



## BOARD OF DIRECTORS

Hasmukh Shah, *Chairman*  
 Prof. Pradip Khandwalla  
 Jal Patel  
 Ajit Kapadia  
 Bikash C. Bora  
 Rajeev Khanna (Upto 22 July 2010)  
 Walter Simpson (w.e.f. 22 July 2010)  
 Alan Derek Fisher  
 Shaleen Sharma, *Managing Director*  
 Rajeshwari Sharma, *Company Secretary*

## GROUP HEADS

Devendra Katiyar, *Director – HSSE*  
 David Brooks, *Director – Technical*  
 Himanshu K. Upadhyay, *Director – Policy and Corporate Affairs*  
 Manu Verma, *Director – Commercial*  
 Nakul Raheja, *General Manager–Regulations & New Business Development*  
 Priyaranjan Sekhon, *Legal Counsel*  
 Rajeev Singh, *Director – Human Resources*  
 Sadhan Banerjee, *Director – Management Services*  
 Sugata Sircar, *Director – Finance*

## BANKERS

HDFC Bank Limited  
 ICICI Bank Limited  
 State Bank of India  
 Kotak Mahindra Bank Limited

## 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

## 31<sup>st</sup> Annual General Meeting

Date : 28 April 2011  
 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 Thirty First Annual General Meeting of the Members of Gujarat Gas Company Limited will be held on Thursday, 28 April 2011 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 2010, 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. Derek Fisher, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Bikash C. Bora, 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 an Ordinary Resolution:

"RESOLVED THAT Mr. Walter Simpson, 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 the Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT subject to such approvals, as may be necessary, the Chairman and Independent Directors of the Company be paid Commission for the period of three Financial Years effective from the Financial Year ending 31 December 2010, as set out in the Explanatory Statement annexed to this Notice convening the Thirty First 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

GujaratGas Company Limited

Rajeshwari Sharma  
Company Secretary

Date : 15 March 2011

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 2010.
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 Thirty First Annual General Meeting.
5. Dividend for the Financial Year ended 31 December 2003, 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 31 December 2003, 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 31 December 2003, it will not be possible to entertain the claims received by the Company Secretary after 10 June 2011. 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 Karvy Computershare Pvt. Ltd, Hyderabad, the Registrar and Share Transfer Agent. Nomination form may be downloaded from the Company's website [www.gujaratgas.com](http://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 Thirty First Annual General Meeting to be held on Thursday, 28 April 2011:

#### **ITEM NO. 4**

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

#### **Brief resume and nature of expertise**

Mr. Derek Fisher is the President & Managing Director for BG – Asia. Prior to his current assignment, he was the AGM for BG – India. He graduated from Purdue University, US, with a Bachelor Degree in Science Engineering and with a Master Business Administration Degree from Northeastern University, US.

He has extensive experience in exploration and production, power generation and transmission and distribution. He has been the AGM for BG – Tunisia since April 2004, during which period he led the sanctioning and building of the major Hasdrubal project. He has also functioned as the AGM for BG South East Asia and the AGM for BG Philippines.

Prior to joining BG Group in 1998, Derek held a range of senior management posts in the energy and infrastructure sectors, with experience across Asia including India.

Mr. Fisher does not hold any shares and beneficial interest in any shares of your Company. He holds directorship and Membership of the following companies/ committees:

#### **Directorships**

Sr. No.	Name of the Company	Designation
1	Gujarat Gas Company Limited	Director
2	Mahanagar Gas Limited	Chairman
3	BG India Energy Pvt. Ltd	Managing Director
4	BG India Energy Services Pvt. Ltd	Managing Director
5	BG LNG Regas India Pvt. Ltd	Managing Director

#### **Membership of Committees**

Sr. No.	Name of the Company	Committee	Designation
1	Mahanagar Gas Ltd	IPO Sub Committee	Member
2	Gujarat Gas Company Limited	Pricing Committee	Member
3	Gujarat Gas Company Limited	Remuneration Committee	Member

Your Directors recommend re-appointment of Mr. Derek Fisher as the Director.

The following Promoter-Directors of the Company are deemed to be interested:

- |                       |                       |
|-----------------------|-----------------------|
| a) Mr. Has Mukh Shah  | b) Mr. Derek Fisher   |
| c) Mr. Walter Simpson | d) Mr. Shaleen Sharma |

#### **ITEM NO. 5**

Mr. Bikash C. Bora, Director, retires by rotation and being eligible offers himself for re-appointment.

#### **Brief resume and nature of expertise**

Mr. Bikash C. Bora, aged about 70, Graduate in Mechanical Engineering and a Fellow of the Institution of Engineers (India), has been associated with the Oil and Gas industry for more than four decades.

After superannuation in 2001 from ONGC, of which he was the Chairman & Managing Director from 1995 to 2001, he has been a Consultant and Advisor to a number of companies engaged in the energy sector through his wholly owned consultancy company, Enercon.

Mr. Bora started his career with Oil India Ltd., as a Production Engineer in 1962 and rose to become the Chairman & Managing Director of the company in 1992, a position he held until 1995, when he moved to ONGC. He was actively involved with a number of important committees and task forces of the Government of India, related to the hydrocarbon and energy industries. He was also associated with a number of technical, social and sports organisations in the country as an important office bearer.

Mr. Bora does not hold any shares or beneficial interest in any shares of your Company.

Mr. Bora holds directorships of the following companies/ committees.

#### **Directorships**

Sr. No.	Name of the Company	Designation
1	Gujarat Gas Company Limited	Director
2	Interlink Petroleum Limited	Chairman
3	Assam Hydrocarbon & Energy Company Ltd.	Director

He is the Member of the Audit Committee and the Chairman of Shareholder Grievance Committee of Interlink Petroleum Limited.

Your Directors recommend the re-appointment of Mr. Bikash C. Bora, as the Director of your Company.

No Director other than Mr. Bikash C. Bora is in any way interested or concerned in the said resolution.

#### **ITEM NO. 7**

Mr. Walter Simpson was appointed as an Additional Director of the Company, by the Board of Directors at its meeting held on 22 July 2010. As per the provisions of section 260 of the Companies Act, 1956, and the Articles of Association of the Company, he holds the 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 the intention to propose his candidature for appointment as the Director of the Company.

### Brief resume and nature of expertise

Mr. Walter Simpson is the President and Managing Director, BG India and is responsible for upstream, midstream and downstream businesses of BG Group in India. He is also Director on the Board of Mahanagar Gas Limited, which is India's largest downstream company by customer base. He holds Masters Degrees in Engineering Science from Oxford University and Petroleum Engineering from Heriot-Watt University, Edinburgh.

Prior to joining the BG India team in 2009, he was the Vice President for Well Engineering and Operations since 2004 at BG Group's head office in Reading, UK.

He joined BG Group in 1999 and worked initially in the UK on BG Group's North Sea Fields before moving to the head office. He has been in the Oil and Gas industry for over 25 years and has extensive international experience, having lived and worked in India, North Africa, the Middle East, South East Asia and Australia.

He does not hold any shares and beneficial interest in any shares of your Company. He holds directorship and Membership of the following companies/ committees:

#### Directorships

Sr. No.	Name of the Company	Designation
1	Gujarat Gas Company Limited	Director
2	Mahanagar Gas Limited	Director
3	BG India Energy Pvt. Ltd	Director
4	BG India Energy Services Pvt. Ltd	Director
5	BG LNG Regas India Pvt. Ltd	Director
6	BG Exploration & Production India Ltd.	Director
7	BG Bolivia Corporation	Director

#### Membership of Committees

Sr. No.	Name of the Company	Committee	Designation
1.	Mahanagar Gas Ltd	Audit Committee	Member
2.	Gujarat Gas Company Limited	Pricing Committee	Member
3.	Gujarat Gas Company Limited	Audit Committee	Member

Your Directors recommend the appointment of Mr. Walter Simpson as the Director of your Company.

The following Promoter-Directors of the Company are deemed to be interested:

- Mr. Hasmukh Shah
- Mr. Derek Fisher
- Mr. Walter Simpson
- Mr. Shaleen Sharma

### ITEM NO. 8

The Chairman (Promoter-Director) 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 Financial Year 2009 was paid to these Non-Executive Directors, after the approval of the Board and Shareholders.

The remuneration of the Chairman and the Independent Directors has to be commensurate to 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 28 February 2011, in token of appreciation and gratitude to them, has proposed to pay the following remuneration by way of Commission for the period of three Financial Years effective from the Financial Year ending 31 December 2010, subject to the approval of the shareholders and the Central Government, in addition to the sitting fees being paid:

Mr. Hasmukh Shah,	Chairman (Promoter-Director)	Rs 8.0 lakhs
Mr. Jal Patel,	Chairman, Audit Committee	Rs 6.5 lakhs
Prof Pradip Khandwalla,	Independent Director	Rs 6.5 lakhs
Mr. Ajit Kapadia	Independent Director	Rs 5.0 lakhs
Mr. Bikash C. Bora	Independent Director	Rs.5.0 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 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

Gujarat Gas Company Limited

Rajeshwari Sharma  
Company Secretary

Date : 15 March 2011

Place : Ahmedabad

## DIRECTORS' REPORT

### DEAR SHAREHOLDERS,

Your Directors have pleasure in presenting the 31<sup>st</sup> Annual Report and the audited accounts for the year ended on 31 December 2010.

### 1. FINANCIAL RESULTS

(Rs. in Millions)

Particulars	Consolidated Financials		Stand-alone Financials	
	Current Year	Previous Year	Current Year	Previous Year
Total income	<b>18717.25</b>	14463.05	<b>18676.94</b>	14429.59
Gross profit before interest, depreciation and tax	<b>4380.06</b>	3061.51	<b>4346.37</b>	3035.54
Less: Interest	<b>4.62</b>	1.36	<b>4.62</b>	1.36
Depreciation	<b>542.05</b>	473.82	<b>530.66</b>	460.63
Profit before tax	<b>3833.39</b>	2586.33	<b>3811.09</b>	2573.55
Tax expenses	<b>1243.24</b>	836.11	<b>1223.80</b>	822.30
Net Profit	<b>2590.15</b>	1750.22	<b>2587.29</b>	1751.25
Minority Interest	<b>12.69</b>	8.55	-	-
Profit attributable to Group	<b>2577.46</b>	1741.67	-	-
Add: Undistributed profit of earlier years	<b>5462.26</b>	5112.61	<b>5315.26</b>	4949.01
Balance available for Appropriation	<b>8039.72</b>	6854.28	<b>7902.55</b>	6700.26
Less: Appropriations:				
Transfer to general reserve	<b>261.94</b>	176.99	<b>259.00</b>	176.00
Special reserve as stipulated by RBI	<b>8.43</b>	5.68	<b>0.00</b>	0.00
Preference dividend	<b>10.80</b>	10.80	<b>10.80</b>	10.80
Proposed Equity dividend	<b>1539.00</b>	1026.00	<b>1539.00</b>	1026.00
Corporate dividend tax	<b>251.88</b>	172.55	<b>251.42</b>	172.20
Surplus retained	<b>5967.67</b>	5462.26	<b>5842.33</b>	5315.26
Earning per Share (Rs.)	<b>20.00</b>	13.48	<b>20.08</b>	13.56

### 2. DIVIDEND

Your Directors recommend for consideration of the shareholders at the Annual General Meeting, payment of dividend for 2010 of Rs.4/- and Special Dividend of Rs. 8/- per equity share of Rs. 2 each and 7.50% dividend i.e. Rs. 0.75 per Redeemable Cumulative Non-convertible Preference Share of Rs. 10 each, involving total payout of Rs. 1801.22 Million, including corporate dividend tax of Rs. 251.42 Million.

Your directors have made this recommendation after careful consideration of the Company's performance and its reserves and an assessment of the fund requirements of the Company for its capital programme in line with its growth strategy as well as the projected earnings from operations.

### 3. MANAGEMENT ANALYSIS

#### 3.1. Industry Structure and Developments

Natural gas is fast gaining its place in India's large and rapidly growing energy market. Due to the inherent environment friendly nature, ease of handling and greater efficiency, natural gas is proving its utility both as a fuel and feedstock. Natural gas currently constitutes

about 11 % of India's primary energy basket, but with additional availability, including that from the imported route, natural gas is expected to constitute ~23% of the primary energy basket by the year 2020 suggesting a significant growth potential for the natural gas business in India.

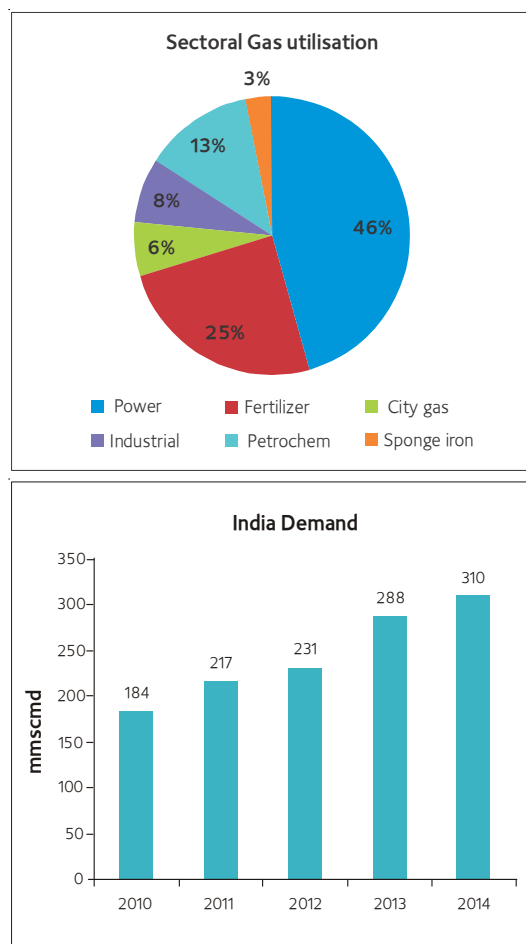
India's gas production has seen a sharp growth during last two years with the commencement of supplies from the D6 fields in the Krishna Godavari basin offshore the Indian east coast. This resulted in balanced demand-supply for a brief period but the second half of the year 2010 saw significant deficit in supplies mainly because of an unexpected reduction in D6 supplies.

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 is made to units in the core sectors of fertiliser and power. Given that supply from indigenous fields would not be adequate to meet demand over the medium to long term, the country will have to rely significantly on importing Liquefied Natural Gas



(LNG). The consumption of regasified LNG (RLNG) in Indian markets increased through the year, primarily due to the availability of spot cargoes.

Over the medium to long term, Indian gas demand is projected to continue to be far in excess of the availability of gas from indigenous sources, confirming a clear market preference for this environmentally friendly source of energy. While the predominant consumers continued to be the power and fertiliser units, the demand from City Gas Distribution (CGD) customers viz. smaller industrial units, natural gas vehicles, households and commercial establishments, continued to grow. Sectoral gas demand has remained largely consistent over the years, with almost 46% being consumed by power sector followed by the fertiliser sector with a share of 25%. The sector-wise gas demand projections as in the XI – XII Five-Year Plans, together with the projections for all India gas demand in the near to medium term, is illustrated below:



Source: Working Group for P&NG sector for XI plan (2007-12)

### 3.2. Opportunities and Challenges

The robust projection for growth in the demand for natural gas in the CGD market offers significant opportunities to your Company.

Natural gas is used in various applications and replaces different alternate fuels. There is opportunity to focus on high value markets and further increase penetration in them. This would not only help in increasing value but will also help in mitigating the increasing cost of gas in your Company's portfolio.

Compressed Natural Gas (CNG) remains a high value segment in your Company's markets and is a significant driver for growth. Your Company is focused on expanding the infrastructure of CNG stations in its operational areas to sustain the growth momentum in this business.

Opportunity exists to expand in new geographical areas. Your Company is assessing all such opportunities and has bid for a new geographical area in Gujarat under the third round of bidding launched by the Petroleum and Natural Gas Regulatory Board (PNGRB).

The strong industrial growth in the state of Gujarat, and the conducive business, social and political environment attract large investments to the state. Recent announcements indicate plans for huge additional investments in industrial and urban facilities. It is expected that these investments will create an even stronger demand for natural gas in the state.

The shortfall in the supply of indigenous gas will continue to pose a challenge in the way of business growth. The supply shortfall will largely have to be met with RLNG. As the BG Group is a major global player in LNG and is a marketer of RLNG in India, your Company is expected to have a better access to RLNG supplies.

Your Company is aware of the challenges by way of competition in obtaining licenses for new areas, in running its operations at a high level of safety and integrity and in retaining its key talent. Mitigation plans are in place to address these challenges.

### 3.3. Operations and Market Performance

Your Company maintained its status as the largest CGD company in India by volumes, despite the ongoing gas supply deficit situation in the country.

Your Company met the challenges of gas sourcing through the year. Whilst 0.60 mmscmd of D6 gas was allocated on a "fall-back" basis by the MoPNG to your Company, no contract could be signed with the suppliers due to inadequate gas production from the D6 fields during the year. However, the Company was successful in procuring RLNG at competitive prices through medium and short term contracts with various suppliers to meet the gas requirements of its customers, and will continue to make concerted efforts to secure such supplies so as to maintain an efficient balance of medium and short term RLNG in its gas sourcing portfolio. This will ensure supply security for your Company's customers and generate flexibility in managing the variations in gas requirements of our various market segments.

Your Company was able to grow gas sales volumes by 17% over the previous year. About 30,000 new

household customers were connected on natural gas during the year, taking the total number of domestic customers of your Company to over 295,000. More than 130,000 vehicles now ply in your Company's operating areas on CNG. Your Company has around 300,000 customers, including industrial units. Sales volumes grew by 20% in the Industrial segment and 16% in the CNG segment.

The average cost of gas for your Company's portfolio increased over the previous year, primarily due to higher proportion of RLNG in the portfolio which made it necessary to align the gas sales prices in the latter part of the year.

### 3.4. Future Outlook

Demand for natural gas is expected to grow as has been outlined above. It will be critical for your Company to expand its network and CNG station infrastructure in order to meet the growth in demand. Your Company plans to continue extending its network to areas adjacent to its current operations. Opportunities for expansion to new geographical areas will continue to be assessed. Growth in new areas will be through the bidding process set out by the PNGRB.

Your company will endeavour to grow value by identifying and accessing high value market segments.

Your Company will continue to invest in human resources and in systems and processes which strengthen the integrity and safety of your Company's assets. This will be the bedrock for the sustenance and growth of your Company's business.

### 3.5. Internal Control System and Risk Management

Your Company has a strong internal control framework and an elaborate internal control system to ensure protection of value, ensure adherence to operating standards and to eliminate the risk of fraud.

Control measures are embedded in the operating processes of the Company. Control critical processes are identified and it is ensured that a robust system is in place for such processes. A set of Financial Control Assurance processes is in operation to cover all control critical processes which have financial exposure. These processes draw from international best practices and are vetted by the BG Group. Standard Operating Procedures exist for several other processes.

Your Company believes in automating controls to the extent possible. Controls are therefore embedded in the ERP system operated for financial and procurement transactions, as also in the billing system. System based tools are used to ensure that appropriate segregation of duty exists in the processing of transactions, which helps to ensure controls.

While functional heads have the responsibility to ensure that an effective internal control system is in operation in their respective areas, each employee has the

responsibility to adhere to internal control requirements in his particular area of work. Managers periodically validate and test the adherence to controls in their areas and certify compliance to their superiors. This rolls up through the organisation and the CEO and the CFO certify to the Audit Committee and the Board to the effect that an effective internal control system is in place

The internal auditors of your Company verify the adherence to internal controls on a continuous basis under an Annual Audit Plan approved by the Audit Committee. They also verify compliance to laws and regulations listed in a Compliance Matrix. Verification of controls is also carried out by the BG Group Audit Team and by your Company's statutory auditors from time to time. Observations by auditors are discussed at the quarterly Audit Committee meetings and completion of actions arising out of auditors' observations is monitored.

Risk management is considered to be an effective tool in your Company to deliver its business plan and annual objectives. Risks are deliberated around every significant decision and business activity through an elaborate process where representatives from various functions assess the risks around carrying out the activity and grade each risk on a scale to evaluate likelihood and impact. This helps in the prioritisation of risks which then leads to the drawing up of a mitigation plan and allocation of resources to address the same. The Business Risk Register is updated every quarter through discussions with relevant persons. The top risks are reviewed by the Audit Committee at its quarterly meetings, which also reviews the risk management process from time to time.

Your Company follows the Value Assurance Framework (VAF) for assessing and deciding on all major projects. This is a comprehensive system of assessment, designed to address all relevant aspects of a project at the earliest opportunity so as to ensure the most optimal decision and smooth execution. Your Company also has a system of carrying out Post Investment Appraisals for projects above a threshold value.

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

Duty of care for Health, Safety, Security and the Environment (HSSE) is a core value of your Company. The management of your Company aims to protect the health, safety and security of its people, to minimise the environmental impact associated with its business and to assure the integrity and safe operation of its assets.

Your Company believes that outstanding business performance requires outstanding HSSE performance. The safe delivery of projects and operation of its facilities is a critical success factor for your Company's business.

The management of your Company

- believes that all injuries are preventable;
- provides healthy, safe and secure work environments;

- makes a positive contribution to the protection of the environment; and
- goes beyond compliance with local environmental regulation to meet internationally accepted best practice

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 your 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 2010 was 0.73 against target of 1.45 which represents a significant improvement towards goal of "Zero Injury".

Several initiatives were taken up by your Company during the year to further strengthen its HSSE culture. The senior management team led such initiatives, conducted tours of work sites and conducted workshops with employees and contractors of your Company. Your Company has focused on life savers, such as confined space entry, safe systems of work, asset integrity and road safety, Capabilities on handling crisis and disaster management have also been enhanced.

#### Contribution to Environment

Det Norske Veritas (DNV) has carried out "Surveillance audit" for OHSAS-18001-2007 and Environment Management System (ISO 14001-2004) across your Company's installations and offices in November and have validated the certificate.

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 11 CNG stations in the year. The Company dispenses about 400,000 cubic metres of gas per day of this clean fuel to over 130,000 vehicles through its 42 CNG stations.
- Celebration of World Environment Day with tree plantations at the Company's premises, contractor sites and schools.
- Reduction of 9.38 tonnes of CO<sub>2</sub> through various Green House Gas emissions projects.
- No hazardous chemicals were spilled in to the external environment.

### 3.7 Contribution to Society

During the year, your Company continued working on the strategy that was developed in 2009 for carrying out activities for Corporate Social Responsibility (CSR), focusing on environmental 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.

Your Company continued to support the Skill Development Project at ITI Zhagadia. The programme on gas plumbing aims to equip local unemployed youth with technical and safety skills. A batch of 26 trainees completed this programme in the year.

Your Company supported operation of "Prakriti - the environment bus". This was implemented by Centre for Environmental Education, Ahmedabad (CEE) and aimed to create interest on environmental issues amongst school-going children. The bus covered 86 schools and was visited by 15900 persons. Your company also supported a project on Environmental Education in Municipal Schools of Surat that was implemented by Nature Club, Surat. Your Company continued to support Government of Gujarat initiatives to promote enrolment of children from economically weak backgrounds.

Your Company also supported "Auto Rickshaw Chalak Charitable Trust", (ARCCT), Surat, in rolling out an insurance scheme for all auto-rickshaw drivers in Surat.

## 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. 1730.32 mn as against Rs. 679.51 mn during the previous year. Total income for the year was Rs. 1736.64 mn including other income of Rs. 6.33 mn as against total income of Rs. 687.57 mn including other income of Rs. 8.06 mn in the previous year.

Profit before tax (PBT) was Rs. 7.01 mn during the year as against Rs. 8.03 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 had 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. 73.59 mn. as compared to Rs. 50.66 mn. in the year 2009 and the profit after tax was Rs. 42.14 mn. as compared to Rs. 28.39 mn. for the previous year.

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

## 5. FINANCE

The net cash profits of your Company continued to be strong. A portion of the same was invested in the extension and reinforcement of the Company's pipeline network, expansion of the CNG infrastructure and strengthening of the Information Management systems. Appropriate provisions have been made in the accounts wherever necessary for contingencies, bad debts and diminution in value of investments. 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. STATUTORY INFORMATION

As required under Section 212 of the Companies Act, 1956, the audited accounts for the year ended on 31 December 2010 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 and forms part of this report.

### 7.2 Human Relations and Particulars of Employees

Your Company has been named as one of the 100 Best Companies of India to work for, in a survey conducted by the Great Place To Work Institute in association with The Economic Times covering more than 400 companies and 53000 employees. This feat was possible largely due to the Company's core values of Trust, Commitment, Customer Orientation, Teamwork and Growth. The Company employed 584 employees as on December 31, 2010. Resources were efficiently allocated to key projects while strong emphasis was placed on building a culture of execution. The contributions of your employees have resulted in another year of significant business performance.

Your Company further strengthened its focus on competency development through a strategy of appropriate work exposure and learning and development workshops.

There was no strike or lock-out during the year under review.

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, is provided in the Annexure forming part of this Report. In terms of section 219(1) (b) (iv) of the Act, the Report and Accounts are being sent to the Members excluding the aforesaid Annexure. The Annexure is available for inspection by Members at the Registered Office of the Company during business hours on working days up to the date of the ensuing Annual General Meeting, and if any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary, whereupon a copy would be sent.

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

The details of the Options granted up to 31<sup>st</sup> December, 2010 under the Gujarat Gas Company Limited Employee Stock Option Plan 2008 ("the ESOP") 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 to this Report. The Company's Auditors, Price Waterhouse, have certified to the effect that the ESOP 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.

The Company formed the Gujarat Gas Company Limited Employee Welfare Stock Option Trust ("the Trust") in November 2008, which administers the ESOP of the Company. The Director - Finance and Director - Human Resource are the Trustees of the Trust.

Under the ESOP, Options are granted, which provide 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. The ESOP 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 has the option to either purchase the shares from the Trust at the Exercise Price or to give a Mandate of Sale of the shares ("the Mandate") to the Trust in accordance with the terms and conditions of the ESOP.

As per the terms and conditions of the ESOP, the Trust purchases out of the funds advanced by the Company, shares from the open market at ruling prices, at different points of time, equivalent to the number of options granted to the employees. These shares purchased by the Trustees are held in their capacity as the Trustees till

the Options are exercised upon Vesting by the Option holders as per the terms of ESOP. The Trust had purchased from the secondary market 19,48,000 equity shares of Rs. 2/- each, as of 31 December 2010 and the same are being held jointly by the trustees of the Trust.

Under the ESOP, these Equity Shares are subsequently to be sold following the Mandate from the Option holders or are to be transferred to the Option holders, as the case may be, at the time of the Exercise of the Options upon Vesting. 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.

The first date of grant was 1 November 2008, on which 13,55,000 Options were granted to the eligible employees. 25% of these Options granted being 3,38,750 in number, Vested on the expiry of two years from the Grant Date i.e. 30 October 2010. The First Vesting Date for these 3,38,750 Options was 1 November 2010 and accordingly, 2,80,000 Options have been exercised and 58,750 Option remain unexercised which can be Exercised within two years. As per the ESOP, the Options holders had given the Mandate, whereby the Trustees had to sell 2,70,000 equity shares in December 2010, through open market and the difference between the sale price and the Exercise Price, net of charges and taxes were given to the Option holders as per the ESOP.

Also, as per the ESOP, one of the Option holders, upon Vesting, had exercised his right by opting to have 10,000 shares transferred in his name instead of giving the Mandate to sell the shares. Therefore, the Trustees had transferred to the concerned Option holder, these 10,000 equity shares at the pre-determined Exercise Price of Rs. 95.00 per share.

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

#### 7.4 Directors' Responsibility Statement

Your Directors hereby state:

- that in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- 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 2010 and of the profit of the Company for the year ended on that date;
- 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;

- that the directors have prepared the annual accounts on a going concern basis.

#### 7.5 Report on Corporate Governance

As stipulated by Clause 49 of the Listing Agreement, the Report on Corporate Governance is given separately in this Annual Report and forms part of this Report. The certificate of Price Waterhouse, Statutory Auditors of the Company regarding compliance with the Corporate Governance Code is enclosed.

#### 8. AUDITORS AND AUDITORS' REPORT

Price Waterhouse, Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

The notes to the accounts referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further comments.

#### 9. DIRECTORS

Mr. Derek Alan Fisher and Mr. Bikash C. Bora , the directors retire by rotation at the ensuing Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

For perusal of the shareholders, a brief resume of the Directors being appointed or re-appointed, nature of their expertise, their shareholding in the Company, the names of the companies in which they hold directorship and the details of membership of the committees of the Board are given in the Explanatory Statement to the Notice convening the Annual General Meeting of the Company. The Board of Directors recommends their appointment / re-appointment.

#### 10. APPRECIATION

Your directors appreciate the continued support received from the customers and wish to acknowledge the support and assistance received from the Central and the State Governments, gas suppliers and CNG franchisees.

Your directors place on record their appreciation for the employees for their dedicated performance. Your directors appreciate the contribution made by the contractors and vendors of the Company.

Your directors express their gratitude to its promoter viz. BG Group for their valuable contribution throughout the year and also thank all the shareholders for their continuing support to the Company.

**For and on behalf of the Board**

HASMUKH SHAH  
CHAIRMAN

Date: 28 February 2011  
Place: Ahmedabad