

ANNUAL REPORT
2011-2012



GAIL (India) Limited



Adding momentum to a green movement . . .

C o n t e n t s

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VISION

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

MISSION

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



NOTICE

NOTICE is hereby given that the **Twenty-eighth Annual General Meeting** of the members of **GAIL (India) Limited** will be held on **Wednesday, the 5th day of September, 2012** at **10.30 a.m.** at Air Force Auditorium, Subroto Park, New Delhi- 110010, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2012, Statement of Profit & Loss for the year ended 31st March, 2012, Directors' Report, Auditors' Report and the comments thereupon of Comptroller & Auditor General of India.
2. To declare final dividend @ 57% (₹ 5.7/- per share) on the paid-up equity share capital of the Company for the year ended 31st March, 2012 as recommended by the Board and confirm the interim dividend of 30% (₹ 3/- per share) already paid in the month of January, 2012.
3. To appoint a Director in place of Shri S.L. Raina, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Prabhat Singh, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Sudhir Bhargava, who retires by rotation, and being eligible, offers himself for re-appointment.

6. To authorize Board of Directors of the Company to fix remuneration of the Statutory Auditor(s) of the Company in terms of the provisions of section 224(8)(aa) of the Companies Act, 1956 and to pass the following resolution, with or without modification(s), as an Ordinary Resolution:

"RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to decide and fix the remuneration of the Statutory Auditor(s) of the Company appointed by Comptroller and Auditor General of India for the FY 2012-13, as may be deemed fit by the Board."

SPECIAL BUSINESS

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

7. **"RESOLVED THAT** in accordance with the provisions of section 257 and other applicable provisions, if any, of the Companies Act, 1956, Dr. Neeraj Mittal, who was appointed as an Additional Director w.e.f. 28.02.2012, pursuant to the provisions of section 260 of the Companies Act, 1956, by the President of India vide letter No. 31019/1/2006-CA dated 28.02.2012 be and is hereby appointed as a Director of the Company, liable to retire by rotation."
8. **"RESOLVED THAT** in accordance with the provisions of section 257 and other

applicable provisions, if any, of the Companies Act, 1956, Smt. Shyamala Gopinath, who was appointed as an Additional Director w.e.f. 29.02.2012, pursuant to the provisions of section 260 of the Companies Act, 1956, by the President of India vide letter No. C-31024/27/2006-CA dated 29.02.2012 be and is hereby appointed as a Director of the Company, liable to retire by rotation."

9. **"RESOLVED THAT** in accordance with the provisions of section 257 and other applicable provisions, if any, of the Companies Act, 1956, Shri R.P. Singh, who was appointed as an Additional Director w.e.f. 29.02.2012, pursuant to the provisions of section 260 of the Companies Act, 1956, by the President of India vide letter No. C-31024/27/2006-CA dated 29.02.2012 be and is hereby appointed as a Director of the Company, liable to retire by rotation."
10. **"RESOLVED THAT** in accordance with the provisions of section 257 and other applicable provisions, if any, of the Companies Act, 1956, Dr. A. K. Khandelwal, who was appointed as an Additional Director w.e.f. 29.02.2012, pursuant to the provisions of section 260 of the Companies Act, 1956, by the President of India vide letter No. C-31024/27/2006-CA dated 29.02.2012 be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Place : New Delhi
Dated : July 19, 2012

By order of the Board
Sd/-
(N.K. Nagpal)
Company Secretary

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM DULY COMPLETED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE SCHEDULED TIME OF THE MEETING (PROXY FORM IS ANNEXED WITH THE NOTICE).**
2. The Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956 in respect of the Special Business is annexed herewith.
3. A brief resume of the Director(s) proposed for appointment/re-appointment as mandated in Clause 49 of the Listing Agreement is annexed with the Notice.
4. The documents referred in the accompanying Notice and Explanatory Statement thereto, are open for inspection by members, at the Registered Office of the Company during office hours i.e. between 11:00 a.m. and 1:00 p.m., on all working days, except Saturday(s), Sunday(s) and holiday(s), upto the date of the Annual General Meeting.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from **Saturday, the 18th August, 2012 to Wednesday, the 5th September 2012 (both days inclusive)** to determine the entitlement of the final dividend @ 57% (₹ 5.7/- per share), if so, approved by the members of the Company at the aforesaid AGM. The Company had already paid interim dividend @ 30% (₹ 3/- per share) in the month of January, 2012. The said final dividend after declaration at the said AGM, will be paid to those eligible members whose name(s) appear:-
 - a) as member(s) holding shares in **physical mode**, in the Register of Members of the Company after giving effect to all valid and complete transfers, lodged with R&TA/ Company on or before **17th August, 2012**; and
 - b) as Beneficial Owner(s) holding shares in **electronic mode**, details as furnished by the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), for said purpose.
6. As per new KYC norm(s) introduced by Committee of National Institute of Securities Markets (NISM) established by SEBI, applicable w.e.f. 01.05.2012, members holding shares in **physical mode**, please provide:
 - (i) For effecting change of address, **proof of new address and proof of identity**, self-attested and accompanied by originals for verification or attested true copy by Notary Public/ Gazetted Officer/Manager of a Scheduled Commercial Bank.
 - (ii) For change/update of Bank Mandate, cancelled original cheque of the new bank mandate /self attested copy of not older than 3 months, bank statement/ bank passbook with current entries not older than 3 months in case of updation of new bank mandate and the said document of existing bank mandate in case of change of existing bank mandate (originals should be produced for verification or copy should be attested by the Bank).
7. Corporate members intending to send their authorized representative(s) to attend the meeting are required to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
8. Members holding shares in multiple folios in **physical mode** are requested to apply for consolidation to the R&TA/Company along with relevant Share Certificates. R&TA is not processing the remat request(s), unless involved conversion of entire shareholding held in demat mode.
9. Members who have not encashed their Dividend Warrant(s) 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(s), at least 20 days before they are due for transfer to IEPF. Unclaimed/unpaid final dividend for FY 2004-05, which is due for transfer to IEPF, should be claimed by the members before 27th September, 2012. After that date, no claim shall lie against the Fund/Company, in respect of the said amount. The subsequent due dates of transfer of unpaid/ unclaimed dividend to IEPF for the respective financial years has been provided at the investor Zone section of company's website at **www.gailonline.com**.
10. In order to avoid the incidence of fraudulent encashment of dividend warrants, the members holding shares in physical mode are requested to provide their Bank Account Number, Name and Address of the Bank/Branch to the R&TA/ Company to incorporate the same in the dividend warrant.
11. Regarding modalities of dividend and other updated information, Members are requested to refer "Dividend" section of Report on Corporate Governance and may also visit Company's website at **www.gailonline.com**, 'Investor Zone' section for further reference. The R&TA/ Company has designated an exclusive e-mail Id viz. **admin@mcsdel.com** and **mcsdmail@mcsdel.com** to facilitate investors to register their complaints, if any.

12. Members are requested to:-

- i) bring their copy of Annual Report and Attendance Slip at the venue of the meeting.
- ii) quote their Folio/DP & Client Id No. in all correspondences with the R&TA/Company.
- iii) note that briefcases, mobile phones, bags, helmets, eatables and other belongings **will not be allowed** to be taken inside the venue of the meeting for security purposes and shareholders/proxy holders will be required to take care of their belongings.
- iv) note that **no gifts** will be distributed at the Annual General Meeting.
- v) note that **shareholders present in person or through registered proxy** shall only be entertained.
- vi) note that in case of **joint holders** attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- vii) note that the attendance slip/proxy form should be **signed** as per the specimen signature registered with the R&TA/ Depository Participant (DP).
- viii) please **carry photo ID card** for identification/ verification purposes **including proxy holders**.
- ix) note that entry to the hall will be strictly on the basis of the admission card, which will be provided at the counters of R&TA at the venue, in exchange for duly completed and signed Attendance Slip.

IMPORTANT COMMUNICATION TO MEMBERS

Ministry of Corporate Affairs has taken a "Green initiative in Corporate Governance" by allowing paperless compliance by the Companies. In order to support the said initiative, your Company sent the copy of the Annual Report along with the Notice convening the AGM through email to those members whose email-id has been provided by them to their DP's / R&TA.

MEMBERS WHO HAVE NOT YET REGISTERED THEIR EMAIL ID ARE REQUESTED TO UPDATE THE SAME AT THE EARLIEST WITH THEIR RESPECTIVE DP (FOR ELECTRONIC HOLDING) OR WITH R&TA/ COMPANY (FOR PHYSICAL HOLDING).



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

ITEM NO. 7

Dr. Neeraj Mittal, part-time Director (Government Nominee) was nominated by the President of India vide letter No. No. 31019/1/2006-CA dated 28.02.2012, as Director on the Board of Directors of the Company w.e.f. 28.02.2012. He was inducted as an Additional Director, till the conclusion of this Annual General Meeting. The Board recommends that Dr. Neeraj Mittal may be appointed as a Director, liable to retire by rotation.

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

Your Directors recommend the resolution for approval of the members. Dr. Neeraj Mittal is interested in this resolution to the extent of his appointment as a Director. No other Director of the Company is concerned / interested in the proposed resolution.

ITEM NO. 8

Smt. Shyamala Gopinath, part-time non-official (Independent) Director was nominated by the President of India vide letter No. 31024/27/2006-CA dated 29.02.2012, as Director on the Board of Directors of the Company w.e.f. 29.02.2012. She

was inducted as an Additional Director, till the conclusion of this Annual General Meeting. The Board recommends that Smt. Shyamala Gopinath may be appointed as a Director, liable to retire by rotation.

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

Your Directors recommend the resolution for approval of the members. Smt. Shyamala Gopinath is interested in this resolution to the extent of her appointment as Director. No other Director of the Company is concerned / interested in the proposed resolution.

ITEM NO. 9

Shri R.P. Singh, part-time non-official (Independent) Director was nominated by the President of India vide letter No. 31024/27/2006-CA dated 29.02.2012, as a Director on the Board of Directors of the Company w.e.f. 29.02.2012. He was inducted as an Additional Director, till the conclusion of this Annual General Meeting. The Board recommends that Shri R.P. Singh may be appointed as a Director, liable to retire by rotation.

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

Your Directors recommend the resolution for approval of the members. Shri R.P. Singh is interested in this resolution to the extent of his appointment as a Director. No other Director of the Company is concerned / interested in the proposed resolution.

ITEM NO. 10

Dr. A.K. Khandelwal, part-time non-official (Independent) Director was nominated by the President of India vide letter No. 31024/27/2006-CA dated 29.02.2012, as a Director on the Board of Directors of the Company w.e.f. 29.02.2012. He was inducted as an Additional Director, till the conclusion of this Annual General Meeting. The Board recommends that Dr. A.K. Khandelwal may be appointed as a Director, liable to retire by rotation.

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

Your Directors recommend the resolution for approval of the members. Dr. A.K. Khandelwal is interested in this resolution to the extent of his appointment as a Director. No other Director of the Company is concerned / interested in the proposed resolution.

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

ITEM NO.3

Shri S. L. Raina is MBA from University of Hull, London, an LLB, a Master in Public Administration and Bachelor in Science. Shri Raina has a career spanning more than three decades in Hydrocarbon and Textile industries and has a very rich experience in human resource management as also marketing and legal at senior level.

Prior to becoming Director (HR), Shri Raina headed Human Resource Department of the Company and spearheaded a wide range of employees development programmes. As General Manager (HR), Shri Raina has contributed in the development of various policies of HR, Industrial Relations, Establishment, Administrative and Disciplinary matters. He also spearheaded various CSR programmes and expedited the implementation of SAP HR across the Company as well as centralized payroll and Employees Self Service. As Head of Legal Department, Shri Raina has represented the Company in various judicial, arbitral and administrative proceedings, as well as customer contracts, gas sales and purchase agreements, production sharing contracts, gas transportation agreements etc. Shri Raina has also served the Company as Central Public Information Officer under the Right to Information Act, 2005.

Shri Raina was Zonal General Manager (Marketing), Northern Zonal Office of GAIL and was associated with signing of Heads of Agreement with various consumers for supply of Regasified – LNG, besides, marketing of liquid hydrocarbons in Northern Zone. Shri Raina has served as HR Head for five years at GAIL's Petrochemical plant during its different stages of construction, pre-commissioning and stabilization activities.

Shri Raina holds 450 equity shares of the Company.

Shri Raina holds the Directorship and chairmanship/membership of Committee(s) of the following other Companies:

S. No.	Directorship	Chairmanship / Membership
1.	Mahanagar Gas Limited	Audit Committee and Shareholders Issues and Grievances Redressal Committee (Member)
2.	Brahmaputra Cracker & Polymer Limited	Nil
3.	ONGC Petroadditions Limited	

ITEM NO.4

Shri Prabhat Singh is a Civil Engineer from the prestigious Indian Institute of Technology, Kanpur and has around 29 years of experience of working in the Hydrocarbon Industry both in MNC and Public Sector Navratna PSUs at prominent positions.

Prior to joining GAIL as Director (Marketing), Shri Singh headed the Upstream Business Development and the Strategy Divisions in British Gas since April 2006. During his earlier stint in GAIL, he headed GAIL's Exploration and Production Department as General Manager. He made a major contribution in the execution of world's longest exclusive LPG pipeline project from Jamnagar to Loni. The project was recognized by the Asian Development Bank as the "Best Managed Project" of the year. He was also instrumental in ushering of the

"Open Access Common Carrier Principle" in India which brought in a paradigm shift and contributed manifold in transitioning the pipeline transportation industry of the country into the matured industry that it is today. Shri Prabhat Singh also led "Project Parivartan" in GAIL - a highly human oriented change management initiative which put "people at the heart of corporate purpose" to address the changing business environment.

Before joining GAIL and serving the Company for almost 20 years, Shri Singh had also served EIL and NTPC.

Shri Singh holds 300 equity shares of the Company.

Shri Singh holds the Directorship and chairmanship/membership of Committee(s) of the following other Companies:

S. No.	Directorship	Chairmanship / Membership
1.	Ratnagiri Gas and Power Pvt. Limited	Nil
2.	GAIL Global (Singapore) Pte. Limited	
3.	GAIL Gas Limited	

ITEM NO.5

Shri Sudhir Bhargava, Additional Secretary, Ministry of Petroleum & Natural Gas, Government of India, is an IAS Officer from Rajasthan Cadre (1979). He is an MPA from Harvard University, USA and M.Sc (Physics) from University of Calcutta.

During his IAS career spanning over three decades, he has served in various departments falling under various sectors, which primarily include CMD, National Textile Corporation; Secretary, Department of Irrigation and Department of Personnel; Principal Secretary, Department of Health and Department of Education, Government of Rajasthan; Joint Secretary, Ministry of Textiles, Government of India; Joint Secretary, Department of Fertilizer, Ministry of Chemical & Fertilizer, Government of India.

Shri Bhargava does not hold any equity shares of the Company.

Shri Bhargava holds the Directorship and chairmanship/membership of Committee(s) of the following other Companies:

S. No.	Directorship	Chairmanship / Membership
1.	Indian Oil Corporation Limited	Nil
2.	Oil and Natural Gas Corporation Limited	

ITEM NO.7

Dr. Neeraj Mittal, Joint Secretary, Ministry of Petroleum & Natural Gas, Government of India, is an IAS Officer from Tamil Nadu Cadre (1992). He has done B.Tech (Electrical Engineering) from IIT, Kanpur, MBA from Cranfield University, UK and Ph.D (Management Information Systems) from Fisher College of Business, Ohio State University.

During his IAS career spanning over two decades, he has held various positions in Tamil Nadu and Centre. He was DC, Coimbatore, Commissioner (E-Governance), Joint Transport Commissioner (E-Governance & Road Safety), Joint Commissioner (Relief Tsunami Operations), Executive Director of Electronics Corporation of Tamil Nadu and Director (Ministry of Petroleum & Natural Gas).



Dr. Mittal does not hold any equity shares of the Company.

Dr. Mittal holds the Directorship and chairmanship/membership of Committee(s) of the following other Companies:

S. No.	Directorship	Chairmanship / Membership
1.	GAIL Gas Limited	Nil
2.	Brahmaputra Cracker & Polymer Limited	

ITEM NO.8

Smt. Shyamala Gopinath superannuated from RBI as Deputy Governor. She has wide experience of more than 39 years in financial sector and policy formulation in different capacities at RBI. She has served as member of the Board for Financial Supervision, the Board for Payment & Settlement Systems and member of the sub-committee of Financial Stability and Development Council. She has also served as member/Chairman of Technical Advisory Committees of RBI on Monetary Policy and Financial Markets. As Deputy Governor for nearly seven years and member of the Board, she had been guiding and influencing national policies in the diverse areas of financial sector regulation & supervision, development & regulation of financial markets; capital account management; management of government borrowings; forex reserves management; RBI accounts; payment & settlement systems.

Smt. Gopinath worked in Monetary Affairs and Exchange Department of IMF for two years. She represented the Reserve Bank on the Financial Stability Board and represented India at G20. She has served on the Board of State Bank of India, National Housing Bank and Export-Import Bank of India.

Smt. Gopinath does not hold any equity shares of the Company.

Smt. Gopinath holds the Directorship and chairmanship/membership of Committee(s) of the following other Companies:

S. No.	Directorship	Chairmanship / Membership
1.	TATA Elxsi Limited	Audit Committee (Chairman)
2.	Indian Oil Corporation Limited	Audit Committee (Member)
3.	National Stock Exchange of India Limited	Nil
4.	Global Advisory Council of Earnest & Young Global	
5.	Advisory Board on Bank Commercial & Financial frauds, RBI	

ITEM NO.9

Shri R. P. Singh passed his Post Graduation in Mathematics from Advanced Centre for Pure Mathematics, Punjab University, Chandigarh in 1973 and after a brief stint of teaching Pure Mathematics to graduate classes, joined the Administrative Service.

Apart from the regular field assignments for the I.A.S. Officers, he has wide experience in regulatory areas such as Finance, Industry & Urban Development. He worked both as Commissioner of Hyderabad Municipal Corporation & Vice-Chairman of Hyderabad Urban Development Authority.

He had long stint as Managing Director of Andhra Pradesh Industrial Development Corporation & Commissioner of Taxation in Andhra Pradesh. Before joining Punjab & Sind Bank as Chairman & Managing Director in March 2005, he served the Government of India in Department of Defence Production. He took over as Secretary, DIPP in the Ministry of Commerce & Industry on 1st January, 2010 from where he retired in October 31, 2011.

Shri Singh does not hold any equity shares of the Company.

Shri Singh holds the Directorship and chairmanship/membership of Committee(s) of the following other Companies:

S. No.	Directorship	Chairmanship / Membership
1.	National Highway Authority of India	Nil

ITEM NO.10

Dr. A. K. Khandelwal is a former Chairman and Managing Director of Bank of Baroda and also Dena Bank. He is currently the Chairperson of Center for Microfinance, promoted by Sir Ratan Tata Trust. He is recently appointed as Chairperson on Advisory group on HRD by Ministry of Finance, Government of India. Earlier he headed the high power group appointed by Government of India for HRD for Public Sector Banks and submitted the report, what is popularly known as 'Khandelwal Committee Report'.

Dr. Khandelwal has an excellent academic record. He is BE in Chemical Engineering, MBA (1st Rank), LLB and PhD in Management. Besides this, he holds Post-graduate diploma in Training & Development and also Post-graduate Diploma in labour laws & labour welfare. Dr. Khandelwal has held numerous important positions such as President - Indian Institute Banking & Finance, Deputy Chairman - Indian Banks Association and member of various expert committees.

Besides being a successful banker, Dr. Khandelwal's major contribution has been in the field of Human Resource Development. Dr. Khandelwal is a multi-awarded banker and HR professional invited all over the world. He is the recipient of several honours and accolades such as Asian Banker Lifetime Achievement Award in Financial Services by Asian Banker, Singapore; Ranked among the best 10 marketers of the country by Business Today (Oct 2007); Best HR Chief award from NHRD, India; Listed as "100 Most Powerful CEOs in India" by the Economic Times for 3 consecutive years.

Dr. Khandelwal does not hold any equity shares of the Company.

Dr. Khandelwal holds the Directorship and chairmanship/membership of Committee(s) of the following other Companies:

S. No.	Directorship	Chairmanship / Membership
1.	SKIL Infrastructure Limited	Audit Committee (Member)
2.	Transcorp International Limited	Nil
3.	B.P. Ergo Limited	
4.	Dighi Port Limited	
5.	Grow Talent Company Limited	
6.	Grassnot Trading Network For Women (SEWA)	

ATTENDANCE SLIP

GAIL (INDIA) LIMITED

Registered Office: 16, Bhikaji Cama Place, R.K. Puram, New Delhi – 110066

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

I hereby record my presence at the **Twenty-eighth Annual General Meeting** of the Company to be held on **Wednesday, the 5th day of September, 2012 at 10.30 a.m. at Air Force Auditorium, Subroto Park, New Delhi- 110010.**

Signature of Shareholder/Proxy holder

NOTES:

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

PROXY FORM

GAIL (INDIA) LIMITED

Registered Office: 16, Bhikaji Cama Place, R.K. Puram, New Delhi – 110066

I/We of being a member of GAIL (India) Limited hereby appoint of or failing him of or failing him of as my/our proxy, in my/our absence to attend and vote for me/us and on my/our behalf at the **Twenty-eighth Annual General Meeting** of the Company to be held on **Wednesday, the 5th day of September, 2012 at 10.30 a.m. at Air Force Auditorium, Subroto Park, New Delhi- 110010** or at any adjournment thereof.

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

Signed this day of, 2012

Affix
Revenue
Stamp
₹ 1/-

NOTES:

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

Signature

Statutory Auditors

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

Cost Auditors

M/s Rohit & Associates	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
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Bankers

State Bank of India	Corporate Accounts Group Branch Jawahar Vyapar Bhavan, 11 th & 12 th Floors Tolstoy Marg, New Delhi - 110001
ICICI Bank Ltd.	9A, Phelps Building, Connaught Place New Delhi - 110001
HDFC Bank Ltd.	1 st 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	Wangz Business Centre, #44-01 Suntec Tower One, 7, Temasek Boulevard, Singapore - 038987
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
GAIL Global (USA) Inc.	333 Clay Street, Suite 3300, Houston, Texas 77002



Message from CMD

“ We will continue to follow a growth path that is not only environmentally sustainable but also creates value for the society and other important stakeholders ”



Dear Shareowner,

It is my privilege to share with you the highlights of yet another year of successful performance of your Company. During the financial year 2011-12, Turnover increased by 24% to ₹ 40,281 Crore and despite a higher petroleum subsidy, Profit after Tax increased to ₹ 3,654 Crore. Your Company had the distinction of being the only company from Asia to receive the "World's No. 1 company in Downstream Operation" award for 2011 by Platts. Your Company was also ranked the number 2 Gas Utility in Asia in the Platts Top 250 Energy Companies Rankings. Your Company once again maintained its excellent performance rating for 2010-11 under the MoU with Government of India.

This performance of your Company was in the backdrop of a slowing economic environment. Although India's economic growth has decelerated to below 7% during 2011-12, a sustained growth for Indian economy may not be difficult to attain in the coming years due to Government initiatives in the areas of policy, price stability and continuing reforms.

Ensuring requisite supply of energy is crucial to attaining this growth. Currently, India is the 4th largest energy consumer in the world and is expected to be the 3rd largest by 2025. Demand for clean energy sources like natural gas is growing exponentially and meeting this demand effectively is essential to support growth. India's consumption of natural gas has grown faster than all other fossil fuels, growing at a CAGR of over 11% in the last few years.

Your Company is continuing to pursue greater energy security for India through ensuring sufficient availability and access to gas and other sources of clean energy. We are working towards achieving the goals as envisaged in Strategy 2020 of your Company to spur social, economic and environmental growth based on clean energy. To meet the short-fall in supply of domestic gas, your Company is in discussions with several global sellers. Efforts are also being made to secure additional supplies from domestic sources. The pipelines being laid by your Company would help in establishing an integrated National Gas Grid all over India within a few years' time.

In order to further strengthen your Company's position as India's premier integrated gas Company, it is setting up LNG import infrastructure and focussing on growing areas like city gas distribution, expanding petrochemicals business, diversifying into high margin downstream areas in gas value chain and creating a portfolio of renewable businesses. The expansion of existing petrochemical plant at Pata is ahead of schedule and physical progress of 48% has been achieved. Commissioning of the LNG re-gasification terminal at Dabhol is expected this year which will enable better utilization of your Company's infrastructure.

Your Company is expanding its global presence to acquire new expertise and resources through overseas tie-ups in emerging areas such as Shale gas. This will allow it to establish a foothold in resource rich countries while complementing your Company's core business. Your Company successfully concluded acquisition of 20% interest in Carrizo Oil & Gas Inc.'s Eagle Ford Shale acreage in the USA through its recently incorporated subsidiary, GAIL Global (USA) Inc. Besides this, your Company has signed a 20-year Sales and Purchase Agreement with Sabine Pass Liquefaction LLC, a unit of Cheniere Energy Partners, for supply of 3.5 million tonnes per year of LNG. This has set a new trend in global gas trade as it is one of the first agreements signed by an Asian entity which has price linkage to gas rather than oil. With respect to the trans-national pipeline TAPI, your Company has executed the Gas Sales & Purchase Agreement with Turkmen gaz for 38 MMSCMD for 30 years.

To capture the growth in renewable energy, your Company has moved from being a captive producer to a commercial producer after commissioning around 100 MW of wind energy projects last year. Your company intends to further expand its wind and solar energy portfolio. To achieve these and other goals, your Company continually strives to develop and enhance the capacity and capability of its existing talent pool.

Your Company follows a growth path that is not only environment-friendly but also creates value for the society and other important stakeholders. I am happy to share with you that your Company released its first Sustainability Report for the year 2010-11. Moving another step forward, your Company became a signatory to the United Nations Global Compact (UNGC) last year to further align its operations and strategies with the ten universally accepted principles of UNGC. Your Company is also the first in India's Oil and Gas Sector to be listed in BSE-GREENEX, the first environment friendly equity index launched by Bombay Stock Exchange. Your Company's Corporate Social Responsibility programmes have been successful in making a long term impact on the lives of the disadvantaged segment of society and towards creation of sustainable livelihoods.

Your Company continues to set benchmarks in the area of corporate governance. In yet another recognition of this, it was conferred with 11th ICSI National Award, 2011 for Excellence in Corporate Governance. I would like to convey my sincere gratitude for your support and confidence which has enabled us to reach this and other milestones. Your Company remains committed to uphold the highest standards of governance and pursue higher value creation for all stakeholders.



B.C. Tripathi
Chairman & Managing Director

HIGHLIGHTS 2011-12

12% +
10 Years CAGR
(PAT)

TURNOVER
₹ 40,281 CRORE
(US\$ 7907 MILLION)

PBDIT
₹ 6,247 CRORE
(US\$ 1210 MILLION)

PBT
₹ 5,340 CRORE
(US\$ 1034 MILLION)

PAT
₹ 3,654 CRORE
(US\$ 708 MILLION)

16% +
10 Years (Turnover)
CAGR

GAIL Group Companies account for

- ❖ About 3/4th of the natural gas transmitted through pipelines in India
- ❖ More than 1/2 of the natural gas sold in India
- ❖ Almost 1/5th (21%) of polyethylene produced in 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 1/2 of country's piped natural gas supply
- ❖ 16%+ 10 year turnover CAGR
- ❖ 12%+ 10 year PAT CAGR
- ❖ 3900+ manpower asset

GROWING WITH GREEN ENERGY

Long Term LNG Deal Sign
With Henry Hub Price
Indexation 2011

2200 Kms Dahej - Vijaypur - Bathinda
Pipeline Network Dedicated to
the Nation 2012

Gas Pipeline
Network Augmentation 2008

World's No. 1 Company in
Downstream Operation 2011

Import of LNG 2004

Entry in Petrochemical 1999

Navratna Status 1997

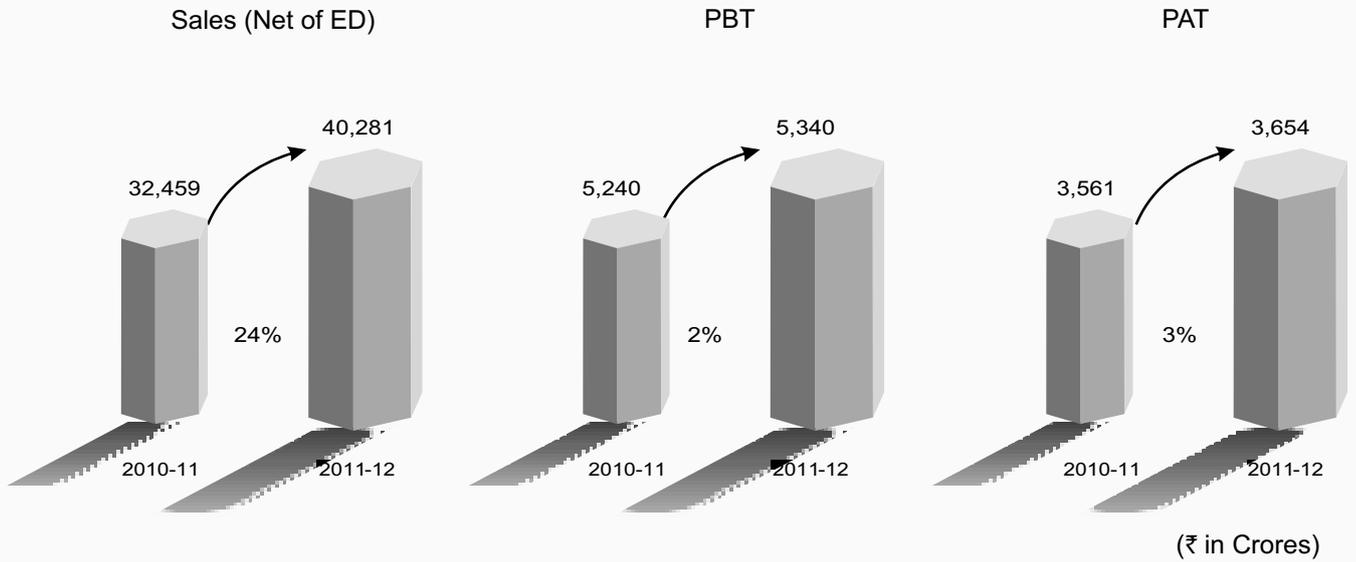
Entry in LPG 1990

HVJ Pipeline Commissioned 1987

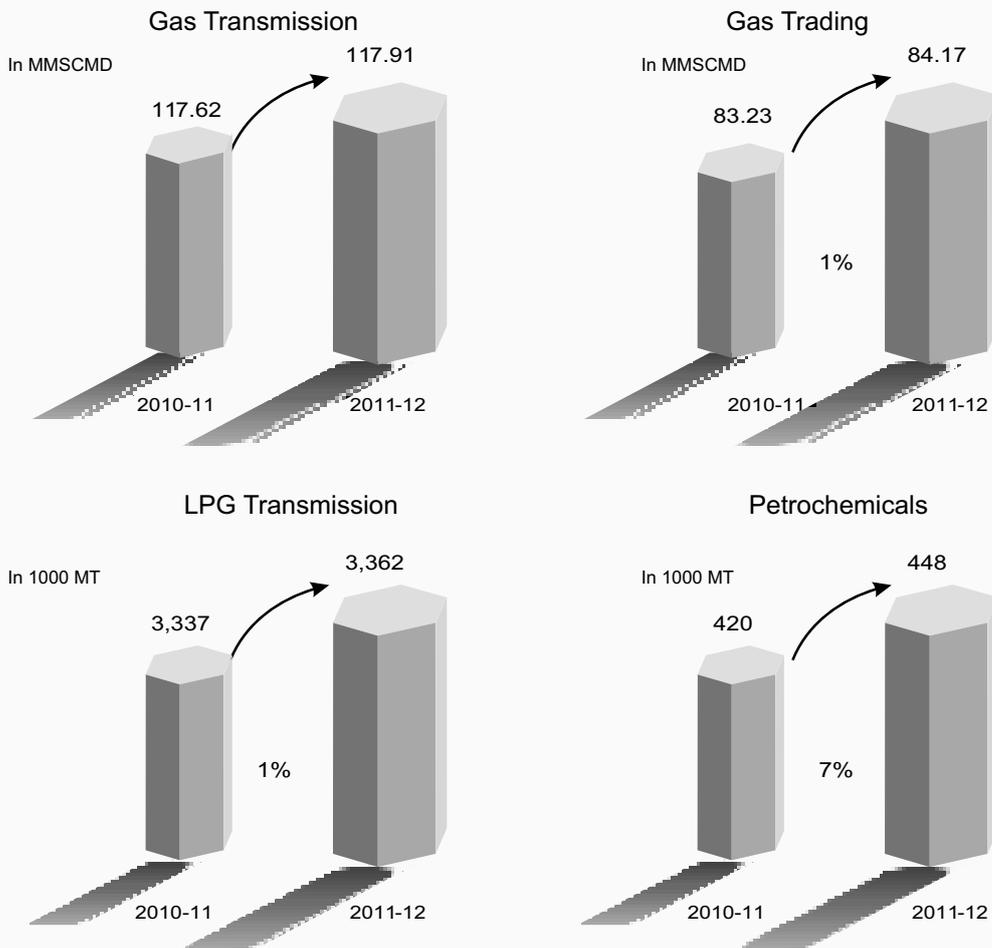
Birth of GAIL 1984

ACHIEVEMENTS 2011-12

Financial Achievements



Segmental Physical Performance (Production)



MAJOR PRODUCTS & BRANDS

PETROCHEMICALS



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



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

CITY GAS DISTRIBUTION



Automobiles



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

LIQUID HYDROCARBONS



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



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

TELECOM



AITEL

Bandwidth Leasing
Infrastructure Leasing

Board of Directors



Sh. B.C. Tripathi

Chairman & Managing Director



Sh. R.D. Goyal
Director (Projects)



Sh. S.L. Raina
Director (Human Resources)



Sh. Prabhat Singh
Director (Marketing)



Sh. S. Venkatraman
Director (Business Development)



Sh. P.K. Jain
Director (Finance)



Sh. Sudhir Bhargava
Director



Dr. Neeraj Mittal
Director



Sh. Mahesh Shah
Director



Sh. R. M. Sethi
Director



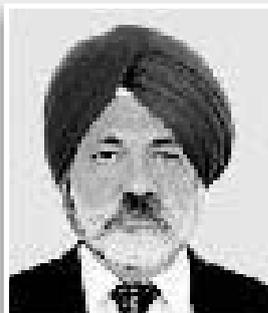
Dr. Vinayshil Gautam
Director



Sh. Arun Agarwal
Director



Smt. Shyamala Gopinath
Director

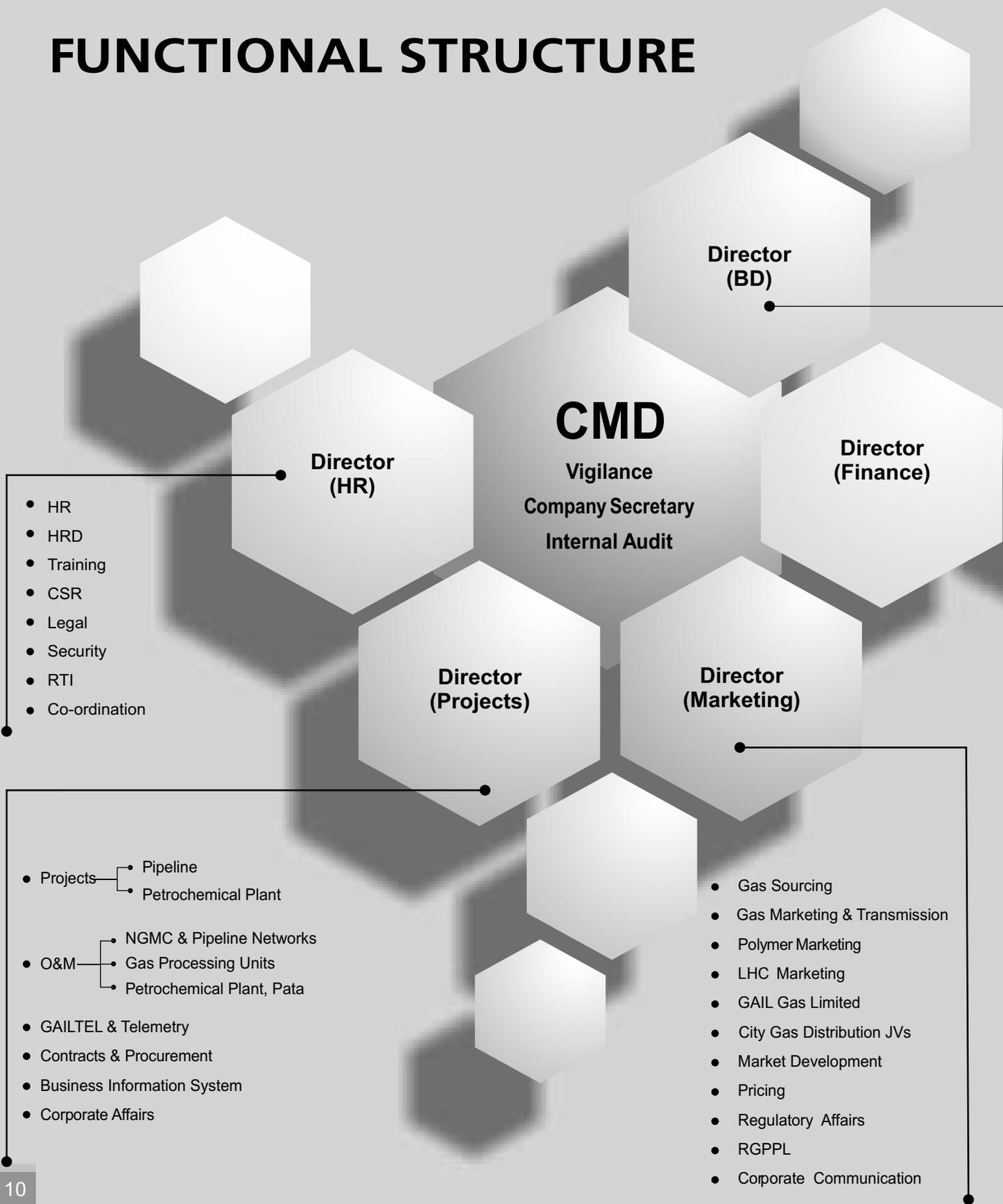


Sh. R P Singh
Director



Dr. A K Khandelwal
Director

FUNCTIONAL STRUCTURE



- 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	Sub-Committees of the Board
B.C. Tripathi R.D. Goyal S.L. Raina Prabhat Singh S. Venkatraman P.K. Jain	Sudhir Bhargava Dr. Neeraj Mittal	Mahesh Shah R. M. Sethi Dr. Vinayshil Gautam Arun Agarwal Shyamala Gopinath R P Singh Dr. A K Khandelwal	<p>1 Audit Committee Mahesh Shah (Chairman) • R.M. Sethi • Arun Agarwal</p> <p>2 Business Development & Marketing Committee R.M. Sethi (Chairman) • Prabhat Singh • S. Venkatraman • P.K. Jain • Dr. Neeraj Mittal • Arun Agarwal</p> <p>3 Corporate Social Responsibility Committee CMD (Chairman) • S.L. Raina • Sudhir Bhargava • Mahesh Shah</p> <p>4 Employee Disciplinary Committee Dr. Vinayshil Gautam (Chairman) • Two Functional Directors (to be nominated by CMD on case-to-case basis)</p> <p>5 Empowered C & P Committee CMD (Chairman) & all the Functional Directors</p> <p>6 Ethics Committee Dr. Vinayshil Gautam (Chairman) • S. Venkatraman • Arun Agarwal</p> <p>7 H.R. Committee CMD (Chairman) • All the Functional Directors • Mahesh Shah • Dr. Vinayshil Gautam</p> <p>8 HSE Committee Arun Agarwal (Chairman) • R.D. Goyal • S. Venkatraman</p> <p>9 Project Appraisal Committee CMD (Chairman) • P.K. Jain • Dr. Neeraj Mittal • Dr. Vinayshil Gautam • Arun Agarwal • Concerned functional Director</p> <p>10 Remuneration Committee Dr. Vinayshil Gautam (Chairman) • S.L. Raina • P.K. Jain • Mahesh Shah • Arun Agarwal</p> <p>11 Shareholders / Investors Grievance Committee Mahesh Shah (Chairman) • S.L. Raina • Prabhat Singh</p> <p>12 Share Transfer Committee Executive Director (Finance)/Head of Finance • Company Secretary/ Senior Most Official in Company Secretariat</p> <p>13 Stakeholders' Grievance Redressal Committee Arun Agarwal (Chairman) • P.K. Jain • Concerned Functional Director not involved w.r.t. subject disputes.</p> <p>14 Sustainable Development Committee Arun Agarwal (Chairman) • R.D. Goyal • S. Venkatraman</p>

DIRECTORS' REPORT





Shri B.C. Tripathi, CMD, GAIL receiving 2011 Platts Global Energy Awards for World's No. 1 Company in Downstream Operation

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors of your Company, I am delighted to present the 28th Annual Report of your "Navratna" Company along with Audited Financial Statements for the Financial Year 2011-12.

FINANCIAL HIGHLIGHTS

Your Company has recorded sustained growth in all key financial parameters during the year 2011-12 and the important financial highlights are as under:-

	(₹ in crore)	
Particulars	2011-12	2010-11
Income from operations (Net of ED)	40,281	32,459
Other Income	549	519
Cost of Sales (excluding Interest and Depreciation and including extraordinary items)	34,583	27,005
Gross Margin	6,247	5,973
Interest	116	83
Depreciation	791	650
Profit Before Tax	5,340	5,240
Provision for Tax	1,686	1,679
Profit after Tax	3,654	3,561
Appropriations		
Interim Dividend	381	254
Proposed Final Dividend	723	698
Corporate Dividend Tax	179	155
Net Transfer to / (From) Bond Redemption Reserve	(24)	8
Transfer to General Reserve	365	356
Net surplus after Appropriations	2,030	2,090

DIVIDEND

Your Company has a consistent track-record of dividend payment. So far, your Company has disbursed dividend of ₹ 9,403 crore to the shareholders.

The Board of Directors of your Company had earlier approved the payment of an interim dividend @ 30% on equity share of ₹ 10 each (₹ 3/- per equity share) amounting to ₹ 381 crore which was paid in the month of January, 2012. Further, the Board has recommended the payment of final dividend @ 57% on equity share of ₹ 10 each (₹ 5.70/- per equity share) for the year 2011-12.

With this, the total dividend payment for the fiscal 2011-12 will be at 87% on equity share of ₹ 10 each (₹ 8.70/- per equity share) amounting to ₹ 1,104 crore on its paid-up equity capital of ₹ 1,268.48 crore. The total dividend payout including tax accounts for 35% of profit after tax.

CONTRIBUTION TO EXCHEQUER

Your Company has contributed over ₹ 5,560 crores to the exchequer by way of duties, taxes, etc as compared to ₹ 4,440 crores in 2010-11.

CREDIT RATING

Your Company has been reaffirmed the highest domestic credit rating of 'AAA' from ICRA, CARE and CRISIL which indicate the highest credit quality and rated instruments carry the lowest credit risk. The international rating agency, Moody's International, Hong Kong, has also reaffirmed the Corporate issuer rating of 'Baa2', which is one notch higher than sovereign rating and revised the local currency issuer rating to 'Baa2' from 'A3' to your Company in line with the publication of Moody's Rating Implementation Guidelines titled "How Sovereign Credit Quality May Affect Other Ratings". Further, Fitch Ratings has also assigned a long term Foreign Currency Issuer default rating of 'BBB-' with negative outlook which is equal to sovereign rating.

BUSINESS STRATEGY

Natural gas industry is poised to grow in future, which calls for an effective strategy to reap maximum out of such potential. To pave the way for future, your Company has developed strategy for the period 2011-2020 and the same has been approved by the Board of Directors. Your Company aspires to become an integrated hydrocarbon major with significant upstream, midstream and downstream interests by 2020. To realize this ambition, your Company has identified several key growth areas and initiatives, in all segments of hydrocarbon value chain.

In the Upstream segment, your Company plans for Merger & Acquisition (M&A) to acquire equity stakes in gas producing assets/ liquefaction facilities to source equity linked LNG at favorable terms for Indian market. In addition, conventional long-term LNG sourcing will continue to remain the focus area for your Company, particularly in wake of constrained domestic supplies. In order to support increased LNG imports, your Company plans to set up new LNG terminal(s) and tie-up additional re-gasification capacities in existing and upcoming LNG terminals.

Moving on to the Midstream segment, which has been the core area of your Company, several gas pipelines are being laid to maintain leadership in gas transmission. While ongoing pipeline projects such as Dhabol-Bengaluru, Kochi-Mangalore/ Bengaluru pipeline, etc. which are at different phases of execution, new projects like Jagdishpur-Haldia pipeline and Surat-Pradip pipeline will further add to the strength of your Company's core business of transmission. Your Company plans to give additional focus on strong market development efforts and strengthen marketing capability to remain the leading marketer of gas. Further, considering growing demand of natural gas and India's energy security, your Company will continue to actively participate in transnational pipeline projects like TAPI. Your Company has also started international trading desk at Singapore and plans to establish it fully in the coming years. The trading desk shall explore multiple trading plays in LNG and petrochemicals in India and abroad to accelerate marketing revenues.



Moving further on towards the natural gas retail segment, large Indian cities will be the focus for city gas business expansion. Your Company is strengthening its retail presence by setting up new city gas projects in Kota, Dewas, Meerut and Sonapat through its wholly-owned subsidiary, GAIL Gas Limited, which is also participating in PNGRB's upcoming bidding rounds for other city gas projects. GAIL Gas is targeting additional 40-50 cities/Geographical Areas (GAs) in the coming few years.

In the Downstream segment, your Company aims to be amongst the top two petrochemicals marketers in the country and for this, your Company plans to set up new capacities and further increase marketing volumes through trading. Your Company is currently doubling existing capacity at Pata besides setting up two green field crackers, one in Assam through its subsidiary, Brahmaputra Cracker and Polymer Limited (BCPL) and another at Dahej through its Joint Venture Company, ONGC Petro-additions Limited (OPaL). By the year 2014-15, your Company will have 1.7 MMTPA marketing volumes of polymers. For handling such a large product portfolio, your Company plans to strengthen its petrochemical trading capability as well as scale up its distribution network.

Your Company plans to give significant thrust on Diversification in areas like gas based power and renewable energy. Gas based power projects at various locations are being explored and various business models are under consideration for setting up such projects. On renewable energy front, your Company plans to set up 500 MW wind power capacity in the next 3-4 years. Further, your Company is targeting to set up over 300 MW of solar based power generation capacity in a phased manner.

The above initiatives call for strengthening of human capital in tune with the Vision and Goals set-out. Therefore, your Company plans to grow capabilities in priority areas – global sourcing and acquisitions, market development and trading, joint venture/subsidiary management, capital productivity, E&P/shale, power generation, risk management, regulatory management, international operations and so on.

BUSINESS SEGMENT ANALYSIS

SEGMENTAL REVIEW

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

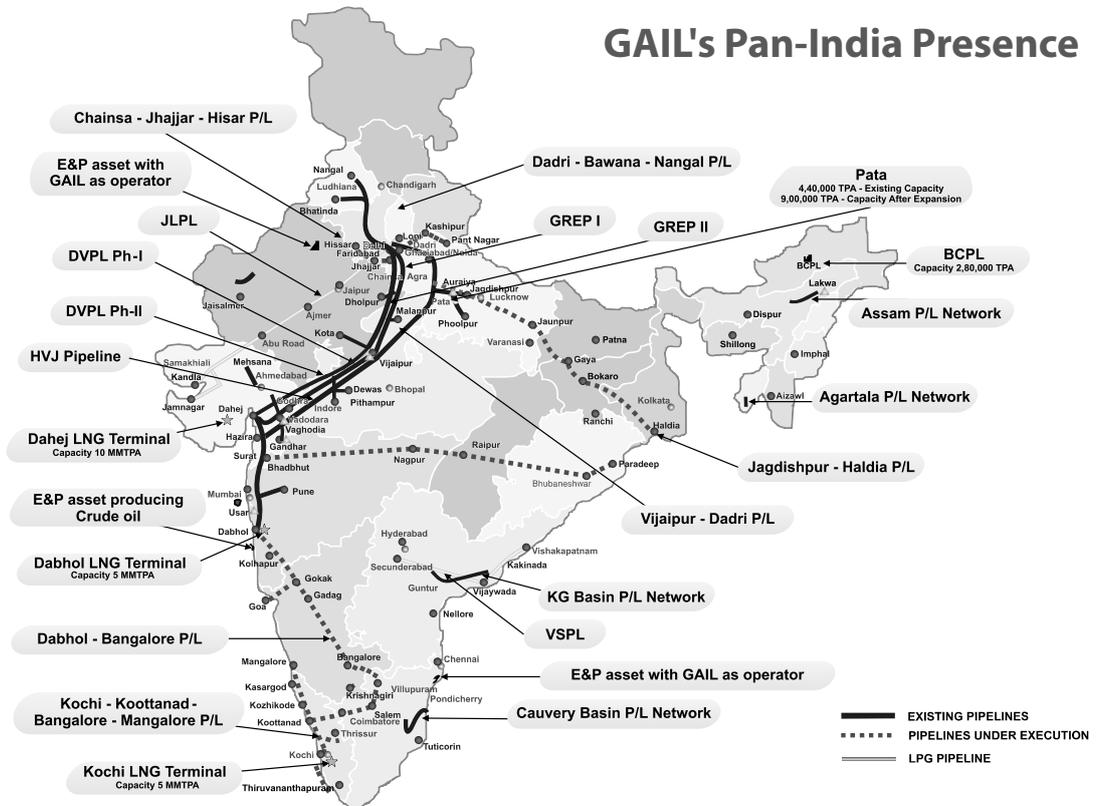
• **Natural Gas Marketing**

Natural gas continues to constitute the core business of your Company. During the year 2011-12, Gas sales clocked 84.17 MMSCMD compared to 83.23 MMSCMD in the previous financial year. Major supplies of natural gas include fuel to power plants, feedstock for gas based fertilizer plants and LPG extraction. Your Company holds around 50% market share in gas marketing in India.

• **Natural Gas Transmission**

Your Company owns and operates a network of about 9,500 km of natural gas high pressure trunk pipeline with a capacity of approx. 172 MMSCMD of natural gas across the country. Gas transmission during the year was 117.62 MMSCMD compared to 117.91 MMSCMD in the previous financial year. Your Company's share of gas transmission business is around 74% in the country.

GAIL's Pan-India Presence



• LPG Transmission

Your Company is the only Company in India which owns and operates exclusive pipelines for LPG transmission for third party usage. Your Company owns and operates two LPG Pipeline transmission systems with a total length of 2,038 km. Out of this, 1,415 km of pipeline network transports LPG from Western to Northern part of India (Jamnagar-Loni Pipeline) and the balance 623 km of pipeline network transports LPG in the Southern part of the country (Vizag-Secunderabad Pipeline). The LPG transmission system has a capacity to transport upto 3.8 MMTPA of LPG. In the year 2011-12, the LPG transmission throughput achieved was about 3.36 million MT.

• Petrochemicals

During FY 2011-12, your Company has produced 441 TMT of polymers and sold 448 TMT of polymers.

• LPG & Other Liquid Hydrocarbon Production

Your Company has 7 LPG plants in the country. In the year 2011-12, total Liquid Hydrocarbon production was about 1.44 million MT which mainly included 1.124 million MT of LPG, 0.146 million MT of Propane and 0.146 million MT of SBP solvent and Naphtha.

• Exploration and Production (E&P)

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

	India	Overseas	Total
Onshore Blocks	9	-	9
Shallow Water Blocks	7	-	7
Deep Water Blocks	13	2	15
Total	29	2	31

Hydrocarbon discoveries are in place in 7 E&P blocks (5 domestic blocks and 2 overseas blocks).

Crude oil production is in progress from one of the onland blocks in Cambay basin and during the year 2011-12, revenue of ₹ 81.19 Crore was generated.

Development activities are in progress in the blocks A-1 and A-3, Myanmar offshore and production of gas is expected to start from 2013.

Declaration of commerciality has been approved in the Mahanadi Offshore block (MN-OSN-2000/2). In other blocks with hydrocarbon discovery (Cambay Onland-Ankleshwar, Cauvery Offshore and Tripura Onland), appraisal activities are under progress.

During the year, one CBM block (TR-CBM-2005/III - Tatapani Ramkola, Chattisgarh) was relinquished as the gas content within the coal seams was found to be non-commercial.

Your Company has operatorship in 3 domestic E&P blocks. During the year 2011-12, 3 exploratory wells were drilled in Rajasthan onland block (RJ-ONN-2004/1) where your Company is the Operator. Seismic data acquisition is in progress in Cauvery onland block (CY-ONN-2005/1), which is the second block where your Company is the Operator. One Cambay onland block (CB-ONN-2010/11) has been awarded, where your Company is the Operator, during NELP-IX bidding round.

BUSINESS DEVELOPMENT

• Overseas Business Initiatives

Your Company is actively pursuing overseas business opportunities in the natural gas sector with an objective to contribute to the energy security of the country. The rationale for going overseas is to secure opportunities for from overseas tie-ups in newer areas such as shale gas in addition to establish foothold in resource rich countries and to strengthen and complement your Company's core business.

Your Company is scouting for upstream acquisition opportunities overseas in order to supplement gas sourcing initiatives on spot and long term basis. Upstream assets acquisition would provide sourcing opportunities besides additional revenue stream and potential upsides through new discoveries. The geographies under focus are North America, Africa, South-East Asia and Australia.

Overseas Presence	
Egypt	Singapore
→ Equity stake in two gas retail companies	→ 100% subsidiary, GAIL Global (Singapore) Pte Ltd. (GG SPL) opened office in Singapore for trading LNG, petrochemicals etc.
→ GAIL Representative Office in Cairo	
China	USA
→ Strategic partner in China Gas	→ Equity in Eagle Ford Shale Acreage through wholly-owned Subsidiary- GAIL Global (USA) Inc.
→ 50:50 JV with China Gas	
Myanmar	
→ Partner in A1, A3 E&P Blocks	
→ Participation in Myanmar China Pipeline through South-East Asia Gas Pipeline Company Limited	

Your Company has established a wholly-owned subsidiary, GAIL Global (USA) Inc. in USA during 2011. This subsidiary acquired 20% stake in Eagle Ford Shale acreage of Carrizo Oil & Gas Inc., which has significant liquid content and is currently one of the attractive unconventional resource plays in North America. The subsidiary is operational with placement of manpower from your Company. Going forward this subsidiary would explore other business opportunities in North America.

Further, your Company has signed a 20-year Sales and Purchase Agreement (SPA) with Sabine Pass Liquefaction LLC, a unit of Cheniere Energy Partners, for supply of 3.5 million tonnes/year of LNG. Your Company is the first Asian company to execute the deal indexed to Henry Hub gas price instead of the crude oil indices. Supplies are expected to commence from 2016-17.

During FY 2011-12, your Company's wholly-owned subsidiary, GAIL Global (Singapore) Pte. Ltd. (GG SPL) opened its office in Singapore with an objective to undertake trading activities in LNG and petrochemical commodities.



Under the aegis of Government of India, your Company is actively pursuing import of gas through the proposed trans-national pipeline originating in Turkmenistan and passing through Afghanistan and Pakistan to India (TAPI pipeline). Your Company has executed the Gas Sales Purchase Agreement (GSPA) with Turkmengaz for 38 MMSCMD for 30 year supply in May, 2012 at Ashgabat. Consequently, other agreements and arrangements are likely to be concluded soon. Your Company is playing lead role in the discussions on the project.

During FY 2011-12, your Company divested its entire stake in Shell CNG Egypt (SCNGE) as it did not meet the strategic objectives.

- **Domestic Business Initiatives**

The domestic business initiatives of your Company are as follows:

- **Natural Gas Pipeline Projects**

During the financial year, your Company completed commissioning of various pipeline networks and auxiliary systems having a length of about 1,337 km which include the following:

1. Commissioning of Compressors at Jhabua & Vijaiapur
2. Dahej-Vijaiapur Pipeline
3. Karanpur-Moradabad-Kashipur Pipeline and Connectivity to Siti Energy & Sarvanthi Energy
4. Agra - Ferozabad Expansion
5. Connectivity to Meerut

Further, Bawana – Nangal Pipeline was charged with gas and the pipeline network Dahej – Vijaiapur – Dadri- Bawana – Nangal / Bhatinda was dedicated to the nation by Hon'ble Prime Minister of India during inaugural ceremony of Asia Gas Partnership Summit held on 23rd March, 2012.

Due to increase in gas availability and commissioning of trunk lines, last mile consumer connectivity has been provided to 32 number of consumers in FY 2011-12 for supplying approx 6.35 MMSCMD gas.

During 2011-12, your Company was awarded authorization by

PNGRB through a competitive bidding process to lay 1,500 km natural gas pipeline from Surat in Gujarat to Paradip in Orissa, connecting west to east coast.

- **Petrochemicals**

In order to have a robust presence in the Petrochemical sector, your Company is doubling the capacity of its existing Petrochemical manufacturing facilities at Pata to produce 9,00,000 TPA of polymers.

Your Company is setting up a green-field 2,80,000 TPA Petrochemical Complex at Lepetkata in District Dibrugarh, Assam, through its subsidiary, Brahmaputra Cracker and Polymer Limited (BCPL).

Further, your Company is also a co-promoter in ONGC Petro-additions Limited (OPaL) which is implementing a green field petrochemical complex of 1.4 MMTPA polymer capacity (dual feed cracker) in the Special Economic Zone (SEZ) at Dahej, Gujarat.

- **Power Sector**

Recognizing the potential reforms undertaken in the power sector and increased emphasis laid on capacity expansion in the power sector in the XIIth 5 year plan, your Company is exploring opportunities in gas based power plants.

- **LNG Regasification Terminals**

The increasing pace of demand for natural gas far outstrips its availability from indigenous sources. LNG imports will have to keep pace to meet the growing demand and bridge the gap in supply. Currently LNG import terminals are located on the Western coast of the country. Keeping in view the demand potential for natural gas applications in the Eastern belt of the country and for feeding proposed pipelines in the region, your Company is exploring setting-up of a LNG import facility along the East Coast of India.

- **Renewable Energy**

At the beginning of the year, your Company had an installed capacity of 4.5 MW wind energy at Sinoi, District Bhuj, Gujarat. The power generated was being wheeled for captive use by its installation in



GAIL team led by Shri B.C. Tripathi, CMD accompanied by Shri Prabhat Singh, Director (Marketing), Shri S L Raina, Director (HR), Shri S. Venkatraman, Director (BD) and Shri Arun Singhal, CVO (in New Delhi) and the team from Cheniere led by Shri Charif Souki, Chairman and CEO (in Houston) during the signing of SPA.

Samakhiali, Kandla and Gandhar in the state of Gujarat. During this year, it has set up another 14.7 MW wind energy projects in Gujarat for captive usage and 98.75 MW wind energy projects in the states of Tamil Nadu and Karnataka for commercial sale of power.

Further, in the year 2011-12, your Company entered into solar power generation by winning the bid to setup a 5 MW Solar plant in Rajasthan under Jawaharlal Nehru National Solar Mission (JNNSM).

IT ADVANCEMENTS

For better serving the customer requirements and to bring about operational efficiency, your Company has always been at the forefront of adopting newer IT solutions.

Your Company has taken several new IT initiatives to enhance productivity. SAP based Gas Management System (GMS), Governance, Risk & Compliance (GRC) and Reverse Auction modules have been implemented to enhance transparency, efficiency and customer satisfaction. Reverse Auction facilitates your Company to generate greater competition and reduce procurement cost.

Your Company has implemented an online bidding portal through which existing customers can bid for supply of Spot RLNG gas. The system dynamically captures the market spot prices against the bids and has also reduced the overall cycle time of selling the spot gas. Further, your Company has implemented Tender Monitoring System to enhance & bring better transparency in the procurement process.

Your Company has also consolidated its 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 better manageability of the IT infrastructure.

Your Company has implemented electronic Document Management System and is rolling out the same all across company. All the important information and records of your Company shall be digitized.

IT Security is a major thrust area of IT strategy and planning in the organization. Post SAP upgrade, an external expert agency is auditing entire IT

systems and processes to strengthen Information Security, identify the risk areas and mitigate them with latest Industry standard security solutions.

The Business Information Systems department of your Company is certified with ISO 9001:2008 standard.

SUBSIDIARIES & JOINT VENTURES

Your Company has formed Subsidiaries and Joint Venture companies for Power Generation, Gas Trading, Shale Gas, LNG, City Gas Distribution and Petrochemicals. Your Company is one of the pioneers to introduce City Gas Projects in India for natural gas supplies to households, commercial and transport sector through its subsidiaries and joint venture companies.

The details of Subsidiary and Joint Venture Companies are mentioned hereunder:

NATURAL GAS, LNG & POWER

➤ GAIL Global (Singapore) Pte Limited (Wholly owned Subsidiary)



GAIL Global (Singapore) Pte Ltd. is an overseas investment arm of the Company. Your Company is looking for LNG trading and Petrochemical trading through this wholly owned subsidiary company in Singapore.

Total revenue of the Company for FY 2011-12 was USD 2,290,763 and Profit After Tax was USD 2,033,075.

➤ GAIL Global (USA) Inc (Wholly owned Subsidiary)

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

Total revenue of the Company for the year ended 31st December, 2011 was USD 2.36 Mn and Profit After Tax was USD 0.26 Mn.

➤ 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.

➤ 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 a capacity of 5 MMTPA and is scheduled for commissioning in fourth quarter of 2012. PLL has entered into long term LNG supply contract with Exxon Mobil for the supply of 1.5 MMTPA of LNG for the Kochi terminal, PLL. Your Company has 12.5% equity stake in PLL along with BPCL, ONGC and IOCL as equal partners.

Total revenue of the Company for FY 2011-12 was ₹ 22,780.74 Cr. and Profit After Tax was ₹ 1057.54 Cr.

➤ Ratnagiri Gas and Power Private Limited (RGPPL)



The capacity of the Ratnagiri Gas & Power Station is 1,967.08 MW which is the largest gas based power generation facility in the country and during the year 2011-12, the Company produced 11619 MUs (Gross) of power. RGPPL is in the process of commissioning LNG Terminal of 5 MMTPA capacity. Your Company has 31.52% stake in the Company along with NTPC as equal partner. RGPPL is a joint venture company between your Company, NTPC and other shareholders are MSEDCL Holding Co. Ltd. and Indian Financial Institutions.

Total revenue of the Company for FY 2011-12 was ₹ 5223.83 Cr and Profit After Tax was ₹ 1089.24 Cr.



CITY GAS DISTRIBUTION

➤ GAIL Gas Limited (Wholly owned subsidiary)



GAIL Gas was incorporated with an objective of focused implementation of City Gas Distribution (CGD) projects in the Country. GAIL Gas has already laid 215.15 Km steel pipeline and 370.05 Km MDPE pipeline in these cities. GAIL Gas is operating 1 CNG station each at Dewas, Kota, Meerut and Sonapat. It has also established CNG stations at Panvel, Vijaipur and three stations at Vadodara. It is supplying natural gas to 67 industrial units in Kota, Dewas, Sonapat and Meerut. It has also commenced gas supplies to 1,891 domestic customers progressively. To encourage the conversion of vehicles on CNG and make CNG refueling available at highways, GAIL Gas has commissioned 2 CNG stations and 3 stations are scheduled to be commissioned in 2012-13. Effective from 16.11.2011, your Company transferred the entire distribution network and business in the Agra-Firozabad area to GAIL Gas Ltd. Accordingly, GAIL Gas is now handling 347 customers in the region for daily sales amounting to more than 1.3 MMSCMD.

Total revenue of the Company for FY 2011-12 was ₹ 289.01 Cr. and Profit After Tax was ₹ 8.34 Cr.

➤ Aavantika Gas Limited (AGL)



AGL was incorporated with an objective of implementation of City Gas Distribution (CGD) projects in the state of Madhya Pradesh. As on date, AGL is present in three cities viz. Indore, Ujjain and Gwalior. AGL now operates 11 CNG stations - 7 daughter stations (5 at Indore and 2 at Ujjain), 3 online stations (2 at Indore and 1 at Gwalior) and 1 mother station at Indore.

AGL also started supplying PNG to Domestic customers from December 2011. With this, AGL is now present in all the 4 business segments viz. CNG for Transportation sector and PNG for industrial, Commercial and Domestic sectors. Your Company has 22.5% stake in the Company along with HPCL as equal partner.

Total revenue of the Company for FY 2011-12 was ₹ 50.47 Cr and loss was ₹ 0.19 Cr.

➤ Bhagyanagar Gas Limited (BGL)



BGL was incorporated with an objective of implementation of City Gas Distribution (CGD) projects in the state of Andhra Pradesh. BGL is currently operating 13 CNG stations in Hyderabad, 8 in Vijayawada, 2 at Kakinada and 1 at Rajahmundry. Further, Project work in respect of three CGD Projects, namely Hyderabad, Vijayawada and Kakinada are in progress. During FY 2011-12, it completed 2,872 PNG registrations in Hyderabad, 150 registrations in Vijayawada and 1,014 registrations in Kakinada. Your Company has 22.5% stake in the Company along with HPCL as equal partner.

Total revenue of the Company for FY 2011-12 was ₹ 42.02 Cr and loss was ₹ 0.88 Cr.

➤ Central U.P. Gas Limited (CUGL)



CUGL was incorporated with an objective of implementation of City Gas Distribution (CGD) projects in the state of Uttar Pradesh. CUGL is presently operating one Mother CNG station each at Kanpur & Bareilly and 10 more online stations in Kanpur. Presently, CUGL is supplying CNG to 20,000 CNG vehicles in Kanpur and 5,000 CNG vehicles in Bareilly. As on date, CUGL is supplying PNG to 24 industrial, 26 commercial and 8 customers using PNG for power generation through gas generator. Presently, CUGL is supplying 0.175 MMSCMD of gas in form of CNG and PNG in both the cities. Your company has 25% stake in the Company along with BPCL as equal partner.

Total revenue of the Company for FY 2011-12 was ₹ 115.02 Cr. and Profit After Tax was ₹ 21.11 Cr.

➤ Green Gas Limited (GGL)



GGL was incorporated with an objective of implementation of City Gas Distribution (CGD) projects in the state of U.P. GGL is currently operating 7 CNG stations in Lucknow and 4 CNG stations in Agra. GGL is supplying CNG to almost 18,000

vehicles. GGL has also commenced the domestic gas supply in both Lucknow and Agra city and industrial gas supply in Lucknow. MoPNG has authorized GGL for CGD in Lucknow & Agra. Your Company has 22.5% stake in the Company along with IOCL as equal partner.

Total revenue of the Company for FY 2011-12 was ₹ 101.48 Cr. and Profit After Tax was ₹ 23.17 Cr

➤ Indraprastha Gas Limited (IGL)



IGL was incorporated with an objective of implementation of City Gas Distribution (CGD) projects in Delhi and adjoining cities of Noida, Greater Noida, Ghaziabad, Gurgaon and Faridabad. IGL is supplying piped gas to over 3.32 lac domestic consumers, 223 industrial and 639 commercial consumers in Delhi, Noida, Greater Noida and Ghaziabad. A total of 308 CNG stations have been set up by IGL in the region out of which 245 CNG stations are currently in operation. IGL is catering to CNG requirements of over 5 lac vehicles operating in the region which also includes the entire public transport of national capital and also world's largest bus fleet on CNG. Your Company has 22.5% stake in the Company along with BPCL as equal partner.

Total revenue of the Company for FY 2011-12 was ₹ 2,525.34 Cr. and Profit After Tax was ₹ 306.43 Cr.

➤ Mahanagar Gas Limited (MGL)



MGL was incorporated with an objective of implementation of City Gas Distribution (CGD) projects in the city of Mumbai and adjoining areas. MGL has presently set up 151 CNG stations catering to about 2.4 lac vehicles spread over Mumbai, Thane, Mira-Bhayander and Navi-Mumbai area besides supplying PNG to about 5.6 lac domestic customers and about 1,540 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 Mira-Bhayander and

expansion areas of Kalyan, Dombivali, Ambarnath, Badlapur, Ulhasnagar, Bhiwandi, Taloja, Kharghar and Panvel. Your Company has 49.75% stake in the Company along with British Gas as equal partner.

Total revenue of the Company for FY 2011-12 was ₹1,328 Cr. and Profit After Tax was ₹308.58Cr.

➤ **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. At the close of the FY 2011-12, MNGL is supplying CNG to more than 27,000 vehicles which is comprising of 21,000 autos, 370 buses, 4,800 private cars and 950 taxis which are plying in Pune and Pimpri – Chinchwad. CNG is being sold through 17 CNG stations spread across the city. MNGL is also supplying PNG (Piped Natural Gas) to around 2,400 domestic, 20 industrial and 5 commercial customers. Your Company has 22.5% stake in the Company along with BPCL as equal partner. Government of Maharashtra (provisional), IDFC (PE), IL&FS and Axis Bank are other Equity partners in MNGL.

Total revenue of the Company for FY 2011-12 was ₹ 76.89 Cr. and Profit After Tax was ₹12.23 Cr.

Tripura Natural Gas Company Limited (TNGCL)



TNGCL was incorporated with an objective of implementation of City Gas Distribution (CGD) projects in Agartala. Presently, there are about 10,000 Domestic,

205 Commercial and 8 Industrial Consumers and 2 CNG Stations (one Mother Station & one Daughter Booster Station). Your Company has 29% stake in the Company.

Total revenue of the Company for FY 2011-12 was ₹ 24.90 Cr. and Profit After Tax was ₹ 3.50 Cr.

PETROCHEMICALS

➤ **Brahmaputra Cracker and Polymer Limited (BCPL) (Subsidiary)**



BCPL is setting up a 2,80,000 TPA polymer plant and project execution is in progress. Your Company has 70% equity share in BCPL with OIL, NRL and Government of Assam each having 10% equity share. The total revised project cost as approved by CCEA in November 2011 is ₹ 8,920 Crores. Gas Supply agreements with Oil India Limited and ONGC and the term sheet agreement for Naphtha with NRL is in place, thereby making the feedstock secured for the plant. Entire land for the project has been acquired by BCPL. Civil and structural works for all the process units is at the final stage of completion. Mechanical & Piping works is going on full swing. The mechanical completion of the project is scheduled on July 2013 and commissioning on December 2013.

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 (ONGC) and Gujarat State Petroleum Corporation Limited (GSPC) are the other promoters of the company.

HEALTH, SAFETY & ENVIRONMENT

Your Company is a responsible Corporate Citizen and Health, Safety & Environment (HSE) excellence has been extensively promoted as a corporate culture within the organization. The safety and health of employees and external stakeholders are embedded in the core organizational values of the Company.

Corporate Health, Safety & Environment (HSE) Policy

Your Company is committed to promote globally comparable levels of Health, Safety, Environment Management System in the areas of its business of exploration and production of Hydrocarbons,

transmission and distribution of Natural Gas, production of Petrochemicals and LHCs, transmission of LPG, and generation of Power etc. with a focus on improving harmony with environment through Sustainable Development.

Safety Performance

Your Company has always strived to maintain highest standards of safety and this is reflected in the HSE index which evaluates the safety performance of the organization on various elements of Health, Safety and Environment covering all business activities.

Year	HSE Index	
	MoU Target (%)	Achieved (%)
2010-11	97.5	98.92
2011-12	98.0	99.05

Safety Training

Your Company has always endeavored to keep its employees fully aware of the HSE aspects and to meet this objective, regular training to employees, contract workers, etc. is provided through internal as well as external resources.

Your Company organized a two day HSE workshop for all business heads, fire & safety heads and HR representatives from sites. Theme of this year's workshop was "Occupational Health" in view of the ever rising risks to health while on the job and to create awareness amongst the employees regarding methods & measures to mitigate these risks.

Safety Audits

To ensure compliance to statutory rules and regulations, implementation of safe work practices, and continual improvement in Safety Management System, your Company installations are being regularly audited through External Safety Auditors and experienced in-house auditors. During the year 2011-12, 27 External Safety Audits and 07 audits by experienced in-house auditors were undertaken.

Occupational Health

Your Company has a Corporate Occupational Health Committee supported by 06 local level Occupational Health Committees which meet every quarter for continuous monitoring and improvement of the occupational health of the



employees. During the year 2011-12, all employees at the work centers were medically examined.

SUSTAINABILITY-CONTRIBUTION TO TRIPLE BOTTOMLINE

Creating value beyond business forms the ethos of work at your Company. Besides wealth and value creation in financial and economic terms, your Company has always strived for providing value beyond business by taking care of the environment and society.

Your Company has taken steps to improve the governance structure of Sustainability. The Board of Directors has formed a Sustainable Development Sub-Committee to formulate, monitor and approve the sustainable development plans and implementation. In addition to this, a senior level steering committee has been formed for planning and monitoring the project implementation.

Your Company is progressively creating a portfolio of renewable businesses (solar, wind, etc.) in order to grow the share of cleaner energy in the overall energy mix. Besides, your Company is taking up several other initiatives to promote sustainable development such as Global Methane Initiative, Green House Gas Accounting Report to Measure, Manage & Mitigate GHG emissions, construction of future buildings as green buildings, and so on.

Your Company is taking measures for improving efficiency of operational processes to make them more environment friendly. This not only ensures enhanced energy efficiency but also has a positive impact on climate change and stimulates innovation across operations to enable better and sustainable performance.

Bombay Stock Exchange has recently launched the first environment friendly equity index named GREENEX. Your Company is the only company from Oil and Gas Sector to be listed in BSE-GREENEX. This is a major milestone in its sustainability journey.

Your Company has also come up with its first Sustainability Report with the theme - "Value Beyond Business". The report is 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 highlights your Company's business philosophy to grow in a way which is sustainable for the economy, the stakeholders, the community and the environment. Your Company has tried to address key issues which are of imperative concern for its business and stakeholders.

Your Company looks upon this effort as an essential aspect for enhancing its corporate governance structure and transparency, a way to analyze and improve its business processes and operations and an efficient communicative tool with its stakeholders.

The complete details about the sustainability performance of your Company are available in the Sustainability Report available at website of your Company under the section on "Sustainable Development".

CONTRIBUTING TO SOCIAL PROGRESS

Corporate Social Responsibility (CSR) is an integral part of your Company's ethos and culture. Your Company has a dedicated team, operating within the framework of a well-structured CSR Policy which mandates contribution of 2 % of your Company's Profit after Tax to CSR activities.

Following the 'Project Based Approach' as put forth by the DPE and as detailed in your Company's CSR policy, your Company has implemented CSR Programmes primarily in and around the rural areas adjoining major GAIL work centres/installations. These programmes are taken up under the seven thrust areas identified by your Company - Education /Literacy Enhancement, Skill Development/ Empowerment, Community Development, Drinking Water/Sanitation, Environment Protection/ Horticulture, Infrastructure and Healthcare/ Medical facility. Major initiatives undertaken by your Company under these thrust areas are detailed in Management Discussion & Analysis.

VALUING HUMAN RESOURCES

Your Company takes pride in its highly efficient and engaged workforce which falls in Best Employer/ High Performance Range according to the survey undertaken by M/s Aon Hewitt Pvt Ltd on Employee Engagement. A highly committed and motivated young work force at your Company, have also been the reason behind

continuous rise in value added per employee during the last 5 years. Value added per employee gives an account of efforts of company's employees to make the best and most productive use of the resources available to them.

• Training

To fulfill the objective of Capability Development of organization's human resource, your Company has been offering various training programs related to the gas value chain for professional development of executives working in the Oil & Gas sector from its training centers "GAIL Training Institute" (GTI) at Noida and Jaipur. To achieve your Company's vision, GTI is designing programs to sharpen knowledge, improve skills, align attitude and promote efficient use of latest technology.

During the year, GTI organized 177 training programs through which it imparted 14,079 mandays training to your Company's employees. Apart from in-house training programs, the employees are also nominated for attending external training programmes on contemporary subjects. This year, GTI had launched "e-Gyan Prawah" an e-Learning initiative for senior executives through Harvard Management Mentor covering 44 e-learning modules to support the key developmental areas. Further, customized Executive Development programs are also being organized through IIM Calcutta & Bangalore.

With an aim to create a learning environment and total quality culture in terms of people, products, services, work life, safety, energy and environment several "Business quizzes" were organized in English as well as in Hindi language. In order to motivate women employees in the organization, GTI has been taking forward the unique initiative of conferring annually "GAIL Women Employees Award".

Mentoring has been introduced for Executive Trainees (ETs) joining the organization to facilitate structured learning of Company's culture. In addition, GTI has also organized programs on creating awareness on sustainable development across all work centers. Several other initiatives such as O&M seminar, Case study workshop, HSE summit, etc. were organized during the year with an

objective of knowledge dissemination & experience sharing.

GTI conducted courses in the field of City Gas/CNG, Natural Gas/LPG Pipeline Operation & Maintenance, Petrochemical, O&M, and Fire & Safety for the participants from external organizations like IOCL, BPCL, RGPPL, BCPL, IGL, MNGL, Adani Gas Ltd, Siti energy, Sabarmati Gas, UP Fire Service Departments, OPaL, Honda Scooters & Motorcycles, etc. As an Authorized Training Provider to American Society of Mechanical Engineers (ASME), GTI is regularly conducting specific ASME certified courses.

With consistent efforts of team members and valued contribution of faculty, GTI achieved a training efficacy score of 91.76% during the year 2011-12.

• **Leadership Development Program**

Your Company realizes that it is critical to continually strive to develop and enhance the capability and competence of its existing talent pool. With the objective of development of its senior level executives and preparing them for future leadership positions, Senior Management Development Centre (SMDC) exercise has been undertaken as part of the Leadership Development Program. SMDC has been conducted for senior executives at Chief Manager and above grades. 471 such senior executives have been covered through this exercise.

Taking the next step forward in the direction of Leadership Development, a detailed Individual Development Plan (IDP) has been drawn up for

all the participants of SMDC exercise which consists of customized training programmes, e-learning courses and suggested readings with emphasis on the development areas as identified.

• **Vigilance**

The main thrust of vigilance activities in your Company is on predictive and preventive actions rather than punitive vigilance. In accordance with this objective, several contract & procurement, operation & maintenance related system improvement measures were undertaken during FY 2011-12. Intensive inspections of various works were taken up and corrective measures suggested. Further, initiatives like Tender Monitoring System, e-QPR system, on-line written examination in e-recruitment module, etc were undertaken in furtherance of company's objective to ensure transparency in systems & procedures.

Further, under the aegis of the Central Vigilance Commission, your Company organized a day long Interactive Seminar for Independent External Monitors (IEMs). The seminar was organized to provide a platform for sharing and updating technical knowledge on procurement matters considering the vital role of IEMs in administration of the Integrity Pact adopted by your Company.

A Vigilance Awareness Week was organised during the year. On this occasion, CVC launched an On- line Tender Monitoring System (TMS) and also released an in-house

magazine titled "JAGROOK".

During the Vigilance Awareness Week, your Company organized Customer and Vendor Interactive meet. In order to spread awareness and to sensitize employees against the harmful effects of corruption, various competitions were also organized across your Company during the said period.

• **Representation of SCs, STs, OBCs, Minorities and Women Employees**

Your Company is complying with Presidential Directives on reservations for employment of Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs), physically challenged categories, etc.

Details regarding total number of employees and the representation of Scheduled Castes, Scheduled Tribes, and Other Backward Classes in your Company as on 31.03.2012 have been provided in the table below:

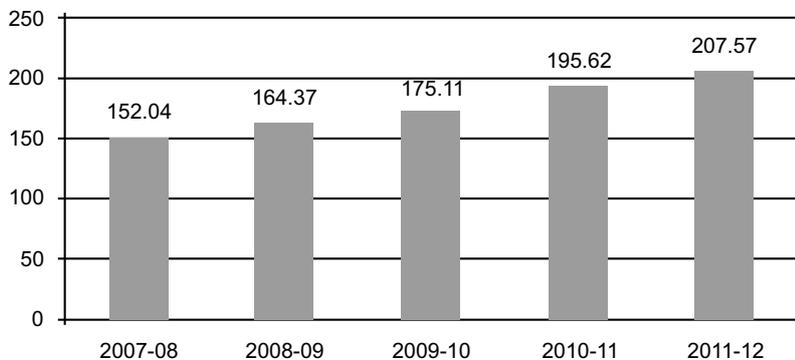
GROUP	EMPLOYEES ON ROLL	SC	ST	OBC
A	2784	437	164	453
B	530	114	69	68
C	565	93	23	172
D	58	17	5	14
TOTAL	3937	661	261	707

131 new employees joined your Company during the year 2011-12. Total manpower of the Company as on 31.03.2012 stood at 3,937 with 16.8 % of its employees belonging to SC category, 6.6% to ST category, 17.9% to OBC category, 7.22% to Minorities and 2.2% to Physically Challenged categories. Your Company's workforce comprised 222 women employees as on 31.03.2012. Efforts are continuing for filling up the back log of vacancies reserved for SCs, STs and OBCs.

• **Official Language**

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

VALUE ADDED PER EMPLOYEE (In Lacs.)





made in achieving the targets fixed in the Annual Programme.

In an endeavor to familiarize the new entrants in the company with Official Language Act and various rules, training to Executive Trainees is being imparted during their orientation programme. To inculcate the knowledge of Official Language among the newly promoted employees from S7 to E1 and E2 grades, a two days training programme has been designed and implemented at corporate level besides other regular workshops at all the work centers.

With a view to create greater awareness and consciousness amongst employees, Hindi Fortnight was celebrated from 14th to 28th September, 2011 across your Company. During the fortnight, a Business Quiz competition was conducted at company level through video conferencing besides other interesting competitions, cultural activities, seminars on Hindi activities, etc. The employees participated with great enthusiasm.

Bilingual software is provided to all offices of your Company for using on their computing device. To impart working knowledge of Hindi as well as to train employees in bilingual Software, a comprehensive programme was designed and implemented during the year. Further, the OICs/HR heads of work centers and other senior officers were imparted training for preparing e-mail communication in Hindi.

In order to cultivate the habit of reading Hindi, a book titled "Ati prabhavshali logon ki saat adaten" was distributed among all employees. Quarterly Hindi magazines are published from work centres and distributed amongst employees in order to create interest among employees and their family members towards reading and creative writing in Hindi.

RESEARCH AND DEVELOPMENT

Your Company has been pursuing a unique collaboration with Municipal Corporation of Delhi for extraction of Land Fill Gas (LFG) at Ghazipur landfill site for conversion to CNG after purification. A Project Management Consultant (PMC) has been retained to take up project implementation activities. 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 up the possibility of replicating its success all over the country. This project has been appreciated by the Platts Global Energy Awards Committee for the commitment towards harnessing all sources of energy.

Another project that your Company has been pursuing is on conversion of waste plastics into fuel. The bench-scale tests have given encouraging results and it is planned to conduct the pilot-scale studies in the next phase. R&D efforts are also being undertaken to develop new polymer grades to better suit the customer requirements.

Increasing the acceptability and usage of natural gas as vehicle fuel serves the twin task of reducing environmental pollution as well as expanding your Company's business. Your Company has started a collaborative project with CMERI Durgapur and IIT Kharagpur to develop composite cylinders for storage of CNG. These light-weight cylinders shall help increase the fuel efficiency of the vehicles and would also be more acceptable to the consumers. Continuing with its pragmatic approach, your Company has also started working with IIT Madras to develop nano-composite materials for storage of Hydrogen gas which is touted as the fuel of the future.

Further, your Company is actively exploring potential 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 in the country.

With a view to give a boost to R&D spending in the country, the Department of Public Enterprises (DPE) has mandated all profitable PSUs to spend at least 1% of their Profit After Tax (PAT) on R&D from 2012-13 onwards. Realizing the importance of R&D to improve the technological capabilities and the requirement of meeting the DPE's mandate, your Company has taken proactive strategic steps in this direction.

Your Company has constituted a Research Advisory Committee (RAC) comprising of experts from Industry and Research Institutes with domain knowledge in areas relevant to its business to guide our future R&D endeavors. Your Company has also decided to take a quantum

jump in its R&D projects and has solicited research proposals from various research and engineering institutes of national repute which shall be pursued in the near future.

TOTAL QUALITY MANAGEMENT

Your Company is always vying for continual and sustainable improvement in the process, systems and functional areas. Customer satisfaction is on the top agenda of your Company and is being continuously monitored through regular interactions. TQM department has taken following strides towards improvement:

- The Customer satisfaction index achieved during 2011-12 by your Company is 89%;
- Your Company is targeting application for Deming award (An international recognition for overall improvements in the processes). Actions have been initiated and roadmap drawn;
- One hundred number of Quality Circle projects have been undertaken in all process & system areas in your Company, which lead towards continual improvements as well as tangible gains.

AWARDS & ACCREDITATIONS

Your Company has consistently been ranked "Excellent" by the Department of Public Enterprise (DPE), Government of India, ever since the introduction of the Memorandum of Understanding (MoU) based performance review system by the DPE. Your Company has been recognized for its performance in various areas, some of them are mentioned below:

• Corporate Awards

- 11th ICSI National Award for Excellence in Corporate Governance, 2011
- Corporate Governance Award 2012 by Indian Chamber of Commerce
- Commendation Certificate from SCOPE for Corporate Governance in 2010-11
- Platts Global Energy Award, 2011 for 'World's No. 1 Company in Downstream Operations'
- GAIL's Jamnagar - Loni and Vizag secunderabad LPG pipeline unit won the first & second National Award for Excellence in Cost Management 2011 respectively under the category of Public Sector Service Unit.



Shri S. Venkatraman, Director (BD) receives ICC Corporate Governance Award 2012 from Shri Kamal Nath, Hon'ble Union Minister for Urban Development

- MoU Excellence Award for Best Performing CPSE in the Petroleum Sector consecutively for second year for the year 2009-10.
- **HSE Awards**
- International Safety Award from British Safety Council, United Kingdom for Gas Processing Unit and Natural Gas Compressor Station, Vaghodia; Gas Processing Unit, Gandhar; Jamnagar –Loni LPG Pipeline; Regional Natural Gas Pipeline Network, National Capital Region, Delhi and Agra.
- Shrestha Suraksha Puraskar for Gas Processing Unit and Suraksha Puraskar for Natural Gas Compressor Station, Vijapur from National Safety Council, Mumbai.
- Certificate of Appreciation from Gujarat Safety Council, Vadodara for GAIL, Gandhar, Vadodara and Vaghodia.
- Golden Peacock Occupational Health & Safety Award- 2011 for GAIL, Khera from Institute of Directors, New Delhi.
- Safety Innovation Award from Institution of Engineers, New Delhi for Gas Processing Unit & Natural Gas Compressor Station at Vijaipur and Vaghodia; Gas Processing Unit, Lakwa; Natural Gas Compressor Station, Khera; Regional Natural Gas Pipeline Network, Mumbai; LPG Booster Station, Abu road and Mansarampura.
- GAIL, Usar bagged the Confederation of Indian Industry (CII) - Shohrab Godrej Green Business Centre (GBC) Environmental Best Practices Awards for 2012 under "Most Innovative

Project of the Year" Category.

• **Others**

- Your Company scrip was included by Bombay Stock Exchange in BSE-Sensex on the basis of average free float market capitalization for 3 months.
- GTI has received the prestigious Golden Peacock Quality Award for Training System and 'GreenTech Gold HR award for outstanding achievement in Training Excellence' for the year 2011.

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. APIOs/ PIOs/ CPIO at units/ offices across the country have been nominated to provide information to citizens under the provisions of RTI Act. 1st legal Appellate Authority have also been nominated for considering appeals of Information seeker against the orders of APIOs/ PIOs/ CPIOs.

MANAGEMENT DISCUSSION AND ANALYSIS

The detailed Management Discussion and Analysis forms 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 & DPE guidelines on Corporate Governance, a report on Corporate

Governance forms part of this Report at **Annexure-B.**

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

Secretarial Compliance Report confirming compliance by Practising Company Secretary to the applicable provisions of Companies Act 1956, Listing Agreement, Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 forms part of this Report at **Annexure-D.**

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION

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

PARTICULARS OF PERSONNEL 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-F.**

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 ₹ 8.85 crore. Expenditure in foreign currency was ₹ 2,451.42 crore.

During the year under review, your Company has incurred an expenditure of ₹ 5.27 crore on foreign tours and training, ₹ 0.17 crore on entertainment and ₹ 24.21 crore on advertising & publicity.

DIRECTORS

Dr Neeraj Mittal was appointed as Part-time (Govt. Nominee) Director w.e.f. 28.02.2012 and Smt Shyamala Gopinath, Shri R.P. Singh, Dr. A.K. Khandelwal and Shri Vivek Mehrotra were appointed as Non-official Part-time



Shri B.C. Tripathi, CMD, GAIL receiving ICSI National Award for Excellence in Corporate Governance from Shri ESL Narasimhan, Hon'ble Governor, AP in the presence of Dr. M Veerappa Moily, Hon'ble Union Minister for Corporate Affairs

(Independent) Directors w.e.f.29.02.2012.

Prof A.Q. Contractor, Non-official Part-time (Independent) Director and Shri Apurva Chandra, Part-time (Govt. Nominee) Director ceased to be Director(s) w.e.f. 03.08.2011 and 08.08.2011 respectively. Further, Shri Vivek Mehrotra, Non-official Part-time (Independent) Director ceased to be Director w.e.f. 14.05.2012.

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

CODE OF CONDUCT

Pursuant to the requirements of clause 49 of Listing Agreement, the Board Members and Senior Management Personnel, have affirmed compliance with the Code of Conduct for the financial year ending 31st March, 2012.

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

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

- i) in the preparation of the annual accounts for the financial year ending 31st March, 2012, 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 ending 31st March, 2012 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 2011-12.

The review of Annual Accounts of your Company for the financial year ending 31st March, 2012 by CAG forms part of this report. Notes on accounts referred in the Auditors' Report are self-explanatory and therefore, do not call for any further comments.

• Cost Auditors

Your Company has appointed M/s Rohit & Associates, Vadodra, M/s R. Nanabhoy & Co., Mumbai, M/s Chandra Wadhwa & Co., New Delhi, M/s M Goyal & Co., Jaipur, M/s Dhanajay V. Joshi & Associates, Pune, M/s DGM & Associates, Guwahati, M/s Mani & Co., Kolkata, and M/s. K.L. Jaisingh & Co., Noida as Cost Auditors for financial year 2011-12 for the purpose of cost audit of various LPG/CNG unit/Telecom unit on 10th June, 2011.

The due date for filing Cost Audit Reports for the financial year ended 31st March, 2011 was 27th September, 2011 and the same were filed to Registrar of Companies on 24th September, 2011.

ACKNOWLEDGMENT

Your Directors express their gratitude for continued co-operation and support provided by Government of India, in particular the Ministry of Petroleum and Natural Gas, 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 help.

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

On behalf of your Directors, I would like to place on record our deep and sincere appreciation for the hard work, dedication and unstinted efforts of your Company's employees to ensure that your Company achieves greater milestones and scales the newer pinnacle of success.

For and on behalf of the Board

B.C. Tripathi
Chairman & Managing Director

Place: New Delhi
Date: July 19, 2012

MANAGEMENT DISCUSSION & ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

INDIAN ECONOMY & OUTLOOK

Indian economy has witnessed impact of the turbulent global economic environment, particularly headwinds faced in the Eurozone and a sovereign crisis being faced by Portugal, Italy, Ireland, Greece, and Spain (PIIGS) countries. Worries are abound of Chinese economy slow down as well as swings of the US economy growth. Indian economy is projected to grow in FY 2012-13 below the 8.5% GDP growth witnessed in XIth five year plan. Decline in the investment cycle coupled with a stubbornly high inflation, the first half of the current fiscal may as well show signs of stagflation. With the cooling of global oil prices, easing of the monetary policy and the interest rate cycle by the Central Bank and of course a projected 'normal monsoon' spell, the economy is expected to look up from the second half of the current fiscal. Notwithstanding the widening trade deficit as well as the high fiscal deficit, the global factors leading to the strengthening of the US Dollar against major currencies has been a major contributor to a depreciation of the Indian currency as well.

With a slew of fiscal and monetary policy measures and initiatives by Government of India and RBI respectively, the trajectory of over 8 % GDP growth may be attainable in the medium term.

Indian Energy Sector

India is expected to be the 3rd largest energy consumer by 2025 after USA and China with favorable economic and social developments. Currently, India stands as the 4th largest energy consumer with over 4% of the world's total annual energy consumption.

Projected Primary Energy Consumption in 2025

Rank	Country	Energy Consumption (Mtoe)	Percentage of World Consumption
1	China	4055	24%
2	U.S	2722	16%
3	India	980	6%
4	Russia	814	5%
5	Japan	597	4%

Total World Consumption: 16922 Mtoe

Source: India Energy Book 2012, World Energy Council

India's per capita energy consumption is significantly lower at 500 Kgoe compared to the current world average hovering in the range of 1,800 Kgoe. At a GDP growth rate over 8% by 2031-32, it is expected that India's per capita energy consumption to be over 1,100 Kgoe.

The share of natural gas in India's energy mix is around 11% against a world average of around 24%. Given the growth plans in the power, fertilizer and the Industrial segments, there exists huge potential for increased consumption of natural gas in India. India's consumption of natural gas has grown faster than

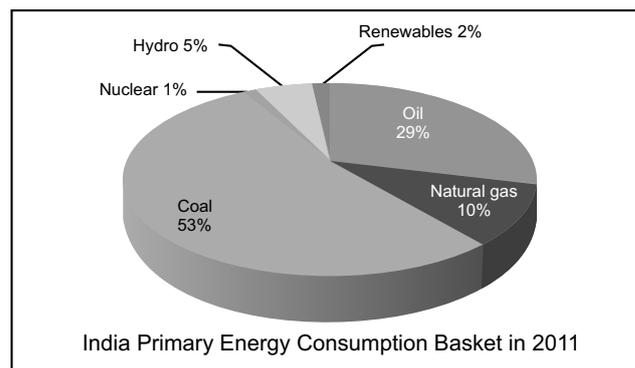
any other fossil fuel in recent years. Natural gas consumption in the country has witnessed an impressive CAGR of about 11.5% in the last few years. Power, Fertilizer, LPG, Steel and Petrochemicals have been the key consumption drivers of natural gas.

Natural Gas Demand-Supply Outlook

The demand for natural gas is largely met through domestic production with imports contributing around 30% of the total gas 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 the end of XIIIth five year plan (2022) offering several opportunities for the development of the gas industry in India. In this scenario, India will have to augment its domestic production as well as create sufficient infrastructure for LNG imports during this period.

The share of natural gas in Indian energy basket stands at 10% for the year 2011 as shown in the figure.



Source: BP Statistical Review of World Energy 2012

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 of India has adopted a multi-pronged strategy to enhance availability of natural gas in the country, consisting inter-alia the following:

- i. Intensifying domestic E&P activities through NELP.
- ii. Developing underground coal gasification.
- iii. Target unconventional sources like Shale gas, Gas Hydrates, CBM, etc.



Investors & Analysts Meet, Mumbai

Also, to negate the impact of high prices of imported LNG, Government is considering various options across the value chain. Some of them are downstream policy initiative for the Fertilizer sector, reforms in power sector, Pooling of gas etc. All such reforms and policy initiatives are aimed at increasing the availability of natural gas in the Indian energy basket.

The year also saw developments on cross-border pipeline based natural gas imports such as the Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline project. Agreements with respect to Transit fee and Transportation tariff are also likely to be concluded soon. Your Company is playing a lead role in the discussions on the project.

OPPORTUNITIES, THREATS, RISKS, CONCERNS AND MITIGATION

Transmission of Natural Gas

Your Company is the market leader in the transmission of natural gas with about 9,500 Km of pipeline network and has a market share of 74% in natural gas volume.

Your Company embarked on a pipeline network augmentation for laying another 7,500 Km of pipelines at an investment of about ₹30,000 crore, out of which around 2,500 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 will lead to higher growth.

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, India has approximately 1,241 BCM of natural gas reserves as of 01.04.2011, 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 may 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 has got the mandate from MoP&NG for sale & transportation of additional 7.23 MMSCMD of gas from new fields of ONGC's nominated blocks.

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 Company. Your Company is also playing a key role in developing a 5 MMTPA LNG terminal through its Joint Venture Company, RGPPL at Dabhol, Maharashtra and is going to commission it shortly.

Your Company has signed a 20-year Sales and Purchase Agreement (SPA) with Sabine Pass Liquefaction LLC, a unit of Cheniere Energy Partners, for the supply of 3.5 million tonnes/year of LNG. Supplies are expected to commence from 2016-17.

Your Company has also entered into short and medium term agreements to buy LNG from international suppliers. Your Company is receiving gas under the medium term deal with Marubeni Corporation to source 0.5 MMTPA gas for 3 years. Further, your Company has also imported about 1 MMTPA of LNG in FY 2011-12 from various international sellers on spot basis including sourcing of one spot RLNG cargo of around 80 MMSCM from Petronet LNG Limited (PLL).

Further, your Company is also in discussion 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 has also signed a Gas Sales Purchase Agreement with Turkmengaz for supply of 38 MMSCMD of natural gas through trans-national pipeline from Turkmenistan.

Inter-State Gas Grid

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

1. Dabhol – Bengaluru Pipeline
2. Kochi-Mangalore/ Bengaluru Pipeline
3. Jagdishpur-Haldia Pipeline

The Dabhol- Bengaluru and Kochi – Kootanad-Bengaluru/ Mangalore pipelines would increase your Company's presence in newer market areas in southern states of Karnataka, Tamil Nadu and Kerala. The quantum of gas marketed and transported would increase with the commissioning of these projects.

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 K G Basin & Cauvery Basin. All these pipelines are at various stages of execution.

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. With this, the pipeline projects are concurrently being executed in 16 States, 2 Union Territories spanning across 90 Districts.

In the FY 2011-12, PNGRB has authorized the company to build a bi-directional cross-country natural gas pipeline of about 1,500 kms from Surat (Gujarat) to Paradip (Orissa). This pipeline passes through the states of Orissa, Chhattisgarh, Maharashtra and Gujarat. The pre-project activities of this pipeline are being undertaken.

E&P

Your Company has been constantly building its E&P portfolio with an objective to strengthen upstream linkages to the core natural gas transmission business. Currently, your Company has participating interest in 31 Oil and Gas E&P blocks including 4 blocks awarded under NELP-IX bidding round.

As unconventional resources are expected to play an important role in the near future, your Company intends to develop technological know-how for participation in the upcoming domestic shale gas bidding rounds as and when they are announced. With this objective, your Company has acquired its first shale gas asset in USA through its wholly owned subsidiary, GAIL Global (USA) Inc. This subsidiary has 20% interest in Eagle Ford Shale acreage of Carrizo Oil & Gas Inc, a Houston, USA based NASDAQ listed Energy Company actively engaged in exploration, development and production of oil & gas. Your Company is further scouting for other such opportunities.

Your Company has been continuously strengthening its capabilities in 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

Petrochemical business is emerging as an important element in your Company's overall growth. Recognizing this aspect, the company is trying to strengthen its position in the domestic petrochemical market through equity participation in various petrochemical projects, capacity expansion and diversification of its petrochemical product slate.

The petrochemical capacity addition exercise currently undertaken by your Company in form of Pata expansion and greenfield capacity addition through Brahmputra Cracker and Polymer Limited (BCPL) and ONGC Petro-additions Limited (OPaL) is expected to increase your Company's market share in domestic petrochemical business in the coming years.

Renewables

With technological advances, government incentives and environmental imperatives driving rapid growth in renewable energy, your Company is taking keen interest in the renewables particularly in wind and solar energy. In the area of wind energy from being a captive producer, your Company has graduated to commercial producer after commissioning 98.75 MW of wind energy projects in the states of Tamil Nadu and Karnataka. Your Company's total wind energy capacity stands at 117.95 MW. Further, your Company intends to expand its wind energy portfolio in the coming years.

In the area of solar energy, your Company is currently implementing 5 MW of Solar PV project in Rajasthan awarded under Jawaharlal Nehru National Solar Mission (JNNSM). Further, possibilities of setting up a hybrid power project with natural gas are also being explored.

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.

Prices of Natural Gas & other products

Price of Natural Gas produced from nominated fields of Oil and Natural Gas Corporation Limited (ONGC) and Oil India Limited (together called as National Oil Companies/NOC) is governed by orders from Ministry of Petroleum and Natural Gas (MoP&NG) from time to time. As per the extant order, prevailing APM gas prices (gas sold to Power, Fertilisers, Small Customers with allocation up to 50,000 SCMD and those directed by Supreme Court Order) are US\$ 2.52/MMBTU for consumers in North-East and US\$ 4.2/MMBTU for consumers in other regions. Non-APM price of natural gas produced from nominated fields by NOC's (for all other customers) is US\$ 5.25/MMBTU for Western & Northern Zone (covering Maharashtra, Gujarat and other States covered by HVJ/DVPL), US\$ 4.5/MMBTU for K. G. Basin, US\$ 4.75/MMBTU for Cauvery Basin, US\$ 4.2/MMBTU for North East Region and US\$ 5/MMBTU for Rajasthan, South Gujarat and isolated customers in Gujarat.

Further as per extant MoP&NG order, your Company is allowed to levy a marketing margin of ₹ 200/MSCM on the gas sold at APM/Non-APM prices. At present, the total volume of APM & Non-APM gas from NOC is around 50 MMSCMD. This shall help your Company to recover costs associated with the marketing of APM gas also.

Presently, price of gas supplied from Ravva Satellite in Offshore K. G. Basin is US\$ 4.30/MMBTU, from HOEC's field in Offshore Cauvery Basin is US\$ 3.75/MMBTU, from Focus Energy's Onshore field in Rajasthan is US\$ 4.11/MMBTU, from Panna-Mukta in Offshore Cambay Basin is US\$ 5.73/MMBTU and from Tapti in Offshore Cambay Basin is US\$ 5.57/MMBTU. RLNG is sold at external price as declared by PLL on monthly basis. Further, Term RLNG is also being supplied on cost plus basis based on term contracts from the supplier.

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

Pipeline Tariff

In terms of the Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008, your Company has already submitted financial costs and data of its various natural gas pipelines viz. KG Basin Network, Cauvery Basin 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, DUPL-DPPL pipeline system, Mumbai Regional Network and Agartala Regional Pipeline have already been issued by PNGRB and are implemented by your Company w.e.f. 20.11.2008. Further, in respect of DVPL-GREP Upgradation system also, the initial provisional tariff orders have been issued by PNGRB and the same has been implemented w.e.f. 01.04.2010. The final computations in respect of the initial unit natural gas pipeline tariff for the HVJ-GREP-DVPL and its Up-gradation system, has been 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.

Based on the Natural Gas Transmission revenue details for the year 2011-12, approximately 85% of Natural Gas Transmission revenue comes from the regulated tariff.

Further, in terms of the Petroleum and Natural Gas Regulatory Board (Determination of Petroleum and Petroleum Products Pipeline Transportation Tariff) Regulations, 2010 your Company has submitted the tariff for Jamnagar – Loni LPG Pipeline (JLPL) and Vizag – Secunderabad LPG Pipeline (VSPL). Further, PNGRB has issued tariff order for VSPL determining the applicable LPG transportation tariff for VSPL and the same is applicable w.e.f. 27.12.2010.

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 (OMCs) are governed 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-recovery of the National OMCs, since the year 2003-04, aggregating to an amount of ₹13,833 crore. During the year under review, your Company has provided ₹ 3,183 crore on account of sharing under-recovery of OMCs.

Risk Management Framework

Your Company has established an Integrated Risk Management Framework (Policy & Procedures) to protect & add value to the Organization & its stakeholders with the objective to:

- Ensure sustainable business growth.
- Establish ownership throughout the Organization & embed Risk Management as an integral part of the business.
- Ensure that all the current & expected risk responses of the Organization are identified, qualitatively & quantitatively evaluated & appropriately managed.
- Ensure compliance with relevant legal & regulatory requirement.
- Assure demonstrable achievement of objectives & improvement of financial stability of the Organization.

The risks are evaluated, quantified & prioritized and mitigation plans are reviewed & monitored at various stages. The Corporate Level Risk Steering Committee has been established to oversee the implementation of the Risk Management Policy & Procedures. The policy & procedures are periodically reviewed & monitored by Functional Directors, Audit Committee & Board.

For the year 2012-13, Key Corporate Level Risks have been identified & mitigation plans to control these risks are put in place. The key risks are related to product sourcing, demand sensitivity, regulatory, E&P, Forex, Project execution etc.

Foreign Exchange Risk Management

Your Company is also exposed to the foreign markets by way of imports of capital goods for various new projects, import for operation & maintenance, loans for meeting the capex requirement and investments abroad. This has increased your Company's exposure to the foreign exchange variation and interest rate risk. To manage the forex exposure your Company's Board has recently approved the revised Forex policy in line with the changing market dynamics.

Revised Forex Policy came into implementation w.e.f. 02.01.2012. The main objectives of the policy are:

- To identify the forex variation risks and interest rate risk.
- To decide the process of management of these risks through a variety of risk management tools.
- To establish processes to monitor and control the risks as per the process.
- Determine an appropriate level of risk tolerance.
- To create an efficient process for reporting the key parameters measuring the risks and performance of the Risk Management Operations.

To establish a procedure for computing, recording and reporting foreign currency exposure.

OPERATIONAL PERFORMANCE

	2011-12	2010-11
Natural Gas Throughput (MMSCMD)	117.62	117.91
Natural Gas Trading	84.17	83.23
Liquid Hydrocarbon Sales (TMT)	1441	1373
Polymers Sales (TMT)	448	420
LPG Transported (TMT)	3362	3337

- Natural Gas Throughput has decreased due to significant decrease in the RIL throughput. Although, largely the negative impact has been set off with the increase in RLNG and Spot volumes traded during the year.
- The Liquid Hydrocarbon sales increased by 5% from 1,373 TMT to 1,441 TMT during FY 2011-12. Similarly, Petrochemical sales showed a growth of 7% during the period

FINANCIAL PERFORMANCE

- Sales (net of ED) increased by 24% from ₹ 32,549 crore during FY 2010-11 to ₹ 40,281 crore in FY 2011-12. Profit after Tax has increased by 3% from ₹ 3,561 crore during FY 2010-11 to ₹ 3,654 crore in FY 2011-12
- The revenue from Natural Gas Trading has registered a growth of 29% and this is primarily due to sale of Spot LNG cargoes and the full year affect of the upward revision of gas price for APM customer from USD 1.8/MMBTU to USD 4.2/MMBTU w.e.f. June 2010 and



applicability of Marketing Margin @ ₹ 200/ MSCM on sale of APM Gas w.e.f. June 2010.

- During FY 2011-12, tariff revisions on Natural Gas pipeline networks of KG Basin, South Gujarat, Chainsa - Jhajjar Pipeline and Mumbai had a negative impact to the tune of ₹ 255 crore during FY 2011-12.
- In terms of the decision of the Government of India to share the under recoveries on account of LPG sales by OMCs, the Company has provided discount of ₹ 3,183 crores for FY 2011-12 (Previous year: ₹ 2,111 Crores) on the sale of Domestic LPG.
- The revenue from LPG transmission has a negative impact of ₹ 21 crores for FY 2011-12 due to downward revision of PNGRB tariff w.e.f 20.12.2010
- Dividend Income earned during FY 2011-12 was ₹ 252 crore against ₹ 301 crore during FY 2010-11 from ONGC and other JVs.
- Survey Expenses and write off of Dry well Expenditure in Exploration & Production (E&P) were ₹ 277 crores for the FY 2011-12 (Previous year: ₹ 136 Crores). Further, E&P Segment generated revenue of ₹ 81 crores during FY 2011-12 on account of rising crude oil prices (Previous year: ₹ 41 Crores)
- With increase in Borrowings during the year for financing the Capex, interest expense increased to ₹ 116 crore for FY 2011-12.
- During FY 2011-12, an amount of ₹ 2,397 crores towards Dahej - Vijapur Pipeline (DVPL – II), ₹ 592 crores towards Wind Power Projects and ₹ 473 crores towards new compressors at Jhabua was capitalized.

SEGMENT-WISE PERFORMANCE

Segment Wise Turnover (Net of ED)

S. No.	PARTICULARS	2011-12	2010-11
1	Transmission Services		
	a) Natural Gas	3,564	3,544
	b) LPG Transmission	454	475
2	Gas Trading	29,671	22,654
3	Petrochemicals	3,378	2,939
4	LPG & Other Liquid Hydrocarbons	3,090	2,786
5	Unallocated	124	61
	TOTAL SALES	40,281	32,459



Dr. Manmohan Singh, Hon'ble Prime Minister of India dedicating GAIL's 2200 Kms. Dahej - Vijapur - Dadri - Bawana- Nangal - Bhatinda Pipeline to the Nation during Asia Gas Partnership Summit -2012

SHAREHOLDERS' FUNDS

The reserves and surplus increased to ₹ 20,356 crore at the end of the current financial year as compared to ₹ 17,985 crore in the corresponding previous year. As on 31st March 2012, net worth of the Company stood at ₹ 21,449 crore, as compared to ₹ 19,054 crore as on 31st March, 2011.

RATIO ANALYSIS

Return to Net Worth (PAT/Net Worth) for the Company during the current financial year stood at 17.03%. Return on Capital Employed (ROCE) was 19% for FY 2011-12. Debt–Equity ratio is at a very comfortable position of 0.25:1 as on 31st March, 2012. Debt Service Coverage Ratio was at 7 times at the year end. EPS has gone up to ₹ 29 during the year 2011-12 from ₹ 28 per share for the period ended on 31st March 2012.

CASH FLOW

PARTICULARS	2011-12	2010-11
Cash Flow from Operating Activities	4,487.74	3,077.25
Cash Flow from Investing Activities	(7,141.56)	(4,729.49)
Cash Flow from Financing Activities	1,453.80	(387.92)
Net Increase in Cash & cash Equivalents	(1,200.02)	(2,040.16)

CAPEX & BORROWINGS

During FY 2011-12, the capital expenditure was ₹ 6,75,2.84 crores mainly towards pipeline projects such as Dabhol-Bengaluru pipeline, Kochi-Koottanad Pipeline, Bengaluru/Mangalore pipeline, Bawana-Nangal pipeline Project, Dahej-Vijapur Ph-II pipeline Project etc., E&P, equity investment in BCPL and Petrochemical Expansion. This Capex was funded with a mix of Internal generation and Borrowings during the year. During FY 2011-12, your Company has drawn a loan from OADB (₹ 675 Cr), HDFC (₹ 375 Cr) and ECB (USD 450 mn). As on 31st March 2012, the total long-term borrowings of your Company were ₹ 5346.85 Crore (including current maturities on long term loans of ₹ 457.50 crores).

SEGEMENTAL OUTLOOK

The entire value chain in the Natural Gas sector has a huge investment potential to the tune of approximately ₹ 2.7 lac crore and ₹ 2.4 lac crore in 12th and 13th Five Year Plan respectively. But this will only be possible with supportive policy initiatives. With the enabling policies in place, it is expected that Natural Gas will play a very important role in India's energy security and its share in our energy basket will grow beyond the 11% given the potential opportunity to support India's Green growth.

• Natural Gas Business

Major focus for your Company is to maintain its dominant position in the gas transmission segment, support existing customer

relationships and add more customers. Therefore, your Company is constantly expanding its transmission network to transport and supply natural gas to various sectoral customers in Power, Fertilizer, Refinery, Industries, CGD projects etc. The network augmentation comprises of adding trunk pipelines, spurlines and inter-connecting pipelines between trunklines to facilitate a grid. The pipelines being laid by your Company would help in achieving the objective of an Integrated National Gas Grid.

• Gas Sourcing

Considering the challenges being faced by the domestic sources to boost gas production, your Company is increasing focus on import of LNG as well as natural gas through transnational pipeline. Your Company has imported about 1 MTPA of LNG in this financial year from various international sellers on spot basis to supplement the shortfall in domestic production during the year. Further, your Company is also receiving gas under the medium term deal with Marubeni Corporation to source 0.5 MTPA gas for three years. Your Company also sourced around 80 MMSCM of Spot RLNG in 2011-12 from its Joint Venture Petronet LNG Limited (PLL). Further, agreements for procurement of spot LNG have been executed with 23 international sellers. In addition, discussions are on with various prospective suppliers for long term tie-up of LNG.

It is expected that production of gas from Krishna-Godavari basin D6 block of Reliance Industries Limited (RIL) may further fall in the FY 2012-13. The fall in production is a big challenge as it directly impacts your Company's transmission business. Considering the challenges being faced by the domestic sources to boost gas production, your Company is increasingly focused on import of gas. Your Company is playing lead role in the discussions on cross border Turkmenistan - Afganistan - Pakistan - India (TAPI) natural gas pipeline project and has recently executed the Gas sales and Purchase Agreement (GSPA).

INVESTOR RELATION MANAGEMENT

The motto of Investor Relation Management is to reach out maximum number of Investors from both Domestic & Global Markets and ensure dissemination of Financial and Non-financial

information about the company at regular intervals.

Your Company organized three Analyst Meets for the FY 2011-12, out of which one Analyst meet was held at Mumbai and was presided by CMD of your's Company. Other meets were done through conference calls from Corporate Office. Senior officials of your Company attended / participated in several other conferences & meetings organized by some of the renowned brokerage houses and equity research firms during the year for ensuring interaction with global and domestic investors. Further, your Company has intimated financial results; presentation made to research analysts, etc. to the stock exchanges and simultaneously hosted the same on website of the Company.

INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

Your Company has further strengthened Internal Control System in its various business processes, commensurate with its size & nature of business to help achieve company's objectives.

Your Company has an independent in-house Internal Audit Department functionally reporting to Audit Committee and is considered as global best practice. Internal Audit carries out risk based auditing as per the annual audit plan approved by Audit Committee. Further Internal Audit Department is ISO 9001 certified which ensures standardization of system & procedures.

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.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

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. Long Term Settlement (LTS) as entered into with Unions representing Company's workmen was implemented during FY 2011-12.

The key highlights in Human Resource and Industrial Relations were:

1. Introduction of Work Place Policy on HIV/AIDS Prevention and Control in GAIL
2. Notification of Whistle Blower Policy
3. Review and enhancement of employees entitlement for various benefits viz., Hospitalisation/ Conveyance Advance/ House Building Advance
4. Anomalies arising out of implementation of pay revision of workmen was amicably settled



Shri S L Raina, Director (HR) receives ICWA Award for JLPL from Dr. M.Veerappa Moily, Hon'ble Minister for Corporate Affairs



SUSTAINABLE DEVELOPMENT

In the Sustainable Development (SD) arena, your Company has taken a significant step by releasing its maiden Sustainability Report for FY 2010-11.

Moving further, your Company became a signatory to United Nations Global Compact (UNGC) in May 2011 to align our operations & strategies with the ten universally accepted principles of UNGC (w.r.t. human rights, labour standards, environment and anti-corruption).

Your Company has been proactive in taking up its sustainability issues and has shown its commitment through active involvement of the Board-level SD sub-committee headed by Independent Director for periodic monitoring of the sustainability initiatives and performance. This committee is supported by SD Steering Committee headed by Director (Business Development) to plan, oversee and implement on-ground sustainability projects and activities. Your company has framed Sustainable Development Policy to streamline the efforts towards sustainability in the years to come.

Under the gamut of Sustainability Development, your Company has identified various projects under sustainable development plan some of which forms part of Memorandum of understanding with MoPNG. These projects include GHG accounting, water management, energy efficiency, watershed management and Biodiversity management, Renewable energy, etc. Further, GAIL has won the bid for a 5 MW solar PV project in Rajasthan under the Jawaharlal Nehru National Solar mission Phase II. The project

to be implemented in 2012-13 at an estimated cost of around ₹ 62 crore, is another manifestation of your Company's commitment towards sustainable development.

Your Company believes that Sustainability in an organization can be ingrained and made a part of the work culture only through the most important stakeholder, i. e. employees. For this, proactive steps have been taken to train, create awareness and sensitize the employees to create a better understanding and appreciation of various aspects of sustainability. Your Company plans to enhance stakeholder engagement & strives to involve more employees to adopt sustainable business practices and promote sustainability across the organization

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

Your Company is committed to operational excellence in all its business activities with a focus on continuous efforts to improve environmental performance and sensitive to the needs of the environment in all its actions.

With ISO 9001 and ISO 14001 and OHSAS 18001 accreditations at most of the units, your Company is committed towards creating, maintaining and ensuring a safe and clean environment. Your polymer products are environment-friendly and fully recyclable. The manufacturing process and quality systems ensure that the product conforms to the technical specifications, backed by

competent services to provide complete confidence to the customers.

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

Your Company is an environmentally-conscious Company and has developed processes to ensure the conduct of business in a fair and transparent manner with minimal impact on natural resources. Your Company has taken significant measures to make operational processes leaner and cleaner. Various green initiatives have been taken from time to time which are testimony towards our endeavour of being an environmental responsible Company. Your Company has launched its first sustainability report during the year for FY 2010-11.

• Clean Technologies

In line with its commitment towards sustainable development, your Company has given topmost priority to environmental considerations throughout the various phases of the project such as Technology selection, process design and project execution.

In your Company, all the Gas Processing Units, Petrochemical Plant and Compressors are state-of-the-art and are from world renowned process licensors. Some of the biggest names in the field of hydrocarbon industry and renowned for clean technologies are associated with your Company.

• Conservation of energy

Conventional sources of energy such as Petroleum and Natural Gas are available in limited quantities as per the present estimates and shall not last forever. There is a strong need to conserve fuel consumption for the cause of prolonging the availability of these non-renewable fuels. Various initiatives are taken for conservation of energy in the Company viz.

- 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.
- The concept of natural lighting is being



Hon'ble President of India Smt. Pratibha Devisingh Patil presenting the Scope Award for Corporate Governance to Shri B.C. Tripathi, CMD, GAIL

incorporated in new offices. Solar energy is being increasingly utilized for water-heating and street lighting.

- Wind energy power project with installed capacity of 117.75 MW has been commissioned and is utilized for captive consumption in Gujarat and commercial production in Tamil Nadu & Karnataka. It is planned to increase the installed capacity of wind energy projects.

• Training and awareness

In your Company, training is a comprehensive exercise. Specific training is imparted to individuals concerned in environmental activities. Specific training on wastewater treatment plant operations, Water Management and Air pollution control and Environmental Legislation is imparted to employees from time to time.

• Legal Compliance

Your Company follows and complies with the guidelines and stipulations issued by the concerned Indian Statutory Agencies and Regulatory Bodies with regards to environment.

• Greenbelt Development

Your Company had complied with the statutory requirements of development of forest at its various sites. 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 is always looking for avenues for reducing water footprint by deploying water conservation measures and using technological improvements to tap and utilize rainwater. Your Company is now recycling more than 50% on average during all seasons. 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.

• Rainwater Harvesting

"Rainwater Harvesting" is being undertaken at most of the work centers, to recharge the groundwater aquifer 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 and all the boiler and furnace stacks are also equipped with on-line analyzers for monitoring stack air quality on a continuous basis. The levels of pollutants are maintained below the stipulated norms.

• 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 causes no detrimental effect on the ground water and the environment.

CORPORATE SOCIAL RESPONSIBILITY

Your Company has set high standards for discharging Corporate Social Responsibility (CSR).

Flagship Programmes

The Flagship Programmes undertaken by your Company have its long term commitment to various social initiatives in the areas of Education / Literacy Enhancement, Skill Development/ Empowerment and Healthcare/Medical facilities. These programmes are intended to make a long term and sustainable impact on the lives of the children & youth of the disadvantaged segment of society.

Striving hard to realize the dreams of thousands of children, "Padho aur Badho" initiative of your Company, through the 200 Non-Formal Education Centers across the 143 slums of East Delhi, South Delhi, Noida and Ghaziabad provides Non-Formal Education to 6,000 children, mainly rag pickers and intends to mainstream all of them. So far, more than 3000 children have been mainstreamed into the formal schooling system. In order to ensure that the children mainstreamed through this programme do not fall back into the vicious circle of child labour, the mothers of the Padhoaur Badho children are being trained in sewing, zardosi work, etc to inculcate self-reliance and generate a fair income from the skill learned.

Your Company has been imparting specialized coaching for IIT/JEE entrance examination for underprivileged children at Kanpur, UP for the students of adjoining districts under the GAIL Utkarsh programme. For the year 2011-12, 100 students were identified for this programme through a meticulous selection process. The

success of the programme is evident from the fact that in the last two years itself, 84 students have been selected in the engineering institutions of great repute including IITs, NITs, ISRO etc.

After the successful pilot phase of GAIL & IL&FS Skill School in Guna, set up to provide Employment Linked Skill Development to under privileged youth in trades of retail and hospitality, your Company has partnered with IL&FS Clusters to set up two more GAIL & IL&FS Multi Skill Schools in the tribal regions of Dediapada (Distt. Narmada, Gujarat) and Tandur (Distt. Ranga Reddy, Andhra Pradesh). So far, more than 1,100 youth were trained and provided placement assistance in the sectors of retail, trade, hospitality, BPO Service, Facility Management etc. The integrated 'Backward and Forward' linkages pertaining to training and employment provided through these schools make them unique and inimitable in its approach towards creation of sustainable livelihood.

Consolidating the erstwhile segmented efforts in the area of Health Care/Medical, your Company collaborated with Wockhardt foundation for providing medical outreach service at 4 major workcentres of GAIL viz. Pata, Vijaiapur, Jhabua & Khera. The Pilot project has already extended healthcare support to over 1.6 lac people across various villages surrounding its work centres, apart from generating awareness and sensitizing people towards a healthy living.

Other CSR initiatives

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

The GAIL C&E Trust set up in the year 2009 to extend financial assistance to school children by providing scholarships to children of 25 schools across its work centres, selected on need-cum-merit basis. The Trust has also extended scholarship to the successful candidates of its Utkarsh programme for supporting their education in the IITs post selection through the IIT-JEE exam.

Programmes under Identified Thrust Areas

In addition to the flagship programmes as above, your Company has also undertaken several programmes at the grass root level during the course of the year, under the identified Thrust areas, as captured below:

• Literacy Enhancement/Education

The E-shiksha mobile unit, which has been successfully operating for the last 3-4 years



Shri R.D. Goyal, Director (Projects) receiving Dun & Bradstreet Rolta Corporate Award-2011 from Shri Kapil Sibbal, Hon'ble Minister of HRD & Minister of Communication & Information Technology

has been providing computer literacy, thereby, enhancing employability for nearly 1,500 youths of district Guna, M.P. Your Company is also helping government schools to develop infrastructure in the form of construction of class rooms, laboratories, libraries, smart classes, hostels, toilets and drinking water facilities for the Govt. schools of rural India. Your Company has also contributed for renovation and refurbishing and construction of new laboratories of Kasturba Balika Vidyalaya, New Delhi which has a historic importance, being set up by Late Smt. Kasturba Gandhi way back in the 1930's.

• Community Development

Your Company firmly believes in development of the community as a whole since it promotes a feeling of oneness amongst the community members thereby strengthening community roots and values. With this in view, your Company has extended its support for reconstruction & renovation of numerous public utilities.

For the sustainable development of the whole community, your Company has also supported integrated development programmes in villages through village adoption and employment generation. Anganwadis and Balwadis have been constructed to create infrastructure for Early Childhood Care and Education. Your Company is also providing vehicles for distribution of Mid-Day Meal for under-privileged children. Your Company has taken up Solar lighting drive and have been supporting alternate energy initiatives in the rural areas since nearly half a decade through installation of Solar Street Lights and illuminating 14 villages with Solar Lanterns in collaboration with TERI's Lighting a Billion Lives Initiative.

• Drinking Water/Sanitation

Water and its unavailability have come across as a chronic concern for the people around the various GAIL work centres. Apart from providing bore-wells, tube-wells, hand-pumps, overhead tanks as well as storage

facilities across various villages in different parts of the country where your Company has its presence to meet the water requirements of the local community, your Company is also promoting Rain Water Harvesting across various work centres to increase sustainability in terms of meeting the water needs.

Your Company has taken up a long-term project for the holistic development of the selected villages of Guna and Auraiya in the field of Sanitation (with sensitization being a significant aspect) in collaboration with Sulabh Sanitation Mission Foundation. Your Company has also constructed public toilets and sewerage drains to provide hygienic conditions of living to the villagers, at the same time educating them on the need for sanitation and hygiene.

• Environment Protection

Your Company's commitment towards the Environment forms an implicit part of its Vision statement and through its CSR initiatives; it has promoted this cause through specific environment-friendly programmes. Projects related to rain water harvesting, water recharging and ground water reuse system have been supported aptly by your Company. Lending its support towards green energy, your Company is in the process of building a Gas based Crematorium at Ghazipur and contributed towards installation of Biogas plants and associated distribution networks. 1,000 number of solar lights were installed in various villages adjoining major work centers of your Company during the year 2011-12.

Understanding the value of the biological environment, your Company has contributed towards provision of Mobile Veterinary Services to address Wildlife emergencies in the States of Assam and Arunachal Pradesh.

• Health care/Medical Care

Your Company has organized numerous outreach medical/ Health camps in rural areas for TB, cancer patients, thalassemia screening, eye screening & cataract operation and provided mobile medical physiotherapy units for poor & differently abled villagers. Your Company realizes the significance of expert advice as required in certain specific cases. In order to provide for the same, your Company has also upgraded the Telemedicine Centre in

a Government Hospital in UP, wherein the patients and the doctors can seek expert advice from the most reputed hospitals and medical experts of the country. Your Company has also made a provision of ambulances, sound proof rooms, audio centres, diagnostic equipment, Computerized ECG equipment, bio-chemistry analyzer to various hospitals.

• **Infrastructure**

Creation of Infrastructure is one of the oldest areas of intervention for your Company around its work centres. Your Company has contributed to improving the connectivity between various villages and also to the towns and cities by means of construction of village roads, community centres, approach roads, culverts, community toilets & other facilities in identified villages for sustainable development of the villages. Majority of the infrastructure works are carried out in the field of Education and Health with an objective of creating long term sustainable impact.

• **Skill Development/Empowerment**

Education can be the means to an end. The end, however, is employment so that an

individual can sustain self and family without being dependent on anyone for any kind of economic help and assistance. Your Company has attempted to address the issues of un-employability through skill development and vocational training programmes undertaken at several locations. Livelihood opportunities are being afforded to the people from under privileged and tribal regions in the form of specialized vocational training with employment linkages in the form of training in Dari designing, blanket weaving, plumbing, house wiring, bee keeping, mushroom production etc., for effective empowerment and self-reliance. The fact that all these trainings renders them effective and much sought after amongst the beneficiaries as they are linked to employability.

Empowerment of differently abled and physically challenged persons has also been promoted through several ways such as providing necessary medical aids, equipment and infrastructural support. Your Company in collaboration with implementing partners which impart Training (Sewing & tailoring training) & Special education (procurement of computer based visual speech training

equipment & Audio Visual Projector) for the neglected disabled children and backward people. Your Company with the aim of providing self-sufficiency in the lives of the differently abled people has distributed specialized motor vehicles for making them self-reliant.

CAUTIONARY STATEMENT

Statements in the Directors' Report and Management Discussion & Analysis, describing the Company's objectives, projections and estimates, expectations, predictions etc. maybe "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.



REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate governance refers to the set of systems, principles and processes by which a company is governed. Your Company has set for itself an objective of expanding its capacities and becoming globally competitive in its business. As a part of its growth strategy, your Company believes in adopting the 'best practices' that are followed in the area of Corporate Governance across various geographies.

Your Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations and in all interactions with its stakeholders, including shareholders, employees, the government, lenders and the society.

In commitment to practice sound governance principles, your Company is guided by the following core principles:

- Proactive flow of information to the members of the Board and its Board Committees to enable effective discharge of fiduciary duties.
- To comply with all the applicable laws, rules and regulations.
- Ethical business conduct by the Board, Management and employees.
- Well developed systems and processes for internal controls on all operations, risk management and financial reporting.
- Strategic supervision by the Board of Directors of appropriate composition, size, varied experience and commitment to discharge their responsibilities.
- Timely and accurate disclosure of all material operational and financial information to the various stakeholders.

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.

2. BOARD OF DIRECTORS

The Board defines the Company's policy and oversees its implementation in attaining these goals. The Board of Directors is at the core of your Company's corporate governance practice and oversees how the management serves and protects the long term interests of all stakeholders.

• Composition

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 your Company stipulates that the number of Directors shall not be less than three and not more than twenty.

As on 31st March, 2012, there were 16 (Sixteen) Directors on the Board comprising of 6 (Six) Whole-time Directors including the Chairman & Managing Director, 2 (Two) Part-time Directors (Government Nominee) and 8 (Eight) 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 during the Tenure	Attendance at last Annual General Meeting	Directorships held in other Public Limited Companies	Committee Membership in Other Companies	Chairperson of Committees of Other Companies
I. Whole-time Directors					
Sh. B. C. Tripathi, Chairman and Managing Director	12	Yes	4	1	Nil
Sh. R. D. Goyal, Director (Projects)	12	Yes	Nil	1	Nil
Sh. S.L. Raina, Director (HR)	11	Yes	3	2	Nil
Sh. Prabhat Singh, Director (Marketing)	12	Yes	1	Nil	Nil
Sh. S. Venkatraman, Director (Business Development)	12	Yes	4	Nil	Nil
Sh. P.K. Jain, Director (Finance)	12	Yes	2	Nil	2
II. Part-time Directors (Government Nominee)					
Sh. Sudhir Bhargava	10	No	2	Nil	Nil
Sh. Apurva Chandra (upto 08.08.2011)	03	N.A.	Nil	Nil	Nil
Dr. Neeraj Mittal (w.e.f. 28.02.2012)	N.A.	N.A.	2	Nil	Nil
III. Part-time non-official (Independent) Directors					
Dr. U.K. Sen (upto 29.04.2011)	01	N.A.	1	Nil	1
Prof. A.Q. Contractor (upto 03.08.2011)	04	N.A.	Nil	Nil	Nil
Sh. Mahesh Shah	12	Yes	2	1	Nil
Sh. R. M. Sethi	11	Yes	Nil	Nil	Nil
Dr. Vinayshil Gautam	11	Yes	5	3	Nil
Sh. Arun Agarwal	11	Yes	3	1	2
Smt. Shyamala Gopinath (w.e.f. 29.02.2012)	N.A.	N.A.	2	Nil	1
Sh. R.P. Singh(w.e.f. 29.02.2012)	N.A.	N.A.	Nil	Nil	Nil
Dr. A.K. Khandelwal (w.e.f. 29.02.2012)	N.A.	N.A.	6	2	Nil
Sh. Vivek Mehrotra (w.e.f. 29.02.2012)	N.A.	N.A.	Nil	Nil	Nil

Notes:

1. During the year 2011-12, 12 (Twelve) Board Meetings were held.
2. 27th Annual General Meeting was held on 07.09.2011.
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 (Ten) Committees or Chairman of more than 5 (Five) Committees across all the Companies in which he is a Director. Membership/ Chairmanship in Committee is reckoned pertaining to Audit Committee and Shareholders/Investors Grievance Committee and based on latest disclosures received from Director(s).
5. None of Non-executive Directors hold any Equity Shares in the Company.
6. None of the Non-executive Directors have any pecuniary relationship or transactions with the Company during the FY ending on 31st March, 2012.

• Meeting Details

During the FY 2011-12, 12 (Twelve) meetings of the Board were held on 6th April, 23rd May, 17th June, 15th July, 27th July, 29th August, 23rd September, 24th October, 26th November, 26th December, 2011, 23rd January and 28th February, 2012.

3. AUDIT COMMITTEE

• Terms of Reference

The terms of reference of Audit Committee is in accordance with existing Listing Agreement, Companies Act and DPE guidelines on Corporate Governance and as may be amended from time to time which, inter-alia, include oversight of financial reporting process, recommending the appointment of and fixation of fees for auditors, approval of payment to auditors for payment of any other services rendered, reviewing annual and quarterly financial statements, reviewing performance of statutory/internal auditors and adequacy of internal control system, reviewing adequacy of internal audit function, discussion with internal auditors, reviewing findings of internal investigations, discussion with statutory auditors, reviewing whistle blower mechanism.

• Composition

The Audit Committee of the Company comprises solely of three Independent Directors, Sh. Mahesh Shah as the Chairman, Sh. R. M. Sethi and Sh. Arun Agarwal as the members.

Besides the above, the Director (Finance), Statutory Auditors of your Company and Head of Internal Audit are the permanent invitees to the meetings of Audit Committee. Functional Directors and other 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.

• Meeting Details

During the FY 2011-12, 13 (Thirteen) meetings of Audit Committee were held on 6th April, 27th April, 23rd May, 17th June, 27th July, 23rd September, 11th October, 24th October, 25th November, 14th December, 27th December, 2011, 23rd January and 09th February 2012. The attendance of the Members at the meetings was as follows:

S. No.	Members	No. of Meetings	
		Held during the tenure	Attended
1	Dr. U.K. Sen	02	02
2	Prof. A.Q. Contractor	05	04
3.	Sh. Mahesh Shah	13	13
4.	Sh. R. M. Sethi	13	11
5.	Sh. Arun Agarwal	10	09

• Risk Management

The Company has put up an adequate risk assessment and minimization procedure. With a vision to integrate risk management with the overall strategy and operational practices, 'Risk Management Policy and Framework' has been established in your Company.

In view of the changing business scenario and expansion of your Company into new areas, consultant of repute M/s Deloitte Haskins & Sells assisted your Company to revisit the key functional business areas for identification of new risks and updation of Risk Management Framework along with review of Internal Controls in present business scenario.

• Whistle Blower Policy

In order to ensure greater transparency in all aspects of your Company's functioning, your Company has adopted resolution no. 89 of Government of India pertaining to 'Public Interest Disclosure and Protection of Informer' and implemented the same as 'Whistle Blower Policy' in your Company. It, inter-alia, covers employees to report to the management in writing complaints or disclosure on any allegation of corruption or mis-use of office. The policy provides for adequate safeguards against victimization of employees who avail of the mechanism.

Further, it allows direct access to the Chairperson of the Audit Committee in exceptional cases and no employee has been denied access to the Audit Committee, as such.

4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

• Terms of Reference

The terms of reference of the Committee is to, inter-alia, look into investor's Grievances and matters relating to R&TA.

• Composition

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

• Meeting & Other Details

During the FY 2011-12, 2 (Two) meetings of Committee were held on 6th April and 26th November, 2011. All the members of Committee were present in both the meetings.

Letters of shareholders received through SEBI/Stock Exchanges/MCA/ Depositories/ other statutory authorities are considered as 'Complaints'. The day to day requests received from the shareholders are taken up by MCS Ltd. directly and are not included in the complaints. Status of the Complaints received and redressed during the respective quarters is being placed periodically to the Audit Committee and Board.



During the year 2011-12, 25 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 25 complaints were resolved, therefore, as on 31.03.2012, there were no investor complaints pending. 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 31.03.2012, there were 25 pending cases for share credit consisting of 1,312 equity shares (including 437 bonus shares).

The R&TA/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.

R&TA has designated an exclusive e-mail id viz., admin@mcsdel.com and mcsgail@mcsdel.com to facilitate investors to register their complaints, requests etc., if any. There is a separate dedicated section on the Company's website www.gailonline.com captioned 'Investor Zone' to make aware the shareholders about latest development and updated information about shareholding pattern, dividend declaration, IEPF transfer etc.

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 (Independent) Directors are being paid sitting fee of ₹ 20,000/- and ₹ 15,000/- for attending each meeting of the Board and Committee respectively in addition to expenses incidental thereto.

• Terms of Reference

The terms of reference of this Committee is to deliberate and decide on Performance Related Pay (PRP) pool and policy of distribution of PRP to employees in the pay

structure and examination of issues relating to pay and perks other than PRP prior to consideration by the Board.

• Composition

The Remuneration Committee of your Company comprises of Dr. Vinayshil Gautam as the Chairman, Sh. Mahesh Shah, Sh. Arun Agarwal, Sh. P.K. Jain, Director (Finance), and Sh S.L. Raina, Director (HR), as the member(s).

• Meeting & Other Details

During the FY 2011-12, 3 (Three) meetings of Remuneration Committee were held on 5th April, 23rd May and 26th September, 2011. The attendance of the members at the meetings was as follows:

S. No.	Members	No. of Meetings	
		Held during the tenure	Attended
1	Dr. U.K. Sen	01	01
2	Prof. A.Q. Contractor	02	02
3	Dr. Vinayshil Gautam	03	02
4	Sh. Mahesh Shah	01	Nil
5	Sh. Arun Agarwal	01	01
6	Sh. P.K. Jain	03	03
7	Sh. S.L. Raina	03	03

The details of remuneration paid to Whole-time Directors of the Company for the FY 2011-12, are as below:

(₹ in lacs)

S. No.	Name of the Director	Salary & Allowances	Contribution to PF	Other Benefits and Perquisites	Performance Related Payment	Total
1.	Sh. B. C. Tripathi, Chairman and Managing Director	26.95	1.87	6.26	19.10	54.18
2	Sh. R. D. Goyal, Director (Projects)	25.13	1.79	6.39	13.64	46.95
3	Sh. S.L. Raina, Director (HR)	23.58	1.71	5.11	12.93	43.33
4	Sh. Prabhat Singh, Director (Marketing)	20.35	1.68	4.86	11.85	38.74
5	Sh. S. Venkatraman, Director (Business Development)	25.20	1.70	5.52	9.20	41.62
6	Sh. P.K. Jain, Director (Finance)	24.59	1.72	4.24	6.44	36.99

The payment made to Whole-time Directors did not include provision for leave, gratuity and post retirement benefits as per AS-15 since the same were not ascertained for individual employee (Refer note no. 37). During the year under review, your Company had not introduced any stock-option scheme.

The service contract of Whole-time Directors is for five years (or till superannuation, whichever is earlier) and is renewable. The notice period of three months or salary in lieu thereof is required in case of severance of service. Part-time non-official (Independent) Directors are usually appointed for three years period by Government of India.

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	0.65
2	Prof. A.Q. Contractor	2.00
3	Sh. Mahesh Shah	5.55
4	Sh. R.M. Sethi	5.05
5	Dr. Vinayshil Gautam	3.25
6	Sh. Arun Agarwal	5.95

6. OTHER SUB-COMMITTEES

Apart from above statutory sub-committees viz. Audit Committee, Shareholders/Investors Grievance Committee and Remuneration 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 31.03.2012 are enumerated below:

S. No.	Name of Committee(s)	Constitution of Committee(s)	Power(s)
1.	Business Development & Marketing Committee	1. Shri R. M. Sethi – Chairman 2. Director (Marketing) 3. Director (BD) 4. Director (Finance) 5. Dr. Neeraj Mittal 6. Shri Arun Agarwal	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 22 nd July, 1997.
2.	Corporate Social Responsibility Committee	1. CMD-Chairman 2. Director (HR) 3. Shri Sudhir Bhargava 4. Shri Mahesh Shah	To approve the proposals of CSR.
3.	Employee Disciplinary Committee	1. Dr. Vinayshil Gautam –Chairman 2. Two Functional Directors (To be nominated by CMD on case-to-case basis.)	To act as Appellate & Reviewing Authority of Executives of GAIL under GAIL Employees' (Conduct, Disciplinary & Appellate) Rules, 1986.
4.	Empowered C&P Committee	CMD and all the Functional Directors. CMD is the Chairman of the Committee.	To approve Procurement cases.
5.	Ethics Committee	1. Dr. Vinayshil Gautam – Chairman 2. Director (BD) 3. Shri Arun Agarwal	To deal with all the aspects of ethics in the Company.
6.	HR Committee	1. CMD-Chairman 2. All the Functional Directors 3. Shri Mahesh Shah 4. Dr. Vinayshil Gautam	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 22 nd July, 1997.
7.	HSE Committee	1. Shri Arun Agarwal-Chairman 2. Director (Projects) 3. Director (BD)	To review HSE performance and emergency preparedness.
8.	Project Appraisal Committee	1. CMD-Chairman 2. Director (Finance) 3. Dr. Neeraj Mittal 4. Dr. Vinayshil Gautam 5. Shri Arun Agarwal 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 22 nd July, 1997.
9.	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.
10.	Stakeholders' Grievance Redressal Committee	1. Shri Arun Agarwal-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.
11.	Sustainable Development Committee	1. Shri Arun Agarwal-Chairman 2. Director (Projects) 3. Director (BD)	For formulating and monitoring of sustainable development plan and its execution

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 – Last Three AGMs

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

Year	2008-09	2009-10	2010-11
AGM	25 th	26 th	27 th
Date & Time	08.09.2009 10:30 am	22.09.2010 10:30 am	07.09.2011 10:30 am
Venue	Air Force Auditorium, Subroto Park, New Delhi-110010		
Special Resolution passed	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	None
Details	N.A.	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.	N.A.

During the last year, shareholders approval was sought through the mechanism of postal ballot for amendment in main objects clause of Memorandum of Association and transfer of assets to GAIL Gas Limited, a wholly-owned subsidiary of your Company. The Postal Ballot was conducted in accordance with the provisions of section 192A of the Companies Act, 1956 read with Companies (Passing of resolutions by Postal Ballot) Rules, 2001 by M/s. Agarwal S. & Associates, Company Secretaries who were appointed as scrutinizer to conduct postal ballot. The voting pattern for the same is shown in the table below:

Particulars	Resolution No. 1 (Special)	Resolution No. 2 (Ordinary)
Total Number of Postal Ballot Received	1,510	1,510
Number of Valid Ballots Received	1,394	1,320
Number of Valid Votes Received	85,34,72,637	8,54,62,399
Number of Valid Ballots in Favour	1,376	1,281
Votes in Favour	85,34,69,335	85,34,57,910
Number of Valid Ballots Against	18	39
Votes Against	3,302	4,489
% of Votes in Favour	99.99961	99.99947

Both the resolutions were passed by the requisite majority and the results of the same were also declared in the 27th AGM.

Apart from above, 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.

8. DISCLOSURES

i. Annual Financial statements 2011-12 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 your Company at large. The details of "Related Party Disclosures" are being disclosed in Note no. 42 to the accounts in the Annual Report.

- ii. Your Company has filed report on Corporate Governance in specified format(s) to Stock Exchanges, MoPNG and DPE within stipulated time.
- iii. The CEO/CFO of your Company has certified the specified matters to the Board and Audit Committee, as required under clause 49 of the Listing Agreement.
- iv. Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct of your Company for the FY ending on 31st March, 2012.
- v. 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 an objective of preventing purchase and/or sale of shares of your Company by an Insider on the basis of unpublished price sensitive information. Under this Code, Directors/Officers/Designated Employees are prevented to deal in your Company's shares during the closure of Trading Window.
- vi. Your Company has implemented online Legal Compliance Management System which covers the compliance of all the applicable legislative categories and laws (Central and State) applicable to your Company.
- vii. Your Company has complied with all the mandatory and non-mandatory requirements of Clause 49 of the Listing Agreement. There has been no instance of non compliance with any stock exchange, SEBI etc on any matter relating to capital market over the last 3 years.
- viii. During the year under review, no Presidential Directives have been received by the Company and Presidential Directives issued by MoPNG in 2009 with respect to pay revision of employees have been complied with.
- ix. Department of Public Enterprise has formulated Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010. Your Company is complying with these guidelines.

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.

The administrative and office expenses are 2.54 % of total expenses in FY 2011-12 as against 3.42% in FY 2010-11.
- x. Your Company nominates its representatives on the Boards of subsidiary companies and monitors the performance of such companies periodically. In terms of Clause 49 of the Listing Agreement and DPE guidelines, performance of the subsidiary companies is, inter-alia, reviewed by the Audit Committee and the Board as under:
 - a) Consolidated statements of subsidiary companies, are reviewed by the Audit Committee and Board;
 - b) Minutes of the meetings of the Board of Directors are placed before the Company's Board, from time to time.
 - c) A statement of all significant transactions and arrangements

periodically entered into by the Subsidiary Company are also reviewed by the Audit Committee and Board.

The Company does not have any material unlisted subsidiary companies in terms of the Clause 49 of the Listing Agreement and DPE guidelines on Corporate Governance.

9. MEANS OF COMMUNICATION

Timely disclosure of consistent, relevant and reliable information on 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 stipulated 45 days of end of quarter and audited annual results along with results for the fourth quarter were announced within stipulated 60 days of the end of the financial year. In order to attain maximum shareholder reach, the financial results of the Company during the year 2011-12 were published in leading English and Vernacular dailies having wide circulation across the country.
- Updated information relating to shareholding pattern, financial results etc. is available on Corp Filing and Dissemination System in addition to the website of the Company.
- Financial results are displayed on the website of the Company. Official news/press releases and presentations made to analysts are also hosted on the Company's website from time to time.
- The website of the Company contains dedicated section 'Investor Zone' having updated relevant information for shareholders.

Green Initiatives in Corporate Governance

The Green Initiative movement was initiated by the MCA towards paperless, greener and safer environment. In line with this green movement, your Company is sending 96,000 (approx.) Annual Report to eligible shareholders. Your Company had also sent electronic NECS intimation to 76,200 shareholders.

10. CORPORATE BENEFITS:

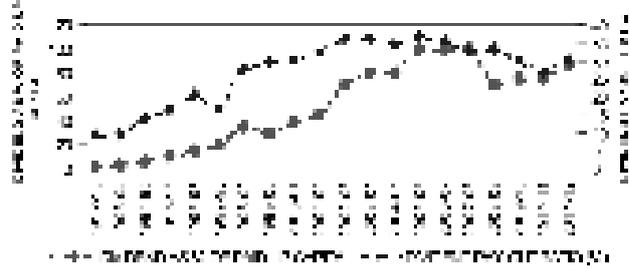
• Dividend

During the FY 2011-12, the Board of Directors approved the payment of dividend, for which the Record Date / Book Closure and dividend payment dates were fixed, as per the following details:

S. No.	Dividend Declared	Dividend (%)	Record Date / Book Closure	Dividend Payment Date
1.	Interim Dividend	30% (₹ 3/- per share)	28.01.2012	31.01.2012
2.	Final Dividend (Proposed)	57% (₹ 5.70/- per share)	18.08.2012 to 05.09.2012	13.09.2012

With this, the Company has proposed a total dividend of 87% (₹8.70/- per equity share) each on the paid-up equity share capital, for the year ended 31st March, 2012. Till date, your Company has paid ₹ 9,403 crores as dividend amount out of which ₹ 5,852 crores was paid to Government of India, against paid up capital of ₹ 1,268.48 crores.

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



• 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 ₹ 30.97 lacs and ₹ 18.40 lacs in the IEPF for unclaimed/unpaid final dividend for FY 2003-04 and interim dividend for FY 2004-05 respectively.

The subsequent due dates of transfer of unpaid/ unclaimed dividend to IEPF for the imminent FYs are as under:

S No.	FY	Type of Dividend	Dividend (%)	Last date for claiming Unpaid Dividend	Due date for transfer to IEPF
1	2004-05	FINAL	40	27.09.2012	27.10.2012
2	2005-06	INTERIM	60	11.01.2013	11.02.2013
		SPL INTERIM	20	14.02.2013	14.03.2013
		FINAL	20	13.08.2013	13.09.2013

Since after the transfer of unpaid/unclaimed amount to IEPF, no claim shall lie against Company/R&TA/Fund, members who have not yet encashed their Dividend Warrant(s) 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.

• Other Details

For change of address/bank details/dividend mandate/ Email Id, if any, members may approach-

- i) if shares are held in physical mode, to the R&TA/Company of the Company.
- ii) if shares are held in electronic mode, to their Depository Participant (DP). The R&TA/Company 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. A detailed reference note on dividend related activities is also available at Company's website under 'InvestorZone'.



11. GENERAL SHAREHOLDER INFORMATION

- Forthcoming AGM : Date, Time and Venue**

28th Annual General Meeting of the Company is scheduled for **Wednesday, the 5th day of September, 2012 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 under:

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	GAIDL1 GAILY US	GDRs

Further, the Non-Convertible Redeemable Bonds Series – I (6.10%), Series – II (5.85%), Bond Series – I, 2010 (8.80%) and Bond Series - I (9.14%) 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 Bonds – Series – I (6.10%) and Series – II (5.85%) and IDBI Trusteeship Services Limited, Mumbai is the Bond Trustees for the Bond Series – I (9.14%), 2010 (8.80%) and Bond Series - I (9.14%). During the year, first series of Bond Series – I (6.10%) having ISIN code INE129A07016 was redeemed on 23rd August 2011 and third series of Bond Series – II (5.85%) having ISIN code INE129A07081 was redeemed on 26th March, 2012.

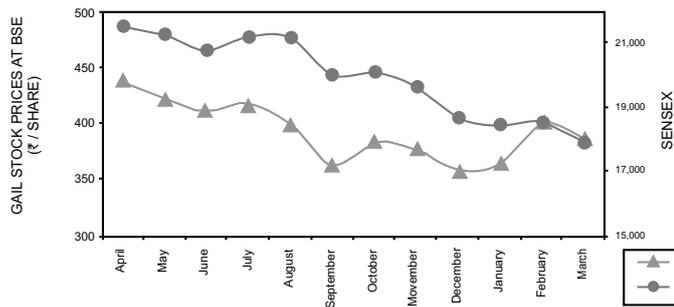
The Annual listing fees for the listed equity shares and Bonds of the Company, pertaining to the year 2012-13 has been paid to the concerned Stock Exchanges on demand. The Company has also made the payment of the Annual Custody Fees to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), for the FY 2012-13, based on the folio/ISIN positions as on 31.03.2012.

- Market Price Data**

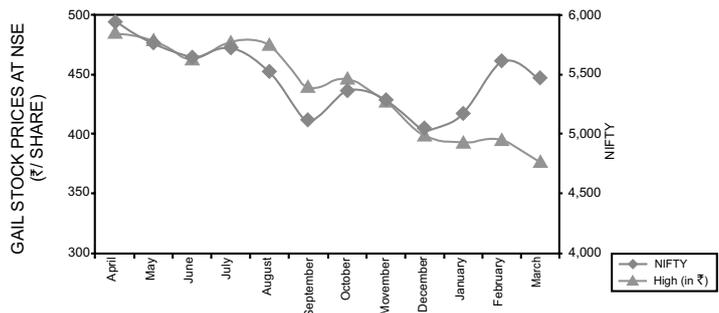
Market Price Data: High, Low during each month in the FY 2011-12

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	486	456	11,97,213	486	455	1,59,67,927	60341	60,310	19,811	5945
May	479	411	22,92,946	480	413	2,56,03,908	56504	56,422	19,254	5775
June	465	426	13,61,531	465	425	1,62,50,660	55972	55,965	18,873	5658
July	477	435	10,80,138	478	444	1,99,86,853	58572	58,489	19,132	5740
August	475	408	13,17,087	476	407	2,16,05,897	52084	52,084	18,440	5552
September	443	403	14,33,136	443	403	2,51,78,501	52128	52,077	17,212	5169
October	445	401	10,32,634	449	400	1,48,09,748	53574	53,644	17,908	5400
November	432	367	14,39,425	431	367	1,92,06,919	49762	49,680	17,702	5327
December	405	365	51,86,980	405	365	2,56,47,529	48722	48,665	17,004	5099
January	398	360	27,00,597	399	360	3,23,87,627	47295	47,352	17,259	5217
February	401	369	21,64,385	401	369	2,51,00,336	47460	47,555	18,524	5630
March	383	346	62,75,673	383	346	2,53,00,012	47562	47,726	18,041	5499

SENSEX Vs GAIL HIGH



NIFTY Vs GAIL HIGH



- 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.

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. All transfer/remat/transmission request(s) have complied with KYC norms.

Distribution of Shareholding

The distribution of shareholding of the Company as on 31st March, 2012 is detailed below:

No. of equity shares held	No. of Shareholders	% to Total	No. of Shares	% to Total
1	6,354	3.12	6,354	0.00
2-10	23,144	11.41	1,59,759	0.01
11-50	78,440	38.59	24,77,397	0.20
51-100	38,413	18.83	31,22,979	0.25
101-200	27,817	13.70	42,52,781	0.34
201-750	23,534	11.47	81,24,977	0.64
751-5000	4,145	2.04	67,76,994	0.53
5001-10000	300	0.13	21,40,952	0.17
10001-15000	113	0.45	14,40,691	0.11
15000 & above*	640	0.31	1,23,99,74,516	97.75
Total	2,02,900	100.00	1,26,84,77,400	100.00

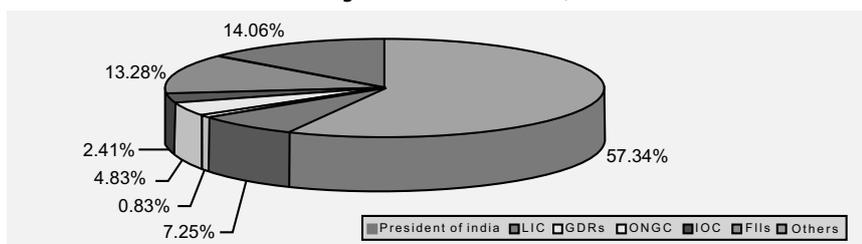
*includes holding of President of India

Geographical Distribution of Shareholders as on 31st March 2012

S. No.	City	No. of Shareholders	% to Total	No. of Shares	% to Total
1	AHMEDABAD	10,992	5.42	18,66,714	0.15
2	BANGALORE	9,836	4.85	10,74,891	0.08
3	BHUBANESWAR	434	0.21	34,748	0.00
4	CHANDIGARH	49	0.02	4,581	0.00
5	CHENNAI	7,604	3.75	26,57,341	0.21
6	GUWAHATI	470	0.23	58,482	0.00
7	HYDERABAD	5,124	2.53	6,03,148	0.05
8	JAIPUR	2,774	1.37	2,57,483	0.02
9	KANPUR	1,372	0.68	1,51,727	0.01
10	KOLKATTA	603	0.30	52,696	0.00
11	MUMBAI	45,962	22.65	42,44,42,742	33.46
12	NAGPUR	1,098	0.54	1,15,022	0.01
13	NEW DELHI *	21,282	10.49	73,15,41,660	57.67
14	PATNA	807	0.40	72,302	0.01
15	TRIVANDRUM	569	0.28	91,339	0.01
16	OTHERS	93,924	46.29	10,54,52,524	8.31
	GRAND TOTAL	2,02,900	100.00	1,26,84,77,400	100.00

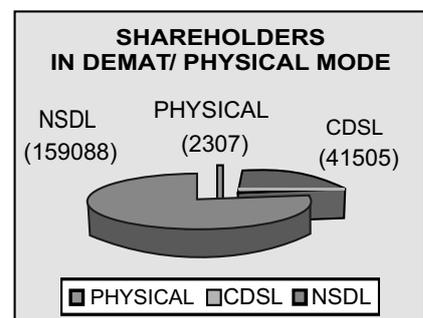
* President of India holds 72,73,90,047 equity shares of the Company in electronic mode, which constitutes 57.34% of total paid-up equity capital

Shareholding Profile as on 31st March, 2012



Dematerialization of Shares and Liquidity

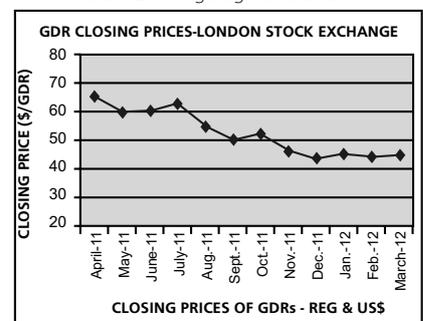
As on 31st March, 2012, the Company has 2,02,900 no. of shareholders, out of which 2,00,593 shareholders were holding equity shares in demat mode and 2,307 shareholders were holding equity shares in physical mode. The demat ISIN of the Company's equity shares is INE129A01019 and Corporate Identification Number of Company is L40200DL1984GOI018976.



Outstanding GDRs/ADRs/Warrants or Convertible Instruments

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, 2012, a total number of 17,48,439 GDRs representing 104,90,634 (0.83%) number of equity shares were outstanding. The conversion of GDRs into equity shares has no impact on total equity capital.

The performance of GDRs indicating the closing 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

- **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
E-mail : admin@mcsdel.com &
mcs_gail@mcsdel.com

13. COMPLIANCE CERTIFICATE

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.

Secretarial Compliance Report confirming compliance by practicing Company Secretary of the applicable provisions of Companies Act 1956, Listing Agreement, Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 issued by DPE and all other related rules and regulations relating to capital market forms part of the Directors' Report.

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, 2012 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 statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement and in DPE guidelines. We state that no investor grievance(s) is pending for a period exceeding one month against the Company as per the records maintained by the Company.

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

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

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

Navin Bansal
Partner
Membership No. : 091922

G.S. Haldia
Partner
Membership No. : 007012

Place : New Delhi
Dated : May 30, 2012



SECRETARIAL AUDIT REPORT

The Board of Directors

GAIL (India) Limited

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

We have examined the registers, records, books, papers, minutes of GAIL (India) Limited for the FY ended on 31.03.2012 maintained as per the provisions of:

- The Companies Act, 1956 (the Act) and the Rules made under that Act;
- The Depositories Act, 1996 and the Regulations and Bye-laws framed under that Act;
- Securities and Exchange Board of India (Buy Back of Securities Regulations, 1998);
- Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- Securities and Exchange Board of India (Issue of Sweat Equity) Regulations, 2002;
- Securities and Exchange Board of India (Employee Stock Option Scheme);
- Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
- Equity Listing Agreement with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited;
- DPE guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 and
- Memorandum and Articles of Association of the Company.

I. Based on examination and verification of the registers, records and documents produced to us and according to the information and explanations given by the Company, we report that the Company has, in our opinion, specifically complied with the enabling provisions, inter-alia, with regard to:

1. maintenance of various statutory registers and documents and making necessary entries therein;
2. closure of the Register of Members and Bond holders;
3. declaration and payment of dividend including interim dividend;
4. payment of interest on bonds and redemption of bonds;
5. transfer of unpaid dividend amount as required under the Act to the Investor Education and Protection Fund;
6. filing of requisite forms and returns with Registrar of Companies within stipulated time;
7. service of documents by the Company to its Members, Bond holders, Bond Trustees and the Registrar of Companies;
8. convening and holding of Board and its sub-committee meetings viz. Audit Committee, Shareholders/Investors Grievance Committee including passing of resolutions by circulation;

9. appointment, retirement and re-appointment of Directors and their remuneration;
10. Directors' Report including notice of AGM, annual accounts etc. within the stipulated time;
11. convening and holding of Annual General Meeting including passing of resolutions by Postal Ballot;
12. transfers and transmissions of the Company's shares;
13. registration and modification of charges;
14. investment of the Company's funds including guarantee, inter-corporate loans and investments and
15. appointment and remuneration of statutory auditors/cost auditors;

II. We further report that the Company has complied with:

1. Equity Listing Agreement with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited and GDR Listing Agreement with London Stock Exchange including filing of report on Corporate Governance in specified format(s) to Stock Exchanges, MoPNG and DPE within stipulated time;
2. Depositories Act, 1996 and Regulations framed thereunder with regard to dematerialization/rematerialisation of securities and reconciliation of records of dematerialized securities with all securities issued by the Company;
3. Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
4. Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and
5. The Company has not bought back any shares and not issued any shares/bonds/debentures etc.

III. We further report that:

1. Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements;
2. 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, 2012;
3. Substantially observed the Secretarial Standards issued by the Institute of Company Secretaries of India although recommendatory in nature and
4. There was no prosecution initiated against or show cause notice received by the Company and no fines or any other punishment was imposed on the Company, its Directors and Officers during the FY for any offences under the Companies Act, 1956.

For **Agarwal S. & Associates**
Company Secretaries

Sachin Agarwal
Proprietor
C.P. No. 5910

Place: New Delhi
Date: April 30, 2012

ANNEXURE TO THE DIRECTORS' REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO AS PER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

i. Recovery of LPG vapour during statutory inspection of LPG Mounded Bullets:

Statutory internal inspection of bullets entails evacuation of hydrocarbon and inertization before taking up the inspection for safety reasons. As per standard practice, LPG liquid from the bullet is being pumped out to the extent possible till the loading pumps leaves the load. Remaining hydrocarbons are being flared out. During current year at GPU Gandhar, liquid hydro carbon vapour were recovered by installing the vapour recovery compressor till pressure reduced to ~ 1.0 to 1.5 Kg/cm²g. This operation led to saving of almost 200 MT of LPG. The corresponding additional revenue is to the extent of ₹ 63.0 lacs in addition to reduction of approximately 202 MT of CO₂ emissions.

ii. Installation of LPG Condenser Trim Cooler at GPU Gandhar:

To efficiently handle the vapour load and pressure of the LPG column due to varying ambient weather conditions especially during the summer season, LPG trim cooler condenser has been installed at GPU Gandhar. The modification facilitated in stoppage of all existing motor driven LPG condenser Air Cooler fans and resulting in saving of ₹ 14 lacs/year on account of electrical energy saving. Further, implementation of this project has potential of additional recovery of ~1600 MT of LPG per annum during summer, which corresponds to around ₹ 80 lacs/year additional profit.

iii. Retrofitting of RG heater with PLC based Burner Management System:

Improved burner with PLC based Burner Management System has been installed for RG heaters to replace earlier inefficient burners with manual control at GPU Gandhar, with an investment of around ₹ 89.95 lacs. The new PLC based Burner

Management System has resulted in fuel saving due stoppage pilot burner and enhanced efficiency by better Air Fuel Ratio control. The resulted saving is to the tune of ₹ 6.6 lacs/year.

iv. 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 your Company's installations.

v. Implementation of logic of auto stoppage of blower of Empty Blender-2, 3 & 4 :

Implementation of logic of auto stoppage of blower of Empty Blenders (No. 2, 3 & 4) in LLDPE Plant, Pata resulted in monetary saving of about ₹ 12.50 lacs per annum

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

i. 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 ₹ 85 lacs and the potential saving in fuel gas is 0.612 MMSCM per year which is equivalent to ₹ 61 lacs/year.

ii. It is planned to utilize the Cold generated due to pressure reduction of RLNG being supplied to South Gujarat pipeline 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 ₹ 110 lacs and the benefit from extra production of LPG of 1285 MTPA would be ₹ 186 lacs per year.

iii. A project is being implemented to set-up Heat Recovery Steam Generation (HRSG) to recover the Waste heat of Gas Turbine Compressor (GTC) Exhaust at Vaghodia at an estimated cost of ₹ 55 crores. It shall produce 60 MT/Hr of Super-Heated Steam

equivalent to 44,635 MWH/annum of energy.

iv. Seal air fans at Pata are for sealing of the gate of FD fan. The duct of both HRSG- 1 & 2 will be blinded; accordingly both seal air fans will be stopped. This modification will be done in forth coming shutdown, the expected monitoring saving will be ₹13.26 lacs per annum

v. AC system is presently controlled by manual system, one operator operates the on/off of the compressor in Utility Boilers (UB) #1 & 2, 3, Pata. Energy saving can be achieved by doing automation of AC system. This scheme is under implementation. Expected yearly savings shall be ₹ 14.15 lacs

vi. Installation of a 3,000 M³/hr capacity Mist Cooling system with an investment of ₹ 12.4 Crores has been approved for implementation at Pata to meet the post debottlenecking increased cooling requirement of certain heat exchangers of GCU envisaging a gain of about ₹ 4.4 crores per year.

vii. External Energy Audit has been carried out for GAIL Pata by M/s TERI, New Delhi. Based on the final Energy Audit Report, suitable steps shall be undertaken for furtherance of energy conservation.

viii. Implementation of Automatic blowdown system in HRSG-2: An automatic blow down system will be implemented in HRSG-2 of GPU plant, Pata to switch over from manual blow down to automatic blow down, which will result in blow down quantity due to better control of TDS level in steam drum water. The expected monetary savings due to this modification will be around ₹18.00 lacs per annum. Work order is being placed for the job and will be implemented in 2012-13.

(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

2011-12. However, your Company is planning to export polymers for the FY 2012-13 for development of foreign markets in anticipation of availability greater volumes in the next two years.

(g) Total foreign exchange used and earned:

During the year, foreign exchange earnings were ₹ 8.85 crores and expenditure in foreign currency was ₹ 2451.42 crores.

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER & FUEL CONSUMPTION

	2011-12	2010-11
1. ELECTRICITY		
a. Purchased		
Unit (KWH)	323231115.22	288674434.00
Total Amount (₹ in lacs)	15638.48	13473.46
Rate/Unit (₹ /KWH)	4.84	4.67
b. Own Generation		
(i) Through Diesel Generator		
Unit (KWH)	749766.00	625929.55
Units per liter of Diesel Oil (KWH/Litres)	2.65	2.57
Cost/Unit (₹ /KWH)	16.92	16.15
(ii) Through Steam/Gas Turbine/Generator		
Units (KWH)*	205338676.00	211740011.00
Unit per 1,000 SCM of Gas (KWH/1000 SCM)	2683.32	3053.26
Cost/Unit	4.73	4.11
2. COAL	NIL	NIL
Quantity (tonnes)		
Total cost		
Average rate		
3. FURNACE OIL	NIL	NIL
Quantity (K. ltrs.)		
Total amount		
Average rate		
4. OTHERS/INTERNAL GENERATION		
Natural Gas Consumption (SCM / Year)	3404830.00	3137935.00
Total Amount (₹ in lacs)	409.63	364.81
Cost of natural gas / SCM (₹ / SCM)	12.03	11.63

* The Purchase units are inclusive of wind energy consumption at Gandhar, Kandla & Samakhiali and exclusive of discount on account of wind power consumed. For year 2010 -11 Gandhar power donot include power consume from wind energy (56,20,123 KWH)

B. CONSUMPTION PER UNIT OF PRODUCTION

	2011-12	2010-11
ETHYLENE		
Production (MT)	457080	428445
Electricity (KWh/MT)	57.48	57.33
Furnace Oil	Nil	Nil
Coal	Nil	Nil
Others - Fuel Gas (MT/MT)	0.258	0.251
- Steam (MT/MT)	1.030	0.974
HDPE & Low Polymers		
Production (MT)	223347	208079
Electricity (KWh/MT)	338.87	331.85
Furnace Oil	Nil	Nil
Coal	Nil	Nil
Others - Steam (MT/MT)	0.70	0.73
LLDPE & Polymer Shreds		
Production (MT)	222637	212314
Electricity (KWh/MT)	239.97	244.25
Furnace Oil	Nil	Nil
Coal	Nil	Nil
Others - Fuel Gas (MT/MT)	0.037	0.034
- Steam (MT/MT)	0.75	0.79

Note:-

- A) Specific consumption has been taken on total polymer which includes HDPE/LLDPE pellets, LP flakes, PE shreds, etc. till 31st March'12.
- B) Actual figures have been noted for Total Polymer which includes HDPE/LLDPE pellets, LP flakes, PE shreds, etc. and Ethylene production taken till 31st March'12



FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

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

- Detailed Feasibility & Project Report prepared on the basis of experimental wells for Recovery of LandFill Gas (LFG) from municipal solid waste dumping yard of MCD at Ghazipur, Delhi.
- Bench-scale study on continuous phase operation for conversion of Plastic Waste/Low polymer wax to value added products.
- Development of novel Nano-Composite materials for Hydrogen storage.
- Development of light-weight Composite Cylinders for storage of CNG.
- Assessment of coal seams at Barmer for Underground Coal Gasification (UCG).
- 2D and 3D seismic data processing and interpretation, unconventional resource exploration and exploitation, formation evaluation & field studies, oil and gas production, oil & gas field development etc. in E&P blocks where GAIL has participating interest.

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

- The LFG Project shall help to reduce the emissions of methane, that has a global warming potential of 21 times of CO₂ and shall also enable the utilization of such methane as fuel.
- The project shall help in proper disposal of waste plastics by improving its economic value and also generate fuel from the same.
- Development of Nano-Composite materials for Hydrogen storage would help to reduce the storage pressure of Hydrogen and would be a step towards commercialization of 'Hydrogen as fuel' in the future.
- Development of light-weight composite cylinders shall help in reducing the CNG cylinder weight and improve the efficiency and acceptability of using environmentally benign natural gas as vehicle fuel.
- UCG technology shall enable recovery of energy from the unmineable high ash content Coal /Lignite in an economically and environmentally viable way.

3. Future plan of action

- Many new R&D projects in the company's business areas like Pipeline transportation, LNG, Energy Efficiency, CO₂ utilization etc. have been identified and shall be gradually pursued in collaboration with various research/engineering institutes.
- Setting-up of pilot-scale Project for 'Waste Plastics to Hydrocarbons' for validating the bench-scale results for eventual commercial-scale operations.
- Setting-up of pilot-scale Project for 'Recovery of Landfill Gas' (LFG) at Ghazipur Landfill site, Delhi to demonstrate the possibility of recovering LFG gas from an active landfill site and its purification for usage.
- Testing of Solid Oxide Fuel Cell (500 Watts) being indigenously developed under the New Millennium Indian Technology Leadership Initiative (NMITLI) of CSIR.

4. Expenditure on R&D

- | | |
|--|-------------|
| a. Capital | : NIL |
| b. Recurring | : ₹ 1.19 Cr |
| c. Total | : ₹ 1.19 Cr |
| d. Total R&D expenditure as a percentage of total turnover | : 0.003% |
- (Turnover 2011-12: ₹ 40,281 crore)

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

Control systems for 6 GTC's at Vijaipur and 5 GTC/GTG at Dibiyapur were upgraded during current year by replacing old control system with new version.

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

- With the new control systems, the GTC's and GTG's operation have become smooth.
- New control systems have many added features like event recording, historical trending, first out string and provide very good diagnostic tools to identify fault.
- The number of machine trips has reduced to a greater extent after implementation of the system at both the stations.

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** :
- Ethylene Cracker Technology, from Shaw Energy & Chemicals International Inc., USA for GAIL Petrochemical Complex II at Pata for addition of 450 KTA ethylene capacity.
 - LLDPE/HDPE Swing Technology, from Univation Technologies, USA for GAIL Petrochemical Complex II at Pata for addition of 400 KTA polyethylene capacity
 - Butene-1 Technology, from Axens (IFP Group Technologies), France for GAIL Petrochemical Complex II at Pata for addition of 20,000 TA Butene-1 production capacity

b. **Year of import** : 2010 for (a)(i) & (a)(ii) and 2011 for (a)(iii)

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

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 2011-12 or not less than ₹ 5,00,000/- per month during part of the financial year 2011-12

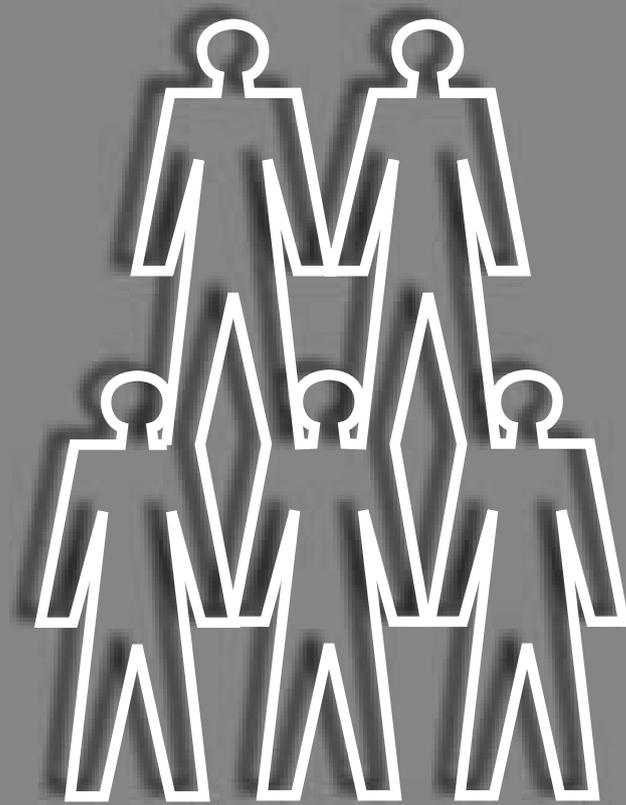
S. No.	Name of the Employee (S/Shri)	Designation	Age	Last employment	Date of Joining	Qualification	Experience	Remuneration Gross (in ₹)	Remarks (Retired/Resignation/Death)	Relationship with Director (Name)	Relation
1	ZILE SINGH GAUR	DGM	60	DGP&T AND DEPTT. OF POST	11.02.1988	BA (HONS), MA (HINDI), TRANSLATION	40	32,55,339	RETIRED	NONE	-
2	RAJ KUMAR TANEJA	SR. EXECUTIVE SECRETARY	60	PWD, MARUTI UDYOG, TECHNOLOGICAL CONSULTANT	01.06.1985	BA	41	25,58,552	RETIRED	NONE	-
3	KUNDAN SINGH	JR. SUPERINTENDENT	47	GAIL	08.04.1985	BA	26	20,51,350	DEATH	NONE	-
4	MAHESH CHAVDA	SR. SPERINTENDENT	59	INDIAN MUSIC SOCIETY, SAMEER ELECTRICAL, KIRTI ENGG. WORKS	28.09.1985	10TH	35	14,62,460	DEATH	NONE	-
5	RAVJIBHAI SOMABHAI MAYAVANSHI	SR. FOREMAN	55	ALPHA MOTORS, JAY AMBA TRANSPORT, IPCL, MEGHA TRAVELS CORP.	16.07.1985	10TH	33	12,11,472	DEATH	NONE	-
6	AMBALAL MAGANBHAI SOLANKI	HEAD ATTENDENT	60	GAIL	01.07.1986	5TH	27	14,22,888	RETIRED	NONE	-
7	SURAJ NARAIN AGRAWAL	SR. OFFICER	60	PWD	21.10.1987	BA, MA, PG DIPLOMA (PERSONAL MGMT. & INDUSTRIAL RALATION)	35	27,69,880	RETIRED	NONE	-
8	RAKESH KUMAR GARG	GM	60	LAKHANPAL NATIONAL, ONGC	20.12.1984	B.TECH, DIPLOMA (PERSONAL MGMT. & INDUSTRIAL RELATION)	38	47,39,479	RETIRED	NONE	-
9	RANJAN GHOSH	GM	60	ONGC	31.12.1984	B.SC (HONS), B.TECH, M.TECH	35	39,23,740	RETIRED	NONE	-
10	GIRWAR SINGH YADAV	SR. LEADING FIREMAN	60	INDIAN ARMY, SBI	08.08.1988	HSE, FIREMAN'S COURSE	40	17,82,888	RETIRED	NONE	-
11	PRABHU NATH PRASAD	ED	56	FERTILIZER CORP. OF INDIA, OIL	14.05.1987	B.E., MBA	31	23,30,482	RESIGNATION	NONE	-
12	MEGHJIBHAI DUDABHAI PATEL	SR. LEADING FIREMAN	60	INDIAN ARMY	15.04.1989	HSE, FIREMAN'S COURSE	41	25,42,976	RETIRED	NONE	-
13	PRAKASH CHANDER PUROHIT	LEADING FIREMAN	60	INDIAN ARMY	27.06.1990	8 TH , FIREMAN'S COURSE	40	12,24,694	RETIRED	NONE	-
14	SAMIR GOSWAMI	MANAGER	60	INDIAN AIRPORT, BADRA FARMS, TEAM AUTOMATION	01.04.1991	DILPOMA (ELECTRONICS & RADIO ENGG.)	40	25,43,850	RETIRED	NONE	-
15	Dr. N K RAJU	DGM	53	BIOLOGICAL E LTD., VANILLINE & FIRE CHEMICAL, NTPC, NSC LTD.	16.07.1991	B.COM, PG DIPLOMA (PERSONAL MGMT. & INDL. RELATION), LLB, MBA, PHD.	32	28,81,147	RESIGNATION	NONE	-
16	RAMLAL	SR. SPERINTENDENT	49	GAIL	04.10.1985	BA	26	16,43,855	DEATH	NONE	-
17	SHRI KRISHNA SINGH	SR. LEADING FIREMAN	60	INDIAN ARMY	04.11.1988	SSC, FIREMAN'S COURSE	42	20,66,388	RETIRED	NONE	-
18	DILIP KUMAR PURWAR	ED	60	BHILAI STEEL PLANT, ONGC	16.08.1984	BE (MECHANICAL)	38	39,62,628	RETIRED	NONE	-
19	G G SEKARAN	CM	60	INDIAN NAVY	27.01.1989	DIPLOMA (MECHANICAL), BE (MECHANICAL)	43	44,12,329	RETIRED	NONE	-
20	TEJ RAM	LEADING FIREMAN	60	INDIAN ARMY	08.02.1989	5TH, FIREMAN'S COURSE	41	21,32,051	RETIRED	NONE	-
21	AZAD BABU	LEADING FIREMAN	60	INDIAN ARMY	08.08.1990	HSE, FIREMAN'S COURSE	41	17,44,313	RETIRED	NONE	-
22	GAURI SHANKAR	LEADING FIREMAN	60	INDIAN ARMY	24.12.1990	8TH, FIREMAN'S COURSE	41	19,22,525	RETIRED	NONE	-



S. No.	Name of the Employee (S/Shri)	Designation	Age	Last employment	Date of Joining	Qualification	Experience	Remuneration Gross (in ₹)	Remarks (Retired/Resignation/Death)	Relationship with Director (Name)	Relation
23	SIDDHARTHA SEN	GM	60	REC, FCI, HFC, GAIL, LUCKNOW, NTPC AURIYA	16.10.1995	BE (MECHANICAL)	37	37,15,000	RETIRED	NONE	-
24	KRISHNA KUMAR .	CM	60	FCI, HFC LTD.	24.10.1996	BE (ELECTRICAL)	35	37,35,180	RETIRED	NONE	-
25	MADHU SUDAN KARMAKAR	DGM	57	HFC LTD.	24.10.1996	BE (CHEMICAL), M.TECH (CHEMICAL)	31	33,59,764	DEATH	NONE	-
26	MOHAMMAD ANWAR AZEEM	GM	60	HFC LTD., BHARTI COOP.	23.02.1998	B.TECH	36	28,83,366	RETIRED	NONE	-
27	BISHWANATH BARIK	DM	53	INDIAN NAVY	29.02.1996	BA, CERTIFICATE IN CRASH AIR RESCUE & FIRE FIGHTING, ITI, DIPLOMA (INDUSTRIAL SAFETY)	37	17,58,253	DEATH	NONE	-
28	RAMCHANDER	INSPECTOR	60	CISF	05.10.1990	HSE	42	19,74,417	RETIRED	NONE	-
29	SUMITRA MANDAL	JR. MATRON	43	CHANDOK HOSPITAL	30.05.1997	DIPLOMA (NURSING & MIDWIFERY)	19	10,83,685	DEATH	NONE	-
30	PABITRA BEZBORUAH	SR. FOREMAN	38	ONGC	18.09.1998	SSE, ITI	17	9,39,386	DEATH	NONE	-
31	ATANU GHOSH	MANAGER	43	SAIL	25.05.1998	BE (MECHANICAL)	17	25,03,562	DEATH	NONE	-
32	MOHAMMAD SHAHID	MANAGER	34	GAIL	19.02.2001	BSE, BE (FIRE), PG DIPLOMA (ENVIRON.), PG DIPLOMA (INDL. SAFETY), MBA	10	14,58,119	RESIGNATION	NONE	-
33	VIJAY KUMAR SINGH	MANAGER	37	GAIL	19.02.2001	BSE, MSC, BE (FIRE)	10	13,46,723	RESIGNATION	NONE	-
34	T DHANAPAL .	ENGINEER	50	EAST COAST ORGANICS, THIRUMALAI CHEMICAL	27.05.1998	B.Sc, DIPLOMA (CHEMICAL)	25	8,55,383	DEATH	NONE	-
35	PRAKASH BABU .	MANAGER	39	NASH SOFTWARE SYSTEM, JK SYNTHETIC LTD., SVC SUPERCAM	27.08.1998	BE (ELECTRONICS & TELECOM)	17	17,03,730	RESIGNATION	NONE	-
36	SANTOSH KUMAR SRIVASTAVA	OFFICER	38	BHILAI STEEL PLANT,	28.09.1998	B.Sc. (HONS), FIRE SUB OFF COURSE, GRADUATESHIP EXAM IFE, POST DIPLOMA (INDUSTRIAL SAFETY)	15	11,75,298	RESIGNATION	NONE	-
37	ABUL KALAM AZAD	SR. ENGINEER	32	RAGHURAJI AGRO INDIA PVT. LTD.	16.11.2007	BE (MECHANICAL)	9	7,40,294	RESIGNATION	NONE	-
38	DEEPAK MATHUR	CM	60	COX & KINGS AGENTS LTD., BALMER LAURIE CO. LTD.	01.12.2004	B.Sc	40	33,32,324	RETIRED	NONE	-
39	AMARJIT SIHAG	SO	28	GAIL	30.05.2009	B.TECH (ELECTRICAL), PG DIPLOMA (MGMT.)	2	7,44,609	RESIGNATION	NONE	-
40	S D MALLIKARJUNA RAO DANABALA	SR. ENGINEER	24	GAIL	27.10.2009	DIPLOMA (CHEMICAL), B.TECH (CHEMICAL)	2	5,14,332	RESIGNATION	NONE	-
41	JAYANTA THAKUR	SR. MANAGER	42	GEOLOGICAL INDUSTRIES LTD., ESSAR OIL LTD., GEOPETROL INTERNATIONAL INCORP, ADANI EXPLORATION LTD.	02.05.2011	B.Sc M.TECH (APPLIED GEOLOGY)	16	12,05,270	RESIGNATION	NONE	-

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. 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 2011-12.
3. The nature of employment is contractual in all the above cases.

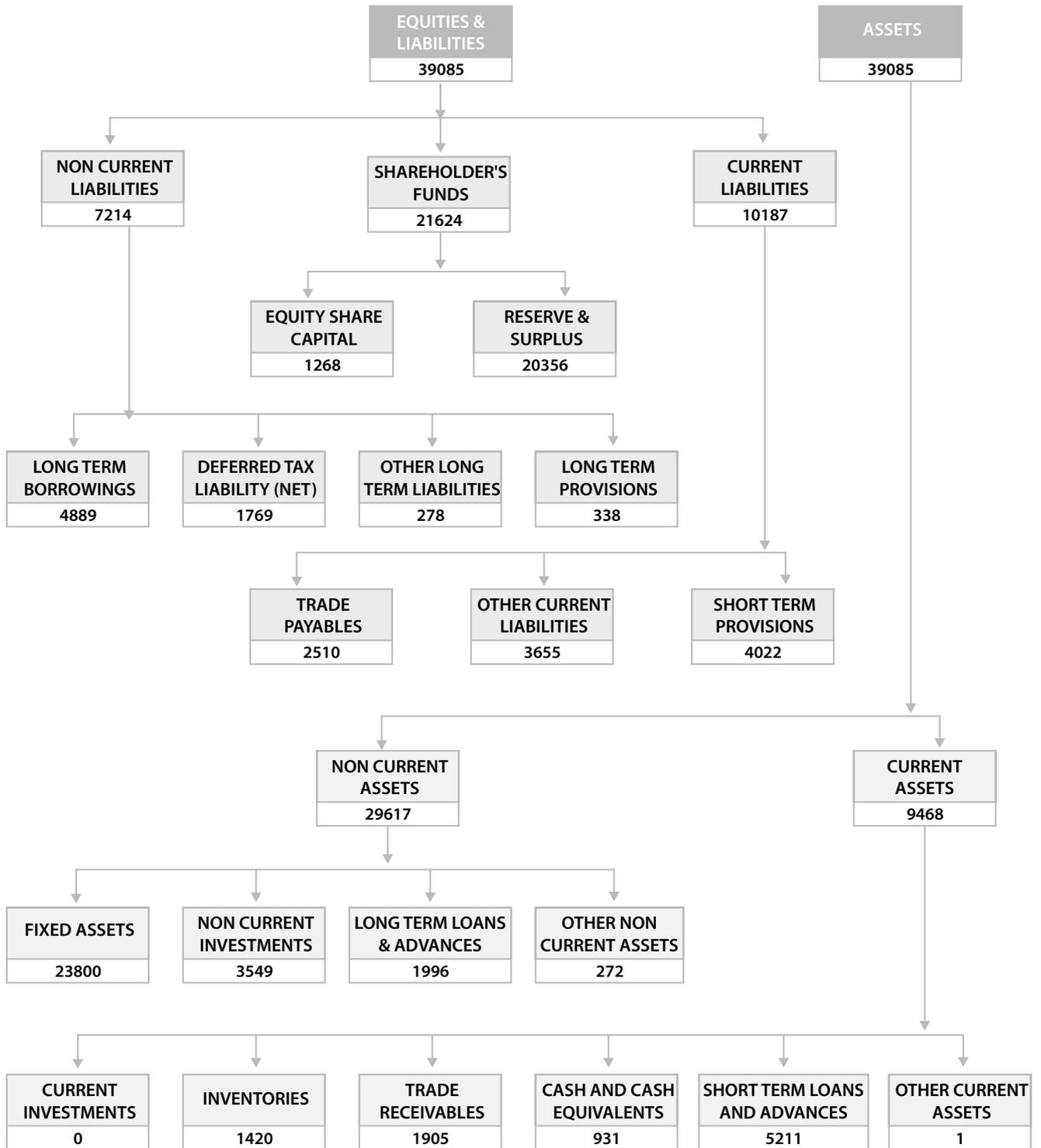


FIVE YEAR PROFILE



STATEMENT OF ASSETS AND LIABILITIES AS AT 31ST MARCH 2012

(₹ in crores)



FIVE YEAR PROFILE (STAND ALONE)

(A) FINANCIAL

(₹ in crores)

	2007-08	2008-09	2009-10	2010-11	2011-12
PAID-UP CAPITAL	845.65	1,268.48	1,268.48	1,268.48	1,268.48
RESERVES & SURPLUS	12,159.23	13,501.15	15,530.52	17,984.86	20,356.00
SECURED LOANS	1,100.00	1,100.00	1,446.00	2,310.00	3,023.50
UNSECURED LOANS	165.87	100.13	34.38	-	2,323.35
DEFERRED TAX LIABILITY (NET)	1,319.69	1,325.93	1,389.56	1,633.24	1,768.64
TOTAL	15,590.44	17,295.69	19,668.94	23,196.58	28,739.97
REPRESENTED BY:					
GROSS BLOCK	16,957.86	17,603.98	21,037.67	22,144.38	26,306.63
LESS: DEPRECIATION	8,024.57	8,553.66	9,106.57	9,740.81	10,449.01
NET FIXED ASSETS	8,933.29	9,050.32	11,931.10	12,403.57	15,857.62
CAPITAL WORK-IN-PROGRESS	816.66	2,426.33	2,330.49	5,879.17	8,241.76
INVESTMENTS / ADVANCES FOR INVESTMENT (PENDING ALLOTMENT)	1,490.88	1,737.27	2,073.03	2,582.52	3,548.93
NET CURRENT ASSETS	4,349.61	4,081.77	3,334.32	2,331.32	1,091.66
TOTAL	15,590.44	17,295.69	19,668.94	23,196.58	28,739.97
GROSS SALES	18,580.21	24,414.67	25,375.80	32,907.09	40,821.79
GROSS MARGIN	4,508.47	4,850.92	5,210.37	5,973.10	6,247.18
DEPRECIATION	573.90	559.90	561.90	650.25	790.71
INTEREST	79.57	87.00	70.00	82.86	116.46
PROFIT/(LOSS) BEFORE TAX	3,855.00	4,204.02	4,578.47	5,239.99	5,340.01
PROFIT/(LOSS) AFTER TAX	2,601.46	2,803.70	3,139.84	3,561.13	3,653.84
DIVIDEND INCLUDING INTERIM DIVIDEND	845.65	887.93	951.36	951.36	1,103.57
CORPORATE DIVIDEND TAX	143.72	150.90	158.99	155.32	179.02
INTERNAL GENERATION	3,175.36	3,363.60	3,701.74	4,211.38	4,444.55
NET WORTH	12,842.38	14,575.12	16,607.48	19,054.12	21,449.44
CAPITAL EMPLOYED INCLUDING ASSETS UNDER CONSTRUCTION & INVESTMENTS	15,590.44	17,295.69	19,668.94	23,196.58	28,739.97

(B) GAS THROUGHPUT/PRODUCTION

	2007-08	2008-09	2009-10	2010-11	2011-12
NATURAL GAS (MMSCMD)	82.10	83.29	106.73	117.91	117.62
LPG (M/T)	1042597	1087986	1099554	1068156	1124341
SBP SOLVENT/NAPHTHA (M/T)	75126	101493	102479	111140	146123
PENTANE (M/T)	73505	58392	58551	34523	23144
PROPANE (M/T)	155873	152671	179274	155152	146015
ETHYLENE (M/T)	393389	431580	429992	428444	457080
HDPE/LLDPE (M/T)	385593	420108	417147	416396	441136



(C) FINANCIAL RATIOS

	2007-08	2008-09	2009-10	2010-11	2011-12
NET WORTH PER RUPEE OF PAID-UP CAPITAL (₹)	15.19	11.49	13.09	15.02	16.91
BORROWINGS TO NET WORTH (₹)	0.10	0.08	0.09	0.12	0.25
PROFIT BEFORE TAX TO CAPITAL EMPLOYED (%)	24.73	24.31	23.28	22.59	18.58
PROFIT BEFORE TAX TO NET WORTH (%)	30.02	28.84	27.57	27.50	24.90
PROFIT BEFORE TAX TO GROSS SALES (%)	20.75	17.22	18.04	15.92	13.08
PROFIT BEFORE TAX TO GROSS FIXED ASSETS (%)	22.73	23.88	21.76	23.66	20.30
GROSS SALES TO CAPITAL EMPLOYED (%)	119.18	141.16	129.01	141.86	142.04
EARNING PER SHARE (₹)	30.76	22.10	24.75	28.07	28.80
DIVIDEND PER SHARE (₹)	10.00	7.00	7.50	7.50	8.70
DIVIDEND PAYOUT RATIO (INCLUDING DIVIDEND TAX)	38.03	37.05	35.36	31.08	35.10

FIVE YEAR FINANCIAL PROFILE CONVERTED IN US\$# (STAND ALONE)

(In US\$ Millions)

	2007-08	2008-09	2009-10	2010-11	2011-12
PAID-UP CAPITAL	210	246	278	280	246
RESERVES & SURPLUS	3,025	2,619	3,401	3,976	3,943
SECURED LOANS	274	213	317	511	586
UNSECURED LOANS	41	19	8	-	450
DEFERRED TAX LIABILITY (NET)	328	257	304	361	343
TOTAL	3,879	3,355	4,307	5,129	5,567
REPRESENTED BY :					
GROSS BLOCK	4,219	3,415	4,606	4,896	5,095
LESS: DEPRECIATION	1,997	1,659	1,994	2,154	2,024
NET FIXED ASSETS	2,223	1,756	2,612	2,742	3,071
CAPITAL WORK-IN-PROGRESS	203	471	510	1,300	1,596
INVESTMENTS / ADVANCES FOR INVESTMENT (PENDING ALLOTMENT)	371	337	454	571	687
NET CURRENT ASSETS	1,082	792	730	515	211
TOTAL	3,879	3,355	4,307	5,129	5,567
GROSS SALES	4,623	4,736	5,556	7,276	7,907
GROSS MARGIN	1,122	941	1,141	1,321	1,210
DEPRECIATION	143	109	123	144	153
INTEREST	20	17	15	18	23
PROFIT/(LOSS) BEFORE TAX	959	816	1,003	1,159	1,034
PROFIT/(LOSS) AFTER TAX	647	544	688	787	708
DIVIDEND INCL. INTERIM DIVIDEND	210	172	208	210	214
CORPORATE DIVIDEND TAX	36	29	35	34	35
INTERNAL GENERATION	790	652	811	931	861
NET WORTH	3,195	2,827	3,636	4,213	4,154
CAPITAL EMPLOYED INCLUDING ASSETS UNDER CONSTRUCTION & INVESTMENTS	3,879	3,355	4,307	5,129	5,567
# INR Converted in US\$ at the exchange rate prevalent on 31 st March of respective financial year	40.19	51.55	45.67	45.23	51.63



FIVE YEAR PROFILE (CONSOLIDATED)

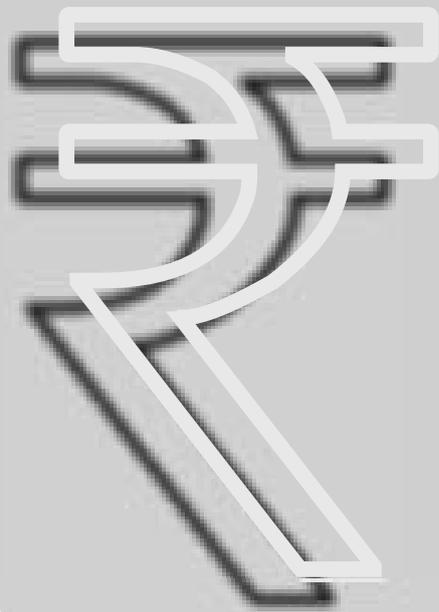
(₹ in crores)

	2007-08	2008-09	2009-10	2010-11	2011-12
PAID-UP CAPITAL	845.65	1,268.48	1,268.48	1,268.48	1,268.48
RESERVES & SURPLUS	12,706.90	14,132.39	16,541.47	19,945.39	23,644.70
SECURED LOANS	3,613.69	3,699.75	4,999.36	6,263.97	7,664.76
UNSECURED LOANS	173.03	124.46	413.81	640.13	3,840.87
MINORITY INTEREST	73.80	166.68	230.22	547.19	981.99
DEFERRED TAX LIABILITY (NET)	1,384.76	1,392.52	1,465.04	1,715.12	1,864.99
TOTAL	18,797.83	20,784.28	24,918.38	30,380.28	39,265.79
REPRESENTED BY:					
GROSS BLOCK	19,364.22	20,106.04	25,164.03	26,605.14	31,769.19
LESS: DEPRECIATION	8,288.45	8,987.41	9,833.61	10,642.94	11,611.93
NET FIXED ASSETS	11,075.77	11,118.63	15,330.42	15,962.20	20,157.26
CAPITAL WORK-IN-PROGRESS	2,285.89	4,187.89	4,881.84	10,636.79	15,382.07
INVESTMENTS / ADVANCES FOR INVESTMENT (PENDING ALLOTMENT)	1,022.51	1,025.65	1,065.13	1,236.25	1,284.06
NET CURRENT ASSETS	4,413.66	4,452.11	3,640.99	2,545.04	2,442.40
TOTAL	18,797.83	20,784.28	24,918.38	30,380.28	39,265.79
GROSS SALES	19,469.62	25,357.74	27,487.02	35,665.34	44,736.73
GROSS MARGIN	4,916.83	5,232.82	6,032.36	7,064.79	7,776.94
DEPRECIATION	662.71	718.35	823.43	887.98	1,055.67
PRELIMINARY/DEFERRED REVENUE EXPENSES WRITTEN-OFF	2.48	2.28	-	-	-
INTEREST	149.33	231.21	385.34	377.86	366.43
PROFIT/(LOSS) BEFORE TAX	4,102.31	4,280.98	4,823.59	5,798.95	6,354.84
PROFIT/(LOSS) AFTER TAX (GROUP)	2,782.90	2,826.35	3,327.83	4,020.97	4,443.61
DIVIDEND INCL. INTERIM DIVIDEND	877.49	887.93	951.36	951.36	1,103.57
CORPORATE DIVIDEND TAX	149.13	150.90	158.99	155.32	179.02
INTERNAL GENERATION	3,448.09	3,546.98	4,151.26	4,908.95	5,499.28
NET WORTH	13,368.72	15,109.61	17,300.27	20,130.17	23,236.00
CAPITAL EMPLOYED INCLUDING ASSETS UNDER CONSTRUCTION & INVESTMENTS	18,797.83	20,784.28	24,918.38	30,380.28	39,265.79

FIVE YEAR FINANCIAL PROFILE CONVERTED IN US\$ # (CONSOLIDATED)

(In US\$ Millions)

	2007-08	2008-09	2009-10	2010-11	2011-12
PAID-UP CAPITAL	210	246	278	280	246
RESERVES & SURPLUS	3,162	2,741	3,622	4,410	4,580
SECURED LOANS	899	718	1,095	1,385	1,485
UNSECURED LOANS	43	24	91	142	744
MINORITY INTEREST	18	32	50	121	190
DEFERRED TAX LIABILITY (NET)	345	270	321	379	361
TOTAL	4,677	4,032	5,456	6,717	7,605
REPRESENTED BY:					
GROSS BLOCK	4,818	3,900	5,510	5,882	6,153
LESS: DEPRECIATION	2,062	1,743	2,153	2,353	2,249
NET FIXED ASSETS	2,756	2,157	3,357	3,529	3,904
CAPITAL WORK-IN-PROGRESS	569	812	1,069	2,352	2,979
INVESTMENTS / ADVANCES FOR INVESTMENT (PENDING ALLOTMENT)	254	199	233	273	249
NET CURRENT ASSETS	1,098	864	797	563	473
TOTAL	4,677	4,032	5,456	6,717	7,605
GROSS SALES	4,844	4,919	6,019	7,885	8,665
GROSS MARGIN	1,223	1,015	1,321	1,562	1,506
DEPRECIATION	165	139	180	196	204
PRELIMINARY/DEFERRED REVENUE					
EXPENSES WRITTEN-OFF	1	0	-	-	-
INTEREST	37	45	84	84	71
PROFIT/(LOSS) BEFORE TAX	1,021	830	1,056	1,282	1,231
PROFIT/(LOSS) AFTER TAX (GROUP)	692	548	729	889	861
DIVIDEND INCL. INTERIM DIVIDEND	218	172	208	210	214
CORPORATE DIVIDEND TAX	37	29	35	34	35
INTERNAL GENERATION	858	688	909	1,085	1,065
NET WORTH	3,326	2,931	3,788	4,451	4,500
CAPITAL EMPLOYED INCLUDING ASSETS UNDER CONSTRUCTION & INVESTMENTS	4,677	4,032	5,456	6,717	7,605
# INR Converted in US\$ at the exchange rate prevalent on 31st March of respective financial year	40.19	51.55	45.67	45.23	51.63



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, 2012, the Statement of Profit and Loss 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 Statement of Profit & Loss 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, Statement of Profit and Loss 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, 2012;
 - ii. in the case of the Statement of Profit & Loss, 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/s M.L.Puri & Co.**
Chartered Accountants
Firm No:002312 N

Navin Bansal
Partner
Membership No. 91922
New Delhi
Dated: 30th May' 2012

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

G. S. Haldia
Partner
Membership No.007012
New Delhi
Dated: 30th May' 2012



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, 2012. 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) (a) The Company has granted loans to its two subsidiaries companies (None of the Directors individually or collectively hold more than two per cent the paid-up share capital). The Company has maintained the register under section 301 of the Companies Act, 1956, inter-alia, in which the name of said two subsidiaries is also entered. The maximum amount involved during the year for ₹ 336.78 crores and year-end balance of loan was ₹ 57.32 crores.
- (b) In our opinion, the rate of interest and other terms and conditions of such loans are not, prima facie, prejudicial to the interest of the company.
- (c) The parties have repaid the principal amounts as stipulated and

have also been regular in the payment of interest to the company.

- (d) There is no overdue amount in excess of ₹ 1 lakh in respect of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) The company had not taken loan from companies 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.
- (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:

List of Cases of Unpaid Disputed Demand under various Statutes as on 31.03.2012

(₹ in Crores)

Sl. No.	Statute		Subject Matter of Dispute	Amount (2011-12)	Period of Dispute	Status - Forum
1	Entry Tax	(a)	Entry Tax on Market Value of Natural Gas instead of its Purchase Price (Including Interest)	121.92	1999-00 to 2009-10	Allahabad High Court, Trade tax Tribunal & Additional/ Joint Commissioner-Appeals
		(b)	Rajasthan Entry Tax Demand	8.41	2005-06 & 2008-09	Dy. Commissioner, Appeals, Kota / Appellate Authority, Gwalior
2	Sales Tax	(a)	Non-acceptance of declaration form for concessional sales tax	0.63	1995-96 & 1996-97	Additional Commissioner-Appeals, Commercial Tax, Gwalior
		(b)	Sales Tax demand as per assessment order of 2005-06 and 2006-07	3.34	2005-06 & 2006-07	Additional Commissioner- Appeal Noida
		(c)	CST demand on Transmission charges and penalty & interest	0.86	2005-06 to 2008 - 09	AP High Court
		(d)	Demand on account of LPG subsidy discount and treating domestic LPG as non-domestic	75.37	2006-2007	Joint Commissioner- Appeals
		(e)	Interest for delay for sales tax assessment	0.54	2003-2004	Dy. Commissioner, Sales Tax, Mumbai
		(f)	Demand of VAT on account of rate change	0.29	Oct 2011 to Dec 2011	Joint Commissioner, Trichy
		(g)	Disallowance of credit note for LPG subsidy discount	117.91	2008-2009	High Court, Gwalior
		(h)	Demand for treating CST sale as local sale	0.15	2003-2004	High Court, Guwahati
		(i)	Sales Tax demand	0.20	1998-1999	Mumbai Tribunal
3	Excise & Service Tax	(a)	LPG valuation Dispute	15.96	Jan 2001 to Feb 2005	CESTAT Mumbai
		(b)	Dispute on Pentane Classification	92.14	Mar. 2000 to Feb 2002 & Aug.2005 to Jul 2009	CESTAT New Delhi & CESTAT Ahmedabad
		(c)	Dispute on MFO Classification	62.01	July 2004 to March 2011	CESTAT Ahmedabad & Commissioner (Appeals) Vadodara
		(d)	Demand of duty under Rule 6(1) of CCR, 2004 for credit taken on input services	11.07	2008-2009 & 2009-2010	CESTAT Kolkata
		(e)	Demand of differential service tax based on returns for the period from Oct 06 to Mar 07	0.17	Oct.2006 to March 2007	CESTAT Ahmedabad
		(f)	Demand raised denying refund claim allowed to GAIL for service tax on compression charges	0.43	Sep.2007	CESTAT Ahmedabad
		(g)	Demand raised by denying Cenvat & service tax credit taken at Hazira	7.28	May 2005 to March 2010	CESTAT Ahmedabad
		(h)	Demand raised by denying Cenvat credit taken on input services	0.26	Jan. 2006 to Oct. 2009 & Dec. 2010 to March 2011	Commissioner (Appeals), Guwahati / Kanpur
			SUB-TOTAL	518.94		
4	Income Tax		Demand of Penalty u/s 271(1)(c)	168.59	AY-2007-08	CIT Appeals
5	Other taxes		Notified Area tax & GIDC tax on revised value (incl. interest)	3.46	1985-86 to 2008-09	Ahmedabad High Court
			TOTAL	690.99		



- (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 granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. 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) The company has given guarantees for loans taken by its subsidiaries from bank and financial institutions. The terms and other conditions, in our opinion, are not prima facie prejudicial to the interest of the company.
- (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 utilized short term loan for long term investment during the year.
- (xviii) The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures (bonds) 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/s M.L.Puri & Co.**
Chartered Accountants
Firm No:002312 N

Navin Bansal
Partner
Membership No. 91922
New Delhi
Dated: 30th May' 2012

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

G. S. Haldia
Partner
Membership No.007012
New Delhi
Dated: 30th May' 2012

GAIL (India) Limited
Balance Sheet as at 31st March, 2012

(₹ in Crores)

	Note NO.	AS AT 31 st March, 2012	AS AT 31 st March, 2011
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
a) Share Capital	2	1,268.48	1,268.48
b) Reserves and Surplus	3	20,356.00	17,984.86
		21,624.48	19,253.34
(2) Non Current Liabilities			
a) Long Term Borrowings	4	4,889.35	1,973.00
b) Deferred Tax Liability (Net)	45	1,768.64	1,633.24
c) Other Long-term Liabilities	5	277.98	14.94
d) Long-term Provisions	6	337.77	289.25
		7,273.74	3,910.43
(3) Current Liabilities			
a) Trade Payables	7	2,509.93	2,089.81
b) Other Current Liabilities	8	3,654.79	2,986.62
c) Short-term Provisions	9	4,021.74	3,771.25
		10,186.46	8,847.68
	TOTAL	39,084.68	32,011.45
II. ASSETS			
(1) Non-current assets			
a) Fixed Assets			
(i) Tangible Assets	10	15,561.28	12,190.72
(ii) Intangible Assets	10	296.34	212.85
(iii) Capital Work in Progress	11	7,942.45	5,846.15
		23,800.07	18,249.72
b) Non-current Investments	12	3,548.93	2,581.35
c) Long-term loans and advances	13	1,995.58	1,687.10
d) Other non-current assets	14	272.11	73.09
		29,616.69	22,591.26



	Note NO.	ASAT 31 ST March, 2012	ASAT 31 ST March, 2011
(2) Current Assets			
a) Current Investments	15	-	1.17
b) Inventories	16	1,419.74	855.11
c) Trade receivables	17	1,904.48	1,833.00
d) Cash and cash equivalents	18	931.33	2,131.35
e) Short-term loans and advances	19	5,211.22	4,595.97
f) Other current assets	20	1.22	3.59
		<u>9,467.99</u>	<u>9,420.19</u>
	TOTAL	<u>39,084.68</u>	<u>32,011.45</u>
Significant Accounting Policies	1		

See accompanying notes to the financial statements

For and on behalf of the Board of Directors

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:002312 N

Navin Bansal
Partner
Membership No. 91922

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

G. S. Haldia
Partner
Membership No.007012

Place : New Delhi
Dated : May 30, 2012

GAIL (India) Limited
Statement of Profit & Loss for the Year ended 31st March, 2012 (₹ in Crores)

	Note NO.	Year Ended 31 st March, 2012	Year Ended 31 st March, 2011
I. Revenue from Operations (Gross)	21	40,939.00	32,984.97
Less: Excise Duty		541.05	448.45
Revenue from Operations (Net)		40,397.95	32,536.52
II. Other Income	22	431.88	440.70
III Total Revenue (I+II)		40,829.83	32,977.22
IV Expenses			
Raw Material consumed		2,494.10	2,178.78
Purchase of Gas for trading		28,440.46	21,576.97
(Increase)/decrease in Inventories of Finished Goods, Work in Progress and Stock in Trade	23	(497.75)	(132.49)
Employee benefits expense	24	607.48	721.23
Finance Cost	25	116.46	82.86
Depreciation and amortization expenses	26	790.71	650.25
Other expenses	27	3,538.36	2,659.63
Total Expenses		35,489.82	27,737.23
V. Profit before Tax		5,340.01	5,239.99
VI. Tax Expenses			
1. Current Tax			
- Current Year		1,428.47	1,431.00
- Earlier Years		122.30	4.18
2. Deferred Tax		135.40	243.68
Total Tax expenses		1,686.17	1,678.86
VII. Profit after Tax		3,653.84	3,561.13
Details of Earning Per Equity Share (Face Value ₹10/-each)			
- Basic		28.80	28.07
- Diluted		28.80	28.07
Significant Accounting Policies	1		
Prior Period Adjustments	28		
Expenditure during Construction Period	29		

See accompanying notes to the financial statements
There are no exceptional or extra ordinary items in the above period

For and on behalf of the Board of Directors

As per our separate Report of even date

N.K. Nagpal
Secretary

P.K. Jain
Director (Finance)

R. D. Goyal
Director (Projects)

B. C. Tripathi
Chairman &
Managing Director

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

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

Place : New Delhi
Dated : May 30, 2012

Navin Bansal
(Partner)
Membership No. 91922

G. S. Haldia
(Partner)
Membership No. 007012



GAIL (India) Limited, New Delhi

Notes to financial statements for the year ended 31st March 2012

1. Summary of Significant Accounting Policies

1.1. 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.

1.2. 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.

1.3. Inventories

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) Surplus / Obsolete Stores and Spares are valued at cost or net realisable value, which ever is lower.
- (v) 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.

1.4. 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).
 - (i) Assets costing upto ₹5,000/- are depreciated fully in the year of capitalisation.
 - (ii) Bunk Houses are amortised on assumption of five years life.
 - (iii) Oil and Gas Pipelines including other related facilities are depreciated @ 3.17% per annum on SLM basis based on useful life of 30 years.
 - (iv) 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.
 - (v) Cost of the leasehold land not exceeding 99 years is amortised over the lease period.
 - (vi) Depreciation due to price adjustment in the original cost of fixed assets is charged prospectively.
 - (vii) Capital expenditure on the assets (enabling facilities), the ownership of which is not with the Company, is charged off to Revenue.
 - (viii) Software / Licences are amortised in 5 years on straight line method.
 - (ix) No depreciation is being charged on ROU being perpetual in nature.
 - (x) 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's Act, 1956.

1.5. Revenue recognition

- (i) Sales are recognized on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers. Sales include excise duty but exclude value added tax. Any retrospective revision in prices is accounted for in the year of such revision.
- (ii) Income from Consultancy/Contract Services, if any, is recognized based on Proportionate Completion Method.
- (iii) Dividend income is accounted for when the right to receive it is established.
- (iv) Claims (including interest on delayed realization from customers) are accounted for, when there is no significant uncertainty that the claims are realizable.
- (v) 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.
- (vi) Minimum charges relating to transportation of LPG are accounted for on receipt basis.
- (vii) 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.

1.6. Fixed Assets

- (a) 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.
- (b) 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.

1.7. 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.

1.8. 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 material in Transit/ value of materials / equipment / Services, etc. received at site for use in the projects.
- (c) Pre-project expenditure relating to Projects which are considered unviable / closed is charged off to Revenue in the year of declaration/closure.

1.9. 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.

1.10. Foreign Currency Translation

- (i) Transactions in foreign currency are accounted at the exchange rate prevailing on the transaction date.
- (ii) 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.
- (iii) 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).
- (iv) Exchange differences (loss), arising from translation of foreign currency loans relating to fixed assets to the extent regarded as an

adjustment to interest cost are treated as borrowing cost.

- (v) Any gains or loss arising on account of exchange difference either on settlement or on translation is accounted for in the Profit & Loss account except in case of long term foreign currency monetary items relating to acquisition of depreciable capital asset (other than regarded as borrowing cost) in which case they are adjusted to the carrying cost of such assets and in other cases, accumulated in "Foreign Currency Monetary item Translation Difference Account" in the financial statements and amortized over the balance period of such long terms asset or liability, by recognition as income or expenses in each of such period.

1.11. 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.

1.12. 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.

1.13. Employees Benefits

- (i) All short term employee benefits are recognized at the undiscounted amount in the accounting period in which they are incurred.
- (ii) 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 Statement of Profit and Loss. 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.
- (iii) 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.

- (iv) Provision for gratuity as per actuarial valuation is funded with a separate trust.

1.14. 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.

1.15. 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.

1.16. R&D Expenditure

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

1.17. 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.

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



- (i) 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.
- (ii) Estimated amount of contracts remaining to be executed on capital accounts are disclosed in each case above ₹ 5 Lacs.

1.19. 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

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

1.20. OTHERS

- (i) 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.
- (ii) Insurance claims are accounted for on the basis of claims admitted by the insurers.

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(₹ in Crores)

	ASAT 31 ST March, 2012	ASAT 31 ST March, 2011
Note 2 : Share Capital		
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

a) Details of Shareholders holding more than 5% shares in the company

	31 ST March, 2012		31 ST March, 2011	
	Numbers	% Holding	Numbers	% Holding
Equity shares of ₹10/- each fully Paid Up				
(i) President of India (Promoter)	727,405,675	57.34%	727,405,675	57.34%
(ii) Life Insurance Corporation of India	91,927,049	7.25%	76,168,062	6.00%

- b) The Company has only one class of equity shares having a par value ₹10/- per share. The holders of the equity shares are entitled to receive dividends as declared from time to time and are entitled to voting rights proportionate to their share holding at the shareholders meetings.
- c) 104,90,634 shares are held in the form of Global Depository Receipts
- d) During the year 2008-09, the company had issued 42,28,25,800 Bonus Equity shares of ₹ 10/- each out of General Reserve.



(₹ in Crores)

	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 3 : Reserves and Surplus		
Capital Reserve (Grant Received from Danish Govt. for construction of Gas Technology Institute at Noida)		
As per Last financial statements	1.51	1.62
Less : Transferred to statement of Profit & Loss	0.11	0.11
Closing Balance	1.40	1.51
Share Premium Account	0.27	0.27
Investment Allowance (Utilised) Reserve		
As per Last financial statements	17.87	19.11
Less : Transferred to General Reserve	17.87	1.24
Closing Balance	-	17.87
Bonds Redemption Reserve		
As per Last financial statements	197.71	189.90
Add : Transferred from surplus in the statement of Profit & Loss	30.93	37.81
Less : Transfer to statement of Profit & Loss	(55.00)	(30.00)
Closing Balance	173.64	197.71
General Reserve		
As per Last financial statements	2,668.92	2,311.68
Add : Transferred from Investment Allowance(Utilised) Reserve	17.87	1.24
Add : Transferred from surplus in the statement of Profit & Loss	365.00	356.00
Closing Balance	3,051.79	2,668.92
Surplus in the Statement of Profit and Loss		
As per Last financial statements	15,098.58	13,007.94
Add : Profit for the year as per statement of Profit & Loss	3,653.84	3,561.13
Less : Appropriations		
Interim Dividend	380.54	253.70
Proposed Final Dividend	723.03	697.66
Corporate Dividend Tax	179.02	155.32
Transfer from Bond Redemption Reserve	(55.00)	(30.00)
Transfer to Bond Redemption Reserve	30.93	37.81
General Reserve	365.00	356.00
Net surplus after Appropriations	2,030.32	2,090.64
	17,128.90	15,098.58
TOTAL	20,356.00	17,984.86
a) The company has proposed final dividend for the Financial year 2011-12 @ ₹5.70 Per equity share of ₹10/- each (previous year : ₹5.50 per equity share)		

	Non-current Portion		Current Maturities	
	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 4 : Long Term Borrowings				
SECURED				
(a) BONDS				
Bonds Series - I	300.00	400.00	100.00	100.00
(6.10% Secured Non-convertible redeemable Bonds - Series - I are redeemable in 5 equal installment commencing from the end of the 8th year upto the end of the 12th year from the deemed date of allotment August 22, 2003.) (Bonds are secured on pari pasu basis, by charge on freehold non agricultural land at village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery , spares, tools and accessories and other movables of the company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plant and Vadodara plant both present and future and whether installed or not and lying or in store)				
Bonds Series - II	120.00	240.00	120.00	120.00
(5.85% Secured Non-convertible redeemable Bonds - Series - II are redeemable in 5 equal installment commencing from the end of the 6th year upto the end of the 10th year from the deemed date of allotment March 25, 2004.) (Bonds are secured on pari pasu basis, by charge on freehold non agricultural land at village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery , spares, tools and accessories and other movables of the company pertaining to its projects at LPG 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	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 village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery , spares, tools and accessories and other movables of the company pertaining to its projects at Vijaipur Dadri Pipeline Projects excluding compressor stations at Vijaipur both present and future and whether installed or not and lying or in store)				
(b) TERM LOANS				
From Banks :				
Loan from HDFC Bank	375.00	-	-	
(Secured by way of first pari-passu charge on all the movable fixed assets, including whole pipeline, spur lines, plant & machinery, spares, equipments, tools &				



(₹ in Crores)

	Non-current Portion		Current Maturities	
	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
<p>accessories and other movables both present and future, whether now lying loose or in cases or which are now lying or stored in or whether in the course of transit or on high seas, of the Dahej - Vijaypur Phase-II Pipeline project of the Borrower) excluding the plant & Machinery of compresor station at Jhabua andVijaipur)</p> <p>Repayable in half yearly equal instalments over a period of 12 years starting from 6 months after the completion of 2 years moratorium from the date of last disbursement.</p> <p>From Other Parties :</p> <p>Oil Industry Development Board</p> <p>(Secured 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 possion of borrrwer and either by way of substitution or addition).</p> <p>Repayable in four equal instalments after expiary of moratorium of one year from the date of disbursement. Loan disbursed in installment from July 2009 to March 2011 with rate of interest from 6.74% to 8.31% p.a. depending on date of disbursement</p> <p>Oil Industry Development Board</p> <p>Secured 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 Dadri- Bawana—Nangal 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)</p> <p>Repayable in four equal instalments after expiary of moratorium of one year from the date of disbursement. Loan disbursed in installment from July 2011 to March 2012 with rate of interest from 8.68% to 8.89% p.a. depending on date of disbursement</p>	596.00	833.00	237.50	117.00
	675.00	-	-	-
	2,566.00	1,973.00	457.50	337.00

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(₹ in Crores)

	Non-current Portion		Current Maturities	
	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
UNSECURED TERM LOANS				
From Banks :				
- Bank of Tokyo Mitsubishi UFJ Ltd. (1/3 rd repayment at the end of the 4th, 5th & 6th year from the last date of drawl i.e Dec 2015, Dec 2016 & Dec 2017) Loan carries floating rate of interest linked to 6 Months LIBOR plus spread.	516.30		-	
- Bank of Tokyo, Mitsubishi UFJ Ltd. (Bullet repayment at the end of the 5th year from the last date of drawl i.e Aug'2016. Loan carries floating rate of interest linked to 6 Months LIBOR. plus spread)	774.45		-	
- Mizuho Corporate Bank (1/3 rd repayment at the end of the 4th, 5th & 6th year from the last date of drawl i.e Jan 2016, Jan 2017 & Jan 2018) Loan carries floating rate of interest linked to 6 Months LIBOR plus spread).	516.30		-	
- Sumitomo Mitsui Banking Corporations (1/3 rd repayment at the end of the 4th, 5th & 6th year from the last date of drawl i.e Feb 2016, Feb 2017 & Feb 2018) Loan carries floating rate of interest linked to 6 Months LIBOR plus spread).	516.30		-	
	2,323.35	-	-	-
TOTAL	4,889.35	1,973.00	457.50	337.00
a) There has been no defaults in repayment of any of the loans or interest thereon during the year.				



(₹ in Crores)

	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 5 : Other Long Term Liabilities		
Liability for Abandonment Cost (E&P)	1.13	1.13
Foreign Currency Monetary Item Translation Difference Account	1.35	-
Gas Pool Money (Provisional) ((Refer note no 35 (d))	234.01	-
Deposits/Retention Money from Contractors and others	5.47	13.54
Other Liabilities	36.02	0.27
TOTAL	277.98	14.94
Note 6 : Long Term Provisions		
Provision for Employee Benefits (refer note no -37)	337.77	289.25
TOTAL	337.77	289.25
Note 7 : Trade Payables		
Trade Payables (includes ₹ 47.06 Cr.(Previous Year : ₹ 43.74 Cr.) payable to JV consortium)	2,509.93	2089.81
TOTAL	2,509.93	2089.81
Note 8 : Other Current Liabilities		
(a) Current Maturity of Long Term Debt (Refer Note No - 4)		
SECURED :		
- Bonds	220.00	220.00
- Term Loans	237.50	117.00
(b) Interest accrued but not due on Borrowings	35.39	33.22
(c) Unpaid / Unclaimed Dividend	2.59	2.71
(d) Others Payables :		
(i) Deposits/Retention Money from Contractors and others	490.73	329.59
(ii) Gas Pool Money ((Refer Note No - 35 (b))	818.83	722.60
(iii) Imbalance & Overrun Charges ((Refer Note No - 35 (c))	31.67	23.96
(iv) Others :		
- Statutory Payables	208.23	249.43
- Advance from Customers	382.35	444.17
- Payable for Capital expenditure	586.46	290.09
- Adjustment in pipeline tariff	238.96	121.28
- E&P Expenditure payables	171.08	150.15
- Employee Benefits payables	107.05	203.39
- Other Payables	123.95	79.03
TOTAL	3,654.79	2,986.62

a) Details in respect of rate of interest and terms of repayment of secured and unsecured current maturities of long term borrowings indicated above are disclosed in note no - 4

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(₹ in Crores)

	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 9 : Short-term Provisions		
Provision for Employee Benefits (refer note no - 37)	22.12	19.56
Others :		
Provision for taxes	2,928.01	2,785.37
Provision for Proposed Dividend	723.03	697.66
Provision for tax on Proposed Dividend	117.29	113.18
Provision for Probable Obligations	231.29	155.48
TOTAL	4,021.74	3,771.25

(₹ in Crores)

Note 10 - Fixed Assets (Tangible / Intangible Assets)

DESCRIPTION	GROSS BLOCK (AT COST)		DEPRECIATION			IMPAIRMENT LOSS			NET BLOCK			
	As at 01.04.2011	Additions/ Adjustments during the year	Sales/ Adjustments during the year	As at 31.03.2012	Upto 31.03.2011	For the Year	Adjustments during the year	As at 31.03.2012	Reversed during the year	For the Year	As at 31.03.2012	As at 31.03.2011
Tangible Assets (A)												
Land : Freehold	97.04	42.78	0.07	139.75	-	-	-	-	-	-	139.75	97.04
Leasehold	78.36	23.32	-	101.68	9.26	1.17	-	-	-	-	91.25	69.10
Building : Office/Others	418.78	43.41	-	462.19	133.68	12.77	(0.00)	146.45	-	-	315.74	285.10
Residential	263.77	3.48	-	267.25	67.41	5.12	-	72.53	-	-	194.72	196.36
Bunk Houses	2.15	0.04	0.03	2.16	1.69	0.14	(0.03)	1.80	-	-	0.36	0.46
Plant and Machinery	20,525.49	4,020.97	12,566	24,420.80	9,218.10	729.50	(63.16)	9,884.44	-	1.67	14,534.69	11,307.39
Railway Lines & Sidings	5.47	-	-	5.47	5.16	-	0.01	5.17	-	-	0.30	0.31
Electrical Equipments	162.49	27.15	2.56	187.08	74.45	9.39	(2.08)	81.76	-	0.45	104.87	88.04
Furniture and Fixtures	65.92	6.56	1.39	71.09	42.08	3.93	(1.24)	44.77	-	-	26.32	23.84
Office Equipments	165.38	31.57	2.34	194.61	101.43	4.25	(2.07)	103.61	-	-	91.00	63.95
Other Equipments	97.69	23.99	16.37	105.31	40.19	18.89	(14.57)	44.51	-	-	60.80	57.50
Transport Equipments	2.50	0.04	0.04	2.50	2.06	0.10	(0.04)	2.12	-	-	0.38	0.44
E&P Assets												
Producing Property	-	-	-	-	-	-	-	-	-	-	-	-
Support Equipment & Facilities	1.65	-	-	1.65	0.46	0.09	-	0.55	-	-	1.10	1.19
TOTAL (A)	21,886.69	4,223.31	148.46	25,961.54	9,695.97	785.35	(83.18)	10,398.14	2.12	2.12	15,561.28	12,190.72
Intangible Assets (B)												
Right of Use *	206.75	51.62	0.36	258.01	-	-	-	-	-	-	258.01	206.75
Softwares / Licences	50.94	36.26	0.12	87.08	44.84	4.02	(0.11)	48.75	-	-	38.33	6.10
Total (B)	257.69	87.88	0.48	345.09	44.84	4.02	(0.11)	48.75	-	-	296.34	212.85
TOTAL (A+B)	22,144.38	4,311.19	148.94	26,306.63	9,740.81	789.37	(83.29)	10,446.89	2.12	2.12	15,857.62	12,403.57
Previous Year	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

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

b) The borrowing costs capitalised in the fixed assets and capital work-in-progress (CWIP) during the year ended 31st March 2012 is ₹215.14 Crores. (Previous year: ₹35.80 Crores). Asset wise details of borrowing costs and exchange differences in the cost of major heads of fixed assets through addition/ Adjustments column are given below:

Particulars	For the year ended 31 st March 2012		For the year ended 31 st March 2011	
	Borrowing Costs	Exchange difference	Borrowing Costs	Exchange difference
Plant & Machinery	47.03	(1.70)	25.44	-
CWIP	168.11	40.18	10.36	-
TOTAL	215.14	38.48	35.80	-

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(₹ in Crores)

		AS AT 31 ST March, 2012		AS AT 31 ST March, 2011
Note 11 : Capital Work-in-Progress				
A. Plant & Machinery				
Linepipe Construction and related facilities including Cathodic Protection	4,695.25		3,226.00	
Less : Provision for Linepipe and Related Facilities	23.66	4,671.59	11.44	3,214.56
	<hr/>		<hr/>	
Despatch/Receiving Terminals		0.92		4.09
Compressor Stations		59.82		20.97
Telecom/Telesupervisory System		17.58		6.08
LPG Pipeline Project		5.22		5.02
LPG Projects		1.90		0.70
Petrochemicals		457.71		103.13
Telecom Project		0.26		-
Others		401.39		144.17
Exploratory Well in Progress	318.68		340.44	
Less : Provision for Dry Exploratory Wells	53.57	265.11	-	340.44
	<hr/>		<hr/>	
Development Well in Progress		155.39		90.49
B. Buildings	33.78		7.64	
Less : Provision for abandonment of Building	-	33.78	0.34	7.30
	<hr/>		<hr/>	
C. Linepipes, Capital Items in Stock/Transit	1,872.62		1,909.47	
Less : Provision for losses/obsolescence	0.84	1,871.78	0.27	1,909.20
	<hr/>		<hr/>	
TOTAL		7,942.45		5,846.15



(₹ in Crores)

	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 12 : Non-current Investments		
1. Trade Investments		
Quoted		
(a) Investments in Equity Instruments :-		
(i) 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 allotted at a premium of ₹ 5/- per share	98.75	98.75
	130.25	130.25
(ii) In Associate Company		
21,00,00,000 (Previous Year : 21,00,00,000) Equity Shares of HK\$ 0.01/- each fully paid up in China Gas Holding Ltd.China, acquired at a premium of HK\$ 1.148 / share	136.32	136.32
	136.32	136.32
(iii) 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
20,56,01,068 (Previous Year : 20,56,01,068) 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
	557.15	557.15
(b) Investments in Govt. or Trust securities		
(i) 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
	9.59	9.59
TOTAL QUOTED	833.31	833.31
Unquoted		
(a) Investments in Equity Instruments :-		
(i) 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
60,30,85,173 (Previous Year : 22,72,60,073) Equity Shares of ₹ 10/- each fully paid up in Brahmaputra Cracker & Polymer Ltd.	603.09	227.26
16,79,50,000 (Previous Year : 11,71,70,000) Equity Shares of ₹ 10/- each fully paid up in GAIL Gas Ltd.	167.95	117.17
3,60,00,000 (Previous Year : Nil) Equity Shares of USD 1/- each fully paid up in Gail Global USA Inc	179.17	-
	959.85	354.07

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(₹ in Crores)

	ASAT 31 ST March, 2012	ASAT 31 ST March, 2011
(ii) 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 : 1,50,00,000) Equity shares of ₹ 10/- each fully paid up in Central UP Gas Ltd.	15.00	15.00
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 Maharashtra Natural Gas Ltd.	22.50	22.50
77,69,00,000 (Previous Year : 69,29,00,000) Equity shares of ₹ 10/- each fully paid up in Ratnagiri Gas Power Project Ltd	776.90	692.90
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
	859.43	775.43
(iii) 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
	28.86	28.86
2. Other Investments (Unquoted - At cost)		
(a) Investments in Equity Instruments :-		
i) 30 Shares (Previous Year : 30) of ₹50 each fully paid up in Darpan Co-operative Housing Society Ltd., Vadodara (₹1,500/-).	-	-
ii) 50 Shares (Previous Year : 50) of ₹50 each fully paid up in Ashoka Apartments Co-operative Housing Society Ltd., Vadodara (₹2,500/-).	-	-
iii) 400 Shares (Previous Year : 400) of ₹10 each fully paid up in Sanand Members Association, Ahmedabad (₹4,000/-).	-	-
iv) 35 Shares (Previous Year : 35) of ₹50/- each fully paid up in Green Field (B) Co-operative Housing Society Ltd., Mumbai (₹1,750/-)	-	-
v) 8347 Equity shares of USD 1/- each fully paid up in South East Asia Gas Pipeline Ltd.(Registered in Hongkong).	0.04	0.04
	0.04	0.04
TOTAL UNQUOTED	1,848.18	1,158.40
TOTAL (I)	2,681.49	1,991.71



(₹ in Crores)

	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Advances for Investments (Pending Allotment)		
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) Avantika Gas Ltd.	22.49	22.49
v) Ratnagiri Gas & Power Pvt. Ltd.	118.36	-
vi) ONGC Petro Additions Ltd (OPAL)	335.88	299.41
	522.53	367.70
Subsidiary Companies		
i) Brahmaputra Cracker and Polymer Ltd.	189.93	160.30
ii) GAIL Gas Ltd.	54.35	18.78
	244.28	179.08
Others		
i) South East Asia Gas Pipeline Ltd.	100.63	42.86
	100.63	42.86
TOTAL (II)	867.44	589.64
TOTAL (I+II)	3,548.93	2,581.35
Aggregate amount of quoted investments		
- Book Value (at cost)	833.31	833.31
- Market Value	8,814.13	8,557.39
Aggregate amount of unquoted investments	1,848.18	1,158.40
Aggregate amount of Advances for Investments (Pending) Allotement	867.44	589.64

(₹ in Crores)

		ASAT 31 ST March, 2012	ASAT 31 ST March, 2011
Note 13 : Long term Loans and Advances			
(a) Capital Advances			
- Secured, Considered Good	206.51		32.55
- Unsecured, Considered Good	92.80		0.47
- Unsecured, Considered Doubtful	1.55		1.77
	300.86		34.79
Less : Provision for Doubtful Advances	1.55	299.31	1.77
			33.02
(b) Security Deposits			
- Unsecured, Considered Good	161.18		44.82
- Unsecured, Considered Doubtful	0.40		0.45
	161.58		45.27
Less : Provision for Doubtful Deposits	0.40	161.18	0.45
			44.82
(c) Loans and Advances to Related Parties			
- Unsecured, Considered Good			
GAIL Global Singapore (Pte) Limite		57.32	56.92
(100% subsidiary company incorporated in Singapore)			
(d) Other Loans and Advances			
(i) Loans and Advances to Employees			
- Secured, Considered Good	230.91		196.62
- Unsecured, Considered Good	68.49		32.03
(including dues from Directors and officer ₹ 0.44 Cr. (Previous Year : ₹0.25 Cr.) (Maximum amount due at any time during the year: ₹ 0.77 Cr) (Previous Year : ₹ 0.49 Cr.))		299.40	228.65
(ii) Advance Income Tax against pending demand			
- Unsecured, Considered Good	1,177.33		1,323.66
- Unsecured, Considered Doubtful	43.24		-
	1,220.57		-
Less : Provision for Doubtful Income Tax against pending demand	43.24	1,177.33	-
(iii) Others :			
Other Advances		1.04	0.03
- Unsecured, Considered Good			
TOTAL		1,995.58	1,687.10



(₹ in Crores)

		AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 14 : Other Non Current Assets			
Long Term Trade Receivables			
- Unsecured, Considered Good	272.04		72.90
- Unsecured, Considered Doubtful	472.58	744.62	150.50
			223.40
Less : Provision for Doubtful debts		472.58	150.50
		272.04	72.90
Others :			
- Unsecured, Considered Good			
Prepaid Expenses		0.07	0.19
TOTAL		272.11	73.09
Note 15 : Current Investments			
Associates Companies *			
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
Less: Provision for Diminution	-	-	0.44
			1.17
TOTAL		-	1.17
a) During the Financial year 2011-12, GAIL disposed-off its whole stake in Shell Compressed Natural Gas Egypt (S.A.E.) for ₹1.07 Crores at a loss of ₹ 0.54 Crores against which the Company had created a provision of ₹0.44 Crores during the FY 2010-11 and balance of ₹0.10 Crores charged to statement of Profit & Loss of the current Financial year.			
Note 16 : Inventories			
(a) Work-in-Progress		1.93	3.26
(b) Finished Goods			
Polymers / LPG and Other Products		96.63	82.71
(c) Stock-in-trade			
Stock of Gas (after adjustment of calorific value)		791.93	306.77
(d) Stores and Spares			
(As taken, valued and certified by the Management)			
Stores and Spares *	471.73		422.56
Less : Provision for Losses/Obsolescence	1.55		1.75
		470.18	420.81
Construction Surplus - Capital / Stores	83.91		64.01
Less : Provision for Losses/Obsolescence	24.84		22.45
		59.07	41.56
* includes ₹ 76.05 Cr.(Previous Year : ₹ 44.62 Cr.) in transit.			
TOTAL		1,419.74	855.11

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(₹ in Crores)

		AS AT 31 ST March, 2012		AS AT 31 ST March, 2011
Note 17 : Trade Receivables				
(i) Trade Receivables outstanding for a period exceeding six months				
- Unsecured, Considered Good	32.49		15.50	
- Unsecured, Considered Doubtful	26.11	58.60	2.02	17.52
(ii) Other Receivables				
- Unsecured, Considered Good	1,871.99		1,817.50	
- Unsecured, Considered Doubtful	14.32	1,886.31	-	1,817.50
		1,944.91		1,835.02
Less : Provision for Doubtful debts		40.43		2.02
TOTAL		1,904.48		1,833.00
Note 18 : Cash and cash equivalents				
(a) Cash in hand		0.25		0.25
(b) Stamps in hand		0.41		0.46
(c) Balances With Banks				
(i) Current Account		32.27		37.22
(ii) Corporate Liquid Term Deposit (CLTD)		31.91		189.80
(iii) Short Term Deposit		0.97		1,150.69
(iv) Earmarked Accounts				
- Current Account - Dividend Payable	2.59		2.71	
- Short Term Deposit - Gas Pool Money (includes interest accrued but not due ₹33.77 Cr. (Previous Year : ₹ 18.23 Cr.)	783.84		706.47	
- Short Term Deposit - Imbalance & Over run (includes interest accrued but not due ₹1.96 Cr. (Previous Year : Nil) ((Refer Note No - 35 (c))	32.03		-	
- Short Term Deposit - JV Consortium (includes interest accrued but not due ₹0.92 Cr. (Previous Year : ₹0.70 Cr.) ((Refer Note No - 35 (a))	47.06		43.75	
		865.52		752.93
TOTAL		931.33		2,131.35
a) None of the above deposits is having original maturity of more than 12 months				



(₹ in Crores)

	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 19 : Short Term Loans and Advances		
(a) Loan and Advances to Related Parties		
- Unsecured, Considered Good (Includes interest accrued of GAIL Global Singapore (Pte) Ltd. ₹ 0.38 Cr. (Previous Year : ₹ 0.77 Cr.)	79.35	8.65
(b) Security Deposits		
- Unsecured, Considered Good	52.93	74.98
(c) Others :		
(i) Loan and Advances to Employees		
- Secured, Considered Good	28.23	23.13
- Unsecured, Considered Good (including dues from Directors and officer ₹ 0.23 Cr. (Previous Year : ₹ 0.16 Cr.)	4.89	6.18
(ii) Prepaid Expenses		
- Unsecured, Considered Good	22.75	16.43
(iii) Balance with Government Authorities		
- Unsecured, Considered Good		
CENVAT Credit Receivable	391.94	287.28
VAT Credit Receivable	722.67	465.43
Service Tax Credit Receivable	197.29	173.24
(iv) Advances to Suppliers/Contractors		
- Unsecured, Considered Good	114.27	72.40
- Unsecured, Considered Doubtful	0.97	4.85
	115.24	77.25
Less : Provision for Doubtful Advances	0.97	4.85
(v) Advance tax / TDS		
- Unsecured, Considered Good	3,210.33	3,184.25
(vi) Claims Recoverable		
- Unsecured, Considered Good	72.32	60.03
- Unsecured, Considered Doubtful	3.72	4.22
	76.04	64.25
Less : Provision for doubtful claims	3.72	4.22
(vii) Other advances recoverable in cash or in kind		
- Unsecured, Considered Good	314.25	223.97
TOTAL	5,211.22	4,595.97
a) Loans and advances to related parties includes :		
GAIL Global Singapore (Pte) Ltd.	0.47	0.77
Bhagyanagar Gas Ltd.	63.70	0.79
Indraprastha Gas Ltd.	0.09	0.10
Tripura Natural Gas Ltd.	0.37	0.39
Green Gas Ltd.	0.68	0.68
Central U.P. Gas Ltd.	0.16	0.41
Maharashtra Natural Gas Ltd.	0.28	0.56
Avantika Gas Ltd.	0.64	1.23
Mahanagar Gas Ltd.	0.07	0.03
Ratnagiri Power & Project Ltd.	4.67	1.58
OPAL	0.17	
GAIL Global USA Inc.	1.01	-
BCPL	1.86	2.07
Gail Gas Ltd.	5.18	0.04
TOTAL	79.35	8.65

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(₹ in Crores)

	ASAT 31 ST March, 2012	ASAT 31 ST March, 2011
Note 20 : Other Current Assets		
Interest accrued but not due (Including on investments of ₹0.04 cr. (Previous Year : ₹ 0.04 cr.)	1.22	3.59
TOTAL	1.22	3.59



(₹ in Crores)

	Year Ended 31 st March, 2012	Year Ended 31 st March, 2011
Note 21 : Revenue from Operations (Gross)		
a) Sale of Products		
Sale of Gas	31,749.98	24,831.36
Sale of Polymers	3,726.09	3,261.23
Sale of LPG	1,661.60	1,651.62
Sale of Propane/Pentane/SBPS/Naptha	1,615.61	1,258.90
Sale of Crude Oil	81.19	40.63
Sale of CNG	42.79	16.30
Sale of Power	1.22	-
b) Sale of Services		
LPG Transmission / RLNG Shippers Charges	1,939.32	1,840.66
c) Income from Telecom		
	3.99	6.39
	40,821.79	32,907.09
Less : Excise Duty	541.05	448.45
TOTAL	40,280.74	32,458.64
Other Operating Income	117.21	77.88
TOTAL (Net)	40,397.95	32,536.52
Note 22 : Other Income		
Interest on :		
- Bonds (Long term trade investment)	0.67	0.67
- Deposits with Banks	101.24	91.77
- Others	72.91	17.58
	174.82	110.02
(Tax deducted at source : ₹11.23 Cr.(Previous Year ₹ 8.97 Cr.))		
Add : Transferred to Expenditure during construction period (refer note no - 29)	(21.28)	153.54
	153.54	(2.85)
Dividend from long term (trade) investment	252.40	301.21
Profit on Sale/Written off of Assets/ Rights (net)	-	14.57
Miscellaneous Income	26.65	18.13
(Tax deducted at source : ₹ 0.56 Cr.(Previous Year : ₹ 0.20 Cr.))		
Add : Transferred to Expenditure during construction period (refer note no - 29)	(0.71)	25.94
	25.94	(0.38)
TOTAL	431.88	440.70

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(₹ in Crores)

	Year Ended 31 ST March, 2012	Year Ended 31 ST March, 2011
Note 23 : (Increase) / Decrease in Inventories of Finished Goods, Work in Progress and Stock in Trade		
Inventories at the end of the year		
Work-in-Progress	1.93	3.26
Finished Goods	96.63	82.71
Stock in Trade	791.93	306.77
TOTAL	890.49	392.74
Inventories at the beginning of the year		
Work-in-Progress	3.26	2.94
Finished Goods	82.71	91.98
Stock in Trade	306.77	165.33
TOTAL	392.74	260.25
(Increase) / Decrease	(497.75)	(132.49)
Note 24 : Employee benefits expenses		
Salaries, Wages and Allowances	474.03	577.82
Contribution to Provident and Other Funds	83.51	60.27
Staff Welfare Expenses	120.46	114.57
TOTAL	678.00	752.66
Less : Employees Benefit Expenses transferred to Capital Work-in-Progress (refer note no - 29)	70.52	31.43
TOTAL	607.48	721.23
a) Employee benefits expenses includes ₹70.36 Cr.(Previous Year : ₹ 158.21 Cr.) on account of retirement benefits viz. PF, Leave encashment, Medical, Long Service award, terminal benefit, sick leave and gratuity.		
Note 25 : Finance Cost		
Interest on		
- Term Loans	133.76	44.74
- Bonds	92.00	71.59
- Others	16.70	2.15
	242.46	118.48
Other Borrowing Costs	49.04	0.18
Exchange differences regarded as an adjustment to Interest Cost	40.10	-
TOTAL	331.60	118.66
Less : Interest and Finance Charges transferred to Capital Work-in-Progress (refer note no - 29)	215.14	35.80
TOTAL	116.46	82.86



(₹ in Crores)

	Year Ended 31 ST March, 2012	Year Ended 31 ST March, 2011
Note 26 : Depreciation and Amortization Expenses		
Depreciation and Amortization Expenses	789.37	650.29
Impairment Loss	2.12	-
TOTAL	791.49	650.29
Less : Depreciation and Amortization Expenses transferred to Capital Work-in-Progress (refer note no - 29)	0.78	0.04
TOTAL	790.71	650.25
a) As required by Accounting Standard (AS) 28, 'Impairment of Assets', an amount of ₹2.12 Crore has been impaired in respect of GAIL Tel Cash Generating Units (ref note no - 46)		
Note-27 : Other Expenses		
Gas Pool Expenses	589.69	428.94
Stores and Spares consumed	268.14	238.38
Power and Fuel Charges		
Power Charges	165.60	149.40
Gas used as Fuel	892.88	817.75
	1,058.48	967.15
Water Charges	7.20	5.70
Rent	17.08	16.65
Repairs and Maintenance		
Plant and Machinery	202.00	165.13
Buildings	18.49	18.19
Others	29.79	23.38
	250.28	206.70
Insurance	13.92	11.60
Rates and Taxes (includes entry tax on gas)	94.31	59.03
Miscellaneous Expenditure :		
- Licence Fees - Telecom	1.03	0.36
- Bandwidth Consumption	-	0.24
- Communication Expenses	9.09	8.65
- Printing and Stationery	3.70	2.90
- Travelling Expenses	87.99	44.65
- Books and Periodicals	0.54	0.54
- Advertisement and Publicity	24.21	20.92
- Entertainment Expenses	0.17	0.15
- Recruitment and Training Expenses	12.99	11.02

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(₹ in Crores)

	Year Ended 31 ST March, 2012	Year Ended 31 ST March, 2011
- Vehicle Hire and Running Expenses	21.93	21.23
- Survey Expenses	71.24	83.34
- Dry Well Expenses written off	152.31	52.39
- Oil & Gas Producing Expenses (Operators)	10.39	3.54
- Royalty on Crued Oil	9.38	4.13
- Consultancy Charges	49.53	16.42
- Data Processing Expenses	3.48	3.57
- Donation	-	0.01
- Research and Development Expenses	1.19	0.13
- Loss on sale / written off of assets (net)	2.89	-
- Bad Debts/Claims/Advances/Stores written off	0.29	0.36
- Provision for Doubtful Debts, Advances, Claims, Deposits and obsolescence of Stores and Capital Items	425.71	9.48
- Provision for Probable Obligations / Contingencies	37.93	108.08
- Excise Duty on Stock (net)	1.32	(1.40)
- Expenses on Enabling Facilities	2.73	2.95
- Selling & Distribution Expenses	18.45	21.71
- Discount on Sales	131.77	121.79
- Commission on Sales	16.52	15.92
- Security Expenses	65.37	56.04
- Corporate Social Responsibility Expenses	54.43	59.90
- Other Expenses	24.03	41.40
Net Loss on Foreign Currency Transaction and Translation	12.41	3.30
Payment to Auditors		
Audit Fees	0.53	0.45
Tax Audit fees	0.06	-
Out of Pocket Expenses	0.14	0.61
	0.10	-
Net Loss on Sale of Investments	0.10	-
Prior Period Adjustments (Refer note 30)	3.07	17.20
	3,556.02	2,665.68
TOTAL	3,556.02	2,665.68
Less : Incidental Expenditure during construction transferred to Capital Work-in-Progress (refer note no - 29)	17.66	6.05
	3,538.36	2,659.63
TOTAL	3,538.36	2,659.63

a) Audit fees includes ₹0.05 Crores (Previous year : ₹02 Crores) relating to Cost Audit fees.



(₹ in Crores)

	Year Ended 31 ST March, 2012	Year Ended 31 ST March, 2011
Note 28 : Prior Period Adjustments		
Purchase of Gas	-	0.03
Power, Fuel and Water Charges	(1.05)	(0.01)
Stores and Spares consumed	(0.26)	-
Rent	0.84	0.11
Rates and Taxes	-	0.04
Repairs and Maintenance	0.07	-
Consultancy Charges	-	14.56
Donations	-	-
Other Expenses	2.01	2.79
Depreciation(Net)	0.45	0.06
Interest	0.51	-
TOTAL	2.57	17.58
Less :		
- Sales	(4.77)	(0.43)
- Interest Income	-	-
- Miscellaneous Income	4.27	0.81
TOTAL (NET)	3.07	17.20

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(₹ in Crores)

		Year Ended 31 ST March, 2012		Year Ended 31 ST March, 2011
Note 29 : Expenditure during Construction Period				
Employees Remuneration and Benefits				
Salaries, Wages and Allowances	52.33		24.49	
Contribution to Provident and Other Funds	11.24		1.74	
Welfare Expenses	6.95	70.52	5.20	31.43
Power, Fuel and Water Charges		0.31		0.03
Stores & Spares		0.12		0.07
Rent		2.16		0.12
Rates and Taxes		0.11		-
Repairs and Maintenance - Plant and Machinery		0.03		-
Repairs and Maintenance - Building		0.05		0.07
Repairs and Maintenance - Others		0.53		0.28
Insurance		0.03		-
Communication Expenses		0.69		0.32
Printing and Stationery		0.24		0.13
Travelling Expenses		9.95		4.28
Books and Periodicals		0.01		0.01
Advertisement and Publicity		0.15		-
Entertainment Expenses		0.40		0.27
Recruitment and Training Expenses		0.22		0.16
Vehicle Hire and Running Expenses		0.02		0.01
Consultancy Charges		0.58		-
Data Processing Expenses		0.03		-
Other Expenses		2.03		0.30
Depreciation		0.78		0.04
Interest and Finance Charges		215.14		35.80
		304.10		73.32
Less : - Interest Income	21.28		2.85	
- Misc. Income	0.71		0.38	
- Sales	-	21.99	-	3.23
Net Expenditure		282.11		70.09
Less : Transferred to Capital Work-in-progress				
a) Employees Benefits Expenses	70.52		31.43	
b) Interest & finance Charges	215.14		35.80	
c) Depreciation	0.78		0.04	
d) Other Expenses	17.66		6.05	
e) Other Income	(21.99)	282.11	(3.23)	70.09
Balance Carried over to Balance Sheet		NIL		NIL



30. The financial statements for the year ended 31st March'2011 were prepared as per then applicable, Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31st March'2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

31. Contingent Liabilities and Commitments (To the extent not provided for):-

I. Contingent Liability

- (a) Claims against the Company not acknowledged as debts: ₹.6040.02 Crores (Previous Year: ₹ 4930.40 Crores), which mainly include:-
- (i) Legal cases for claim of ₹.3261.11 Crores (Previous Year: ₹ 2731.63 Crores) by trade payable on account of Liquidated damages/Price Reduction Schedule and Natural Gas price differential etc. and by customers for Natural gas transmission charges etc.
- (ii) Income tax assessments up to the Assessment Year 2009-10 have been completed and a demand of ₹.1345.92 Crores relating to the Assessment Years 1996-97 to 1998-1999 and 2000-01 to 2009-10 (Previous Year: ₹. 1017.25 Crores related to Assessment years 1996-97 and 2000-01 to 2008-09) has been raised by the Department on account of certain disallowances / additions which has been disputed by the company as company has been advised that the demand is likely to be deleted or may be reduced substantially by the appellate Authorities. The company has filed the appeal with the appropriate appellate authorities against all the assessment years. However, to avoid coercive action by the Department, ₹1177.33 Crores (Previous Year: ₹ 1323.66 Crores) has already been paid pending decision by the appellate authorities.

(iii) ₹.1154.69 Crores (Previous Year: ₹. 760.15 Crores) relating to disputed tax demand towards Excise duty, Sales tax, Entry tax, and Service Tax etc.

- (b) (i) The Company has issued Corporate Guarantee for ₹.806.03 Crores (Previous Year : ₹. 372.34 Crores) on behalf of subsidiary companies for raising loan. Further Bank Guarantees for ₹.45.88 Crore (Previous Year: ₹.45.88 Crore) issued on behalf of subsidiary companies.
- (ii) Share in Contingent Liabilities of Joint Ventures based on their audited / unaudited statement of accounts : ₹.733.14 Crores (Previous Year: ₹. 437.20 Crores).

II. Commitments:-

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for: ₹.7115.17 Crores (Previous Year: ₹ 4540.71 Crores).
- (b) 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. ₹.1777.91 Crores (Previous Year: ₹.1418.04 Crores).
- (c) Other Commitments:-
- (i) As at 31st March'2012, the company has commitment of ₹. 970.70 Crores (Previous Year : ₹1038.21 Crores) towards further investment and disbursement of loan in the Joint Venture Entities and Associates.
- (ii) As at 31st March'2012, the company has commitment of ₹. 217.33 Crores (Previous Year: ₹.505.45 Crores) towards further investment in the Subsidiaries.
- (iii) As at 31st March'2012, the company has commitment of ₹. 321.91 Crores (Previous Year: ₹82.93 Crores) towards further investment in the entity other than Joint Ventures, Associates & Subsidiaries.
- (iv) Counter Guarantee issued in favour of Bank etc for issuing Bank Guarantee & Letters of Credit : ₹.1242.63 Crores (Previous Year: ₹.951.45 Crores).

(v) Company's commitment towards the minimum work programme in respect of Jointly Controlled Assets has been disclosed in Note 45(b).

- 32 (a) 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.

- (b) The Commissioner, Customs & Central Excise, Kanpur has issued a Show-Cause Notice demanding ₹2808.89 Crores as Central Excise Duty on Natural Gas supplied by GAIL Dibiyaipur Compressor Station treating it as Compressed Natural Gas (CNG). The company is of the view that there is remote possibility of crystallizing of this liability in view of extant legal position and clarification issued by Ministry of Finance vide circular no. F.No.B.1/3/2001-TRU dated 21st May 2001 on the subject which was issued in response to GAIL's request after introduction of excise duty on CNG in the year 2001.
- 33 (a) Freehold land acquired for city gate station at Lucknow and Kanpur, Jhansi Maintenance Base and IMT Manesar, Sectionalizing Valves in Jamnagar – Loni Pipeline and Mumbai, receiving terminal at Pune valuing ₹6.39 Crores (Previous Year: ₹ 4.94 Crores) are valued / capitalized on provisional basis.
- (b) Title deeds for freehold land valuing ₹7.84 Crores (Previous Year: ₹ 6.38 Crores) and leasehold land valuing ₹20.94 Crores (Previous Year: ₹ 10.24 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 ₹. 1.20 Crores (Previous Year: ₹. 1.21 Crores) earmarked for disposal but in use.
- 34 (a) The company has added Note 1.10 (iv) in the Accounting Policy relating to foreign exchange differences stating that "Exchange differences (loss), arising from translation of foreign currency loans relating to fixed assets to the extent regarded as an adjustment to interest cost are treated as borrowing cost"

Due to this, an amount of ₹40.10 Crore has been debited to borrowing cost.

- (b) In view of option allowed by the Ministry of Corporate Affairs vide its notification dated 29th Dec'2011 on Accounting Standard 11, the company during the year has exercised the option and changed its accounting policy to account for "any gains or loss arising on account of exchange difference either on settlement or on translation is accounted for in the Profit & Loss account except in case of long term foreign currency monetary items relating to acquisition of depreciable capital asset (other than regarded as borrowing cost) in which case they are adjusted to the carrying cost of such assets and in other cases, accumulated in "Foreign Currency Monetary item Translation Difference Account" in the financial statements and amortized over the balance period of such long terms asset or liability, by recognition as income or expenses in each of such period".
- Due to change in Accounting Policy, Fixed Assets has increased by ₹ 38.48 Crore with consequent increase in profit for the year by ₹ 38.48 Crore and also an amount of ₹ 1.63 Crore credited in Foreign Currency Monetary item Translation Difference Account and amortised by ₹0.28 crore during the year resulting in net decrease in profit by ₹1.35 Crore. The balance in Foreign Currency Monetary item Translation Difference Account as on 31.03.2012 remaining to be amortized is ₹1.35Crore.
- 35 (a) The balance retention from PMT JV consortium amounting to ₹ 47.06 Crores (Previous Year: ₹ 43.75 Crores) includes interest amounting to ₹ 0.92 Crores (Previous Year: ₹ 2.64 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 ₹818.83 Crores (Previous Year: ₹ 722.60 Crores) includes interest amounting to ₹37.71 Crores (Previous Year: ₹. 29.10 Crores) on short term

deposits. This interest does not belong to the company hence not accounted as income.

- (c) Liability on account of Pipeline overrun and Imbalance charges amounting to ₹ 31.67 Crores (Previous Year: ₹ 23.95 Crores) includes interest amounting to ₹ 1.96 Crores (Previous Year: NIL) on short term deposits. This interest does not belong to the company hence not accounted as income.
- (d) MOP&NG has issued clarification on the allocation of additional gas available from ONGCL's nominated blocks vide its letter no. L-12018/23/2010-GP-II dated 31.10.2011 and letter no. L-13013/5/2011-GP dated 17.11.2011. In compliance with this clarification, GAIL has revised the invoices for supply of Natural Gas to some Power Plants in Pondicherry area for the period 1.7.2005 to 15.11.2011 for an additional amount of ₹241.98 Crores by issuing the debit notes. This amount has been shown as recoverable from the respective power companies and correspondingly payable in Gas Pool Account (Provisional) amounting to ₹234.01 crores and VAT payable amounting to ₹7.97 crores. The amount payable in Gas Pool Account will be invested as and when said amount is recovered from the consumers. All the respective consumers have obtained stay orders against the recovery of these dues from Courts and the cases are subjudice.
36. Disclosure as per Accounting Standard-11 on "The effect of changes in Foreign Exchange Rates"
- (i) The amount of exchange difference (net) debited to the statement of Profit & Loss is ₹ 12.41 Crores (Previous Year: ₹ 3.30 Crores).
- (ii) The amount of exchange difference (other than regarded as borrowing cost) debited to the carrying amount of fixed assets is ₹. 38.48 Crores (Previous Year: Nil).
37. The required disclosure under the Revised Accounting Standard 15 is given as below:
- (i) Superannuation Benefit Fund (Defined Contribution Fund)
- Company has provided for an amount of ₹51.30 Crores towards contribution to



Superannuation Benefit Fund Trust and charged to statement of Profit and Loss.

(ii) Provident Fund

Company has paid contribution of ₹.29.53 crores (Previous Year: ₹ 32.90 Crores) to Provident Fund Trust at predetermined fixed percentage of eligible employee's salary and charged to statement of Profit and Loss. 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. During the year, the company has reversed a provision of ₹.4.32 Crore, as per actuarial valuation and the balance provision to meet any shortfall in the future period, to be compensated by the company to the Provident Fund Trust, as on 31.03.2012 is ₹.8.82 Crore.

(iii) 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 (TB)

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 statement of Profit and Loss.

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(₹ in Crores)

	Gratuity Funded		PRMS Non Funded		EL Non Funded		TB Non Funded		HPL Non Funded		LSA Non Funded	
	11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11
A. Expenses recognized in the statement of Profit & Loss Account												
Current Service Cost	22.14	19.51	-	-	25.31	32.64	-	-	12.25	10.88	-	-
Past service cost	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Benefit Obligation	8.56	8.22	3.24	2.58	12.87	6.98	0.29	0.25	7.35	3.00	0.65	0.63
Expected Return on Plan Assets	(9.35)	(8.96)	-	-	-	-	-	-	-	-	-	-
Net actuarial (Gain)/ Loss recognized in the year	(19.44)	(18.61)	6.64	6.07	15.55	43.47	1.75	0.26	(15.53)	37.59	2.39	0.57
Expenses recognized in P&L Account for FY 2011-12	1.91	0.16	9.88	8.65	53.73	83.09	2.04	0.51	4.07	51.47	3.04	1.20
B The amount recognized in the Balance Sheet												
Present value of Obligation as at 31.03.2012	110.47	102.50	47.50	38.60	197.62	158.83	5.46	3.45	90.37	86.51	10.12	8.30
Fair value of Plan Assets as at 31.03.2012	109.95	103.89	-	-	-	-	-	-	-	-	-	-
Difference	(0.52)	1.39	(47.50)	(38.60)	(197.62)	(158.83)	(5.46)	(3.45)	(90.37)	(86.51)	(10.12)	(8.30)
Net Asset/ (Liability) recognized in the Balance Sheet	(0.52)	1.39	(47.50)	(38.60)	(197.62)	(158.83)	(5.46)	(3.45)	(90.37)	(86.51)	(10.12)	(8.30)
C. Changes in the Present Value of the Defined Benefit Obligations:												
Present value of Obligations as at 01.04.2011	102.50	98.03	38.60	30.87	158.83	88.50	3.45	2.96	86.51	35.52	8.30	7.81
Interest Cost	8.56	8.22	3.24	2.58	12.86	6.98	0.29	0.25	7.35	3.00	0.65	0.63
Current Service Cost	22.14	19.52	-	-	25.31	32.64	-	-	12.25	10.88	-	-
Past service cost	-	-	-	-	-	-	-	-	-	-	-	-
Benefit Paid	(3.54)	(2.63)	(0.97)	(0.92)	(14.93)	(12.76)	(0.03)	(0.02)	(0.21)	(0.47)	(1.22)	(0.71)
Net Actuarial Gain / (Loss) on Obligation	(19.19)	(20.64)	6.63	6.07	15.55	43.47	1.75	0.26	(15.53)	37.59	2.39	0.57
Present Value of the Defined Benefit Obligation as at 31.03.2012	110.47	102.50	47.50	38.60	197.62	158.83	5.46	3.45	90.37	86.51	10.12	8.30
D. Changes in the Fair Value of Plan Assets												
Fair Value of Plan Assets as at 01.04.2011	103.89	99.53	-	-	-	-	-	-	-	-	-	-
Expected return on Plan Assets	9.35	8.96	-	-	-	-	-	-	-	-	-	-
Contributions by Employer	0.01	0.05	-	-	-	-	-	-	-	-	-	-
Benefit Paid	(3.54)	(2.62)	-	-	-	-	-	-	-	-	-	-
Actuarial Gain / (Loss)	0.24	(2.03)	-	-	-	-	-	-	-	-	-	-
Fair Value of Plan Assets as at 31.03.2012	109.95	103.89	-	-	-	-	-	-	-	-	-	-
Principal actuarial assumption at the Balance Sheet Date												
Discount rate	8.50%	8.50%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Expected return on plan assets	9.00%	9.00%	-	-	-	-	-	-	-	-	-	-
Annual increase in costs	-	-	10%	10%	-	-	10%	10%	-	-	10%	10%
Annual increase in salary	12.00%	12.00%	-	-	12%	12%	-	-	12%	12%	-	-

Mortality table referred	LIC (1994-96) DULY MODIFIED		
	AGE	WITHDRAWAL RATE % (2011-12)	WITHDRAWAL RATE % (2010-11)
Withdrawal Rate/ Employee turnover rate	UPTO 30 YEARS	3%	3%
	UPTO 44 YEARS	2%	2%
	ABOVE 44 YEARS	1%	1%

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



38. Disclosure as per Accounting Standard-16 on 'Borrowing Costs'

Borrowing costs capitalized during the year ₹ 215.14 Crore (Previous Year: ₹ 35.80 Crore).

39. MOP&NG had issued scheme of sharing of under recoveries on sensitive petroleum products. During the year, the Company has given discounts amounting to ₹3182.62 Crores (Previous Year: ₹ 2111.24 Crores). Corresponding adjustment on account of CST amounting to ₹17.54 Crores (Previous Year: ₹6.98 Crores) has been made.

40. (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) (i) 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. The impact on profit is recognized during the year of tariff submission.

(ii) PNGRB vide order no-TO/01/2012 dated 12th March' 2012 and order no. TO/06/2012 dated 01st May, 2012 have notified "PROVISIONAL" initial unit natural gas pipeline tariff for Mumbai Regional Network and Agartala Regional Pipeline respectively, effective from 20.11.2008. In accordance with the orders, the company has derecognized the revenue by an amount of ₹.114.68 Crore. Further, the company has also derecognized the revenue by an amount of ₹.140.23 Crore on account of lower tariff submitted to PNGRB for approval in respect of other pipelines.

(iii) PNGRB has issued PNGRB Regulations 2010 (Determination of Petroleum & Petroleum Products Pipelines transportation Tariff) effective from 20.12.2010 where LPG pipeline tariff has been benchmarked against railway freight. PNGRB vide its order no. TO/02/2012 dated 02nd April'2012 has notified transportation tariff for Vizag-Secunderabad LPG Pipeline effective from 27.12.2010. In accordance with the order, the company has derecognized the revenue by an amount of ₹.14.34 Crore. Further, the company has also derecognized the revenue by an amount of ₹.29.60 Crore (Previous Year: ₹.6.33 Crore) on account of lower tariff submitted to PNGRB for approval in respect of another pipeline.

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

41. 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, City Gas and Power Generation)**

There are no geographical segments.

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

42. 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**.

43. In compliance to Accounting Standard 20 on "Earning Per Share", the calculation of Earnings Per Share (Basic and Diluted) is as under:

	Current Year	Previous Year
Net Profit after tax used as numerator - ₹ crore	3653.84	3561.13
Weighted average numbers of equity shares used as denominator	1,26,84,77,400	1,26,84,77,400
Earnings per share (basic and Diluted) - ₹	28.80	28.07
Nominal Value per Equity Share - ₹	10.00	10.00

44. 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, 2012 amounting to ₹.1768.64 Crores (Previous Year: ₹ 1633.24 Crores). Net Deferred tax expense for the year of ₹. 135.40 Crores (Previous Year: ₹. 243.68 Crores) has been charged to Profit & Loss Account. The item- wise details of deferred tax liability and assets are as under:

(₹ in crores)

SI No	Particulars	As on 31 st March, 2012	As on 31 st March, 2011
	Deferred tax liability		
a)	Depreciation	4012.48	2219.76
b)	Others	0.00	12.18
	Total Deferred Tax Liability (A)	4012.48	2231.94
	Deferred Tax Assets		
c)	Provision for Retirement Benefits other than Gratuity	107.94	95.93
d)	Provision for Doubtful Debts/ Claims/Advances/Contingencies	250.28	99.85
e)	Benefit under Section 35AD of the Income Tax Act,1961	1885.62	379.66
f)	Others (including liability for pay revision)	0.00	23.26
	Total Deferred Tax Assets (B)	2243.84	598.70
g)	Deferred tax Liability (Net) (A-B)	1768.64	1633.24

45. 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 ₹. 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 ₹776.90 Crores for acquiring 77,69,00,000 equity shares of ₹10/- each in Joint Venture Company. The Company has also paid ₹ 118.36 Crores (Previous Year: NIL) as advance pending allotment of equity shares 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 ₹ 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.
- (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 : 17%) of the paid up capital. The Company has paid ₹ 335.88 Crores (Previous Year: ₹ 299.41 Crores) as advance pending allotment of equity shares in 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).

	2011-12	2010-11
A Assets	8,705.51	8,046.69
Non Current Assets	6529.47	6218.88
Current Assets	2176.04	1827.81
B Current Liabilities & Provisions	5,922.85	5,010.57
Non Current Liabilities	3,507.17	3,400.84
Current Liabilities & Provisions	2,415.68	1,609.73
C Income	5890.73	4149.18
D Expenditure	4900.50	3591.94
E Contingent Liability (*)	733.14	437.20

(*) 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 29 Blocks (PY 25 Blocks) as on 31.03.2012 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 and CY-ONN-2010/11, 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 nine NELP Blocks in India as on 31st March, 2012 is as under:

Sl. No.	Name of Block	Participating Interest	Sl. No.	Name of Block	Participating Interest
1	MN-OSN-2000/2	20%	15	CY-PR-DWN-2004/1	10%
2	CB-ONN-2000/1	50%	16	CY-PR-DWN-2004/2	10%
3	AA-ONN-2002/1	80%	17	KG-DWN-2004/1	10%
4	AA-ONN-2003/1	35%	18	KG-DWN-2004/2	10%
5	CB-ONN-2003/2	20%	19	KG-DWN-2004/3	10%
6	AN-DWN-2003/2	15%	20	KG-DWN-2004/5	10%
7	RJ-ONN-2004/1	22.225%	21	KG-DWN-2004/6	10%
8	KG-ONN-2004/2	40%	22	CY-ONN-2005/1	40%
9	MB-OSN-2004/1*	20%	23	AN-DWN-2009/13	10%
10	MB-OSN-2004/2*	20%	24	AN-DWN-2009/18	10%
11	CY-DWN-2004/1	10%	25	CB-ONN-2000/1-RING FENCED CONTRACT	50%
12	CY-DWN-2004/2	10%	26	CB-ONN-2010/11	25%
13	CY-DWN-2004/3	10%	27	AA-ONN-2010/2	20%
14	CY-DWN-2004/4	10%	28	GK-OSN-2010/1	10%
			29	GK-OSN-2010/2	10%

* Blocks are under the process of relinquishment

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

Sl. No.	Name of the Block No.	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.

(iii) 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 unaudited statement of accounts submitted by the operators and are given below: (Final adjustments are effected during the year in which audited accounts are received).

Particulars	2011-12	2010-11
Income	83.13	42.54
Expenses	286.47	140.25
Fixed Assets (Gross block)	5.77	5.47
Producing Property	-	-
Other Assets	867.35	577.52
Current Liabilities	172.20	151.28

The above includes ₹. 7.31 Crore, ₹. Nil, ₹. 0.36 Crores, ₹.5.59 crores, and ₹.27.41 Crores towards total value of Income, Expenses, Fixed Assets (Gross Block), Other Assets and Current Liabilities respectively pertaining to 12 E&P Blocks (including 11 Blocks relinquished in the earlier years for which ₹Nil, ₹.17.39 Crore, ₹.0.24 Crore, ₹.6.15 Crore, ₹.47.65 Crore were Income, Expenses, Fixed assets (Gross Block), Other Assets, Current Liabilities respectively) relinquished till 31st March 2012. The company is non operator in these E&P Blocks.

(iv) List of the E&P and CBM Blocks relinquished till 31.03.2012 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
12	TR-CBM-2005/III	35%	10.10.2011

(v) Share of Minimum work program committed under various production sharing contracts in respect of E&P joint ventures is ₹650.17 Crores (Previous Year: ₹837.46 Crores).

(vi) Quantitative information:

Details of Company's Share of Production of Oil for Block No. CB-ONN-2000/1 during the year ended 31.03.2012:

Particulars	Opening stock		Production (Treated & processed crude)		Sales*		Closing Stock	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Crude Oil	(MT)		(MT)		(MT)	₹ Crores	(MT)	₹ Crores
Year ended 31/03/12	515.11	0.34	22673.46	-	22542.37	82.65	646.20	0.64
Year ended 31/03/11	372.12	0.28	15673.84	-	15530.85	41.41	515.11	0.34

*includes test production sales for ₹1.47 Crores (Previous Year ₹ 0.78 Crores)

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

	Proved	Reserves	Proved Developed Reserves	
	2011-12	2010-11	2011-12	2010-11
Oil : in 000'MT				
Beginning of the year	90	710	90	710
Additions	107.67	-	107.67	-
Deletion	0	604	0	604
Production	22.67	16	22.67	16
Closing Balance	175	90	175	90
Gas : in Million M3				
Beginning of the year	6220	6220	-	-
Additions	-	-	-	-
Deletion	-	-	-	-
Production	-	-	-	-
Closing Balance	6220	6220	-	-

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 ₹. 691.27 Crores at the end of year (previous year: ₹369.81 Crores).

46. In Compliance of Accounting Standard 28, impairment of assets notified under the Companies (Accounting Standard) Rules, 2006, the company has carried out the assessment of impairment of assets. Based on such assessment, GAILTEL assets have been impaired to the extent of ₹2.12 Crore (Previous Year: Nil) and same amount has been recognized as impairment loss in statement of Profit & Loss.

47. In Compliance of Accounting Standard 29 on "Provisions, Contingent liabilities and Contingent Assets", the required information is as under:

(₹ in Crore)

	Opening Balance	Addition during the year	Reversal during the year	Closing Balance
Legal & Arbitration Cases	155.48	84.35	8.55	231.28
Total	155.48	84.35	8.55	231.28

Additions include ₹37.88 Crores (Previous Year: ₹47.40 Crores) capitalized during the year. Expected timing of outflows is not ascertainable at this stage being legal cases under litigation.

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

49. Foreign currency exposure not hedged by a derivatives instrument or otherwise:

(₹ in Crore)

Particulars	Currencies	Amount 31.03.2012	Amount 31.03.2011
Borrowings, including interest accrued but not due	USD	2328.47	-
	EURO	-	-
	Others	-	-
Sundry creditors/deposits and retention monies	USD	179.91	372.44
	EURO	12.44	6.61
	Others	17.73	1.70
Sundry Debtors and Bank balances	USD	139.28	-
	EURO	-	-
	Others	-	-
Unexecuted amount of contracts remaining to be executed	USD	1090.09	1600.35
	EURO	8.32	293.32
	Others	35.04	429.90

50. In some cases, the Company has received intimation from Micro and Small Enterprises regarding their status 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 2012 is ₹.3096.39 Crores (Previous Year: ₹.2336.12 Crores). No payments beyond the appointed date were noticed. No interest was paid or payable under the Act.

51. (a) 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. Further, Public Investment Board (PIB) in meeting dated 13th July 2011 recommended that the issue of ownership of the Lakwa facility may be decided by the Committee comprising of representative from Department of Expenditure, Planning Commission, MoPNG and the administrative Ministry. The gross block of fixed assets and Capital work in progress value of Lakwa unit is ₹. 255.68 Crores as on 31st March 2012 (Previous Year: ₹.258.33 Crores).

- (b) In pursuance with the Board Resolution passed in its 287th Meeting held on 06th April'2011, existing and ongoing expansion of local distribution assets amounting to ₹ 44.22 Crore in Agra and Firozabad has been transferred to GAIL Gas Limited, a wholly-owned subsidiary of GAIL, on 16th November'2011.
- (c) Further the Board in its 287th Meeting held on 06th April'2011 has approved transfer of CNG stations and its associated

pipeline in Vadodara to proposed Joint Venture Company of GAIL Gas Ltd. and Vadodra Municipal Seva Samiti at market value yet to be determined. The transfer has not been effected during the financial year.

52. Non-Refundable Deposits ₹.7.34 Crores (Previous Year: ₹ 24.09 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.
53. During the year 2011-12, a newly wholly-owned Subsidiary in the name of GAIL Global (USA) Inc. was incorporated in USA on 26th September, 2011 with an investment of ₹.179.17 Crore (USD 36 million).
54. (a) Request for confirmations of balances of trade receivable and payables were send. Confirmation of balances has been received from majority of cases. These confirmations are subject to

reconciliation and consequential adjustments which in the opinion of the management is not material.

- (b) In the opinion of management, the value of assets, other than fixed assets and non-current investments, on realization in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.

55. The Statement of Profit & Loss includes:-

- (a) Expenditure on Public Relations and Publicity amounting to ₹.24.21 Crores (Previous Year: ₹ 20.92 Crores). The ratio of annual expenditure on Public Relations and Publicity to the annual turnover is 0.0006:1 (Previous Year:0.0006:1).
- (b) Research and Development Expenses ₹.1.19 Crores (Previous Year: ₹0.13 Crores).
- (c) Entertainment Expenses ₹.0.17 Crores (Previous Year: ₹.0.15 Crores).
56. Other disclosures as per Schedule VI of the Companies Act, 1956.

For and on behalf of the Board of Directors

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:002312 N

Navin Bansal
Partner
Membership No. 91922

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

G. S. Haldia
Partner
Membership No.007012

Place : New Delhi
Dated : May 30, 2012

ANNUAL REPORT 2011-2012

(₹ in crores)

	2011-2012	2010-2011
I. CIF Value of Imports		
i) Capital Goods	555.18	971.67
ii) Spare Parts & Components	177.97	110.87
iii) Raw Material	3,239.03	595.74
II. a) Expenditure in Foreign Currency		
i) Interest/Commitment Charges	57.66	-
ii) Technical/Consultancy/License Fee/Engineering	91.91	50.32
iii) Others	2,301.85	2,332.26
b) Earnings in Foreign Currency		
i) Sales	-	-
ii) Others (Including Tender fee)	8.85	4.72
III. Remuneration paid/payable to Directors		
Functional Directors including Chairman & Managing Director:		
Salaries & Allowances	2.19	2.09
Contribution to Provident and Other Funds	0.10	0.09
Other Benefits and Perquisites	0.33	0.23
TOTAL	2.62	2.41
Independent Directors:		
Directors Sitting Fee	0.22	0.21

Notes:

- 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.
- The remuneration did not include Provision for Leave, Gratuity and Post Retirement Benefits as per revised Accounting Standard-15 since the same were not ascertained for individual employees. (Refer Note No.37)



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

	CURRENT YEAR			PREVIOUS YEAR		
	2011-12			2010-11		
	Qty.	₹ in crores	%	Qty.	₹ in crores	%
i) Raw Material Consumed						
a) Gas (MMSCM)						
- Indigeneous	1425.55	2494.10	100	1,291.06	2,178.78	100.00
- Imported				-	-	-
Sub total	1425.55	2494.10	100	1,291.06	2,178.78	100.00
ii) Stores , Spares Components Consumed						
- Indigeneous		153.80	57.36		129.20	54.20
- Imported		114.34	42.64		109.18	45.80
Sub total		268.14	100.00	-	238.38	100.00
Total		2,762.24			2,417.16	

For and on behalf of the Board of Directors

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.**
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Partner
Membership No. 91922

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

G. S. Haldia
Partner
Membership No.007012

Place : New Delhi
Dated : May 30, 2012

INFORMATION ABOUT BUSINESS SEGMENTS FOR FINANCIAL YEAR 2011-12

(₹ in Crores)

SL NO	SEGMENTS	TRANSMISSION SERVICES **		NATURAL GAS TRADING **	PETRO CHEMICALS	LPG & LIQUID HYDROCARBONS	OTHER SEGMENT ***	UN-ALLOCABLE	TOTAL	ELIMINATION	CONSOLIDATED TOTAL
		NATURAL GAS	LPG								
1	REVENUE										
	External Sales/ Other Income	3,564.31	454.21	29,670.79	3,377.53	3,090.24	123.66	-	40,280.74	-	40,280.74
	Inter-segment sales	288.10	-	3,380.77	37.87	-	-	-	3,706.74	3,706.74	-
	Total revenue	3,852.41	454.21	33,051.56	3,415.40	3,090.24	123.66	-	43,987.48	3,706.74	40,280.74
2	RESULTS										
	Segment Result (Profit before Interest & Tax)	2,153.86	272.01	1,088.60	1,465.80	554.43	(196.42)	-	5,338.28	-	5,338.28
	Unallocated expenses (Net)							287.75	287.75	-	287.75
	Operating Profit	2,153.86	272.01	1,088.60	1,465.80	554.43	(196.42)	(287.75)	5,050.53	-	5,050.53
	Interest Expenses							116.46	116.46	-	116.46
	Interest/Dividend Income							405.94	405.94	-	405.94
	Provision for Taxation							1,686.17	1,686.17	-	1,686.17
	Profit/(Loss) from Ordinary Activities	2,153.86	272.01	1,088.60	1,465.80	554.43	(196.42)	(1,684.44)	3,653.84	-	3,653.84
	Extra Ordinary Items	-	-	-	-	-	-	-	-	-	-
	Net Profit/(Loss)	2,153.86	272.01	1,088.60	1,465.80	554.43	(196.42)	(1,684.44)	3,653.84	-	3,653.84
3	OTHER INFORMATION										
	Segment Assets	16,776.36	912.60	-	1,945.60	1,199.94	713.83	-	21,548.33	-	21,548.33
	Unallocated Assets	-	-	-	-	-	-	17,536.35	17,536.35	-	17,536.35
	Total Assets	16,776.36	912.60	-	1,945.60	1,199.94	713.83	17,536.35	39,084.68	-	39,084.68
	Segment Liabilities	3,570.07	118.63	-	326.36	414.60	362.12	-	4,791.78	-	4,791.78
	Unallocated Liabilities							5,552.93	5,552.93	-	5,552.93
	Total Liabilities	3,570.07	118.63	-	326.36	414.60	362.12	5,552.93	10,344.71	-	10,344.71
	Cost to acquire fixed assets	3,411.55	13.79	-	26.87	120.81	594.57	143.60	4,311.19	-	4,311.19
	Depreciation*	463.50	49.04	-	164.28	86.97	11.77	15.16	790.72	-	790.72
	Non Cash expenses other than Depreciation*	363.20	0.05	40.18	(4.61)	0.57	53.66	13.89	466.94	-	466.94

Sales net off Excise Duty

* Excluding Prior period adjustments

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

*** Other Segment includes GAILTel, E&P, City Gas & Power Generation.



(Annexure - A)

INFORMATION ABOUT BUSINESS SEGMENTS FOR FINANCIAL YEAR 2010-11

(₹ in Crores)

SL NO	SEGMENTS	TRANSMISSION SERVICES **		NATURAL GAS TRADING **	PETRO CHEMICALS	LPG & LIQUID HYDROCARBONS	OTHER SEGMENT ***	UN-ALLOCABLE	TOTAL	ELIMINATION	CONSOLIDATED TOTAL
		NATURAL GAS	LPG								
1	REVENUE										
	External Sales/ Other Income	3,543.84	474.52	22,653.68	2,939.38	2,786.02	61.20	-	32,458.64	-	32,458.64
	Inter-segment sales	245.73	-	3,013.54	21.06	-	-	-	3,280.33	3,280.33	-
	Total revenue	3,789.57	474.52	25,667.22	2,960.44	2,786.02	61.20	-	35,738.97	3,280.33	32,458.64
2	RESULTS										
	Segment Result (Profit before Interest & Tax)	2,561.25	307.59	794.94	1,188.25	485.77	(105.60)	-	5,232.20	-	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)	4,914.47	-	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		16,552.22	-	16,552.22
	Unallocated Assets	-	-	-	-	-	-	15,459.23	15,459.23	-	15,459.23
	Total Assets	12,609.96	916.93	-	1,833.54	1,100.40	91.39	15,459.23	32,011.45	-	32,011.45
	Segment Liabilities	2,807.26	61.93	-	183.16	457.91	175.53		3,685.79	-	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	8,814.86	-	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

*** Other Segment includes GAIL Tel, E&P, City Gas & Power Generation.

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 (Disposed off during FY 2011-12)
- 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 D Goyal
- 3) Shri S L Raina
- 4) Shri Prabhat Singh
- 5) Shri S Venkatraman
- 6) Shri P K Jain

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) A-1, Myanmar (Non-operator with participating interest: 8.5%)
- 3) A-3, Myanmar (Non-operator with participating interest: 8.5%)
- 4) Offshore Midstream, Myanmar (Non-operator with participating interest: 8.5%)
- 5) CY-OS/2 (Non-operator with participating interest: 25%)
- 6) RM-CBM-2005/III (Non-operator with participating interest: 35%)
GAIL has relinquished from the Block)
- 7) TR-CBM-2005/III (Non-operator with participating interest: 35%)
GAIL has relinquished from the Block)
- 8) MR-CBM-2005/III (Non-operator with participating interest: 40%)
GAIL has relinquished from the Block)
- 9) AD-7, Myanmar (Non-operator with participating interest: 10%)
GAIL has relinquished from the Block)
- 10) BLOCK-56, Oman (Non-operator with participating interest: 25%)
GAIL has relinquished from the Block)



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:

	2011-12	2010-11
1) Sales	2,159.69	1,529.06
2) Amount receivable as at Balance Sheet Date for (1) above	84.43	75.86
3) Purchases	11,319.88	7,290.04
4) Amount payable as at Balance Sheet Date for (3) above	547.59	431.50
5) Reimbursement for other expenditure received/receivable	10.62	7.83
6) Amount receivable as at Balance Sheet Date for (5) above	5.98	4.20
7) Dividend Income	77.50	59.49
8) Other Income	0.45	1.88
9) Provision Created against Debtors	28.20	-

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

	Key Management Personnel(KMP)		Relatives of KMP	
	2011-12	2010-11	2011-12	2010-11
1) Remuneration	2.62	2.41	0.34	0.44
2) Interest bearing outstanding loans receivable	0.45	0.25	-	-
3) Interest accrued on loans given	0.18	0.16	-	-
4) Self lease	0.14	0.23	0.03	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:

(₹ in Crores)

	2011-12	2010-11
1) Minimum work program commitment	-	-
2) Survey and other expenses	(13.34)	(1.93)
3) Other assets	316.40	101.31
4) Amount outstanding on Balance Sheet date	28.73	50.60
5) Amount written Off- Dry well expenditure	4.28	(0.14)

GAIL (India) Limited
Cash Flow Statement for the Financial Year Ended 31st March, 2012

	(₹ in Crores)	
	2011-12	2010-11
A. CASH FLOW FROM OPERATING ACTIVITIES		
1 Net Profit Before Tax and Extraordinary Items	5,340.01	5,239.99
2 Add :		
Depreciation	791.94	650.35
Capital Reserve	(0.11)	(0.11)
Exchange Rate Variation	(0.28)	-
Interest Expenditure	116.46	82.86
Dividend Income on Investments	(252.40)	(301.21)
Interest Income	(174.82)	(110.02)
Provision for Employees Benefits	51.08	143.16
Provision for Payrevision	-	(51.62)
Provision for Doubtful Debts	360.49	(0.35)
Provision for Probable Obligations	37.93	108.08
Other Provisions	(4.43)	4.11
Provision / Write off of Assets / CWIP	152.31	52.39
Profit / Loss on Sale of Investments	0.10	
Profit / Loss on Sale of Assets (Net)	2.89	(14.57)
	1,081.16	563.07
3 Operating Profit Before Working Capital Changes (1 + 2)	6,421.17	5,803.06
4 Changes in Working Capital (Excluding Cash & Bank Balances)		
Trade and Other Receivables	(1,259.36)	(365.73)
Inventories	(564.63)	(222.01)
Trade and Other Payables	1,315.90	(654.21)
	(508.09)	(1,241.95)
5 Cash Generated from Operations (3+4)	5,913.08	4,561.11
6 Direct Taxes Paid	(1,425.34)	(1,483.86)
NET CASH FROM OPERATING ACTIVITIES (5+6)	4,487.74	3,077.25
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(6,680.50)	(4,632.21)
Sale of Fixed Assets	62.28	3.24
Sale of Investments	1.07	
Investment in Other Companies	(966.41)	(509.49)
Loans & Advances to Subsidiary	-	9.14
Interest Received	189.60	98.62
Dividend Received	252.40	301.21
NET CASH FROM INVESTING ACTIVITIES	(7,141.56)	(4,729.49)



(₹ in Crores)

C CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Long Term Borrowings	3,373.85	984.00	
Repayment of Long Term Borrowings	(337.00)	(154.38)	
Interest Paid	(329.94)	(108.17)	
Dividend & Dividend Tax Paid	(1,253.11)	(1,109.37)	
NET CASH FROM FINANCING ACTIVITIES	1,453.80		(387.92)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(1,200.02)		(2,040.16)
CASH AND CASH EQUIVALENTS AS AT 01.04.2011 (OPENING BALANCE)	2,131.35		4,171.51
CASH AND CASH EQUIVALENTS AS AT 31.03.2012 (CLOSING BALANCE)	931.33		2,131.35

NOTES :

1 Cash & Cash Equivalents include :

Cash & Bank Balances As per Balance Sheet	931.33	2,131.35
Unrealised (Gain)/ loss on foreign Exchange	-	-
Total Cash & Cash Equivalents	931.33	2,131.35

2 Cash & Cash Equivalents includes earmarked balance of ₹ 865.52 Crores (Previous year ₹ 752.93 Crores), Refer Note 18.

For and on behalf of the Board of Directors

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:002312 N

Navin Bansal
Partner
Membership No. 91922

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

G. S. Haldia
Partner
Membership No.007012

Place : New Delhi
Dated : May 30, 2012

Disclosure as required by Clause 32 of the Listing Agreement

(Annexure - C)

(₹ In Crore)

	Current Year		Previous Year	
	Amount as on 31.03.2012	Maximum amount outstanding during the year ended 31.03.2012	Amount as on 31.03.2011	Maximum amount outstanding during the year ended 31.03.2011
1 Loans and advances in the nature of loans:				
a To subsidiary Company: GAIL (Global) Singapore PTE Limited	57.32	59.68	57.69	66.83
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 2014 Rate of interest on loan is 6 months LIBOR+100 basis points		Repayment of Loan to be made till 23 September 2011. 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 31.03.2012 : $0.7425\% + 1.00\% = 1.7425\%$

1 Loans and advances in the nature of loans:				
a To subsidiary Company: GAIL (Global) USA inc	Nil	274.87	NA	NA
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	Rate of interest on loan was 6 months LIBOR+200 basis points+with holding tax		NA	
2 Investment by the Subsidiary Company in the shares of GAIL (India) Limited and its subsidiaries	Nil	Nil	Nil	Nil

Effective rate of interest during the year 31.03.2012 : $0.5578\% + 2.00\% = 2.5578\%$

1 Loans and advances in the nature of loans:				
a To Joint Venture Company: Bhagyanagar Gas Limitd	60	60	NA	NA
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 is schedule in Five monthly installment starting from July'2012.		NA	
2 Investment by the Subsidiary Company in the shares of GAIL (India) Limited and its subsidiaries	Nil	Nil	Nil	Nil

Effective rate of interest during the year 31.03.2012 : 10% and 13% and on default rate is SBIPLR+1%.



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

(₹ in Crores)

Name of the subsidiary Company	GAIL Global Singapore (Pte) Limited	Brahmaputra Cracker & Polymer Limited	GAIL Gas Limited	GAIL Global USA Inc
The financial year of the subsidiary Company ended on	31.03.2012	31.03.2012	31.03.2012	31.12.2011
Date from which it became subsidiary Company	14.09.2004	08.01.2007	27.05.2008	26.09.2011
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	60,30,85,173 equity shares of ₹ 10 per share	16,79,50,000 equity shares of ₹ 10 per share	36,000,000 equity shares of USD 1 per share
Extent of Shareholding	100%	70%	100%	100%
The net aggregate amount of Subsidiary Company profit so far it concerns the members of Holding Company: Not dealt within the Holding Company Accounts:				
i) for the financial year ended 31.03.2012 (₹ in crores)	9.83	Nil	8.34	1.27
ii) for previous financial years of the subsidiary company since it became the holding company subsidiary	28.92	Nil	1.10	NA
Dealt within the Holding Company Accounts:				
i) for the financial year ended 31.03.2012	Nil	Nil	Nil	Nil
ii) for previous financial years of the subsidiary company since it became the holding company subsidiary	Nil	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 : 30.05.2012

Schedule of Fixed Assets (Township)

(₹ in Lakhs)

DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2011	Additions / Adjustments during the Year	Sales / Adjustments during the Year	As at 31.03.2012	As at 01.04.2011	For The Year	Adjustments during the Year	As at 31.03.2012	As at 31.03.2012	As at 31.03.2011
LAND : FREEHOLD	2,863.01	13.19	-	2,876.20	107.53	-	-	107.53	2,768.67	2,755.48
LAND : LEASEHOLD	375.81	-	-	375.81	118.76	15.01	-	133.77	242.04	257.05
BUILDING, ROADS ETC	25,662.21	366.67	74.33	25,954.55	6638.27	513.05	3.66	7154.98	18,799.57	19,023.94
DRAINAGAE,SEWAGE & WATER SUPPLY SYS.ETC.	1,157.05	33.25	13.49	1,176.81	830.88	51.05	1.53	883.46	293.35	326.17
FURNITURE, FIXTURES & OTHER EQP.	1,721.41	127.63	209.80	1,639.24	1012.67	83.92	(132.49)	964.10	675.14	708.74
TRANSPORT EQUIPMENTS	23.41	0.42	(0.03)	23.86	4.44	1.50	0.03	5.97	17.89	18.97
TOTAL	31,802.90	541.16	297.59	32,046.47	8,712.55	664.53	(127.27)	9,249.81	22,796.66	23,090.35



Income and Expenditure Account

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2012 ON PROVISIONS OF TOWNSHIP, EDUCATION, MEDICAL AND OTHER FACILITIES.

(₹ in Lakhs)

S. No.	PARTICULARS	YEAR ENDED 31ST MARCH, 2012	YEAR ENDED 31ST MARCH, 2011
	INCOME		
1	RECOVERY OF HOUSE RENT	167.40	140.90
2	RECOVERY OF UTILITIES	200.73	184.18
3	OTHER RECOVERIES	6.18	6.93
4	EXCESS OF EXPENDITURE OVER INCOME	4,272.51	3,947.68
	TOTAL	4,646.82	4,279.69
	EXPENDITURE		
1	SALARIES,WAGES & PF CONTRIBUTION	959.66	895.97
2	CONSUMABLES, STORES & MEDICINES	35.64	34.28
3	SUBSIDIES FOR SOCIAL & CULTURAL ACTIVITIES	139.79	111.83
4	REPAIRS & MAINTENANCE	946.54	1,006.92
5	DEPRECIATION	664.53	677.01
6	UTILITIES:POWER,GAS & WATER	922.92	545.05
7	LAND RENT	17.75	20.31
8	WELFARE - SCHOOL	201.71	282.38
9	BUS HIRE CHARGES	168.91	222.72
10	CLUB & RECREATION	4.46	7.70
11	MISC EXPENSES - TAXES,LICENSE FEES,INS ETC.	353.83	314.75
12	HORTICULTURE EXPENSES	231.08	160.77
	TOTAL	4,646.82	4,279.69

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF GAIL (INDIA) LIMITED FOR THE YEAR ENDED 31 MARCH 2012.

The preparation of financial statements of GAIL (India) Limited for the year ended 31 March 2012 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 30 May 2012.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619 (3) (b) of the Companies Act, 1956 of the financial statements of GAIL (India) Limited for the year 31 March 2012. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to the inquiries of the Statutory Auditors and company personnel and a selective examination of some of the accounting records. 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 and Auditor General of India



(Naina .A.Kumar)

Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board-II
New Delhi

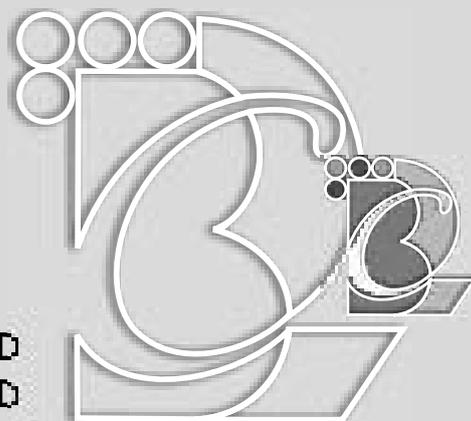
Place : New Delhi
Dated : July 10. .2012

SUBSIDIARY COMPANIES

**GAIL GLOBAL
(SINGAPORE) PTE. LTD**



**BRAHMAPUTRA CRACKER AND
POLYMER LIMITED**



GAIL GAS LIMITED

GAIL GLOBAL (USA) INC.



GAIL GLOBAL (SINGAPORE) PTE. LTD



GGSPL



DIRECTORS' REPORT

The Directors present their report to the shareholder together with the audited financial statements for the financial year ended 31 March 2012.

Directors

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

Kirpa Ram Vij
Premesh Kumar Jain
Prabhat Singh (appointed on 25 October 2011)
Venkatraman Srinivasan (appointed on 30 December 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.

In the opinion of the directors,

- the financial statements as set out on pages 6 to 20 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2012 and of the results of the business, changes in equity and cash flows of the Company for the financial year then ended; and
- 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

Prabhat Singh

Director

Place : Singapore

Dated : May 9th, 2012

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF GAIL GLOBAL (SINGAPORE) PTE. LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of Gail Global (Singapore) Pte. Ltd., set out on pages 6 to 20, which comprise the balance sheet as at 31 March 2012, 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 information.

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 controls 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 controls. 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.

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 31 March 2012, 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
Dated : May 9th, 2012



Balance Sheet as at 31st March 2012

	Note	2012 USD	2012 ₹ In Cr	2011 USD	2011 ₹ In Cr
ASSETS					
Current assets					
Cash at bank		7,24,843	3.68	1,20,837	0.53
Other receivables	3	22,90,763	11.62	25,11,000	11.11
Deposits		10,830	0.05	0	0.00
		30,26,436	15.35	26,31,837	11.64
Non-current assets					
Financial assets, available-for-sale	4	1,39,82,319	70.90	1,41,78,800	62.71
Property, plant and equipment	5	261	0.00	0	0.00
		1,39,82,580	70.90	1,41,78,800	62.71
Total assets		1,70,09,016	86.25	1,68,10,637	74.35
LIABILITIES					
Current liabilities					
Other payables	6	1,19,412	0.62	1,99,880	0.90
Borrowings	7	0	0.00	1,28,60,432	58.17
		1,19,412	0.62	1,30,60,312	59.07
Non-current liabilities					
Borrowings	7	1,13,02,685	58.36	0	0.00
Total liabilities		1,14,22,097	58.97	1,30,60,312	59.07
NET ASSETS		55,86,919	27.28	37,50,325	15.28
EQUITY					
Share capital	8	21,00,000	9.64	21,00,000	9.64
Other reserves	9	(50,83,647)	(22.69)	(48,87,166)	(24.84)
Retained earnings		85,70,566	40.33	65,37,491	30.48
Total equity		55,86,919	27.28	37,50,325	15.28

The accompanying notes form an integrated part of these statements

Statement of the comprehensive income for the year ended 31st March 2012

Dividend income		22,90,763	11.09	25,11,000	11.41
Other losses – net	10	(7,348)	(0.04)	(1,11,741)	(0.51)
Expenses	11				
- Professional fees		(13,116)	(0.06)	(11,054)	(0.05)
- Safe custody charges		(14,081)	(0.07)	(14,716)	(0.07)
- Bank charges		(3,035)	(0.01)	(2,988)	(0.02)
- Finance expense		(1,79,657)	(0.87)	(1,92,657)	(0.88)
- Rental on operating lease		(28,812)	(0.14)	0	0.00
- Other		(11,639)	(0.06)	(2,958)	(0.01)
Total expenses		(2,50,340)	(1.21)	(2,24,373)	(1.03)
Profit before income tax		20,33,075	9.85	21,74,886	9.87
Income tax expense	12	-	0.00	-	0
Total profit		20,33,075	9.85	21,74,886	9.87
Other comprehensive income					
- Currency translation differences		(1,96,481)	2.15	(13,19,470)	(7.81)
Total comprehensive income		18,36,594	12.00	8,55,416	2.06

The accompanying notes form an integrated part of these statements

Statement of Changes in Equity for the financial year ended 31st March 2012

	Share capital		Other reserves		Retained earnings		Total equity	
	USD	₹ In Cr	USD	₹ In Cr	USD	₹ In Cr	USD	₹ In Cr
2012								
Beginning of financial year	21,00,000	9.64	(48,87,166)	(24.84)	65,37,491	30.48	37,50,325	15.28
Total comprehensive income	0	0	(1,96,481)	2.15	20,33,075	9.85	18,36,594	12.00
End of financial year	21,00,000	9.64	(50,83,647)	(22.69)	85,70,566	40.33	55,86,919	27.28
2011								
Beginning of financial year	21,00,000	9.64	(35,67,696)	(17.03)	43,62,605	20.61	28,94,909	13.22
Total comprehensive income	-	0	(13,19,470)	(7.81)	21,74,886	9.87	8,55,416	2.06
End of financial year	21,00,000	9.64	(48,87,166)	(24.84)	65,37,491	30.48	37,50,325	15.28

The accompanying notes form an integrated part of these statements



Statement of Cash Flows for the financial year ended 31st March 2012

Note	2012 USD	2012 ₹ In Cr	2011 USD	2011 ₹ In Cr
Cash flows from operating activities				
Net profit	20,33,075	9.85	21,74,886	9.87
Adjustments for:				
- Depreciation	5	15	-	0
- Interest expense	11	1,79,657	1,92,657	0.88
	22,12,747	10.72	23,67,543	10.75
Change in working capital				
- Other receivables	2,20,237	1.12	(25,11,000)	(11.11)
- Other payables	8,974	0.05	(256)	0.00
- Other current assets	(10,830)	(0.05)	356	0.00
Net cash provided by/(used in) operating activities	24,31,128	11.82	(1,43,357)	(0.35)
Cash flows from investing activities				
Purchase of property, plant and equipment	(276)	(0.00)	-	0
Net cash used in investing activities	(276)	(0.00)	-	0
Cash flows from financing activities				
Repayments of borrowings	(15,57,747)	(8.04)	(17,95,349)	(8.12)
Interest paid	(2,69,099)	(1.39)	(3,23,684)	(1.46)
Net cash used in financing activities	(18,26,846)	(9.43)	(21,19,033)	(9.58)
Net increase/(decrease) in cash at bank	6,04,006	3.15	(22,62,390)	(10.35)
Cash at bank at beginning of financial year	1,20,837	0.53	23,83,227	10.88
Cash at bank at end of financial year	7,24,843	3.68	1,20,837	0.53

The accompanying notes form an integrated part of these statements

Notes to the Financial Statements for the financial year ended 31st March 2012

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

The financial statements of the Company for the financial year ended 31 March 2012 have been authorised for issue in accordance with the resolution of the Directors on May 9th 2012.

1 General information

The Company is incorporated and registered in Singapore. The address of its registered office is 100 Beach Road, #30-00, Shaw Towers, Singapore 189702.

The principal activity of the Company is the business of investment holding company and trading of liquefied natural gas.

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

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

has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

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 INTFRS.

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) Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure relating to property, plant and equipment that has

already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

Useful lives

Office equipment 3 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Impairment of non-financial assets

Property, plant and equipment are reviewed for impairment whenever there is any indication that these assets may be impaired. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

(d) Loans and receivables

Cash at bank

Other receivables

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

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.

(e) 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 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.

(f) Other payables

Other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

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

(g) 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.

(h) 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

(i) 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 the amount of revenue and related cost can be reliably measured, when it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Company's activities are met as follows:

(i) Dividend income

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

receive dividend has been established.

(ii) Interest income

Interest income is recognised using the effective interest method.

(j) 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.

(k) Cash at bank

Cash at bank includes deposit with financial institutions which are subject to an insignificant risk of change in value.

(l) Borrowings

Borrowings are presented as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

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

(m) Borrowing costs

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

(n) Leases

When a Company is the Lessee:

The Company leases office space under operating leases from non-related parties. Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred

3 Other receivables

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



4 Financial assets, available-for-sale

	2012 USD	2012 ₹ In Cr	2011 USD	2011 ₹ In Cr
Beginning of financial year	1,41,78,800	62.71	1,54,98,270	70.78
Currency translation loss (Note 9b(i))	(1,96,481)	2.15	(13,19,470)	(7.81)
End of financial year	1,39,82,319	64.86	1,41,78,800	62.71

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

	2012 USD	2012 ₹ In Cr	2011 USD	2011 ₹ In Cr
Non-listed securities				
- Equity securities, Egypt	1,39,82,319	70.90	1,41,78,800	62.71

Financial assets, available for sale with carrying amount of USD13,982,319 (2011: USD14,178,800) is mortgaged to loan from the holding corporation.

5 Property, plant and equipment

2012	Office Equipment USD	₹ In Cr
Cost		
Beginning of financial year	-	0
Additions	276	0.00
End of financial year	276	0.00
Accumulated depreciation		
Beginning of financial year	-	
Depreciation charge	15	0.00
End of financial year	15	0.00
Net book value End of financial year	261	0.00

6 Other payables

	2012 USD	2012 ₹ In Cr	2011 USD	2011 ₹ In Cr
Amount due to holding corporation	83,935	0.43	1,73,377	0.78
Accrued operating expenses	35,477	0.18	26,503	0.12
	1,19,412	0.62	1,99,880	0.90

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

7 Borrowings

	2012 USD	2012 ₹ In Cr	2011 USD	2011 ₹ In Cr
Loan from holding corporation – current	-		1,28,60,432	58.17
Loan from holding corporation – non-current	1,13,02,685	58.36	-	
	1,13,02,685	58.36	1,28,60,432	58.17

The borrowings from holding corporation bear interest of 1.5% per annum (2011: 1.4%).

(a) 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 USD13,982,319(2011:USD14,178,800) as at 31 March 2012 (Note4) and bears interest at the rate of 6-months LIBOR as per Telerate page plus one hundred basis point (bps) on the principal amount.

(b) Fair value of non-current borrowings

At the balance sheet date, the fair value of non-current borrowings is USD10,824,601(2011: Nil) and is computed based on cash flow discounted at the rate of 6-months LIBOR as per Telerate page plus one hundred basis point (bps) at 1.73% (2011: Nil).

8 Share capital

The Company's share capital comprises fully-paid 2,100,000 (2011: 2,100,000) ordinary shares with no par value, amounting to a total of USD2,100,000 (2011: USD2,100,000).

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

9 Other reserves

	2012	2012	2011	2011
	USD	₹ In Cr	USD	₹ In Cr
(a) Composition				
Fair value reserve			39,834	(23.53)
Currency translation reserve			5,2668	(1.31)
			37,166	(24.84)
(b) Movement				
(i) Fair value reserves				
Beginning of financial year			39,834	(23.53)
Financial assets, available for sale			-	
- Currency translation loss				
Reclassification from current				
End of financial year			39,834	(23.53)
(ii) Currency translation reserve				
Beginning of financial year			72,138	6.5
Reclassification to fair value				
Financial assets, available for sale		0	(13,19,470)	(7.81)
- Currency translation loss				
End of financial year		0	5,52,668	(1.31)

Other reserves are non-distributable

10 Other losses – net

	2012	2012	2011	2011
	USD	₹ In Cr	USD	₹ In Cr
Interest income	110	0.00	-	
Foreign exchange loss - net	(7,458)	(0.04)	(1,11,741)	(0.51)
	(7,348)	(0.04)	(1,11,741)	(0.51)



11 Finance expense

	2012 USD	2012 ₹ In Cr	2011 USD	2011 ₹ In Cr
Interest expense – loan from ultimate holding corporation	1,79,657	0.87	1,92,657	0.88

12 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:

	2012 USD	2012 ₹ In Cr	2011 USD	2011 ₹ In Cr
Profit before income tax	20,33,075	9.85	21,74,886	9.87
Tax calculated at a tax rate of 17%			3,69,731	1.68
Effects of:				
- Income not subject to income tax			(3,69,731)	(1.68)
Tax charge			-	-

13 Related party transactions

In addition to the information disclosed in the financial statements, there were transactions between the Company and related parties at terms agreed between the parties.

There is no key management compensation disclosed.

	2012 USD	2012 ₹ In Cr	2011 USD	2011 ₹ In Cr
Interest expense for loan from ultimate holding corporation	1,79,657	0.87	1,92,657	0.88

14 Financial risk management

The Company's activities expose it to market risk (including currency risk and interest rate 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:

	2012 USD	2012 ₹ In Cr	2011 USD	2011 ₹ In Cr
Other receivables representing currency exposure	22,90,763	11.62	25,11,000	11.11

If the EGP changes against the USD by 3% (2011: 3%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position to the net profit and equity of the Company will be as follows:

	2012 USD	2012 ₹ In Cr	2011 USD	2011 ₹ In Cr
EGP against USD				
- Strengthened	68,723	0.35	75,330	0.33
- Weakened	(68,723)	(0.35)	(75,330)	(0.33)

(i) Interest rate risk

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

If the interest rates increase/decrease by 1% (2011: 1%) with all other variables including tax rate being held constant, the impact to the net profit as a result of higher/lower interest expense on these borrowings is deemed not to be significant.

(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.

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

	Less than 1 year		Between 1 and 2 years	
	\$	₹ In Cr.	\$	₹ In Cr.
2012				
Other payables	1,19,412	0.62	-	0
Borrowings	-	-	1,13,02,685	58.36
	1,19,412	0.62	1,13,02,685	58.36
2011				
Other payables	1,99,880	0.90	-	-
Borrowings	1,28,60,432	58.17	-	-
	1,30,60,312	59.07	-	-

(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.

	2012 USD	2012 ₹ In Cr	2011 USD	2011 ₹ In Cr
Net debt	1,06,97,254	55.30	1,29,39,475	57.23
Total equity	55,86,919	27.28	37,50,325	15.28
Total capital	1,62,84,173	82.58	1,66,89,800	72.51
Gearing ratio		66%		78%

The Company is not subject to any externally imposed capital requirements for financial years ended 31 March 2012 and 2011.



(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:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As at 31 March 2012	Level 2 USD	Level 2 ₹ in Cr.
Financial assets, available-for-sale	1,39,82,319	70.90

As at 31 March 2011	Level 3 USD	Level 3 ₹ in Cr.
Financial assets, available-for-sale	1,41,78,800	62.71

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 a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. This instrument is included in Level 2.

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.

15 New or revised accounting standards and interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2012 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.



**BRAHMAPUTRA CRACKER AND
POLYMER LIMITED**



DIRECTORS' REPORT

Dear Shareholders,

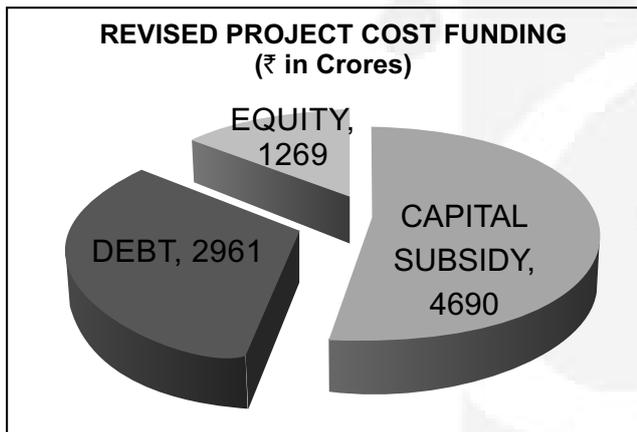
Your Directors take pleasure in presenting the fifth Annual Report of the Company along with the Audited Statement of Accounts for the year ended 31st March, 2012.

Project Progress

Well into its 5th year of project execution, your company has achieved an overall physical progress of 67.6 % against the cumulative target schedule of 69.1 % during the year under review.

Revised Project Cost and Schedule

The Cabinet Committee on Economic Affairs (CCEA) approved a revised project cost of ₹ 8920 Cr on 16th November, 2011 against the original cost of ₹ 5460.61 crores. The CCEA also approved a revised schedule as per which 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.



Highlights

- All the long lead/critical items have been awarded.
- Out of a total of 114 work contracts 102 have been awarded and the remaining shall be awarded progressively as per project completion schedule.
- 98 % of material & equipment ordering including critical and long lead orders have been completed and the balance shall be completed as per project completion schedule.
- Out of a total of 1039 equipment 375 have been erected at site.
- Civil works at all major process units are nearing completion and mechanical, electrical and instrumentation works are gaining momentum.
- On an average about 7000-8000 labourers are available at site every day against the requirement of 9000 -10000. More than 93 % of the labourers are from Assam.

Financial Progress

With the Project gaining impetus, firm financial commitments have increased to over ₹ 7790.98 crores and financial progress of 50.57% was achieved till the end of the financial year under review.

The total expenditure incurred during the year was ₹ 2334.62 crores out of a cumulative expenditure of ₹ 4,510.51 crores. During the year under review the authorized share capital of your Company has been increased from ₹ 1200 crores to ₹ 2,000 crores and the paid up capital has gone up from ₹ 324.66 Crores to ₹ 861.55 crores. Capital subsidy amounting to ₹ 882.56 crores has been received from the Department of Chemicals and Fertilizers, Government of India including interest income (net of taxes) from parking of surplus capital subsidy of ₹ 7.12 crores, which has been added to capital subsidy for the period 2011-12. A total amount of ₹ 2,145.12 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 ₹ 1,93,291. Secured loans of ₹ 644 crores were also drawn during the year from OIDB and the consortium of lenders and the total secured loans as on 31.03.2012 was ₹ 977 crores.

Business Plan 2011-12

The Business Plan for the year was 2736.46 crores (revised), against which the actual expenditure was ₹ 2334.62 crores. The major expenditure heads of the capex include Plant & Machinery (₹ 1622.92 crores), Engineering Cost (₹ 102.2 crores), site related facilities (₹ 530.98 crores), infrastructure cost to OIL & ONGC (₹ 22.11 crores).

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo.

Being in the project execution stage, there are as yet no cases for disclosure with regard to conservation of energy and technology absorption and foreign exchange earnings as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988. However, the total foreign exchange expenditure on account of import of technical knowhow, indigenous contracts and supplies to the tune of ₹ 460.83 crores has been incurred during the year under review.

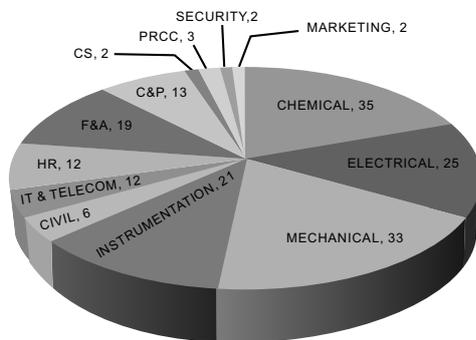
Particulars of Employees

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, 2012.

Human Resource

Your company considers its human resource as the fundamental strength on which all strategies are based and utilizes them as a means for ensuring sustained growth. The main focus of the HR Department is to attract, retain and develop employees from diverse backgrounds, talents and experience and to ensure that the best possible skill and talent is available to formulate, implement and evaluate the strategies for achieving organizational objectives. The employees are exhibiting exemplary team spirit for faster execution of the project.

The manpower strength of your company as on 31st March, 2012 was 147 out

DEPLOYMENT OF MANPOWER

of which 70 % are from The North East Region. In addition 34 executives are on secondment/deputation from the promoter companies and 1 from the Government of Assam. The process of recruiting the additional human capital required for construction, commissioning and operations & maintenance phases have been initiated. Adequate representation is being given to female employees and minorities who account for more than 20 % and 7% respectively of the total employee strength. Priority is also being given to engage local labour for skilled/semi-skilled/unskilled works through contractors working at site.

Industrial Relations

At present approximately 7000-8000 contract labourers are engaged at the project site at Lepetkata. Though there were some labour issues in the recent past, this was effectively handled with the joint effort of the district administration and the management. At present the situation is absolutely normal and industrial tranquility is being well maintained at site.

A Grievance Redressal Committee consisting of senior officers including the Advisor-Coordination and Officer On Special Duties has been constituted to handle day to day labour grievances in coordination with the contractors' representative and the contractors' workers for prompt disposal and for maintenance of a harmonious work environment.

Changes in the Board of Directors

During the year under review, the following changes occurred in the Board of Directors:-

- (i) Shri Dipak Chakravarty, Managing Director, Numaligarh Refinery Ltd. (NRL) nominated by NRL as a Director of the company was appointed w.e.f. 01.04.2011 in place of Dr. BK Das.
- (ii) Shri Jatinderbir Singh, Principal Secretary to the Government of Assam, Industries & Commerce Department, nominated by GoA as a Director of the company was appointed w.e.f. 02.07.2011 in place of Shri Ravi Capoor. Subsequently, Shri R T Jindal, Principal Secretary to the Government of Assam, Industries & Commerce Department was nominated as a Director of the company in place of Shri Jatinderbir Singh and he was appointed as an Additional Director w.e.f. 22.05.2012.
- (iii) Shri Prafulla Chandra Sharma was appointed as an Independent Director w.e.f. 16.12.2011.

(iv) Shri Prabhu Nath Prasad was appointed as a Director of the company w.e.f. 07.01.2012 and assumed charge as Managing Director w.e.f. 11.01.2012.

(v) Dr Neeraj Mittal, Joint Secretary, Ministry of Petroleum & Natural Gas nominated by MoP&NG as a Director of the company was appointed w.e.f. 06.03.2012 in place of Shri Manu Srivastava.

Corporate Social Responsibility

Your company came up as a part of the historical Assam Accord signed in 1985 with the objective of overall socio-economic development of the region especially to create employment opportunities through downstream industries. Despite being only in the construction phase, your company has been conscious of its social obligations and decided to implement CSR activities with an endeavour to develop the surrounding areas and also to create awareness about the objective of setting up the Assam Gas Cracker Project.

The CSR policy of your company was formulated and implemented, effective from the financial year 2010-11 considering the sentiments and expectations of the local populace attached to this project. The CSR initiatives are identified and taken up in consultation with Dibrugarh District Administration. An internal committee reviews and recommends the proposals for implementation.

During the year under review the following CSR initiatives have been taken:

1. Construction of Part I of 2.30 km road for Kakoti Gaon which is a Project Affected Village. The executing agency is PWD Rural Road Division, Dibrugarh, Government of Assam. The remaining part of the road will be constructed by the Company in 2012-13.
2. Construction of a Crematorium for Kakoti Gaon, for which the executing agency is Barbaruah Block Development, Dibrugarh, Government of Assam.
3. Construction of 5 seated Sulabh Toilet Complex at the office of the Deputy Commissioner, Dibrugarh.

An MoU shall be signed between the Company and the Dibrugarh District Administration for implementation of the CSR programmes during the financial year 2012-13.

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. During the year, 14 queries, mostly related to recruitment and CSR activities were received and replies were given within the stipulated time.

Statutory Auditors' Report

M/s Das & Sharma, 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, 2012 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 Report 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 express their sincere appreciation of the guidance and support from the Ministry of Chemicals and Fertilizers, the Ministry of Petroleum and Natural Gas and the Ministry of Environment and Forests. Your Directors also acknowledge the support and continued patronage received from the promoters, GAIL, OIL, NRL and Government of Assam and likewise from the lenders, Oil Industry Development Board, Punjab National Bank, Allahabad Bank, Andhra Bank, Bank of Baroda, Bank of India, Corporation Bank, State Bank of Travancore and Jammu & Kashmir Bank. Your Directors are 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. Your Directors acknowledge the valuable advice and co-operation received from the Statutory Auditors and the officials of the Comptroller & Auditor General of India during the audit of accounts for the year under review.

Last but not the least, your Directors wish to acknowledge the dedication and responsibility exhibited by the employees despite all odds, in their efforts to complete the project and build an effective and fully functional organization.

Dated : 21st June, 2012
Place - New Delhi

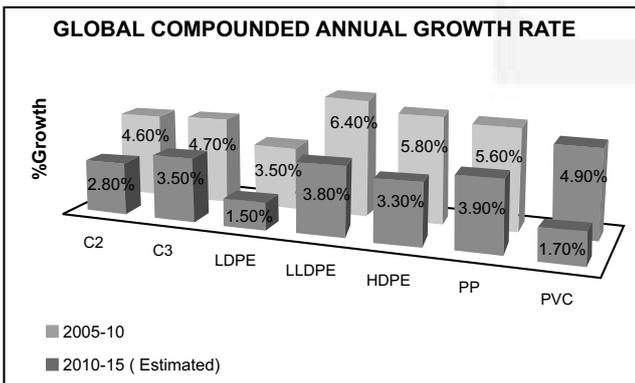
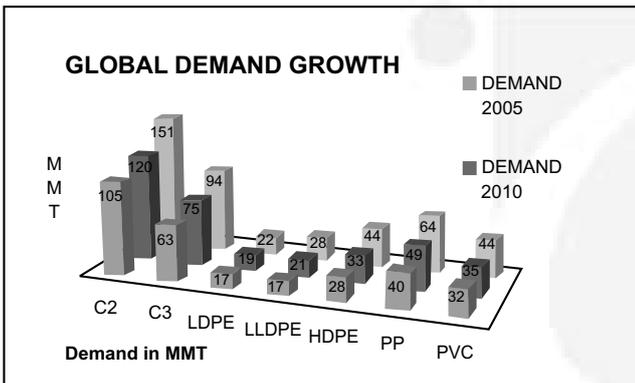
Sd/-
(B.C.Tripathi)
CHAIRMAN

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

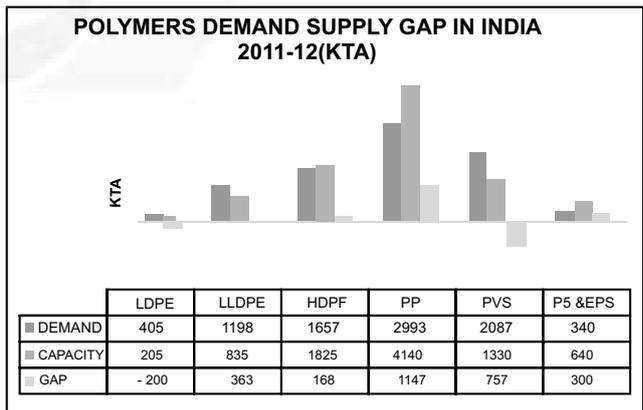
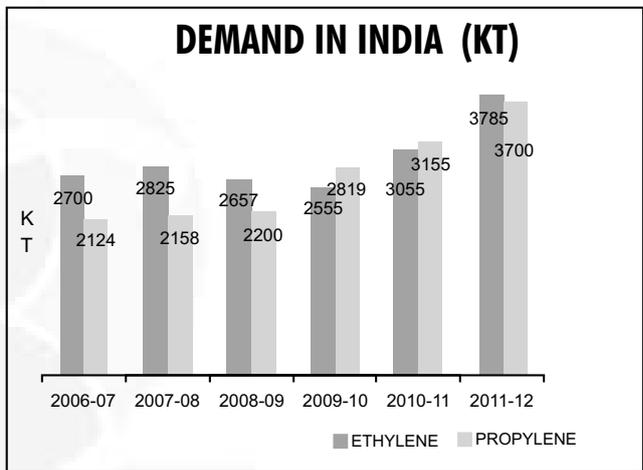
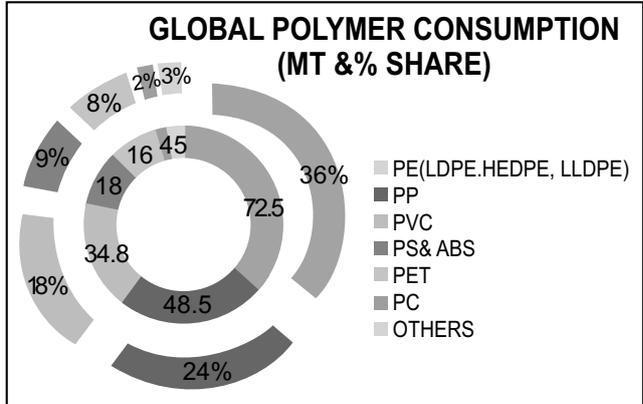
INDUSTRY STRUCTURE AND DEVELOPMENTS:

Broadly categorized into building blocks, plastics, synthetic rubbers, synthetic fibers, fiber intermediates and basic chemicals, Petrochemicals play a vital role in the economic growth with the global petrochemical industry currently growing at 1.2 to 1.3 times the global GDP growth. This growth is primarily being driven by the emerging economies currently.

Ethylene and Propylene are the two major building blocks or monomers. While Ethylene is derived from Naphtha or Gas Crackers, Propylene is derived as a co-product from Naphtha Cracker and from Refinery FCC streams. A wide range of plastic raw materials are produced from Petrochemicals to cater to the different sectors of the economy including packaging, agriculture, infrastructure, healthcare, textiles and consumer goods. Petrochemicals are rightly termed "the enablers" for growth of other sectors of the economy. The polymers Polypropylene (PP), Linear Low Density Polyethylene (LLDPE) and High Density Polyethylene (HDPE), the primary products of the company are essentially used in the manufacture of plastic products.



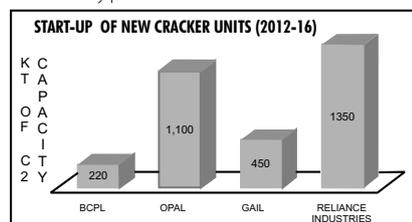
The major plastic materials like PE and PP are derived from the olefins, Ethylene and Propylene. Global demand of plastics has risen to nearly 199 million tonnes with commodity plastics like Polyethylene (PE), Polypropylene (PP), Polyvinyl Chloride (PVC) and Styrenics being the major contributors. Polyethylene is the largest volume plastic raw-material used by the industry while PP today is the second largest and fastest growing plastic.



With a humble beginning in the mid-sixties, the Petrochemical industry in India today has global sized plants catering not only to local demand but also to the international markets. Ethylene and Propylene capacities in India have reached significant levels. In the year 2011-12, Ethylene had a demand of 3785 KTA against the installed capacity of 3867 KTA, while Propylene had a demand of 3700 KTA against the installed capacity of 4117 KTA.



Echoing the global trend, in India too PE continues to be the largest commodity with LLDPE experiencing the fastest growth. PP has been the fastest growing polymer amongst commodity plastics.



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. Four new cracker units including the company's own are expected to start up by 2015.

So far India has worked towards self-sufficiency in petrochemicals, which has been achieved. Time has come to look at export of finished products and create export oriented petrochemical capacities. Though one of the fastest growing industries in the country, there is a waning of interest in this sector due to recent adverse investment climate including low import duties on petrochemical products, high energy cost coupled with high internal transaction costs and the establishment of large scale capacity in the Middle East backed by subsidized feedstock.

STRENGTHS AND WEAKNESSES

Adoption of the dual feed technology is a major plus in the project considering that Natural Gas fractions C2/C3 are not freely tradable. This technology provides an option for replacing Naphtha with Natural Gas as feedstock without resorting to changes. This reduces dependence on a single feedstock. Feedstock will not be a constraint and there is sufficient domestic demand.

Being an offspring of the Assam Accord, this prestigious project has strong support both from the Government of India as well as the Government of Assam, which has been instrumental in driving it forward to its present stage.

With considerable experience and expertise in the hydrocarbons sector, the promoters have been backing the project at every stage since inception. Manpower requirement has been supplemented by the promoters on

secondment/deputation basis, thus providing the requisite expertise in construction, commissioning, operation and maintenance of petrochemical and gas processing units. The wide and varied experience of EIL, the Project Management Consultants has been a major support in the erection and construction activities.

Another major strength is the marketing tie-up with GAIL, which has been in the field of petrochemicals for more than a decade. Further, there is adequate potential for development of downstream projects in the state of Assam and the state government is extending full support in this respect. A Plastic Park has been set up in Tinsukia by the Government of Assam, towards this end. Market prospects in neighbouring countries including Myanmar and Bangladesh are also bright.

One of the major weaknesses of the project, which is highly capital intensive, is its reliance on capital and feedstock subsidies. The possibility of cessation of government support in these respects in future would be a cause for concern. Moreover, India having a very high import duty of 5% on Naphtha has resulted in nil duty differential between feedstock and finished products (polymers) and this does not bode well for financial viability in the manufacture of polymer from Naphtha. In this respect, the upside, however, is the dual feed technology adopted by the company.

Logistical disadvantages due to its location coupled with inadequate infrastructure in the region are a serious setback both in terms of transporting equipment to the project site and in future, the despatch of materials from the plant. Prolonged and heavy rains and climatic conditions have caused major disruption in construction activities. Insufficient availability of quality power and the high cost of energy will remain areas of concern. The location of the project has also been a deterrent in attracting and retaining quality manpower. However, with the introduction of better facilities and benefits, the prospects are now much brighter.

OPPORTUNITIES AND THREATS

Plastics today find widespread use in all major sectors and its demand is perceived as an indicator of industrial growth and development. Over the last thirty years, global polymer demand, i.e. demand for commodity plastics has grown almost 5 fold from 36 MMT in 1980 to 169 MMT in 2010. Diverse factors including favourable

demographics, rising disposable income, development of rural marketing, growth of organized retailing, development in agriculture, automobile, telecommunication and health care signify immense promise for future growth in the sector. At present, the per capita consumption of plastics in India is about 7 kg as against the global average of 28 kg. This gap is an indication of the growth potential in the industry.

Availability of relatively cheaper labour as compared to developed markets of the world provides an opportunity to expand capacities. The northeastern region in particular has large availability of labour at relatively cheaper wages.

The northeastern region has one of the lowest per capita consumption of polymers and plastics in India. In the absence of any major competitor in the region, your company can take advantage of the growing demand. Downstream industries are expected to emerge.

Cost of feedstock constitutes the single largest component of the cost of production. High feedstock cost in India as compared to the middle-east where the cost is only a fraction of that in India, places our producers at a competitive disadvantage. Cost competitiveness has to be ensured to withstand the threat from cheaper imports under the open market regime. Dumping of cheaper products by low cost producers is a cause for concern in this sector.

Growing environmental concerns and the negative perception over the use and disposal of plastics is seen as a threat to the industry. 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.

Despite growing demand, the possibility of decline in rate of growth in domestic demand due to high inflationary pressures cannot be ruled out. Prices in the petrochemical industry are also highly volatile with the industry passing through 6 to 8 year cycles of peaks and lows.

SEGMENT WISE OR PRODUCT WISE PERFORMANCE

The company is still in the project execution stage.

OUTLOOK:

The last global economic meltdown had dampened the growth prospects of the industry. The process of economic recovery and improvement in market sentiment over the last

few years brought in its wake sporadic investments in the petrochemicals sector. The business environment and outlook in the petrochemicals sector have improved and some of the planned projects like the IOC petrochemicals complex, HPCL- Mittal Energy Limited, expansions by GAIL and HPL, have materialized. Though some greenfield investments including PCPIRs are being pursued, adequate government support would be called for without which the full growth potential in the sector cannot be realized.

Though the aggressive reduction in import tariff post liberalization adversely affected the polymer producers in the country, the latter have now adjusted to the low tariff regime and have become globally competitive. The domestic consumption in India has also witnessed a healthy growth due to the lower prices.

The demand for building blocks is based on projected downstream capacities for polymers, synthetic rubber etc. New capacities are being planned and requirement of building blocks are expected to grow from 6.4 MMT to 13.5 MMT over the next five years. Commodity polymers are enjoying a rate of growth above the GDP growth and the trend is expected to continue. All polymers are expected to grow at approximately 10% CARG during the 12th plan period and substantial increase in capacities of LDPE, LLDPE, HDPE are expected along with small increase in capacities of PP and PVC. However, growth in demand will outpace the growth in capacities.

So far as your Company is concerned, the plant is expected to be commissioned and go into commercial production in December, 2013.

RISKS AND CONCERNS:

A major concern has been delay in scheduled project implementation and resultant cost escalation. However, persistent efforts are on to complete the project as per revised schedule and no further delay is expected. Project progress has improved in the recent past and the overall physical progress was 67.6% as on 31st March, 2012.

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 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 for risk management with a policy towards that end already 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.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

Your Company exercises due care to ensure that there are sufficient internal controls for safeguarding its assets and protecting them 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. A risk management policy is already in place. Periodic internal audit is being conducted presently by the Internal Audit team of the holding company and remedial measures are adopted whenever called for. In all cases involving financial implication, various limits and authorities are specified.

The Company's progress and activities are being continuously monitored and reviewed by GAIL and also by the State and Central Government authorities at the highest level.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The Company is yet to begin commercial operations.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES, INDUSTRIAL RELATIONS FRONT INCLUDING NUMBER OF PEOPLE EMPLOYED

Your Company is committed to the recruitment and retention of quality human capital by adhering to an effective recruitment policy, training programmes aimed at performance improvement and development of core competencies along with steady introduction of attractive compensation and benefits, all the time maintaining a balance between individual and organizational needs. Recognizing the importance of its human resources as the greatest asset, due care is taken to keep them motivated to contribute their fullest for the development of the Company which is still in its nascent stage.

During the year under review, the Company has considerably increased in own human capital base with adequate care to ensure 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 182, out of which 33 are on secondment from GAIL, 1 each on deputation from NRL & the Government of Assam and 147 are the company's regular employees.

ENVIRONMENTAL PROTECTION AND CONSERVATION, TECHNOLOGICAL CONSERVATION, RENEWABLE ENERGY DEVELOPMENTS, FOREIGN EXCHANGE CONSERVATION

The Company is keenly aware of the environmental concerns over a petrochemical plant and its responsibilities towards this end. 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. Once the project begins operations, the aspects of conservation of technology and foreign exchange and the development of renewable energy will gain significance.

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, hygiene, education, infrastructure development & environment.

DATA SOURCE: Report of Sub-group on Chemicals & Petrochemicals, for the 12th Five year Plan, Government of India.

FORWARD LOOKING STATEMENT: This document includes statements that are, or may be deemed to be, "forward-looking statements" which by their nature involve risk and uncertainty as they relate to future events and circumstances, a number of which are beyond the Company's control. As a result, actual future results may differ materially from the plans, goals and expectations set out in these forward-looking statements, due to economic conditions, Government policies and other incidental factors such as litigation and industrial relation. Readers are advised not to place undue conviction on such statements.



REPORT ON CORPORATE GOVERNANCE

Company's Philosophy

The Company strongly believes that the adoption of ethical and transparent corporate governance practices is an indispensable tool to garner stakeholders' confidence and to enable the company to effectively and successfully prosper in the long run.

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. It shall be the unflinching endeavour of the management to instill a culture of ethical and honest conduct in this nascent organization from the very beginning.

Board of Directors

As on 31st March, 2012 the Board of Directors of your Company consists of thirteen Directors including an ex-officio Chairman nominated by GAIL, its major promoter, two Government Nominees (representing MoC&F and MoP&NG), and two Whole Time Directors i.e. Managing Director and Director (Finance). Shri P C Sharma has been appointed as an Independent Director by Government of India and appointment of another Independent Director is under consideration of the Department of Public Enterprises. The Nominee Directors are appointed in accordance with the Joint Venture Agreement and the Articles of Association of the Company.

The composition of the Board of Directors, as on 31st March, 2012 during the year under review is as below:

Sl. No.	Name of the Director	Designation	Tenure of Directorship		Tenure of Committee Memberships / Chairmanship in other companies#		No. of Board Meetings attended	Attendance in last AGM
			From	To	Chairman	Member		
1	Shri P N Prasad (Director w.e.f. 07.01.2012 & Managing Director w.e.f. 11.01.2012)	Managing Director	-	-	-	-	1	Yes
2	Shri Rakesh Kumar	Director (Finance)	-	-	-	-	5	Yes
3	Shri B.C. Tripathi Chairman & Managing Director GAIL					1	5	Yes
4	Shri R. K. Dutta, Advisor Government of Assam					-	4	Yes
5	Shri Ravi Capoor Principal Secretary to the Government Industries & Commerce Department (upto 13.05.2011)					-	1	No
	Shri Jatinderbir Singh Principal Secretary to the Government of Assam, Industries & Commerce Department (w.e.f. 02.07.2011)	Director	2	8	-	-	3	Yes
6	Shri Dipak Chakravarty Managing Director Numaligarh Refinery Ltd.	Director	-	1	-	-	3	Yes
7	Shri T.K. Ananth Kumar Director (Finance) Oil India Limited	Director	-	1	-	1	3	Yes
8	Shri S L Raina Director (HR) GAIL (India) Ltd.	Director	-	3	-	3	4	Yes
9	Shri S Venkatraman Director (BD) GAIL (India) Ltd.	Director	4	5	-	1	5	Yes
10	Shri P K Jain Director (Finance) GAIL (India) Ltd.	Director	-	5	1	-	5	Yes

	Name of the Director	Designation	No. of Directorships/ Chairmanship in other companies		No. of Committee* Memberships / Chairmanship in other companies#		No. of Board Meetings attended	Attendance in last AGM
			Chairman	Director	Chairman	Member		
Government Directors								
11	Ms Neel Kamal Darbari Joint Secretary, Ministry of Chemicals & Fertilizers, Department of Chemicals and Petrochemicals	Director	-	1	-	-	4	No
12	Shri Manu Srivastava Director Ministry of Petroleum & Natural Gas (upto 06.03.2012)	Director	-	1	-	-	-	No
	Dr. Neeraj Mittal Joint Secretary Ministry of Petroleum & Natural Gas (w.e.f 06.03.2012)	Director	-	2	-	-	-	No
13.	Shri Prafulla Chandra Sharma (w.e.f. 16.12.2011)					2	1	No

(*) Committee positions refer only to Audit Com

(#) Other company means public companies of

Details of Board Meetings held during the year

Five meetings of the Board of Directors were held

No. of the Board Meeting	Date	Boa	Stren
31st	05.05.2011	1	
32nd	29.07.2011	1	
33rd	17.10.2011	1	
34th	16.12.2011	12	
35th	06.03.2012	12	

Profile of Directors being appointed / reappointed

Ms. Neel Kamal Darbari, Director retires by rotation at the ensuing annual general meeting pursuant to section 256 of the Companies Act, 1956 and being eligible offers herself for reappointment.

Ms. Darbari joined the Indian Administrative Service in 1987. She is a Post Graduate in English Literature, has undergone various training programmes in India and abroad and has also taken academic breaks to study for an MBA degree from Australia and M.Phil degree from University of Punjab, with a view to reconnect with evolving concepts of management and public policy.

As Joint Secretary in the Directorate of Chemicals & Petrochemicals since September 2008, her main charge in the department includes matters relating to CIPET, Assam Gas Cracker Project, PCPIR, etc.

Shri T K Ananth Kumar, 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 T.K. Ananth Kumar is the Director (Finance) of Oil India Limited since

Mr's degree in Commerce from Osmania member of the Institute of Chartered years of experience in the Oil and Petroleum is the Director (Finance) of NRL for over three with HPCL for 23 years. He joined the BCPL 2.2008.

by rotation at the ensuing annual general of the Companies Act, 1956 and being ment.

University of Hull, London, an LLB, a Master in career spanning more than three decades in s and has a very rich experience in human resource management as also marketing and legal at senior level.

Prior to becoming Director (HR) in GAIL, he headed various human resource departments of the company; he also spearheaded various CSR programmes. As Head of Legal Department, Shri Raina represented GAIL in various judicial, arbitral and administrative proceedings. He joined the BCPL Board as Promoter Director on 19.08.2009.

Shri S Venkatraman, 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.

He presently holds a position of Director (Business Development) in GAIL and is in-charge of GAIL's Business Development, Project Development, Petrochemical operations, Exploration & Production and global ventures of the Company. He joined GAIL as Manager in December 1990 and served at various levels across different departments including Business Development, Marketing and Projects. 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 conceptualization to commissioning. Shri S. Venkatraman has done B.Sc. (Physics) from University of Madras, Madras in 1973. In 1976, he completed Diploma in Instrumentation from Madras Institute of Technology, and thereafter Diploma in Management from All India Management Association, New Delhi in 1989. He started his career in 1976 with Instrumentation Ltd., Kota and worked there at various levels till December 1990. He joined the BCPL Board as Promoter Director on 11.10.2010.

Dr. Neeraj Mittal, Joint Secretary, Ministry of Petroleum and Natural Gas was appointed as an Additional Director w.e.f. 06.03.2012. He is an IAS Officer from Tamil Nadu Cadre (1992). He is an electrical engineering graduate from IIT, Kanpur, holds an MBA degree from Cranfield University, UK and is a PhD (MIS) from Ohio State University, USA.

During his IAS career spanning over two decades, he has served in various departments/offices of the state and the centre including Land & Revenue, Mines and Minerals, Transport, Telecommunication, Commerce and is presently serving as a Joint Secretary in the Ministry of Petroleum and Natural Gas.

Shri P N Prasad, Managing Director, was appointed as an Additional Director w.e.f. 07/01/2012. Prior to his appointment as Managing Director he was heading the project as Chief Operating Officer of the Company since 22.02.2011. Shri Prasad is a Mechanical Engineer with an MBA in HR. He has a long association with GAIL since 1987. For several years in the past decade he was associated with the GAIL petrochemicals plant at Pata. Earlier in 2009, Shri Prasad had headed the BCPL Project as the Chief Operating Officer. Over the past 25 years Shri Prasad has gained varied experience and competence in the areas related to Operations & Maintenance, Project Management, and Contracts Management etc.

Shri P C Sharma, Part Time Non Official Director (Independent Director) was appointed as an Additional Director w.e.f. 16.12.2011. As an IAS officer, Shri Sharma retired as the Chief Secretary, Government of Assam. He is also an M Sc. (Chemistry) and a Law Graduate. Prior to his appointment as Independent Director in the Company he was on the Board of the Directors of the Company representing Government of Assam since the inception of the project upto March 2010. He has a wide and varied experience and long association with the Government of Assam in several important posts. Shri Sharma is a member on the Board of Directors of National Aluminium Company Ltd. and of Garden Reach Shipbuilders & Engineers Ltd.

Shri RT Jindal, Principal Secretary to the Government of Assam, Industries & Commerce Department was appointed as an Additional Director w.e.f. 22.05.2012. He is a 1983 batch IAS Officer from the Assam-Meghalaya cadre and has served at various levels in different departments of the Government of Assam. He has also worked in the Government of Punjab on inter cadre deputation from 1994 to 1999. He has been on central deputation with the Ministry of HRD/Tourism & Culture from 1996 to 2008. He is a Science graduate from Punjab University, Patiala and post graduate in Chemistry from Punjab Agriculture University, Ludhiana.

Audit Committee

The Audit Committee presently comprises of five members and Shri P C Sharma, a Non-official (Independent) Director is the Chairman thereof. The

terms of reference for the Audit Committee have been framed in line with the DPE Guidelines on Corporate Governance.

Four meetings of the Committee were held during the year under review on 05.05.2011, 29.07.2011, 23.11.2011 and 06.03.2012 and the details of attendance by the members during 2011-12 are given below:

Name of Directors	No of meetings attended
Shri P C Sharma, Chairman (w.e.f. 06.03.2012)	1
Shri R.K. Dutta	3
Shri Dipak Chakravarty	4
Shri T.K. Ananth Kumar	2
Shri P K Jain	4

Other Committees

The Remuneration & HR Committee, headed by a Non-official (Independent) Director comprises of the following three members all of whom are non-executive Directors:

1. Shri P C Sharma, Director : Chairman
2. Shri T K Ananth Kumar, Director : Member
3. Shri S L Raina, Director : Member

During the year under review four meetings of the Committee were held on 27.06.2011, 12.09.2011, 08.10.2011 and 07.02.2012. The Committee recommends the perquisites, facilities and other benefits of the employees for consideration of the Board. It also reviews and recommends the formulation of HR policy in the company.

An empowered Committee of the Board on Contracts and Procurement is also in place for expeditious clearance of approvals for the project.

Remuneration to Directors

Being a Central Public Sector Enterprise, the appointment of the Whole-Time Directors and the terms & conditions thereof including remuneration are determined by the administrative ministry, the Ministry of Chemicals & Fertilizers.

The details of remuneration paid to the Whole-time Directors of the Company during the financial year 2011-12 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. P N Prasad (Managing Director)	11.01.2012	4,82,470	41,067	1,48,416	—	6,71,953
Sh. Rakesh Kr. Director (Finance)	04.01.2010	20,28,347	1,56,161	7,86,958	—	29,71,466

The Part-time Non-official Director is not being paid any remuneration other than sitting fee which amounted to ₹40,000/- during the year. The Nominee Directors do not receive any pecuniary benefits including sitting fees from the company.

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
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	29/07/2011	4:00 p.m.	Hotel Brahmaputra Ashok, M.G. Road, Guwahati	None

During the year under review an Extraordinary General Meeting was held on 16th December, 2011 and special resolutions were passed thereat for approving the following agenda:

- (i) To increase the authorized share capital from ₹ 1,200 crores to ₹ 2,000 crores.
- (ii) To enhance the borrowing powers of the Board of Directors u/s 293(1)(d) of the Companies Act 1956, from ₹ 2,800 crores to ₹ 4,000 crores.

5th Annual General Meeting

Date : Monday, 27th August, 2012

Time : 3.00 p.m.

Venue: Registered Office : Hotel Brahmaputra Ashok
M G Road, Guwahati-781 001

Disclosures

- (i) The related party transactions are disclosed in the notes to accounts forming part of the annual report.
- (ii) The Company has complied with the requirements of the DPE Guidelines on Corporate Governance, save and except the composition of the Board with respect to number of Nominee Directors and Independent Directors. The Board has requested for a special dispensation from the Government of India regarding reduction in the number of Nominee Directors appointed as per JV Agreement, as the Company is still in the project implementation stage. An Independent Director was appointed by the Government of India during the year under review and the appointment of another is in process with the Government.
- (iii) The Company now has a Whistle Blower Mechanism per which the Public Interest Disclosure and Protection of Informer (PIDPI) Resolution No 89 of Government of India is being followed.
- (iv) A mechanism for Risk Management has been put in place to identify and mitigate construction phase, financial, operational and other risks.

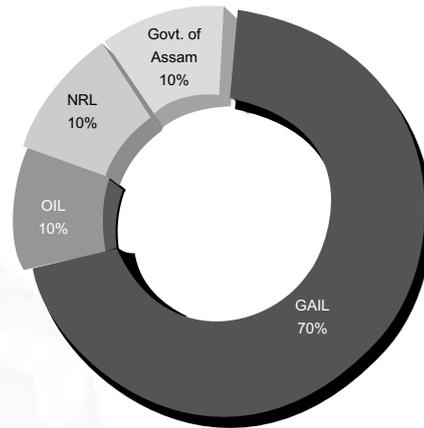
Audit Qualifications

For the 5th 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 2012.

Means of Communication

The company now has a website www.bcplonline.co.in. There is a dedicated cell for information sharing with stakeholders through the use of information and communication technologies particularly through its website. The company periodically disseminates information through press releases and its annual reports.

SHAREHOLDING PATTERN



Corporate Governance Compliance Certificate

A certificate from a Company Secretary in practice regarding compliance of conditions of corporate governance during 2011-12, as per clause 8.2.1 of the DPE Guidelines is annexed.

Secretarial Audit report

The Company has voluntarily carried out Secretarial Audit for the year under review and the report on the same is annexed.

Code of Conduct

The company has a Code of Conduct for the Board members and the senior management personnel and all the members of the Board and the senior management personnel have affirmed compliance of the Code of Conduct for the financial year ended on March 31, 2012.

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)

Managing Director

Brahmaputra Cracker and Polymer Limited



CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

The Members of
Brahamaputra Cracker & Polymer Limited
Regd. Office : Hotel Brahamaputra Ashok
M.G. Road, Guwahati - 781 001

We have examined the compliance of conditions of Corporate Governance by **Brahamaputra Cracker & Polymer Limited** (hereinafter referred as "the Company") for the year ended **31st March 2012**, as stipulated in the DPE Guidelines on Corporate Governance. the Company not being a listed Company, the conditions of Corporate Governance as mentioned in clause 49 of the listing agreement are not applicable to it.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and of the conditions of 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 explanations given to us, we certify that the Company, except for the maximum number of Nominee Directors to be appointed by Government / other CPSEs and the constitution of Audit Committee with two-thirds of its members as Independent Directors, has complied with the conditions of Corporate Governance as stipulated in DPE Guidelines on Corporate Governance.

We further state that such compliance is neither an assurance as 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. FCS 5117

Place: **Guwahati**

Date: **April 26, 2012**

SECRETRIAL AUDIT REPORT 2012-13

The Board of Directors
 Brahamaputra Cracker & Polymer Limited
 Hotel Brahamaputra Ashok
 M.G. Road, Guwahati - 781 001

We have examined the registers, records, books and papers of **Brahmaputra Cracker and Polymer Ltd.** (the Company) for the period 1.4.2011 to 31.03.2012 according to the provisions of:

The Companies act, 1956 and the Rules made there under :and

Guidelines on Corporate Governance for Central Public Sector Enterprises as issued by the Department of Public Enterprises, 2010 (DPE) of the Ministry of Heavy Industris and Public Enterprises, Government of India ("the DPE Guidelines on Corporate Governance").

1. Based on our examination and verification of records produced to us and according to the information and explanations given to us by the Company, in our opinion, the Company has complied with the provisions of the Companies Act, 1956 ("the Act") and Rules made under the Act and the Memorandum and Articles of Association of the Company with regard to :
 - a) Maintenance of statutory registers and documents and making necessary entries therein;
 - b) Filing of the requisite forms and returns with the Registrar of Companies, North Eastern Region, Shillong within the time prescribed under the Act and the Rules made there under;
 - c) Service of documents by the Company on its members and the Registrar of Companies;
 - d) Notice of Board Meetings and Committee meetings of Directors;
 - e) Convening and holding of the meetings of Directors and Committees of Directors including passing of resolutions by circulation;
 - f) The 4th Annual General meeting held on 29th July, 2011;
 - g) The Extra Ordinary General meeting held on 16th December 2011;
 - h) Minutes of proceedings of General Meeting and meetings of Board and its committees.
 - i) Constitution of Board of Directors and appointment, retirement, and re-appointment of directors;
 - j) Appointment of Chairman and Manangng Director, Whole Time Directors and non-executive Directors and their remuneration;
 - k) Transfers and transmissions of the Company's shares, issue and allotment of shares and issue of original and duplicate certificates of shares;
 - l) Appointment and remuneration of Auditors;
 - m) Borrowings and registration, modification and saftisfaction of charges;
 - n) Board's Report;
 - o) Alteration of Memorandum & Articles of Association for increase in authorized share capital;
 - p) Contracts common seal, registered office and pubication of name of the Company; and
 - q) Generally, all other applicable provisions of the Act and the rules made under the Act.
2. We further report that :
 - a) The Directors of the Company have made all the required disclosures under Section 299, 305 of the Act. However, being a Government Company provisions of section 274(l)(g) of the Act are not applicable to the Company.
 - b) The Company has where required, obtained all the necessary approvals of Directors, Shareholders and other authorities as required under the Act;
 - c) There was no procsescution initiated against or show ocause notice received by the company for alleged offences under the Act and no fines and penalties or any other punishment was imposed on the company during the financial year, for offences under the Act,



- d) The provision as to transfer of amount to unpaid dividend account, application money due for refund, matured debentures and the interest accrued thereon which have been remain unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund are not applicable to company;
 - e) The amount borrowed by the Company from public financial institutions, banks and others during the financial year ending **31st March 2012**, are within the borrowing limits of the company and that the necessary resolutions as per section 293 (1) (d) of the Act have been passed induly convened Annual General meeting;
 - f) The Company is a non-listed Company and the provisions of the listing agreements are not applicable to the Company except and to the extent that it is a subsidiary of a listed Company;
3. We further report that the Company, except for the composition of the Board with required number of Independent Directors, the maximum number of Nominee Directors to be appointed by Government/other CPSEs and the constitution of Audit Committee with two-thirds of its members as Independent Directors, has complied with the conditions of Corporate Governance as stipulated in DPE guidelines on Corporate Governance

for **Narayan Sharma & Associates**
Company Secretaries

Sd/-

(Narayan Sharma)

Proprietor
C.P. No. 3844

Place: Guwahati
Date: April 26, 2012

AUDITORS' REPORT

Date 18th May, 2012

To,
The Members,
Brahmaputra Cracker & Polymer Limited
Guwahati, Assam.

We have audited the attached Balance Sheet of Brahmaputra Cracker & Polymer Limited, Guwahati Assam, as at 31st March, 2012, and also the Statement of Profit and Loss and the 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 conducted our audit in accordance with the 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 mis-statement. 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 statement

presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, issued by the Ministry of Finance, Central Government of India in exercise of the powers conferred by sub section (4A) of section 227 of the Companies Act, 1956, we enclose, as an annexure, a statement on the matters specified in paragraph 4 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 purpose of our audit.
2. In our opinion, proper books of accounts as required by law have been maintained by the company so far as appears from our examination of those books.
3. The Balance Sheet and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts maintained.
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. The provisions of clause (g) of Sub Section 1 of Section 274 of the Companies Act, 1956, are 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 notes thereon give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012, and,
 - (b) In the case of the Statement of Profit and Loss, of the lack of transactions revenue in nature, given the operational status of the project, and
 - (c) In the case of the Cash Flow Statement, of the Cash Flows of the company during the year under audit..

For **Das & Sharma,**
Chartered Accountants,
Firm No 314214E

Binoy Kumar Das,
Partner.
Mem No 51898



ANNEXURE TO THE AUDIT REPORT OF BRAHMAPUTRA CRACKER & POLYMER LIMITED FOR THE PERIOD ENDED 31ST MARCH, 2012.

(Referred to in Para 3 of our Audit report)

As required by the Companies (Auditors Report) Order, 2003, issued by the Central Government, and on the basis of such checks we considered appropriate, and according to the information and explanations given to us, we further report that:

1. The company has maintained proper records showing full particulars including quantitative details of Fixed Assets, as well as the situation of these Fixed Assets.
2. It has been represented to us that a physical verification covering a section of Fixed Assets has been carried out during the year under audit. It has also been represented to us that a scheme for verification of the entire assets every three years has been put in place. No material discrepancies had been noticed during the verification.
3. Substantial portion of the Fixed Assets of the Company have not been disposed off during the year
4. Physical verification of finished goods, stores, raw materials and spare parts does not arise as the company is not, at present, maintaining inventory. Stocks of construction materials are, in the main, under the custody of Engineers India Limited who have certified that the material statement maintained at BCPL was correct.
5. The company has not taken or granted any loans from related parties in respect of whom entries are warranted in a register maintained under section 301 of the Companies Act, 1956
6. In our opinion, and according to the 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 construction materials and fixed assets.
7. It has been represented to us that the company has not made transaction with any parties whose names warrant entry into the register maintained under section 301 of the Companies Act, 1956.
8. The Company has not accepted any deposits from the public.
9. In our opinion, the company has a system of internal audit which is commensurate with the size and nature of its activities.
10. Maintenance of cost records u/s 209(1)(d) of the Companies Act, 1956, is not applicable at present as the company has not commenced operations, nor have such records being prescribed under the Act.
11. The company has been regular in deposit of undisputed statutory dues, including Provident Fund, VAT, Service Tax, Customs Duty, Income-tax etc with the relevant authorities. We have been informed that no undisputed amount was payable in respect of VAT, Service Tax, Customs Duty, Income-tax and other Statutory dues were outstanding at the year end for a period of more than six months from the date they became payable.
12. As the company is yet to start its operation, the question of accumulated loss does not arise.
13. Based on our checks, and information given by the management, we are of the opinion that the company has not defaulted in repayment of dues to any bank or financial institution. The company has no debenture holders.
14. No loans or advances have been granted by the Company by way of pledge of shares, debentures or other securities.
15. Contents of Paragraph 4(xiii) of the Order (first part) are not relevant to the Company.
16. Contents of Paragraph 4(xiii), (second part) of the Order are not relevant to the Company.
17. The Company is not dealing or trading in any shares, securities, debentures or other investments.
18. The Company has not given any guarantees for loans taken by others from banks and financial institutions.
19. The Term Loans obtained by the Company are being utilized for the purpose for they have been sanctioned.
20. Funds raised for Long Term uses have been utilized for long term purposes only.
21. No preferential allotment of shares has been made by the Company.
22. No debentures have been issued by the Company.
23. The Company has not raised money through public issues.
24. According to the information and explanations given to us, no fraud has been noticed or reported during the year under audit.

For **Das & Sharma,**
Chartered Accountants,
Firm No 314214E

Binoy Kumar Das,
Partner.
Mem No 51898

BRAHMAPUTRA CRACKER AND POLYMER LIMITED**Balance Sheet as at 31st March' 2012**

Particulars	Note No.	As at 31 st March' 2012 (₹)	As at 31 st March' 2011 (₹)
A EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	1	8,615,502,600	3,246,572,600
(b) Reserves and surplus	2	21,451,288,223	12,625,633,494
2 Share Application money pending allotment	3	2,666,098,720	2,397,698,721
3 Non-current liabilities			
(a) Long-term borrowings	4	9,770,000,000	3,330,000,000
(b) Deferred tax liabilities (net)			
(c) Other long-term liabilities	5	3,537,509	3,084,230
(d) Long-term provisions	6	1,579,150	799,037
4 Current liabilities			
(a) Short-term borrowings			
(b) Trade payables			
(c) Other current liabilities	7	3,431,975,117	2,908,908,202
(d) Short-term provisions	8	1,878,548,277	29,843,560
TOTAL		47,818,529,596	24,542,539,844
B ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	9	1,602,532,160	1,288,159,254
(ii) Intangible assets	9	78,803,385	67,889,492
(iii) Capital work-in-progress	10	35,103,549,719	17,288,315,524
(vi) Fixed assets held for sale			
(b) Non-current investments			
(c) Deferred tax assets (net)			
(d) Long-term loans and advances	11	7,045,664,738	2,116,411,262
(e) Other non-current assets	12	2,154,126,865	988,551,283
2 Current assets			
(a) Current investments			
(b) Inventories			
(c) Trade receivables	13	-	-
(d) Cash and cash equivalents	14	1,394,485,716	2,246,036,082
(e) Short-term loans and advances	15	103,572,623	542,328,840
(f) Other current assets	16	335,794,390	4,848,107
TOTAL		47,818,529,596	24,542,539,844
3 Additional information	17		

(P.N.Prasad)
Managing Director

(Rakesh Kumar)
Director (Finance)

(A.K.Tiwari)
Chief Finance Officer

(Ruli Das Sen)
Company Secretary

As per our separate report on Even Date

For Das & Sharma
Chartered Accountants,
Firm No 314214E

(Binoy Kumar Das)
Partner.
Mem No 51898

Place : New Delhi
Date : 15.5.2012



BRAHMAPUTRA CRACKER AND POLYMER LIMITED

Profit and loss statement for the year ended 31st March'2012

Particulars	Note No.	As at 31 st March' 2012	As at 31 st March' 2011
I. Revenue From Operations		Nil	Nil
In respect of a company other than a finance company:			
Sale of products			
Sale of services			
Other operating revenues			
Less:			
Excise duty			
II. Other income		Nil	Nil
III. Total Revenue (I + II)		Nil	Nil
IV. Expenses:		Nil	Nil
Cost of materials consumed			
Internally manufactured intermediates or components consumed			
Purchases of Stock-in-Trade			
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade			
Employees benefits expense			
Finance costs			
Depreciation and amortization expense			
Other expenses			
Total expenses		Nil	Nil
V. Profit before exceptional and extraordinary items and tax (III-IV)		Nil	Nil
VI. Exceptional items		Nil	Nil
VII. Profit before extraordinary items and tax (V - VI)		Nil	Nil
VIII. Extraordinary Items		Nil	Nil
IX. Profit before tax (VII- VIII)		Nil	Nil
X. Tax expense:		Nil	Nil
(1) Current tax			
(2) Deferred tax			
XI Profit (Loss) for the period from continuing operations (VII-VIII)		Nil	Nil
XII Profit/(loss) from discontinuing operations		Nil	Nil
XIII Tax expense of discontinuing operations		Nil	Nil
XIV Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		Nil	Nil
XV Profit (Loss) for the period (XI + XIV)		Nil	Nil
XVI Earnings per equity share:			
(1) Basic		Nil	Nil
(2) Diluted		Nil	Nil

(P.N.Prasad)
Managing Director

(Rakesh Kumar)
Director (Finance)

(A.K.Tiwari)
Chief Finance Officer

(Ruli Das Sen)
Company Secretary

As per our separate report on Even Date

For Das & Sharma
Chartered Accountants,
Firm No. 314214E

Place : New Delhi
Date : 15.5.2012

(Binoy Kumar Das)
Partner
Mem No 51898

BRAHMAPUTRA CRACKER AND POLYMER LIMITED
Incidental Expenses During construction

Particulars	2011-12	2010-11
Interest Charges to Lenders	177,118,233	54,999,997
OIDB Interest Charges	232,588,832	121,531,265
Bank Charges	20,954	4,133
IEDC:ADVERTISEMENT & PUBLICITY	862,958	1,846,606
IEDC: CISF & SECURITY	46,996,972	23,379,126
IEDC:COMMUNICATION EXPENSES	3,315,468	4,351,103
IEDC:DEPRECIATION	87,990,218	99,457,757
IEDC:INSURANCE	156,537,568	43,138,315
IEDC: Other Infrastructure Expenses	5,110,407	1,895,872
IEDC:OTHERS	25,841,983	21,953,918
IEDC:PAYMENT TO AUDITORS	113,412	82,443
IEDC:POWER,FUEL & WATER CHARGES	16,815,161	5,325,277
IEDC:PRINTING & STATIONERY	2,484,124	3,377,462
IEDC:PROFESSIONAL & CONSULTANCY CHARGES	12,043,732	21,470,339
IEDC:RATES & TAXES	13,918,601	13,148,957
IEDC:RECRUITMENT & TRAINING EXP	11,390,535	6,240,899
IEDC:RENT	15,243,562	14,207,513
IEDC:REPAIR & MAINTENANCE-OTHERS	515,020	346,110
IEDC:SALARY,WAGES & STAFF COSTS	193,466,393	131,308,353
IEDC:SURVEY & INVESTIGATION	9,450,187	4,234,210
IEDC: TOWNSHIP & G H MAINTENANCE	4,016,622	3,674,667
IEDC:TRAVELLING EXPENSES	17,372,422	13,095,467
IEDC:VEHICL HIRE & RUNNING EXP	34,320,156	23,930,822
IEDC:WELFARE EXPENSES	355,473	
IEDC Enabling Facility:Other Infrastructure	96,555	2,763,435
Crane Hiring Charges	7,900,200	
INCIDENTAL EXPENSES 07-08 PENDING ADJUSTMENT	90,962,819	1
INCIDENTAL EXPENSES 08-09 PENDING ADJUSTMENT	127,835,895	90,962,819
INCIDENTAL EXPENSES 2009-2010 PENDING ADJUSTMENT	293,497,555	127,977,782
INCIDENTAL EXPENSES 2010-11 PENDING ADJUSTMENT	472,951,925	292,755,902
Total	2,061,133,943	1,127,460,549
Bank Interest on CLTD	2,832,036	
Bank Interest on STD R's	46,830,810	63,160,918
Miscellaneous Income:IEDC	9,563,842	5,394,703
Misc Income - Electricity	145,089	110,050
Misc. Income-House Rent Recovery	366,078	291,366
Misc Income-Lease Rent Recovery	966,063	
PRS FOR CLOSED PO(INDIGENOUS)	14,272,583	
IEDC Capitalised	21,987,022	72,328,021
Total	96,963,523	141,285,058
Grand Total	1,964,170,420	986,175,491



Note:1: Share capital

Particulars	As at 31 st March' 2012		As at 31 st March' 2011	
	Number of shares	₹	Number of shares	₹
(a) Authorised Equity Shares of ₹ 10/- each	2,000,000,000	20,000,000,000	1,200,000,000	12,000,000,000
(b) Issued Equity Shares of ₹ 10/- each	1,269,000,000	12,690,000,000	564,500,000	5,645,000,000
(c) Subscribed and fully paid up Equity Shares of ₹ 10/- each	861,550,260	8,615,502,600	324,657,260	3,246,572,600
(d) Subscribed but not fully paid up Equity Shares of ₹ 10/- each	Nil	Nil	Nil	Nil
Total	861,550,260	8,615,502,600	324,657,260	3,246,572,600

Note :1 (a):Share capital Reconciliation

Particulars

Notes:

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	Opening Balance	Fresh issue	Bonus	ESOP	Conversion	Buy back	Other changes	Closing Balance
Equity shares								
Year ended 31 March' 2012								
- Number of shares	324657260	536893000						861550260
- Amount (₹)	3246572600	5368930000						8615502600
Year ended 31 March' 2011								
- Number of shares	263371560	61285700						324657260
- Amount (₹)	2633715600	612857000						3246572600

Note :1 (b): Share capital other details

Particulars				
(i) Details of shares held by each shareholder holding more than 5% shares:				
Class of shares / Name of shareholder	As at 31 st March' 2012		As at 31 st March' 2011	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares				
Gail (India) Limited	603085133	70	227260033	70
Oil India Limited	86155019	10	32465719	10
Numaligarh Refinery Limited	86155019	10	32465719	10
Govt. of Assam	86155019	10	32465719	10
Shareholder 2				
(ii) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the Balance Sheet date:				
Particulars	Aggregate number of shares			
	As at 31 st March' 2012		As at 31 st March' 2011	
Equity shares with voting rights				
Fully paid up pursuant to contract(s) without payment being received in cash		66155019		32465719
Fully paid up by way of bonus shares Shares bought back				
Equity shares with differential voting rights				
Fully paid up pursuant to contract(s) without payment being received in cash		Nil		Nil
Fully paid up by way of bonus shares Shares bought back				
(iv) Details of calls unpaid				
Particulars	As at 31 st March' 2012		As at 31 st March' 2011	
	Number of shares	₹	Number of shares	₹
Equity shares with voting rights				
Aggregate of calls unpaid				
- by directors				
- by officers				
- by others	140839938	1408399380	5890000	58900000
(V) Details of forfeited shares : Nil				
(VI) Disclosure pursuant to Note no. 6G of Part I of Schedule VI to the Companies Act, 1956				
Share application money not exceeding the issued capital and to the extent not refundable is to be disclosed under this line item.				
Terms and conditions:As per JV Agreement between the promoters and CCEA approval				
Number of shares proposed to be issued	:	2397698721		
The amount of premium,if any	:	Ni		
The period before which shares are to be allotted	:	As and when the proportion of equity contribution in the ratio of 70:10:10:10 is met by the promoters, viz., GAIL, GoA, OIL & NRL , in terms of the JV Agreement.		
Whether the company has sufficient authorized share capital to cover the share capital amount on allotment of shares out of share application money :	:	Yes		
The period for which the share application money has been pending beyond the period for allotment as mentioned in the share application form along with the reasons for such share application money being pending.	:	Not applicable. Shares are allotted as and when the proportion of equity contribution in the ratio of 70:10:10:10 is met by the promoters, viz., GAIL, GoA, OIL & NRL , in terms of the JV Agreement.		



Note:2: Reserves and surplus

Particulars	As at 31 st March' 2012	As at 31 st March' 2011
	(₹)	(₹)
(a) Capital reserve		
Opening balance	12,625,633,494	453,736,900
Add: Fund received during the year	8,754,400,000	12,050,932,100
Interest received on STDR	71,254,729	120,964,494
	21,451,288,223	12,625,633,494

Note: Capital Reserve represents the Capital subsidy received from Govt. of India. It also includes interest on STDR's made out of this fund as per the letter no.45013/1/2005-PC-1(PRT) dt:15.02.2012 received from MOCF, New Delhi.

Disclosures under Accounting Standard 12

Particulars	As at 31 st March' 2012	As at 31 st March' 2011
	(₹)	(₹)
Details of government grants		
Government grants received by the Company during the year towards	8754400000	7967300000
- Subsidies (recognised under Capital Reserves)		
Interest on parking of Capital subsidy net of taxes added back	71254729	120964494
Total	8825654729	8088264494

- The Capital Subsidy of ₹875,44,00,000/- (Previous Year ₹7,96,73,00,000/-) has been received from the Government of India during the year by way of contribution towards the capital outlay. As per AS-12 (Para 16), Government Grants by way of contribution towards capital & no repayment is stipulated then it should be credited to Capital Reserves as per condition attached to such Grants.
- The Company has received a directive from its administrative ministry MoCF vide letter no 45013/1/2005-PC-I(Part) dated 15.02.2012 that the interest earned on capital subsidy is not the income of BCPL and the same shall be added back to capital subsidy (Net of Taxes). As such interest income has been accounted net of TDS of ₹712,54,729/- (previous year ₹12,09,64,494/-) as part of capital subsidy.

Note:3: Share Application money pending allotment

JV Partner	2007-2008	2008-2009					Equity Allotted till 31-03-12	Share App Money Pending allotment as on 31-03-12	Equity Allotted till 31-03-11	Share App Money Pending allotment as on 31-03-11
Oil India Limited	41,970,000	282,800,000	-	228,800,000	715,430,000	1,269,000,000	861,550,190	407,449,810	324,657,190	228,912,810
Numaligarh Refinery Limited	41,950,000	282,800,000	-	228,800,000	487,500,000	1,041,050,000	861,550,190	179,499,810	324,657,190	228,892,810
Govt Of Assam	570,058,226	41,938,791	49,553,173	-	379,900,000	1,041,450,190	861,550,190	179,900,000	324,657,190	336,893,000
GAIL (India) Limited	101,384,378	292,216,052	1,450,000,000	2,032,000,000	4,054,500,000	7,930,100,430	6,030,851,330	1,899,249,100	2,272,600,330	1,603,000,101
Directors	700	-	-	-	-	700	700	-	700	-
	755,363,304	899,754,843	1,499,553,173	2,489,600,000	5,637,330,000	11,281,601,320	8,615,502,600	2,666,098,720	3,246,572,600	2,397,698,721

Note : 4: Long-term borrowings details

Long Term Borrowings	As at 31 st March '2012	As at 31 st March '2011
	(₹)	(₹)
Secured		
(a) Bonds/debentures	Nil	Nil
(b) Term loan		
From Banks		
Allahabad Bank	612,500,000	47,000,000
Andhra Bank	742,500,000	57,000,000
Bank of Baroda	962,000,000	74,000,000
Bank of India	962,000,000	74,000,000
Corporation Bank	481,000,000	37,000,000
Jammu & Kashmir Bank	481,000,000	37,000,000
PNB	1,856,000,000	143,000,000
State Bank of Travancore	403,000,000	31,000,000
Total-(A)	6,500,000,000	500,000,000
(Secured by 1st charge on all fixed assets both movable and immovable ,present and future ranking paripasu with all terms of lenders except to the extent 131 bighas of Govt. land in possession of the company but title deed yet to be transferred		
*Terms of Repayment : 16 half yearly installment after moratorium of 2 years from the original date of commencement of commercial operation. 1st installment due on 31.12.2014.		
Rate of interest: 11 % for 2011-12, linked with the base rate of PNB, the lead Bank of the consortium.		
(c) Other loans and advances (specify nature)		
Total-(B)	3,270,000,000	2,830,000,000
Oil Industries Development Board		
(Secured by 1 st charge on all fixed assets both movable and immovable ,present and future ranking paripasu with all terms of lenders except to the extent 131 big has of Govt. land in possession of the company but title deed yet to be transferred).		
(The loan obtained from OIDB has been secured by corporate guarantee is given by GAIL, OIL, NRL)		
*Terms of Repayment : 8 yearly installment after moratorium of 2 years from the date of drawal. 1st installment due on 30.04.2013.		
Rate of interest on loan will depend on the month in which loan instalment is drawn by BCPL		
In case of continuing default as on the balance sheet date in repayment of loans and interest with respect to (b) (e) & (g)	Nil	Nil
Total (A + B)	9,770,000,000	3,330,000,000



Note:5: Other long-term liabilities

Particulars	As at 31 st March'2012		As at 31 st March' 2011
	(₹)	(₹)	(₹)
(a) Trade Payables:	Nil	Nil	
(i) Acceptances			
(ii) Other than Acceptances			
(b) Others:			
(i) PRS Contractor	3,084,230		
(ii) Retention Money Contractors	453,279	3,537,509	3,084,230
Total		3,537,509	3,084,230

Note:6:Disclosure pursuant to Note no. 6(E) of Part I of Schedule VI to the Companies Act, 1956.

Long Term Provisions	As at 31 st March '2012	As at 31 st March'2011
	(₹)	(₹)
(a) Provision for employee benefits		
Gratuity	1,242,845	340,463
Leave Encashment	336,305	458,574
(b) Others (Specify nature)	Nil	Nil
Total	1,579,150	799,037

- 1) During the year company has provided for gratuity liability of ₹ 9,12,543 (Previous year ₹3,44,296) for regular employees. The assumptions methodology used in actuarial valuations are consistent with the requirements of Accounting Standard AS-15.
- 2) 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 unavailed leave liability amount on the basis of actuarial valuation and charged to the accounts. Such liability for Leave encashment amounting to ₹ 2,65,293 (Previous year ₹4,65,426) has been provided in the Accounts during the year.

Note :7: Other current liabilities

Particulars	As at 31 st March' 2012		As at 31 st March' 2011
	(₹)	(₹)	(₹)
(A) Other payables		1,327,930,166	709,575,026
Employees	701,086		
Tax (Vat & WCT for the month of March-12)	59,385,442		
Security Deposit	77,965,317		
Earnest Money Deposit	8,713,820		
Price Reduction Schedule	577,698,812		
Retention	568,622,731		
Others	34,842,958		
(B) Creditors:		2,104,044,951	2,199,333,176
Suppliers (Indegenous)	779,782,384		
Suppliers (Foreign)	615,455,586		
Contractors	708,806,981		
Total		3,431,975,117	2,908,908,202

Note :8: Short-term provisions

Particulars	As at 31 st March' 2012		As at 31 st March' 2011
	(₹)	(₹)	(₹)
(a) Provision for employee benefits:			
(i) Provision for gratuity		13,994	3,833
(ii) Provision for other employee benefits (Leave salary)		5,025	6,852
(b) Provision - Others:		1,878,529,258	29,832,875
(i) Provision for income Tax	163,342,657		
(ii) Provision for Liability (Contractors)	1,608,646,439		
(iii) Suppliers	102,809		
(iv) Others	6,020,424		
(v) MCE premium	100,416,929		
Total		1,878,548,277	29,843,560

Provision for employee benefits represent the short term liabilities, with the long term liabilities finding place in note 6



Note :9 : Tangible & Intangible Assets

Amount (₹)

Particulars	Gross Block				Depreciation				Net Block	
	Value at the beginning	Addition during the year	Deduction during the year	Value at the end	Value at the beginning	Addition during the year	Deduction during the year	Value at the end	WDV as on 31.03.2011	WDV as on 31.03.2012
Tangible Assets:(A)										
Land Lease Hold	806,610,760	11,828,100	-	818,438,860	65,281,575	25,998,573	-	91,280,148	741,329,185	727,158,712
Building - Other than factory building	285,775,045	366,730,133	(7,937,006)	644,568,172	13,626,572	16,829,945	617,166	29,839,351	272,149,123	614,728,821
F&F and Other Equip	43,509,450	13,244,891	(298,828)	56,455,509	11,293,713	8,255,241	15,729	19,533,225	32,215,737	36,922,284
Electrical	287,211,163	15,201,261	(155,742)	302,256,682	52,165,931	32,708,140	32,496	84,841,575	235,044,479	217,415,107
EDP	12,534,572	2,707,018	-	15,241,590	5,791,070	3,645,103	-	9,436,173	6,743,602	5,805,417
Motor Cars/ Jeeps	1,232,869	-	-	1,232,869	555,741	175,308	-	731,050	677,128	501,819
Total : (A)	1,436,873,859	409,711,403	(8,391,576)	1,838,193,683	148,714,602	87,612,311	665,391	235,661,522	1,288,159,254	1,602,532,160
Intangible Assets: (B)										
Software/Licenses	2,453,768	1,954,546	-	4,408,314	979,912	952,883	-	1,932,793	1,473,856	2,475,521
Right of Use (Perpetual)	65,625,684	10,000,000	-	75,625,684	-	-	-	-	65,625,684	75,625,684
Right of Use (Limited useful life)	877,725	-	-	877,725	87,773	87,773	-	175,545	789,952	702,180
Total : (B)	68,957,177	11,954,546	-	80,911,723	1,067,684	1,040,655	-	2,108,338	67,889,492	78,803,385
Current Years Totals-2011-12	1,505,831,036	421,665,949	(8,391,576)	1,919,105,406	149,782,286	88,652,967	665,391	237,769,861	1,356,048,747	1,681,335,545
Previous Years Totals-2010-11	918909376	586921659	-	1505831033	50324529	99457757	-	149782286	868584848	1356048747

Note : 10 : Capital Work in Progress

Amount (₹)

Amount (₹)

	Opening as on 31.03.2011								As at 31 st March 2011	As at 31 st March 2012
A CWIP-Capital jobs	7,623,334,646	9,051,143,124			16,674,477,770	-	-	-	7,623,334,646	16,674,477,770
B CWIP-Intangible assets pending amortisation (import of technical knowhow)	1,438,403,278				1,438,403,278				1,438,403,278	1,438,403,278
C CWIP-Enabling Assets	843,008,355	603,040,079			1,446,048,434				843,008,355	1,446,048,434
D Loss on foreign exchange fluctuations		10,150,920			10,150,920				-	10,150,920
E CWIP-Construction stock :										
1 Material at site-Inland supplies	2,219,657,459	4,218,648,121			6,438,305,580				2,219,657,459	6,438,305,580
2 Material at site-Foreign supplies	1,652,245	720,173,386			721,825,631				1,652,245	721,825,631
3 Material in-transit inland supplies	191,771,429	1,535,523,310			1,727,294,739				191,771,429	1,727,294,739
4 Material in-transit foreign supplies	2,110,658,365	1,034,081,751	2,110,658,365		1,034,081,751				2,110,658,365	1,034,081,751
6 Material pending for inspection	671,870,699	4,083,538,574			4,755,409,273				671,870,699	4,755,409,273
7 Material Handling services	22,275,569	21,094,331			43,369,900				22,275,569	43,369,900
8 PMC fees for project related activities	2,417,646,629	975,909,606			3,393,556,235				2,417,646,629	3,393,556,235
9 Charges paid for opening of foreign letter of credit	4,601,130	208,563			4,809,693				4,601,130	4,809,693
10 Interest on mobilization advance	(30,664,699)	(48,889,415)			(79,554,114)				(30,664,699)	(79,554,114)
11 Entry tax recoverable from GoA	(1,339,054)								(1,339,054)	-
12 WCT recoverable from GoA	(224,560,527)	(281,810,941)			(506,371,468)				(224,560,527)	(506,371,468)
13 Cenvat Adjustment Account	-	(1,998,257,904)			(1,998,257,904)				-	(1,998,257,905)
	17,288,315,524	19,924,553,506		2,110,658,365	35,103,549,719	-	-	-	17,288,315,524	35,103,549,719

Interest recovered on mobilisation advances have been reduced from Capital Work in Progress as these amounts are received in respect of funds given as advance for works and have the effect of reducing the cost of construction.

Note:11: Long-term loans and advances**Note 1: Disclosure pursuant to Note no. L (i),(ii) and (iii) of Part I of Schedule VI to the Companies Act, 1956**

Long Term Loans and Advances	As at 31 st March 2012 ₹	As at 31 st March 2011 ₹
a. Capital Advances		
Secured, considered good		
- Advance for capital Job	2,363,582,708	1,801,970,953
- Material Advance	2,271,903,700	314,440,309
Unsecured, considered good	Nil	Nil
Doubtful	Nil	Nil
	4,635,486,408	2,116,411,262
b. Security Deposits		
Secured, considered good	Nil	Nil
	-	-
c. Loans and advances to related parties (refer note 2 below)		
Secured, considered good	Nil	Nil
	-	-
d. Other loans and advances		
Secured, considered good		
Cenvat	2,410,178,330	-
	2,410,178,330	-
	7,045,664,738	2,116,411,262

Note 2 Disclosure pursuant to Note no. L (iv) of Part I of Schedule VI to the Companies Act, 1956

	As at 31 st March 2012 ₹	As at 31 st March 2011 ₹
Directors *	Nil	Nil
"Other officers of the Company"	Nil	Nil
Firm in which director is a partner *	Nil	Nil
Private Company in which director is a member	Nil	Nil
	-	-

Note :-**Cenvat Accounting:**

8) The company has opted for Cenvat credit option pursuant to the earlier excise exemption order, rescinded in month of Nov 2011. Accordingly the company has accounted cenvat credit on regular basis w.e.f January 2012 whereas accounting of cenvat credit up to December 2011 has been made to the tune of ₹1,99,82,57,904, being estimated provisional cenvat credit on capital items up to December 2011. The adjustment with respective assets /CWIP /inventory has been done in the year 2011-12. Total cenvat credit upto 31.03.2012 of ₹ 241,01,78,330 has been shown under long term current assets.



Note:12:Other Non Current Assets

Disclosure pursuant to Note no.M (i),(ii) and (iii) of Part I of Schedule VI to the Companies Act, 1956.

Particulars	As at 31 st March'2012		As at 31 st March'2011	
	₹	₹	₹	₹
a. Long term trade receivables (including trade receivables on deferred credit terms)		Nil		Nil
b. Others :				
Secured, considered good (STDR's having maturity more than 12 months)		153,127		153,127
Others: Misc		189,803,318		2,222,665
Deferred revenue expenditure	10783150			
Preliminary Expenditure	20074400			
Assets Written off	13027			
Secured advance to contractor	2222667			
Deposits with Govt. & Other authorities (ASEB,CISF,GAIL & Others)	156710074			
c. Incidental Expenses during Construction, as per Sub Schedule, to be allocated to Fixed Assets on Capitalisation				
Capitalisation		1,964,170,420		986,175,491
Total		2,154,126,865		988,551,283

Note:13: Trade receivable

Disclosure pursuant to Note no.P (i), (ii), (iii) and (iv) of Part I of Schedule VI to the Companies Act, 1956

Trade Receivables	As at 31 st March 2012		As at 31 st March 2011	
	₹	₹	₹	₹
Trade receivables outstanding for a period less than six months from the date they are due for payment		Nil		Nil
Total		-		-
Trade Receivable stated above include debts due by:				
Directors		Nil		Nil
Other officers of the Company		Nil		Nil
Firm in which director is a partner		Nil		Nil
Private Company in which director is a member		Nil		Nil
		-		-

Note :14: Cash and Bank Balances

Disclosure pursuant to Note no.Q (i), (ii), (iii), (iv) and (v) of Part I of Schedule VI to the Companies Act, 1956

Cash and cash equivalents	As at 31 st March' 2012 ₹	As at 31 st March' 2011 ₹
a. Balances with banks		-
This includes:		
Balances in current Account	318,425,135	345,986,082
b. Cheques, drafts on hand	Nil	Nil
c. Cash on hand	Nil	Nil
d. Others (specify nature)		-
Escrow account	666,010,581	Nil
Term deposits having remaining maturity period of 12 months or less	410,050,000	1,900,050,000
	1,394,485,716	2,246,036,082

Note :15: Short-term loans and advances

Particulars	As at 31 st March'2012		As at 31 st March'2011	
	₹	₹	₹	₹
(a) Loans and advances to employees				
Secured, considered good		1,582,376		2,252,522
Unsecured, considered good		Nil		Nil
Doubtful		Nil		Nil
(b) Prepaid expenses - (Insurance)		32,037,893		27,748,363
(c) Others		69,952,354		512,327,955
Advance income tax	27,664,215			
Custom	9,291,432			
EIL revolving fund	300,000			
Advance TDS	32,555,707			
Advance to others	141,000			
Total		103,572,623		542,328,840



Note 16: Other current assets

Particulars	As at 31 st March'2012		As at 31 st March'2011
	₹	₹	₹
(a) Unbilled revenue		Nil	Nil
(b) Unamortised expenses		Nil	Nil
(c) Accruals			
(i) Interest accrued on STDR		2,134,214	3,454,508
(ii) Interest accrued on mobilization advance		2,267,327	1,393,599
(d) Others :		331,392,849	
Insurance	371,568		
Govt. of Assam (WCT)	326,874,001		
Contractors	22,463		
Employee	73,716		
Recovery of Crane hire charges	4,051,101		
Total		335,794,390	4,848,107

Note: Amount receivable as WCT from Govt. of Assam has been treated as short term as the claim already stands lodged, and the amount is expected to be received in cash during the next financial year.

NOTE 17: ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS**1. Revised Project Cost**

In view of time and cost overrun, the company has revised the project cost from initially ₹ 5,460.61 Cr to ₹8,920 Cr and schedule of completion from April 2012 to December 2013. Accordingly necessary approval from CCEA has been communicated by the Ministry of Chemicals and Fertilizer, Govt. of India vide its letter no F.No. 45012/23/10-PC-I dated 2nd December 2011.

2. Preparation of Profit & Loss Account as per revised schedule VI

The company is in construction stage and no commercial activities have been started from the date of incorporation i.e. 08.01.2007 to 31.03.2012. Keeping in view the requirement of revised schedule VI and Companies Act 1956, a "NIL" profit and loss account has been prepared. It is also relevant to note that incidental expenditure during construction pending allocation to Fixed Assets on capitalization has been treated under "Other Non Current Assets".

3. Previous year's figures

The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

4. Claim of Work Contract Tax from Govt. of Assam

Details of claim as under

Opening Claim as on 01.04.2011 (FY-2008-09, 2009-10 & 2010-11)	23,98,24,950
Claim lodged for the financial year 2011-12	29,56,37,759
Total Claim Lodged:	53,54,62,709
Less: Received during the year	20,85,88,708
Receivables as at 31.03.2012	32,68,74,001

5. Taxation of Interest Earned on Capital Subsidy

As per directives from MOCF gross interest earned from parking of fund from the capital subsidy forms part of Capital Subsidy and as such the interest income from parking of capital subsidy not taxable in the hands of BCPL. Accordingly company has filed return for refund of claim as follows:

Year	Refund Claimed
2008-09	2,77,12,793
2009-10	1,85,09,419
2010-11	1,09,90,510
Total	5,72,12,722

The refund of ₹3,17,60,830/- for the year 2008-09, was released in the summary assessment accounted under current liabilities as in the scrutiny assessment the demand has been raised for ₹ 3,19,22,530/- which is under appeal with CIT(Appeal) Shillong. However, the Assessing Officer has directed to make a payment of ₹ 1.89 Cr pending disposal of appeal.

6. Entry Tax Exemption on Project

The claim of Entry Tax till 31ST March 2012 for ₹ 15,84,26,241/- has been lodged with the Sales Tax Authority of Assam for refund to BCPL. 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.

7. Lease Hold Land

Leases hold Land of ₹ 81,84,38,860/- in respect of which lease deed has been executed for a period of 30 years. As the modus operandi of leasing out land rests on the assumption that all lands belongs to Govt. of Assam, freehold land of value of ₹25,68,747/- in the financial year 2010-11 not treated as leasehold land and has been accounted for as per AS-19.

8. Rehabilitation cost on Land

The cost of land includes ₹1,17,25,053 (previous year ₹ 1,17,25,053) paid for cost of rehabilitation land on which the company is not having the title deeds as leased hold owner or otherwise. The ownership of rehabilitation land of 52 bighas has been registered in the name of land dispensed beneficiaries. The amount has been capitalized as part of land as the cost of rehabilitation land paid under the land acquisition scheme.

9. Provision of Income Tax

Income tax provision to the tune of ₹1,17,96,132 (Previous Year ₹1,19,49,817) has been recognized in the book of accounts during the year. The provision for Income Tax is on account of interest earned on STDs kept by investing surplus funds. No Provision has been made on income earned by parking capital subsidy in STDs as the same has not been considered as income of BCPL and the same is being treated as part of the capital subsidy as per directives of the Ministry of Chemicals and Fertilizer, Government of India vide letter no 45013/1/2005-PC-1 (Part) dt:15.02.2012..

10. Deferred Tax Liability

No deferred tax liability has been recognized since the project is in the construction stage.

11. Right of Use

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 ₹ 7,55,83,519/- (Previous year ₹6,56,25,684/-) 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 (limited useful life) for having useful life of 10 years is being amortized over the life of ROU.

12. Deferred Revenue Expenditure

An amount of ₹3,08,70,557/- (Previous year ₹3,00,99,714/-) up to



31.03.2012 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. In view of the requirement of Revised Schedule VI deferred expenditure is to be amortized after more than 12 months from the reporting date and hence classified as non-current.

13. Term Deposit with Public Works Department

Term Deposit amounting to ₹ 2,03,127/- (previous year ₹ 2,03,127/-) have been kept as security deposit (refundable) for permission for laying pipelines with Public Works Department.

14. Auditors Fees

The fees for the statutory auditors for the financial year 2011-12 has been fixed at ₹ 75,000/- (exclusive of service tax) plus out of pocket expenses. (Previous year ₹ 75,000/- plus out of pocket expenses).

15. Insurance

Insurance claim of ₹ 3,47,260/- 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.

Subsequent to the increase of project cost from ₹ 5,460.61 Cr to ₹ 8,920 Cr. the proper coverage on enhanced sum insured is under process and liability on account of additional premium of ₹ 10.04 Cr. has been considered.

16. Capitalization

During the year Assets of ₹ 42,16,65,949/- (Previous year ₹ 58,69,21,656/-) has been capitalized in books.

17. Contingent liabilities

- (a) Claims against the Company not acknowledged as debt: NIL
- (b) Guarantees: NIL
- (c) Other money for which the Company is contingently liable

- (i) The company has received a letter from Service Tax Cell, Dibrugarh indicating the finding of Inspection report of CERA audit that there is a short payment of service tax to the extent of ₹ 24,94,151/- (Previous year Nil) on the part of BCPL in respect of the services of Foreign Service provider. The company has represented the matter to the department in view of computation methodology being adopted by the department

not in accordance with the notification issued. Accordingly keeping the present status in consideration, the management is of the opinion that no provision is required.

- (ii) There are 12 legal cases involving the company as a party. The financial implication of these cases cannot be ascertained at present excepting in one case where the M/s. EPIL has lodged a claim of ₹ 69.94 Cr in Delhi High court on account of disputed claim on contract due to offloading. Considering the legal status of the claim, the company has not kept any provision for this claim.
- (iii) The Company has arranged for issuance foreign letter of credits through bankers amounting to ₹ 4,30,15,12,262 (Previous year ₹ 2,47,63,62,875) during the year.

18. Commitments

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for:

	2011-12 (₹ in Cr)	2010-11 (₹ in Cr)
Tangible assets	3,374.94	4,722.91
Intangible assets	70.78	70.78
Total:	3,445.72	4,793.69

19. Balance Confirmation

Balances grouped under loans and advances, deposits and sundry creditors are subject to confirmation.

20. Forex Transactions

- (a) Value of import calculated on CIF basis by company during financial year in respect of capital goods is ₹ 3,32,32,69,878 (Previous year ₹ 2,11,23,10,610/-).
- (b) Expenditure in foreign currency includes the followings:-
 - Fess for Licensors (Net of TDS) ₹ NIL
(Previous year ₹ 1,38,14,958)
 - Others (Net of tax where applicable) ₹ 165,24,51,822
(Previous year ₹ 1,88,28,29,191)
- (c) During the year Gain on foreign currency fluctuation of ₹ 10,74,521 (previous year ₹ 75,37,163/-) and ₹ 2,98,38,975 (Previous year ₹ 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 ₹ 11,74,97,774 (previous year ₹ 1,39,35,246/-) has been debited to CWIP - Construction Stock (Material in Transit-Foreign) during 2011-12 and of ₹ 182790 for Capital jobs (previous year NIL)

21. Expenses on secondees

The expenses of ₹ 9,65,74,979 incurred on employees deputed on secondment basis from GAIL (India) Ltd and NRL has been accounted under IEDC head on the basis of the debit advices raised from the respective companies. The expense of ₹ 5,70,984 has also been incurred on employee deputed from Govt of Assam.

22. Claims due to Micro, Small & Medium enterprises

To the extent information available to the company, amount of ₹ 12,85,594 (previous year ₹ 2,76,171) was due to Micro, Small and Medium Enterprises.

23. Related Party Disclosures

Information as per Accounting Standard 18 as prescribed under Accounting Standard Rules, 2006 on Related Party Disclosures is given below:

Name of related parties and description of relationship:

a) Holding Company:

S.No.	Name of the Related Party
1	GAIL (India) Ltd.

b) Joint Owners:

1	Numaligarh Refinery Limited
2	Oil India Limited
3	Government of Assam

c) Key Management Personnel

1	Mr.P.N.Prasad	Managing Director
2	Mr.Rakesh Kumar	Director (Finance)
3	Mr.A.K.Tiwari	CFO

Details of Transactions:

Details	2011-12	2010-11
a) Holding Company :		
Expenditure incurred on Salary of employees on Deputation	9,37,53,690	6,45,77,983
Amount Paid towards purchase of assets	NIL	NIL
Equity Share Contribution	3,75,82,51,000	42,89,99,900
Amount paid towards rental charges	76,50,085	42,09,653
Amount Outstanding in Current Liabilities & Provisions during the year	1,37,00,716	162,09,689
b) Joint Owners :		
Amount paid for infrastructure development for gas supply	34,39,58,456	4,32,09,000
Amount outstanding for infrastructure development for gas supply	38,18,50,000	23,94,89,034
Expenditure incurred on Salary of employees on Deputation	33,92,273	23,62,514
Equity Share Contribution	1,61,06,79,000	18,38,57,100
c) Key Management Personnel:		
Remuneration to Directors	29,15,191	41,37,900
Amount Outstanding (Payable)	Nil	36,210

24. Segment Reporting (AS 17)

The company is under construction stage and hence Accounting Standard -17 "Segment Reporting" of the Companies (Accounting Standard) Rules, 2006 is not applicable

(P.N.Prasad)
Managing Director

(Rakesh Kumar)
Director (Finance)

(A.K.Tiwari)
Chief Finance Officer

(Ruli Das Sen)
Company Secretary

As per our separate report on Even Date

For Das & Sharma
Chartered Accountants,
Firm No 314214E

(Binoy Kumar Das)
Partner.
Mem No 51898

Place : New Delhi
Date : 15.5.2012



SIGNIFICANT ACCOUNTING POLICIES AS AT 31.03.2012

1. Basis of accounting and preparation of financial statements

a) Accounting Convention

The financial statements as per Revised Schedules VI 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. As a landmark change the requirement of Revised Schedule VI for Financial Reporting System are subordinated to the provisions of Companies Act and accounting standards. Schedule VI shall stand modified according to changes in accounting standards.– Disclosures required by ASs and by the law to be made by way of notes, unless required on the face of the financial statements

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. 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.

3. Fixed Assets, Capital Work-in-Progress & Depreciation /Amortisation

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.

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 is amortized over the lease period of 30 years.
- 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.

4. 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.

5. 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 with as per Accounting Standard 11 and Revised 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.

6. Capital grants by Government of India

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

7. Employee 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 PF.
- 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.

8. 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.

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. 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.

11. Provisions, contingencies & 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.

12. 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.

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.

(P.N.Prasad)
Managing Director

(Rakesh Kumar)
Director (Finance)

(A.K.Tiwari)
Chief Finance Officer

(Ruli Das Sen)
Company Secretary

As per our separate report on Even Date

For Das & Sharma
Chartered Accountants,
Firm No 314214E

(Binoy Kumar Das)
Partner.
Mem No 51898

Place : New Delhi
Date : 15.5.2012



CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH' 2012

Particulars	₹ In Lakhs	₹ In Lakhs
	2011-2012	2010-2011
A. CASH FLOW FROM INVESTING ACTIVITIES		
ADDITIONS/PURCHASES OF FIXED ASSETS	(3252.87)	(4874.64)
CAPITAL WORK-IN-PROGRESS	(156988.23)	(133614.99)
INCIDENTAL EXPENSES DURING CONSTRUCTION	(11378.52)	(5568.25)
CURRENT ASSETS LOANS AND ADVANCES	(69657.32)	(3154.29)
CURRENT LIABILITIES & PROVISIONS	23730.05	20768.09
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(217,546.88)	(126,444.08)
B. CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM ISSUE SHARE CAPITAL	53689.30	6128.57
PROCEEDS FROM LOANS	64400.00	28300.00
PROCEEDS FROM ADVANCE AGAINST SHARE CAPITAL FROM NRL , OIL , GAIL(INDIA) LTD & GOVT OF ASSAM	2684.00	18767.43
PROCEEDS FROM CAPITAL SUBSIDY FROM GOVT OF INDIA	88256.55	80882.64
NET CASH INFLOW FROM FINANCING ACTIVITIES	209,029.85	134,078.64
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B)	(8,517.03)	7,634.57
OPENING CASH AND CASH EQUIVALENTS	22461.89	14827.32
CLOSING CASH AND CASH EQUIVALENTS	13,944.86	22,461.89
CLOSING CASH AND CASH EQUIVALENTS As Per Book	13944.86	22461.89
DIFFERENCE	0	0
Note:		
Cash and cash equivalent as per revised schedule VI		
Current account balance	3184.25	3459.86
Restricted Cash:		
Term deposit having maturity more than 12 months		19000.50
Term deposit having remaining maturity having 12 month or less	4100.50	
Escro account balance	6660.11	
Total	13944.86	22460.36

(P.N.Prasad)
Managing Director

(Rakesh Kumar)
Director (Finance)

(A.K.Tiwari)
Chief Finance Officer

(Ruli Das Sen)
Company Secretary

As per our separate report on Even Date

For Das & Sharma
Chartered Accountants,
Firm No 314214E

(Binoy Kumar Das)
Partner.
Mem No 51898

Place : New Delhi
Date : 15.5.2012

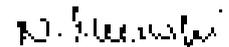
**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956
ON THE ACCOUNTS OF BRAHMAPUTRA CRACKER & POLYMER LIMITED,
GUWAHATI FOR THE YEAR ENDED 31 MARCH 2012**

The preparation of financial statement of Brahmaputra Cracker & Polymer Limited, Guwahati for the year ended 31 March 2012 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 18-05-2012.

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 31 March 2012. 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.

Place: Kolkata
Date: 29th June 2012

For and on behalf of the
Comptroller & Auditor General of India



(Nandana Munshi)

Principal Director of Commercial Audit &
Ex-office Member, Audit Board-I,
Kolkata



GAIL GAS LIMITED

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of your Company, I am delighted to present the fourth Annual Report of your Company along with Audited Financial Statements for the Financial Year 2011-12.

PERFORMANCE OVERVIEW

During the year 2011-12, the important financial and physical highlights are as under:-

FINANCIAL		₹ in lakhs)	
Particulars	2011-12	2010-11	
Turnover (Net of ED)	28,696	2,937	
Other Income	205	20	
Total Revenue	28,901	2,957	
Cost of Sales (excluding Depreciation and including extraordinary items & Prior period expenses)	27,165	3,082	
Gross Margin	1,736	(125)	
Depreciation	511	82	
Profit/ (Loss) Before Tax	1,225	(207)	
Provision for Tax	391	(318)	
Balance carried forward to Balance Sheet	834	111	
PHYSICAL			
Particulars	2011-12	2010-11	
Sale of Compressed Natural Gas (CNG) (Kg)	1,12,25,804	27,75,000	
Sale of Piped Natural Gas (PNG) (MMBTU)	73,07,113	3,98,000	

BUSINESS STRATEGY & INITIATIVES

Your Company was incorporated with the objective of focused implementation of City Gas Distribution (CGD) projects in the country. Your Company is serving the retail sector of Natural Gas (NG) business by supplying green and clean fuel i.e. CNG to the transport sector and PNG to domestic and commercial sector. It aims to be the leading company in India in implementing CGD Projects in a large number of cities. In achieving this objective, your Company will go ahead by implementing CGD Projects either independently or through the Joint Ventures to be formed with the State Governments and various other strategic players. Your Company is committed to building on gas distribution network, providing safe and reliable operations and delivering excellence in the areas of operation. Your Company is developing a culture of high performance to deliver continuous improvement to the customers, employees and shareholders. Your Company is also committed to achieve the standards of service benchmarked to the best in the World whilst complying its regulatory obligations.

Your Company has signed a Joint Venture Agreement with Vadodara Mahanagar Sewa Sadan (VMSS) for formation of Joint Venture Company (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 formed a Joint Venture Company "Kerala GAIL Gas Limited" with Kerala State Industrial Development Corporation (KSIDC) and has equity participation in "Andhra Pradesh Gas Distribution Corporation Limited" with Andhra Pradesh Gas Infrastructure Corporation Private Limited.

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, Sonapat, Kota, Dewas and Meerut. Your Company has already laid 215 Km steel pipeline and 370 Km MDPE pipeline in these cities. Your Company is operating 1 CNG station each at Dewas, Kota, Meerut and Sonapat. Your Company has also established CNG stations at Panvel, Vijaipur and three stations at Vadodara. Your Company is supplying natural gas to 67 industrial units in Kota, Dewas, Sonapat and Meerut. Your Company has also commenced gas supplies to 1891 domestic customers progressively. Your Company has taken up investment for setting up 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 3 stations are scheduled to be commissioned in 2012-13.

The marketing activities of your Company are progressing well. About 106 Industrial Customers, 38 Commercial and 15,000 domestic consumers have been tied-up. In the current year, your Company intends to significantly increase the gas supplies to various consumer segments in the operational areas.

Effective from 16.11.2011, the holding Company, GAIL (India) Ltd. transferred the entire distribution network and business in the Agra-Firozabad area to GAIL Gas Ltd. As a consequence, your Company is now handling 347 customers in the region for daily sales amounting to more than 1.16 MMSCMD.

FUTURE OUTLOOK

Your Company operates in the energy sector which is a very vital component of the economy. Energy powers every productive activity in the economy, be it 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. India's energy consumption is 6% of total world consumption indicating significant growth potential in the future. The principal business of your Company is distribution of natural gas in the form of PNG and CNG which in itself is a cleaner fuel and helps in reducing the pollution levels as compared to other fossils fuels.

World Energy Consumption

RANK	COUNTRY	ENERGY CONSUMPTION (Mtoe)	% of WORLD CONSUMPTION
1	China	4483.1	24.66%
2	U.S	2797.2	15.38%
3	India	1116.4	6.14%
4	Russia	849.2	4.67%
5	Japan	597.2	3.28%
	Total World Consumption (Mtoe)	18181.8	

Source: India Energy Book 2012



Natural gas has emerged as an 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 playing an increasingly important role in meeting demand for energy in the country. The share of Natural gas in India's energy mix is around 11% against a world average of around 24%, providing a large scope for increased utilization of natural gas in India. India's consumption of natural gas has grown faster than any other fossil fuel in recent years. It has witnessed an impressive CAGR of over 11% in the last few years. Industries such as power, fertilizer, steel, petrochemicals are the major consumers of natural gas.

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 a major expansion in gas retailing activities through a network of pipelines into towns and cities. The growth in City Gas Distribution would also provide several opportunities to the stakeholders.

It will be critical for your Company to expand its network and CNG station infrastructure in order to meet the growth in demand for gas. Opportunities for expansion to new geographical areas will be assessed from time to time. Growth in new areas will be undertaken by the Company on its own or through the alliance with other State Governments/bodies by incorporating Joint Venture Companies for City Gas Distribution business.

Your Company will endeavor 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 provide the foundation for the growth of your Company's business. Sourcing additional 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 endeavors to grow its retail markets to take full advantage of the growth in industrialization and urbanization in its areas of business. With its intrinsic strength and expertise in CGD project conception and execution, your Company is expected to garner a majority market share to become the dominant player in this business. The projects are being/shall be implemented by your company on its own or through Joint Venture Companies with Strategic Partners.

Moving further, your Company will under-take the following activities in regard to Sustainable Development, Corporate Social Responsibility and R&D:

➤ **Sustainable Development:**

Towards sustainable development (SD), a Sustainable Development Policy would be formulated after the approval of the Board. A number of SD initiatives will be taken up within the goal of spending the stipulated 0.5% of PAT for SD initiatives.

➤ **Corporate Social Responsibility:**

A number of CSR projects have been identified to be taken up for implementation for betterment of life of people around the cities your Company is operating.

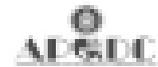
➤ **R&D**

Towards Research and Development, your Company would be formulating a business model to manufacture and market Bio-methane. Further, development of unified platform for web based Gas Information System (GIS) and financial transactions and CRM for City Gas business will also be taken up.

**SUBSIDIARIES/JOINT VENTURES/
ASSOCIATES****Kerala GAIL Gas Limited**

Kerala GAIL Gas Limited, a Joint Venture between GAIL Gas Limited and Kerala State Industrial Development Corporation was incorporated on 22nd November 2011 with an objective to promote city gas distribution activities throughout Kerala State. The company intends to supply environment friendly, economical and convenient fuel i.e. compressed natural gas (CNG) to vehicles and piped natural gas (PNG) to households, commercial establishments and industries.

The Company has an initial authorized share capital of ₹ 10 Crore. GAIL Gas Limited will hold 26 per cent equity in the company while KSIDC will have 24 per cent. The balance 50 per cent equity has been kept for strategic partners, financial institutions.

Andhra Pradesh Gas Distribution Corporation Limited (APGDC)

Andhra Pradesh Gas Distribution Corporation Ltd (APGDC) was incorporated

on 10.01.2011 as a wholly owned subsidiary of APGIC to take up the activities for Gas Distribution in Andhra Pradesh. Your Company signed a Share Holders Agreement (SHA) with Andhra Pradesh Gas Infrastructure Corporation Limited (APGIC) and Andhra Pradesh Gas Distribution Corporation Limited (APGDC) in September 2011 to pursue city gas distribution opportunities in the state. GAIL Gas and APGIC hold 25 per cent equity each in APGDC. The balance 50 per cent equity has been kept for strategic partners, financial institutions and other private/public participants.

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 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. The GIS pilot project has been implemented in Dewas city.

Your Company has also initiated the process for implementation of SAP IS-Utilities solution for managing a large number of Domestic, Industrial and Commercial customers across cities. The implementation of IS Utility will ensure unmatched customer service experience for the retail customers and bring the efficiencies to the business operations. As part of this initiative the SAP Project System (PS) module has been launched recently.

Your Company has established a communication network to connect all four city offices and Corporate office at Noida, to the Data centre of GAIL (India) Limited at Noida and Jaipur for better access to SAP, email, Intranet and Internet services.

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 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 installations. 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 and experienced contract manpower for O&M;
- Fire and Safety Trainings programmes for regular and contract employees from time to time.

All operations are undertaken observing the standard safety norms in order to avoid any mishap. The preventive measures for safety ensure a safe and healthy working environment.

CORPORATE SOCIAL RESPONSIBILITY

Your Company is fully committed to the fulfilment 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

The total number of manpower deployed by GAIL (India) Ltd in your Company which was 65 as on 31st of March 2011, has increased to 93 as on 31st March 2012. 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 2011 and 'Hindi Fortnight' was organized from 14th September 2011 to 28th September 2011 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 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 31.3.2012, the manpower strength of GAIL Gas Ltd. is 93, out of which 15 belong to Scheduled Castes and 08 to Scheduled Tribes, representing 16.13% and 8.60% of total manpower 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 as Annexure-B are enclosed as a part of Directors' Report.

LAURELS AND SPONSORSHIPS

During the Financial Year 2011-2012, your Company sponsored a number of premier events across the country such as the 7th Asia Gas Partnership Summit (AGPS), the Taj Mahotsav, the Kottayam Boat Race and the City Gas Distribution (CGD) Conference.

CHANGES IN DIRECTORS

Dr. Neeraj Mittal, IAS was appointed as an Additional Director w.e.f. 14th September, 2011

and Shri Rajesh Vedvyas was appointed as an Additional Director w.e.f. 04th November, 2011. Shri J Wason ceased to be Director w.e.f. 08th November, 2011 on taking over as CEO of the Company.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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 31 March, 2012.

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, 2012, 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, 2012 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 2011-12.

The review of Annual Account of your Company for the year ended 31st March, 2012 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 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 including 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/-
B.C.Tripathi
Chairman**

Place: New Delhi
Dated:

MANAGEMENT DISCUSSION AND ANALYSIS

➤ INDUSTRY STRUCTURE & DEVELOPMENTS

City gas distribution (CGD) is among the fastest growing segments in the gas sector with all major players recording rapid growth in the past couple of years. The segment would continue to grow in the coming years. Demand growth from the industrial segment is expected to be the highest followed by the transportation segment. The CGD segment is growing in the context of a competitive regulatory environment provided by the Petroleum and Natural Gas Regulatory Board (PNGRB), which plans to roll out CGD networks in over 200 new cities by 2015. 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 also bring opportunity to put more cities on the CGD map of India.

GAIL Gas Limited has been authorized by PNGRB and Ministry of Petroleum & Natural Gas (MoPNG) for implementing City Gas Distribution Projects in Dewas (Madhya Pradesh), Kota (Rajasthan), Sonapat (Haryana), Meerut (Uttar Pradesh), Firozabad (Uttar Pradesh) and Vadodara (Gujarat).

Your Company has taken a strategic initiative to join hands with the state Governments to form JVCs to promote natural gas in the state run public transport like buses and industrial clusters. Accordingly, your Company has formed a JVC with Kerala state Industrial Development Corporation named Kerala GAIL Gas Ltd. and has equity participations in APGDC with APGIC.

➤ 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. Keeping in mind the prospects of the gas demand in the southern states and the LNG re-gasification

terminal under construction at Kochi, your Company has identified the important cities /towns / industrial parks for implementation of CGD projects.

The above developments open material opportunities for your Company while 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, offer several options for gas sourcing in the future, which will lead to fulfilling the unmet demand. The process of urbanization in Indian towns has been growing rapidly. 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 increasing 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 changing with several LNG projects/ transnational pipelines under implementation, which along with new domestic gas finds are expected to shore up the supply in the next few years.

Meanwhile the market for city gas distribution is also set to grow at an accelerated pace. The CNG demand got a boost with the judicial mandate on pollution reduction in 12 major cities of 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 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 Sonapat will also support market growth. These factors create opportunities for growth in CGD market.

▪ 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 CGD networks.

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

As the Company is now operating in a regulated environment, various steps are being taken to meet the challenges posed by these developments.

▪ RISK FACTORS

The feasibility of city gas projects 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.

Further, the selling prices to the various customers are not covered by the Regulations. Similarly, the Network Tariff and Compression Cost are to be derived based on the investment done for the same by the entities. Thus, risk mitigation is essential to realize the potential of city gas business. The Selling Price



to customers needs to take care of the investment as well as the risk involved in the business. In view of this, there may be a potential revenue risk to the company since gas is being supplied by the Company in four cities and TTZ as authorized by PNGRB, which can be revised depending upon actual investments.

PNGRB has notified several Regulations pertaining to Natural Gas Pipelines, City Gas Distribution (CGD) networks and Petroleum Product Pipelines. PNGRB Regulations have ramifications on the business of the Company. However, the Company is fully prepared to adapt itself under the regulatory environment.

▪ CONCERNS & MITIGATION

Your Company will take the following steps to reduce risk factors involved in City Gas Distribution:

GAS PRICE

At present, pricing of natural gas in Asia is linked mainly 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 Company; while providing adequate incentive to 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 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 years. Business Plan envisaged a number of cities for implementation of CGD projects by GAIL Gas in phased manner. With its intrinsic strength of CGD projects execution and pedigree of promoters expertise in project implementation and financial strength, your Company would be able to garner a majority market share in CGD business.

Your Company has achieved sales revenue of ₹ 286.96 Crores in the FY 2011-12 and has targeted to significantly increase the sales revenue in the current Fiscal. In order to establish a pan-India presence and ensure market leadership in the segment, your Company is in the process of setting up joint ventures with state bodies in various states. The alliances are being developed for formation of JV Company in Vadodara with Vadodara Mahanagar Sewa Sadan (VMSS), in Karnataka with Karnataka State Industrial Investment & Development Corporation (KSIIDC) and in Rajasthan with Rajasthan State Power Corporation Limited (RSPCL).

➤ 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 2011-12, 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 ₹289.01 crore as against ₹29.57 crore during the corresponding period ending 31.03.2011. The Profit after Tax (PAT) for the year ending 31.03.2012 is ₹ 8.34 crore as against profit after Tax of ₹1.11 crore for the corresponding period ending 31.03.2011. During the year, general administrative & over head expenses amounting to ₹12.18 crore (PY ₹15.07 crore) and Interest on Term Loan ₹7.10 crore (PY ₹

3.08 crore) have been transferred to CWIP as IEDC to be capitalized.

During the year the expenses incurred amounting to ₹1.45 crore (PY ₹0.75 crore) on preparation of DFR, Application fees, Financial appraisal etc in respect of cities found not feasible provided for in Profit & Loss Account as "Expenses written off on Unsuccessful cities" since your Company did not want to participate in the bidding process of these cities.

Your Company has prepared its financial statements as on 31.03.2012 as per Revised Schedule VI of the The Companies Act, 1956. The summary of the financial position of the Company as at 31st March 2012 & 31st March 2011 is given below:

	(₹ In Lakhs)	
I. Equity & Liabilities	31.03.12	31.03.11
1. Share Capital (Including share application money pending allotment & Reserves and Surpluses)	22,784	13,315
2. Non-Current Liabilities	14,923	9,319
3. Current Liabilities	8,374	3,833
Total Equity & Liabilities	46,081	26,467
II. Assets		
1. Non Current Assets	37,970	23,366
2. Current Assets	8,111	3,101
Total Assets	46,081	26,467

➤ 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 2011-12 has reached 1,12,25,804 Kg and Sale of Piped Natural Gas (PNG) has reached 7307113 MMBTU

➤ SHARE CAPITAL

Share holders fund of your Company is ₹227.84 Cr as on 31.03.2012 comprises of Paid up Equity Capital of ₹ 167.95 crores, Share Application money pending allotment of ₹54.35 Cr and Reserve & Surplus of ₹5.54 Cr.

➤ HUMAN RESOURCES DEVELOPMENT

Your Company believes that a continuous thrust on learning by the employees 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. Your Company continues to focus on employee oriented initiatives with a view to tap potential of employees while synergising individual development and organizational growth.

➤ **CORPORATE SOCIAL RESPONSIBILITY**

As a responsible corporate citizen, your Company has identified a number of CSR projects to be taken up for implementation for betterment of life of people around the cities your Company is operating. Some of the CSR activities which your Company has identified are

- Plantation and development of Green Belt area in Dewas city.

- Imparting tailoring training to women of weaker sections for self-employment.
- CSR expenditure as 3% of previous year PAT.

➤ **ENVIRONMENTAL PROTECTION AND CONSERVATION**

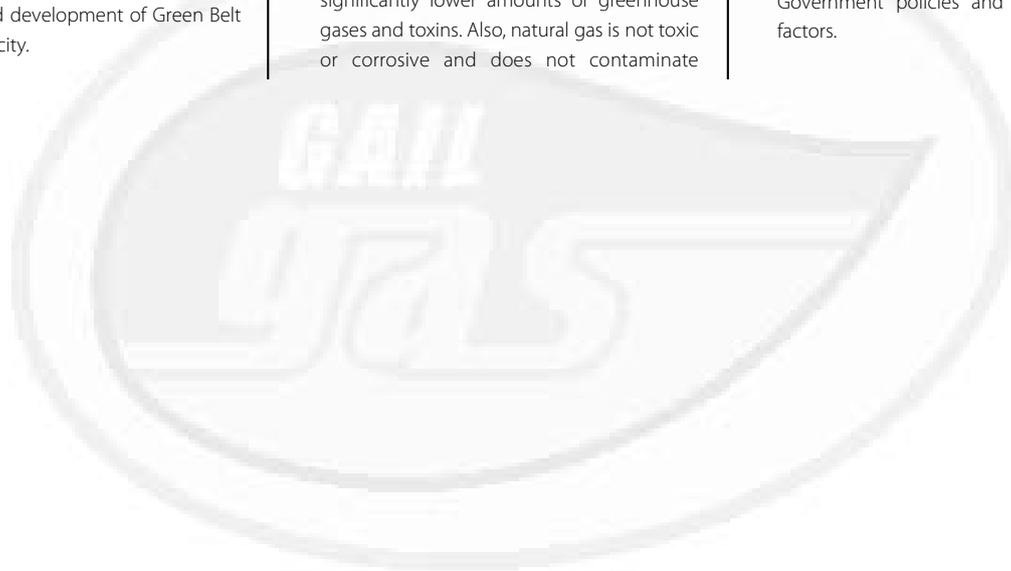
Environment protection and its preservation is today a matter of concern for all citizens including corporate.

Your Company focuses on supplying clean and green fuel in the form of CNG to the transport sector and PNG to domestic and commercial sector. For instance, CNG as automotive fuel provides eco-friendly alternative to control the growing air pollution from vehicles. 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 does not contaminate

ground water. Being the cleanest burning alternative transportation fuel it can aid in cutting harmful Green House Gas (GHG) emissions from the rising number of automobiles. Thus it can not only significantly bolster our Energy Security but also reduce the 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.





REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Your Company adheres to good corporate and ethical business conduct. It believes in adopting the best practices 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 _____

As on 31st _____
 Nominee _____
 Nominee _____
 of the Cor _____

Name and Designation of the Director	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

I. Part-time Directors

Name	_____	_____	_____	_____
Sh. B. C. Tripathi	_____	_____	_____	_____
Shri Prabhat Singh	_____	_____	_____	_____
Sh. P. K. Jain	_____	_____	_____	_____
Sh. J. Wason (USA)	_____	_____	_____	_____
Dr. Ashutosh Kumar	_____	_____	_____	_____
Sh. Rajesh Verma (w.e.f. 04.11.2011)	_____	_____	_____	_____

II. Part-time Directors

Sh. Neeraj Mittal (w.e.f. 14.09.2011)	2	No	2	Nil
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Note:

- During the year 2011-12, 4 (Four) Board Meetings were held.
- 3rd Annual General Meeting was held on 06.09.2011.
- Directors inter-se are not related to each other.
- 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 2011-12, 4 (Four) meetings of the Board were held, the details of which are as below:

S.No.	Meeting No.	Date of Board Meeting
1.	21st	19.05.2011
2.	22nd	17.08.2011
3.	23rd	08.11.2011
4.	24th	25.01.2012

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 auditors; adequacy of internal controls; and all other matters relating to the provisions of Section 292A of the Companies Act, 1956 as amended from time to time.

_____ of the Company and _____, Shri P.K.Jain as Chairman, Shri Vedvyas and _____ as Members.

_____ Chief Executive Officer
 _____ Chief Financial Officer
 _____ Sr. Manager (Internal Audit) of _____ (India) Limited are invited to the meetings of the Audit Committee, Senior functional officers of the Company invited, as and when necessary inputs to the Audit Committee by Secretary acts as Secretary of the Audit Committee.

_____ during 2011-12, 4 (Four) meetings of the Audit Committee were held. The details of the Audit Committee meetings held during the year are as follows:

S.No.	Meeting No.	Date of Meeting
1.	7th	19.05.2011
2.	8th	17.08.2011
3.	9th	08.11.2011
4.	10th	25.01.2012

4. REMUNERATION COMMITTEE

In terms of DPE Guidelines, the role of remuneration committee is to decide the annual bonus/variable pay pool and policy for its distribution across the executives and non unionized supervisors, within the prescribed limits. CPSE will not be eligible for

Performance Related Pay unless the Independent Directors are on its Board. Since, the Board of the Company has approved payment of remuneration and other allowances in line with the rules applicable in GAIL (India) Limited, Remuneration Committee has not yet been constituted.

The Part-time Director(s) which includes Promoter-Nominee and Government Nominee, do not receive any remuneration from the Company.

2. 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. Rajesh Vedvyas 3. Sh. P.K.Jain 4. Dr. Ashutosh Karnatak 5. Sh. S.K.Singh 6. Sh. J.Wason 7. 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

During the financial year 2011-12, 1 (One) meeting of Empowered Managing Committee was held. The details of Empowered Managing Committee meetings held during the year are as follows:

S.No.	Meeting No.	Date of Meeting
1.	12th	13.10.2011

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	2010-11
AGM	1st	2nd	3rd
Date & Time	07.09.2009 5.00 p.m.	09.09.2010 4.00 p.m.	06.09.2011 11.00 a.m.
Venue	6th floor, GAIL Corporate Office, 16, Bhikaiji Cama Place, R.K. Puram, New Delhi-110066		
Special Resoluti on passed	None	Issue of further shares in terms of Section 81 of the Companies Act, 1956	None

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 2011-12 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. The Company has adopted the Whistle Blower Policy in its 24th Board Meeting held on 25.01.2012 and has hosted the same on its website www.gailgas.com.
- 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 6.50 % of total expenses in 2011-12 as against 24 % in 2010-11.

9. AUDIT QUALIFICATIONS

The Company has received un-qualified audit report for the financial year 2011-12.

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.

11. SHARE OWNERSHIP PATTERN AS ON 31st MARCH, 2012:

Category	No. of shares held of ₹ 10 each	Percentage of shareholding
GAIL (India) Limited and its nominees	16,79,50,000	100%



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, 2012 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 O.M. 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)
CP.NO.5485

Place: New Delhi
Date : June 21, 2012

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

(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		
a. Tender fee	—	—
Total Foreign Exchange		
a. CIF Value of Imports	—	—
b. Others (TA)	—	—

FORM A

Form for disclosure of particulars in respect to Conservation of Energy

	Current Year
Power and Fuel Consumption	
1. Electricity	
a) Purchase	
Unit	3.05 lacs units
Total Amount (₹)	22.57 lacs
Rate / Unit (₹)	₹ 7.38/unit
b) Own Generation	
(i) Through Diesel Generator	NIL
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.r. 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: <ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	No Direct Expenditure
	(a) Capital	
	(b) Recurring	
	(c) Total	
	(d) Total R&D expenditure as a percentage of total turnover	
2	Technology absorption, adaptation and innovation	
	A Efforts, in brief, made towards technology adaptation and innovation	<ul style="list-style-type: none"> - 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.	<ul style="list-style-type: none"> - 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 :	NIL
	(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	

AUDITORS' REPORT

To,
The Members of GAIL Gas Limited,

We have audited the attached Balance sheet of GAIL GAS LIMITED as on 31st March, 2012 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;

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 Balance Sheet, of the state of affairs of the Company as at 31st March, 2012; 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: 21.05.2012



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 2012, 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, having regard to the operations of the company in different locations, its size and nature of its assets, needs strengthening. It was informed to us that the Fixed Assets have been physically verified by the management during the year and no major discrepancies were noticed on such verification.
- (c) Substantial part of fixed assets has not been disposed of during the year to effect the going concern.
- 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 and project consultants.
- (b) According to information and explanations given to us in our opinion, the procedures for physical verification of inventory followed by the management needs further strengthening in relation to the operations of the company in different locations, its size and nature of its business.
- (c) According to the information and explanations given to us, no major 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 pipeline volume, pressure and temperature available in the pipeline 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 sale 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) Maintenance of cost records has been prescribed by the Central Government under section 209(1)(d) of the Companies Act 1956, and proper cost records have been maintained by the company.
- 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) The Company was incorporated on 27 May, 2008, hence this clause is not applicable.
- XI) In our opinion and according to information and explanation given to us, the Company has raised funds through loans and as such there is no default in repayment of dues to financial institutions or banks.
- 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(XIV) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

XV) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by

others from banks or financial institutions during the year.

XVI) According to the information and explanation given to us, the Company has been disbursed term loan of ₹4359 lakhs (PY ₹7441 lakhs) and ₹1500 lakhs (PY ₹1500 lakhs) by Oil Industry Development Board and Union Bank of India, respectively, during the year and the same has been used for purpose for which the loans were disbursed.

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 50780000 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: 21.05.2012





GAIL GAS LIMITED

Balance Sheet as at 31st March, 2012

(₹ in Lakhs)

	Note NO.		AS AT 31 st March, 2012	AS AT 31 st March, 2011
I. EQUITY AND LIABILITIES				
(1) Shareholder's Funds				
a) Share Capital	1 A	16,795	11,717	
b) Share Application money pending Allotment	1 B	5,435	1,878	
c) Reserve & Surplus	2	554	22,784	13,315
(2) Non Current Liabilities				
a) Long Term Borrowings	3	12,565	8,941	
b) Deferred Tax Liability (Net)		58	-	
c) Other Long-term Liabilities	4	2,300	378	
d) Long-term Provisions	5	-	14,923	9,319
(3) Current Liabilities				
a) Short Term Borrowings				
b) Trade Payables	6	2,651	178	
c) Other Current Liabilities	7	5,497	3,655	
d) Short-term Provisions	8	226	8,374	3,833
TOTAL			46,081	26,467
II. ASSETS				
(1) Non-current assets				
a) Fixed Assets	9			
(i) Tangible Assets		19,929	5,214	
(ii) Intangible Assets		386	422	
(iii) Capital Work in Progress	10	16,828	17,097	
(iv) Intangible Assets under Development		-	-	22,733
b) Non-current Investments	11 & 11A	503	-	
c) Deferred Tax Assets (Net)		-	334	
d) Long-term loans and advances	12	324	299	
e) Other non-current assets	13	-	827	633
(2) Current Assets				
a) Current Investments	14	-	-	
b) Inventories	15	516	289	
c) Trade receivables	16	3,275	278	
d) Cash and cash equivalents	17	1,918	1,696	
e) Short-term loans and advances	18	2,347	803	
f) Other current assets	19	55	8,111	3,101
TOTAL			46,081	26,467

See accompanying notes to Financial Statements

Notes to Accounts, 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.

Contingent Liabilities not provided for (Refer Note-28)

For and on behalf of the Board of Directors

Preeti Agarwal
Company Secretary
(PAN - AANPG3779M)

Jyoti Dua
CFO
(PAN - ACJPD6268J)

J Wason
CEO
(PAN - AAOPW8792K)

P K Jain
Director
(DIN-02145534)

Prabhat Singh
Director
(DIN-03006541)

As per our separate Report of even date

For **M/S A.K.G. & Associates**

Chartered Accountants
Firm No. 002688N

CA Harvinder Singh
(Partner)
M No. 87889

Place : New Delhi
Dated : 21.05.2012

GAIL GAS LIMITED
Profit & Loss Statement for the Year ended 31st March, 2012

(₹ in Lakhs)

	Note NO.	Year Ended 31 st March, 2012	Year Ended 31 st March, 2011
I. Revenue from Operations	20	28,696	2,937
II. Other Income	21	205	20
III Total Revenue (I+II)		28,901	2,957
IV Expenses			
Gas consumed	22	25,116	2,312
Employee benefits expense		-	-
Finance Cost	23	247	10
Depreciation	24	511	82
Other Expenses	25 & 26	1,798	760
		27,672	3,164
V. Profit before exceptional and extraordinary items and tax (III-IV)		1,229	(207)
VI. Exceptional Items		-	-
VII. Profit(Loss) before extra ordinary items and tax (V-VI)		1,229	(207)
VIII. Extraordinary Items		-	-
IX. Profit(Loss) before prior period items and Tax (VII-VIII)		1,229	(207)
X. Prior Period Adjustments (Net)	27	4	-
XI. Profit(Loss) before Tax (IX-X)		1,225	(207)
XII. Tax Expenses			
1. Current Tax		226.00	-
Less: MAT Credit		(226.00)	
2. Deferred Tax		391.00	(318)
3. Excess Provision of Income Tax of earlier years written back			
XIII. Profit(Loss) after Tax for the period (XI-XII)		834	111
Details of Earning Per Share			
A. Profit after tax		834	111
B. Weighted Average No. of Equity Shares		1,444	616
C. Nominal Value per Equity Share (₹)		10/-	10/-
D. Basic and Diluted Earning Per Share (₹)		0.58	0.18

See accompanying notes to accounts

For and on behalf of the Board of Directors

Preeti Agarwal
Company Secretary
(PAN - AANPG3779M)

Jyoti Dua
CFO
(PAN - ACJPD6268J)

J Wason
CEO
(PAN - AAOPW8792K)

P K Jain
Director
(DIN-02145534)

Prabhat Singh
Director
(DIN-03006541)

As per our separate Report of even date

For **M/S A.K.G. & Associates**
Chartered Accountants
Firm No. 002688N

CA Harvinder Singh
(Partner)
M No. 87889

Place : New Delhi
Dated : 21.05.2012



GAIL GAS LIMITED

Notes

(₹ in Lakhs)

	ASAT 31 ST March, 2012	ASAT 31 ST March, 2011
Note 1 A: Share Capital		
AUTHORISED		
20,00,00,000 (Previous Year 20,00,00,000) Equity Shares of ₹ 10/- each	20,000	20,000
ISSUED, SUBSCRIBED AND FULLY PAID-UP		
8,38,65,397 equity shares of ₹10/- each (Upto PY 5,51,95,132 shares) Equity Shares of ₹10/- each fully paid up in cash	8,386	5,520
8,40,84,603 equity shares of ₹ 10/- each (Upto PY 6,19,74,868 Shares) otherwise than in cash	8,409	6,197
TOTAL	16,795	11,717
Par Value Per Share		
Equity Shares	10.00	10.00
NOTE-1B : Share Application Money pending Allotment		
i) In form of Consideration other than Cash pending Allotment A/C GAIL (India) Ltd	4,858	721
ii) In form of Consideration in Cash pending Allotment A/c GAIL (India) Ltd.	577	1,157
TOTAL	5,435	1,878
NOTE-1C : Reconciliation Statement of No. of Shares Outstanding		
Opening No. of Shares	117,170,000	31,300,000
Issued during the year	50,780,000	85,870,000
Forfeited during the year	-	-
Closing No. of Shares	167,950,000	117,170,000
NOTE-1D : The right /Preferences/Restrictions attached during the year for shares		
Proposed /Interim/Final Dividend	-	-
No. of Shares of the co. held by holding Company		
Share holding Pattern (No. Of Shares). Holding Co-Gail (India) Ltd.(100%)	167,949,994	117,169,994
Total	167,949,994	117,169,994
Share Reserved for Issue under Options & Contracts/ Commitments for Sale of Shares/Disinvestment		
Terms		
Amount	-	-
No.	-	-
	-	-
	-	-
Convertible Securities in Equity/Preference Shares		
	-	-
Unpaid Calls		
By Directors and Officers	-	-
By Others	-	-
Forfeited Amount of Shares	-	-

GAIL GAS LIMITED

(₹ in Lakhs)

	ASAT 31 ST March, 2012	ASAT 31 ST March, 2011
Note 2 : Reserves and Surplus		
Opening Balance	(280)	(391)
Add: Current Year Profit	834	111
Less: Transfer to General Reserve	-	-
Closing Balance	<u>554</u>	<u>(280)</u>
Note 3 : Long Term Borrowings		
SECURED		
TERM LOANS		
From Banks :		
Union Bank of India	2,625	1,500
(Secured against all assets of four authorised cities of Dewas, Kota, Meerut & Sonapat. Against total sanctioned amount of ₹14200 lakhs, loan drawn up to 31.03.2012 is ₹3000 lakhs as against ₹1500 lakhs drawn up to 31.03.2011)		
Terms of Repayment		
Repayable in 16 half yearly installments after moratorium period of 2 years from the date of 1st drawl i.e 12.08.2011. The first repayment will start from 30.09.2012 as per the agreement.		
From Other Parties :		
Oil Industry Development Board	9,940	7,441
(Secured by Corporate Guarantee given by GAIL(India) Ltd)		
Terms of Repayment		
Repayable in 4 annual installments after moratorium period of 1 financial year excluding the year of drawl for each loan. The first repayment will be on 09.06.2012.		
	<u>12,565</u>	<u>8,941</u>
Period and Amount of Continuing default as on Balance Sheet Date in repayment of Loan and Interest	-	-
Note 4 : Other Long Term Liabilities		
Trade Payable	-	-
Others :		
Deposits from Customers	2,238	335
Advance received from customers	62	43
TOTAL	<u>2,300</u>	<u>378</u>
Note 5 : Long Term Provisions		
Employee related Provisions	-	-
Others	-	-
TOTAL	<u>-</u>	<u>-</u>
Note 6 : Trade Payables		
Trade payables	2,651	178
TOTAL	<u>2,651</u>	<u>178</u>



GAIL GAS LIMITED

(₹ in Lakhs)

	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 7 : Other Current Liabilities		
(a) Current Maturity of Long Term Debt		
Secured	-	-
Oil Industry Development Board	1,860	-
(Secured by Corporate Guarantee given by GAIL(India) Ltd)		
Loan from Union Bank of India	375	-
(Secured against all assets of four authorised cities of Dewas, Kota, Meerut & Sonapat. Against total sanctioned amount of ₹14200.00 lakhs . Loan drawn up to 31.03.2012 is ₹3000.00 lakhs as against ₹1500.00 lakhs drawn up to 31.03.2011)		
Unsecured	-	-
(b) Others		
Audit Fees Payable	1	1
Service Tax Payable	14	-
Int. on Service Tax Payable	-	-
TDS and WCT Payable	256	11
Deposits,retention money from contractors and others	987	126
Other Payables Against O&M	1,358	1,945
Other Payables Against Plant & Machinery	646	1,572
TOTAL	<u>5,497</u>	<u>3,655</u>
Note 8 : Short-term Provisions		
Others :		
Provision for taxation / FBT/Wealth Tax	226	-
TOTAL	<u>226</u>	<u>-</u>

GAIL GAS LIMITED

Note 9 - Fixed Assets (Tangible / Intangible Assets)

DESCRIPTION	GROSS BLOCK (AT COST)			DEPRECIATION			IMPAIRMENT OF ASSETS			NET BLOCK		
	As at 01.04.2011	Additions/ Adjustments during the year	Sales/ Adjustments during the year	As at 31.03.2012	Upto 31.03.2011	For the Year	Adjustments during the year	As at 31.03.2012	Upto 31.03.2011	For the Year	As at 31.03.2011	As at 31.03.2012
Tangible Assets (A)												
Land : Freehold	797	293	-	1,090	-	-	-	-	-	-	797	1,090
Leasehold	383	-	-	383	2	4	-	6	-	-	381	377
Plant and Machinery	4,003	14,824	-	18,827	66	404	-	470	-	-	3,937	18,357
Electrical Equipments	-	1	-	1	-	-	-	-	-	-	-	1
Furniture, Fixtures and other Equipments	67	6	-	73	11	4	-	15	-	-	56	58
Office Equipments	54	13	-	67	11	10	-	21	-	-	43	46
TOTAL (A)	5,304	15,137	-	20,441	90	422	-	512	-	-	5,214	19,929
Intangible Assets (B)												
Right of Use *	-	36	-	36	-	-	-	-	-	-	-	36
Softwares / Licences	432	17	-	449	10	89	-	99	-	-	422	350
Total (B)	432	53	-	485	10	89	-	99	-	-	422	386
TOTAL (A+B)	5,736	15,190	-	20,926	100	511	-	611	-	-	5,636	20,315
Previous Year	682	5,054	-	5,736	19	92	(10)	100	-	-	663	5,636

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



GAIL GAS LIMITED

(₹ in Lakhs)

		ASAT 31ST MARCH, 2012		ASAT 31ST MARCH, 2011
Note 10 : Capital Work-in-Progress				
A. Plant & Machinery				
Linepipe Construction and related facilities	10,144		9,552	
Less : Provision for Linepipe and Related Facilities	(145)	9,999	-	9,552
B. Linepipes, Capital Items in Stock/Transit	6,829		7,545	
Less : Provision for losses/obsolescence	-	6,829	-	7,545
TOTAL		16,828		17,097
Note 11 : Non-current Investments				
1. Trade Investments				
Un-Quoted at Cost				
(a) Investments in Equity Instruments :-				
(i) In Joint Venture Companies:				
50,00,000 (Previous Year : NIL) Equity Shares of ₹ 10/- each fully paid-up in APGDC Ltd		500		-
(ii) In Subsidiary Company				
26000 (Previous Year : NIL) Equity Shares of ₹10/- each fully paid up in Kerala GAIL GAS Ltd as deemed allotment		3		-
TOTAL I		503		-
Note 11A - Advances for Investments (Pending Allotment)				
TOTAL II		-		-
TOTAL I + II		503		-
Note 12 : Long term Loans and Advances				
(a) Capital Advances				
(Unsecured - Considered Good)	-		-	
(Unsecured - Considered Doubtful)	-		-	
Less : Provision for Doubtful Advances	-		-	
(b) Security Deposits				
- Unsecured, Considered Good-Govt	301		299	
- Unsecured, Considered Good-Non Govt	23		-	
- Unsecured, Considered Doubtful	-		-	
	324		299	
Less : Provision for doubtful claims	-	324	-	299
(c) Loans and Advances to related Parties				
(Unsecured, Considered Good)		-		-
(d) Other Loans and Advances				
		-		-
TOTAL		324		299

GAIL GAS LIMITED

(₹ in Lakhs)

	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 13 : Other Non Current Assets		
- Long Term Trade Receivables	-	-
- Others		
Interest Accrued on Employees Loans secured & considered good (including dues from Directors ₹ Nil (Previous Year :Nil))	-	-
TOTAL	-	-
Note 14 : Current Investments		
Current Investments		
Associate Companies	-	-
TOTAL	-	-
Note 15 : Inventories		
(a) Finished Goods		
Compressed Natural Gas	2	1
(b) Stock-in-trade		
Stock of Gas* *after adjustment of calorific value	23	1
(c) Stores and Spares		
(As taken, valued and certified by the Management)		
Stores and Spares	491	287
Less : Provision for Losses/Obsolescence	-	-
Construction Surplus - Capital / Stores	491	287
Less : Provision for Losses/Obsolescence	-	-
TOTAL	516	289
Note 16 : Trade Receivables		
(i) Debts outstanding for a period exceeding six months		
- Secured, Considered Good	-	-
- Unsecured, Considered Good	112	-
- Unsecured, Considered Doubtful	-	-
	112	-
(ii) Other Debts		
- Secured, Considered Good	-	-
- Unsecured, Considered Good	3,272	278
- Unsecured, Considered Doubtful	-	-
	3,272	278
Less : Provision for Doubtful debts	108	-
TOTAL	3,275	278



GAIL GAS LIMITED

(₹ in Lakhs)

	ASAT 31 ST March, 2012	ASAT 31 ST March, 2011
Note 17 : Cash and cash equivalents		
(i) Cash and cash equivalents		
(a) Balances With Banks		
On Current Account (includes Corporate Liquid Term Deposit ₹189.80 (Previous Year : ₹ 90.25))	1,902	1,692
(b) Cheques/Drafts/Stamps in hand	-	-
(c) Cash in hand	16	4
(d) Others	-	-
	1,918	1,696
TOTAL	1,918	1,696
Note 18 : Short Term Loans and Advances		
(a) Loan to Related Parties		
(b) Others		
Loan to Employees	-	-
Advances recoverable in cash or in kind or for value to be received		
- Unsecured, Considered Good	-	275
- Unsecured, Considered Doubtful	-	-
Less : Provision for Doubtful Advances	-	275
	-	-
Advance tax / TDS	464	6
Claims Recoverable-Govt		
- Unsecured, Considered Good	1,883	522
- Unsecured, Considered Doubtful	-	-
	1,883	522
Less : Provision for doubtful claims	-	-
	1,883	522
Deposits with Others		
- Unsecured, Considered Good	-	-
- Unsecured, Considered Doubtful	-	-
Less : Provision for doubtful claims	-	-
	-	-
TOTAL	2,347	803
Note 19 : Other Current Assets		
Interest accrued but not due	-	1
Prepaid Insurance & Other Charges	55	34
TOTAL	55	35

GAIL GAS LIMITED

(₹ in Lakhs)

		ASAT 31 ST March, 2012		ASAT 31 ST March, 2011
Note 20 : Revenue from Operations				
a) Sale of Products/ Gas	27,963		2,649	
Less : Excise Duty	381	27,582	94	2,555
b) Gas transmission charges		1,029		338
c) Other Operating Revenues				
Application Fees - Domestic Connection	12			16
Interest Income Customers & Others	3			-
Misc Income - Extra Pipe line	10			-
MGO Receipt	60	85		28
TOTAL		28,696		2,937
Note 21 : Other Income				
Interest Income on Bank Deposits		169		1
Tender Fees		2		5
EMD Forfeited		-		1
Liquidated Damages		34		1
Profit/(Loss) on Sale of Fixed Asset		-		10
Miscellaneous Receipts Eg PBG, Chq Dishonour etc		-		2
TOTAL		205		20
Note 22 : Gas Consumed				
Opening Stock		1		-
Add:Purchases		25,222		2,331
Less :Gas Consumption		25,116		2,312
Less: Gas Consumed as Fuel		82		18
Closing Stock		25		1
Note 23 : Finance Cost				
Interest on Term Loans		957		318
Less : Interest and Finance Charges transferred to Capital Work-in-Progress		710		308
TOTAL		247		10
Note 24 : Depreciation and Amortization Expenses				
Depreciation and Amortization Expenses		511		82
TOTAL		511		82



GAIL GAS LIMITED

(₹ in Lakhs)

	ASAT 31 ST March, 2012	ASAT 31 ST March, 2011
Note-25 : Other Expenses		
Power & Fuel Charges		
Electricity Charges	29	39
Fuel Charges	82	18
Rent-Office & Others	264	244
Repairs and Maintenance-P&M	112	32
Repairs and Maintenance-Buildings	-	-
Insurance Charges	15	11
Rates & Taxes	1	-
Payment to Auditors		
Audit Fees (incl other Certification)	2	1
Tax Audit Fee	-	-
Out of Pocket Expenses	1	2
Management Service for Employee Cost	832	319
Salaries, Wages and Allowances	1,553	1,041
Contribution to Provident and Other Funds	191	18
Welfare Expenses	18	55
	1,762	1,114
Less : Management Service for Employee Cost transferred to Capital Work-in-Progress	930	795
TOTAL	832	319
Other Misc Expenses		
Less Expenditure transferred to IEDC - Note 26	288	713
	460	94
Net Other Expenses	1,798	760

GAIL GAS LIMITED

(₹ in Lakhs)

	ASAT 31 ST March, 2012	ASAT 31 ST March, 2011
Note 26 : Expenditure during Construction Period		
IEDC- Advertisement Exp.	-	14
IEDC- Audit Fee	-	-
IEDC- Bank Charges	-	-
IEDC- Books & Preiodicals	-	-
IEDC- Communication Expenses	-	7
IEDC - Consultancy Charges	-	106
IEDC - Depreciation	-	-
IEDC Electricity Charges	-	-
IEDC-Entertainment Exp	-	-
IEDC-Legal Expenses	-	-
IEDC- Insurance	(1)	2
IEDC- Misc Exp	25	18
IEDC - Misc Income	-	-
IEDC - Power, Water, Fuel Charges	7	33
IEDC- Printing & Stationery Expenses	1	12
IEDC- Rates & Taxes	-	-
IEDC- Rent & Warehouse Exp.	186	189
IEDC- Repair & Maint.	-	-
IEDC - Survey Expenses	-	229
IEDC - Travelling & Conv. Exp	35	59
IEDC - Vehicle Hire Charges	35	44
Total	288	713
Note 27 : Prior period Adjustment		
Other Exp	3	-
Power & Fuel	1	-
Total	4	-
Note 28 Contingent Liabilities		
A BG ISSUED	5140	5707
B COURT CASES-AGRA with Allhabad High Court	129	-
C COURT CASES-AGRA with Firozabad District Court	326	-
D ARBITRATION CASES-Agra Customers	1,221	-
E STATUTORY		
Audit Report received from Service Tax Department advising reversal of Input Credit availed on Transportation charges of Gas purchased and Interest there on	46	-
GRAND TOTAL (A+B+C+D+E)	6,862	5,707



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 [REDACTED] liabilities, re [REDACTED] reporting pe [REDACTED] actual result [REDACTED] the period i [REDACTED] materialized [REDACTED]

3) Fixed Asset [REDACTED]

Fixed Assets [REDACTED] consistent [REDACTED] taxes and [REDACTED] costs relat [REDACTED] commissio [REDACTED] In the case [REDACTED] final payme [REDACTED] capitalizati [REDACTED] including [REDACTED] approval of [REDACTED] necessary [REDACTED] depreciatio [REDACTED]

4) Intangible [REDACTED]

Intangible a [REDACTED] right of use of land, 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 [REDACTED]

[REDACTED]

- 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 [REDACTED] either on settlement [REDACTED] accounted for in the [REDACTED].

[REDACTED] finished products are [REDACTED] net realizable value, [REDACTED]

[REDACTED] valued at cost or net [REDACTED] whichever is lower. It is [REDACTED] where the finished [REDACTED] these are to be [REDACTED] expected to be sold at [REDACTED]

[REDACTED] and other material for [REDACTED] of inventories are [REDACTED] average cost or net [REDACTED] whichever is lower. It is [REDACTED] average cost where [REDACTED] ts in which they will [REDACTED] expected to be sold [REDACTED]

- 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) Taxes on Income

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

asset will be realized in future.

14) Contingent Liabilities and Capital Commitments

- a) Contingent liabilities are disclosed in each case above ₹ 5 lakhs.
- b) Estimated amount of contracts remaining to be executed on capital account are disclosed in each case above ₹ 5 lakhs.

15) Impairment

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

GENERAL

- 16) Prepaid expenses and prior period expenses/income upto ₹ 1,00,000/- in each

case are charged to relevant heads of account of the current year.

- 17) Liquidated damages, if any, are accounted for as and when recovery is effected and the matter is considered settled by the Management. Liquidated damages, if settled, after capitalization of assets are charged to revenue, if below ₹ 50 lakhs in each case, otherwise adjusted in the cost of relevant assets.

- 18) Insurance claims are accounted for on the basis of claims admitted by the insurers.

- 19) a. Custom duty and other claims (including interest on delayed payments) are accounted for on acceptance in principle.

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

Preeti Agarwal
Company Secretary
(PAN - AANPG3779M)

Jyoti Dua
CFO
(PAN - ACJPD6268J)

J Wason
CEO
(PAN - AAOPW8792K)

P K Jain
Director
(DIN-02145534)

Prabhat Singh
Director
(DIN-03006541)

As per our separate Report of even date

For **M/S A.K.G. & Associates**
Chartered Accountants
Firm No. 002688N

Place : New Delhi
Dated : 21.05.2012

CA Harvinder Singh
(Partner)
M No. 87889



NOTES ON ACCOUNTS

1. Some of the projects of the Company are still in progress. Since both operation and project activities are being undertaken simultaneously, the employees working in the various disciplines have been identified as working for (a) project activities and (b) operation activities. Therefore, the employee cost & travelling expenses have been directly identified to the project activities and operation activities respectively 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 activities and operation activities respectively during the year.
2. The incidental expenditure during construction amounting ₹ 1218 lakhs (PY 1507 lakhs) have been allocated to completed Project & Capital work in progress in the ratio of direct allocated cost for assets.
3. One of the project activities of the company is construction of CNG stations. Borrowing cost is capitalized on CNG stations even in cases where the period of construction is less than one year.
4. The details of disclosure regarding share application money are as under:
 - a. Shares to be allotted to GAIL (India) Ltd at par with face value of ₹10.00 each.
 - b. 5,43,51,265 Shares (PY 18,78,000 shares) will be allotted for the total amount of ₹5435 lakhs appearing as share application money as on 31.03.2012.
 - c. Out of the above amount 1,00,00,000 shares for ₹1000 lakhs have already been allotted to GAIL (India) Ltd on 30.04.2012. The balance amount of shares will be issued after increase in authorized capital of the Company after approval in the Annual General Body meeting for the FY 2011-12, as per the requirement of the Companies Act.
 - d. The total authorized capital of the Company is ₹200,00 lakhs against which ₹16,795 lakhs has been issued as on balance sheet date and ₹1000 lakhs issued on 30.04.2012. Further, as on balance sheet date the Company does not have sufficient authorized capital for allotment of shares against balance share application money of ₹4435 lakhs. The same will be issued after increase in authorized capital of the Company for which the Company has already obtained approval of the Board of Directors.
 - e. The amount of ₹1000 lakhs was received from GAIL (India) Ltd on 20.10.2011 (₹577 lakhs in cash (PY ₹1157 lakhs) and balance amount of ₹423 lakhs (PY ₹721 lakhs) by way of reimbursement of expenses incurred on behalf of GAIL GAS Ltd). The remaining balance amount of ₹4435 lakhs (PY : ₹ Nil) was received in kind by way of value of Net Assets transferred from GAIL (India) Ltd to GAIL GAS Ltd on slump sale basis as per Income Tax Act. There is no requirement of payment of interest on share application money.
 - f. The Company is a 100% subsidiary of GAIL (India) Ltd and the shares are issued as per the approval of Board.
5. The estimated amount of contracts over ₹5 lakhs amounting to ₹5558 lakhs (PY ₹11,291 lakhs) are remaining to be executed on Capital Accounts and not provided for.
6. During the year expenses incurred on cities towards preparation of DFR & Demand survey not found feasible amounting to ₹145 lakhs (PY 75 lakhs) and accordingly provided in the books.
7. To the extent information available with the Company, amount due to Medium & Small Scale Industry is Nil (PY Nil).
8. The reconciliation of accounts with parties is carried out as an ongoing process. Request for confirmation of balances have also been sent.
9. All the employees posted at GAIL Gas Limited during the year are on the rolls of GAIL (India) Limited. Employees benefits including salary are being prepared and disbursed by GAIL (India) Limited for which debit notes are raised on GAIL Gas Limited. Service Tax on cost of manpower posted at GAIL Gas Limited is not being charged by GAIL (India) Limited as the same is not ascertainable therefore no liability for the same has been provided for in the books.
10. Employees Benefits in terms of AS-15 (Revised) have not been considered by GAIL GAS Ltd as all the employees posted at GAIL Gas Ltd are on the rolls of GAIL (India) Ltd.
11. Information required as per Schedule VI of the Companies Act, 1956

(₹ in lakhs)

I. CIF Value of Import	2011-12	2010-11
Capital Goods	653	342
II Expenditure in Foreign Currency-		
Others-Travelling	1	2

12. Details of Sales, Opening Stock, Closing stock & Purchases of product manufacture and traded are as under:

(₹ in lakhs)

Details of Finished goods for the year 2011-12			
Manufactured Goods	Sales Value	Closing Inventory	Opening Inventory
Compressed Natural Gas	3013 (738)	2 (1)	1 (0)
Total	3013 (738)	2 (1)	1 (0)
Traded Goods			
a. Compressed Natural Gas	332 (105)	0 0	0 0
b. Natural Gas	25647 (2154)	23 (1)	1 (0)
Total	25979 (2259)	23 (1)	1 (0)

The sales as shown above is inclusive of Excise Duty of ₹380 lakhs.

b) Details of purchases of traded goods are as under:

Details of Purchases	₹ in lakhs
Goods Purchased	
a. Compressed Natural Gas	244 (68)
b. Natural Gas	24978 (2263)

The figures in the brackets pertains to previous year.

- 13 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 Liability in respect of timing difference as on 31st March, 2012 amounting to ₹58 lakhs (Previous year ₹ (-)334 lakhs). The item-wise details of deferred tax liability/asset are as under:

DETAILS OF DEFERRED TAX			
(₹ in Lakhs)			
Particulars	Balance Carried as at 31.03.2011	Arising/ (Decreasing) during the year and recognized in profit & Loss	Balance Carried as at 31.03.2012
Deferred Tax Liabilities	0	(463)	(463)
Deferred Tax Assets on account of Depreciation	152	0.00	152
Deferred Tax Assets on account of Accumulated Losses	182	71	253
Net Deferred Tax Assets	334	(392)	(58)

- 14 During the year, the Company has been disbursed a Term loan from OIDB ₹4359 lakhs (PY ₹7441 lakhs) and from Union Bank of India ₹1500 lakhs (PY ₹1500 lakhs) to finance the project activities in the cities of Dewas, Kota, Meerut & Sonapat. 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 ₹957 lakhs (PY ₹318 lakhs) was incurred, out of which an amount of ₹710 lakhs (PY ₹308 lakhs) was capitalized during the period.
- 15 With regard to Cenvat Credit of ₹ 21 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. The service tax audit has been completed up to 31.03.2011 and as directed by the audit an amount of ₹4 lakhs was disallowed out of ₹21 lakhs and the same was accounted for.

Further, the department vide their letter No.20/STR-1/N-1/Audit/IAR/GGL/89/2012 dated 13.04.2012 has advised to reverse the service tax input credit taken up to 31.03.2011 for ₹34 lakhs in the context that the same is not allowed for the reason that neither PNG is chargeable to any duty of excise nor activity of sale of PNG as such is chargeable to service tax. In view of the contradictory opinion regarding chargeability of service tax on Network Tariff by the service tax department to GAIL(India) Ltd & Bhagyanagar Gas Ltd, the same along with interest amounting to ₹12 lakhs has been taken as contingent liability.

- 16 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 2011-12

(₹ in Lakhs)					
Sl. No.	SEGMENTS	NG	CNG	Unallocable	TOTAL
1	REVENUE				
	Segment Revenue	25731	2965	205	28901
2	EXPENDITURE	23358	2569	1745	27672
3	RESULTS	2373	396	-1540	1229
4	OTHER INFORMATION				
a	Segment Assets	24313	6293	15475	46081
b	Segment Liabilities	5140	563	17040	23013
c	Capital Expenditure	8374	2006	4811	15190
d	Depreciation	256	147	107	510
e	Non Cash expenses other than Depreciation	-	-	-	-

B. INFORMATION ABOUT BUSINESS SEGMENTS FOR FINANCIAL YEAR 2010-11

(₹ in Lakhs)					
Sl. No.	SEGMENTS	NG	CNG	Unallocable	TOTAL
1	REVENUE				
	External Sales/Other Income	2144	749	64	2957
	TOTAL REVENUE	2144	749	64	2957
2	RESULTS				
	Segment Result /Profit Before Interest & Taxes	449	(20)	(626)	(198)
	Operating Profit	449	(20)	(626)	(198)
	Interest Expenses			10	10
	Provision for Tax			(318)	(318)
	NET PROFIT /(Loss)	449	(20)	(318)	111
3	OTHER INFORMATION				
	Segment Assets	9755	6045	10667	26467
	Total assets	9755	6045	10667	26467
	Segment Liabilities	1189	1263	10700	13152
	Total Liabilities	1189	1263	10700	13152

Note 1 Sales net of Excise Duty



The business operation of the company does not fall under the definition of geographical segment as per AS-17, therefore no geographical segment reporting has been made.

17 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:
- Holding Company: GAIL (India) Ltd.
 - Subsidiary Company

Sl. No.	Name of JV	Date of Incorporation	Total paid up capital 31.03.12 (₹ in lakhs)	GAIL GAS Ltd.'s Share as per JV Agreement	Amount Contributed by GAIL GAS Ltd. as on 31.03.2012 (₹ in lakhs)	% holding as on 31.03.2012
1	Kerala GAIL GAS Ltd.	22.11.2011	5.00	26%	2.60	52 %

Till the induction of other strategic 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 GAS Limited.

i. Fellow Subsidiary Company:

- GAIL Global (Singapore) Pte Ltd.
- Brahmaputra Cracker & Polymer Ltd
- GAIL GLOBAL USA INC.

ii. Associate Company:

- Mahanagar Gas Limited
- Indraprastha Gas Limited
- Petronet LNG Limited
- Bhagyanagar Gas Limited
- Tripura Natural Gas Corporation Ltd.
- Central UP Gas Ltd.
- Green Gas Ltd.
- Maharashtra Natural Gas Ltd.
- Ratnagiri Gas & Power Pvt Ltd.
- Avantika Gas Ltd.
- Shell Compressed Natural Gas
- Gujarat State Electricity Generation Ltd
- National Gas Company "Nat Gas"
- Fayum Gas Company
- China Gas Holding Ltd.
- GAIL China Gas Global Energy Holding Ltd.
- ONGC Petro Additions Ltd (OPAL)

v. Joint Venture Company

a.

Sl. No.	Name of JV	Date of Incorporation	Total paid up capital 31.03.12 (₹ in lakhs)	GAIL GAS Ltd.'s Share as per JV Agreement	Amount Contributed by GAIL GAS Ltd. as on 31.03.2012 (₹ in lakhs)	% holding as on 31.03.2012
1	Andhra Pradesh Gas Development Corporation Ltd	10.01.2011	1000.00	25%	500.00	50 %

Till the induction of other strategic 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 GAS Limited.

(B) There is no provision towards payment of Management fees to the operator accordingly no management fee has been paid by the JV, therefore, no provision has been made in the books of accounts for same.

(C) As per the information available on the balance sheet date, no contingent liability has been recognized by the JV and as such no provision has been made in the books of account in regard to contingent liability.

- vi. Key Management Personnel:** Mr M. Ravindran, C E O up to 27.10.2011 & Mr J Wason, CEO from 28.10.2011 to 31.03.2012

b. Related Party Transactions: (₹ in Lakhs)

Sl. No.	Particulars	Holding Co.	Fellow Sub-sidiary	Joint Venture	Asso-ciates	Key Manage-ment Personnel	% of holding
1	Purchase of Goods	25222 (2532)	0 (0)	0 (0)	0 (0)	0 (0)	100 (100)
2	Sales of Goods	0 (593)	0 (0)	0 (0)	987* (40)	0 (0)	100 (100)
3	Management contracts including for deputation of employees						
a.	Reimbursement of Remuneration to Key Management personnel	0 (0)	0 (0)	0 (0)	0 (0)	37 (31)	100 (100)
b.	Reimbursement of remuneration to staff	1724 (1117)	0 (0)	0 (0)	0 (0)	0 (0)	100 (100)
4	Outstanding Balance Payable	3169 (182)	0 (0)	0 (0)	0 (0)	0 (0)	100 (100)
5	Outstanding Balance Receivable	0 (0)	0 (0)	0 (0)	70* (0)	0 (0)	100 (0)
6	Provision for Bad Debt	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)

Sl. No.	Particulars	Holding Co.	Fellow Sub-sidiary	Joint Venture	Asso-ciates	Key Management Personnel	% of holding
7	Bad Debt written off	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
8	Guarantee & Collateral	16388 (16388)	0 (0)	0 (0)	0 (0)	0 (0)	100 (0)
a.	Corporate Guarantee given to OI DB for term loan availed	11800 (11800)	0 (0)	0 (0)	0 (0)	0 (0)	100 (100)
b.	Counter Guarantee given to IDBI Bank for BG issued on behalf of the Co.	4588 (4588)	0 (0)	0 (0)	0 (0)	0 (0)	100 (100)
9	Finance						
a.	Share Application money received pending allotment in cash	577 (1157)	0 (0)	0 (0)	0 (0)	0 (0)	100 (100)
b.	Share Application money received pending allotment in kind	423 (721)	0 (0)	0 (0)	0 (0)	0 (0)	100 (100)
c.	Share Application money towards value of Assets transferred.	4435 (0)	0 (0)	0 (0)	0 (0)	0 (0)	100 (100)
10	Investment in JV	0 (0)	0 (0)	500 (0)	0 (0)	0 (0)	50% (0)
11	Investment in Subsidiaries	0 (0)	0 (0)	3 (0)	0 (0)	0 (0)	52% (0)

*The amount relates to Associate mentioned at iv.f
Figures shown in brackets pertain to previous year.

There is no transaction occurred with Fellow Subsidiary.

18 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.

The details of amount paid to auditor during the year vis-à-vis previous year is as under:

Particulars	2011-12	2010-11
a. As auditor:	2	1
b. For Taxation matters	0	0
c. For Company law matters	0	0
d. Management Services	0	0
e. Others Services	0	0
f. For reimbursement of expenses	1	2
TOTAL	3	3

* Includes Service Tax @ 10.30% for 2010-11 & 12.36% for 2011-12

19. 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
(PAN - AANPG3779M)

Jyoti Dua
CFO
(PAN - ACJPD6268J)

J Wason
CEO
(PAN - AAOPW8792K)

P K Jain
Director
(DIN-02145534)

Prabhat Singh
Director
(DIN-03006541)

As per our separate Report of even date

For **M/S A.K.G. & Associates**
Chartered Accountants
Firm No. 002688N

CA Harvinder Singh
(Partner)
M No. 87889

Place : New Delhi
Dated : 21.05.2012



GAIL GAS LIMITED

Cash Flow Statement for The Accounting Period Ended 31.03.2012

(₹ in Lakhs)

Particulars	FY 2011-12	FY 2010-11
A. CASH FLOW FROM OPERATING ACTIVITIES		
1. NET PROFIT AFTER TAX AND EXTRAORDINARY ITEMS	834	111
2. ADD:(Non Cash items)		
DEPRECIATION	511	82
OTHER PROVISIONS	391	(318)
CWIP - PROV FOR CITIES W/O	145	0
INTEREST INCOME RECEIVED	(182)	(1)
INTEREST PAID	957	318
EXCHANGE RATE VARIATION	15	0
PROFIT ON SALE OF ASSET	0	(10)
EXTRAORDINARY ITEMS- PRIOR PERIOD ITEMS	4	0
	1841	0
3. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES (1+2)	2675	182
4. CHANGES IN WORKING CAPITAL (EXCLUDING CASH & BANK BALANCES)		
TRADE AND OTHER RECEIVABLES	(2997)	(216)
INVENTORIES	(227)	(472)
TRADE AND OTHER PAYABLES	4221	3123
	997	3123
5. CASH GENERATED FROM OPERATIONS (3+4)	3672	2617
6. DIRECT TAX PAID	470	7
	4142	2624
NET CASH FLOW FROM OPERATING ACTIVITIES (5+6)	4142	2624
B. CASH FLOW FROM INVESTING ACTIVITIES		
INVESTMENT IN JV'S & SUBSIDIARY	(503)	0
PURCHASE OF FIXED ASSETS	(15190)	(5054)
CAPITAL WORK-IN-PROGRESS	414	(11855)
INTEREST & OTHER INCOME RECEIVED	(182)	(1)
CURRENT ASSETS LOANS AND ADVANCES	(2054)	(545)
CURRENT LIABILITIES & PROVISIONS	58	
PROFIT ON SALE OF ASSET	0	10
	(17457)	(17445)
NET CASH FROM INVESTING ACTIVITIES.	(17457)	(17445)
C. CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM ISSUE OF SHARE CAPITAL	5078	8587
PROCEEDS FROM ADVANCE AGAINST SHARE CAPITAL FROM GAIL(INDIA) LTD	3557	(762)
SECURED LOANS FROM UBI	1500	1500
SECURED LOANS FROM OIBD	4359	7441
INTEREST PAID	(957)	(318)
	13537	16448
NET CASH FROM FINANCING ACTIVITIES	13537	16448
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	222	1627
CASH & CASH EQUIVALENTS- OPENING BALANCE	1696	69
CASH & CASH EQUIVALENTS- (CLOSING BALANCE)	1918	1696

For and on behalf of the Board of Directors

Preeti Agarwal
Company Secretary
(PAN - AANPG3779M)

Jyoti Dua
CFO
(PAN - ACJPD6268J)

J Wason
CEO
(PAN - AAOPW8792K)

P K Jain
Director
(DIN-02145534)

Prabhat Singh
Director
(DIN-03006541)

As per our separate Report of even date

For **M/S A.K.G. & Associates**

Chartered Accountants

Firm No. 002688N

CA Harvinder Singh

(Partner)

M No. 87889

Place : New Delhi
Dated : 21.05.2012

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 OF THE ACCOUNTS OF
GAIL GAS LIMITED FOR THE YEAR ENDED 31ST MARCH 2012.**

The preparation of financial statements of GAIL Gas Limited for the year ended 31st March 2012 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 be done by them vide their Audit Report dated 21st May 2012.

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 2012 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

Sd/-
(P.K.Singh)

Principal Director of Commercial Audit &
Ex-officio Member, Audit Board-II
New Delhi

Place: Delhi
Date: 13.06.2012



GAIL GLOBAL (USA) INC.



DIRECTORS' REPORT

Dear Shareholder(s),

On behalf of the Board of Directors of GAIL Global (USA) Inc. (Company), a 100% subsidiary of GAIL (India) Limited, India, I am delighted to present the First Annual Report of your Company along with Audited Financial Statements ending December 31, 2011.

General Overview

Your Company, was incorporated as a wholly owned subsidiary of GAIL (India) Limited on September 26, 2011 in State of Texas, USA, to undertake investment in the Eagle Ford shale gas asset and operations related to asset and any other activities. The Company has its registered office at 333 Clay Street, Suite 3300, Houston, Texas 77002, USA.

The Company executed a Definitive Agreement with M/s Carrizo Oil & Gas Inc., USA on September 28, 2011, to enter into an unincorporated Joint Venture (JV) in the Eagle Ford Shale asset in Texas. The Company has acquired 20% participating interest in the Joint Venture. Carrizo (Eagle Ford) LLC (Carrizo) with participating interest of 80% is functioning as the Operator of the Joint Venture. The Company acquired net acreage of around 4040 acres in Dimmit, Frio, LaSalle and McMullen Counties in Eagle ford. Subsequently it acquired around 208 acres as part of Area of Mutual Interest (AMI) for operational reasons.

Board of Directors

The Board of Directors in office as on the date of this report are:

Mr. Venkatraman Srinivasan, Chairman
Mr. Sanjib Datta, Director
Mr. Subir Purkayastha, Director

The Board of Directors are assisted by the following two officers of the company:

Mr. Jayanta Sinha, President
Mr. Amit Jhalani, Secretary cum Treasurer

The day to day operations of the Company are managed by the above mentioned officers.

Performance Overview

During the first year of operation (from September 26, 2011 till December 31, 2011), Company sold approx. 42000 MCF of Natural Gas, 31100 BOE of Oil and 27150 MMBTU of NGL.

At the end of the year the JV had 12 producing wells in Frio and LaSalle Counties.

The Company achieved a turnover of \$ 2.36 Mn. and a net income of \$ 0.26 Mn. during the financial year. A summary of financial performance is as under:

PARTICULARS	
i) Sales (\$ in Mn.)	2.36
ii) Income from Operations (\$ in Mn.)	0.64
iii) Net Income (\$ in Mn.)	0.26
iv) Net worth (\$ in Mn)	36.06
v) Capital Employed (\$ in Mn)	94.27
vi) Gross Fixed Assets (\$ in Mn)	86.09
vii) Income from Operation to Sales (%)	27%
viii) Net Income to Sales (%)	11%

Financing

The authorized share capital and the paid up share capital is \$ 50 Million and \$ 36 Million respectively as on December 31, 2011. In order to fund the acquisition, Company had initially taken a loan from GAIL (India) Ltd., which was repaid during the year by drawing a short term loan from Bank. During the year Company signed a short term loan facility agreement of \$84 Mn with Citibank N.A., USA out of which \$ 58 Mn was drawn till December 31, 2011. The paid up capital is entirely subscribed by GAIL (India) Limited.

Dividend

It is not proposed to declare any dividend during the current year.

Audit

The independent auditors, M/s Pannell Kerr Forster of Texas, P.C. has carried out the audit of the Financial Statements of the Company ending December 31, 2011 and their report is annexed hereto.

Drilling & Completion Program

The Operator of the JV has planned for approx. 139 wells in the next seven years entailing an investment of over US\$ 200 Mn. The plan is however subject to review from time & time.

Director's interest in shares or debentures, contractual benefits and responsibility statement.

None of the Directors holding office at the end of the financial year has any interest in the shares or debentures of the Company and no Director has received or become entitled to receive a benefit by reason of a contract made by the Company.

In the opinion of the Directors,

- the financial statements annexed hereto are drawn up in accordance with generally accepted accounting principles, so as to give a true and fair view of the state of affairs of the Company as at December 31, 2011 and the results of the business, change in equity and cash flows of the company for the year.
- at the date of this statement, there are reasonable grounds to believe that the company will be able to service its debts as and when they fall due.

Acknowledgement

The Board of Directors acknowledge its deep and sincere thanks for the co-operation and assistance received from M/s GAIL (India) Ltd., M/s Carrizo Oil & Gas Inc. (JV partner), Bankers, Financial Institution, Vendors and Customers.

For and on Behalf of the Board

(S Venkatraman)
Chairman

Place : New Delhi
Date : June 27, 2012



INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of

Gail Global (USA) Inc.

We have audited the accompanying balance sheet of Gail Global (USA) Inc. (the "Company") as of December 31, 2011, and the related statements of operations, changes in stockholder's equity and cash flows for the period from inception (September 26, 2011) to December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Gail Global (USA) Inc. as of December 31, 2011, and the results of its operations and its cash flows for the period from inception (September 26, 2011) to December 31, 2011, in conformity with U.S. generally accepted accounting principles

PANNELL KERR FORSTER OF TEXAS, P.C.

CPAs & PROFESSIONAL ADVISORS

MAY 1, 2012



GAIL GLOBAL (USA) INC.
Balance Sheet December 31, 2011

ASSETS	Amt in USD	Amt in INR Crs.
Current Assets:		
Cash and cash equivalents	306,327	16.17
Accounts receivable- oil and natural gas	1,599,035	84.43
Advances to operator	11,084,390	585.26
Prepaid expenses	7,416	0.39
Total current assets	12,997,168	686.25
Oil and natural gas properties:		
Proved property:		
Leasehold costs	28,357,967	1,497.30
Drilling costs	16,938,588	894.36
Completion costs	12,516,494	660.87
Asset retirement obligation asset	67,005	3.54
Capitalized interest	76,643	4.05
Production equipment	450,332	23.78
Wells in progress:		
Drilling costs	6,050,793	319.48
Completion costs	1,744,180	92.09
Production equipment	85,603	4.52
Unproved leasehold costs	19,803,585	1,045.63
	86,091,190	4,545.61
Accumulated depletion, depreciation and amortization	(1,375,041)	(71.44)
	84,716,149	4,474.17
Deferred loan costs, net	199,337	10.52
	97,912,654	5,170.95
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Accounts payable	3,135,341	168.46
Accrued interest	313,705	16.86
Line of credit	58,000,000	3,116.34
Total current liabilities	61,449,046	3,301.66
Deferred income taxes	134,513	7.23
Asset retirement obligation	67,982	3.65
Commitments and contingencies		
Stockholder's equity:		
Common stock, \$1 par value; 50,000,000 shares authorized, 36,000,000 shares issued and outstanding	36,000,000	1,791.72
Retained earnings	261,113	11.38
Foreign Currency Translation Reserve	-	55.31
	36,261,113	1,858.41
	97,912,654	5,170.95



GAIL GLOBAL (USA) INC.

STATEMENT OF OPERATIONS

For the Period from Inception (September 26, 2011) to December 31, 2011

	Amt in USD	Amt in INR Crs.
Oil and natural gas sales	2,361,239	120.49
Expenses:		
Lease operating	223,018	11.59
Production taxes	110,203	5.73
Depletion, depreciation and amortization	1,375,041	71.44
General and administrative	13,118	0.68
Acretion expense	977	0.05
Total operating expenses	1,722,357	89.49
Income from operations	638,882	31.01
Other expense		
Interest expense	(319,899)	(16.62)
Interest expense capitalized	76,643	3.98
Total other expense, net	(243,256)	(12.64)
Income before income tax expense	395,626	18.37
Income tax expense	(134,513)	(6.99)
Net income	261,113	11.38
Other comprehensive income/(losses)		
- Currency translation differences	0	55.31
Total	261,113	66.69

GAIL GLOBAL (USA) INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

For the Period from Inception (September 26, 2011) to December 31, 2011

	Common Stock	Retained Earnings	Other Res Fgn. Curr Trn	Total
Initial contribution - September 26, 2011	\$ 36,000,000	\$ -	-	\$ 36,000,000
Net income	-	261,113	-	261,113
Balance, December 31, 2011 in USD	\$ 36,000,000	\$261,113	\$ -	\$36,261,113
Balance, December 31, 2011 in INR (Crs.)	1,791.72	11.38	55.31	1,858.41

See accompanying notes to financial statements.

GAIL GLOBAL (USA) INC.
STATEMENT OF CASH FLOWS
For the Period from Inception (September 26, 2011) to December 31, 2011

Particulars	Amt in USD	Amt in INR Crs.
Cash Flows from Operating Activities:		
Net income	261,113	66.69
Adjustments to reconcile net income to net cash used in operating activities:		
Depletion, depreciation and amortization	1,375,041	71.44
Amortization of deferred loan costs	6,194	0.30
Deferred income taxes	134,513	6.99
Accretion expense	977	0.05
Changes in operating assets and liabilities		
Accounts receivable	(1,599,035)	(84.43)
Prepaid expenses	(7,416)	(0.39)
Accounts payable	3,135,341	168.46
Accrued interest	313,705	16.86
Net cash used in operating activities	3,620,433	245.97
Cash Flows from Investing Activities:		
Acquisition of oil and natural gas properties	(62,743,406)	(3,312.85)
Additions to oil and natural gas properties	(23,280,779)	(1,229.23)
Advances to operator	(11,084,390)	(585.26)
Net cash used in investing activities	(97,108,575)	(5,127.33)
Cash Flows from Financing Activities:		
Deferred loan costs	(205,531)	(10.52)
Proceeds from borrowings on line of credit	58,000,000	3,116.34
Capital contribution	36,000,000	1,791.72
Net cash provided by financing activities	93,794,469	4,897.54
Net increase in cash and cash equivalents	306,327	16.17
Cash and Cash Equivalents, beginning of period	-	-
Cash and Cash Equivalents, end of period	306,327	16.17
Supplemental Schedule of Noncash Investing and Financing Activities:		
Capitalized asset retirement obligation costs included in oil and gas properties	67,005	3.54



GAIL GLOBAL (USA) INC. Notes to Financial Statements December 31, 2011

NOTE 1 - NATURE OF OPERATIONS

GAIL Global (USA) Inc. (the "Company") was formed on September 26, 2011 as a Texas Corporation. The Company is a wholly owned subsidiary of GAIL (India) Limited (the "Parent"). The Company is a United States petroleum exploration and production company engaged in the acquisition, exploration, and development of properties for the production of crude oil and natural gas from underground reservoirs.

On September 28, 2011, the Company entered into a purchase and participation agreement (the "Agreement") with Carrizo Oil & Gas, Inc. and two of its affiliates (collectively "Carrizo") and paid \$63,650,000 (₹ 316.79 Crs) to acquire a 20% interest in oil and natural gas properties located in Eagle Ford Shale area in Dimmit, Frio, LaSalle and McMullen Counties of the State of Texas. The Agreement also requires the Company to pay up to an amount not to exceed \$31,350,000 (₹ 156.03 Crs.) (the "carry"), representing 50% of Carrizo's share of all development costs (as defined in the Agreement), through June 30, 2013. The Company has paid approximately \$20,206,000 (₹ 100.57 Crs.) of the required development costs as of December 31, 2011. The Agreement also provides the Company the right of first refusal to acquire a 20% interest in future acquisitions of oil and natural gas leases in the Eagle Ford Shale made by Carrizo in an area of mutual interest (as defined in the Agreement).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less from the date of purchase.

Receivables

Receivables are recorded at their outstanding balances adjusted for an allowance for doubtful accounts. The allowance for doubtful accounts is determined by analyzing the payment history and credit worthiness of each debtor. Receivable balances are charged off when they are considered uncollectible by management. Recoveries of receivables previously charged off are recorded as income when received. No allowance for doubtful accounts was considered necessary at December 31, 2011.

Oil and Natural Gas Properties

The Company uses the successful efforts method of accounting for oil and natural gas producing activities. Costs to acquire mineral interests in oil and natural gas properties, to drill and equip exploratory wells that find proved reserves, to drill and equip development wells, and related asset retirement costs are capitalized. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed. Interest costs are capitalized to oil and natural gas properties during the period the assets are undergoing preparation for their intended use. Interest costs totaling \$76,643 (₹ 0.40 Crs.) was capitalized for the period from inception (September 26, 2011) to December 31, 2011.

Proved oil and natural gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The Company estimates the future undiscounted cash flows of the affected properties to judge the recoverability of carrying amounts. Impairments are measured by the amount by which the carrying value exceeds the fair value.

Unproved oil and natural gas properties that are individually significant are periodically assessed for impairment of value, and a loss is recognized at the time of impairment by providing an impairment allowance. Capitalized costs of producing oil and natural gas properties, after considering estimated residual salvage values, are depreciated and depleted by the unit-of-production method.

Upon sale or retirement of a complete unit of a proved property, the cost and related accumulated depreciation, depletion, and amortization are eliminated from the property accounts, and the resulting gain or loss is recognized in the statement of operations. On the retirement or sale of a partial unit of proved property, the cost and related accumulated depreciation, depletion, and amortization apportioned to the interest retired or sold are eliminated from the property accounts, and the resulting gain or loss is recognized in the statement of operations.

Upon sale of an entire interest in an unproved property, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Deferred Loan Costs

Deferred loan costs are amortized into interest expense using the straight-line method over the terms of the related debt agreement.

Asset Retirement Obligation

The Company records an asset retirement obligation for the abandonment of oil and natural gas producing properties. The asset retirement obligation is recorded at its estimated fair value on the date that the obligation is incurred and accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value. Fair value is measured using expected future cash outflows discounted at the Company's credit-adjusted risk-free interest rate. The fair value of the estimated asset retirement cost is capitalized as part of the carrying amount of the applicable proved oil and natural gas properties and depleted with the corresponding proved oil and natural gas property using the unit of production method.

Revenue Recognition and Natural Gas Imbalances

Revenues from the sale of crude oil and natural gas production are recognized when title passes, net of royalties. Natural gas revenues are generally

recognized under the entitlements method of accounting for natural gas imbalances, i.e., monthly sales quantities that do not match the Company's entitled share of joint production. Entitled quantities in excess of sales quantities are recorded as a receivable from joint venture partners. The receivable is carried at the lower of current market price or the market price at the time the imbalance occurred. Sales quantities in excess of entitled quantities are recorded as deferred revenue carried at the natural gas market price received at the time the imbalance occurred. There were no significant natural gas imbalances at December 31, 2011.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Significant estimates include volumes of oil and natural gas reserves used in calculating depreciation, depletion and amortization of oil and natural gas properties, future net revenues and abandonment obligations, impairment of undeveloped properties, the collectibility of outstanding accounts receivable, contingencies, and the results of current and future litigation. Oil and natural gas reserve estimates, which are the basis for unit-of-production depreciation and depletion, have numerous inherent uncertainties. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Subsequent drilling results, testing, and production may justify revision of such estimates. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered. In addition, reserve estimates are sensitive to changes in wellhead prices of crude oil and natural gas. Such prices have been volatile in the past and can be expected to be volatile in the future.

The significant estimates are based on current assumptions that may be materially affected by changes to future economic conditions, such as the market prices received for sales of volumes of oil and natural gas, and are primarily based upon the data and information received from the joint venture operator. Future changes in these assumptions may affect these significant estimates materially in the near term.

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current period and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and

liabilities are adjusted through the provision for income taxes. The state of Texas has a gross margin tax that applies to the Company.

Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Company is subject to income tax examinations by U.S. federal or state tax authorities for the period ending December 31, 2011.

Tax-related interest is included in interest expense and tax-related penalties are included in income tax expense. The Company had no tax-related interest or penalties in 2011.

Sales-Based Taxes

The Company pays certain governmental taxes based on its sales of oil and natural gas to customers. The Company reports its sales at the gross amount and the related taxes, primarily severance taxes, are included in production taxes in the accompanying statement of operations. Total sales-based taxes incurred by the Company during 2011 amounted to \$110,203 (₹ 0.56 Crs).

NOTE 3 - ACQUISITION

On September 28, 2011, but effective September 1, 2011, the Company closed on the acquisition of oil and natural gas properties paying \$63,650,000 (₹ 316.79 Crs) for a 20% working interest in Carrizo's oil and natural gas leases covering 20,200 net acres (4,040 net acres to the Company's interest). The property contained a number of wells that were producing and in progress of being drilled on the closing date. Subsequent to the closing date, oil and natural gas revenue (\$1,012,056) (₹ 5.16 Crs), net of production and operating costs (\$105,462) (₹ 0.54 Crs), totaling \$906,594 (₹ 4.63 Crs) was received by the Company that related to operating activities prior to the closing date. Since the Company did not have effective control of the assets acquired these proceeds were accounted for as a reduction of the purchases price (adjusted purchase price) ultimately allocated to the assets and liabilities acquired. The adjusted purchase price was allocated to the following assets and liabilities acquired:

Proved leasehold costs	\$28,357,967	(₹ 149.73 Crs)
Well costs and ARO asset	\$15,504,399	(₹ 81.86 Crs)
Production equipment	\$204,160	(₹ 1.08 Crs)
Unproved leasehold costs	\$18,721,082	(₹ 98.85 Crs)
Asset retirement obligation	\$(44,202)	(₹ 0.23 Crs)
Total	\$62,743,406	(₹ 331.29 Crs)

NOTE 4 - DEFERRED LOAN COSTS

following table represents the Company's deferred loan costs at December 31, 2011:

Deferred loan costs	\$205,531	(₹ 1.08 Crs)
Accumulated amortization	\$(6,194)	(₹ 0.03 Crs)
Balance, December 31, 2011	\$199,337	(₹ 1.05 Crs)

Amortization expense during 2011 amounted to \$6,194 (₹ 0.03 Crs). Future



amortization of deferred loan costs will be \$199,337 (₹ 1.05 Crs) during the year ending December 31, 2012.

NOTE 5 - ASSET RETIREMENT OBLIGATIONS

A summary of the changes in the asset retirement obligation for the period ending December 31, 2011 is as follows:

Balance, September 26, 2011	\$	-
Liabilities acquired	67,005	(₹ 0.36 Crs)
Accretion expense	977	(₹ 0.01 Crs)
Balance, December 31, 2011	\$67,982	(₹ 0.37 Crs)

NOTE 6 - LINE OF CREDIT

The Company has an \$84,000,000 (₹ 451.33 Crs) credit facility (the "Line of Credit") with a bank. The outstanding balance on the credit facility at December 31, 2011 was \$58,000,000 (₹ 311.63 Crs). Principal is due at maturity on December 20, 2012. Borrowings under the Line of Credit accrue interest at the one-month LIBOR (0.36% at December 31, 2011) plus 0.8% and is payable monthly. During the period from inception (September 26, 2011) to December 31, 2011, the Company incurred interest totaling \$42,035 (₹ 0.22 Crs) related to this Line of Credit. The Line of Credit is guaranteed by the Parent and for this guarantee a fee of \$17,095 (₹ 0.09 Crs) was required to be paid to them and has been recorded as interest expense in the accompanying statement of operations.

The Company also has an \$84,000,000 (₹ 451.33 Crs) loan agreement with its Parent. There was no outstanding principal balance on the loan agreement at December 31, 2011. Borrowings under the loan agreement will have interest payable at the six-month LIBOR (0.5578% at December 31, 2011) plus 2% as well as any income tax withholding required. On January 31, 2012, the loan agreement was amended to make the next interest payment due March 31, 2012 and due annually thereafter. Principal is due three years after the last borrowing under the loan agreement. During the period from inception (September 26, 2011) to December 31, 2011, the Company incurred interest

expense totaling \$277,864 (₹ 1.44 Crs) related to this loan agreement with the Parent that is included in accrued interest in the accompanying balance sheet.

NOTE 7 - INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liability as of December 31, 2011 are as follows:

Differences in depletion, depreciation and amortization of property for tax purposes	\$(1,505,010)	(₹ 7.82 Crs)
Net operating loss carry forward	1,396,224	(₹ 7.25 Crs)
Other	(25,727)	(₹ 0.13 Crs)
Total deferred tax liability	\$ (134,513)	(₹ 0.69 Crs)

The Company had a net operating loss carry forward available at December 31, 2011 amounting to approximately \$4,107,000 (₹ 21.34 Crs) which expires in 2031.

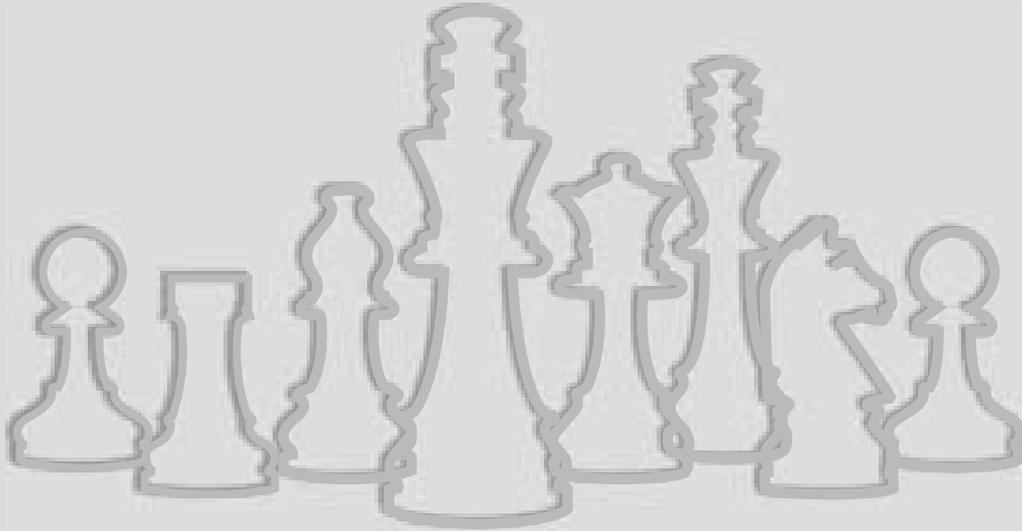
NOTE 8 - CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and trade receivables. The Company maintains its cash with financial institutions it believes have a high credit quality. The Company at times maintains bank deposits in excess of federally insured limits. The possibility of a loss exists if the bank holding excess deposits was to fail. All of the Company's trade receivables are from Carrizo as operator of the Company's properties resulting from oil and natural gas sales. To mitigate this credit risk, the Company closely monitors the payment history and credit worthiness of Carrizo.

NOTE 9 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 1, 2012, the date the financial statements were available to be issued.

*Figures in INR are unaudited.



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 2012 and the Consolidated Statement of Profit and Loss 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., Gail Global (USA) Inc., Bramhaputra Cracker & Polymers Ltd. and GAIL Gas Ltd., whose financial statements reflect total assets of ₹ 5,862.25 crores as at March 31, 2012, total revenue of ₹ 310.99 crores and net cash flows of ₹ 78.16 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, 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 Gail Global (USA) Inc., Fayum Gas and NATGAS, the Accounts drawn up as at December 31, 2011 and in respect of China Gas Holding Limited, the Accounts drawn upto September 30, 2011, 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, 2012, which require adjustment.

5. We did not audit the financial statements of Joint Ventures, whose financial statement reflect total assets of ₹ 37,480.59 crores, total liabilities of ₹ 37,480.59 crores as at March 31, 2012 and total revenue of ₹ 32,264.85 crores, total expenditure of ₹ 28,357.46 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 ₹ 10,097.84 crores, total liabilities of ₹ 10,097.84 crores as at March 31, 2012 and total revenue of ₹ 22,777.82 crores, total expenditure of ₹ 21,225.28 crores for the year ended on 31st March 2012.
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 2012;
 - (b) in the case of Consolidated Statement of Profit and Loss, 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
New Delhi
Dated: 30th May' 2012

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

G. S. Haldia
Partner
Membership No.007012
New Delhi
Dated: 30th May' 2012

GAIL (INDIA) LIMITED, NEW DELHI
Consolidated Balance Sheet as at 31st March, 2012

(₹ in Crores)

	Note NO.	ASAT 31 ST March, 2012	ASAT 31 ST March, 2011
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
a) Share Capital	1	1,268.48	1,268.48
b) Reserves and Surplus	2	23,644.70	19,945.39
		<u>24,913.18</u>	<u>21,213.87</u>
(2) Minority Interest			
		<u>981.99</u>	<u>547.19</u>
(3) Non Current Liabilities			
a) Long Term Borrowings	3	9,340.96	5,823.75
b) Deferred Tax Liability (Net)	52	1,864.99	1,715.12
c) Other Long-term Liabilities	4	356.52	53.65
d) Long-term Provisions	5	346.22	291.99
		<u>11,908.69</u>	<u>7,884.51</u>
(4) Current Liabilities			
a) Short Term Borrowings	6	1,512.31	608.48
b) Trade Payables	7	2,679.96	2,202.71
c) Other Current Liabilities	8	4,614.61	3,756.87
d) Short-term Provisions	9	4,423.35	3,938.37
		<u>13,230.23</u>	<u>10,506.43</u>
	TOTAL	<u>51,034.09</u>	<u>40,152.00</u>
II. ASSETS			
(1) Non-current assets			
a) Fixed Assets			
(i) Tangible Assets	10	19,846.06	15,734.90
(ii) Intangible Assets	10	311.20	227.30
(iii) Capital Work in Progress	11	14,508.10	10,585.37
		<u>34,665.36</u>	<u>26,547.57</u>
b) Non-current Investments	12	1,144.75	1,040.35
c) Long-term loans and advances	13	2,769.41	1,670.28
d) Other non-current assets	14	499.21	122.00
		<u>39,078.73</u>	<u>29,380.20</u>



(₹ in Crores)

	Note NO.	ASAT 31 ST March, 2012	ASAT 31 ST March, 2011
(2) Current Assets			
a) Current Investments	15	139.31	195.90
b) Inventories	16	1,725.65	1,058.61
c) Trade receivables	17	2,269.13	1,939.53
d) Cash and cash equivalents	18	1,446.22	2,584.35
e) Short-term loans and advances	19	6,159.65	4,917.98
f) Other current assets	20	215.40	75.43
		<hr/>	<hr/>
		11,955.36	10,771.80
		<hr/>	<hr/>
	TOTAL	51,034.09	40,152.00
		<hr/>	<hr/>

Significant Accounting Policies

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See accompanying notes to the financial statements

For and on behalf of the Board of Directors

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

Navin Bansal
(Partner)
Membership No. 91922

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

G. S. Haldia
(Partner)
Membership No.007012

Place : New Delhi
Dated : May 30, 2012

GAIL (INDIA) LIMITED, NEW DELHI
Consolidated Statement of Profit & Loss for the Year ended 31st March, 2012
(₹ in Crores)

	Note NO.	Year Ended 31 ST March, 2012	Year Ended 31 ST March, 2011
I. Revenue from Operations (Gross)	21	44,861.05	35,750.30
Less: Excise Duty		(678.91)	(558.69)
Revenue from Operations (Net)		44,182.14	35,191.61
II. Other Income	22	481.87	472.47
III Total Revenue (I+II)		44,664.01	35,664.08
IV Expenses			
Raw Material consumed		2,797.76	2,182.29
Purchase		29,304.73	22,099.67
Change in Inventory			
Opening Stock		392.78	259.73
Less : Closing Stock		(890.54)	(392.78)
Employee benefits expense	23	655.31	759.90
Finance Cost	24	366.43	377.86
Depreciation	25	1,040.59	877.99
Other Expenses	26	4,641.71	3,710.86
Total Expenses		38,308.77	29,875.52
V. Profit before Prior Period Adjustment and tax (III-IV)		6,355.24	5,788.56
VI. Prior Period Adjustments (Net)	28	0.40	(10.39)
VII. Profit before Tax		6,354.84	5,798.95
VIII. Tax Expenses			
1. Current Tax			
- Current Year		1,681.35	1,564.07
- Earlier Year		122.33	4.20
2. Deferred Tax		150.33	249.83
Total tax expenses		1,954.01	1,818.10
IX. Profit after Tax		4,400.83	3,980.85
Add : Share of Profit / (Loss) in Associated for the year		42.78	40.12
X. Group Profit after Tax		4,443.61	4,020.97
Details of Earning Per Share			
A. Profit after tax		4,443.61	4,020.97
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 (₹)		35.03	31.70
Significant Accounting Policies	29		
Expenditure during Construction Period	27		
See accompanying notes to the financial statements			
There are no exceptional or extraordinary items in the above period.			

For and on behalf of the Board of Directors

As per our separate Report of even date

N.K. Nagpal
Secretary

P.K. Jain
Director (Finance)

R. D. Goyal
Director (Projects)

B. C. Tripathi
Chairman &
Managing Director

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

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

Place : New Delhi
Dated : May 30, 2012

Navin Bansal
(Partner)
Membership No. 91922

G. S. Haldia
(Partner)
Membership No. 007012



GAIL (INDIA) LIMITED, NEW DELHI NOTES

(₹ in Crores)

	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 1 : Share Capital		
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

a) Details of Shareholders holding more than 5% shares in the company

	31 ST March, 2012		31 ST March, 2011	
	Numbers	% Holding	Numbers	% Holding
Equity shares of ₹10/- each fully Paid Up				
(i) President of India (Promoter)	727,405,675	57.34%	727,405,675	57.34%
(ii) Life Insurance Corporation of India	91,927,049	7.25%	76,168,062	6.00%

- b) The Company has only one class of equity shares having a par value ₹10/- per share. The holders of the equity shares are entitled to receive dividends as declared from time to time and are entitled to voting rights proportionate to their share holding at the shareholders meetings.
- c) 104,90,634 shares are held in the form of Global Depository Receipts
- d) During the year 2008-09, the company had issued 42,28,25,800 Bonus Equity shares of ₹ 10/- each out of General Reserve.

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(₹ in Crores)

	AS AT 31 st March, 2012	AS AT 31 st March, 2011
Note 2 : Reserves and Surplus		
Capital Reserve		
As per Last Financial Statements	885.99	319.78
Add : Transferred from statement of Profit & Loss	617.66	566.32
Less : Transferred to statement of Profit & Loss	(0.11)	(0.11)
	1,503.54	885.99
Share Premium Account	14.70	14.70
Investment Allowance (Utilised) Reserve		
As per Last Financial Statements	17.87	19.11
Less : Transferred to General Reserve	(17.87)	(1.24)
	0.00	17.87
Bonds Redemption Reserve		
As per Last Financial Statements	197.71	189.90
Add : Transferred from statement of Profit & Loss	30.93	37.81
Less : Transferred to statement of Profit & Loss	(55.00)	(30.00)
	173.64	197.71
General Reserve		
As per Last Financial Statements	2,598.32	2,289.84
Add : Transferred from Investment Allowance(Utilised) Reserve	17.87	1.24
Add : Transferred from statement of Profit & Loss	392.53	380.94
Add : Adjustment due Joint Venture Regrouping (Refer Note No - 47 of Other Notes to accounts)	(89.00)	(73.70)
	2919.72	2598.32
Foreign Currency Translation Reserve	13.88	0.87
Surplus in the Statement of Profit & Loss		
As per Last Financial Statements	16,229.93	13,708.79
Add : Transferred from statement of Profit & Loss	4,443.61	4,020.97
Less : Adjustment due Dividend Received from Associate	(3.27)	(4.40)
Less: -Appropriations		
Interim Dividend	380.54	253.70
Proposed Final Dividend	723.03	697.66
Corporate Dividend Tax	179.02	155.32
Transfer from Bond Redemption Reserve	(55.00)	(30.00)
Transfer to Bond Redemption Reserve	30.93	37.81
General Reserve	392.53	380.94
	19019.22	16229.93
TOTAL	23,644.70	19,945.39



(₹ in Crores)

	AS AT 31 st March, 2012	AS AT 31 st March, 2011
Note 3 : Long Term Borrowings		
SECURED		
(a) BONDS		
Bonds Series - I	300.00	400.00
<p>(6.10% Secured Non-convertible redeemable Bonds -Series - I are redeemable in 5 equal installment commencing from the end of the 8th year upto the end of the 12th year from the deemed date of allotment August 22, 2003.) (Bonds are secured on pari pasu basis, by charge on freehold non agricultural land at village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery , spares, tools and accessories and other movables of the company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plant and Vadodara plant both present and future and whether installed or not and lying or in store)</p>		
Bonds Series - II	120.00	240.00
<p>(5.85% Secured Non-convertible redeemable Bonds -Series - II are redeemable in 5 equal installment commencing from the end of the 6th year upto the end of the 10th year from the deemed date of allotment March 25, 2004.) (Bonds are secured on pari pasu basis, by charge on freehold non agricultural land at village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery , spares, tools and accessories and other movables of the company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plant, DUPL projects and Vadodra plant both present and future and whether installed or not and lying or in store)</p>		
Bonds 2010 Series - I	500.00	500.00
<p>(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 village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery , spares, tools and accessories and other movables of the company pertaining to its projects at Vijaipur Dadri Pipeline Projects excluding compressor stations at Vijaipur both present and future and whether installed or not and lying or in store)</p>		
(b) TERM LOANS		
Loan from HDFC Bank	375.00	-
<p>(Secured by way of first pari-passu charge on all the movable fixed assets, including whole pipeline, spur lines, plant & machinery, spares, equipments, tools & accessories and other movables both present and future, whether now lying loose or in cases or which are now lying or stored in or whether in the course of transit or on high seas, of the Dahej - Vijaypur Phase-II Pipeline project of the Borrower) excluding the plant & Machinery of compresor station at Jhabua and Vijaipur) Repayable in half yearly equal instalments over a period of 12 years starting from 6 months after the completion of 2 years moratorium from the date of last disbursement.</p>		
- Oil Industry Development Board	596.00	833.00
<p>(Secured 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</p>		

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(₹ in Crores)

	AS AT 31 st March, 2012	AS AT 31 st March, 2011
<p>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)</p> <p>Repayable in four equal instalments after expiry of moratorium of one year from the date of disbursement. Loan disbursed in installment from July 2009 to March 2011 with rate of interest from 6.74% to 8.31% p.a. depending on date of disbursement.</p> <p>- Oil Industry Development Board</p> <p>(Secured 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 Dadri- Bawana-Nangal 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)</p> <p>Repayable in four equal instalments after expiry of moratorium of one year from the date of disbursement. Loan disbursed in installment from July 2011 to March 2012 with rate of interest from 8.68% to 8.89% p.a. depending on date of disbursement.</p>	675.00	-
- From Banks	2,885.67	2,276.97
- From Others	1,560.73	1,568.41
	AS AT 31ST MARCH, 2012	AS AT 31ST MARCH, 2011
UNSECURED		
(a) TERM LOANS		
From Banks :		
- Bank of Tokyo, Mitsubishi UFJ Ltd. (1/3 rd repayment at the end of the 4th, 5th & 6th year from the last date of drawl i.e Dec 2015, Dec 2016 & Dec 2017) Loan carries floating rate of interest linked to 6 Months LIBOR plus spread.	516.30	-
- Bank of Tokyo, Mitsubishi UFJ Ltd. (Bullet repayment at the end of the 5th year from the last date of 'drawl i.e Aug'2016. Loan carries floating rate of interest linked to 6 Months LIBOR. plus spread)	774.45	-
- Mizuho Corporate Bank (1/3 rd repayment at the end of the 4th, 5th & 6th year from the last date of drawl i.e Jan 2016, Jan 2017 & Jan 2018) Loan carries floating rate of interest linked to 6 Months LIBOR plus spread).	516.30	-
- Sumitomo Mitsui Banking Corporation (1/3 rd repayment at the end of the 4th, 5th & 6th year from the last date of drawl i.e Feb 2016, Feb 2017 & Feb 2018) Loan carries floating rate of interest linked to 6 Months LIBOR plus spread).	516.30	-
(b) Other Loans and Advances		
- Sales Tax Deferred	5.21	5.37
TOTAL	9,340.96	5,823.75



(₹ in Crores)

	AS AT 31 st March, 2012	AS AT 31 st March, 2011
Note 4 : Other Long Term Liabilities		
Trade Payable	4.38	7.30
Gas Pool Money (Provisional)	234.01	-
Foreign Currency Monetary Item Translation Difference Account	1.35	-
Others :		
Liability for Abandonment Cost (E&P)	1.13	1.13
Deposits & Others long term liabilities	115.65	45.22
TOTAL	356.52	53.65
Note 5 : Long Term Provisions		
Provision for Employee Benefits (incl. Gratuity)	341.62	291.99
Other Provisions	4.60	-
TOTAL	346.22	291.99
Note 6 : Short Term Borrowings		
Unsecured Loans	1,512.31	608.48
TOTAL	1,512.31	608.48
Note 7 : Trade Payables		
Trade Payables (includes ₹ 47.06 Crs. (Previous Year : ₹ 43.74 Crs.) payable to JV consortium)	2,679.96	2,202.71
TOTAL	2,679.96	2,202.71

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(₹ in Crores)

	AS AT 31 st March, 2012	AS AT 31 st March, 2011
Note 8 : Other Current Liabilities		
(a) Current Maturity of Long Term Debt		
Secured		
Bonds Series - I	100.00	100.00
Bonds Series - II	120.00	120.00
Term Loan from Bank	116.23	59.34
Term Loan from Others	78.63	49.25
Oil Industry Development Board	237.50	117.00
Unsecured		
Deposits from Customers	-	26.28
(b) Interest accrued but not due	45.09	41.56
(c) Unpaid Dividend	2.59	2.71
(d) Others		
Advances / Deposits from Customers	101.15	95.19
Deposits/Retention Money from Contractors and others	786.21	533.84
Trade and Security Deposits	9.90	1.64
Gas Pool Money	818.83	722.60
Imbalance & Overrun Charges	31.67	23.96
Other Liabilities	2,166.81	1,863.50
TOTAL	4,614.61	3,756.87
Note 9 : Short-term Provisions		
Provision for Employee Benefits	23.15	19.74
Others :		
Provision for Taxes	3,157.05	2,952.31
Provision for Proposed Dividend	723.03	697.66
Provision for tax on Proposed Dividend	117.29	113.18
Provision for Probable Obligations	231.29	155.48
Other Provisions	171.54	-
TOTAL	4,423.35	3,938.37


Note 10 - Fixed Assets (Tangible / Intangibles Assets)

(₹ in Crores)

DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2011	Additions/ Adjustments during the year	Sales / Adjustments during the year	As at 31.03.2012	As at 01.04.2011	For the Year ##	Adjustments during the year	As at 31.03.2012	As on 31.03.2012	As on 31.03.2011
Tangible Assets										
Freehold	109.29	46.62	0.33	155.58	-	-	-	-	155.58	109.29
Leasehold	220.68	34.76	(2.69)	258.13	22.16	5.73	(0.02)	27.91	230.22	198.52
Building : Office/Others	566.54	74.36	(0.46)	641.36	157.43	18.72	0.01	176.14	465.22	409.11
Residential	292.35	40.15	0.79	331.71	68.77	6.80	0.06	75.51	256.20	223.58
Roads and Fences	1.37	10.04	(0.34)	11.75	0.27	0.30	(0.03)	0.60	11.15	1.10
Electrical Installations	1.06	0.25	(0.10)	1.41	0.31	0.06	(0.01)	0.38	1.03	0.75
Bunk Houses	2.15	0.04	0.03	2.16	1.69	0.14	0.03	1.80	0.36	0.46
Plant and Machinery	24,580.25	4,512.23	124.47	28,968.01	10,062.51	967.91	66.93	10,963.49	18,004.52	14,517.74
Railway Lines & Sidings	5.47	-	-	5.47	5.16	-	(0.01)	5.17	0.30	0.31
Communication Systems	6.41	0.61	0.27	6.75	3.63	0.58	-	4.21	2.54	2.78
Electrical Equipments	194.30	29.28	2.63	220.95	81.43	13.38	2.14	92.67	128.28	112.87
Furniture, Fixtures and										
Other Equipments	174.48	34.08	18.21	190.35	85.85	24.12	15.98	93.99	96.36	88.63
Office Equipments	171.20	33.05	1.90	202.35	103.51	5.11	1.91	106.71	95.64	67.69
Vehicles	0.71	0.12	0.07	0.76	0.31	0.07	0.05	0.33	0.43	0.40
Transport Equipments	2.50	0.04	0.04	2.50	2.02	0.10	0.05	2.07	0.43	0.48
E&P Assets										
Proved / Producing Property	-	184.64	(12.19)	196.83	-	6.65	(0.45)	7.10	189.73	-
Support Equipment & Facility	1.65	-	-	1.65	0.46	0.09	-	0.55	1.10	1.19
Non Producing Property	-	98.23	(6.49)	104.72	-	-	-	-	104.72	-
Unproved Leasehold Cost	-	95.91	(6.34)	102.25	-	-	-	-	102.25	-
Intangible Assets										
Right of Use **	213.31	52.98	0.36	265.93	-	-	-	-	265.93	213.31
Softwares / Licences / Others	61.42	37.01	(0.14)	98.57	47.43	5.91	0.04	53.30	45.27	13.99
Total	26,605.14	5,284.40	120.35	31,769.19	10,642.94	1,055.67	86.68	11,611.93	20,157.26	15,962.20
Share in Joint Venture Assets and Subsidiary included	4,460.76	973.21	(28.59)	5,462.56	902.13	264.18	3.39	1,162.92	4,299.64	3,558.63
Previous Year	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 and Subsidiary included	4,126.36	339.35	4.95	4,460.76	727.04	237.69	62.60	902.13	3,558.63	3,399.32

Depreciation for the Financial Year includes Impairment Loss of ₹ 2.12 Crores (i.e., ₹ 1.67 Cr for Plant & Machinery & ₹ 0.45 Cr for Electrical Equipments)

** Right of use for laying pipelines is a preperpetual 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.

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(₹ in Crores)

		AS AT 31 st March, 2012		AS AT 31 st March, 2011
Note 11 : Capital Work-in-Progress				
Linepipe Construction and related facilities including Cathodic Protection & Dispatch / Receiving Terminals	4,797.61		3,230.09	
Less : Provision for Linepipe and Related Facilities	(25.11)	4,772.50	(11.44)	3,218.65
Compressor Stations		59.82		20.97
Telecom/Telesupervisory System		17.58		6.08
LPG Pipeline Project		5.22		5.02
LPG Projects		1.90		0.70
Petrochemicals		1,298.49		994.04
Telecom Project		0.26		-
Others		485.80		227.78
Engineering / Project construction		5,162.42		3,489.24
Exploratory & Development Well in Progress	514.76		430.93	
Less : Provision for Dry Exploratory Wells	(53.57)	461.19	-	430.93
Construction of CNG Station		187.32		163.72
Buildings	33.78		7.64	
Less : Provision for abandonment of Building	-	33.78	(0.34)	7.30
Linepipes, Capital Items in Stock/Transit	2,022.66		2,021.21	
Less : Provision for losses/obsolescence	(0.84)	2,021.82	(0.27)	2,020.94
TOTAL		14,508.10		10,585.37



(₹ in Crores)

	ASAT 31 st March, 2012	ASAT 31 st March, 2011
Note 12 (Part I) : Non-current Investments		
1. Trade Investments		
Quoted		
(a) Investments in Equity Instruments :-		
(i) In Associate Company		
21,00,00,000 (Previous Year : 21,00,00,000) Equity Shares of HK\$ 0.01/- each fully paid up in China Gas Holding Ltd., China; acquired at a premium of HK\$ 1.148 / share	51.84	51.84
Add: Goodwill	84.48	84.48
Add: Share of Profit in Associates	123.35	90.08
Less: Dividend Received	(10.44)	(7.79)
	249.23	218.61
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	75.50	64.40
	159.12	148.02
(ii) 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 : 205601068) 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 ₹ 6033.96 Cr (Previous Year : ₹ 6460.93 Cr)(includes cost where market price not available)		
(b) Investments in Govt. or Trust securities		
(i) 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
Unquoted		
(i) 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	20.89	21.72
Less: Dividend received	(2.90)	(2.28)
	38.75	40.20
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	10.55	11.31
Less: Dividend received	(10.92)	(10.92)
	7.72	8.48

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(₹ in Crores)

	AS AT 31 st March, 2012	AS AT 31 st March, 2011
2. Investments (Unquoted - At cost)		
(a) Investments in Equity Instruments :-		
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 Sanan 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 (Previous Year: 8347 Eq Shares) of USD 1/- each fully paid up in South East Asia Gas Pipeline Ltd. registered in Hongkong.	0.04	0.04
3. Other Investment (Other Non-Current)		
Other Investment / Investment by Group companies	22.52	15.40
TOTAL I	1,044.12	997.49
Note 12 (Part II)- Advances for Investments (Pending Allotment)		
Other Investments / Company: -		
South East Asia Gas Pipeline	100.63	42.86
TOTAL II	100.63	42.86
TOTAL (I + II)	1,144.75	1,040.35
Note 13 : Long term Loans and Advances		
(a) Capital Advances		
(Secured / Unsecured - Considered Good)	873.97	51.42
(Unsecured - Considered Doubtful)	1.55	1.77
	875.52	53.19
Less : Provision for Doubtful Advances	(1.55)	(1.77)
	873.97	51.42
(b) Security Deposits (Unsecured)	172.06	54.74
(c) Other Loans and Advances		
Loans to Employees		
- Secured, Considered Good	230.94	196.64
- Unsecured, Considered Good	68.57	32.10
(including dues from Directors ₹ 0.44 (Previous Year : ₹0.25)) (Maximum amount due at any time during the year: ₹ 0.77) (Previous Year : ₹ 0.49)		
Advances to Income Tax against pending demand	1,177.33	1,323.66
Others	246.54	11.72
(Unsecured, Considered Good)	1,723.38	1,564.12
TOTAL	2,769.41	1,670.28



(₹ in Crores)

	AS AT 31 st March, 2012	AS AT 31 st March, 2011
Note 14 : Other Non Current Assets		
Long Term Trade Receivables		
(Unsecured - Considered Good)	275.24	73.55
(Unsecured - Considered Doubtful)	472.58	150.50
	<u>747.82</u>	<u>224.05</u>
Less : Provision for Doubtful Debts	(472.58)	(150.50)
	<u>275.24</u>	<u>73.55</u>
Others		
Other Non current assets	206.68	46.53
Deposit with various parties	17.29	1.92
	<u>223.97</u>	<u>48.45</u>
TOTAL	499.21	122.00
Note 15 : Current Investments		
Associates Companies *		
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
Add: Goodwill		1.28
Add: Share of Profit / (Loss)		(1.50)
		<u>0.11</u>
Other Current Investments / Mutual Fund Scheme	139.31	195.79
	<u>139.31</u>	<u>195.90</u>
TOTAL	139.31	195.90
* During the Financial Year 2011-12, GAIL disposed-off its whole stake in Shell Compressed Natural Gas Egypt (S.A.E.) for ₹ 1.07 Crores.		
Note 16 : Inventories		
(a) Finished Goods (incl Work-in-Progress)		
Stock of Gas*/Polymers/LPG and Other Products	890.49	539.91
*after adjustment of calorific value		
(b) Raw material, Stores, Spares and others		
(As taken, valued and certified by the Management)		
Raw Material	73.72	17.89
Raw Material in Transit	17.17	11.18
CNG and Natural Gas in Pipeline	0.60	0.26
Stores and Spares (including Construction Surplus) **	770.88	514.09
Less : Provision for Losses/Obsolescence	(27.21)	(24.72)
	<u>743.67</u>	<u>489.37</u>
** includes ₹ 76.05 (Previous Year : ₹ 44.62) in transit.		
TOTAL	1,725.65	1,058.61

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(₹ in Crores)

	AS AT 31 st March, 2012	AS AT 31 st March, 2011
Note 17 : Trade Receivables		
(i) Trade receivables outstanding for a period exceeding six months		
- Secured, Considered Good	-	-
- Unsecured, Considered Good	48.04	27.20
- Unsecured, Considered Doubtful	26.97	2.57
	75.01	29.77
Other receivables		
- Secured, Considered Good	2.37	2.32
- Unsecured, Considered Good	2,218.72	1,910.01
- Unsecured, Considered Doubtful	15.41	-
	2,236.50	1,912.33
	2,311.51	1,942.10
Less : Provision for Doubtful debts	(42.38)	(2.57)
TOTAL	2,269.13	1,939.53
Note 18 : Cash and cash equivalents		
BALANCES WITH BANKS		
On Current Account (includes Corporate Liquid Term Deposit ₹189.80 (Previous Year : ₹ 90.25))	264.39	292.89
On Fixed Deposit Account	141.39	176.64
On Short Term Deposit	173.10	1,363.09
On Short Term Deposit - Gas Pool Money (includes interest accrued but not due ₹33.77 (Previous Year : ₹ 18.23)	783.84	706.47
On Short Term Deposit - Imbalance & Overrun (includes interest accrued but not due ₹1.96 (Previous Year : NIL)	32.03	-
On Short Term Deposit - JV Consortium (includes interest accrued but not due ₹0.92 (Previous Year : ₹0.70)	47.06	43.75
	1,441.81	2,582.84
Cheques/Drafts/Stamps in hand	3.01	0.46
Cash in hand	1.40	1.05
	4.41	1.51
TOTAL	1,446.22	2,584.35



(₹ in Crores)

		AS AT 31 st March, 2012	AS AT 31 st March, 2011
Note 19 : Short Term Loans and Advances			
Loans / Advances to Employees		33.31	29.57
Advances recoverable in cash or in kind or for value to be received			
- Unsecured, Considered Good	1,226.44		435.84
- Unsecured, Considered Doubtful	0.97		4.85
	<u>1,227.41</u>		<u>440.69</u>
Less : Provision for Doubtful Advances	(0.97)		(4.85)
		<u>1,226.44</u>	<u>435.84</u>
Advance tax / TDS		3,413.80	3,360.70
Claims Recoverable			
- Unsecured, Considered Good	108.91		75.00
- Unsecured, Considered Doubtful	3.72		4.22
	<u>112.63</u>		<u>79.22</u>
Less : Provision for doubtful claims	(3.72)	108.91	(4.22)
			<u>75.00</u>
Deposits / Balances with Government Authorities and Others			
- Unsecured, Considered Good	1,375.86		1,016.48
- Unsecured, Considered Doubtful	1.01		-
	<u>1,376.87</u>		<u>1,016.48</u>
Less : Provision for doubtful deposits	(1.01)	1,375.86	-
			<u>1,016.48</u>
Trade and Security Deposits			
- Unsecured, Considered Good		1.33	0.39
TOTAL		<u>6,159.65</u>	<u>4,917.98</u>
Note 20 : Other Current Assets			
Interest accrued but not due (Including on investments of ₹0.04 (Previous Year : ₹ 0.04))		11.55	13.16
Others		203.85	62.27
TOTAL		<u>215.40</u>	<u>75.43</u>

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(₹ in Crores)

	Year Ended 31 st March, 2012	Year Ended 31 st March, 2011
Note 21 : Revenue from Operations		
a) Sale of Products/ Gas	42,793.42	33,818.29
b) Sale of Services		
LPG Transmission / RLNG Shippers Charges	1,939.32	1,840.66
c) Income from Telecom	3.99	6.39
d) Other Operating Income	124.32	84.96
	44,861.05	35,750.30
Less : Excise Duty	(678.91)	(558.69)
TOTAL	44,182.14	35,191.61
Note 22 : Other Income		
Dividend from long term (trade) investment	275.65	319.02
Interest on :		
- Bonds / Debentures (Long term trade investment)	0.67	0.67
- Deposits with Banks	126.47	109.32
- Others	78.45	25.31
	205.59	135.30
(Tax deducted at source : ₹11.23 (Previous Year : ₹ 8.97))		
Add : Transferred to Expenditure during construction period (Refer Note 27)	(29.89)	(9.17)
	175.70	126.13
Miscellaneous Income including liabilities written back (Tax deducted at source : ₹ 0.56 Cr. (Previous Year : ₹ 0.20 Cr.))	32.36	28.28
Add : Transferred to Expenditure during construction period (Refer Note 27)	(1.84)	(0.96)
	30.52	27.32
TOTAL	481.87	472.47
Note 23 : Employee benefits expenses		
Salaries, Wages and Allowances	550.24	634.57
Contribution to Provident and Other Funds	88.11	62.61
Welfare Expenses	123.58	118.90
Secondment charges	1.69	1.86
	763.62	817.94
TOTAL	763.62	817.94
Less : Employees Benefit Expenses transferred to Capital Work-in-Progress (refer note no. 27)	108.31	58.04
TOTAL	655.31	759.90



(₹ in Crores)

	Year Ended 31 st March, 2012	Year Ended 31 st March, 2011
Note 24 : Finance Cost		
Interest on Term & Other Loans	570.57	389.26
Bonds	92.00	71.59
Others	17.88	2.15
Other Borrowing Costs (Commitment and other Finance Charges)	55.27	32.03
Exchange differences regarded as an adjustment to Interest Cost	40.10	-
TOTAL	775.82	495.03
Less : Interest and Finance Charges transferred to Capital Work-in-Progress (refer note no. 27)	409.39	117.17
TOTAL	366.43	377.86
Note 25 : Depreciation and Amortization Expenses		
Depreciation and Amortization Expenses	1,053.55	887.98
Impairment Loss	2.12	-
	1,055.67	887.98
Less : Depreciation & Amortization expenses transferred to Capital Work-in-Progress (refer note no. 27)	15.08	9.99
TOTAL	1,040.59	877.99
As required by Accounting Standard (AS) 28, 'Impairment of Assets', an amount of ₹ 2.12 Cr has been impaired in respect of GAIL Tel Cash Generating Units		

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(₹ in Crores)

	Year Ended 31 st March, 2012		Year Ended 31 st March, 2011
Note-26 : Other Expenses			
Power, Fuel and Water Charges			
Power and Water Charges	1,012.43		966.12
Gas used as Fuel	892.88		817.75
	1,905.31	1,783.87	
Gas Pool		589.69	428.94
Stores and Spares consumed		281.56	252.14
Rent		33.11	28.83
Rates and Taxes (includes entry tax on gas)		99.05	63.24
Licence Fees - Telecom		1.03	0.36
Bandwidth Consumption		-	0.24
Repairs and Maintenance			
Plant and Machinery	318.59		339.69
Buildings	21.44		20.59
Others	32.82	372.85	26.11
	372.85	386.39	
Insurance		35.49	21.52
Communication Expenses		9.65	9.44
Printing and Stationery		4.07	3.57
Travelling Expenses [*]		96.25	51.93
Books and Periodicals		0.55	0.60
Advertisement and Publicity		25.38	23.42
Payment to Auditors			
Audit Fees	0.65		0.65
Tax Audit fees	0.06		-
Company Law Matters	-		-
Management Services	-		0.10
Out of Pocket Expenses	0.16	0.87	0.18
	0.87	0.18	
Entertainment Expenses		0.21	0.31
Recruitment and Training Expenses		14.32	12.10
Vehicle Hire and Running Expenses		29.37	27.68
Equipment Hire charges		0.80	1.74
CNG Transportation		1.76	2.02
CNG Dispensing Charges		2.67	2.26
Operating Expenses at CNG Stations		16.86	12.84
Lease Charges		1.77	0.77
Survey Expenses		71.24	83.76
Dry Well Expenses written off		152.31	52.39
Oil & Gas Producing Expenses (Operators)		10.39	3.54
Royalty on Crued Oil		9.38	4.13



(₹ in Crores)

	Year Ended 31 st March, 2012	Year Ended 31 st March, 2011
Consultancy Charges	50.53	20.26
Legal and Professional charges	10.77	7.36
Data Processing Expenses	3.48	3.70
Donation	0.03	0.04
Research and Development Expenses	1.19	0.13
Directors fees	0.05	0.05
Loss on sale / written off of assets(net)	7.89	(14.83)
Bad Debts / Claims / Advances / Inventories written off	0.29	1.26
Provision for Doubtful Debts, Advances, Claims, Deposits and obsolescence of Stores and Capital Items	427.33	9.56
Provision for Probable Obligations / Contingencies	37.93	108.08
Excise Duty on Stock (net)	1.33	(1.40)
Expenses on Enabling Facilities	2.73	2.95
Selling & Distribution Expenses	21.98	23.85
Discount on Sales	131.77	121.79
Commission on Sales	16.52	15.94
Dealers' Commission	4.69	3.75
Security Expenses	71.86	62.94
Corporate Social Responsibility Expenses	54.43	59.92
Net Loss on Foreign currency transaction and translation / Exchange Fluctuation	17.38	(2.11)
Other Expenses	179.25	115.12
TOTAL	4,807.37	3,797.32
Less : Incidental Expenditure during construction transferred to Capital Work-in-Progress (refer note no. 27)	165.66	86.46
TOTAL	4,641.71	3,710.86

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(₹ in Crores)

		Year Ended 31 st March, 2012		Year Ended 31 st March, 2011
Note 27 : Expenditure during Construction Period				
Employees Remuneration and Benefits				
Salaries, Wages and Allowances	90.01		51.09	
Contribution to Provident and Other Funds	11.30		1.75	
Welfare Expenses	7.00	108.31	5.20	58.04
	<hr/>		<hr/>	
Power, Fuel and Water Charges		2.28		0.89
Stores & Spares		0.12		0.07
Rent		4.13		3.43
Rates and Taxes		1.51		-
Repairs and Maintenance - Plant and Machinery		0.03		-
Repairs and Maintenance - Building		0.19		0.07
Repairs and Maintenance - Others		0.61		0.31
Insurance		15.69		4.33
Communication Expenses		1.02		0.76
Printing and Stationery		-		-
Travelling Expenses		12.33		6.18
Books and Periodicals		0.01		-
Advertisement and Publicity		0.24		-
Payment to Auditors		0.01		-
Entertainment Expenses		0.40		-
Recruitment and Training Expenses		1.36		0.78
Vehicle Hire and Running Expenses		3.45		2.86
Survey Expenses		-		-
Professional & Consultancy Charges		1.78		3.21
Data Processing Expenses		0.03		-
Donations		-		-
Research & Development Expenses		-		-
Other Expenses		120.47		63.57
Depreciation		15.08		9.99
Interest and Finance Charges		409.39		117.17
		<hr/>		<hr/>
		698.44		271.66
Less : - Interest Income	29.89		9.17	
- Misc. Income	1.84		0.96	
- Sales	-	31.73	-	10.13
	<hr/>		<hr/>	
Net Expenditure		666.71		261.53
Less :Transferred to Capital Work-in-progress				
a) Employees Benefits Expenses	108.31		58.04	
b) Interest & finance Charges	409.39		117.17	
c) Depreciation	15.08		9.99	
d) Other Expenses	165.66		86.46	
e) Other Income	(31.73)	666.71	(10.13)	261.53
	<hr/>		<hr/>	
Balance Carried over to Balance Sheet		NIL		NIL
		<hr/>		<hr/>



(₹ in Crores)

	Year Ended 31 st March, 2012	Year Ended 31 st March, 2011
Note 28 : Prior Period Adjustments		
Purchase of Gas	(1.05)	0.03
Raw Material	-	-
Salaries, Wages and Allowances	(1.37)	-
Power, Fuel and Water Charges	0.02	(0.01)
Stores and Spares consumed	(0.26)	-
Rent	0.91	0.11
Depreciation(Net)	0.47	(63.68)
Repairs and Maintenance	(1.74)	27.18
Consultancy Charges	0.01	14.59
Other Expenses	2.68	11.84
	(0.33)	(9.94)
TOTAL		
Less :		
- Sales	(5.00)	(0.36)
- Interest Income	-	-
- Miscellaneous Income	4.27	0.81
	0.40	(10.39)
TOTAL(NET)		

CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES AND OTHER NOTES ON ACCOUNTS FOR THE YEAR ENDED 31.03.2012

29: 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 convention in accordance with the applicable accounting standards and other applicable relevant statutes.

II. PRINCIPLES OF CONSOLIDATION

The consolidated Financial Statements have been prepared in accordance with the applicable Accounting Standards on the following basis:-

- i. The Financial Statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21-"Consolidated Financial Statements" as notified under Companies Accounting Standard Rules, 2006.
- ii. 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.
- iii. 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.

- iv. 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 other Notes to Accounts.
- v. 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.
- vi. 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.
- vii. 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.
- 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, 2012) except for overseas Associates. In respect of Gail Global (USA) Inc., Fayum Gas and Nat Gas, the accounts drawn up as at December 31, 2011 have been used, and in respect of China Gas Holding Limited, the accounts drawn up to September 30, 2011 have been used. No adjustments have been done for the period subsequent to that date, since there are no significant transactions, as informed by respective company's management.
- ix. The financial statements of the Subsidiaries - GAIL Global (Singapore) Pte Ltd and Gail Global (USA) Inc are prepared in accordance/

conformity with Singapore Financial Reporting Standards & U.S. generally accepted accounting principles respectively, assuming the companies are going concern and the transactions with these companies are considered as non integral operation as per Accounting Standard - 11 on "Effects of Changes in Foreign Exchange Rates" and accordingly, the Financial Statements have been translated in Indian Rupees for the purpose of Consolidated Financial Statements.

- x. The financial statements of Fayum 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.

OTHER NOTES TO ACCOUNTS

30. The financial statements for the year ended 31st March 2011 were prepared as per then applicable, Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31st March 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been



reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

31. 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 31.03.2012	Name of Company	Country of Incorporation	Relation	Proportion of ownership interest as on 31.03.2012
GAIL Global (Singapore) PTE Ltd	Singapore	Subsidiary	100%	Aavantika Gas Limited	India	Joint Venture	22.50%
GAIL Global (USA) Inc.	USA	Subsidiary	100%	Ratnagiri Gas & Power (Private) Ltd (RGPPL)	India	Joint Venture	32.88%
Bramhaputra Cracker & Polymers Ltd.	India	Subsidiary	70.00%	Tripura Natural Gas Co Ltd. (TNGCL)	India	Joint Venture	29.00%
GAIL GAS Limited	India	Subsidiary	100%	ONGC Petro-additions Limited (OPaL)	India	Joint Venture	17.00%
Mahanagar Gas Limited	India	Joint Venture	49.75%	GAIL China Gas Global Energy Holdings Ltd.	Bermuda	Joint Venture	50.00%
Indraprastha Gas Limited	India	Joint Venture	22.50%	Fayum Gas	Egypt	Associate	19.00%
Petronet LNG Limited	India	Joint Venture	12.50%	Gujarat State Energy Generation Ltd (GSEG)	India	Associate	5.96%
Bhagyanagar Gas Limited	India	Joint Venture	22.50%	Natural Gas Company "Nat Gas"	Egypt	Associate	15.00%
Central UP Gas Limited	India	Joint Venture	25.00%	China Gas Holding Limited	Bermuda	Associate	4.79%
Green Gas Limited	India	Joint Venture	22.50%				
Maharastra Natural Gas Limited (MNGL)	India	Joint Venture	22.50%				

32. In view of different sets of environment in which the subsidiaries/Joint Ventures are operating, the accounting policies followed by the subsidiaries/ Joint Ventures are different from the accounting policies of the Company in respect of the following. Such different accounting policies have been adopted in respect of the following:

Particulars	Name of Joint Venture / Subsidiary	Accounting Policies		Proportion of GAIL's share (Gross Amount) (₹ in Crores)
		GAIL (India) Ltd.	Subsidiary / Joint Venture	
Inventories Valuation of Stores and spares	Mahanagar Gas Limited / Indraprastha Gas Limited/Central UP Gas Ltd.	Valued at weighted average cost or net realizable value, whichever is lower	Valued at weighted average cost.	16.01
	Tripura Natural Gas Co Ltd.	Valued at weighted average cost or net realizable value, whichever is lower	Valued at cost	0.92
Valuation of Raw Materials	Indraprastha Gas Limited / Green Gas Ltd / Maharastra Natural Gas Limited / Central UP Gas Ltd.	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.	NIL
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 earlier.	0.74

Particulars	Name of Joint Venture / Subsidiary	Accounting Policies		Proportion of GAIL's share (Gross Amount) (₹ in Crores)
		GAIL (India) Ltd.	Subsidiary / Joint Venture	
All Assets	Brahmaputra Cracker & polymers Ltd.	Assets are depreciated on SLM basis	Assets are depreciated on WDV basis	8.87
	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.	0.54
Employee Benefits	Bhagyanagar Gas Limited / Aavantika Gas Limited	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 Ltd./ 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 quantify on profit & loss account.

33. Contingent Liabilities and Commitments (To the extent not provided for):-

I. Contingent Liability

- (a) Claims against the Company not acknowledged as debts: ₹ 6040.02 Crores (Previous Year: ₹ 4930.40 Crores), which mainly include:-
- Legal cases for claim of ₹ 3261.11 Crores (Previous Year: ₹ 2731.63 Crores) by vendor / trade payable on account of Liquidated damages/Price Reduction Schedule and Natural Gas price differential etc. and by customer / trade receivable for Natural gas transmission charges etc.
 - Income tax assessments up to the Assessment Year 2009-10 have been completed and a demand of ₹ 1345.92 Crores relating to the Assessment Years 1996-97 to 1998-1999 and 2000-01 to 2009-10 (Previous Year: ₹ 1017.25 Crores related to Assessment years 1996-97 and

2000-01 to 2008-09) has been raised by the Department on account of certain disallowances / additions which has been disputed by the company as Gail has legally been advised that the demand is likely to be deleted or may be reduced substantially by the appellate Authorities. The company has filed the appeal with the appropriate appellate authorities against all the assessment years. However, to avoid coercive action by the Department, ₹ 1177.33 Crores (Previous Year: ₹ 1323.66 Crores) has already been paid pending decision by the appellate authorities.

- ₹ 1154.69 Crores (Previous Year: ₹ 760.15 Crores) relating to disputed tax demand towards Excise duty, Sales tax, Entry tax, and Service Tax etc.
- (i) The Company has issued Corporate Guarantees for ₹ 806.03 Crores (Previous Year : ₹ 372.34 Crores) on behalf of subsidiaries of the company for raising

loan. Further Bank Guarantees issued on behalf of subsidiary amounting to ₹ 45.88 Crores (Previous Year: ₹ 45.88 Crores).

- Share in Contingent Liabilities of Joint Ventures based on their audited / unaudited statement of accounts : ₹ 733.14 Crores (Previous Year: ₹ 437.20 Crores).

II Commitments:-

- Estimated amount of contracts remaining to be executed on capital account and not provided for: ₹ 7115.17 Crores (Previous Year: ₹ 4540.71 Crores).
- 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. ₹ 1777.91 Crores (Previous Year: ₹ 1418.04 Crores).
- Other Commitments:-
 - As at 31st March'2012, the company has commitment of ₹ 970.70 Crores (Previous



- Year : ₹ 1038.21 Crores) towards further investment and disbursement of loan in the Joint Venture Entities and Associates.
- (ii) As at 31st March'2012, the company has commitment of ₹ 217.33 Crores (Previous Year : ₹ 505.45 Crores) towards further investment in the Subsidiaries.
- (iii) As at 31st March'2012, the company has commitment of ₹ 321.91 Crores (Previous Year : ₹ 82.93 Crores) towards further investment in the entities other than Joint Ventures, Associates & Subsidiaries.
- (iv) Counter Guarantee issued in favour of Bank etc for issuing Bank Guarantee & Letters of Credit : ₹ 1242.63 Crores (Previous Year: ₹ 951.45 Crores).
34. (a) 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.

- (b) The Commissioner, Customs & Central Excise, Kanpur has issued a Show-Cause Notice demanding ₹ 2808.89 Crores as Central Excise Duty on Natural Gas supplied by GAIL Dibiyapur Compressor Station treating it as Compressed Natural Gas (CNG). The company is of the view that there is remote possibility of crystallizing of this liability in view of extant legal position and clarification issued by Ministry of Finance vide circular no. F.No. B.1/3/2001-TRU dated 21st May 2001 on the subject which was issued in response to GAIL's request after introduction of excise duty on CNG in the year 2001
35. (a) Freehold land acquired for city gate station at Lucknow and Kanpur, Jhansi Maintenance Base and IMT Manesar, Sectionalizing Valves in Jamnagar – Loni Pipeline and Mumbai, receiving terminal at Pune valuing ₹ 6.39 Crores (Previous Year: ₹ 4.94 Crores) are valued / capitalized on provisional basis.
- (b) Title deeds for freehold land valuing ₹ 7.84 Crores (Previous Year: ₹ 6.38 Crores) and leasehold land valuing ₹ 20.94 Crores (Previous Year: ₹ 10.24 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 ₹ 1.20 Crores (Previous year: ₹ 1.21 Crores) earmarked for disposal but in use.
36. (a) The company has added Note 1.10 (iv) in the Accounting Policy (GAIL' s Standalone) relating to foreign exchange differences stating that "Exchange differences (loss), arising from translation of foreign currency loans relating to fixed assets to the extent regarded as an

adjustment to interest cost are treated as borrowing cost"

Due to this, an amount of ₹ 40.10 Crore has been debited to borrowing cost.

- (b) In view of option allowed by the Ministry of Corporate Affairs vide its notification dated 29th Dec'2011 on Accounting Standard 11, the company (based on standalone) during the year has exercised the option and changed its accounting policy to account for "any gains or loss arising on account of exchange difference either on settlement or on translation is accounted for in the Profit & Loss account except in case of long term foreign currency monetary items relating to acquisition of depreciable capital asset (other than regarded as borrowing cost) in which case they are adjusted to the carrying cost of such assets and in other cases, accumulated in "Foreign Currency Monetary item Translation Difference Account" in the financial statements and amortized over the balance period of such long terms asset or liability, by recognition as income or expenses in each of such period".

Due to change in Accounting Policy, Fixed Assets has increased by ₹ 38.48 Crore with consequent increase in profit for the year by ₹ 38.48 Crore and also an amount of ₹ 1.63 Crore credited in Foreign Currency Monetary item Translation Difference Account and amortised by ₹ 0.28 crore during the year resulting in net decrease in profit by ₹ 1.35 Crore. The balance in Foreign Currency Monetary item Translation Difference Account as on 31.03.2012 remaining to be amortized is ₹ 1.35 Crore.

37. (a) The balance retention from PMT JV consortium amounting to ₹ 47.06 Crores (Previous Year: ₹ 43.75 Crores) includes interest amounting to ₹ 0.92 Crores (Previous Year: ₹ 2.64 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 ₹ 818.83 Crores (Previous Year: ₹ 722.60 Crores) includes interest amounting to ₹ 37.71 Crores (Previous Year: ₹ 29.10 Crores) on short term deposits. This interest does not belong to the company hence not accounted as income.

- (c) Liability on account of Pipeline overrun and Imbalance charges amounting to ₹ 31.67 Crores (Previous Year: ₹ 23.95 Crores) includes interest amounting to ₹ 1.96 Crores (Previous Year: NIL) on short term deposits. This interest does not belong to the company hence not accounted as income.
- (d) MOP&NG has issued clarification on the allocation of additional gas available from ONGCL's nominated blocks vide its letter no. L-12018/23/2010-GP-II dated 31.10.2011 and letter no. L-13013/5/2011-GP dated 17.11.2011. In compliance with this clarification, GAIL has revised the invoices for supply of Natural Gas to some Power Plants in Pondicherry area for the period 1.7.2005 to 15.11.2011 for an additional amount of ₹ 241.98 Crores by issuing the debit notes. This amount has been shown as recoverable from the respective power companies and correspondingly payable in Gas Pool Account (Provisional) amounting to ₹ 234.01 crores and VAT payable amounting to ₹ 7.97 crores. The amount payable in Gas Pool Account will be invested as and when said amount is recovered from the consumers. All the respective consumers have obtained stay orders against the recovery of these dues from Courts and the cases are subjudice.
38. Disclosure as per Accounting Standard – 11 on "The effect of changes in Foreign Exchange Rates" based on standalone of GAIL (India) Ltd as given below:-

- i. The amount of exchange difference (net) debited to the statement of Profit & Loss is ₹ 12.41 Crores (Previous Year: ₹ 3.30 Crores).
- ii. The amount of exchange difference (net) debited to the carrying amount of fixed assets is ₹ 38.48 Crores (Previous Year: Nil).
39. The required disclosure under the Revised Accounting Standard 15 is based on standalone of GAIL (India) Ltd as given below:
- (i) Superannuation Benefit Fund (Defined Contribution Fund)
- Company has paid contribution of ₹ 51.30 Crores towards contribution to Superannuation Benefit Fund Trust and charged to statement of Profit and Loss.
- (ii) Provident Fund
- Company has paid contribution of ₹ 29.53 crores (Previous Year: ₹ 32.90 Crores) to Provident Fund Trust at predetermined fixed percentage of eligible employee's salary and charged to statement of Profit and Loss. 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. Based on Actuary Report, a sum of ₹ 4.32 Crore has been credited to statement of profit and loss and correspondingly liability has been reversed. The balance liability as on 31.03.2012 is ₹ 8.82 Crore.
- (iii) 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 (TB)

At the time of superannuation, employees are entitled to settle at a place of their choice and they are eligible for Transfer Travelling 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 statement of Profit and Loss.

(₹ in Crores)

	Gratuity Funded		PRMS Non Funded		EL Non Funded		TB Non Funded		HPL Non Funded		LSA Non Funded	
	11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11
A. Expenses recognized in the statement of Profit & Loss												
Current Service Cost	22.14	19.51	-	-	25.31	32.64	-	-	12.25	10.88	-	-
Past service cost	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Benefit Obligation	8.56	8.22	3.24	2.58	12.87	6.98	0.29	0.25	7.35	3.00	0.65	0.63
Expected Return on Plan Assets	(9.35)	(8.96)	-	-	-	-	-	-	-	-	-	-
Net actuarial (Gain) / Loss recognized in the year	(19.44)	(18.61)	6.64	6.07	15.55	43.47	1.75	0.26	(15.53)	37.59	2.39	0.57
Expenses recognized in P&L Account for FY 2011-12	1.91	0.16	9.88	8.65	53.73	83.09	2.04	0.51	4.07	51.47	3.04	1.20
B The amount recognized in the Balance Sheet												
Present value of Obligation as at 31.03.2012	110.47	102.50	47.50	38.60	197.62	158.83	5.46	3.45	90.37	86.51	10.12	8.30
Fair value of Plan Assets as at 31.03.2012	109.95	103.89	-	-	-	-	-	-	-	-	-	-
Difference	(0.52)	1.39	(47.50)	(38.60)	(197.62)	(158.83)	(5.46)	(3.45)	(90.37)	(86.51)	(10.12)	(8.30)
Net Asset / (Liability) recognized in the Balance Sheet	(0.52)	1.39	(47.50)	(38.60)	(197.62)	(158.83)	(5.46)	(3.45)	(90.37)	(86.51)	(10.12)	(8.30)



	Gratuity Funded		PRMS Non Funded		EL Non Funded		TB Non Funded		HPL Non Funded		LSA Non Funded	
	11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11
C. Changes in the Present Value of the Defined Benefit Obligations:												
Present value of Obligations as at 01.04.2011	102.50	98.03	38.60	30.87	158.83	88.50	3.45	2.96	86.51	35.52	8.30	7.81
Interest Cost	8.56	8.22	3.24	2.58	12.86	6.98	0.29	0.25	7.35	3.00	0.65	0.63
Current Service Cost	22.14	19.52	-	-	25.31	32.64	-	-	12.25	10.88	-	-
Past service cost	-	-	-	-	-	-	-	-	-	-	-	-
Benefit Paid	(3.54)	(2.63)	(0.97)	(0.92)	(14.93)	(12.76)	(0.03)	(0.02)	(0.21)	(0.47)	(1.22)	(0.71)
Net Actuarial Gain / (Loss) on Obligation	(19.19)	(20.64)	6.63	6.07	15.55	43.47	1.75	0.26	(15.53)	37.59	2.39	0.57
Present Value of the Defined Benefit Obligation as at 31.03.2012	110.47	102.50	47.50	38.60	197.62	158.83	5.46	3.45	90.37	86.51	10.12	8.30
D. Changes in the Fair Value of Plan Assets												
Fair Value of Plan Assets as at 01.04.2011	103.89	99.53	-	-	-	-	-	-	-	-	-	-
Expected return on Plan Assets	9.35	8.96	-	-	-	-	-	-	-	-	-	-
Contributions by Employer	0.01	0.05	-	-	-	-	-	-	-	-	-	-
Benefit Paid	(3.54)	(2.62)	-	-	-	-	-	-	-	-	-	-
Actuarial Gain / (Loss)	0.24	(2.03)	-	-	-	-	-	-	-	-	-	-
Fair Value of Plan Assets as at 31.03.2012	109.95	103.89	-	-	-	-	-	-	-	-	-	-
Principal actuarial assumption at the Balance Sheet Date												
Discount rate	8.50%	8.50%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Expected return on plan assets	9.00%	9.00%	-	-	-	-	-	-	-	-	-	-
Annual increase in costs	-	-	10%	10%	-	-	10%	10%	-	-	10%	10%
Annual increase in salary	12.00%	12.00%	-	-	12%	12%	-	-	12%	12%	-	-

Mortality table referred	LIC (1994-96) DULY MODIFIED		
	AGE	WITHDRAWAL RATE % (2011-12)	WITHDRAWAL RATE % (2010-11)
Withdrawal Rate/ Employee turnover rate	UPTO 30 YEARS	3%	3%
	UPTO 44 YEARS	2%	2%
	ABOVE 44 YEARS	1%	1%

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

40. Disclosure required by Accounting Standard 16, borrowing cost capitalized during the year are ₹ 215.14 Crore (Previous Year: ₹ 35.80 Crore) based on standalone of GAIL (India) Ltd.
41. MOP&NG had issued scheme of sharing of under recoveries on sensitive petroleum products. During the year, the Company has given discounts amounting to ₹3182.62 Crores (Previous Year: ₹ 2111.24 Crores). Corresponding adjustment on account of CST amounting to ₹17.54 Crores (Previous Year: ₹ 6.98 Crores) has been made.
42. (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) (i) 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. The impact on profit is recognized during the year of tariff submission.
- (ii) PNGRB vide order no-TO/01/2012 dated 12th March' 2012 and order no. TO/06/2012 dated 01st May, 2012 have notified "PROVISIONAL" initial unit natural gas pipeline tariff for Mumbai Regional Network and Agartala Regional Pipeline respectively, effective from 20.11.2008. In accordance with the orders, the company has derecognized the revenue by an amount of ₹ 114.68 Crore. Further, the company has also derecognized the revenue by an amount of ₹140.23 Crore on account of lower tariff submitted to PNGRB for approval in respect of other pipelines.
- (iii) PNGRB has issued PNGRB Regulations 2010 (Determination of Petroleum & Petroleum Products Pipelines transportation Tariff) effective from 20.12.2010 where LPG pipeline tariff has been benchmarked against railway freight. PNGRB vide its order no. TO/02/2012 dated 02nd April'2012 has notified transportation tariff for Vizag-Secunderabad LPG Pipeline effective from 27.12.2010. In accordance with the order, the company has derecognized the revenue by an amount of ₹ 14.34 Crore.

Further, the company has also derecognized the revenue by an amount of ₹29.60 Crore (Previous Year: ₹6.33 Crore) on account of lower tariff submitted to PNGRB for approval in respect of another pipeline.

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

43. 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 ₹ 12.18 Crores (Previous Year: ₹ 15.07 Crores) have been allocated to completed project & Capital work in progress in the ratio of direct allocated cost for assets.

b) During the year, the Company has been disbursed a Term Loan from OIDB ₹ 43.59 Crores (Previous Year: ₹ 74.41 Crores) and from Union Bank of India ₹ 15.00 Crores (Previous Year: ₹ 15.00 Crores) to finance the project activities in the cities of Dewas, Kota, Meerut & Sonapat. 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 ₹ 9.57 Crores (Previous Year: ₹ 3.18 Crores) was incurred, out of which an amount of ₹ 7.10 Crores (previous Year: ₹ 3.08 Crores) was capitalized during the year.

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. The service tax audit has been completed up to 31.03.2011 and as directed by the audit an amount of ₹ 0.04 Crores was disallowed out of ₹ 0.21 Crores and the same was accounted for.

Further, the department vide their letter no. 20/STR-1/N-1/Audit/IAR/GGL/89/2012 dated 13.04.2012 has advised to reverse the service tax input credit taken up to 31.03.2011 for ₹ 0.34 Crores in the context that the same is not allowed for the reason that neither PNG is chargeable to any duty of excise nor activity of sale of PNG as such is chargeable to service tax. In view of the contradictory opinion regarding chargeability of service tax on Network Tariff by the service tax department to GAIL (India) Ltd & Bhagyanagar Gas Ltd, the same has been taken as contingent liability.

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) Leasehold Land of ₹ 81.84 Crores in respect of which lease deed has been executed for a period of 30 years. As the modus operandi of leasing out land rests on the assumption that all lands belongs to Govt of Assam, freehold land of value ₹ 0.26 Crores in the financial year 2010-11 not treated as leasehold land and has been accounted for as per AS - 19.

b) Income tax provision to the tune of ₹ 1.18 Crores (Previous Year: ₹ 1.19 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. No provision has been made on income earned by parking capital subsidy in STDRs as the same has not been considered as income of BCPL and the same is being treated as part of the capital subsidy as per directives of the Ministry of Chemicals and Fertilizer, Government of India vide letter no. 45013/1/2005-PC-1 (Part) Dt: 15.02.2012.

c) The cost of land includes ₹ 1.17 Crores (Previous Year: ₹ 1.17 Crores) paid for cost of rehabilitation land on which the company is not having the title deeds as leased hold owner or otherwise. The ownership of rehabilitation land of 52 bighas has been registered in the name of land dispensed beneficiaries. The amount has been capitalized as part of land as the cost of rehabilitation land paid under the land acquisition scheme.

d) 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 ₹ 7.56 Crores (Previous Year: ₹ 6.56 Crores) 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 (limited useful life) for having useful life of 10 years is being amortized over the life of ROU.

e) In view of time and cost overrun, the company has revised the project cost from initially ₹ 5460.61 Crores to ₹ 8920 Crores and schedule of completion from April 2012 to December 2013. Accordingly necessary approval from CCEA has been communicated by the Ministry of Chemicals and Fertilizer, Govt of India vide its letter no F.No. 45012/23/10-PC-I dated 2nd December 2011.

f) Details of Claim of Work Contract Tax from Govt. of Assam are as under:

Opening Claim as on 01.04.2011 (FY 2008-09, 2009-10 & 2010-11)	₹ 23.98 Crores
Claims lodged for the FY 2011-12	₹ 29.56 Crores
Total Claim Lodged	₹ 53.54 Crores
Less: Received during the year	₹ 20.85 Crores
Receivables as at 31.03.2012	₹ 32.69 Crores

g) As per directives from MOCF gross interest earned from parking of fund from the capital subsidy forms part of Capital Subsidy and as such the interest income from parking of capital subsidy not taxable in the hand of BCPL. Accordingly company has filed return for refund of claim as follows:

Year	Refund Claimed
2008-09	₹ 27.71 Crores
2009-10	₹ 18.51 Crores
2010-11	₹ 10.99 Crores
Total	₹ 57.21 Crores



The refund of ₹ 3.18 Crores for the year 2008-09, was released in the summary assessment accounted under current liabilities as in the scrutiny assessment the demand has been raised for ₹ 3.19 Crores which is under appeal with CIT (Appeal) Shillong. However, the Assessing Officer has directed to make a payment of ₹ 1.89 Crores pending disposal of appeal.

- h) The claim of Entry Tax till 31st March 2012 for ₹15.84 Crores has been lodged with the Sales Tax Authority of Assam for refund to BCPL. 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..
- i) The company is in construction stage and no commercial activities have been started from the date of incorporation, i.e., 08.01.2007 to 31.03.2012. Keeping in view the requirement of Revised Schedule VI and Companies Act 1956, a "NIL" profit and loss account has been prepared. It is also relevant to note that incidental expenditure during construction pending allocation to Fixed Assets on capitalization has been treated under "Other Non Current Assets".

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" ₹ 17.98 Crores (Previous Year: ₹ 21.73 Crores) has been reduced from the Interest and Financial Charges (Capital Work in Progress) being income on temporary investment of surplus funds 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 and USD 100 million from Proparco, France outstanding as on 31st March, 2012, 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 Borrowings. 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 statement of Profit & Loss.

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 depreciated generally at the 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) Petroleum and Natural Gas Regulatory Board (PNGRB) vide its order no. TO/03/2012 dated 9th April 2012 has determined the per unit network and Compression Charge for the city gas distribution network of IGL for Delhi based on submission of data by the company in May 2009 and certain assumptions taken by PNGRB in this regard. The tariffs determined by PNGRB are much lower than the rates submitted by the company. The PNGRB in its order has stated that in conformity with their letter dated 23.05.2011, the difference between the Network Tariff and the Compression Charges submitted by the company and that determined by PNGRB would be reflected through appropriate reduction in selling prices from the date of issuance of the order, i.e., 9th April 2012.

Further, PNGRB has made the determined tariff applicable with retrospective effect from 01.04.2008. However, in its order PNGRB has not clarified as to the manner of calculating such differential Network Tariff & Compression Charge for CNG for the period from 01.04.2008 till 09.04.2012 and has rather stated that the modalities and time frame for refund of differential Network Tariff and Compression Charge shall be decided subsequently.

The company has taken legal advice and has been advised that such refund lacks legal authority. Besides, IGL has already filed a writ petition on 10.04.2012 against the order of PNGRB dated 09.04.2012 before the Hon'ble Delhi High Court challenging the Constitutional power of PNGRB to fix the Network Tariff and Compression Charge including that the order couldn't have directed refund for transactions that have already taken place. The company has also filed an appeal in the Appellate Tribunal of Electricity at New Delhi against the order of PNGRB on 07.05.2012. The company is of the firm opinion that the order passed by PNGRB is not sustainable in the court of law.

Since the matter is sub-judice as also the differential amount and the period involved for working out implication for the past period is subject to different legal interpretations, the financial implication, if any, for the period up to 31.03.2012 has not been considered in the financial statements at this stage.

- d) 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 ₹ 12.90 Crores (Previous year: ₹ 12.46 Crores). Lease obligations under non-cancellable periods are as follows:

	2011-12	2010-11
i) Amounts payable in next 1 year	₹ 16.78 Crores	₹ 22.62 Crores
ii) Amounts payable in next 2 to 5 years	NIL	NIL
iii) Amounts payable over 5 years	NIL	NIL

V. ONGC Petro additions Ltd.

- a) An amount of ₹ 20.31 Crores (Previous Year: ₹ 20.31 Crores) disclosed as "Advance for Land" pertains to amount paid to Gujarat Industrial Development Corporation (GIDC) for acquiring land on Lease for developing township of the Company. Legal formalities for the lease are in the process of being formalized.
- b) As the company has not commenced any commercial activities and is under project phase, therefore the statement of Profit & Loss has not been prepared. However, incidental expenditure during

construction period have been disclosed under Capital work-in-progress.

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 statement of Profit and Loss for the year is ₹ 1.35 Crores (Previous year: ₹ 1.51 Crores).
- b) Company has taken certain vehicles under operating lease agreements. Lease payments recognized in the statement of Profit and Loss under "LCV Transportation" for the year is ₹ 2.76 Crores (Previous year: ₹ 2.69 Crores) and under "Travelling and Conveyance" for the year is ₹ 1.32 Crores (Previous Year: ₹ 1.26 Crores).
- 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 statement of Profit and Loss under rent for the year is ₹ 7.60 Crores (Previous year: ₹ 6.48 Crores).
- d) The future minimum lease payments of non-cancellable operating leases are as under: -

	2011-12	2010-11
Not later than one year	NIL	₹ 0.42 Crores
Later than one year, but not later than five years	NIL	NIL
Later than five years	NIL	NIL
TOTAL	NIL	₹ 0.42 Crores

- 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) During the year, interest on term loan / bridge loan amounting to ₹ 16.47 Crores has been apportioned to Fixed Assets / Capital work-in-progress.

VIII. Central U.P. Gas Limited

- a) The Company has taken certain properties under Operating lease agreements. The total lease rentals recognized as expense during the year under the above lease agreements aggregates ₹ 0.39 Crores (Previous Year : ₹ 0.25 crores). Lease obligations under non-cancellable periods are as follows:

	2011-12	2010-11
Amounts payable in next one year	₹ 0.15 Cores	₹ 0.15 Crores
Amounts payable in next two to five years	₹ 0.40 Cores	₹ 0.55 Crores
Amounts payable over five years	Nil	Nil

IX. Ratnagiri Gas and Power Private Limited (RGPPPL)

- a) The Central Electricity Regulatory Commission (CERC) has issued the revision of tariff order dated 04.06.2009 for F.Y. 2007-08 & F.Y. 2008-09 based on ATE Orders on March 20, 2012. As a consequences sales of ₹ 776.25 Crores (including income tax amounting to ₹ 155.32 Crores) pertaining to previous years has been recognized based on the orders issued by CERC.
44. 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, Maharashtra 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 ₹ 8705.51 Cr. (Previous Year : ₹ 8046.69 Cr.) and total liabilities of ₹ 8705.51 Cr. (Previous Year: ₹ 8046.69 Cr.) and
- Total Income of ₹ 5890.73 Cr (Previous Year : ₹ 4149.18 Cr.) and total expenditure of ₹ 4900.50 Cr. (Previous Year: ₹ 3591.94 Cr.).
45. 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 ₹ 32.44 Crores (Previous Year: ₹ 22.37 Crores).
46. 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 ₹ 195.88 Crores {previous year ₹ 46.90 Cr.} is included in the 'Advance Recoverable in cash or in kind or for value to be received'.
47. 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 statement of profit/(loss) is ₹ (89.00) Crores [Previous Year ₹ (73.70) Crores].
48. 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 / quantifiable.

49. 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) Un-allocable

50. 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**.

51. In compliance to Accounting Standard 20 on "Earning Per Share", the calculation of Earnings Per Share (Basic and Diluted) is as under:

	Current Year	Previous Year
Net Profit after tax used as numerator – (₹ crores)	4,443.61	4,020.97
Weighted average numbers of equity shares used as denominator	1,26,84,77,400	1,26,84,77,400
Earnings per share (basic and Diluted) – (₹)	35.03	31.70
Nominal Value per Equity Share – (₹)	10.00	10.00

52. 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, 2012. The item-wise details of deferred tax liability as on 31.03.2012 are as under:

	2011-12	2010-11
Deferred Tax Liability		
a). Depreciation	4114.59	2305.25
b). Others	NIL	12.18
Less :- Deferred Tax Assets		
a). Provision for Gratuity & Retirement Benefits	108.55	119.72
b). Benefit u/s 35AD of the Income Tax Act, 1961	1885.62	379.66
c). Provision for Doubtful Debts / Claims / Advances	251.08	100.19
d). Preliminary Expenses & others	4.35	2.74
Deferred Tax Liability (net)	1864.99	1715.12

53. 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 29 Blocks (PY 25 Blocks) as on 31.03.2012 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 and CY-ONN-2010/11, 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 nine NELP Blocks in India as on 31st March, 2012 is as under:

Sl. No.	Name of Block	Participating Interest	Sl. No.	Name of Block	Participating Interest
1	MN-OSN-2000/2	20%	15	CY-PR-DWN-2004/1	10%
2	CB-ONN-2000/1	50%	16	CY-PR-DWN-2004/2	10%
3	AA-ONN-2002/1	80%	17	KG-DWN-2004/1	10%
4	AA-ONN-2003/1	35%	18	KG-DWN-2004/2	10%
5	CB-ONN-2003/2	20%	19	KG-DWN-2004/3	10%
6	AN-DWN-2003/2	15%	20	KG-DWN-2004/5	10%
7	RJ-ONN-2004/1	22.225%	21	KG-DWN-2004/6	10%
8	KG-ONN-2004/2	40%	22	CY-ONN-2005/1	40%
9	MB-OSN-2004/1*	20%	23	AN-DWN-2009/13	10%
10	MB-OSN-2004/2*	20%	24	AN-DWN-2009/18	10%
11	CY-DWN-2004/1	10%	25	CB-ONN-2000/1-RING FENCED CONTRACT	50%
12	CY-DWN-2004/2	10%	26	CB-ONN-2010/11	25%
13	CY-DWN-2004/3	10%	27	AA-ONN-2010/2	20%
14	CY-DWN-2004/4	10%	28	GK-OSN-2010/1	10%
			29	GK-OSN-2010/2	10%

* Blocks are under the process of relinquishment

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

Sl	Name of the Block No.	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.

(iii) 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).

Particulars	2011-12	2010-11
Income	83.13	42.54
Expenses	286.47	140.25
Fixed Assets (Gross block)	5.77	5.47
Producing Property	-	-
Other Assets	867.35	577.52
Current Liabilities	172.20	151.28

The above includes ₹ 7.31 Crore, ₹ Nil, ₹ 0.36 Crores, ₹5.59 crores, and ₹27.41 Crores towards total value of Income, Expenses, Fixed Assets (Gross Block), Other Assets and Current Liabilities respectively pertaining to 12 E&P Blocks (including 11 Blocks relinquished in the earlier years for which ₹ Nil, ₹17.39 Crore, 0.24 Crore, ₹6.15 Crore, ₹47.65 Crore were Income, Expenses, Fixed assets (Gross Block), Other Assets, Current Liabilities respectively) relinquished till 31st March 2012. The company is non operator in these E&P Blocks.

(iv) List of the E&P and CBM Blocks relinquished till 31.03.2012 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
12	TR-CBM-2005/III	35%	10.10.2011

(v) Share of Minimum work program committed under various production sharing contracts in respect of E&P joint ventures is ₹650.17 Crores (Previous Year: ₹ 837.46 Crores).

(vi) Quantitative information:

a) Details of Company's Share of Production of Oil for Block No. CB-ONN-2000/1 during the year ended 31.03.2012:

Particulars	Opening stock		Production (Treated & processed crude)		Sales*		Closing Stock	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Crude Oil	(MT)		(MT)		(MT)	₹	(MT)	₹
Year ended 31/03/12	515.11	0.34	22673.46	-	22542.37	82.65	646.20	0.64
Year ended 31/03/11	372.12	0.28	15673.84	-	15530.85	41.41	515.11	0.34

*includes test production sales for ₹1.47 Crores (Previous Year ₹ 0.78 Crores)

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

	Proved Reserves		Proved Developed Reserves	
	2011-12	2010-11	2011-12	2010-11
Oil : in 000'MT				
Beginning of the year	90	710	90	710
Additions	107.67	-	107.67	-
Deletion	0	604	0	604
Production	22.67	16	22.67	16
Closing Balance	175	90	175	90
Gas : in Million M3				
Beginning of the year	6220	6220	-	-
Additions	-	-	-	-
Deletion	-	-	-	-
Production	-	-	-	-
Closing Balance	6220	6220	-	-

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 ₹ 691.27 Crores at the end of year (previous year: ₹ 369.81 Crores)

54. In Compliance of Accounting Standard 28, impairment of assets notified under the Companies (Accounting Standard) Rules, 2006, the company has carried out the assessment of impairment of assets. Based on such assessment, GAILTEL assets have been impaired to the extent of ₹2.12 Crore (Previous Year: Nil) and same amount has been recognized as impairment loss in statement of Profit & Loss.

55. In Compliance of Accounting Standard 29 on "Provisions, Contingent liabilities and Contingent Assets", the required information is as under:

(₹ in Crore)				
	Opening Balance	Addition during the year	Reversal during the year	Closing Balance
Legal & Arbitration Cases	155.48	84.35	8.55	231.28
Total	155.48	84.35	8.55	231.28

Additions include ₹ 37.88 Crores (Previous Year: ₹47.40 Crores) capitalized during the year. Expected timing of outflows is not ascertainable at this stage being legal cases under litigation.

56. Foreign currency exposure not hedge by a derivatives instrument or otherwise, based on Standalone of GAIL (India) Ltd.:



(₹ in Crore)

Particulars	Currencies	Amount	
		31.03.2012	31.03.2011
Borrowings, including interest accrued but not due	USD	2328.47	-
	EURO	-	-
	Others	-	-
Sundry creditors/deposits and retention monies	USD	179.91	372.44
	EURO	12.44	6.61
	Others	17.73	1.70
Sundry Debtors and Bank balances	USD	139.28	-
	EURO	-	-
	Others	-	-
Unexecuted amount of contracts remaining to be executed	USD	1090.09	1600.35
	EURO	8.32	293.32
	Others	35.04	429.90

57. (a) 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. Further, Public Investment Board (PIB) in meeting dated 13th July 2011 recommended that the issue of ownership of the Lakwa facility may be decided by the Committee comprising of representative from Department of Expenditure, Planning Commission, MoPNG and the administrative Ministry. The gross block of fixed assets and Capital work in progress value of Lakwa unit is ₹ 255.68 Crores as on 31st March 2012 (Previous Year: ₹ 258.33 Crores).

(b) In pursuance with the Board Resolution passed in its 287th Meeting held on 06th April'2011, existing and ongoing expansion of local

distribution assets amounting to ₹ 44.22 Crore in Agra and Firozabad has been transferred to GAIL Gas Limited, a wholly-owned subsidiary of GAIL, on 16th November'2011.

(c) Further the Board in its 287th Meeting held on 06th April'2011 has approved transfer of CNG stations and its associated pipeline in Vadodara to proposed Joint Venture Company of GAIL Gas Ltd. and Vadodra Municipal Seva Samiti at market value yet to be determined. The transfer has not been effected during the financial year.

58. During the year 2011-12, a newly wholly-owned Subsidiary in the name of GAIL Global (USA) Inc. was incorporated in USA on 26th September, 2011 with an investment of ₹ 179.17 Crores (USD 36 million).

59 Jointly controlled Entity:

The Company's share of the assets, liabilities, contingent liabilities and capital commitments as at 31st March 2012 and income and expenses for the year in respect of jointly controlled entities based on audited / unaudited accounts are given below:-

(₹ in Crore)

Particulars	31.03.2012	31.03.2011
A. Assets		
- Non-current / Long term assets	6,529.47	6,218.88
- Current assets	2,176.04	1,827.81
Total	8,705.51	8,046.69
B. Liabilities		
- Non-Current / Long term liabilities	3,507.17	3,400.84
- Current Liabilities & Provisions	2,415.68	1,609.73
Total	5,922.85	5,010.57
C. Contingent Liabilities	733.14	437.20
D. Capital Commitments	1,777.91	1,418.05
	Current Year	Previous Year
E. Income	5,890.73	4,149.18
F. Expenses	4,900.50	3,591.94

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

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:002312 N

Navin Bansal
(Partner)
Membership No. 91922

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

G. S. Haldia
(Partner)
Membership No.007012

Place : New Delhi
Dated : May 30, 2012

(Annexure - A)

INFORMATION ABOUT BUSINESS SEGMENT FOR FINANCIAL YEAR 2011-12

(₹ in Crores)

SL NO.	SEGMENTS	TRANSMISSION SERVICES **		NATURAL GAS TRADING**	PETROCHEMICALS	LPG & LIQUID HYDRO CARBONS	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 *	3,564.31	454.21	30,141.39	3,377.53	3,090.24	1,392.16	2,037.98	44,057.82	-	44,057.82
	Intersegment sales	288.10	-	4,332.16	37.87	-	-	-	4,658.13	4,658.13	-
	Total revenue	3,852.41	454.21	34,473.55	3,415.40	3,090.24	1,392.16	2,037.98	48,715.95	4,658.13	44,057.82
2	RESULTS										
	Segment Result(Profit before Interest &Tax)	2,153.86	272.01	1,282.68	1,465.80	554.43	379.92	-	6,108.70	-	6,108.70
	Unallocated expenses	-	-	-	-	-	-	(174.11)	(174.11)	-	(174.11)
	Operating Profit	2,153.86	272.01	1,282.68	1,465.80	554.43	379.92	174.11	6,282.81	-	6,282.81
	Interest Expenses	-	-	-	-	-	-	366.43	366.43	-	366.43
	Interest/ Dividend Income	-	-	-	-	-	-	481.24	481.24	-	481.24
	Provision for Taxation	-	-	-	-	-	-	1,954.01	1,954.01	-	1,954.01
	Profit/(Loss) from Ordinary Activities	2,153.86	272.01	1,282.68	1,465.80	554.43	379.92	(1,665.09)	4,443.61	-	4,443.61
	Extraordinary items	-	-	-	-	-	-	-	-	-	-
	Net Profit/(Loss)	2,153.86	272.01	1,282.68	1,465.80	554.43	379.92	(1,665.09)	4,443.61	-	4,443.61
3	OTHER INFORMATION										
	Segment Assets	16,776.36	912.60	817.23	3,422.62	1,199.94	1,343.12	3,548.19	28,020.06	153.31	27,866.75
	Unallocated Assets	-	-	-	-	-	-	23,167.34	23,167.34	-	23,167.34
	Total Assets	16,776.36	912.60	817.23	3,422.62	1,199.94	1,343.12	26,715.53	51,187.40	153.31	51,034.09
	Segment Liabilities	3,570.07	118.63	367.36	1,038.61	414.60	366.30	63.03	5,938.60	84.86	5,853.74
	Unallocated Liabilities	-	-	-	-	-	-	5,914.56	5,914.56	-	5,914.56
	Total Liabilities	3,570.07	118.63	367.36	1,038.61	414.60	366.30	5,977.59	11,853.16	84.86	11,768.30
	Cost to acquire fixed assets	3,411.55	13.79	0.43	217.72	120.81	398.71	1,121.39	5,284.40	-	5,284.40
	Depreciation#	463.50	49.04	23.02	178.58	86.97	73.95	180.61	1,055.67	-	1,055.67
	Non Cash expenses other than Depreciation#	363.20	0.05	39.83	(4.61)	0.57	1.59	90.19	490.82	-	490.82

* 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, Avantika, TNGCL; Subsidiary: GAIL Gas; & City Gas business of GAIL
- 4 Includes Subsidiary: GAIL Global (Singapore) Limited and GAIL Global (USA) Inc.; Associate Company's share & Joint Venture: RGGPL.



(Annexure - A)

INFORMATION ABOUT BUSINESS SEGMENT FOR FINANCIAL YEAR 2010-11

(₹ in Crores)

SL NO.	SEGMENTS	TRANSMISSION SERVICES **		NATURAL GAS TRADING**	PETROCHEMICALS	LPG & LIQUID HYDRO CARBONS	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, Avantika, TNGCL; Subsidiary: GAIL Gas; & City Gas business of GAIL
- 4 Includes Subsidiary: GAIL (Global) Singapore Limited; Associate Company's share & Joint Venture: RGGPL.

RELATED PARTY DISCLOSURES**I) Relationship****A) Joint Venture Companies / Associates**

- 1) Mahanagar Gas Limited
- 2) Indraprastha Gas Limited
- 3) Petronet LNG Limited
- 4) Bhagyanagar Gas Limited
- 5) Tripura Natural Gas Corporation Limited
- 6) Central UP Gas Limited
- 7) Green Gas Limited
- 8) Maharastra Natural Gas Ltd.
- 9) Aavantika Gas Co Limited
- 10) GAIL China Gas Global Energy Holdings Ltd.
- 11) ONGC Petro-additions Limited (OPaL)
- 12) Shell Compressed Natural Gas (Disposed off during FY 2011-12)
- 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. D. Goyal
- 3) Shri S. L. Raina
- 4) Shri Prabhat Singh
- 5) Shri S. Venkatraman
- 6) Shri P. K. Jain
- 7) Shri V. C. Chittoda
- 8) Shri M Ravindaran
- 9) Shri Rajesh Vedvyas
- 10) Shri N K Agarwal
- 11) Shri C. A. Rashid
- 12) Shri M C Deogam
- 13) Shri K. V. Vishwanathan
- 14) Shri K Chattraj
- 15) Shri P L Ahuja
- 16) Shri C. D. Joshi
- 17) Shri Shyama Sunder
- 18) Shri A K Mittal
- 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) A-1, Myanmar | (Non-operator with participating interest: 8.5%) |
| 3) A-3, Myanmar | (Non-operator with participating interest: 8.5%) |
| 4) Offshore Midstream, Myanmar | (Non-operator with participating interest: 8.5%) |
| 5) CY-OS/2 | (Non-operator with participating interest: 25%) |
| 6) RM-CBM-2005/III | (Non-operator with participating interest: 35%, GAIL has relinquished from the Block) |
| 7) TR-CBM-2005/III | (Non-operator with participating interest: 35%, GAIL has relinquished from the Block) |
| 8) MR-CBM-2005/III | (Non-operator with participating interest: 40%, GAIL has relinquished from the Block) |
| 9) AD-7, Myanmar | (Non-operator with participating interest: 10%, GAIL has relinquished from the Block) |
| 10) Block 56, Oman | (Non-operator with participating interest: 25%, GAIL has relinquished from the Block) |



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:	2011-12	2010-11
1) Sales	2159.69	1529.06
2) Amount receivable as at Balance Sheet Date for (1) above	84.43	75.86
3) Purchases	11319.88	7290.04
4) Amount payable as at Balance Sheet Date for (3) above	547.59	431.50
5) Reimbursement for other expenditure received/receivable	10.62	7.83
6) Amount receivable as at Balance Sheet Date for (5) above	5.98	4.20
7) Dividend Income	77.50	59.49
8) Other Income	0.45	1.88
9) Provision created against Debtors	28.20	-

(₹ in Crores)

B) I Details relating to parties referred to in item no. I (B) above:	2011-12	2010-11
1) Remuneration	6.17	5.46
2) Interest bearing outstanding loans receivable	0.99	0.65
3) Interest accrued on loans given	0.62	0.55
4) Self Lease	0.24	0.32

(₹ in Crores)

II. Relatives of KMP	2011-12	2010-11
1) Remuneration	0.34	0.44
2) Interest bearing outstanding loans receivable	-	-
3) Interest accrued on loans given	-	-
4) Self Lease	0.03	0.03

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

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

(₹ In Crores)

	2011-12	2010-11
1) Minimum work program commitment	-	-
2) Survey and other expenses	(13.34)	(1.93)
3) Other assets	316.40	101.31
4) Amount outstanding on Balance Sheet date	28.73	50.60
5) Amount written Off- Dry well expenditure	4.28	(0.14)

GAIL (INDIA) LIMITED, NEW DELHI
Consolidated Cash Flow Statement for the Financial Year Ended 31st March, 2012

(₹ in Crores)

	2011-12	2010-11
A. CASH FLOW FROM OPERATING ACTIVITIES		
1 Net Profit Before Tax and Extraordinary Items	6397.62	5839.07
2 ADD :		
Depreciation	1056.14	824.30
Deferred Revenue / Other Expenses written off	0.29	1.26
Capital Reserve	(0.11)	(0.11)
Exchange Rate Variation	17.38	(2.11)
Interest Expenditure	366.43	377.86
Dividend Income on Investments	(275.65)	(319.02)
Interest Income	(205.59)	(135.30)
Provision for Employees Benefits (incl Gratuity)	53.04	143.76
Provision for Payrevision	0.00	(51.62)
Provision for Doubtful Debts	361.89	0.03
Other Provisions	65.44	9.56
Provision / Writte off of Assets / CWIP	152.31	52.39
Provision for Probable obligation / Contingency	37.93	108.08
Profit / Loss on Sale of Assets (Net)	7.89	(14.83)
	1637.39	994.25
3 Operating Profit Before Working Capital Changes (1 + 2)	8035.01	6833.32
4 Changes in Working Capital (Excluding Cash & Bank Balances)		
Trade and Other Receivables	(2456.28)	(529.28)
Inventories	(668.37)	(199.37)
Trade and Other Payables	1707.12	133.63
	(1417.53)	(595.02)
5 Cash Generated from Operations (3+4)	6617.48	6238.30
6 Direct Taxes Paid	(1506.17)	(1629.96)
NET CASH FROM OPERATING ACTIVITIES (5+6)	5111.31	4608.34
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(9848.16)	(7245.82)
Sale of Fixed Assets	62.28	3.24
Investment in Other Companies	(47.81)	(171.12)
Interest Received	207.20	136.97
Dividend Received	275.65	319.02
	(9350.84)	(6957.71)
NET CASH FROM INVESTING ACTIVITIES	(9350.84)	(6957.71)
Balance Carried Forward	(4239.53)	(2349.37)



(₹ in Crores)

	2011-12	2010-11
Balance Brought Forward	(4239.53)	(2349.37)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long term / short term Borrowings	5092.65	2140.94
Repayment of Long term / short term Borrowings	(491.12)	(650.01)
Capital Subsidy	617.66	566.32
Interest Paid	(772.29)	(484.75)
Dividend & Dividend Tax Paid	(1253.23)	(1109.31)
NET CASH FROM FINANCING ACTIVITIES	3193.67	463.19
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(1045.86)	(1886.18)
OPENING ADJUSTMENT FOR JV / ASSOCIATES	(92.27)	(78.10)
CASH AND CASH EQUIVALENTS AS AT 01.04.2011 (OPENING BALANCE)	2584.35	4548.63
CASH AND CASH EQUIVALENTS AS AT 31.03.2012 (CLOSING BALANCE)	1446.22	2584.35

NOTES :

1 Cash & Cash Equivalents include :

Cash & Bank Balances

As per Balance Sheet

Unrealised (Gain)/ loss on foreign Exchange

Total Cash & Cash Equivalents

1446.22

0.00

1446.22

2584.35

0.00

2584.35

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:002312 N

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

Navin Bansal
(Partner)
Membership No. 91922

G. S. Haldia
(Partner)
Membership No.007012

Place : New Delhi
Dated : May 30, 2012

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 Responsibility
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



GAIL (India) Limited

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