



Directors' Report

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Dear Shareholders,

On behalf of the Board of Directors of your Company, I am delighted to present the 27th Annual Report of your "Navratna" Company along with Audited Financial Statements for the Financial Year 2010-11.

PERFORMANCE OVERVIEW

Your Company has recorded sustained growth in all key physical and financial parameters in the Financial Year 2010-11. During the year 2010-11, the important financial and physical highlights are as under:-

FINANCIAL

(₹ in crore)

Particulars	2010-11	2009-10
Turnover (Net of ED)	32,459	24,996
Other Income	519	541
Cost of Sales (excluding Interest and Depreciation and including extraordinary items)	27,005	20,327
Gross Margin	5,973	5,210
Interest	83	70
Depreciation	650	562
Profit Before Tax	5,240	4,578
Provision for Tax	1,679	1,438
Profit after Tax	3,561	3,140
Appropriations		
Interim Dividend	254	254
Proposed Final Dividend	698	698
Corporate Dividend Tax	155	159
Net Transfer to Bond Redemption Reserve	8	(3)
Transfer to General Reserve	356	314
Balance carried forward to Balance Sheet	2,090	1,718

PHYSICAL

Particulars	2010-11	2009-10
Gas Transmission (MMSCMD)	117.91	106.74
LPG Production (TMTs)	1,068	1,100
Pentane / Propane / SBP Solvents /		
Naptha Production (TMTs)	301	340
Polymer Production (HDPE / LLDPE Pellets) (TMTs)*	416	417
LPG Transmission (TMTs)	3,337	3,161

*The total polymer production for FY 2010-11 is 420 TMT which includes HDPE/LLDPE pellets, LP flakes, wax, PE shreds, etc.

CONVERGED ACCOUNTING STANDARDS (IFRS) IMPLEMENTATION

In accordance with the notification issued by the Ministry of Corporate Affairs, Government of India, accounts are to be prepared on the basis of



Shri B C Tripathi, CMD, GAIL receiving the Managing India Award for Outstanding PSU of the Year from Shri P. Chidambaram, Hon'ble Minister for Home Affairs.

converged Accounting Standards i.e. Indian Accounting Standards converged with International Financial Reporting Standards (IFRS) as and when dates will be notified. Accordingly, your Company is taking necessary steps for the implementation of Ind AS which are converged with IFRS. Basic IFRS training has also been imparted to all the Finance executives of your Company. Your Company is ready to implement the Converged Accounting Standards (Ind AS) as and when it would be notified by Central Government.

DIVIDEND

Your Company has a consistent track-record of dividend payment. So far, your Company has disbursed dividend of ₹ 8,325 crore to the shareholders.

The Board of Directors of the Company had earlier approved payment of an interim dividend @ 20% on equity share of ₹ 10 each (₹ 2/- per equity share) amounting to ₹ 253.70 crore paid in the month of December, 2010. Further, the Board had recommended payment of final dividend @ 55% on equity share of ₹ 10 each (₹ 5.5 per equity share) for the year 2010-11.

With this, the total dividend payment for the fiscal 2010-11 will be at 75% on equity share of ₹ 10 each (₹ 7.5 per equity share) amounting to ₹ 951 crore on its paid-up equity capital of ₹ 1,268.48 crore. The total dividend payout including tax accounts for 31% of profit after tax.

CREDIT RATING

Your Company has been reaffirmed the highest domestic credit rating of 'AAA' from ICRA, CARE and CRISIL which indicates the highest credit quality and rated instruments carry the lowest credit risk. The international rating agency, Moody's International, Hong Kong, has also reaffirmed the Corporate issuer rating of 'Baa2', which is one notch higher than sovereign rating and local currency issuer rating of 'A3' to your Company. Further, Fitch Ratings has also assigned a long term Foreign Currency Issuer default rating of 'BBB-' with stable outlook which is equal to sovereign rating.



CORPORATE STRATEGY

Your company is successfully executing Strategic Plan 2007-12 and is well on its road to establish pan-India presence. The main thrust has been on expansion of gas transmission network (to over 14,500 km) and securing gas supplies for meeting demand of various consumer segments. Your Company has interest in 27 E&P Blocks including 2 outside India & 1 CBM block for securing long-term gas supplies besides stake in LNG Terminals through equity stake in Petronet LNG and RGPPL. Your Company has been successful to increase gas supplies to about 118 MMSCMD for transmission in FY 2010-11 and is well poised to secure substantially higher volumes in the coming few years. Your Company is strengthening its petrochemical presence through expansion of existing capacities at Pata besides setting up a new plant in Assam through its subsidiary, Brahmaputra Cracker and Polymer Limited. In addition, your Company has also taken a 17% equity stake in the 1.1 MMTPA petrochemical project being implemented by ONGC Petro Additions Limited at Dahej, Gujarat.

Your Company is also strengthening its retail presence by setting up new city gas projects in Kota, Dewas, Meerut and Sonapat through its wholly owned subsidiary, GAIL Gas Limited which is also participating in upcoming PNGRB bidding rounds for other city gas projects. Further, the Board of your Company, in order to consolidate the city gas distribution business, has approved the transfer of existing and ongoing expansion of local distribution assets in Agra and Firozabad to GAIL Gas Limited, and transfer of CNG distribution project in Vadodara to proposed JVC of GAIL Gas Limited with Vadodara Mahanagar Sewa Sadan, subject to consent of shareholders through postal ballot.

On globalization front, your Company has acquired 4.17 % equity stake in South East Asia Gas Pipeline Company which is executing Myanmar to China gas pipeline project. This pipeline is being laid for transmission of natural gas from A-1 & A-3 blocks in Myanmar where GAIL has a 8.5% stake. Your Company is also in pursuit of diversifying in new business areas like wind and solar power and actively scouting opportunities in gas based power generation projects.

In order to meet the huge capital requirements for funding the projects, the Board of Directors of your Company has approved the Foreign Currency Loan Facility of USD 150 million from The Bank of Tokyo- Mitsubishi UFJ Ltd, Singapore and USD 74.33 million from US Exim, Societe Generale, New York.

Further, your company has recently developed Strategy for the period 2011-20 and the same has been approved by the Board of Directors. As per this Strategy, your Company aspires to become an integrated hydrocarbon major with significant upstream and downstream interests by 2020. To realize this ambition, your Company has identified several key growth areas and initiatives, in upstream, midstream and downstream segments of hydrocarbon value chain. In the upstream, the thrust will be on global sourcing and acquisitions, targeting equity linked LNG in addition to sourcing gas from domestic blocks. To support higher LNG imports, your Company will explore the possibility of setting up new LNG terminal(s) and tie-up additional re-gasification capacities in existing / upcoming terminals. In the midstream, expansion of pipeline infrastructure will continue with additional focus on strong market development efforts and strengthening marketing capability to remain the leading marketer of gas. On the retail side, large cities will be the focus for city gas business expansion. In the downstream, your Company aims to be among the top 2 petrochemical players in the country and for this, your Company has plans to set up new capacities and further increase marketing volume through trading. To realize the ambitious business goals, capability building will remain at the core of your Company's focus.

BUSINESS SEGMENT ANALYSIS

SEGMENTAL REVIEW

Your Company has been consistently achieving the top-most all round "Excellent" rating by the Government of India, since the signing of the Memorandum of Understanding (MoU) with the Government of India on performance review. During the year under review, the segment wise business performance of the Company is as under:

✓ Natural Gas Marketing

Natural gas continues to constitute the core business of your Company. During the year 2010-11, Gas Sales was 83.23 MMSCMD compared to 81.43 MMSCMD in the previous financial year. Major supplies of natural gas include fuel to power plants and feedstock for gas based fertilizer plants. Your Company holds around 50% market share in gas marketing in India.

✓ Natural Gas Transmission

Your Company owns and operates a network of about 8,644 km of natural gas high pressure trunk pipeline with a capacity

of approx. 170 MMSCMD of natural gas across the country. The gas transmission during the year was 117.91 MMSCMD compared to 106.74 MMSCMD in the previous financial year registering a growth of 10%. Your Company's share of gas transmission business is around 74% in India.

✓ Natural Gas Pipeline Projects

During the financial year, your Company has completed commissioning of various pipelines having length of about 761 km which includes Vijaipur-Dadri Pipeline (498 km), Sultanpur-Neemrana Pipeline (175 km) and Focus Energy Pipeline (88 km).

✓ LPG Transmission

Your Company is the only Company in India which owns and operates pipelines for exclusive LPG transmission for third party usage. There are two LPG Pipeline transmission systems with a total length of about 2038 km, 1415 km of which connects the Western and Northern parts of India (Jamnagar-Loni LPG Pipeline) and 623 km of network is in the Southern part of the country (Vizag-Secunderabad LPG Pipeline). The LPG transmission system has a capacity to transport upto 3.8 MMTPA of LPG. LPG transmission throughput was about 3.337 million MT in the year 2010-11.

✓ LPG Transmission Projects

Kandla- Samakhiali section of JLPL system has been upgraded from 0.5 MMTPA to 1.5 MMTPA by laying of 10" X 60 km loopline, installing additional Pumps at Kandla and receiving facilities at Samakhiali.

✓ Petrochemicals

During FY 2010-11, your Company has produced 420 TMT of polymer which includes 416 TMT of HDPE/ LLDPE pellets and remaining quantity of LP flakes, wax, PE shreds, etc. Further, during the period, it sold 420 TMT of polymer (HDPE/ LLDPE/ low polymers / polymer lumps & shreds).

✓ LPG & Other Liquid Hydrocarbon Production

Your Company has 7 LPG plants in the country. In the year 2010-11, total Liquid Hydrocarbon production was about 1.369 million MT which mainly included 1.068 million MT of LPG, 0.155 million MT of Propane, 0.035 million MT of Pentane and balance quantity included other products like SBP solvent and Naphtha.

✓ **Exploration and Production (E&P)**

Your Company has Participating Interest (PI) in 27 Exploration and Production (E&P) blocks and one Coal Bed Methane (CBM) block. Out of the 27 E&P blocks, 25 blocks are in India and 2 blocks are overseas (A-1 and A-3 blocks in Myanmar). One of the onland blocks in Cambay basin is in regular production and ₹ 41.41 crore has been generated as revenue during the year 2010-11.

Out of the 27 E&P blocks where GAIL is participating, GAIL is the Operator in 2 blocks (Rajasthan Onland RJ-ONN-2004/1 and Cauvery Onland CY-ONN-2005/1). 1st well-Lohara 1 is being drilled currently in Rajasthan onland block and two more wells are also planned to be drilled subsequently, while seismic data acquisition is planned in Cauvery onland block during the year 2011-12.

The CBM Block (TR-CBM-2005/III) in Chhattisgarh is in first exploration stage where dewatering of test wells is in progress. Development activities in blocks

A-1 and A-3, Myanmar offshore is in progress and the production of gas is expected to start from May 2013.

During the year 2010-11, Declaration of Commerciality has been approved in the Mahanadi Offshore block (MN-OSN-2000/2). Further, GAIL consortium has been awarded two deep water blocks in Andaman basin under NELP-VIII bidding round with ONGC as the Operator. GAIL has bid for E&P blocks in NELP-IX bidding round along with other consortium partners. Results are expected in FY 2011-12 and Production Sharing Contracts are expected to be signed soon thereafter.

✓ **Telecommunications**

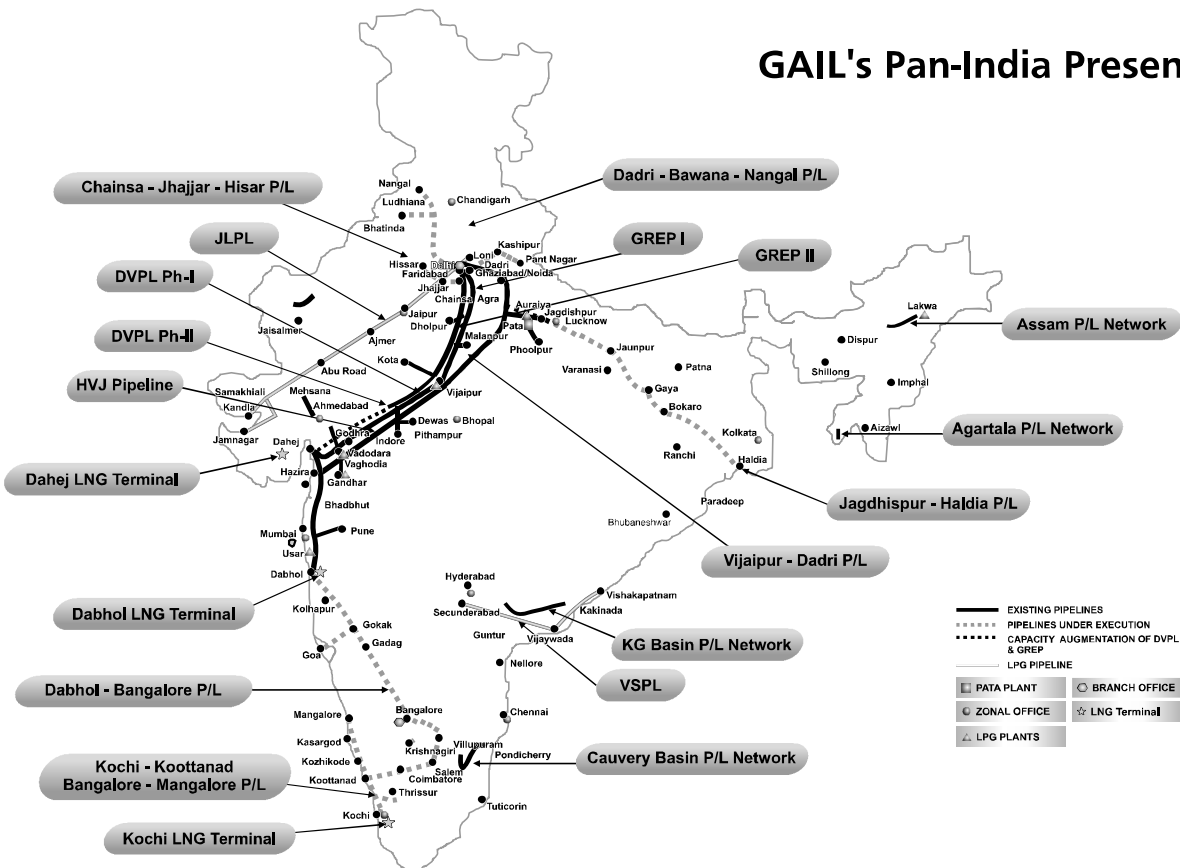
Leveraging on its pipeline network, your Company has built up a strong Optic Fibre Cable (OFC) network for its own internal use and leasing of bandwidth as a carriers' carrier. Your Company's telecom business unit - 'GAILTEL' has approximately 13,000 km of OFC network.

SEGMENTAL OUTLOOK

✓ **Natural Gas**

Major focus for your Company is to maintain its dominant position in the gas business, especially the transmission segment and continue the relationship with existing customers and also to add more customers. Therefore, your Company is expanding its transmission network by laying another 7,500 Km of pipelines at an investment of ₹ 30,000 crores, out of which around 1,200 km have been completed, to transport and supply natural gas to various customers in Power, Fertilizer, Refinery, Industries, CGD projects etc. These would include large trunk pipelines, along with smaller pipelines which would provide connectivity among trunk lines to form a grid. The pipelines being laid by your Company would help in achieving the objective of an Integrated National Gas Grid.

GAIL's Pan-India Presence



Map not to scale



✓ Natural Gas Pipeline Projects

The projects are concurrently being executed in 16 States, 2 Union Territories, 116 Districts and the construction activities are in full swing simultaneously for more than 10 projects. The following projects are in advanced stage of construction and completion is expected by the end of year 2011.

- | | |
|--|--------|
| I. Dahej-Vijaipur Pipeline Phase-II (DVPL-II) | 610 km |
| ii. Bawana-Nangal Pipeline (BNPL) | 501 km |
| iii. Karanpur-Moradabad Kashipur-Rudrapur Pipeline Phase-I | 105 km |

Further, installation of 2nd & 3rd compressors at Jhabua & Vijaipur and installation of two Compressors at Kailaras & Chainsa are also in advanced stage of construction and completion is expected by the end of year 2011.

The completion of DVPL-II project along with commissioning of balance mainline compressors at Jhabua and Vijaipur will lead to enhanced capacity to transport RLNG from Dahej and KG Basin gas to consumers in northern part of India. Last mile connectivity has been given importance and steps have been taken up to connect customers within the shortest possible time leading to revenue generation.

Construction has recently started for the following projects.

- | | |
|---|--------|
| I. Dabhol-Bangalore Pipeline Phase-I | 997 km |
| ii. Kochi-Koottanad-Bangalore/Mangalore Pipeline Phase-I | 44 km |
| iii. Spurlines to Roorkee-Haridwar, Ludhiana Jalandhar (BNPL Spurlines) | 270 km |
| iv. Spurlines to Chittorgarh (Vijaipur-Kota Pipeline -VKPL extension) | 290 km |

The Dabhol-Bangalore and Kochi – Koottanad-Bangalore - Mangalore pipelines would increase GAIL's presence in southern India as these pipelines pass through virgin market areas. The quantum of gas transported is likely to increase, with commissioning of these projects.

Due to increase in gas availability, last mile consumer connectivity has been provided

to 46 number of consumers for a gas quantity of approx 6.8 MMSCMD.

Your Company is also expanding its pipeline network in the states of Rajasthan, Uttarakhand, Punjab, Andhra Pradesh & Tamil Nadu.

✓ Petrochemicals

Your Company owns and operates a gas based integrated petrochemical plant at Pata, Uttar Pradesh, with a capacity of producing 4,10,000 TPA of Polymers i.e. HDPE and LLDPE. Your Company has commissioned in the month December, 2010 an additional gas cracking furnace and with debottlenecking of the Gas Cracker Unit, the Ethylene production capacity has been increased to 4,46,000 TPA. Further your Company is doubling the capacity of Petrochemical plant at Pata by installing 4,50,000 TPA of Gas Cracker Unit and 4,00,000 TPA of Downstream Polymer Unit.

Your Company is currently in the process of setting up a 2,80,000 TPA Petrochemical Complex in Assam through its subsidiary, Brahmaputra Cracker and Polymer Limited (BCPL).

Your Company is a co-promoter with 17% equity stake in ONGC Petro-additions Limited (OPAL) which is implementing a green field petrochemical complex of 1.1 MMTPA Ethylene capacity at Dahej in the State of Gujarat.

✓ Gas Sourcing

Your Company continues to have focus on securing gas supplies from international markets. LNG and trans-national pipelines are the two prevalent modes of cross border gas trade and your Company has been making efforts to bring more natural gas into the country through both these modes. Your Company has entered into a short term agreement to buy 0.48 MMTPA LNG from Marubeni Corporation, Japan and the first shipment was received in February 2011. Your Company has also imported about 0.20 MMTPA of LNG in this financial year from various international sellers on spot basis to supplement the shortfall in domestic production from time-to-time. Your Company also sourced around 80 MMSCM of spot RLNG in 2010-11 from its Joint Venture Petronet LNG Ltd. (PLL). Further,

agreements for procurement of spot LNG have been signed with 19 international sellers. In addition, discussions are on with 8 prospective suppliers for long term tie up of LNG.

✓ Wind Energy

Your company has successfully commissioned a wind energy power project of 4.5 MW capacity at Sinoi in Kutch District of Gujarat at a cost of ₹ 27.7 crore. The generated power is fully utilized for captive consumption at your Company's installations in Gujarat namely Gandhar, Samakhiali and Kandla.

Based on the satisfactory performance of 4.5 MW wind energy project, your Company is now executing another 15 MW wind energy power project in state of Gujarat at an estimated cost of ₹ 93.76 crore for captive utilization. Further, your Company's Board has approved the project for setting up of a 100 MW Commercial Wind Energy Generation Project in the states of Tamil Nadu and/ or Karnataka. In line with the decision, the Board of your Company has approved the amendment in main object clause of Memorandum of Association to carry on the business of generation, distribution and marketing of wind, tidal, solar and any other form of renewable energy on commercial basis, subject to approval of shareholders through postal ballot. Your Company is also exploring the possibilities of commercial wind power project in different states.

BUSINESS INITIATIVES

GLOBAL

Considering the importance of enhancing energy security of the country for sustaining high level of economic growth, your Company has taken initiatives to look overseas for acquisition of energy assets. This is being done in addition to the initiatives being pursued on the domestic front.

There are good prospects of participating in oil and gas assets abroad which are either producing or planned to be on production in the near term. Your Company is now focused on diversification of its resource base through equity participation in overseas projects. A dedicated group has been formed to pursue overseas acquisition activities with the objective of sourcing gas

for the domestic market. With this prime objective, your Company is continuously scouting for acquiring energy assets abroad and also to source natural gas in the form of Liquefied Natural Gas (LNG) and piped gas imports in order to meet the growing requirements of Indian market. Further, your Company is also exploring various business opportunities abroad along the natural gas value chain for long term growth and to emerge as an integrated international gas company.

In addition to sourcing of LNG from different sources, your Company with the support of Government of India is actively pursuing sourcing of gas from Turkmenistan through Turkmenistan–Afghanistan–Pakistan–India (TAPI) pipeline. Inter Governmental Agreement (IGA) and Gas Pipeline Framework Agreement (GPFA) have already been signed among the countries participating in the project. These agreements are important milestones for the implementation of the project.

Besides, your Company is pursuing an opportunity for participation in shale gas assets in USA so as to be ready with the skill and technological know-how for participation in the domestic shale gas bidding rounds as and when they are announced in the country.

In recent years, Africa has emerged as a prospective destination for sourcing of resources. In order to participate in projects in the resource rich countries in Africa, your Company has opened a representative office in Cairo, Egypt which will also pursue business opportunities in the Middle East.

DOMESTIC

Your Company has identified petrochemicals as a strategic business segment for its growth. Your Company is strengthening its presence in petrochemicals business by expanding its capacity and also acquiring equity stake in petrochemical plants.

Your Company has 70% equity share in Brahmaputra Cracker and Polymer Limited (BCPL), a subsidiary, with Oil India Limited (OIL), Numaligarh Refinery Limited (NRL), Govt. of Assam, each having 10% equity share. BCPL is setting up a 2,80,000 TPA polymer plant. The financial commitment to

the extent of ₹ 5,460 crore has been made and project execution is in progress.

Your Company is a co-promoter in ONGC Petro-additions Limited (OPaL) which is implementing a green field petrochemical complex of 1.1 MMTPA Ethylene capacity at Dahej in the state of Gujarat. Your Company is entitled to market one-third of the polymers produced from the plant in domestic and overseas market which shall enhance your Company's market share in polymers. Further, your Company is exploring the possibility of setting up a downstream unit based on the by-product available from the project.

In view of the natural convergence between gas and power and to foray in the fast growing power sector, your Company has undertaken a number of initiatives through which it, on its own and also in partnership with other companies, plans to set up power plants in various parts of the country.

Due to wide gap in natural gas demand – supply scenario in India, the existing / new domestic gas sources and current / proposed LNG imports are not sufficient enough to meet the natural gas requirements of all demand centers in the country. To fill this gap, your Company is planning to set up a Floating Storage Regasification Unit (FSRU) unit on the east coast of India.

IT INITIATIVES

Your Company is an IT savvy organization and is continuously adopting the latest and state-of-the-art IT solutions, keeping pace with the fast changing industry. This helps in continuous improvement in efficiency and productivity of employees and also enables 'right information to right person' by use of latest IT security solutions.

Your Company has taken several new IT initiatives to enhance productivity. The process of upgradation of the existing SAP ERP hardware and technical upgrade of SAP R/3 to the latest SAP ECC6 software has been successfully completed. This has added several new features to the existing ERP setup. Many new components like Governance, Risk & Control (GRC), e-Recruitment and Gas Management System (GMS) have also been added to the SAP infrastructure. This will lead to greater operational efficiency and transparency

thereby helping in faster and accurate decision making. Further, Reverse Auctioning, Bid-encryption and System Generation of Comparative Statement have been added as new features to the SRM/e-Procurement system.

Your Company has started the implementation of a state-of-the-art centralized SCADA system for efficient, safe & smooth operation of existing & upcoming cross-country Natural Gas & LPG pipeline networks under large & complex National Gas Grid environment. On implementation of the centralized SCADA system substituting the existing multiple-heterogeneous SCADA systems for individual gas pipelines, your Company shall be able to monitor & control its entire cross-country pipeline infrastructure at national and individual pipeline levels, providing relevant online pipeline data to its esteemed customers. It shall also enable your Company better integration with other critical applications like Gas Management System (GMS), SAP ERP and other applications and will also facilitate in implementation of SCADA in a cost effective and faster manner for future pipelines.

Your Company has also initiated the process for consolidation of the IT infrastructure to a central virtualized environment along with its Disaster Recovery (DR) setup in line with the latest technological advancements in the industry. This will provide greater uptime and better manageability of the IT infrastructure.

Your Company is also in the process for implementation of an electronic Document Management System (DMS) in line with the industry best practices. This will include digitization of all the important information and records of your Company across various locations, electronic workflow and secure authorizations-based access to information. In addition to the above, your Company has put in place the latest high-definition Video Conferencing (VC) systems with real-time streaming facility at all its major locations. Moreover, desktop-based VC facility has been provided to all senior-level executives. This will further improve the communication facilities and reduce travel time and expenses.

The Business Information Systems department of your Company has been certified with the new ISO 9001:2008 standard.



SUBSIDIARIES & JOINT VENTURES

Your Company has formed Subsidiaries and Joint Venture companies for City Gas Distribution and Petrochemicals. Your Company is one of the pioneers to introduce City Gas Projects in India for supplies to households, commercial users and for the transport sector by forming Subsidiaries/ Joint Venture Companies.

SUBSIDIARIES



Brahmaputra Cracker and Polymer Limited (BCPL)

BCPL is setting up a 2,80,000 TPA polymer plant and project execution is in progress.

The proposal for enhanced project cost and revised commissioning date is under Government approval.

Feedstock Supply Agreements have been signed between BCPL and all the three suppliers, viz., Oil and Natural Gas Corporation Limited, Oil India Limited and Numaligarh Refinery Limited. Technology license agreements have been signed for cracker, polyethylene and polypropylene units.

Entire land for the project has been acquired by BCPL. Civil structural works for the main process units, namely Ethylene Cracker unit, Polyethylene unit (HDPE/ LLDPE), Polypropylene unit, C2+ extraction unit, Gas Dehydration unit and Gas sweetening unit of BCPL has commenced.

Your Company has 70% equity share in BCPL with OIL, NRL & Government of Assam each having 10% equity share.

GAIL Gas Limited



GAIL Gas was incorporated with an objective of focused implementation of City Gas

Distribution (CGD) projects in the Country. In first round of bidding process of Petroleum and Natural Gas Regulatory Board (PNGRB), GAIL Gas has been authorized to implement CGD projects in four cities, namely, Sonapat, Kota, Dewas and Meerut.

GAIL Gas has already commissioned CNG stations in Dewas and Sonapat. Gas supply to industrial units has commenced in Dewas, Sonapat and Kota. GAIL Gas has also commenced gas supplies to domestic consumers in Dewas and network construction is in progress for other cities.

GAIL Gas has already laid 168 Km steel pipeline and 229 Km MDPE pipeline in these cities. GAIL Gas is operating 1 CNG stations each at Dewas and Sonapat. The CNG stations at Kota and Meerut are under commissioning. GAIL Gas is supplying natural gas to 24 industrial units in Kota, Dewas, Sonapat and Meerut. GAIL Gas has also commenced gas supplies to domestic customers progressively. GAIL Gas has taken up investment for setting up the infrastructure along the national highways for building CNG corridors. Going ahead with the objective to establish CNG Corridor to facilitate the availability of CNG outside the cities, GAIL Gas has commissioned 2 CNG stations in Vadodara and 1 CNG station each at Panvel & Vijaiapur. The construction of CNG stations at Kovvur, Auriya, Ferozabad & Mathura is in full swing.

GAIL Gas is a wholly owned subsidiary of your Company.

GAIL Global (Singapore) Pte Limited

GAIL Global (Singapore) Pte Ltd. is as an overseas investment arm of the Company. Your Company is looking for further business opportunities through this wholly owned subsidiary Company in Singapore.

JOINT VENTURES



Aavantika Gas Limited (AGL)

AGL is in operation in Indore and Ujjain and is supplying CNG to the transport sector in these cities. AGL is supplying CNG to almost 14,500 vehicles in both the cities & PNG to industrial sector. AGL has set up 1 Mother Station, 2 Online Stations & 5 Daughter Stations in Indore and 2 Daughter Stations in Ujjain for dispensing CNG. AGL has registered its first operational profit in FY 2010-11. MoPNG has authorised AGL for CGD in Indore, Gwalior and Ujjain. Your Company has 22.5% stake in the Company along with HPCL as equal partner.



Bhagyanagar Gas Limited (BGL)

BGL is currently operating 8 CNG (1 Mother station and 7 Daughter Stations) in Vijaywada, 5 CNG stations in Hyderabad and 1 CNG station in Kakinada. BGL is supplying CNG in these 3 cities to almost 8,000 vehicles. BGL is currently operating in Hyderabad, Vijaywada and Kakinada. Your Company has 22.5% stake in the Company along with HPCL as equal partner.



Central U.P. Gas Limited (CUGL)

CUGL is currently operating 10 CNG stations in Kanpur and 1 CNG station in Bareilly. CUGL is supplying CNG to almost 15,000 vehicles in the two cities. CUGL is supplying PNG to over 800 households. CUGL has received authorization from MoPNG for CGD in Kanpur & Bareilly. Your Company has 25% stake in the Company along with BPCL as equal partner.

GAIL China Gas Global Energy Holdings Limited

The joint venture Company was formed with an objective to pursue gas sector opportunities, mainly in China. Potential gas sector projects are being identified for implementation by the company. Your Company has 50% equity interest in the Company along with China Gas Holdings Limited as equal partner.



Green Gas Limited (GGL)

GGL is currently operating 7 CNG stations in Lucknow and 3 CNG stations in Agra. GGL is supplying CNG to almost 15,000 vehicles.

MoPNG has authorized GGL for CGD in Lucknow & Agra. Your Company has 22.5% stake in the Company along with IOCL as equal partner.



Indraprastha Gas Limited (IGL)

IGL is the largest CGD entity in terms of CNG sales and the number of vehicles running on CNG in India. IGL has received authorization from MoPNG for CGD in Delhi and adjoining cities of Noida, Greater Noida, Ghaziabad, Gurgaon and Faridabad.

As on 1st April, 2011, IGL was supplying piped gas to around 2.45 lac domestic consumers, 68 industrial and 463 commercial consumers. IGL is supplying CNG to over 4.3 lac vehicles through 278 CNG stations. The average per day sale during FY 2010-11 was 2.73 MMSCMD.

Your Company has 22.5% stake in the Company along with BPCL as equal partner.



Mahanagar Gas Limited (MGL)

MGL has presently set up 149 CNG stations catering to about 2.2 lac vehicles spread over Mumbai, Thane, Mira-Bhayandar and Navi-Mumbai areas besides supplying PNG to about 5.2 lac domestic customers, about 1,240 small industrial & commercial consumers. Accepting the Central

Government authorization, the PNGRB has granted authorization and exclusivity for the existing areas of Mumbai, Thane, Navi Mumbai and Mirabhayander and expansion areas of Kalyan, Dombivli, Ambarnath, Badalapur, Ulhasnagar, Bhiwandi, Talaja, Kharghar and Panvel. Your Company has 49.75% stake in the Company along with British Gas as equal partner.

Maharashtra Natural Gas Limited (MNGL)



MNGL was formed for implementation of City Gas Projects in and around Pune city.

MNGL has received authorization from MoPNG for CGD in Pune including Pimpri, Chinchwad, Talegaon, Hinjewadi & Chakan areas. It has started 13 stations supplying CNG to more than 16,000 vehicles. MNGL has also started supply of PNG to domestic, industrial and commercial units. Your Company has 22.5% stake in the Company along with BPCL as equal partner.

ONGC Petro-additions Limited (OPaL)



OPaL is implementing a green field petrochemical complex of 1.1 MMTPA Ethylene capacity at Dahej

in the State of Gujarat. Your Company is a co-promoter with 17% equity stake in ONGC Petro-additions Limited (OPaL). Oil and Natural Gas Corporation Ltd. (ONGC) and Gujarat State Petroleum Corporation Limited (GSPC) are the other promoters of the company.

Petronet LNG Limited (PLL)



PLL, formed for setting up of LNG import and re-gasification facilities, currently owns and operates LNG re-gasification terminal of 10

MMTPA capacity located at Dahej, Gujarat. PLL has a long term LNG supply contract with RasGas, Qatar for import of 7.5 MMTPA of LNG. Further, PLL is constructing a LNG re-gasification terminal at Kochi, Kerala with an initial capacity of 2.5 MMTPA, expandable upto 5 MMTPA and is scheduled for commissioning in early 2012. PLL has entered into long term LNG supply contract with ExxonMobil for the supply of 1.5 MMTPA of LNG for the Kochi terminal. Your Company has 12.5% equity stake in PLL along with BPCL, ONGC and IOCL as equal partners.

Ratnagiri Gas and Power Private Limited (RGPPL)

The capacity of the Ratnagiri Gas & Power Station is 2,150 MW which is the largest gas based power generation facility in the country and currently producing 1,850 MW of power. RGPPL is in the process of commissioning LNG import terminal of 5 MMTPA capacity. Your Company has 32.88% stake in the Company along with NTPC as equal partner. RGPPL is a joint venture company between your Company, NTPC, Financial Institutions and MSEB.



Tripura Natural Gas Company Limited (TNGCL)

TNGCL is presently supplying gas to around 8,475 domestic, 194 commercial and industrial consumers and has set up one CNG station in Agartala catering to more than 1,900 vehicles. TNGCL has received authorization from MoPNG for CGD in Agartala. Your Company has 29% stake in the Company

OVERSEAS EXPOSURE

GAIL is an equity partner in three retail gas companies in Egypt, namely Fayum Gas Company (FGC), Shell CNG Egypt (SCNGE) and National Gas Company (Natgas). FGC and Natgas are city gas distribution companies involved in supply of gas to residential, commercial and small industrial customers, whereas SCNGE is involved in setting up of Compressed Natural Gas (CNG) stations and supply of CNG to transport sector. However, the Board of your Company has approved the divestment of its shares in SCNGE as the strategic objectives of investment in SCNGE could not be met and accordingly, the process of sale of its equity shares in SCNGE is in process.

GAIL is also an equity partner in China Gas Holdings Limited (China Gas), a retail gas company involved in city gas and CNG business in China. Further, GAIL and China Gas have formed an equally owned joint venture company, GAIL China Gas Global Energy Holdings Limited for pursuing gas sector opportunities primarily in China.

GAIL is a part of consortium in two offshore E&P blocks (A-1 & A-3) in Myanmar and also holds participating interest in the joint venture

Company – South East Asia Gas Pipeline Company Limited incorporated for transportation of the gas to be produced from A-1 & A-3 blocks in Myanmar to China.

In addition to having a wholly owned subsidiary namely GAIL Global (Singapore) Pte Ltd for managing investments abroad, your Company has opened an office in Cairo, Egypt to pursue business opportunities in Africa and Middle East.

SUSTAINABLE DEVELOPMENT

Your Company operates in the energy sector which is a very vital component of the economy. Energy powers every other productive activity in the economy, whether it be agriculture, infrastructure, manufacturing or services sector. The demand for energy is growing at a rate that is much higher than the growth rate of the economy. While the demand for energy is growing, new resources are getting increasingly more difficult and challenging to find, produce and monetize. At the same time, India needs to provide energy to its people at affordable prices. Your Company continues to strive towards energy security of the country while maintaining equilibrium with the environment in order to achieve sustainable development.

The principal business of your Company revolves around transmission of natural gas which in itself is a cleaner fuel and helps user industries reduce their pollution levels as compared to coal or other liquid fuels. Use of CNG in transport sector helps in reducing the pollution level in the cities. Your Company is also at the forefront of employing technologies and processes that reduce the energy consumption in its own operations.

Your Company has installed a wind energy project of 4.5 MW capacity at Sinoi, District Bhuj, Gujarat. The power generated is being wheeled for captive use by your Company's plants in Gujarat. Your Company has started work on setting up a new 15 MW wind energy project in Gujarat which will augment power supply for captive use of your Company's plants at Samakhiali, Kandla and Gandhar. In addition, your company is also planning to set up Wind Energy Project for commercial sale of Power.

Your Company is keen to enter into solar power. Your Company participated in the 1st phase of bidding under Jawaharlal Nehru National Solar Mission (JNNSM). Your Company plans to



Shri R.D. Goyal, Director (Projects) GAIL receiving Golden Peacock Award for Environmental Management 2011 from Hon'ble Home Minister Shri P. Chidambaram

participate in future bidding rounds as well to setup solar power projects.

Another initiative which your Company has undertaken to promote sustainable development is rain water harvesting. Your Company has implemented rain water harvesting projects at many of its office buildings at sites. Your Company has also invested ₹ 20 crores to set-up a comprehensive waste water treatment plant at Pata site to maintain the water quality before discharging into the river. The treated wastewater is recycled and used for horticulture and fire water make-up.

Your Company's pilot project for production of landfill gas from the municipal solid waste site at Ghazipur, Delhi is another effort in sustainable development. Its success will pave the way for conversion of solid waste sites in cities to produce fuel. Such projects have multiple benefits as these not only generate fuel from waste by capturing methane that would have got released into the atmosphere but also reduce global warming since methane has a global warming potential of 21 times of CO₂.

Measuring the CO₂ emissions is the first step towards the efforts to reduce its emissions. Your Company is taking up Green House Gas Accounting for its installation at Vijaipur. As Vijaipur is a representative site of your Company with similar compressor stations and LPG plants at other locations, the methodology used for data collection at Vijaipur shall be useful in knowing the carbon footprint of your Company's operations. This shall help to Measure, Manage &

Mitigate the GHG emissions.

Your Company will be also coming up with its first Sustainability Report based on the GRI G3 Guidelines for the financial year 2010-11 to efficiently disseminate information on various measures taken by the Company on social, economic and environmental fronts. The Report shall also help your Company to align its sustainable development efforts such that these maximize value for various stakeholders.

HEALTH, SAFETY & ENVIRONMENT

Your Company is a responsible Corporate Citizen and Health, Safety and Environment (HSE) excellence has been extensively promoted as a corporate culture within the organization. The Safety & Health of employees and external stakeholders are embedded in the core organizational values of the Company. The HSE policy, inter-alia, aims to ensure safety of public, employees, plant & equipment, ensure compliance with all statutory rules and regulations, imparting training to its employees, carrying out safety audits of its facilities, and promoting eco-friendly activities.

Your Company has constituted HSE, sub-committee of the Board of Directors to review its HSE performance and emergency preparedness in the Company.

CORPORATE HEALTH, SAFETY & ENVIRONMENT (HSE) POLICY

Your Company is committed to promote globally comparable levels of Health, Safety,

Environment and Loss Control in the areas of its business of Exploration and Production of Hydrocarbons, Natural Gas and LPG transmission, Production of LPG, Petrochemicals etc., with clear emphasis on improving the Environment for Sustainable Development. Projects, E&P etc. are brought under the monitoring purview of HSE. PNGRB regulations are being adopted at all sites.

The safety and occupational health of its employees and external stakeholders are of paramount importance and all these attributes are embedded within the core organizational values of your Company.

SAFETY PERFORMANCE

Your Company continues to demonstrate excellent HSE performance. HSE indices, as indicated below, across all its work centers are meticulously monitored with the aim for continual improvement.

Year(s)	HSE Index	
	MoU Target (%)	Achieved (%)
2008-09	97.0	98.95
2009-10	97.5	99.25
2010-11	97.5	98.92

Monthly safety index monitoring has been made stringent by including more elements for monitoring site's HSE performance.

SAFETY TRAINING

Your Company continues to give utmost importance to train the employees on HSE aspects. Apart from employees; spouses, children, contract workers, tanker drivers, nearby villagers etc. are also imparted safety training. Newly recruited trainees are given one week specific HSE training at site.

Your Company had organized a two day workshop for all business heads and fire & safety personnel. In the workshop, the participants were exposed to external facilities, PNGRB regulations etc. Another two day training program was organized for business heads on 'Industrial Safety Sensitization' including introduction to 'Behavior Based Safety' aspects.

EXTERNAL SAFETY AUDITS (ESA)

Your Company's safety practices and systems are audited for continual improvement by

external agencies and inter unit safety audit teams.

- ✓ **External Safety Audits:** During the year 2010-11, safety audits were carried out by external agencies for 20 O&M units. Also building safety audit was carried out in your Company's corporate office building in Delhi, O&M and Training Institute building at Noida. Major work centers have been certified for Integrated Management Systems (IMS). IMS outlines the standards needed to align with, or conform to, internationally accredited certifications such as ISO 9001 (quality assurance), ISO 14001 (environment) and OHSAS 18001 (health and safety).
- ✓ **Inter Unit Safety Audits (IUSA):** During the year 2010-11, inter unit safety audits have been carried out for 6 units of your Company.

OCCUPATIONAL HEALTH

Your Company continued from the previous year its commitment to improve the well being of its employees. During the year 2010-11, all employees at the work centers were medically examined. Besides, contract workers, CISF personnel, villagers from nearby areas were also covered under the program.

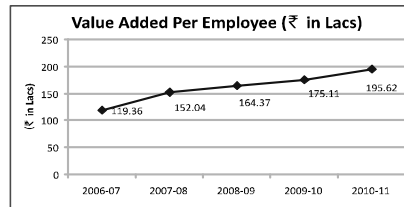
CORPORATE SOCIAL RESPONSIBILITY

Your Company has set high standards of discharging Corporate Social Responsibility (CSR). The quantum of CSR allocation is 2% of profit after tax of the previous financial year for CSR programmes. CSR allocations are used for economic, environmental and social upliftment of communities in and around the work centers in the major thrust areas such as Community Development, Infrastructure, Drinking water/Sanitation, Literacy Enhancement/ Empowerment, Educational Aids, and Healthcare/Medical. Besides specific social welfare programmes, the CSR funds are also used to provide relief to victims of national calamities. Major initiatives undertaken by your Company under these thrust areas are detailed in Management Discussion & Analysis.

HUMAN CAPITAL

Your Company takes pride in its highly efficient and engaged work force which has been the driving force behind continuous rise in value added per employee in last 5 years. Value added

per employee gives an account of efforts of company's employees to make the best and most productive use of the resources available to them.



TRAINING

Oil & Gas Industry has been witnessing rapid growth & development both at the domestic as well as global levels. Your Company is also implementing various new projects to strengthen its presence across the entire gas value chain. With new technological developments and phenomenal expansion taking place in the hydrocarbon sector, need of the industry is changing from merely acquiring the latest state of the art technologies and equipment to engaging qualified personnel suitably equipped with knowledge, skills, attitude and a practical exposure to the highly specialized jobs. Therefore, it is essential to have a focused approach on training and development of the company's human resources. ISO 9001 certified GAIL Training Institutes (GTI) at Noida & Jaipur have been consistently working towards development of Human Capital of the Organization.

Maintaining the track record of excellent performance, 12,789 training mandays were imparted during the period under review. During FY 2010-11, 14,298 mandays of training have been completed by GTI against the target of 14,000 mandays.

GTI received the prestigious National Award for Innovative Training Practices from Indian Society for Training and Development (ISTD) in January 2011. In its pursuit of offering training programs to external organisations and to convert itself into a revenue generating centre, GTI has successfully organized training programs for participants from other organizations like IOCL, BCPL, IGL, Siti

energy, UP Fire Service Department, OPaL, Honda Scooters & Motorcycles etc.

Some of the key training initiatives taken by your Company during FY 2010-11 are:

1. Launch of ASME (American Society of Mechanical Engineers) Certified Courses at GTI Noida as an Authorised Training Provider to ASME. 4 faculty members from GAIL have been certified by ASME as Authorised Training Instructors for offering these courses.
2. The training institute of your Company organized new programs like Management Development Programs (MDPs) for newly promoted DGMs, GMs and EDs in April and May 2010, Workshop on Behaviour Based Safety for OICs in January 2011 and Effective Communication Skills for Non Executives through Video Conferencing during December, 2010 to March, 2011.
3. A new website was created for the training institute of your Company which was launched by CMD on 8th March, 2011. Additionally, publicity material like brochures and AV film on activities and services of the training institute have also been prepared.
4. The training institute of your Company also provided consultancy to EIL in terms of deputing GAIL Engineers from Pata Plant to Panipat Petrochemical plant for providing assistance commissioning and training to their employees.
5. The training institute of your Company had also successfully developed and delivered a course on Natural Gas Business Management for the MBA students of Rajiv Gandhi Institute of Petroleum Technology (RGPT).

VIGILANCE

The main thrust of vigilance activities in your company is on predictive & preventive actions rather than punitive vigilance. In accordance with this objective, intensive inspections of various works were taken up and corrective measures suggested. Further, Shri Pratyush Sinha, the then Central Vigilance Commissioner



of India visited your Company and interacted with senior officers of the company. He highlighted the importance of Corporate Governance, role of supervisory officers in eliminating corruption and stated that Vigilance is a management function which brings in more transparency and making objectivity in decision making.

During the Vigilance Awareness period, your Company organized vendor interaction programme wherein 138 vendor representatives representing 86 vendors providing services for various GAIL pipeline projects actively participated. The programme received active participation from vendors. Rallies were organized by certain units in association with local NGOs for generation of awareness and publicity against ill effects of corruption.

REPRESENTATION OF SCs, STs, OBCs, MINORITIES AND WOMEN EMPLOYEES

Your Company has been complying with Reservation Policy in terms of Presidential Directives and other guidelines received from time to time from Government of India in respect of providing reservation in matters of employment to candidates belonging to Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs) and Persons with Disabilities (PWDs) in Direct Recruitment.

Details with respect to total number of employees and the representation of Schedules Castes, Scheduled Tribes, Other Backward Classes amongst them as on 31.03.2011 have been given in Table below:

GROUP	EMPLOYEES ON ROLL	SC	ST	OBC
A	2,661	422	158	422
B	495	105	65	59
C	664	113	28	191
D	58	17	5	14
TOTAL	3,878	657	256	686

A total of 220 new employees joined the company during the year 2010-11. Total Manpower of the Company as on 31.03.2011 stood at 3,878 with 16.9 % of its employees belonging to SC category, 6.60 % to ST category, 17.7% to OBC category, 7.1% to Minorities and 2.24% to PWDs category. Your Company's workforce comprised of 218 women employees as on 31.03.2011.

EMPLOYEE ENGAGEMENT SURVEY

Employee Engagement Survey was carried out by your Company during FY 2010-11 to gauge the engagement level of the employees as it believes that only engaged employee will go extra mile in delivering superior results. With the help of the survey, valuable feedback was obtained from the employees on People Practices and suggestions were also taken for improving overall employee experience at GAIL. Your Company was placed in the High Performance/ Hewitt's Best Employer Range.

SENIOR MANAGEMENT DEVELOPMENT CENTRE (SMDC)

Your Company realizes that it is imperative to continually strive to develop and enhance the quality of its talent pool. This would enable it to place competent persons at strategic roles. Senior Management Development Centre (SMDC) is being conducted in your Company as part of the Leadership Development Program to objectively assess the potential of its senior executives. The objective of this exercise is to identify the development needs of senior executives and design development programs so as to bridge the gaps.

SMDC is being conducted for senior executives at Chief Manager and above grades. This exercise will be a crucial input for the development of pipeline of leaders in your Company.

OFFICIAL LANGUAGE

Your Company is continuously making vigorous efforts for the propagation and successful implementation of the Official Language Policy. The Official Language Implementation Committees at Corporate as well as Regional / Unit level held their quarterly meetings regularly to monitor and review the progress made in achieving the targets fixed in the Annual Programme.

With a view to create greater awareness and consciousness among employees, Hindi Fortnight was celebrated across the company. Further, in order to provide a larger platform to discuss the problems and difficulties in implementation of Official Language, annual conference was organized wherein senior

officials from corporate office and work centers participated and shared their thoughts.

Bilingual software was provided to all GAIL offices. To impart working knowledge of Hindi as well as computer training to employees in bilingual software, a comprehensive and time bound programme was prepared and implemented during the year.

"Rajbhasha Sahyog" a quarterly Hindi magazine was published and distributed among employees in order to create interest among employees of GAIL and their family members towards reading and creative writing in Hindi.

RESEARCH AND DEVELOPMENT

Your Company recognizes the importance of Research and Development (R&D) to improve its technological capabilities to remain competitive. Your Company pursues a focused R&D strategy to further its competitive edge in its existing business by improving operational efficiency besides exploring new resources of energy to meet the growing demand of India's populace for clean energy. Your Company has contributed ₹ 16 crores to the Hydrogen Corpus Fund managed by Centre for High Technology (CHT) to take up research projects in various facets of Hydrogen Production and Storage which is touted as the fuel of the future.

Your Company is pursuing a unique collaboration with Municipal Corporation of Delhi for extraction of gas at Ghazipur Landfill site. A 10 acres of area has been earmarked

initially for carrying out a pilot project for extraction of landfill gas. As per the preliminary analysis carried out, the project holds a potential to generate 600-800 m³/Hr of gas. It is also planned to put up a CNG station on this landfill gas to improve the economics. A CNG station running on landfill gas will be a first-of-its-kind in the world. This innovative project will not only generate a clean fuel but also simultaneously help in combating global warming due to the capture of methane gas that would have otherwise got released into the atmosphere. The success of this pilot project would open the possibility of replicating its success all over the country.

Another innovative project that your Company is working upon is conversion of waste plastics into fuel. The bench scale tests have given encouraging results. This project shall not only help in proper disposal of waste plastic but also generate fuel from the same. R&D efforts are also being undertaken to develop new polymer grades to better suit the customer requirements

Efforts are also being made to harness technologies that can be used to exploit various non-conventional natural gas sources like Shale Gas, Gas Hydrates, Underground Coal Gasification (UCG) etc. that have potential to substantially increase the availability of natural gas.

LAURELS

CORPORATE AWARDS

- ▶ GAIL was ranked no.1 company among gas utilities in Asia in the Platts Global Ranking of Energy Companies for the year 2010.
- ▶ "MOU Excellence Award" by the Department of Public Enterprises for the year 2008-09 in the petroleum sector.
- ▶ "Managing India Award" for the Outstanding PSU of the Year by AIMA.
- ▶ Kaizen Warrior Award for Most Efficient Navratna PSU of the year.
- ▶ Dun & Bradstreet - Rolta Corporate Award for Gas-Processing, Transmission & Marketing.
- ▶ GAIL's KG Basin and Vizag Secunderabad LPG pipeline unit won the first and second National Award for Excellence in Cost Management 2010 respectively under the category of Public Sector Manufacturing Unit.
- ▶ Certificate of Recognition for Excellence in Corporate Governance in the 10th ICSI National Award for Excellence in Corporate Governance 2010 as one of the Top Companies adopting Excellent Practices in Corporate Governance.
- ▶ Asia's Best Employer by World HRD Congress in the category of "Best HR Strategy in line with Business".

HSE AWARDS

- ▶ International Safety Award from British Safety Council (UK) for KG Basin & NCR.
- ▶ HVJ pipeline bagged consecutively 14th time Oil Industry Safety award with 1st rank for best over all safety performance under "Cross Country Pipelines Category" (Natural Gas/LPG).
- ▶ Gas processing Complex Vijaipur bagged for 7th time Oil Industry Safety Award with 2nd rank for best overall safety performance under other processing plants category.
- ▶ GAIL, Pata Bagged National Safety Award 2008 of Ministry of Labour & Employment, Government of India as 1st Winner (Category: Manufacture of Chemical & Fertilizers).
- ▶ GAIL Lakwa wins 1st Rank in over all Safety performance in the "Other Processing Plants Category" from OISD for 2009-10.
- ▶ Safety Innovation award for Agra, Khera, Lakwa & Nasirabad from Institute of Engineers Delhi State Center.
- ▶ GPU Vijaipur has won Sarvashresta award from National safety Council M. P Chapter.
- ▶ GAIL Pata, Vijaipur, Vaghodia, Jhabua, Hazira, NCR, & Mumbai bagged "Greentech Environment Excellence (Gold) Award – 2010" from Greentech Foundation, New Delhi.

OTHERS

- ▶ Your Company was adjudged as Asia's Best Employer by World HRD Congress in the category of "Best HR Strategy in line with Business".
- ▶ GAIL won most coveted award OC customer responsiveness presented by Economic Times & Avaya Global Connect.

RIGHT TO INFORMATION

In order to promote transparency and accountability, an appropriate mechanism has been set up across the Company in line with the Right to Information Act, 2005. Your Company has nominated APIOs/ PIOs/ CPIO at its units/ offices across the country to provide information to citizens under the provisions of RTI Act.

MANAGEMENT DISCUSSION AND ANALYSIS

The detailed Management Discussion and Analysis form part of this report at **Annexure-A**.

CORPORATE GOVERNANCE

Your Company believes Corporate Governance is at the root of shareholder's value creation. Pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, a report on Corporate Governance forms part of this Report at **Annexure-B**.

The statutory auditors of the Company have examined and certified your Company's compliance with respect to conditions enumerated in clause 49 of the Listing Agreement and DPE guidelines on Corporate Governance. The certificate forms part of this Report at **Annexure-C**.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION

Details of conservation of energy, technology absorption in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed at **Annexure-D**.

PARTICULARS OF EMPLOYEES UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956

The particulars of employees u/s 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is annexed to this report at **Annexure E**.



FIXED DEPOSITS

Your Company has not accepted any Fixed Deposits and, as such, no amount of principal or interest was outstanding as of the balance sheet date.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, foreign exchange earnings were ₹ 4.72 crores. Expenditure in foreign currency was ₹ 2,382.58 crores.

During the year under review, your Company has incurred expenditure of ₹ 2.79 crores on foreign tours, foreign training, seminars & conferences, ₹ 0.15 crores on entertainment and ₹ 20.92 crores on advertising & publicity.

DIRECTORS

Shri S. Venkatraman was appointed as Director (Business Development) w.e.f. 25.09.2010, Shri P.K. Jain was appointed as Director (Finance) in place of Shri R.K. Goel w.e.f. 01.03.2011 and Shri Arun Agarwal was appointed as non-official part-time (Independent) Director w.e.f. 24.02.2011. Dr. U.K. Sen, non-official part-time (Independent) Director ceased to be Director w.e.f. 28.04.2011.

The Board placed on record its deep appreciation for the valuable services rendered by Shri R.K. Goel and Dr U.K. Sen during their association with your Company.

CODE OF CONDUCT

In line with the requirements of clause 49 of Listing Agreement, the Board Members and Senior Management Personnel, have affirmed compliance with the Code of Conduct for the financial year ending 31st March, 2011.

DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 in relation to Directors' Responsibility Statement, it is confirmed that:

- i) in the preparation of the annual accounts for the financial year ended 31st March, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- iii) 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) the Directors have prepared the annual accounts for the financial year ended 31st March, 2011 on a going concern basis.

AUDITORS

STATUTORY AUDITORS

The Statutory Auditor of your Company is appointed by Comptroller & Auditor General of India (CAG). M/s Rasool Singhal & Co., Chartered Accountants, Aligarh and M/s M.L. Puri, Chartered Accountants, New Delhi were appointed as Joint Statutory Auditors of your Company for the year 2010-11.

The review of Annual Accounts of your Company for the year ended 31st March, 2011 by CAG forms part of this report as an addendum. Notes on accounts referred in the Auditors' Report are self explanatory and therefore, do not call for any further comments.

COST AUDITORS

Pursuant to the directions of the Central Government for audit of cost accounts, your Company has appointed M/s Rohit J Vora, Vadodara for Vijapur-LPG, M/s R. Nanabhoy

& Co., Mumbai for Pata-LPG, M/s M Goyal & Co., Jaipur for Gandhar-LPG, M/s Chandra Wadhwa & Co., New Delhi for Vaghodia-LPG, M/s Dhanajay V. Joshi & Associates, Pune for Usar-LPG, M/s DGM & Associates, Guwahati for Lakwa-LPG and M/s Mani & Co., Kolkata for Baroda-CNG station as Cost Auditor(s) for the financial years 2010-11 to 2013-14. Further, M/s K.L. Jaisingh & Co., Cost Accountants, Noida was appointed as cost auditor for GAILTEL Business for the financial years 2011-12 to 2013-14.

ACKNOWLEDGMENT

Your Directors express their gratitude for the valuable guidance and support provided by Government of India in particular the Ministry of Petroleum and Natural Gas and various State Governments, regulatory and statutory authorities from time to time

Your Directors acknowledge the constructive suggestions received from Statutory Auditors and Comptroller & Auditor General of India and are grateful for their consistent support and cooperation.

Your Directors also wish to thank all the stakeholders of GAIL for reposing their faith, trust and confidence in your Company.

Your Directors would, at the end, like to place on record their deep and sincere appreciation for the hard work, dedication and unstinting efforts of your Company's employees to ensure that your Company reaches the pinnacle of success.

For and on behalf of the Board

B.C. Tripathi
Chairman & Managing Director

Place: New Delhi
Dated: July 18, 2011