



## GUJARAT GAS

### BOARD OF DIRECTORS

Hasmukh Shah, *Chairman*  
 Derek Alan Fisher  
 Rajeev Khanna  
 Prof. Pradip Khandwalla  
 Jal Patel  
 Ajit Kapadia  
 Bikash C. Bora  
 Shaleen Sharma, *Managing Director*  
 Rajeshwari Sharma, *Company Secretary*

### GROUP HEADS

David Brooks, *Director – Technical*  
 Himanshu K. Upadhyay, *Director – Policy and Corporate Affairs*  
 L. Balasundaram, *Director – Human Resources & Administration*  
 Priyaranjan Sekhon, *Legal Counsel*  
 Rahul Bhatia, *Director – Commercial*  
 Sadhan Banerjee, *Director – Management Services*  
 Sugata Sircar, *Director – Finance*  
 Nakul Raheja, *General Manager – Regulations & New Business Development*  
 Nitin Mehta, *General Manager – HSSE*  
 Sanjeev Gupta, *General Manager – Internal Audit*

### BANKERS

HDFC Bank Limited  
 ICICI Bank Limited  
 Standard Chartered Bank  
 State Bank of India

### AUDITORS

PRICE WATERHOUSE  
 Chartered Accountants  
 Building 8, 7<sup>th</sup> & 8<sup>th</sup> Floor, Tower B,  
 DLF Cyber City, Gurgaon – 122 022  
 Haryana

### CORPORATE OFFICE

2, Shanti Sadan Society, Near Parimal Garden,  
 Ellisbridge, Ahmedabad – 380 006

### OFFICES

#### SURAT

Adajan Gam, Post Box. No. 915,  
 P. O. Navyug College, Surat – 395009

#### CNG Office (Surat)

CNG Office, 3<sup>rd</sup> Floor, Swastik House,  
 Kargil Chowk, Piplod, Surat - 395007

#### ANKLESHWAR

Surati Bhagol, Umarwada Road,  
 Via Piramal Naka, Ankleshwar - 393001

#### BHARUCH

Anand Mangal Society,  
 Son Talavadi, Bharuch - 392001

#### VAPI

Chandralok Complex,  
 Near Cinepark Multiplex,  
 Selvas Vapi Main Road, Chanod, Vapi

### 30<sup>th</sup> Annual General Meeting

Date : 22 April 2010  
 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

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## NOTICE

NOTICE is hereby given that the Thirtieth Annual General Meeting of the Members of Gujarat Gas Company Limited will be held on Thursday, 22 April 2010 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 and Cashflow Statement for the year ended on 31 December 2009, the Balance Sheet as that date and the Auditors' Report thereon.
2. To declare dividend on preference shares.
3. To declare dividend on equity shares.
4. To appoint a Director in place of Mr. Hasmukh Shah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Ajit Kapadia, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

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

"RESOLVED THAT the Chairman and Independent Directors of the Company, be paid commission for the financial year 2009, as set out in the Explanatory Statement annexed to this Notice convening the Thirtieth Annual General Meeting.

RESOLVED FURTHER THAT the above commission shall not exceed one percent of the net profits of the Company as provided under section 309(4) of the Companies Act, 1956 ("the Act"), and computed in the manner referred to in section 198 of the Act, or any amendment or re-enactment thereof, in addition to the fees for attending the meetings of the Board of Directors of the Company or any Committee thereof."

### By Order of the Board

Rajeshwari Sharma  
Company Secretary

Date : 15 March 2010  
Place : Ahmedabad

### NOTES:

1. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, is annexed hereto and forms part of the Notice.

2. 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. Proxies, in order to be effective, must be received at the Registered Office of the Company, not less than forty eight hours before the commencement of the Annual General Meeting.
3. Members/proxies are requested to bring the attendance slip duly filled in for attending the meeting along with copy of the Annual Report for financial year 2009.
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 at least seven days before the date of the meeting to enable the management to keep the required information readily available at the Thirtieth Annual General Meeting.
5. Dividend for the financial year ended 31 December 2002, which remains unpaid or unclaimed, will be due for transfer to the Investor Education and Protection Fund of the Central Government ('IEPF') later this year, pursuant to the provisions of Section 205A of the Companies Act, 1956.
6. Members who have not encashed their dividend warrants for the financial year ended on 31<sup>st</sup> December 2002, or any subsequent financial year(s) are requested to lodge their claim with the Company Secretary. In respect of dividend for the financial year ended on 31 December 2002, it will not be possible to entertain the claims received by the Company Secretary after 18 June 2010. Members are advised that, in terms of the provisions of section 205C of the Companies Act, 1956 no claim shall lie with respect to unclaimed dividend once it is transferred by the Company to IEPF.
7. Members, holding the shares in physical form and wishing to avail the nomination facility, are requested to send the duly filled nomination form to the Karvy Computershare Pvt. Ltd, Hyderabad, the Registrar and Share Transfer Agent. Nomination form may be downloaded from the Company's website www.gujaratgas.com under the investors section.
8. Pursuant to SEBI circular, the shareholders holding shares in physical form are requested to submit the notarised copy of the PAN in compliance of the KYC norms.

### EXPLANATORY STATEMENT

Annexed to the Notice convening the Thirtieth Annual General Meeting to be held on Thursday, 22 April 2010.

### ITEM NO. 4

Mr. Hasmukh Shah, Director, retires by rotation and being eligible offers himself for re-appointment.

### Brief resume and nature of expertise

Mr. Hasmukh Shah is holding the office of the Chairman of the Company since 1999. Earlier, Mr. Shah was Chairman &

Managing Director, Indian Petrochemicals Corporation Ltd (IPCL); Joint Secretary to the Prime Minister; Secretary, Posts & Telegraph Board; Founder Chairman, Gujarat Institute of Desert Ecology; Chairman, Gujarat Industrial Investment Corporation (GIIC); Chairman, National Institute of Design for 11 years; Vice Chairman, GE Capital (India); Advisor, General Electric Co.; Chairman, Gujarat Industrial Research & Development Agency (GIRDA); Chairman, Vikram A. Sarabhai Community Science Centre; Member, Board of Governors of IIT (Mumbai); Chairman, Gujarat Ecology Commission; Jt. Director, Bureau of Public Enterprise, Govt. of India; headed several government committees.

Mr. Shah does not hold any shares and beneficial interest in any shares of your Company. Apart from Gujarat Gas Company Limited, Mr. Shah holds directorship and Membership of the following companies/ committees:

#### Directorships

Sr. No.	Name of the Company	Designation
1	Shaily Engineering Plastics Limited	Chairman
2	Supreme Petrochem Limited	Director
3	Micro Inks Limited	Director
4	Sun Pharmaceuticals Industries Limited	Director
5	Atul Limited	Director
6	Deepak Nitrite Limited	Director
7	Cosmo Films Limited	Director
8	Dinesh Remedies Limited	Director
9	Mahindra Gujarat Tractor Limited	Chairman
10	Flexican Bellows & Hoses Private Limited	Director

#### Membership of Committees

Sr. No.	Name of the Company	Committee	Designation
1	Supreme Petrochem Limited	Remuneration Committee	Chairman
2	Micro Inks Limited	Audit Committee Shareholders' Grievance Committee	Chairman Chairman
3	Sun Pharmaceuticals Industries Limited	Audit Committee Shareholders' Grievance Committee	Member Chairman
4	Atul Limited	Remuneration Committee	Chairman
5	Cosmo Films Limited	Remuneration Committee	Member
6	Dinesh Remedies Limited	Audit Committee	Member

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

The following promoter-directors of the Company are deemed to be interested:

- Mr. Hasmukh Shah
- Mr. Derek Fisher
- Mr. Rajeev Khanna
- Mr. Shaleen Sharma

#### ITEM NO. 5

Mr. Ajit Kapadia, Director, retires by rotation and being eligible offers himself for re-appointment.

#### Brief resume and nature of expertise

Mr. Ajit Kapadia, after completing B.Sc. (Hons.) from Bombay University in 1960, proceeded to the U.S.A. and joined the University of Louisville, KY and completed M. Che. (Chemical Engineering) in 1963. Immediately, he joined Girdler Corporation in Louisville as a Process Engineer. During the four year tenure at Girdler, Mr. Kapadia was involved in design of fertilizer plants (Ammonia, Urea, etc.) and Methanol. In 1966, as a part of the Girdler technical team, Mr. Kapadia spent nine months assisting Fertilizer Corporation of India in commissioning their first methanol plant. In 1966, he joined Fluor Corporation in Houston, Texas. At Fluor, Mr. Kapadia got the first exposure to hydrocarbon processing and especially natural gas processing. Having been offered the position of Senior Engineer with Engineers India Limited (EIL) to participate in process design of the naphtha cracker plant for Indian Petrochemicals Corporation Limited (IPCL), he returned to India in 1971.

With EIL, Mr. Kapadia had full involvement with Bombay High's development plan and especially with natural gas processing and transportation. In 1982, he was appointed as the Head of the Gas Task Force, a group formed by the Petroleum Ministry to review the entire country's natural gas availability and utilization pattern. In 1984, Mr. Kapadia was appointed as the first Director (Planning) with Gas Authority of India Limited (GAIL). After three years at GAIL, he joined Hindustan Oil Exploration Company Limited (HOEC) as the first employee and was soon invited to join the Board as the Managing Director. He has spent seventeen years establishing HOEC as the first private sector oil company in India.

Mr. Ajit Kapadia does not hold any shares or beneficial interest in any shares of your Company. He is on the Board of your Company from July 2003. Apart from Gujarat Gas Company Limited, Mr. Kapadia holds directorship and membership of the following companies / committees:

#### Directorships

Sr. No.	Name of the Company	Designation
1	Rubamin Limited	Director
2	Quanta Process Solutions Pvt. Limited	Director
3	Entegra Limited	Director
4	Enertech Biofuels Limited	Director
5	Central UP Gas Company Limited	Director

### Membership of Committees

Sr. No.	Name of the Company	Committee	Designation
1	Rubamin Limited	Audit Committee	Chairman

Your directors recommend re-appointment of Mr. Ajit Kapadia as a director.

No director other than Mr. Ajit Kapadia is in any way interested or concerned in the said resolution.

#### ITEM NO. 7

The Chairman and the Independent Directors are being paid sitting fees for attending the meetings of the Board of Directors and its Committees. Remuneration by way of commission aggregating to Rupees Twenty One lac, for CY 2008 was paid to these non-executive directors, after the approval of the Board, Shareholders and the Central Government.

The remuneration of the Chairman and the Independent Directors has to be in line with current trends and has to be commensurate to the time devoted and the contribution made by them. While acknowledging that the rich experience and the expertise of the above mentioned Directors enables them to significantly contribute to the business of the Company, the Board of Directors, at its meeting held on 4 March 2010, as a token of appreciation and gratitude to them, has proposed to pay the following remuneration by way of commission for the financial year 2009, subject to the approval of the shareholders, in addition to the sitting fees being paid:

Mr. Hasmukh Shah,	Chairman	Rs 6.0 lakhs
Mr. Jal Patel,	Chairman, Audit Committee	Rs 4.5 lakhs
Prof Pradip Khandwalla	Independent Director	Rs 4.5 lakhs
Mr. Ajit Kapadia	Independent Director	Rs 3.0 lakhs
Mr Bikash C. Bora	Independent Director	Rs.3.0 lakhs

The above commission shall not exceed one percent of the net profits of the Company as provided under section 309(4) of the Companies Act, 1956 ("the Act"), and computed in the manner referred to in section 198 of the Act, or any amendment or re-enactment thereof. The Commission is recommended to be paid for their contribution at the Board and its Committee Meetings as well as time spent on operational matters other than at the meetings.

Your directors recommend this Special Resolution for your approval. The following directors of the Company are deemed to be concerned / interested:

- Mr. Hasmukh Shah
- Mr. Jal Patel
- Prof. Pradip Khandwalla
- Mr. Ajit Kapadia
- Mr Bikash C. Bora

**By Order of the Board**

Rajeshwari Sharma  
Company Secretary

Date : 15 March 2010  
Place : Ahmedabad

## DIRECTORS' REPORT

### DEAR SHAREHOLDERS,

Your directors have pleasure in presenting the 30<sup>th</sup> Annual Report and the audited accounts for the year ended on 31 December 2009.

### 1. FINANCIAL RESULTS

(Rs. in crores)

Particulars	Consolidated Financials		Stand-alone Financials	
	Current Year	Previous Year	Current Year	Previous Year
Total income	<b>1,446.31</b>	1,342.46	<b>1,442.96</b>	1,335.77
Gross profit before interest, depreciation and tax	<b>306.15</b>	276.45	<b>303.56</b>	271.20
Less: Interest	<b>0.14</b>	0.11	<b>0.14</b>	0.11
Depreciation	<b>47.38</b>	41.80	<b>46.06</b>	40.44
Profit before tax	<b>258.63</b>	234.55	<b>257.36</b>	230.65
Tax expenses	<b>83.61</b>	73.03	<b>82.23</b>	71.84
Net Profit	<b>175.02</b>	161.52	<b>175.13</b>	158.81
Minority Interest	<b>0.85</b>	0.87	-	-
Profit attributable to Group	<b>174.17</b>	160.65	-	-
Add: Undistributed profit of earlier years	<b>511.26</b>	391.16	<b>494.90</b>	375.86
Balance available for Appropriation	<b>685.43</b>	551.81	<b>670.03</b>	534.67
Less: Appropriations:				
Transfer to General Reserve	<b>17.70</b>	16.15	<b>17.60</b>	16.00
Special reserve as stipulated by RBI	<b>0.57</b>	0.58	<b>0.00</b>	0.00
Preference dividend	<b>1.08</b>	1.08	<b>1.08</b>	1.08
Proposed Equity dividend	<b>102.60</b>	19.24	<b>102.60</b>	19.24
Corporate dividend tax	<b>17.25</b>	3.50	<b>17.22</b>	3.45
Surplus retained	<b>546.23</b>	511.26	<b>531.53</b>	494.90
Earning per Share (Rs.)	<b>13.48</b>	12.43	<b>13.56</b>	12.28

### 2. DIVIDEND

Your directors recommend for consideration of the share holders at the Annual General Meeting, payment of dividend for 2009 of Rs. 3.00 and a one time special dividend of Rs. 5.00 per equity share of Rs. 2 each and dividend of Re. 0.75 per Redeemable Cumulative Non-convertible Preference Share of Rs. 10 each, involving total payout of Rs 120.90 crores, including corporate dividend tax of Rs 17.22 crores.

### 3. MANAGEMENT ANALYSIS

#### 3.1. Industry Structure and developments

Natural gas currently constitutes about 9 % of India's primary energy basket. This is expected to grow to 23% of the primary energy basket by the year 2020. There is therefore a significant growth potential for the natural gas business in India. Availability of additional sources of long term gas at optimal prices will play a major role in determining growth in this segment.

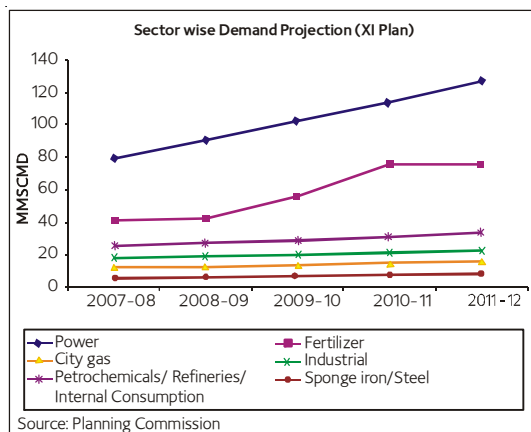
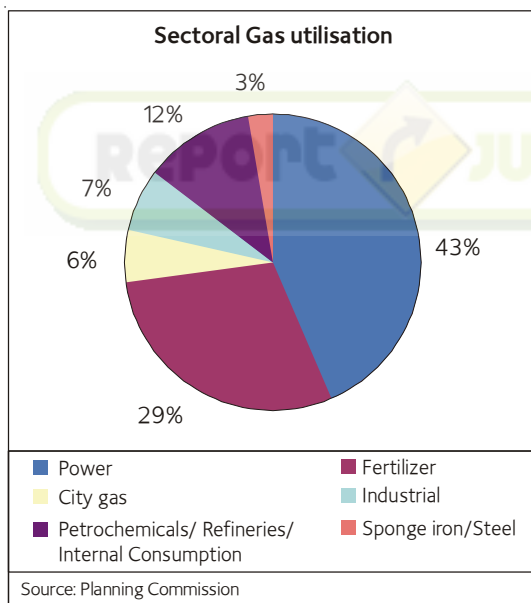
The scenario for supply of natural gas in India has changed significantly with the advent of volumes from

Reliance Industries operated D6 fields in the Krishna Godavari basin offshore Indian east coast. About 8 mmcmd of gas commenced flowing in April 2009, which increased up to 60 mmcmd by December 2009. The Ministry of Petroleum and Natural Gas (MoPNG), Government of India, under the aegis of the EGOM (Empowered Group of Ministers) allocates gas from the D6 fields as per the Gas Utilisation Policy. Under this policy, preferential allotment has been made to units in the core sectors of power and fertilizer. While some gas volumes of D6 gas was allocated to certain city gas distribution companies for supply to residential households and transport (CNG) sectors, no gas allocation was made during the year to your Company. The additional supply of KG D6 gas raised the supply level of indigenous gas in the Indian markets to about 133 mmcmd by December 2009. The consumption of Regasified Liquefied Natural Gas (RLNG) in Indian markets also increased through the year, primarily due to the availability of spot cargoes. Your Company was successful in procuring RLNG at market determined



prices on short term basis to meet the current gas requirements of its customers from March 2009 onwards. Gas availability from some indigenous sources in the western offshore and Cambay basin fields has also increased marginally, thereby positively impacting India's gas demand-supply scenario in the near term. Concerns remain, however, regarding the demand-supply gap in the long term.

The demand for natural gas remained robust, signifying a clear market preference for natural gas as a safer, cleaner and economical source of energy. While the large consumers of natural gas in the country continued to be the power and fertilizer units, the demand from City Gas Distribution (CGD) customers viz. smaller industrial units, natural gas vehicles, households and commercial establishments, continued to grow. Moreover, the sectoral gas demand has remained largely consistent over the years, with almost 45% being consumed by power sector followed by fertilizers with a share of 24%. The sector-wise gas demand projections as in XI – XII plan are shown below.



Your Company maintained its status as the largest CGD company in India by volumes, even though it faced a constraint in adding long term sources of gas supply to its portfolio. While new entrants are expected in the CGD space in India, issues relating to authorizations still need to be clarified.

The Delhi High Court has recently held that the Petroleum and Natural Gas Regulatory Act does not empower the Petroleum and Natural Gas Regulatory Board (PNGRB) to authorize the operation of CGD companies. This has held up the applications for authorization which are pending with the PNGRB

### 3.2. Opportunities and Challenges

The developments described above open material opportunities for your Company while also posing certain challenges.

The flow of additional volumes of gas by way of RLNG and by way of indigenous gas mainly from the East Coast of the country, offer several options for gas sourcing in the future, which will lead to fulfilling the significant demand in the operating areas of your Company.

The growth of industrialization continues to be robust in your Company's areas of operation. While this was affected temporarily during the economic downturn, the industrial units in South Gujarat are again showing a strong appetite for gas use. Growth of urbanization in Surat and Ankleshwar has also been rapid and continues unabated. These factors create opportunities for growing the market for natural gas for industrial applications, household usage and for use as CNG in vehicles.

The challenges that your Company expects to face relate mainly to ensuring safe operations in line with the Company's objectives, competition in certain market segments, retention of critical talent and resourcing and the growth of its pipeline network. Your Company has strong processes in place to address these challenges.

### 3.3. Operations and Market Performance

Your Company continued to face constraints on gas availability, which was more pronounced in the early part of the year. While significant volumes of RLNG were sourced from March 2009 onwards, D6 gas was not allocated to your Company. RLNG was purchased on a short term basis at market determined prices to meet all the demand from existing customers. Gas sales volumes therefore did not grow over the previous year, but the Company plans to grow its customer base by procuring long term gas supply from both indigenous and RLNG sources at market determined prices.

The average cost of gas for the Company's portfolio increased over the previous year, primarily due to forex which made it necessary to align the gas sales prices in



all the market segments. Margins were therefore optimized.

About 28,000 new household customers were connected on natural gas during the year, taking the total number of domestic customers of the Company to over 270,000. More than 100,000 vehicles now ply in the Company's operating areas on natural gas. The company has around 2,80,000 customers, including industrial units. Sales volumes grew by 8% in the Industrial segment and 18% in the CNG segment.

Your Company continues to invest in pipeline network, CNG stations and other infrastructure. 35 km of steel pipelines and 392 km of PE pipelines were laid during the year. Total capital investments were Rs 1553 million.

Operating costs of the Company were optimized through stringent measures adopted in all the areas of operation. Your Company endeavours to build a strong culture of cost optimization which ensures that the maximum value is derived for all expenditure. Your Company could take the advantage of negotiating purchase contracts for materials at very competitive rates for its capital projects as well as for certain recurring activities.

The Co-generation business segment operated with its existing contracts. Growth outlook in this segment continues to remain conservative due to potential credit risks.

Your Company invested its surplus funds under an investment strategy designed to ensure complete safety of the funds and to ensure the best possible returns within the given safety parameters.

The consolidated income increased from Rs. 13424 million to Rs. 14463 million. Gas sales volume was 1035 mmscm, compared to 1089 mmscm in the previous year, due to declining availability of PMT gas. The Profit Before Tax increased from Rs 2345 million to Rs 2586 million mainly due to market optimization. The profit after tax increased from Rs. 1615 million to Rs. 1750 million.

### 3.4. Future outlook

Your Company's application for authorisation is pending with the PNGRB. This is expected to be progressed pending resolution of the PNGRB's authorization powers. Your Company has in the meantime obtained the permission from the regulator to continue capital works in its key areas of operation as well as for the expansion areas planned in immediate future.

Sourcing additional sources of long term gas is critical for the growth of the business. RLNG as well as indigenous sources of gas are being explored for this purpose.

Your Company endeavours to grow its retail markets to take full advantage of the growth in industrialization and urbanization in its areas. The management is focused in ensuring that the adequate systems, processes,

resources and infrastructure are available and are scalable to enable the growth of the Company.

Your Company considers Health, Safety, Security and Environment (HSSE) to be of prime importance in all its activities. Continuous engagement with the staff, contractors, customers and other stakeholders is designed to create and sustain a strong culture where HSSE is perceived to be of highest importance in any activity of the Company. Systems and processes are laid and geared up to enable this culture. Your Company endeavours to ensure that all its employees and contractors work in an environment which is totally safe and are able to return home safely after every day's work.

Your Company also believes that ensuring road safety is critical for its operations and has made significant progress to develop procedures, enhance awareness and positively influence behaviour of all concerned. Your Company works very closely with its business partners in the CNG business segment to ensure safe operations.

Your Company believes that partnering with its contractors is vital to its growth. A comprehensive contracting strategy has been developed with a high level of engagement with employees, contractors and experts to address this issue.

### 3.5 Internal Control System and Risk Management

Your Company has an effective internal control environment that continuously assures the efficiency of operations and security of assets. A well defined system comprising of adequate checks and balances exists, which is commensurate with the size of the Company and the nature of its business. A sound budgetary control process coupled with standard operating processes and a detailed authorisation matrix effectively measure the reliability of financial controls and the degree of compliance with applicable laws.

Your Company has an independent internal audit function, empowered to review and examine the compliances with the plans, policies and statutory requirements. The BG Group Audit team also carries out periodic process reviews of key business activities, leading to enhanced assurance. The Audit Committee monitors the internal control environment within the Company and ensures that the internal audit recommendations are effectively implemented.

Your Company has a system-based approach to business risk management. Risk identification process ensures that all the levels of business clearly identify their top risks and set out a mitigation plan with agreed timelines and accountability. A comprehensive exercise ensures that relevant business risks have been identified, assessed, evaluated and appropriate mitigation systems are implemented. The senior management undertakes



periodic review of the Risk Register maintained by the Company to ensure its efficacy by suitably addressing the emerging challenges in a competitive and a dynamic business environment. The Audit Committee of the Board closely monitors the adequacy of the business risk management policies and processes.

Your Company has also implemented a Value Assurance Framework (VAF) for all major projects, which provides independent assessment of whether the risks and opportunities are being effectively managed. This involves rigorous scrutiny of all aspects of a project, right from conceptualisation to commissioning. During the year, the CNG projects were also brought under the fold of VAF. The Company also carried out self-assessment of its governance processes and has formalised action plans for the improvement areas.

### 3.6 Health, Safety, Security and Environment (HSSE)

Outstanding business performance requires outstanding HSSE performance. This means the protection of the health & safety of our people and those affected by our business.

The management of your Company believes that all injuries are preventable and hence strives towards a goal of Zero Injuries. Your Company conducts its business in a responsible manner and goes beyond compliance with local regulation to meet internationally accepted best practices and thereby reinforces its commitment to the health, safety and security of its people and protection of the environment, while delivering projects safely.

The management sets HSSE goals, develops improvement plans, monitors implementation of plans and regularly reviews HSSE performance using leading and lagging indicators. Your Company has strong self assurance process as well as independent audit process to ensure that controls are in place to manage HSSE risks effectively. The learning culture in the Company ensures the improvement in the HSSE performance through learning from its own incidents including near miss incidents and significant incidents of other organizations.

Total recordable case frequency (TRCF) for 2009 is 0.17 which represents an improvement over the TRCF performance of 0.89 for 2008.

As a part of HSSE improvement plans and initiatives, your Company carried out the following activities during the year:

- Self audits in the areas of CNG / Construction / Engineering Operations / Health / Driving / Permit to work system
- Employees' and contractors' involvement in managing safety through the Behaviour Based Safety scheme

significantly exceeded the target with over 7956 observations

- Safety Road Show for Contractors was organized to exhibit the Company's ongoing pursuit to enhance its HSSE culture and involve our contractors to embrace this culture as our partners in the growth.
- The senior management team undertook safety tours at various worksites to review effectiveness of HSSE controls at sites, to recognize good HSSE practices, to understand the HSSE concerns of the staff at site all designed to support to further improve HSSE performance.
- An HSSE review was conducted by a high level audit team from the BG Group to strengthen the safety aspects of your Company.
- Focused efforts to strengthen safety in the Company were initiated through a "Step Forward" initiative, which was launched by the Chief Executive of the BG Group.
- An "Accountability Framework" model has been rolled out successfully for all employees of your Company and training was imparted on the same. This model provides a framework for reward, recognition, as well as corrective measures, commensurate with the efforts put in by employees and contractor staff in the area of HSSE.
- The "Life Saver" campaigns on Lifting Operations, Asset Integrity and Confined Space working and rescue operations were successfully launched for educating the employees as well contract staff working for your Company.
- Awareness programs on HIV/AIDS, stress management & Swine Flu were done for the employees of the Company as well its contractors.
- Training initiatives were also made for the Company's employees and contractors in the following areas:
  - Night defensive driving training through a reputed external certified agency for all drivers associated with handling emergencies and round the clock operations
  - Defensive driving training was also extended to our contract drivers
  - Audio/visual sessions with Migrant workers to enable them to adopt safe practices for manual excavation

#### Contribution to Environment

Det Norske Veritas (DNV) has carried out "Re-certification audit" for OHSAS-18001-2007 and Environment Management System (ISO 14001-2004) across your Company's installations and offices in November and have recommended for recertification



for the next three years. As a result of this audit, both these standards have been integrated and OHSAS 18001-1999 has been upgraded to OHSAS 18001-2007. This approach yield benefits such as external auditing cost, minimisation of documentation, reduction in numbers of audit.

Your Company is ISO14001: 2004 certified and is committed to ensure minimum impact to environment through its operations.

Your Company has undertaken or contributed indirectly in various initiatives during the year, which include:

- Reduction in vehicular pollution in Surat and Bharuch districts by establishing new CNG stations and upgrading the existing CNG stations. The Company dispenses about 300,000 cubic metres of gas per day of this clean fuel to over 100,000 vehicles through its 31 CNG stations.
- Reduced waste generation and improved waste management by developing and implementing an Environment Plan.
- Celebration of World Environment Day 2009 with tree plantations at the Company's contractor sites and schools
- Reduction of 1528 tonnes of CO<sub>2</sub> through various Green House Gas emissions projects.
- The Company did not experience any Occupational Health illness case and no hazardous chemicals were spilled in to the external environment.

### 3.7 Contribution to Society

During the year, your Company developed a comprehensive strategy for carrying out activities for Corporate Social Responsibility (CSR), focusing on education and skill development. The strategy also addresses the need for supporting various sustainable development projects to benefit the communities in which your Company operates.

During the year under review, your Company supported "Science is Fun" events in Surat and Ankleshwar which contributed towards generating interest on pure science amongst school-going children. Your Company also supported the renovation of the Aanganwadi in Adajan area of Surat along with distribution of the gas stoves in rural areas of Surat district. Your Company continued to support a Government of Gujarat initiative to promote school enrolment of children from economically weak background and provided computers to schools.

Your Company supported a BG Group sponsored Skill Development Project at ITI Zhadadia. The pilot programme on gas plumbing, which is a part of the overall "Gujarat Sustainable Development Strategy", was taken up to equip local unemployed youth with technical and

safety skills. The project was launched at Industrial Training Institute, Zhadadia, on 23<sup>rd</sup> October 2009.

## 4. SUBSIDIARIES

### 4.1 Gujaratgas Trading Company Limited (GTCL)

Gujaratgas Trading Company Limited (GTCL), a wholly-owned subsidiary of the Company is engaged in the business of selling natural gas. During the year under review, GTCL achieved sales of Rs. 679.51 mn as against Rs. 835.21 mn during the previous year. Volumes during the year were lower compared to the previous year on account of reduction in gas supplies from one of its suppliers. Total income for the year was Rs. 687.57 mn including other income of Rs. 8.06 mn as against total income of Rs. 846.62 mn including other income of Rs. 11.41 mn in the previous year.

Profit before tax (PBT) was Rs. 8.03 mn during the year as against Rs. 11.65 mn in the previous year.

The accounts for GTCL are a part of this Annual Report.

### 4.2 Gujarat Gas Financial Services Limited (GFSL)

Gujarat Gas Financial Services Limited (GFSL), another subsidiary of your Company, carried out the job of installing gas connections for domestic and commercial customers of the Company. While GFSL has the status of a certified Non Banking Financial Company, it has stopped providing lease finance since April 2007. As it no longer meets the norms prescribed by the Reserve Bank of India (RBI) for Non-Banking Financial Companies, the Company has applied to the RBI for surrender of the RBI Certificate of Registration as NBFC.

During the year under review, the income was Rs. 50.66 mn. as compared to Rs. 58.61 mn. in the year 2008 and the profit after tax was Rs. 28.39 mn. as compared to Rs. 28.83 mn. for the previous year.

The accounts of GFSL are a part of this Annual Report.

## 5. FINANCE

Your Company continued to have a robust cash flow. Your Company has also made adequate provisions for all contingencies, bad debts and diminution in value of investments, as applicable. During the year under review, your Company has not invited any fixed deposits within the meaning of Section 58A of the Companies Act, 1956.

### 6. ISSUE OF BONUS EQUITY SHARES

64,125,000 bonus equity shares of Rs 2 each were allotted on 22 September 2009 in the ratio of one bonus share for every fully paid up equity share held. The total number of fully paid up equity shares of the Company was thereby increased to 128,250,000.

## 7. STATUTORY INFORMATION

As required under Section 212 of the Companies Act, 1956, the audited accounts for the year ended on 31 December 2009 and Auditors' Report thereon, along with the Directors' Reports of Gujaratgas Trading Company Limited and Gujarat Gas Financial Services Limited, the subsidiaries of GGCL, are attached to GGCL's balance sheet.

### 7.1 Energy, Technology and Foreign Exchange

Since the Company is not a scheduled industry, the details in respect of Form A pursuant to Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not required to be furnished. However, the details in respect of Form B pursuant to Rule 2 are submitted as Annexure-1 and forms part of this report.

### 7.2 Human Relations and Particulars of Employees

Core values are the pillars on which the institution of your Company is built. Your Company employed 562 persons as on December 31, 2009. All new recruits are initiated to these values through the Company's "Value Alignment" programmes.

Your Company has a strong focus on developing the competencies of its employees to enhance performance through various initiatives in learning & development such as coaching and mentoring, training and job rotation. During the year, the Company initiated annual development review of its managerial personnel. Further Options were granted under the Employee Stock Option Plan, which was introduced last year, for employees in select grades based on their performance with a view to develop a long term relationship and to align employee and shareholder interests keeping in mind industry practices and also to serve as a retention tool.

Particulars of employees in receipt of remuneration exceeding the limits prescribed under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended are given at Annexure-2. There was no strike or lock-out during the year under review.

### 7.3 Gujarat Gas Company Limited Employee Stock Option Plan 2008 ("the ESOP 2008")

The details of the Options granted up to 31st December, 2009 under the Gujarat Gas Company Limited Employee Stock Option Plan 2008 ("the ESOP 2008") and other disclosures as required under Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, are set out in the Annexure - 3 to this Report. The Company's Auditors, Price Waterhouse, have certified to the effect

that the ESOP 2008 has been implemented in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the resolutions passed by the members in this regard.

Under the ESOP 2008, 1,69,500 Options were granted during the year, which provides the benefit or right but not the obligation for exercising at a future date, equivalent number of equity shares each of the face value of Rs. 2/- each of Gujarat Gas Company Limited against the Options that have vested under the ESOP 2008. The ESOP 2008 provides for graded vesting of Options granted over a period of 4 years from the date of grant. The Options are to be exercised within a maximum period of 2 years from the date of vesting. Within the exercise period, the Option holder shall have the option to either purchase the shares from the trust at the exercise price or to give a mandate of sale to the trust in accordance with the terms and conditions of the ESOP 2008.

The Gujarat Gas Company Limited Employee Welfare Stock Option Trust ("the Trust") is implementing and administering the ESOP 2008. The Director - Finance and Director - Human Resource are the trustees of the Trust. The Trustees are authorized to execute the purchase and sale of shares of the Company, on behalf of the Option holders, in accordance with the ESOP 2008. The Trust has purchased from the secondary market, 1526644 equity shares of Rs. 2/- each, as of 31 December 2009 and the same are being held jointly by the trustees of the Trust.

Your Company has not passed any resolution for buy-back of shares.

### 7.4 Directors' Responsibility Statement

Your directors hereby state:

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii. that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31 December 2009 and of the profit of the Company for the year ended on that date;
- iii. that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the directors have prepared the annual accounts on a going concern basis.