



INDRAPRASTHA GAS LIMITED

18th Annual Report 2016-17



Green
Energy

WE'VE MADE A
COMMITMENT TO
THE ENVIRONMENT.

That of upholding energy solutions
that will help conserve its balance.

WE'VE MADE A
COMMITMENT TO OUR
CUSTOMERS.

That of providing them with a
complete range of energy solutions
that can go beyond limited range
of usages.

WE'VE MADE A
COMMITMENT TO OUR
SHAREHOLDERS.

That of enhancing their value
and meeting their expectations –
consistently.

And we are glad to have kept
every single one of them!



Contents

Chairman's Message	02
Financial Highlights	04
Board of Directors	05
Directors' Report	06
Report on Corporate Governance	44
Management Discussion and Analysis	56
Business Responsibility Report	62
Independent Auditor's Report	72
Balance Sheet	78
Statement of Profit and Loss	79
Statement of Changes in Equity	80
Cash Flow Statement	81
Summary of Significant Accounting Policies and other Explanatory Information	83
Comments of C&AG – Supplementary Audit	126
Consolidated Financial Statements	127

Chairman's message



Dear Shareowners,

In most aspects, FY 2016-17 was one of the most challenging years for the Oil and Gas industry. However, at Indraprastha Gas Limited (IGL), it was a year that provided us with a platform to demonstrate our core capabilities, backed by our proven track record and value-

creation methodologies. Our operational competitiveness and business strategies enabled us to respond to the changing market scenario. As a result, we retained the trust of our investors and maintained a resilient financial position.

Economic review

The global economic growth continued to face headwinds, reporting weak growth numbers for 2016. The crude oil prices remained under pressure with increase in supply from the US and Middle East beyond the expectations of the markets. Coupled with this, government has laid emphasis on better fuel pricing reforms and placed impetus on alternate and greener fuel energy which has only fuelled further growth opportunities for us in this sector.

The past one year witnessed two events in the country's economic history. One was demonetization that resulted in withdrawal of legal tender of high value currency notes, and the second being implementation of GST, which has brought the country under a new tax regime, to bring in greater transparency.

Financial performance

Your Company's focus on stronger operational performance and higher profitability continues unabated. Despite a marginal increase in the gross turnover, we were able to increase our net profit by 36.28% on a year-to-year basis. The pressure on pricing for Compressed Natural Gas (CNG) and Piped Natural Gas (PNG), on account of reduced input cost, caused the revenues to be flat. In numerical terms, we clocked Rs.4205.43 Crores of revenue in 2016-17 (against Rs.4052.14 Crores in 2015-16) and registered a net profit of Rs.571.07 Crores (against Rs.419.05 Crores in the previous

year). Against this strong operational performance, your Board has recommended final dividend of 50%, in addition to interim dividend of 35% for the year 2016-17.

Operational performance

The major highlight for the year was our endeavor towards expanding CNG business of the Company. The Company started its operation in a new geographical area of Rewari in Haryana. We also successfully piloted the project of CNG based two wheelers, which was launched by the Hon'ble Minister of State I/C (P&NG) and appreciated by our stakeholders. This being a novel concept, we expect growth and revenues to increase from this segment in the long run.

On the core business front, we continued our steady network expansion. We expanded our CNG infrastructure with commissioning of 81 new CNG stations (including the 78 stations at retail outlets of Oil Marketing Companies). This has taken our total installed compression capacity to 71 Lakhs kg/ day as on March 31, 2017. We recorded our best performance till date for the PNG segment, providing more than 1.05 lacs new domestic PNG connections in the year ending 31st March, 2017. We also gained in industrial and commercial segments for PNG, adding customers in the industrial belts of Noida, Greater Noida, Delhi and Ghaziabad. We expanded our steel pipeline network to 778 kms (from 707 kms in 2015-16) and MDPE network to 9940 kms (from 9443 kms in 2015-16) during the year 2016-17. It is heartening to see that our investments in associate companies are bearing fruit and I am confident that our widespread network and innovative marketing will further widen our market presence.

The execution of our strategies resulting in a balanced business approach would not have been possible without the commitment of our team. We continue to invest in nurturing their skills through various training and development programmes. Their talent and determination has positioned us to continue to deliver value for our stakeholders.

Health and safety of our employees and customers constitute a critical aspect of our business sustainability. Safety inspections of CNG vehicles are done periodically on random basis to ensure compliance of safety standards. A detailed HSE Policy and regular safety audits ensure compliance of all safety rules and regulations. As a result, we crossed 106



Million Man Hours of accident free activity as on March 31, 2017 and were conferred with the Safety Innovation Award by Institute of Engineers and Certificate of Appreciation from National Safety Council for 2016-17.

Engaging better with customers

The evolving landscape for City Gas Distribution (CGD) requires us to address consumer requirements with ease and convenience. A growing consumer base across all our consumer segments, makes it imperative for us to focus on Information Technology. With focus on IT, our technology-led services have helped us to provide better services to our customers. The launch of 'IGL Connect' (mobile friendly app) and 'INSTAPAYMENT' (for facilitating online payment) has helped our customers to connect and engage better with us.

Holistic development

At IGL we have always believed in ensuring growth and development for a wider stakeholder community. We undertook several initiatives for empowering people in the field of education, healthcare, skill development and women empowerment. Initiatives like 'IGL Swasth Sarthi' and 'IGL Suraksha Yojna' have empowered the Driver community to a great extent. Our efforts towards sustainable development have got us recognition by way of various CSR awards.

Road ahead

We stand at the threshold of an era of change and constant evolution for cleaner energy. There has been a growing concern on the pollution levels in Delhi and NCR towards

which, judicial and other Statutory Authorities have intervened. We continue to expand our operations in new geographical areas and strengthen our market presence in existing areas. We expect our entry into Gurugram, Haryana to be another game-changer and drive business growth across our business segments. Today, IGL is well positioned to continue to execute its defined plans and deliver significant and sustainable value for years to come.

On behalf of the Board of Directors, I take this opportunity to thank the Government of India, Petroleum and Natural Gas Regulatory Board and all departments of the Central and State governments, our valued Customers, all the authorities and agencies for their unstinted support to your Company.

I, along with my colleagues on the Board, would also like to thank each and every employee of IGL for all the hard work put in by them.

Finally, I would like to thank each one of you from IGL's family of Shareowners, for the confidence and trust reposed in us. With your support and blessings, I am confident that we shall continue to strive to deliver long-term value in the coming years.

Warm Regards

S. Ramesh
Chairman

Financial Highlights

Profit after Tax (in Rs. Crores)

FY17	571
FY16	419
FY15	438
FY14	360
FY13	354

Turnover (in Rs. Crores)

FY17	3880
FY16	3716
FY15	3716
FY14	3935
FY13	3380

Dividend (%)

FY17	85*
FY16	60
FY15	60
FY14	55
FY13	55

*Interim 35% and proposed final 50%

Average sales per day (mmscmd)

FY17	4.59
FY16	4.00
FY15	3.84
FY14	3.79
FY13	3.67

Earning per share (in Rs.)

FY17	40.79
FY16	29.73
FY15	31.27
FY14	25.73
FY13	25.29

Board of Directors



Shri S. Ramesh
Chairman



Shri E. S. Ranganathan
Managing Director



Shri V. Nagarajan
Director (Commercial)



Shri Manoj Jain
Director



Shri S.S. Rao
Director



Shri V. Ranganathan
Director



Shri Santosh Kumar
Director



Shri Raghu Nayyar
Director



Dr. Sudha Sharma
Director



Smt. Varsha Joshi
Director

Bankers	• ICICI Bank Limited • IDBI Bank Limited • State Bank of India • Axis Bank Limited • Andhra Bank • Kotak Mahindra Bank Limited • HDFC Bank Limited • IndusInd Bank Limited • IDFC Bank Limited
Statutory Auditors	M/s Walker Chandio & Co. LLP
Cost Auditors	M/s Chandra Wadhwa & Co.
Secretarial Auditors	M/s V.K. Sharma & co.
Company Secretary	Shri S. K. Jain
Registered Office	IGL Bhawan, Plot No. 4, Community Centre, Sector 9, R K Puram, New Delhi - 110022 CIN: L23201DL1998PLC097614

Directors' Report

To
The Members

Your Directors have pleasure in presenting the Eighteenth Annual Report and the Company's audited financial statements for the financial year ended March 31, 2017.

Physical Performance

During the year, the Company recorded sales as under:

Figures in Million Standard Cubic Meters (mmscm)			
Product	For the Year 31 March 2017	For the Year 31 March 2016	% Growth (YoY)
Compressed Natural Gas (CNG)	1268.42	1123.00	13
Piped Natural Gas (PNG)	406.09	342.05	19
Total	1674.51	1465.05	14
Average Sales Per day (mmscmd)	4.59	4.00	



Shri E.S. Ranganathan, Managing Director, Indraprastha Gas Limited and Shri V. Nagarajan, Director (Commercial), Indraprastha Gas Limited presenting dividend cheque for FY 2015-16 to Shri Najeeb Jung, then Hon'ble Lieutenant Governor of NCT of Delhi, in presence of senior IGL officials.



Financial Results

The Company's financial performance for the year ended March 31, 2017 is summarised below:

Items	(Rs. in Crores)	
	For the Year 31 March 2017	For the Year 31 March 2016
Net Sales & Other Income	3880.00	3715.68
Profit before Depreciation & Tax	1027.76	794.71
Depreciation	167.07	156.25
Profit before tax	860.69	638.46
Provision for tax	289.62	219.41
Profit after tax	571.07	419.05
Other comprehensive income	(0.86)	(0.35)
Total comprehensive income	570.21	418.70
Retained Earnings – opening balance	2072.93	1796.95
Add : Profit for the period	571.07	419.05
Profit available for appropriations	2644.00	2216.00
Appropriations:		
Dividends including Interim Dividend	133.00	84.00
Corporate dividend tax	27.08	17.10
Transferred to general reserve	-	41.62
Other comprehensive income recognised directly in retained earnings	(0.86)	(0.35)
Retained Earnings – closing balance	2483.06	2072.93

Financial Review

During the year, the gross turnover of the Company increased from Rs. 4052.14 Crores in 2015-16 to Rs. 4205.43 Crores in 2016-17. The increase of 3.8% in gross turnover, despite an increase of 14% in sales volume, is mainly on account of reduction in the selling price of Compressed Natural Gas (CNG) and Piped Natural Gas (PNG)-domestic, which was reduced in line with the reduction in the APM prices of input gas which was passed on to the customers, by reducing the selling price of CNG and PNG-domestic. Further, the selling price of gas to industrial and commercial customers was reduced on account of reduction in the price of Term-RLNG during the year.

The Profit after tax (PAT) increased by 36.28% from Rs. 419.05 Crores in 2015-16 to Rs. 571.07 Crores in 2016-17.

The Company has prepared the Consolidated Financial Statements also which includes the Company's share of profit in its Associates combined on a equity method in accordance with Ind AS 28 - "Investment in Associates and Joint Ventures". The Consolidated PAT during FY 2016-17 is Rs. 606.34 Crores against Rs. 457.88 Crores in the previous year.

Dividend

Your Directors are pleased to recommend a dividend of 50% (Rs. 5.00 per share) in addition to the interim dividend of 35% (Rs. 3.50 per share) paid during the FY 2016-17. The proposed dividend, including corporate dividend tax, would absorb Rs. 84.25 Crores. The outflow of interim dividend, including corporate dividend tax, was Rs. 58.98 Crores.

Performance Highlights

Compressed Natural Gas Business

During the year, your Company further expanded its CNG infrastructure and commissioned 81 new CNG Stations (including 78 stations at retail outlets of Oil Marketing Companies) and thereby enhancing its installed compression capacity to 71 Lakhs kg/day in March 2017.

Your Company launched the pilot project to run two wheelers on Compressed Natural Gas (CNG), as part of its endeavour to curb pollution, thereby increasing the trust of customers in CNG as a "cleaner fuel".

Your Company has also taken an initiative to promote the use of CNG and attract customers during non-peak hours, by providing special incentive like discount on the selling price, during non-peak hours in the night time. The Company had total 421 CNG stations as on March 31, 2017 catering to over 9,75,000 vehicles including 5,78,000 private vehicles.

Piped Natural Gas Business

PNG - Domestic Connections

Your Company has increased its steel pipeline network from 707 kms in FY 2015-16 to 778 kms in FY 2016-17 and its MDPE network from 9443 kms in FY 2015-16 to 9940 kms in FY 2016-17.

During the year, your Company provided 60,867 PNG connections in Delhi and 45,021 PNG connections in the NCR and the total number of connections went up from 6,36,318 in March 2016 to 7,42,206 in March 2017. It is noteworthy that your Company provided 1,05,888 domestic PNG connections in Financial Year 2016-17 which is the best performance of the Company. The increase in customer base from networked areas / colonies was achieved with the help of aggressive multi-media marketing and publicity drive. The use of innovative street level marketing, combined with print and popular FM channels, enabled your Company to tap additional customers from areas which were considered



Dr. Ashutosh Karnatak, Director (Projects), GAIL (India) Ltd., Shri E.S. Ranganathan, Managing Director, Indraprastha Gas Limited at the handing over Ceremony of Desu-Maruti and Desu-Bahadurgarh (upto SV-3) pipeline to Indraprastha Gas Limited.

saturated. An increased customer base demands an infusion of information technology for more efficient operations. The conventional methods of data storage and documentation are in the process of replacement with modern IT tools. Your Company has successfully completed the testing phase of field mobility technology to replace convenient method of paper documentation at the time of new connections and visit at customer premises for operation & maintenance activities. These modules have helped to infuse information technology in all its customer operations to bring better efficiency, by sharing real time information within IGL and with our customers.

Your Company has increased its focus on 24 X 7 customer care centre for customer query/complaints redressal and additional call centre has also started for reducing the waiting time. The grievances are being monitored through CRM system and efforts are made to provide the resolution within defined timelines.

To enhance payment collection mode, your Company has started accepting payments through various options like E-Wallets, NEFT, QR Codes, Debit Card / Credit Card, Net Banking etc. Collection of smart meter reading is carried out through customized mobile application wherein photograph of meter installed at customer location is captured for improving billing accuracy. Your Company is also in process of improving the existing smart meter reading application with enhanced features. Apart from this, your Company is in process of introducing unique concepts like spot billing, self-billing, AMR, prepaid meters etc. to enhance further customer satisfaction.

Mobile application "IGL CONNECT" has been launched to enhance customer interface. The customer can download the app and can avail host of online facilities like change in profile, submit meter reading, view last invoices, make payments, lodge a request etc. The mobile application is being upgraded with new features.

PNG - Commercial & Industrial

PNG is gradually emerging as the key energy source for industrial and commercial users offering immense opportunities for growth. Your Company has plans to exploit significant demand potential for gas from industrial and commercial consumers in Delhi and NCR – Gautam Budh Nagar (Noida, Greater Noida) and Ghaziabad.

During the financial year 2016-17, your Company maintained its focus on the Industrial & Commercial segment as one of the potential growth areas in the forthcoming years. In spite of stiff competition from alternate fuels prices, like Furnace oil (FO)/ Diesel/ LPG, which have come down drastically due to