



14th Annual Report 1997-98



MD	✓		BKC	NA
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	NA		AC	✓
AGM	NA		SM	✓
YE	✓			

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BOARD OF DIRECTORS



Seated (L to R): Mr J.K. Jain, Mr C.R. Prasad, and Mr Ravi Saxena; Standing (L to R): Mr H.P. Chandna, Mr S. Niyogi, and Mr Shivraj Singh.

DIRECTORS

Shri C.R. Prasad

*Chairman & Managing
Director*

Shri S. Nigam, IES

(Up to 28.01.98)

**Shri Shivraj Singh,
IAS**

(From 09.10.97)

Shri J.K. Jain

Director (Finance)

**Shri Ravi Saxena,
IA&AS**

(From 28.01.98)

Shri S. Niyogi

Director (Personnel)

Shri A. Sen, IAS

(Up to 17.10.97)

Shri H.P. Chandna

*Director (Planning)
(From 05.03.98)*

Shri N.K. Nagpal

Company Secretary

STATUTORY AUDITORS

**M/s Jain Kapila
Associates**

Chartered Accountants
New Delhi

BRANCH AUDITORS

M/s J.N. Sharma & Co

Chartered Accountants
Kanpur

M/s Bansal & Co

Chartered Accountants
Bhopal

BANKERS

State Bank of India

Corporate Accounts
Group Branch
Vijaya Building
Barakhamba Road
New Delhi 110 001

Bank of Baroda

Bhikaiji Cama Place
R.K. Puram
New Delhi 110 066

Bank of India

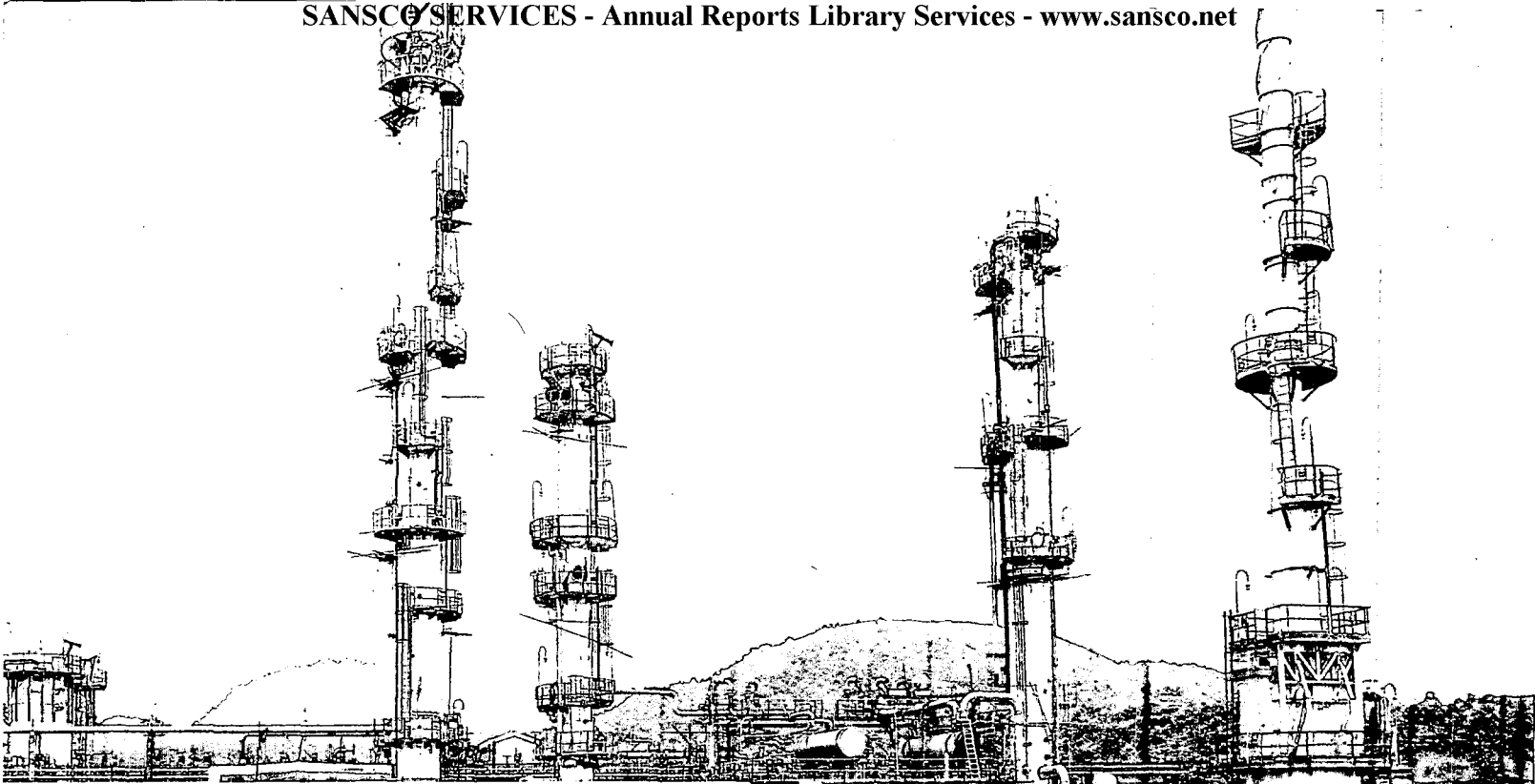
Overseas Branch
Vijaya Building
Barakhamba Road
New Delhi 110 001

Indian Overseas Bank

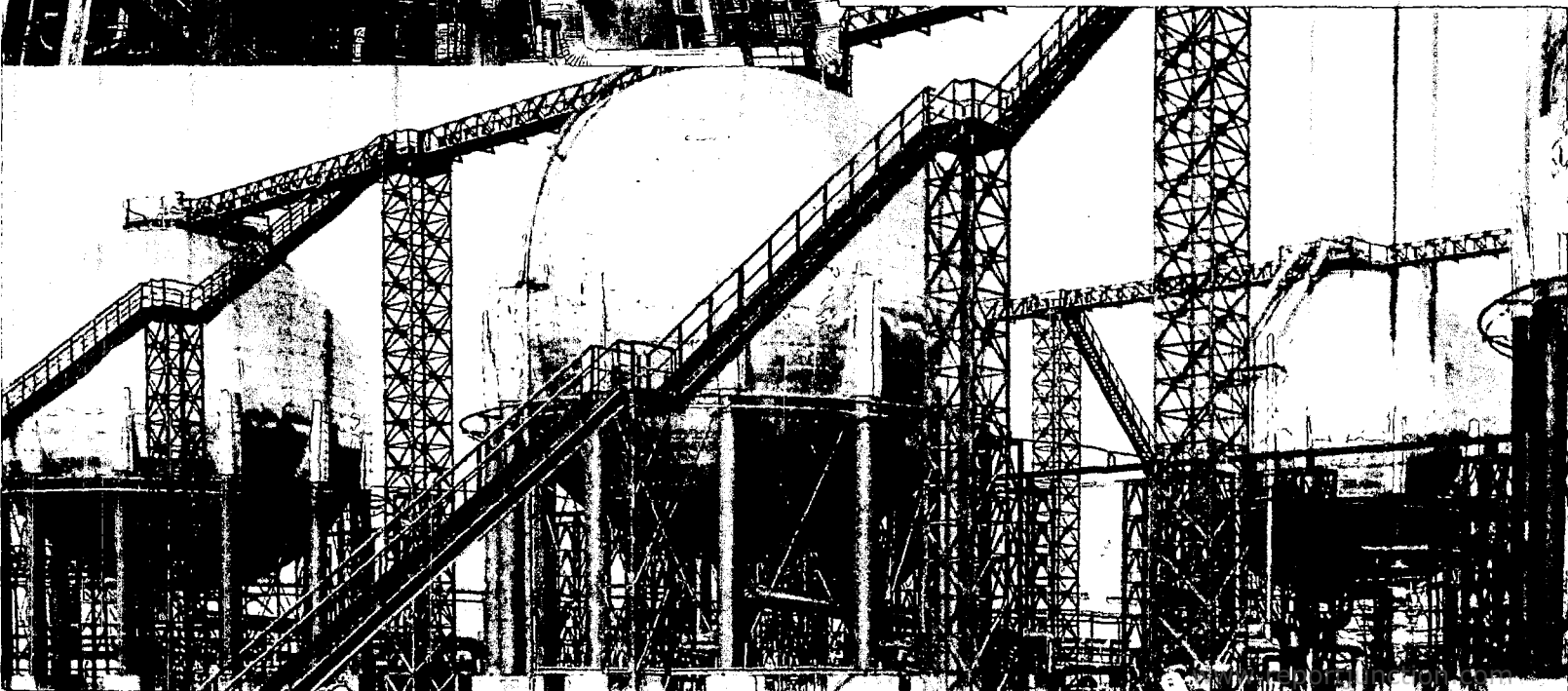
Prakash Deep Building
Tolstoy Marg
New Delhi 110 001

REGISTERED OFFICE

16, Bhikaiji Cama Place
R.K. Puram, Ring Road, New Delhi 110 066



GAIL's first LPG plant (1992) at Vijaipur (bottom) and the latest plant at Usar (top) in Maharashtra (1998). The conventional storage system of Horton Spheres has been replaced by the much safer Mounded storage system in the new plant. LPG is a major area of activity in GAIL. The Company is currently setting up two more LPG plants in the country and expects to double its existing capacity (0.6 million tonnes Liquid Hydrocarbon Production) in the coming two-three years.



DIRECTORS' REPORT: 1997-98

To

The Members,

The Directors have pleasure in presenting the 14th Annual Report of your Company together with Audited Accounts for the year ended March 31, 1998.

PHYSICAL PERFORMANCE

Maintaining the growth during the year, your Company recorded overall growth in operation and production as under:

	1997-98	1996-97
Sale of Gas (MMSCM)	19,512	16,798
LPG Production (MTs) (including blended LPG)	591,197	599,161
Propane/Pentane/SBP Production (MTs) (including propane used for Blended LPG)	67,658	72,038

In order to improve the availability of LPG, Butane blending and unloading facilities have further been augmented at Vijaipur.

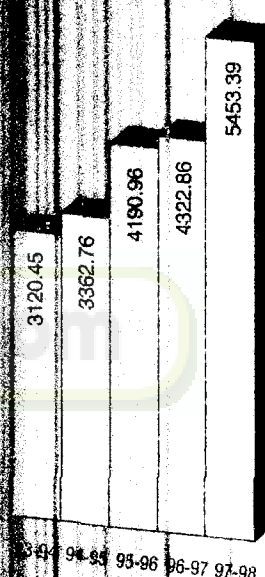
FINANCIAL PERFORMANCE

During the year, profit before tax increased from Rs. 829 Crores to Rs. 1,390 Crores and turnover from Rs. 4,323 Crores to Rs. 5,453 Crores over the previous year. Salient financial parameters during the current year as compared to the previous year are mentioned below:

	(Rs. in Crores)	
	1997-98	1996-97
Gross Profit	1,703	1,124
Depreciation	247	233
Write-off	1	1
Interest	65	61
Profit before Tax	1,390	829
Provision for Tax	370	209
Proposed Dividend (including tax on dividend)	186	140

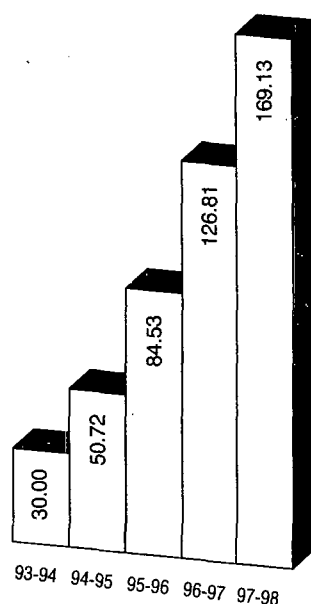
Sales

Rs. in Crores



Dividend

Rs. in Crores

**NAV RATNA STATUS**

The Directors are happy to state that the Government of India has acknowledged your Company's 'Excellent' track record, and potential to become a global giant, by granting the Navratna status, thereby entrusting greater autonomy to your Company after restructuring of the Board.

DIVIDEND

The Directors feel privileged to recommend for approval of the Members' dividend of 20 per cent excluding dividend tax.

VISION STATEMENT AND INTEGRATED STRATEGIC BUSINESS PLAN

Your Company has commissioned a study to prepare a precise and crystallised vision statement, integrated with strategic business plan, growth models and annual plan perceiving the changing environment.

DEREGULATION

The Government of India deregulated the natural gas price w.e.f. October 1, 1997, and linked the consumer price of gas at landfall point to the price of a basket of fuel oils. The Government of India is in the process of dismantling administered pricing mechanism for LPG w.e.f. April 1, 1998, which is expected to result into upside for your Company.

DISINVESTMENT OF GOVERNMENT EQUITY

Based on the recommendations of the Disinvestment Commission, the Government of India decided to disinvest further about 25 per cent of its equity through GDR/domestic route. Based on the feedback of global coordinators, the GDR issue was launched by the Government of India in October, 1997.

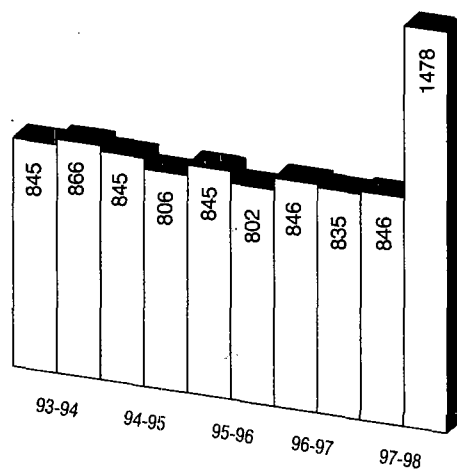
Your Company was received well by international investors; however, due to the unexpected crash of international stock markets, international offer of the equity was deferred by the Government of India.

DEMATERIALISATION OF SHARES

During the year, your Company signed an agreement with M/s National Security Depository Ltd to facilitate shareholders to trade in the shares of the Company in the dematerialised form.

Cumulative Position Of Loan And Equity

Rs. in Crores



Equity

Loan

PROJECTS COMMISSIONED

During the year the gas processing unit (GPU), offsite and utilities of the Petrochemical plant at Pata were commissioned at a cost of Rs. 690 Crores. Compressor stations at Hazira and Vaghodia (part) were commissioned during the year. In addition, pipelines for supply of gas to NEEPCO and TSED were commissioned. Spurline from GREP tap-off at Bajhera to Agra-Ferozabad was completed and charged with gas. The first phase of the city distribution network for the industrial consumers at Ferozabad was also commissioned during the financial year.

PROJECTS UNDER IMPLEMENTATION

Petrochemicals Complex at Pata

After commissioning GPU and utilities, pre-commissioning of the gas cracker unit and down stream unit has been started. Ordering/tendering and delivery of all equipments have been completed. The plant has achieved an overall progress of over 99 per cent. Your Company is fully geared to meet the challenges of marketing polymers in a competitive scenario. An adequate number of marketing offices have been opened and consignment stockists appointed. Test marketing by way of market seeding has been done successfully. The product application and research centre (PARC) at Noida will be operational soon to provide adequate backup support service. It is expected that commissioning of the gas cracker unit would be achieved by third quarter of 1998 and the down stream units will be commissioned shortly thereafter. This project will produce 300,000 tonnes of Ethylene to be used for production of LLDPE/HDPE.

PIPELINE PROJECTS

Gas Rehabilitation and Expansion Project

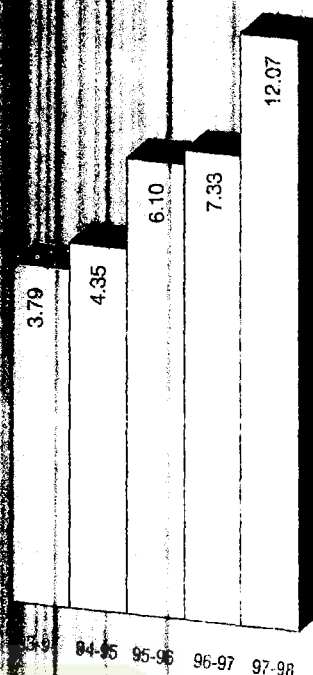
The project on its completion envisages enhancement of the HBJ pipeline capacity from 18.2 to 33.4 MMSCMD. Pre-commissioning activity for compressor stations at Jhabua and Khera has been completed. Terminals at Hazira, Vijaipur and Aonla have been completed and a permanent terminal at Mathura is likely to be commissioned shortly.

LPG Pipeline

The Government of India approved the laying of pipeline for transportation of LPG from Kandla to Loni (1,250 kms) to transport 2.5 million tonne per annum (TPA) of LPG at a projected cost of Rs. 1,230 Crores in two phases. The project is likely to be commissioned by April 2001. Asian Development Bank (ADB) has sanctioned a loan of US\$150 million for the project. ROU acquisition has been

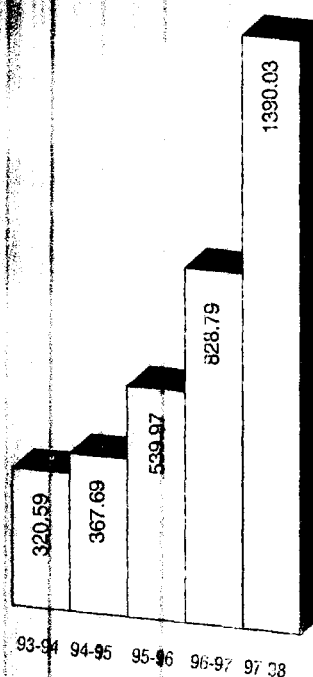
Bonus Per Share

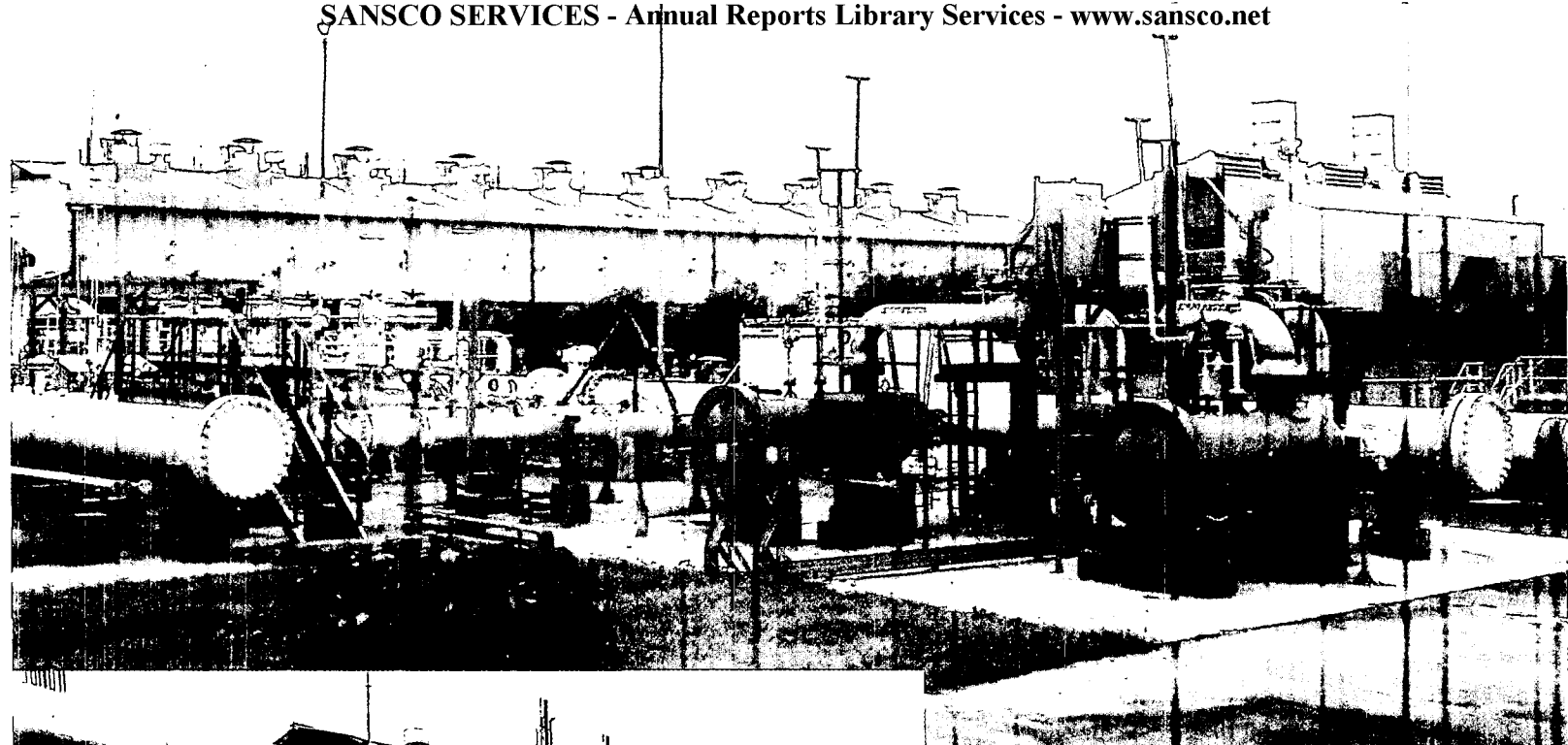
in Rupees



Net Profit (Before Tax)

Rs. in Crores





The expanded Hazira compressor station of GAIL. Early this year GAIL completed the Gas Rehabilitation and Expansion Project (GREP), thus increasing the capacity of its trunk transmission system from 18.2 to 33.4 MMSCMD. Hazira is the starting point of the HBJ pipeline and all the western offshore gas from ONGC is received at Hazira.

