

# ANNUAL REPORT 2002

1,500 Km

pipeline

network

325%

dividend

1,35,000

customers

gas volumes

16 lac scmd



GUJARAT GAS COMPANY LIMITED

16 lac scmd

volumes



## Growing gas volumes. Utilising infrastructure.

Gujarat Gas continued to generate major growth in its core business. Gas sales volumes increased by 18.64% over the previous year. The customer base expanded from 1,21,625 to 1,35,936. The pipeline network is being enhanced by construction of a 23 kilometer, 10 inch pipeline between Ankleshwar and Jhagadia.

The Company increased its available gas supply by signing a contract of 12.7 lac scmd with a group led by Cairn Energy.

Gujarat Gas now distributes approximately 11.6 lac scmd and transports 5 lac scmd of gas through its 1,500 km pipeline infrastructure to more than 1,32,000 domestic, 1,749 commercial, 443 industrial and 1,177 CNG customers, in the cities of Surat, Bharuch, Ankleshwar and surrounding industrial estates.



profit

# Prudent financial management. Improved operational performance.

Gujarat Gas recorded sales of Rs. 362.43 crores, a 23.04% growth over the previous year. Gross profits rose by 21.81% to Rs.102.47 crores while net profits grew by 27.66%. At the same time improved non gas cost management has been delivered. Together these results have positively impacted the company's profits.



## Delivering shareholder value.

### 325% dividend.

Gujarat Gas has always focused on delivering shareholder value. Continuing our record of disbursing dividends, the Company proposes a 100% annual dividend of Rs. 10 per share this year. In addition, it is proposed to pay a further 225%, one time special dividend, of Rs.22.50 per share. This will improve the Company's capital efficiency ratios and enhance shareholder value.

## New business opportunity. Transportation.

Gujarat Gas entered into third party transportation of gas for the first time. Utilizing existing infrastructure the Company started transporting 5 lac scmd of gas for Gujarat State Petronet Limited(GSPL). Once gas starts to flow from the Lakshmi field, transportation volume will further increase. In this context an agreement has been signed with GSPL for transporting additional 27.8 lac scmd of gas, beginning in the second half of 2002.



## 22nd ANNUAL REPORT

GUJARAT GAS COMPANY LIMITED



## GUJARAT GAS COMPANY LIMITED

**BOARD OF DIRECTORS**

HASMUKH SHAH, *Chairman*  
 NIGEL SHAW (From 11.9.2001)  
 B. S. SHANTHARAJU (From 26.7.2001)  
 ANTONY SEIGEL (From 7.3.2002)  
 P. K. LAHERI, IAS  
 PROF. PRADIP KHANDWALLA  
 JAL RATANSHAW PATEL  
 ROBERT W. THOMAS, *Managing Director*  
 ANGUS McCALLUM (upto 7.3.2002)  
 ROSS STOBIE (upto 31.8.2001)  
 DOUGLAS REID (upto 25.6.2001)

JAGDISH A. MEHTA, *Company Secretary*

**GROUP HEADS**

R. SRIKANTH, *Finance Director*  
 U. K. DEY, *Commercial Director*  
 R. R. PRASAD, *H. R. Director*  
 P. P. G. SARMA, *Director - Operations*  
 N. M. DAVE, *Vice President (Management Services)*  
 H. K. UPADHYAY, *General Manager (External Affairs)*

**BANKERS**

HDFC Bank Limited  
 Standard Chartered Bank

**AUDITORS**

PRICE WATERHOUSE,  
*Chartered Accountants*  
 PW Centre, Saidulajab,  
 Mehrauli-Badarpur Road,  
 Opp. D Block, Saket,  
 New Delhi - 110 030

**CORPORATE & REGISTERED OFFICE**

2, Shantisadan Society,  
 Near Parimal Garden, Ellis Bridge,  
 Ahmedabad - 380 006, India

**OFFICES****SURAT**

Mayavanshi Mohalla,  
 P.O. Navyug College, Adajan Gam,  
 Surat - 395 009

**ANKLESHWAR**

Surti Bhagol, Umarwada Road,  
 Via Piraman Naka,  
 Ankleshwar - 393 001

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**22nd Annual General Meeting**

Date: May 23, 2002  
 Day: Thursday  
 Time: 10.00 a.m.  
 Venue: H. T. Parekh Convention Centre,  
 Ahmedabad Management  
 Association, ATIRA,  
 Dr. Vikram Sarabhai Marg,  
 Vastrapur, Ahmedabad - 380 015.

## NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Members of Gujarat Gas Company Limited will be held on Thursday, 23<sup>rd</sup> May, 2002, at 10.00 a.m. at H. T. Parekh Convention Centre, Ahmedabad Management Association, ATIRA, Dr. Vikram Sarabhai Marg, Vastrapur, Ahmedabad – 380 015 to transact the following business:

**ORDINARY BUSINESS**

1. To consider and adopt the Directors' Report, the Audited Profit and Loss Account for the year ending on 31<sup>st</sup> December 2001, the Balance Sheet as at that date and the Auditors' Report thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Hasmukh Shah who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. K. Laheri, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS**

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

"RESOLVED THAT Mr. B. S. Shantharaju who was appointed as an additional director of the company under Section 260 of the Companies Act, 1956 read with Article 79 of the Articles of Association of the company and who holds office till conclusion of this Annual General Meeting and in respect of whom the company has received a notice from a member proposing his candidature for the office of director, be and is hereby appointed as a director of the company."

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

"RESOLVED THAT Mr. Nigel Shaw who was appointed as an additional director of the company under Section 260 of the Companies Act, 1956 read with Article 79 of the Articles of Association of the company and who holds office till conclusion of this

Annual General Meeting and in respect of whom the company has received a notice from a member proposing his candidature for the office of director, be and is hereby appointed as a director of the company."

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

"RESOLVED THAT Mr. Antony Seigel who was appointed as an additional director of the company under Section 260 of the Companies Act, 1956 read with Article 79 of the Articles of Association of the company and who holds office till conclusion of this Annual General Meeting and in respect of whom the company has received a notice from a member proposing his candidature for the office of director, be and is hereby appointed as a director of the company."

**By Order of the Board**

Jagdish A. Mehta  
Company Secretary

**Registered Office**

2, Shantisadan Society,  
Near Parimal Garden, Ellisbridge,  
Ahmedabad – 380 006

Place: Ahmedabad

Date : April 4, 2002

**Notes:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL AND THAT A PROXY NEED NOT BE A MEMBER.
2. The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto and forms part of this Notice.
3. Members/proxies should bring the Attendance Slip duly filled in for attending the meeting.
4. Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the Company Secretary at the registered office so as to reach him at least seven days before the date of the meeting to enable the management to keep the required information readily available at the meeting.

**ANNEXURE TO NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 3**

Mr. Hasmukh Shah, Chairman of the Company, retires by rotation and being eligible offers himself for reappointment.

**Brief Resume and Nature of Expertise**

Mr. Hasmukh Shah took over as Chairman of the Company from Mr. Edward Trafford in 1999. Mr. Shah was earlier the Chairman and Managing Director of Indian Petrochemicals Corporation Limited. He has also held various important positions like Joint Secretary to the Prime Minister of India, Secretary of Post and Telegraph Board, Chairman of Gujarat Industrial Investment Corporation, Vice Chairman of GE Capital (India), Advisor to General Electric Co. and Chairman of Gujarat Industrial Research & Development Agency.

Mr. Shah has made significant contribution in social, cultural and rural development activities like leprosy eradication, water management, conservation and management of man-made and other natural heritage.

He has also contributed significantly in the academic and research areas. He is holding the office of Chairman-Gujarat Ecology Commission, National Institute of Design and Gujarat Institute of Desert Ecology.

**Directorship**

Apart from Gujarat Gas Company Limited, Mr. Shah holds directorship and membership of the following Companies / Committees:

**Directorship**

Sr. No.	Name of the Company	Designation
1.	Shaily Engineering Plastics Limited	Chairman
2.	Oswal Multimedia K.I.D. Limited	Chairman
3.	Supreme Petrochemicals Limited	Director
4.	Petronet India Limited	Director
5.	Hindustan Oil Exploration Company Limited	Director
6.	Hindustan Inks & Resins Limited	Director
7.	Amal Finance Private Limited	Director
8.	Feedback First Urban Infrastructure Fund Limited	Director
9.	Sun Pharmaceutical Industries Limited	Director
10.	Atul Limited	Director

**Membership of Committees**

Sr. No.	Name of the Company	Designation
1.	Audit Committee - Hindustan Inks & Resins Limited	Member
2.	Shareholders / Investors Grievances Committee - Hindustan Inks & Resins Limited	Chairman
3.	Audit Committee - Sun Pharmaceutical Industries Limited	Member
4.	Shareholders / Investors Grievances Committee - Sun Pharmaceutical Industries Limited	Member
5.	Compensation Committee - Atul Limited	Member
6.	Compensation Committee - Supreme Petrochemicals Limited	Member

Your directors recommend appointment of Mr. Hasmukh Shah as a director.

No director, other than Mr. Hasmukh Shah, is in any way interested or concerned in the said resolution.

**ITEM NO. 4**

Mr. P. K. Laheri, IAS retires by rotation and being eligible offers himself for re-appointment.

**Brief Resume and Nature of Expertise**

Mr. P. K. Laheri has graduated from Bombay University in 1965. He was awarded Sir Charles Fulton Prize for his top rank in legal studies. He graduated in Law from Bombay in 1967. He was awarded post-graduate degree MSc (Eco) in 1985 from University of Wales, Centre for Development Studies at Swansea.

He started his career in 1967 with Finance and Accounts Division of Indian Railways. He joined Indian Administrative Service in 1969 and has been working in Gujarat in various senior positions. Mr. Laheri has worked in various departments like Cottage Industries, Information, Education, Social Welfare, Textile, Health and Water Supply. He initiated Special Credit Scheme under which more than 2,00,000 small artisans are financed successfully by the banks. He has been associated with vocational education and technical & entrepreneurship training in Gujarat.

Mr. Laheri continuously interacts and works as guest faculty with institutions like Ahmedabad Management Association, Sardar Patel Institute of Public Administration, Sardar Patel Institute of Social & Economic Research, Rural Technology Institute, Indian Institute of Management, Centre for Entrepreneurship Development. He also represents the state government in a number of joint ventures. He has successfully revived loss incurring projects manufacturing basic drugs, medical formulations, leather and engineering projects. Mr. Laheri was entrusted a study on industrial

development in Egypt as an international consultant by UNIDO. In addition to large number of developmental policies, Mr. Laheri has also prepared various reports and studies pertaining to industrial development and employment in Gujarat.

#### Directorship

Mr. P. K. Laheri holds directorship in Gujarat Gas Company Limited.

#### Membership of Committees

Mr. Laheri is not a member on any Committee of Board of Directors of any company.

Your directors recommend appointment of Mr. P. K. Laheri as a director.

No director, other than Mr. P. K. Laheri, is in any way interested or concerned in the said resolution.

#### ITEM NO. 6

Mr. B. S. Shantharaju was appointed by the Board of Directors as an additional director in its Meeting held on July 26, 2001. As per the provisions of Section 260, he holds office of director till the conclusion of this Annual General Meeting. A notice under Section 257 of the Companies Act, 1956 alongwith the requisite deposit has been received from a shareholder signifying his intention to propose the candidature of Mr. Shantharaju for appointment as a director of the Company.

#### Brief Resume and Nature of Expertise

Mr. B. S. Shantharaju is an Associate Member of the Institute of Cost and Works Accountants of India and holds Masters in Business Administration from IMI, Delhi. He is also Post Graduate in Computer Management from Poona University and has received professional training at Columbia Business School, New York, US in "Transition to General Management".

He started his career with Hindustan Aeronautics Limited in 1979 as Management Trainee in Finance area. He resigned as Dy. Manager (Finance) to pursue further studies. On completion of his studies, he joined Eicher Tractors Limited as Manager heading Finance and Systems division at Alwar plant.

In 1989, he joined SmithKline Beecham Pharmaceuticals (India) Limited as Executive Assistant to the Managing Director and became Finance Manager with additional responsibility of Information Technology in a year's time. He was elevated to the post of Chief Financial Officer in 1993 responsible for Finance, Investor Relations, Legal and Information Technology. In 1999, he assumed additional responsibility as Country Manager-Bangladesh and was elevated to the Board position in August, 1999.

He joined British Gas India Private Limited as Director-Finance & Administration in April, 2001.

#### Directorship

Apart from Gujarat Gas Company Limited, Mr. B. S. Shantharaju holds directorship and membership of the following Companies / Committees:

#### Directorship

Sr. No.	Name of the Company	Designation
1.	British Gas India Private Limited	Director
2.	British Gas Pipavav LNG Private Limited	Director
3.	British Gas Exploration and Production India Limited	Director

#### Membership of Committees

Sr. No.	Name of the Company	Designation
1.	Audit Committee – Gujarat Gas Company Limited	Member

Your directors recommend appointment of Mr. B. S. Shantharaju as a director.

No director, other than Mr. B. S. Shantharaju, is in any way interested or concerned in the said resolution.

#### ITEM NO. 7

Mr. Nigel Shaw was appointed by the Board of Directors as an additional director in its Meeting held on September 11, 2001. As per the provisions of Section 260, he holds office of director till the conclusion of this Annual General Meeting. A notice under Section 257 of the Companies Act, 1956 alongwith the requisite deposit has been received from a shareholder signifying his intention to propose the candidature of Mr. Nigel Shaw for appointment as a director of the Company.

#### Brief Resume and Nature of Expertise

Mr. Nigel Shaw graduated in Economics from University College, London in 1975. A qualified Accountant, he obtained a Masters in Economics from Birkbeck College, London in 1979. He is also a member of the Chartered Institute of Management Accountants.

Mr. Shaw began his career with the UK Government's Economic Service in 1975. In 1979, he joined BG Group (then British Gas) as an Economist and worked in a number of finance and planning roles before joining the Finance department as a Financial Analyst in 1988.

In 1989, he became Group Financial Planning Manager before taking up the position of Head of Regulatory Policy for the Group in 1991 involving high level dealings with the Regulator of Gas Supply and the Office of Fair Trading. He was also a member of the team established to work on the 1992 referral to the Monopolies and Mergers Commission to open up Britain's gas supply market over 25,000 therms.



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In 1994, he was appointed Director of Storage, where he was responsible for the commercial development and growth of the gas storage business in Great Britain.

Mr. Shaw became Commercial Director of Transco in 1996 working on issues surrounding the liberalisation of the domestic supply market in Great Britain including development of the Network Code – the rules governing gas supply, pricing and investment.

In July 1999, Mr. Shaw was appointed Vice President Ireland and UK- Downstream with responsibility for BG Group's assets in the UK including Seabank Power, a power station in the south west of England and three businesses in Northern Ireland – Phoenix Natural Gas, a gas distribution company; Premier Power, Northern Ireland's largest generating power station and Premier Transmission which operates an interconnector transmission pipeline.

Mr. Shaw took up the position of Vice President, BG India in September, 2001. He has the responsibility for the strategic direction of BG's assets in India including Gujarat Gas Company Limited, British Gas Exploration and Production India Limited, Mahanagar Gas Limited and developing Pipavav LNG re-gassification importation terminal in Gujarat state. He is also responsible for identifying new areas of growth for the BG Group in India.

#### Directorship

Apart from Gujarat Gas Company Limited, Mr. Nigel Shaw holds directorship and membership of the following Companies / Committees:

##### Directorship

Sr. No.	Name of the Company	Designation
1.	British Gas India Private Limited	Director
2.	British Gas Pipavav LNG Private Limited	Director
3.	British Gas Exploration and Production India Limited	Director
4.	Mahanagar Gas Limited	Director
5.	BG India Broadband Limited	Director

##### Membership of Committees

Sr. No.	Name of the Company	Designation
1.	Audit Committee – Mahanagar Gas Limited	Chairman

Your directors recommend appointment of Mr. Nigel Shaw as a director.

No director, other than Mr. Nigel Shaw, is in any way interested or concerned in the said resolution.

#### ITEM NO. 8

Mr. Antony Seigel was appointed by the Board of Directors as an additional director in its Meeting held on March 7, 2002. As per the provisions of Section 260, he holds office of director till the conclusion of this Annual General Meeting. A notice under Section 257 of the Companies Act, 1956 alongwith the requisite deposit has been received from a shareholder signifying his intention to propose the candidature of Mr. Seigel for appointment as a director of the Company.

#### Brief Resume and Nature of Expertise

Mr. Antony Seigel is a qualified gas engineer and is chartered through the UK Institution of Gas Engineers. He achieved a first class honors degree in Mechanical Engineering from City University, London and was presented with two further awards for academic achievement.

Mr. Seigel has worked in the UK and International gas industry for over 23 years and has considerable experience in the operation and management of gas distribution companies. He started his career with British Gas in the UK in 1978 as a trainee engineer. He has since held various positions within the company. He started his International career in 1994 and has worked in India, Pakistan, Thailand, Egypt, Northern Ireland, Italy and Turkey. In 1995, he was part of the founding management team responsible for setting up the "Mahanagar Gas" joint venture distribution company in Mumbai. He was also responsible for BG's technical post acquisition due diligence of Gujarat Gas in 1997.

He is presently responsible for the operation of BG Group's Transmission & Distribution Skill Centre based in Reading UK.

#### Directorship

Apart from Gujarat Gas Company Limited, Mr. Seigel is also a non-executive Director of Phoenix Natural Gas in Northern Ireland.

#### Membership of Committees

Mr. Seigel is not a member on any Committee of Board of Directors of any company.

Your directors recommend appointment of Mr. Antony Seigel as a director.

No director, other than Mr. Antony Seigel, is in any way interested or concerned in the said resolution.

**By Order of the Board**

Jagdish A. Mehta  
Company Secretary

#### Registered Office

2, Shantisadan Society,  
Near Parimal Garden, Ellisbridge,  
Ahmedabad – 380 006.

Place: Ahmedabad

Date : April 4, 2002

## 22nd ANNUAL REPORT

## DIRECTORS' REPORT

**DEAR SHAREHOLDERS,**

Your Directors have pleasure in presenting the 22nd Annual Report together with the audited accounts for the year ended December 31, 2001.

**1. FINANCIAL RESULTS**

PARTICULARS	(Rs. in thousands)	
	Current Year	Previous Year ending on 31.12.2000
Total income	3,779,997	3,078,230
Gross profit before interest and depreciation	1,130,160	927,824
Less: Interest	105,442	109,037
Depreciation	108,679	110,517
Profit before tax	916,039	708,270
Provision for taxes	325,395	221,833
Profit after tax	590,644	486,437
Less: Prior period expenses and provisions (net)	-	23,761
Net profit	590,644	462,676
Add: Brought forward from previous year	281,572	73,338
Add: Transfer from investment allowance (utilised) reserve	-	7,300
Less: <u>Appropriations:</u>		
Transfer to debenture redemption reserve	70,000	70,000
Transfer to general reserve	60,000	50,000
Payment of interim dividend (including tax)	-	56,943
Proposed dividend	416,812	76,950
Dividend tax	-	7,849
Surplus	325,404	281,572

During the year under review, total income increased by 22.80%, gross profit increased by 21.81%, profit after tax increased by 27.66% and earnings per share increased to Rs. 46.05 per share.

**2. DIVIDEND**

Considering the profit for year 2001, your directors recommend a dividend of Rs.32.50 per share. Considering the profit for 2001 and comfortable cash position, your directors thought it fit to reward the shareholders with a special dividend of Rs.22.50 per share over normal dividend of Rs.10 per share.

**3. MANAGEMENT ANALYSIS****3.1 Industry Structure:**

Gujarat Gas Company Limited (GGCL) is a premium downstream player of Indian oil & gas industry and is engaged in the integrated business of transmission and distribution of natural gas. GGCL buys gas from GAIL and GSPCL and distributes it in the cities of Surat, Bharuch and Ankleshwar and surrounding industrial estates.

Natural gas replaces alternative fuels like coal, fuel oil, LDO, naphtha, diesel and electricity in large and medium size industries, commercial establishments, households and vehicles. In the oil & gas business, the upstream sector has a number of exploration and production (E&P) companies, which extract oil and natural gas. Cairn Energy is one such company.

Transmission companies receive gas from E&P companies and supply to downstream distribution companies or large consumers through their transmission pipeline network. Gas Authority of India Ltd. (GAIL) is a transmission company. Transmission pipelines operate on high pressure and have a large capacity. Distribution companies have an extensive low pressure pipeline network that feeds relatively smaller consumers. Mahanagar Gas in Mumbai and Indraprastha Gas in Delhi fall into this category. During the year, GGCL has commenced transportation of gas to GACL on behalf of GSPL, through its existing pipeline connecting Hazira to its distribution networks at Surat and Ankleshwar.

**3.2 Development:**

In April 2001, the Gujarat Legislature passed the "Gujarat Gas (regulation of transmission, supply and distribution) Act, 2001" which sought

- to regulate investment in creation of capacity and utilisation of transmission and distribution gas network;
- to assign distribution licenses for different geographical areas;
- to regulate transmission tariffs;
- to appoint a Gas Regulatory Authority, Gas Commissioner and other authorities.

It is reported that the above Act is yet to be implemented.