

# ANNUAL REPORT

## 2011-2012



**GAIL (India) Limited**



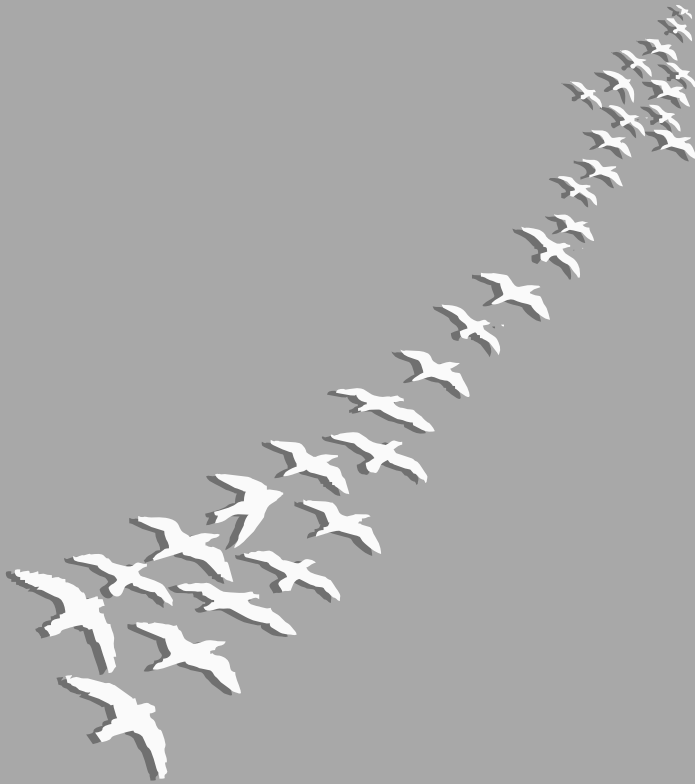
Adding momentum to a green movement ...



# C o n t e n t s

Message from CMD	03
Highlights	04
Board of Directors	09
Directors' Report	12
Management Discussion & Analysis	25
Report on Corporate Governance	36
Five Year Profile	53
Statutory Auditor's Report to the Shareholders	61
Financial Statements	65
Cash Flow Statement	109
Statement pursuant to section 212 (1) (e) of the companies Act, 1956	112
Schedule of Fixed Assets - (Township)	113
Income and Expenditure - (Township etc.)	114
Comments of C&AG - Supplementary Audit	115
Subsidiary Companies	116
Consolidated Financial Statements	211





## 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 5<sup>th</sup> 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 31<sup>st</sup> March, 2012, Statement of Profit & Loss for the year ended 31<sup>st</sup> 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 31<sup>st</sup> 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 18<sup>th</sup> August, 2012 to Wednesday, the 5<sup>th</sup> 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 **17<sup>th</sup> 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/updation 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 27<sup>th</sup> 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 **mcsdail@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 1<sup>st</sup> 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	Nil
2.	Transcorp International Limited	
3.	B.P. Ergo Limited	
4.	Dighi Port Limited	
5.	Grow Talent Company Limited	
6.	Grassnot Trading Network For Women (SEWA)	