

Natural Gas

LPG

Petrochem

Telecom

Energy

GAIL. Bringing tomorrow closer.  
GAIL. Bringing tomorrow closer.



India's No.1 Gas Company

18th Annual Report 2001-2002

The best way to predict the future, is to create it yourself - is what GAIL strongly believes in. This reflects in our successful foray into Petrochemicals, Telecom, Energy, LPG and Natural Gas - all essential for a better tomorrow. With our belief firmly in place, we promise there is more to come and that 'tomorrow' is not so far away.

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18th  
Annual Report  
2001 - 2002

### Board of Directors

<b>Sh. Proshanto Banerjee</b>	Chairman & Managing Director (from 27.8.2001)
<b>Sh. J.K. Jain</b>	Director (Finance)
<b>Sh. S. Niyogi</b>	Director (HR)
<b>Sh. H.P. Chandna</b>	Director (Planning)
<b>Sh. S.P. Rao</b>	Director (Projects)
<b>Sh. K.S. Govindarajan</b>	Director
<b>Sh. M.C. Bagrodia</b>	Director
<b>Dr. Amit Mitra</b>	Director
<b>Sh. Ravi Saxena (Late)</b>	IA&AS (upto 21.2.2002)
<b>Sh. S. Vijayaraghavan</b>	IAS
<b>Dr. Surajit Mitra</b>	IAS (from 9.5.2002)
<b>Sh. N.K. Nagpal</b>	Company Secretary

### Statutory Auditors

<b>M/s Batra Sapra &amp; Co.</b>	Chartered Accountants New Delhi
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### Branch Auditors

<b>M/s Nripendra &amp; Co.</b>	Chartered Accountants Kanpur
<b>M/s L.K. Maheshwari &amp; Co.</b>	Chartered Accountants Bhopal

Gas Authority of India Limited

**Details of the Stock Exchanges where the shares of the Company are listed**

Delhi Stock Exchange Association Ltd.	DSE House, 3/1, Asaf Ali Road New Delhi
The Stock Exchange, Mumbai	Listing Department, Phiroze Jeejee Bhoy Tower Dalal street, Mumbai
The National Stock Exchange of India Ltd.	Exchange Plaza, 5th Floor Plot No. C/1, G Block, Bandra Kurla Complex Bandra (E), Mumbai-51
The London Stock Exchange	Company Announcement Office Concourse Entrance ( Main) Old Broad Street LONDON EC2N 1HP

**Registrar and Transfer Agent**

MCS Ltd.	212-A, Sri Venkatesh Bhawan, Shahpurjat Near Asiad Village New Delhi - 110 049
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**Bankers**

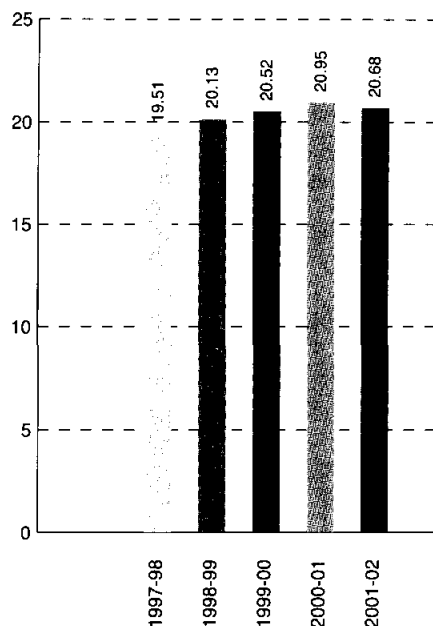
State Bank of India	Corporate Accounts, Group Branch Vijaya Building, Barakhamba Road New Delhi - 110 001
Bank of India	Overseas Branch Vijaya Building, Barakhamba Road New Delhi - 110 001
Bank of Baroda	Bhikaiji Cama Place, R.K. Puram New Delhi - 110 066
Indian Overseas Bank	Prakash Deep Building, Tolstoy Marg New Delhi - 110 001

**Registered Office**

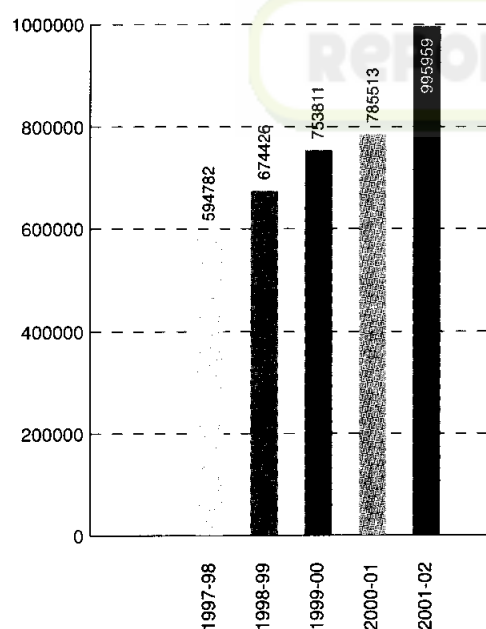
16, Bhikaiji Cama Place, R.K. Puram  
New Delhi - 110 066



Sales Quantity: Gas  
in BCM



Sales Quantity: LPG  
in MT



## Directors' Report and Management Discussion and Analysis

To  
The Members,

Your Directors have pleasure in presenting the 18th Annual Report of your 'Navratna' Company together with the Audited Accounts for the year ending March 31, 2002.

As the members are aware, natural gas sector in India is presently dominated by your Company. The Company owns and operates over 4,500 kms of natural gas pipeline and 1,200 kms of LPG pipeline. Besides, for optimum utilisation of fractions of natural gas, your Company has set up a petrochemical plant and seven liquid hydrocarbon extraction units. The Company purchases natural gas from its suppliers, which include ONGC, OIL and a few joint ventures; and then markets through the pipeline systems to its consumers after processing.

### Physical Performance

Your Company has completed another successful year in 2001-2002 and has recorded overall growth in operation and sales as under:

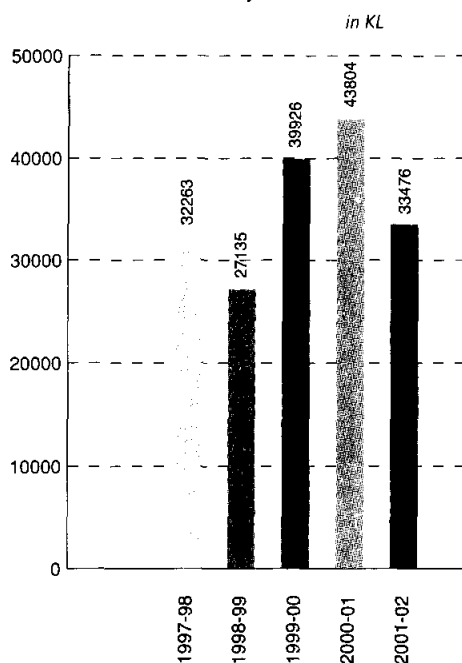
	2001-2002	2000-2001
Sale of Gas (BCM)	20.676	20.946
LPG Production (MTs) (including blended LPG)	998,236	784,591
Propane/Pentane/SBP Production (MTs)	135,158	120,740
Polymer Production (MTs)	250,288	194,587
LPG Transportation (MTs)	13,11,856	100,281



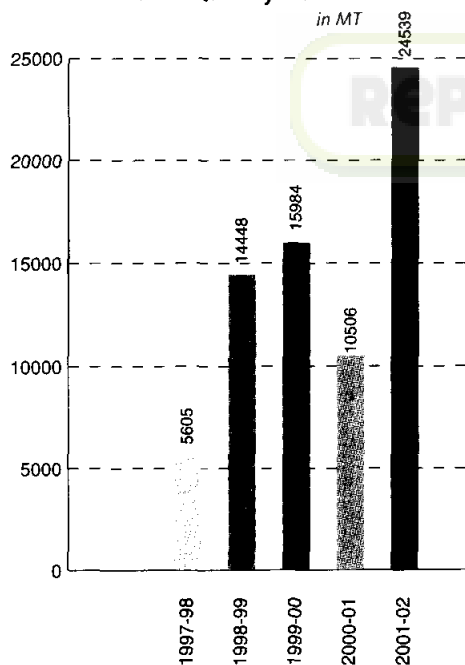
18th  
Annual Report  
2001 - 2002

Gas Authority of India Limited

Sales Quantity: SBP Solvent



Sales Quantity: Pentane



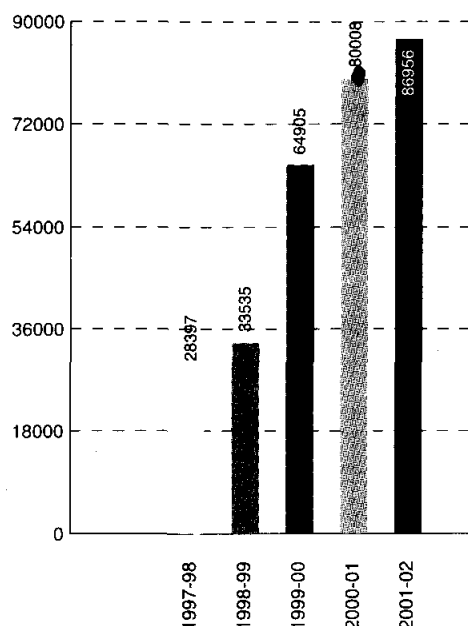
## Financial Performance

During the year, the turnover (including internal consumption and stock adjustment) of your Company has increased to Rs.10,553 Crores from Rs.10,087 Crores over the previous year and Profit After Tax is Rs.1,186 Crores as against Rs.1,126 Crores. Salient financial parameters during the current year as compared to the previous year are mentioned below :

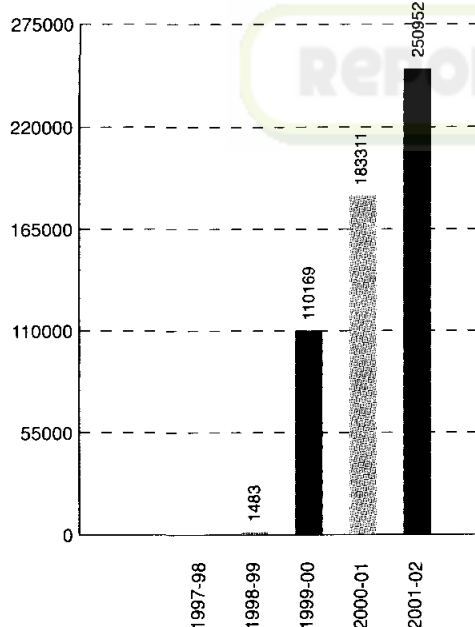
	(Rs. in Crores)	
	2001-2002	2000-2001
Turnover		
• Natural Gas	8,071	7,973
• LPG/Other Liquid Hydrocarbons	1,317	1,210
• Petrochemicals	986	892
• LPG Transportation	177	12
• Telecom	2	-
	<b>10,553</b>	<b>10,087</b>
Other Income	210	142
Total Revenue	<b>10,763</b>	<b>10,229</b>
Cost of Sales	8,141	7,879
Gross Margin	2,622	2,350
Interest	227	197
Depreciation/write-off	593	601
PBT	<b>1,802</b>	<b>1,552</b>
Provision for Tax (Current)	467	426
(Deferred)	149	-
Profit After Tax	<b>1,186</b>	<b>1,126</b>
Proposed Dividend (including tax on dividend)	381	373
Transfer to General Reserve	119	113
Profit & Loss Account Balance Carried Forward	<b>686</b>	<b>640</b>



Sales Quantity: Propane  
in MT



Sales Quantity: Polymers  
in MT



### Dividend

The Directors feel privileged to recommend for approval of the members, a dividend of 45%.

### Gas Market Scenario

The existing gas market in India is characterised by domestic gas supplies being not sufficient to meet the demand. The augmentation of supplies from LNG is expected to start from 2004 onwards and therefore, during the intervening period, no major step up in gas availability is visualised. The domestic gas price is due for revision for quite some time and the mechanism for fixation of domestic gas price, in coming years, would greatly influence the volume of imported gas for the Indian market, besides having its impact on end use industries. Out of various initiatives on LNG imports, construction is underway for the Dahej terminal of Petronet LNG Limited and, to certain extent, at Shell's LNG terminal at Hazira. The LNG import facilities at Dabhol are incomplete and under dispute but at the same time can become operational in the near future.

As regards the transnational gas pipelines, there are certain movements with regard to likely import of gas from Bangladesh. However, gas imports from countries to the west of India could take longer time. There are high expectations for new oil and gas discoveries from the blocks, particularly from the deepwater blocks, offered under NELP-I and II. Work has already started on CBM exploitation and, in few years, commercial projects are expected to go on stream. Summarising, on the supply side, there are a number of ongoing initiatives, which are expected to improve the gas supply position depending upon the market growth and the pricing levels. Early success in E&P activities could impact the timing and volume of imported gas requirements.

As the Company is currently significantly dependent on the gas supplied by ONGC and a few private producers, the Company's future growth will depend upon their capacity to increase production, either from the existing fields or from new discoveries.

### Downstream Regulation

The Downstream Regulatory Bill is expected to be approved in the near future, which will, among other things, provide access to third parties to our gas pipeline infrastructure. Similarly, pipeline transportation tariff is also expected to be guided by the Regulatory Framework. Summarising gas market is already in the process of restructuring and the process is expected to accelerate. Concurrently, now the State Governments are also pursuing independent initiatives with regards to the gas market and infrastructure development in their States as well as setting up of regulatory mechanisms. The Indian gas market, at present, is displaying the typical characteristics of a transition phase with varied multiple initiatives.

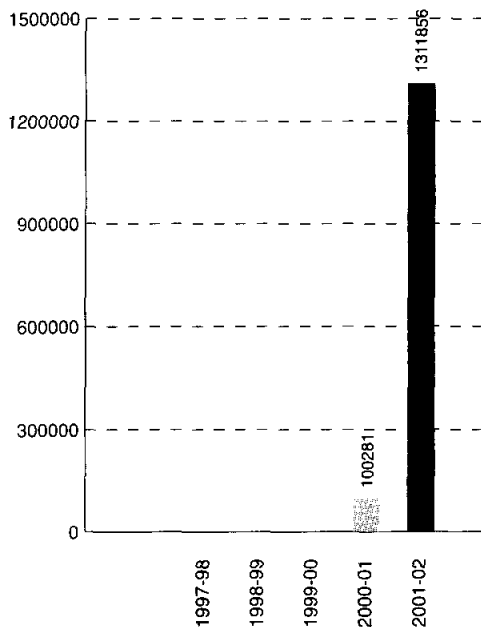
### New Business Initiatives

GAIL, which has enjoyed more than 90% market share in the Indian gas market, has been reorienting its business approaches and strategies in view of the emerging competition and entry of formidable national and international players. GAIL, therefore, is primarily focusing on three major aspects as its short/medium term strategy i.e. (a) sourcing of gas (b) expansion of existing markets and development of new markets and (c) expansion of existing pipeline infrastructure as well as development of new pipeline facilities.





**LPG Transportation**  
in MT



GAIL has been in the process of sourcing more gas from new discoveries on the east coast and has signed Heads of Agreements with Cairn Energy and Mosbacher for gas supply from Krishna Godavari offshore and the PY-1 Field in Cauvery offshore. Similarly, discussions with other companies involved in exploration of NELP blocks are continuing for sourcing of gas. GAIL is also a member of the consortium with IOC & ONGC for the development of Bangladesh-India gas pipeline project. The gas likely to be imported from Bangladesh, however, would be marketed by the consortium. The hydrocarbon prospects, particularly gas, in some of the exploration blocks, look attractive and similarly, the A1 block in offshore Myanmar, in which GAIL is a partner, appears prospective for large gas discoveries. The drilling activity is expected to start in some of the blocks during later part of this year and next year to further evaluate these blocks. GAIL is also interested to pursue proper opportunities in assets of Dabhol Power Company (DPC), primarily with regard to the LNG terminal, and would participate in the bidding process as and when the same is undertaken. The initiatives with Iran, for gas sector cooperation, are also progressing and the techno-economic feasibility of a deep water gas pipeline would be completed by next year. GAIL is making significant efforts for sourcing of gas, which would provide an advantage for marketing and infrastructure development.

Your Company is pursuing the project of laying the 670 kms long LPG pipeline from Mangalore to Coimbatore. The proposed capacity of the pipeline would be 1.1 MMTPA to be laid at an estimated cost of Rs.600 Crores.

Your Company has undertaken the de-bottlenecking of the Swing Plant for increasing Polyethylene production capacity from the existing 160,000 TPA to 210,000 TPA at an estimated cost of Rs.76 Crores. De-bottlenecking of HDPE plant is also under consideration from 100,000 TPA to 120,000 TPA.

The capacity expansion of the petrochemical plant from 300,000 TPA Ethylene to about 550,000 TPA Ethylene will be done by addition of new cracking furnaces and ARS technology in the Gas Cracker. In addition, setting up of a Polymer unit of matching capacity is also under study.

One of the areas, which the company has identified for forward integration along the energy value chain, has been the power sector. GAIL has picked up 12% equity in GSEG's 156 MW Power Project in Gujarat as a strategic investment.

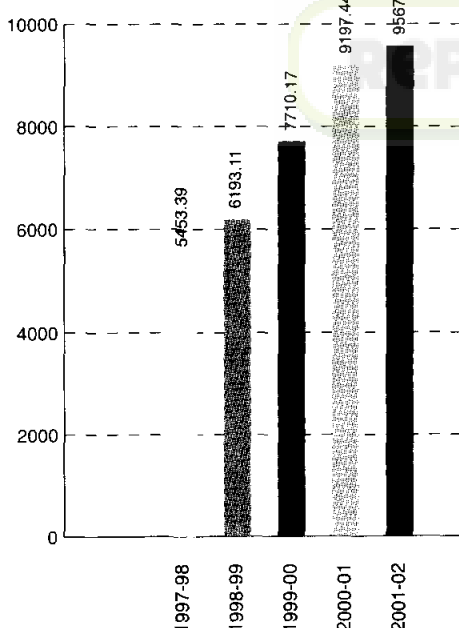
Further, thrust to retail marketing of CNG, through our JVs and through the signing of a MoU with HPCL for marketing CNG, and Auto-LPG in the cities of Andhra Pradesh, are the important steps taken in the retail marketing area.

In the area of Coal Bed Methane, an MoU has been initiated with Greater Calcutta Gas Supply Corporation for marketing of Natural Gas and Coal Bed Methane in cities of West Bengal.

### **Organisational Preparedness for the Emerging Deregulated Scenario**

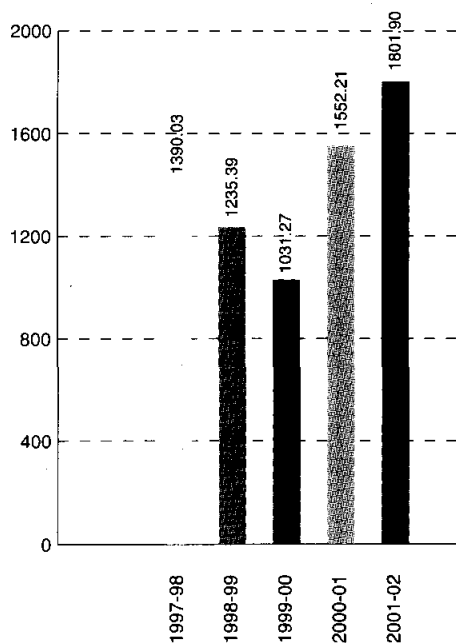
In the context of the emerging deregulated scenario, the natural gas market will restructure itself into a multi-source, multi-marketing entity. Competition will emerge from both international and domestic players. GAIL is preparing itself by implementing a series of organisation-wide initiatives in the areas of Marketing, Finance, IT and Human Resources, to emerge as a more customer-focused and responsive organisation.

**Sales**  
Rs. in Crores

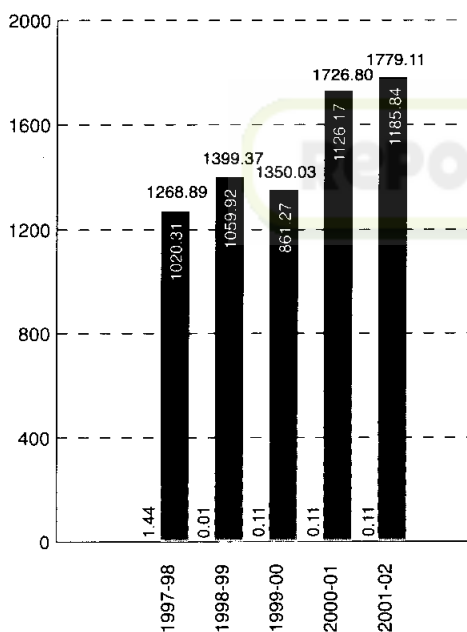




**Net Profit (Before Tax)**  
Rs. in Crores



**Internal Generation**  
Rs. in Crores



■ Retained Earning    ■ Deferred Revenue  
■ Depreciation       ■ Expenses written-off

The marketing function has been restructured and decentralised at zonal levels.

In a competitive marketing environment, the product and service quality are bound to play an important role in determining a company's competitiveness. Keeping this in view, a Corporate Quality Management Group has been established to liaise with both production and marketing departments in order to ensure both product and service qualities.

## Projects Commissioned

### Pipeline Projects

#### LANCO Pipeline Project

During the year, your Company completed the LANCO Pipeline Project to supply 1.12 MMSCMD of Natural Gas to LANCO Power Project in Andhra Pradesh. 18" dia. pipeline covering 204 kms length was commissioned in August 2001, eight months ahead of schedule.

#### Jhanore - Gandhar Pipeline Project

During the year, your Company completed the Jhanore - Gandhar Pipeline Project to make available 2 MMSCMD of Rich Natural Gas to GPC - Gandhar for recovery of LPG. 37 kms of 12" dia. pipeline was commissioned in August 2001, two months ahead of schedule.

#### Kakinada - BSES Pipeline Project

During the year, your Company completed the Kakinada - BSES Pipeline Project to supply 1 MMSCMD of Natural Gas to BSES Power Plant. 8 kms of 18" dia. pipeline was commissioned in November 2001, ahead of schedule.

### Others

In addition, during the year, various pipelines of over 60 kms length were commissioned, augmenting the gas supply in Cauvery Basin, KG Basin, Gujarat, Agartala, Agra and Ferozabad area and NCR of Delhi.

## Projects Under Implementation

### Vizag - Secunderabad LPG Pipeline

Your Company has taken up the execution of the 600 kms long LPG pipeline from Vizag to Secunderabad via Vijayawada. The maximum throughput capacity of the pipeline is 1.33 MMTA. The pipeline will receive LPG from Vizag Port as well as from HPCL's Vizag Refinery and will have tap-off points at Vijaywada and Secunderabad and is expected to be completed by August 2003.

### Kandla - Samakhiali LPG Pipeline Linkage

Your Company has taken up the execution of the 68.5 kms long Kandla to Samakhiali LPG pipeline linkage as part of the 2nd Phase of the Jamnagar - Loni LPG Pipeline. The project is expected to be completed by March 2003. The maximum throughput capacity of the pipeline is 0.8 MMTA.

### HBJ Upgradation Project (Phase-I)

Your Company has taken up the execution of the 610 kms long, 42" dia pipeline along with 2+1