



17th Annual Report 2000-2001

17th Annual Report 2000-2001.

Gas Authority Of India Limited

C O N T E N T S

Board of Directors	2
Directors' Report	5
Five Year Profile	25
Annual Accounts	27
Balance Sheet Abstract and Company's General Business Profile	57
Accounting Policies	59
Cash Flow Statement	62
Auditors' Report to the Shareholders	64
Schedule of Fixed Assets – Township	68
Income and Expenditure – Township, etc.	69
Comments of C&AG	72
Review of Accounts by C&AG	74

BOARD OF DIRECTORS

Shri C.R. Prasad

*Chairman & Managing Director
(Up to 31.01.2001)*

Shri J.K. Jain

*Director (Finance)
and Chairman & Managing Director
(From 01.02.2001)*

Shri S. Niyogi

Director (HR)

Shri H.P. Chandna

Director (Planning)

Shri S.P. Rao

Director (Projects)

**Shri Ravi Saxena,
IA&AS**

Shri C.L. Bashal

(Up to 30.11.2000)

Dr. Amit Mitra

Shri K.S. Govindarajan

**Shri Ashwin
C. Muthiah**

(Up to 28.06.2000)

Shri M.C. Bagrodia

**Shri S. Vijayaraghavan,
IAS**

(From 06.02.2001)

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*

17TH ANNUAL REPORT • GAS AUTHORITY

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

**DETAILS OF STOCK EXCHANGES WHERE THE SHARES
OF THE COMPANY ARE LISTED****The Delhi Stock
Exchange Association
Ltd.**

DSE House
3/1 Asaf Ali Road
New Delhi 110 002

**Mumbai Stock
Exchange**

The Stock Exchange, Mumbai
Phiroze Jee Jee Bhoy Tower
20th Floor, Dalal Street
Mumbai 400 013

**National Stock
Exchange**

The National Stock Exchange
of India Ltd.
Exchange Plaza, 5th Floor,
Plot No C/1
G Block, Bandra Kurla Complex,
Bandra (E), Mumbai 400 051

**The London Stock
Exchange**

Company Announcement Office
Concourse Entrance (Main)
Old Broad Street
London EC2N 1HP

REGISTRAR AND TRANSFER AGENT**M/s. MCS Limited**

212 A, Sri Venkatesh Bhawan
Shahpurjat
Near Asiad Village
New Delhi 110 049

REGISTERED OFFICE

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

17TH ANNUAL REPORT • GAS AUTHORITY OF INDIA LIMITED

DIRECTORS' REPORT: 2000-2001

To
The Members,

Your Directors have pleasure in presenting the 17th Annual Report of your 'Navratna' Company together with Audited Accounts for the year ended March 31, 2001.

PHYSICAL PERFORMANCE

Your Company has completed another successful year in 2000-2001 and recorded overall growth in operation and sales as under:

	2000-2001	1999-2000
Sale of Gas (BCM)	20.946	20.521
LPG Production (MTs) (including blended LPG)	784,591	756,140
Propane/Pentane/SBP Production (MTs)	120,740	110,169
Polymer Production (MTs)	194,587	118,807
LPG Transportation (MTs)	100,281	—

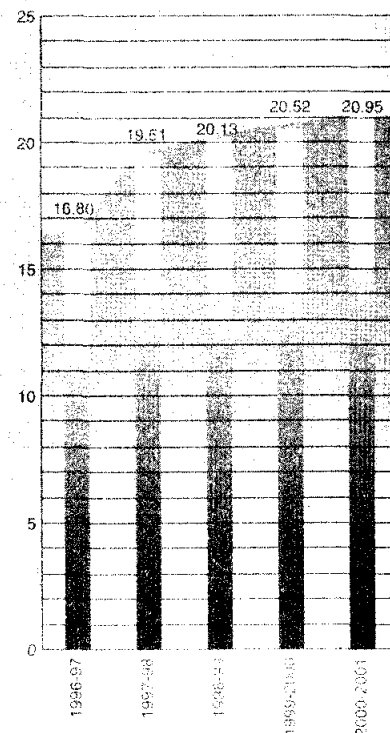
FINANCIAL PERFORMANCE

During the year, the sale of your Company including LPG Transportation charges has increased to Rs. 9,197 Crores from Rs. 7,710 Crores over the previous year and profit after tax is Rs. 1,126 Crores as against Rs. 861 Crores. Salient financial parameters during the current year as compared to the previous year are mentioned below:

	(Rs. in Crores)	
	2000-2001	1999-2000
Sales		
Natural Gas	7,114	6,421
LPG/Other Liquid Hydrocarbons	1,209	802
Petrochemical	862	487
LPG Transportation	12	—
Other Income	142	89
Total Revenue	9,339	7,799
Cost of Sales	6,989	6,173
EBIDTA (Operations)	2,350	1,627
Non Recurring Income	—	60
Interest	197	167
Depreciation/write-off	601	489
Profit before Tax	1,552	1,031
Provision for Tax	426	170
Profit after Tax	1,126	861
Proposed Dividend (including tax on dividend)	373	282

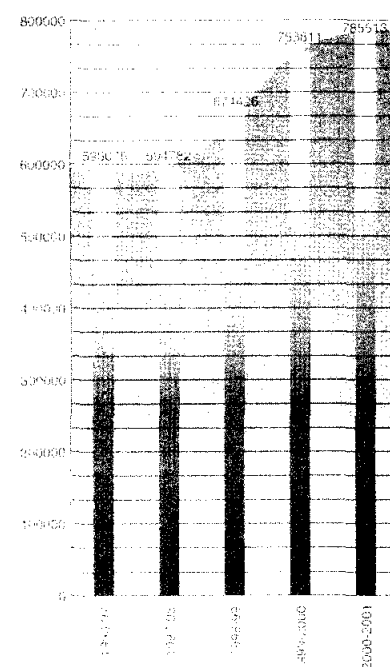
Sales Quantity Gas

in BCM

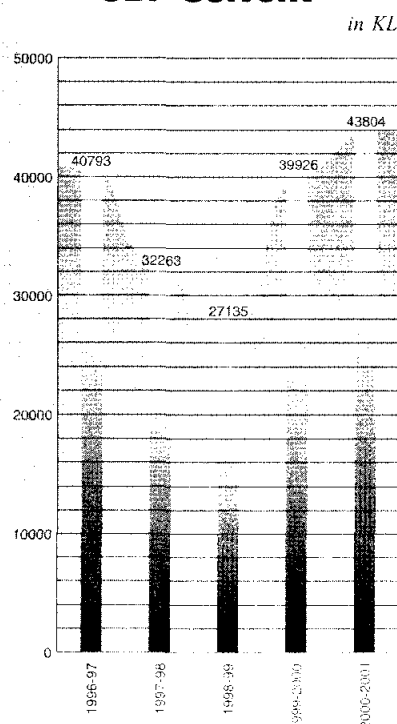


Sales Quantity LPG

in MT



17TH ANNUAL REPORT • GAS AUTHORITY OF INDIA LIMITED

**Sales Quantity
SBP Solvent****DIVIDEND**

The Directors feel privileged to recommend for approval of the members, dividend of 40 per cent excluding dividend tax.

PROJECTS COMMISSIONED**Jamnagar-Loni LPG Pipeline Project**

During the year under review your Company completed the world's longest and India's first cross-country LPG pipeline. The Jamnagar-Loni pipeline covering 1269 kms. passes through the states of Gujarat, Rajasthan, Haryana, Delhi and U.P. The pipeline was completed within approved cost and three months ahead of schedule. The Jamnagar-Loni LPG pipeline has a capacity of 1.7 million tonnes per annum in the First Phase and is to be upgraded to 2.5 million tonnes per annum in the Second Phase which will transport LPG equivalent to 5 lakh domestic cylinders. The LPG pipeline will provide major advantage in terms of savings, safety and environment preservation.

Gas Processing Complex, Gandhar

The Company has also commenced trial production at the LPG plant at Gandhar in March, 2001 and ten months ahead of schedule within approved cost. The plant is designed to process 5 MMSCMD gas and will produce 2,07,000 tonnes of LPG besides 43,000 MT of pentane and SBP solvent which will result in substantial recurring savings of foreign exchange.

Other Pipelines

During the year various pipelines of over 200 kms. length were commissioned, augmenting the gas supply in Cauvery Basin, KG Basin and Gujarat areas.

PROJECTS UNDER IMPLEMENTATION**Vizag-Secunderabad LPG Pipeline**

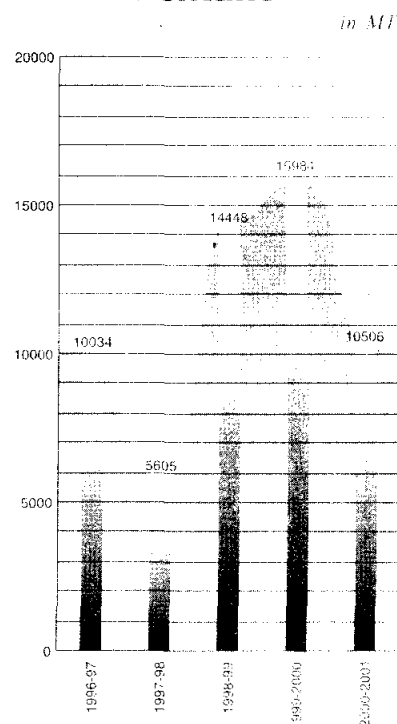
Your Company proposes to lay a 600 kms. LPG pipeline from Vizag to Secunderabad. The Board of Directors approved the project in February 2001 at an estimated cost of Rs. 490 Crores. The throughput capacity of the pipeline is 1.1 MMTPA. The project is scheduled to be completed in 30 months from the date of signing the Transport Service Agreement with oil companies. The pipeline will receive LPG from Vizag Port as well as the Vizag refinery of Hindustan Petroleum Corporation Ltd. and will have tap-off points at Vijayawada and Secunderabad.

LANCO Pipeline Project

Your Company has started the construction of 200 kms, 18" dia pipeline to supply 1.12 MMSCMD of natural gas to LANCO Power Project in Andhra Pradesh at an estimated cost of Rs. 300 Crores.

Kandla-Samakhiali LPG Pipeline Linkage

The approval of CCEA for the Jamnagar-Loni LPG Pipeline included the Kandla-Samakhiali pipeline linkage as part of the Second Phase of the project. On completion of the linkage, the capacity of the pipeline will increase from 1.7 MMTPA to 2.5 MMTPA. The hook-up cost will be Rs. 70 Crores for laying 71 kms. of pipeline with

**Sales Quantity
Pentane**

17TH ANNUAL REPORT • GAS AUTHORITY OF INDIA LIMITED

intermediate booster stations at Jaipur and a despatch terminal at Kandla. The project activities have started and are targeted for completion by October 2002.

Other Gas Pipelines and Facilities

Your Company is also constructing 37 kms. of gas pipeline to process 2 MMSCMD of natural gas to GPC Gandhar for additional recovery of LPG at an estimated cost of Rs. 30 Crores. Your Company is also continuing expansion of the pipeline network in the cities of Agra and Ferozabad to support the environmental cause. Pipeline laying has already commenced in Krishna Godavari and Cauvery Basins to market additional gas, subsequent to additional gas find, to various consumers in the regions.

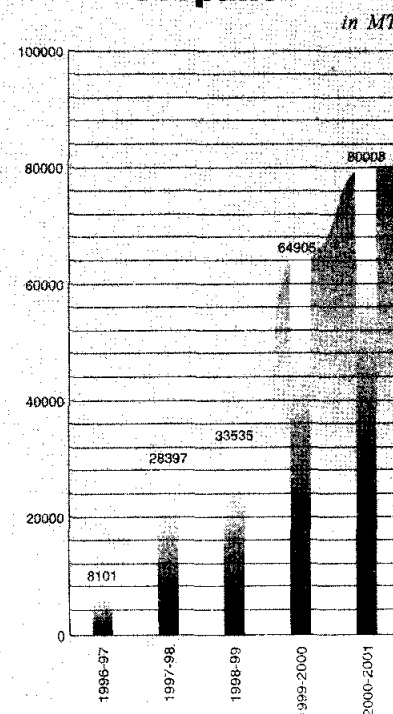
TELECOM BUSINESS

Your Company has also undertaken a Synergetic Diversification drive, mainly by the philosophy of value maximisation from existing asset, growth opportunities in gas-related sectors and upside potential available in such sectors. Your Company would be leasing the bandwidth to telecom companies using its optic fibre system available on the HBJ pipeline, the Jamnagar-Loni LPG pipeline and by adding new optic fibre systems in various sectors. During the year, your Company became the first company in the country to obtain the License of Infrastructure Provider-Category II for leasing of bandwidth and has already commissioned the link between Delhi and Vijaipur in Madhya Pradesh. M/s. Bharti Teleponics has signed the Service Level Agreement which is effective from June 2001 for this link. Concurrently for leasing bandwidth, MOUs were signed with M/s. Shyam, Escotel, BPL, etc. and discussion are continuing with a number of other telecom sector companies.

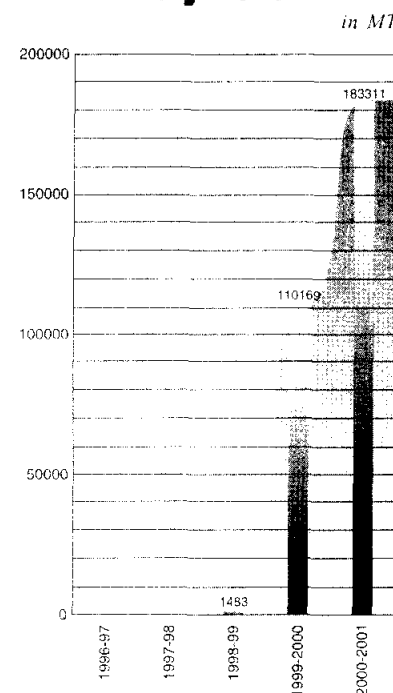
NEW BUSINESS DEVELOPMENT INITIATIVE

- In both the developed and mature energy markets as well as the developing and evolving energy markets, the focus is shifting to higher levels of gas use in the energy mix. The growth in global gas demand is resulting from a number of factors i.e. environmental concerns, techno economic merits of gas use and privatisation and restructuring of energy markets. As regards India, the projections indicate a strong potential for gas demand build-up closely linked to the new capacity requirements for sectors like power and fertilisers.
- The business environment for the hydrocarbon sector in India is changing too and gas is no exception. In view of supply constraints from domestic gas sources, gas/LNG imports have been permitted under the Open General License. Similarly, companies discovering gas, conventional or unconventional, are now free to market gas directly. The price controls in the hydrocarbon sector are expected to be substituted by the market related system in the near future.
- The gas sector business environment is also undergoing transformation to a more competitive scenario, with national and international companies making an entry in the Indian gas market. Concurrently separate initiatives are also being taken with certain State Government enterprises also to enter into the gas business including associated infrastructure development. The intensity of competition, obviously, would grow with time with multiple companies competing for the growing gas market in India. Your Company has thus to position itself properly in the context of the changing business climate.
- A number of reputed international companies are making forays in the Indian gas market and these companies are aiming at organising gas supplies for the Indian market, pipeline infrastructure development and new approaches for gas market

Sales Quantity Propane



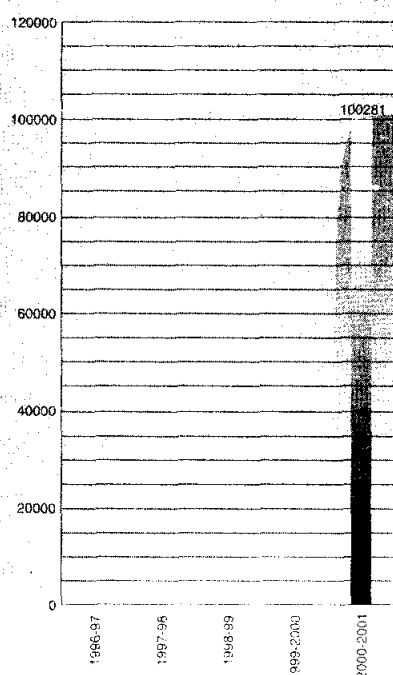
Sales Quantity Polymers



17TH ANNUAL REPORT • GAS AUTHORITY OF INDIA LIMITED

LPG Transmission

in MT



development. Your Company's endeavour is to develop business relationships with such reputed international companies for mutual benefits. In this regard your Company signed the Principles of Cooperation Agreement with Shell International Gas and Power and Unocal Corporation of the USA during the year. Similarly, your Company also signed an MOU with Gazprom of Russia for jointly pursuing gas sector related projects in India, Russia and other countries. To give further thrust to gas sector cooperation with Iran, your Company also signed a Cooperation Agreement with NIOC for jointly undertaking the feasibility study on deep water gas pipeline from Iran to India.

- The focus on new business development of your Company continues to be on
 - Growing opportunities in the core businesses;
 - Synergetic diversification; and
 - Business relationship development with reputed international companies.

As regards business growth in the core business area, the focus of your Company is on organising and augmenting gas supplies to the growing Indian gas market. Towards this objective your Company has been an active partner in Petronet LNG Limited terminals at Dahej in Gujarat and Cochin in Kerala. During the year, the LNG project at Dahej was launched with the award of the EPC contract as well as the shipping contract and LNG imports are expected to commence by early 2004. Your Company would be marketing a major share of gas from the Dahej LNG terminal. In addition it will be providing gas transportation services to other PLL partners. Similarly, progress is being made with regards to the development of an LNG import terminal at Trombay in association with Tata Power Company and Totalfina Elf, France. Your Company has also been maintaining its prominent position with regards to important initiatives on the development of the trans-national gas pipeline projects from Iran as well as from Bangladesh.

- As regards globalisation of activities, your Company has been pursuing participation in the LNG project in Iran as well as other gas sector related opportunities in the Middle East. The guiding principles for globalisation of efforts are on project opportunities in the core area of business of your Company as well as for the countries from where gas supplies for the Indian market can be organised economically.

- In order to ensure long term gas supplies, your Company has also entered the Exploration and Production business and during the year your Company was awarded two blocks i.e. Block No. 24 in Orissa Offshore with ONGC and Block No. 26 in West Bengal Offshore with Gazprom, Russia. The initial work on both these blocks has already started. Your Company has also been awarded six more blocks in NELP-II Exploration Bidding Round. These six onland and offshore blocks are in association with other oil sector PSUs, Indian private and foreign companies.

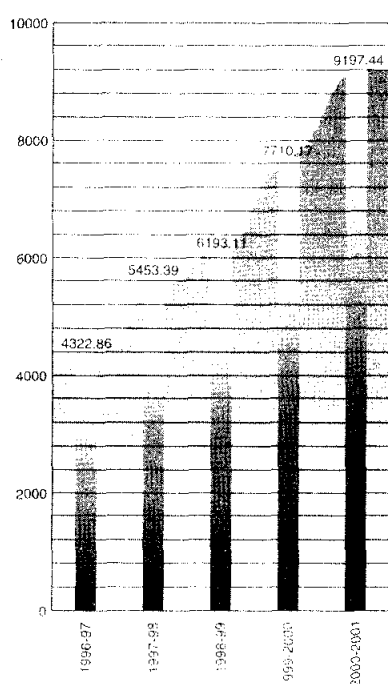
- The Government of India has recently announced the Coal Bed Methane Bidding Round and your Company would endeavour to participate in the bidding process together with national and foreign companies.

- As regards the development of new gas markets and the new pipeline infrastructure, your Company started a major initiative of state-wise gas demand study assessment and identification of pipeline infrastructure requirements. To achieve this objective, Gas Cooperation Agreements were signed with the States of Karnataka, Kerala, Maharashtra and West Bengal and similar Gas Cooperation Agreements are to be signed shortly with the States of Rajasthan, U.P., Punjab, Haryana and M.P., etc. This initiative would provide your Company with a much better understanding of the Indian gas market and its growth potential over medium and long term. Accordingly, your Company has also conceptualised a National Gas Grid to connect various supply sources to the existing and new potential markets in the country through high pressure cross-country pipeline networks.

- Globally there is a growing trend of convergence between gas and electricity businesses and soon the Indian energy market would also witness this. Your

Sales

Rs. in Crores



17TH ANNUAL REPORT • GAS AUTHORITY OF INDIA LIMITED

Company has also been pursuing gas-based power generation business opportunities, mainly in the geographical region where it is operating and has its gas pipeline infrastructure. Since the future growth in domestic gas demand would be mainly contingent on capacity creation in the power sector and since gas would be the preferred fuel for power generation, your Company strongly believes that there could be significant growth opportunities in the gas-based power generation sector. Accordingly, your Company has been pursuing participation in various gas-based power projects and has decided to participate with 12 per cent participating interest in the Hazira Power Project (156MW) under implementation by Gujarat State Energy Generation Company, and a similar participation in Samalkot Power Project, being implemented by BSES in Andhra Pradesh, is also under consideration. Your Company would, therefore, continue to pursue power sector opportunities which would provide significant growth opportunities for enhancement in gas sales to the power sector as well as the development of new pipeline infrastructure.

● As regards expansion of UPPC Plant capacities, your Company has initiated the process of expansion of plant capacity in phases. In the First Phase, your Company has plans to debottle-neck the cracker and downstream units at a marginal investment.

PERFORMANCE OF JOINT VENTURES

Mahanagar Gas Limited (MGL)

A Joint Venture with British Gas was incorporated to supply gas to domestic, commercial and small industrial consumers and CNG for the transport sector in Mumbai. The Company has been supplying piped gas to more than 50,000 houses and CNG to over 21,000 vehicles in Mumbai.

Indraprastha Gas Limited (IGL)

A Joint Venture company of GAIL, Government of National Capital Territory (NCT) of Delhi and BPCL was formed to supply gas to domestic and commercial units, and CNG to the transport sector in NCT of Delhi. Presently, the Company is supplying piped natural gas to over 4,100 houses and CNG to more than 26,000 vehicles including DTC buses.

Petronet LNG Limited (PLL)

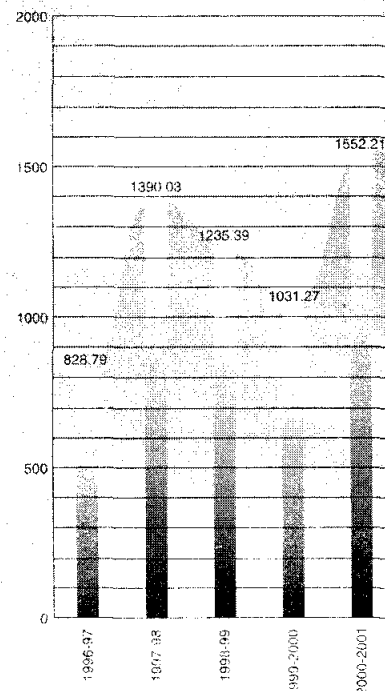
A Joint Venture of IOCL, ONGC, BPCL and GAIL was formed for setting up of LNG Import facilities. PLL has signed a long term LNG supply contract with Ras Gas, Qatar for import of 5 MMTPA at Dahej and 2.5 MMTPA at Cochin. The EPC contract for setting up of the Dahej terminal has been awarded to M/s. IHI, Japan. The shipping contract for transportation of LNG from Qatar to Dahej has been awarded to the consortium led by M/s. Mitsui OSK Lines for building and operating two LNG carriers on a time charter basis. The Dahej terminal is targeted for completion by early 2004. Your Company has been identified as the principal marketer and also the sole transmission company for LNG imports by Petronet.

INFORMATION TECHNOLOGY

As you may be aware that information technology is today considered the productivity force multiplier. Your Company has consistently been considered as one of the prime IT users in the country. Today a majority of the offices of your

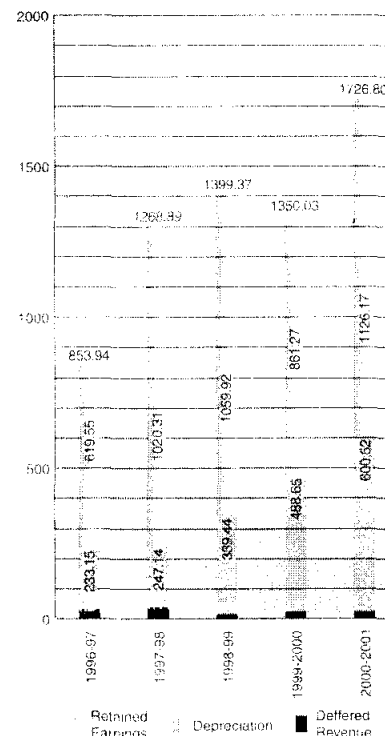
Net Profit
(Before Tax)

Rs. in Crores



Internal Generation

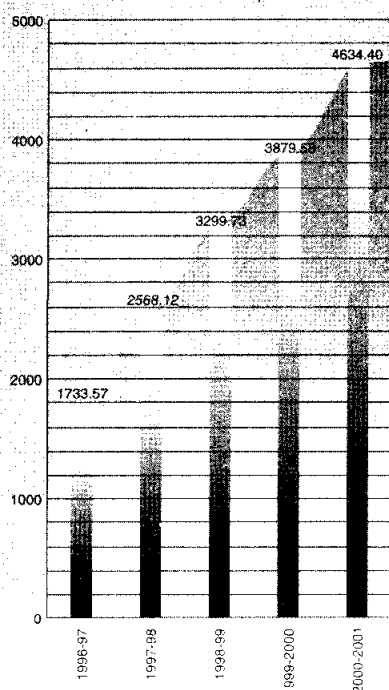
Rs. in Crores



17TH ANNUAL REPORT • GAS AUTHORITY OF INDIA LIMITED

Reserve And Surplus

Rs. in Crores



Company are connected through local area networks (LANs) and wide area networks (WANs) using a communication network of earth stations and VSATs, Terrestrial Microwave communication systems, fibre optic-based communication systems and landlines. Your Company has also established video conferencing facilities through its optical fibre cable network between its corporate office and some of the project offices and plans to link all its other major project sites through video conferencing during FY 2002.

SAFETY AWARDS

Your Company continues its focus on safety in operations, and no fatal accidents have occurred during the year. The Company has received the top OISD award for safety in cross-country pipelines.

During the year, your Company has received the Five Star British Safety Council Award for UPPC, Pata and for the LPG Plant at Vijaipur, and the Four Star British Safety Council Award for LPG Plants at Vaghodia, Usar and Lakwa. The Usar Plant has also received the Golden Peacock Award for environmental management.

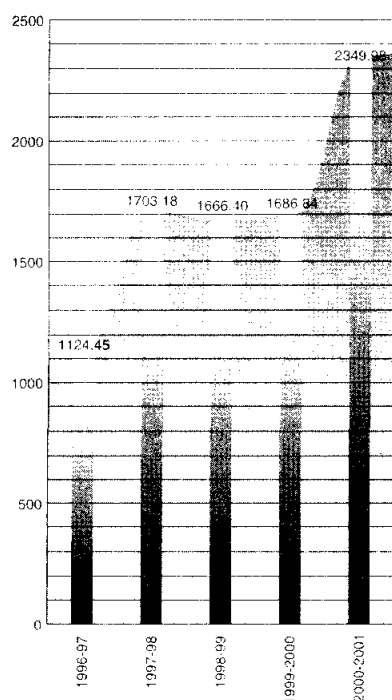
An ISO 14001 certificate for the environment management system has been awarded for its Jhabua Compressor Station and LPG Plant at Lakwa. The Oil Conservation Award was conferred on GAIL by PCRA, in recognition of the efforts made in promoting oil conservation during Oil Conservation Fortnight 2000 for best performance improvement in the upstream sector.

MEMORANDUM OF UNDERSTANDING

As members are aware, your Company has been entering into a Memorandum of Understanding (MoU) with the Ministry of Petroleum and Natural Gas for the last nine years. Each year the targets for achievements are being assigned to the Company. Members would be happy to know that your Company has been consistently achieving targets for the 'Excellent' category.

Gross Margin

Rs. in Crores

**REPRESENTATION OF SC/ST/OBC/PHYSICALLY HANDICAPPED/WOMEN AND MINORITIES IN GAIL**

The manpower of the Company as on March 31, 2001 stood at 3,264, of which 15.4 per cent belongs to SC, 6.3 per cent to ST, 13.5 per cent to OBC and 6.4 per cent to Minorities. The Company has been continuing with its efforts to further reduce the shortfall of SC/ST/OBC.

During the year under report, special efforts were taken towards the welfare of physically handicapped persons in the services of the Company. In this direction five physically handicapped Engineering Graduates have been inducted as GET and three blind persons have been engaged as office trainees. Whereas the representation of physically handicapped persons in Group C is around 2.5 per cent, in Group B it stands at 1.5 per cent. A beginning has been made in Group A with 0.3 per cent. Efforts are on to induct more such persons in all the groups. The representation of women in GAIL is 4.4 per cent.

INDUSTRIAL RELATIONS AND EMPLOYEE WELFARE

Your Company continued to maintain a harmonious and congenial work environment. No man hours have been lost due to strikes/lockouts during the year. Continuous efforts have been made for greater employee participation and improvement of individual and team productivity.