatraman • P.K. Jain

6 **Ethics Committee**
Mahesh Shah (Chairman) • Prof. A.Q. Contractor • Arun Agarwal

7 **H.R. Committee**
B.C. Tripathi (Chairman) • R.D. Goyal • S.L. Raina • Prabhat Singh
S. Venkatraman • P.K. Jain • Mahesh Shah • Vinayshil Gautam

8 **HSE Committee**
Prof. A.Q. Contractor (Chairman) • R.D. Goyal • S. Venkataraman

9 **Project Appraisal Committee**
B.C. Tripathi (Chairman) • P.K. Jain • Apurva Chandra
Dr. Vinayshil Gautam • Arun Agarwal

10 **Remuneration Committee**
R.M. Sethi (Chairman) • S.L. Raina • P.K. Jain
Prof. A.Q. Contractor • Arun Agarwal

11 **Shareholders / Investors Grievance Committee**
Mahesh Shah (Chairman) • S.L. Raina • Prabhat Singh

12 **Share Transfer Committee**
Executive Director (Finance)/Head of Finance
Company Secretary/Senior Most Official in Company Secretariat

13 **Stakeholders' Grievance Redressal Committee**
Prof. A.Q. Contractor (Chairman) • P.K. Jain

Directors' Report

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors of your Company, I am delighted to present the 27th Annual Report of your "Navratna" Company along with Audited Financial Statements for the Financial Year 2010-11.

PERFORMANCE OVERVIEW

Your Company has recorded sustained growth in all key physical and financial parameters in the Financial Year 2010-11. During the year 2010-11, the important financial and physical highlights are as under:-

FINANCIAL

(₹ in crore)

Particulars	2010-11	2009-10
Turnover (Net of ED)	32,459	24,996
Other Income	519	541
Cost of Sales (excluding Interest and Depreciation and including extraordinary items)	27,005	20,327
Gross Margin	5,973	5,210
Interest	83	70
Depreciation	650	562
Profit Before Tax	5,240	4,578
Provision for Tax	1,679	1,438
Profit after Tax	3,561	3,140
Appropriations		
Interim Dividend	254	254
Proposed Final Dividend	698	698
Corporate Dividend Tax	155	159
Net Transfer to Bond Redemption Reserve	8	(3)
Transfer to General Reserve	356	314
Balance carried forward to Balance Sheet	**2,090**	**1,718**

PHYSICAL

Particulars	2010-11	2009-10
Gas Transmission (MMSCMD)	117.91	106.74
LPG Production (TMTs)	1,068	1,100
Pentane / Propane / SBP Solvents / Naptha Production (TMTs)	301	340
Polymer Production (HDPE / LLDPE Pellets) (TMTs)*	416	417
LPG Transmission (TMTs)	3,337	3,161

** The total polymer production for FY 2010-11 is 420 TMT which includes HDPE/ LLDPE pellets, LP flakes, wax, PE shreds, etc.*

CONVERGED ACCOUNTING STANDARDS (IFRS) IMPLEMENTATION

In accordance with the notification issued by the Ministry of Corporate Affairs, Government of India, accounts are to be prepared on the basis of converged Accounting Standards i.e. Indian Accounting Standards converged with International Financial Reporting Standards (IFRS) as and when dates will be notified. Accordingly, your Company is taking necessary steps for the implementation of Ind AS which are converged with IFRS. Basic IFRS training has also been imparted to all the Finance executives of your Company. Your Company is ready to implement the Converged Accounting Standards (Ind AS) as and when it would be notified by Central Government.

Shri B C Tripathi, CMD, GAIL receiving the Managing India Award for Outstanding PSU of the Year from Shri P. Chidambaram, Hon'ble Minister for Home Affairs.

DIVIDEND

Your Company has a consistent track-record of dividend payment. So far, your Company has disbursed dividend of ₹ 8,325 crore to the shareholders.

The Board of Directors of the Company had earlier approved payment of an interim dividend @ 20% on equity share of ₹ 10 each (₹ 2/- per equity share) amounting to ₹ 253.70 crore paid in the month of December, 2010. Further, the Board had recommended payment of final dividend @ 55% on equity share of ₹ 10 each (₹ 5.5 per equity share) for the year 2010-11.

With this, the total dividend payment for the fiscal 2010-11 will be at 75% on equity share of ₹ 10 each (₹ 7.5 per equity share) amounting to ₹ 951 crore on its paid-up equity capital of ₹ 1,268.48 crore. The total dividend payout including tax accounts for 31% of profit after tax.

CREDIT RATING

Your Company has been reaffirmed the highest domestic credit rating of 'AAA' from ICRA, CARE and CRISIL which indicates the highest credit quality and rated instruments carry the lowest credit risk. The international rating agency, Moody's International, Hong Kong, has also reaffirmed the Corporate issuer rating of 'Baa2', which is one notch higher than sovereign rating and local currency issuer rating of 'A3' to your Company. Further, Fitch Ratings has also assigned a long term Foreign Currency Issuer default rating of 'BBB-' with stable outlook which is equal to sovereign rating.

CORPORATE STRATEGY

Your company is successfully executing Strategic Plan 2007-12 and is well on its road to establish pan-India presence. The main thrust has been on expansion of gas transmission network (to over 14,500 km) and securing gas supplies for meeting demand of various consumer segments. Your Company has interest in 27 E&P Blocks including 2 outside India & 1 CBM block for securing long-term gas supplies besides stake in LNG Terminals through equity stake in Petronet LNG and RGPPL. Your Company has been successful to increase gas supplies to about 118 MMSCMD for transmission in FY 2010-11 and is well poised to secure substantially higher volumes in the coming few years. Your Company is strengthening its petrochemical presence through expansion of existing capacities at Pata besides setting up a new plant in Assam through its subsidiary, Brahmaputra Cracker and Polymer Limited. In addition, your Company has also taken a 17% equity stake in the 1.1 MMTPA petrochemical project being implemented by ONGC Petro Additions Limited at Dahej, Gujarat.

Your Company is also strengthening its retail presence by setting up new city gas projects in Kota, Dewas, Meerut and Sonepat through its wholly owned subsidiary, GAIL Gas Limited which is also participating in upcoming PNGRB bidding rounds for other city gas projects. Further, the Board of your Company, in order to consolidate the city gas distribution business, has approved the transfer of existing and ongoing expansion of local distribution assets in Agra and Firozabad to GAIL Gas Limited, and transfer of CNG distribution project in Vadodara to proposed JVC of GAIL Gas Limited with Vadodara Mahanagar Sewa Sadan, subject to consent of shareholders through postal ballot.

On globalization front, your Company has acquired 4.17 % equity stake in South East Asia Gas Pipeline Company which is executing Myanmar to China gas pipeline project. This pipeline is being laid for transmission of natural gas from A-1 & A-3 blocks in Myanmar where GAIL has a 8.5% stake. Your Company is also in pursuit of diversifying in new business areas like wind and solar power and actively scouting opportunities in gas based power generation projects.

In order to meet the huge capital requirements for funding the projects, the Board of Directors of your Company has approved the Foreign Currency Loan Facility of USD 150 million from The Bank of Tokyo- Mitsubishi UFJ Ltd, Singapore and USD 74.33 million from US Exim, Societe Genarale, New York.

Further, your company has recently developed Strategy for the period 2011-20 and the same has been approved by the Board of Directors. As per this Strategy, your Company aspires to become an integrated hydrocarbon major with significant upstream and downstream interests by 2020. To realize this ambition, your Company has identified several key growth areas and initiatives, in upstream, midstream and downstream segments of hydrocarbon value chain. In the upstream, the thrust will be on global sourcing and acquisitions, targeting equity linked LNG in addition to sourcing gas from domestic blocks. To support higher LNG imports, your Company will explore the possibility of setting up new LNG terminal(s) and tie-up additional re-gasification capacities in existing / upcoming terminals. In the midstream, expansion of pipeline infrastructure will continue with additional focus on strong market development efforts and strengthening marketing capability to remain the leading marketer of gas. On the retail side, large cities will be the focus for city gas business expansion. In the downstream, your Company aims to be among the top 2 petrochemical players in the country and for this, your Company has plans to set up new capacities and further increase marketing volume through trading. To realize the ambitious business goals, capability building will remain at the core of your Company's focus.

BUSINESS SEGMENT ANALYSIS

SEGMENTAL REVIEW

Your Company has been consistently achieving the top-most all round "Excellent" rating by the Government of India, since the signing of the Memorandum of Understanding (MoU) with the Government of India on performance review. During the year under review, the segment wise business performance of the Company is as under:

- **Natural Gas Marketing**

  Natural gas continues to constitute the core business of your Company. During the year 2010-11, Gas Sales was 83.23 MMSCMD compared to 81.43 MMSCMD in the previous financial year. Major supplies of natural gas include fuel to power plants and feedstock for gas based fertilizer plants. Your Company holds around 50% market share in gas marketing in India.

- **Natural Gas Transmission**

  Your Company owns and operates a network of about 8,644 km of natural gas high pressure trunk pipeline with a capacity of approx. 170 MMSCMD of natural gas across the country. The gas transmission during the year was 117.91 MMSCMD compared to 106.74 MMSCMD in the previous financial year registering a growth of 10%. Your Company's share of gas transmission business is around 74% in India.

- **Natural Gas Pipeline Projects**

  During the financial year, your Company has completed commissioning of various pipelines having length of about 761 km which includes Vijaipur-Dadri Pipeline (498 km), Sultanpur-Neemrana Pipeline (175 km) and Focus Energy Pipeline (88 km).

- **LPG Transmission**

  Your Company is the only Company in India which owns and operates pipelines for exclusive LPG transmission for third party usage. There are two LPG Pipeline transmission systems with a total length of about 2038 km, 1415 km of which connects the Western and Northern parts of India (Jamnagar-Loni LPG Pipeline) and 623 km of network is in the Southern part of the country (Vizag-Secunderabad LPG Pipeline). The LPG transmission system has a capacity to transport upto 3.8 MMTPA of LPG. LPG transmission throughput was about 3.337 million MT in the year 2010-11.

- **LPG Transmission Projects**

  Kandla- Samakhiali section of JLPL system has been upgraded from 0.5 MMTPA to 1.5 MMTPA by laying of 10" X 60 km loopline, installing additional Pumps at Kandla and receiving facilities at Samakhiali.

- **Petrochemicals**

  During FY 2010-11, your Company has produced 420 TMT of polymer which includes 416 TMT of HDPE/ LLDPE pellets and remaining quantity of LP flakes, wax, PE shreds, etc. Further, during the period, it sold 420 TMT of polymer (HDPE/ LLDPE/ low polymers / polymer lumps & shreds).

- **LPG & Other Liquid Hydrocarbon Production**

  Your Company has 7 LPG plants in the country. In the year 2010-11, total Liquid Hydrocarbon production was about 1.369 million MT which mainly included 1.068 million MT of LPG, 0.155 million MT of Propane, 0.035 million MT of Pentane and balance quantity included other products like SBP solvent and Naphtha.

✔ Exploration and Production (E&P)

Your Company has Participating Interest (PI) in 27 Exploration and Production (E&P) blocks and one Coal Bed Methane (CBM) block. Out of the 27 E&P blocks, 25 blocks are in India and 2 blocks are overseas (A-1 and A-3 blocks in Myanmar). One of the onland blocks in Cambay basin is in regular production and ₹ 41.41 crore has been generated as revenue during the year 2010-11.

Out of the 27 E&P blocks where GAIL is participating, GAIL is the Operator in 2 blocks (Rajasthan Onland RJ-ONN-2004/1 and Cauvery Onland CY-ONN-2005/1). 1st well-Lohara 1 is being drilled currently in Rajasthan onland block and two more wells are also planned to be drilled subsequently, while seismic data acquisition is planned in Cauvery onland block during the year 2011-12.

The CBM Block (TR-CBM-2005/III) in Chhattisgarh is in first exploration stage where dewatering of test wells is in progress. Development activities in blocks A-1 and A-3, Myanmar offshore is in progress and the production of gas is expected to start from May 2013.

During the year 2010-11, Declaration of Commerciality has been approved in the Mahanadi Offshore block (MN-OSN-2000/2). Further, GAIL consortium has been awarded two deep water blocks in Andaman basin under NELP-VIII bidding round with ONGC as the Operator. GAIL has bid for E&P blocks in NELP-IX biddling round along with other consortium partners. Results are expected in FY 2011-12 and Production Sharing Contracts are expected to be signed soon thereafter.

✔ Telecommunications

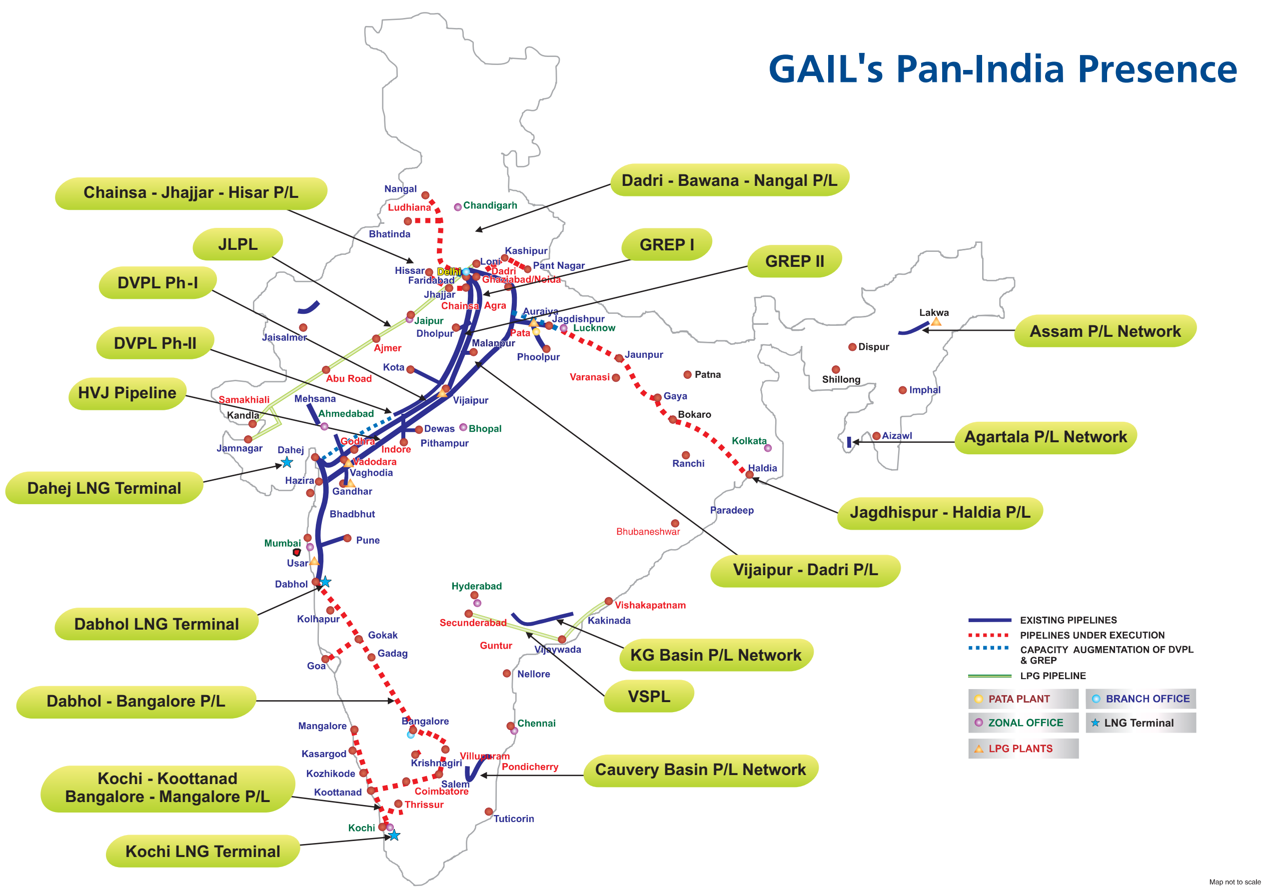
Leveraging on its pipeline network, your Company has built up a strong Optic Fibre Cable (OFC) network for its own internal use and leasing of bandwidth as a carriers' carrier. Your Company's telecom business unit - 'GAILTEL' has approximately 13,000 km of OFC network.

SEGMENTAL OUTLOOK

✔ Natural Gas

Major focus for your Company is to maintain its dominant position in the gas business, especially the transmission segment and continue the relationship with existing customers and also to add more customers. Therefore, your Company is expanding its transmission network by laying another 7,500 Km of pipelines at an investment of ₹ 30,000 crores, out of which around 1,200 km have been completed, to transport and supply natural gas to various customers in Power, Fertilizer, Refinery, Industries, CGD projects etc. These would include large trunk pipelines, along with smaller pipelines which would provide connectivity among trunk lines to form a grid. The pipelines being laid by your Company would help in achieving the objective of an Integrated National Gas Grid.

GAIL's Pan-India Presence



Natural Gas Pipeline Projects

The projects are concurrently being executed in 16 States, 2 Union Territories, 116 Districts and the construction activities are in full swing simultaneously for more than 10 projects. The following projects are in advanced stage of construction and completion is expected by the end of year 2011.

I.	Dahej-Vijaipur Pipeline Phase-II (DVPL-II)	610 km
ii.	Bawana-Nangal Pipeline (BNPL)	501 km
iii.	Karanpur-Moradabad Kashipur-Rudrapur Pipeline Phase-I	105 km

Further, installation of 2nd & 3rd compressors at Jhabua & Vijaipur and installation of two Compressors at Kailaras & Chainsa are also in advanced stage of construction and completion is expected by the end of year 2011.

The completion of DVPL-II project along with commissioning of balance mainline compressors at Jhabua and Vijaipur will lead to enhanced capacity to transport RLNG from Dahej and KG Basin gas to consumers in northern part of India. Last mile connectivity has been given importance and steps have been taken up to connect customers within the shortest possible time leading to revenue generation.

Construction has recently started for the following projects.

I.	Dabhol Bangalore Pipeline Phase-I	997 km
ii.	Kochi-Koottanad Bangalore/ Mangalore Pipeline Phase-I	44 km
iii.	Spurlines to Roorkee-Haridwar, Ludhiana Jalandhar (BNPL Spurlines)	270 km
iv.	Spurlines to Chittorgarh (Vijaipur-Kota Pipeline -VKPL extension)	290 km

The Dabhol- Bangalore and Kochi – Koottanad- Bangalore - Mangalore pipelines would increase GAIL's presence in southern India as these pipelines pass through virgin market areas. The quantum of gas transported is likely to increase, with commissioning of these projects.

Due to increase in gas availability, last mile consumer connectivity has been provided to 46 number of consumers for a gas quantity of approx 6.8 MMSCMD.

Your Company is also expanding its pipeline network in the states of Rajasthan, Uttarakhand, Punjab, Andhra Pradesh & Tamil Nadu.

Petrochemicals

Your Company owns and operates a gas based integrated petrochemical plant at Pata, Uttar Pradesh, with a capacity of producing 4,10,000 TPA of Polymers i.e. HDPE and LLDPE. Your Company has commissioned in the month December, 2010 an additional gas cracking furnace and with debottlenecking of the Gas Cracker Unit, the Ethylene production capacity has been increased to 4,46,000 TPA. Further your Company is doubling the capacity of Petrochemical plant at Pata by installing 4,50,000 TPA of Gas Cracker Unit and 4,00,000 TPA of Downstream Polymer Unit.

Your Company is currently in the process of setting up a 2,80,000 TPA Petrochemical Complex in Assam through its subsidiary, Brahmaputra Cracker and Polymer Limited (BCPL).

Your Company is a co-promoter with 17% equity stake 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.

Gas Sourcing

Your Company continues to have focus on securing gas supplies from international markets. LNG and trans-national pipelines are the two prevalent modes of cross border gas trade and your Company has been making efforts to bring more natural gas into the country through both these modes. Your Company has entered into a short term agreement to buy 0.48 MMTPA LNG from Marubeni Corporation, Japan and the first shipment was received in February 2011.Your Company has also imported about 0.20 MMTPA of LNG in this financial year from various international sellers on spot basis to supplement the shortfall in domestic production from time-to-time. Your Company also sourced around 80 MMSCM of spot RLNG in 2010-11 from its Joint Venture Petronet LNG Ltd. (PLL). Further, agreements for procurement of spot LNG have been signed with 19 international sellers. In addition, discussions are on with 8 prospective suppliers for long term tie up of LNG.

Wind Energy

Your company has successfully commissioned a wind energy power project of 4.5 MW capacity at Sinoi in Kutch District of Gujarat at a cost of ₹ 27.7 crore. The generated power is fully utilized for captive consumption at your Company's installations in Gujarat namely Gandhar, Samakhiali and Kandla.

Based on the satisfactory performance of 4.5 MW wind evergy project, your Company is now executing another 15 MW wind energy power project in state of Gujarat at an estimated cost of ₹ 93.76 crore for captive utilization. Further, your Company's Board has approved the project for setting up of a 100 MW Commercial Wind Energy Generation Project in the states of Tamil Nadu and/ or Karnataka. In line with the decision, the Board of your Company has approved the amendment in main object clause of Memorandum of Association to carry on the business of generation, distribution and marketing of wind, tidal, solar and any other form of renewable energy on commercial basis, subject to approval of shareholders through postal ballot. Your Company is also exploring the possibilities of commercial wind power project in different states.

BUSINESS INITIATIVES

GLOBAL

Considering the importance of enhancing energy security of the country for sustaining high level of economic growth, your Company has taken initiatives to look overseas for acquisition of energy assets. This is being done in addition to the initiatives being pursued on the domestic front.

There are good prospects of participating in oil and gas assets abroad which are either producing or planned to be on production in the near term. Your Company is now focused on diversification of its resource base through equity participation in overseas projects. A dedicated group has been formed to pursue overseas acquisition activities with the objective of sourcing gas for the domestic market. With this prime objective, your Company is continuously scouting for acquiring energy assets abroad and also to source natural gas in the form of Liquefied Natural Gas (LNG) and piped gas imports in order to meet the growing requirements of Indian market. Further, your Company is also exploring various business opportunities abroad along the natural gas value chain for long term growth and to emerge as an integrated international gas company.

In addition to sourcing of LNG from different sources, your Company with the support of Government of India is actively pursuing sourcing of gas from Turkmenistan through Turkmenistan–Afghanistan–Pakistan–India (TAPI) pipeline. Inter Governmental Agreement (IGA) and Gas Pipeline Framework Agreement (GPFA) have already been signed among the countries participating in the project. These agreements are important milestones for the implementation of the project.

Besides, your Company is pursuing an opportunity for participation in shale gas assets in USA so as to be ready with the skill and technological know-how for participation in the domestic shale gas bidding rounds as and when they are announced in the country.

In recent years, Africa has emerged as a prospective destination for sourcing of resources. In order to participate in projects in the resource rich countries in Africa, your Company has opened a representative office in Cairo, Egypt which will also pursue business opportunities in the Middle East.

DOMESTIC

Your Company has identified petrochemicals as a strategic business segment for its growth. Your Company is strengthening its presence in petrochemicals business by expanding its capacity and also acquiring equity stake in petrochemical plants.

Your Company has 70% equity share in Brahmaputra Cracker and Polymer Limited (BCPL), a subsidiary, with Oil India Limited (OIL), Numaligarh Refinery Limited (NRL), Govt. of Assam, each having 10% equity share. BCPL is setting up a 2,80,000 TPA polymer plant. The financial commitment to the extent of ₹ 5,460 crore has been made and project execution is in progress.

Your Company is 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. Your Company is entitled to market one-third of the polymers produced from the plant in domestic and overseas market which shall enhance your Company's market share in polymers. Further, your Company is exploring the possibility of setting up a downstream unit based on the by-product available from the project.

In view of the natural convergence between gas and power and to foray in the fast growing power sector, your Company has undertaken a number of initiatives through which it, on its own and also in partnership with other companies, plans to set up power plants in various parts of the country.

Due to wide gap in natural gas demand – supply scenario in India, the existing / new domestic gas sources and current / proposed LNG imports are not sufficient enough to meet the natural gas requirements of all demand centers in the country. To fill this gap, your Company is planning to set up a Floating Storage Re-gasification Unit (FSRU) unit on the east coast of India.

IT INITIATIVES

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

Your Company has taken several new IT initiatives to enhance productivity. The process of upgradation of the existing SAP ERP hardware and technical upgrade of SAP R/3 to the latest SAP ECC6 software has been successfully completed. This has added several new features to the existing ERP setup. Many new components like Governance, Risk & Control (GRC), e-Recruitment and Gas Management System (GMS) have also been added to the SAP infrastructure. This will lead to greater operational efficiency and transparency thereby helping in faster and accurate decision making. Further, Reverse Auctioning, Bid-encryption and System Generation of Comparative Statement have been added as new features to the SRM/e-Procurement system.

Your Company has started the implementation of a state-of-the-art centralized SCADA system for efficient, safe & smooth operation of existing & upcoming cross-country Natural Gas & LPG pipeline networks under large & complex National Gas Grid environment. On implementation of the centralized SCADA system substituting the existing multiple-heterogeneous SCADA systems for individual gas pipelines, your Company shall be able to monitor & control its entire cross-country pipeline infrastructure at national and individual pipeline levels, providing relevant online pipeline data to its esteemed customers. It shall also enable your Company better integration with other critical applications like Gas Management System (GMS), SAP ERP and other applications and will also facilitate in implementation of SCADA in a cost effective and faster manner for future pipelines.

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

Your Company is also in the process for implementation of an electronic Document Management System (DMS) in line with the industry best practices. This will include digitization of all the important information and records of your Company across various locations, electronic workflow and secure authorizations-based access to information. In addition to the above, your Company has put in place the latest high-definition Video Conferencing (VC) systems with real-time streaming facility at all its major locations. Moreover, desktop-based VC facility has been provided to all senior-level executives. This will further improve the communication facilities and reduce travel time and expenses.

The Business Information Systems department of your Company has been certified with the new ISO 9001:2008 standard.

SUBSIDIARIES & JOINT VENTURES

Your Company has formed Subsidiaries and Joint Venture companies for City Gas Distribution and Petrochemicals. Your Company is one of the pioneers to introduce City Gas Projects in India for supplies to households, commercial users and for the transport sector by forming Subsidiaries/ Joint Venture Companies.

SUBSIDIARIES

Brahmaputra Cracker and Polymer Limited (BCPL)

BCPL is setting up a 2,80,000 TPA polymer plant and project execution is in progress. The proposal for enhanced project cost and revised commissioning date is under Government approval.

Feedstock Supply Agreements have been signed between BCPL and all the three suppliers, viz., Oil and Natural Gas Corporation Limited, Oil India Limited and Numaligarh Refinery Limited. Technology license agreements have been signed for cracker, polyethylene and polypropylene units.

Entire land for the project has been acquired by BCPL. Civil structural works for the main process units, namely Ethylene Cracker unit, Polyethylene unit (HDPE/ LLDPE), Polypropylene unit, C2+ extraction unit, Gas De-hydration unit and Gas sweetening unit of BCPL has commenced.

Your Company has 70% equity share in BCPL with OIL, NRL & Government of Assam each having 10% equity share.

GAIL Gas Limited

GAIL Gas was incorporated with an objective of focused implementation of City Gas Distribution (CGD) projects in the Country. In first round of bidding process of Petroleum and Natural Gas Regulatory Board (PNGRB), GAIL Gas has been authorized to implement CGD projects in four cities, namely, Sonepat, Kota, Dewas and Meerut.

GAIL Gas has already commissioned CNG stations in Dewas and Sonepat. Gas supply to industrial units has commenced in Dewas, Sonepat and Kota. GAIL Gas has also commenced gas supplies to domestic consumers in Dewas and network construction is in progress for other cities.

GAIL Gas has already laid 168 Km steel pipeline and 229 Km MDPE pipeline in these cities. GAIL Gas is operating 1 CNG stations each at Dewas and Sonepat. The CNG stations at Kota and Meerut are under commissioning. GAIL Gas is supplying natural gas to 24 industrial units in Kota, Dewas, Sonepat and Meerut. GAIL Gas has also commenced gas supplies to domestic customers progressively. GAIL Gas has taken up investment for setting up the infrastructure along the national highways for building CNG corridors. Going ahead with the objective to establish CNG Corridor to facilitate the availability of CNG outside the cities, GAIL Gas has commissioned 2 CNG stations in Vadodara and 1 CNG station each at Panvel & Vijaipur. The construction of CNG stations at Kovvur, Auriya, Ferozabad & Mathura is in full swing.

GAIL Gas is a wholly owned subsidiary of your Company.

GAIL Global (Singapore) Pte Limited

GAIL Global (Singapore) Pte Ltd. is as an overseas investment arm of the Company. Your Company is looking for further business opportunities through this wholly owned subsidiary Company in Singapore.

JOINT VENTURES

Aavantika Gas Limited (AGL)

AGL is in operation in Indore and Ujjain and is supplying CNG to the transport sector in these cities. AGL is supplying CNG to almost 14,500 vehicles in both the cities & PNG to industrial sector. AGL has set up 1 Mother Station, 2 Online Stations & 5 Daughter Stations in Indore and 2 Daughter Stations in Ujjain for dispensing CNG. AGL has registered its first operational profit in FY 2010-11. MoPNG has authorised AGL for CGD in Indore, Gwalior and Ujjain. Your Company has 22.5% stake in the Company along with HPCL as equal partner.

Bhagyanagar Gas Limited (BGL)

BGL is currently operating 8 CNG (1 Mother station and 7 Daughter Stations) in Vijaywada, 5 CNG stations in Hyderabad and 1 CNG station in Kakinada. BGL is supplying CNG in these 3 cities to almost 8,000 vehicles. BGL is currently operating in Hyderabad, Vijaywada and Kakinada. Your Company has 22.5% stake in the Company along with HPCL as equal partner.

Central U.P. Gas Limited (CUGL)

CUGL is currently operating 10 CNG stations in Kanpur and 1 CNG station in Bareilly. CUGL is supplying CNG to almost 15,000 vehicles in the two cities. CUGL is supplying PNG to over 800 households. CUGL has received authorization from MoPNG for CGD in Kanpur & Bareilly. Your Company has 25% stake in the Company along with BPCL as equal partner.

GAIL China Gas Global Energy Holdings Limited

The joint venture Company was formed with an objective to pursue gas sector opportunities, mainly in China. Potential gas sector projects are being identified for implementation by the company. Your Company has 50% equity interest in the Company along with China Gas Holdings Limited as equal partner.

Green Gas Limited (GGL)

GGL is currently operating 7 CNG stations in Lucknow and 3 CNG stations in Agra. GGL is supplying CNG to almost 15,000 vehicles. MoPNG has authorized GGL for CGD in Lucknow & Agra. Your Company has 22.5% stake in the Company along with IOCL as equal partner.

Indraprastha Gas Limited (IGL)

IGL is the largest CGD entity in terms of CNG sales and the number of vehicles running on CNG in India. IGL has received authorization from MoPNG for CGD in Delhi and adjoining cities of Noida, Greater Noida, Ghaziabad, Gurgaon and Faridabad.

As on 1st April, 2011, IGL was supplying piped gas to around 2.45 lac domestic consumers, 68 industrial and 463 commercial consumers. IGL is supplying CNG to over 4.3 lac vehicles through 278 CNG stations. The average per day sale during FY 2010-11 was 2.73 MMSCMD.

Your Company has 22.5% stake in the Company along with BPCL as equal partner.

Mahanagar Gas Limited (MGL)

MGL has presently set up 149 CNG stations catering to about 2.2 lac vehicles spread over Mumbai, Thane, Mira-Bhayandar and Navi-Mumbai areas besides supplying PNG to about 5.2 lac domestic customers, about 1,240 small industrial & commercial consumers. Accepting the Central

Government authorization, the PNGRB has granted authorization and exclusivity for the existing areas of Mumbai, Thane, Navi Mumbai and Mirabhayander and expansion areas of Kalyan, Dombivli, Ambernath, Badalapur, Ulhasnagar, Bhiwandi, Taloja, Kharghar and Panvel. Your Company has 49.75% stake in the Company along with British Gas as equal partner.

Maharashtra Natural Gas Limited (MNGL)

MNGL was formed for implementation of City Gas Projects in and around Pune city. MNGL has received authorization from MoPNG for CGD in Pune including Pimpri, Chinchwad, Talegaon, Hinjewadi & Chakan areas. It has started 13 stations supplying CNG to more than 16,000 vehicles. MNGL has also started supply of PNG to domestic, industrial and commercial units. Your Company has 22.5% stake in the Company along with BPCL as equal partner.

ONGC Petro-additions Limited (OPaL)

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

Petronet LNG Limited (PLL)

PLL, formed for setting up of LNG import and re-gasification facilities, currently owns and operates LNG re-gasification terminal of 10 MMTPA capacity located at Dahej, Gujarat. PLL has a long term LNG supply contract with RasGas, Qatar for import of 7.5 MMTPA of LNG. Further, PLL is constructing a LNG re-gasification terminal at Kochi, Kerala with an initial capacity of 2.5 MMTPA, expandable upto 5 MMTPA and is scheduled for commissioning in early 2012. PLL has entered into long term LNG supply contract with ExxonMobil for the supply of 1.5 MMTPA of LNG for the Kochi terminal. Your Company has 12.5% equity stake in PLL along with BPCL, ONGC and IOCL as equal partners.

Ratnagiri Gas and Power Private Limited (RGPPL)

The capacity of the Ratnagiri Gas & Power Station is 2,150 MW which is the largest gas based power generation facility in the country and currently producing 1,850 MW of power. RGPPL is in the process of commissioning LNG import terminal of 5 MMTPA capacity. Your Company has 32.88% stake in the Company along with NTPC as equal partner. RGPPL is a joint venture company between your Company, NTPC, Financial Institutions and MSEB.

Tripura Natural Gas Company Limited (TNGCL)

TNGCL is presently supplying gas to around 8,475 domestic, 194 commercial and industrial consumers and has set up one CNG station in Agartala catering to more than 1,900 vehicles. TNGCL has received authorization from MoPNG for CGD in Agartala. Your Company has 29% stake in the Company

OVERSEAS EXPOSURE

GAIL is an equity partner in three retail gas companies in Egypt, namely Fayum Gas Company (FGC), Shell CNG Egypt (SCNGE) and National Gas Company (Natgas). FGC and Natgas are city gas distribution companies involved in supply of gas to residential, commercial and small industrial customers, whereas SCNGE is involved in setting up of Compressed Natural Gas (CNG) stations and supply of CNG to transport sector. However, the Board of your Company has approved the divestment of its shares in SCNGE as the strategic objectives of investment in SCNGE could not be met and accordingly, the process of sale of its equity shares in SCNGE is in process.

GAIL is also an equity partner in China Gas Holdings Limited (China Gas), a retail gas company involved in city gas and CNG business in China. Further, GAIL and China Gas have formed an equally owned joint venture company, GAIL China Gas Global Energy Holdings Limited for pursuing gas sector opportunities primarily in China.

GAIL is a part of consortium in two offshore E&P blocks (A-1 & A-3) in Myanmar and also holds participating interest in the joint venture Company – South East Asia Gas Pipeline Company Limited incorporated for transportation of the gas to be produced from A-1 & A-3 blocks in Myanmar to China.

In addition to having a wholly owned subsidiary namely GAIL Global (Singapore) Pte Ltd for managing investments abroad, your Company has opened a office in Cairo, Egypt to pursue business opportunities in Africa and Middle East.

SUSTAINABLE DEVELOPMENT

Your Company operates in the energy sector which is a very vital component of the economy. Energy powers every other productive activity in the economy, whether it be agriculture, infrastructure, manufacturing or services sector. The demand for energy is growing at a rate that is much higher than the growth rate of the economy. While the demand for energy is growing, new resources are getting increasingly more difficult and challenging to find, produce and monetize. At the same time, India needs to provide energy to its people at affordable prices. Your Company continues to strive towards energy security of the country while maintaining equilibrium with the environment in order to achieve sustainable development.

The principal business of your Company revolves around transmission of natural gas which in itself is a cleaner fuel and helps user industries reduce their pollution levels as compared to coal or other liquid fuels. Use of CNG in transport sector helps in reducing the pollution level in the cities. Your Company is also at the forefront of employing technologies and processes that reduce the energy consumption in its own operations.

Your Company has installed a wind energy project of 4.5 MW capacity at Sinoi, District Bhuj, Gujarat. The power generated is being wheeled for captive use by your Company's plants in Gujarat. Your Company has started work on setting up a new 15 MW wind energy project in Gujarat which will augment power supply for captive use of your Company's plants at Samakhiali, Kandla and Gandhar. In addition, your company is also planning to set up Wind Energy Project for commercial sale of Power.

Your Company is keen to enter into solar power. Your Company participated in the 1st phase of bidding under Jawaharlal Nehru National Solar Mission (JNNSM). Your Company plans to

Shri R.D. Goyal, Director (Projects) GAIL receiving Golden Peacock Award for Environmental Management 2011 from Hon'ble Home Minister Shri P. Chidambaram

participate in future bidding rounds as well to setup solar power projects.
Another initiative which your Company has undertaken to promote sustainable development is rain water harvesting. Your Company has implemented rain water harvesting projects at many of its office buildings at sites. Your Company has also invested ₹ 20 crores to set-up a comprehensive waste water treatment plant at Pata site to maintain the water quality before discharging into the river. The treated wastewater is recycled and used for horticulture and fire water make-up.

Your Company's pilot project for production of landfill gas from the municipal solid waste site at Ghazipur, Delhi is another effort in sustainable development. Its success will pave the way for conversion of solid waste sites in cities to produce fuel. Such projects have multiple benefits as these not only generate fuel from waste by capturing methane that would have got released into the atmosphere but also reduce global warming since methane has a global warming potential of 21 times of Co_2.

Measuring the CO_2 emissions is the first step towards the efforts to reduce its emissions. Your Company is taking up Green House Gas Accounting for its installation at Vijaipur. As Vijaipur is a representative site of your Company with similar compressor stations and LPG plants at other locations, the methodology used for data collection at Vijaipur shall be useful in knowing the carbon footprint of your Company's operations. This shall help to Measure, Manage & Mitigate the GHG emissions.

Your Company will be also coming up with its first Sustainability Report based on the GRI G3 Guidelines for the financial year 2010-11 to efficiently disseminate information on various measures taken by the Company on social, economic and environmental fronts. The Report shall also help your Company to align its sustainable development efforts such that these maximize value for various stakeholders.

HEALTH, SAFETY & ENVIRONMENT

Your Company is a responsible Corporate Citizen and Health, Safety and Environment (HSE) excellence has been extensively promoted as a corporate culture within the organization. The Safety & Health of employees and external stakeholders are embedded in the core organizational values of the Company. The HSE policy, inter-alia, aims to ensure safety of public, employees, plant & equipment, ensure compliance with all statutory rules and regulations, imparting training to its employees, carrying out safety audits of its facilities, and promoting eco-friendly activities.

Your Company has constituted HSE, sub-committee of the Board of Directors to review its HSE performance and emergency preparedness in the Company.

CORPORATE HEALTH, SAFETY & ENVIRONMENT (HSE) POLICY

Your Company is committed to promote globally comparable levels of Health, Safety, Environment and Loss Control in the areas of its business of Exploration and Production of Hydrocarbons, Natural Gas and LPG transmission, Production of LPG, Petrochemicals etc., with clear emphasis on improving the Environment for Sustainable Development. Projects, E&P etc. are brought under the monitoring purview of HSE. PNGRB regulations are being adopted at all sites.

The safety and occupational health of its employees and external stakeholders are of paramount importance and all these attributes are embedded within the core organizational values of your Company.

SAFETY PERFORMANCE

Your Company continues to demonstrate excellent HSE performance. HSE indices, as indicated below, across all its work centers are meticulously monitored with the aim for continual improvement.

Year(s)	HSE Index	
	MoU Target (%)	Achieved (%)
2008-09	97.0	98.95
2009-10	97.5	99.25
2010-11	97.5	98.92

Monthly safety index monitoring has been made stringent by including more elements for monitoring site's HSE performance.

SAFETY TRAINING

Your Company continues to give utmost importance to train the employees on HSE aspects. Apart from employees; spouses, children, contract workers, tanker drivers, nearby villagers etc. are also imparted safety training. Newly recruited trainees are given one week specific HSE training at site.

Your Company had organized a two day workshop for all business heads and fire & safety personnel. In the workshop, the participants were exposed to external faculties, PNGRB regulations etc. Another two day training program was organized for business heads on 'Industrial Safety Sensitization' including introduction to 'Behavior Based Safety' aspects.

EXTERNAL SAFETY AUDITS (ESA)

Your Company's safety practices and systems are audited for continual improvement by external agencies and inter unit safety audit teams.

- *External Safety Audits:* During the year 2010-11, safety audits were carried out by external agencies for 20 O&M units. Also building safety audit was carried out in your Company's corporate office building in Delhi, O&M and Training Institute building at Noida. Major work centers have been certified for Integrated Management Systems (IMS). IMS outlines the standards needed to align with, or conform to, internationally accredited certifications such as ISO 9001 (quality assurance), ISO 14001 (environment) and OHSAS 18001 (health and safety).

- *Inter Unit Safety Audits (IUSA):* During the year 2010-11, inter unit safety audits have been carried out for 6 units of your Company.

OCCUPATIONAL HEALTH

Your Company continued from the previous year its commitment to improve the well being of its employees. During the year 2010-11, all employees at the work centers were medically examined. Besides, contract workers, CISF personnel, villagers from nearby areas were also covered under the program.

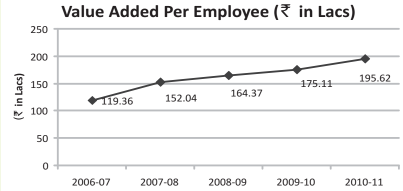
CORPORATE SOCIAL RESPONSIBILITY

Your Company has set high standards of discharging Corporate Social Responsibility (CSR). The quantum of CSR allocation is 2% of profit after tax of the previous financial year for CSR programmes. CSR allocations are used for economic, environmental and social upliftment of communities in and around the work centers in the major thrust areas such as Community Development, Infrastructure, Drinking water/Sanitation, Literacy Enhancement/ Empowerment, Educational Aids, and Healthcare/Medical. Besides specific social welfare programmes, the CSR funds are also used to provide relief to victims of national calamities. Major initiatives undertaken by your Company under these thrust areas are detailed in Management Discussion & Analysis.

HUMAN CAPITAL

Your Company takes pride in its highly efficient and engaged work force which has been the driving force behind continuous rise in value added per employee in last 5 years. Value added per employee gives an account of efforts of company's employees to make the best and most productive use of the resources available to them.

Value Added Per Employee (₹ in Lacs)



TRAINING

Oil & Gas Industry has been witnessing rapid growth & development both at the domestic as well as global levels. Your Company is also implementing various new projects to strengthen its presence across the entire gas value chain. With new technological developments and phenomenal expansion taking place in the hydrocarbon sector, need of the industry is changing from merely acquiring the latest state of the art technologies and equipment to engaging qualified personnel suitably equipped with knowledge, skills, attitude and a practical exposure to the highly specialized jobs. Therefore, it is essential to have a focused approach on training and development of the company's human resources. ISO 9001 certified GAIL Training Institutes (GTI) at Noida & Jaipur have been consistently working towards development of Human Capital of the Organization.

Maintaining the track record of excellent performance, 12,789 training mandays were imparted during the period under review. During FY 2010-11, 14,298 mandays of training have been completed by GTI against the target of 14,000 mandays.

GTI received the prestigious National Award for Innovative Training Practices from Indian Society for Training and Development (ISTD) in January 2011. In its pursuit of offering training programs to external organisations and to convert itself into a revenue generating centre, GTI has successfully organized training programs for participants from other organizations like IOCL, BCPL, IGL, Siti energy, UP Fire Service Department, OPaL, Honda Scooters & Motorcycles etc.

Some of the key training initiatives taken by your Company during FY 2010-11 are:

1. Launch of ASME (American Society of Mechanical Engineers) Certified Courses at GTI Noida as an Authorised Training Provider to ASME. 4 faculty members from GAIL have been certified by ASME as Authorised Training Instructors for offering these courses.

2. The training institute of your Company organized new programs like Management Development Programs (MDPs) for newly promoted DGMs, GMs and EDs in April and May 2010, Workshop on Behaviour Based Safety for OICs in January 2011 and Effective Communication Skills for Non Executives through Video Conferencing during December, 2010 to March, 2011.

3. A new website was created for the training institute of your Company which was launched by CMD on 8th March, 2011. Additionally, publicity material like brochures and AV film on activities and services of the training institute have also been prepared.

4. The training institute of your Company also provided consultancy to EIL in terms of deputing GAIL Engineers from Pata Plant to Panipat Petrochemical plant for providing assistance commissioning and training to their employees.

5. The training institute of your Company had also successfully developed and delivered a course on Natural Gas Business Management for the MBA students of Rajiv Gandhi Institute of Petroleum Technology (RGIPT).

VIGILANCE

The main thrust of vigilance activities in your company is on predictive & preventive actions rather than punitive vigilance. In accordance with this objective, intensive inspections of various works were taken up and corrective measures suggested. Further, Shri Pratyush Sinha, the then Central Vigilance Commissioner of India visited your Company and interacted with senior officers of the company. He highlighted the importance of Corporate Governance, role of supervisory officers in eliminating corruption and stated that Vigilance is a management function which brings in more transparency and making objectivity in decision making.

During the Vigilance Awareness period, your Company organized vendor interaction programme wherein 138 vendor representatives representing 86 vendors providing services for various GAIL pipeline projects actively participated. The programme received active participation from vendors. Rallies were organized by certain units in association with local NGOs for generation of awareness and publicity against ill effects of corruption.

REPRESENTATION OF SCs, STs, OBCs, MINORITIES AND WOMEN EMPLOYEES

Your Company has been complying with Reservation Policy in terms of Presidential Directives and other guidelines received from time to time from Government of India in respect of providing reservation in matters of employment to candidates belonging to Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs) and Persons with Disabilities (PWDs) in Direct Recruitment.

Details with respect to total number of employees and the representation of Schedules Castes, Scheduled Tribes, Other Backward Classes amongst them as on 31.03.2011 have been given in Table below:

GROUP	EMPLOYEES ON ROLL	SC	ST	OBC
A	2,661	422	158	422
B	495	105	65	59
C	664	113	28	191
D	58	17	5	14
TOTAL	**3,878**	**657**	**256**	**686**

A total of 220 new employees joined the company during the year 2010-11. Total Manpower of the Company as on 31.03.2011 stood at 3,878 with 16.9 % of its employees belonging to SC category, 6.60 % to ST category, 17.7% to OBC category, 7.1% to Minorities and 2.24% to PWDs category. Your Company's workforce comprised of 218 women employees as on 31.03.2011.

EMPLOYEE ENGAGEMENT SURVEY

Employee Engagement Survey was carried out by your Company during FY 2010-11 to gauge the engagement level of the employees as it believes that only engaged employee will go extra mile in delivering superior results. With the help of the survey, valuable feedback was obtained from the employees on People Practices and suggestions were also taken for improving overall employee experience at GAIL. Your Company was placed in the High Performance/ Hewitt's Best Employer Range.

SENIOR MANAGEMENT DEVELOPMENT CENTRE (SMDC)

Your Company realizes that it is imperative to continually strive to develop and enhance the quality of its talent pool. This would enable it to place competent persons at strategic roles. Senior Management Development Centre (SMDC) is being conducted in your Company as part of the Leadership Development Program to objectively assess the potential of its senior executives. The objective of this exercise is to identify the development needs of senior executives and design development programs so as to bridge the gaps.

SMDC is being conducted for senior executives at Chief Manager and above grades. This exercise will be a crucial input for the development of pipeline of leaders in your Company.

OFFICIAL LANGUAGE

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

With a view to create greater awareness and consciousness among employees, Hindi Fortnight was celebrated across the company. Further, in order to provide a larger platform to discuss the problems and difficulties in implementation of Official Language, annual conference was organized wherein senior officials from corporate office and work centers participated and shared their thoughts.

Bilingual software was provided to all GAIL offices. 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.

"Rajbhasha Sahyog" a quarterly Hindi magazine was published and distributed among employees in order to create interest among employees of GAIL and their family members towards reading and creative writing in Hindi.

RESEARCH AND DEVELOPMENT

Your Company recognizes the importance of Research and Development (R&D) to improve its technological capabilities to remain competitive. Your Company pursues a focused R&D strategy to further its competitive edge in its existing business by improving operational efficiency besides exploring new resources of energy to meet the growing demand of India's populace for clean energy. Your Company has contributed ₹ 16 crores to the Hydrogen Corpus Fund managed by Centre for High Technology (CHT) to take up research projects in various facets of Hydrogen Production and Storage which is touted as the fuel of the future.

Your Company is pursuing a unique collaboration with Municipal Corporation of Delhi for extraction of gas at Ghazipur Landfill site. A 10 acres of area has been earmarked initially for carrying out a pilot project for extraction of landfill gas. As per the preliminary analysis carried out, the project holds a potential to generate 600-800 m3/Hr of gas. It is also planned to put up a CNG station on this landfill gas to improve the economics. A CNG station running on landfill gas will be a first-of-its-kind in the world. This innovative project will not only generate a clean fuel but also simultaneously help in combating global warming due to the capture of methane gas that would have otherwise got released into the atmosphere. The success of this pilot project would open the possibility of replicating its success all over the country.

Another innovative project that your Company is working upon is conversion of waste plastics into fuel. The bench scale tests have given encouraging results. This project shall not only help in proper disposal of waste plastic but also generate fuel from the same. R&D efforts are also being undertaken to develop new polymer grades to better suit the customer requirements

Efforts are also being made to harness technologies that can be used to exploit various non-conventional natural gas sources like Shale Gas, Gas Hydrates, Underground Coal Gasification (UCG) etc. that have potential to substantially increase the availability of natural gas.

LAURELS

CORPORATE AWARDS

- GAIL was ranked no.1 company among gas utilities in Asia in the Platts Global Ranking of Energy Companies for the year 2010.
- "MOU Excellence Award" by the Department f Public Enterprises for the year 2008-09 in the petroleum sector.
- "Managing India Award" for the Outstanding PSU of the Year by AIMA.
- Kaizen Warrior Award for Most Efficient Navratna PSU of the year.
- Dun & Bradstreet - Rolta Corporate Award for Gas-Processing, Transmission & Marketing.
- GAIL's KG Basin and Vizag Secuderabad LPG pipeline unit won the first and second National Award for Excellence in Cost Management 2010 respectively under the category of Public Sector Manufacturing Unit.
- Certificate of Recognition for Excellence in Corporate Governance in the 10th ICSI National Award for Excellence in Corporate Governance 2010 as one of the Top Companies adopting Excellent Practices in Corporate Governance.
- Asia's Best Employer by World HRD Congress in the category of "Best HR Strategy in line with Business".

HSE AWARDS

- International Safety Award from British Safety Council (UK) for KG Basin & NCR.
- HVJ pipeline bagged consecutively 14th time Oil Industry Safety award with 1st rank for best over all safety performance under "Cross Country Pipelines Category" (Natural Gas/LPG).
- Gas processing Complex Vijaipur bagged for 7th time Oil Industry Safety Award with 2nd rank for best overall safety performance under other processing plants category.
- GAIL, Pata Bagged National Safety Award 2008 of Ministry of Labour & Employment, Government of India as 1st Winner (Category: Manufacture of Chemical & Fertilizers).
- GAIL Lakwa wins 1st Rank in over all Safety performance in the "Other Processing Plants Category" from OISD for 2009-10.
- Safety Innovation award for Agra, Khera, Lakwa & Nasirabad from Institute of Engineers Delhi State Center.
- GPU Vijaipur has won Sarvashresta award from National safety Council M. P Chapter.
- GAIL Pata, Vijaipur, Vaghodia, Jhabua, Hazira, NCR, & Mumbai bagged "Greentech Environment Excellence (Gold) Award – 2010" from Greentech Foundation, New Delhi.

OTHERS

- Your Company was adjudged as Asia's Best Employer by World HRD Congress in the category of "Best HR Strategy in line with Business".
- GAIL won most coveted award OC customer responsiveness presented by Economic Times & Avaya Global Connect.

RIGHT TO INFORMATION

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

CORPORATE GOVERNANCE

Your Company believes Corporate Governance is at the root of shareholder's value creation. Pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, a report on Corporate Governance forms part of this Report at **Annexure- B.**

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

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION

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

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

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

FIXED DEPOSITS

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

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, foreign exchange earnings were ₹ 4.72 crores. Expenditure in foreign currency was ₹ 2,382.58 crores.

During the year under review, your Company has incurred expenditure of ₹ 2.79 crores on foreign tours, foreign training, seminars & conferences, ₹ 0.15 crores on entertainment and ₹ 20.92 crores on advertising & publicity.

DIRECTORS

Shri S. Venkatraman was appointed as Director (Business Development) w.e.f. 25.09.2010, Shri P.K. Jain was appointed as Director (Finance) in place of Shri R.K. Goel w.e.f. 01.03.2011 and Shri Arun Agarwal was appointed as non-official part-time (Independent) Director w.e.f. 24.02.2011. Dr. U.K. Sen, non-official part-time (Independent) Director ceased to be Director w.e.f. 28.04.2011.

The Board placed on record its deep appreciation for the valuable services rendered by Shri R.K. Goel and Dr U.K. Sen during their association with your Company.

CODE OF CONDUCT

In line with the requirements of clause 49 of Listing Agreement, the Board Members and Senior Management Personnel, have affirmed compliance with the Code of Conduct for the financial year ending 31st March, 2011.

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

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

i) in the preparation of the annual accounts for the financial year ended 31st March, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures;

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

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

iv) the Directors have prepared the annual accounts for the financial year ended 31st March, 2011 on a going concern basis.

AUDITORS

STATUTORY AUDITORS

The Statutory Auditor of your Company is appointed by Comptroller & Auditor General of India (CAG). M/s Rasool Singhal & Co., Chartered Accountants, Aligarh and M/s M.L. Puri, Chartered Accountants, New Delhi were appointed as Joint Statutory Auditors of your Company for the year 2010-11.

The review of Annual Accounts of your Company for the year ended 31st March, 2011 by CAG forms part of this report as an addendum. Notes on accounts referred in the Auditors' Report are self explanatory and therefore, do not call for any further comments.

COST AUDITORS

Pursuant to the directions of the Central Government for audit of cost accounts, your Company has appointed M/s Rohit J Vora, Vadodara for Vijaipur-LPG, M/s R. Nanabhoy & Co., Mumbai for Pata-LPG, M/s M Goyal & Co., Jaipur for Gandhar-LPG, M/s Chandra Wadhwa & Co., New Delhi for Vaghodia-LPG, M/s Dhanajay V. Joshi & Associates, Pune for Usar-LPG, M/s DGM & Associates, Guwahati for Lakwa-LPG and M/s Mani & Co., Kolkata for Baroda-CNG station as Cost Auditor(s) for the financial years 2010-11 to 2013-14. Further, M/s K.L. Jaisingh & Co., Cost Accountants, Noida was appointed as cost auditor for GAILTEL Business for the financial years 2011-12 to 2013-14.

ACKNOWLEDGMENT

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

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

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

Your Directors would, at the end, like to place on record their deep and sincere appreciation for the hard work, dedication and unstinting efforts of your Company's employees to ensure that your Company reaches the pinnacle of success.

For and on behalf of the Board

B.C. Tripathi
Chairman & Managing Director

Place: New Delhi
Dated: July 18, 2011

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 5th largest consumer of energy in the world and is expected to become the 3rd 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 to 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 K G 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
	TOTAL SALES	32,459	24,996

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 31st March 2011, net worth of your Company stood at ₹ 19,054 crore as compared to ₹ 16,607 crore as on 31st 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 31st March, 2011. Diluted EPS went up to ₹ 28 during the year 2010-11 from ₹ 25 per share for the period ended on 31st March 2010. Market capitalization as on 31st March, 2011 was ₹ 58,984 crore as against ₹ 51,982 crore as on 31st 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.

  - 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 Sushil Kumar Shinde, Minister of Power, GOI

ANNEXURE-B

Report on Corporate Governance

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is an important tool for enhancing stakeholder value on a sustainable basis and creating wealth for organization. It fosters the commitment of the Company to sound corporate practices based on conscience, openness, fairness, professionalism and accountability thereby building the confidence of its various stakeholders.

Your Company believes in building a framework of best practices, structure, processes and ethics in the organization. Adopting the highest standards of professionalism, integrity, honesty and ethical behavior have been the major thrust areas of your Company. Where at the top level, the management believes in systematic, value based and rational decision making; the employees subscribe to corporate values and apply them in their conduct. The corporate governance practices have not only assisted your Company to achieve its goals in most prudent and sustainable manner but also have helped in maximizing the wealth of the shareholders.

Corporate Governance in your Company has been strengthened by formulating and adopting Codes and Policies viz. Code of Conduct for Board Members and Senior Management Personnel, Code of Conduct for Prevention of Insider Trading.

The core values viz. ethical practices, concern for people at work, delight of customers are imbibed in the employees. It relentlessly strives to use best-in-class technology, focus on all aspects of the Natural Gas value chain including petrochemicals; promote highest levels of safety in its operations, maintain better health of its employees, provide a clean environment for sustainable development.

Your Company has taken a number of initiatives in furtherance of goals for Corporate Governance like e-business, Bill Watch System, File Movement System, Customer Relation Management, Customer Grievance Redressal System, Online Recruitment, e-Performance Management System (e-PMS), Online Vigilance Complaint Registration System, e-Budgeting System, e-Document Management System, e-recruitment and Gas Management System. Several Management Information Systems are in place for efficient and effective decision making. Exception reports are generated, which are monitored by the top management. Audit Committee oversees the internal control systems, their adequacy to bring transparency in decision making.

Further, the Ethics Committee had been constituted to ensure ethical conduct of business. A consolidated compliance report of all laws applicable to the Company is periodically put up to the Board.

2. BOARD OF DIRECTORS

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

i. Composition of the Board

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

As on 31st March, 2011, there were 14 (Fourteen) Directors on the Board comprising of 6 (six) Whole-Time Directors including the Chairman & Managing Director, 2 (Two) Part-time Directors (Government Nominee) and 6 (Six) Part-time non-official (Independent) Directors. Composition and attendance record of the Company's Board of Directors are as follows:

Name and Designation of the Director	No. of Board Meetings attended	Attendance at last Annual General Meeting	Directorships held in other Public Limited Companies	Membership/ Chairmanship in Committees of the Board of the other Companies
I. Whole-time Directors				
Sh. B. C. Tripathi, Chairman and Managing Director	8	Yes	4	Nil
Sh. R. K. Goel, Director (Finance) (Upto 28.02.2011)	7	Yes	-	-
Sh. R. D. Goyal, Director (Projects)	8	Yes	Nil	Nil
Sh. S.L. Raina, Director (HR)	8	Yes	3	Nil
Sh. Prabhat Singh, Director (Marketing)	8	Yes	1	Nil
Sh. S. Venkatraman, Director (Business Development) (w.e.f. 25.09.2010)	3	N.A.	3	Nil
Sh. P.K. Jain, Director (Finance) (w.e.f. 01.03.2011)	-	N.A.	2	Nil
II. Part-time Directors (Government Nominee)				
Sh. Sudhir Bhargava	7	No	2	Nil
Sh. Apurva Chandra	8	No	Nil	Nil
III. Part-time non-official (Independent) Directors				
Dr. U.K. Sen	7	Yes	1	1
Prof. A.Q. Contractor	6	No	Nil	Nil
Sh. Mahesh Shah	8	Yes	3	1
Sh. R. M. Sethi	8	Yes	Nil	Nil
Dr. Vinayshil Gautam	8	Yes	5	3
Sh. Arun Agarwal (w.e.f. 24.02.2011)	-	N.A.	2	1

Note :

1 During the year 2010-11, 8 (Eight) Board Meetings were held.
2 26th Annual General Meeting was held on 22.09.2010.
3 Directors inter-se are not related to each other.
4 None of the Director(s) on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees across all the Companies in which he is a Director. Membership/Chairmanship in Committee is reckoned pertaining to Audit Committee and Shareholders/Investors Grievance Committee and based on latest disclosures received from Director(s).
5 None of Non-executive Directors hold any Equity Shares in the Company.

ii. Details of Board meetings

During the financial year 2010-11, 8 (Eight) meetings of the Board were held, the details of which are as below:

S. No.	Meeting No.	Date of Board Meeting
1.	279th	17.05.2010
2.	280th	14.06.2010
3.	281st	02.08.2010
4.	282nd	23.08.2010
5.	283rd	25.08.2010
6.	284th	03.11.2010
7.	285th	23.12.2010
8.	286th	18.01.2011

3. AUDIT COMMITTEE

The terms of reference of the Audit Committee is in accordance with Section 292A of the Companies Act, 1956 and the guidelines set out in the clause 49 of the Listing Agreement which, inter-alia, include overseeing the Company's financial reporting process and the disclosure of its financial information; reviewing with the Management, the quarterly and annual financial statements before submission to the Board for approval; reviewing, with the Management, the performance of statutory and internal auditors, adequacy of internal control systems and all other matters specified under Clause 49 of the Listing Agreement with Stock Exchanges as amended from time to time.

The Audit Committee of the Company comprises solely of four Independent Directors, Dr. U. K. Sen as the Chairman, Prof. A.Q. Contractor, Sh. Mahesh Shah and Sh. R. M. Sethi as the Members as on 31.03.2011

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

During the financial year 2010-11, 8 (Eight) meetings of Audit Committee were held. The details of Audit Committee meetings held during the year are as follows:

S. No.	Meeting No.	Date of Meeting
1.	86th	17.05.2010
2.	87th	09.07.2010
3.	88th	02.08.2010
4.	89th	09.09.2010
5.	90th	03.11.2010
6.	91st	15.11.2010
7.	92nd	19.11.2010
8.	93rd	18.01.2011

4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The terms of reference of the Committee is to, inter-alia, oversee redressal of shareholders/ investors grievances mechanism.

The Shareholders/Investors Grievance Committee of the Company comprises of Sh. Mahesh Shah, Independent Director as the Chairman, Shri Prabhat Singh, Director (Marketing) and Shri S. L. Raina, Director (HR) as the Member(s). The Company Secretary acts as the Compliance Officer of the Company.

Based on the report received from Registrar & Transfer Agent of the Company viz. MCS Limited in respect of shareholders complaints received through stock exchanges/statutory/regulatory bodies are only identified as complaints. Status of the complaints received and redressed during the quarter is being placed periodically at the meetings of the Audit Committee and Board.

The Company has attended its investor grievances expeditiously. During the year 2010-11, 35 complaints were received from the shareholders/investors through SEBI/Stock Exchanges and other statutory bodies, which pertained to matters like non-receipt of dividend, annual report, etc. All the 35 complaints were resolved, therefore, as on 31.03.2011, there were no investor complaints pending.

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

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

5. REMUNERATION COMMITTEE

Your Company being a Government Company, the remuneration of its whole-time Directors is determined by the President of India, through Ministry of Petroleum & Natural Gas. The Part-time Director(s) (Government Nominee) do not receive any remuneration from the Company. Further, the part-time non-official Directors (Independent) were paid a sitting fee of ₹ 20,000/- for attending each meeting of the Board of Directors and ₹ 15,000/- for attending each meeting of Committee(s) thereof, in addition to expenses incidental thereto.

The Remuneration Committee of the Company comprises of Dr. U.K. Sen as the Chairman, Sh P.K. Jain, Director (Finance), Sh S.L. Raina, Director (HR), Prof. A.Q. Contractor and Dr. Vinayshil Gautam as the Member(s) as on 31.03.2011.

During the financial year 2010-11, a meeting of Remuneration Committee was held on 29.09.2011.

The details of remuneration paid to Whole-time Directors of the Company for the financial year 2010-11, is as below:

Mr Prabhat Singh Director (Marketing) GAIL (India) Limited receiving the Dun & Bradstreet Award under the Gas - Processing, Transmission and Marketing category

(Amount in ₹)

S. No.	Names of the Director (s)	Salary & Allowances	Contribution to PF, Gratuity and Other Funds	Other Benefits and Perquisites	Performance Linked Incentives	Total
1.	Sh. B. C. Tripathi, Chairman and Managing Director	23,90,619	1,66,377	4,82,043	15,46,079	45,85,118
2.	Sh. R. K. Goel, Director (Finance) (Upto 28.02.2011)	55,79,494	1,53,960	4,65,396	12,88,590	74,87,440
3	Sh. R. D. Goyal, Director (Projects)	24,46,105	1,59,270	5,36,372	10,39,061	41,80,808
4	Sh. S.L. Raina, Director (HR)	22,58,890	1,52,036	4,00,204	9,20,003	37,31,133
5	Sh. Prabhat Singh, Director (Marketing)	17,05,361	1,49,229	1,55,765	1,11,814	21,22,169
6	Sh. S. Venkatraman, Director (Business Development) (w.e.f. 25.09.10)	4,19,241	78,279	2,17,884	9,78,500	16,93,904
7	Sh. P.K. Jain, Director (Finance) (w.e.f. 01.03.2011)	63,398	13,591	29,825	1,69,882	2,76,696

The payment made to Whole-time Directors of the Company includes performance linked incentives, as per the policy of the Company, which is applicable to all the employees of the Company and is based on performance parameters viz. Corporate Performance, Unit Performance and Individual Performance. The remuneration did not include provision for leave, gratuity and post retirement benefits as per revised AS-15 since the same were not ascertained for individual employee (Refer note no 8 of schedule 14).

The service contract of Whole-time Directors is for five years (or till superannuation, whichever is earlier) and is renewable. The notice period of three months or salary in lieu thereof is required incase of severance of service. During the year under review, your Company has not introduced any stock-option scheme.

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

S. No.	Name of the Independent Director(s)	Amount
1.	Dr. U.K. Sen	5.45
2.	Prof. A.Q. Contractor	5.55
3.	Sh. Mahesh Shah	2.80
4.	Sh. R. M. Sethi	4.75
5.	Dr. Vinayshil Gautam	2.20

6. OTHER SUB-COMMITTEES

Apart from statutory sub-committees viz. Audit Committee, Remuneration Committee and Shareholders/Investors Grievance Committee, there are other Board level Committees for implementing the overall business strategy, value creation for the stakeholders and implementing the business plans, as approved by the Board of Directors from time to time. The details of these sub-Committees of the Board as on 31.03.2011 are enumerated below:

S.NO	NAME OF COMMITTEE(S)	CONSTITUTION	POWER(S)
1.	**Business Development & Marketing Committee**	1. Shri R M Sethi - **Chairman** 2. Director (Finance) 3. Director (Marketing) 4. Director (BD) 5. Shri Apurva Chandra 6. Dr. U.K. Sen 7. Prof. A.Q. Contractor	Proposals of business development and marketing groups that fall within powers of Board like strategic planning, strategic alliance, joint ventures and acquisition / merger, globalization through business participation in a foreign country, Opening of offices abroad, bid application to PNGRB, consideration of new areas of business, issue related to Policy/ rules / regulations relating to marketing of natural gas, LPG, polymers, GAILTEL and other products and services, subject to DPE circular dated 22nd July, 1997.
2.	**Compensation Committee**	1. Director (Finance) - **Chairman** 2. Director (HR) 3. Dr. U.K. Sen	Formulation of ESOP scheme.
3.	**Corporate Social Responsibility Committee**	1. CMD - **Chairman** 2. Director (HR) 3. Shri Apurva Chandra 4. Prof. A.Q. Contractor	To approve the proposals of CSR.

4.	**Employee Disciplinary Committee**	1. CMD-**Chairman** 2. Director (Projects) 3. Director (HR) 4. Prof. A.Q. Contractor	To act as Appellate & Reviewing Authority of Executives of GAIL under GAIL Employees' (Conduct, Disciplinary & Appellate) Rules, 1986.
5.	**Empowered C&P Committee**	CMD and all the Functional Directors. CMD is the Chairman of the Committee.	To approve Procurement cases.
6.	**Ethics Committee**	1. Dr. Vinayshil Gautam-**Chairman** 2. Shri Apurva Chandra 3. Dr. U.K. Sen 4. Prof. A.Q. Contractor 5. Shri Mahesh Shah	To deal with all the aspects of ethics in the Company.
7.	**H.R. Committee**	1. CMD-**Chairman** 2. All the Functional Directors 3. Dr. U.K. Sen 4. Shri R M Sethi	Issues pertaining to rules and regulations relating to recruitment and conditions of service of the employees of the company, social welfare schemes, incentives schemes and changes therein and amendment in CDA Rules, subject to DPE circular dated 22nd July, 1997.
8.	**HSE Committee**	1. Prof. A.Q. Contractor-**Chairman** 2. Director (Projects) 3. Director (BD) 4. Dr. U.K. Sen	To review HSE performance and emergency preparedness.
9.	**Project Appraisal Committee**	1. CMD-**Chairman** 2. Director (Finance) 3. Shri Apurva Chandra 4. Prof. A.Q. Contractor 5. Dr. Vinayshil Gautam 6. Concerned Functional Director	Projects costing between ₹ 50 and 100 crores would be considered by the PAC and Board without financial appraisal, while the projects costing ₹ 100 crores and more would require appraisal, subject to DPE circular dated 22nd July, 1997.
10.	**Share Transfer Committee**	1. Executive Director (Finance)/Head of Finance 2. Company Secretary/Senior Most Official in Company Secretariat.	To approve transfer/ transmission of shares, issuance of duplicate share certificates etc.
11.	**Stakeholders' Grievance Redressal Committee**	1. Prof. A Q Contractor- **Chairman** 2. Director (Finance) 3. Concerned Functional Director not involved w.r.t. subject disputes, such as: (i) For Projects related dispute Director (HR) (ii) For Marketing related dispute Director (Projects) (iii) For HR related dispute Director (Finance) and (iv) For BD related disputes Director (Marketing)	Empowered to take a decision on the disputes referred for settlement amicably.

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

7. GENERAL BODY MEETINGS

Location and time, where last three AGMs were held

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

Year	2007-08	2008-09	2009-10
AGM	24th	25th	26th
Date & Time	04.09. 2008 10:30 am	08.09.2009 10:30 am	22.09.2010 10:30 am
Venue	Air Force Auditorium, Subroto Park, New Delhi-110010	Air Force Auditorium, Subroto Park, New Delhi-110010	Air Force Auditorium, Subroto Park, New Delhi-110010
Special Resolution passed	Increase in the Authorised Share Capital of the Company from ₹ 1,000 crores to ₹ 2,000 crores.	None	Appointment of Ms Esha Goel, daughter of Shri R.K. Goel, Director (Finance) to hold an office or place of profit in the Company
Details	To amend the Clause V of the Memorandum of Association and Article 5 of the Articles of Association to increase the Authorized share capital of the Company.	---	To appoint Ms Esha Goel, daughter of Shri R.K. Goel, Director (Finance) to hold an office or place of profit in the Company as Deputy Manager (BIS) at E-3 level.

During the last year, no item warranted the postal ballot as stipulated under the Companies Act, 1956. No special resolution is proposed to be passed by Postal Ballot at the ensuing Annual General Meeting.

Shareholders approval is being sought through mechanism of postal ballot for amendment in main object clause of Memorandum of Association and transfer of assets to GAIL Gas Limited. Shri Sachin Agarwal has been appointed as scrutinizer to conduct postal ballot. The result of postal ballot will be declared at 27th AGM at Air Force Auditorium on 7th September, 2011 at 10.30 a.m.

8. DISCLOSURES

i. Annual Financial statements 2010-11 are in conformity with applicable Accounting Standards. During the year, there have been no materially significant related party transactions that may have potential conflict with the interest of the Company at large. The details of "Related Party Disclosures" are being disclosed in Notes no. 12 of schedule 14 to the accounts in the Annual Report.

ii. The CEO/CFO of the Company has certified the specified matters to the Board and Audit Committee, as required under clause 49 of the Listing Agreement.

iii. Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct of the Company for the financial year ending on 31st March, 2011.

iv. In pursuance of the Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Board has laid down "Code of Conduct for Prevention of Insider Trading" with the objective of preventing purchase and/or sale of shares of the Company by an Insider on the basis of unpublished price sensitive information. Under this Code, Directors/Officers/ Designated Employees are prevented to deal in the Company's shares during the closure of Trading Window. To deal in Securities, beyond limits, specified permission of Compliance Officer is required. All Directors/Officers/Designated Employees are also required to disclose related information periodically as defined in the Code.

v. Government of India came out with 'Offer for Sale' of shares of your Company in the year 2004. As per information made available by MCS Ltd., as on 31.03.2011, there were 25 pending cases for share credit consisting of 1,312 equity shares (including 437 bonus shares).

vi. None of the non-executive Directors have any pecuniary relationship or transactions with the Company during the financial year ending on 31st March, 2011.

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

viii. The Company has put up an adequate risk assessment and minimization procedure. A report on compliance of applicable laws and risk assessment framework is periodically reviewed by the Board.

ix. No item of expenditure has been debited in books of accounts, which are not for the purposes of the business and no expenses, which are personal in nature, have been incurred for the Board of Directors and Top Management.

x. The administrative and office expenses are 3.55% of total expenses in 2010-11 as against 4.10% in 2009-10.

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

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

xii. President of India has notified presidential directives issued by MoPNG vide its letter dated 24.04.2009 with respect to pay revision of employees of your Company w.e.f. 01.01.2007, accordingly Pay Scales for Board Level and below Board level Executives was revised. Further, GAIL has been complying with the Presidential Directives on reservation for SC/ST in PSEs and subsequent instructions issued from time to time by Government of India.

xiii. Director(s) are nominated on training programmes organised by DPE & SCOPE from time to time.

xiv. DPE has formulated Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010, which is being complied save and except composition of Board of Directors and Central Government has formulated Corporate Governance Voluntary Guidelines, 2009, which are voluntary in nature and which were generally complied by your Company for FY 2010-11.

9. MEANS OF COMMUNICATION

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

- The quarterly results of the Company were announced within 45 days of end of quarter and audited annual results along with results for the fourth quarter were announced within sixty days of the end of the financial year. In order to attain maximum shareholder reach, the financial results of the Company during the year 2010-11 were published in leading newspapers (English & Hindi) viz. Economic Times, Hindustan Times, Times of India, Hindustan, Navbharat Times, Dainik Jagran, The Hindu, Business Line, Business Standard, Financial Express, Pioneer, etc.
- Information relating to shareholding pattern, compliance with corporate governance norms etc. is available on Corp Filing website in addition to the website of the Company for FY 2010-11.
- "Limited Review" reports of the un-audited financial results for the respective quarter(s) were obtained from the statutory auditors of the Company and also filed with the Stock Exchange(s) from time to time.
- Financial results are displayed on the website of the Company viz., www.gailonline.com. Official news/press releases and presentations made to analysts are also hosted on the Company's website from time to time.

10. DIVIDEND

- **Date of Book closure and Dividend payment date**

  During the financial year 2010-11, the Board of Directors approved the payment of dividend, for which the respective Record Date / Book Closure and dividend payment dates, the details of which are as follow;

S. No.	Dividend Declared	Dividend (%)	Record Date/ Book Closure	Dividend Payment Date
1.	Interim Dividend	20 (₹ 2/- per share)	28.12.2010	31.12.2010
2.	Final Dividend (Proposed)	55 (₹ 5.50/- per share)	20.08.2011 to 07.09.2011	15.09.2011 onwards

  With this, the Company has proposed a total dividend of 75% (₹ 7.50/- per equity share) each on the paid-up equity share capital, for the year ended 31st March, 2011.

- **Change of Address/Bank Details/NECS Mandate/E-mail Id**

  For change of address/ bank details/ dividend mandate/E-mail Id, Members may approach -

  i) if shares are held in **physical mode,** to the *Company/R&TA* of the Company.

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

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

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

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

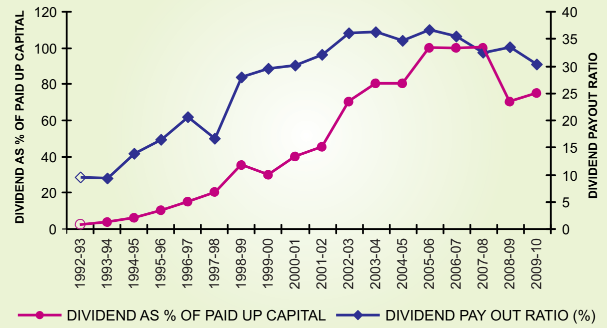
  Pursuant to Section 205C of the Companies Act, 1956, dividend amount(s) remaining unclaimed and unpaid for a period of seven years, from the date they became due for payment, is required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government in this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

  During the year, your Company had transferred an amount of ₹ 8,40,492 and ₹ 20,10,744/- in the Investor Education and Protection Fund (IEPF) for unclaimed/unpaid final dividend for FY 2002-03 and interim dividend for FY 2003-04 respectively.

  The unclaimed/unpaid final dividend for the FY 2003-04 which is due for transfer to IEPF, should be claimed by the members before 29th September, 2011. After that date, no claim shall lie against the Fund/Company, in respect of the said amount. The due dates of transfer of unpaid/ unclaimed dividend to IEPF for the respective financial years are as under:

S No.	FY	Type of Dividend	Dividend (%)	Last date for claiming Unpaid Dividend	Due date for transfer to IEPF
1	2003-04	FINAL	40	29.09.2011	29.10.2011
2	2004-05	INTERIM FINAL	40 40	19.12.2011 27.09.2012	19.01.2012 27.10.2012
3	2005-06	INTERIM SPL INTERIM FINAL	60 20 20	16.01.2013 14.02.2013 13.08.2013	16.02.2013 14.03.2013 13.09.2013
4	2006-07	INTERIM SPL INTERIM FINAL	55 25 20	27.12.2013 11.03.2014 02.09.2014	27.01.2014 11.04.2014 02.10.2014
5	2007-08	INTERIM FINAL	40 60	16.12.2014 03.09.2015	16.01.2015 03.10.2015
6	2008-09	INTERIM FINAL	40 30	27.01.2016 07.09.2016	27.02.2016 07.10.2016
7	2009-10	INTERIM FINAL	20 55	20.12.2016 21.09.2017	20.01.2017 21.10.2017
8	2010-11	INTERIM FINAL (PROPOSED)	20 55	22.12.2017 06.09.2018	22.01.2018 06.10.2018

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



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

11. GENERAL SHAREHOLDER INFORMATION

- **Forthcoming AGM : Date, time and venue**

  27th Annual General Meeting of the Company is scheduled for **Wednesday, the 7th day of September, 2011 at 10.30 a.m. at Air Force Auditorium, Subroto Park, New Delhi- 110010.**

- **Financial year**

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

- **Listing on Stock Exchanges**

  The Company's listing details are as follows :

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

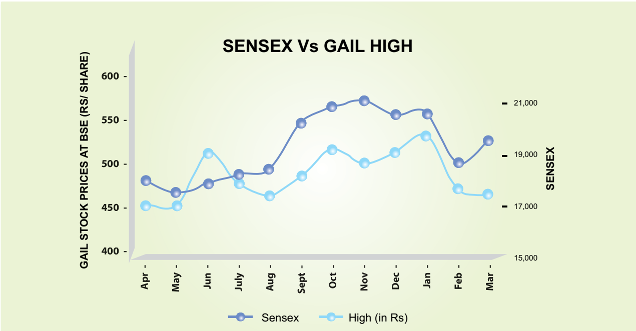
Further, the Non-Convertible Redeemable Bonds – Series – I (6.10%), Series – II (5.85%) and Bond Series – I, 2010 (8.80%) of the Company are listed at the Wholesale Debt Market (WDM) segment of NSE. State Bank of India, Mumbai is the Bond Trustees for the Bond – Series – I (6.10%) and Series – II (5.85%) and IDBI Trusteeship Services Limited, Mumbai is the Bond Trustees for the Bond Series – I, 2010 (8.80%). During the year, second series of Bond Series – II (5.85%) having ISIN code INE129A07073 was redeemed on 25th March, 2011.

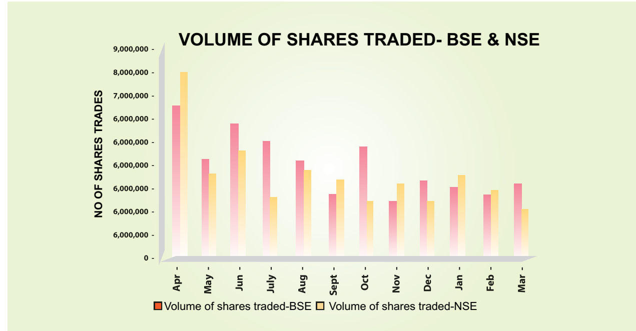
The Annual listing fees for the listed equity shares, GDRs and Bonds of the Company, pertaining to the year 2011-12 has been paid to the concerned Stock Exchanges on demand. The Company has also made the payment of the Annual Custody Fees to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), for the financial year 2011-12, based on the folio/ISIN positions as on 31.03.2011.

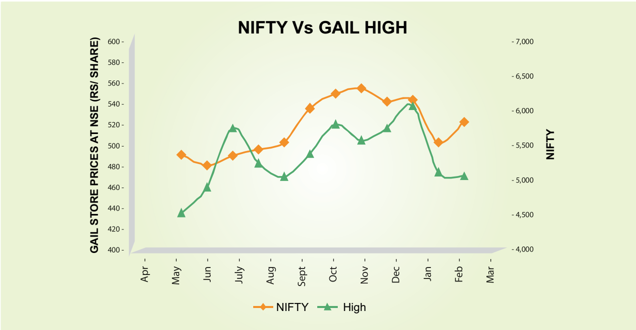
MARKET PRICE DATA

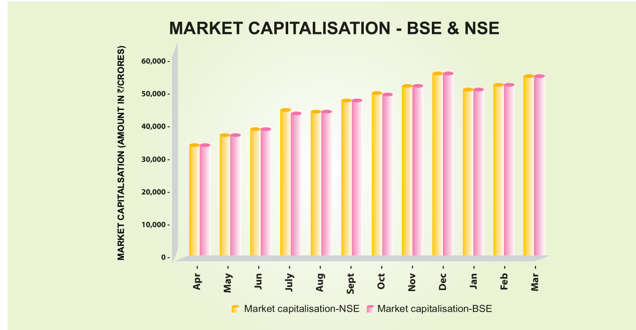
Market Price Data: High, Low during each month in the financial year 2010-11

MONTHS	BSE			NSE			MARKET CAPITALISATION (₹ IN CRORES)		MARKET INDEX	
	HIGH (in ₹)	LOW (in ₹)	VOLUME (No. of Shares)	HIGH (in ₹)	LOW (in ₹)	VOLUME (No. of Shares)	BSE	NSE	SENSEX	NIFTY
April	459	402	6,551,815	436	401	7,987,830	54,430	54,430	18,048	5,375
May	459	402	4,271,245	460	415	3,665,001	57,544	57,544	17,537	5,223
June	517	447	5,783,360	517	447	4,630,833	59,257	59,276	17,920	5,353
July	483	436	5,051,973	483	436	2,671,499	55,585	55,623	18,238	5,449
August	470	426	4,216,896	470	426	3,828,288	58,509	58,610	18,475	5,544
September	492	454	2,804,931	492	455	3,392,843	60,335	60,576	20,268	6,036
October	520	476	4,809,035	520	410	2,507,182	62,174	62,352	20,855	6,234
November	505	477	2,504,516	505	471	3,244,195	62,219	62,346	21,109	6,312
December	517	484	3,361,661	517	484	2,516,247	64,794	65,028	20,552	6,135
January	536	446	3,106,364	538	445	3,617,236	59,752	59,739	20,665	6,158
February	477	426	2,765,746	475	425	2,961,138	54,323	54,107	18,691	5,546
March	471	428	3,236,390	471	428	2,152,758	58,984	58,857	19,575	5,834









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

MCS Ltd.
Unit: GAIL (India) Limited
F–65, Okhla Industrial Area, Phase-I
New Delhi - 110020

Phone	: 91-11-41406149/50/51/52
Fax	: 91-11-41709881
Website	: www.mcsdel.com
E-mail	: admin@mcsdel.com

- **Share Transfer System**

The shares of the Company are being compulsorily traded in dematerialized form and are available for trading under both the depositories in India viz. NSDL and CDSL. MCS Ltd. is the depository interface of the Company. In order to strengthen the Know Your Customer (KYC) norms, which is already in existence for shareholders holding shares in electronic mode as per SEBI letter dated 27.04.2007, the KYC has been made applicable for shareholders holding shares in physical mode as per SEBI letter dated 20.05.2009. MCS Ltd. is not processing the remat request(s), unless involved conversion of entire shareholding in demat mode. Further, MCS is issuing one consolidated share certificate in respect of requests received for transfer, issue of duplicate share certificates and/ or rematerialisation involving issuance of more than one share certificate having same folio no.

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

During the year, half-yearly certificate(s), confirming due compliance of the share transfer formalities by the Company [clause 47(c) of the Listing Agreement]; and Reconciliation of Share Capital Audit Report [under SEBI (Depositories and Participants) Regulations, 1996] were obtained from a practicing Company Secretary and the same were also submitted to the Stock Exchanges within the stipulated time. As a matter of good corporate governance practice, the Company has also opted for voluntary Compliance Certificate from the practicing Company Secretary.

- **Distribution of shareholding:**

The distribution of shareholding of the Company as on 31st March, 2011 is detailed below:

No. of equity shares held	No. of Shareholders	% to Total	No. of Shares	% to Total
1	6143	3.16	6143	0.00
2-10	19756	10.17	134549	0.02
11-50	74554	38.39	2362532	0.18
51-100	37280	19.20	3005679	0.24
101-200	27667	14.25	4211042	0.33
201-750	23754	12.23	8140346	0.65
751-5000	3967	2.04	6478418	0.51
5001-10000	298	0.15	2148759	0.16
10001-15000	111	0.07	1406750	0.11
15001 and above	660	0.34	1240583182*	97.80
TOTAL	**194190**	**100**	**1268477400**	**100**

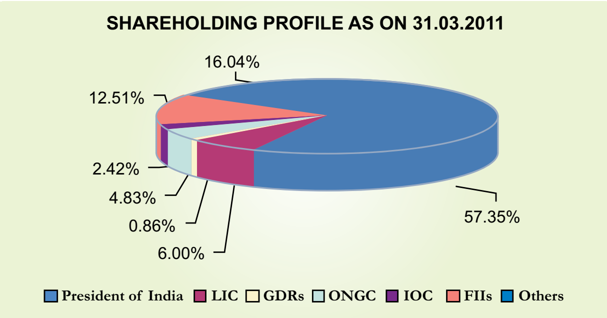
* includes holding of President of India

- **Geographical Distribution of Shareholders as on 31st March, 2011**

S. No.	City	No. of Shareholders	% to Total	No. of Shares	% to Total
1	Ahmedabad	10683	5.50	1867374	0.15
2	Bengaluru	9121	4.70	1059140	0.08
3	Bhubaneswar	377	0.19	32734	0.00
4	Chandigarh	1069	0.55	156270	0.01
5	Chennai	7009	3.61	2726482	0.21
6	Delhi*	20671	10.64	792326833	62.46
7	Guhawati	452	0.23	59678	0.00
8	Hyderabad	4525	2.33	546492	0.04
9	Jaipur	2600	1.34	235941	0.02
10	Kanpur	1317	0.68	137232	0.01
11	Kolkatta	9163	4.72	3607232	0.28
12	Mumbai	47045	24.23	457111532	36.04
13	Nagpur	1032	0.53	107466	0.01
14	Patna	749	0.39	73476	0.01
15	Trivandrum	563	0.29	88479	0.01
16	Others	77814	40.07	8341039	0.67
	TOTAL	**194190**	**100.00**	**1268477400**	**100.00**

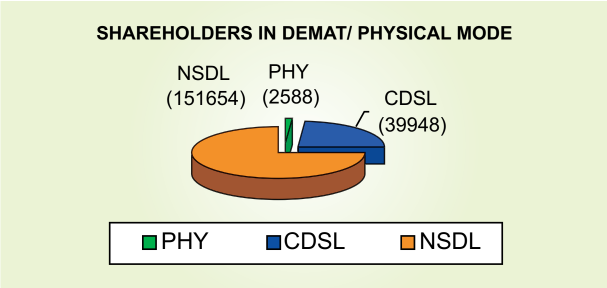
* President of India holds 72,73,90,047 equity shares of the Company in physical mode, which constitutes 57.35% of total paid-up equity capital.

- **Shareholding Profile as on 31st March, 2011**



- **Dematerialization of shares and liquidity**

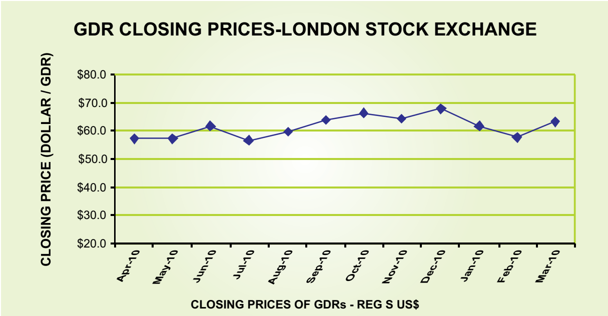
As on 31st March, 2011, the Company has 1,94,190 no. of Shareholders, out of which 1,91,602 shareholders were holding equity shares in demat mode and 2,588 shareholders were holding equity shares in physical mode. The demat ISIN of the Company's equity shares is INE129A01019 and Corporate Identification Number of Company is L40200DL1984GOI018976.



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

The Government of India had disinvested 135 million equity shares out of its holding in the international market through GDR mechanism in 1999-2000. A total no. of 22.5 million GDRs were issued, one GDR representing six underlying equity shares. As on 31st March, 2011, a total number of 18,26,035 GDRs representing 109,56,210 (0.86%) number of equity shares were outstanding. The conversion of GDRs into equity shares has no impact on total equity share capital.

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



- **Major Plant Locations**

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

U.P. Petrochemical Complex, PATA
P.O. Pata – 206241
Distt. Auraiya (U.P)

LPG Recovery Plant, Usar
P.O. Malyan – 402203
Tal. Alibagh
Distt. Raigad (Maharashtra)

LPG Recovery Plant, Vijaipur
GAIL Complex
Vijaipur – 473112
Distt. Guna (M.P)

LPG Recovery Plant, Vaghodia
GIDC Industrial Estate
Vaghodia – 391760
Distt. Baroda (Gujarat)

LPG Recovery Plant, Lakwa
Sivasagar – 785688
Assam

LPG Recovery Project, Gandhar
Village Rozantankaria
Tal. AMOD
Distt. Bharuch – 392140 (Gujarat)

- **Address for correspondence**

GAIL (India) Limited
16, Bhikaiji Cama Place R.K. Puram, New Delhi - 110066
Phone: 91-11-26172580/26182955
Fax No. : 91-11-26185941
Website : www.gailonline.com

ANNEXURE - C

Auditors' Certificate on Corporate Governance

TO THE MEMBERS OF GAIL (INDIA) LIMITED

We have examined the compliance of conditions of Corporate Governance by GAIL (India) Ltd. for the year ended 31st March, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges and Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 issued by DPE.

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

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement and in DPE guidelines, subject to that requisite number of the Independent Directors on the Board which was less than half of the total strength of the Board as required under clause 49 of the Listing agreement. the Company has informed that the Government of India is in process of selecting requisite number of Independent Directors, since GAIL is a Government Company.

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

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

For M.L. Puri & Co.
Chartered Accountants
Firm No. 002312N

Navin Bansal
Partner
Membership No. 091922
Place : New Delhi
Date : May 23, 2011

For Rasool Singhal & Co.
Chartered Accountants
Firm No. 500015N

Anil Gupta
Partner
Membership No. 072767
Place : New Delhi
Date : May 23, 2011

Shri S. Venkatraman, Director (BD) GAIL signing an MoU with
Mr Pulatov, Deputy Director General, Uzbek Coal for co-operation on underground coal gasification

ANNEXURE - D

Annexure to the Directors' Report on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo as per Section 217(1)(e) of the Companies Act, 1956 read with companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken

i. Power generation through Wind Energy

The power generated from the Wind Energy Project of 4.5 MW installed in Gujarat is wheeled for use in the plants situated in Gujarat. The power generated by the Wind Energy Project last year was 7,800 MWh. This 'green' initiative has resulted in reduction in consumption of natural gas that would have been otherwise used for production of the equivalent energy.

ii. Optimization of Bleed Valve Operation & SoLoNox mode Operation of Gas Turbines:

Re-tuning of Bleed valve & SoLoNox mode operation in the Solar Gas Turbines installed at GPU Gandhar resulted in reduction in specific fuel consumption from 1.93% to 1.80%. This has resulted in reduction in natural gas consumption as fuel of approximately 1.09 MMSCM in a year which translates to saving of ₹ 92 lac during the year.

iii. Utilization of improved Molecular Sieves in Feed Gas Dryers

The usage of technologically improved Molecular Sieves in Feed Gas Dryer at GPU Gandhar has resulted in saving of fuel gas consumption on account of reduction in dryer regeneration cycle from 12 hrs to 36 hrs. This has resulted in reduction in natural gas consumption as fuel of approximately 0.52 MMSCM in a year which translates to saving of ₹ 44 lacs during the year.

iv. Implementation of Automatic blow down system

An Automatic blow down system has been implemented in Heat Recovery Steam Generator at GPU Pata which has resulted in reduction of blow down quantity by online monitoring of TDS levels. This has further led in reduction of natural gas consumption as fuel of approximately 0.18 MMSCM in a year which translates to saving of ₹ 17 lac during the year.

v. Modification done in lighting system

The conventional lighting systems HPMV/T8/GLS are being replaced by more energy efficient Metal Halide /T5/ CFL lighting systems across GAIL installations.

vi. Commissioning of Revamped BOG compressor

Revamped BOG compressor was commissioned in Nov'10 at Petro-chemical Plant. The diversion of boiled off gases directly to downstream polymer plant has resulted in saving of 762 MT of VHP steam which has resulted in saving of about ₹ 7.46 lac in 5 months.

vii. Switching from TEG power to Grid Power at Remote RR Stations

With improved availability of reliable grid power at remote locations of RR stations across JLPL pipeline, the requirement of electricity for RR stations is being met by providing grid power instead of reliable but less efficient supply source of TEG/CCVT. This has resulted in saving of approximately ₹ 17 lac during the year.

viii. Close Loop Sampling of Hydrocarbons

Close Loop Sampling System has been installed at GPU Usar to avoid venting of Hydrocarbons into the atmosphere. This has resulted in saving of approximately ₹ 2 lac worth of Hydrocarbon in a year besides contributing to reduction in global warming efforts due to lower green-house gas emissions.

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

I. Flare gas recovery project: It is envisaged to recover gases going to flare system in Petrochemical Plant for utilization in Boilers as fuel. The estimated investment is ₹ 6 crore and the potential recovery of gas is about 13 MMSCM which is equivalent to ₹ 11 crore / year.

ii. It is planned to carry out retrofitting for automation of Burner Management System in Hot Oil Heater at LPG Plant at Vaghodia to improve the energy efficiency, operational safety and environment friendliness of the present system. The estimated investment is ₹ 77 lac and the potential saving in fuel gas is 0.612 MMSCM per year which is equivalent to ₹ 61 lac / year.

iii. It is planned to utilize the Cold generated due to pressure reduction of RLNG being supplied to South Gujarat pipelines to cool the feed gas to GPU Vaghodia. The energy required by conventional mode of refrigeration would have been 5,600 MWH/annum. The project cost is ₹ 80 lac and the benefit from extra production of LPG of 1,285 MTPA would be ₹ 186 lac per year.

iv. A project is being implemented to set-up HRSG to recover the waste heat of GTC Exhaust at Vaghodia at an estimated cost of ₹ 55 crore. It shall produce 60 MT/Hr of Super Heated Steam equivalent to 44,635 MWH/annum of energy.

v. It is planned to install Solar Power System at one location each in HVJ and GREP pipeline that may result in reduced running of CCVT/TEGs. This shall result in saving of fuel gas of about 0.17 MMSCM per year which is equivalent to ₹ 14 lac / year. In addition, this will help in reduction of global warming due to lower emission of green house gases.

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

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

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

As per **Form A** annexed.

B. TECHNOLOGY ABSORPTION

(e) Efforts made in technology absorption:

As per **Form B** annexed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

There had been no exports during the FY 2010-11. However, your Company is planning for export of polymers for the FY 2011-12, due to added volumes available in the domestic market by domestic producers.

(g) Total foreign exchange used and earned

During the year under review, your Company has incurred an expenditure of ₹ 2.79 crore on foreign tours, foreign training, seminars & conferences, ₹ 0.15 crore on entertainment and ₹ 20.92 crore on advertising & publicity.

Shri P.K. Jain, Director (Finance), GAIL receiving the Award for Excellence in Cost Management from Dr. M. Veerappa Moily, Hon'ble Minister of Corporate Affairs, Government of India and Shri R P N Singh, Hon'ble Minister of State for Corporate Affairs and Petroleum & Natural Gas

FORM A

Form for Disclosure of Particulars with respect to Conservation of Energy

		2010-11	2009-10
A.	**POWER & FUEL CONSUMPTION**		
	1. ELECTRICITY		
	a. Purchased		
	Unit (KWH)	288674434.00	266075601.00
	Total Amount (₹ in lac)	13473.46	11489.19
	Rate/Unit (₹/KWH)	4.67	4.32
	b. Own Generation		
	(i) Through Diesel Generator		
	Unit (KWH)	625929.55	607551.68
	Units per liter of Diesel Oil (KWH/Litres)	2.57	2.47
	Cost/Unit (₹/KWH)	16.15	14.97
	(ii) Through Steam/Gas Turbine/Generator		
	Units (KWH)	211740011	226821696
	Units per 1000 SCM of gas (KWH/1000 SCM)	3053.26	3111.42
	Cost/Unit	4.11	3.58
	2. COAL	NIL	NIL
	Quantity (tonnes)		
	Total cost		
	Average ate		
	3. FURNACE OIL	NIL	NIL
	Quantity (K. ltrs.)		
	Total amount		
	Average rate		
	4. OTHERS/INTERNAL GENERATION		
	Natural Gas Consumption (SCM / Year)	3137935.00	2531100
	Total Amount (₹ in lac)	364.81	265.20
	Cost of natural gas / SCM (₹/ SCM)	11.63	10.48
B.	**CONSUMPTION PER UNIT OF PRODUCTION**		
	ETHYLENE		
	Production (MT)	428445	429992
	Electricity (KWh/MT)	57.33	51.37
	Furnace Oil	Nil	Nil
	Coal	Nil	Nil
	Others - Fuel Gas (MT/MT)	0.251	0.246
	- Steam (MT/MT)	0.974	0.942
	HDPE & Low Polymers		
	Production (TMT)	208	204
	Electricity (KWh/MT)	331.85	335.03
	Furnace Oil	Nil	Nil
	Coal	Nil	Nil
	Others - Steam (MT/MT)	0.73	0.89
	LLDPE & Polymer Shreds		
	Production (TMT)	212	216
	Electricity (KWh/MT)	244.25	246.36
	Furnace Oil	Nil	Nil
	Coal	Nil	Nil
	Others - Fuel Gas (MT/MT)	0.034	0.035
	- Steam (MT/MT)	0.79	0.73

FORM B

Form for Disclosure of Particulars with respect to Absorption

RESEARCH & DEVELOPMENT (R&D)

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

   a. Recovery of LandFill Gas (LFG) from municipal solid waste dumping yard of MCD at Ghazipur, Delhi.

   b. Bench-scale study for conversion of Plastic Waste/Low polymer wax to fuel.

   c. Production of gas from in-situ Coal gasification at coal mines of Barmer, Rajasthan using Underground Coal Gasification (UCG) Technology.

   d. 2 D and 3 D seismic data acquisition, processing and interpretation in 12 E&P blocks where GAIL has participating interest.

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

   a. The project has multiple benefits as it will not only generate fuel from waste by capturing methane that would have got released into the atmosphere but also reduce global warming since methane has a global warming potential of 21 times of CO_2.

   b. The project shall not only help in proper disposal of waste plastic by improving its value but also generate fuel from the same.

   c. UCG technology shall enable recovery of energy from the un-mineable high ash content Coal /Lignite in an economically and environmentally viable way.

3. **Future plan of action**

   a. A Pilot Plant for recovery and commercialization of LandFill Gas is being set-up at municipal solid waste dumping site at Ghazipur, Delhi.

   b. Scale-up studies shall be carried out for validating the bench-scale results before a commercial unit can be designed.

   c. Pre-feasibility studies including site selection and characterisation for setting up a pilot plant for production of gas from lignite by UCG technology to be carried out.

   d. It is planned to join the New Millennium Indian Technology Leadership Initiative (NMITLI) of CSIR for development of Solid Oxide Fuel Cells.

   e. It is planned to carry out development of Hydrogen Cylinders & Nono composites for Hydrogen storage.

   f. Expenditure on R&D

a. Capital	:	Nil
b. Recurring	:	₹ 29.55 crore
c. Total	:	₹ 29.55 crore
d. Total R&D expenditure as a percentage of total turnover	:	0.83 %

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

   Adaptation of Land Fill Gas Technology for Indian conditions and its assimilation for recovery of methane gas from municipal solid waste.

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

   Landfill Gas recovery from Municipal Solid Waste shall not only lead to production of fuel but shall also reduce global warming as the methane that would have got released into the atmosphere in the absence of this project is 21 times more potent than CO_2 emission.

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

   a. **Technology imported**

      i. Ethylene Cracker Technology, from Shaw Energy & Chemicals International Inc., USA for GAIL Petrochemical Complex II at Pata for addition of 450 KTA ethylene capacity

      ii. LLDPE/HDPE Swing Technology, from Univation Technologies, USA for GAIL Petrochemical Complex II at Pata for addition of 400 KTA polyethylene capacity

   b. **Year of import** : 2010

   c. **Has technology been fully absorbed?** : In process

   d. **If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action** : N.A.

ANNEXURE-E

Statement showing the particulars of employees who are in receipt of remuneration of not less than ₹ 60,00,000/- per annum during the financial year 2010-11 or not less than ₹ 5,00,000/- per month during part of the financial year 2010-11

S. No	Name of the Employee (S/Shri)	Designation & Department	Age	Last employment	Date of joining	Qualification	Experience	Remuneration Gross (in ₹)
1	KUNCHANDY JOY KUTTY	MANAGER (SECURITY)	60	ARABIAN AMERICA	08.02.1985	LLB	44	3,114,020.97
2	BINDUMADHAV SURESH VALVI	CH MANAGER (F&A)	60	EXCELLENT EXTRUSION	09.10.1989	MSC, MMS	30	4,001,356.38
3	ANURAG CHANDRA	SR MANAGER (F&S)	43	HERDILLIA CHEMICALS	30.12.1993	BE	19	3,644,170.23
4	AMRIT LAL	GENERAL MANAGER (PC-MAINT)	60	IFCI	27.06.1991	BE	35	4,834,657.47
5	RK GOEL	DIRECTOR (FINANCE)	60	MTNL	26.07.1988	CA	37	7,386,087.54
6	MM MANDAL	EXECUTIVE DIRECTOR (PD)	60	I.F.F.C.O.	04.09.1991	ME	40	3,522,059.84
7	VIVEK JOSHI	EXECUTIVE DIRECTOR (HRD & TRG)	60	BHARAT ELECTRON	20.02.1992	MBA	40	4,294,992.97
8	RADHA KRISHNA T MURTHI	DY GENERAL MANAGER (HR)	60	C.C.I	17.05.1995	LLB	39	3,262,795.98
9	Dr. MALLIKA RAVIBABU	CH MANAGER (HR-MEDICAL)	60	TAMIL NADU MEDICAL SERVICES	07.09.1990	MBBS	32	2,689,221.94
10	ANUP KUMAR SARKAR	DY GENERAL MANAGER (BD)	60	HINDUSTAN FERTILIZERS	12.11.1990	AMIE	41	4,468,514.61
11	DIPAK KUMAR MUKHOPADHYAY	DY GENERAL MANAGER (O&M)	60	HFCL	16.07.1990	BTECH	33	4,114,835.08

Notes:

1. Remuneration includes salary, allowances, leave encashment, leave travel concession, payment for subsidized leased accommodation, reimbursement of medical expenses to employees and employer's contribution to Provident Fund etc. However, it does not include the monetary value of the medical treatment provided in the Company's dispensaries/ hospitals at Project sites, since it can not be quantified employees-wise. In addition, the employees are entitled to gratuity/ group insurance in accordance with Company's Rules.

2. None of the employees listed above is related to any Director of the Company

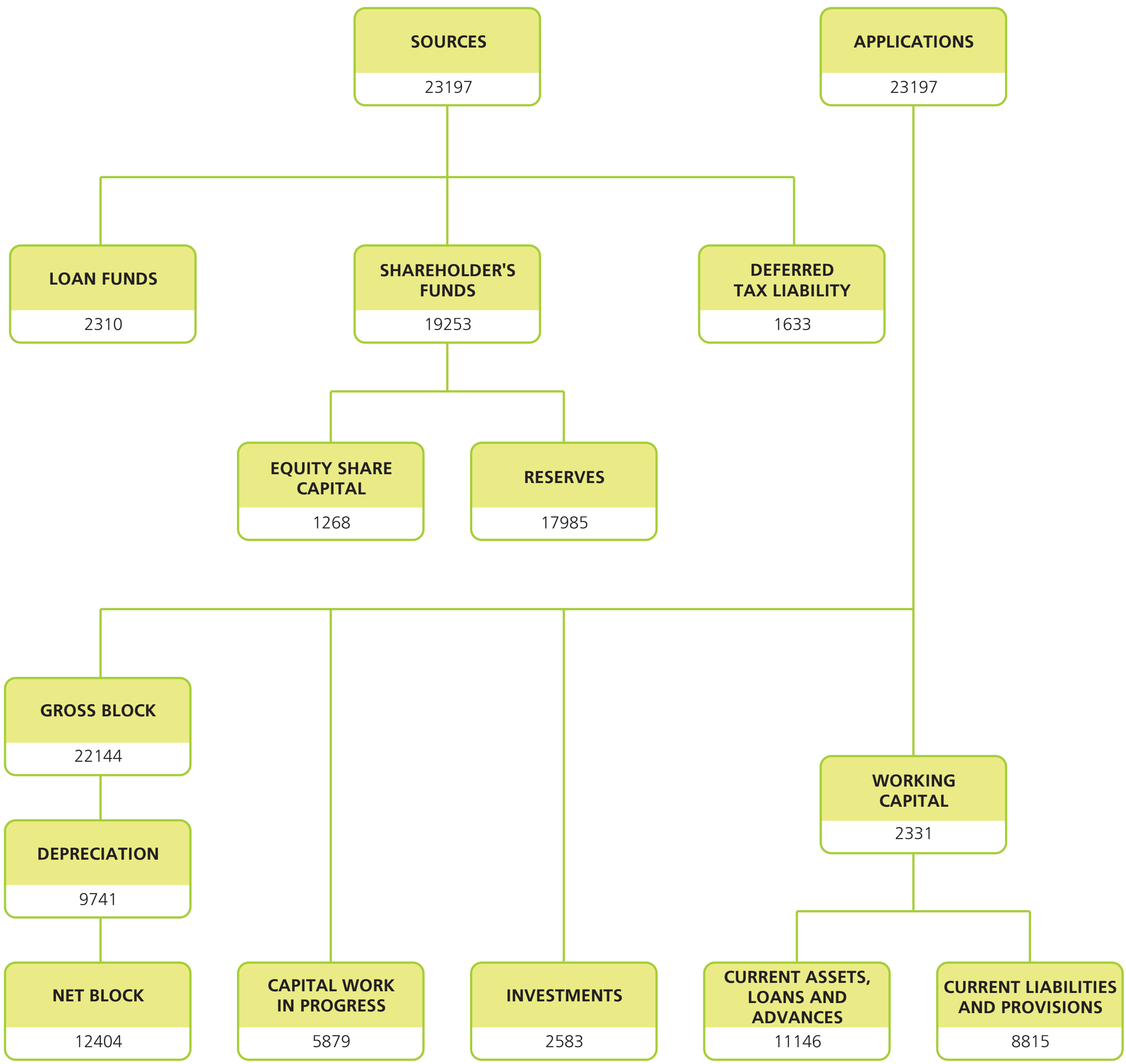
3. Remuneration mentioned above is inclusive of retirement /separation benefits paid during the year and is not indicative of any regular remuneration structure of Directors/ employees of the Company. Further, remuneration does not include the arrears of earlier FY recieved during the FY 2010-11.

4. The nature of employment is contractual in all the above cases.

Five Year Profile

Sources and Application of Funds as at 31st March, 2011

(₹ in crores)



Five Year Profile

(₹ in crores)

(A) FINANCIAL	2006-07	2007-08	2008-09	2009-10	2010-11
PAID-UP CAPITAL	845.65	845.65	1,268.48	1,268.48	**1,268.48**
RESERVES & SURPLUS	10,547.26	12,159.23	13,501.15	15,530.52	**17,984.86**
SECURED LOANS	1,100.00	1,100.00	1,100.00	1,446.00	**2,310.00**
UNSECURED LOANS	237.85	165.87	100.13	34.38	**-**
DEFERRED TAX LIABILITY (NET)	1,318.67	1,319.69	1,325.93	1,389.56	**1,633.24**
	14,049.43	**15,590.44**	**17,295.69**	**19,668.94**	**23,196.58**
REPRESENTED BY :					
GROSS BLOCK	14,932.56	16,957.86	17,603.98	21,037.67	**22,144.38**
LESS : DEPRECIATION	7,478.19	8,024.57	8,553.66	9,106.57	**9,740.81**
NET FIXED ASSETS	**7,454.37**	**8,933.29**	**9,050.32**	**11,931.10**	**12,403.57**
CAPITAL WORK-IN-PROGRESS	1,936.94	816.66	2,426.33	2,330.49	**5,879.17**
INVESTMENTS / ADVANCES FOR INVESTMENT (PENDING ALLOTMENT)	1,463.84	1,490.88	1,737.27	2,073.03	**2,582.52**
NET CURRENT ASSETS	3,194.28	4,349.61	4,081.77	3,334.32	**2,331.32**
MISCELLANEOUS EXPENDITURE	-	-	-	-	**-**
	14,049.43	**15,590.44**	**17,295.69**	**19,668.94**	**23,196.58**
GROSS SALES	16,545.85	18,580.21	24,414.67	25,375.80	**32,907.09**
GROSS MARGIN	3,542.05	4,508.47	4,850.92	5,210.37	**5,973.08**
DEPRECIATION	575.19	573.90	559.90	561.90	**650.23**
PRELIMINARY/DEFERRED REVENUE EXPENSES WRITTEN-OFF	-	-	-	-	**-**
INTEREST	107.08	79.57	87.00	70.00	**82.86**
PROFIT/(LOSS) BEFORE TAX	2,859.78	3,855.00	4,204.02	4,578.47	**5,239.99**
PROFIT/(LOSS) AFTER TAX	2,386.67	2,601.46	2,803.70	3,139.84	**3,561.13**
DIVIDEND INCL. INTERIM DIVIDEND	845.65	845.65	887.93	951.36	**951.36**
CORPORATE DIVIDEND TAX	123.62	143.72	150.90	158.99	**155.32**
INTERNAL GENERATION	2,961.86	3,175.36	3,363.60	3,701.74	**4,211.36**
NET WORTH	11,262.42	12,842.38	14,575.12	16,607.48	**19,054.12**
CAPITAL EMPLOYED IINCLUDING ASSETS UNDER CONSTRUCTION & INVESTMENTS	14,049.43	15,590.44	17,295.69	19,668.94	**23,196.58**

(B)	GAS THROUGHPUT / PRODUCTION	2006-07	2007-08	2008-09	2009-10	2010-11
	NATRUAL GAS (MMSCMD)	77.29	82.10	83.29	106.73	**117.91**
	LPG (M / T)	1026413	1042597	1087986	1099554	**1068156**
	SBP SOLVENT/NAPTHA (M / T)	65469	75126	101493	102479	**111140**
	PENTANE (M / T)	72826	73505	58392	58551	**34523**
	PROPANE (M / T)	178736	155873	152671	179274	**155152**
	ETHYLENE (M / T)	367150	393389	431580	429992	**428444**
	HDPE/LLDPE (M/T)	353921	385593	420108	417147	**416396**
(C)	**FINANCIAL RATIOS**					
	NET WORTH PER RUPEE OF PAID-UP CAPITAL (RS.)	13.32	15.19	11.49	13.09	**15.02**
	BORROWINGS TO NET WORTH (RS)	0.12	0.10	0.08	0.09	**0.12**
	PROFIT BEFORE TAX TO CAPITAL EMPLOYED (%)	20.36	24.73	24.31	23.28	**22.59**
	PROFIT BEFORE TAX TO NET WORTH (%)	25.39	30.02	28.84	27.57	**27.50**
	PROFIT BEFORE TAX TO GROSS SALES (%)	17.28	20.75	17.22	18.04	**15.92**
	PROFIT BEFORE TAX TO GROSS FIXED ASSETS (%)	19.15	22.73	23.88	21.76	**23.66**
	GROSS SALES TO CAPITAL EMPLOYED (%)	117.77	119.18	141.16	129.01	**141.86**
	EARNING PER SHARE (RS.)	28.22	30.76	22.10	24.75	**28.07**
	DIVIDEND PER SHARE (RS.)	10.00	10.00	7.00	7.50	**7.50**
	DIVIDEND PAYOUT RATIO (INCLUDING DIVIDEND TAX)	40.61	38.03	37.05	35.36	**31.08**

Five Year Profile

(In US$ Millions)

(A) FINANCIAL	2006-07	2007-08	2008-09	2009-10	2010-11
PAID-UP CAPITAL	194.00	211.57	248.97	281.01	284.09
RESERVES & SURPLUS	2,419.65	3,042.09	2,649.88	3,440.52	4,027.96
SECURED LOANS	252.35	275.21	215.90	320.34	517.36
UNSECURED LOANS	54.57	41.50	19.65	7.62	-
DEFERRED TAX LIABILITY (NET)	302.52	330.17	260.24	307.83	365.79
TOTAL	**3,223.09**	**3,900.54**	**3,394.64**	**4,357.32**	**5,195.20**
REPRESENTED BY :					
GROSS BLOCK	3,425.68	4,242.65	3,455.15	4,660.54	4,959.55
LESS : DEPRECIATION	1,715.57	2,007.65	1,678.83	2,017.41	2,181.59
NET FIXED ASSETS	**1,710.11**	**2,235.00**	**1,776.31**	**2,643.13**	**2,777.96**
CAPITAL WORK-IN-PROGRESS	444.35	204.32	476.22	516.28	1,316.72
INVESTMENTS / ADVANCES FOR INVESTMENT (PENDING ALLOTMENT)	335.82	373.00	340.98	459.24	578.39
NET CURRENT ASSETS	732.80	1,088.22	801.13	738.66	522.13
MISCELLANEOUS EXPENDITURE	-	-	-	-	-
TOTAL	**3,223.09**	**3,900.54**	**3,394.64**	**4,357.32**	**5,195.20**
GROSS SALES	3,795.79	4,648.54	4,791.89	5,621.58	7,370.01
GROSS MARGIN	812.58	1,127.96	952.09	1,154.27	1,337.76
DEPRECIATION	131.95	143.58	109.89	124.48	145.63
PRELIMINARY/DEFERRED REVENUE EXPENSES WRITTEN-OFF	-	-	-	-	-
INTEREST	24.57	19.91	17.08	15.51	18.56
PROFIT/(LOSS) BEFORE TAX	656.06	964.47	825.13	1,014.28	1,173.57
PROFIT/(LOSS) AFTER TAX	547.53	650.85	550.28	695.58	797.57
DIVIDEND INCL. INTERIM DIVIDEND	194.00	211.57	174.27	210.76	213.07
CORPORATE DIVIDEND TAX	28.36	35.96	29.62	35.22	34.79
INTERNAL GENERATION	679.48	794.44	660.18	820.06	943.19
NET WORTH	2,583.72	3,213.00	2,860.67	3,679.11	4,267.44
CAPITAL EMPLOYED INCLUDING ASSETS UNDER CONSTRUCTION & INVESTMENTS	3,223.09	3,900.54	3,394.64	4,357.32	5,195.20
1. Exchange Rate (Rs/$) - (RBI Reference Rate as on 31st March)	**43.59**	**39.97**	**50.95**	**45.14**	**44.65**

FIVE YEAR PROFILE (CONSOLIDATED)

(₹ in crores)

(A) FINANCIAL	2006-07	2007-08	2008-09	2009-10	2010-11
PAID-UP CAPITAL	845.65	845.65	1,268.48	1,268.48	1,268.48
RESERVES & SURPLUS	10,977.35	12,706.90	14,132.39	16,541.47	19,945.39
SECURED LOANS	3,419.13	3,613.69	3,699.75	4,999.36	6,263.97
UNSECURED LOANS	244.76	173.03	124.46	413.81	640.13
MINORITY INTEREST	-	73.80	166.68	230.22	547.19
DEFERRED TAX LIABILITY (NET)	1,380.02	1,384.76	1,392.52	1,465.04	1,715.12
TOTAL	**16,866.91**	**18,797.83**	**20,784.28**	**24,918.38**	**30,380.28**
REPRESENTED BY :					
GROSS BLOCK	15,697.06	19,364.22	20,106.04	25,164.03	26,605.14
LESS : DEPRECIATION	7,650.36	8,288.45	8,987.41	9,833.61	10,642.94
NET FIXED ASSETS	**8,046.70**	**11,075.77**	**11,118.63**	**15,330.42**	**15,962.20**
CAPITAL WORK-IN-PROGRESS	4,683.72	2,285.89	4,187.89	4,881.84	10,636.79
INVESTMENTS / ADVANCES FOR INVESTMENT (PENDING ALLOTMENT)	966.39	1,022.51	1,025.65	1,065.13	1,236.25
NET CURRENT ASSETS	3,169.14	4,413.66	4,452.11	3,640.99	2,545.04
MISCELLANEOUS EXPENDITURE	0.96	-	-	-	-
TOTAL	**16,866.91**	**18,797.83**	**20,784.28**	**24,918.38**	**30,380.28**
GROSS SALES	17,093.19	19,469.62	25,357.74	27,487.02	35,665.34
GROSS MARGIN	3,812.21	4,916.83	5,232.82	6,032.36	7,064.79
DEPRECIATION	621.60	662.71	718.35	823.43	887.98
PRELIMINARY/DEFERRED REVENUE EXPENSES WRITTEN-OFF	0.02	2.48	2.28	-	-
INTEREST	121.71	149.33	231.21	385.34	377.86
PROFIT/(LOSS) BEFORE TAX	3,068.88	4,102.31	4,280.98	4,823.59	5,798.95
PROFIT/(LOSS) AFTER TAX (GROUP)	2,545.32	2,782.90	2,826.35	3,327.83	4,020.97
DIVIDEND INCL. INTERIM DIVIDEND	845.66	877.49	887.93	951.36	951.36
CORPORATE DIVIDEND TAX	123.62	149.13	150.90	158.99	155.32
INTERNAL GENERATION	3,166.94	3,448.09	3,546.98	4,151.26	4,908.95
NET WORTH	11,691.55	13,368.72	15,109.61	17,300.27	20,130.17
CAPITAL EMPLOYED IINCLUDING ASSETS UNDER CONSTRUCTION & INVESTMENTS	16,865.95	18,797.83	20,784.28	24,918.38	30,380.28

FIVE YEAR PROFILE (CONSOLIDATED)

(In US$ Millions)

(A) FINANCIAL	2006-07	2007-08	2008-09	2009-10	2010-11
PAID-UP CAPITAL	193	210	246	278	280
RESERVES & SURPLUS	2,503	3,162	2,741	3,622	4,410
SECURED LOANS	780	899	718	1,095	1,385
UNSECURED LOANS	56	43	24	91	142
MINORITY INTEREST	-	18	32	50	121
DEFERRED TAX LIABILITY (NET)	315	345	270	321	379
TOTAL	**3,846**	**4,677**	**4,032**	**5,456**	**6,717**
REPRESENTED BY :					
GROSS BLOCK	3,579	4,818	3,900	5,510	5,882
LESS : DEPRECIATION	1,744	2,062	1,743	2,153	2,353
NET FIXED ASSETS	**1,835**	**2,756**	**2,157**	**3,357**	**3,529**
CAPITAL WORK-IN-PROGRESS	1,068	569	812	1,069	2,352
INVESTMENTS / ADVANCES FOR INVESTMENT (PENDING ALLOTMENT)	220	254	199	233	273
NET CURRENT ASSETS	723	1,098	864	797	563
MISCELLANEOUS EXPENDITURE	0	-	-	-	-
TOTAL	**3,846**	**4,677**	**4,032**	**5,456**	**6,717**
GROSS SALES	3,897	4,844	4,919	6,019	7,885
GROSS MARGIN	869	1,223	1,015	1,321	1,562
DEPRECIATION	142	165	139	180	196
PRELIMINARY/DEFERRED REVENUE EXPENSES WRITTEN-OFF	0	1	0	-	-
INTEREST	28	37	45	84	84
PROFIT/(LOSS) BEFORE TAX	700	1,021	830	1,056	1,282
PROFIT/(LOSS) AFTER TAX (GROUP)	580	692	548	729	889
DIVIDEND INCL. INTERIM DIVIDEND	193	218	172	208	210
CORPORATE DIVIDEND TAX	28	37	29	35	34
INTERNAL GENERATION	722	858	688	909	1,085
NET WORTH	2,666	3,326	2,931	3,788	4,451
CAPITAL EMPLOYED INCLUDING ASSETS UNDER CONSTRUCTION & INVESTMENTS	3,845	4,677	4,032	5,456	6,717
# INR Converted in US$ at the exchange rate prevalent on 31st March of respective financial year	**43.86**	**40.19**	**51.55**	**45.67**	**45.23**

Annual Accounts

Auditors' Report to the Shareholders of GAIL (India) Limited

1. We have audited the attached Balance Sheet of GAIL (India) Limited as at 31st March, 2011, the Profit and Loss Account and Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c) The Balance Sheet and Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   e) Disclosure in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 is not required as per notification no. GSR 829(E) dated October 21, 2003 issued by the Department of Company Affairs.

   f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the significant accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;

      ii. in the case of the Profit & Loss Account, of the profit for the year ended on that date ; and

      iii. in the case of the Cash Flow Statement, of the cash flow of the company for the year ended on that date.

For M.L.Puri & Co.
Chartered Accountants
Firm No:002312 N

Navin Bansal
Partner
Membership No. 91922

Place : New Delhi
Dated : May 23, 2011

For Rasool Singhal & Co.
Chartered Accountants
Firm No. : 500015 N

Anil Gupta
Partner
Membership No. 072767

Place : New Delhi
Dated : May 23, 2011

Annexure to the Auditor's Report

The Annexure referred to in the auditor's report to the shareholders of GAIL (India) Limited for the year ended March 31, 2011. We report that :

(i) (a) The company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) According to the information and explanation given to us, there is a regular programme of verification of fixed assets which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.

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

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

In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.

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

(iii) The Company has neither granted nor taken any loans secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

(iv) In our opinion, and according to information and explanations given to us, there are adequate internal control procedures to commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.

(v) On the basis of our examination of the books of accounts, and as per information and explanation given to us, the company has not made any transactions in respect of any party during the financial year that needs to be entered in the register pursuant to the section 301 of the Companies Act, 1956.

(vi) The company has not accepted any deposits from the public during the year covered under section 58A and 58AA or any other relevant provision of the Companies Act, 1956.

(vii) In our opinion, the company's internal audit system is commensurate with its size and nature of its activities.

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

(ix) (a) According to the records of the company, the company is generally regular in depositing undisputed statutory dues including Provident fund, Investor Education and Protection Fund, Employees' State Insurance, Sales tax, Wealth tax, Service Tax, Custom duty, Excise duty, cess and any other statutory dues with the appropriate authorities. According to the information and explanation given to us, no undisputed amounts payable in respect of Sales tax, Service Tax, Custom duty, Excise duty and other statutory dues were outstanding at the year end for a period of more than six months from the date they become payable.

(b) As certified by the Management on which we have relied upon, the dues of Excise Duty, Custom Duty, Entry Tax, Sales Tax and other Taxes which have not been deposited on account of disputes and the forum where the dispute is pending, are given below:

(₹ in Crores)

Sl. No.	Statute		Subject Matter of Dispute	Amount	Period of Dispute	Status - Forum
1	Entry Tax	(a)	Entry Tax on Market Value of Natural Gas instead of its Purchase Price (Including Interest)	300.58	1999-2008	Allahabad High Court, Trade tax Tribunal & Additional / Joint Commissioner-Appeals
		(b)	Rajasthan Entry Tax Demand	0.65	2005-06	Dy. Commissioner, Appeals, Kota
2	Sales Tax	(a)	Non-acceptance of declaration form for concessional sales tax	0.16	1995-96 & 1996-97	Additional Commissioner Appeals, Commercial Tax, Gwalior
		(b)	Sales Tax demand as per assessment order of 2005-06 and 2006-07	3.00	2005-06 & 2006-07	Additional Commissioner- Appeal Noida
		(c)	CST demand on Transmission charges with penalty & interest thereon	0.48	2005-06 and 2006-07	Andhra Pradesh High Court
		(d)	Demand on account of LPG subsidy discount and treating domestic LPG as non-domestic	69.57	2006-2007	Joint Commissioner- Appeals, Vadodara
		(e)	Interest for delay for sales tax assessment	0.54	2003-2004	Dy. Commissioner, Sales Tax, Mumbai
		(f)	Demand for non submission of C Forms and rejection of HPL swap in transit sale	0.94	Apr. 2004 to June 2004	Appellate & Revisional Bench, West Bengal
3	Excise	(a)	LPG valuation Dispute	15.04	Jan 2001 to Feb 2005	CESTAT Mumbai
		(b)	Dispute on Pentane Classification	83.57	Mar. 2000 to Feb 2002 & Aug.2005 to Jul 2009	CESTAT New Delhi & CESTAT Ahmedabad
		(c)	Dispute on MFO Classification	42.94	July 2004 to May 2009	CESTAT Ahemdabad
4	Service Tax	(a)	Demand of differential service tax based on returns for the period from Oct 06 to Mar 07	0.12	Oct.2006 to Mar.2007	CESTAT Ahemdabad
		(b)	Demand raised denying refund claim allowed to GAIL for service tax on compression charges	0.26	Sep.2007	CESTAT Ahemdabad
		(c)	Demand raised by denying Cenvat & service tax credit taken at Hazira	6.94	May 2005 to Mar.2010	CESTAT Ahemdabad
5	Other taxes		Notified Area tax & GIDC tax on revised value. (incl. interest)	3.28	1985-86 to 2008-09	Ahmedabad High Court

(x) The company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedure and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to a financial institution, bank and debenture holders.

(xii) In our opinion, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities other than to its employees. In our opinion, the company has maintained adequate documents and records in respect of such loans.

(xiii) The company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, clause 4(xiii) of the order not applicable.

(xiv) According to the information and explanation given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4 (xiv) of the order is not applicable.

(xv) According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks and financial institutions during the year.

(xvi) On the basis of review of utilization of funds pertaining to term loans on overall basis and related information as made to us, the term loans taken by the company have been utilized for the purposes for which they are obtained.

(xvii) According to the information and explanation given to us, company has not raised any short term loan during the year.

(xviii) The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company has issued debentures(bonds) during the year. According to information and explanations given to us, the Company has created necessary charges as per debenture (bond) trust deed in respect of debentures(bonds) issued during the year.

(xx) During the year no money has been raised by public issues.

(xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For M. L. Puri & Co.
Chartered Accountants
Firm No. : 002312 N

Navin Bansal
Partner
Membership No. 91922

Place : New Delhi
Dated : May 23, 2011

For Rasool Singhal & Co.
Chartered Accountants
Firm No. : 500015 N

Anil Gupta
Partner
Membership No. 072767

Place : New Delhi
Dated : May 23, 2011

Balance Sheet as at 31st March, 2011

(₹ in Crores)

	SCHEDULE No.		AS AT 31st March 2011		AS AT 31st March 2010
SOURCES OF FUNDS					
Shareholder's Funds					
Capital	1	**1,268.48**		1,268.48	
Reserves and Surplus	2	**17,984.86**	**19,253.34**	15,530.52	16,799.00
Loan Funds	3				
Secured Loans		**2,310.00**		1,446.00	
Unsecured Loans		**0.00**	**2,310.00**	34.38	1480.38
Deferred Tax Liability (Net)			**1,633.24**		1,389.56
			23,196.58		19,668.94
APPLICATION OF FUNDS					
Fixed Assets	4				
Gross Block		**22,144.38**		21,037.67	
Less : Depreciation		**9,740.81**		9,106.57	
Net Block		**12,403.57**		11,931.10	
Capital Work in Progress	5	**5,879.17**	**18,282.74**	2,330.49	14,261.59
Investments	6		**2,035.74**		1,763.01
Advances for Investments (Pending Allotment)	6A		**546.78**		310.02
Carried Forward			**20,865.26**		16,334.62

(₹ in Crores)

	SCHEDULE No.		AS AT 31st March 2011		AS AT 31st March 2010
Brought Forward			**20,865.26**		16,334.62
Current Assets, Loans and Advances	7				
Inventories		**855.11**		631.70	
Sundry Debtors		**1,905.90**		1,295.04	
Cash and Bank Balances		**2,131,35**		4,171.51	
Other Current Assets		**3.59**		8.26	
Loans and Advances		**6,250.24**		7,606.18	

		11,146.19		13,712.69	
Less : Current Liabilities and Provisions	8				
Current Liabilities		**4,754.37**		5,448.31	
Provisions		**4,060.50**		4.930.06	

		8,814.87		10,378.37	
Net Current Assets			2,331.32		3,334.32
TOTAL			**23,196.58**		**19,668.94**

Contingent Liabilities not provided for (Refer Schedule 14)

Notes on Accounts 14

Schedules 1 to 14 and Accounting Policies form part of Accounts

N. K. Nagpal
Secretary

P. K. Jain
Director (Finacne)

R. D. Goyal
Director (Projects)

B. C. Tripathi
Chairman & Managing Director

As per our separate Report of even date

For M/S M L Puri & Co.
Chartered Accountants
Firm No. 02312 N

Navin Bansal
(Partner)
Membership No. 91922

For M/S Rasool Singhal & Co.
Chartered Accountants
Firm No. 500015 N

Anil Gupta
(Partner)
Membership No. 072767

Place : New Delhi
Dated : May 23, 2011

Profit & Loss Account for the Year Ended 31st March, 2011

(₹ in Crores)

	SCHEDULE NO.			YEARS ENDED 31st MARCH, 2011			YEARS ENDED 31st MARCH, 2010
INCOME							
Sales		**31,060.04**			24,017.72		
Less : Excise Duty		**448.45**			379.40		
			30,611.59			23,638.32	
LPG Transmission / RLNG Shippers Charges			**1,840.66**			1,345.66	
Income from Telecom			**6.39**			12.42	
			32,458.64			24,996.40	
Add : Accretion to Stock							
Closing Stock		**392.74**			260.25		
Less : Opening Stock		**260.25**	**132.49**		239.66	20.59	
				32,591.13			25,016.99
Other Income	9			**518.58**			541.10
TOTAL				**33,109.71**			25,558.09
EXPENDITURE							
Purchase of Gas for trading				**21,576.97**			14,461.85
Gas Pool				**428.94**			968.18
Manufacturing, Transmission, Administration, Selling & Distribution and other Expenses	10		**5,150.98**			4,938.76	
Depreciation	4		**650.29**			561.82	
			5,801.27			5,500.58	
Less : Expenditure during construction period transferred to Capital Work-in-Progress	11		**37.52**	**5,763.75**		20.64	5,479.94
TOTAL				**27,769.66**			20,909.97
Profit before Interest and Finance Charges				**5,340.05**			4,648.12
Interest and Finance Charges	12		**118.66**			82.97	
Less : Interest and Finance Charges transferred to Capital Work-in-Progress	11		**35.80**	**82.86**		12.97	70.00
Profit for the year	**Carried Forward**			**5,257.19**			4,578.12

(₹. in Crores)

	SCHEDULE NO.		YEARS ENDED 31st MARCH, 2011		YEARS ENDED 31st MARCH, 2010
Brought Forward			**5,257.19**		4,578.12
Less : Prior Period Adjustments (Net)	13		**17.20**		(0.35)
Profit before Tax			**5,239.99**		4,578.47
Provision for Taxation - Current		**1,435.18**		1,375.00	
(Includes Wealth Tax ₹ 2.00 Previous Year: 1.00)					
- Deferred		**243.68**	**1678.86**	63.63	1,438.63
Profit after Tax			**3,561.13**		3,139.84
Amount available for appropriation			**3,561.13**		3,139.84
APPROPRIATIONS					
Interim Dividend			**253.70**		253.70
Proposed Final Dividend			**697.66**		697.66
Corporate Dividend Tax			**155.32**		158.99
Transfer from Bond Redemption Reserve			**(30.00)**		(30.00)
Transfer to Bond Redemption Reserve			**37.81**		27.13
General Reserve			**356.00**		314.00
Balance Carried to Balance Sheet			**2,090.64**		1,718.36
TOTAL			**3,561.13**		3,139.84
Details of Earning Per Share					
A. Profit after tax			**3,561.13**		3,139.84
B. Weighted Average No. of Equity Shares			**1,268,477,400**		1,268,477,400
C. Nominal Value per Equity Share (₹)			**10/-**		10/-
D. Basic and Diluted Earning Per Share (₹)			**28.07**		24.75
Notes on Accounts	14				
Schedules 1 to 14 and Accounting policies form part of Accounts					

N. K. Nagpal
Secretary

P. K. Jain
Director(Finance)

R. D. Goyal
Director(Projects)

B. C. Tripathi
Chairman & Managing Director

As per our separate Report of even date

For M/s M L Puri & Co.
Chartered Accountants
Firm No: 02312N

Navin Bansal
(Partner)
Membership No. 91922

For M/s Rasool Singhal & Co.
Chartered Accountants
Firm No: 500015N

Anil Gupta
(Partner)
Membership No. 072767

Place : New Delhi
Dated : May 23, 2011

Schedule 1 - Share Capital

(₹ in Crores)

	AS AT 31st MARCH, 2011	AS AT 31st MARCH, 2010
AUTHORISED		
200,00,00,000 (Previous Year 200,00,00,000) Equity Shares of ₹ 10/- each	**2,000.00**	2,000.00
ISSUED, SUBSCRIBED AND PAID-UP		
126,84,77,400 (Previous Year : 126,84,77,400) Equity Shares of ₹ 10/- each fully paid up.	**1,268.48**	1,268.48
TOTAL	**1,268.48**	1,268.48

Schedule 2 - Reserves and Surplus

(₹ in Crores)

	AS AT 31st MARCH, 2011		AS AT 31st MARCH, 2010	
Capital Reserve				
(Grant Received from Danish Govt. for construction of Gas Technology Institute at Noida)				
As per Last Account	**1.62**		1.74	
Less : Transferred to Profit & Loss Account	**0.11**	**1.51**	0.12	1.62
Share Premium Account		**0.27**		0.27
Investment Allowance (Utilised) Reserve				
As per Last Account	**19.11**		19.11	
Less : Transferred to General Reserve	**1.24**	**17.87**		19.11
Bonds Redemption Reserve				
As per Last Account	**189.90**		192.77	
Add : Transferred from Profit & Loss Account	**37.81**		27.13	
Less : Transfer to Profit & Loss Account	**(30.00)**		(30.00)	
		197.71		189.90
General Reserve				
As per Last Account	**2,311.68**		1,997.68	
Add : Transferred from Investment Allowance(Utilised) Reserve	**1.24**		0.00	
Add : Transferred from Profit & Loss Account	**356.00**		314.00	
		2668.92		2311.68
Profit and Loss Account				
As per Last Account	**13,007.94**		11,289.58	
Add : Transferred from Profit & Loss Account	**2,090.64**		1,718.36	
		15,098.58		13,007.94
TOTAL		**17,984.86**		**15,530.52**

Schedule 3- Loan Funds

(₹ in Crores)

	AS AT 31st MARCH, 2011	AS AT 31st MARCH, 2010
SECURED LOANS		
Bonds Series - I	**500.00**	500.00
(6.10% Secured Non-convertible redeemable Bonds -Series - I are redeemable in 5 equal installment commencing from the end of the 8th year upto the end of the 12th year from the deemed date of allotment August 22, 2003.) (Bonds are secured on pari pasu basis, by charge on freehold non agricultural land at villege Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery, spares, tools and accessories and other movables of the company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plantand Vadodra plant both present and future and whether installed or not and lying or in store)		
Bonds Series - II	**360.00**	480.00
(5.85% Secured Non-convertible redeemable Bonds -Series - II are redeemable in 5 equal installment commencing from the end of the 6th year upto the end of the 10th year from the deemed date of allotment March 25, 2004).(Bonds are secured on pari pasu basis, by charge on freehold non agricultural land at villege Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery, spares, tools and accessories and other movables of the company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plant, DUPL projects and Vadodra plant both present and future and whether installed or not and lying or in store)		
Board 2010 Series - I	**500.00**	0.00
(8.80% Secured Non-convertible redeemable Bonds 2010 -Series - I are redeemable in 4 equal installment commencing from the end of the 7th year upto the end of the 10th year from the deemed date of allotment December 13, 2010 with a call option at the end of the 7th year).(Bonds are secured on pari pasu basis, by charge on freeh old non agricultural land at villege Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery, spares, tools and accessories and other movables of the company pertaining to its projects at Vijaipur Dadri Pipeline Projects both present and future and whether installed or not and lyng or in store)		

(₹ in Crores)

	AS AT 31st MARCH, 2011		AS AT 31st MARCH, 2010	
Oil Industry Development Board	**950.00**		466.00	
(Secured by Hypothecation by way of first charge on whole pipeline, spur lines, plant & machinery, spares, equipments, tools & accessories and other movables both present & future, whether installed or not and whether now lying loose or in cases or which are now lying or stored in or about or shall hereinafter from time to time during the continuance of the security of these presents be brought into or upon or be stored or be in or about the Borrower's project of Chainsa-Jhajjar-Hissar Pipeline including spur lines or wherever else the same may be or be held by any party to the order or disposition of the borrower or in the course of transit or on high seas or on order or delivery, howsoever or wheresoever in the possession of borrower and either by way of substitution or addition)	----------	**2,310.00**	----------	1,446.00
UNSECURED LOANS				
Other Loans and Advances				
- Oil Industry Development Board		**0.00**		34.38
(₹ Nil (Previous Year : 34.38) due for payment within one year)				
TOTAL		**2,310.00**		1,480.38

Schedule 4 - Fixed Assets (Tangible / Intangible Assets)

(₹ in Crores)

DESCRIPTION	GROSS BLOCK			(AT COST)	DEPRECIATION				NET BLOCK	
Tangible Assets (A)	As at 1.4.2010	Additions/ Adjustments during the year	Sales / Adjustments during the year	As at 31.03.2011	Upto 31.3.2010	For the Year	Adjustments during the year	As at 31.03.2011	As at 31.03.2011	As at 31.3.2010
Land : Freehold	80.36	16.86	0.18	97.04	-	-	-	-	97.04	80.36
Leasehold	78.49	(0.13)	-	78.36	8.55	0.70	0.01	9.26	69.10	69.94
Building : Office/Others	399.04	19.74	-	418.78	122.71	10.87	0.10	133.68	285.10	276.33
Residential	262.15	1.62	-	263.77	61.92	5.50	(0.01)	67.41	196.36	200.23
Bunk Houses	1.80	0.37	0.02	2.15	1.61	0.10	(0.02)	1.69	0.46	0.19
Plant and Machinery	19,528.05	1000.89	3.45	20,525.49	8,622.88	596.95	(1.73)	9,218.10	11,307.39	10,905.17
Railway Lines & Sidings	5.48	(0.00)	0.01	5.47	5.01	0.16	(0.01)	5.16	0.31	0.47
Electrical Equipments	143.73	20.60	1.84	162.49	67.63	7.93	(1.11)	74.45	88.04	76.10
Furniture, Fixtures and other Equipments	295.70	48.48	15.19	328.99	172.44	24.37	(13.11)	183.70	145.29	123.26
Transport Equipments	2.46	0.04	-	2.50	1.94	0.11	0.01	2.06	0.44	0.52
E&P Assets										
Producing Property	-	-	-	-		-	-	-	-	
Support Equipment & Facilities	1.65	-	-	1.65	0.37	0.09	-	0.46	1.19	1.28
TOTAL (A)	**20,798.91**	**1,108.47**	**20.69**	**21,886.69**	**9,065.06**	**646.78**	**(15.87)**	**9,695.97**	**12,190.72**	**11,733.85**
Intangible Assets (B)										
Right of Use *	190.52	16.23	-	206.75	-	-	-	-	206.75	190.52
Softwares / Licences	48.24	3.00	0.30	50.94	41.51	3.51	(0.18)	44.84	6.10	6.73
TOTAL (B)	**238.76**	**19.23**	**0.30**	**257.69**	**41.51**	**3.51**	**(0.18)**	**44.84**	**212.85**	**197.25**
TOTAL (A+B)	**21,037.67**	**1,127.70**	**20.99**	**22,144.38**	**9,106.57**	**650.29**	**(16.05)**	**9,740.81**	**12,403.57**	**11,931.10**
Previous Year	17,603.98	3,448.34	14.65	21,037.67	8,553.66	561.82	(8.91)	9,106.57	11,931.10	9,050.32

* Right of use for laying pipelines is a prepetual right of use of land but does not bestow upon the comp, the ownership of land and hence, treated as intangible asset. However, no amortistion is provided on the same, being perpetual in nature.

Schedule 5 - Capital Work-in-Progress

(₹ in Crores)

		AS AT 31st MARCH, 2011		AS AT 31st MARCH, 2010
A. Plant & Machinery				
Linepipe Construction and related facilities including Cathodic Protection and Dispatch Terminals	**3,230.09**		**724.97**	
Less : Provision for linepipe & related facilities	**11.44**	**3,218.65**	-	724.97
Compressor Stations		**20.97**		2.62
Telecom/Telesupervisory System		**6.08**		1.76
LPG Pipeline Project		**5.02**		1.07
LPG Projects		**0.70**		0.55
Petrochemicals		**103.13**		22.67
Telecom Project		**-**		0.01
Others		**144.17**		35.27
Exploratory Well in Progress		**340.44**		310.37
Development Well in Progress		**90.49**		63.14
B. Buildings	**7.64**		1.48	
Less : Provision for abandonment of Work in Progress	**0.34**	**7.30**	0.34	1.14
C. Linepipes, Capital Items in Stock/Transit	**1,909.47**		1,133.02	
Less : Provision for losses/obsolescence	**0.27**	**1,909.20**	0.01	1,133.01
D. Advance for Capital Expenditure				
(Unsecured - Considered Good)	**33.02**		33.91	
(Unsecured - Considered Doubtful)	**1.77**		1.80	
	34.79		35.71	
Less : Provision for Doubtful Advances	**1.77**	**33.02**	1.80	33.91
TOTAL		**5,879.17**		**2,330.49**

Schedule 6 - Investments

(₹ in Crores)

	AS AT 31st MARCH, 2011	AS AT 31st MARCH, 2010
I. LONG-TERM INVESTMENTS		
1. Trade Investments **Quoted * -**		
a) In Joint Venture Companies:		
3,15,00,000 (Previous Year : 3,15,00,000) Equity Shares of ₹ 10/- each fully paid-up in Indraprastha Gas Ltd.	31.50	31.50
9,37,50,000 (Previous Year : 9,37,50,000) Equity Shares of ₹10/- each fully paid up in Petronet LNG Ltd. (includes 1,00,00,000 equity shares alloted at a premium of ₹ 5/- per share	98.75	98.75
b) In Associate Company		
21,00,00,000 (Previous Year : 21,00,00,000) Equity Shares of HK$ 0.01/- each fully paid up in China Gas Holdings Ltd.China, acquired at a premium of HK$ 1.148 / share	136.32	136.32
c) In Government of India Bonds		
7 % Oil Companies GOI Special Bonds 2012 (Alloted in lieu of claims pending with Oil Co-ordination Committee)	9.59	9.59
d) Others		
570,600 (Previous Year : 570,600) Equity Shares of ₹10/-each fully Paid-up in Gujarat Industries Power Co. Ltd. (includes 1,90,200 Equity Shares acquired during the year 1996-97 at a premium of ₹15/- per share)	0.86	0.86
205601068 (Previous Year : 51400267) Equity Shares of ₹ 5/-each fully paid up in ONGC Ltd. (Acquired 3,42,66,845 shares of ₹10/-each during 1999-2000 at a price of ₹162.34 per Share,1,71,33,422 bonus shares of ₹10/- each received during 2006-07. During the year 2010-11, 5,14,00,267 Equity shares of ₹10/- each were splitted into Equity shares of ₹ 5/- each and bonus issue of 1:1 equity shares of ₹ 5/- each after split received during 2010-11)	556.29	556.29
* Aggregating market value of the above mentioned quoted securities ₹ 8557.39 (Previous Year : ₹ 7580.53) (includes cost where market price not available)		
Carried Forward	**833.31**	**833.31**

		AS AT 31st MARCH, 2011 (₹ in Crores)		AS AT 31st MARCH, 2010 (₹ in Crores)
Brought Forward		**833.31**		**833.31**
Unquoted - At cost				
a) In Subsidiary Company				
21,00,000 (Previous Year : 21,00,000) Equity Shares of USD 1 each fully paid up in GAIL Global (Singapore) Pte. Ltd. incorporated in Singapore (100% subsidiary company)		9.64		9.64
227260073 (Previous Year : 18,43,60,083) Equity Shares of ₹ 10/- each fully paid up in Brahmaputra Cracker & Polymer Ltd.		227.26		184.36
117170000 (Previous Year : 3,13,00,000) Equity Shares of ₹ 10/- each fully paid up in GAIL Gas Ltd.		117.17		31.30
b) In Joint Venture Companies				
4,44,50,000 (Previous Year : 4,44,50,000) Equity shares of ₹ 10/- each fully paid up in Mahanagar Gas Ltd.		44.45		44.45
12,500 (Previous Year : 12,500) Equity shares of ₹ 10/- each fully paid up in Bhagyanagar Gas Ltd.		0.01		0.01
1,50,00,000 (Previous Year : 1,35,00,000) Equity shares of ₹ 10/- each fully paid up in Central UP Gas Ltd.		15.00		13.50
12,500 (Previous Year : 12,500) Equity shares of ₹ 10/- each fully paid up in Green Gas Ltd.		0.01		0.01
2,25,00,000 (Previous Year : 2,25,00,000) Equity shares of ₹ 10/- each fully paid up in Maharastra Natural Gas Ltd.		22.50		22.50
69,29,00,000 (Previous Year :59,29,00,000) Equity shares of ₹ 10/- each fully paid up in Ratnagiri Gas Power Project Ltd		692.90		592.90
12,500 (Previous Year :12,500) Equity shares of ₹ 10/- each fully paid up in Avantika Gas Ltd.		0.01		0.01
55,000 (Previous Year :55,000) Equity shares of ₹ 100/- each fully paid up in Tripura Natural Gas Company Ltd.		0.55		0.55
c) In Associate Companies				
2,07,60,000 (Previous Year : 2,07,60,000) Equity Shares of ₹ 10/- each fully paid-up in Gujrat State Energy Generation Ltd.		20.76		20.76
19,000 (Previous Year : 19,000) Equity shares of LE 100/- each fully paid up in Fayum Gas Company registered in Egypt.		8.10		8.10
2,20,000 (Previous Year : 2,20,000) Equity Shares of LE 10/- each fully paid up in Shell Compressed Natural Gas Company, Egypt registered in Egypt.	1.61		1.61	
Less: Provision for Diminution (Refer note no. 22)	0.44 ---------	1.17	- ---------	1.61
Carried Forward		**1,992.84**		**1,763.01**

(₹ in Crores)

		AS AT 31st MARCH, 2011		AS AT 31st MARCH, 2010
Brought Forward		1,992.84		1,763.01
2. Non Trade Investments - Others				
Unquoted - At cost				
i). 30 Shares (Previous Year : 30)of ₹ 50 each fully paid up in Darpan Co-operative Housing Society Ltd., Vadodara	-		-	
ii). 50 Shares (Previous Year : 50)of ₹ 50 each fully paid up in Ashoka Apartments Co-operative Housing Society Ltd., Vadodara	-		-	
iii). 400 Shares (Previous Year : 400)of ₹ 10 each fully paid up in Sanand Members Association, Ahmedabad.	-		-	
iv). 35 Shares (Previous Year : 35)of ₹ 50/-each fully paid up in Green Field (B) Co-operative Housing Society Ltd., Mumbai	-		-	-
v). 8347 Equity shares of USD 1/- each fully paid up in South East Asia Gas Pipeline Ltd. registered in Hongkong.	42.90	42.90		0.00
	---------		------	
TOTAL I :		**2,035.74**		**1,763.01**

Schedule 6A - Advances for Investments (Pending Allotment)

(₹ in Crores)

		AS AT 31st MARCH, 2011	AS AT 31ST MARCH, 2010
Joint Venture Companies			
i).	Bhagyanagar Gas Ltd.	22.49	22.49
ii).	Tripura Natural Gas Ltd.	0.28	0.28
iii).	Green Gas Ltd.	23.03	23.03
iv).	Maharashtra Natural Gas Ltd.	-	-
v).	Avantika Gas Ltd.	22.49	22.49
vi).	Ratnagiri Gas & Power Pvt. Ltd.	-	100.00
vii).	Central UP Gas Ltd.	-	1.50
viii).	ONGC Petro Additions Ltd (OPAL)	299.41	113.83
Subsidiary Companies			
i).	Brahmaputra Cracker and Polymer Ltd.	160.30	-
ii).	GAIL Gas Ltd.	18.78	26.40
	TOTAL	**546.78**	**310.02**

Schedule 7 - Current Assets, Loans and Advances

(₹ in Crores)

		AS AT 31st MARCH, 2011				AS AT 31st MARCH, 2010
A. CURRENT ASSETS						
INVENTORIES						
(As taken, valued and certified by the Management)						
Stores and Spares *	422.56			323.53		
Less : Provision for Losses / Obsolescence	1.75			1.77		
		420.81			321.76	
Construction Surplus - Capital / Stores	64.01			80.16		
Less : Provision for Losses/Obsolescence	22.45			30.47		
		41.56			49.69	
Stock of Gas**/Polymers / LPG and Other Products		392.74	855.11		260.25	631.70
(including ₹ 3.26 Cr (Previous Year : ₹ 2.94) stock in process)						
* includes ₹ 44.62 (Previous Year : ₹ 21.03) in transit.						
**after adjustment of calorific value						
SUNDRY DEBTORS						
Debts outstanding for a period exceeding six months						
- Unsecured, Considered Good	239.40			101.54		
- Unsecured, Considered Doubtful	152.52	391.92		152.87	254.41	
Other Debts						
- Unsecured, Considered Good	1,666.50			1,193.50		
- Unsecured, Considered Doubtful	-	1,666.50			1,193.50	
		2,058.42			1,447.91	
Less : Provision for Doubtful debts		152.52	1,905.90		152.87	1,295.04
CASH AND BANK BALANCES						
Cash in hand	0.25			0.18		
Cheques/ Stamps in hand	0.46			0.48		
		0.71			0.66	
BANK BALANCES (SCHEDULED BANKS)						
On Current Account (includes Corporate Liquid Term Deposit ₹ 189.80 (Previous Year : ₹ 90.25))	227.02			118.40		
On Current Account -Dividend Payable	2.71			2.67		
On Short Term Deposit	1,150.69			1,480.66		
On Short Term Deposit -Gas Pool Money (includes interest accrued but not due ₹ 18.23 (Previous Year : ₹ 39.48)	706.47			2,498.40		
On Short Term Deposit -CSR (includes interest accrued but not due ₹ 0.00 (Previous Year : ₹ 0.07))	0.00			10.79		
On Short Term Deposit -JV Consortium (includes interest accrued but not due ₹ 0.70 (Previous Year : ₹ 0.89) (Refer Note No. 5 of Notes to Accounts)	43.75	2,130.64	2,131.35	59.93	4,170.85	4,171.51
OTHER CURRENT ASSETS						
Interest accrued but not due (Including on investments of ₹ 0.04 (Previous Year : ₹ 0.04)			3.59			8.26
Carried Forward			4,895.95			6,106.51

(₹ in Crores)

			AS AT 31st MARCH, 2011			AS AT 31st MARCH, 2010
Brought Forward			**4,895.95**			6,106.51
B. LOANS AND ADVANCES						
Loans/Advances to Subsidiaries (Unsecured, Considered Good) GAIL Global (Singapore) PTE. LTD., (100% subsidiary company incorporated in Singapore) (Includes interest accrued ₹ 0.77 (Previous Year : ₹ 1.36)	**57.69**			66.83		
Loans to Employees						
- Secured, Considered Good	**156.72**			159.86		
- Unsecured, Considered Good (including dues from Directors ₹ 0.10 (Previous Year : ₹ 0.16)) (Maximum amount due at any time during the year : ₹ 0.25) (Previous Year : ₹ 0.22)	**31.74**			18.56		
Others (Unsecured, Considered Good)	**0.03**	**246.18**		0.03	245.28	
Advances recoverable in cash or in kind or for value to be received						
- Unsecured, Considered Good (includes ₹ 1323.66 (Previous Year :1260.30) paid / adjusted against Income tax demand)	**2,639.98**			2,943.09		
- Unsecured, Considered Doubtful	**4.85**			1.13		
	2,644.83			2,944.22		
Less : Provision for Doubtful Advances	**4.85**	**2,639.98**		1.13	2,943.09	
Advance tax / TDS		**3,184.25**			4,282.16	
Claims Recoverable						
- Unsecured, Considered Good	**60.03**			59.01		
- Unsecured, Considered Doubtful	**4.22**			3.83		
	64.25			62.84		
Less : Provision for doubtful claims	**4.22**	**60.03**		3.83	59.01	
Deposits with Customs, Port Trust and Others						
- Unsecured, Considered Good	**119.80**			76.64		
- Unsecured, Considered Doubtful	**0.45**			0.45		
	120.25			77.09		
Less : Provision for doubtful claims	**0.45**	**119.80**	**6,250.24**	0.45	76.64	7,606.18
TOTAL			**11,146.19**			13,712.69

Schedule 8 - Current Liabilities and Provisions

(₹ in Crores)

	AS AT 31st MARCH, 2011		AS AT 31st MARCH, 2010	
A. CURRENT LIABILITIES				
Sundry Creditors (includes ₹ 43.74 (Previous Year : ₹ 59.93) payable to JV consortium)	2,543.39		2,031.77	
Deposits/Retention Money from Contractors and others	343.13		256.72	
Abandonment Cost (E&P)	1.13		1.25	
Other Liabilities	1,084.23		548.92	
Gas Pool Money	722.60		2,571.66	
Imbalance & Overrun Charges	23.96		12.59	
Unclaimed Dividend (Amount due for credit to Investor Education and Protection Fund is ₹ Nil (Previous Year : Nil)	2.71		2.67	
Interest accrued but not due (includes on loan ₹ 32.01 (Previous Year : ₹ 18.92)	33.22	4,754.37	22.73	5,448.31
B. PROVISIONS				
Provision for taxation / FBT/Wealth Tax	2,785.37		3,950.88	
Provision for Proposed Dividend	697.66		697.66	
Provision for Corporate Dividend Tax	113.18		115.87	
Provision for Leave Encashment, Post Retirement Benefits & PF	308.81		165.65	
Provison for Probable Obligations	155.48		0.00	
	-----------------	4,060.50	-------------	4,930.06
TOTAL		**8,814.87**		**10,378.37**

Schedule 9 - Other Income

(₹ in Crores)

		YEAR ENDED 31st MARCH, 2011		YEAR ENDED 31st MARCH, 2010
Dividend from long term (trade) investment		**301.21**		220.54
Interest on :				
- Bonds (Long term trade investment)	**0.67**		0.67	
- Deposits with Banks	**91.77**		97.52	
- Others	**17.58**		101.34	
	110.02		199.53	
(Tax deducted at source : ₹ 8.87 (Previous Year : ₹ 18.92)) Add : Transferred to Expenditure during construction period (Schedule 11)	**(2.85)**	**107.17**	(0.22)	199.31
Profit on Sale/Written off of Assets/Rights (net)		**14.57**		
Miscellaneous Income including liabilities written back (Tax deducted at source : ₹ 0.20 (Previous Year : ₹ 0.37))	**96.01**		121.53	
Add : Transferred to Expenditure during construction period (Schedule 11)	**(0.38)**	**95.63**	(0.28)	121.25
TOTAL		**518.58**		**541.10**

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

(₹ in Crores)

		YEAR ENDED 31st MARCH, 2011		YEAR ENDED 31st MARCH, 2010
Raw Material consumed		**2,178.78**		2,199.34
Employees Remuneration and Benefits*				
Salaries, Wages and Allowances	**577.82**		504.19	
Contribution to Provident and Other Funds	**60.27**		37.50	
Welfare Expenses	**114.57**	**752.66**	79.51	621.20
Power, Fuel and Water Charges				
Power and Water Charges	**155.10**		140.67	
Gas used as Fuel	**817.75**		769.72	
		972.85		910.39
Stores and Spares consumed		**238.38**		199.45
Rent		**16.65**		13.05
Rates and Taxes (includes entry tax on gas)		**59.03**		55.22
Licence Fees - Telecom		**0.36**		0.89
Bandwidth Consumption		**0.24**		0.39
Repairs and Maintenance				
Plant and Machinery	**165.13**		102.73	
Buildings	**18.19**		14.37	
Others	**23.38**	**206.70**	23.35	140.45
Insurance		**11.60**		8.15
Communication Expenses		**8.65**		8.04
Printing and Stationery		**2.90**		2.25
Travelling Expenses		**44.65**		38.09
Books and Periodicals		**0.54**		0.57
Advertisement and Publicity		**20.92**		13.33
Carried Forward		**4,514.91**		4,210.81

* Includes :

1) ₹ 158.21 (Previous Year : ₹ 58.00) on account of retirement benefits viz. Leave encashment, Medical, Long Service award, terminal benefit, sick leave and gratuity.

(₹ in Crores)

		YEAR ENDED 31st MARCH, 2011		YEAR ENDED 31st MARCH, 2010
Brought Forward		**4,514.91**		4,210.81
Payment to Auditors				
Audit Fees	**0.45**		0.41	
Tax Audit fees	**0.00**		0.04	
Out of Pocket Expenses	**0.16**	**0.61**	0.11	0.56
Entertainment Expenses		**0.15**		0.11
Recruitment and Training Expenses		**11.02**		9.37
Vehicle Hire and Running Expenses		**21.23**		15.18
Survey Expenses		**83.34**		127.88
Dry Well Expenses written off		**52.39**		209.34
Oil & Gas Producing Expenses (Operators)		**3.54**		6.67
Royalty on Crude Oil		**4.13**		3.88
Consultancy Charges		**16.42**		13.88
Data Processing Expenses		**3.57**		2.25
Donation		**0.01**		0.01
Research and Development Expenses		**0.13**		16.17
Loss on sale / written off of assets(net)				7.55
Bad Debts/Claims/Advances/Stores written off		**0.36**		0.01
Provision for Doubtful Debts, Advances, Claims, Deposits and obsolescence of Stores and Capital Items		**9.48**		25.89
Provision for Probable Obligations / Contingencies		**108.08**		0.00
Excise Duty on Stock (net)		**(1.40)**		4.75
Expenses on Enabling Facilities		**2.95**		0.17
Selling & Distribution Expenses		**21.71**		16.66
Discount on Sales		**121.79**		106.08
Commission on Sales		**15.92**		15.16
Security Expenses		**56.04**		51.79
Corporate Social Responsibility Expenses		**59.90**		20.77
Other Expenses		**44.70**		73.82
TOTAL		**5,150.98**		**4,938.76**

Schedule 11 - Expenditure during Construction Period

(₹ in Crores)

		YEAR ENDED 31st MARCH, 2011		YEAR ENDED 31st MARCH, 2010
Employees Remuneration and Benefits				
Salaries, Wages and Allowances	**24.49**		13.57	
Contribution to Provident and Other Funds	**1.74**		1.17	
Welfare Expense	**5.20**	**31.43**	1.85	16.59
Power, Fuel and Water Charges		**0.03**		0.06
Stores & Spares		**0.07**		0.05
Rent		**0.12**		0.26
Rates and Taxes		**-**		0.01
Repairs and Maintenance - Plant and Machinery		**-**		0.01
Repairs and Maintenance - Building		**0.07**		0.01
Repairs and Maintenance - Others		**0.28**		0.20
Insurance		**-**		-
Printing and Stationery		**0.13**		0.06
Communication Expenses		**0.32**		0.26
Entertainment Expenses		**0.27**		0.09
Travelling Expenses		**4.28**		2.50
Books and Periodicals		**0.01**		0.01
Recruitment and Training Expenses		**0.16**		0.23
Vehicle Hire and Running Expenses		**0.01**		0.02
Interest and Finance Charges		**35.80**		12.97
Consultancy Charges		**-**		-
Data Processing Expenses		**-**		-
Depreciation		**0.04**		0.16
Other Expenses		**0.30**		0.12
		73.32		33.61
Less : Interest Income	**2.85**		0.22	
Misc. Income	**0.38**	**3.23**	0.28	0.50
Net Expenditure		**70.09**		33.11
Less : Transferred to Capital Work-in-progress				
a) Mfg., Transmission, Admn., Selling & Distribution and Other Expenses	**37.52**		20.64	
b) Interest & Finance Charges	**35.80**		12.97	
c) Other Income	**(3.23)**	**70.09**	(0.50)	33.11
Balance Carried over to Balance Sheet		**NIL**		NIL

Schedule 12 - Interest and Finance Charges

(₹ in Crores)

	YEAR ENDED 31st MARCH, 2011	YEAR ENDED 31st MARCH, 2010
Interest on Term Loans	44.74	17.13
Bonds	71.59	65.47
Others	2.15	0.27
Commitment and other Finance Charges	0.18	0.10
TOTAL	**118.66**	82.97

Schedule 13 - Prior Period Adjustments

(₹ in Crores)

		YEAR ENDED 31st MARCH, 2011		YEAR ENDED 31st MARCH, 2010
Purchase of Gas		**0.03**		0.23
Raw Material		-		-
Salaries, Wages and Allowances		-		0.42
Travelling Expenses		-		(0.35)
Advertisement and Publicity		-		0.13
Power, Fuel and Water Charges		**(0.01)**		0.22
Stores and Spares consumed		-		-
Entertainment Expenses		-		(0.01)
Rent		**0.11**		0.05
Rates and Taxes		**0.04**		(0.10)
Depreciation(Net)		**0.06**		0.08
Repairs and Maintenance		-		(0.05)
Communication Expenses		-		(0.07)
Recruitment and Training Expenses		-		-
Survey Expenses		-		3.73
Interest		-		-
Profit/Loss on sale of Assets		-		-
Consultancy Charges		**14.56**		0.10
Other Expenses		**2.79**		3.08
TOTAL		**17.58**		**7.46**
Less :				
- Sales	**(0.43)**		0.42	
- Interest Income	-		0.69	
- Miscellaneous Income	**0.81**	**0.38**	6.70	7.81
TOTAL(NET)		**17.20**		**(0.35)**

Cash Flow Statement for the Financial Year Ended 31st March, 2011

(₹ in Crores)

		2010-11		2009-10
A. CASH FLOW FROM OPERATING ACTIVITIES				
1 Net Profit Before Tax and Extraordinary Items		**5239.99**		**4578.47**
2 ADD :				
Depreciation	650.35		561.90	
Capital Reserve	(0.11)		(0.12)	
Exchange Rate Variation on Loan to Subsidiary	0.00		(8.59)	
Interest Expenditure	82.86		70.00	
Dividend Income on Investments	(301.21)		(220.54)	
Interest Income	(110.02)		(199.53)	
Provision for Employees Benefits	143.16		24.54	
Provision for Payrevision	(51.62)		(47.88)	
Provision for Doubtful Debts	(0.35)		24.77	
Provision for Probable Obligations	108.08		0.00	
Other Provisions	4.11		0.73	
Provision / Writte off of Assets / CWIP	52.39		209.34	
Profit / Loss on Sale of Assets (Net)	(14.57)		7.55	
		563.07		422.17
3 Operating Profit Before Working Capital Changes (1 + 2)		5803.06		5000.64
4 Changes in Working Capital (Excluding Cash & Bank Balances)				
Trade and Other Receivables	(365.73)		(43.73)	
Inventories	(222.01)		(35.04)	
Trade and Other Payables	(654.21)		1324.13	
		(1241.95)		1245.36
5 Cash Generated from Operations (3+4)		4561.11		6246.00
6 Direct Taxes Paid		(1483.86)		(1568.57)
NET CASH FROM OPERATING ACTIVITIES (5+6)		**3077.25**		**4677.43**
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(4632.21)		(3570.17)	
Sale of Fixed Assets	3.24		19.19	
Investment in Other Companies	(509.49)		(335.76)	
Loans & Advances to Subsidiary	9.14		22.79	
Interest Received	98.62		227.20	
Dividend Received	301.21		220.54	
NET CASH FROM INVESTING ACTIVITIES		**(4729.49)**		**(3416.21)**
BALANCE CARRIED FORWARD		**(1652.24)**		**1261.22**

Cash Flow Statement for the Financial Year Ended 31st March, 2011

(₹ in Crores)

		2010-11		2009-10	
	BALANCE BROUGHT FORWARD		**(1652.24)**		**1261.22**
C	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Proceeds from Long Term Borrowings	984.00		466.00	
	Repayment of Long Term Borrowings	(154.38)		(185.75)	
	Interest Paid	(108.17)		(84.08)	
	Dividend & Dividend Tax Paid	(1109.37)		(742.03)	
	NET CASH FROM FINANCING ACTIVITIES		(387.92)		(545.86)
	NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		(2040.16)		715.36
	CASH AND CASH EQUIVALENTS AS AT 01.04.2010 (OPENING BALANCE)		4171.51		3456.15
	CASH AND CASH EQUIVALENTS AS AT 31.03.2011 (CLOSING BALANCE)		2131.35		4171.51
NOTES :					
1	Cash & Cash Equivalents include :				
	Cash & Bank Balances				
	As per Balance Sheet		2131.35		4171.51
	Unrealised (Gain)/ loss on foreign Exchange		0.00		0.00
	Total Cash & Cash Equivalents		**2131.35**		**4171.51**

N. K. Nagpal
Secretary

P. K. Jain
Director(Finance)

R. D. Goyal
Director(Projects)

B. C. Tripathi
Chairman & Managing Director

As per our separate Report of even date

For M/s M. L. Puri & Co.
Chartered Accountants
Firm No: 002312N

Navin Bansal
(Partner)
Membership No. 91922

For M/s Rasool Singhal & Co.
Chartered Accountants
Firm No: 500015N

Anil Gupta
(Partner)
Membership No. 072767

Place : New Delhi
Dated : May 23, 2011

Accounting Policies

1. Accounting Convention

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

2. Use of Estimates

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

3. Fixed Assets

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

4. Intangible Assets

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

5. Capital Work in Progress

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

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

6. Borrowing Cost

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

7. Expenses Incurred During Construction Period

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

8. Depreciation / Amortisation

I. Depreciation on Fixed Assets other than those mentioned below is provided in accordance with the rates as specified in Schedule XIV of the Companies Act, 1956, on straight line method (SLM) on pro-rata basis (monthly pro-rata for bought out assets).

a. Assets costing upto ₹ 5,000/- are depreciated fully in the year of capitalisation.

b. Bunk Houses are amortised on assumption of five years life.

c. Oil and Gas Pipelines including other related facilities are depreciated @ 3.17% per annum on SLM basis based on useful life of 30 years.

d. Computers at the residence of the employees are depreciated @ 23.75% per annum on SLM basis. Furniture, Electric Equipments and Mobiles provided for the use of employees are depreciated @ 15% per annum on SLM basis.

e. Cost of the leasehold land not exceeding 99 years is amortised over the lease period.

f. Depreciation due to price adjustment in the original cost of fixed assets is charged prospectively.

g. Capital expenditure on the assets (enabling facilities), the ownership of which is not with the Company, is charged off to Revenue.

h. Software / Licences are amortised in 5 years on straight line method.

i. No depreciation is being charged on ROU being perpetual in nature.

j. After impairment of assets, if any, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

II. Capital assets installed at the consumers premises on the land whose ownership is not with the company, has been depreciated on SLM basis in accordance with the rates as specified in Schedule XIV of the Companies Act, 1956.

9. Foreign Currency Translation

a). Transactions in foreign currency are accounted at the exchange rate prevailing on the transaction date.

b). Monetary items (such as Cash, Receivables, Loans, Payables, etc.) denominated in foreign currencies, outstanding at the year end, are translated at exchange rates (BC Selling Rate for Payables and TT Buying Rate for Receivables) prevailing at year end.

c). Non monetary items (such as Investments, Fixed Assets, etc), denominated in foreign currencies are accounted at the exchange rate prevailing on the date of transaction(s).

d). Any gains or loss arising on account of exchange difference either on settlement or on translation is accounted for in the Profit & Loss account.

10. Investments

Investments are classified into current and long term investments.

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

11. Inventories

a. Raw materials and Finished products are valued at cost or net realisable value, whichever is lower. Finished products include excise duty and royalty wherever applicable.

b. Stock in process is valued at cost or net realisable value, whichever is lower. It is valued at cost where the finished products in which these are to be incorporated are expected to be sold at or above cost.

c. Stores and spares and other material for use in production of inventories are valued at weighted average cost or net realisable value, whichever is lower. It is valued at weighted average cost where the finished products in which they will be incorporated are expected to be sold at/or above cost.

d. Surplus / Obsolete Stores and Spares are valued at cost or net realisable value, which ever is lower.

e. Surplus / Obsolete Capital Stores, other than held for use in construction of a capital asset, are valued at lower of cost or net realisable value.

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

13. Grants

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

14. Sale proceeds are accounted for based on the consumer price inclusive of Statutory Levies and charges upto the place where ownership of goods is transferred.

15. Income from Consultancy/Contract Services, if any, is recognized based on Proportionate Completion Method.

16. The interest allocable to operations in respect of assets commissioned during the year is worked out by adopting the average of debt equity ratios at the beginning and closing of that year and applying the average ratio of debt thus worked out to the capitalised cost.

17. Pre-project expenditure relating to Projects which are considered unviable / closed is charged off to Revenue in the year of declaration/closure.

18. Employees Benefits

a. All short term employee benefits are recognized at the undiscounted amount in the accounting period in which they are incurred.

b. The Company's contribution to the Provident Fund is remitted to a separate trust established for this purpose based on a fixed percentage of the eligible employee's salary and charged to Profit and Loss Account. Further, the company makes provision as per actuarial valuation towards any shortfall in fund assets to meet statutory rate of interest in the future period, to be compensated by the company to the Provident Fund Trust. .

c. Employee Benefits under Defined Benefit Plans in respect of leave encashment, compensated absence, post retirement medical scheme, long service award and other terminal benefits are recognized based on the present value of defined benefit obligation, which is computed on the basis of actuarial valuation using the Projected Unit Credit method. Actuarial liability in excess of respective plan assets is recognized during the year.

d. Provision for gratuity as per actuarial valuation is funded with a separate trust.

19. Taxes on Income

Provision for current tax is made as per the provisions of the Income Tax Act, 1961. Deferred Tax Liability / Asset resulting from 'timing difference' between book and taxable profit is accounted for considering the tax rate and laws that have been enacted or substantively enacted as on the Balance Sheet date. Deferred Tax Asset, if any, is recognized and carried forward only to the extent that there is virtual certainty that the asset will be realized in future.

20. R&D Expenditure

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

21. Exploration and Development Costs

i) The Company follows Successful Efforts Method for accounting of Oil & Gas exploration and production activities, which includes:-

a. Survey Costs are recognized as revenue expenditure in the year in which these are incurred.

b. Cost of exploratory wells is carried as 'Exploratory wells in progresses'. Such exploratory wells in progress are capitalized in the year in which the Producing Property is created or is written off in the year when determined to be dry / abandoned.

c. All wells appearing as "exploratory wells in progress" which are more than two years old from the date of completion of drilling are charged to Profits and Loss Account except those wells which have proved reserves and the development of the fields in which the wells are located has been planned.

ii) Capitalization of Producing Properties

a. Producing Properties are capitalised when the wells in the area / field are ready to commence commercial production having proved developed oil and gas reserves.

b. Cost of Producing Properties includes cost of successful exploratory wells, development wells, initial depreciation of support equipments & facilities and estimated future abandonment cost.

iii) Depletion of Producing Properties

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

iv) Production cost of Producing Properties

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

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

a. Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Assets are neither recognized nor disclosed in the financial statements. Contingent liabilities exceeding ₹ 5 Lacs in each case are disclosed by way of notes to accounts except when there is remote possibility of any outflow in settlement.

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

23. Impairment

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

GENERAL

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

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

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

27. a Claims (including interest on delayed realization from customers) are accounted for, when there is no significant uncertainty that the claims are realizable.

b Liability in respect of MGO of Natural gas is not provided for where the same is secured by MGO recoverable from customers. Payments/receipts during the year on account of MGO are adjusted on receipt basis.

c. Minimum charges relating to transportation of LPG are accounted for on receipt basis.

N. K. Nagpal **Secretary**	**P. K. Jain** **Director(Finance)**	**R. D. Goyal** **Director(Projects)**	**B. C. Tripathi** **Chairman & Managing Director**

As per our separate Report of even date

For M/s M L Puri & Co.
Chartered Accountants
Firm No: 02312 N

Navin Bansal
(Partner)
Membership No. 91922

For M/s Rasool Singhal & Co.
Chartered Accountants
Firm No: 500015N

Anil Gupta
(Partner)
Membership No. 072767

Place : New Delhi
Dated : May 23, 2011

Schedule 14 - Notes on Accounts

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

i) Estimated amount of contracts remaining to be executed on capital account and not provided for: ₹ 4540.71 Crores (Previous Year: ₹ 4848.04 Crores).

ii) Company's share in estimated amount of contracts remaining to be executed on capital account and not provided for based on audited/unaudited statement of accounts of Joint Ventures. ₹ 1418.04 Crores (Previous Year: ₹ 1569.98 Crores).

2. Contingent Liabilities:-

I. Claims against the Company not acknowledged as debts: ₹ 4930.40 Crores (Previous Year: ₹ 4757.88 Crores), which mainly include:-

(a) Legal cases for claim of ₹ 2731.63 Crores (Previous Year: ₹ 2325.78 Crores) by vendors on account of Liquidated damages/Price Reduction Schedule and Natural Gas price differential etc. and by customers for Natural gas transmission charges etc.

(b) Income tax assessments up to the Assessment Year 2008-09 have been completed and a demand of ₹ 1017.25 Crores relating to the Assessment Years 1996-97 and 2000-01 to 2008-09 (Previous Year: ₹ 1262.06 Crores related to Assessment years 1996-97 to 2007-08) has been raised by making disallowances/ additions . The company has already made the payment of ₹ 1323.66 Crores (Previous Year: ₹ 1260.30 Crores) which is under dispute. Based upon the decision of the appellate authorities and the interpretation of the Income Tax Act, the company has been legally advised that the demand is likely to be deleted or it may be substantially reduced. The company has filed appeals against the Assessment orders /appeal orders for the Assessment Years 2000-01 to 2004-05, 2006-07 and 2007-08 with Income Tax Appellate Tribunal (ITAT) and for Assessment Year 1996-97, 2005-06 and 2008-09 with Commissioner of Income Tax (Appeal). Based upon company's appeal with ITAT, income tax assessments for the AY 1997-98 to 1999-2000 have been remanded back by ITAT to the assessing officer for reassessment.

(c) ₹ 760.15 Crores (Previous Year: ₹ 596.50 Crores) relating to disputed tax demand towards Excise duty, Sales tax, Entry tax, and Service Tax etc.

(d) Claims of ONGCL for ₹ 289.57 Crores (Previous Year: ₹ 335.25 Crores) on account of interest for delayed payment and MGO, etc. Out of these, MGO claims of ₹ 25.34 Crores (Previous Year: ₹ 47.81 Crores) are recoverable on back-to-back basis.

II. Bank Guarantee & Letters of Credit : ₹ 997.37 Crores (Previous Year: ₹ 1665.58 Crores) including bank guarantees issued on behalf of subsidiaries ₹ 45.88 Crores (Previous Year: ₹ 45.88 Crores)

III. The Company has issued corporate guarantees for ₹ 254.34 Crores (Previous Year: ₹ 254.34 Crores) on behalf of Brahamputra Cracker & Polymer Limited (BCPL) and for ₹ 118 Crores (Previous Year: NIL) on behalf of GAIL Gas Limited, subsidiaries of the company, in favour of Oil Industry Development Board (OIDB) for raising loan from OIDB.

IV. Share in Contingent Liabilities of Joint Ventures based on their audited/unaudited statement of accounts: ₹ 437.20 Crores (Previous Year: ₹ 229.89 Crores).

3. Sales Tax demand of ₹ 3449.18 Crores (Previous Year: ₹ 3449.18 Crores) and interest thereon ₹ 1513.04 Crores. (Previous Year: ₹ 1513.04 Crores) for Hazira unit in Gujarat State: Sales Tax Authorities, Ahmedabad have treated the transfer of Natural Gas by the company from the state of Gujarat to other states during the period April, 1994 to March, 2001 as inter-state sales under Section 3(a) of the Central Sales Tax Act. The company has been paying sales tax under section 12 of the Gujarat Sales Tax Act against Form 17 since inception (1987) and accordingly the sales tax assessments have been completed. Based on the interpretation of the provisions of the Sales Tax Act and legal advice from the experts, the company had filed writ petition and special leave petition in the Supreme Court of India. In February, 2005 the case was transferred by Hon'ble Supreme Court to Gujarat Sales Tax Tribunal for decision. The Tribunal has given its judgment on 16.05.2005 accepting the contention of the company for interstate transfer of Natural Gas as branch transfer and not the interstate sale and set aside the demand under section 41-B of the Gujarat Sales Tax Act. The Hon'ble Tribunal has given further instruction to the Assessing Authority to re-assess and decide tax liability in accordance with the law considering interstate transfer of natural gas as branch transfer. The Sales Tax Authorities had filed rectification application under section 72 of the Gujarat Sales Tax Act, 1969 in Gujarat Sales Tax Tribunal against its judgment dated 16.05.2005. The Tribunal had dismissed the rectification application of the sales tax authorities vide its order dated 06.07.2006. The sales tax authorities have now filed petition in Hon'ble high Court Ahmedabad against the order of the tribunal and no hearing has yet taken place. In opinion of the management there is a remote possibility of crystallizing this liability.

4. (a) Freehold land acquired for city gate station at Lucknow and Kanpur, Jhansi Maintenance Base, Sectionalising Valves in Jamnagar –Loni Pipeline and Mumbai and receiving terminal at Pune valuing Rs 4.94 Crores (Previous Year: Rs 6.17 Crores) are valued / capitalized on provisional basis.

(b) Title deeds for freehold land valuing ₹ 6.38 Crores (Previous Year: ₹ 7.61 Crores) and leasehold land valuing ₹ 10.24 Crores (Previous Year: ₹ 22.53 Crores) are pending execution.

(c) Title Deeds in respect of ten residential flats at Asiad Village, New Delhi, valuing ₹ 1.17 Crores (Previous Year: ₹ 1.17 Crores) are still in the name of ONGCL. Concerned authorities are being pursued for getting the same transferred in the name of the Company.

(d) Net Block for "Building" includes an amount of ₹ 1.21 Crores (Previous year: ₹ 1.25 Crores) earmarked for disposal but in use.

5. (a) The balance retention from PMT JV consortium amounting to

₹ 43.75 Crores (Previous Year: ₹ 59.93 Crores) includes interest amounting to ₹ 2.64 Crores (Previous Year: ₹ 2.55 Crores) on Short term deposits for the year. This interest income does not belong to the company hence not accounted as income.

(b) Liability on account of Gas Pool Money amounting to ₹ 722.60 Crores (Previous Year: ₹ 2571.66 Crores) includes interest amounting to ₹ 29.10 Crores (Previous Year: ₹ 225.00 Crores) on short term deposits. This interest does not belong to the company hence not accounted as income.

(c) Petroleum and Natural Gas Regulatory Board (PNGRB) has notified charges for pipeline overrun and imbalances created on account of positive/negative off-takes over the tolerance limit of allocated capacity to be charged from shippers. As the guidelines regarding modalities of maintaining and operation of escrow account are effective from 1.4.2011, the sum of ₹ 23.95 Crores (Previous Year: ₹ 12.59 Crores) recovered up to 31.03.2011 on this account has been recognized as liability in the financial statements.

6. Advances recoverable in Cash or in kind or value to be received includes an amount of ₹ 3.02 Crores (Previous Year: ₹ 3.02 Crores) recoverable on account of Disinvestment by Government of India of its equity in the company by way of GDR/offer for sale.

7. A net amount of ₹ 3.30 Crores (Previous Year: ₹ 0.86 Crores) has been debited to Profit & Loss account due to exchange rate variation.

8. The required disclosure under the Revised Accounting Standard 15 is given as below:

(i) Provident Fund

Company has paid contribution of ₹ 32.90 crores (Previous Year: ₹ 28.69 Crores) to Provident Fund Trust at predetermined fixed percentage of eligible employee's salary and charged to Profit and Loss Account. Further, the obligation of the company is to make good shortfall, if any, in the fund assets based on the statutory rate of interest in the future period. There being change in Accounting Policy during the year, the company has made a provision of ₹ 13.13 Crores as per actuarial valuation to meet any shortfall in the future period, to be compensated by the company to the Provident Fund Trust.

(ii) Other Benefit Plans

A) Gratuity :

15 days salary for every completed year of service. Vesting period is 5 years and payment is restricted to ₹ 10 Lakhs.

B) Post Retirement Medical Benefit (PRMS)

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

C) Earned Leave Benefit (EL)

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

D) Terminal Benefits

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

E) Half Pay Leave (HPL)

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

F) Long Service Award (LSA)

Employees are eligible for gold coin weighing 5 gms on completion of 15 years, 10 gms each on completion of 20 years and 25 years, 20 gms each on completion of 30 years and 35 years of service.

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

(₹ in Crores)

	Gratuity Funded		PRMS*		EL*		Terminal Benefits*		HPL*		LSA*	
	10-11	09-10	10-11	09-10	10-11	09-10	10-11	09-10	10-11	09-10	10-11	09-10
A. Expenses recognized in the P&L Account												
Current Service Cost	19.51	7.83	-	-	32.64	5.09	-	-	10.88	0.79	-	-
Past service cost	–	–	–	–	–	–	–	–	–	–	–	–
Interest on Benefit Obligation	8.22	7.42	2.58	2.21	6.98	4.13	0.25	0.08	3.00	2.38	0.63	0.57
Expected Return on Plan Assets	(8.96)	(8.22)	-	-	-	-	-	-	-	-	-	-
Net actuarial (Gain) / Loss recognized in the year	(18.61)	(10.55)	6.07	1.35	43.47	41.91	0.26	1.85	37.59	0.86	0.57	0.30
Expenses recognized in P&L Account for FY 2010-11	0.16	(3.52)	8.65	3.56	83.09	51.13	0.51	1.93	51.47	4.03	1.20	0.87
B The amount recognized in the Balance Sheet												
Present value of Obligation as at 31.03.2011	102.50	98.03	38.60	30.87	158.83	88.50	3.45	2.96	86.51	35.52	8.30	7.81
Fair value of Plan Assets as at 31.03.2011	103.89	102.83	-	-	-	-	-	-	-	-	-	-
Difference	1.39	4.80	(38.60)	(30.87)	(158.83)	(88.50)	(3.45)	(2.96)	(86.51)	(35.52)	(8.30)	(7.81)
Net Asset / (Liability) recognized in the Balance Sheet	1.39	4.80	(38.60)	(30.87)	(158.83)	(88.50)	(3.45)	(2.96)	(86.51)	(35.52)	(8.30)	(7.81)
C. Changes in the Present Value of the Defined Benefit Obligations												
Present value of Obligations as at 01.04.2010	98.03	101.45	30.87	27.84	88.50	72.86	2.96	1.10	35.52	32.01	7.81	7.30
Interest Cost	8.22	7.42	2.58	2.21	6.98	4.13	0.25	0.08	3.00	2.38	0.63	0.57
Current Service Cost	19.52	7.83	-	-	32.64	5.09	-	-	10.88	0.79	-	-
Past service cost	-	-	-	-	-	-	-	-	-	-	-	-
Benefit Paid	(2.63)	(4.93)	(0.92)	(0.53)	(12.76)	(35.49)	(0.02)	(0.07)	(0.47)	(0.52)	(0.71)	(0.36)
Net Actuarial Gain / (Loss) on Obligation	(20.64)	(13.74)	6.07	1.35	43.47	41.91	0.26	1.85	37.59	0.86	0.57	0.30
Present Value of the Defined Benefit Obligation as at 31.03.2011	102.50	98.03	38.60	30.87	158.83	88.50	3.45	2.96	86.51	35.52	8.30	7.81
D. Changes in the Fair Value of Plan Assets												
Fair Value of Plan Assets as at 01.04.2010	99.53	102.70	-	-	-	-	-	-	-	-	-	-
Expected return on Plan Assets	8.96	8.22	-	-	-	-	-	-	-	-	-	-
Contributions by Employer	0.05	0.02	-	-	-	-	-	-	-	-	-	-
Benefit Paid	(2.62)	(4.93)	-	-	-	-	-	-	-	-	-	-
Actuarial Gain / (Loss)	(2.03)	(3.18)	-	-	-	-	-	-	-	-	-	-
Fair Value of Plan Assets as at 31.03.2011	103.89	102.83	-	-	-	-	-	-	-	-	-	-
Principal actuarial assumption at the Balance Sheet Date												
Discount rate	8.50%	7.5%	8.5%	7.5%	8.5%	7.5%	8.5%	7.5%	8.5%	7.5%	8.5%	7.5%
Expected return on plan assets	9.00%	8%	-	-	-	-	-	-	-	-	-	-
Annual increase in costs	-	-	10%	5%	-	-	10%	5%	-	-	10%	5%
Annual increase in salary	12.00%	5%	-	-	12%	5%	-	-	12%	5%	-	-

Mortality table referred		**LIC (1994-96) DULY MODIFIED**	
	AGE	**WITHDRAWAL RATE % (2010-11)**	**WITHDRAWAL RATE % (2009-10)**
Withdrawal Rate/Employee turnover rate	UPTO 30 YEARS	3%	3%
	UPTO 44 YEARS	2%	2%
	ABOVE 44 YEARS	1%	1%

* Non-Funded

NOTE: The actuarial valuation takes into account the estimates of future salary increases, inflation, seniority, promotion and other relevant factors

9. MOP&NG had issued scheme of sharing of under recoveries on sensitive petroleum products. During the year, the Company has given discounts amounting to ₹ 2111.24 Crores (Previous Year: ₹ 1326.73 Crores). Corresponding adjustment on account of CST amounting to ₹ 6.98 Crores (Previous Year: ₹ 9.95 Crores) has been made.

10. (a) The Company is raising provisional invoices for sale of R-LNG as the supplier M/s Petronet LNG (PLL) is also raising provisional invoices on the Company since customs duty on import of LNG by PLL has been assessed on provisional basis.

(b) With effect from April 1, 2002, Liquefied Petroleum Gas prices has been deregulated and is now based on the import parity prices fixed by the Oil Companies. However, the pricing mechanism is provisional and is pending finalization. Additional asset/liability or impact on profits, if any, arising due to such change, will be recognized on finalization of pricing mechanism.

(c) Natural Gas Pipeline Tariff is subject to various Regulations issued by PNGRB from time to time. Impact on profits, if any, is being recognized as and when the pipeline tariff is revised in accordance with these Regulations.

(d) PNGRB has issued PNGRB (Determination of Petroleum & Petroleum Products Pipelines transportation Tariff) Regulations 2010 effective from 20.12.2010 where LPG pipeline tariff is benchmarked against railway freight. In one of the pipelines, where the proposed tariff based on railway freight has been filed with PNGRB is lower than the present tariff, the company has made a provision of ₹ 6.33 Crores by reversing Income on account of LPG transmission charges.

(e) Value of Annual Take or Pay Quantity (ATOPQ) of Gas is accounted for on receipt basis and shown as liability till make up Gas is delivered to customer, during the recovery period, in terms of the Gas Sales Agreement with the customers.

11. In compliance of Accounting Standard 17 (AS-17) on "Segment Reporting" as notified under Companies Accounting Standard Rules, 2006, the company has adopted following Business segments as its reportable segments :

(i) Transmission services
 a) Natural Gas
 b) LPG

(ii) Natural Gas Trading

(iii) Petrochemicals

(iv) LPG and other Liquid Hydrocarbons

(v) Other Segments (include GAIL TEL, E&P and City Gas segments)

Note : As GAILTel segment did not satisfy the relevant 10% thresholds as per AS-17 during the current year as well as during previous year, it is not considered as a separate reportable segment in these financial statements and forms part of "Other Segments".

There are no geographical segments.

The disclosures of segment wise information is given as per Annexure-A.

12. In compliance of Accounting Standard 18 on " Related party Disclosures" as notified under Companies Accounting Standard Rules,2006, the names of related parties, nature of relationship and detail of transactions entered therewith are given in Annexure – B.

13. (a) In compliance of Accounting Standard 22 on "Accounting for taxes on Income" as notified under Companies Accounting Standard Rules,2006, the Company has provided accumulated net deferred tax liability in respect of timing difference as on 31st March, 2011 amounting to ₹ 1633.24 Crores (Previous Year: Rs 1389.56 Crores). Net Deferred tax expense for the year of ₹ 243.68 Crores (Previous Year: ₹ 63.63 Crores) has been charged to Profit & Loss Account. The item- wise details of deferred tax liability are as under:

(₹ in Crores)

		As on 31st March, 2011	As on 31st March, 2010
Deferred tax liability:			
a)	Depreciation	**2219.76**	1563.64
b)	Others	**12.18**	12.47
	Less: Deferred Tax Assets:		
c)	Provision for Retirement Benefits other than Gratuity	**95.93**	55.03
d)	Provision for Doubtful Debts/Claims/ Advances/Contingencies	**99.85**	64.39
e)	Benefit under Section 35AD of the Income Tax Act,1961	**379.66**	-
e)	Others (including liability for pay revision)	**23.26**	67.13
f)	Deferred tax Liability (net)	**1633.24**	1389.56

(b) Income Tax Provisions for the current year includes ₹ 4.18 Crores related to Assessment Year 2008-09 and 2009-10 as per orders passed under Income Tax Act, 1961.

14. In Compliance of Accounting Standard 27 on "Financial Reporting of Interests in Joint Ventures" as notified under Companies Accounting Standard Rules, 2006, brief description of Joint Ventures of the Company are:

(a) Jointly Controlled Entities

(i) **Mahanagar Gas Limited:** A Joint Venture with British Gas Plc and Government of Maharashtra to supply gas to domestic, commercial, small industrial consumers and CNG for transport sector in Mumbai. The company has equity participation of 49.75% of the paid up capital and has invested ₹ 44.45 Crores for acquiring 4,44,50,000 equity shares of ₹ 10/- each in Joint Venture Company.

(ii) **Indraprastha Gas Limited:** A Joint Venture with BPCL and Government of National Capital Territory (NCT) of Delhi to supply gas to domestic, commercial units and CNG for transport sector in Delhi. The company has equity participation of 22.50% of the paid up capital and has invested Rs. 31.50 Crores for acquiring 3,15,00,000 equity shares of ₹ 10/- each in Joint Venture Company.

(iii) **Petronet LNG Limited:** A Joint Venture with BPCL, IOCL and ONGCL for setting up LNG imports facilities. The company has equity participation of 12.50% of the paid up capital and has invested ₹ 98.75 Crores for acquiring 9,37,50,000 equity shares of ₹ 10/- each in Joint Venture Company.

(iv) **Bhagyanagar Gas Limited:** A Joint Venture with HPCL for distribution and marketing of CNG, Auto LPG, Natural Gas and other gaseous fuels in Andhra Pradesh. The company has equity participation of 22.50% of the paid up capital and has invested ₹ 0.01 Crores for acquiring 12,500 equity shares of ₹ 10/- each in Joint Venture Company. The Company has also paid ₹ 22.49 Crores (Previous Year: ₹ 22.49 Crores) as advance pending allotment of equity shares in Joint Venture Company.

(v) **Tripura Natural Gas Company Limited:** A Joint Venture with Assam Gas Company Limited and Tripura Industrial Development Corporation for transportation and distribution of natural gas through pipelines in Tripura. The company has equity participation of 29% of the paid up capital and has invested ₹ 0.55 Crores for acquiring 55,000 equity shares of ₹ 100/- each in Joint Venture Company. The Company has also paid ₹ 0.28 Crores (Previous Year: ₹ 0.28 Crores) as advance pending allotment of equity shares in Joint Venture Company.

(vi) **Central UP Gas Limited:** A Joint Venture with BPCL to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in Kanpur, Uttar Pradesh. The company has equity participation of 25% (Previous Year:22.5%)of the paid up capital and has invested ₹ 15 Crores for acquiring 1,50,00,000 equity shares of ₹ 10/- each in Joint Venture Company.

(vii) **Green Gas Limited:** A Joint Venture with IOCL to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in Agra & Lucknow, Uttar Pradesh. The company has equity participation of 22.50% of the paid up capital and has invested ₹ 0.01 Crores for acquiring 12,500 equity shares of ₹ 10/- each in Joint Venture Company. The Company has also paid ₹ 23.03 Crores (Previous Year: ₹ 23.03 Crores) as advance pending allotment of equity shares in Joint Venture Company.

(viii) **Maharashtra Natural Gas Limited:** A Joint Venture with BPCL to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in Pune, Maharashtra. The company has equity participation of 22.50% of the paid up capital and has invested ₹ 22.50 Crores for acquiring 2,25,00,000 equity shares of ₹ 10/- each in Joint Venture Company.

(ix) **Ratnagiri Gas and Power Private Limited:** A Joint Venture with GAIL, NTPC and other Financial Institutions for the revival of the Dabhol Project. The company has equity participation of 32.88% of the paid up capital and has invested ₹ 692.90 Crores for acquiring 69,29,00,000 equity shares of ₹ 10/- each in Joint Venture Company.

(x) **Avantika Gas Ltd.** A Joint Venture with GAIL and HPCL to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in MP. The company has equity participation of 22.50% of the paid up capital and has invested Rs.0.01 Crores for acquiring 12,500 equity shares of Rs. 10/- each in Joint Venture Company. The Company has also paid Rs. 22.49 Crores (Previous Year: Rs. 22.49 Crores) as advance pending allotment of equity shares in Joint Venture Company.

(xi) **ONGC Petro additions Ltd (OPAL).** A Joint Venture with Oil and Natural Gas Corporation Ltd, GAIL (India) Ltd and Gujarat state Petroleum Corporation Ltd. for setting up Petrochemical Project at Dahej in Gujarat. The company has equity participation of 17% (Previous Year:19%) of the paid up capital. The Company has paid Rs. 299.41 Crores (Previous Year: Rs. 113.83 Crores) as advance pending allotment of equity shares in Joint Venture Company. A sum of Rs.36.46 crores also remain unpaid as on 31.3.2011 against call raised by the Joint Venture Company.

(xii) **GAIL China Gas Global Energy Holdings Ltd.** A Joint Venture with China Gas Holdings Ltd. to pursue gas sector opportunities mainly in China. The company has equity participation of 50% of the paid up capital.

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

(₹ in Crores)

		2010-11	2009-10
A.	Assets		
	Long Term Assets	3366.63	3305.76
	Current Assets	940.50	909.29
B.	Current Liabilities & Provisions	754.61	597.24
C.	Income	4149.18	3262.38
D.	Expenditure	3591.94	2951.87
E.	Contingent Liability (*)	437.20	229.89

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

(b) Jointly Controlled Assets

(i) The Company has participated in joint bidding under the Government of India New Exploration Licensing Policy (NELP) and overseas exploration bidding and has 25 Blocks (PY 24 Blocks) as on 31.03.2011 for which the Company has entered into Production Sharing Contract with respective host Governments along with other partners for Exploration & Production of Oil and Gas. The Company is a non-operator, except in Block RJ-ONN-2004/1 where it is a joint operator and CY-ONN-2005/1 where it is an operator, and shares in Expenses, Income, Assets and Liabilities based upon its percentage in production sharing contract.

The participating interest in the twenty five NELP Blocks in India as on 31st March, 2011 is as under:

Sl No.	Name of Block	Participating Interest	Sl No.	Name of Block	Participating Interest
1	MN-OSN-2000/2	20%	12	CY-DWN-2004/2	10%
2	CB-ONN-2000/1	50%	13	CY-DWN-2004/3	10%
3	AA-ONN-2002/1	80%	14	CY-DWN-2004/4	10%
			15	CY-PR-DWN-2004/1	10%
4	AA-ONN-2003/1	35%	16	CY-PR-DWN-2004/2	10%
5	CB-ONN-2003/2	20%	17	KG-DWN-2004/1	10%
6	AN-DWN-2003/2	15%	18	KG-DWN-2004/2	10%
			19	KG-DWN-2004/3	10%
7	RJ-ONN-2004/1	22.225%	20	KG-DWN-2004/5	10%
8	KG-ONN-2004/2	40%	21	KG-DWN-2004/6	10%
9	MB-OSN-2004/1	20%	22	CY-ONN-2005/1	40%
10	MB-OSN-2004/2	20%	23	AN-DWN-2009/13	10%
11	CY-DWN-2004/1	10%	24	AN-DWN-2009/18	10%
			25	CB-ONN-2000/1-RING FENCED CONTRACT	50%

(ii) Further the company has one Coal Bed Methane (CBM) Block (Previous Year: 3 Blocks) as on 31.03.2011 awarded under CBM-III bidding round of the Government of India in which the company is a non-operator. The details are as under :

Sl No.	Name of the Block	Participating Interest
1	TR-CBM-2005/III	35%

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

Sl No.	Name of the Block	Participating Interest
1	A-1,Myanmar*	8.5%
2	A-3, Myanmar*	8.5%
3	CY-OS/2	25%

*In addition, the company has 8.5% participating interest in offshore Midstream pipeline project in Myanmar for the purpose of transportation of gas from the delivery point in offshore, Myanmar to landfall point in Myanmar.

(iv) The Company's share in the Assets, Liabilities, Income and Expenditure for the year in respect of joint operations project blocks has been incorporated in the Company's financial statements based upon un-audited statement of accounts submitted by the operators and are given below : (Final adjustments are effected during the year in which audited accounts are received)

(₹ in Crores)

Particulars	2010-11	2009-10
Income	42.54	32.54
Expenses	140.25	382.96
Fixed Assets (Gross block)	5.47	4.93
Producing Property	-	-
Other Assets	577.52	432.60
Current Liabilities	151.28	109.17

The above includes ₹ Nil, ₹ 17.39 Crores, ₹ 0.24 crores, ₹ 6.15 Crores and ₹ 47.65 Crores, towards total value of Income, Expenses, Fixed Assets(Gross Block), Other Assets and Current Liabilities respectively pertaining to 11 E&P Blocks relinquished till 31st March 2011(including 7 Blocks relinquished in the earlier years). The company is non operator in these E&P Blocks.

(v) List of the E&P and CBM Blocks relinquished till 31.03.2011 is given below :

SL NO	Name of the Block	Participating Interest	Date of Relinquishment
1	GS-DWN-2000/2	15%	24.01.2007
2	MB-DWN-2000/2	15%	24.01.2007
3	KK-DWN-2000/2	15%	15.8.2004
4	MN-OSN-97/3	15%	8.11.2007
5	NEC-OSN-97/1	50%	11.9.2007
6	AD-7, Myanmar	10%	28.2.2008
7	MN-ONN-2000/1	20%	10.11.2008
8	Block 56, Oman	25%	10.6.2010
9	RM-CBM-2005/III	35%	11.5.2010
10	MR-CBM-2005/III	40%	11.5.2010
11	CY-ONN-2002/1	50%	28.3.2011

(vi) Share of Minimum work program committed under various production sharing contracts in respect of E&P joint ventures is ₹ 837.46 Crores (Previous Year: ₹ 921.06 Crores).

(vii) Quantitative information:

(a) Details of Company's Share of Production of Oil during the year ended 31.03.2011:

Particulars	Opening stock		Production (Treated & processed crude)		Sales*		Closing Stock	
Crude Oil	Qty (MT)	Value	Qty (MT)	Value	Qty (MT)	Value Rs. Crores	Qty (MT)	Value Rs. Crores
Year ended 31/03/11	372.12	0.28	15673.84	-	15530.85	41.41	515.11	0.34
Year ended 31/03/10	617.60	0.25	14380.00	-	14625.48	33.20	372.12	0.28

* includes test production sales for ₹ 0.78 Crores (Previous Year ₹ 0.95 Crores)

b) Net Quantities of Company's interest in proved reserves and proved developed reserves :

	Proved Reserves		Proved Developed Reserves	
	2010-11	2009-10	2010-11	2009-10
Oil : in 000'MT				
Beginning of the year	710	726	710	726
Additions	-	-	-	-
Deletion	604	-	604	-
Production	16	16	16	16
Closing Balance	90	710	90	710
Gas : in Million M3				
Beginning of the year	6220	-	-	-
Additions	-	6,220	-	-
Deletion	-	-	-	-
Production	-	-	-	-
Closing Balance	6220	6,220	-	-

Note: Company's interest in Oil Reserves is in Indian Blocks and in Gas Reserves is in Myanmar

c) In terms of Production Sharing Agreements/Contracts, the balance (company's share) in cost recovery of Blocks (having proved reserves) to be made from future revenue of such Blocks, if any, is ₹ 369.81 Crores at the end of year (previous year: ₹ 352.69 crores).

15. In terms of Production sharing contract (PSC), Myanmar Oil and Gas Enterprise (MOGE) exercised its right to demand 15% undivided interest in A-1 and A-3 E&P blocks and off shore midstream project and entered into an agreement with the other consortium partners during the year for acquiring the 15% undivided interest. This has resulted in reduction of the participating interest of the company in these two blocks from 10% to 8.5%. MOGE has paid ₹ 50.97 Crores towards its share of past Petroleum Cost which has been adjusted against proportionate capital work in progress to the extent of ₹ 32.57 Crores and credited the balance of ₹ 18.40 Crores under the head "profit/loss on sale / write off of assets/rights (net)" in the Profit & Loss Account.

16. An amount of ₹ 81.73 Crores remain unpaid as on 31st March, 2011 against call raised by Brahmaputra Cracker and Polymer Ltd., a subsidiary of the company.

17. In Compliance of Accounting Standard 29 on "Provisions, Contingent liabilities and Contingent Assets", as against NIL opening balance of "Provision for probable obligation", there is an addition of ₹ 155.48 crores during the year, NIL utilization /reversal and closing balance is ₹ 155.48 crores. Additions include ₹ 47.40 Crores (Previous Year NIL) capitalized in schedule 4. Expected timing of outflows is not ascertainable at this stage being legal cases under litigation.

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

19. In some cases, the Company has received intimation from Micro and Small Enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006". The Company has certified that as a practice, the payment to Suppliers is made within 7-10 days. No payments beyond appointed date were noticed. The amount remaining unpaid as at 31st March 2011 is ₹ 2336.12 Crores (Previous Year: ₹ 1796.80Crores). No payments beyond the appointed date were noticed. No interest was paid or payable under the Act.

20. Following Government of India's approval, the shareholders of the Company in the Annual General Meeting held on 15th September, 1997 approved the transfer of all the assets including Plant and Machinery, accessories and other related assets which are part of Lakwa Project to Assam Gas Cracker Complex at a price to be determined by an independent Agency and on terms and stipulations as the Board may in its discretion deem fit. The Cabinet committee on Economic affairs (CCEA) has approved the setting up of Assam Gas based cracker project at Lepetkata by formation of a company in which GAIL has equity participation of 70%. A company by the name of Brahmaputra Cracker and Polymer Limited has been incorporated during 2006-07 and construction of Gas cracker complex is in progress. The gross block of fixed assets and Capital work in progress value of Lakwa unit is ₹ 258.33 Crores as on 31st March 2011 (Previous Year: ₹ 253.11 Crores).

21. Non-Refundable Deposits ₹ 24.09 Crores (Previous Year: ₹ 15.98 Crores) made with the concerned authorities for railway crossings, forest crossings, removal and laying of electric/telephone poles and lines are accounted for under Capital Work-in-Progress on the basis of work done/confirmation from the concerned department.

22. During the year, the company has made a "provision for diminution of ₹ 0.44 Crores in the carrying cost of its investment in Shell Compressed Natural Gas Company, Egypt based on its decision to sell the investment at lower value to that extent.

23. Request for confirmations of balances were sent and reconciliations with the parties are carried out as an ongoing process.

24. The Profit & Loss Account includes: -

(a) Expenditure on Public Relations and Publicity amounting to ₹ 20.92 Crores (Previous Year: ₹ 13.33 Crores). The ratio of annual expenditure on Public Relations and Publicity to the annual turnover is 0.0006:1 (Previous Year: 0.0005:1).

(b) Research and Development Expenses ₹ 0.13 Crores (Previous Year: ₹ 16.17 Crores).

(c) Entertainment Expenses ₹ 0.15 Crores (Previous Year: ₹ 0.11 Crores).

25. Previous Year's (PY) figures have been regrouped and recast to the extent practicable, wherever necessary. Figures in brackets indicate deductions.

26. Information Required as per Schedule VI of the Companies Act, 1956

I. Quantitative Information

(₹ in Crores)

	Opening Stock		Purchase		Sales		Internal Consumption (ii)		Closing Stock	
	QTY	VALUE	QTY	VALUE	QTY	VALUE	QTY	VALUE	QTY	VALUE
Natural Gas including RLNG (MMSCM)										
Year Ended 31.03.2011	**209.46**	**165.33**	**30295.09**	**25002.44**	**28141.71**	**24831.33**	**2237.17**	**3259.25**	**262.66**	**306.76**
Year Ended 31.03.2010	173.92	171.84	29630.56	18399.09	27428.73	17848.04	2291.50	3224.77	209.46	165.33
LPG (M/T)										
Year Ended 31.03.2011	**7747.54**	**11.20**			**1073133.95**	**1651.62**			**5218.47**	**7.93**
Year Ended 31.03.2010	6738.19	9.51	-	-	1100989.91	1767.60	-	-	7747.54	11.20
Pentane (M/T)										
Year Ended 31.03.2011	**382.43**	**0.89**			**34187.90**	**152.04**			**626.54**	**2.86**
Year Ended 31.03.2010	1296.38	2.89	-	-	59677.59	177.29	-	-	382.43	0.89
Propane (M/T)										
Year Ended 31.03.2011	**1868.04**	**3.61**			**154632.67**	**670.27**			**3256.29**	**6.46**
Year Ended 31.03.2010	4069.76	7.44	-	-	180306.17	632.89	-	-	1868.04	3.61
SBP Solvent (M/T)										
Year Ended 31.03.2011	**145.01**	**0.23**			**28792.04**	**146.57**			**79.34**	**0.13**
Year Ended 31.03.2010	121.60	0.23	-	-	33245.02	132.98	-	-	145.01	0.23
Naptha (MT)										
Year Ended 31.03.2011	**1531.19**	**3.56**			**82743.63**	**290.02**			**802.30**	**1.57**
Year Ended 31.03.2010	1520.49	2.64	-	-	68866.83	226.70	-	-	1531.19	3.56
Polymers (M/T)										
Year Ended 31.03.2011	**15112.63**	**54.34**			**420408.81**	**3104.80**	**9.93**		**11068.50**	**40.84**
Year Ended 31.03.2010	7519.89	25.22	-	-	409510.12	3015.02	1.55	-	15112.63	54.34
C2/C3 (M/T)*										
Year Ended 31.03.2011	**3160.24**	**4.54**			**-**	**-**			**1307.75**	**1.95**
Year Ended 31.03.2010	4757.25	6.77	-	-	-	-	-	-	3160.24	4.54
Ethylene (M/T)*										
Year Ended 31.03.2011	**1213.16**	**2.54**							**776.56**	**1.73**
Year Ended 31.03.2010	730.90	1.54	-	-	-	-	-	-	1213.16	2.54
Butene-1 (M/T)*										
Year Ended 31.03.2011	**385.08**	**1.25**							**85.70**	**0.31**
Year Ended 31.03.2010	592.76	1.82	-	-	-	-	-	-	385.08	1.25
CNG (000'KG)										
Year Ended 31.03.2011					**6333.57**	**16.29**				
Year Ended 31.03.2010	-	-	-	-	10150.10	24.12	-	-	-	-
Other Products (M/T)										
Year Ended 31.03.2011	**5608.99**	**9.55**			**42409.87**	**156.43**	**12123.78**		**7197.83**	**18.50**
Year Ended 31.03.2010	5844.10	9.50	-	-	50276.65	160.81	9322.59		5608.99	9.55

Note :(i) Difference in reconciliation of opening stock, purchase, sales and clsoing stock is on account of measurement tolerance
(ii) Natural Gas used for Fuel & Raw Material.
(iii) Closing Stock of Natural Gas includes 0.3 MMSCM and 40.4 MMSCM valuing ₹ 0.44 Crores and ₹ 77.72 Crore of Gas/LNG lying with Shipper and PLL.
(*) Ethylene, Butene 1 and C2/C3 are consumed internally for manufacture of final products at PATA

(₹ in Crores)

		2010-11	2009-10
II.	**CIF Value of Imports**		
	i) Capital Goods	971.67	74.01
	ii) Spare Parts & Components	110.87	85.68
	iii) Raw Material	595.74	90.20
III.	**a) Expenditure in Foreign Currency**		
	i) Interest/Commitment Charges	-	-
	ii) Technical/Consultancy/License Fee/Engineering	50.32	27.92
	iii) Others	2,332.26	1,885.63
	b) Earnings in Foreign Currency		
	i) Sales	-	-
	ii) Others (Including Tender fee)	4.72	5.67
IV.	**Remuneration paid/payable to Directors**		
	Functional Directors including Chairman & Managing Director:		
	Salaries & Allowances	2.09	2.49
	Contribution to Provident and Other Funds	0.09	0.33
	Other Benefits and Perquisites	0.23	0.44
		2.41	3.26
	Independent Directors:		
	Directors Sitting Fee	0.21	0.09

a. In addition to above remuneration, Whole time Directors are allowed the use of Staff cars including for private journeys upto a ceiling of 1000 Kms. per month on payment in accordance with the Bureau of Enterprises Circular.

V. Licensed Capacity, Installed Capacity and Actual Production*

	CURRENT YEAR 2010-11				PREVIOUS YEAR 2009-10			
	Licensed Capacity	Installed Capacity	Gas Throughput	Production	Licensed Capacity	Installed Capacity	Gas Throughput	Production
I) Natural Gas including RLNG (MMSCMD)								
a) HVJ, DVPL, SG & DUPL - DPPL	77.20	77.20	57.32	-	76.50	76.50	54.55	-
b) Others	74.65	74.65	20.83	-	73.45	73.45	21.59	-
c) RLNG Shipper	-	-	39.76	-	-	-	30.59	-
ii) LPG (M /T)	1112376	1112376	-	1068156	1112376	1112376	-	1099554
iii) Propane (M/T)	201085	201085	-	155152	201085	201085	-	179274
iv) Ethylene (M/T)	400000	400000		428444	400000	400000		429992
v) HDPE/LLDPE (M/T)	410000	410000		416396	410000	410000		417147
vi) Pentane	82454	82454	-	34523	82454	82454	-	58551
vii) SBP Solvent/Naptha	110743	110743	-	111140	110743	110743	-	102479
viii) CNG (000'KG)	-	-		6334	-	-		10150
ix) C2/C3**		400000	-	594372	-	400000	-	580901
x) Butene-1***	10000	10000	-	8432	10000	10000	-	8615

Notes : *As certfied by the company and relied upon by auditors

** Internally consumed

***Internally consumed

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

	CURRENT YEAR 2010-11			PREVIOUS YEAR 2009-10		
	Qty.	₹ in crores	%	Qty.	₹ in crores	%
i) Raw Material Consumed :						
a) Gas (MMSCM)						
- Indigeneous	1,291.06	2,178.78	100.00	1353.68	2199.34	100.00
- Imported	-	-	-	-	-	-
Sub total	**-**	**2,178.78**	**100.00**	**-**	**2199.34**	**100.00**
ii) Stores , Spares Components Consumed						
- Indigeneous	-	129.20	54.20	-	103.62	51.95
- Imported	-	109.18	45.80	-	95.83	48.05
Sub total	-	238.38	100.00	-	199.45	100.00
Total		**2,417.16**			**2398.79**	

N. K. Nagpal
Secretary

P. K. Jain
Director(Finance)

R. D. Goyal
Director(Projects)

B. C. Tripathi
Chairman & Managing Director

As per our separate Report of even date

For M/s M L Puri & Co.
Chartered Accountants
Firm No: 02312 N

Navin Bansal
(Partner)
Membership No. 91922

For M/s Rasool Singhal & Co.
Chartered Accountants
Firm No: 500015N

Anil Gupta
(Partner)
Membership No. 072767

Place : New Delhi

Information about Business Segments for Financial Year 2010-11

(Annexure - A)
(₹ in Crores)

SL No.	SEGMENTS	TRANSMISSION SERVICES **		NATURAL GAS TRADING**	PETRO CHEMI CALS	LPG & LIQUID HYDROC ARBONS	OTHER SEGMENT ***	UN-ALLO CABLE	TOTAL	ELIMI NATION	CONSOLI DATED TOTAL
		NATURAL GAS	LPG								
1	**REVENUE**										
	External Sales/ Other Income	3,543.83	474.52	22,653.68	2,939.38	2,786.02	61.20	-	32,458.62	-	32,458.63
	Intersegment sales	**245.73**	**-**	**3,013.54**	**21.06**	**-**	**-**	**-**	**3,280.33**	**3,280.33**	**-**
	Total revenue	**3,789.56**	**474.52**	**25,667.23**	**2,960.43**	**2,786.02**	**61.20**	**-**	**35,738.95**	**3,280.33**	**32,458.63**
2	**RESULTS**										
	Segment Result (Profit before Interest &Tax)	2,561.25	307.59	794.94	1,188.25	485.77	(105.60)	-	5,232.21	-	5,232.20
	Unallocated expenses (Net)							317.73	317.73	-	317.73
	Operating Profit	**2,561.25**	**307.59**	**794.94**	**1,188.25**	**485.77**	**(105.60)**	**(317.73)**	**4,914.48**	**-**	**4,914.47**
	Interest Expenses							82.86	82.86	-	82.86
	Interest/ Dividend Income							408.38	408.38	-	408.38
	Provision for Taxation							1,678.86	1,678.86	-	1,678.86
	Profit/(Loss) from Ordinary Activities	2,561.25	307.59	794.94	1,188.25	485.77	(105.60)	(1,671.07)	3,561.13	-	3,561.13
	Extra Ordinary Items	-	-	-	-	-	-	-		-	-
	Net Profit/(Loss)	**2,561.25**	**307.59**	**794.94**	**1,188.25**	**485.77**	**(105.60)**	**(1,671.07)**	**3,561.13**	**-**	**3,561.13**
3	**OTHER INFORMATION**										
	Segment Assets	12,609.96	916.93	-	1,833.54	1,100.40	91.39		16,552.23	-	16,552.22
	Unallocated Assets	-	-	-	-	-	-	15,459.22	15,459.22	-	15,459.22
	Total Assets	**12,609.96**	**916.93**	**-**	**1,833.54**	**1,100.40**	**91.39**	**15,459.22**	**32,011.45**	**-**	**32,011.45**
	Segment Liabilities	2,807.26	61.93	-	183.16	457.91	175.53		3,685.80	-	3,685.79
	Unallocated Liabilities							5,129.07	5,129.07	-	5,129.07
	Total Liabilities	**2,807.26**	**61.93**	**-**	**183.16**	**457.91**	**175.53**	**5,129.07**	**8,814.87**	**-**	**8,814.86**
	Cost to acquire fixed assets	912.64	54.72	-	126.16	17.34	6.68	9.85	1,127.39	-	1,127.39
	Depreciation*	338.35	51.04	-	158.47	89.62	6.04	6.77	650.29	-	650.29
	Non Cash expenses other than Depreciation*	(0.58)	0.24	(0.56)	3.00	(2.42)	(18.39)	13.98	(4.73)	-	(4.73)

Sales net off Excise Duty

* Excluding Prior period adjustments
** Assets & Liability of Gas Trading Business included in Gas Transmission Business
*** Others includes GAILTel, E&P & City Gas

Information about Business Segments for Financial Year 2009-10

(Annexure - A)
(₹ in Crores)

SL No.	SEGMENTS	TRANSMISSION SERVICES **		NATURAL GAS TRADING**	PETRO CHEMI CALS	LPG & LIQUID HYDROC ARBONS	OTHER SEGMENT ***	UN-ALLO CABLE	TOTAL	ELIMI NATION	CONSOLI DATED TOTAL
		NATURAL GAS	LPG								
1	**REVENUE**										
	External Sales/Other Income	2,925.49	447.19	15,821.01	2,904.01	2,832.95	65.76	-	24,996.40	-	24,996.41
	Intersegment sales	242.87	-	2,981.90	8.19	-	-	-	3,232.96	3,232.96	-
	Total revenue	**3,168.35**	**447.19**	**18,802.91**	**2,912.20**	**2,832.95**	**65.76**	**-**	**28,229.36**	**3,232.96**	**24,996.41**
2	**RESULTS**										
	Segment Result (Profit before Interest & Tax)	2,239.41	278.16	373.16	1,327.86	608.78	(349.73)	-	4,477.64	-	4,477.64
	Unallocated expenses (Net)							249.02	249.02	-	249.02
	Operating Profit	2,239.41	278.16	373.16	1,327.86	608.78	(349.73)	(249.02)	4,228.62	-	4,228.62
	Interest Expenses							70.00	70.00	-	70.00
	Interest/ Dividend Income							419.85	419.85	-	419.85
	Provision for Taxation							1,438.63	1,438.63	-	1,438.63
	Profit/(Loss) from Ordinary Activities	2,239.41	278.16	373.16	1,327.86	608.78	(349.73)	(1,337.80)	3,139.84	-	3,139.84
	Extra Ordinary Items								-	-	-
	Net Profit/(Loss)	**2,239.41**	**278.16**	**373.16**	**1,327.86**	**608.78**	**(349.73)**	**(1,337.80)**	**3,139.84**	**-**	**3,139.84**
3	**OTHER INFORMATION**										
	Segment Assets	11,380.97	917.46	-	1,898.66	1,172.72	86.94		15,456.76	-	15,456.76
	Unallocated Assets	-	-	-	-	-	-	14,590.57	14,590.57	-	14,590.57
	Total Assets	**11,380.97**	**917.46**	**-**	**1,898.66**	**1,172.72**	**86.94**	**14,590.57**	**30,047.33**	**-**	**30,047.32**
	Segment Liabilities	1,701.71	52.39	-	120.04	86.20	130.37		2,090.72	-	2,090.71
	Unallocated Liabilities							8,287.67	8,287.67	-	8,287.67
	Total Liabilities	**1,701.71**	**52.39**	**-**	**120.04**	**86.20**	**130.37**	**8,287.67**	**10,378.39**	**-**	**10,378.38**
	Cost to acquire fixed assets	3,353.57	27.92	-	12.99	45.06	0.61	8.19	3,448.34	-	3,448.34
	Depreciation*	240.51	67.45	-	154.90	84.63	6.94	7.39	561.82	-	561.82
	Non Cash expenses other than Depreciation*	2.02	0.51	26.42	(1.76)	(0.04)	-	6.30	33.45	-	33.45

Sales net off Excise Duty

* Excluding Prior period adjustments
** Assets & Liability of Gas Trading Business included in Gas Transmission Business
*** Others includes GAILTel, E&P & City Gas

Related Party Disclosures

(Annexure - B)

I) Relationship

A) Joint Venture Companies/Associates

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

B) Key Management Personnel

Whole time Directors (KMP) :

1) Shri B C Tripathi, Chairman and Managing Director
2) Shri R K Goel (up to 28.02.2011)
3) Shri R D Goyal
4) Shri S L Raina
5) Shri Prabhat Singh
6) Shri S Venkatraman (w.e.f 25.09.2010)
7) Shri P K Jain (wef 01.03.2011)

C) Unincorporated Joint venture for Exploration & Production Activities:

1)	NEC - OSN - 97/1	(Non-operator with participating interest: 50%, GAIL has relinquished from the Block)
2)	CB - ONN - 2000/1	(Non-operator with participating interest: 50%)
3)	CB-ONN-2000/1-RFC	(Non-operator with participating interest: 50%)
4)	A-1, Myanmar	(Non-operator with participating interest: 8.5%)
5)	A-3, Myanmar	(Non-operator with participating interest: 8.5%)
6)	Offshore Midstream, Myanmar	(Non-operator with participating interest: 8.5%)
7)	CY-OS/2	(Non-operator with participating interest: 25%)
8)	AA-ONN-2002/1	(Non-operator with participating interest: 80%)
9)	CY-ONN-2002/1	(Non-operator with participating interest: 50%, GAIL has relinquished from the Block)
10)	AA-ONN-2003/2	(Non-operator with participating interest: 35%)
11)	CB-ONN-2003/2	(Non-operator with participating interest: 20%)
12)	AN-DWN-2003/2	(Non-operator with participating interest: 15%)
13)	Block 56, Oman	(Non-operator with participating interest: 25%) GAIL has relinquished from the Block)
14)	RJ-ONN-2004/1	(Joint operator along with GSPCL and having participating interest of 22.225%)
15)	KG-ONN-2004/2	(Non-operator with participating interest: 40%)
16)	MB-OSN-2004/1	(Non-operator with participating interest: 20%)

17)	MB-OSN-2004/2	(Non-operator with participating interest: 20%)
18)	RM-CBM-2005/III	(Non-operator with participating interest: 35%) GAIL has relinquished from the Block)
19)	TR-CBM-2005/III	(Non-operator with participating interest: 35%)
20)	MR-CBM-2005/III	(Non-operator with participating interest: 40%) GAIL has relinquished from the Block)
21)	AD-7, Myanmar	(Non-operator with participating interest: 10%) GAIL has relinquished from the Block)
22)	CY-ONN-2005/1	(Operator and having participating interest of 40%)

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

(₹ in Crores)

A)	Details relating to parties referred to in item no. I (A) above:	2010-11	2009-10
1)	Sales	1,529.06	843.53
2)	Amount receivable as at Balance Sheet Date for (1) above	75.86	44.83
3)	Purchases	7,290.04	6,282.47
4)	Amount payable as at Balance Sheet Date for (3) above	431.50	284.85
5)	Reimbursement for other expenditure received/ receivable	7.83	9.94
6)	Amount receivable as at Balance Sheet Date for (5) above	4.20	2.56
7)	Dividend Income	59.49	55.94
8)	Other Income	1.88	-

B)	I. Details relating to parties referred to in item no.- 1 (B) above	Key Management Personnel (KMP)		Relatives of KMP	
		2010-11	2009-10	2010-11	2009-10
1)	Remuneration	2.41	3.26	0.44	0.28
2)	Interest bearing outstanding loans receivable	0.25	0.16	-	0.01
3)	Interest accrued on loans given	0.16	0.14	-	-
4)	Self lease	0.23	0.13	0.03	-

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

C)	Details relating to parties referred to in item no. I (C) above :	2010-11	2009-10
1)	Minimum work program commitment	204.85	266.57
2)	Survey and other expenses	49.31	128.08
3)	Other assets	490.15	387.54
4)	Amount outstanding on Balance Sheet date	118.14	91.98
5)	Amount written Off- Dry well expenditure	52.20	198.23
6)	Sale of Crude Oil	40.63	32.25

(Annexure - C)

Disclosure as Required by Clause 32 of the Listing Agreement

(₹ in Crores)

			Current Year		Previous Year	
			Amount as on 31.03.2011	Maximum amount outstanding during the year ended 31.03.2011	Amount as on 31.03.2010	Maximum amount outstanding during the year ended 31.03.2010
1	Loans and advances in the nature of loans :					
	a	To subsidiary Company: GAIL (Global) Singapore PTE Limited	57.69	66.83	66.83	81.03
	b	To Companies in which Directors are interested	Nil	Nil	Nil	Nil
	c	Where there is no repayment schedule or repayment beyond seven years or no interest or interest below Section 372 A of Companies Act	Repayment of Loan to be made till 23 September 2011 Rate of interest on loan is 6 months LIBOR +100 basis points.		Repayment of Loan to be made till 23 September 2010. Rate of interest on loan is 6 months LIBOR +100 basis points.	
2	Investment by the Subsidiary Company in the shares of GAIL (India) Limited and its subsidiaries		Nil	Nil	Nil	Nil

Effective rate of interest on 31.03.2011 : 0.46%+1.00%=1.46%

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	0 1 8 9 7 6	State Code	5 5
Balance Sheet Date	3 1 (Date) 0 3 (Month)	Year	2 0 1 1

II. Capital raised during the year (₹ in Lakhs)

Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

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

Total Liabilities	2319658
Total Assets	- - 2319658

Sources of Funds :

Paid up Capital	- - - 126848
Reserves and Surplus	- - 1798486
Secured Loans	- - - 231000
Unsecured Loans	- - - - - - - - -
Deferred Tax Liability	- - - 163324

Application of Funds

Net Fixed Assets	- - 1828274
Investments / Advances for Investments	- - - 258252
Net Current Assets	- - - 233132
Misc. Expenditure	NIL
Accumulated losses	NIL

IV. Performance of the Company (₹ in Lakhs)

Total Revenue (Net of ED)	Total Expenditure
- - 3 3 1 0 9 7 1	- - 2 7 8 6 9 7 2

Profit/Loss before Tax		Profit/Loss after Tax	
(+)	(-)	(+)	(-)
(+)	- - - 5 2 3 9 9 9	(+)	- - - 3 5 6 1 1 3

Earning per share in ₹		Dividend (%)
₹	P.	
2 8	0 7	- 7 5

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

Item Code No. (ITC Code)	2 7 1 1 2 1 0 0
Product Description	N A T U R A L G A S
Item Code No. (ITC Code)	2 7 1 1 1 9 0 0
Product Description	L P G
Item Code No. : (ITC Code)	3 9 0 1 2 0
Product Description	P O L Y E T H E L E N E
Item Code No. : (ITC Code)	2 7 1 1 2 0 0
Product Description	P R O P A N E

N.K. Nagpal
Secretary

P.K. Jain
Director (Finance)

R.D. Goyal
Director (Projects)

B.C. Tripathi
Chairman & Managing Director

Place: New Delhi
Date : May 23, 2011

Statement Pursuant to Section 212(1) (e) of the Companies Act,1956 Relating to Company's Interest in the Subsidiary Company

	Name of the subsidiary Company	GAIL Global Singapore (Pte) Limited	Brahmputra Cracker & Polymer Limted	GAIL Gas Limited
1	The financial year of the subsidiary Company ended on	31.03.2011	31.03.2011	31.03.2011
2	Date from which it became subsidiary Company	14.09.2004	08.01.2007	27.05.2008
3	a) Number of Shares held by GAIL (India) Limited alongwith its nominees in the subsidiary at the end of financial year of the subsidiary company	2,100,000 equity shares of USD 1 per share	22,72,60,073 equity shares of ₹ 10 per share	11,71,70,000 equity shares of ₹ 10 per share
	b) Extent of Shareholding	100%	70%	100%
4	The net aggregate amount of Subsidiary Company profit so far it concerns the members of Holding Company :			
	a) Not dealt within the Holding Company Accounts :			
	i) for the financial year ended 31.03.2011 (₹ in crores)	9.62	Nil	(0.16)
	ii) for previous financial years of the subsidiary company since it became the holding company subsidiary	19.30	Nil	(3.91)
	b) Dealt within the Holding Company Accounts :			
	i) for the financial year ended 31.03.2011	Nil	Nil	Nil
	ii) for previous financial years of the subsidiary company since it became the holding company subsidiary	Nil	Nil	Nil

N.K. Nagpal
Secretary

P.K. Jain
Director (Finance)

R.D. Goyal
Director (Projects)

B.C. Tripathi
Chairman & Managing Director

Place: New Delhi
Date : May 23, 2011

Schedule of Fixed Assets (Township)

(₹ in Lacs)

DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions/ Adjustme-nts during the Year	Sales/ Adjustme nts during the Year	As at 31.03. 2011	As at 01.04. 2010	For The Year	Adjustm ents during the Year	As at 31.03. 2011	As at 31.03. 2011	As at 31.03. 2010
LAND : FREEHOLD	2,863.01	-	-	2,863.01	107.53	-	-	107.53	2,755.48	2,755.48
LAND : LEASEHOLD	388.81	-	13.00	375.81	103.56	15.20	-	118.76	257.05	285.25
BUILDING, ROADS ETC.	25,410.32	177.53	(74.36)	25,662.21	6119.21	522.74	(3.68)	6638.27	19,023.94	19,291.11
DRAINAGAE, SEWAGE & WATER SUPPLY SYS.ETC.	1,248.00	1.70	92.65	1,157.05	787.04	52.33	(8.49)	830.88	326.17	460.96
FURNITURE, FIXTURES & OTHER EQP.	1,603.50	139.31	21.40	1,721.41	957.84	85.65	(30.82)	1012.67	708.74	645.66
TRANSPORT EQUIPMENTS	23.41	-	-	23.41	3.35	1.09	-	4.44	18.97	20.06
TOTAL	**31,537.05**	**318.54**	**52.69**	**31,802.90**	**8,078.53**	**677.01**	**(42.99)**	**8,712.55**	**23,090.35**	**23,458.52**

Income and Expenditure Account

Income and Expenditure Account for the Year Ended 31st March, 2011 on Provisions of Township, Education, Medical and Other Facilities.

(₹ in Lacs)

S. No.	PARTICULARS	YEAR ENDED 31st MARCH, 2011	YEAR ENDED 31st MARCH, 2010
	INCOME		
1	RECOVERY OF HOUSE RENT	**140.90**	103.68
2	RECOVERY OF UTILITIES	**184.18**	130.26
3	OTHER RECOVERIES	**6.93**	7.66
4	EXCESS OF EXPENDITURE OVER INCOME	**3,947.68**	3,504.73
	TOTAL	**4,279.69**	**3,746.33**
	EXPENDITURE		
1	SALARIES, WAGES & PF CONTRIBUTION	**895.97**	578.84
2	CONSUMABLES, STORES & MEDICINES	**34.28**	34.92
3	SUBSIDIES FOR SOCIAL & CULTURAL ACTIVITIES	**111.83**	179.66
4	REPAIRS & MAINTENANCE	**1,006.92**	775.60
5	DEPRECIATION	**677.01**	658.03
6	UTILITIES:POWER,GAS & WATER	**545.05**	532.89
7	LAND RENT	**20.31**	20.36
8	WELFARE - SCHOOL	**282.38**	357.47
9	BUS HIRE CHARGES	**222.72**	203.00
10	CLUB & RECREATION	**7.70**	9.54
11	MISC EXPENSES - TAXES, LICENSE FEES, INS ETC.	**314.75**	216.20
12	HORTICULTURE EXPENSES	**160.77**	179.82
	TOTAL	**4,279.69**	**3,746.33**

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNT OF GAIL (INDIA) LIMITED FOR THE YEAR ENDED 31ST MARCH, 2011.

The preparation of financial statements of GAIL (India) Limited for the year ended 31st March, 2011 is accordance with the financial reporting framework prescribed under the Companies Act,1956 is the responsibility of the management of the company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under section 629(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statement under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This stated to have been done by them vide their Audit Report dated 23rd May, 2011.

I, on behalf of teh Comptroller and Audited general of India, have conducted a supplementary audit under section 619(3)(b) of the Companies Act,1956 of the financial statement of GAIL (India) Limited for the year ended 31st March 2011. This supplementary audited has been carried out independently without access to the working paper of the statutory auditor and is limited primarily to inquiries of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to my comment upon or supplement to Statutory Auditors' report under section 619 of the Companies Act, 1956.

For and on behalf of the
Comptroller and Auditor general of India

(Naina A. Kumar)
Principal Director of Commercial Audit
& Ex-officio Member Audit Board-II,
New Delhi

Place : New Delhi
Dated : July 05, 2011

Subsidiary Companies

Brahmputra Cracker & Polymer Ltd.

GAIL Global (Singapore)
Pte Ltd.

GAIL Gas Limited

GAIL Global (Singapore) Pte Ltd.

Directors' Report

The directors present their report to the shareholder together with the audited financial statements for the financial year ended 31st March 2011.

Directors

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

Kirpa Ram Vij
Shadi Lal Raina
Premesh Kumar Jain (appointed on 7th March, 2011)

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

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

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statement and in this report, and except that certain director receive service fee as a result of his employment with immediate and ultimate holding corporation.

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Independent auditor

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

On behalf of the Board of Directors

Premesh Kumar Jain
Director

Shadi Lal Raina
Director

Place : Singapore
Date : May 18, 2011

In the opinion of the directors,

(a) the financial statements as set out on pages 122 to 129 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the results of the business, changes in equity and cash flows of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Premesh Kumar Jain
Director

Shadi Lal Raina
Director

Place : Singapore
Date : May 18, 2011

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

We have audited the accompanying financial statements of Gail Global (Singapore) Pte. Ltd., set out on pages 122 to 129, which comprise the balance sheet as at 31st March, 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011, and the results, changes in equity and cash flows of the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Nexia TS Public Accounting Corporation
Public Accountants and Certified Public Accountants

Place : Singapore
Date : May 18, 2011

Balance Sheet as at 31st March, 2011

	Note	2011 USD	2011 ₹ in Crores	2010 USD	2010 ₹ in Crores
ASSETS					
Current assets					
Cash banks		**120,837**	**0.53**	2,383,227	10.88
Other receivables	4	**2,511,000**	**11.11**	-	-
Other current assets	5	**-**	-	356	-
		2,631,837	**11.64**	2,383,583	10.88
Non-current assets					
Financial assets, available-for-sale	6	**14,178,800**	**62.71**	15,498,270	70.78
Total assets		**16,810,637**	**74.35**	17,881,853	81.66
LIABILITIES					
Current liabilities					
Other payables	7	**199,880**	**0.90**	331,163	1.51
Borrowings	8	**12,860,432**	**58.17**	14,655,781	66.93
Total liabilities		**13,060,312**	**59.07**	14,986,944	68.44
NET ASSETS		**3,750,325**	**15.28**	2,894,909	13.22
EQUITY					
Share capital	9	**2,100,000**	**9.64**	2,100,000	9.64
Other reserves	10	**(4,887,166)**	**(24.84)**	(3,567,696)	(17.03)
Retained earnings		**6,537,491**	**30.48**	4,362,605	20.61
Total equity		**3,750,325**	**15.28**	**2,894,909**	**13.22**

The accompanying notes form an integral part of these financial statements

Statement of Comprehensive Income for the financial year ended 31st March, 2011

	Note	2011 USD	2011 ₹ In Crores	2010 USD	2010 ₹ In Crores
Revenue	11	**2,511,000**	**11.41**	2,227,200	10.83
Other losses – net	12	**(111,741)**	**(0.51)**	(17,736)	(0.09)
Expenses					
- Professional fees		**(11,054)**	**(0.05)**	(7,803)	(0.04)
- Safe custody charges		**(14,716)**	**(0.07)**	(15,303)	(0.07)
- Finance expense	13	**(192,657)**	**(0.88)**	(334,862)	(1.57)
- Other		**(5,946)**	**(0.03)**	(4,684)	(0.02)
Total expenses		**(224,373)**	**(1.03)**	(362,652)	(1.70)
Profit before income tax		**2,174,886**	**9.87**	1,846,812	9.04
Income tax expense	14	**-**	-	-	-
Profit after tax		**2,174,886**	**9.87**	1,846,812	9.04
Other comprehensive income					
- Currency translation differences		**(1,319,470)**	**(7.81)**	362,473	0.72
Total comprehensive income		**855,416**	**2.06**	**2,209,285**	**9.76**

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity for the financial year ended 31st March, 2011

	Share capital USD	₹ in Crores	Other reserves USD	₹ in Crores	Retained earnings USD	₹ in Crores	Total equity USD	₹ in Crores
2011								
Beginning of financial year	2,100,000	9.64	(3,567,696)	(17.03)	4,362,605	20.61	2,894,909	13.22
Total comprehensive income	-	-	(1,319,470)	(7.81)	2,174,886	9.87	855,416	2.06
End of financial year	2,100,000	9.64	(4,887,166)	(24.84)	6,537,491	30.48	3,750,325	15.28
2010								
Beginning of financial year	2,100,000	9.64	(3,930,169)	(17.75)	2,515,793	11.57	685,624	3.46
Total comprehensive income	-	-	362,473	0.72	1,846,812	9.04	2,209,285	9.76
End of financial year	2,100,000	9.64	(3,567,696)	(17.03)	4,362,605	20.61	2,894,909	13.22

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows for the financial year ended 31st March, 2011

	Note	2011 USD	₹ In Crores	2010 USD	₹ In Crores
Cash flows from operating activities					
Net profit		**2,174,886**	**9.87**	1,846,812	9.04
Adjustment for:					
- Interest expense	13	**192,657**	**0.88**	334,862	1.57
		2,367,543	**10.75**	2,181,674	10.61
Change in working capital					
- Other receivables		**(2,511,000)**	**(11.11)**	-	-
- Other payables		**(131,283)**	**(0.59)**	(263,489)	(1.36)
- Other current assets		**356**		(56)	
Net cash (used in)/provided by operating activities		**(274,384)**	**(0.95)**	1,918,129	9.25
Cash flows from financing activities					
Repayments of borrowings		**(1,795,349)**	**(8.12)**	(844,641)	(4.35)
Interest paid		**(192,657)**	**(0.88)**	(334,862)	(1.57)
Net cash used in financing activities		**(1,988,006)**	**(9.00)**	(1,179,503)	(5.92)
Net (decrease)/increase in cash and cash equivalents		**(2,262,390)**	**(10.35)**	738,626	2.57
Cash at bank equivalents at beginning of financial year		**2,383,227**	**10.88**	1,644,601	8.31
Cash and cash equivalents at end of financial year		**120,837**	**0.53**	2,383,227	10.88

The accompanying notes form an integral part of these financial statments

Notes to the Financial Statements for the financial year ended 31st March, 2011

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

These financial statements were authorised for issue in accordance with a resolution of the directors on 18th May, 2011.

1 General information

The Company is incorporated and domiciled in Singapore. The address of its registered office is 5 Shenton Way, #16-00, UIC Building, Singapore 068808.

The principal activity of the Company is the business of investment holding company.

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

2 Significant accounting policies

(a) Basis of preparation

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

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2010

On 1st April, 2010, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

(b) Loans and receivables

Bank balances
Other receivables

Bank balances and other receivables are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amounts of these assets are reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

(c) Financial assets, available-for-sale

Financial assets, available-for-sale are initially recognised at their fair values plus transaction costs and are subsequently carried at their fair values. Changes in fair values are recognised in other comprehensive income and accumulated under the fair value reserve within equity.

These financial assets are recognised on the date which the Company commits to purchase the asset. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired. Significant or prolonged decline in the fair value of an equity security below its cost is objective evidence that the security is impaired.

If there is evidence of impairment, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. Impairment losses on available-for-sale equity securities are not reversed through the profit or loss.

On disposal, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

(d) Other payables

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

(e) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(f) Income taxes

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

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

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

(g) Revenue recognition

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

Dividend income

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

(h) Currency translation

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

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

(i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

(j) Borrowings

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

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

(k) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

3 Critical accounting estimates, assumptions and judgements

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

Impairment of financial assets, available-for-sale

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

4 Other receivables

Other receivables represent dividends receivable from investment made in National Gas.

5 Other current assets

	2011 USD	**₹ In Crores**	2010 USD	` In Crores
Prepayments	**-**	**-**	356	-

6 Financial assets, available-for-sale

	2011 USD	**₹ In Crores**	2010 USD	₹ In Crores
Beginning of financial year	**15,498,270**	**70.78**	15,135,797	70.04
Currency translation (loss)/gain (Note 10(b)(ii))	**(1,319,470)**	**(7.81)**	362,473	0.72
End of financial year	**14,178,800**	**62.71**	15,498,270	70.78

Financial assets, available-for-sale are analysed as follows:

	2011 USD	**₹ In Crores**	2010 USD	₹ In Crores
Non-listed securities				
- Equity securities, Egypt	**14,178,800**	**62.71**	15,498,270	70.78

Financial assets, available for sale with carrying amount of USD 14,178,800 (2010: USD15,498,270) is mortgaged to loan from ultimate holding corporation. The unquoted equity security was measured at cost less impairment losses as the investment does not have a quoted market share in an active market and other methods of determining fair value do not result in a reasonable estimate.

7 Other payables

	2011 USD	₹ in Crores	2010 USD	₹ in Crores
Amount due to holding corporation	**173,377**	**0.78**	304,404	1.39
Accrued operating expenses	**26,503**	**0.12**	26,759	0.12
	199,880	**0.90**	331,163	1.51

The non-trade amount due to holding corporation pertains to accrued interest for loan from holding corporation.

8 Borrowings

	2011 USD	₹ in Crores	2010 USD	₹ in Crores
Loan from holding corporation – current	**12,860,432**	**58.17**	14,655,781	66.93

Security granted

The loan is secured by the financial assets, available-for-sale of the 15% paid up capital in National Gas Company S.A.E Egypt (NATGAS) with carrying values of USD14,178,800 (2010:USD15,498,270) as at 31st March 2011 (Note 6) and bears interest at the rate of 6-months LIBOR as per Telerate page plus one hundred basis point (bps) on the principal amount.

9 Share capital

The Company's share capital comprises fully-paid 2,100,000 (2010: 2,100,000) ordinary shares with no par value, amounting to a total of USD2,100,000 (2010: USD2,100,000).

10 Other reserves

	2011 USD	₹ In Crores	2011 USD	₹ In Crores
(a) Composition				
Fair value reserve	**(5,439,834)**	**(23.53)**	(5,439,834)	(23.53)
Currency translation reserve	**552,668**	**(1.31)**	1,872,138	6.50
	(4,887,166)	**(24.84)**	(3,567,696)	(17.03)
(b) Movement				
(i) Fair value reserves				
Beginning and balance at end of financial year	**(5,439,834)**	**(23.53)**	(5,439,834)	(23.53)
(ii) Currency translation reserves				
Beginning of financial year	**1,872,138**	**6.50**	1,509,665	5.78
Financial assets, available for sale				
- Currency translation (loss)/gain	**(1,319,470)**	**(7.81)**	362,473	0.72
End of financial year	**552,668**	**(1.31)**	1,872,138	6.50

11 Revenue

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

12 Other losses – net

	2011 USD	₹ In Crores	2010 USD	₹ In Crores
Net currency translation losses	**(111,741)**	**(0.51)**	(17,736)	(0.09)

13 Finance expense

	2011 USD	₹ In Crores	2010 USD	₹ In Crores
Interest expense – loan from ultimate holding corporation	**192,657**	**0.88**	334,862	1.57

14 Income tax expense

No income tax expense was provided as there is no taxable income during the financial year.
The tax expense on profit differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	2011 USD	₹ In Crores	2010 USD	₹ In Crores
Profit before income tax	**2,174,886**	**9.87**	1,846,812	9.04
Tax calculated at a tax rate of 17%	**369,731**	**1.68**	313,958	1.39
Effects of:				
- Income not subject to income tax	**(369,731)**	**(1.68)**	(313,958)	(1.39)
Tax charge	-	-	-	-

15 Related party transactions

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

	2011 USD	₹ In Crores	2010 USD	₹ In Crores
Interest expense for loan from holding corporation	**192,657**	**0.88**	334,862	1.57

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

16 Financial risk management

The Company's activities expose it to market risk (including currency risk, interest rate risk and price risk) and liquidity risk.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Company. The management team then establishes detailed policies such as risk identification and measurement, exposure limits and hedging strategies. Financial risk management is carried out by treasury personnel.

The finance personnel measure actual exposures against the limits set and prepare regular reports for the review of the management team and the Board of Directors. The information presented below is based on information received by key management.

(a) Market risk

(i) Currency risk

The Company's business is exposed to the Egyptian Pound ("EGP") as dividends receivable are denominated in EGP.

The Company's currency exposure to EGP is as follows:

	2011 USD	₹ In Crores	2010 USD	₹ In Crores
Other receivables representing currency exposure	**2,511,000**	**11.11**	-	-

As at 31st March 2011, if the EGP had strengthened/weakened by 3% against the USD with all other variables including tax rate being held constant, the Company's net profit for the financial year would have been USD75,330 higher/lower as a result of currency translation gains/losses on the remaining EGP-denominated financial instruments.

(ii) Interest rate risk

The Company is exposed to interest rate risk on its borrowings.

The Company's borrowings at variable rates are denominated mainly in USD. At 31st March, 2011, if the USD interest rates had increased/decreased by 1% (2010: 1%) with all other variables including tax rate being held constant, the impact to net profit is not deemed to be significant as assessed by management.

(iii) Price risk

The Company is exposed to equity securities price risk from financial assets, available-for-sale. To manage its price risk, the Company diversifies its portfolio.

If prices for equity securities had change by 5% (2010: 5%) with all other variables including tax rate being held constant, the Company's equity would have been USD708,940 (2010: $774,914) higher/lower respectively.

(b) Liquidity risk

The Company manages its liquidity risk by maintaining sufficient cash and bank balances to enable them to meet its normal operational requirements and having an adequate amount of committed credit facilities.

All the financial liabilities of the Company are current.

(c) Capital risk

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, or obtain new borrowings.

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

	2011 USD	**₹In Crores**	2010 USD	₹ In Crores
Net debt	**12,939,475**	**57.23**	12,603,717	57.56
Total equity	**3,750,325**	**15.28**	2,894,909	13.22
Total capital	**16,689,800**	**72.51**	15,498,626	70.78
Gearing ratio	**78%**	**78%**	81%	81%

The Company is not subject to any external capital requirement.

(d) Fair value measurements

The following table presents the assets measured at fair value and classified by level of fair value measurement hierarchy as follows:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (ie derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As at 31st March, 2011	**Level 3 USD**	**₹ In Crores**	Total USD	₹ In Crores
Financial assets, available-for-sale	**14,178,800**	**62.71**	14,178,800	62.71
As at 31st March, 2010	**Level 2 USD**	**₹ In Crore**	Total USD	₹ In Crore
Financial assets, available-for-sale	**15,498,270**	**70.78**	15,498,270	70.78

The fair value of financial instrument that are not traded in an active market is determined by using value-in-use method. The Company uses inputs other than quoted prices that are observable for the asset. This instrument is included in Level 3.

The carrying values less impairment provision of cash at bank and other payables approximate to their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments. The fair value of current borrowings approximates their carrying amount.

17 New or revised accounting standards and interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1st April 2010 or later periods and which the Company has not early adopted. The Company has assessed that the adoption of these new accounting standards, amendments and interpretations to existing standards will not have a material impact on the financial statements.

(For Management Purposes only) Detailed Income Statement for the Financial year ended 31st March, 2011

	2011 USD	₹ In Crores	2010 USD	₹ In Crores
Revenue	**2,511,000**	**11.41**	2,227,200	10.83
Other losses - net	**(111,741)**	**(0.51)**	(17,736)	(0.09)
Less: Administrative expenses				
Professional fees	**(11,054)**	**(0.05)**	(7,803)	(0.04)
Nominee fee expense	**(1,585)**	**(0.01)**	(2,015)	(0.01)
Safe custody charges	**(14,716)**	**(0.07)**	(15,303)	(0.07)
Subscription fee	**(321)**	**-**	-	-
Bank charges	**(2,988)**	**(0.01)**	(2,333)	(0.01)
Printing and stationery	**(754)**	**-**	(132)	-
Postage and courier	**(92)**	**-**	-	-
Registered office	**(206)**	**-**	(204)	-
	(31,716)	**(0.14)**	**(27,790)**	(0.13)
Less: Finance expense				
Loan interest expense to ultimate holding corporation	**(192,657)**	**(0.88)**	(334,862)	(1.57)
Total expenses	**(224,373)**	**(1.03)**	(362,652)	(1.70)
Profit before income tax	**2,174,886**	**9.87**	1,846,812	9.04

Brahmaputra Cracker and Polymer Limited

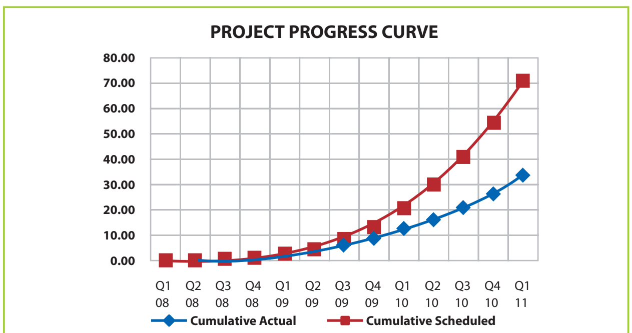
Directors' Report

Dear Shareholders,

Your Directors take pleasure in presenting the Fourth Annual Report of the Company along with the Audited Statement of Accounts for the year ended 31st March, 2011.

PROJECT PROGRESS

Your company has graduated to the 4th year of project execution with an overall project progress of 35.05% Project progress has improved in the recent past, though there would be some delays in implementation schedules as per the initial projections, the major reasons being delay in award of process technology licensors, prolonged and heavy monsoons, poor response of bidders, labour problems, frequent bandhs and non-availability of adequate accessible borrow earth. The implementation plan is being reworked and slippages are being arrested to prevent further delay in its completion. As per revised schedule, which is under consideration of Government of India for approval, mechanical completion is anticipated by July 2013 as against the original schedule of January, 2012 and the project is expected to go into commercial production by December, 2013. Site development works including boundary wall, construction of roads, drainage and piling jobs are almost complete.



Equipment and vessels have started arriving at the project site and erection of the equipment is in process. Most of the critical orders have been awarded and the placing of remaining orders and contracts is being expedited.

The milestones achieved during the year under review are:

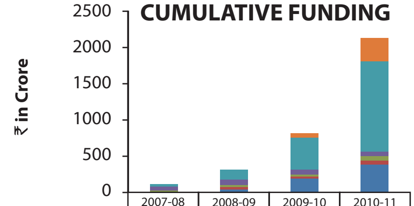
- Signing of an agreement with Numaligarh Refinery Limited for naphtha supply on 8th April, 2010.
- Completion of the bachelor hostel, guest house accommodation and CISF Barracks and Armory at the township
- Award of all critical MRs and tenders. Out of a total of 640 MRs, 437 have been ordered and out of a total of 99 tenders, 74 have been awarded.
- Signing of draft marketing agreement with GAIL on 29th July, 2010 for the sale of polymer.
- Completion of second phase recruitment of experienced employees and initiation of process for third phase recruitment of GETs/ETs through campus placement. Completion of piling work and heater foundations at site.

FINANCIAL PROGRESS

Your Project is gaining momentum with firm financial commitments being increased to over ₹ 6,986.37 crores, which has exceeded the approved project cost of ₹ 5,460.61 crores. To avoid further time and cost overrun, the Ministry of Chemicals and Fertilizers has accorded approval for an additional financial commitment of ₹ 2,500 crores over and above the approved project cost. Out of the total financial commitment, an amount of ₹ 214.62 crores is in respect of import of technical knowhow, of which an amount of ₹ 70.78 crores remained unexecuted at the end of the financial year.

All the long lead/critical items have been awarded. The total expenditure incurred during the year is ₹ 1,421.86 crores out of a cumulative expenditure of ₹ 2,175.88 crores. During the year under review the paid up capital of your company has been increased from ₹ 315.46 crores to ₹ 564.42 crores and capital subsidy to the tune of ₹ 808.83 crores has been received from the Department of Chemical and Fertilizers,

CUMULATIVE FUNDING



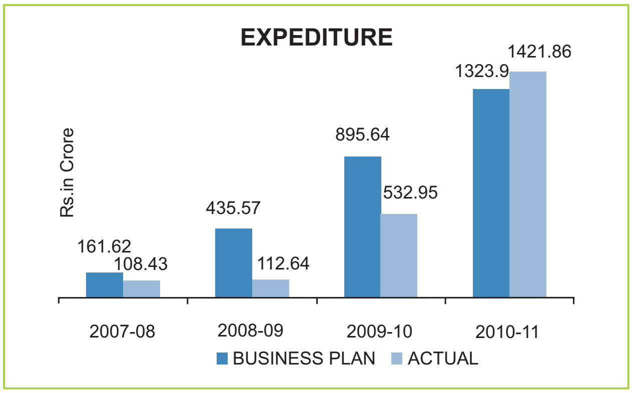
	2007-08	2008-09	2009-10	2010-11
LOAN	0	0	50	333
CAPITAL SUBSIDY	30	137.43	453.74	1262.57
GoA EQUITY	57	61.2	66.13	66.13
OIL EQUITY	4.19	32.47	32.47	55.35
NRL EQUITY	4.19	32.47	32.47	55.35
GAIL EQUITY	10.16	39.39	184.39	387.59

Government of India including interest income (net of taxes) from parking of surplus capital subsidy of ₹ 12.09 crores, which has been added to capital subsidy for the period from 2007-08 to 2010-11. A total amount of ₹ 1,262.57 crores has been received as capital subsidy from the Government of India, till the end of the year under review. Out of this, the unutilized capital subsidy is ₹ 13.52 which includes ₹ 5.02 crores as bank balance and ₹ 8.50 crores, as STDRs. Secured loans to the tune of ₹ 283.00 crores were also drawn during the year from OIDB and the total Secured Loans as on 31.03.2011 is ₹ 333.00 crores.

Project Cost:

The approved project cost of ₹ 5460.61 crores was estimated in August 2005 on fixed cost basis. Since then due to several factors there is an increase in project cost owing to cost and time overrun, the major contributing factors being technology/design changes, increase in utility/power requirements & construction costs, change in site conditions, infrastructural facility, statutory taxes and duties and exchange rates etc. The proposal for approval of the revised project cost of ₹ 9,285.04 crores has been submitted to the Government of India, which is under process for approval.

Business Plan 2010-11:



The Business Plan for the year was ₹ 1,323.90 crores (revised), against which the actual expenditure was ₹ 1421.86 crores. The major expenditure heads of the capex include Plant & Machinery (₹ 940.11 crores), Engineering Cost (₹ 157.71 crores), site related facilities (₹ 239.74 crores.), infrastructure cost to OIL & ONGC (₹ 36.75 crores).

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Energy Conservation &Technology Absorption:

Being in the project execution stage, there are as yet no cases for disclosure with regard to conservation of energy and technology absorption in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

Foreign Exchange Earning and Outgo:

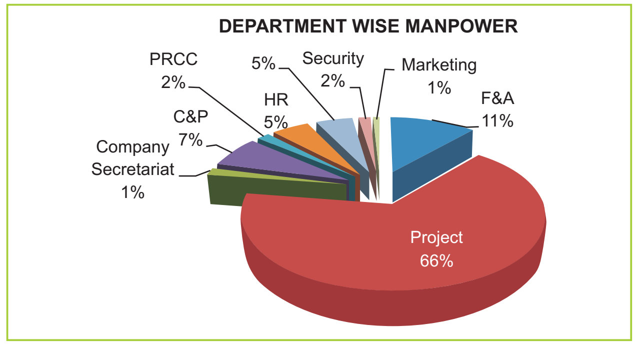
Your Company does not have any foreign exchange earnings as it is in the construction phase of the project. However, total foreign exchange expenditure on account of import of technical knowhow, indigenous contracts and supplies to the tune of ₹ 189.66 crores has been incurred during the year under review.

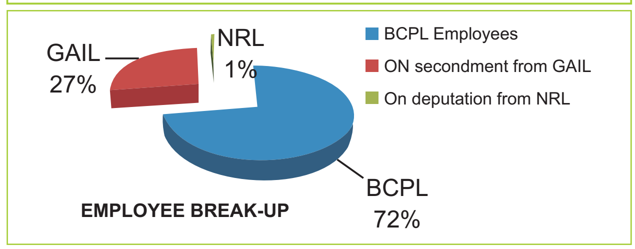
PARTICULARS OF EMPLOYEES

None of the employees are drawing the remuneration specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 for the year ended 31st March, 2011.

HUMAN RESOURCE

The main focus of the HR Department is to have a lean but effective organisation. Towards this end your company is carefully selecting employees from diverse backgrounds, talents and experience, retaining and developing them to achieve stiff targets in time. Currently, the company has 124 employees on its rolls including 36 personnel on secondment/deputation from your promoter companies. Free of gender





bias, your company has 19 female employees on its rolls. The process for third phase recruitment of both experienced executives through open advertisement and GETs/ETs through campus selection has been started. Priority is also being given to engage local labour for skilled/semi-skilled/unskilled works through contractors working at site.

CHANGES IN THE BOARD OF DIRECTORS

During the year under review, the following changes occurred in the Board of Directors:-

(i) Shri S Venkatraman, Director (BD), GAIL was nominated by GAIL as a Director of the company w.e.f. 11.10.2010 in place of Shri R D Goyal.

(ii) Shri J. K.Singh Teotia resigned from the post of Managing Director of the company and on acceptance of his resignation by the Ministry of Chemical & Fertilizers, Government of India, he was released from his services in the company w.e.f. 15.02.2011(A.N.).

(iii) Shri P K Jain, Director (Finance), GAIL was nominated by GAIL as a Director on the Board of the company w.e.f. 07.03.2011 in place of Shri R K Goel, who has superannuated from GAIL as Director (Finance).

CORPORATE SOCIAL RESPONSIBILITY

Your company is conscious of its social obligations as a responsible corporate entity. Our aim is to enhance the quality of life of people living in and around the plant establishment area through social welfare programmes. In order to address the concerns of the environment around the project site several works under the aegis of CSR is being undertaken by the company in consultation with the District Administration, Dibrugarh and specific activities based on local needs, have been identified. The Company's social welfare activities mainly focused on four major cornerstones - Health Care, Education, Infrastructure Development & Environment – the intention being to supplement the efforts of the State Government in this regard. An internal committee examines and recommends the schemes for implementation.

During the year under review the following CSR initiatives have been taken:

- Installation of a 100 KVA power transformer in Borpathar, Kakoti village (PAP village) to facilitate continuous power supply in the village.
- Construction of 1.85 Km approach road from Dainijan Village (PAP Village) to NH-37.
- Gap analysis of 34 Government schools situated around five KMs radius of the BCPL project site to assess the intervention required in these schools.

Registration at the workers' facilitation centre

INDUSTRIAL RELATIONS

The project is moving smoothly with the cooperation of all stakeholders including active support from GoA, Land & Labour Department (C) .The deployment of contract labour is substantial at this moment and industrial tranquility is being maintained at site. All channels of communication are open with the contractors and their workers.

Industrial relations at site is normal and conducive with the proactive involvement of the BCPL & EIL officials and all efforts are being made to keep manpower involved in project execution happy and satisfied.

A grievance handling mechanism has been set up wherein Advisor-Coordination and Officer On special Duties along with the Nodal Officer are in regular touch with the contractors' representative and with the contractor's workers for resolution of any grievance and assistance.

RIGHT TO INFORMATION ACT, 2005

The Company adheres to Government instructions issued in pursuance of Right to Information Act, 2005, and has designated a Public Information Officer and Appellate Authority under the Act.

STATUTORY AUDITORS' REPORT

M/s Sanjoy K. Das & Co., Chartered Accountants, Guwahati were appointed by the Comptroller and Auditor General of India as Statutory Auditors of your company for the year under review and their report is annexed hereto.

COMMENTS OF COMPTROLLER & AUDITOR GENERAL (C&AG) OF INDIA

The Comptroller & Auditor General of India has undertaken supplementary audit on the accounts of the Company for the year ended 31st March, 2011 under Section 619(4) of the Companies Act, 1956. The comments of the C&AG on the Annual Accounts of the Company for the year under review are also annexed hereto.

MANAGEMENT DISCUSSION ANALYSIS

A Management Discussion Analysis as stipulated in the DPE Guidelines on Corporate Governance for CPSEs forms part of the Annual Report.

CORPORATE GOVERNANCE

A separate section on Corporate Governance forming part of the Directors' Report and a certificate from a Practicing Company Secretary confirming compliance of Corporate Governance norms as stipulated in the DPE Guidelines on Corporate Governance for CPSEs is included in the Annual Report.

RESPONSIBILITY STATEMENT OF THE BOARD OF DIRECTORS

As required by Section 217(2AA) of the Companies Act, 1956 your Directors affirm that to the best of their knowledge and explanation:

(i) In preparing the annual accounts, the applicable accounting standards have been followed and there is no material departure from the Accounting Standards.

(ii) The Accounting Policies adopted have been consistently applied and, wherever necessary, made judgments and estimates, that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year.

(iii) Proper and sufficient care has been taken 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; and

(iv) The annual accounts have been prepared on a 'going concern' basis.

ACKNOWLEDGEMENT

Your Directors wish to acknowledge the dedication and commitment with which the employees at all levels have been working to set up this project and to make your company an effective organization.

We take this opportunity to express our sincere appreciation of the unstinted assistance and support from the Ministry of Chemicals and Fertilizers, the Ministry of Petroleum and Natural Gas and the Ministry of Environment and Forests. We would like to place on record our gratitude to our promoters, GAIL, OIL, NRL and Govt. of Assam for their continued support and guidance and likewise to our lenders, Oil Industry Development Board, Punjab National Bank, Allahabad Bank, Bank of Baroda, Bank of India, Corporation Bank, State Bank of Travancore and Jammu & Kashmir Bank.

Your Directors are also thankful to the entire team of EIL, the bankers, consultants, suppliers and the various intermediaries for their continued cooperation in expediting the project development process.

Last but not the least the Directors express their gratitude to the Statutory Auditors and the officials of Comptroller & Auditor General of India for their valuable advice and co-operation during the audit of accounts for the year under review

For and on behalf of the Board

Sd/-

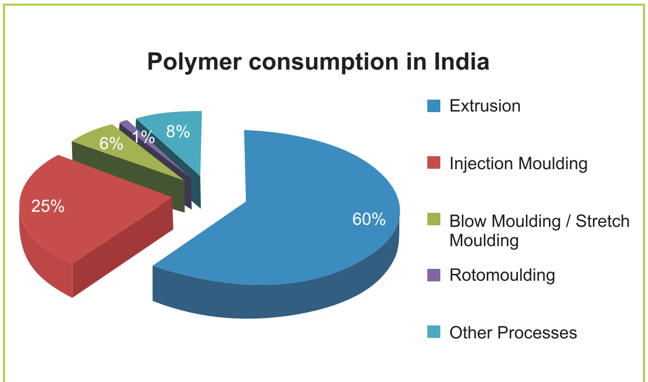
Place : New Delhi **(B.C.Tripathi)**

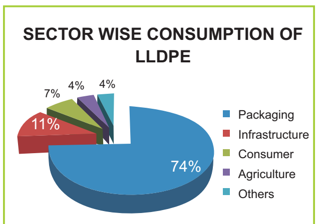
Dated : July 04, 2011 **CHAIRMAN**

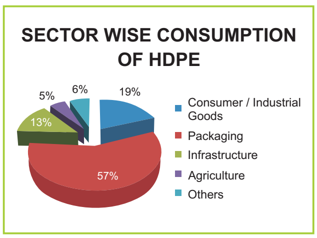
Management Discussion and Analysis

INDUSTRY STRUCTURE AND DEVELOPMENTS

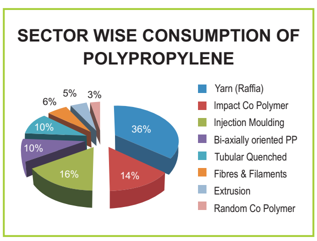
The petrochemical industry in India has been one of the fastest growing industries in the country. Polymers account for about 70% of petrochemicals and hence are an important constituent of the industry. The polymers Polypropylene, LLDPE and HDPE, the primary products of the company are essentially used in the manufacture of plastic products.





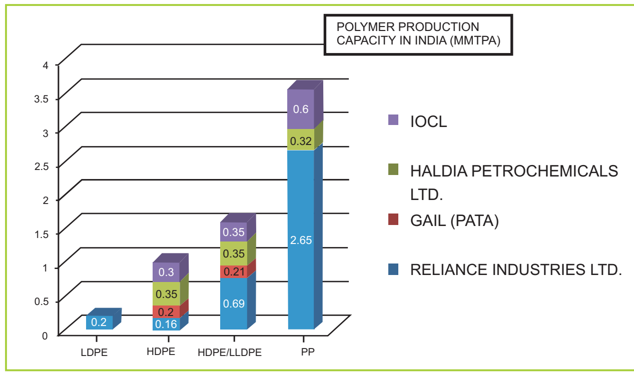


Polypropylene is a lightweight polymer with increasing demand in India for manufacture of injection moulding, ropes, twines etc. Linear low density polyethylene (LLDPE) is a widely used polymer, mostly in the packaging industry. HDPE, the second most used polymer in India, finds use in the manufacture of raffia, blow moulding, injection moulding and paper industry. The sector wise consumption in 2009-10 is diagrammatically represented here.

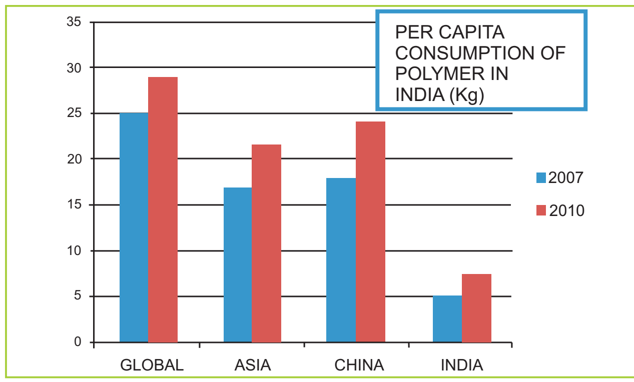


Naphtha and natural gas fractions (C2/C3) are the two main sources of feedstock for the petrochemical industry. India has three naphtha-based and three gas-based cracker units with a combined capacity of 2.9 million MT per annum. Feedstock cost is considered the single largest component in the cost of production of petrochemicals. Polymers account for the largest share by far of petrochemical production and in 2009-10 this share was 58 per cent. During April-November 2010-11 production of major petrochemicals increased by 8.17 per cent.

This industry is a highly concentrated one and has become more so with the amalgamation of IPCL with RIL which jointly accounts for over 50% of the country's total petrochemical capacity. However, the downstream petrochemical sector is highly fragmented in nature.



In India the industry is cyclical and across the globe, it is dominated by volatile feedstock prices and sulky demand. India has one of the lowest per capita consumption of petrochemical products in the world.



Constraints such as lack of adequate infrastructure, inadequate common effluent treatment facilities, inadequate water, poor quality power supply, poor road transport, congested ports affect the growth of the industry.

STRENGTHS AND WEAKNESSES

Your company's main strength lies in the strong support both from the Government of India as well as the Government of Assam. It is a prestigious project with promoters of considerable repute and with Engineers India Limited (EIL) as its consultants. The wide and varied experience of EIL has been a major support in the erection and construction activities.

The promoters by virtue of their experience in the hydrocarbons sector have been nurturing this project which is still in its infancy. GAIL (India) Limited, 70% stakeholder, has provided on secondment, the requisite manpower with considerable expertise in construction, commissioning, operation and maintenance of petrochemical and gas processing units. Another major plus for the project is its marketing tie-up with GAIL, which has been in the field of petrochemicals for over two decades.

Considering that natural gas fractions C2/C3 are not freely tradable, your company has opted for a dual feed technology which will reduce its dependence on a single feedstock. Further, the technology provides an option for replacing Naptha with Natural Gas as feedstock without resorting to changes.

An inherent weakness of the project is its reliance on capital & feedstock subsidies and limited period exemption from central excise duty and income tax. The possibility of cessation of government support in the future would remain a concern.

Though the project envisages the accrual of socio economic benefits to the northeastern region, it is logistically disadvantaged by its location and lack of adequate infrastructure in and around the project site. Due to these very reasons, your company has been facing difficulties in attracting and retaining suitable experienced executives. Prolonged and heavy rains and climatic conditions caused major disruption in construction activities. However with improvement of facilities at site and introduction of other benefits, things are beginning to look up.

OPPORTUNITIES AND THREATS

The Indian polymer market is over 5MMTPA and growth is largely driven by internal consumption. A major market is the agro-based and rural populace which is relatively recession proof. Thrust areas are modern farming through plasticulture, packaging of processed food and consumer non-durables, better quality plastic for consumer durables. The finished products, mostly used in packaging are essential and the increasing demand for polymers in the agricultural sector, increasing penetration of synthetic bags in food grain packaging, changing lifestyle and rise in demand for FMCG products and cosmetics, change in food habits, increasing replacement of metal parts by PP in automotive and appliances, are expected to further stimulate growth in the polymer industry.

The northeastern region has the lowest per capita consumption of polymers and plastics in India. Your company does not have any major competitor in the northeast and will be able to cater to the growing demand. Downstream industries are expected to emerge. The region also has large availability of labour at relatively cheap wages.

Rising environmental concerns over the use of plastic is perceived as a threat. However, developments in the field of biodegradable and photodegradable plastic, improvement in quality of products with reduced negative impact on environment negate this threat perception to a great extent.

Cost competitiveness has also to be ensured to withstand the threat from cheaper imports under the open market regime.

RISKS AND CONCERNS

A major concern has been delay in scheduled project implementation and resultant cost escalation. Sustained efforts are being made to ensure that there is no further delay. Project progress has improved in the recent past and the present physical progress is 37.7%.

Though feedstock availability concerns are mitigated due to firm arrangements ensured by the Government of India for 15 years of plant operation, the long term availability, particularly of Natural Gas is to be ensured. Cost of feedstock is the biggest component in the cost of production of petrochemicals and future feedstock pricing is an area of concern as prices would be reviewed every five years from the date of production. There has already been a substantial increase in prices of feedstock since the time of approval of the project. Further, the possibility of cessation of government support in the form of subsidies and central excise duty/income tax exemptions in the future would remain a concern.

As the company is in its construction phase it is not yet exposed to operational risks. However, efforts have already been initiated to have a risk management system in place to identify and mitigate construction phase, financial, operational and other risks. The company's legal compliances are subject to review by the Board of Directors.

OUTLOOK

In India, demand for commodity polymers grew by 19% in 2009-10 over the previous fiscal. This trend continued in the first half of 2010-11 with polyolefin and PVC demand growing by about 10% as compared with the corresponding previous. The domestic per capita consumption as well as the absolute consumption of commodity polymers is expected to grow because of various economic and demographic factors. The country is about to witness significant capacity additions, but continuing deficit in PE and PVC and growing market is expected to somewhat address supply concerns. However, producer margins may remain subdued over the medium term in line with global trends.

The company expects to commission its plant and go into commercial production in December, 2013.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company is committed to ensuring a comprehensive internal control system across its operations to ensure that all assets are adequately safeguarded and protected against loss from unauthorized use or disposition. The company is following the systems and policies of its holding company till its own policies are defined and in place. In all cases involving financial implication, various limits and authorities are specified.

The Company's progress is being monitored and reviewed at various levels by GAIL, the State and Central Government authorities and also monitored at the highest level. Internal audit is being carried out by the Internal Audit Department of GAIL, its holding company.

HUMAN RESOURCES

Being keenly aware that its greatest asset is its human resource, your company is committed towards ensuring that its potential is harnessed to the fullest for the growth of the organization. Effective human resource management is top priority of the company. During the year under review, the Company started to increase its own human capital base and adequate care is being taken in recruitment resulting in major representation of the locals. Most of the skilled / semi-skilled / unskilled workers engaged in the construction work are from the northeast. The present human strength of the company is 113, out of which 20 are on secondment from GAIL, 1 on deputation from NRL and 92 are the company's regular employees.

ENVIRONMENTAL PROTECTION AND CONSERVATION

The Company is conscious of the environmental concerns over a petrochemical plant and is committed to acting with responsibility in this regard. Pollution control and other environment protection norms are being complied with. The project includes an effluent treatment plant for proper effluent discharge within the limit prescribed by the authorities.

CORPORATE SOCIAL RESPONSIBILITY

Despite being in its construction phase, the company has initiated CSR activities to contribute to the society in the areas of health care, education, infrastructure development & environment.

Report on Corporate Governance

1. COMPANY'S PHILOSOPHY

The Company believes that strong and sound Corporate Governance is an important instrument for the protection of stakeholder interests and that good corporate governance practices would enable it to face the challenges of growth effectively and successfully. The company is committed to ensuring good governance practices, ethical and responsible conduct of business and maintaining transparency so as to enhance stakeholder value. The Board of Directors in the exercise of its fiduciary responsibilities is conscious of the need to act with integrity and accountability in order to earn and retain the confidence and trust of all the stakeholders including the shareholders, the employees and the government. It shall be the constant endeavour of the management to inculcate a culture of ethical and honest conduct in this budding organization from the very beginning.

2. BOARD OF DIRECTORS

As on the date of this report, the Board of Directors of your company consists of ten Directors, seven Directors including the Chairman who have been nominated by the promoters, acting as part-time official Directors, two Government Nominees (representing MoC&F and MoP&NG), and one whole time Director i.e Director (Finance). The position of Managing Director is presently vacant following the resignation of former Managing Director, Shri J K Singh Teotia. The position of a Nominee Director from Government of Assam, one of the promoters is also vacant w.e.f. 13.05.2011 following the resignation of Shri Ravi Capoor, former Principal Secretary to GoA, Department of Industries and Commerce and nomination in his place is awaited. The Nominee Directors are appointed in accordance with the JV agreement and Articles of Association of the Company. The appointment of two Independent Directors has been initiated and is under consideration of the Department of Public Enterprises.

The composition of the Board of Directors, along with Directorships and committee positions held since the beginning of the year under review is as below :

	Name of the Director	Designation	No. of Directorships/ chairmanship in other companies#		No. of Committee* Memberships /Chairmanship in other companies#	
			Chairman	Director	Chairman	Member
FUNCTIONAL DIRECTORS						
1	**Shri J K Singh Teotia** (upto 15.02.2011)	Managing Director	-	-	-	-
2	**Shri Rakesh Kumar**	Director (Finance)	-	-	-	-
PROMOTER DIRECTORS						
3	**Shri B.C.Tripathi,** Chairman & Managing Director, GAIL (India) Ltd.	Chairman	3	1		
4	**Shri S L Raina,** Director (HR), GAIL (India) Ltd.	Director	1	3	-	1
5	**Shri R D Goyal** (upto 10.10.2010) Director (Projects), GAIL (India) Ltd.	Director	1	4	-	-
	Shri S Venkatraman (w.e.f.11.10.2010) Director (BD), GAIL (India) Ltd.	Director	2	5	-	-
6	**Shri R K Goel** (upto 06.03.2011) Director (Finance), GAIL (India) Ltd.	Director	4	3	-	-
	Shri P K Jain (w.e.f. 07.03.2011) Director (Finance), GAIL (India) Ltd.	Director	-	5	-	1
7	**Shri R. K. Dutta,** Advisor, Government of Assam	Director	-	2	-	-
8	**Shri Ravi Capoor**, Principal Secretary to Government of Assam, Industries & Commerce Department	Director	1	8	-	-
9	**Shri T.K. Ananth Kumar,** Director (Finance), Oil India Limited	Director	-	1	-	1
10	**Dr B K Das** (upto 31.03.2011) Managing Director, Numaligarh Refinery Ltd.	Director	-	-	-	-
	Shri Dipak Chakravarty (w.e.f 01.04.2011) Managing Director, Numaligarh Refinery Ltd.	Director	-	2	-	-
GOVERNMENT DIRECTORS						
11	**Ms Neel Kamal Darbari** Joint Secretary, Ministry of Chemicals & Fertilizers, Department of Chemicals and Petrochemicals	Director	-	-	-	-
12	**Shri Manu Srivastava,** Director Ministry of Petroleum & Natural Gas	Director		1	-	-

(*) Committee positions refer only to Audit Committee and Shareholders' Grievance Committee.
(#) Other company means public companies only.

2.1 Details of Board Meetings held during the year 2010-11.

Eight meetings of the Board of Directors were held during the year.

No. of the Board Meeting	Date	Board Strength	No. of Present Directors
23th	27.04.2010	12	8
24th	16.07.2010	12	8
25th	29.09.2010	12	8
26th	30.11.2010	12	8
27th	14.12.2010	12	9
28th	24.01.2011	12	11
29th	03.02.2011	12	10
30th	09.03.2011	11	9

2.2 Attendance of the Directors at Board Meetings held during the year 2010-11 and in the last Annual General Meeting (AGM) :

Name of the Director	No. of Board Meetings attended	Attendance in the last AGM held
Shri B.C.Tripathi, Chairman	8	Yes
Shri J.K.SinghTeotia (upto15.02.2011)	7	Yes
Shri Rakesh Kumar	8	Yes
Shri R. K. Goel (upto 07.03.2011)	6	No
Shri S.L. Raina	8	Yes
Shri R.D. Goyal (upto 11.10.2010)	1	No
Shri S Venkatraman (w.e.f. 11.10.2010)	5	NA
Shri P K Jain (w.e.f. 07.03.2011)	1	NA
Shri R. K. Dutta	6	Yes
Shri Ravi Capoor (w.e.f. 19.04.2010)	3	No
Dr. B. K. Das (upto 31.03.2011)	3	No
Shri T.K. Ananth Kumar	5	No
Ms. Neel Kamal Darbari	6	Yes
Shri Manu Srivastava	4	No

2.3 Profile of Directors being appointed / reappointed

Shri Manu Srivastava, Director retires by rotation at the ensuing annual general meeting pursuant to section 256 of the Companies Act, 1956 and being eligible offers himself for reappointment. Shri Manu Srivastava, Director (GP), Ministry of Petroleum & Natural Gas, has been a Director on the Board of BCPL since 18.05.2007. Shri Srivastava is a senior IAS officer belonging to the 1991 Batch of MP Cadre. He did his B. Tech in Electrical Engineering and M. Tech. in Communication Technology from IIT, Delhi.

Shri B. C. Tripathi, Chairman retires by rotation at the ensuing annual general meeting pursuant to section 256 of the Companies Act, 1956 and being eligible offers himself for reappointment. Shri Tripathi was appointed as an Ex-officio Chairman of Brahmaputra Cracker and Polymer Limited (BCPL) w.e.f. 01.08.2009. He has taken over as Chairman and Managing Director of GAIL (India) Limited, before which he worked as Director (Marketing) GAIL. Shri Tripathi is a Mechanical Engineer with over 27 years' experience in the Gas Sector. He has rich experience in the entire major operational and core areas namely, project management, pipeline construction, gas transmission, operations and maintenance and marketing. He has a keen interest in CSR, sports and culture.

Shri R K Dutta, Director retires by rotation at the ensuing annual general meeting pursuant to section 256 of the Companies Act, 1956 and being eligible offers himself for reappointment. Shri R K Dutta, Advisor (cabinet rank) to the Government of Assam on the Assam Gas Cracker Project (BCPL) has been one of the first Directors on the Board of Directors of BCPL w.e.f. 08.01.2007. Shri Dutta holds a Bachelor's degree in History from St Stephen's College, New Delhi and a post graduate diploma in Marketing from the Faculty of Management Studies, Delhi University. With over 43 years of rich experience in the Petroleum Industry, he has headed Indian Oil Corporation (AOD) from 1989 to 1994 and was its first Executive Director. Besides, he has also served as first Managing Director of Numaligarh Refinery Limited and Chairman & Managing Director of Oil India Limited.

Shri S. Venkatraman, Director (Business Development), GAIL was appointed as an Additional Director w.e.f. 11.10.2010. Shri Venkatraman is a B.Sc. (Physics) from University of Madras in 1973. He holds a Diploma in Instrumentation from Madras Institute of Technology and also a Diploma in Management from All India Management Association, New Delhi. Shri Venkatraman is in charge of GAIL's Business Development, Project Development, Petrochemical operations, Exploration & Production and global ventures of the Company. Having joined GAIL in December 1990 he has rich experience in varied areas including Business Development, Projects and Marketing of various products including natural gas, petrochemicals, liquid hydrocarbons and telecom bandwidth. He was part of the core team that worked on the development and implementation of GAIL's first gas based petrochemical complex right from its conceptualisation to commissioning.

Shri P K Jain, Director (Finance), GAIL who was appointed as an Additional Director w.e.f. 07.03.2011, is a Chartered Accountant and an MBA in Finance from the University of HULL, United Kingdom. He has over 33 years' experience in Finance and Accounts and worked as Executive Director (Internal Audit) before joining as Director (Finance). Shri P K Jain has wide exposure and expertise in the area of financial and treasury management and was involved in restructuring of loan portfolio, raising funds at competitive rates through various sources including bonds (domestic/International), ECB, ECA, Term Loans to have the optimal cost of capital. He also has rich experience in the areas of project evaluation, financial appraisal of projects and headed the finance team during execution of major projects of GAIL like pipelines, petrochemicals, E&P, Pricing, Tariff Determination, Risk Management and Internal audit.

Shri Dipak Chakravarty was appointed as an Additional Director w.e.f. 01.04.2011. Shri Chakravarty, Managing Director Numaligarh Refinery Ltd., is a graduate in Chemical Engineering from Assam Engineering College, Guwahati and is an MS in Chemical Engineering from North Western University, Evanston, USA. Prior to his appointment as Managing Director of NRL w.e.f. 01.04.2011, Shri Chakravarty was holding the position of Director (Technical) of the Company since 04.08.2006. He has wide experience in refinery management including projects, planning, production, process and operations.

Since the last Annual General Meeting Shri J K Singh Teotia, Shri R D Goyal, Shri R K Goel, Dr B K Das and Shri Ravi Capoor ceased to be Directors w.e.f. 15.02.11, 11.10.2010, 07.03.2011, 01.04.2011 and 13.05.2011 respectively.

3. AUDIT COMMITTEE

The Audit Committee presently comprises of four members namely, Shri P K Jain, Chairman, Shri R K Dutta, Shri Dipak Chakravarty and Shri T.K. Ananth Kumar. Four meetings of the Committee were held during the year under review on the following dates:

27.04.2010	14.12.2010
25.08.2010	25.03.2011

Details of meetings attended by the members during 2010-11 are given below:

Name of Directors	No of meetings attended
Shri P K Jain, Chairman (w.e.f. 07.03.2011)	1
Shri R.K. Goel, Chairman (upto 06.03.2011)	3
Shri R.K. Dutta	3
Dr. B.K. Das (upto 31.03.2011)	2
Shri T.K. Ananth Kumar	1

The terms of reference for the Audit Committee have been framed in line with the DPE Guidelines. Reconstitution of the Audit Committee to meet the requirement of the DPE Guidelines on Corporate Governance will be taken up after the appointment of Independent Directors which is under consideration of DPE.

4. OTHER COMMITTEES

The Board has constituted an HR Committee which will act as the Remuneration Committee on appointment of the independent directors, which is under process.

An empowered Committee of the Board on Contracts and Procurementsis also in place for expeditious clearance of approvals for the project.

5. REMUNERATION TO WHOLE TIME DIRECTORS

The details of remuneration paid to the Whole-time Directors of the Company during the financial year 2010-11 are as below:

Name	Date of Appointment	Salary & Allowances (₹)	Contribution to PF, Gratuity and Other Funds (₹)	Other Benefits and Perquisites (₹)	Performance Linked Incentives (₹)	Total (₹)
Sh. J.K. Singh Teotia (Managing Director)	09.12.2009	17,22,915	1,30,384	2,54,654	--	21,07,953
Sh. Rakesh Kumar, Director (Finance)	04.01.2010	17,87,856	1,30,024	3,72,475	--	22,93,355

6. GENERAL MEETINGS

The details of the last three Annual General Meetings are as follows:

No. of the AGM	Date	Time	Venue	Any Special Resolution Passed
1st	03/07/2008	11:30 AM	Hotel Brahmaputra Ashok, M.G.Road, Guwahati	None
2nd	09/09/2009	04:30 PM	Hotel Brahmaputra Ashok, M.G.Road, Guwahati	None
3rd	17/07/2010	10:30 AM	Hotel Brahmaputra Ashok,M.G.Road, Guwahati	Yes (Authorization for further issue of shares pursuant to Section 81)

4TH ANNUAL GENERAL MEETING

Date : 29th July, 2011
Time : 04.00 p.m.
Venue : Registered Office, Hotel Brahmaputra Ashok
M G Road, Guwahati 781001

7 DISCLOSURES

(i) The related party transactions are disclosed in the notes to account forming part of the annual report.

(ii) Apart from the provisions of the DPE Guidelines on corporate governance regarding composition of the Board, including induction of Independent Directors which is under process, there were no instances of non-compliance on any matter relating to any guidelines issued by the Government, during the last three years.

(iii) Presently, the company does not have a Whistle Blower Policy.

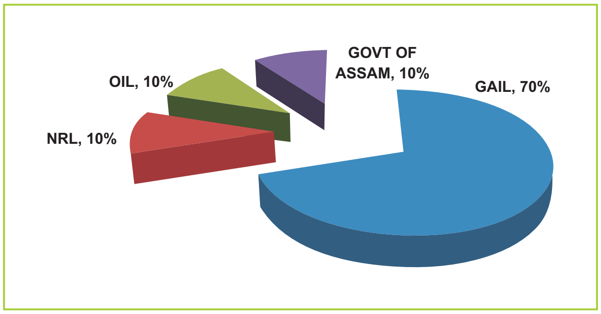
8. AUDIT QUALIFICATIONS

For the 4th successive year there is no audit qualification in the report of the Statutory Auditors on the accounts of the Company for the year ended 31st March 2011.

9. MEANS OF COMMUNICATION

The company periodically disseminates information through press releases and its Annual Reports.

10. SHAREHOLDING PATTERN



11. CODE OF CONDUCT

The Board of Directors has laid down a Code of Conduct for the Board Members and Sr. Management personnel of the Company. All the members of the Board and Senior Management Personnel have affirmed the compliance of the respective Code of Conduct for the financial year ended on March 31, 2011.

DECLARATION

As required by clause 3.4.2 of the DPE Guidelines on Corporate Governance, it is hereby declared that the members of the Board of Directors as well as senior management personnel of the company to whom the Code of Conduct is applicable have affirmed compliance with the code.

Sd/-
(P N Prasad)
Chief Operating Officer
Brahmaputra Cracker and Polymer Ltd.

The Members of
Brahmaputra Cracker & Polymer Limited
Regd. Office: Hotel Brahmaputra Ashok
M. G. Road, Guwahati – 781001

We have examined the compliance of conditions of corporate Governance by **Brahmaputra Cracker & Polymer** (a Non-Listed PSU) for the year ended **31st March 2011,** as stipulated in the Guidelines on Corporate Governance for Central Public Sector Enterprises (the Guidelines) issued by Department of Public Enterprises, 2010 (DPE) of Ministry of Heavy Industries and Public Enterprises, Government of India.

The Compliance of Conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the requirements of Corporate Governance as stipulated in the Guidelines. However following discrepancies were noticed in compliance of the Guidelines:

Clause 3.1 : The Company did not has the required number of Independent Directors on its Board.

Clause 3.1.3 : The number of nominee directors appointed by Government/other CPSEs have exceeded the maximum permissible limit of Two.

Clause 3.6 : The Company could not finalize an integrated policy of Risk Management.

4.1.1 : The Audit Committee did not constitute of two thirds of its members as Independent Directors.

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

For Narayan Sharma & Associates
Company Secretaries
Sd/-
(NARAYAN SHARMA)
Proprietor
C. P. No. 3844
Membership No. FSC 5117

Place: Guwahati
Date: June 20, 2011

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

We have audited the attached Balance Sheet of Brahmaputra Cracker and Polymer Limited as at 31st March, 2011, and Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

3. The Balance Sheet and Cash Flow Statement dealt with by this report are in agreement with the books of account.

4. In our opinion, the Balance Sheet, and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act,1956.

5. As per the Companies Act,1956 the provision of clause (g) of Sub-Section (1) of Section 274 is not applicable to the Company.

6. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the significant accounting policies and notes thereon give the information required by the companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

   a. in the case of the Balance Sheet , of the state of affaires of the Company as at 31st March, 2011

   b. in the case of the Cash Flow Statement, of the cash flow of the company for the year ended on that date.

FOR SANJOY K.DAS & CO
CHARTERED ACCOUNTANTS

Sd/-
SANJOY KUMAR DAS
(Membership No 050691)
PROPRIETOR
F.R.N. 312143E

Date: May 19, 2011

Annexure to the Auditor's Report
(Referred to in Paragraph 3 of our Report of Even Date)

The Annexure referred to in the auditor's report to the shareholders of BCPL for the year ended March 31, 2011. We report that:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
2. It has been represented to us that a physical verification of fixed assets has been carried out by the management at reasonable intervals during the year and such verification has not revealed any discrepancies.
3. No substantial part of Fixed Assets has been disposed during the year.
4. According to the information and explanations given to us, the Company has no inventory of store and spares but of construction materials. The Construction Materials were physically verified by the Management.
5. In our opinion and according to the information and explanations given to us, the procedures of physical verification of construction materials followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
6. According to the information and explanations given to us, no material discrepancies have been noticed on physical verification of stock of construction materials as compared to the books and records.
7. The Company has not granted or taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
8. In our opinion and according to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.
9. In our opinion & as per the Information & Explanations given to us, the Company has not made transactions in respect of any party during the financial year under audit that needs to be entered in the register in pursuance of section 301 of the Companies Act, 1956.
10. In our opinion and according to information and explanations given to us, the Company has not accepted any deposits from public. (Under section 58A & 58AA).
11. In our opinion, the company's internal audit system is commensurate with its size and nature of its activities.
12. The maintenance of cost records prescribed cost records under Section 209(1)(d) of the Companies Act, 1956 is not applicable to the company as the companies is in construction phase of the project.
13. (a) According to the records of the company, the company is regular in depositing undisputed statutory dues including provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales tax, Wealth tax, Service Tax, Custom duty, Excise duty, cess and any other statutory dues with the appropriate authorities.

    (b) According to the information and explanation given to us, no undisputed amounts payable in respect of Sales tax, Service tax, Custom duty, Excise duty and other statutory dues were outstanding at the year end for a period of more than six months from the date they become payable.
14. As the Company is yet to start its operation, the question of accumulated losses does not arise.
15. Based on our Audit and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to any financial institution or bank. The Company has no debenture holders.
16. The Company has not granted any loan and advance on the basis of security by way of pledge of shares, debentures and other securities.
17. The Provision of any special statute are not applicable to the Company.
18. The Company has not invested any amount in share of securities during the year.
19. The Company has not given any guarantee for loan taken by others from Banks or Financial Institution.
20. The Company has obtained term loan amounting to ₹ 28300 Lakhs for funding the activities of its project from Oil Industry Development Board, Ministry of Petroleum & Natural Gas, Govt. of India, during the year out of which ₹ 19350 Lakhs has been utilized till 31st March, 2011.
21. The Company has not used any funds raised on short term basis for long terms investment and vice versa.
22. The Company has not made any preferential allotment of shares during the year.
23. The Company is not having any debentures.
24. The Company has not raised any money by public issues.
25. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

FOR SANJOY K.DAS & CO
CHARTERED ACCOUNTANTS

Sd/-
SANJOY KUMAR DAS
(Membership No 050691)
PROPRIETOR
F.R.N. 312143E

Date : May 19, 2011

Balance Sheet as at 31st March, 2011

	Schedule No.	Amount (₹)	AS AT 31st MARCH, 2011 Amount (₹)	Amount (₹)	AS AT 31st MARCH, 2010 Amount (₹)
SOURCES OF FUNDS					
SHAREHOLDERS' FUND					
-Share Capital	1	**3,246,572,600**		2,633,715,600	
-Advance against Equity	2	**2,397,698,721**		520,955,721	
-Capital Subsidy	3	**12,625,633,494**	**18,269,904,815**	4,537,369,000	7,692,040,321
LOAN FUNDS					
-Secured Loans	4	**3,330,000,000**		500,000,000	
-Unsecured Loans		-		-	
-Total Loan Funds		-	**3,330,000,000**	-	500,000,000
TOTAL SOURCES OF FUNDS			**21,599,904,815**		**8,192,040,321**
APPLICATION OF FUNDS					
FIXED ASSETS					
-Gross Block	5	**1,505,831,033**		918,909,376	
-Less: Depreciation		**149,782,286**		50,324,528	
-Net Block			**1,356,048,747**		868,584,848
-Capital Work in Progress	6		**19,404,726,786**		6,043,227,631
-IEDC	7		**986,175,489**		433,878,976
CURRENT ASSETS, LOANS AND ADVANCES					
-Cash & Bank Balances	8	**2,246,189,209**		1,482,732,286	
-Other Current Assets	9	**4,848,107**		4,571,850	
-Loans and Advances	10	**514,451,792**		199,298,983	
		2,765,489,108		1,686,603,119	
LESS:CURRENT LIABILITIES					
-Current Liabilities	11	**2,913,597,997**		849,548,402	
-Provisions		**29,037,032**	**(177,145,921)**	16,277,493	820,777,224
Miscellaneous Expenditure	12	**30,099,714**	**30,099,714**	25,571,642	25,571,642
TOTAL APPLICATION OF FUNDS			**21,599,904,815**		8,192,040,321
Notes to Accounts	13				
Accounting Policies	14				
Schedules '1' to '14' form Integral part of Accounts.					

(S Venkatraman)
Director

(Rakesh Kumar)
Director (Finance)

(Ruli Das Sen)
Company Secretary

As per our separate Report of Even Date
For SANJOY K. DAS & CO.
Chartered Accountants

Sd/-
(Sanjoy K. Das)
Proprietor
Membership No 050691
F.R.N. 312143E

Place : Guwahati
Date : May 19, 2011

Schedule 1 - Share Capital

		AS AT 31st MARCH, 2011 Amount (₹)	AS AT 31st MARCH, 2010 Amount (₹)
A	AUTHORISED		
	1200000000 Equity Shares of ₹.10/- each	12,000,000,000	12,000,000,000
	TOTAL	**12,000,000,000**	**12,000,000,000**
B	Issued, Subscribed and Paid Up		
	324657260 (previous year 263371560)	3,246,572,600	2,633,715,600
	Equity shares of ₹10/- each		-
	fully paid-up		
	TOTAL	**3,246,572,600**	**2,633,715,600**

Schedule 2 - Advance Against Share Capital

		AS AT 31st MARCH, 2011 Amount (₹)	AS AT 31st MARCH, 2010 Amount (₹)
A	In form of consideration in cash from NRL, OIL & GAIL	2,060,805,721	122,777,020
B	In the form of consideration of Land/Other adjustable amounts from Govt. of Assam	336,893,000	398,178,701
	TOTAL	**2,397,698,721**	**520,955,721**

Schedule 3 - Capital Reserve

		AS AT 31st MARCH, 2011 Amount (₹)	AS AT 31st MARCH, 2010 Amount (₹)
A	Capital Subsidy from Govt. of India (The above amount includes Interest earned (net of taxes) of ₹120964494/- out of parking of surplus capital subsidy)	12,625,633,494	4,537,369,000
	TOTAL	**12,625,633,494**	**4,537,369,000**

Schedule 4 - Secured Loans

Bankers	AS AT 31st MARCH, 2011 Amount (₹)	AS AT 31st MARCH, 2010 Amount (₹)
Allahabad Bank	47,000,000	47,000,000
Andhra Bank	57,000,000	57,000,000
Bank of Baroda	74,000,000	74,000,000
Bank of India	74,000,000	74,000,000
Corporation Bank	37,000,000	37,000,000
Jammu & Kashmir Bank	37,000,000	37,000,000
PNB	143,000,000	143,000,000
State Bank Of Travancore	31,000,000	31,000,000
OIDB	2,830,000,000	-
Total	**3,330,000,000**	**500,000,000**

Note: The term loans obtained from Banks are to be secured by mortgaging the Company's Project Land with the lenders, but the charge has not been created till 31.03.2011.
Regarding the loan obtained from OIDB the same has been secured by corporate guarantee given by GAIL, OIL and NRL.

Schedule 5 - Fixed Assets

(Amount ₹)

Description	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions during the year	Sales/adj during the year	Gross Block as at 31.03.2011	A/D as at 01.04.2010	Dep. for the year 2010-11	Sales/adj during the year	Total A/D as at 31.03.2011	Net Block as at 01.04.2010	Net Block as at 31.03.2011
Tangible Assets(A)										
Land	804,042,013	-	-	804,042,013	39,820,245	25,461,330	-	65,281,575	764,221,768	738,760,438
Land: Free Hold	-	2,568,747	-	2,568,747	-	-	-	-	-	2,568,747
Building - Other than factory building	85,333,664	200,441,380	-	285,775,045	3,488,231	10,138,341	-	13,626,572	81,845,434	272,149,123
F& F and Other Equip	18,666,121	24,843,329	-	43,509,450	3,642,904	7,650,809	-	11,293,713	15,023,217	32,215,737
Electrical	2,748,332	284,462,831	-	287,211,163	414,540	51,751,391	-	52,165,931	2,333,792	235,044,479
EDP	5,531,144	7,003,428	-	12,534,572	2,347,402	3,443,668	-	5,791,070	3,183,742	6,743,602
Transport Equipments/ Vehicles	1,232,869	-	-	1,232,869	319,190	236,552	-	555,741	913,679	677,128
Total of (A)	**917,554,143**	**519,319,715**	**-**	**1,436,873,856**	**50,032,512**	**98,682,090**	**-**	**148,714,602**	**867,521,632**	**1,288,159,254**
Intangible Assets (B)										
Software/Licenses	1,355,233	1,098,535	-	2,453,768	292,017	687,895	-	979,912	1,063,216	1,473,856
Right of Use (Perpetual)	-	65,625,684	-	65,625,684	-	-	-	-	-	65,625,684
Right of Use (Limited useful life)	-	877,725	-	877,725	-	87,773	-	87,773	-	789,953
Total of (B)	**1,355,233**	**67,601,944**	**-**	**68,957,177**	**292,017**	**775,667**	**-**	**1,067,684**	**1,063,216**	**67,889,493**
Current Year Total (A)+(B)	**918,909,376**	**586,921,659**	**-**	**1,505,831,033**	**50,324,529**	**99,457,757**	**-**	**149,782,286**	**868,584,848**	**1,356,048,747**
Previous Year Total(09-10)	**769,058,547**	**149,880,212**	**29,383**	**918,909,376**	**18,155,151**	**32,178,346**	**8,968**	**50,324,528**	**750,903,397**	**868,584,848**

Schedule 6 - Capital Work-in-Progress

		AS AT 31st MARCH, 2011 Amount (₹)	AS AT 31st MARCH, 2010 Amount (₹)
A	CWIP: Enabling assets	**843,008,355**	475,503,321
B	CWIP: Intangible Assets pending amortization (Import of Technical Knowhow)	**1,438,403,278**	1,424,588,321
C	CWIP - Capital Jobs	**7,645,610,215**	2,677,202,308
D	**CWIP: Construction Stock**		
	i) Material at Site-Inland Supplies	**2,219,657,459**	88,212,772
	ii) Material at Site-Foreign Supplies	**1,652,245**	-
	iii) Material in transit-Inland Supplies	**191,771,429**	65,532,347
	iv) Material in transit- Foreign Supplies	**2,110,658,365**	-
	v) Material Advances to Contractors	**314,440,309**	-
	vi) Material Pending Inspection	**671,870,699**	-
E	PMC Fees for projects related activities	**2,417,646,629**	947,920,383
F	CWIP: Advances for Capital Jobs	**1,801,970,953**	481,055,133
G	Charges paid for opening of Foreign Letter of Credit	**4,601,130**	508,202
H	Interest on Mob Advance	**(30,664,699)**	(19,818,869)
I	Entry tax recoverable from Govt of Assam	**(1,339,054)**	(1,339,054)
J	WCT recoverable from Govt of Assam	**(224,560,527)**	(96,137,233)
	Total	**19,404,726,786**	**6,043,227,631**

Schedule 7 - Incidental Expenses during Construction

Sl No.	Description	Amount (₹) 2010-11	Amount (₹) 2009-10
1	Advertisement & Publicity	1,846,606	-
2	CISF Expenses & Security	23,379,126	6,807,319
3	Communication Expenses	4,351,103	1,786,313
4	Depreciation & Amortisation	99,457,761	32,178,346
6	Insurance	43,138,315	31,293,660
7	Other Infrastructure Expenses	4,659,307	936,300
8	Others (Miscellaneous Expenses)	25,628,584	14,211,492
9	Payment to Auditors	82,443	82,725
10	Power, Fuel and Water Charges	5,325,277	-
11	Printing and Stationery	3,377,461	2,027,009
12	Professional and Consultancy Charges	21,470,339	106,346,986
13	Rates & Taxes	13,148,957	19,540,911
14	Recruitment & Training Expenses	6,240,899	8,920,231
15	Rent	14,207,513	12,538,334
16	Repairs- Buildings	-	124,472
17	Repairs- Others	346,110	-
18	Salary, Wages & Staff Costs/Manpower Cost	131,308,352	64,856,328
19	Survey and Investigation	4,234,210	4,275,455
20	Traveling Expenses	13,095,467	5,380,633
21	Vehicle Hiring & Running Expenses	23,930,822	13,567,318
22	Bank Charges	4,133	17,601
23	Incidental Expenses 07-08 Pending Adjustment	90,962,819	88,475,532
24	Incidental Expenses 08-09 Pending Adjustment	127,977,782	75,533,697
25	Incidental Expenses 09-10 Pending Adjustment	292,755,901	-
26	Coin Adjustment	1	3
27	Interest and Other Finance Charges	176,531,261	6,629,836
	GROSS	**1,127,460,549**	**495,530,501**
1	Less:Interest from Banks	63,160,918	47,889,063
2	Less:Misc Inome	5,796,119	4,465,852
3	Less:IEDC Capitalised	72,328,021	9,296,608
	NET	**986,175,489**	**433,878,976**

Schedule 8 - Current Assets, Loans and Advances

	AS AT 31st MARCH, 2011 Amount (₹)	AS AT 31st MARCH, 2010 Amount (₹)
CASH AND BANK BALANCES		
Bank balance with Scheduled Banks	345,986,082	17,732,286
Short Term Deposits	1,900,203,127	1,465,000,000
TOTAL	**2,246,189,209**	**1,482,732,286**

Schedule 9 - Other Current Assets

	AS AT 31st MARCH, 2011 Amount (₹)	AS AT 31st MARCH, 2010 Amount (₹)
Interest Accrued on Bank Term Deposits	3,454,508	4,545,076
Interest Accrued on Mobilisation Adv.	**1,393,599**	**26,774**
TOTAL	**4,848,107**	**4,571,850**

Schedule 10 - Loans and Advances-Considered Good

	AS AT 31st MARCH, 2011 Amount (₹)	AS AT 31st MARCH, 2010 Amount (₹)
Unsecured considered Good		
Deposit with Authorities	281,500,866	115,846,104
Staff Advance	2,252,522	13,000
Other Advances	230,698,404	83,439,878
TOTAL	**514,451,792**	**199,298,983**

Note: Advances given to suppliers and contractors for captal jobs are regrouped and shown under the head CWIP-Advance for capital jobs under Sch-6. The previous year figures are also suitably regrouped.

Schedule 11 - Current Liabilities & Provisions

		AS AT 31st MARCH, 2011 Amount (₹)	AS AT 31st MARCH, 2010 Amount (₹)
A	Current Liabilities		
	Sundry Creditors for Assets	2,199,333,176	571,081,372
	Sundry Creditors for Expenses	98,354,417	189,338,352
	Deposit Retention Money	615,910,404	89,128,678
	TOTAL	**2,913,597,997**	**849,548,402**
B	Provisions		
	Provision for Income Tax	28,227,310	16,277,493
	(Inclusive of previous year figures of ₹ 16277493/-)		
	Provision for Gratuity	344,296	-
	Provision for Leave Salary	465,426	-
	TOTAL	**29,037,032**	**16,277,493**

Schedule 12 - Miscellaneous Expenditure
(To the extent not W/O or Adjusted)

	AS AT 31st MARCH, 2011 Amount (₹)	AS AT 31st MARCH, 2010 Amount (₹)
Deferred Revenue Expenditure		
CSR Expenses	**2,752,292**	-
Advertisement - Public Relation Expenses	**7,230,012**	5,497,242
Inaugural Expenses	**43,010**	-
Preliminary Expenses		
ROC Registration Fees	**20,005,600**	20,005,600
Professional Fees For Formation of Company	**35,000**	35,000
Other Expenses	**33,800**	33,800
TOTAL	**30,099,714**	**25,571,642**

Schedule 13 - Notes to Accounts

1) The estimated amounts of contracts valuing ₹ 47,93,69,00,000.00 (Previous Year ₹ 27,90,69,20,638.00) are remaining to be executed on Capital Accounts and not provided for.

2) Contingent Liabilities: The company has issued Foreign Letter of Credits amounting to ₹ 247,63,62,875.00 (Previous Year ₹ 26,59,74,699.60) during the year.

3) Free hold land of ₹ 25,68,747.00 and Leasehold land of ₹ 80,40,42,013.00 has been acquired up to 31.03.2011 as per awards under relevant Land Acquisition Act. The valuation of land has been done provisionally on the basis of declaration received from the Government of Assam. The title deed of the land is yet to be registered in the name of the Company.

4) Income tax provision to the tune of ₹ 1,19,49,817.00 (Previous Year ₹ 1,62,77,493.00) has been recognized in the book of accounts during the year. The provision for Income Tax is on account of interest earned on STDRs kept by investing surplus funds.

5) During the year company has provided for gratuity liability of ₹ 3,44,296.00 for regular employees. The assumptions methodology used in actuarial valuations are consistent with the requirements of Accounting Standard AS-15.

6) The Company has provided the liability for leave encashment benefit for regular employees in the books of accounts on the basis of actuarial valuation for existing employees at the closing date. Company records its future value for unveiled leave liability amount on the basis of actuarial valuation and charged to the accounts. Such liability for Leave encashment amounting to ₹ 4,65,426.00 (Previous year Nil) has been provided in the Accounts during the year.

7) No deferred tax liability has been recognized since the project is in the construction stage.

8) BCPL has been granted the exemption on account of WCT, Entry Tax and VAT from Govt. of Assam. Giving effect to the notifications, total WCT of ₹ 23,98,24,950.00 till 31.03.2011 stands recoverable from GOA. The claim of ₹ 9,77,18,669.00 (₹ 1,14,60,672.00 for 2008-09, ₹ 8,62,57,997.00 for 2009-10) has been lodged with the Sales Tax Authority of Assam for refund to BCPL. Claim of WCT of ₹14,21,06,281.00 for 2010-11 is being lodged. Further necessary clarification/modification to notification no FTX58/2008/71 Dated 20.10.2009 with a retrospective effect has been sought from GOA for availing the exemption from the payment of entry tax for including all capital goods under AVAT Act'2003.

9) The expenses of ₹ 6,61,23,114.00 incurred on employees deputed on secondment basis from GAIL (India) Limited and NRL have been accounted under IEDC head on the basis of debit advices raised from the respective companies. The expenses of ₹ 2,17,383.00 incurred on employees deputed from GOA has been directly paid by company.

10) To the extent information available with the company, amount of ₹ 2,76,171.00 (Previous Year Nil) was due to Micro, Small and Medium Enterprises).

11) Balances grouped under Loans and Advances, Deposits and Sundry Creditors are subject to confirmation.

12) During the year the company has paid an amount of ₹1,38,14,957.00 (net of exchange fluctuations) (Previous Year ₹1,42,45,88,321.00) on account of import of Technical Knowhow. Gain on foreign currency fluctuation of ₹ 50,63,332.00 has been credited to CWIP-Intangible Assets (license fees) during 2010-11.

13) In accordance with the approval of the Board of Directors in the 24th Board Meeting held on 16th July, 2010, the Company has allotted 61,285,700 equity shares of ₹ 10.00 each for cash as fully paid-up aggregating ₹ 61,28,57,000.00. In the agreed proportion of 70:10:10:10 in accordance with JV Agreement dated18.10.2006 to the below mentioned applicants in the following manner:-

Name of allotees	**No. of Equity Shares of ₹ 10each.**
GAIL (India) Limited	42899990
Numaligarh Refinery Limited	6128570
Oil India Limited	6128570
Govt. of Assam	6128570
Total	**61285700**

14. During the year, two equity calls amounting to ₹ 317,08,00,000 have been issued to the promoters in the line with approved business plan against in the following manner:-

Source	Equity calls reised on 06.05.2010	Equity calls raised on 15.02.2011	Amount received against equity call of 2010-11	Balance amount to be received
GAIL	160,30,00,000	81,73,00,000	160,30,00,000	81,73,00,000
OIL	22,88,00,000	11,70,00,000	22,88,00,000	11,70,00,000
NRL	22,88,00,000	11,70,00,000	22,88,00,000	11,70,00,000
GOA	0	5,89,00,000	0	5,89,00,000
TOTAL	**206,06,00,000**	**111,02,00,000**	**206,06,00,000**	**111,02,00,000**

15) The Capital Subsidy of ₹ 7,96,73,00,000.00 (Previous Year ₹ 3,16,31,00,000.00) has been received from the Government of India during the year by way of contribution towards the total capital outlay. Capital Subsidy is received for the project during construction and as such the same is utilized for making regular payments till the execution of the project. As no repayment are ordinarily expected, the same is recognized in the financial statement as Capital Reserve. As per directives from MOCF interest earned from parking of fund from the capital subsidy after netting of tax thereon is to be reduced from the Capital Subsidy sought from GOI. As such interest income of ₹12, 09,64,494.00 (interest of ₹ 4,01,25,616.00 for 2010-11 and ₹ 8,08,38,878.00 for the period from 2007-08 to 2009-10) has been treated in consonance with Capital Subsidy.
An amount of ₹ 5,02,42,054.00 of capital subsidy remains unutilized as on 31.03.2011.

16) As the interest income from parking of capital subsidy will be a capital receipt & hence not taxable in the hands of BCPL. So revised return for refund of income tax of ₹ 2,77,12,793.00 and ₹ 1,85,09,419.00 for the Financial Year 2008-09 and 2009-10 respectively has been filed with Tax Authority. In view of contingencies, a policy to account for the interest income by way of refund on receipt basis is being adopted as a disclosure. As the Assessing Officer is yet to pass the final Assessment Order, necessary adjustment in the books has not been carried out.

17) During the year an amount of ₹ 2,83,00,00,000.00 was drawn from OIDB as loan as per the agreement entered into with the lenders.

18) The Company has received show cause notices from Sales tax authority on 07.01.2011 for levy of tax and penalty under Assam Entry Tax ACT 2008 towards nonpayment of entry tax on electrical cables and optical fibre cable amounting to ₹ 1,15,06,097.00, which attracts penal action U/S 90 of Assam Value Added ACT 2003. The amount has been deposited under protest as this is contrary to the Exemption notification granted to BCPL. Necessary amendment to the exemption notification is being sought with retrospective effects as well as waival of penalty. Penalty amount cannot be quantified at this stage.

19) Company has received intimation from Punjab National Bank that 4 No of STDRs of ₹ 50,00,00,000.00 (Denomination of ₹ 12,50,00,000.00 each) has been made inadvertently in current account, for which necessary reconciliation has been made as on 31.03.2011.

20) The expenditure ₹ 3,83,51,547.00 on leveling, clearing and grading of the land has been added to the cost of the particular buildings or other structures which stand on the particular land.

21) The company has acquired the "Right of Use" (ROU) for the purpose of laying and maintenance of the underground pipeline for receiving and supplying of Gas is shown under Intangible Assets. Perpetual Right of Use of ₹ 6,56,25,684.00 acquired by the company, but does not bestow upon the company the ownership of land and thus no amortization has been provided on the same. However cost of Right of use for ₹ 8,77,725.00 having useful life of 10 years is being amortized over the life of ROU. This is in the line of policy followed by GAIL.

22) An amount of ₹ 3,00,99,714.00 upto 31.03.2011 has been recognized as deferred revenue expenditure towards Incorporation expenses, CSR activities, Advertisement for development of public relation etc. of the Company to be amortized equally over period of five years from the year the plant is ready for commercial production.

23) The fees for the statutory auditors for the financial year 2010-11 has been fixed at ₹ 75,000.00 plus out of pocket expenses. (Previous Year ₹ 75,000.00 plus out of pocket expenses.)

24) STDRs amounting to ₹ 72,00,00,000.00 is kept as lien with PNB as on 31.03.2011 has been vacated with effect from 20.04.2011.

25) Term deposit amounting to ₹ 2,03,127.00 have been kept as security deposit (Refundable) for permission for laying pipelines with Public Works Department.

26) (a) Value of import calculated on CIF basis by company during financial year in respect of capital goods is ₹ 2,11,23,10,610.00 (previous year nil).

(b) Expenditure in foreign currency includes the followings:-

-	Fess for Licensors (Net of TDS)	₹ 1,38,14,958.00
-	Others (Net of tax where applicable)	₹ 1,88,28,29,191.00

27) During the year Gain on foreign currency fluctuation of ₹ 75,37,163 and ₹ 3,78,98,585 has been credited to CWIP - Capital Jobs and CWIP-Construction Stock (Material in Transit-Foreign) respectively. Loss on foreign currency fluctuation of ₹ 1,39,35,246 has been debited to CWIP - Construction Stock (Material in Transit-Foreign) during 2010-11.

28) Insurance claim of ₹ 1,98,517.00 has been recognized in the books. Insurance claims are being recognized when the amount thereof can be measured reliably and ultimate collection is reasonably certain.

29) During the year Assets of ₹ 58,69,21,656.00 (Previous year ₹14,98,80,212.00) has been capitalized in books.

30) During the year position of material in transit & inspection are as follows :-

(a)	Material in Transit – inland	₹ 19,17,71,429.00
(b)	Material in Transit – imported	₹ 211,06,58,365.00
(c)	Material under inspection	₹ 67,18,70,699.00

31) "Cash and Bank" balance as on 31.03.2011 includes "Cheque in Transit" of ₹ 4,99,00,000.00 on account of capital subsidy released by Govt. of India for 2010-11, which is received by BCPL on 02.04.2011.

32) The company has been incorporated and no commercial activity has been started from the date of incorporation 08.01.2007 to 31.03. 2011. Accordingly, no profit and loss account has been prepared. However, the necessary information as per Part-II of schedule VI to Companies Act,1956 has been disclosed to the extent applicable in the statement of "Incidental Expenditure during Construction" forming part of financial statements.

33) Information as per Accounting Standard 18 as prescribed under Accounting Standard Rules, 2006 on Related Party Disclosures is given below:

1. Name of related parties and description of relationship :

Sl. Name of the Related Party

a) Holding Company :

1 GAIL (India) Ltd.

b) Joint Owners :

1 Numaligarh Refinery Limited
2 Oil India Limited
3 Government of Assam

c) Fellow Subsidiary Company :

1 GAIL Global (Singapore) Pte Ltd
2 GAIL Gas Ltd

d) Associate Company :

1 Mahanagar Gas Limited
2 Indraprastha Gas Limited
3 Petronet LNG Limited
4 Bhagyanagar Gas Limited
5 Tripura Natural Gas Corporation Limited
6 Central UP Gas Limited
7 Green Gas Limited
8 Maharastra Natural Gas Limited
9 Ratnagiri Gas & Power Pvt. Ltd
10 Avantika Gas Limited
11 Shell Compressed Natural Gas
12 Gujarat State Electricity Generation Ltd
13 National Gas Company "Nat Gas"
14 Fayum Gas Company
15 China gas Holding Ltd
16 GAIL China Gas Global Energy Holding Ltd.

e) Key Management Personnel

1	Sh. J.K. Singh Teotia	Managing Director
2	Sh. Rakesh Kumar	Finance Director
3	Sh. P.N. Prasad	COO

2. Details of Transactions :

	Details	2010-11	2009-10
a)	**Holding Company :**		
	Expenditure incurred on Salary of employees on Deputation	645,77,983.00	6,39,73,132.00
	Amount Paid towards purchase of assets	Nil	8,83,580.00
	Equity Share Contribution	4289,99,900.00	1,84,32,50,430.00
	Amount paid towards rental charges	42,09,653.00	54,04,292.00
	Amount Outstanding in Current Liabilities & Provisions during the year	162,09,689.00	50,43,956.00
b)	**Joint Owners :**		
	Amount paid for infrastructure development for gas supply	432,09,000.00	8,11,89,162.00
	Amount outstanding for infrastructure development for gas supply	23,94,89,034.00	4,32,09,000.00
	Expenditure incurred on Salary of employees on Deputation	23,62,514.00	1,47,374.00
	Equity Share Contribution	18,38,57,100.00	78,99,64,470.00
c)	**Key Management Personnel**		
	Remuneration to Directors	41,37,900.00	9,45,565.00
	Amount Outstanding(Payable)	36210.00	198,851.00

34) During the year, the Company has recognized ₹ 60,28,127.00 in respect of "Employee Benefits" as Contribution to Provident Fund.

35) The Company is under construction stage and hence Accounting Standards-17 "Segment Reporting" of the Companies (Accounting Standard) Rules, 2006 is not applicable.

36) Previous year figures have been regrouped and rearranged wherever considered necessary to facilitate comparison with Current Year figures.

(S Venkatraman)	(Rakesh Kumar)	(Ruli Das Sen)
Director	Director (Finance)	Company Secretary

As per our separate Report of Even Date
For SANJOY K. DAS & CO.
Chartered Accountants

Sd/-
(Sanjoy K. Das)
Proprietor
Membership No. 050691
FRN No. 312143E

Place : Guwhati
Date : May 19, 2011

Schedule 14 - Significant Accounting Policies

1. Basis for preparation of Financial Statements

a) Accounting Convention

The financial statements are prepared under the historical cost convention, ongoing concern concept, in accordance with the Generally Accepted Accounting Principles, the Provisions of the Companies Act, 1956 and in compliance with the Accounting Standards issued by the Institute of Chartered Accountants of India. Accounting policies not specifically referred to otherwise, are consistent and in consonance with the generally accepted accounting principles.

b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements. Examples of such estimates include estimated useful life of fixed assets and estimated useful life of leased assets. Actual results could differ from these estimates.

2. Fixed Assets, Capital Work-in-Progress & Depreciation/Amortization

a) Fixed Assets:

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

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

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

b) Intangible Assets:

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

Intangible assets are recognized on the basis of recognition criteria as set out in Accounting Standard (AS) 26- Intangible Assets.

c) Capital Work-in-Progress:

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

d) Expenditure incurred during construction period

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

e) Depreciation / Amortization

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

i. Assets costing upto ₹.5,000 are depreciated fully in the year of capitalization.

ii. Bunk Houses are depreciated on assumption of five years life.

iii. Cost of the leasehold land not exceeding 99 years is amortized over the lease period.

iv. Capital expenditure on the assets, the ownership of which are not with the company, and referred to as enabling facilities are shown separately under the heading "Capital Expenditure-Enabling Facilities". These assets will be amortized over useful life of the assets from the date from which they are put into use.

v. Intangible assets will be amortized equally over period of five years from the date of recognition.

vi. Depreciation due to price adjustments on account of foreign exchange rate variations or otherwise in the original cost of fixed assets will be charged with the prospective effect.

vii. Indirect expenses incurred during the construction period which are not related to the construction activity nor are incidental thereto, will be treated as deferred revenue expenditure and written off to revenue within a period of five years after the commencement of production.

3. Borrowing Costs

Borrowing cost of the funds that are attributable to the acquisition or construction of qualifying assets are capitalized as a part of the cost of such assets. The same will be capitalized up to the date when the asset is ready for use, after netting off any income earned on temporary investment of such funds.

4. Foreign Currency Transaction

a) Foreign currency transactions are recorded at the rate of exchange prevailing on the date of transaction.

b) All exchange differences are dealt as per Accounting Standard 11 and schedule VI requirements of the Companies Act'1956.

c) Monetary items (such as Cash, Receivables, Loans, Payables etc) denominated in foreign currencies, outstanding at the year end, are translated at exchange rates (BC Selling rate for Payables and TT buying rate for Receivables) prevailing at year end.

d) Non monetary items (such as Investments, Fixed Assets etc) denominated in foreign currencies are accounted at the exchange rate prevailing on the date of transaction(s).

e) Any gains or loss arising on account of exchange difference either on settlement or on translation is accounted for.

5. Inventories

a) Raw materials and Finished products are valued at cost or net realizable value, whichever is lower. Finished products include excise duty and royalty wherever applicable.

b) Stock in process is valued at cost or net realizable value, whichever is lower. It is valued at cost where the finished products in which these are to be incorporated are expected to be sold at or above cost.

c) Stores and spare and other material for use in production of inventories are valued at weighted average cost or net realizable value, whichever is lower. It is valued at weighted average cost where the finished products in which they will be incorporated are expected to be sold at/or above cost.

d) Surplus/Obsolete Stores and Spares are valued at lower of cost or net realizable value whichever is lower.

e) Surplus/Obsolete Capital Stores, other than held for use in construction of a capital asset, are valued at lower of cost or net realizable value.

f) All issues of Project Materials to Contractors for use in Capital Jobs are valued at weighted average cost.

6. Capital Grants

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

7. Segmental Reporting

The Company has only one segment; hence there are no reportable segments under Accounting Standards 17 "Segment Reporting" of the Companies (Accounting Standard) Rules, 2006.

8. Employees Benefits

a) All short term employee benefits are recognized at their undiscounted amount in the accounting period in which they are incurred.

b) Employees Benefits under Defined Contribution Plan in respect of Provident Fund is recognized based on the undiscounted obligation of the company towards contribution to the fund. The same is paid to the provident fund account with the Regional Commissioners of P.F.

c) Expenses and liabilities in respect of employee benefits are recorded in accordance with Revised Accounting Standard -15 - Employee Benefits (revised 2005) issued by ICAI.

9. Preliminary Expenses

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

10. Provisions, Contingent Liabilities and Capital Commitments

a) Provisions are recognized when there is present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made.

b) Liabilities for expenses are recognized only when such liabilities exceed ₹ 0.10 Lakhs.

c) Contingent assets are neither recognized nor disclosed in the financial statements. Contingent liabilities exceeding ₹ 5.00 Lakhs in each case are disclosed by way of notes to accounts.

d) Estimated amount of contracts remaining to be executed on capital accounts are disclosed in each case above ₹ 5.00 Lakhs.

11. Taxes on Income

a) Provision for Tax during the construction period is made on interest earned on investments during the construction period, which, is treated for tax purposes as " Income from other Sources". Such provision has been debited under the head IEDC-Interest on STDRs.

b) On commissioning, the company will be eligible for tax incentives under section 80IE of the Income Tax Act, 1961, and will be liable to MAT only under section 115JB of the said Act.

12. Impairment of Assets

If the carrying amount of the fixed assets exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of the estimated future cash flows.

13. General

a) Prepaid expenses and prior period expenses/income upto ₹ 1.00 lakh in each case will be charged to relevant heads of account of the current year.

b) Liquidated damages, if any, will be accounted for as and when recovery is effected and the matter is considered settled by the Management. Liquidated damages, if settled after capitalization of the assets are charged to revenue, if below ₹ 50.00 lakhs in each case otherwise adjusted in the cost of the relevant assets.

c) Insurance claims will be accounted for on the basis of claims admitted by the insurers.

d) Custom duty and other claims (including interest on delayed payments) will be accounted for on acceptance in principle.

(S Venkatraman) **Director**	**(Rakesh Kumar)** **Director (Finance)**	**(Ruli Das Sen)** **Company Secretary**

As per our separate Report of Even Date
For SANJOY K. DAS & CO.
Chartered Accountants

Sd/-
(Sanjoy K. Das)
Proprietor
Membership No. 050691
F.R.N. 312143E

Place : Guwahati
Date : May 19, 2011

Cash Flow Statement for the Period Ended 31-03-2011

		(₹) in Lakhs 2010-11	(₹) in Lakhs 2009-10
A	**CASH FLOW FROM INVESTING ACTIVITIES**		
	PURCHASES OF FIXED ASSETS	(5,869.22)	(116.54)
	CAPITAL WORK-IN-PROGRESS	(133,614.99)	(45,359.79)
	INCIDENTAL EXPENSES DURING CONSTRUCTION	(5,032.40)	(2,763.42)
	DEFERRED REVENUE EXPENDITURE	(45.28)	-
	CURRENT ASSETS LOANS AND ADVANCES	(3,154.29)	(4,243.68)
	INTEREST RECEIVED	631.61	523.55
	CURRENT LIABILITIES & PROVISIONS	20,640.50	3,283.65
	NET CASH FROM INVESTING ACTIVITIES	**(126,444.07)**	**(48,676.23)**
B	**CASH FLOW FROM FINANCING ACTIVITIES**		
	PROCEEDS FROM ISSUE SHARE CAPITAL	-	-
	PROCEEDS FROM LOANS	28,300.00	5,000.00
	PROCEEDS FROM ADVANCE AGAINST SHARE CAPITAL FROM NRL , OIL , GAIL(INDIA) LTD & GOVT OF ASSAM	24,896.00	14,500.00
	PROCEEDS FROM CAPITAL SUBSIDY FROM GOVT OF INDIA	80,882.64	31,631.00
	NET CASH FROM FINANCING ACTIVITIES	**134,078.64**	**51,131.00**
	NET INCREASE IN CASH & CASH EQUIVALENTS (A+B)	**7,634.57**	**2,454.77**
	OPENING CASH AND CASH EQUIVALANTS	**14,827.32**	**12,372.55**
	CLOSING CASH AND CASH EQUIVALANTS	**22,461.89**	**14,827.32**

Notes :

	2010-11	2009-10
Cash and cash equivalent include		
Bank Balances as per Balance Sheet	3,459.86	177.32
STDs as per Balance Sheet	19,002.03	14,650.00
Total cash and cash equivalents	**22,461.89**	**14,827.32**

(S Venkatraman)
Director

(Rakesh Kumar)
Director (Finance)

(Ruli Das Sen)
Company Secretary

As per our separate Report of Even Date
For SANJOY K. DAS & CO.
Chartered Accountants

Sd/-
(Sanjoy K. Das)
Proprietor
Membership No 050691
F.R.N. 312143E

Place: Guwahati
Date : May 19, 2011

Balance Sheet Abstract and Company's General Business Profile for the Year Ended 31-03-2011

I	**Registration Details**			
	Registration No	008290	State Coode	02
	Balance Sheet Date	31.03.2011		
II	**Capital raised during the year (₹ in Lakhs)**			
	Public Issue	Nil	Right Issue	Nil
	Bonus Issue	Nil	Private Placement	24,896.00
III	**Position of Mobilisation and Deployment of Funds : (Rs.in Lakhs)**			
	Total Liabilities	215,999.05	Total Assets	215,999.05
	Sources of Funds			
	Paid up capital	32,465.73	Reserve & Surplus	126,256.33
	Advance against share capital	23,976.99		
	Secured Loans	33,300.00	Unsecured Loan	Nil
	Defferred Tax Liability	Nil		
	Application of Funds			
	Net Fixed Assets	217,469.51	Investment/Advance for investment	
	Net Current Assets	(1,771.46)	Misc. Expenditure	301.00
	Accumulated Losses	Nil		
IV	**Performance of the Company (₹ In Lakhs)**			
	Turnover	Nil	Total Expenditure	Nil
	Profit/Loss before Tax	Nil	Profit/Loss after Tax	Nil
	Earning Per share (In Rs.)	Nil	Dividend	Nil
V	**Generic names of the Principal Products/Services of Company (As per monetary terms)**			
	Item Code No. (ITC Code)	Nil		
	Product Description	Business not yet started		

(S Venkatraman)
Director

(Rakesh Kumar)
Director (Finance)

(Ruli Das Sen)
Company Secretary

As per our separate Report of Even Date
For SANJOY K. DAS & CO.
Chartered Accountants

Sd/-
(Sanjoy K. Das)
Proprietor
Membership No 050691
F.R.N. 312143E

Place: Guwahati
Date : May 19, 2011

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BRAHMAPUTRA CRACKER & POLYMER LIMITED, GUWAHATI FOR THE YEAR ENDED 31ST MARCH, 2011.

The preparation of financial statement of Brahmaputra Cracker & Polymer Limited, Guwahati for the year ended 31st March, 2011 in accordance with the financial reporting Framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on Independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 19-05-2011.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of Brahmaputra Cracker & Polymer Limited, Guwahati for the year ended 31st March, 2011. This Supplementary audit has been carried out independently and is limited primarily to inquiries of The Statutory Auditors and Company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' Report under Section 619(4) of the Companies Act,1956.

For and on behalf of the
Comptroller & Auditor General of India

Sd/-
(Nandana Munshi)
Principal Director of Commercial Audit
& Ex-office Member, Audit Board-I, Kolkata

Place : Kolkata
Date : June 07, 2011

GAIL Gas Limited

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors of your Company, I am delighted to present the IIIrd Annual Report of your Company along with Audited Financial Statements for the Financial Year 2010-11.

PERFORMANCE OVERVIEW

During the year 2010-11, the important financial and physical highlights are as under:-

FINANCIAL

(₹ in lakhs)

Particulars	2010-11	2009-10
Turnover (Net of ED)	**2893.11**	278.92
Other Income	**63.64**	19.82
Cost of Sales (excluding Depreciation and including extraordinary items)	**3082.57**	687.48
Gross Margin	**(125.82)**	(388.74)
Depreciation	**81.65**	17.88
Profit/ (Loss) Before Tax	**(207.47)**	(406.62)
Provision for Tax	**318.34**	15.26
Balance carried forward to Balance Sheet	**110.87**	**(391.36)**

PHYSICAL

Particulars	2010-11	2009-10
Sale of Compressed Natural Gas (CNG) (Kg)	**2775000**	3000
Sale of Piped Natural Gas (PNG) (MMBTU)	**398000**	59000

CONVERGED ACCOUNTING STANDARDS (IFRS) IMPLEMENTATION

In accordance with the notifications issued by the Ministry of Corporate Affairs, Government of India, Accounts are to be prepared on the basis of converged Accounting Standards i.e. Indian Accounting Standards converged with International Financial Reporting Standards (IFRS)as and when dates will be notified. Accordingly, your Company is taking necessary steps for the implementation of Accounting Standards which are converged with IFRS. Basic IFRS training has also been imparted to concerned senior officials of your Company. Your Company is ready to implement the Converged Accounting Standards (Ind AS) as and when it would be notified by Central Government.

CORPORATE STRATEGY & BUSINESS INITIATIVES

Your Company, GAIL Gas Limited was incorporated with an objective of focused implementation of City Gas Distribution (CGD) projects in the Country. In first round of bidding process of Petroleum and Natural Gas Regulatory Board (PNGRB), your Company has been authorized to implement CGD projects in four cities, namely, Sonepat, Kota, Dewas and Meerut. Your Company has already laid 168 Km steel pipeline and 229 Km MDPE pipeline in these cities. Your Company is operating 1 CNG stations each at Dewas and Sonepat. The CNG stations at Kota and Meerut are under commissioning. Your Company is supplying natural gas to 27 industrial units in Kota, Dewas, Sonepat and Meerut. Your Company has also commenced gas supplies to domestic customers progressively. Your Company has taken up investment for setting up the infrastructure along the national highways for building Green corridors. To encourage the conversion of vehicles on CNG and make CNG refueling available at highways, your Company has commissioned 2 CNG stations and 4 stations are scheduled to be commissioned in 2011-12.

To expand the business canvas, your Company has also participated in the 3rd round of PNGRB bidding process for cities of Ludhiana, Jalandhar, Asansol –Durgapur and Kutch(East). The results are awaited for these cities. Your Company has also geared-up for participation in more cities in the forthcoming rounds of the PNGRB bidding process.

In line with the corporate objective, your Company has signed Joint Venture Agreement with Vadodara Mahanagar Sewa Sadan (VMSS) for formation of JVC to carry forward the ongoing CNG business in city of Vadodara and augment the infrastructure to implement CGD project in the city.

Your Company has also been assigned the Joint Venture Agreement signed by GAIL (India) Limited and Kerala State Industrial Development Corporation (KSIDC).

The marketing activities of your Company are progressing well. About 80 Industrial Customers, 25 Commercial and 13,000 domestic consumers have been tied-up. In the current year, your Company intends to more than triple the gas supplies to various consumer segments in the operational areas.

As a part of its strategy, your Company is actively pursuing opportunities in the CGD space to capture larger share of the growing market. To achieve the business objectives your Company is participating in upcoming PNGRB bidding rounds for other city gas projects. Further, the Board of GAIL (India) Limited, in order to consolidate the city gas distribution business, has approved the transfer of existing and ongoing expansion of local distribution assets in Agra and Firozabad to your Company and transfer of CNG distribution project in Vadodara to proposed JVC of your Company with Vadodara Mahanagar Sewa Sadan, subject to consent of shareholders through postal ballot. Your Company, as a strategic initiative, is evaluating the alliance options for incorporation of JVCs in other States and expansion of the project activities in more and more cities. Your Company's execution capabilities present an exceptional combination to create value for its employees and shareholders. To realize the ambition, your Company has identified the growth areas and is focusing on expansion of CNG and PNG network to ramp up the supplies to end consumers.

Your Company is committed to building on gas distribution network providing safe and reliable operations and establishing itself in delivering excellence in the areas of operation. Your Company is developing a culture of sustained high performance, delivering continuous improvement to the customers, employees and shareholders. Fundamental to our strategy is implementing productivity improvement whilst complying with regulatory obligations and achieving the standards of service benchmarked to the best in the World.

Your Company intends to provide seamless services and continual supplies to its customers. Your Company's focus is to provide safe and secure gas supplies to the people and the businesses within the distribution network. Your Company has taken initiatives for GIS mapping of the pipeline assets and SCADA implementation to achieve the automation and real time data availability and maximize the operational efficiencies and minimize the interruptions, if any, in gas supply. The GIS and SCADA shall be made operational in 2011-12.

FUTURE OUTLOOK

Your Company operates in the energy sector which is a very vital component of the economy. Energy powers every other productive activity in the economy, whether it be agriculture, infrastructure, manufacturing or services sector. The demand for energy is growing at a rate that is much higher than the growth rate of the economy. The principal business of your Company is distribution of natural gas in the form of PNG & CNG which in itself is a cleaner fuel and helps users reduce the pollution levels as compared to coal or other liquid fuels.

Natural gas has emerged as the most important energy source for the future. Given the increased availability of natural gas, relatively cleaner environmental properties and its diversified applications across all sectors, natural gas is going to play an increasingly important role in meeting demand for energy in the country. Over the past few years, Indian natural gas market has moved through some very dynamic changes. The production of gas in KG basin has increased the domestic supplies. This increasing domestic production and expanding pipeline infrastructure will unlock more gas demand in the country. This is expected to significantly increase the use of gas in traditional uses like power, fertilizer and petrochemicals.

Petroleum and Natural Gas Regulatory Board is targeting CGD bidding for more than 200 cities in phased manner. The authorization process for the target cities/ towns will bring major expansion with gas gushing through a network of pipes into towns and cities. Progressively, on the back of a formidable pipeline network and players with giant-sized ambition, cities and towns will use more and more of this fuel. This would also provide huge opportunities to the stakeholders in the City Gas Distribution to reap the benefits in the growth process.

Demand for natural gas is expected to grow. It will be critical for your Company to expand its network and CNG station infrastructure in order to meet the growth in demand. Opportunities for expansion to new geographical areas will continue to be assessed. Growth in new areas will be through the bidding process set out by the PNGRB.

Your Company will endeavour to grow value by identifying and accessing high value market segments. Your Company will continue to invest in human resources and in systems and processes which strengthen the integrity and safety of your Company's assets. This will be the bedrock for the sustenance and growth of your Company's business.

Sourcing additional sources of long term gas is critical for the growth of the business. RLNG as well as indigenous sources of gas are being explored for this purpose. Your Company endeavours to grow its retail markets to take full advantage of the growth in industrialization and urbanization in its areas.

Your Company has successfully developed a Long term Business Plan and is well on its road to establish pan-India presence. The Business Plan envisaged the number of cities for implementation of CGD projects by your Company in phased manner. The authorization of the cities shall be taken from PNGRB through bidding process. It is estimated that with its intrinsic strength of CGD projects execution and pedigree of GAIL's expertise in project implementation & financial strength, your Company would garner a majority market share to become the dominant player in this business. The projects shall be implemented by your Company on its own or through Joint Venture Companies with Strategic Partners.

DIVIDEND

It is not proposed to declare dividend for the current year.

DEPOSITS

During the period, your Company has not accepted deposits from the public under Section 58A of the Companies Act, 1956.

IT INITIATIVES

Your Company has taken several new IT initiatives to harness the power of Information Technology in running the business. Your Company has successfully implemented the latest SAP ECC6 ERP solution for conducting business transactions online which has enhanced information management and reporting facilities. Implementation of Bill Watch System (BWS) has brought transparency in processing of bills. SCADA (Supervisory Control and Data Acquisition) system spanning 4 cities is also under implementation which will enable centralized monitoring of the pipeline infrastructure and other assets.

Your Company has also initiated the process for implementation of SAP IS-Utilities solution for managing large number of Domestic, Industrial and Commercial customers across cities to streamline the business operations of Projects and Maintenances activities. The implementation of IS Utility will ensure unmatched customer service experience for the retail customers and bring the efficiencies to the business operations.

Your Company is keeping pace with the latest advancements in Information Technology.

HEALTH SAFETY AND ENVIRONMENT

Safety is an essential element in the organizational working. A safe working environment for employees enhances the performance at the work place. There is effective involvement and open communication of all safety matters at all levels in your Company. Similar focus on safety issues are given at site locations as well. Safety aspect is taken into consideration during design, construction and commissioning of the installation. In order to ensure safety at work place, various actions have been taken as follows:

- Preparation of O&M procedures for CNG station;
- Display of Safety Instructions at CNG Station for customer as well as for operators;
- Risk Analysis of CNG Stations;
- Preparation of Emergency Response & Disaster Management Plan (ERDMP) so as to meet any emergency situation;
- Deployment of qualified & experienced contract manpower for O&M;

- Fire and Safety Trainings programmes for regular & contract employees from time to time.

All operations are done with the standard safety norms in order to avoid accidents. Your Company believes that safety is the responsibility of each individual and each one's contribution in this part can make an organization accident free and safe place to work at. The preventive measures for safety ensure a safe and healthy working environment.

To give top most thrust on HSE issues, your Company has approved Corporate HSE Policy & HSE management system is being implemented to further strengthen the safety in each and every activity of CGD Project implementation. Your Company has also constituted a HSE sub-committee of Board of Directors to review the implementation of HSE Policy and its roadmap.

CORPORATE SOCIAL RESPONSIBILITY

Your Company is growing and fully committed to the fulfillment of its social responsibility. Your Company, as a responsible corporate citizen, will be taking all necessary action for initiating various Social Welfare Schemes, in accordance with DPE guidelines on Corporate Social Responsibility for Central Public Sector Enterprises particularly in or around its installations.

HUMAN CAPITAL

Manpower strength of your Company which was 62 as on 31st of March, 2010, has increased to 65 as on 31st March, 2011. As your Company is growing, accordingly manpower strength will also be augmented. Your Company focuses on employee development on a continuous basis. With the aim of encouraging a competitive spirit and winning attitude to take on future challenges, keen attention is given to training programmes and workshops.

OFFICIAL LANGUAGE

Your Company has been making efforts for the promotion, propagation and successful implementation of the Official Language policy.

With a view to create greater awareness and consciousness among employees, 'Hindi Diwas' was observed on 14th September, 2010 and 'Hindi Fortnight' was organized from 14th September, 2010 to 28th September, 2010 in association with GAIL (India) Limited. We are also encouraging employees to work more in Official language on a continuous basis.

VIGILANCE

Your Company lays thrust on predictive and preventive rather than punitive vigilance. During the year, Vigilance Awareness Week was observed. Various awareness programmes were conducted in your Company for the benefit of employees, and Vendors/Customers through the association with and support of the promoter, GAIL (India) Limited.

RIGHT TO INFORMATION

In order to promote transparency and accountability, appropriate action is taken to reply to queries from any source whenever received, on time. In compliance to the provisions of the Right to Information Act, 2005, Central Public Information Officer (CPIO) and ACPIOs have been appointed and utmost care is being taken for timely compliance and dissemination of information.

REPRESENTATION OF SC/ST EMPLOYEES

As on 31.3.2011, the manpower strength of GAIL Gas Ltd. is 65, out of which 07 belong to Scheduled Caste and 04 to Scheduled Tribe, representing 10.76% and 6.15% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS AND REPORT ON CORPORATE GOVERNANCE

In compliance with DPE Guideline on Corporate Governance, necessary disclosure in a separate statement on Management Discussion and Analysis as **Annexure-A** and Report on Corporate Governance along with Annexures as **Annexure-B** are enclosed as a part of Directors' Report.

LAURELS AND SPONSORSHIPS

During the financial year, your Company sponsored a number of events like FICCI- Special Track on Fuel Retailing with special focus on Pricing, Technology & Emerging Business Models organized on the sidelines of PETROTECH 2010, CNG Eco Drive from Mumbai to Pune via Panvel, NGV India 2010 as Platinum Sponsor organized by M/s Bangkok Exhibition Services.

The "NGV India 2010 CNG Eco Drive", a first-of-its-kind intercity awareness drive to popularize CNG as a clean fuel for vehicles in India, was held on November 13, 2010 from Mumbai to Pune via the GAIL Gas station at Panvel. It was flagged-off by the Hon'ble Minister for Petroleum and Natural Gas, Shri. Murli Deora from Bandra-Kurla Complex in Mumbai. A host of dignitaries were also present on the occasion. The drive comprised a fleet of 40 CNG vehicles. The vehicles halted for refueling at the GAIL Gas CNG station at Panvel before proceeding to Pune via the Mumbai-Pune Expressway.

The Natural Gas for Vehicles (NGV) India 2010 Conference and Exhibition was organized from 24th-26th of November 2010 at Bombay Exhibition Centre in Mumbai. Hon'ble Minister of State for Petroleum and Natural Gas, Shri Jitin Prasada inaugurated the conference. More than 200 companies representing over 25 countries participated in the exhibition and more than 5,000 industry delegates attended the conference.

NGV India 2010 had the theme "Meeting the Demand of India's Surging NGV Growth" and NGV India 2010 provided an international platform for the Indian natural gas and allied vehicle industry to explore the latest developments, and exchange ideas on the emerging technologies and processes. The event also gave all delegates and industry specialists a stage to discuss issues facing the development of CNG/ NGV today, as well as environment challenges to steer new guidelines towards eco-sustainability.

During NGV India 2010, your Company had put up an exhibition stall showcasing the model CNG station. CNG retrofitted motor bike for promoting the usage of CNG was also exhibited to give boost to CNG in two- wheelers. The stall was adjudged the 'Best Exhibition Stall' and a trophy for appreciation was presented to CEO, GAIL Gas for the same during the closing ceremony. It was highly appreciated by dignitaries, visitors and manufacturers of two wheelers.

CHANGES IN DIRECTORS

Shri Prabhat Singh was appointed as an Additional Director w.e.f. 11th October, 2010 and Shri Manu Srivastava was appointed as an Additional Director w.e.f. 20th September, 2010. Shri Manu Srivastava, Shri R.D.Goyal and Dr.U.K.Sen, ceased to be Directors w.e.f 19.05.2011, 11.10.2010, and 28.04.2011 respectively.

The Board placed on record its deep appreciation for the valuable services rendered by Shri R.D.Goyal, Shri Manu Srivastava and Dr. U.K.Sen during their association with your Company.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As energy conservation is one of the objectives of your Company, so this aspect is taken care of in every activity that your Company undertakes while implementing the project from design to execution of the project.

Your Company always adopts new technologies wherever required. At the moment, the design and execution activities are being undertaken and new technology/ procedure/ standards etc. are being followed.

The requisite information with regard to conservation of energy, technology absorption and foreign exchange earnings and outgo in terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is set out in a separate statement attached hereto (Form 'A'& 'B') and forms part hereof as **Annexure-C**.

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

None of the employees are drawing the remuneration specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 for the year ended 31st March, 2011.

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

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

i) in the preparation of the annual accounts for the financial year ended 31st March, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures;

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

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

iv) the Directors have prepared the annual accounts for the financial year ended 31st March, 2011 on a going concern basis.

AUDITORS

The Statutory Auditor of your Company is appointed by Comptroller & Auditor General of India (CAG). M/s A K G & Associates, Chartered Accountants, New Delhi are appointed as Statutory Auditors of your Company for the year 2010-11.

The review of Annual Account of your Company for the year ended 31st March, 2011 by CAG forms part of this report as an addendum. Notes on accounts referred in the Auditors' Report are self explanatory and therefore, do not call for any further comments.

ACKNOWLEDGMENT

The Board of Directors wish to place on record its sincere appreciation for the valuable services and dedicated efforts of the employees of your Company. The Board also wishes to thank the Government of India in particular the Ministry of Petroleum and Natural Gas and various state governments, regulatory and statutory authorities in particular PNGRB for their guidance and support from time to time. The Board acknowledges its deep and sincere thanks for the co-operation and assistance received from GAIL (India) Limited, Bankers, Financial Institutions, Customers and Suppliers.

For and on behalf of the Board

Sd/-

Place: New Delhi
Delhi : July 22, 2011

B.C. Tripathi
Chairman

ANNEXURE A

Management Discussion and Analysis

➢ INDUSTRY STRUCTURE & DEVELOPMENTS

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. 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 achieve its objective of reaching a sustained 9% growth rate.

India is gaining strategic importance globally owing to the impressive economic growth pattern and market attractiveness. India is the world's fifth-biggest energy consumer and continues to grow rapidly. It is the third-biggest global coal producer, but has limited oil supplies. Oil accounts for about 31 percent of India's total energy mix. India's 5.80 bn bbl of proven oil reserves represents just 0.5 percent of world total. In terms of gas, India currently accounts for 0.4 % of global reserves and just over 1 percent of production.

Presently India's per capita energy consumption stands at 400 Kg of oil equivalent against world's average energy consumption of 1700 Kg of oil equivalent. However, strong economic growth and progressive motorization are likely to expand the energy demand in India. The inadequate energy addition on the supply-side has widened the demand-supply gap over the years. This triggers a major concern to India's energy security. Hence it is imperative to launch progressive energy reforms and carry out major energy supply augmentation.

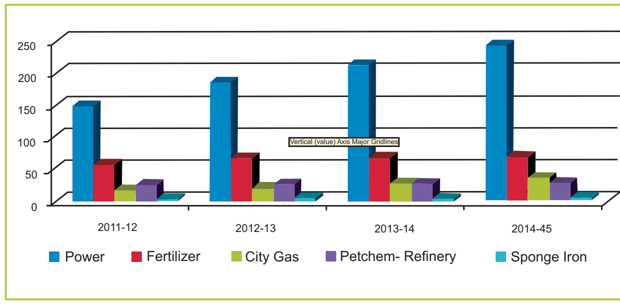
It is also expected that fossil fuels will continue to be the mainstay of India's supply basket in the short to medium term scenario. However, there is an increasing public awareness for clean and green fuels. Today, emerging challenge is to reduce and manage adverse environmental impact from conventional fossil fuels. The emerging need is to control the pollution with up-gradation of the refineries to produce the cleaner fuels, emphasis on energy conservation and diversification of energy sources like-Natural Gas, CBM and Gas Hydrates.

The twentieth century was called the century of Petroleum fuels. The twenty-first century belongs to Natural Gas. Natural Gas is the most preferred fuel globally and our gas demand is increasing day by day. Natural Gas provides a bridge to the development of new technology of cleaner fuels like Hydrogen.

The natural gas markets in India are developing rapidly. Over the past decade the volumes have gone up significantly with commencement of NELP gas production, followed by introduction of term LNG and finally with the supplies from RIL's KG D6 gas fields. The scenario for supply of natural gas in India has changed significantly with the advent of volumes from Reliance Industries operated D6 fields in the Krishna Godavari basin offshore Indian east coast. In terms of overall gas supply in the country, total gas supply increased to 154 MMSCMD in the year 2010-11 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 increased utilization of natural gas in India. Natural gas demand in the country is expected to grow at a rate of 4.7% per annum to reach about 600 MMSCMD by 2030 offering huge opportunities in the development of the natural gas industry in India. While the large consumers of natural gas in the country continued to be the power and fertilizer units, the demand from City Gas Distribution (CGD) customers viz. smaller industrial units, natural gas vehicles, households and commercial establishments, continued to grow.

The following table highlights the demand of natural gas for different segments in the country.



	2011-12	2012-13	2013-14	2014-15
Power	149	186	213	243
Fertilizer	57	68	68	68
City Gas	18	22	29	37
Petchem- Refinery	25	26	27	29
Sponge Iron	4	4	4	4
Total	**253**	**306**	**341**	**381**

Source: Mercados Study on Common Pool Price Mechanism for Natural Gas

Natural Gas distribution in Indian cities through pipeline network is relatively a new concept. However, it has gain popularity among users wherever City Gas Projects are implemented. There is a dramatic effect not only on convenience to consumers but also it has brought about a significant positive impact on Environment. City Gas Distribution is expected to grow in a major way. The main contributing factors towards this are the evolving supportive regulatory framework and inherent economic benefits of using natural gas.

GAIL had initiated the CNG system in India by setting up 3 pilot projects one each at Delhi, Mumbai and Vadodara in 1992 for establishing CNG as commercially, technically and environmentally viable fuel for the transport sector in compliance of the Hon'ble Supreme Court directives. The decision for use of CNG for entire public transport in Delhi was a significant step in controlling the air pollution in Delhi which ultimately made Delhi as an example to the world. Buoyant with the initial success in establishing CNG as a future fuel for transport sector in India, GAIL moved further in spreading the benefit of CNG and PNG to the users in various other cities and in the process formed 8 Joint Venture Companies with OMCs and other entities to implement CGD projects.

Alternative fuels and renewable sources of energy at an affordable cost is the need of hour to prevent the environment from pollution. Indian natural gas retail segment is opening up with establishment of Petroleum & Natural Gas Regulatory Board. The setting up of a regulatory board has resulted in competitive opportunities for development of gas distribution system in larger number of cities in phased manner. The availability of Gas Pipeline infrastructure across the country will bring opportunity for more cities on the map of CGD projects. Regulatory board had already identified over 200 cities contiguous to the existing and upcoming pipeline infrastructure. PNGRB has already taken-up the four rounds of the bidding process for award of authorization to implement the CGD projects. In coming future, PNGRB expectedly be taking up this aggressively and is likely to announce the further bidding process soon.

➢ **OPPORTUNITIES, THREATS, RISKS, CONCERNS & MITIGATION**

The transmission and distribution segment of the natural gas sector remains relatively under developed, but this is likely to change in the immediate future. Major trunk pipelines have been authorized in the southern region and development of these pipelines is opening the doors to the southern market. Identifying the prospects of the gas demand in the southern states and the R-LNG terminal being constructed, your Company has identified the major cities /towns / industrial parks for implementation of CGD projects. The PNGRB has also given due recognition of the development and has notified the District of Ernakulam in state of Kerala for the fourth round of the bidding process.

The above developments open material opportunities for your Company while also posing certain challenges. The flow of additional volumes of gas by way of RLNG and by way of indigenous gas mainly from the East Coast of the country, offer several options for gas sourcing in the future, which will lead to fulfilling the significant demand. Growth of urbanization in Indian towns has also been rapid and continues unabated. These factors create opportunities for growing the market for natural gas for industrial applications, household usage and for use as CNG in vehicles.

The challenges that your Company expects to face relate mainly to ensuring safe operations in line with your Company's objectives, competition in certain market segments, retention of critical talent and resourcing and the growth of its pipeline network. Your Company has strong processes in place to address these challenges.

- **POTENTIAL OF CITY GAS NETWORKS IN INDIA**

Natural Gas usage in Indian cities has been limited primarily due to the scarcity of supply. However this scenario is undergoing change with several LNG projects/ transnational pipelines under implementation, which together with new domestic gas finds are expected to shore up the supply in the next few years. The flow of additional volumes of gas by way of RLNG and by way of indigenous gas mainly from the East Coast of the country, offer several options for gas sourcing in the future, which will lead to fulfilling the significant demand.

Meanwhile the market for city gas distribution is also set to grow at an accelerated pace. The CNG demand got a boost with the Supreme Court directive on pollution reduction in 12 major cities in India. The domestic segment is also expected to grow with the government's intentions to remove the subsidy on LPG cylinders in a phased manner in 3-5 years making piped gas even more economical.

The growth of industrialization continues to be robust in areas where GAIL Gas is operating. Growth of urbanization in NCR towns of Meerut and Sonepat has also been rapid. These factors create opportunities for growing the market for natural gas for industrial applications, household usage and for use as CNG in vehicles.

- **RISK FACTORS**

The feasibility of a city gas project is highly sensitive to the demand your Company is able to capture, and is thus exposed to demand risk. The project is also exposed to price risk due to the probable mismatch in the movement of input gas price and selling price. The project could also be exposed to the residual risk created by the difference in terms and conditions of contracts with the suppliers and the buyers.

- **CONCERNS & MITIGATION**

Your Company will take the following steps to reduce risk factors involved in City Gas Distribution:

GAS PRICE

Despite different pricing mechanism, natural gas in Asia will continue to be linked to oil prices. As per Mckinsey Report 'Gas in 2020: A perspective' CGD has a switching price of $7-9/MMbtu. As such, it is essential that the delivered gas must be priced in such a manner so as to secure a minimum level of profitability for the promoters; while providing adequate incentive to induce targeted customers to shift to Natural Gas.

DEMAND BUILD-UP

For a city gas distribution project the industrial segment provides the "base load" demand, which can be captured in a shorter time frame. In contrast, build-up of demand in the commercial, transport and residential segments provides better margins but has a higher gestation period. The project roll out must therefore be planned to capture an optimal mix of demand from these segments.

SUPPLY

Input gas price and its terms and conditions are critical for the viability of the city gas distribution project. Existence of Natural gas networks passing by or in proximity of the supply sources from the city limit enhances the project feasibility by reducing the capital and input gas costs.

➢ **FUTURE OUTLOOK**

Your Company endeavours to grow its retail markets to take full advantage of the growth in industrialization and urbanization in its areas. The management is focused in ensuring that the adequate systems, processes, resources and infrastructure are available and are scalable to enable the growth of your Company.

Your company has prepared a comprehensive Business Plan for 15 yrs. with assistance of Ernst & Young. Business Plan envisaged the number of cities for implementation of CGD projects by GAIL Gas in phased manner. The authorization of the cities shall be taken from PNGRB through bidding process. It is estimated that with its intrinsic strength of CGD projects execution and pedigree of GAIL's expertise in project implementation & financial strength, your Company would garner a majority market share in CGD business. The projects shall be implemented by your company on its own or through Joint Venture Companies with Strategic Partners.

Your Company has already submitted the bids for the selected four Geographical Areas namely, Ludhiana, Jalandhar, Kutch (East) and Asansol- Durgapur in the 3rd round of the bidding process. Your

Company is all prepared to actively participate in the bidding process of PNGRB for authorization to implement the CGD projects in the country and is aiming to have a larger pie to ensure and retain market leadership in the segment.

Your Company has achieved sales revenue of ₹ 30 Crores in the FY 2010-11 and has targeted to triple the sales revenue in the current Fiscal. Further the alliances are being developed for formation of JV Company in Vadoara with VMSS and in Kerala with KSIDC. The JVC formation in Vadodara will fuel the full grown development of CGD project in the City with synergy of the strengths of both organizations and capture the market potential ahead of the competition. The alliance with KSIDC will mark the footprints of your Company in the Southern States.

➢ INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has adequate Internal control procedures commensurate with its size and nature of business. During the financial year 2010-11, Internal Audit Department of GAIL (India) Limited carried out internal audits and the internal audit reports prepared by them were placed before the Audit Committee.

➢ FINANCIAL PERFORMANCE

During the period your Company has achieved gross turnover of ₹ 2986.70 Lakhs as against ₹ 279.05 lakhs during the corresponding period ending 31.03.2010. The Profit after Tax (PAT) for the year ending 31.03.2011 is ₹ 110.87 lakhs as against Net Loss after Tax ₹ 391.36 lakhs for the corresponding period ending 31.03.2010. During the year general administrative & over head expenses amounting to ₹ 1507.22 Lakhs (PY ₹ 735.20 lakhs) and Interest on Term Loan ₹ 308.28 lakhs (PY ₹ Nil) have been transferred to CWIP as IEDC to be capitalized.

During the year the expenses incurred amounting to ₹ 75.03 lakhs (PY ₹81.61 Lakhs) on preparation of DFR, Application fees, Financial appraisal etc in respect of Bhavnagar, Jamnagar & Kutch (West) are charged to Profit & Loss Account as "Expenses written off on Unsuccessful cities" since your Company did not participate in the bidding process of these cities.

The summary of the financial position of the Company as at 31st March, 2011 & 31st March, 2010 is given below:

(₹ In Lakhs)

Sources of Funds		**31.03.11**	**31.03.10**
Share Capital (Including share application money pending allotment)		13595.00	5770.00
Term Loan from OIDB/Union Bank of India		8941.00	0.00
Total Sources of Funds		**22536.00**	**5770.00**
Application of Funds :			
a.	Net Fixed Asset	5636.14	663.39
b.	Capital Work in Progress:	16914.78	5059.91
c.	Current Assets, Loans & Advances		
d.	Less: Current Liabilities		
	Net Working Capital	(629.01)	(359.92)
e.	Deferred Tax Assets	333.60	15.26
f.	Accumulated Loss	280.49	391.36
Total Application of Funds		**22536.00**	**5770.00**

➢ PHYSICAL PERFORMANCE

Your Company has achieved an impressive growth in developing PNG and CNG infrastructure. The Sale of Compressed Natural Gas (CNG) in the year 2010-11 has reached 2775000 Kg and Sale of Piped Natural Gas (PNG) has reached 398000 MMBTU.

➢ SHARE CAPITAL

Share Capital of your Company comprises of Paid up Equity Capital ₹ 117.17 crores

➢ HUMAN RESOURCES DEVELOPMENT

Your Company believes that a continuous thrust on learning by the employees has been its unique proposition which has always yielded results and is the source of sustainable competitive advantage. Towards, this end your Company has been quite proactive in the area of Human Resource Development through various in-house and external training programmes. Industrial relations scenario remained harmonious and cordial for whole of the year. Company continues to focus on employee oriented initiatives with a view to tap potential of employees while synergizing individual development and organizational growth.

➢ CORPORATE SOCIAL RESPONSIBILITY

Your Company is growing and fully committed to the fulfillment of its social responsibility. Your Company, as a responsible corporate citizen, will be taking all necessary action for initiating various Social Welfare Schemes, in accordance with DPE guidelines on Corporate Social Responsibility for Central Public Sector Enterprises particularly in or around its installations.

➢ ENVIRONMENTAL PROTECTION AND CONSERVATION

Environment protection and its preservation is today a matter of concern for all citizens including corporate. The environment as it exists today signifies that human activities are correlated with nature and human beings cannot remain aloof to the damage being caused to the environment. As environment conservation is one of the major priorities of the Company, it is taken care of in every activity that your Company undertakes while implementing the project from design to execution of the project.

CNG as automotive fuel, for instance, provides eco-friendly alternative to the growing air pollution due of vehicular emissions. Exhaust emissions from CNG vehicles are much lower than from petrol/diesel vehicles. CNG also emits significantly lower amounts of greenhouse gases and toxins. Also, natural gas is not toxic or corrosive and will not contaminate ground water. And being the cleanest burning alternative transportation fuel it can, of course, aid in cutting harmful Green House Gas (GHG) emissions from a rising number of automobiles. Thus it can not only significantly bolster our Energy Security but also reduce the regional pollution generated by transport sector.

➢ CAUTIONARY STATEMENT

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

ANNEXURE B

Report on Corporate Governance

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Your Company adheres to good corporate practices and emphasizes on commitment to values and ethical business conduct. It believes in adopting the best practices laid down in different statutes and goes beyond adherence of statutory framework to bring transparency, accountability and equity in all facets of its operations. Your Company's philosophy of Corporate Governance is to ensure transparency in all its operations and enhancing stakeholder value within the framework of laws and regulations.

2. BOARD OF DIRECTORS

i. Composition of the Board

The Company is managed by the Board of Directors which formulates strategies, policies and reviews its performance periodically. As per its Articles of Association, the number of Directors shall not be less than four and more than twelve.

As on 31st March, 2011, there were 7 (Seven) Directors on the Board comprising of 5 (Five) Promoter-Nominee Directors including the Chairman, 1 (One) Part-time Directors (Government Nominee) and 1 (One) Part-time non-official (Independent) Directors nominated by Promoter-GAIL (India) Limited. Composition and attendance record of the Company's Board of Directors are as follows :

Name and Designation of the Director	No. of Board Meetings attended	Attendance at last Annual General Meeting	Directorships held in other Public Limited Companies	Membership/ Chairmanship in Committees of the Board of the other Companies
I. Promoter – Nominee Directors				
Sh. B. C. Tripathi, Chairman	7	Yes	4	Nil
Sh. R. D. Goyal (upto 11.10.2010)	3	Yes	-	-
Shri Prabhat Singh (w.e.f 11.10.2010)	3	No	1	1
Sh. P.K.Jain	7	Yes	2	1
Sh. J.Wason	7	Yes	1	2
Dr. Ashutosh Karnatak	4	Yes	Nil	Nil
II. Part-time Directors (Government Nominee)				
Sh. Manu Srivastava (till 19.05.2011)	3	No	2	Nil
III. Part-time non-official (Independent) Directors				
Dr. U.K. Sen (upto 28.04.2011)	5	Yes	1	1

Note :

1 During the year 2010-11, 7 (Seven) Board Meetings were held.

2 2nd Annual General Meeting was held on 09.09.2010.

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

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

ii. Details of Board meetings

During the financial year 2010-11, 7 (Seven) meetings of the Board were held, the details of which are as below:

S. No.	Meeting No.	Date of Board Meeting
1.	14th	10.05.2010
2.	15th	28.02.2010
3.	16th	15.07.2010
4.	17th	06.08.2010
5.	18th	29.10.2010
6.	19th	30.12.2010
7.	20th	29.03.2011

3. AUDIT COMMITTEE

The terms of reference of the Audit Committee is in accordance with Section 292A of the Companies Act, 1956 which, inter-alia, include overseeing the Company's financial reporting process and the disclosure of its financial information; reviewing with the Management, the quarterly and annual financial statements before submission to the Board for approval; reviewing with the Management, the performance of statutory and internal auditors, adequacy of internal control systems and all other matters specified under Section 292A of the Companies Act, 1956 as amended from time to time.

The Audit Committee of the Company comprises of three Directors, Shri P.K. Jain as Chairman, Shri J. Wason and Dr. Ashutosh Karnatak as the *Members*.

Besides the above, the Chief Executive Officer (GAIL Gas Limited), Chief Financial Officer (GAIL Gas Limited) and Sr. Manager (Internal Audit) of Promoter-GAIL (India) Limited are the permanent invitees to the meetings of Audit Committee. Senior functional executives are also invited, as and when required, to provide necessary inputs to the Committee. The Company Secretary acts as the Secretary to the Committee.

During the financial year 2010-11, 4 (Four) meetings of Audit Committee were held. The details of Audit Committee meetings held during the year are as follows:

S.No.	Meeting No.	Date of Meeting
1.	3rd	08.05.2010
2.	4th	10.08.2010
3.	5th	29.10.2010
4.	6th	29.03.2010

4. REMUNERATION COMMITTEE

There is no Remuneration Committee at present.

The Part-time Director(s) which includes Promoter-Nominee and Government Nominee, do not receive any remuneration from the Company. Further, the part-time non-official Director (Independent) was paid a sitting fee of ₹ 5,000/- for attending each meeting of the Board of Directors and Committee(s) thereof.

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

(₹ in 000)

S. No.	Name of the Independent Director(s)	Amount
1.	Dr. U.K. Sen	45

5. OTHER SUB-COMMITTEES

Apart from statutory sub-committee viz. Audit Committee, there are other Board level Committees. The details of these sub-Committees of the Board are enumerated below:

S. No.	Name of Committee (s)	Constitution	Power(s)
1.	Empowered Managing Committee	1 Sh. Prabhat Singh - Chairman 2 Sh. J. Wason 3 Sh. P.K. Jain 4 Sh. S.K.Singh 5 Sh. M.Ravindran 6 Sh. A.K.Sahni	Award of Works, Purchase, Consulting Services and Contract Services and accord approvals within its delegated powers for the procurement / execution of projects
2.	HSE Committee	1 Shri M.Ravindran 2 Dr. Ashutosh Karnatak	To review implementation of HSE Policy and its roadmap.

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

6. GENERAL BODY MEETINGS

Location and time, where last three AGMs were held

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

Year	2008-09	2009-10
AGM	1st	2nd
Date & Time	07.09.2009 5.00 p.m.	09.09.2010 4.00 p.m.
Venue	6th floor, GAIL Corporate Office, 16, Bhikaiji Cama Place, R.K.Puram, New Delhi-110066	6th floor, GAIL Corporate Office, 16, Bhikaiji Cama Place, R.K. Puram, New Delhi-110066
Special Resolution passed	None	Issue of further shares in terms of Section 81of the Companies Act, 1956

7. MEANS OF COMMUNICATION

Annual Report is available on the web-site in a user-friendly manner viz. www.gailgas.com and is circulated to the members and others entitled thereto.

8. DISCLOSURES

I. Annual Financial statements 2010-11 are in conformity with applicable Accounting Standards. During the year, there have been no materially significant related party transactions that may have potential conflict with the interest of the Company at large. The details of "Related Party Disclosures" are being disclosed in Notes to the accounts in the Annual Report.

ii. The CEO/CFO of the Company has certified the specified matters to the Board and Audit Committee.

iii. Presently, the Company does not have Whistle Blower Policy.

iv. Your Company has adopted a Code of Conduct for Board members and senior management personnel and has hosted the same on its website www.gailgas.com and all the members of the Board and Senior Management Personnel have affirmed the compliance of the Code of Conduct.

v. The Company has complied with applicable rules and the requirement of regulatory authorities and no penalties or strictures were imposed on the Company on any matter related to any guidelines issued by Government during last three years. All statutory filings were within stipulated time with various authorities.

vi. No item of expenditure has been debited in the books of accounts, which are not for the purposes of the business and no expense which are personal in nature and incurred for the Board of Directors and Top Management.

vii. The administrative and office expenses are 57% of total expenses in 2010-11 as against 65% in 2009-10.

9. AUDIT QUALIFICATIONS

The Company has ensured to remain in the regime of unqualified statement.

10. TRAINING OF BOARD MEMBERS

Though, no specific training programmes were arranged for Board members, detailed presentations are made by senior executives / professionals/ consultants on business related issues at the Board / Committee meetings.

To,
The Members,
GAIL Gas Limited,
A-1, Sector-2,
Noida-201301

Certificate on Compliance of Guidelines on Corporate Governance

1. We have examined the compliance of Guidelines on Corporate Governance by GAIL Gas Ltd for the year ended 31st March, 2011 as stipulated in O.M. No. 18(8)/2005-GM dated 22.06.2007 and modified by O.M. of the same number dated 14th May, 2010 of the Ministry of Heavy Industries and Public Enterprises, DPE, GOI.

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

3. In our opinion and to the best of our information and according to the explanations given to us by the management, we certify that, except the Composition of the Board of Directors with regard to Functional and Independent Directors & Audit Committee with regard to Independent Directors, risk management implementation, Remuneration Committee, the Company has complied with the Guidelines on Corporate Governance as stipulated in the OM mentioned above.

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

For Smita Rastogi & Co.
Company Secretaries

(Smita Rastogi)
Proprietor
C.P. No. 5485

Place : New Delhi
Date : July 06, 2011

ANNEXURE - C

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

A. CONSERVATION OF ENERGY:-

As energy conservation is one of the objectives of the company, so aspect of energy conservation is taken care of in every activity that GAIL Gas Limited undertakes while implementing the project from design to execution of the project.(Annexed as Form A).

B. TECHNOLOGY ABSORPTION:-

GAIL Gas always adopts the new technology wherever required. At the moment the design and execution activities are being undertaken and new technology/ procedure/ standards etc. are being followed.(Annexed as Form B)

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:-

Foreign Exchange Earning and Outgo	Current Year (₹ In lacs)	Previous Year (₹ In lacs)
Total Foreign Exchange earned		
a. Tender fee	0.00	4.12
Total Foreign Exchange outgo		
a. CIF Value of Imports Capital goods	341.50	13.72
b. Others (TA & Exhibition)	1.57	13.98
	343.07	**27.70**

FORM A

Form for disclosure of particulars with respect to Conservation of Energy

Power and Fuel Consumption	Current Year
1. Electricity	
a) Purchase	
Unit	1.89 lacs units
Total Amount (₹)	13.73 lacs
Rate / Unit (₹)	₹ 7.26/unit
b) Own Generation	NIL
(i) Through Diesel Generator	
Unit	
Unit per Ltr of Diesel Oil	
Cost / Unit (₹)	
(ii) Through Steam	NIL
Units	
Units per Ltr and Fuel Oil / Gas	
Cost / Units	
2. Coal (specify quantity and where used)	NIL
Quantity (tonnes)	
Total Cost	
Average Rate	
3. Furnace Oil	NIL
Quantity (K. Ltrs)	
Total Amount	
Average Rate	
4. Others / Internal Generation (please give details)	NIL
Quantity	
Total Cost	
Rate / Unit	

FORM B

Form for disclosure of particulars with respect to absorption

S.No.	Particulars	Current Year
1	**Research and Development (R&D)**	
	A Specific areas in which R&D carried out by the Company	(a) Continuity with development of: - Gas composition & gas quality - Safety of the cylinder - Development of spares such as O-rings etc. - Indigenous development of imported spares - Supervisory Control and Data Acquisition (SCADA) System - Geographical Information System (GIS)
	B Benefits derived as a result of the above R&D	- Improvement in the existing business processes and working standards of a City Gas Distribution Project. - Safe and effective operation of Gas Supply Network - Forex savings - Easy availability of spares
	C Future plan of action	- Continuing Vendor Development (Regulators, Meters, PE pipes etc) - Further development of GIS, SCADA, ERP system - Automatic meter Reading (AMR) technology - Development of spares such as O-rings etc. - Indigenous development of imported spares
	D Expenditure on R&D (a) Capital (b) Recurring (C) Total (d) Total R&D expenditure as a percentage of total turnover	- No Direct Expenditure
2	**Technology absorption, adaptation and innovation**	
	A Efforts, in brief, made towards technology adaptation and innovation	- Further development of Standards, Specifications and Operating Procedures with policies adapted for local implementation
	B Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.	- Safe operation of Gas Supply Network
	C In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished : (a) Technology Import (b) Year of Import (C) Has technology been fully absorbed? (d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action	- NIL

Auditor's Report

To

The Members of GAIL Gas Limited,

We have audited the attached Balance sheet of **GAIL GAS LIMITED** as on 31st March, 2011 and also the profit & Loss Account and Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit:

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

2) As required by the Companies (Auditor's Report) Order (Amendment), 2004 issued by the Department of Company Affairs in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in the paragraphs 4 and 5 of the said order in so far as they are applicable to the company.

3) Further to our comments in the Annexure referred to in paragraph 2 above, we report that:

    a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

    b) In our opinion, proper books of account as required by law, have been kept by the company so far as appears from our examination of the books;

    c) The company's Balance sheet and the Profit & Loss A/c dealt with by this report are in agreement with the books of account;

    d) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in compliance with accounting standard referred to sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable;

    e) On the basis of the written representation received from the directors as on 31st March, 2011 and taken on record by the Board of Directors. We report that none of the Director of the company is disqualified as on 31st March, 2011 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the significant accounting policies and notes theron give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India:

I) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2011; and

ii) In the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date.

iii) In case of Cash Flow Statement, of the Cash Flows for the year ended on that date

For A.K.G. & ASSOCIATES
Chartered Accountants

CA. HARVINDER SINGH
Partner
(M. No. 087889)
(FRN. 002688N)

Place: Delhi
Date: May 19, 2011

Annexure to the Auditors' Report

THE ANNEXURE REFERRED TO IN PARAGRAPH 2 OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF **GAIL GAS LIMITED** FOR THE YEAR ENDED ON 31ST MARCH, 2011, WE REPORT THAT:

The matters contained in paragraph 4 of the Companies (Auditor's Report) Order, 2003, are as follows:

I.) (a) The Company has maintained records showing quantitative details and situation of fixed assets.

(b) According to the information and explanation given to us, there is a regular programme of verification of fixed assets which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Fixed Assets have been physically verified by the management during the year and no discrepancies were noticed on such verification.

(c) There was no disposal of fixed assets during the year.

II.) (a) According to the information and explanations given to us, the inventory of stores and spares were physically verified by the management, except those lying with contractors at the end of the year.

(b) According to information and explanations given to us in our opinion, the procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

(c) According to the information and explanations given to us, no discrepancy has been noticed on physical verification of stock of capital goods in hand, Stores and spares as compared to the Book Records. We have been explained that the stock of gas at the end of the year has been arrived at on the basis of pipe line volume, pressure and temperature available in the pipe line by standard formula.

III.) (a) The Company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under sec. 301 of the Companies Act, 1956.

(b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under sec. 301 of the Companies Act, 1956.

IV.) In our opinion and according to information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and for the sales of goods. During the course of our audit, we have neither come across nor have we been informed of any continuing failure to correct major weakness in the internal controls system of the company.

V.) (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information and explanations given to us the transactions, made in pursuance of contracts or arrangements entered in the register under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

VI.) Company has not accepted any deposits from the public covered by sec. 58A and 58AA of the Companies Act, 1956. Therefore clause (VI) of the order does not require any comment or explanation from the auditors.

VII.) The Company has taken the support of in house Internal Audit system of its holding Company, GAIL (India) Ltd., which in our opinion is reasonable and commensurate with the size of the Company and the nature of its business.

VIII.) Company commenced its commercial activity from 15th Dec, 2009 on a small scale. As per the information and explanations given by the Company, the provisions of Section 209(1) (d) of the Companies Act, 1956 relating to Cost Audit Record is not applicable.

IX.) (a) According to the records, the Company is generally regular in depositing undisputed statutory dues including Investor

Education and Protection Fund, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. As regards the deposit of dues of Provident Fund, Employees State Insurance and other dues relating to staff, since all the employees working in the company are on the payroll of GAIL (India) Ltd., the same is taken care of by the Holding Company and the debit notes raised on the company are accounted in Company's Books under appropriate head of Accounts.

(b) According to the information and explanation given to us, no undisputed amounts payable in respect of Sales Tax, Service Tax, Custom Duty, Excise Duty and other statutory dues were outstanding at the year end for a period of more than six months from the date they become payable.

(c) As certified by the Management on which we have relied upon, there are no dues of Excise Duty, Customs Duty, Entry Tax, Sales Tax and Other Taxes which have not been deposited on account of Disputes.

X.) There are accumulated losses of ₹ 280.49 lakhs at the end of current financial year. The Company has incurred cash loss of ₹ 125.82 lakhs in the current year and ₹ 268.10 lakhs in the previous year.

XI.) In our opinion and according to information and explanation given to us, the Company has not raised any fund through loan or issue of securities and as such there is no default in repayment of dues to financial institutions, banks or security holders.

XII.) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

XIII.) The Company is not a chit fund, nidhi, mutual benefit fund, society. Accordingly the provisions of clause 4(XIII) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

XIV.) According to the information and explanations given to us, the company has not dealt in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(X IV) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

XV.) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

XVI.) According to the information and explanation given to us, the Company has raised term loan of ₹ 89.41 crores during the year and the same has been used for purpose for which the loans were obtained.

XVII.) According to the information and explanation given to us, the Company has not raised any short term loan during the year.

XVIII.) During the year the company has not made any preferential allotment of shares to parties or Companies covered in register maintained under section 301 of the Companies, Act, 1956. However during the year private placement of 8,58,70,000 equity shares was made to Gail (India) Ltd, the Holding Company.

XIX.) The Company has not issued any debenture during the year.

XX.) The Company did not raise money by public issue during the year.

XXI.) According to information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For A.K.G. & ASSOCIATES
Chartered Accountants

CA HARVINDER SINGH
Partner
(M. No. 087889)
(FRN. 002688N)

Place: Delhi
Date: May 19, 2011

Balance Sheet as at 31st March, 2011

(Amt Rounded in ₹ 000)

	Schedule No.		As at 31st March, 2011		As at 31st March, 2010
SOURCES OF FUNDS					
SHARE HOLDERS' FUNDS					
Capital	1A		**1,171,700**		313,000
Shares application money pending allotment	1B		**187,800**		264,000
Reserves and Surplus			**0**		0
			1,359,500		577,000
LOAN FUNDS					
Secured Loans	2		**894,100**		0
Unsecured Loans			**0**		0
			894,100		0
TOTAL			**2,253,600**		**577,000**
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	3	**573,636**		68,196	
Less : Accumulated Depreciation		**10,022**		1,857	
Net Block			**563,614**		66,339
Capital Work-in-progress	4		**1,691,478**		505,991
			2,255,092		572,330
Deferred Tax Assets			**33,360**		1,526
CURRENT ASSETS, LOANS AND ADVANCES	5				
A.Current Assets					
Inventories			**47,198**		27
Sundry Debtors			**27,794**		6,135
Cash and Bank balances			**169,580**		6,924
Other Current Assets			**3,361**		2,491
Loans and advances			**110,301**		57,223
			358,234		72,800
LESS : CURRENT LIABILITIES AND PROVISIONS	6				
Liabilities			**421,135**		108,792
Provisions			**0**		0
			421,135		108,792
NET CURRENT ASSETS			**(62,901)**		(35,992)
PROFIT AND LOSS ACCOUNT			**28,049**		39,136
TOTAL			**2,253,600**		**577,000**

Contingent Liabilities not provided for (Refer Schedule-10)
Schedules 1 to 10, Balance Sheet abstract and Company's General Business Profile, Cash Flow Statement, Notes on Accounts and Accounting Policies form an integral part of the Accounts.

Preeti Agarwal Company Secretary	A.K. Sahni CFO	M. Ravindran CEO	P.K. Jain Director	Prabhat Singh Director

In terms of our report of even date

For, A.K.G. & Associates
Chartered Accountants
Firm No. 002688N

(C A Harvinder Singh)
Partner
M No.87889

Place: Noida
Date: May 19, 2011

Profit & Loss Account for the year ended 31st March, 2011

(Amt Rounded in ₹ 000)

	Schedule No.		As at 31st March, 2011		As at 31st March, 2010
INCOME					
Gross Sales		**298,670**		27,905	
Less: Excise Duty		**9,359**		13	
Net Sales			**289,311**		27,892
Other Income	7		**6,364**		1,982
Total			**295,675**		**29,874**
EXPENDITURE					
Gas Consumption			**231,187**		22,699
Manufacturing, Transmission, Administration, Selling & Distribution and other Expenses	8	**226,805**		107,505	
Depreciation		**8,165**		933	
		234,970		108,438	
* Less: Expenditure during construction period transferred to capital work in progress	9	**150,722**	**84,248**	73,520	34,918
Total			**315,435**		**57,617**
Profit before Interest and Finance Charges			**(19,760)**		(27,743)
Interest and Finance Charges		**31,815**			
Less: Interest and Finance Charges transferred to Capital Work in Progress		**30,828**	**987**		0
Profit for the year			**(20,747)**		(27,743)
Less: Prior period Adjustments (net) :					
Preliminary (Incorporation) Expenses		**0**		12,609	
Depreciation			**0**	310	12,919
Profit before tax			**(20,747)**		(40,662)
Provision for Tax-Current					
- Deffered Tax		**(31,834)**		(1,526)	
- FBT		**0**	**(31,834)**		(1,526)
Profit after tax			**11,087**		(39,136)
Balance Carried to Balance Sheet			**11,087**		(39,136)
TOTAL			**11,087**		**(39,136)**
Details of Earning per Share					
A. Profit after Tax			**11,087**		(39,136)
B. Weighted Average No. of Equity Shares			**61,585**		8,678
C. Nominal Value per Equity Share (₹)			**10**		10
D. Basic and Diluted Earning per Share (₹)			**0.18**		(4.51)

Preeti Agarwal
Company Secretary

A.K. Sahni
CFO

M. Ravindran
CEO

P.K. Jain
Director

Prabhat Singh
Director

In terms of our report of even date

For, A.K.G. & Associates
Chartered Accountants
Firm No. 002688N

(C A Harvinder Singh)
Partner
M No.87889

Place: Noida
Date: May 19, 2011

Schedule 1A - Capital

(Amt Rounded in ₹ 000)

	As at 31st March, 2011	As at 31st March, 2010
AUTHORISED CAPITAL		
20,00,00,000 equity shares of ₹ 10/- each	**2,000,000**	2,000,000
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
* 5,51,95,132 equity shares of ₹ 10/- each (PY 50,000 shares) fully paid up issued in Cash	**551,951**	500
6,19,74,868 equity shares of ₹ 10/- each (PY 3,12,50,000) fully paid otherwise than in cash	**619,749**	312,500
TOTAL	**1,171,700**	**313,000**

Schedule 1B - Share Application Money Pending Allotment

(Amt Rounded in ₹ 000)

	As at 31st March, 2011	As at 31st March, 2010
In the form of Consideration other than cash pending allotment	**187,800**	264,000
A/C GAIL (India) Ltd		
TOTAL	**187,800**	**264,000**

Schedule 2 - Secured Loans

(Amt Rounded in ₹ 000)

	As at 31st March, 2011	As at 31st March, 2010
Sec Loan from Union Bank of India (Secured against Fixed Assets)	**150,000**	0
Sec Loan from Oil Industry Development Board (Secured against Corpotrate Guarantee Given by GAIL (India) Limited))	**744,100**	0
TOTAL	**894,100**	**0**

Schedule 3 - Fixed Assets

(Amt Rounded in ₹ 000)

	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01.04.2010	Additions/ Adjustments during the year	Sales/ Adjustments during the year	As at 31.03.2011	Upto 31.03.2010	For the year	Adjustment during the year	As at 31.03.2011	As at 31.03.2010	As at 31.03.2011
ASSETS										
Tangible Assets (A)										
Freehold Land	0	79,684		**79,684**	0			**0**	0	**79,684**
Leasehold Land	0	38,286		**38,286**	0	223		**223**	0	**38,063**
Plant & Machinery	57,680	342,610		**400,290**	643	6,056	(75)	**6,624**	57,037	**393,666**
Furniture & Fixtures	6,282	440		**6,722**	634	466		**1,100**	5,648	**5,622**
Office Equipments	3,066	2,367		**5,433**	389	698		**1,087**	2,677	**4,346**
Electrical Euipments	390	(390)		**0**	63		(63)	**0**	327	**0**
Other Misc Assets	19	(19)		**0**	14		(14)	**0**	5	**0**
TOTAL (A)	**67,437**	**462,978**	**0**	**530,415**	**1,743**	**7,443**	**(152)**	**9,034**	**65,694**	**521,381**
Intangible Assets (B)										
Intagible Assets - Computer Software	759	42,462		**43,221**	114	1,712	(838)	**988**	645	**42,233**
TOTAL (B)	**759**	**42,462**	**0**	**43,221**	**114**	**1,712**	**(838)**	**988**	**645**	**42,233**
TOTAL	**68,196**	**505,440**	**0**	**573,636**	**1,857**	**9,155**	**(990)**	**10,022**	**66,339**	**563,614**

Schedule 4 - Capital Work-in-Progress

(Amt Rounded in ₹ 000)

	Bal As at 31st March, 2010	Accretion during the year	Capitalised during the year	As at 31st March, 2011
Linepipe Construction & Related Facllities	268,234	1,061,097	374,093	**955,238**
CWIP Items-Material in Transit	50,980	15,862		**66,842**
Capital Sock	186,777	482,621		**669,398**
TOTAL	**505,991**	**1,559,580**	**374,093**	**1,691,478**

Schedule 5 - Current Assets, Loans and Advances

(Amt Rounded in ₹ 000)

		As at 31st March, 2011	As at 31st March, 2010
A. CURRENT ASSETS (at cost as certified by the Management)			
1. Inventories		**47,198**	27
2. Sundry Debtors Debts outstanding for a period less than six months - unsecured, considered good.		**27,794**	6,135
3. Cash & Bank balance			
a) Bank balance including Short term deposits	**169,160**		6,860
b) Interest Accrued but not due on FDR	**41**		61
c) Cheques in hand	**0**		0
d) Cash Balance	**379**		3
		169,580	6,924
4. Other Current Assets(Prepaid Insurance etc)		**3,361**	2,491
		247,933	15,577
B. LOANS & ADVANCES (Unsecured considered good unless stated otherwise by the Management)			
a) Advances recoverable in cash or in kind or for value to be received :			
(I) Security Deposit receivable considered good	**29,938**		6,818
(ii) Considered doubtful	**0**		0
	29,938		6,818
Less : Provision for bad & doubtful debts	**0**		0
		29,938	6,818
b) Advance for Purchase of Land		**27,339**	18,966
c) Advance Tax/FBT/TDS		**582**	140
d) Claims Recoverable (incl :CENVAT Receivable/Service Tax Input Credit)		**52,210**	31,299
e) Other Advances		**232**	0
		110,301	57,223
TOTAL		**358,234**	72,800

Schedule 6 - Current Liabilities & Provisions

(Amt Rounded in ₹ 000)

	As at 31st March, 2011	As at 31st March, 2010
A) CURRENT LIABILITIES		
Audit Fees Payable	**106**	84
Service Tax Payable	**0**	0
Int. on Service Tax Payable		0
TDS and WCT Payable	**11,330**	1,695
Sundry Creditors	**283,656**	69,402
	295,092	71,181
Deposits,retention money from contractors and others	**126,043**	37,611
TOTAL (A)	**421,135**	108,792
B) PROVISION	**0**	0
TOTAL (B)	**0**	0
GRAND TOTAL (A + B)	**421,135**	108,792

Schedule 7 - Other Income

(Amt Rounded in ₹ 000)

Particulars	As at 31st March, 2011	As at 31st March, 2010
APPLICATION FEES - RECRUITMENT	**1,645**	698
Gain/(Loss) on Foreign Exchange Variation	**(8)**	115
Interest Income on Bank Deposits	**75**	106
Misc Income-Recovery of Rent-Officers	**7**	489
Misc-Income-Recovery of Rent-Staff		4
Tender Fees	**499**	570
EMD Forfeited	**116**	0
Liquidated Damages	**141**	0
MGO Receipt	**2,759**	0
Profit/(Loss) on Sale of Fixed Asset	**960**	0
Miscellaneous Receipts Eg PBG, Chq Dishonour etc	**170**	0
	6,364	1,982

Schedule 8 - Manufacturing, Transmission, Administration, Selling & Distribution and Other Expenses

(Amt Rounded in ₹ 000)

		For the year ended 31st March, 2011	For the year ended 31st March, 2010
GENERAL ADMINISTRATION			
Employees Remuneration & Benefits		**111,319**	58,921
Salary & Wages	104,103		
Company's Cont to PF etc	1,757		
Welfare Expenses	5,459		
Power, Fuel and Water Charges		**5,760**	399
Electricity Charges	3,930		
Fuel Charges	1,830		
Rent-Office & Others		**24,389**	11,236
Repairs and Maintenance		**3,151**	619
Insurance Charges		**1,089**	362
Advt & Publicity		**8,657**	8,256
Payment to Auditors			
Audit Fees (incl other Certification)	118		94
Tax Audit Fee	15		
Out of Pocket Expenses	171	**304**	32
Books-News Paper & Periodical		**551**	466
Bank Charges		**72**	1,106
Communication Exp (incl Telephone)		**824**	797
Dealer Commission		**1,936**	0
Consultancy Chg-Other Professional Fees		**12,143**	2,413
Data Processing Exp		**199**	0
Depreciation		**8,165**	545
Director's Remuneration		**45**	25
Entertainment Expenses		**520**	298
Expenses Written Off on Unsucessful Cities		**7,503**	8,161
Other Expenses		**120**	0
General Expenses		**4**	11
Handling Charges		**9**	0
Travelling Expenses		**8,850**	8,742
Training Expenses		**1,337**	144
LCV hiring Charges		**664**	0
Legal Fees		**247**	620
Misc Office Expenses		**1,197**	651
Meeting Expenses			13
Postage & Telegrams		**179**	89
Printing & Stationery Exp(including Photocpoy Charges)		**1,792**	1,324
Rates & Taxes		**0**	93
Recruitment Expenses		**493**	654
Manpower hiring Charges			272
Security Expenses		**1,569**	278
Survey & Investigation		**22,894**	0
Wet Leasing Charges		**2,665**	4
Vehicle Hire Charges		**6,323**	1,882
		234,970	108,507
Less : Non operating receipts :			
i) Interest on Investment			
ii) Others		**0**	1,002
		0	1,002
Net expenditure		**234,970**	107,505

Schedule 9 - Expenditure during Construction period transferred to Capital Work-in-Progress

(Amt Rounded in ₹ 000)

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
IEDC- Advertisment Exp.	**1,369**	6,064
IEDC- Audit Fee		32
IEDC- Bank Charges	**0**	1,050
IEDC- Books & Preiodicals		447
IEDC- Communication Expenses	**678**	672
IEDC Company's Cont. to Provident Fund	**101**	2,627
IEDC - Consultancy Charges	**10,596**	94
IEDC - Depreciation		546
IEDC Electricity Charges		224
IEDC-Entertainment Exp	**3**	257
IEDC-Legal Expenses		619
IEDC- Insurance	**232**	346
IEDC- Misc Exp	**1,842**	485
IEDC - Misc Income	**0**	-1,003
IEDC - Power, Water, Fuel Charges	**3,301**	0
IEDC- Printing & Stationery Expenses	**1,194**	774
IEDC- Rates & Taxes		92
IEDC- Rent & Warehouse Exp.	**18,875**	7,474
IEDC- REPAIR & MAINT.	**23**	562
IEDC-Salary & Allowances	**79,367**	43,987
IEDC - Survey Expenses	**22,894**	0
IEDC - Traveling & Conv. Exp.	**5,887**	6,703
IEDC - Vehicle Hire Charges	**4,360**	1,468
GRAND TOTAL	**150,722**	**73,520**

Schedule -10 Contingent Liabilities as on 31.03.2011

(Amt Rounded in ₹ 000)

Sl No	Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
1	Bank Guarantee issued towards Performance bond for Dewas, Kota, Meerut & Sonepat & Mathura, Counter Guarantee given by GAIL(India) Ltd	**458,800**	458,800
2	BG issued to PNGRB towards Bid Bond for Asansol-Durgapur, Ludhiana, Jaladhar & Kutch East	**100,000**	0
3	BG Issued to PWD Kota towards permission charges for laying pipeline	**4,500**	0
4	BG Issued to NHAI Meerut towards permission charges for laying pipeline	**4,532**	0
5	BG Issued to HSIIDC, Sonepat towards permission charges for laying pipeline	**2,400**	2,000
6	BG Issued to HSRDC, Sonepat towards permission charges for laying pipeline	**500**	0
	TOTAL	**570,732**	**460,800**

Cash Flow Statement for the Accounting Period Ended 31.03.2011

(Amt Rounded in ₹ 000)

Particulars	FY 2010-11		FY 2009-10	
A. CASH FLOW FROM OPERATING ACTIVITIES				
1. NET PROFIT AFTER TAX AND EXTRAORDINARY ITEMS		**11,087**		(38,955)
2. ADD:(Non Cash items)				
DEPRECIATION	**8,165**		1,789	
OTHER PROVISIONS	**(31,834)**		(1,526)	
INTEREST INCOME RECEIVED	**(75)**		(106)	
INTEREST PAID	**31,815**		0	
EXCHANGE RATE VARIATION	**8**		(115)	
PROFIT ON SALE OF ASSET	**(960)**		0	
EXTRAORDINARY ITEMS- PRIOR PERIOD ITEMS	**0**		0	
PROVISION/WRITE OFF OF ASSETS/CWIP		**7,119**		42
3. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES (1+2)		**18,206**		(38,913)
4. CHANGES IN WORKING CAPITAL (EXCLUDING CASH & BANK BALANCES)				
TRADE AND OTHER RECEIVABLES	**(21,657)**		(60,803)	
INVENTORIES	**(47,171)**		(27)	
TRADE AND OTHER PAYABLES	**312,343**	**243,515**	64,571	3,740
5. CASH GENERATED FROM OPERATIONS (3+4)		**261,721**		(35,173)
6. DIRECT TAX PAID		**722**		140
NET CASH FLOW FROM OPERATING ACTIVITIES (5+6)		**262,443**		(35,033)
B. CASH FLOW FROM INVESTING ACTIVITIES				
PURCHASE OF FIXED ASSETS	**(505,440)**		(65,364)	
CAPITAL WORK-IN-PROGRESS	**(1,185,487)**		(390,811)	
INTEREST RECEIVED	**(75)**		41	
CURRENT ASSETS LOANS AND ADVANCES	**(54,530)**		0	
CURRENT LIABILITIES & PROVISIONS				
PROFIT ON SALE OF ASSET	**960**			
NET CASH FROM INVESTING ACTIVITIES.		**(1,744,572)**		(456,134)
C. CASH FLOW FROM FINANCING ACTIVITIES				
PROCEEDS FROM ISSUE OF SHARE CAPITAL	**858,700**		312,500	
PROCEEDS FROM ADVANCE AGAINST SHARE CAPITAL FROM GAIL(INDIA) LTD	**(76,200)**		184,500	
SECURED LOANS FROM OIDB	**150,000**			
SECURED LOANS FROM UBI	**744,100**			
INTEREST PAID	**(31,815)**			
NET CASH FROM FINANCING ACTIVITIES		**1,644,785**		497,000
NET INCREASE IN CASH & CASH EQUVALENTS (A+B+C)		**162,656**		5,832
CASH & CASH EQUIVALALENTS- (OPENING BALANCE)		**6,924**		1,092
CASH & CASH EQUIVALENTS- (CLOSING BALANCE)		**169,580**		6,924

Preeti Agarwal
Company Secretary

A.K. Sahni
CFO

M. Ravindran
CEO

P.K. Jain
Director

Prabhat Singh
Director

In terms of our report of even date

For, A.K.G. & Associates
Chartered Accountants
Firm No. 002688N

Place: Noida
Date: May 19, 2011

(C A Harvinder Singh)
Partner
M No.87889

Accounting Policies

1) Accounting Conventions:

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

2) Use of Estimates

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

3) Fixed Assets:

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

4) Intangible Assets

Intangible assets like software and licenses which are expected to provide future enduring economic benefits are capitalized as Intangible Assets.

5) Capital Work-in-Progress

The Capital Work-in-Progress includes advance for capital goods/material in Transit/ value of stores lying in the hands of contractor for use in the projects/value of material/equipment etc. received at site for use in the projects.

6) Borrowing Cost

Borrowing cost of the funds specifically borrowed for the purpose of obtaining qualifying assets and eligible for capitalization along with the cost of the assets, is capitalized up to the date when the assets is ready for use after netting off any income earned on temporary investment of such funds. Further, the funds generally borrowed and used for the purpose of obtaining a qualifying asset, the amount of borrowing cost eligible for capitalization, in terms of AS 16, is determined on the basis of judgement of the Company.

7) Expenses Incurred During Construction Period

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

8) Depreciation/Amortisation

1) Depreciation on Fixed Assets other than those mentioned below is provided in accordance with the rates as specified in Schedule XIV of the companies Act, 1956, on straight line method (SLM)on pro rata basis (monthly pro-rata for bought out assets).

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

   b) Cost of the leasehold land not exceeding 99 years is amortised over the lease period .

   c) Software/Licences are amortised in 5 years on straight line method.

2) Capital assets installed at the consumer premises on the land whose ownership is not with the company, has been depreciated on SLM basic in accordance with the rates as specified in schedule XIV of the Company's Act, 1956.

9) Foreign Currency Translation

a) Transaction in foreign currency are accounted at the exchange rate prevailing on the transaction date.

b) Monetary items (such as cash, receivables, loans, payables, etc,) denominated in foreign currencies, outstanding at the year end, are translated at exchange rates (BC Selling rate for Payables and TT Buying rate for Receivables) prevailing at year end.

c) Non monetary items (such as Investments, Fixed Assets, etc.) denominated in foreign currencies are accounted at the exchange rate prevailing on the date of transaction (s).

d) Any gains or loss arising on account of exchange difference either on settlement or on translation is accounted for in the Profit & Loss account.

10) Inventories

a) Raw materials and finished products are valued at cost or net realizable value, whichever is lower.

b) Stock in process is valued at cost or net realizable value, whichever is lower. It is valued at cost where the finished products in which these are to be incorporated are expected to be sold at or above cost.

c) Stores and spares and other material for use in production of inventories are valued at weighted average cost or net realizable value, whichever is lower. It is valued at weighted average cost where the finished products in which they will be incorporated are expected to be sold at/or above cost.

d) Surplus/obsolete stores and spares are valued at cost or net realizable value, whichever is lower.

e) Surplus/obsolete capital stores, other than held for use in construction of a capital assets, are valued at lower of cost or net realizable value.

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

12) PROFIT & LOSS ACCOUNT:

a. Sale proceeds will be accounted for based on the consumer price inclusive of statutory Levies and charges upto the place where ownership of goods is transferred.

b. Pre-Project expenditure relating to Projects which are considered unviable/closed will be charged off to Revenue in the year of declaration /closure.

13) Employee Benefits

a) All short term employee benefits are recognized at their undiscounted amount in the accounting period in which they are incurred.

b) Employee Benefits in respect of provident fund is recognized based on the fixed percentage contribution by the company towards provident fund. The same is paid to the provident fund which is administered through a separate trust.

c) Employee benefits under Defined Benefit Plan in respect of leave encashment, compensated absence, post retirement medical scheme, long service award and other terminal benefits are recognised based on the present value of defined benefit obligation, which is computed on the basis of actuarial valuation using the projected Unit Credit method. Actuarial liability in excess of respective plan assets is recognized during the year.

d) Provision for gratuity as per actuarial valuation is funded with a separate trust.

14) Taxes on Income

Provision for current tax is made as per provisions of the Income Tax Act, 1961. Deferred Tax Liability/ Assets resulting from 'timing difference' between book and taxable profit is accounted for considering the tax rate and laws that have been enacted or substantively enacted as on the Balance Sheet date. Deferred Tax Assets, if any, is recognised and carried forward only to the extent that there is virtual certainty that the asset will be realized in future.

15) Contingent Liabilities and Capital Commitments

a) Contingent liabilities are disclosed in each case above ₹ 5 lakhs.

b) Estimated amount of contracts remaining to be executed on capital account are disclosed in each case above ₹ 5 lakhs.

16) Impairment

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

GENERAL

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

18) Liquidated damages, if any, are accounted for as and when recovery is effected and the matter is considered settled by the Management. Liquidated damages, if settled, after capitalization of assets are charged to revenue, if below ₹ 50 lakhs in each case, otherwise adjusted in the cost of relevant assets.

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

20) a. Custom duty and other claims (including interest on delayed payments)are accounted for on acceptance in principle.

b. Liability in respect of MGO of Natural Gas is not provided for where the same is secured by MGO recoverable from customers. Payments/receipts during the year on account of MGO are adjusted on receipt basis.

Preeti Agarwal **Company Secretary**	**A.K. Sahni** **CFO**	**M. Ravindran** **CEO**	**P.K. Jain** **Director**	**Prabhat Singh** **Director**

In terms of our report of even date

For, A.K.G. & Associates
Chartered Accountants
Firm No. 002688N

(C A Harvinder Singh)
Partner
M No.87889

Place: Noida
Date: May 19, 2011

Notes on Accounts

1. This is the second year of commencement of commercial operation of the Company. Since both operation and project activities are being undertaken simultaneously, the employees working in the various disciplines has been identified as working for project & for Operation activities. Therefore the Employee Cost & Travelling expenses have been directly identified for the Project & Operation activities on actual basis and accounted for accordingly. All administrative and other expenses have been allocated to IEDC and charged to Profit and Loss Account in the ratio of manpower identified for Project & Operation activities during the year.
2. During the year GAIL(India) Ltd has released an amount of Rs.7825.00 lakhs towards equity comprising of ₹ 5514.51 lakhs (PY NIL) through bank transfer and remaining amount of ₹ 2310.49 lakhs (PY ₹ 4970.00 lakhs) by way of payment made on behalf of GAIL GAS Limited.
3. An amount of ₹1878.00 lakhs (PY ₹ 2640.00 lakhs) has been allocated as per direction of GAIL (India) Ltd out of amount spent by GAIL (India) Ltd on behalf of the Company to Share Application Money Pending Allotment of Equity Share.
4. The estimated amount of contracts over ₹ 5.00 lakhs amounting ₹ **11290.90 lakhs** (PY ₹ 11904.44 lakhs) are remaining to be executed on Capital Accounts and not provided for.
5. To the extent information available with the Company, amount due to Medium & Small Scale Industry is Nil (PY Nil).
6. The reconciliation of accounts with parties is carried out as an ongoing process. Request for confirmation of balances have also been sent.
7. The employees working for GAIL Gas Ltd., are on the rolls of GAIL (India) Limited. Employee benefits have been accounted in the books on the basis of Debit Advices received from GAIL (India) Ltd.
8. Information required as per Schedule VI of the Companies Act, 1956

I. Quantitative Information:

(Value ₹ in Lakhs)

Particulars	**Opening Stock**		**Purchases**		**Internal Consumption**		**Sales**		**Closing Stock**	
	Qty	**VL**	**Qty**	**VL**	**Qty**	**VL**	**Qty**	**VL**	**Qty**	**VL**
CNG										
(CNG Qty in '000 KG)										
Year ended 31.03.2011	1	0.21			131	27.60	2775	843.02	2	0.54
Year ended 31.03.2010	0	0	-	-	-	-	3	0.92	1	0.21
NATURAL GAS										
NG in '000 MMBTU										
Year ended 31.03.2011	0	0.06	518	2276.28	125	533.58	398	2143.67	0	0.89
NG in '000 MMBTU										
Year ended 31.03.2010	0	0	57	227.26	0	1.10	59	278	0	0.06

Note: Difference in reconciliation of opening stock, purchase, sales and closing stock to the magnitude of 5260.32 MMBTU (PY 3482.62 MMBTU) at the close of financial year 2010-11 is on account of measurement tolerance since the gas flow meter installed at the City Gas Station (CGS) is of higher capacity and the gas flow at initial stage of the project is much lower than the range specified by the OEM for measurement accuracy.

(₹ in Lakhs)

	2010-11	**2009-10**
II. CIF Value of Import		
Capital Goods	341.50	13.72
III. a. Expenditure in Foreign Currency		
Others	1.57	13.98
b. Earnings in Foreign Currency -		
Others (Tender Fee)	0.00	4.12

IV. Licensed Capacity, Installed Capacity and Actual Production

Particulars	Current Year 2010-11				Previous Year 2009-10			
	Licensed Capacity	Installed Capacity	Gas Throughput	Production	Licensed Capacity	Installed Capacity	Gas Throughput	Production
Natural Gas (MMSCMD	4.02	1.115	0.064482		0.1814	0.1814	0.0147	0
Pipeline Network (inch-KM)	1637	1138			1637	114.14	-	-
CNG ('000'KG)	-	14658	-	2935.48	0	0	0	4.35

V. Value of Raw Material, Stores/Spares and Components consumed during the year

		Current Year 2010-11			Previous Year 2009-10		
		Qty	₹ in Lakhs	%	Qty	₹ in Lakhs	%
I)	Raw Material Consumed Gas (1000' KG)	2935.48	601.62	95.73	4.35	0.89	81.15
ii)	Fuel Consumption- Natural Gas (1000 KG)	130.89	27.60	4.27	1.01	0.21	18.85
ii)	Store & Spare Component		2.96	-	-	0	-
	Total		**632.18**			**1.10**	

9. Employees Benefits in terms of AS-15 (Revised) have been considered by GAIL (India) Ltd as all the employees are posted at GAIL Gas are on the rolls of GAIL (India) Ltd.

10. Provident Fund Contributions have been regularly deposited by GAIL (India) with the Trust maintained by GAIL (India) Ltd.

11. In compliance of Accounting Standard 22 on "Accounting for taxes on income" issued by the Institute of Chartered Accountants of India, the Company has created net deferred tax assets in respect of timing difference as on 31st March, 2011 amounting to ₹ 318.34 lakhs (Previous year ₹ 15.26 lakhs). The item-wise details of deferred tax liability/asset are as under:

DETAILS OF DEFERRED TAX			(₹ in lakhs)
Particulars	**Balance Carried as at 31.03.2010**	**Arising/ (Decreasing) during the year and recognized in profit & Loss**	**Balance Carried as 31.03.2011**
Deferred Tax Liabilities	0	0	0
Deferred Tax Assets on account of Depreciation	15.26	136.37	151.63
Deferred Tax Assets on account of Accumulated Losses	0	181.96	181.96
Net Deferred Tax Assets	**15.26**	**318.34**	**333.60**

12. The incidental expenditure during construction amounting ₹ 1507.22 lakhs (PY 735.20 lakhs) have been allocated to completed project & Capital work in progress in the ratio of direct allocated cost for assets.

13. During the year, the Company has taken Term loan from OIDB (₹ 74.41 Cr) and from Union Bank of India (₹ 15.00 Cr) to finance the project activities in the cities of Dewas, Kota, Meerut & Sonepat. Wherever the expenditure on the projects was incurred post disbursement of loan, the borrowing cost on the same was appropriately capitalized and in respect of projects completed out of the opening capital work in progress is assumed to be funded by equity. In terms of AS 16, the total Interest & Finance Charges amounting to ₹ 367.11 lakhs was incurred, after setting off of the Interest earned on the temporary investment of idle fund an amount of ₹ 308.28 lakhs was capitalized during the period.

14. With regard to Cenvat Credit of ₹ 20.52 lakhs taken prior to registration as Input Service Distributor during 2008-09, according to para 31(b) of the guidance note on accounting treatment for Cenvat issued by ICAI, the excess Cenvat credit, if any, arrived on assessment which relates to fixed asset shall be added back to the cost of relevant fixed assets and depreciation thereon shall be claimed over the residual life of fixed asset.

15. During the year, the Company has two segments i.e. Natural Gas and CNG. Segment reporting in terms with AS 17 are as under:

A. INFORMATION ABOUT BUSINESS SEGMENTS FOR FINANCIAL YEAR 2010-11 **(₹ in Lakhs)**

S. No	SEGMENTS	NG	CNG	Unallocable	TOTAL
1	**REVENUE**				
	External Sales/Other Income	2143.67	749.44	63.64	2956.75
	TOTAL REVENUE	**2143.67**	**749.44**	**63.64**	**2956.75**
2	**RESULTS**				
	Segment Result /Profit Before Interest & Taxes	449.10	(20.39)	(626.30)	(197.59)
	Operating Profit	449.10	(20.39)	(626.30)	(197.59)
	Interest Expenses			9.87	9.87
	Provision for Tax			(318.34)	(318.34)
	NET PROFIT /(Loss)	**449.10**	**(20.39)**	**(317.83)**	**110.88**
3	**OTHER INFORMATION**				
	Segment Assets	9754.84	6044.79	10667.23	26466.86
	Total assets	**9754.84**	**6044.79**	**10667.23**	**26466.86**
	Segment Liabilities	1188.74	1263.40	10700.21	13152.35
	Total Liabilities	**1188.74**	**1263.40**	**10700.21**	**13152.35**

B. INFORMATION ABOUT BUSINESS SEGMENTS FOR FINANCIAL YEAR 2009-10 **(₹ in Lakhs)**

S.No	SEGMENTS	NG	CNG	Unallocable	TOTAL
1	**REVENUE**				
	SALES	278.00	0.92	0.00	278.92
	TOTAL REVENUE	**278.00**	**0.92**	**0.00**	**278.92**
2	**RESULTS**				
	Profit Before Tax	46.50	-3.92	12.29	54.87
	Unallocated Expenses (Net)			317.03	317.03
	Operating Profit	46.50	-3.92	-304.74	-262.16
	Prior Period Items			129.20	129.20
	NET PROFIT /(Loss)	**46.50**	**-3.92**	**-175.54**	**-391.36**
3	**OTHER INFORMATION**				
	Segment Assets	4026.06	1669.83		5695.89
	Unallocated Assets			804.48	804.48
	Total assets	**4026.06**	**1669.83**	**804.48**	**6500.37**
	Segment Liabilities	50.93	553.55	90.37	694.85
	Unallocated Liabilities			393.06	393.06

Note 1 Sales net of Excise Duty
Note 2 There is no Geographical Segment.

16. Related Party Disclosure :

A. The entire Equity Share Capital of the Company is held by GAIL (India) Ltd, Holding Company.
B. Related Party disclosure as per Accounting Standard 18.
a. Relation and name of the related parties are:

i. Holding Company: GAIL (India) Ltd.
ii. Fellow Subsidiary Company:
a. GAIL Global (Singapore) Pte Ltd.
b. Brahmaputra Cracker & Polymer Ltd

iii. Associate Company:
a. Mahanagar Gas Limited
b. Indraprastha Gas Limited
c. Petronet LNG Limited

d. Bhagyanagar Gas Limited
e. Tripura Natural Gas Corporation Ltd.
f. Central UP Gas Ltd.
g. Green Gas Ltd.
h. Maharastra Natural Gas Ltd.
i. Ratnagiri Gas & Power Pvt Ltd.
j. Avantika Gas Ltd.
k. Shell Compressed Natural Gas
l. Gujurat State Electricity Generation Ltd
m. National Gas Company "Nat Gas"
n. Fayum Gas Company
o. China Gas Holding Ltd.
p. GAIL China Gas Global Energy Holding Ltd.
q. ONGC Petro Additions Ltd (OPAL)

iv. Key Management Personnel: Mr M. Ravindran, C E O

b. Related Party Transactions: (₹ in lakhs)

Sl No.	Particulars	Holding Company	Fellow Subsidiary	Associates	Key Management Personnel
1	Purchase	**2531.90** (227.26)	**0.00** (0.00)	**0.00** (0.00)	**0.00** (0.00)
2	Sales	**593.29** (0.00)	**0.00** (0.00)	**39.86** (0.00)	**0.00** (0.00)
3	Remuneration	**0.00** (0.00)	**0.00** (0.00)	**0.00** (0.00)	**30.81** (25.52)
4	Reimb. of remuneration to staff	**1117.18** (595.37)	**0.00** (0.00)	**0.00** (0.00)	**0.00** (0.00)
5	Income	**0.00** (0.00)	**0.00** (0.00)	**0.00** (0.00)	**0.00** (0.00)
6	Outstanding Bal. Payable	**182.38** (0.63)	**0.00** (0.00)	**0.00** (16.05)*	**0.00** (0.00)
7	Counter Guarantee given to bank & OIDB on behalf of the Co.	**16388.00** (4588.00)	**0.00** (0.00)	**0.00** (0.00)	**0.00** (0.00)
8	Advance Against Equity	**1878.00** (2640.00)	**0.00** (0.00)	**0.00** (0.00)	**0.00** (0.00)
9	Others	**0.00** (0.00)	**0.00** (0.00)	**0.00 **** (26.82)	**0.00** (0.00)

Figures shown in brackets pertains to previous year.

* The amount pertains to related party mentioned at Sl No.iii(h) as mentioned above.
** The amount pertains to related party mentioned at Sl No.iii(d) as mentioned above.

There is no transaction occurred with Fellow Subsidiary.

17. Contingent Liability: The Company is contingently liable in respect of lease agreement of office premises at HHEC Building, A-2, Sector-2, Noida (U.P.) and all the consequential liability of the same shall be known at the time of registration of the rent lease deed & shall be provided for accordingly.

18. In case of bought out assets, the depreciation for full month has been charged for the assets bought out/installed or put to use from 1st to 15th of the month and no depreciation has been charged for the month if it is between 16th to 31st of the month as per the accounting conventions of the Company.

19. During the Current year, the Company has implemented SAP w.e.f 01.03.2011 The services utilized during the period of implementation, amounting to ₹ 15.95 lakhs were capitalized as a part SAP costs.

20. As all the employees posted at GAIL GAS Ltd are on the rolls of GAIL (India) Ltd., the accounting of the transactions relating to staff is being routed through GAIL (India) Limited & corresponding entries are passed in the company based on debit note received from GAIL (India) Limited.

21. The rent lease deed of ₹ 1349.71 Lakhs pertaining to rental of office premises of the company at Noida (U.P.) taken from HHECIL at A-2,Sector-2, Noida has not yet been registered under the agreement executed on 29/08/08 and 10/03/09. Thus provision for 50% share in stamp duty and registration charges of lease deed shall be accounted for in the year the lease rent deed is executed by the Lessor.

22. One of the project activities of the company is construction of CNG stations. Borrowing cost is capitalised on construction of CNG stations even in cases where the period of construction is less than one year.

23. The details of amount paid to auditor during the year vis-à-vis previous year is as under:

(₹ in lakhs)

	Particulars	2010-11	2009-10
a.	**As auditor**		
	1. Statutory Audit Fees	**1.18****	0.94*
	2. Tax Audit Fees	**0.15**	0.00
b.	**As advisor**		
	1. Taxation Matters	**0.00**	0.00
	2 Company Law Matters	**0.00**	0.00
	3 Management Services	**0.00**	0.00
c.	**Any other Matter**	**0.00**	0.00
	TOTAL	**1.33**	**0.94**

* Includes Service Tax @ 10.30%
** Excluding Service Tax

24. Previous Year's (PY) figures have been regrouped and recast to the extent practicable, wherever necessary. Figures in brackets indicate deductions.

Preeti Agarwal
Company Secretary

A.K. Sahni
CFO

M. Ravindran
CEO

P.K. Jain
Director

Prabhat Singh
Director

In terms of our report of even date

For, A.K.G. & Associates
Chartered Accountants
Firm No. 002688N

Place: Noida
Date: May 19, 2011

(C A Harvinder Singh)
Partner
M No.87889

Statement Pursuant to Part-IV of Schedule VI to the Companies Act,1956

Balance Sheet Abstract and Company's General Business Profile

I REGISTRATION DETAILS

Registration No. U 4 0 2 0 0 D L 2 0 0 8 G O I 1 7 8 6 1 4

State Code 5 5

Balance Sheet Date 3 1 (Date) 0 3 (Month) 2 0 1 1 (Year)

II CAPITAL RAISED DURING THE YEAR (AMOUNT ROUNDED IN ₹ THOUSANDS)

Public Issue	Bonus Issue
NIL	NIL
Rights Issue	Private Placement
NIL	858700

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT ROUNDED IN ₹ THOUSANDS)

Total Liabilities	Total Assets
2674735	2674735

SOURCES OF FUNDS

Paid-up Capital	Reserves and Surplus
** 1359500	NIL
Secured Loans	Unsecured Loans
894100	

APPLICATION OF FUNDS

Net Fixed Assets	Investments
2255092	NIL
Net Current Assets	Misc. Expenditure
- 29541	NIL
Accumulated Losses	
28049	

** Includes Share application money pending allotment for Rs. 187800 thousands (PY Rs. 264000 thousands)

IV PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover (including other income)

			2	9	5	6	7	5

Total Expenditure

			3	1	6	4	2	2

Profit / (Loss) before tax

+	-							
	-			2	0	7	4	7

Profit / (Loss) after tax

+	-							
	+			1	1	0	8	7

(Please tick appropriate box + for profit, - for loss)

Earnings Per Share (Rs.)

+	-							
	+				0	.	1	8

Dividend Rate (%)

0	.	0	0	

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS) -

Item Code No. (ITC Code)

2	7	1	1	1	1	0	0

Product Description

N	A	T	U	R	A	L	G	A	S

Item Code No. (ITC Code)

2	7	1	1	2	1	0	0

Product Description

C	N	G				

Item Code No. (ITC Code)

		N	A			

Product Description

		N	A			

Preeti Agarwal	**A.K. Sahni**	**M. Ravindran**	**P.K. Jain**	**Prabhat Singh**
Company Secretary	**CFO**	**CEO**	**Director**	**Director**

Place: Noida
Date: May 19, 2011

Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Accounts of GAIL Gas Limited for the year Ended 31st March, 2011.

The preparation of financial statements of GAIL Gas Limited for the year ended 31st March, 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 19th May, 2011.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditors on the accounts of GAIL Gas Limited for the year ended 31st March, 2011 and as such have no comments to make under section 619 (4) of the Companies Act, 1956.

For and on the behalf of the
Comptroller & Auditor General of India

(Naina A. Kumar)
Principal Director of Commercial Audit &
Ex-officio Member, Audit Board - II
New Delhi

Place : New Delhi

Consolidated Financial Statement

Auditor's Report to the Board of Directors of GAIL (India) Limited on Consolidated Financial Statements of GAIL (India) Limited, its Subsidiaries, Joint Ventures and Associates.

We have examined the attached Consolidated Balance Sheet of GAIL (INDIA) LTD. ("the Company"), its subsidiaries, joint ventures and associates as at 31st March, 2011 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on the date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

2. We did not audit the financial statements of subsidiaries, namely, Gail Global (Singapore) Pte. Ltd., Bramhaputra Cracker & Polymers Ltd. and GAIL Gas Ltd., whose financial statements reflect total assets of ₹ 2810.71 crores as at March 31, 2011, total revenue of ₹ 47.78 crores and net cash flows of ₹ 82.29 crores for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amount included in respect of the subsidiaries, is based solely on the reports of the other auditors.

3. We did not audit the financial statements of associates, namely, Fayum Gas, Shell Compressed Natural Gas Egypt, Gujarat State Energy Generation, Natural Gas Company "NATGAS" and China Gas Holding Limited. These financial statements have been audited by other auditors, except for Gujarat State Energy Generation and China Gas Holding Ltd. whose financial statements are unaudited. In the case of audited financial statements, the reports or certificate have been furnished to us. Our opinion, in so far as it relates to the amount included in respect of these associates, is based solely on the reports of the other auditors and unaudited financial statements, as the case may be.

4. In respect of Fayum Gas, Shell Compressed Gas and NATGAS, the Accounts drawn up as at December 31, 2010 and in respect of China Gas Holding Limited, the Accounts drawn upto September 30, 2010, have been used in the consolidation. As per information and explanations given to us, no significant transactions or other events occurred between the reporting date of aforesaid entities and 31st March, 2011, which require adjustment.

5. We did not audit the financial statements of Joint Ventures, whose financial statement reflect total assets of ₹ 29066.21 crores, total liabilities of ₹ 29066.21 crores as at March 31, 2011 and total revenue of ₹ 20911.03 crores, total expenditure of ₹ 18700.32 crores for the year ended on that date. Our opinion, in so far as it relates to the amount included in respect of these joint ventures, is based on the unaudited Financial Statements except for Petronet LNG Ltd. whose audited financial statement reflects total assets of ₹ 7457.67 crores, total liabilities of ₹ 7457.67 crores as at March 31, 2011 and total revenue of ₹ 13251.21 crores, total expenditure of ₹ 12344.80 crores for the year ended on 31st March, 2011.

6. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, viz, "Consolidated Financial Statements", Accounting Standard (AS) 23, viz "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard (AS) 27, viz "Financial Reporting of Interests in Joint Ventures", as notified under Companies Accounting Standards Rules, 2006.

7. Based on our examination as aforesaid, and on consideration of reports of other auditors on the separate financial statements / consolidated financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 31st March, 2011;

(b) in the case of Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year on that date; and

(c) in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For M.L.Puri & Co.
Chartered Accountants
Firm No:002312 N

Navin Bansal
Partner
Membership No. 91922
Place : New Delhi
Dated: May 23, 2011

For Rasool Singhal & Co.
Chartered Accountants
Firm No :500015N

Anil Gupta
Partner
Membership No. 072767
Place : New Delhi
Dated: May 23, 2011

Consolidated Balance Sheet as on 31st March, 2011

(₹ in crores)

	Schedule No.	As at 31st March, 2011		As at 31st March, 2010	
SOURCES OF FUNDS					
Shareholder's Funds					
Capital	1	1,268.48		1,268.48	
Reserve and Surplus	2	19,945.39	21,213.87	16,541.47	17,809.95
Loan Funds	3				
Secured Loans		6,263.97		4,999.36	
Unsecured Loans		640.13	6,904.10	413.81	5,413.17
Minority Interest			547.19		230.22
Deferred Tax Liability (Net)			1,715.12		1,465.04
TOTAL			**30,380.28**		**24,918.38**
APPLICATION OF FUNDS					
Fixed Assets	4				
Gross Block		26,605.14		25,164.03	
Less : Depreciation		10,642.94		9,833.61	
Net Block		15,962.20		15,330.42	
Capital Work in Progress	5	10,636.79	26,598.99	4,881.84	20,212.26
Investments	6		1,236.25		1,065.13
Carried Forward			27,835.24		21,277.39

(₹ in crores)

	Schedule No.		As at 31st March, 2011		As at 31st March, 2010
Brought Forward			27,835.24		21,277.39
Current Assets, Loans and Advances	7				
Inventories		1,058.61		857.84	
Sundry Debtors		2,102.25		1,510.77	
Cash and Bank Balances		2,584.35		4,548.63	
Other Current Assets		12.86		14.53	
Loans and Advances		6,558.69		7,682.75	
		12,316.76		14,614.52	
Less : Current Liabilities and Provisions	8				
Current Liabilities		5,541.36		5,920.06	
Provisions		4,230.36		5,053.47	
		9,771.72		10,973.53	
Net Current Assets			**2,545.04**		**3,640.99**
Miscellaneous Expenditure					
(To the extent not written off or adjusted)					
Preliminary Expenditure			-		-
TOTAL			**30,380.28**		**24,918.38**
Contingent Liabilities not provided for (Refer Schedule 14)					

N. K. Nagpal
Secretary

P. K. Jain
Director (Finance)

R. D. Goyal
Director (Projects)

B. C. Tripathi
Chairman & Managing Director

As per our separate Report of even date

For M/s M L Puri & Co.
Chartered Accountants
Firm No: 002312N

Navin Bansal
(Partner)
Membership .No. 91922

For M/s Rasool Singhal & Co.
Chartered Accountants
Firm No: 500015N

Anil Gupta
(Partner)
Membership .No. 072767

Place : New Delhi
Dated : May 23 , 2011

Consolidated Profit & Loss Account for the Year ended 31st March, 2011

(₹ in crores)

	Schedule No.	Year Ended 31st March, 2011		Year Ended 31st March, 2010	
INCOME					
Sales		33,818.29		26,128.94	
Less : Excise Duty		558.69	33,259.60	451.72	25,677.22
		-----------		-----------	
LPG Transmission Charges/RLNG Shipper Charges			1,840.66		1,345.66
Income from Telecom			6.39		12.42
Increase (decrease) in Inventories					
Closing Stock		392.78		259.73	
Less : Opening Stock		259.73	133.05	239.78	19.95
		--------		--------	
Other Income	9		557.43		579.66
			------------		------------
	TOTAL		**35,797.13**		**27,634.91**
			------------		------------
EXPENDITURE					
Purchases			22,099.67		14,779.83
Gas Pool			428.94		968.18
Manufacturing, Transmission, Administration Selling & Distribution and other Expenses	10	6,368.61		5,914.53	
Depreciation	4	887.98		823.43	
		-------------		-------------	
		7,256.59		6,737.96	
Less : Incidental Expenditure during construction transferred to Capital Work-in-Progress	11	(154.49)	7,102.10	(79.05)	6,658.91
		-------------		-------------	
Preliminary Expenditure written off			-		-
			------------		------------
	TOTAL		**29,630.71**		**22,406.92**
			------------		------------
Profit before Interest and Finance Charges			6,166.42		5,227.99
Interest and Finance Charges	12	495.03		398.74	
Less Interest and Finance Charges transferred to Capital Work-in-Progress		(117.17)	377.86	(13.40)	385.34
		----------	------------	----------	------------
Profit for the year	**Carried Forward**		**5,788.56**		**4,842.65**

(₹ in crores)

	Schedule No.	Year Ended 31st March, 2011		Year Ended 31st March, 2010	
Brought Forward			**5,788.56**		**4,842.65**
Less : Prior Period Adjustments (Net)	13		(10.39)		19.06
Profit for the year before Tax			**5,798.95**		**4,823.59**
Provision for Taxation - Current		1,568.27		1,458.57	
{Includes Wealth Tax ₹ 2.00 (Previous Year: ₹ 1.00)}					
- Deferred		249.83		72.73	
			1,818.10		1,531.30
Profit after Tax			**3,980.85**		**3,292.29**
Add: Share of Profit/(Loss) in Associates for the year			40.12		35.54
Group Profit after Tax			4,020.97		3,327.83
Amount available for appropriation			4,020.97		3,327.83
APPROPRIATIONS					
Interim Dividend			253.70		253.70
Proposed Dividend			697.66		697.66
Corporate Dividend Tax			155.32		158.99
Transfer from Bond Redemption Reserve			(30.00)		(30.00)
Transfer to Bond Redemption Reserve			37.81		27.13
General Reserve			380.94		329.46
Balance Carried to Balance Sheet			**2,525.54**		**1,890.89**
	TOTAL		**4,020.97**		**3,327.83**
Details of Earning Per Share					
A. Group Profit after tax			4,020.97		3,327.83
B. Weighted Average No. of Equity Shares			1,268,477,400		1,268,477,400
C. Nominal Value per Equity Share (₹)			10/-		10/-
D. Basic and Diluted Earning Per Share (₹)			31.70		26.23
Notes on Accounts	14				
Schedules 1 to 14 and Accounting policies form part of Accounts					

N. K. Nagpal
Secretary

P. K. Jain
Director (Finance)

R. D. Goyal
Director (Projects)

B. C. Tripathi
Chairman & Managing Director

As per our separate Report of even date

For M/s M L Puri & Co.
Chartered Accountants
Firm No: 002312N

Navin Bansal
(Partner)
Membership .No. 91922

For M/s Rasool Singhal & Co.
Chartered Accountants
Firm No: 500015N

Anil Gupta
(Partner)
Membership .No. 072767

Place : New Delhi
Dated : May 23 , 2011

Schedule 1 - Share Capital

(₹ in crores)

	As at 31st March, 2011	As at 31st March, 2010
AUTHORISED		
200,00,00,000 (Previous Year 200,00,00,000) Equity Shares of ₹ 10/- each	2,000.00	2,000.00
ISSUED, SUBSCRIBED AND PAID-UP		
126,84,77,400 (Previous Year: 126,84,77,400) Equity Shares of ₹ 10/- each fully paid up	1,268.48	1,268.48
TOTAL	**1,268.48**	**1,268.48**

Schedule 2 - Reserves and Surplus

(₹ in crores)

	As at 31st March, 2011		As at 31st March, 2010	
Capital Reserve				
As per Last Account	319.78		98.49	
Add: During the year	566.32		221.41	
Less : Transferred to Profit & Loss Account	(0.11)	885.99	(0.12)	319.78
Share Premium Account		14.70		14.70
Investment Allowance (Utilised) Reserve				
As per Last Account	19.11		19.11	
Less : Transferred to General Reserve	(1.24)	17.87	-	19.11
Bonds Redemption Reserves				
As per Last Account	189.90		192.77	
Add : Transferred from Profit & Loss Account	37.81		27.13	
Less : Transfer to Profit & Loss Account	(30.00)	197.71	(30.00)	189.90
General Reserve				
As per Last Account	2,289.84		1,979.76	
Add : Transferred from Profit & Loss Account	380.94		329.46	
Add : Transferred from Investment Allowance (Utilised) Reserve	1.24		-	
Add: Adjustment due Joint Venture Regrouping	(73.70)		(19.38)	
(Refer Note No - 17 of Notes on accounts)		2,598.32		2,289.84
Foreign Currency Translation Reserve		0.87		(0.65)
Profit and Loss Account				
As per Last Account	13,708.79		11,822.12	
Add: Profit During the Year	2,525.54		1,890.89	
Less: Adjustment due Dividend Received from Associate	(4.40)		(4.22)	
		16,229.93		13,708.79
TOTAL		**19,945.39**		**16,541.47**

Schedule 3 - Loan Funds

(₹ in crores)

	As at 31st March, 2011	As at 31st March, 2010
SECURED LOANS		
Bonds Series - I	**500.00**	**500.00**
(6.10% Secured Non-convertible redeemable Bonds -Series - I are redeemable in 5 equal installment commencing from the end of the 8th year upto the end of the 12th year from the deemed date of allotment August 22, 2003.) (Bonds are secured on pari pasu basis, by charge on freehold non agricultural land at villege Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery, spares, tools and accessories and other movables of the company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plant and Vadodra plant both present and future and whether installed or not and lying or in store)		
Bonds Series - II	**360.00**	**480.00**
(5.85% Secured Non-convertible redeemable Bonds -Series - II are redeemable in 5 equal installment commencing from the end of the 6th year upto the end of the 10th year from the deemed date of allotment March 25, 2004).(Bonds are secured on pari pasu basis, by charge on freehold non agricultural land at villege Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery , spares, tools and accessories and other movables of the company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plant, DUPL projects and Vadodra plant both present and future and whether installed or not and lying or in store)		
Bonds 2010 Series - I	**500.00**	-
(8.80% Secured Non-convertible redeemable Bonds 2010 -Series - I are redeemable in 4 equal installment commencing from the end of the 7th year upto the end of the 10th year from the deemed date of allotment December 13, 2010 with a call option at the end of the 7th year).(Bonds are secured on pari pasu basis, by charge on freehold non agricultural land at villege Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery , spares, tools and accessories and other movables of the company pertaining to its projects at Vijaipur Dadri Pipeline Projects both present and future and whether installed or not and lyng or in store)		
Oil Industry Development Board	**1,307.41**	**466.00**
(Secured by Hypothecation by way of first charge on whole pipeline, spur lines, plant & machinery, spares, equipments, tools & accessories and other movables both present & future, whether installed or not and whether now lying loose or in cases or which are now lying or stored in or about or shall hereinafter from time to time during the continuance of the security of these presents be brought into or upon or be stored or be in or about the Borrower's project of Chainsa - Jhajjar - Hissar Pipeline including spur lines or wherever else the same may be or be held by any party to the order or disposition of the borrower or in the course of transit or on high seas or on order or delivery, howsoever or wheresoever in the possession of borrower and either by way of substitution or addition)		
Term Loan		
From Banks	**2,336.31**	1,797.73
From Others	**1,260.25**	1,755.63
Carried Forward	**6,263.97**	4,999.36

(₹ in crores)

		As at 31st March, 2011		As at 31st March, 2010
Brought Forward		6,263.97		4,999.36
UNSECURED LOANS				
From Banks :				
- State Bank of India, London	-		-	
- Other Banks	608.48		361.39	
(repayable within one year)	---------		---------	
	608.48		361.39	
From others				
- Oil Industry Development Board				
{including ₹ NIL (Previous Year ₹ 34.38) due for payment within one year}	-		34.53	
- Sales Tax Deferred	5.37		5.47	
Deposit From Customers	26.28		12.42	
(Deposits from commercial customers of natural gas refundable on termination of the gas sales agreements)	----------	640.13	----------	413.81
TOTAL		**6,904.10**		**5,413.17**

Schedule 4 - Fixed Assets

(₹ in crores)

DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions/ Adjustments during the year	Sales / Adjustments during the year	As at 31.03.2011	As at 01.04.2010	For the Year	Adjustments during the year	As at 31.03.2011	As on 31.03.2011	As on 31.03.2010
Tangible Assets										
Freehold	83.60	25.77	0.08	109.29	-	-	-	-	109.29	83.60
Leasehold	219.59	6.08	4.99	220.68	14.69	7.42	(0.05)	22.16	198.52	204.90
Building : Office/Others	528.53	36.42	(1.59)	566.54	141.93	15.81	0.31	157.43	409.11	386.60
: Residential	270.68	21.67	-	292.35	62.27	6.51	0.01	68.77	223.58	208.41
Roads and Fences	1.37	-	-	1.37	0.25	0.02	-	0.27	1.10	1.12
Electrical Installations	0.99	0.07	-	1.06	0.27	0.04	-	0.31	0.75	0.72
Bunk Houses	1.80	0.37	0.02	2.15	1.61	0.10	0.02	1.69	0.46	0.19
Plant and Machinery	23,343.76	1,240.89	4.40	24,580.25	9,313.02	812.98	63.49	10,062.51	14,517.74	14,030.74
Railway Lines & Sidings	5.48	-	0.01	5.47	5.01	0.16	0.01	5.16	0.31	0.47
Communication Systems	5.73	0.72	0.04	6.41	3.21	0.42	-	3.63	2.78	2.52
Electrical Equipments	146.72	49.45	1.87	194.30	69.15	13.42	1.14	81.43	112.87	77.57
Furniture, Fixtures and other Equipments	303.66	51.68	15.48	339.86	174.89	25.65	13.26	187.28	152.58	128.77
Office Equipments	4.96	1.34	0.48	5.82	1.52	0.76	0.20	2.08	3.74	3.44
Vehicles	0.68	0.03	-	0.71	0.28	0.06	0.03	0.31	0.40	0.40
Transport Equipments	2.46	0.04	-	2.50	1.91	0.11	-	2.02	0.48	0.55
Intangible Assets										
Right of Use *	190.52	22.79	-	213.31	-	-	-	-	213.31	190.52
Softwares / Licences	51.85	9.73	0.16	61.42	43.23	4.43	0.23	47.43	13.99	8.62
E&P Assets										
Producing Property	-	-	-	-	-	-	-	-	-	-
Support Equipment & Facility	1.65	-	-	1.65	0.37	0.09	-	0.46	1.19	1.28
Total	**25,164.03**	**1,467.05**	**25.94**	**26,605.14**	**9,833.61**	**887.98**	**78.65**	**10,642.94**	**15,962.20**	**15,330.42**
Share in Joint Venture Assets included above	4,126.36	339.35	4.95	4,460.76	727.04	237.69	94.70	870.03	3,590.73	3,399.32
Previous Year	20,106.04	4,591.56	(466.43)	25,164.03	8,987.41	823.43	(22.77)	9,833.61	15,330.42	11,118.63
Share in Joint Venture Assets included above	2,502.06	1,143.22	(481.08)	4,126.36	433.75	261.61	(31.68)	727.04	3,399.32	2,068.31

* Right of use for laying pipelines is a perpetual right of use of Land but does not bestow upon the company, the ownership of Land and hence, treated as intangible assets. However, no amortisation is provided on the same, being perpetual in nature.

Schedule 5 - Capital Work-in-Progress

(₹ in crores)

	As at 31st March, 2011		As at 31st March, 2010	
Linepipe Construction and related facilities including Cathodic Protection and Dispatch Terminals	3,230.09		724.97	
Less : Provision for abandonment of Work in Progress	(11.44)		-	
	-------------	3,218.65	-------------	724.97
Compressor Stations		20.97		2.62
Telecom/Telesupervisory System		6.08		1.76
LPG Pipeline Project		5.02		1.07
LPG Projects		0.70		0.55
Petrochemicals		994.04		580.01
Telecom Projects		-		0.01
Others		221.18		79.38
Engineering/project construction		3,489.24		1,781.34
Exploratory & Development Well in Progress		430.93		373.51
Construction of CNG Station		163.72		84.35
Preoperative expenditure, pending allocation in respect of Jointly controlled Entity		6.60		-
Buildings	7.64		1.48	
Less : Provision for abandonment of Work in Progress	(0.34)	7.30	(0.34)	1.14
	-------------		-------------	
Linepipes, Capital Items in Stock/Transit	2,021.21		1,192.86	
Less : Provision for losses/obsolescence	(0.27)	2,020.94	(0.01)	1,192.85
	-------------		-------------	
Advance for Capital Expenditure				
(Unsecured - Considered Good)	51.42		58.28	
(Unsecured - Considered Doubtful)	1.77		1.80	
	-------------		-------------	
	53.19		60.08	
Less : Provision for Doubtful Advances	(1.77)	51.42	(1.80)	58.28
	-------------	-------------	-------------	-------------
TOTAL		**10,636.79**		**4,881.84**

Schedule 6 - Investments

(₹ in crores)

		As at 31st March, 2011		As at 31st March, 2010
LONG-TERM INVESTMENTS				
1. Trade Investments				
Quoted * -				
a) In Associate Company				
21,00,00,000 (Previous Year : 21,00,00,000) Equity Shares of HK$ 0.01/- each fully paid up in China Gas Holding Ltd., registered in China, acquired at a premium of HK$ 1.148/- per share	51.84		51.84	
Add: Goodwill	84.48		84.48	
Add: Share of Profit in Associate	90.08		68.37	
Less: Dividend Received	(7.79)	218.61	(5.76)	198.93
	--------		--------	
3,000,000 (Previous Year 3,000,000) Equity shares of LE 5/- per share in NAT GAS Equity share has acquired at a premium LE 34.5 per Equity Share	21.21		21.21	
Add: Goodwill	62.41		62.41	
Add: Share of Profit	64.40		48.69	
	-------	148.02	-------	132.31
b) In Govt of India Bond				
7 % Oil Companies GOI Special Bonds 2012 (Alloted in lieu of claims pending with Oil Co-ordination Committee)		9.59		9.59
c) Other				
570,600 (Previous Year : 570,600) Equity Shares of ₹ 10/-each fully Paid-up in Gujarat Industries Power Co. Ltd.(includes 1,90,200 Equity Shares acquired during the year 1996-97 at a premium of ₹ 15/- per share)		0.86		0.86
205601068 (Previous Year : 51400267) Equity Shares of ₹ 10/-each fully paid up in ONGC Ltd. (Acquired 3,42,66,845 shares of ₹ 10/-each during 1999-2000 at a price of ₹ 162.34 per Share,1,71,33,422 bonus shares of ₹ 10/- each received during 2006-07. During the year 2010-11, 5,14,00,267 Equity shares of ₹ 10/- each were splitted into Equity shares of ₹ 5/- each and bonus issue of 1:1 equity shares of ₹ 5/- each after split received during 2010-11)		556.29		556.29
* Aggregate market value of the above mentioned quoted securities is ₹ 6,470.52 Cr (previous year ₹ 6,182.99 Cr) (includes cost where market price not available)				
		------------------		------------------
Carried Forward		**933.37**		**897.98**
		------------------		------------------

(₹ in crores)

		As at 31[st] March, 2011		As at 31[st] March, 2010
Brought Forward		**933.37**		**897.98**
Unquoted - At Cost				
In Associate Companies				
2,07,60,000 (Previous Year : 2,07,60,000) Equity Shares of ₹ 10/- each fully paid-up in Gujrat State Energy Generation Ltd.	20.76		20.76	
Add: Share of Profit	21.72		21.06	
Less: Dividend received	(2.28)	40.20	(1.66)	40.16
19,000 (Previous Year : 19,000) Equity shares of LE 100/- each fully paid up in Fayum Gas Company registered in Egypt.	4.59		4.59	
Add: Goodwill	3.50		3.50	
Add: Share of Profit	11.31		8.87	
Less: Dividend received	(10.92)	8.48	(9.17)	7.79
2,20,000 (Previous Year : 2,20,000) Equity Shares of LE 10/- each fully paid up in Shell Compressed Natural Gas Company, Egypt registered in Egypt.	0.33		0.33	
Add: Goodwill	1.28		1.28	
Add: Share of Profit	(1.50)		(1.10)	
		0.11		0.51
2. Non Trade Investments - Others				
Unquoted - At cost				
(a) 8347 Equity Shares of USD 1/- each fully paid up in South East Asia Gas Pipeline Ltd registered in Hongkong		42.90		-
(b) i) 30 Shares (Previous year 30) of ₹ 50 each fully paid up in Darpan Co-operative Housing Society Ltd., Vadodara	-		-	
ii) 50 Shares (Previous year 50) of ₹ 50 each fully paid up in Ashoka Apartments Co-operative Housing Society Ltd., Vadodara	-		-	
iii) 400 Shares (Previous year 400) of ₹ 10 each fully paid up in Sanand Members Association, Ahmedabad.	-		-	
iv) 35 Shares (Previous year 35) of ₹ 50/-each fully paid up in Green Fields(B) Cooperative Housing Society Ltd, Mumbai	-	-	-	-
3 INVESTMENTS (Current Investments-Non-Trade)				
Quoted				
Mutual Fund Scheme / Other Investment		**211.19**		**118.69**
TOTAL		**1,236.25**		**1,065.13**

Schedule 7 - Current Assets, Loans and Advances

(₹ in crores)

		As at 31st March, 2011			As at 31st March, 2010	
A. CURRENT ASSETS						
INVENTORIES						
(As Certified by the Management)						
Raw Material (LNG)		17.89			17.22	
Raw Material in Transit		11.18			8.38	
CNG and Natural Gas in Pipeline	0.26			0.12		
Stores and Spares including Construction Surplus*	514.09			422.95		
Less : Provision for Losses/Obsolescence	24.72			32.60		
		489.63			390.47	
Stock of Gas**/Polymers/LPG and Other Products		539.91			441.77	
(including ₹ 3.26 Cr (PY: ₹ 2.94 Cr) Stock in process)						
* includes ₹ 44.62 (previous year ₹ 21.03) in transit			1,058.61			857.84
** after adjustment of calorfic value.						
SUNDRY DEBTORS						
Debts outstanding for a period exceeding six months						
- Unsecured, Considered Good	247.24			103.26		
- Secured, Considered Good	0.01			-		
- Unsecured, Considered Doubtful	153.11	400.36		153.20	256.46	
Other Debts						
- Secured, Considered Good	4.81			2.70		
- Unsecured, Considered Good	1,850.19			1,404.69		
- Unsecured, Considered Doubtful	-			-		
		1,855.00			1,407.39	
		2,255.36			1,663.85	
Less : Provision for Doubtful debts		(153.11)	2,102.25		(153.08)	1,510.77
CASH AND BANK BALANCES						
Cash in hand	1.05			0.76		
Cheques/Stamps in hand	0.46	1.51		0.48	1.24	
BANK BALANCES WITH SCHEDULED BANKS						
On Current Account (includes Corporate Liquid Term Deposit ₹ 189.80 (Prevoius Year: ₹ 90.25))	292.34			132.19		
On Fixed Deposit Account	176.64			160.76		
On Short Term Deposit	1,363.09			1,685.23		
On Short Term Deposit -Gas Pool Money (includes interest accrued but not due ₹ 18.23 (Prevoius Year ₹ 39.48))	706.47			2,498.40		
On Short Term Deposit -JV Consortium (includes interest accrued but not due ₹ 0.70 (Prevoius Year ₹ 0.89))	43.75	2,582.29		59.93	4,536.51	
BANK BALANCES WITH OTHER BANKS						
On current accounts		0.55			10.88	
			2,584.35			4,548.63
OTHER CURRENT ASSETS						
Interest accrued but not due on Deposits / Bonds, etc.		6.34			9.65	
Interest accrued on Fixed Deposits		6.52	12.86		4.88	14.53
Carried Forward			**5,758.07**			**6,931.77**

(₹ in crores)

			As at 31st March, 2011			As at 31st March, 2010
Brought Forward			**5,758.07**			**6,931.77**
B. LOANS AND ADVANCES						
Loans to Employees						
- Secured, Considered Good	156.72			159.86		
- Unsecured, Considered Good (including dues from Directors ₹ 0.10 (Previous Year : ₹ 0.16)) (Maximum amount due at any time during the year : ₹ 0.25) (Previous Year : ₹ 0.22)	32.08			18.67		
Others (Unsecured, Considered Good)	1.42	190.22		4.01	182.54	
Advances recoverable in cash or in kind or for value to be received						
- Unsecured, Considered Good (includes ₹ 1323.66 (Previous Year ₹ 1260.30) paid / adjusted against Income tax demand under protest)	2,745.68			2,901.57		
Others	15.64			0.05		
- Unsecured, Considered Doubtful	4.85			1.13		
	2,766.17			2,902.75		
Less : Provision for Doubtful Advances	(4.85)	2,761.32		(1.13)	2,901.62	
Advance Tax / TDS		3,360.70			4,418.42	
Claims Recoverable						
- Unsecured, Considered Good	71.52			70.74		
- Unsecured, Considered Doubtful	4.22			3.83		
	75.74			74.57		
Less : Provision for doubtful claims	(4.22)	71.52		(3.83)	70.74	
Deposits with Customs, Port Trust and Others						
- Unsecured, Considered Good	151.73			92.13		
- Unsecured, Considered Doubtful	0.45			0.45		
	152.18			92.58		
Less : Provision for doubtful deposits	(0.45)	151.73	6,535.49	(0.45)	92.13	7,665.45
Trade and security Deposits						
- Unsecured, Considered Good			23.20			17.30
TOTAL			**12,316.76**			**14,614.52**

Schedule 8 - Current Liabilities and Provisions

(₹ in crores)

		As at 31st March, 2011		As at 31st March, 2010	
A.	**CURRENT LIABILITIES**				
	Sundry Creditors (includes ₹ 43.74 (Previous Year : ₹ 59.93) payable to JV consortium)	3,103.92		2,405.56	
	Deposits/Retention Money from Contractors and Others	433.29		275.58	
	Abandonment Cost (E&P)	1.13		1.25	
	Other Liabilities	1,154.20		571.78	
	Due to Promoter Companies	0.23		0.23	
	Gas Pool Money	722.60		2,571.66	
	Imbalance & Overrun Charges	23.96		12.59	
	Unclaimed Dividend (Amount due for credt to Investor Education & Protection Fund is ₹ NIL (Previous Year : NIL)	2.82		2.76	
	Interest accrued but not due (includes on loan ₹ 32.01 (Previous Year : ₹ 18.92)	40.91		30.63	
	Trade and Security Deposits	58.30		48.02	
		----------	5,541.36	----------	5,920.06
B.	**PROVISIONS**				
	Provision for taxation/FBT/Wealth Tax	2,952.31		4,071.97	
	Provision for Proposed Dividend	697.66		697.66	
	Provision for Corporate Dividend Tax	113.18		115.87	
	Provision for Probable Obligations	155.48		-	
	Provision for Gratuity	0.53		0.55	
	Provision for Leave Encashment and Post Retirement Medical Benefits	311.20	4,230.36	167.42	5,053.47
		------------	----------------	------------	----------------
	TOTAL		**9,771.72**		**10,973.53**

Schedule 9 - Other Income

(₹ in crores)

		Year Ended 31st March, 2011		Year Ended 31st March, 2010
Dividend from long term (trade) investment		319.02		235.59
Interest on :				
- Bonds/Debentures (Long term trade investment)	0.67		0.67	
- Deposits with Banks	109.32		110.38	
- Others	25.31		111.00	
	------------	135.30	------------	222.05
Tax deducted at source : ₹ 8.87 (Previous Year: ₹ 18.92)				
Surplus on Disposal of Investments		-		0.06
Miscellaneous Income including Liabilities written back (Tax deducted at source : ₹ 0.20 (Previous Year: ₹ 0.37)		113.24		127.80
Less : Transferred to Incidental Expenditure during construction (Schedule 11)		(10.13)		(5.84)
		------------		------------
TOTAL		**557.43**		**579.66**

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

(₹ in crores)

	Year Ended 31st March, 2011		Year Ended 31st March, 2010	
Raw Material consumed		2,182.29		2,199.34
Employees Remuneration and Benefits				
Salaries, Wages and Allowances	634.57		546.33	
Contribution to Provident and Other Funds	62.61		39.32	
Welfare Expenses	118.90		81.40	
Secondment charges	1.86		1.83	
	------------	817.94	------------	668.88
Power, Fuel and Water Charges		966.12		792.22
Gas Fuel Charges		817.75		769.72
Stores and Spares consumed		252.14		263.32
Rent		28.83		23.30
Rates and Taxes (includes UP entry tax on gas)		63.24		59.68
Licence Fees - Telecom		0.36		0.89
Bandwidth Consumption		0.24		0.39
Repairs and Maintenance				
Plant and Machinery	339.69		214.02	
Buildings	20.59		16.05	
Others	26.11	386.39	25.66	255.73
	------------		------------	
Insurance		21.52		14.83
Communication Expenses		9.44		8.58
Printing and Stationery		3.57		2.72
Travelling Expenses		51.93		44.09
Books and Periodicals		0.60		0.62
Advertisement and Publicity		23.42		15.68
		--------------		--------------
Carried Forward		**5,625.78**		**5,119.99**

(₹ in crores)

	Year Ended 31st March, 2011		Year Ended 31st March, 2010	
Brought Forward		**5,625.78**		**5,119.99**
Payment to Auditors				
Audit Fees	0.65		0.63	
Management Services	0.10		0.02	
Out of Pocket Expenses	0.18	0.93	0.12	0.77
	----------		----------	
Entertainment Expenses		0.31		0.23
Recruitment and Training Expenses		12.10		10.40
Vehicle Hire and Running Expenses		27.68		20.02
Equipment Hire charges		1.74		1.26
CNG Transportation		2.02		1.64
CNG Dispensing Charges		2.26		1.70
Operating Expenses at CNG Stations		12.84		8.42
Lease Charges		0.77		0.88
Survey Expenses		83.76		128.40
Consultancy Charges		20.26		25.38
Legal and Professional charges		7.36		8.11
Data Processing Expenses		3.70		2.27
Donation		0.04		0.14
Research and Development Expenses		0.13		16.17
Directors fees		0.05		0.03
Loss on sale / written off of assets(net)		(14.83)		7.65
Bad Debts/Claims/Advances/Inventories written off		1.26		0.99
Dry Well Expenses written off		52.39		209.34
Provision for Probable Obligation / Contingency		108.08		-
Provision for Doubtful Debts, Advances, Claims, Deposits and obsolescence of Stores and Capital items		9.56		25.90
Excise Duty on Stock (Net)		(1.40)		4.75
Expenses on Enabling Facilities		2.95		0.17
Selling & Distribution Expenses		23.85		18.17
Discount on Sales		121.79		106.08
Commission on Sales		15.94		15.16
Dealers' Commission		3.75		2.39
Security Expenses		62.94		54.70
Oil & Gas Producing Expenses (Operators)		3.54		6.67
Royalty on Crude Oil		4.13		3.88
Corporate Social Responsibility Expenses		59.92		20.88
Other Miscellaneous Expenses		115.12		104.31
Exchange Fluctuation		(2.11)		(6.75)
Less: Transfer to Capital Work in Progress				
Employees Remuneration and Benefits		-		4.57
Operating and Other Expenses		-		1.00
TOTAL		**6,368.61**		**5,914.53**

Schedule 11 - Incidental Expenditure during Construction

(₹ in crores)

		Year Ended 31st March, 2011		Year Ended 31st March, 2010
Employees Remuneration and Benefits				
Salaries, Wages and Allowances	51.09		24.05	
Contribution to Provident and Other Funds	1.75		1.43	
Welfare Expenses	5.20	58.04	2.27	27.75
	---------		---------	
Power, Fuel and Water Charges		0.89		0.08
Stores & Spares Consumed		0.07		0.05
Rent		3.43		2.26
Repairs and Maintenance				
Plant and Machinery	-		0.01	
Buildings	0.07		0.02	
Others	0.31	0.38	0.26	0.29
	---------		---------	
Insurance		4.33		0.03
Communication Expenses		0.76		0.44
Travelling Expenses		6.18		3.71
Recruitment and Training Expenses		0.78		1.12
Interest and Finance Charges		117.17		13.40
Vehicle Hire and Running Expenses		2.86		1.53
Consultancy Charges		3.21		10.65
Other Expenses		63.57		27.71
Depreciation		9.99		3.43
		---------		---------
		271.66		92.45
Less :				
- Interest Income	9.17		5.01	
- Misc. Income	0.96	10.13	0.83	5.84
	-----------------	-----------------	-----------------	-----------------
Net Expenditure		261.53		86.61
Less :Transferred to Capital Work-in-progress				
- Mfg., Transmission, Admn., Selling & Distribution and Other Expenses	154.49		79.05	
- Interest & finance Charges	117.17		13.40	
- Other Income	(10.13)	261.53	(5.84)	86.61
	------------	------------	------------	------------
Balance Carried over to Balance Sheet		-		-

Schedule 12 - Interest and Finance Charges

(₹ in crores)

		Year Ended 31st March, 2011		Year Ended 31st March, 2010
Interest				
On term loans	385.63		320.12	
Other Loans	3.63	389.26	0.02	320.14
	------------		------------	
Bonds		71.59		65.47
Others		2.15		10.20
Bank Charges		3.03		2.83
Commitment and other Finance Charges		29.00		0.10
		------------		------------
TOTAL		**495.03**		**398.74**

Schedule 13 - Prior Period Adjustments

(₹ in crores)

		Year Ended 31st March, 2011		Year Ended 31st March, 2010
Purchase of Gas		0.03		0.23
Raw Material		-		-
Salaries, Wages and Allowances		-		0.42
Power, Fuel and Water Charges		(0.01)		0.22
Stores and Spares consumed		-		-
Rent		0.11		0.05
Depreciation(Net)		(63.68)		5.83
Repairs and Maintenance		27.18		(0.05)
Consultancy Charges		14.59		0.10
Other Expenses		11.84		20.07
		------------		------------
TOTAL		(9.94)		26.87
Less :				
- Sales	(0.36)		0.42	
- Interest Income	-		0.69	
- Miscellaneous Income	0.81	0.45	6.70	7.81
		------------		------------
TOTAL (NET)		**(10.39)**		**19.06**

Schedule 14 - Consolidated Notes on Accounts for the Year Ended 31.03.2011

SIGNIFICANT ACCOUNTING POLICIES

I. BASIS OF PREPARATION

The Consolidated Financial Statements (CFS) relate to GAIL (India) Limited (hereinafter referred as the "Company") and its subsidiary, Joint Ventures and Associates. The accounts are prepared on historical cost basis and in accordance with the applicable accounting standards and other applicable relevant statues.

II. PRINCIPLES OF CONSOLIDATION

The consolidated Financial Statements have been prepared in accordance with the applicable Accounting Standards on the following basis:-

i. The Financial Statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21-"Consolidated Financial Statements" as notified under Companies Accounting Standard Rules, 2006.

ii. The Financial Statements of Joint Venture Company have been combined by applying proportionate consolidation method on a line by line basis on items of assets, liabilities, income and expenses after eliminating proportionate share of unrealized profits or losses in accordance with Accounting Standard (AS) 27 on "Financial Reporting of Interests in Joint Ventures" as notified under Companies Accounting Standard Rules, 2006.

iii. The consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate Financial Statements except as otherwise disclosed in the Notes to Accounts.

iv. The excess of the cost to the Company of its investment in Subsidiaries and Joint Ventures over its proportionate share in the equity of the investee company as at the date of acquisition of stake is recognized in the financial statements as Goodwill. In case the cost of investment in a subsidiary or Joint Venture is less than the proportionate share in the equity of the investee as on the date of the investment, the difference is treated as Capital reserve.

v. Minority Interest's share of Net Profit/Loss of Consolidated Subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the Net Income attributable to the shareholders of the Company.

vi. Minority Interest's share of Net Assets of Consolidated subsidiaries is identified and presented in the Consolidated Balance Sheet separately from liabilities and the equity of the Company's shareholders.

vii. Investments in Associates have been accounted for using the equity method in accordance with Accounting Standard (AS) 23-"Accounting for investment in Associates in Consolidated Financial Statements" as notified under Companies Accounting Standard Rules, 2006. The excess/deficit of cost of investment over the proportionate share in equity of the Associate as at the date of the acquisition of stake has been identified as Goodwill/Capital reserve and included in the carrying value of the investment in Associate and disclosed separately. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the Associate.

viii. The accounts of all Group Companies are drawn upto the same reporting date as the parent entity (i.e. Financial Year ended March 31, 2011) except for overseas Associates. In respect of Fayum Gas, Shell Compressed Gas and Nat Gas, the accounts drawn up as at December 31, 2010 have been used, and in respect of China Gas Holding Limited, the accounts drawn up to September 30, 2010 have been used. No adjustments have been done for the period subsequent to that date, since there are no significant transactions.

ix. The financial statements of the Subsidiary-GAIL (Global) Singapore Pte Limited are prepared in accordance with Singapore Financial Reporting Standards assuming the company is a going concern and converted in Indian Rupees as per Accounting Standard (AS 11).

x. The financial statements of Fayum Gas, Shell Compressed Gas and NatGas have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian Laws and regulations and according to the historical cost basis assuming the company is a going concern and converted in Indian Rupees as per Accounting Standard (AS 11). While the financial statements of China Gas Holding Limited has been prepared in accordance with the Hongkong Accounting Standards and relevant Hongkong Laws and regulations and according to the historical cost basis assuming the company is a going concern and converted in Indian Rupees as per Accounting Standard (AS 11).

III. Investment other than in Subsidiaries, Joint Ventures and Associates have been accounted for as per Accounting Standard (AS) 13 on "Accounting for Investments" as notified under Companies Accounting Standard Rules, 2006.

IV. OTHER SIGNIFICANT ACCOUNTING POLICIES:

These are set out under "Significant Accounting Policies" as given in the respective Financial Statements of the Company and its Subsidiary.

Notes to the Accounts

1. The Consolidated Financial Statements represent consolidation of accounts of the Company (GAIL India Limited), its subsidiaries, joint venture companies and associates as detailed below:

Name of Company	Country of Incorporation	Relation	Proportion of ownership interest as on 31.03.2011
GAIL Global (Singapore) PTE Ltd	Singapore	Subsidiary	100%
Bramhaputra Cracker & Polymers Ltd	India	Subsidiary	70.00%
GAIL GAS Limited	India	Subsidiary	100%
Mahanagar Gas Limited	India	Joint Venture	49.75%
Indraprastha Gas Limited	India	Joint Venture	22.50%
Petronet LNG Limited	India	Joint Venture	12.50%
Bhagyanagar Gas Limited	India	Joint Venture	22.50%
Central UP Gas Limited	India	Joint Venture	25.00%
Green Gas Limited	India	Joint Venture	22.50%
Maharastra Natural Gas Limited (MNGL)	India	Joint Venture	22.50%
Aavantika Gas Limited	India	Joint Venture	22.50%
Ratnagiri Gas & Power (Private) Ltd (RGPPL)	India	Joint Venture	32.88%
Tripura Natural Gas Co Ltd. (TNGCL)	India	Joint Venture	29.00%
ONGC Petro-additions Limited (OPaL)	India	Joint Venture	17.00%
GAIL China Gas Global Energy Holdings Ltd.	Bermuda	Joint Venture	50.00%
Fayum Gas	Egypt	Associate	19.00%
Shell Compressed Natural Gas Egypt	Egypt	Associate	10.48%
Gujarat State Energy Generation Ltd (GSEG)	India	Associate	6.24%
Natural Gas Company "Nat Gas"	Egypt	Associate	15.00%
China Gas Holding Limited	Bermuda	Associate	4.79%

2. In view of different sets of environment in which the Subsidiaries/Joint Ventures are operating, the accounting policies followed by the Subsidiaries/ Joint Ventures are different from the accounting policies of the Company in respect of the following. Such different accounting policies have been adopted in respect of the following:

(₹ in crore)

Particulars	Name of Joint Venture / Subsidiary	Accounting Policies		Proportion of GAIL's share (Gross Amount)
		GAIL (India) Ltd.	Subsidiary / Joint Venture	
Inventories				
Valuation of Stores and spares	Mahanagar Gas Limited / Indraprastha Gas Limited	Valued at weighted average cost or net realizable value, whichever is lower	Valued at weighted average cost.	15.18
	Tripura Natural Gas Co Ltd	Valued at weighted average cost or net realizable value, whichever is lower	Valued at cost	0.21
Valuation of Raw Materials	Indraprastha Gas Limited / Green Gas Ltd / Maharastra Natural Gas Limited	Valued at cost or net realizable value, whichever is lower	Valued at lower of cost on First in First Out (FIFO) basis or Net Realizable Value.	0.25
Depreciation				
Software / Licences	Petronet LNG Limited / Aavantika Gas Limited / Mahanagar Gas Limited / Bhagyanagar Gas Limited / Maharastra Natural Gas Limited / RGPPL.	Software / Licences are amortized in 5 years on straight line method	Software/Licenses are amortised on Straight Line method as follows: - Petronet LNG Ltd – 3 years. Aavantika Gas Ltd – 4 years. Mahanagar Gas Ltd - 6 years Bhagyanagar Gas Ltd – 4 years. Maharastra Natural Gas Ltd – 3 years. RGPPL – 3 years or Period of Legal right, whichever is higher.	0.44
All Assets	Brahmaputra Cracker & polymers Ltd.	Assets are depreciated on SLM basis	Assets are depreciated on WDV basis	9.95
	Tripura Natural Gas Co Ltd	Assets are depreciated on SLM basis	Assets are depreciated on WDV basis, except computer (employees) @ 25% p.a. on SLM basis.	0.22
Employee Benefits	Bhagyanagar Gas Limited / Aavantika Gas Limited / RGPPL.	Implemented Revised AS-15	Implementation of AS-15 is un-ascertained	Not Quantifiable
Contingent Liabilities	Green Gas Limited / Bhagyanagar Gas Limited	Contingent liabilities exceeding ₹ 5 Lakhs in each case are disclosed by way of notes to accounts.	Contingent liabilities exceeding ₹ 1 Lakh in each case are disclosed by way of notes to accounts.	Not Quantifiable
	All Subsidiary & Joint Ventures, except Gail Gas Ltd, Brahmaputra Cracker & polymers Ltd, Aavantika Gas Limited, Green Gas Limited, Bhagyanagar Gas Limited.	Contingent liabilities exceeding ₹ 5 Lakhs in each case are disclosed by way of notes to accounts.	Un-ascertained / Not available.	Not Quantifiable
Capital commitment	Petronet LNG Limited / Green Gas Limited / Aavantika Gas Limited / Bhagyanagar Gas Limited	Estimated amount of contracts remaining to be executed on capital accounts are disclosed in each case above ₹ 5 Lakhs.	Estimated amount of contracts remaining to be executed on capital accounts are disclosed in each case above ₹ 1 Lakh.	Not Quantifiable
	All Subsidiary & Joint Ventures, except Gail Gas Ltd, Brahmaputra Cracker & polymers Ltd, Petronet LNG Limited, Green Gas Limited, Aavantika Gas Limited, Bhagyanagar Gas Limited.	Estimated amount of contracts remaining to be executed on capital accounts are disclosed in each case above ₹ 5 Lakhs.	Un-ascertained / Not available.	Not Quantifiable

The effect of above differential accounting policies could not be quantified on profit & loss account.

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

   i) Estimated amount of contracts remaining to be executed on capital account and not provided for: ₹ 4540.71 Crores (Previous Year: ₹ 4848.04 Crores).

   ii) Company's share in estimated amount of contracts remaining to be executed on capital account and not provided for based on audited/unaudited statement of accounts of Joint Ventures. ₹ 1418.04 Crores (Previous Year: ₹ 1569.98 Crores).

4. Contingent Liabilities:-

I. Claims against the Company not acknowledged as debts: ₹ 4930.40 Crores (Previous Year: ₹ 4757.88 Crores), which mainly include:-

   (a) Legal cases for claim of ₹ 2731.63 Crores (Previous Year: ₹ 2325.78 Crores) by vendors on account of Liquidated damages/Price Reduction Schedule and Natural Gas price differential, etc. and by customers for Natural gas transmission charges etc.

   (b) Income tax assessments up to the Assessment Year 2008-09 have been completed and a demand of ₹ 1017.25 Crores relating to the Assessment Years 1996-97 and 2000-01 to 2008-09 (Previous Year: ₹ 1262.06 Crores related to Assessment years 1996-97 to 2007-08) has been raised by making disallowances/additions . The company has already made the payment of ₹ 1323.66 Crores (Previous Year: ₹ 1260.30 Crores) which is under dispute. Based upon the decision of the appellate authorities and the interpretation of the Income Tax Act, the company has been legally advised that the demand is likely to be deleted or it may be substantially reduced. The company has filed appeals against the Assessment orders /appeal orders for the Assessment Years 2000-01 to 2004-05, 2006-07 and 2007-08 with Income Tax Appellate Tribunal (ITAT) and for Assessment Year 1996-97, 2005-06 and 2008-09 with Commissioner of Income Tax (Appeal). Based upon company's appeal with ITAT, income tax assessments for the AY 1997-98 to 1999-2000 have been remanded back by ITAT to the assessing officer for reassessment.

   (c) ₹ 760.15 Crores (Previous Year: ₹ 596.50 Crores) relating to disputed tax demand towards Excise duty, Sales tax, Entry tax, and Service Tax etc.

   (d) Claims of ONGCL for ₹ 289.57 Crores (Previous Year: ₹ 335.25 Crores) on account of interest for delayed payment and MGO, etc. Out of these, MGO claims of ₹ 25.34 Crores (Previous Year: ₹ 47.81 Crores) are recoverable on back-to-back basis.

II. Bank Guarantee & Letters of Credit : ₹ 997.37 Crores (Previous Year: ₹ 1665.58 Crores) including bank guarantees issued on behalf of subsidiaries ₹ 45.88 Crores (Previous Year: ₹ 45.88 Crores)

III. The Company has issued corporate guarantees for ₹ 254.34 Crores (Previous Year: ₹254.34 Crores) on behalf of Brahamputra Cracker & Polymer Limited (BCPL) and for ₹ 118 Crores (Previous Year: NIL) on behalf of GAIL Gas Limited, subsidiaries of the company, in favour of Oil Industry Development Board (OIDB) for raising loan from OIDB.

IV. Share in Contingent Liabilities of Joint Ventures based on their audited/unaudited statement of accounts: ₹ 437.19 Crores (Previous Year: ₹ 229.89 Crores).

5. Sales Tax demand of ₹ 3449.18 Crores (Previous Year: ₹ 3449.18 Crores) and interest thereon ₹ 1513.04 Crores. (Previous Year: ₹ 1513.04 Crores) for Hazira unit in Gujarat State: Sales Tax Authorities, Ahmedabad have treated the transfer of Natural Gas by the company from the state of Gujarat to other states during the period April, 1994 to March, 2001 as inter-state sales under Section 3(a) of the Central Sales Tax Act. The company has been paying sales tax under section 12 of the Gujarat Sales Tax Act against Form 17 since inception (1987) and accordingly the sales tax assessments have been completed. Based on the interpretation of the provisions of the Sales Tax Act and legal advice from the experts, the company had filed writ petition and special leave petition in the Supreme Court of India. In February, 2005 the case was transferred by Hon'ble Supreme Court to Gujarat Sales Tax Tribunal for decision. The Tribunal has given its judgment on 16.05.2005 accepting the contention of the company for interstate transfer of Natural Gas as branch transfer and not the interstate sale and set aside the demand under section 41-B of the Gujarat Sales Tax Act. The Hon'ble Tribunal has given further instruction to the Assessing Authority to re-assess and decide tax liability in accordance with the law considering interstate transfer of natural gas as branch transfer. The Sales Tax Authorities had filed rectification application under section 72 of the Gujarat Sales Tax Act, 1969 in Gujarat Sales Tax Tribunal against its judgment dated 16.05.2005. The Tribunal had dismissed the rectification application of the sales tax authorities vide its order dated 06.07.2006. The sales tax authorities have now filed petition in Hon'ble high Court Ahmedabad against the order of the tribunal and no hearing has yet taken place. In opinion of the management there is a remote possibility of crystallizing this liability.

6. (a) Freehold land acquired for city gate station at Lucknow and Kanpur, Jhansi Maintenance Base, Sectionalising Valves in Jamnagar –Loni Pipeline and Mumbai valuing ₹ 4.94 Crores (Previous Year: ₹ 6.17 Crores) are valued / capitalized on provisional basis.

   (b) Title deeds for freehold land valuing ₹ 6.38 Crores (Previous Year: ₹ 7.61 Crores) and leasehold land valuing ₹ 10.24 Crores (Previous Year: ₹ 22.53 Crores) are pending execution.

   (c) Title Deeds in respect of ten residential flats at Asiad Village, New Delhi, valuing ₹ 1.17 Crores (Previous Year: ₹ 1.17 Crores) are still in the name of ONGCL. Concerned authorities are being pursued for getting the same transferred in the name of the Company.

   (d) Net Block for "Building" includes an amount of ₹ 1.21 Crores (Previous year: ₹ 1.25 Crores) earmarked for disposal but in use.

7. (a) The balance retention from PMT JV consortium amounting to ₹ 43.75 Crores (Previous Year: ₹ 59.93 Crores) includes interest amounting to ₹ 2.64 Crores (Previous Year: ₹ 2.55 Crores) on Short term deposits for the year. This interest income does not

belong to the company hence not accounted as income.

(b) Liability on account of Gas Pool Money amounting to ₹ 722.60 Crores (Previous Year: ₹ 2571.66 Crores) includes interest amounting to ₹ 29.10 Crores (Previous Year: ₹ 225.00 Crores) on short term deposits. This interest does not belong to the company hence not accounted as income.

(c) Petroleum and Natural Gas Regulatory Board (PNGRB) has notified charges for pipeline overrun and imbalances created on account of positive/negative off-takes over the tolerance limit of allocated capacity to be charged from shippers. As the guidelines regarding modalities of maintaining and operation of escrow account are effective from 1.4.2011, the sum of ₹23.95 Crores (Previous Year: 12.59 Crores) recovered up to 31.03.2011 on this account has been recognized as liability in the financial statements.

8. Advances recoverable in Cash or in kind or value to be received includes an amount of ₹ 3.02 Crores (Previous Year: ₹ 3.02Crores) recoverable on account of Disinvestment by Government of India of its equity in the company by way of GDR/offer for sale.

9. A net amount of ₹ 3.30 Crores (Previous Year: ₹ 0.86 Crores) has been debited to Profit & Loss account due to exchange rate variation.

10. The required disclosure under the Revised Accounting Standard 15 is based on standalone of GAIL (India) Ltd as given below:

(i) Provident Fund

Company has paid contribution of ₹32.90 crores (Previous Year: ₹28.69 Crores) to Provident Fund Trust at predetermined fixed percentage of eligible employee's salary and charged to Profit and Loss Account. Further, the obligation of the company is to make good shortfall, if any, in the fund assets based on the statutory rate of interest in the future period. There being change in Accounting Policy during the year, the company has made a provision of ₹13.13 Crores as per actuarial valuation to meet any shortfall in the future period, to be compensated by the company to the Provident Fund Trust.

(ii) Other Benefit Plans

Brief description.

A) Gratuity

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

B) Post Retirement Medical Benefit (PRMS)

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

C) Earned Leave Benefit (EL)

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

D) Terminal Benefits

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

E) Half Pay Leave (HPL)

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

F) Long Service Award (LSA)

Employees are eligible for gold coin weighing 5 gms on completion of 15 years, 10 gms each on completion of 20 years and 25 years, 20 gms each on completion of 30 years and 35 years of service.

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

(₹ in Crores)

	Gratuity Funded		PRMS*		EL*		Terminal Benefits*		HPL*		LSA*	
	10-11	09-10	10-11	09-10	10-11	09-10	10-11	09-10	10-11	09-10	10-11	09-10
A. Expenses recognized in the P&L Account												
Current Service Cost	19.51	7.83	-	-	32.64	5.09	-	-	10.88	0.79	-	-
Past service cost	–	–	–	–	–	–	–	–	–	–	–	–
Interest on Benefit Obligation	8.22	7.42	2.58	2.21	6.98	4.13	0.25	0.08	3.00	2.38	0.63	0.57
Expected Return on Plan Assets	(8.96)	(8.22)	-	-	-	-	-	-	-	-	-	-
Net actuarial (Gain) / Loss recognized in the year	(18.61)	(10.55)	6.07	1.35	43.47	41.91	0.26	1.85	37.59	0.86	0.57	0.30
Expenses recognized in P&L Account for FY 2010-11	0.16	(3.52)	8.65	3.56	83.09	51.13	0.51	1.93	51.47	4.03	1.20	0.87
B The amount recognized in the Balance Sheet												
Present value of Obligation as at 31.03.2011	102.50	98.03	38.60	30.87	158.83	88.50	3.45	2.96	86.51	35.52	8.30	7.81
Fair value of Plan Assets as at 31.03.2011	103.89	102.83	-	-	-	-	-	-	-	-	-	-
Difference	1.39	4.80	(38.60)	(30.87)	(158.83)	(88.50)	(3.45)	(2.96)	(86.51)	(35.52)	(8.30)	(7.81)
Net Asset / (Liability) recognized in the Balance Sheet	1.39	4.80	(38.60)	(30.87)	(158.83)	(88.50)	(3.45)	(2.96)	(86.51)	(35.52)	(8.30)	(7.81)
C. Changes in the Present Value of the Defined Benefit Obligations:												
Present value of Obligations as at 01.04.2010	98.03	101.45	30.87	27.84	88.50	72.86	2.96	1.10	35.52	32.01	7.81	7.30
Interest Cost	8.22	7.42	2.58	2.21	6.98	4.13	0.25	0.08	3.00	2.38	0.63	0.57
Current Service Cost	19.52	7.83	-	-	32.64	5.09	-	-	10.88	0.79	-	-
Past service cost	-	-	-	-	-	-	-	-	-	-	-	-
Benefit Paid	(2.63)	(4.93)	(0.92)	(0.53)	(12.76)	(35.49)	(0.02)	(0.07)	(0.47)	(0.52)	(0.71)	(0.36)
Net Actuarial Gain / (Loss) on Obligation	(20.64)	(13.74)	6.07	1.35	43.47	41.91	0.26	1.85	37.59	0.86	0.57	0.30
Present Value of the Defined Benefit Obligation as at 31.03.2011	102.50	98.03	38.60	30.87	158.83	88.50	3.45	2.96	86.51	35.52	8.30	7.81
D. Changes in the Fair Value of Plan Assets												
Fair Value of Plan Assets as at 01.04.2010	99.53	102.70	-	-	-	-	-	-	-	-	-	-
Expected return on Plan Assets	8.96	8.22	-	-	-	-	-	-	-	-	-	-
Contributions by Employer	0.05	0.02	-	-	-	-	-	-	-	-	-	-
Benefit Paid	(2.62)	(4.93)	-	-	-	-	-	-	-	-	-	-
Actuarial Gain / (Loss)	(2.03)	(3.18)	-	-	-	-	-	-	-	-	-	-
Fair Value of Plan Assets as at 31.03.2011	103.89	102.83	-	-	-	-	-	-	-	-	-	-
Principal actuarial assumption at the Balance Sheet Date												
Discount rate	8.50%	7.5%	8.5%	7.5%	8.5%	7.5%	8.5%	7.5%	8.5%	7.5%	8.5%	7.5%
Expected return on plan assets	9.00%	8%	-	-	-	-	-	-	-	-	-	-
Annual increase in costs	-	-	10%	5%	-	-	10%	5%	-	-	10%	5%
Annual increase in salary	12.00%	5%	-	-	12%	5%	-	-	12%	5%	-	-

Mortality table referred — **LIC (1994-96) DULY MODIFIED**

	AGE	WITHDRAWAL RATE % (2010-11)	WITHDRAWAL RATE % (2009-10)
Withdrawal Rate/Employee turnover rate	UPTO 30 YEARS	3%	3%
	UPTO 44 YEARS	2%	2%
	ABOVE 44 YEARS	1%	1%

* Non-Funded

NOTE: The actuarial valuation takes into account the estimates of future salary increases, inflation, seniority, promotion and other relevant factors

11. MOP&NG had issued scheme of sharing of under recoveries on sensitive petroleum products. During the year, the Company has given discounts amounting to ₹ 2111.24 Crores (Previous Year: ₹ 1326.73 Crores). Corresponding adjustment on account of CST amounting to ₹ 6.98 Crores (Previous Year: ₹ 9.95 Crores) has been made.

12. (a) The Company is raising provisional invoices for sale of R-LNG as the supplier M/s Petronet LNG (PLL) is also raising provisional invoices on the Company since customs duty on import of LNG by PLL has been assessed on provisional basis.

(b) With effect from April 1, 2002, Liquefied Petroleum Gas prices has been deregulated and is now based on the import parity prices fixed by the Oil Companies. However, the pricing mechanism is provisional and is pending finalization. Additional asset/liability or impact on profits, if any, arising due to such change, will be recognized on finalization of pricing mechanism.

(c) Natural Gas Pipeline Tariff is subject to various Regulations issued by PNGRB from time to time. Impact on profits, if any, is being recognized as and when the pipeline tariff is revised in accordance with these Regulations.

(d) PNGRB has issued PNGRB (Determination of Petroleum & Petroleum Products Pipelines transportation Tariff) Regulations 2010 effective from 20.12.2010 where LPG pipeline tariff is benchmarked against railway freight. In one of the pipelines, where the proposed tariff based on railway freight has been filed with PNGRB is lower than the present tariff, the company has made a provision of ₹ 6.33 Crores by reversing Income on account of LPG transmission charges.

(e) Value of Annual Take or Pay Quantity (ATOPQ) of Gas is accounted for on receipt basis and shown as liability till make up Gas is delivered to customer, during the recovery period, in terms of the Gas Sales Agreement with the customers.

13. In respect of Subsidiary and Joint Ventures, the following additional notes to accounts are disclosed.

I. GAIL Gas Ltd.

a) The incidental expenditure during construction amounting ₹ 15.07 Crores (Previous Year: ₹ 7.35 Crores) have been allocated to completed project & Capital work in progress in the ratio of direct allocated cost for assets.

b) The Interest and Finance Charges amounting to ₹ 2.87 Crores (Previous Year: NIL) have been allocated to Completed projects & Capital Work in Progress pertaining to Cities of Dewas, Kota, Meerut & Sonepat in the ratio of direct allocated cost of assets.

c) With regard to Cenvat Credit of ₹ 0.21 Crores taken prior to registration as Input Service Distributor during 2008-09, according to para 31(b) of the guidance note on accounting treatment for Cenvat issued by ICAI, the excess Cenvat credit, if any, arrived on assessment which relates to fixed asset shall be added back to the cost of relevant fixed assets and depreciation thereon shall be claimed over the residual life of fixed assets.

d) The rent lease deed of ₹ 13.50 Crore pertaining to rental of office premises of the company at Noida (U.P.) taken from HHECIL at A-2, Sector-2, Noida has not yet been registered under the agreement executed on 29/08/2008 and 10/03/2009. Thus provision for 50% share in stamp duty and registration charges of lease deed shall be accounted for in the year the lease rent deed is executed by the Lessor.

II. Bramhaputra Cracker and Polymer Ltd.

a) Freehold Land of ₹ 0.26 Crores and Leasehold Land of ₹ 80.40 Crores has been acquired up to 31.03.2011 as per awards under relevant Land Acquisition Act. The valuation of land has been done provisionally on the basis of declaration received from the Government of Assam. The title deed to the land is yet to be registered in the name of the Company.

b) Income tax provision to the tune of ₹ 1.19 Crores (Previous Year: 1.63 Crores) has been recognized in the book of accounts during the year. The provision for Income Tax is on account of interest earned on STDRs kept by investing surplus funds.

c) BCPL has been granted the exemptions on account of WCT, Entry Tax and VAT from Government of Assam (GOA). Giving effect to the notifications, total WCT of ₹ 23.98 Crores till 31st March'2011 stands recoverable from GOA. The claim of ₹9.77 Crores (₹ 1.15 Crores for 2008-09, ₹ 8.62 Crores for 2009-10) has been lodged with the sales Tax Authority of Assam for refund to BCPL. Claim of WCT of ₹ 14.21 Crores for 2010-11 is being lodged. Further necessary clarification / modification to notification no FTX58/2008/71 Dated 20.10.2009 with a retrospective effect has been sought from GOA for availing the exemption from the payment of entry tax for including all capital goods under AVAT Act, 2003.

d) In accordance with the approval of the Board of Directors in the 24th Board Meeting held on 16th July, 2010, the Company has allotted 6,12,85,700 equity shares of ₹ 10/- each for cash as fully paid-up aggregating ₹ 61,28,57,000/-. In the agreed proportion of 70:10:10:10 in accordance with JV Agreement dated 18.10.2006 to the below mentioned applicants in the following manner: -

Name of allotees	No. of Equity Shares of ₹ 10/- each.
GAIL (India) Limited	4,28,99,990
Numaligarh Refinery Limited	61,28,570
Oil India Limited	61,28,570
Govt. of Assam	61,28,570
Total	**6,12,85,700**

e) The Capital Subsidy of ₹ 796.73 Crores (Previous Year: ₹ 316.31 Crores) has been received from the Government of India during the year by way of contribution towards the total capital outlay. Capital Subsidy is received for the project during construction and as such the same is utilized for making regular payments till the execution of the project. As no repayments are ordinarily expected, the same is recognized in the financial statement as Capital Reserve. As per directives from MOCF, interest earned from parking of fund from the capital subsidy after netting of tax thereon is to be reduced from the Capital Subsidy sought from GOI. As such interest income of ₹ 12.10 Crores (interest of ₹ 4.01 Crores for 2010-11 and ₹ 8.08 Crores for the period from 2007-08 to 2009-10) has been treated in consonance with Capital Subsidy. An amount of ₹ 5.02 Crores of capital subsidy remains unutilized as on 31.03.2011.

f) As the interest income from parking of capital subsidy will be a capital receipt & hence not taxable in the hands of BCPL. So revised return for refund of income tax of ₹ 2.77 crores and ₹1.85 crores for the financial year 2008-09 and 2009-10 respectively has been filed with Tax Authority. In view of contingencies, a policy to account for the interest income by way of refund on receipt basis is being adopted as a disclosure. As the Assessing Officer is yet to pass the final Assessment Order, necessary adjustment in the books has not been carried out.

g) During the year an amount of ₹ 283.00 Crores was drawn from OIDB as loan as per the agreement entered into with the lenders.

h) The expenditure ₹ 3.84 Crores on leveling, clearing and grading of the land has been added to the cost of the particular buildings or other structures which stand on each particular land.

i) An amount of ₹ 3.01 crores upto 31.03.2011 has been recognized as deferred revenue expenditure towards Incorporation expenses, CSR activities, Advertisement for development of public relation etc of the Company to be amortized equally over period of five years from the year the plant is ready for commercial production.

j) The company has been incorporated and no commercial activity has been started from the date of incorporation 08.01.2007 to 31.03.2011. Accordingly, no profit and loss account has been prepared. However, the necessary information as per Part-II of schedule VI to Companies Act, 1956 has been disclosed to the extent applicable in the statement of "Incidental Expenditure during Construction" forming part of financial statements.

III. Petronet LNG LTD.

a) Custom Duty on import of Project Material / equipment has been assessed provisionally (current and previous years) and additional liability, if any, on this account will be provided on final assessment.

b) The Company has claimed deduction under section 80IA of the Income Tax Act, 1961 in respect of Power Generation and Port Undertaking in its Tax Returns. However, provision for income tax has been made without considering the aforesaid deductions.

c) In terms of para 10 of Accounting Standard 16 "Borrowing Costs" ₹ 21.73 Crores (Previous Year: NIL) has been reduced from the Interest and Financial Charges (Capital Work in Progress) being income on temporary surplus invested out of borrowings related to Capital Expenditures.

d) In respect of external commercial borrowing of USD 150.00 million from International Finance Corporation, Washington D.C., USA outstanding as on 31st March, 2011, the Company has entered into derivative contracts to hedge the loan including interest. This has the effect of freezing the rupee equivalent of this liability as reflected under the Secured Loans. Thus there is no impact in the Profit & Loss account, arising out of exchange fluctuations for the duration of the loan. Consequently, there is no restatement of the loan taken in foreign currency. The interest payable in Indian Rupees on the derivative contracts is accounted for in the Profit & Loss account.

IV. Indraprastha Gas Limited

a) The Company has installed CNG Stations on land leased from various Government Authorities under leases for periods ranging from one to five years. However, assets constructed / installed on such land are being depreciated generally at rates specified in Schedule XIV to the Companies Act, 1956, as the management does not foresee non-renewal of the above lease arrangements by the Authorities.

b) Deposits from commercial customers of natural gas, refundable on termination/alteration of the gas sales agreements, are considered as long term funds.

c) The Company has taken certain equipments and vehicles under operating lease agreements. The total lease rentals recognized as expense during the year under the above lease agreements aggregates ₹ 12.44 Cr (Previous year: ₹ 11.36 Cr). Lease obligations under non-cancelable periods are as follows:

		2010-11	2009-10
i)	Amounts payable in next 1 year	₹ 22.62 Cr.	₹ 12.07 Cr.
ii)	Amounts payable in next 2 years to 5 years	NIL	₹ 11.21 Cr.
iii)	Amounts payable in over 5 years	NIL	NIL

V. Maharashtra Natural Gas Ltd.

a) The Company has taken some office / residential premises and warehouses on operating lease, the future minimum payments in respect of which as on March 31, 2011 are as follows : -

	Minimum lease payment	2010-11	2009-10
i)	Payable not later than 1 year	₹ 0.38 Cr.	₹ 0.39 Cr.
ii)	Payable later than 1 year, but not later than 5 years	₹ 0.28 Cr.	₹ 0.29 Cr.
iii)	Payable later than 5 years	₹ 0.01 Cr.	NIL
	TOTAL	**Rs. 0.67 Cr.**	**Rs. 0.68 Cr.**

VI. Mahanagar Gas Ltd.

a) Company has taken on lease few equipments / machines for some CNG Retail Outlets. Lease charges are dependent on sale of CNG at these outlets and hence there are no minimum lease payments. The term of the contract is three years, renewable for a further period of three years at the discretion of the Company. The Company can exercise purchase option at the end of the contract. The contract does not impose any restrictions concerning dividend, additional debt and further leasing. Lease payments recognized in the Profit and Loss Account for the year is ₹ 1.51 Cr (Previous year: ₹ 1.73 Cr).

b) Company has taken certain vehicles under operating lease agreements. Lease payments recognized in the Profit and Loss account under "LCV Transportation" for the year is ₹ 2.68 Cr (Previous year: ₹ 2.81 Cr) and under "Travelling and Conveyance" for the year is ₹ 1.26 Cr (Previous Year: ₹ 1.23 Cr).

c) Company has entered into agreements for taking on leave and license basis certain residential/office premises/godowns. All the agreements contain a provision for its renewal. Lease payments recognized in the Profit and Loss Account under rent for the year is ₹ 6.46 Cr (Previous year: ₹ 5.66 Cr).

d) The future minimum lease payments of non-cancellable operating leases are as under: -

	2010-11	2009-10
Not later than one year	₹ 0.42 Cr.	₹ 1.28 Cr.
Later than one year, but not later than five years	NIL	₹ 0.42 Cr.
Later than five years	NIL	NIL
TOTAL	**₹ 0.42 Cr.**	**₹ 1.70 Cr.**

e) The Foreign Investment Promotion Board (FIPB) through its approval had allowed the Company to continue with the arrangements of foreign equity participation upto 50% in the paid up capital of the Company until December 2006. This approval was subject to the condition that the Company would be required to bring an IPO to divest the shareholding of the promoters to 35% each as per the Joint Venture Agreement. Shareholders are in discussion for making disinvestment in line with FIPB, requirements.

VII. Bhagyanagar Gas Limited

a) The Company has availed Term Loans and non-fund based limits from consortium of bankers, secured by way of a first paripasu charge on all movable assets, finished goods, work in progress, raw materials and book debts. During the year, interest on term loan amounting to ₹ 6.48 Crores has been apportioned to Capital work-in progress.

VIII. Central U.P. Gas Limited

a) The Company has been sanctioned term loan facility of ₹ 65.00 Crores against the charge on immovable and movable assets, both present and future, of the Company by commercial banks, though the Company has not availed or utilized the facility.

IX. Ratnagiri Gas and Power Private Limited (RGPPL)

a) The Central Electricity Regulatory Commission (CERC) has issued the tariff orders for the control period 2009-14 on August 18, 2010. As a consequence sales of ₹ 62.66 crores pertaining to previous year has been recognized based on the orders issued by CERC.

b) The Central Electricity Regulatory Commission (CERC) has issued tariff order for F.Y. 2007-08 & F.Y. 2008-09 in June 2009. The company aggrieved over many of the issues petitioned by the Company and not considered by CERC in the tariff orders, filed an appeal with Appellate Tribunal for Electricity (ATE). ATE has issued the orders and allowed the Appeal partly in respect of the Target Availability and the Operation & Maintenance expenditure and remanded the matter to the CERC to re-determine the norms in respect of these factors. CERC is yet to issue the order based on ATE orders.

c) Change in the accounting policy as regards adoption of rates of depreciation from those prescribed by Schedule XIV to the Companies Act, 1956 to rates of depreciation as per the provisions of CERC Tariff Regulations, 2009 since 2009-10 has the effect of increase in profit of the Company by way of decrease in change of depreciation during the year by ₹337.23 crores including Rs 187.32 crores for the preceding year.

14. Audited / Unaudited financial statements of joint venture – Petronet LNG Ltd., Indraprastha Gas Limited, Mahanagar Gas Limited, Bhagyanagar Gas Limited, Central UP Gas Limited, Green Gas Limited, Aavantika Gas Limited, Ratnagiri Gas & Power (Private)

Limited, Maharastra Natural Gas Limited, Tripura Natural Gas Co Limited, ONGC Petro-additions Limited & GAIL China Gas Global Energy Holdings Limited have been included in consolidation. The figures included in the consolidated financial statements relating to these audited / unaudited joint venture companies are as under:

Total assets are ₹ 7067.71 Cr. (Previous Year : ₹ 6233.87 Cr.) and total liabilities of ₹ 7067.71 Cr. (Previous Year : ₹ 6233.87 Cr.) and

Total Income of ₹ 4149.03 (Previous Year : ₹ 3262.34 Cr.) and total expenditure of ₹ 3591.79 Cr. (Previous Year : ₹ 2951.83 Cr.).

15. Unaudited financial statements of an associate – Gujarat State Energy Generation (GSEG) and China Gas Holding Limited, have been included in consolidation in absence of the audited financial statements. Total Share of Profit included in the Consolidated Financial Statements is ₹ 22.37 Crores (Previous Year: ₹ 20.20 Crores).

16. Due to short participation by the other joint venture partners there is difference between the % of ownership as per Joint Venture Agreement and actual % of Share capital currently held by the Company i.e. GAIL (INDIA) LIMITED. The management is of the opinion that it is a temporary phase and other joint venture partner will contribute the balance contribution in the share capital of joint venture as per the joint venture agreement. Hence, GAIL (INDIA) LIMITED ownership in the joint ventures are considered only to the extent of % ownership mentioned in Joint Venture agreement.

    Excess contribution in the Equity Share Capital of the various Joint Ventures as on date, over and above the contractual % amounting to ₹ 46.90 Crores {previous year ₹ (116.57) Cr.} is included in the 'Advance Recoverable in cash or in kind or for value to be received'.

17. In the previous year the Joint Venture/Associates were incorporated in the consolidated financial statement based on the unaudited financial statement, wherever audited financial statements were not available at the time of consolidation. Adjustment due to Joint Venture regrouping and adjustment due to Joint Venture/Associates audited statements of such Joint Venture/Associates on the profit/(loss) is ₹ (73.70) Crores [Previous Year ₹ (19.38) Crores].

18. The consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate Financial Statements. However, there are some differences in certain accounting policies followed by the company, subsidiary, joint ventures and associates but the impact of the same in the opinion of the management is not material.

19. In compliance of Accounting Standard 17 on "Segment Reporting" as notified under Companies Accounting Standard Rules, 2006, the required information is given as per Annexure – A to this schedule. Business Segments: The business segments have been identified as:-

    (i) Transmission services
        a) Natural Gas
        b) LPG

    (ii) Natural Gas Trading
    (iii) Petrochemicals
    (iv) LPG and other Liquid Hydrocarbons
    (v) City Gas Distribution
    (vi) Unallocable

20. In compliance of Accounting Standard 18 on " Related party Disclosures" as notified under Companies Accounting Standard Rules, 2006, the name of related parties, nature of relationship and details of transaction entered therewith are given in Annexure – B.

21. i) In compliance of Accounting Standard 22 on "Accounting for taxes on Income" as notified under Companies Accounting Standard Rules, 2006, the Company has provided Accumulated net deferred tax liability in respect of timing difference as on 31st March, 2011. The item- wise details of deferred tax liability as on 31.03.2011 are as under:

(₹ in crores)

		2010-11	2009-10
Deferred Tax Liability			
a).	Depreciation	2305.24	1641.04
b).	Others	12.18	12.47
Less :- Deferred Tax Assets			
a).	Provision for Gratuity & Retirement Benefits	119.72	122.59
b).	Benefit u/s 35AD of the Income Tax Act, 1961	379.66	NIL
c).	Provision for Doubtful Debts / Claims / Advances	100.19	64.59
d).	Preliminary Expenses & others	2.74	1.29
Deferred Tax Liability (net)		**1715.12**	**1465.04**

ii) Income Tax Provisions for the current year includes ₹ 4.18 Crores related to Assessment Year 2008-09 & 2009-10 as per orders passed under Income Tax Act, 1961.

22. Jointly Controlled Assets

(I) The Company has participated in joint bidding under the Government of India New Exploration Licensing Policy (NELP) and overseas exploration bidding and has 25 Blocks (PY 24 Blocks) as on 31.03.2011 for which the Company has entered into Production Sharing Contract with respective host Governments along with other partners for Exploration & Production of Oil and Gas. The Company is a non-operator, except in Block RJ-ONN-2004/1 where it is a joint operator and CY-ONN-2005/1 where it is an operator, and shares in Expenses, Income, Assets and Liabilities based upon its percentage in production sharing contract.

The participating interest in the twenty five NELP Block in India as on 31[st] March, 2011 is as under:-

Sl No.	Name of Block	Participating Interest	Sl No.	Name of Block	Participating Interest
1	MN-OSN-2000/2	20%	12	CY-DWN-2004/2	10%
2	CB-ONN-2000/1	50%	13	CY-DWN-2004/3	10%
3	AA-ONN-2002/1	80%	14	CY-DWN-2004/4	10%
			15	CY-PR-DWN-2004/1	10%
4	AA-ONN-2003/1	35%	16	CY-PR-DWN-2004/2	10%
5	CB-ONN-2003/2	20%	17	KG-DWN-2004/1	10%
6	AN-DWN-2003/2	15%	18	KG-DWN-2004/2	10%
			19	KG-DWN-2004/3	10%
7	RJ-ONN-2004/1	22.225%	20	KG-DWN-2004/5	10%
8	KG-ONN-2004/2	40%	21	KG-DWN-2004/6	10%
9	MB-OSN-2004/1	20%	22	CY-ONN-2005/1	40%
10	MB-OSN-2004/2	20%	23	AN-DWN-2009/13	10%
11	CY-DWN-2004/1	10%	24	AN-DWN-2009/18	10%
			25	CB-ONN-2000/1-RING FENCED CONTRACT	50%

(ii) Further the company has one Coal Bed Methane (CBM) Block (Previous Year: 3 Blocks) as on 31.03.2011 awarded under CBM-III bidding round of the Government of India in which the company is a non-operator. The details are as under :

Sl No.	Name of the Block	Participating Interest
1	TR-CBM-2005/III	35%

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

Sl No.	Name of the Block	Participating Interest
1	A-1, Myanmar*	8.5%
2	A-3, Myanmar*	8.5%
3	CY-OS/2	25%

*In addition, the company has 8.5% participating interest in offshore Midstream pipeline project in Myanmar for the purpose of transportation of gas from the delivery point in offshore, Myanmar to landfall point in Myanmar.

(iv) The Company's share in the Assets, Liabilities, Income and Expenditure for the year in respect of joint operations project blocks has been incorporated in the Company's financial statements based upon un-audited statement of accounts submitted by the operators and are given below : (Final adjustments are effected during the year in which audited accounts are received)

(₹ in Crores)

Particulars	2010-11	2009-10
Income	42.54	32.54
Expenses	140.25	382.96
Fixed Assets (Gross block)	5.47	4.93
Producing Property	-	-
Other Assets	577.52	432.60
Current Liabilities	151.28	109.17

The above includes ₹ Nil, ₹ 17.39 Crores, ₹ 0.24 crores, ₹ 6.15 Crores and ₹ 47.65 Crores, towards total value of Income, Expenses, Fixed Assets(Gross Block), Other Assets and Current Liabilities respectively pertaining to 11 E&P Blocks relinquished till 31[st] March, 2011(including 7 Blocks relinquished in the earlier years). The company is non operator in these E&P Blocks.

(v) List of the E&P and CBM Blocks relinquished till 31.03.2011 is given below :

SL NO	Name of the Block	Participating Interest	Date of Relinquishment
1	GS-DWN-2000/2	15%	24.01.2007
2	MB-DWN-2000/2	15%	24.01.2007
3	KK-DWN-2000/2	15%	15.08.2004
4	MN-OSN-97/3	15%	08.11.2007
5	NEC-OSN-97/1	50%	11.09.2007
6	AD-7, Myanmar	10%	28.02.2008
7	MN-ONN-2000/1	20%	10.11.2008
8	Block 56, Oman	25%	10.06.2010
9	RM-CBM-2005/III	35%	11.05.2010
10	MR-CBM-2005/III	40%	11.05.2010
11	CY-ONN-2002/1	50%	28.03.2011

(vi) Share of Minimum work program committed under various production sharing contracts in respect of E&P joint ventures is ₹ 837.46 Crores (Previous Year: ₹ 921.06 Crores).

(vii) Quantitative information:

(a) Details of Company's Share of Production of Oil during the year ended 31.03.2011:

Particulars	Opening stock		Production (Treated & pro cessed crude)		Sales *		Closing Stock	
Crude Oil	Qty (MT)	Value ₹ Crores	Qty (MT)	Value ₹ Crores	Qty (MT)	Value ₹ Crores	Qty (MT)	Value ₹ Crores
Year ended 31/03/11	372.12	0.28	15673.84	-	15530.85	41.41	515.11	0.34
Year ended 31/03/10	617.60	0.25	14380.00	-	14625.48	33.20	372.12	0.28

* includes test production sales for ₹ 0.78 Crores (Previous Year: ₹ 0.95 Crores)

b) Net Quantities of Company's interest in proved reserves and proved developed reserves :

	Proved Reserves		Proved Developed Reserves	
	2010-11	2009-10	2010-11	2009-10
Oil : in 000'MT				
Beginning of the year	710	726	710	726
Additions	-	-	-	-
Deletion	604	-	604	-
Production	16	16	16	16
Closing Balance	90	710	90	710
Gas : in Million M3				
Beginning of the year	6220	-	-	-
Additions	-	6,220	-	-
Deletion	-	-	-	-
Production	-	-	-	-
Closing Balance	6220	6,220	-	-

Note: Company's interest in Oil Reserves is in Indian blocks and in Gas Reserves is in Myanmar

c) In terms of Production Sharing Agreements/Contracts, the balance (company's share) in cost recovery of Blocks (having proved reserves) to be made from future revenue of such Blocks ,if any, is ₹ 369.81 Crores at the end of year (previous year: ₹ 352.69 crores)

23. In terms of Production sharing contract (PSC), Myanmar Oil and Gas Enterprise (MOGE) exercised its right to demand 15% undivided interest in A-1 and A-3 E&P blocks and off shore midstream project and entered into an agreement with the other consortium partners during the year for acquiring the 15% undivided interest. This has resulted in reduction of the participating interest of the company in these two blocks from 10% to 8.5%. MOGE has paid ₹ 50.97 Crores towards its share of past Petroleum Cost which has been adjusted against proportionate capital work in progress to the extent of ₹ 32.57 Crores and credited the balance of ₹ 18.40 Crores under the head "profit/loss on sale / write off of assets/rights (net)" in the Profit & Loss Account.

24. In Compliance of Accounting Standard 29 on "Provisions, Contingent liabilities and Contingent Assets", as against NIL opening balance of "Provision for probable obligation" , there is an addition of ₹155.48 crores during the year, NIL utilization /reversal and closing balance is ₹ 155.48 crores. Additions include ₹ 47.40 Crores (Previous Year NIL) capitalized in schedule 4. Expected timing of outflows is not ascertainable at this stage being legal cases under litigation.

25. Following Government of India's approval, the shareholders of the Company in the Annual General Meeting held on 15th September, 1997 approved the transfer of all the assets including Plant and Machinery, accessories and other related assets which are part of Lakwa Project to Assam Gas Cracker Complex at a price to be determined by an independent Agency and on terms and stipulations as the Board may in its discretion deem fit. The Cabinet committee on Economic affairs (CCEA) has approved the setting up of Assam Gas based cracker project at Lepetkata by formation of a company in which GAIL has equity participation of 70%. A company by the name of Brahmaputra Cracker and Polymer Limited has been incorporated during 2006-07 and construction of Gas cracker complex is in progress. The gross block of fixed assets and Capital work in progress value of Lakwa unit is ₹ 258.33 Crores as on 31st March, 2011 (Previous Year: ₹ 253.11 Crores).

26. Previous year's (PY) figures have been regrouped and recast to the extent practicable, wherever necessary. Figures in brackets indicate deductions.

27. **Jointly controlled Entity:**

GAIL (India) Limited share in assets, liabilities, income, expenses contingent liabilities and capital commitments of jointly controlled Entities as per Annexure – C.

N. K. Nagpal	**P. K. Jain**	**R. D. Goyal**	**B. C. Tripathi**
Secretary	**Director (Finance)**	**Director (Projects)**	**Chairman & Managing Director**

As per our separate report of even date

For M/s M L Puri & Co. **Chartered Accountants** **Firm No: 002312N**	**For M/s Rasool Singhal & Co.** **Chartered Accountants** **Firm No: 500015N**
Navin Bansal **(Partner)** **Membership No. 91922**	**Anil Gupta** **(Partner)** **Membership No. 072767**

Place : New Delhi
Dated : May 23, 2011

Information about Business Segment for Financial Year 2010-11

(Annexure - A)
(₹ in Crores)

SL No.	SEGMENTS	TRANSMISSION SERVICES **		NATURAL GAS TRADING**	PETRO CHEMI CALS	LPG & LIQUID HYDROC ARBONS	CITY GAS	UN-ALLO CABLE	TOTAL	ELIMI NATION	CONSOLI DATED TOTAL
		NATURAL GAS	LPG	Note -1	Note -2		Note -3	Note -4			
1	**REVENUE**										
	External Sales *	3,543.84	474.52	22,815.71	2,939.38	2,786.02	1,035.11	1,512.07	35,106.65	-	35,106.65
	Intersegment sales	245.73	-	3,589.91	21.06	-	-	-	3,856.70	3,856.70	-
	Total revenue	**3,789.57**	**474.52**	**26,405.62**	**2,960.44**	**2,786.02**	**1,035.11**	**1,512.07**	**38,963.35**	**3,856.70**	**35,106.65**
2.	**RESULTS**										
	Segment Result (Profit before Interest &Tax)	2,561.25	307.59	908.25	1,184.41	485.77	263.87	-	5,711.14	-	5,711.14
	Unallocated expenses	-	-	-	-	-	-	(51.47)	(51.47)	-	(51.47)
	Operating Profit	2,561.25	307.59	908.25	1,184.41	485.77	263.87	51.47	5,762.61	-	5,762.61
	Interest Expenses	-	-	-	-	-	-	377.86	377.86	-	377.86
	Interest/ Dividend Income	-	-	-	-	-	-	454.32	454.32	-	454.32
	Provision for Taxation	-	-	-	-	-	-	1,818.10	1,818.10	-	1,818.10
	Profit/(Loss) from Ordinary Activities	2,561.25	307.59	908.25	1,184.41	485.77	263.87	(1,690.17)	4,020.97	-	4,020.97
	Extraordinary items	-	-	-	-	-	-	-	-	-	-
	Net Profit/(Loss)	**2,561.25**	**307.59**	**908.25**	**1,184.41**	**485.77**	**263.87**	**(1,690.17)**	**4,020.97**	**-**	**4,020.97**
3	**OTHER INFORMATION**										
	Segment Assets	12,609.96	916.93	511.26	2,286.12	1,100.40	1,081.75	2,793.91	21,300.33	188.01	21,112.32
	Unallocated Assets	-	-	-	-	-	-	19,039.68	19,039.68	-	19,039.68
	Total Assets	**12,609.96**	**916.93**	**511.26**	**2,286.12**	**1,100.40**	**1,081.75**	**21,833.59**	**40,340.01**	**188.01**	**40,152.00**
	Segment Liabilities	2,807.26	61.93	151.68	612.06	457.91	392.52	68.78	4,552.14	83.90	4,468.24
	Unallocated Liabilities	-	-	-	-	-	-	5,303.48	5,303.48	-	5,303.48
	Total Liabilities	**2,807.26**	**61.93**	**151.68**	**612.06**	**457.91**	**392.52**	**5,372.26**	**9,855.62**	**83.90**	**9,771.72**
	Cost to acquire fixed assets	912.64	54.72	0.55	184.88	17.34	279.27	17.65	1,467.05	-	1,467.05
	Depreciation#	338.35	51.04	23.09	172.26	89.62	54.49	159.13	887.98	-	887.98
	Non Cash expenses other than Depreciation#	(0.58)	0.24	(0.55)	3.00	(2.42)	1.15	(4.85)	(4.01)	-	(4.01)

* Sales is net of Excise Duty
** Assets & Liability of Gas Trading Business included in Gas Transmission Business

Notes

1 Includes Joint Venture: Petronet LNG Limited
2 Includes Subsidiary: BCPL; Joint Venture: OPaL
3 Includes Joint Ventures: IGL, BGL, MGL, CUGL, GGL, MNGL, Aavantika,TNGCL; Subsidiary: GAIL Gas; & City Gas business of GAIL
4 Includes Subsidairy: GAIL (Global) Sinagpore Limited; Associate Company's share & Joint Venture: RGGPL.

Information about Business Segment for Financial Year 2009-10

(Annexure - A)
(₹ in Crores)

SL No.	SEGMENTS	TRANSMISSION SERVICES **		NATURAL GAS TRADING**	PETRO CHEMI CALS	LPG & LIQUID HYDROC ARBONS	CITY GAS	UN-ALLO CABLE	TOTAL	ELIMI NATION	CONSOLI DATED TOTAL
		NATURAL GAS	LPG	Note -1	Note -2		Note -3	Note -4			
1	**REVENUE**										
	External Sales *	2,925.49	447.19	15,955.17	2,904.01	2,832.95	715.41	1,255.08	27,035.30	-	27,035.30
	Intersegment sales	242.87	-	3,393.57	8.20	-	-	-	3,644.64	3,644.64	-
	Total revenue	**3,168.36**	**447.19**	**19,348.74**	**2,912.21**	**2,832.95**	**715.41**	**1,255.08**	**30,679.94**	**3,644.64**	**27,035.30**
2	**RESULTS**										
	Segment Result (Profit before Interest & Tax)	2,239.41	278.16	448.10	1,327.75	608.78	208.58	-	5,110.78	-	5,110.78
	Unallocated expenses	-	-	-	-	-	-	323.95	323.95	-	323.95
	Operating Profit	2,239.41	278.16	448.10	1,327.75	608.78	208.58	(323.95)	4,786.83	-	4,786.83
	Interest Expenses	-	-	-	-	-	-	385.34	385.34	-	385.34
	Interest/ Dividend Income	-	-	-	-	-	-	457.64	457.64	-	457.64
	Provision for Taxation	-	-	-	-	-	-	1,531.30	1,531.30	-	1,531.30
	Profit/(Loss) from Ordinary Activities	2,239.41	278.16	448.10	1,327.75	608.78	208.58	(1,782.95)	3,327.83	-	3,327.83
	Extraordinary items	-	-	-	-	-	-	-	-	-	-
	Net Profit/(Loss)	**2,239.41**	**278.16**	**448.10**	**1,327.75**	**608.78**	**208.58**	**(1,782.95)**	**3,327.83**	**-**	**3,327.83**
3	**OTHER INFORMATION**										
	Segment Assets	11,380.97	917.46	513.08	2,247.55	1,172.72	785.63	2,901.72	19,919.13	5.35	19,913.78
	Unallocated Assets	-	-	-	-	-	-	15,978.13	15,978.13	-	15,978.13
	Total Assets	**11,380.97**	**917.46**	**513.08**	**2,247.55**	**1,172.72**	**785.63**	**18,879.85**	**35,897.26**	**5.35**	**35,891.91**
	Segment Liabilities	1,701.71	52.39	112.58	306.99	86.20	278.27	73.46	2,611.60	55.44	2,556.16
	Unallocated Liabilities	-	-	-	-	-	-	8,417.37	8,417.37	-	8,417.37
	Total Liabilities	**1,701.71**	**52.39**	**112.58**	**306.99**	**86.20**	**278.27**	**8,490.83**	**11,028.97**	**55.44**	**10,973.53**
	Cost to acquire fixed assets	3,353.57	27.92	196.97	76.90	45.06	135.44	755.70	4,591.56	-	4,591.56
	Depreciation#	240.51	67.45	20.11	158.23	84.63	43.69	208.81	823.43	-	823.43
	Non Cash expenses other than Depreciation#	2.02	0.51	26.49	(1.76)	(0.04)	1.02	6.30	34.54	-	34.54

* Sales is net of Excise Duty
** Assets & Liability of Gas Trading Business included in Gas Transmission Business

Notes

1 Includes Joint Venture: Petronet LNG Limited
2 Includes Subsidiary: BCPL; Joint Venture: OPaL
3 Includes Joint Ventures: IGL, BGL, MGL, CUGL, GGL, MNGL, Aavantika,TNGCL; Subsidiary: GAIL Gas; & City Gas business of GAIL
4 Includes Subsdairy: GAIL (Global) Sinagpore Limited; Associate Company's share & Joint Venture: RGGPL.

Related Party Disclosures

(Annexure - B)

I) Relationship

A) Joint Venture Companies / Associates

1) Mahanagar Gas Limited
2) Indraprastha Gas Limited
3) Petronet LNG Limited
4) Bhagyanagar Gas Limited
5) Tripura Natural Gas Corporation Limited
6) Central UP Gas Limited
7) Green Gas Limited
8) Maharastra Natural Gas Ltd.
9) Aavantika Gas Co Limited
10) GAIL China Gas Global Energy Holdings Ltd.
11) ONGC Petro-additions Limited
12) Shell Compressed Natural Gas
13) Gujarat State Energy Geneartion Ltd.
14) National Gas Company " Nat Gas"
15) Fayum Gas Company
16) China Gas Holdings Limited

B) Key Management Personnel (KMP)
Whole time Directors:

1) Shri B. C Tripathi, Chairman & Managing Director
2) Shri R. K. Goel (upto 28.02.2011)
3) Shri P. K. Jain (w.e.f. 01.03.2011)
4) Shri R. D. Goyal
5) Shri S. L. Raina
6) Shri Prabhat Singh
7) Shri S. Venkatraman (w.e.f. 25.09.2010)
8) Shri P. K. Gupta
9) Shri S. D. Dhiman
10) Shri S. C. Hatwal
11) Shri S. P. Selvan
12) Shri Shyama Sunder
13) Shri K. V. Vishwanathan
14) Shri Rajesh Vedvyas
15) Shri S. V. Prasad
16) Shri V. C. Chittoda
17) Shri C. A. Rashid
18) Shri C. D. Joshi
19) Shri Pradeep Madan

C) Unincorporated Joint venture for Exploration & Production Activities :

1)	NEC - OSN - 97/1	(Non-operator with participating interest: 50%, GAIL has relinquished from the Block)
2)	CB - ONN - 2000/1	(Non-operator with participating interest: 50%)
3)	CB-ONN-2000/1-RFC	(Non-operator with participating interest: 50%)
4)	A-1, Myanmar	(Non-operator with participating interest: 8.5%)
5)	A-3, Myanmar	(Non-operator with participating interest: 8.5%)
6)	Offshore Midstream, Myanmar	(Non-operator with participating interest: 8.5%)
7)	CY-OS/2	(Non-operator with participating interest: 25%)
8)	AA-ONN-2002/1	(Non-operator with participating interest: 80%)
9)	CY-ONN-2002/1	(Non-operator with participating interest: 50%, GAIL has relinquished from the Block)
10)	AA-ONN-2003/2	(Non-operator with participating interest: 35%)
11)	CB-ONN-2003/2	(Non-operator with participating interest: 20%)
12)	AN-DWN-2003/2	(Non-operator with participating interest: 15%)
13)	Block 56, Oman	(Non-operator with participating interest: 25%) GAIL has relinquished from the Block)
14)	RJ-ONN-2004/1	(Joint operator along with GSPCL and having participating interest of 22.225%)
15)	KG-ONN-2004/2	(Non-operator with participating interest: 40%)
16)	MB-OSN-2004/1	(Non-operator with participating interest: 20%)
17)	MB-OSN-2004/2	(Non-operator with participating interest: 20%)
18)	RM-CBM-2005/III	(Non-operator with participating interest: 35%) GAIL has relinquished from the Block)
19)	TR-CBM-2005/III	(Non-operator with participating interest: 35%)
20)	MR-CBM-2005/III	(Non-operator with participating interest: 40%) GAIL has relinquished from the Block)
21)	AD-7, Myanmar	(Non-operator with participating interest: 10%) GAIL has relinquished from the Block)
22)	CY-ONN-2005/1	(Operator and having participating interest of 40%)

(Annexure - B)

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

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

(₹ in Crores)

		2010-11	2009-10
1)	Sales	1529.06	843.53
2)	Amount receivable as at Balance Sheet Date for (1) above	75.86	44.83
3)	Purchases	7290.04	6282.47
4)	Amount payable as at Balance Sheet Date for (3) above	431.50	284.85
5)	Reimbursement for other expenditure received/receivable	7.83	9.94
6)	Amount receivable as at Balance Sheet Date for (5) above	4.20	2.56
7)	Dividend Income	59.49	55.94
8)	Other Income	1.88	-

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

(₹ in Crores)

		2010-11	2009-10
1)	Remuneration	5.46	5.79
2)	Interest bearing outstanding loans receivable	0.65	0.37
3)	Interest accrued on loans given	0.55	0.42
4)	Self Lease	0.32	0.17

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

II. Relatives of KMP

(₹ in Crores)

		2010-11	2009-10
1)	Remuneration	0.44	0.28
2)	Interest bearing outstanding loans receivable	-	0.01
3)	Interest accrued on loans given	-	-
4)	Self Lease	0.03	-

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

(₹ in Crores)

		2010-11	2009-10
1)	Minimum work program commitment	204.85	266.57
2)	Survey and other expenses	49.31	128.08
3)	Other assets	490.15	387.54
4)	Amount outstanding on Balance Sheet date	118.14	91.98
5)	Amount written Off- Dry well expenditure	52.20	198.23
6)	Sale of Crude Oil	40.63	32.25

Share of GAIL in Assets, Liabilities, Income, Expenses Contingent Liabilities and Capital Commitments of Jointly Controlled Entities

S.N. Description	Mahanagar Gas Limited		Indraprastha Gas Limited		Petronet LNG Limited		Bhagyanagar Gas Limited	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
1 Loan Funds								
i. Secured Loans	-	-	67.98	-	379.45	287.47	24.70	-
ii. Unsecured Loans	5.37	5.47	26.28	12.42	22.57	25.01	-	-
2 Reserves and Surplus	425.17	346.81	211.74	170.53	241.27	185.61	1.07	1.04
3 Current Liabilities	104.89	79.23	49.42	29.19	129.36	93.11	8.50	3.33
4 Provisions	29.66	27.03	141.05	116.59	22.32	19.47	0.15	0.20
5 Fixed Assets								
i. Gross Block	463.35	402.60	386.17	246.46	444.25	443.70	7.48	5.28
ii. Depreciation	160.83	137.06	125.33	102.31	106.43	83.34	1.21	0.92
Net Block	302.52	265.54	260.84	144.15	337.82	360.36	6.27	4.36
iii. CWIP	158.83	112.73	77.01	44.10	275.35	164.79	33.74	4.77
6 Investments	56.22	47.54	9.36	3.82	145.61	67.33	-	-
7 Current Assets								
i. Inventories	6.91	6.80	8.05	6.28	31.00	27.78	0.09	0.01
ii. Sundry Debtors	60.25	48.93	16.31	7.54	105.90	62.94	0.27	0.20
iii. Cash and Bank balances	16.64	19.31	3.90	27.28	19.25	42.56	1.72	4.74
iv. Loans and Advances	38.15	30.56	159.16	130.02	16.70	19.05	3.49	0.33
v. Other current assets	-	-	2.72	2.47	0.59	0.39	0.01	0.05
8 Income								
i. Sales (Net of Excise Duty)	523.08	388.76	392.14	242.58	1,649.66	1,331.14	10.26	8.11
ii. Other Income	10.67	7.55	1.64	4.45	6.74	5.74	0.14	0.26
9 Expenses								
i. Purchases	257.90	172.56	221.76	111.45	1,475.15	1,208.10	8.54	6.46
ii. Manufacturing, Transmission, Administration, Selling & Distribution and other Expenses	111.41	100.64	82.93	62.13	43.80	30.85	1.80	1.36
iii. Interest and Finance Charges	0.46	0.63	3.56	0.67	24.14	22.99	0.02	0.01
10 Contingent Liabilities	38.21	33.40	25.04	16.07	272.85	166.78	8.86	6.25
11 Capital Commitments	67.20	80.34	81.63	109.10	276.24	245.25	26.36	17.24

(Annexure - C)
(₹ in Crores)

OPAL		Green Gas Limited		Central UP Gas Ltd.		MNGL		Aavantika		RGPPL		TNGCL	
2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
-	-	3.23	6.08	-	-	5.63	-	4.03	-	3,046.54	3,209.81	-	-
585.91	336.09	-	-	-	-	-	-	-	0.29	-	-	-	0.15
(3.85)	(0.12)	7.67	4.04	6.16	3.04	(1.38)	(1.18)	(0.65)	(0.85)	(47.95)	(196.69)	3.00	2.69
132.74	97.83	4.98	2.52	2.91	1.44	2.58	3.53	1.44	0.66	99.49	118.19	1.39	0.85
1.90	2.54	0.61	-	0.90	1.24	0.04	0.01	-	-	20.17	0.05	0.11	0.23
44.04	49.19	15.36	14.99	21.28	11.77	15.65	5.98	4.97	2.41	2,846.06	2,842.01	4.23	3.20
3.96	0.11	2.52	1.56	3.12	1.76	1.39	0.47	0.42	0.21	479.46	392.89	1.54	1.20
40.08	49.08	12.84	13.43	18.16	10.01	14.26	5.51	4.55	2.20	2,366.60	2,449.12	2.69	2.00
897.06	560.51	9.72	3.29	3.44	5.58	11.84	14.06	7.02	4.39	1,075.38	985.91	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	0.01	0.01	0.01	0.01	0.01	-	0.03	-	152.75	185.77	0.21	0.16
-	-	1.30	0.62	0.55	0.24	0.41	0.69	0.23	0.11	90.35	147.72	0.79	0.42
-	-	2.92	5.40	3.28	2.44	0.74	1.45	2.25	2.67	158.98	109.83	1.19	1.60
0.35	0.20	0.81	0.73	0.47	1.07	1.42	1.96	0.49	0.44	24.19	5.53	0.18	0.08
-	-	0.02	0.04	0.06	0.05	0.01	-	0.08	0.02	5.25	2.73	0.05	0.06
-	-	18.96	13.65	16.33	8.98	7.09	2.14	4.50	1.23	1,479.25	1,231.56	5.43	5.01
-	-	0.21	0.08	0.26	0.32	0.04	0.23	0.60	0.28	21.88	10.18	0.14	0.09
-	-	9.25	7.23	8.09	3.91	3.24	0.70	-	-	-	-	3.28	2.35
3.84	0.11	3.89	3.54	3.85	2.93	3.43	1.95	4.79	1.28	1,083.46	969.26	1.13	1.22
-	-	0.54	0.63	0.03	0.03	0.03	0.01	0.04	0.14	326.71	290.53	-	-
85.00	0.14	1.70	1.87	3.34	3.77	2.18	1.55	-	0.04	-	-	0.02	0.01
936.36	1,019.13	3.68	3.07	2.17	1.59	9.17	6.53	3.02	6.93	11.71	80.80	0.51	-

Consolidated Cash Flow Statement
for the Financial Year Ended 31st March, 2011

(₹ in crores)

			2010-11		2009-10
A.	**CASH FLOW FROM OPERATING ACTIVITIES**				
1	Net Profit Before Tax and Extraordinary Items		5839.07		4859.13
2	ADD :				
	Depreciation	824.30		829.26	
	Deferred Revenue / Other Expenses written off	1.26		0.99	
	Capital Reserve	(0.11)		(0.12)	
	Exchange Rate Variation	(2.11)		(6.75)	
	Interest Expenditure	377.86		385.34	
	Dividend Income on Investments	(319.02)		(235.59)	
	Interest Income	(135.30)		(222.05)	
	Provision for Employees Benefits	143.78		25.17	
	Provision for Gratuity	(0.02)		0.17	
	Provision for Payrevision	(51.62)		(47.88)	
	Provision for Doubtful Debts	0.03		24.58	
	Other Provisions	9.56		0.73	
	Provision / Writte off of Assets / CWIP	52.39		209.34	
	Provision for Probable obligation / Contingency	108.08		0.00	
	Profit / Loss on Sale of Assets (Net)	(14.83)		7.65	
		------------		------------	
			994.25		970.84
3	Operating Profit Before Working Capital Changes (1 + 2)		6833.32		5829.97
4	Changes in Working Capital (Excluding Cash & Bank Balances)				
	Trade and Other Receivables	(529.28)		7.82	
	Inventories	(199.37)		(137.93)	
	Trade and Other Payables	133.63		1593.34	
		------------		------------	
			(595.02)		1463.23
5	Cash Generated from Operations (3+4)		6238.30		7293.20
6	Direct Taxes Paid		(1629.96)		(1656.81)
NET CASH FROM OPERATING ACTIVITIES (5+6)			**4608.34**		**5636.39**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of Fixed Assets	(7245.82)		(5958.11)	
	Sale of Fixed Assets	3.24		19.19	
	Investment in Other Companies	(171.12)		(39.48)	
	Interest Received	136.97		248.03	
	Dividend Received	319.02		235.59	
		------------		------------	
NET CASH FROM INVESTING ACTIVITIES			**(6957.71)**		**(5494.78)**
	BALANCE CARRIED FORWARD		**(2349.37)**		**141.61**

Consolidated Cash Flow Statement for the Financial Year Ended 31st March, 2011

(₹ in crores)

		2010-11		2009-10
BALANCE BROUGHT FORWARD		(2349.37)		141.61
C CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Long term / short term Borrowings	2140.94		1777.20	
Repayment of Long term / short term Borrowings	(650.01)		(188.24)	
Capital Subsidy	566.32		221.41	
Interest Paid	(484.75)		(418.65)	
Dividend & Dividend Tax Paid	(1109.31)		(742.23)	
	------------		------------	
NET CASH FROM FINANCING ACTIVITIES		463.19		649.49
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		(1886.18)		791.10
OPENING ADJUSTMENT FOR JV / ASSOCIATES		(78.10)		(23.60)
CASH AND CASH EQUIVALENTS AS AT 01.04.2010 (OPENING BALANCE)		4548.63		3781.13
CASH AND CASH EQUIVALENTS AS AT 31.03.2011 (CLOSING BALANCE)		2584.35		4548.63
NOTES				
1 Cash & Cash Equivalents include :				
Cash & Bank Balances				
As per Balance Sheet		2584.35		4548.63
Unrealised (Gain)/ loss on foreign Exchange		0.00		0.00
Total Cash & Cash Equivalents		2584.35		4548.63

N. K. Nagpal
Secretary

P. K. Jain
Director (Finance)

R. D. Goyal
Director (Projects)

B. C. Tripathi
Chairman & Managing Director

As per our separate Report of even date

For M/s M L Puri & Co.
Chartered Accountants
Firm No: 002312N

Navin Bansal
(Partner)
Membership .No. 91922

For M/s Rasool Singhal & Co.
Chartered Accountants
Firm No: 500015N

Anil Gupta
(Partner)
Membership .No. 072767

Place : New Delhi
Dated : May 23 , 2011

Glossary

Gas Industry Specific Terminologies

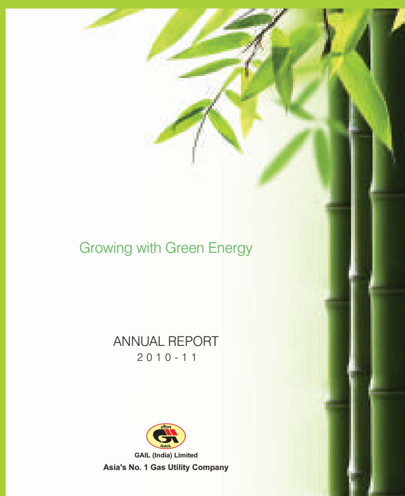
CBM	Coal Bed Methane
CGD	City Gas Distribution
CNG	Compressed Natural Gas
DUPL	Dahej Uran Pipeline
DPPL	Dahej Panvel Pipeline
DGH	Director General Hydro-carbon
DVPL	Dahej-Vijaipur Pipeline
E&P	Exploration and Production
ESA	External Safety Audits
GREP	Gas Rehabilitation and Expansion Project
GPU	Gas Processing Unit
GTI	GAIL Training Institute
HDPE	High Density Polyethylene
HVJ	Hazira Vijaipur Jagdishpur
JLPL	Jamnagar-Loni Pipeline
LLDPE	Linear Low Density Polyethylene
LHC	Liquid Hydro carbons
LNG	Liquified Natural Gas
LPG	Liquified petroleum Gas
MDPE	Medium Density Polyethylene
MSCM	Million Standard Cubic Meter
MMBTU	Million Metric British Thermal Unit
MMSCMD	Million Metric Standard Cubic Meters Per Day
MMT	Million Metric Tonne
MMTPA	Million Metric Tonne Per Annum
MOP&NG	Ministry of Petroleum and Natural Gas
MOU	Memorandum of Understanding
MT	Metric Tonne
NELP	New Exploration & Licensing Policy
O&M	Operation and Maintenance
OLHC	Other Liquid Hydro-Carbon
PE	Poly Ethylene
PNG	Piped Natural Gas
PNGRB	Petroleum & Natural Gas Regulatory Board
SBP Solvent	Special Boiling Point Solvent
TPA	Tonnes Per Annum
VSPL	Vizag-Secundarabad pipeline

General abbreviations

BD	Business Development
BIS	Business Information System
CSR	Corporate Social Resposibility
ERP	Enterprise Resource Planning
HR	Human Resource
HSE	Health Safety and Environment
HRD	Human Resource Development
JVCs	Joint Venture Companies
MW	Mega-Watt
PSU	Public Sector Unit
QC	Quality Circle
SCADA	Supervisor Control and Data Acquisition
TQM	Total Quality Management

Financial Terms

BSE	Bombay Stock Exchange
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
EBIDTA	Earnings Before Interest Depreciation Tax and Amortization
ED	Excise Duty
EPS	Earning Per Share
GDP	Gross Domestic Product
NSE	National Stock Exchange
PAT	Profit After Tax
PBIDTA	Profit Before Interest Depreciation Tax and Amortization
PBIT	Profit Before Interest and Tax
PBT	Profit Before Tax
ROCE	Return on Capital Employed
ROIC	Return on Invested Capital
RONW	Return on Net-Worth



Growing with green energy

In almost all Asian cultures, the bamboo plant or more appropriate "bamboo grass" has been treated reverentially attributing to it several virtues such as creation, longevity, adaptability and humility. Bamboo's long life makes it a Chinese symbol of longevity, while in India it is a symbol of friendship. In Japan, bamboo forests often surround Shinto shrines as a sacred protection against evil spirits. In Vietnam, bamboo is a symbol for the soul and often represents ideas of hard-work, optimism, unity and adaptability. Some Asian cultures even believe that humanity emerged from a bamboo stem. In Hawaiian legend, bamboo is considered the corporal form of the Polynesian creator god, Kane Milohai.

Myths and legends apart, Bamboo - commonly referred to as the "Grass of steel" is a symbol of strength, versatility, flexibility, tenacity, and endurance.

Which is why this mystical plant symbolizes GAIL in its myriad ways.

Among the many amazing facets of bamboo is its fast rate of growth. In fact, no other plant in the world grows faster than bamboo. The growth of GAIL is almost similar, and inspite of being one of the youngest PSUs in the country it has a proven track record of robust growth and performance.

And the growth story continues…

गेल
GAIL

GAIL (India) Limited

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