

SUBSIDIARY COMPANIES

GAIL GLOBAL
(SINGAPORE) PTE. LTD



BRAHMPUTRA CRACKER AND
POLYMER LIMITED



GAIL GAS LIMITED

GAIL GLOBAL (USA) INC.



GAIL GLOBAL (SINGAPORE) PTE. LTD



DIRECTORS' REPORT

The Directors present their report to the shareholder together with the audited financial statements for the financial year ended 31 March 2012.

Directors

The directors in office at the date of this report are as follows:

Kirpa Ram Vij
Premesh Kumar Jain
Prabhat Singh (appointed on 25 October 2011)
Venkatraman Srinivasan (appointed on 30 December 2011)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statement and in this report, and except that certain director receive service fee as a result of his employment with immediate and ultimate holding corporation.

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

In the opinion of the directors,

- the financial statements as set out on pages 6 to 20 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2012 and of the results of the business, changes in equity and cash flows of the Company for the financial year then ended; and
- at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Premesh Kumar Jain

Director

Prabhat Singh

Director

Place : Singapore

Dated : May 9th, 2012

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF GAIL GLOBAL (SINGAPORE) PTE. LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of Gail Global (Singapore) Pte. Ltd., set out on pages 6 to 20, which comprise the balance sheet as at 31 March 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 March 2012, and the results, changes in equity and cash flows of the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Nexia TS Public Accounting Corporation
Public Accountants and Certified Public Accountants

Place : Singapore
Dated : May 9th, 2012

Balance Sheet as at 31st March 2012

Note	2012 USD	2012 In Cr	2011 USD	2011 In Cr
ASSETS				
Current assets				
Cash at bank	7,24,843	3.68	1,20,837	0.53
Other receivables	22,90,763	11.62	25,11,000	11.11
Deposits	10,830	0.05	0	0.00
	30,26,436	15.35	26,31,837	11.64
Non-current assets				
Financial assets, available-for-sale	1,39,82,319	70.90	1,41,78,800	62.71
Property, plant and equipment	261	0.00	0	0.00
	1,39,82,580	70.90	1,41,78,800	62.71
Total assets	1,70,09,016	86.25	1,68,10,637	74.35
LIABILITIES				
Current liabilities				
Other payables	1,19,412	0.62	1,99,880	0.90
Borrowings	0	0.00	1,28,60,432	58.17
	1,19,412	0.62	1,30,60,312	59.07
Non-current liabilities				
Borrowings	1,13,02,685	58.36	0	0.00
Total liabilities	1,14,22,097	58.97	1,30,60,312	59.07
NET ASSETS	55,86,919	27.28	37,50,325	15.28
EQUITY				
Share capital	21,00,000	9.64	21,00,000	9.64
Other reserves	(50,83,647)	(22.69)	(48,87,166)	(24.84)
Retained earnings	85,70,566	40.33	65,37,491	30.48
Total equity	55,86,919	27.28	37,50,325	15.28

The accompanying notes form an integrated part of these statements

Statement of the comprehensive income for the year ended 31st March 2012

Dividend income		22,90,763	11.09	25,11,000	11.41
Other losses – net	10	(7,348)	(0.04)	(1,11,741)	(0.51)
Expenses	11				
- Professional fees		(13,116)	(0.06)	(11,054)	(0.05)
- Safe custody charges		(14,081)	(0.07)	(14,716)	(0.07)
- Bank charges		(3,035)	(0.01)	(2,988)	(0.02)
- Finance expense		(1,79,657)	(0.87)	(1,92,657)	(0.88)
- Rental on operating lease		(28,812)	(0.14)	0	0.00
- Other		(11,639)	(0.06)	(2,958)	(0.01)
Total expenses		(2,50,340)	(1.21)	(2,24,373)	(1.03)
Profit before income tax		20,33,075	9.85	21,74,886	9.87
Income tax expense	12	-	0.00	-	0
Total profit		20,33,075	9.85	21,74,886	9.87
Other comprehensive income					
- Currency translation differences		(1,96,481)	2.15	(13,19,470)	(7.81)
Total comprehensive income		18,36,594	12.00	8,55,416	2.06

The accompanying notes form an integrated part of these statements

Statement of Changes in Equity for the financial year ended 31st March 2012

	Share capital		Other reserves		Retained earnings		Total equity	
	USD	₹ In Cr	USD	₹ In Cr	USD	₹ In Cr	USD	₹ In Cr
2012								
Beginning of financial year	21,00,000	9.64	(48,87,166)	(24.84)	65,37,491	30.48	37,50,325	15.28
Total comprehensive income	0	0	(1,96,481)	2.15	20,33,075	9.85	18,36,594	12.00
End of financial year	21,00,000	9.64	(50,83,647)	(22.69)	85,70,566	40.33	55,86,919	27.28
2011								
Beginning of financial year	21,00,000	9.64	(35,67,696)	(17.03)	43,62,605	20.61	28,94,909	13.22
Total comprehensive income	-	0	(13,19,470)	(7.81)	21,74,886	9.87	8,55,416	2.06
End of financial year	21,00,000	9.64	(48,87,166)	(24.84)	65,37,491	30.48	37,50,325	15.28

The accompanying notes form an integrated part of these statements

Statement of Cash Flows for the financial year ended 31st March 2012

Note	2012 USD	2012 In Cr	2011 USD	2011 In Cr
Cash flows from operating activities				
Net profit	20,33,075	9.85	21,74,886	9.87
Adjustments for:				
- Depreciation	5	15	-	0
- Interest expense	11	1,79,657	1,92,657	0.88
	22,12,747	10.72	23,67,543	10.75
Change in working capital				
- Other receivables		2,20,237	(25,11,000)	(11.11)
- Other payables		8,974	(256)	0.00
- Other current assets		(10,830)	356	0.00
Net cash provided by/(used in) operating activities	24,31,128	11.82	(1,43,357)	(0.35)
Cash flows from investing activities				
Purchase of property, plant and equipment		(276)	-	0
Net cash used in investing activities	(276)	(0.00)	-	0
Cash flows from financing activities				
Repayments of borrowings		(15,57,747)	(17,95,349)	(8.12)
Interest paid		(2,69,099)	(3,23,684)	(1.46)
Net cash used in financing activities	(18,26,846)	(9.43)	(21,19,033)	(9.58)
Net increase/(decrease) in cash at bank		6,04,006	(22,62,390)	(10.35)
Cash at bank at beginning of financial year		1,20,837	23,83,227	10.88
Cash at bank at end of financial year	7,24,843	3.68	1,20,837	0.53

The accompanying notes form an integrated part of these statements

Notes to the Financial Statements for the financial year ended 31st March 2012

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

The financial statements of the Company for the financial year ended 31 March 2012 were authorised for issue in accordance with resolution of the Directors on May 9th 2012.

1 General information

The Company is incorporated and domiciled in Singapore. The address of its registered office is 100 Beach Road, #30-00, Shaw Towers, Singapore 189702.

The principal activity of the Company is the business of investment holding company and trading of liquefied natural gas.

The immediate and ultimate holding corporation is GAIL (India) Limited, a company incorporated in New Delhi, India and listed on National Stock Exchange of India Limited.

2 Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below. The preparation of these financial statements

in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions.

Interpretations and amendments to published standards effective in 2011

On 1 April 2011, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

(b) Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying

amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

Useful lives

Office equipment 3 years
The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Impairment of non-financial assets

Property, plant and equipment are reviewed for impairment whenever there is any indication that these assets may be impaired. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

(d) Loans and receivables

Cash at bank

Other receivables

Cash at bank and other receivables are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amounts of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

(e) Financial assets, available-for-sale

Financial assets, available-for-sale are initially recognised at their fair values plus transaction costs and are subsequently carried at their fair values. Changes in fair values are recognised in other comprehensive income and accumulated under the fair value reserve within equity.

These financial assets are recognised on the date which the Company commits to purchase the asset. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired. Significant or prolonged decline in the fair value of an equity security below its cost is objective evidence that the security is

impaired.

If there is evidence of impairment, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. Impairment losses on available-for-sale equity securities are not reversed through profit or loss.

On disposal, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

(f) Other payables

Other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Other payables are initially measured at fair value, and subsequently measured at amortised cost using the effective interest method.

(g) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(h) Income taxes

Current income tax is recognised at the amount expected to be paid or recovered from the tax authorities.

Deferred income tax is recognised for all temporary differences except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

Current and deferred income tax is measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date, and are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity

(i) Revenue recognition

Sales comprise the fair value of the consideration received or receivable in the ordinary course of the Company's activities. The Company recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Company's activities are met as follows:

(i) Dividend income

Dividend income is recognised when dividend has been declared and right to

receive dividend has been established.

(ii) Interest income

Interest income is recognised using the effective interest method.

(j) Currency translation

The financial statements are presented in United States dollar, which is the functional currency of the Company.

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on these items are included in the fair value reserve.

(k) Cash at bank

Cash at bank includes deposit with financial institutions which are subject to an insignificant risk of change in value.

(l) Borrowings

Borrowings are presented as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(m) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

(n) Leases

When a Company is the Lessee:

The Company leases office space under operating leases from non-related parties. Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred

3 Other receivables

Other receivables represent dividends receivable from investment made in National Gas Egypt.

4 Financial assets, available-for-sale

	2012 USD	2012 In Cr	2011 USD	2011 In Cr
Beginning of financial year	1,41,78,800	62.71	1,54,98,270	70.78
Currency translation loss (Note 9b(ii))	(1,96,481)	2.15	(13,19,470)	(7.81)
End of financial year	1,39,82,319	64.86	1,41,78,800	62.71

Financial assets, available-for-sale are analysed as follows:

	2012 USD	2012 In Cr	2011 USD	2011 In Cr
Non-listed securities				
- Equity securities, Egypt	1,39,82,319	70.90	1,41,78,800	62.71

Financial assets, available for sale with carrying amount of USD13,982,319 (2011: USD14,178,800) is mortgaged to loan from the holding corporation.

5 Property, plant and equipment

2012	USD	Office Equipment In Cr
Cost		
Beginning of financial year	-	0
Additions	276	0.00
End of financial year	276	0.00
Accumulated depreciation		
Beginning of financial year	-	
Depreciation charge	15	0.00
End of financial year	15	0.00
Net book value End of financial year	261	0.00

6 Other payables

	2012 USD	2012 In Cr	2011 USD	2011 In Cr
Amount due to holding corporation	83,935	0.43	1,73,377	0.78
Accrued operating expenses	35,477	0.18	26,503	0.12
	1,19,412	0.62	1,99,880	0.90

The non-trade amount due to holding corporation pertains to accrued interest for loan from holding corporation.

7 Borrowings

	2012 USD	2012 In Cr	2011 USD	2011 In Cr
Loan from holding corporation – current	-		1,28,60,432	58.17
Loan from holding corporation – non-current	1,13,02,685	58.36	-	
	1,13,02,685	58.36	1,28,60,432	58.17

The borrowings from holding corporation bear interest of 1.5% per annum (2011: 1.4%).

(a) Security granted

The loan is secured by the financial assets, available-for-sale of the 15% paid up capital in National Gas Company S.A.E Egypt (NATGAS) with carrying values of USD13,982,319(2011:USD14,178,800) as at 31 March 2012 (Note4) and bears interest at the rate of 6-months LIBOR as per Telerate page plus one hundred basis point (bps) on the principal amount.

(b) Fair value of non-current borrowings

At the balance sheet date, the fair value of non-current borrowings is USD10,824,601 (2011: Nil) and is computed based on cash flow discounted at the rate of 6-months LIBOR as per Telerate page plus one hundred basis point (bps) at 1.73% (2011: Nil).

8 Share capital

The Company's share capital comprises fully-paid 2,100,000 (2011: 2,100,000) ordinary shares with no par value, amounting to a total of USD2,100,000 (2011: USD2,100,000).

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

9 Other reserves

	2012 USD	2012 In Cr	2011 USD	2011 In Cr
(a) Composition				
Fair value reserve	(50,83,647)	(22.69)	(54,39,834)	(23.53)
Currency translation reserve	-	0	5,52,668	(1.31)
	(50,83,647)	(22.69)	(48,87,166)	(24.84)
(b) Movement				
(i) Fair value reserves				
Beginning of financial year	(54,39,834)	(23.53)	(54,39,834)	(23.53)
Financial assets, available for sale	(1,96,481)	2.15	-	
- Currency translation loss				
Reclassification from currency translation reserves	5,52,668	1.31	-	
End of financial year	(50,83,647)	(22.69)	(54,39,834)	(23.53)
(ii) Currency translation reserves				
Beginning of financial year	5,52,668	1.31	18,72,138	6.5
Reclassification to fair value reserves	(5,52,668)	(1.31)	-	
Financial assets, available for sale	-	0	(13,19,470)	(7.81)
- Currency translation loss				
End of financial year	-	0	5,52,668	(1.31)

Other reserves are non-distributable

10 Other losses – net

	2012 USD	2012 In Cr	2011 USD	2011 In Cr
Interest income	110	0.00	-	
Foreign exchange loss - net	(7,458)	(0.04)	(1,11,741)	(0.51)
	(7,348)	(0.04)	(1,11,741)	(0.51)

11 Finance expense

	2012 USD	2012 In Cr	2011 USD	2011 In Cr
Interest expense – loan from ultimate holding corporation	1,79,657	0.87	1,92,657	0.88

12 Income tax expense

No income tax expense was provided as there is no taxable income during the financial year.

The tax expense on profit differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	2012 USD	2012 In Cr	2011 USD	2011 In Cr
Profit before income tax	20,33,075	9.85	21,74,886	9.87
Tax calculated at a tax rate of 17% (2011: 17%)	3,45,623	1.67	3,69,731	1.68
Effects of:				
- Income not subject to income tax	(3,45,623)	(1.67)	(3,69,731)	(1.68)
Tax charge	-	-	-	-

13 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties:

There is no key management compensation paid up during the financial year.

	2012 USD	2012 In Cr	2011 USD	2011 In Cr
Interest expense for loan from holding corporation	1,79,657	0.87	1,92,657	0.88

14 Financial risk management

The Company's activities expose it to market risk (including currency risk and interest rate risk) and liquidity risk.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Company. The management team then establishes detailed policies such as risk identification and measurement, exposure limits and hedging strategies. Financial risk management is carried out by treasury personnel.

The finance personnel measure actual exposures against the limits set and prepare regular reports for the review of the management team and the Board of Directors. The information presented below is based on information received by key management.

(a) Market risk

(i) Currency risk

The Company's business is exposed to the Egyptian Pound ("EGP") as dividends receivable are denominated in EGP.

The Company's currency exposure to EGP is as follows:

	2012 USD	2012 In Cr	2011 USD	2011 In Cr
Other receivables representing currency exposure	22,90,763	11.62	25,11,000	11.11

If the EGP changes against the USD by 3% (2011: 3%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position to the net profit and equity of the Company will be as follows:

	2012 USD	2012 In Cr	2011 USD	2011 In Cr
EGP against USD				
- Strengthened	68,723	0.35	75,330	0.33
- Weakened	(68,723)	(0.35)	(75,330)	(0.33)

(i) Interest rate risk

The Company is exposed to interest rate risk on its borrowings.

If the interest rates increase/decrease by 1% (2011: 1%) with all other variables including tax rate being held constant, the impact to the net profit as a result of higher/lower interest expense on these borrowings is deemed not to be significant.

(b) Liquidity risk

The Company manages its liquidity risk by maintaining sufficient cash and bank balances to enable them to meet its normal operational requirements and having an adequate amount of committed credit facilities.

The table below analyses the maturity profile of the financial liabilities of the Company based on contractual undiscounted cash flows.

	Less than 1 year		Between 1 and 2 years	
	\$	In Cr.	\$	In Cr.
2012				
Other payables	1,19,412	0.62	-	0
Borrowings	-	-	1,13,02,685	58.36
	1,19,412	0.62	1,13,02,685	58.36
2011				
Other payables	1,99,880	0.90	-	-
Borrowings	1,28,60,432	58.17	-	-
	1,30,60,312	59.07	-	-

(c) Capital risk

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, or obtain new borrowings.

Management monitors capital based on a gearing ratio. The Company's strategy is to maintain gearing ratios below 100%. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	2012 USD	2012 In Cr	2011 USD	2011 In Cr
Net debt	1,06,97,254	55.30	1,29,39,475	57.23
Total equity	55,86,919	27.28	37,50,325	15.28
Total capital	1,62,84,173	82.58	1,66,89,800	72.51
Gearing ratio	66%		78%	

The Company is not subject to any externally imposed capital requirements for financial years ended 31 March 2012 and 2011.

(d) Fair value measurements

The following table presents the assets measured at fair value and classified by level of fair value measurement hierarchy as follows:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (ie derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As at 31 March 2012	Level 2 USD	Level 2 in Cr.
Financial assets, available-for-sale	1,39,82,319	70.90

As at 31 March 2011	Level 3 USD	Level 3 in Cr.
Financial assets, available-for-sale	1,41,78,800	62.71

The fair value of financial instrument that are not traded in an active market is determined by using value-in-use method. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. This instrument is included in Level 2.

The carrying values less impairment provision of cash at bank and other payables approximate to their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments. The fair value of current borrowings approximates their carrying amount.

15 New or revised accounting standards and interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2012 or later periods and which the Company has not early adopted. The Company has assessed that the adoption of these new accounting standards, amendments and interpretations to existing standards will not have a material impact on the financial statements.



**BRAHMAPUTRA CRACKER AND
POLYMER LIMITED**

DIRECTORS' REPORT

Dear Shareholders,

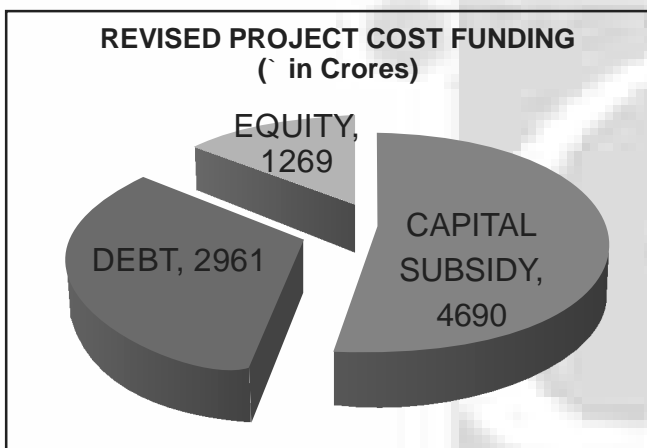
Your Directors take pleasure in presenting the fifth Annual Report of the Company along with the Audited Statement of Accounts for the year ended 31st March, 2012.

Project Progress

Well into its 5th year of project execution, your company has achieved an overall physical progress of 67.6 % against the cumulative target schedule of 69.1 % during the year under review.

Revised Project Cost and Schedule

The Cabinet Committee on Economic Affairs (CCEA) approved a revised project cost of ₹ 8920 Cr on 16th November, 2011 against the original cost of ₹ 5460.61 crores. The CCEA also approved a revised schedule as per which mechanical completion is anticipated by July 2013 as against the original schedule of January, 2012 and the project is expected to go into commercial production by December, 2013.



Highlights

- All the long lead/critical items have been awarded.
- Out of a total of 114 work contracts 102 have been awarded and the remaining shall be awarded progressively as per project completion schedule.
- 98 % of material & equipment ordering including critical and long lead orders have been completed and the balance shall be completed as per project completion schedule.
- Out of a total of 1039 equipment 375 have been erected at site.
- Civil works at all major process units are nearing completion and mechanical, electrical and instrumentation works are gaining momentum.
- On an average about 7000-8000 labourers are available at site every day against the requirement of 9000 -10000. More than 93 % of the labourers are from Assam.

Financial Progress

With the Project gaining impetus, firm financial commitments have increased to over ₹ 7790.98 crores and financial progress of 50.57% was achieved till the end of the financial year under review.

The total expenditure incurred during the year was ₹ 2334.62 crores out of a cumulative expenditure of ₹ 4,510.51 crores. During the year under review the authorized share capital of your Company has been increased from ₹ 1200 crores to ₹ 2,000 crores and the paid up capital has gone up from ₹ 324.66 Crores to ₹ 861.55 crores. Capital subsidy amounting to ₹ 882.56 crores has been received from the Department of Chemicals and Fertilizers, Government of India including interest income (net of taxes) from parking of surplus capital subsidy of ₹ 7.12 crores, which has been added to capital subsidy for the period 2011-12. A total amount of ₹ 2,145.12 crores has been received as capital subsidy from the Government of India, till the end of the year under review. Out of this, the unutilized capital subsidy is ₹ 1,93,291. Secured loans of ₹ 644 crores were also drawn during the year from OIBD and the consortium of lenders and the total secured loans as on 31.03.2012 was ₹ 977 crores.

Business Plan 2011-12

The Business Plan for the year was 2736.46 crores (revised), against which the actual expenditure was ₹ 2334.62 crores. The major expenditure heads of the capex include Plant & Machinery (₹ 1622.92 crores), Engineering Cost (₹ 102.2 crores), site related facilities (₹ 530.98 crores), infrastructure cost to OIL & ONGC (₹ 22.11 crores).

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo.

Being in the project execution stage, there are as yet no cases for disclosure with regard to conservation of energy and technology absorption and foreign exchange earnings as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988. However, the total foreign exchange expenditure on account of import of technical knowhow, indigenous contracts and supplies to the tune of ₹ 460.83 crores has been incurred during the year under review.

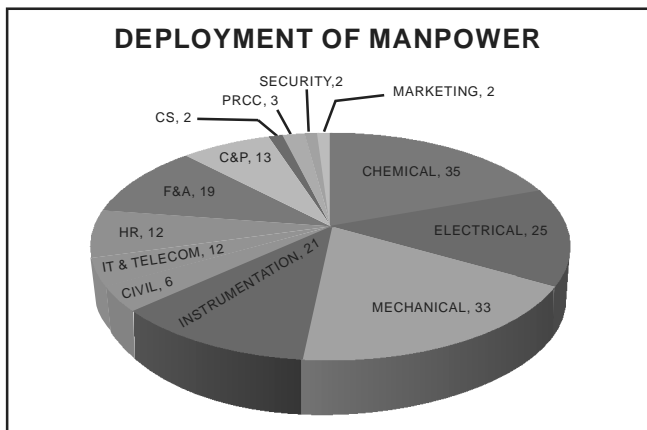
Particulars of Employees

None of the employees are drawing the remuneration specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 for the year ended 31st March, 2012.

Human Resource

Your company considers its human resource as the fundamental strength on which all strategies are based and utilizes them as a means for ensuring sustained growth. The main focus of the HR Department is to attract, retain and develop employees from diverse backgrounds, talents and experience and to ensure that the best possible skill and talent is available to formulate, implement and evaluate the strategies for achieving organizational objectives. The employees are exhibiting exemplary team spirit for faster execution of the project.

The manpower strength of your company as on 31st March, 2012 was 147 out



of which 70% are from The North East Region. In addition 34 executives are on secondment/deputation from the promoter companies and 1 from the Government of Assam. The process of recruiting the additional human capital required for construction, commissioning and operations & maintenance phases have been initiated. Adequate representation is being given to female employees and minorities who account for more than 20% and 7% respectively of the total employee strength. Priority is also being given to engage local labour for skilled/semi-skilled/unskilled works through contractors working at site.

Industrial Relations

At present approximately 7000-8000 contract labourers are engaged at the project site at Lepetkata. Though there were some labour issues in the recent past, this was effectively handled with the joint effort of the district administration and the management. At present the situation is absolutely normal and industrial tranquility is being well maintained at site.

A Grievance Redressal Committee consisting of senior officers including the Advisor-Coordination and Officer On Special Duties has been constituted to handle day to day labour grievances in coordination with the contractors' representative and the contractors' workers for prompt disposal and for maintenance of a harmonious work environment.

Changes in the Board of Directors

During the year under review, the following changes occurred in the Board of Directors:-

- (i) Shri Dipak Chakravarty, Managing Director, Numaligarh Refinery Ltd. (NRL) nominated by NRL as a Director of the company was appointed w.e.f. 01.04.2011 in place of Dr. B.K Das.
- (ii) Shri Jatinderbir Singh, Principal Secretary to the Government of Assam, Industries & Commerce Department, nominated by GoA as a Director of the company was appointed w.e.f. 02.07.2011 in place of Shri Ravi Kapoor. Subsequently, Shri R T Jindal, Principal Secretary to the Government of Assam, Industries & Commerce Department was nominated as a Director of the company in place of Shri Jatinderbir Singh and he was appointed as an Additional Director w.e.f. 22.05.2012.
- (iii) Shri Prafulla Chandra Sharma was appointed as an Independent Director w.e.f. 16.12.2011.

(iv) Shri Prabhu Nath Prasad was appointed as a Director of the company w.e.f. 07.01.2012 and assumed charge as Managing Director w.e.f. 11.01.2012.

(v) Dr Neeraj Mittal, Joint Secretary, Ministry of Petroleum & Natural Gas nominated by MoP&NG as a Director of the company was appointed w.e.f. 06.03.2012 in place of Shri Manu Srivastava.

Corporate Social Responsibility

Your company came up as a part of the historical Assam Accord signed in 1985 with the objective of overall socio-economic development of the region especially to create employment opportunities through downstream industries. Despite being only in the construction phase, your company has been conscious of its social obligations and decided to implement CSR activities with an endeavour to develop the surrounding areas and also to create awareness about the objective of setting up the Assam Gas Cracker Project.

The CSR policy of your company was formulated and implemented, effective from the financial year 2010-11 considering the sentiments and expectations of the local populace attached to this project. The CSR initiatives are identified and taken up in consultation with Dibrugarh District Administration. An internal committee reviews and recommends the proposals for implementation.

During the year under review the following CSR initiatives have been taken:

1. Construction of Part I of 2.30 km road for Kakoti Gaon which is a Project Affected Village. The executing agency is PWD Rural Road Division, Dibrugarh, Government of Assam. The remaining part of the road will be constructed by the Company in 2012-13.
2. Construction of a Crematorium for Kakoti Gaon, for which the executing agency is Barbaruah Block Development, Dibrugarh, Government of Assam.
3. Construction of 5 seated Sulabh Toilet Complex at the office of the Deputy Commissioner, Dibrugarh.

An MoU shall be signed between the Company and the Dibrugarh District Administration for implementation of the CSR programmes during the financial year 2012-13.

Right to Information Act, 2005

The Company adheres to Government instructions issued in pursuance of Right to Information Act, 2005, and has designated a Public Information Officer and Appellate Authority under the Act. During the year, 14 queries, mostly related to recruitment and CSR activities were received and replies were given within the stipulated time.

Statutory Auditors' Report

M/s Das & Sharma, Chartered Accountants, Guwahati were appointed by the Comptroller and Auditor General of India as Statutory Auditors of your Company for the year under review and their report is annexed hereto.

Comments of Comptroller & Auditor General (C&AG) of India

The Comptroller & Auditor General of India has undertaken supplementary audit on the accounts of the Company for the year ended 31st

March, 2012 under Section 619(4) of the Companies Act, 1956. The comments of the C& AG on the Annual Accounts of the Company for the year under review are also annexed hereto.

Management Discussion Analysis

A Management Discussion Analysis Report as stipulated in the DPE Guidelines on Corporate Governance for CPSEs forms part of the Annual Report.

Corporate Governance

A separate section on Corporate Governance forming part of the Directors' Report and a certificate from a Practicing Company Secretary confirming compliance of Corporate Governance norms as stipulated in the DPE Guidelines on Corporate Governance for CPSEs is included in the Annual Report.

Responsibility Statement of the Board of Directors

As required by Section 217(2AA) of the Companies Act, 1956 your Directors affirm that to the best of their knowledge and explanation:

- (i) In preparing the annual accounts, the applicable accounting standards have been followed and there is no material departure from the Accounting Standards.
- (ii) The Accounting Policies adopted have been consistently applied and, wherever necessary, 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.

(iii) Proper and sufficient care has been taken 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; and

(iv) The annual accounts have been prepared on a 'going concern' basis.

Acknowledgement

Your Directors express their sincere appreciation of the guidance and support from the Ministry of Chemicals and Fertilizers, the Ministry of Petroleum and Natural Gas and the Ministry of Environment and Forests. Your Directors also acknowledge the support and continued patronage received from the promoters, GAIL, OIL, NRL and Government of Assam and likewise from the lenders, Oil Industry Development Board, Punjab National Bank, Allahabad Bank, Andhra Bank, Bank of Baroda, Bank of India, Corporation Bank, State Bank of Travancore and Jammu & Kashmir Bank. Your Directors are thankful to the entire team of EL, the bankers, consultants, suppliers and the various intermediaries for their continued cooperation in expediting the project development process. Your Directors acknowledge the valuable advice and co-operation received from the Statutory Auditors and the officials of the Comptroller & Auditor General of India during the audit of accounts for the year under review.

Last but not the least, your Directors wish to acknowledge the dedication and responsibility exhibited by the employees despite all odds, in their efforts to complete the project and build an effective and fully functional organization.

Dated : 21st June, 2012
Place - New Delhi

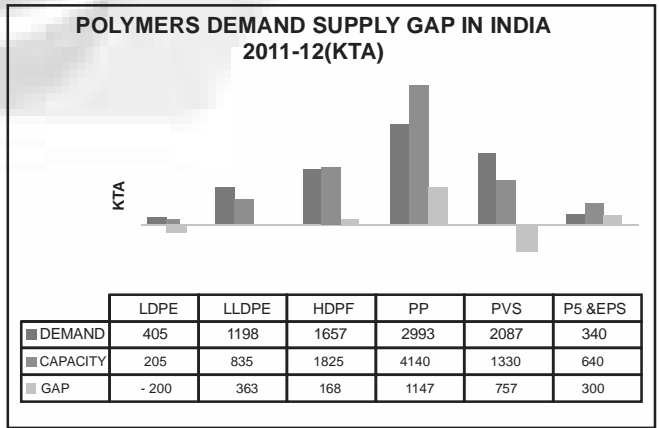
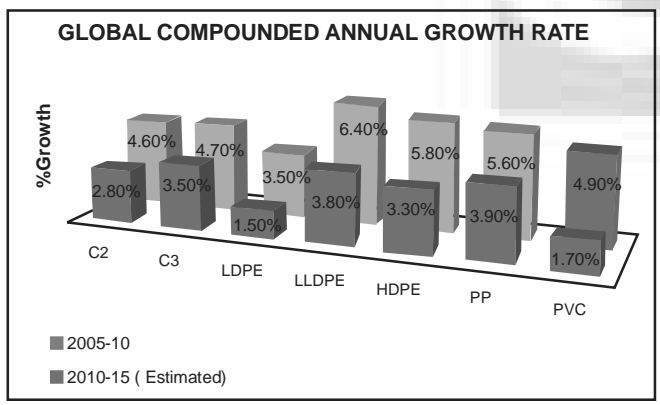
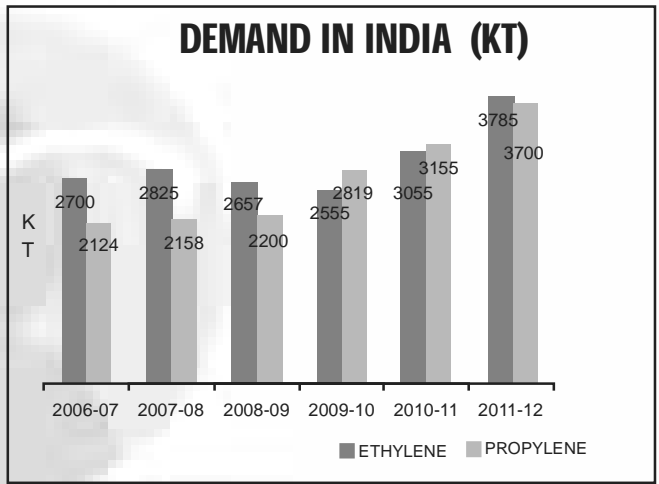
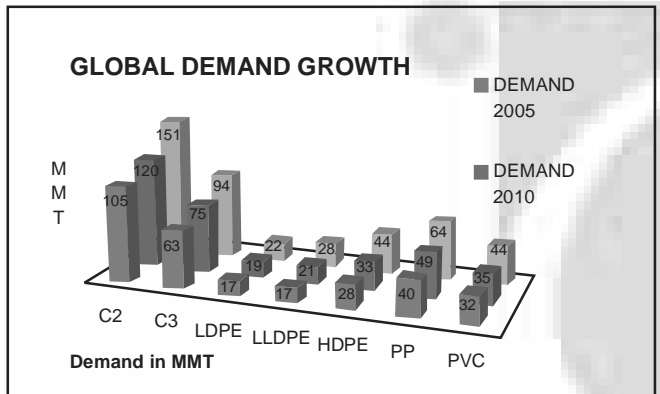
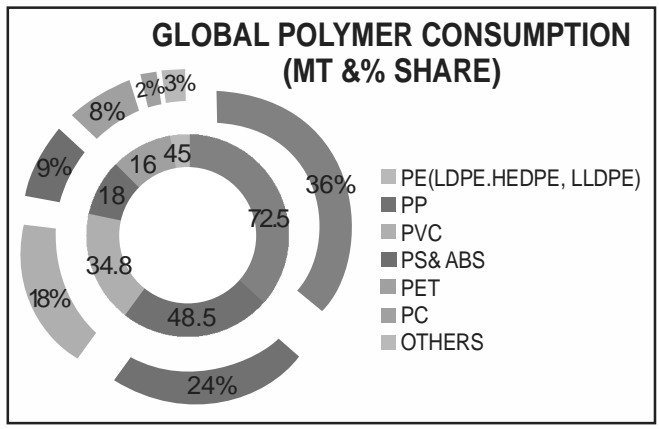
Sd/-
(B.C.Tripathi)
CHAIRMAN

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS:

Broadly categorized into building blocks, plastics, synthetic rubbers, synthetic fibers, fiber intermediates and basic chemicals, Petrochemicals play a vital role in the economic growth with the global petrochemical industry currently growing at 1.2 to 1.3 times the global GDP growth. This growth is primarily being driven by the emerging economies currently.

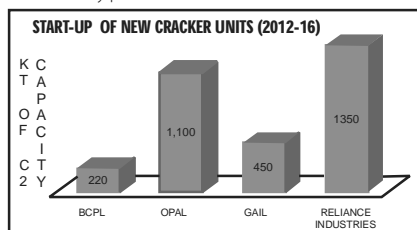
Ethylene and Propylene are the two major building blocks or monomers. While Ethylene is derived from Naphtha or Gas Crackers, Propylene is derived as a co-product from Naphtha Cracker and from Refinery FCC streams. A wide range of plastic raw materials are produced from Petrochemicals to cater to the different sectors of the economy including packaging, agriculture, infrastructure, healthcare, textiles and consumer goods. Petrochemicals are rightly termed "the enablers" for growth of other sectors of the economy. The polymers Polypropylene (PP), Linear Low Density Polyethylene (LLDPE) and High Density Polyethylene (HDPE), the primary products of the company are essentially used in the manufacture of plastic products.



The major plastic materials like PE and PP are derived from the olefins, Ethylene and Propylene. Global demand of plastics has risen to nearly 199 million tonnes with commodity plastics like Polyethylene (PE), Polypropylene (PP), Polyvinyl Chloride (PVC) and Styrenics being the major contributors. Polyethylene is the largest volume plastic raw-material used by the industry while PP today is the second largest and fastest growing plastic.

With a humble beginning in the mid-sixties, the Petrochemical industry in India today has global sized plants catering not only to local demand but also to the international markets. Ethylene and Propylene capacities in India have reached significant levels. In the year 2011-12, Ethylene had a demand of 3785 KTA against the installed capacity of 3867 KTA, while Propylene had a demand of 3700 KTA against the installed capacity of 4117 KTA.

Echoing the global trend, in India too PE continues to be the largest commodity with LLDPE experiencing the fastest growth. PP has been the fastest growing polymer amongst commodity plastics.



Naphtha and natural gas fractions (C2/C3) are the two main sources of feedstock for the petrochemical industry. India has three naphtha-based and three gas-based cracker units with a combined capacity of 2.9 million MT per annum. Four new cracker units including the company's own are expected to start up by 2015.

So far India has worked towards self-sufficiency in petrochemicals, which has been achieved. Time has come to look at export of finished products and create export oriented petrochemical capacities. Though one of the fastest growing industries in the country, there is a waning of interest in this sector due to recent adverse investment climate including low import duties on petrochemical products, high energy cost coupled with high internal transaction costs and the establishment of large scale capacity in the Middle East backed by subsidized feedstock.

STRENGTHS AND WEAKNESSES

Adoption of the dual feed technology is a major plus in the project considering that Natural Gas fractions C2/C3 are not freely tradable. This technology provides an option for replacing Naphtha with Natural Gas as feedstock without resorting to changes. This reduces dependence on a single feedstock. Feedstock will not be a constraint and there is sufficient domestic demand.

Being an offspring of the Assam Accord, this prestigious project has strong support both from the Government of India as well as the Government of Assam, which has been instrumental in driving it forward to its present stage.

With considerable experience and expertise in the hydrocarbons sector, the promoters have been backing the project at every stage since inception. Manpower requirement has been supplemented by the promoters on

secondment/deputation basis, thus providing the requisite expertise in construction, commissioning, operation and maintenance of petrochemical and gas processing units. The wide and varied experience of EIL, the Project Management Consultants has been a major support in the erection and construction activities.

Another major strength is the marketing tie-up with GAIL, which has been in the field of petrochemicals for more than a decade. Further, there is adequate potential for development of downstream projects in the state of Assam and the state government is extending full support in this respect. A Plastic Park has been set up in Tinsukia by the Government of Assam, towards this end. Market prospects in neighbouring countries including Myanmar and Bangladesh are also bright.

One of the major weaknesses of the project, which is highly capital intensive, is its reliance on capital and feedstock subsidies. The possibility of cessation of government support in these respects in future would be a cause for concern. Moreover, India having a very high import duty of 5% on Naphtha has resulted in nil duty differential between feedstock and finished products (polymers) and this does not bode well for financial viability in the manufacture of polymer from Naphtha. In this respect, the upside, however, is the dual feed technology adopted by the company.

Logistical disadvantages due to its location coupled with inadequate infrastructure in the region are a serious setback both in terms of transporting equipment to the project site and in future, the despatch of materials from the plant. Prolonged and heavy rains and climatic conditions have caused major disruption in construction activities. Insufficient availability of quality power and the high cost of energy will remain areas of concern. The location of the project has also been a deterrent in attracting and retaining quality manpower. However, with the introduction of better facilities and benefits, the prospects are now much brighter.

OPPORTUNITIES AND THREATS

Plastics today find widespread use in all major sectors and its demand is perceived as an indicator of industrial growth and development. Over the last thirty years, global polymer demand, i.e. demand for commodity plastics has grown almost 5 fold from 36 MMT in 1980 to 169 MMT in 2010. Diverse factors including favourable

demographics, rising disposable income, development of rural marketing, growth of organized retailing, development in agriculture, automobile, telecommunication and health care signify immense promise for future growth in the sector. At present, the per capita consumption of plastics in India is about 7 kg as against the global average of 28 kg. This gap is an indication of the growth potential in the industry.

Availability of relatively cheaper labour as compared to developed markets of the world provides an opportunity to expand capacities. The northeastern region in particular has large availability of labour at relatively cheaper wages.

The northeastern region has one of the lowest per capita consumption of polymers and plastics in India. In the absence of any major competitor in the region, your company can take advantage of the growing demand. Downstream industries are expected to emerge.

Cost of feedstock constitutes the single largest component of the cost of production. High feedstock cost in India as compared to the middle-east where the cost is only a fraction of that in India, places our producers at a competitive disadvantage. Cost competitiveness has to be ensured to withstand the threat from cheaper imports under the open market regime. Dumping of cheaper products by low cost producers is a cause for concern in this sector.

Growing environmental concerns and the negative perception over the use and disposal of plastics is seen as a threat to the industry. However, developments in the field of biodegradable and photodegradable plastic, improvement in quality of products with reduced negative impact on environment negate this threat perception to a great extent.

Despite growing demand, the possibility of decline in rate of growth in domestic demand due to high inflationary pressures cannot be ruled out. Prices in the petrochemical industry are also highly volatile with the industry passing through 6 to 8 year cycles of peaks and lows.

SEGMENT WISE OR PRODUCT WISE PERFORMANCE

The company is still in the project execution stage.

OUTLOOK:

The last global economic meltdown had dampened the growth prospects of the industry. The process of economic recovery and improvement in market sentiment over the last

few years brought in its wake sporadic investments in the petrochemicals sector. The business environment and outlook in the petrochemicals sector have improved and some of the planned projects like the IOC petrochemicals complex, HPCL- Mittal Energy Limited, expansions by GAIL and HPL, have materialized. Though some greenfield investments including PCPIRs are being pursued, adequate government support would be called for without which the full growth potential in the sector cannot be realized.

Though the aggressive reduction in import tariff post liberalization adversely affected the polymer producers in the country, the latter have now adjusted to the low tariff regime and have become globally competitive. The domestic consumption in India has also witnessed a healthy growth due to the lower prices.

The demand for building blocks is based on projected downstream capacities for polymers, synthetic rubber etc. New capacities are being planned and requirement of building blocks are expected to grow from 6.4 MMT to 13.5 MMT over the next five years. Commodity polymers are enjoying a rate of growth above the GDP growth and the trend is expected to continue. All polymers are expected to grow at approximately 10% CARG during the 12th plan period and substantial increase in capacities of LDPE, LLDPE, HDPE are expected along with small increase in capacities of PP and PVC. However, growth in demand will outpace the growth in capacities.

So far as your Company is concerned, the plant is expected to be commissioned and go into commercial production in December, 2013.

RISKS AND CONCERNS:

A major concern has been delay in scheduled project implementation and resultant cost escalation. However, persistent efforts are on to complete the project as per revised schedule and no further delay is expected. Project progress has improved in the recent past and the overall physical progress was 67.6% as on 31st March, 2012.

Though feedstock availability concerns are mitigated due to firm arrangements ensured by

the Government of India for 15 years of plant operation, the long term availability, particularly of Natural Gas is to be ensured. Cost of feedstock is the biggest component in the cost of production of petrochemicals and future feedstock pricing is an area of concern as prices would be reviewed every five years from the date of production. There has already been a substantial increase in prices of feedstock since the time of approval of the project. Further, the possibility of cessation of government support in the form of subsidies in the future would remain a concern.

As the Company is in its construction phase it is not yet exposed to operational risks. However, efforts have already been initiated for risk management with a policy towards that end already in place to identify and mitigate construction phase, financial, operational and other risks. The Company's legal compliances are subject to review by the Board of Directors.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

Your Company exercises due care to ensure that there are sufficient internal controls for safeguarding its assets and protecting them against loss from unauthorized use or disposition. The Company is following the systems and policies of its holding company till its own policies are defined and in place. A risk management policy is already in place. Periodic internal audit is being conducted presently by the Internal Audit team of the holding company and remedial measures are adopted whenever called for. In all cases involving financial implication, various limits and authorities are specified.

The Company's progress and activities are being continuously monitored and reviewed by GAIL and also by the State and Central Government authorities at the highest level.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The Company is yet to begin commercial operations.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES, INDUSTRIAL RELATIONS FRONT INCLUDING NUMBER OF PEOPLE EMPLOYED

Your Company is committed to the recruitment and retention of quality human capital by adhering to an effective recruitment policy, training programmes aimed at performance improvement and development of core competencies along with steady introduction of attractive compensation and benefits, all the time maintaining a balance between individual and organizational needs. Recognizing the importance of its human resources as the greatest asset, due care is taken to keep them motivated to contribute their fullest for the development of the Company which is still in its nascent stage.

During the year under review, the Company has considerably increased in own human capital base with adequate care to ensure major representation of the locals. Most of the skilled / semi-skilled / unskilled workers engaged in the construction work are from the northeast. The present human strength of the company is 182, out of which 33 are on secondment from GAIL, 1 each on deputation from NRL & the Government of Assam and 147 are the company's regular employees.

ENVIRONMENTAL PROTECTION AND CONSERVATION, TECHNOLOGICAL CONSERVATION, RENEWABLE ENERGY DEVELOPMENTS, FOREIGN EXCHANGE CONSERVATION

The Company is keenly aware of the environmental concerns over a petrochemical plant and its responsibilities towards this end. Pollution control and other environment protection norms are being complied with. The project includes an effluent treatment plant for proper effluent discharge within the limit prescribed by the authorities. Once the project begins operations, the aspects of conservation of technology and foreign exchange and the development of renewable energy will gain significance.

CORPORATE SOCIAL RESPONSIBILITY:

Despite being in its construction phase, the company has initiated CSR activities to contribute to the society in the areas of health care, hygiene, education, infrastructure development & environment.

DATA SOURCE: Report of Sub-group on Chemicals & Petrochemicals, for the 12th Five year Plan, Government of India.

FORWARD LOOKING STATEMENT: This document includes statements that are, or may be deemed to be, "forward-looking statements" which by their nature involve risk and uncertainty as they relate to future events and circumstances, a number of which are beyond the Company's control. As a result, actual future results may differ materially from the plans, goals and expectations set out in these forward-looking statements, due to economic conditions, Government policies and other incidental factors such as litigation and industrial relation. Readers are advised not to place undue conviction on such statements.

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy

The Company strongly believes that the adoption of ethical and transparent corporate governance practices is an indispensable tool to garner stakeholders' confidence and to enable the company to effectively and successfully prosper in the long run.

The Board of Directors in the exercise of its fiduciary responsibilities is conscious of the need to act with integrity and accountability in order to earn and retain the confidence and trust of all the stakeholders. It shall be the unfailing endeavour of the management to instill a culture of ethical and honest conduct in this nascent organization from the very beginning.

Board of Directors

As on 31st March, 2012 the Board of Directors of your Company consists of thirteen Directors including an ex-officio Chairman nominated by GAIL, its major promoter, two Government Nominees (representing MoC&F and MoP&NG), and two Whole Time Directors i.e. Managing Director and Director (Finance). Shri P C Sharma has been appointed as an Independent Director by Government of India and appointment of another Independent Director is under consideration of the Department of Public Enterprises. The Nominee Directors are appointed in accordance with the Joint Venture Agreement and the Articles of Association of the Company.

The composition of the Board of Directors, along with Directorships and committee positions, attendance records during the year under review is as below:

	Name of the Director	Designation	No. of Directorships/ Chairmanship in other companies		No. of Committee* Memberships / Chairmanship in other companies#		No. of Board Meetings attended	Attendance in last AGM
			Chairman	Director	Chairman	Member		
Functional Directors								
1	Shri P N Prasad (Director w.e.f. 07.01.2012 & Managing Director w.e.f. 11.01.2012)	Managing Director	-	-	-	-	1	Yes
2	Shri Rakesh Kumar	Director (Finance)	-	-	-	-	5	Yes
Promoter Directors								
3	Shri B.C. Tripathi Chairman & Managing Director GAIL (India) Ltd.	Chairman	3	1	-	1	5	Yes
4	Shri R. K. Dutta, Advisor Government of Assam	Director	-	2	-	-	4	Yes
5	Shri Ravi Capoor Principal Secretary to the Government of Assam, Industries & Commerce Department (upto 13.05.2011)	Director	1	9	-	-	1	No
	Shri Jatinderbir Singh Principal Secretary to the Government of Assam, Industries & Commerce Department (w.e.f. 02.07.2011)	Director	2	8	-	-	3	Yes
6	Shri Dipak Chakravarty Managing Director Numaligarh Refinery Ltd.	Director	-	1	-	-	3	Yes
7	Shri T.K. Ananth Kumar Director (Finance) Oil India Limited	Director	-	1	-	1	3	Yes
8	Shri S L Raina Director (HR) GAIL (India) Ltd.	Director	-	3	-	3	4	Yes
9	Shri S Venkatraman Director (BD) GAIL (India) Ltd.	Director	4	5	-	1	5	Yes
10	Shri P K Jain Director (Finance) GAIL (India) Ltd.	Director	-	5	1	-	5	Yes

	Name of the Director	Designation	No. of Directorships/ Chairmanship in other companies		No. of Committee* Memberships / Chairmanship in other companies#		No. of Board Meetings attended	Attendance in last AGM
			Chairman	Director	Chairman	Member		
Government Directors								
11	Ms Neel Kamal Darbari Joint Secretary, Ministry of Chemicals & Fertilizers, Department of Chemicals and Petrochemicals	Director	-	1	-	-	4	No
12	Shri Manu Srivastava Director Ministry of Petroleum & Natural Gas (upto 06.03.2012)	Director	-	1	-	-	-	No
	Dr. Neeraj Mittal Joint Secretary Ministry of Petroleum & Natural Gas (w.e.f 06.03.2012)	Director	-	2	-	-	-	No
Independent Director								
13.	Shri Prafulla Chandra Sharma (w.e.f. 16.12.2011)	Director		2		2	1	No

(*) Committee positions refer only to Audit Committee and Shareholders' Grievance Committee.

(#) Other company means public companies only

Details of Board Meetings held during the year 2011-12.

Five meetings of the Board of Directors were held during the year.

No. of the Board Meeting	Date	Board Strength	No. of Directors Present
31st	05.05.2011	11	8
32nd	29.07.2011	11	9
33rd	17.10.2011	11	7
34th	16.12.2011	12	9
35th	06.03.2012	13	11

Profile of Directors being appointed / reappointed

Ms. Neel Kamal Darbari, Director retires by rotation at the ensuing annual general meeting pursuant to section 256 of the Companies Act, 1956 and being eligible offers herself for reappointment.

Ms. Darbari joined the Indian Administrative Service in 1987. She is a Post Graduate in English Literature, has undergone various training programmes in India and abroad and has also taken academic breaks to study for an MBA degree from Australia and M.Phil degree from University of Punjab, with a view to reconnect with evolving concepts of management and public policy.

As Joint Secretary in the Directorate of Chemicals & Petrochemicals since September 2008, her main charge in the department includes matters relating to CIPET, Assam Gas Cracker Project, PCPIR, etc.

Shri T K Ananth Kumar, Director retires by rotation at the ensuing annual general meeting pursuant to section 256 of the Companies Act, 1956 and being eligible offers himself for reappointment.

Shri T.K. Ananth Kumar is the Director (Finance) of Oil India Limited since

18.01.2007 and holds a Bachelor's degree in Commerce from Osmania University. He is also a Fellow member of the Institute of Chartered Accountants of India. He has 31 years of experience in the Oil and Petroleum Industry. Prior to joining OIL, he was the Director (Finance) of NRL for over three years and before that, he worked with HPCL for 23 years. He joined the BCPL Board as Promoter Director on 24.12.2008.

Shri S L Raina, Director retires by rotation at the ensuing annual general meeting pursuant to section 256 of the Companies Act, 1956 and being eligible offers himself for reappointment.

Shri S L Raina is an MBA from University of Hull, London, an LLB, a Master in Public Administration. He has a career spanning more than three decades in Hydrocarbon and Textile industries and has a very rich experience in human resource management as also marketing and legal at senior level.

Prior to becoming Director (HR) in GAIL, he headed various human resource departments of the company; he also spearheaded various CSR programmes. As Head of Legal Department, Shri Raina represented GAIL in various judicial, arbitral and administrative proceedings. He joined the BCPL Board as Promoter Director on 19.08.2009.

Shri S Venkatraman, Director retires by rotation at the ensuing annual general meeting pursuant to section 256 of the Companies Act, 1956 and being eligible offers himself for reappointment.

He presently holds a position of Director (Business Development) in GAIL and is in-charge of GAIL's Business Development, Project Development, Petrochemical operations, Exploration & Production and global ventures of the Company. He joined GAIL as Manager in December 1990 and served at various levels across different departments including Business Development, Marketing and Projects. He was part of the core team that worked on the

development and implementation of GAIL's first gas based petrochemical complex right from its conceptualization to commissioning. Shri S. Venkatraman has done B.Sc. (Physics) from University of Madras, Madras in 1973. In 1976, he completed Diploma in Instrumentation from Madras Institute of Technology, and thereafter Diploma in Management from All India Management Association, New Delhi in 1989. He started his career in 1976 with Instrumentation Ltd., Kota and worked there at various levels till December 1990. He joined the BCPL Board as Promoter Director on 11.10.2010.

Dr. Neeraj Mittal, Joint Secretary, Ministry of Petroleum and Natural Gas was appointed as an Additional Director w.e.f. 06.03.2012. He is an IAS Officer from Tamil Nadu Cadre (1992). He is an electrical engineering graduate from IIT, Kanpur, holds an MBA degree from Cranfield University, UK and is a PhD (MIS) from Ohio State University, USA.

During his IAS career spanning over two decades, he has served in various departments/offices of the state and the centre including Land & Revenue, Mines and Minerals, Transport, Telecommunication, Commerce and is presently serving as a Joint Secretary in the Ministry of Petroleum and Natural Gas.

Shri P N Prasad, Managing Director, was appointed as an Additional Director w.e.f. 07/01/2012. Prior to his appointment as Managing Director he was heading the project as Chief Operating Officer of the Company since 22.02.2011. Shri Prasad is a Mechanical Engineer with an MBA in HR. He has a long association with GAIL since 1987. For several years in the past decade he was associated with the GAIL petrochemicals plant at Pata. Earlier in 2009, Shri Prasad had headed the BCPL Project as the Chief Operating Officer. Over the past 25 years Shri Prasad has gained varied experience and competence in the areas related to Operations & Maintenance, Project Management, and Contracts Management etc.

Shri P C Sharma, Part Time Non Official Director (Independent Director) was appointed as an Additional Director w.e.f. 16.12.2011. As an IAS officer, Shri Sharma retired as the Chief Secretary, Government of Assam. He is also an M.Sc. (Chemistry) and a Law Graduate. Prior to his appointment as Independent Director in the Company he was on the Board of the Directors of the Company representing Government of Assam since the inception of the project upto March 2010. He has a wide and varied experience and long association with the Government of Assam in several important posts. Shri Sharma is a member on the Board of Directors of National Aluminium Company Ltd. and of Garden Reach Shipbuilders & Engineers Ltd.

Shri R T Jindal, Principal Secretary to the Government of Assam, Industries & Commerce Department was appointed as an Additional Director w.e.f. 22.05.2012. He is a 1983 batch IAS Officer from the Assam-Meghalaya cadre and has served at various levels in different departments of the Government of Assam. He has also worked in the Government of Punjab on inter cadre deputation from 1994 to 1999. He has been on central deputation with the Ministry of HRD/Tourism & Culture from 1996 to 2008. He is a Science graduate from Punjab University, Patiala and post graduate in Chemistry from Punjab Agriculture University, Ludhiana.

Audit Committee

The Audit Committee presently comprises of five members and Shri P C Sharma, a Non-official (Independent) Director is the Chairman thereof. The

terms of reference for the Audit Committee have been framed in line with the DPE Guidelines on Corporate Governance.

Four meetings of the Committee were held during the year under review on 05.05.2011, 29.07.2011, 23.11.2011 and 06.03.2012 and the details of attendance by the members during 2011-12 are given below:

Name of Directors	No of meetings attended
Shri P C Sharma, Chairman (w.e.f. 06.03.2012)	1
Shri R.K. Dutta	3
Shri Dipak Chakravarty	4
Shri T.K. Ananth Kumar	2
Shri P K Jain	4

Other Committees

The Remuneration & HR Committee, headed by a Non-official (Independent) Director comprises of the following three members all of whom are non-executive Directors:

1. Shri P C Sharma, Director : Chairman
2. Shri T K Ananth Kumar, Director : Member
3. Shri S L Raina, Director : Member

During the year under review four meetings of the Committee were held on 27.06.2011, 12.09.2011, 08.10.2011 and 07.02.2012. The Committee recommends the perquisites, facilities and other benefits of the employees for consideration of the Board. It also reviews and recommends the formulation of HR policy in the company.

An empowered Committee of the Board on Contracts and Procurement is also in place for expeditious clearance of approvals for the project.

Remuneration to Directors

Being a Central Public Sector Enterprise, the appointment of the Whole-Time Directors and the terms & conditions thereof including remuneration are determined by the administrative ministry, the Ministry of Chemicals & Fertilizers.

The details of remuneration paid to the Whole-time Directors of the Company during the financial year 2011-12 are as below:

Name	Date of Appointment	Salary & Allowances (₹)	Contribution to PF, Gratuity and Other Funds (₹)	Other Benefits and Perquisites (₹)	Performance Linked Incentives (₹)	Total (₹)
Sh. P N Prasad (Managing Director)	11.01.2012	4,82,470	41,067	1,48,416	—	6,71,953
Sh. Rakesh Kr. Director (Finance)	04.01.2010	20,28,347	1,56,161	7,86,958	—	29,71,466

The Part-time Non-official Director is not being paid any remuneration other than sitting fee which amounted to ₹ 40,000/- during the year. The Nominee Directors do not receive any pecuniary benefits including sitting fees from the company.

General Meetings

The details of the last three Annual General Meetings are as follows:

No. of the AGM	Date	Time	Venue	Any Special Resolution Passed
2nd	09/09/2009	04:30 PM	Hotel Brahmaputra Ashok, M.G.Road, Guwahati	None
3rd	17/07/2010	10:30 AM	Hotel Brahmaputra Ashok, M.G. Road, Guwahati	Yes (Authorization for further issue of shares pursuant to Section 81)
4th	29/07/2011	4:00 p.m.	Hotel Brahmaputra Ashok, M.G. Road, Guwahati	None

During the year under review an Extraordinary General Meeting was held on 16th December, 2011 and special resolutions were passed thereat for approving the following agenda:

- (i) To increase the authorized share capital from ` 1,200 crores to ` 2,000 crores.
- (ii) To enhance the borrowing powers of the Board of Directors u/s 293(1)(d) of the Companies Act 1956, from ` 2,800 crores to ` 4,000 crores.

5th Annual General Meeting

Date : Monday, 27th August, 2012

Time : 3.00p.m.

Venue: Registered Office : Hotel Brahmaputra Ashok
M G Road, Guwahati-781 001

Disclosures

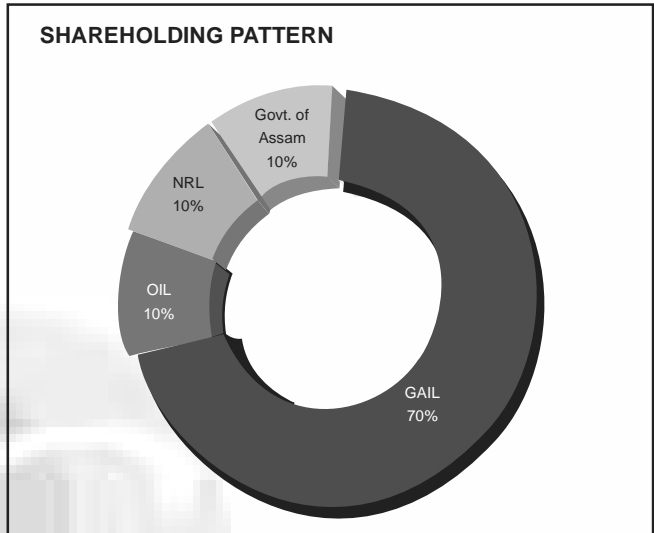
- (i) The related party transactions are disclosed in the notes to accounts forming part of the annual report.
- (ii) The Company has complied with the requirements of the DPE Guidelines on Corporate Governance, save and except the composition of the Board with respect to number of Nominee Directors and Independent Directors. The Board has requested for a special dispensation from the Government of India regarding reduction in the number of Nominee Directors appointed as per JV Agreement, as the Company is still in the project implementation stage. An Independent Director was appointed by the Government of India during the year under review and the appointment of another is in process with the Government.
- (iii) The Company now has a Whistle Blower Mechanism per which the Public Interest Disclosure and Protection of Informer (PIDPI) Resolution No 89 of Government of India is being followed.
- (iv) A mechanism for Risk Management has been put in place to identify and mitigate construction phase, financial, operational and other risks.

Audit Qualifications

For the 5th successive year there is no audit qualification in the report of the Statutory Auditors on the accounts of the Company for the year ended 31st March 2012.

Means of Communication

The company now has a website www.bcplonline.co.in. There is a dedicated cell for information sharing with stakeholders through the use of information and communication technologies particularly through its website. The company periodically disseminates information through press releases and its annual reports.



Corporate Governance Compliance Certificate

A certificate from a Company Secretary in practice regarding compliance of conditions of corporate governance during 2011-12, as per clause 8.2.1 of the DPE Guidelines is annexed.

Secretarial Audit report

The Company has voluntarily carried out Secretarial Audit for the year under review and the report on the same is annexed.

Code of Conduct

The company has a Code of Conduct for the Board members and the senior management personnel and all the members of the Board and the senior management personnel have affirmed compliance of the Code of Conduct for the financial year ended on March 31, 2012.

Declaration

As required by clause 3.4.2 of the DPE Guidelines on Corporate Governance, it is hereby declared that the members of the Board of Directors as well as senior management personnel of the company to whom the Code of Conduct is applicable have affirmed compliance with the code.

Sd/-
(P N Prasad)
Managing Director
Brahmaputra Cracker and Polymer Limited



CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

The Members of
Brahamaputra Cracker & Polymer Limited
Regd. Office : Hotel Brahamaputra Ashok
M.G. Road, Guwahati - 781 001

We have examined the compliance of conditions of Corporate Governance by **Brahamaputra Cracker & Polymer Limited** (hereinafter referred as "the Company") for the year ended **31st March 2012**, as stipulated in the DPE Guidelines on Corporate Governance. the Company not being a listed Company, the conditions of Corporate Governance as mentioned in clause 49 of the listing agreement are not applicable to it.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company, except for the maximum number of Nominee Directors to be appointed by Government / other CPSEs and the constitution of Audit Committee with two-thirds of its members as Independent Directors, has complied with the conditions of Corporate Governance as stipulated in DPE Guidelines on Corporate Governance.

We further state that such compliance is neither an assurance as future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

for **Narayan Sharma & Associates**
Company Secretaries

Sd/-

(Narayan Sharma)

Proprietor

C.P. No. 3844

Membership No. FCS 5117

Place : Guwahati

Date : April 26, 2012

SECRETIAL AUDIT REPORT 2012-13

The Board of Directors
Brahmaputra Cracker & Polymer Limited
Hotel Brahmaputra Ashok
M.G. Road, Guwahati - 781 001

We have examined the registers, records, books and papers of **Brahmaputra Cracker and Polymer Ltd.** (the Company) for the period 1.4.2011 to 31.03.2012 according to the provisions of:

The Companies act, 1956 and the Rules made there under : and

Guidelines on Corporate Governance for Central Public Sector Enterprises as issued by the Department of Public Enterprises, 2010 (DPE) of the Ministry of Heavy Industris and Public Enterprises, Government of India ("the DPE Guidelines on Corporate Governance").

1. Based on our examination and verification of records produced to us and according to the information and explanations given to us by the Company, in our opinion, the Company has complied with the provisions of the Companies Act, 1956 ("the Act") and Rules made under the Act and the Memorandum and Articles of Association of the Company with regard to:
 - a) Maintenance of statutory registers and documents and making necessary entries therein;
 - b) Filing of the requisite forms and returns with the Registrar of Companies, North Eastern Region, Shillong within the time prescribed under the Act and the Rules made there under;
 - c) Service of documents by the Company on its members and the Registrar of Companies;
 - d) Notice of Board Meetings and Committee meetings of Directors;
 - e) Convening and holding of the meetings of Directors and Committees of Directors including passing of resolutions by circulation;
 - f) The 4th Annual General meeting held on 29th July, 2011;
 - g) The Extra Ordinary General meeting held on 16th December 2011;
 - h) Minutes of proceedings of General Meeting and meetings of Board and its committees.
 - i) Constitution of Board of Directors and appointment, retirement, and re-appointment of directors;
 - j) Appointment of Chairman and Managng Director, Whole Time Directors and non-executive Directors and their remuneration;
 - k) Transfers and transmissions of the Company's shares, issue and allotment of shares and issue of original and duplicate certificates of shares;
 - l) Appointment and remuneration of Auditors;
 - m) Borrowings and registration, modification and saftisfaction of charges;
 - n) Board's Report;
 - o) Alteration of Memorandum & Articles of Association for increase in authorized share capital;
 - p) Contracts common seal, registered office and pubication of name of the Company; and
 - q) Generally, all other applicable provisions of the Act and the rules made under the Act.
2. We further report that:
 - a) The Directors of the Company have made all the required disclosures under Section 299, 305 of the Act. However, being a Government Company provisions of section 274(l)(g) of the Act are not applicable to the Company.
 - b) The Company has where required, obtained all the necessary approvals of Directors, Shareholders and other authorities as required under the Act;
 - c) There was no procsescution initiated against or show ocause notice received by the company for alleged offences under the Act and no fines and penalties or any other punishment was imposed on the company during the financial year, for offences under the Act,

- d) The provision as to transfer of amount to unpaid dividend account, application money due for refund, matured debentures and the interest accrued thereon which have been remain unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund are not applicable to company;
- e) The amount borrowed by the Company from public financial institutions, banks and others during the financial year ending **31st March 2012**, are within the borrowing limits of the company and that the necessary resolutions as per section 293 (1) (d) of the Act have been passed induly convened Annual General meeting;
- f) The Company is a non-listed Company and the provisions of the listing agreements are not applicable to the Company except and to the extent that it is a subsidiary of a listed Company;
3. We further report that the Company, except for the composition of the Board with required number of Independent Directors, the maximum number of Nominee Directors to be appointed by Government/other CPSEs and the constitution of Audit Committee with two-thirds of its members as Independent Directors, has complied with the conditions of Coprporate Governance as stipulated in DPE guidelines on Corporate Governance

for **Narayan Sharma & Associates**
Company Secretaries

Sd/-

(Narayan Sharma)

Proprietor
C.P. No. 3844

Place: Guwahati

Date: April 26, 2012

AUDITORS' REPORT

Date 18th May, 2012

To,
The Members,
Brahmaputra Cracker & Polymer Limited
Guwahati, Assam.

We have audited the attached Balance Sheet of Brahmaputra Cracker & Polymer Limited, Guwahati Assam, as at 31st March, 2012, and also the Statement of Profit and Loss and the Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, and significant estimates made by the management, as well as evaluating the overall financial statement

presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, issued by the Ministry of Finance, Central Government of India in exercise of the powers conferred by sub section (4A) of section 227 of the Companies Act, 1956, we enclose, as an annexure, a statement on the matters specified in paragraph 4 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

1. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
2. In our opinion, proper books of accounts as required by law have been maintained by the company so far as appears from our examination of those books.
3. The Balance Sheet and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts maintained.
4. In our opinion, the Balance Sheet and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
5. The provisions of clause (g) of Sub Section 1 of Section 274 of the Companies Act, 1956, are not applicable to the company.
6. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012, and,
 - (b) In the case of the Statement of Profit and Loss, of the lack of transactions revenue in nature, given the operational status of the project, and
 - (c) In the case of the Cash Flow Statement, of the Cash Flows of the company during the year under audit.

For **Das & Sharma,**
Chartered Accountants,
Firm No 314214E

Binoy Kumar Das,
Partner.
Mem No 51898

**ANNEXURE TO THE AUDIT REPORT OF BRAHMAPUTRA CRACKER &
POLYMER LIMITED FOR THE PERIOD ENDED 31ST MARCH, 2012.
(Referred to in Para 3 of our Audit report)**

As required by the Companies (Auditors Report) Order, 2003, issued by the Central Government, and on the basis of such checks we considered appropriate, and according to the information and explanations given to us, we further report that:

- | | | |
|--|--|--|
| <p>1. The company has maintained proper records showing full particulars including quantitative details of Fixed Assets, as well as the situation of these Fixed Assets.</p> <p>2. It has been represented to us that a physical verification covering a section of Fixed Assets has been carried out during the year under audit. It has also been represented to us that a scheme for verification of the entire assets every three years has been put in place. No material discrepancies had been noticed during the verification.</p> <p>3. Substantial portion of the Fixed Assets of the Company have not been disposed off during the year</p> <p>4. Physical verification of finished goods, stores, raw materials and spare parts does not arise as the company is not, at present, maintaining inventory. Stocks of construction materials are, in the main, under the custody of Engineers India Limited who have certified that the material statement maintained at BCPL was correct.</p> <p>5. The company has not taken or granted any loans from related parties in respect of whom entries are warranted in a register maintained under section 301 of the Companies Act, 1956</p> <p>6. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of</p> | <p>the company and the nature of its business for the purchase of construction materials and fixed assets.</p> <p>7. It has been represented to us that the company has not made transaction with any parties whose names warrant entry into the register maintained under section 301 of the Companies Act, 1956.</p> <p>8. The Company has not accepted any deposits from the public.</p> <p>9. In our opinion, the company has a system of internal audit which is commensurate with the size and nature of its activities.</p> <p>10. Maintenance of cost records u/s 209(1)(d) of the Companies Act, 1956, is not applicable at present as the company has not commenced operations, nor have such records being prescribed under the Act.</p> <p>11. The company has been regular in deposit of undisputed statutory dues, including Provident Fund, VAT, Service Tax, Customs Duty, Income-tax etc with the relevant authorities. We have been informed that no undisputed amount was payable in respect of VAT, Service Tax, Customs Duty, Income-tax and other Statutory dues were outstanding at the year end for a period of more than six months from the date they became payable.</p> <p>12. As the company is yet to start its operation, the question of accumulated loss does not arise.</p> <p>13. Based on our checks, and information given by the management, we are of the opinion that the company has not defaulted in repayment of dues to any bank or financial institution. The company has no debenture holders.</p> | <p>14. No loans or advances have been granted by the Company by way of pledge of shares, debentures or other securities.</p> <p>15. Contents of Paragraph 4(xiii) of the Order (first part) are not relevant to the Company.</p> <p>16. Contents of Paragraph 4(xiii), (second part) of the Order are not relevant to the Company.</p> <p>17. The Company is not dealing or trading in any shares, securities, debentures or other investments.</p> <p>18. The Company has not given any guarantees for loans taken by others from banks and financial institutions.</p> <p>19. The Term Loans obtained by the Company are being utilized for the purpose for they have been sanctioned.</p> <p>20. Funds raised for Long Term uses have been utilized for long term purposes only.</p> <p>21. No preferential allotment of shares has been made by the Company.</p> <p>22. No debentures have been issued by the Company.</p> <p>23. The Company has not raised money through public issues.</p> <p>24. According to the information and explanations given to us, no fraud has been noticed or reported during the year under audit.</p> |
|--|--|--|

For **Das & Sharma,**
Chartered Accountants,
Firm No 314214E

Binoy Kumar Das,
Partner.
Mem No 51898

BRAHMAPUTRA CRACKER AND POLYMER LIMITED

Balance Sheet as at 31st March' 2012

Particulars	Note No.	As at 31 st March' 2012 (₹)	As at 31 st March' 2011 (₹)
A EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	1	8,615,502,600	3,246,572,600
(b) Reserves and surplus	2	21,451,288,223	12,625,633,494
2 Share Application money pending allotment	3	2,666,098,720	2,397,698,721
3 Non-current liabilities			
(a) Long-term borrowings	4	9,770,000,000	3,330,000,000
(b) Deferred tax liabilities (net)			
(c) Other long-term liabilities	5	3,537,509	3,084,230
(d) Long-term provisions	6	1,579,150	799,037
4 Current liabilities			
(a) Short-term borrowings			
(b) Trade payables			
(c) Other current liabilities	7	3,431,975,117	2,908,908,202
(d) Short-term provisions	8	1,878,548,277	29,843,560
TOTAL		47,818,529,596	24,542,539,844
B ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	9	1,602,532,160	1,288,159,254
(ii) Intangible assets	9	78,803,385	67,889,492
(iii) Capital work-in-progress	10	35,103,549,719	17,288,315,524
(vi) Fixed assets held for sale			
(b) Non-current investments			
(c) Deferred tax assets (net)			
(d) Long-term loans and advances	11	7,045,664,738	2,116,411,262
(e) Other non-current assets	12	2,154,126,865	988,551,283
2 Current assets			
(a) Current investments			
(b) Inventories			
(c) Trade receivables	13	-	-
(d) Cash and cash equivalents	14	1,394,485,716	2,246,036,082
(e) Short-term loans and advances	15	103,572,623	542,328,840
(f) Other current assets	16	335,794,390	4,848,107
TOTAL		47,818,529,596	24,542,539,844
3 Additional information	17		

(P.N.Prasad)
Managing Director

(Rakesh Kumar)
Director (Finance)

(A.K.Tiwari)
Chief Finance Officer

(Ruli Das Sen)
Company Secretary

As per our separate report on Even Date

For Das & Sharma
Chartered Accountants,
Firm No 314214E

(Binoy Kumar Das)
Partner.
Mem No 51898

Place : New Delhi
Date : 15.5.2012

BRAHMAPUTRA CRACKER AND POLYMER LIMITED
Profit and loss statement for the year ended 31st March'2012

Particulars	Note No.	As at 31 st March' 2012	As at 31 st March' 2011
I. Revenue From Operations		Nil	Nil
In respect of a company other than a finance company:			
Sale of products			
Sale of services			
Other operating revenues			
Less:			
Excise duty			
II. Other income		Nil	Nil
III. Total Revenue (I + II)		Nil	Nil
IV. Expenses:		Nil	Nil
Cost of materials consumed			
Internally manufactured intermediates or components consumed			
Purchases of Stock-in-Trade			
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade			
Employees benefits expense			
Finance costs			
Depreciation and amortization expense			
Other expenses			
Total expenses		Nil	Nil
V. Profit before exceptional and extraordinary items and tax (III-IV)		Nil	Nil
VI. Exceptional items		Nil	Nil
VII. Profit before extraordinary items and tax (V - VI)		Nil	Nil
VIII. Extraordinary Items		Nil	Nil
IX. Profit before tax (VII- VIII)		Nil	Nil
X Tax expense:		Nil	Nil
(1) Current tax			
(2) Deferred tax			
XI Profit (Loss) for the period from continuing operations (VII-VIII)		Nil	Nil
XII Profit/(loss) from discontinuing operations		Nil	Nil
XIII Tax expense of discontinuing operations		Nil	Nil
XIV Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		Nil	Nil
XV Profit (Loss) for the period (XI + XIV)		Nil	Nil
XVI Earnings per equity share:			
(1) Basic		Nil	Nil
(2) Diluted		Nil	Nil

(P.N.Prasad)
Managing Director

(Rakesh Kumar)
Director (Finance)

(A.K.Tiwari)
Chief Finance Officer

(Ruli Das Sen)
Company Secretary

As per our separate report on Even Date

For Das & Sharma
Chartered Accountants,
Firm No 314214E

(Binoy Kumar Das)
Partner
Mem No 51898

Place : New Delhi
Date : 15.5.2012

BRAHMAPUTRA CRACKER AND POLYMER LIMITED

Incidental Expenses During construction

(₹)

Particulars	2011-12	2010-11
Interest Charges to Lenders	177,118,233	54,999,997
OIDB Interest Charges	232,588,832	121,531,265
Bank Charges	20,954	4,133
IEDC:ADVERTISEMENT & PUBLICITY	862,958	1,846,606
IEDC: CISF & SECURITY	46,996,972	23,379,126
IEDC:COMMUNICATION EXPENSES	3,315,468	4,351,103
IEDC:DEPRECIATION	87,990,218	99,457,757
IEDC:INSURANCE	156,537,568	43,138,315
IEDC: Other Infrastructure Expenses	5,110,407	1,895,872
IEDC:OTHERS	25,841,983	21,953,918
IEDC:PAYMENT TO AUDITORS	113,412	82,443
IEDC:POWER,FUEL & WATER CHARGES	16,815,161	5,325,277
IEDC:PRINTING & STATIONERY	2,484,124	3,377,462
IEDC:PROFESSIONAL & CONSULTANCY CHARGES	12,043,732	21,470,339
IEDC:RATES & TAXES	13,918,601	13,148,957
IEDC:RECRUITMENT & TRAINING EXP	11,390,535	6,240,899
IEDC:RENT	15,243,562	14,207,513
IEDC:REPAIR & MAINTENANCE-OTHERS	515,020	346,110
IEDC:SALARY,WAGES & STAFF COSTS	193,466,393	131,308,353
IEDC:SURVEY & INVESTIGATION	9,450,187	4,234,210
IEDC: TOWNSHIP & G H MAINTENANCE	4,016,622	3,674,667
IEDC:TRAVELLING EXPENSES	17,372,422	13,095,467
IEDC:VEHICL HIRE & RUNNING EXP	34,320,156	23,930,822
IEDC:WELFARE EXPENSES	355,473	
IEDC Enabling Facility:Other Infrastructure	96,555	2,763,435
Crane Hiring Charges	7,900,200	
INCIDENTAL EXPENSES 07-08 PENDING ADJUSTMENT	90,962,819	1
INCIDENTAL EXPENSES 08-09 PENDING ADJUSTMENT	127,835,895	90,962,819
INCIDENTAL EXPENSES 2009-2010 PENDING ADJUSTMENT	293,497,555	127,977,782
INCIDENTAL EXPENSES 2010-11 PENDING ADJUSTMENT	472,951,925	292,755,902
Total	2,061,133,943	1,127,460,549
Bank Interest on CLTD	2,832,036	
Bank Interest on STDR's	46,830,810	63,160,918
Miscellaneous Income:IEDC	9,563,842	5,394,703
Misc Income - Electricity	145,089	110,050
Misc. Income-House Rent Recovery	366,078	291,366
Misc Income-Lease Rent Recovery	966,063	
PRS FOR CLOSED PO(INDIGENOUS)	14,272,583	
IEDC Capitalised	21,987,022	72,328,021
Total	96,963,523	141,285,058
Grand Total	1,964,170,420	986,175,491

Note:1: Share capital

Particulars	As at 31 st March' 2012		As at 31 st March' 2011	
	Number of shares		Number of shares	
(a) Authorised Equity Shares of ₹ 10/- each	2,000,000,000	20,000,000,000	1,200,000,000	12,000,000,000
(b) Issued Equity Shares of ₹ 10/- each	1,269,000,000	12,690,000,000	564,500,000	5,645,000,000
(c) Subscribed and fully paid up Equity Shares of ₹ 10/- each	861,550,260	8,615,502,600	324,657,260	3,246,572,600
(d) Subscribed but not fully paid up Equity Shares of ₹ 10/- each	Nil	Nil	Nil	Nil
Total	861,550,260	8,615,502,600	324,657,260	3,246,572,600

Note :1 (a):Share capital Reconciliation

Particulars								
Notes:								
(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:								
Particulars	Opening Balance	Fresh issue	Bonus	ESOP	Conversion	Buy back	Other changes	Closing Balance
Equity shares								
Year ended 31 March' 2012								
- Number of shares	324657260	536893000						861550260
- Amount (₹)	3246572600	5368930000						8615502600
Year ended 31 March' 2011								
- Number of shares	263371560	61285700						324657260
- Amount (₹)	2633715600	612857000						3246572600

Note :1 (b): Share capital other details

Particulars				
(i) Details of shares held by each shareholder holding more than 5% shares:				
Class of shares / Name of shareholder	As at 31 st March' 2012		As at 31 st March' 2011	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares				
Gail (India) Limited	603085133	70	227260033	70
Oil India Limited	86155019	10	32465719	10
Numaligarh Refinery Limited	86155019	10	32465719	10
Govt. of Assam	86155019	10	32465719	10
Shareholder 2				

(ii) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the Balance Sheet date:

Particulars	Aggregate number of shares	
	As at 31 st March' 2012	As at 31 st March' 2011
Equity shares with voting rights		
Fully paid up pursuant to contract(s) without payment being received in cash	66155019	32465719
Fully paid up by way of bonus shares Shares bought back		
Equity shares with differential voting rights		
Fully paid up pursuant to contract(s) without payment being received in cash	Nil	Nil
Fully paid up by way of bonus shares Shares bought back		

(iv) Details of calls unpaid

Particulars	As at 31 st March' 2012		As at 31 st March' 2011	
	Number of shares		Number of shares	
Equity shares with voting rights				
Aggregate of calls unpaid				
- by directors				
- by officers				
- by others	140839938	1408399380	5890000	58900000

(V) Details of forfeited shares : Nil

(VI) Disclosure pursuant to Note no. 6G of Part I of Schedule VI to the Companies Act, 1956

Share application money not exceeding the issued capital and to the extent not refundable is to be disclosed under this line item.	
Terms and conditions: As per JV Agreement between the promoters and CCEA approval	
Number of shares proposed to be issued	: 2397698721
The amount of premium, if any	: Nil
The period before which shares are to be allotted	: As and when the proportion of equity contribution in the ratio of 70:10:10:10 is met by the promoters, viz., GAIL, GoA, OIL & NRL , in terms of the JV Agreement.
Whether the company has sufficient authorized share capital to cover the share capital amount on allotment of shares out of share application money :	: Yes
The period for which the share application money has been pending beyond the period for allotment as mentioned in the share application form along with the reasons for such share application money being pending.	: Not applicable. Shares are allotted as and when the proportion of equity contribution in the ratio of 70:10:10:10 is met by the promoters, viz., GAIL, GoA, OIL & NRL , in terms of the JV Agreement.

Note:2: Reserves and surplus

Particulars	As at 31 st March' 2012	As at 31 st March' 2011
	(₹)	(₹)
(a) Capital reserve		
Opening balance	12,625,633,494	453,736,900
Add: Fund received during the year	8,754,400,000	12,050,932,100
Interest received on STDR	71,254,729	120,964,494
	21,451,288,223	12,625,633,494

Note: Capital Reserve represents the Capital subsidy received from Govt. of India .It also includes interest on STDR's made out of this fund as per the letter no.45013/1/2005-PC-1(PRT) dt:15.02.2012 received from MOCF, New Delhi.

Disclosures under Accounting Standard 12

Particulars	As at 31 st March' 2012	As at 31 st March' 2011
	(₹)	(₹)
Details of government grants		
Government grants received by the Company during the year towards	8754400000	7967300000
- Subsidies (recognised under Capital Reserves)		
Interest on parking of Capital subsidy net of taxes added back	71254729	120964494
Total	8825654729	8088264494

- The Capital Subsidy of ₹ 875,44,00,000/- (Previous Year ₹ 7,96,73,00,000/-) has been received from the Government of India during the year by way of contribution towards the capital outlay. As per AS-12 (Para 16), Government Grants by way of contribution towards capital & no repayment is stipulated then it should be credited to Capital Reserves as per condition attached to such Grants.
- The Company has received a directive from its administrative ministry MoCF vide letter no 45013/1/2005-PC-I(Part) dated 15.02.2012 that the interest earned on capital subsidy is not the income of BCPL and the same shall be added back to capital subsidy (Net of Taxes) .As such interest income has been accounted net of TDS of ₹ 71,25,47,229/- (previous year ₹ 12,09,64,494/-) as part of capital subsidy.

Note:3: Share Application money pending allotment

JV Partner	2007-2008	2008-2009	2009-2010	2010-2011	2011-12	Total	Equity Allotted till 31-03-12	Share App Money Pending allotment as on 31-03-12	Equity Allotted till 31-03-11	Share App Money Pending allotment as on 31-03-11
Oil India Limited	41,970,000	282,800,000	-	228,800,000	715,430,000	1,269,000,000	861,550,190	407,449,810	324,657,190	228,912,810
Numaligarh Refinery Limited	41,950,000	282,800,000	-	228,800,000	487,500,000	1,041,050,000	861,550,190	179,499,810	324,657,190	228,892,810
Govt Of Assam	570,058,226	41,938,791	49,553,173	-	379,900,000	1,041,450,190	861,550,190	179,900,000	324,657,190	336,893,000
GAIL (India) Limited	101,384,378	292,216,052	1,450,000,000	2,032,000,000	4,054,500,000	7,930,100,430	6,030,851,330	1,899,249,100	2,272,600,330	1,603,000,101
Directors	700	-	-	-	-	700	700	-	700	-
	755,363,304	899,754,843	1,499,553,173	2,489,600,000	5,637,330,000	11,281,601,320	8,615,502,600	2,666,098,720	3,246,572,600	2,397,698,721

Note : 4: Long-term borrowings details

Long Term Borrowings	As at 31 st March '2012	As at 31 st March '2011
	(₹)	(₹)
Secured		
(a) Bonds/debentures	Nil	Nil
(b) Term loan		
From Banks		
Allahabad Bank	612,500,000	47,000,000
Andhra Bank	742,500,000	57,000,000
Bank of Baroda	962,000,000	74,000,000
Bank of India	962,000,000	74,000,000
Corporation Bank	481,000,000	37,000,000
Jammu & Kashmir Bank	481,000,000	37,000,000
PNB	1,856,000,000	143,000,000
State Bank of Travancore	403,000,000	31,000,000
Total-(A)	6,500,000,000	500,000,000
(Secured by 1st charge on all fixed assets both movable and immovable, present and future ranking paripasu with all terms of lenders except to the extent 131 bighas of Govt. land in possession of the company but title deed yet to be transferred)		
*Terms of Repayment : 16 half yearly installment after moratorium of 2 years from the original date of commencement of commercial operation. 1st installment due on 31.12.2014.		
Rate of interest: 11 % for 2011-12, linked with the base rate of PNB, the lead Bank of the consortium.		
(c) Other loans and advances (specify nature)		
Total-(B)	3,270,000,000	2,830,000,000
Oil Industries Development Board		
(Secured by 1st charge on all fixed assets both movable and immovable, present and future ranking paripasu with all terms of lenders except to the extent 131 big has of Govt. land in possession of the company but title deed yet to be transferred).		
(The loan obtained from OIDB has been secured by corporate guarantee is given by GAIL, OIL, NRL)		
*Terms of Repayment : 8 yearly installment after moratorium of 2 years from the date of drawal. 1st installment due on 30.04.2013.		
Rate of interest on loan will depend on the month in which loan instalment is drawn by BCPL		
In case of continuing default as on the balance sheet date in repayment of loans and interest with respect to (b) (e) & (g)	Nil	Nil
Total (A + B)	9,770,000,000	3,330,000,000

Note:5: Other long-term liabilities

Particulars	As at 31 st March'2012		As at 31 st March' 2011
	(`)	(`)	(`)
(a) Trade Payables:	Nil	Nil	
(i) Acceptances			
(ii) Other than Acceptances			
(b) Others:			
(i) PRS Contractor	3,084,230		
(ii) Retention Money Contractors	453,279	3,537,509	3,084,230
Total		3,537,509	3,084,230

Note:6:Disclosure pursuant to Note no. 6(E) of Part I of Schedule VI to the Companies Act, 1956.

Long Term Provisions	As at 31 st March '2012	As at 31 st March'2011
	(`)	(`)
(a) Provision for employee benefits		
Gratuity	1,242,845	340,463
Leave Encashment	336,305	458,574
(b) Others (Specify nature)	Nil	Nil
Total	1,579,150	799,037

- 1) During the year company has provided for gratuity liability of ` 9,12,543 (Previous year ` 3,44,296) for regular employees. The assumptions methodology used in actuarial valuations are consistent with the requirements of Accounting Standard AS-15.
- 2) The Company has provided the liability for leave encashment benefit for regular employees in the books of accounts on the basis of actuarial valuation for existing employees at the closing date. Company records its future value for unavailed leave liability amount on the basis of actuarial valuation and charged to the accounts. Such liability for Leave encashment amounting to ` 2,65,293 (Previous year ` 4,65,426) has been provided in the Accounts during the year.

Note :7: Other current liabilities

Particulars	As at 31 st March' 2012		As at 31 st March' 2011
	(`)	(`)	(`)
(A) Other payables		1,327,930,166	709,575,026
Employees	701,086		
Tax (Vat & WCT for the month of March-12)	59,385,442		
Security Deposit	77,965,317		
Earnest Money Deposit	8,713,820		
Price Reduction Schedule	577,698,812		
Retention	568,622,731		
Others	34,842,958		
(B) Creditors:		2,104,044,951	2,199,333,176
Suppliers (Indegenous)	779,782,384		
Suppliers (Foreign)	615,455,586		
Contractors	708,806,981		
Total		3,431,975,117	2,908,908,202

Note :8: Short-term provisions

Particulars	As at 31 st March' 2012		As at 31 st March' 2011
	(`)	(`)	(`)
(a) Provision for employee benefits:			
(i) Provision for gratuity		13,994	3,833
(ii) Provision for other employee benefits (Leave salary)		5,025	6,852
(b) Provision - Others:		1,878,529,258	29,832,875
(i) Provision for income Tax	163,342,657		
(ii) Provision for Liability (Contractors)	1,608,646,439		
(iii) Suppliers	102,809		
(iv) Others	6,020,424		
(v) MCE premium	100,416,929		
Total		1,878,548,277	29,843,560

Provision for employee benefits represent the short term liabilities, with the long term liabilities finding place in note 6

Note :9 : Tangible & Intangible Assets

Amount (`)

Particulars	Gross Block				Depreciation				Net Block	
	Value at the beginning	Addition during the year	Deduction during the year	Value at the end	Value at the beginning	Addition during the year	Deduction during the year	Value at the end	WDV as on 31.03.2011	WDV as on 31.03.2012
Tangible Assets:(A)										
Land Lease Hold	806,610,760	11,828,100	-	818,438,860	65,281,575	25,998,573	-	91,280,148	741,329,185	727,158,712
Building - Other than factory building	285,775,045	366,730,133	(7,937,006)	644,568,172	13,626,572	16,829,945	617,166	29,839,351	272,149,123	614,728,821
F&F and Other Equip	43,509,450	13,244,891	(298,828)	56,455,509	11,293,713	8,255,241	15,729	19,533,225	32,215,737	36,922,284
Electrical	287,211,163	15,201,261	(155,742)	302,256,682	52,165,931	32,708,140	32,496	84,841,575	235,044,479	217,415,107
EDP	12,534,572	2,707,018	-	15,241,590	5,791,070	3,645,103	-	9,436,173	6,743,602	5,805,417
Motor Cars/ Jeeps	1,232,869	-	-	1,232,869	555,741	175,308	-	731,050	677,128	501,819
Total : (A)	1,436,873,859	409,711,403	(8,391,576)	1,838,193,683	148,714,602	87,612,311	665,391	235,661,522	1,288,159,254	1,602,532,160
Intangible Assets: (B)										
Software/Licenses	2,453,768	1,954,546	-	4,408,314	979,912	952,883	-	1,932,793	1,473,856	2,475,521
Right of Use (Perpetual)	65,625,684	10,000,000	-	75,625,684	-	-	-	-	65,625,684	75,625,684
Right of Use (Limited useful life)	877,725	-	-	877,725	87,773	87,773	-	175,545	789,952	702,180
Total : (B)	68,957,177	11,954,546	-	80,911,723	1,067,684	1,040,655	-	2,108,338	67,889,492	78,803,385
Current Years Totals-2011-12	1,505,831,036	421,665,949	(8,391,576)	1,919,105,406	149,782,286	88,652,967	665,391	237,769,861	1,356,048,747	1,681,335,545
Previous Years Totals-2010-11	918909376	586921659	-	1505831033	50324529	99457757	-	149782286	868584848	1356048747

Note : 10 : Capital Work in Progress

Amount (`)

	Opening as on 31.03.2011								As at 31 st March 2011	As at 31 st March 2012
A CWIP-Capital jobs	7,623,334,646	9,051,143,124			16,674,477,770	-	-	-	7,623,334,646	16,674,477,770
B CWIP-Intangible assets pending amortisation (import of technical knowhow)	1,438,403,278				1,438,403,278				1,438,403,278	1,438,403,278
C CWIP-Enabling Assets	843,008,355	603,040,079			1,446,048,434				843,008,355	1,446,048,434
D Loss on foreign exchange fluctuations		10,150,920			10,150,920				-	10,150,920
E CWIP-Construction stock :										
1 Material at site-Inland supplies	2,219,657,459	4,218,648,121			6,438,305,580				2,219,657,459	6,438,305,580
2 Material at site-Foreign supplies	1,652,245	720,173,386			721,825,631				1,652,245	721,825,631
3 Material in-transit inland supplies	191,771,429	1,535,523,310			1,727,294,739				191,771,429	1,727,294,739
4 Material in-transit foreign supplies	2,110,658,365	1,034,081,751	2,110,658,365		1,034,081,751				2,110,658,365	1,034,081,751
6 Material pending for inspection	671,870,699	4,083,538,574			4,755,409,273				671,870,699	4,755,409,273
7 Material Handling services	22,275,569	21,094,331			43,369,900				22,275,569	43,369,900
8 PMC fees for project related activities	2,417,646,629	975,909,606			3,393,556,235				2,417,646,629	3,393,556,235
9 Charges paid for opening of foreign letter of credit	4,601,130	208,563			4,809,693				4,601,130	4,809,693
10 Interest on mobilization advance	(30,664,699)	(48,889,415)			(79,554,114)				(30,664,699)	(79,554,114)
11 Entry tax recoverable from GoA	(1,339,054)								(1,339,054)	-
12 WCT recoverable from GoA	(224,560,527)	(281,810,941)			(506,371,468)				(224,560,527)	(506,371,468)
13 Cenvat Adjustment Account	-	(1,998,257,904)			(1,998,257,904)				-	(1,998,257,905)
	17,288,315,524	19,924,553,506	2,110,658,365	35,103,549,719	-	-	-	-	17,288,315,524	35,103,549,719

Interest recovered on mobilisation advances have been reduced from Capital Work in Progress as these amounts are received in respect of funds given as advance for works and have the effect of reducing the cost of construction.

Note:11: Long-term loans and advances

Note 1: Disclosure pursuant to Note no. L (i), (ii) and (iii) of Part I of Schedule VI to the Companies Act, 1956

Long Term Loans and Advances	As at 31 st March 2012	As at 31 st March 2011
a. Capital Advances		
Secured, considered good		
- Advance for capital Job	2,363,582,708	1,801,970,953
- Material Advance	2,271,903,700	314,440,309
Unsecured, considered good	Nil	Nil
Doubtful	Nil	Nil
	4,635,486,408	2,116,411,262
b. Security Deposits		
Secured, considered good	Nil	Nil
	-	-
c. Loans and advances to related parties (refer note 2 below)		
Secured, considered good	Nil	Nil
	-	-
d. Other loans and advances		
Secured, considered good		
Cenvat	2,410,178,330	-
	2,410,178,330	-
	7,045,664,738	2,116,411,262

Note 2 Disclosure pursuant to Note no. L (iv) of Part I of Schedule VI to the Companies Act, 1956

	As at 31 st March 2012	As at 31 st March 2011
Directors *	Nil	Nil
"Other officers of the Company"	Nil	Nil
Firm in which director is a partner *	Nil	Nil
Private Company in which director is a member	Nil	Nil
	-	-

Note :-

Cenvat Accounting:

8) The company has opted for Cenvat credit option pursuant to the earlier excise exemption order, rescinded in month of Nov 2011. Accordingly the company has accounted cenvat credit on regular basis w.e.f January 2012 whereas accounting of cenvat credit up to December 2011 has been made to the tune of ₹ 1,99,82,57,904, being estimated provisional cenvat credit on capital items up to December 2011. The adjustment with respective assets /CWIP /inventory has been done in the year 2011-12. Total cenvat credit upto 31.03.2012 of ₹ 241,01,78,330 has been shown under long term current assets.

Note:12:Other Non Current Assets

Disclosure pursuant to Note no.M (i),(ii) and (iii) of Part I of Schedule VI to the Companies Act, 1956.

Particulars		As at 31 st March'2012	As at 31 st March'2011
a. Long term trade receivables (including trade receivables on deferred credit terms)		Nil	Nil
b. Others :			
Secured, considered good (STDR's having maturity more than 12 months)		153,127	153,127
Others: Misc		189,803,318	2,222,665
Deferred revenue expenditure	10783150		
Preliminary Expenditure	20074400		
Assets Written off	13027		
Secured advance to contractor	2222667		
Deposits with Govt. & Other authorities (ASEB,CISF,GAIL & Others)	156710074		
c. Incidental Expenses during Construction, as per Sub Schedule, to be allocated to Fixed Assets on			
Capitalisation		1,964,170,420	986,175,491
Total		2,154,126,865	988,551,283

Note:13: Trade receivables

Disclosure pursuant to Note no.P (i), (ii), (iii) and (iv) of Part I of Schedule VI to the Companies Act, 1956

Trade Receivables	As at 31 st March 2012	As at 31 st March 2011
Trade receivables outstanding for a period less than six months from the date they are due for payment	Nil	Nil
Total	-	-
Trade Receivable stated above include debts due by:		
Directors	Nil	Nil
Other officers of the Company	Nil	Nil
Firm in which director is a partner	Nil	Nil
Private Company in which director is a member	Nil	Nil
	-	-

Note :14: Cash and Bank Balances

Disclosure pursuant to Note no.Q (i), (ii), (iii), (iv) and (v) of Part I of Schedule VI to the Companies Act, 1956

Cash and cash equivalents	As at 31 st March' 2012	As at 31 st March' 2011
a. Balances with banks		-
This includes:		
Balances in current Account	318,425,135	345,986,082
b. Cheques, drafts on hand	Nil	Nil
c. Cash on hand	Nil	Nil
d. Others (specify nature)		-
Escrow account	666,010,581	Nil
Term deposits having remaining maturity period of 12 months or less	410,050,000	1,900,050,000
	1,394,485,716	2,246,036,082

Note :15: Short-term loans and advances

Particulars		As at 31 st March'2012	As at 31 st March'2011
(a) Loans and advances to employees			
Secured, considered good		1,582,376	2,252,522
Unsecured, considered good		Nil	Nil
Doubtful		Nil	Nil
(b) Prepaid expenses - (Insurance)		32,037,893	27,748,363
(c) Others		69,952,354	512,327,955
Advance income tax	27,664,215		
Custom	9,291,432		
EIL revolving fund	300,000		
Advance TDS	32,555,707		
Advance to others	141,000		
Total		103,572,623	542,328,840

Note 16: Other current assets

Particulars		As at 31 st March'2012	As at 31 st March'2011
(a) Unbilled revenue		Nil	Nil
(b) Unamortised expenses		Nil	Nil
(c) Accruals			
(i) Interest accrued on STDR		2,134,214	3,454,508
(ii) Interest accrued on mobilization advance		2,267,327	1,393,599
(d) Others :		331,392,849	
Insurance	371,568		
Govt. of Assam (WCT)	326,874,001		
Contractors	22,463		
Employee	73,716		
Recovery of Crane hire charges	4,051,101		
Total		335,794,390	4,848,107

Note: Amount receivable as WCT from Govt. of Assam has been treated as short term as the claim already stands lodged, and the amount is expected to be received in cash during the next financial year.

NOTE 17: ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

1. Revised Project Cost

In view of time and cost overrun, the company has revised the project cost from initially ` 5,460.61 Cr to ` 8,920 Cr and schedule of completion from April 2012 to December 2013. Accordingly necessary approval from CCEA has been communicated by the Ministry of Chemicals and Fertilizer, Govt. of India vide its letter no F. No. 45012/23/10-PC-I dated 2nd December 2011.

2. Preparation of Profit & Loss Account as per revised schedule VI

The company is in construction stage and no commercial activities have been started from the date of incorporation i.e. 08.01.2007 to 31.03.2012. Keeping in view the requirement of revised schedule VI and Companies Act 1956, a "NIL" profit and loss account has been prepared. It is also relevant to note that incidental expenditure during construction pending allocation to Fixed Assets on capitalization has been treated under "Other Non Current Assets".

3. Previous year's figures

The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

4. Claim of Work Contract Tax from Govt. of Assam

Details of claim as under

Opening Claim as on 01.04.2011 (FY-2008-09, 2009-10 & 2010-11)	23,98,24,950
Claim lodged for the financial year 2011-12	29,56,37,759
Total Claim Lodged:	53,54,62,709
Less: Received during the year	20,85,88,708
Receivables as at 31.03.2012	32,68,74,001

5. Taxation of Interest Earned on Capital Subsidy

As per directives from MOCF gross interest earned from parking of fund from the capital subsidy forms part of Capital Subsidy and as such the interest income from parking of capital subsidy not taxable in the hands of BCPL. Accordingly company has filed return for refund of claim as follows:

Year	Refund Claimed
2008-09	2,77,12,793
2009-10	1,85,09,419
2010-11	1,09,90,510
Total	5,72,12,722

The refund of ` 3,17,60,830/- for the year 2008-09, was released in the summary assessment accounted under current liabilities as in the scrutiny assessment the demand has been raised for ` 3,19,22,530/- which is under appeal with CIT(Appeal) Shillong. However, the Assessing Officer has directed to make a payment of ` 1.89 Cr pending disposal of appeal.

6. Entry Tax Exemption on Project

The claim of Entry Tax till 31st March 2012 for ` 15,84,26,241/- has been lodged with the Sales Tax Authority of Assam for refund to BCPL. Further necessary clarification/modification to notification no FTX58/2008/71 Dated 20.10.2009 with a retrospective effect has been sought from GOA for availing the exemption from the payment of entry tax for including all capital goods under AVAT Act'2003.

7. Lease Hold Land

Leases hold Land of ` 81,84,38,860/- in respect of which lease deed has been executed for a period of 30 years. As the modus operandi of leasing out land rests on the assumption that all lands belongs to Govt. of Assam, freehold land of value of ` 25,68,747/- in the financial year 2010-11 not treated as leasehold land and has been accounted for as per AS-19.

8. Rehabilitation cost on Land

The cost of land includes ` 1,17,25,053 (previous year ` 1,17,25,053) paid for cost of rehabilitation land on which the company is not having the title deeds as leased hold owner or otherwise. The ownership of rehabilitation land of 52 bighas has been registered in the name of land dispensed beneficiaries. The amount has been capitalized as part of land as the cost of rehabilitation land paid under the land acquisition scheme.

9. Provision of Income Tax

Income tax provision to the tune of ` 1,17,96,132 (Previous Year ` 1,19,49,817) has been recognized in the book of accounts during the year. The provision for Income Tax is on account of interest earned on STDs kept by investing surplus funds. No Provision has been made on income earned by parking capital subsidy in STDs as the same has not been considered as income of BCPL and the same is being treated as part of the capital subsidy as per directives of the Ministry of Chemicals and Fertilizer, Government of India vide letter no 45013/1/2005-PC-1(Part) dt:15.02.2012..

10. Deferred Tax Liability

No deferred tax liability has been recognized since the project is in the construction stage.

11. Right of Use

The company has acquired the "Right of Use" (ROU) for the purpose of laying and maintenance of the underground pipeline for receiving and supplying of Gas is shown under Intangible Assets. Perpetual Right of Use of ` 7,55,83,519/- (Previous year ` 6,56,25,684/-) acquired by the company, but does not bestow upon the company the ownership of land and thus no amortization has been provided on the same. However cost of Right of use (limited useful life) for having useful life of 10 years is being amortized over the life of ROU.

12. Deferred Revenue Expenditure

An amount of ` 3,08,70,557/- (Previous year ` 3,00,99,714/-) up to

31.03.2012 has been recognized as deferred revenue expenditure towards Incorporation expenses, CSR activities, Advertisement for development of public relation etc. of the Company to be amortized equally over period of five years from the year the plant is ready for commercial production. In view of the requirement of Revised Schedule VI deferred expenditure is to be amortized after more than 12 months from the reporting date and hence classified as non-current.

13. Term Deposit with Public Works Department

Term Deposit amounting to ` 2,03,127/- (previous year ` 2,03,127/-) have been kept as security deposit (refundable) for permission for laying pipelines with Public Works Department.

14. Auditors Fees

The fees for the statutory auditors for the financial year 2011-12 has been fixed at ` 75,000/- (exclusive of service tax) plus out of pocket expenses. (Previous year ` 75,000/- plus out of pocket expenses).

15. Insurance

Insurance claim of ` 3,47,260/- has been recognized in the books. Insurance claims are being recognized when the amount thereof can be measured reliably and ultimate collection is reasonably certain.

Subsequent to the increase of project cost from ` 5,460.61 Cr to ` 8,920 Cr. the proper coverage on enhanced sum insured is under process and liability on account of additional premium of ` 10.04 Cr. has been considered.

16. Capitalization

During the year Assets of ` 42,16,65,949/- (Previous year ` 58,69,21,656/-) has been capitalized in books.

17. Contingent liabilities

- (a) Claims against the Company not acknowledged as debt: NIL
- (b) Guarantees: NIL
- (c) Other money for which the Company is contingently liable

- (i) The company has received a letter from Service Tax Cell, Dibrugarh indicating the finding of Inspection report of CERA audit that there is a short payment of service tax to the extent of ` 24,94,151/- (Previous year Nil) on the part of BCPL in respect of the services of Foreign Service provider. The company has represented the matter to the department in view of computation methodology being adopted by the department

not in accordance with the notification issued. Accordingly keeping the present status in consideration, the management is of the opinion that no provision is required.

- (ii) There are 12 legal cases involving the company as a party. The financial implication of these cases cannot be ascertained at present excepting in one case where the M/s. EPIL has lodged a claim of ` 69.94 Cr in Delhi High court on account of disputed claim on contract due to offloading. Considering the legal status of the claim, the company has not kept any provision for this claim.
- (iii) The Company has arranged for issuance foreign letter of credits through bankers amounting to ` 4,30,15,12,262 (Previous year ` 2,47,63,62,875) during the year.

18. Commitments

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for:

	2011-12 (` in Cr)	2010-11 (` in Cr)
Tangible assets	3,374.94	4,722.91
Intangible assets	70.78	70.78
Total:	3,445.72	4,793.69

19. Balance Confirmation

Balances grouped under loans and advances, deposits and sundry creditors are subject to confirmation.

20. Forex Transactions

- (a) Value of import calculated on CIF basis by company during financial year in respect of capital goods is ` 3,32,32,69,878 (Previous year ` 2,11,23,10,610/-).
- (b) Expenditure in foreign currency includes the followings:-
 - Fess for Licensors (Net of TDS) ` NIL
(Previous year ` 1,38,14,958)
 - Others (Net of tax where applicable) ` 165,24,51,822
(Previous year ` 1,88,28,29,191)
- (c) During the year Gain on foreign currency fluctuation of ` 10,74,521 (previous year ` 75,37,163/-) and ` 2,98,38,975 (Previous year ` 3,78,98,585/-) has been credited to CWIP - Capital Jobs and CWIP- Construction Stock (Material in Transit-Foreign) respectively. Loss on

foreign currency fluctuation of ₹ 11,74,97,774 (previous year ₹ 1,39,35,246/-) has been debited to CWIP - Construction Stock (Material in Transit-Foreign) during 2011-12 and of ₹ 182790 for Capital jobs (previous year NIL)

21. Expenses on secondees

The expenses of ₹ 9,65,74,979 incurred on employees deputed on secondment basis from GAIL (India) Ltd and NRL has been accounted under IEDC head on the basis of the debit advices raised from the respective companies. The expense of ₹ 5,70,984 has also been incurred on employee deputed from Govt of Assam.

22. Claims due to Micro, Small & Medium enterprises

To the extent information available to the company, amount of ₹ 12,85,594 (previous year ₹ 2,76,171) was due to Micro, Small and Medium Enterprises.

23. Related Party Disclosures

Information as per Accounting Standard 18 as prescribed under Accounting Standard Rules, 2006 on Related Party Disclosures is given below:

Name of related parties and description of relationship:

a) Holding Company :

S.No.	Name of the Related Party
1	GAIL (India) Ltd.

b) Joint Owners :

1	Numaligarh Refinery Limited
2	Oil India Limited
3	Government of Assam

c) Key Management Personnel

1	Mr. P.N. Prasad	Managing Director
2	Mr. Rakesh Kumar	Director (Finance)
3	Mr. A. K. Tiwari	CFO

(P.N.Prasad)
Managing Director

(Rakesh Kumar)
Director (Finance)

(A.K.Tiwari)
Chief Finance Officer

(Ruli Das Sen)
Company Secretary

Details of Transactions:

Details	2011-12	2010-11
a) Holding Company :		
Expenditure incurred on Salary of employees on Deputation	9,37,53,690	6,45,77,983
Amount Paid towards purchase of assets	NIL	NIL
Equity Share Contribution	3,75,82,51,000	42,89,99,900
Amount paid towards rental charges	76,50,085	42,09,653
Amount Outstanding in Current Liabilities & Provisions during the year	1,37,00,716	162,09,689
b) Joint Owners :		
Amount paid for infrastructure development for gas supply	34,39,58,456	4,32,09,000
Amount outstanding for infrastructure development for gas supply	38,18,50,000	23,94,89,034
Expenditure incurred on Salary of employees on Deputation	33,92,273	23,62,514
Equity Share Contribution	1,61,06,79,000	18,38,57,100
c) Key Management Personnel:		
Remuneration to Directors	29,15,191	41,37,900
Amount Outstanding (Payable)	Nil	36,210

24. Segment Reporting (AS 17)

The company is under construction stage and hence Accounting Standard -17 "Segment Reporting" of the Companies (Accounting Standard) Rules, 2006 is not applicable

Place : New Delhi
Date : 15.5.2012

As per our separate report on Even Date

For Das & Sharma
Chartered Accountants,
Firm No 314214E

(Binoy Kumar Das)
Partner.
Mem No 51898

SIGNIFICANT ACCOUNTING POLICIES AS AT 31.03.2012

1. Basis of accounting and preparation of financial statements

a) Accounting Convention

The financial statements as per Revised Schedules VI are prepared under the historical cost convention, ongoing concern concept, in accordance with the Generally Accepted Accounting Principles, the Provisions of the Companies Act, 1956 and in compliance with the Accounting Standards issued by the Institute of Chartered Accountants of India. Accounting policies not specifically referred to otherwise, are consistent and in consonance with the generally accepted accounting principles. As a landmark change the requirement of Revised Schedule VI for Financial Reporting System are subordinated to the provisions of Companies Act and accounting standards. Schedule VI shall stand modified according to changes in accounting standards.– Disclosures required by ASs and by the law to be made by way of notes, unless required on the face of the financial statements

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements. Examples of such estimates include estimated useful life of fixed assets and estimated useful life of leased assets. Actual results could differ from these estimates

2. Inventories

- a) Raw materials and Finished products are valued at cost or net realizable value, whichever is lower. Finished products include excise duty and royalty wherever applicable.
- b) Stock in process is valued at cost or net realizable value, whichever is lower. It is valued at cost where the finished products in which these are to be incorporated are expected to be sold at or above cost.

- c) Stores and spare and other material for use in production of inventories are valued at weighted average cost or net realizable value, whichever is lower. It is valued at weighted average cost where the finished products in which they will be incorporated are expected to be sold at/or above cost.
- d) Surplus/Obsolete Stores and Spares are valued at lower of cost or net realizable value whichever is lower.
- e) Surplus/Obsolete Capital Stores, other than held for use in construction of a capital asset, are valued at lower of cost or net realizable value.
- f) All issues of Project Materials to Contractors for use in Capital Jobs are valued at weighted average cost.

3. Fixed Assets, Capital Work-in-Progress & Depreciation /Amortisation

a) Fixed Assets:

Fixed Assets are valued at historical cost on consistent basis inclusive of incidental expenses related thereto. In the case of commissioned assets, where final payments to the contractors is pending, capitalization is made on provisional basis, including provisional liability pending approval of the Competent Authority, subject to necessary adjustment in cost and depreciation in the year of settlement.

Machinery spares, which can be used only in connection with an item of fixed asset and their use is expected to be irregular, will be capitalized with the cost of that fixed asset and will be depreciated fully over the remaining useful life of that asset.

Asset acquired out of Government Grants are capitalized, by way of corresponding credit to Capital Reserves.

b) Intangible Assets:

Assets like software, licenses and right of use of land including crop compensation in course of acquiring such ROU which are expected to provide future enduring benefits will be capitalized as Intangible Assets.

c) Capital Work-in-Progress:

The Capital Work-in-progress includes

PMC Fees /advance for capital goods/materials in Transit /value of materials/equipment etc received at site for use in the projects.

d) Expenditure incurred during construction period

All revenue expenditure incurred during the construction period, which are, directly or indirectly attributable to acquisition/ construction of specific fixed assets, will be capitalised at the time of commissioning of such assets.

e) Depreciation /Amortization

Depreciation on fixed assets, other than those mentioned below is provided in accordance with the rates as specified in Schedule XIV of the Companies Act 1956 on Written Down Value (WDV) on pro-rata basis (Monthly pro-rata for bought out assets).

- i. Assets costing upto `5,000 are depreciated fully in the year of capitalization.
- ii. Bunk Houses are depreciated on assumption of five years life.
- iii. Cost of the leasehold land is amortized over the lease period of 30 years.
- iv. Capital expenditure on the assets, the ownership of which are not with the company, and referred to as enabling facilities are shown separately under the heading "Capital Expenditure-Enabling Facilities". These assets will be amortized over useful life of the assets from the date from which they are put into use.
- v. Intangible assets will be amortized equally over period of five years from the date of recognition.
- vi. Depreciation due to price adjustments on account of foreign exchange rate variations or otherwise in the original cost of fixed assets will be charged with the prospective effect.
- vii. Indirect expenses incurred during the construction period which are not related to the construction activity nor are incidental thereto, will be treated as deferred revenue expenditure and written off to revenue within a period of five years after the commencement of production.

4. Borrowing Costs

Borrowing cost of the funds that are attributable to the acquisition or construction of qualifying assets are capitalized as a part of the cost of such assets. The same will be capitalized up to the date when the asset is ready for use, after netting off any income earned on temporary investment of such funds.

5. Foreign Currency Transaction

- a) Foreign currency transactions are recorded at the rate of exchange prevailing on the date of transaction.
- b) All exchange differences are dealt with as per Accounting Standard 11 and Revised schedule VI requirements of the Companies Act 1956.
- c) Monetary items (such as Cash, Receivables, Loans, Payables etc) denominated in foreign currencies, outstanding at the year end, are translated at exchange rates (BC Selling rate for Payables and TT buying rate for Receivables) prevailing at year end.
- d) Non monetary items (such as Investments, Fixed Assets etc) denominated in foreign currencies are accounted at the exchange rate prevailing on the date of transaction(s).
- e) Any gains or loss arising on account of exchange difference either on settlement or on translation is accounted for.

6. Capital grants by Government of India

Non refundable Government Grants in the nature of promoters' contribution are credited to capital reserve and are treated as part of shareholders' funds.

7. Employee benefits

- a) All short term employee benefits are recognized at their undiscounted amount in the accounting period in which they are incurred.

- b) Employees Benefits under Defined Contribution Plan in respect of Provident Fund is recognized based on the undiscounted obligation of the company towards contribution to the fund. The same is paid to the provident fund account with the Regional Commissioners of P.F.
- c) Expenses and liabilities in respect of employee benefits are recorded in accordance with Revised Accounting Standard -15 - Employee Benefits (revised 2005) issued by ICAI.

8. Taxes on income

- a) Provision for Tax during the construction period is made on interest earned on investments during the construction period, which, is treated for tax purposes as "Income from other Sources". Such provision has been debited under the head IEDC-Interest on STDRs
- b) On commissioning, the company will be eligible for tax incentives under section 80IE of the Income Tax Act, 1961, and will be liable to MAT only under section 115JB of the said Act.

9. Preliminary Expenses

The qualifying preliminary expenditure incurred in connection with the setting up of the business and the new industrial unit are amortized equally over period of five years after plant is ready for commercial production.

10. Impairment of assets

If the carrying amount of the fixed assets exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of the estimated future cash flows.

11. Provisions, contingencies & Capital Commitments

- a) Provisions are recognized when there is present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made.
- b) Liabilities for expenses are recognized only when such liabilities exceed ` . 0.10 Lakhs.
- c) Contingent assets are neither recognized nor disclosed in the financial statements. Contingent liabilities exceeding ` 5.00 Lakhs in each case are disclosed by way of notes to accounts.
- d) Estimated amount of contracts remaining to be executed on capital accounts are disclosed in each case above ` 5.00 Lakhs.

12. Segmental Reporting

The Company has only one segment; hence there are no reportable segments under Accounting Standards 17 "Segment Reporting" of the Companies (Accounting Standard) Rules, 2006.

13. General

- a) Prepaid expenses and prior period expenses/income upto ` 1.00 lakh in each case will be charged to relevant heads of account of the current year.
- b) Liquidated damages, if any, will be accounted for as and when recovery is effected and the matter is considered settled by the Management. Liquidated damages, if settled after capitalization of the assets are charged to revenue, if below ` 50.00 lakhs in each case otherwise adjusted in the cost of the relevant assets.
- c) Insurance claims will be accounted for on the basis of claims admitted by the insurers.
- d) Custom duty and other claims (including interest on delayed payments) will be accounted for on acceptance in principle.

(P.N.Prasad)
Managing Director

(Rakesh Kumar)
Director (Finance)

(A.K.Tiwari)
Chief Finance Officer

(Ruli Das Sen)
Company Secretary

As per our separate report on Even Date

For Das & Sharma
Chartered Accountants,
Firm No 314214E

(Binoy Kumar Das)
Partner,
Mem No 51898

Place : New Delhi
Date : 15.5.2012

CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH' 2012

Particulars	In Lakhs 2011-2012	In Lakhs 2010-2011
A. CASH FLOW FROM INVESTING ACTIVITIES		
ADDITIONS/PURCHASES OF FIXED ASSETS	(3252.87)	(4874.64)
CAPITAL WORK-IN-PROGRESS	(156988.23)	(133614.99)
INCIDENTAL EXPENSES DURING CONSTRUCTION	(11378.52)	(5568.25)
CURRENT ASSETS LOANS AND ADVANCES	(69657.32)	(3154.29)
CURRENT LIABILITIES & PROVISIONS	23730.05	20768.09
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(217,546.88)	(126,444.08)
B. CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM ISSUE SHARE CAPITAL	53689.30	6128.57
PROCEEDS FROM LOANS	64400.00	28300.00
PROCEEDS FROM ADVANCE AGAINST SHARE CAPITAL FROM NRL , OIL , GAIL(INDIA) LTD & GOVT OF ASSAM	2684.00	18767.43
PROCEEDS FROM CAPITAL SUBSIDY FROM GOVT OF INDIA	88256.55	80882.64
NET CASH INFLOW FROM FINANCING ACTIVITIES	209,029.85	134,078.64
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B)	(8,517.03)	7,634.57
OPENING CASH AND CASH EQUIVALANTS	22461.89	14827.32
CLOSING CASH AND CASH EQUIVALANTS	13,944.86	22,461.89
CLOSING CASH AND CASH EQUIVALANTS As Per Book	13944.86	22461.89
DIFFERENCE	0	0
Note:		
Cash and cash equivalent as per revised schedule VI		
Current account balance	3184.25	3459.86
Restricted Cash:		
Term deposit having maturity more than 12 months		19000.50
Term deposit having remaining maturity having 12 month or less	4100.50	
Escro account balance	6660.11	
Total	13944.86	22460.36

(P.N.Prasad)
Managing Director

(Rakesh Kumar)
Director (Finance)

(A.K.Tiwari)
Chief Finance Officer

(Ruli Das Sen)
Company Secretary

As per our separate report on Even Date

For Das & Sharma
Chartered Accountants,
Firm No 314214E

(Binoy Kumar Das)
Partner.
Mem No 51898

Place : New Delhi
Date : 15.5.2012

ANNEXURE

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956
ON THE ACCOUNTS OF BRAHMAPUTRA CRACKER & POLYMER LIMITED,
GUWAHATI FOR THE YEAR ENDED 31 MARCH 2012**

The preparation of financial statement of Brahmaputra Cracker & Polymer Limited, Guwahati for the year ended 31 March 2012 in accordance with the financial reporting Framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on Independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 18-05-2012.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of Brahmaputra Cracker & Polymer Limited, Guwahati for the year ended 31 March 2012. This Supplementary audit has been carried out independently and is limited primarily to inquiries of The Statutory Auditors and Company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' Report under Section 619(4) of the Companies Act, 1956.

Place: Kolkata
Date: 29th June 2012

For and on behalf of the
Comptroller & Auditor General of India

N. Munshi

(Nandana Munshi)

Principal Director of Commercial Audit &
Ex-office Member, Audit Board-I,
Kolkata



GAIL GAS LIMITED

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of your Company, I am delighted to present the fourth Annual Report of your Company along with Audited Financial Statements for the Financial Year 2011-12.

PERFORMANCE OVERVIEW

During the year 2011-12, the important financial and physical highlights are as under:-

FINANCIAL

(` in lakhs)

Particulars	2011-12	2010-11
Turnover (Net of ED)	28,696	2,937
Other Income	205	20
Total Revenue	28,901	2,957
Cost of Sales (excluding Depreciation and including extraordinary items & Prior period expenses)	27,165	3,082
Gross Margin	1,736	(125)
Depreciation	511	82
Profit/ (Loss) Before Tax	1,225	(207)
Provision for Tax	391	(318)
Balance carried forward to Balance Sheet	834	111

PHYSICAL

Particulars	2011-12	2010-11
Sale of Compressed Natural Gas (CNG) (Kg)	1,12,25,804	27,75,000
Sale of Piped Natural Gas (PNG) (MMBTU)	73,07,113	3,98,000

BUSINESS STRATEGY & INITIATIVES

Your Company was incorporated with the objective of focused implementation of City Gas Distribution (CGD) projects in the country. Your Company is serving the retail sector of Natural Gas (NG) business by supplying green and clean fuel i.e. CNG to the transport sector and PNG to domestic and commercial sector. It aims to be the leading company in India in implementing CGD Projects in a large number of cities. In achieving this objective, your Company will go ahead by implementing CGD Projects either independently or through the Joint Ventures to be formed with the State Governments and various other strategic players. Your Company is committed to building on gas distribution network, providing safe and reliable operations and delivering excellence in the areas of operation. Your Company is developing a culture of high performance to deliver continuous improvement to the customers, employees and shareholders. Your Company is also committed to achieve the standards of service benchmarked to the best in the World whilst complying its regulatory obligations.

Your Company has signed a Joint Venture Agreement with Vadodara Mahanagar Sewa Sadan (VMSS) for formation of Joint Venture Company (JVC) to carry forward the ongoing CNG business in city of Vadodara and augment

the infrastructure to implement CGD project in the city. Your Company has formed a Joint Venture Company "Kerala GAIL Gas Limited" with Kerala State Industrial Development Corporation (KSIDC) and has equity participation in "Andhra Pradesh Gas Distribution Corporation Limited" with Andhra Pradesh Gas Infrastructure Corporation Private Limited.

In first round of bidding process of Petroleum and Natural Gas Regulatory Board (PNGRB), your Company has been authorized to implement CGD projects in four cities, namely, Sonapat, Kota, Dewas and Meerut. Your Company has already laid 215 Km steel pipeline and 370 Km MDPE pipeline in these cities. Your Company is operating 1 CNG station each at Dewas, Kota, Meerut and Sonapat. Your Company has also established CNG stations at Panvel, Vijaipur and three stations at Vadodara. Your Company is supplying natural gas to 67 industrial units in Kota, Dewas, Sonapat and Meerut. Your Company has also commenced gas supplies to 1891 domestic customers progressively. Your Company has taken up investment for setting up infrastructure along the national highways for building Green Corridors. To encourage the conversion of vehicles on CNG and make CNG refueling available at highways, your Company has commissioned 2 CNG stations and 3 stations are scheduled to be commissioned in 2012-13.

The marketing activities of your Company are progressing well. About 106 Industrial Customers, 38 Commercial and 15,000 domestic consumers have been tied-up. In the current year, your Company intends to significantly increase the gas supplies to various consumer segments in the operational areas.

Effective from 16.11.2011, the holding Company, GAIL (India) Ltd. transferred the entire distribution network and business in the Agra-Firozabad area to GAIL Gas Ltd. As a consequence, your Company is now handling 347 customers in the region for daily sales amounting to more than 1.16 MMSCMD.

FUTURE OUTLOOK

Your Company operates in the energy sector which is a very vital component of the economy. Energy powers every productive activity in the economy, be it 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. India's energy consumption is 6% of total world consumption indicating significant growth potential in the future. The principal business of your Company is distribution of natural gas in the form of PNG and CNG which in itself is a cleaner fuel and helps in reducing the pollution levels as compared to other fossils fuels.

World Energy Consumption

RANK	COUNTRY	ENERGY CONSUMPTION (Mtoe)	% of WORLD CONSUMPTION
1	China	4483.1	24.66%
2	U.S	2797.2	15.38%
3	India	1116.4	6.14%
4	Russia	849.2	4.67%
5	Japan	597.2	3.28%
	Total World Consumption (Mtoe)	18181.8	

Source: India Energy Book 2012

Natural gas has emerged as an important energy source for the future. Given the increased availability of natural gas, relatively cleaner environmental properties and its diversified applications across all sectors, natural gas is playing an increasingly important role in meeting demand for energy in the country. The share of Natural gas in India's energy mix is around 11% against a world average of around 24%, providing a large scope for increased utilization of natural gas in India. India's consumption of natural gas has grown faster than any other fossil fuel in recent years. It has witnessed an impressive CAGR of over 11% in the last few years. Industries such as power, fertilizer, steel, petrochemicals are the major consumers of natural gas.

Petroleum and Natural Gas Regulatory Board is targeting CGD bidding for more than 200 cities in phased manner. The authorization process for the target cities/ towns will bring a major expansion in gas retailing activities through a network of pipelines into towns and cities. The growth in City Gas Distribution would also provide several opportunities to the stakeholders.

It will be critical for your Company to expand its network and CNG station infrastructure in order to meet the growth in demand for gas. Opportunities for expansion to new geographical areas will be assessed from time to time. Growth in new areas will be undertaken by the Company on its own or through the alliance with other State Governments/bodies by incorporating Joint Venture Companies for City Gas Distribution business.

Your Company will endeavor 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 provide the foundation for the growth of your Company's business. Sourcing additional long term gas is critical for the growth of the business. RLNG as well as indigenous sources of

gas are being explored for this purpose. Your Company endeavors to grow its retail markets to take full advantage of the growth in industrialization and urbanization in its areas of business. With its intrinsic strength and expertise in CGD project conception and execution, your Company is expected to garner a majority market share to become the dominant player in this business. The projects are being/shall be implemented by your company on its own or through Joint Venture Companies with Strategic Partners.

Moving further, your Company will under-take the following activities in regard to Sustainable Development, Corporate Social Responsibility and R&D:

➤ **Sustainable Development:**

Towards sustainable development (SD), a Sustainable Development Policy would be formulated after the approval of the Board. A number of SD initiatives will be taken up within the goal of spending the stipulated 0.5% of PAT for SD initiatives.

➤ **Corporate Social Responsibility:**

A number of CSR projects have been identified to be taken up for implementation for betterment of life of people around the cities your Company is operating.

➤ **R&D**

Towards Research and Development, your Company would be formulating a business model to manufacture and market Bio-methane. Further, development of unified platform for web based Gas Information System (GIS) and financial transactions and CRM for City Gas business will also be taken up.

**SUBSIDIARIES/JOINT VENTURES/
ASSOCIATES**



ited

ed, a Joint Venture between and Kerala State Industrial Development Corporation was incorporated on 22nd November 2011 with an objective to promote city gas distribution activities throughout Kerala State. The company intends to supply environment friendly, economical and convenient fuel i.e. compressed natural gas (CNG) to vehicles and piped natural gas (PNG) to households, commercial establishments and industries.

The Company has an initial authorized share capital of ₹ 10 Crore. GAIL Gas Limited will hold 26 per cent equity in the company while KSIDC will have 24 per cent. The balance 50 per cent equity has been kept for strategic partners, financial institutions.

Andhra Pradesh Gas Distribution Corporation Limited (APGDC)

Andhra Pradesh Gas Distribution Corporation Ltd incorporated on 10.01.2011 as a subsidiary of APGIC to take up the distribution in Andhra Pradesh.

Your Company signed a Share Holders Agreement (SHA) with Andhra Pradesh Gas Infrastructure Corporation Limited (APGIC) and Andhra Pradesh Gas Distribution Corporation Limited (APGDC) in September 2011 to pursue city gas distribution opportunities in the state. GAIL Gas and APGIC hold 25 per cent equity each in APGDC. The balance 50 per cent equity has been kept for strategic partners, financial institutions and other private/public participants.

DIVIDEND

It is not proposed to declare dividend for the current year.

DEPOSITS

During the period, your Company has not accepted deposits from the public under Section 58A of the Companies Act, 1956.

IT INITIATIVES

Your Company has taken several new IT initiatives to harness Information Technology in running the business. Your Company has successfully implemented the latest SAP ECC6 ERP solution for

conducting business transactions online which has enhanced information management and reporting facilities. Implementation of Bill Watch System (BWS) has brought transparency in processing of bills. SCADA (Supervisory Control and Data Acquisition) system spanning 4 cities is also under implementation which will enable centralized monitoring of the pipeline infrastructure and other assets. The GIS pilot project has been implemented in Dewas city.

Your Company has also initiated the process for implementation of SAP IS-Utilities solution for managing a large number of Domestic, Industrial and Commercial customers across cities. The implementation of IS Utility will ensure unmatched customer service experience for the retail customers and bring the efficiencies to the business operations. As part of this initiative the SAP Project System (PS) module has been launched recently.

Your Company has established a communication network to connect all four city offices and Corporate office at Noida, to the Data centre of GAIL (India) Limited at Noida and Jaipur for better access to SAP, email, Intranet and Internet services.

Your Company is keeping pace with the latest advancements in Information Technology."

HEALTH, SAFETY AND ENVIRONMENT

Safety is an essential element in the organizational working. A safe working environment for employees enhances the performance at work place. There is effective involvement and open communication of all safety matters at all levels in your Company. Similar focus on safety issues are given at site locations as well. Safety aspect is taken into consideration during design, construction and commissioning of the installations. In order to ensure safety at work place, various actions have been taken as follows:

- Preparation of O&M procedures for CNG station
- Display of Safety Instructions at CNG Station for customer as well as for operators;
- Risk Analysis of CNG Stations;
- Preparation of Emergency Response &

Disaster Management Plan (ERDMP) so as to meet any emergency situation;

- Deployment of qualified and experienced contract manpower for O&M;
- Fire and Safety Trainings programmes for regular and contract employees from time to time.

All operations are undertaken observing the standard safety norms in order to avoid any mishap. The preventive measures for safety ensure a safe and healthy working environment.

CORPORATE SOCIAL RESPONSIBILITY

Your Company is fully committed to the fulfilment of its social responsibility. Your Company, as a responsible corporate citizen, will be taking all necessary action for initiating various Social Welfare Schemes, in accordance with DPE guidelines on Corporate Social Responsibility for Central Public Sector Enterprises particularly in or around its installations.

HUMAN CAPITAL

The total number of manpower deployed by GAIL (India) Ltd in your Company which was 65 as on 31st of March 2011, has increased to 93 as on 31st March 2012. As your Company is growing, accordingly manpower strength will also be augmented. Your Company focuses on employee development on a continuous basis. With the aim of encouraging a competitive spirit and winning attitude to take on future challenges, keen attention is given to training programmes and workshops.

OFFICIAL LANGUAGE

Your Company has been making efforts for the promotion, propagation and successful implementation of the Official Language policy.

With a view to create greater awareness and consciousness among employees, 'Hindi Diwas' was observed on 14th September 2011 and 'Hindi Fortnight' was organized from 14th September 2011 to 28th September 2011 in association with GAIL (India) Limited. We are also encouraging employees to work more in Official language on a continuous basis.

VIGILANCE

Your Company lays thrust on predictive and preventive rather than punitive vigilance. During

the year, Vigilance Awareness Week was observed. Various awareness programmes were conducted in your Company for the benefit of employees, and Vendors/Customers through association with and support of the promoter, GAIL (India) Limited.

RIGHT TO INFORMATION

In order to promote transparency and accountability, appropriate action is taken to reply to queries from any source whenever received, on time. In compliance to the provisions of the Right to Information Act, 2005, Central Public Information Officer (CPIO) and ACPIOs have been appointed and utmost care is being taken for timely compliance and dissemination of information.

REPRESENTATION OF SC/ST EMPLOYEES

As on 31.3.2012, the manpower strength of GAIL Gas Ltd. is 93, out of which 15 belong to Scheduled Castes and 08 to Scheduled Tribes, representing 16.13% and 8.60% of total manpower respectively.

MANAGEMENT DISCUSSION AND ANALYSIS AND REPORT ON CORPORATE GOVERNANCE

In compliance with DPE Guideline on Corporate Governance, necessary disclosure in a separate statement on Management Discussion and Analysis as Annexure-A and Report on Corporate Governance as Annexure-B are enclosed as a part of Directors' Report.

LAURELS AND SPONSORSHIPS

During the Financial Year 2011-2012, your Company sponsored a number of premier events across the country such as the 7th Asia Gas Partnership Summit (AGPS), the Taj Mahotsav, the Kottayam Boat Race and the City Gas Distribution (CGD) Conference.

CHANGES IN DIRECTORS

Dr. Neeraj Mittal, IAS was appointed as an Additional Director w.e.f. 14th September, 2011

and Shri Rajesh Vedvyas was appointed as an Additional Director w.e.f. 04th November, 2011. Shri J Wason ceased to be Director w.e.f. 08th November, 2011 on taking over as CEO of the Company.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The requisite information with regard to conservation of energy, technology absorption and foreign exchange earnings and outgo in terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is set out in a separate statement attached hereto (Form 'A' & 'B') and forms part hereof as Annexure - C.

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

None of the employees are drawing the remuneration specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 for the year ended 31 March, 2012.

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, 2012, 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 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, 2012 on a going concern basis.

AUDITORS

The Statutory Auditor of your Company is appointed by Comptroller & Auditor General of India (CAG). M/s A K G & Associates, Chartered Accountants, New Delhi are appointed as Statutory Auditors of your Company for the year 2011-12.

The review of Annual Account of your Company for the year ended 31st March, 2012 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.

ACKNOWLEDGMENT

The Board of Directors wish to place on record its sincere appreciation for the dedicated efforts of the employees of your Company. The Board also wishes to thank the Government of India, in particular the Ministry of Petroleum and Natural Gas and various state governments, regulatory and statutory authorities including PNGRB for their guidance and support from time to time. The Board acknowledges its deep and sincere thanks for the co-operation and assistance received from GAIL (India) Limited, Bankers, Financial Institutions, Customers and Suppliers.

For and on behalf of the Board

Sd/-
B.C. Tripathi
Chairman

Place: New Delhi
Dated:

MANAGEMENT DISCUSSION AND ANALYSIS

➤ INDUSTRY STRUCTURE & DEVELOPMENTS

City gas distribution (CGD) is among the fastest growing segments in the gas sector with all major players recording rapid growth in the past couple of years. The segment would continue to grow in the coming years. Demand growth from the industrial segment is expected to be the highest followed by the transportation segment. The CGD segment is growing in the context of a competitive regulatory environment provided by the Petroleum and Natural Gas Regulatory Board (PNGRB), which plans to roll out CGD networks in over 200 new cities by 2015. The setting up of a regulatory board has resulted in competitive opportunities for development of gas distribution system in larger number of cities in phased manner. The availability of Gas Pipeline infrastructure across the country will also bring opportunity to put more cities on the CGD map of India.

GAIL Gas Limited has been authorized by PNGRB and Ministry of Petroleum & Natural Gas (MoPNG) for implementing City Gas Distribution Projects in Dewas (Madhya Pradesh), Kota (Rajasthan), Sonapat (Haryana), Meerut (Uttar Pradesh), Firozabad (Uttar Pradesh) and Vadodara (Gujarat).

Your Company has taken a strategic initiative to join hands with the state Governments to form JVCs to promote natural gas in the state run public transport like buses and industrial clusters. Accordingly, your Company has formed a JVC with Kerala state Industrial Development Corporation named Kerala GAIL Gas Ltd. and has equity participations in APGDC with APGIC.

➤ OPPORTUNITIES, THREATS, RISKS, CONCERNS & MITIGATION

The transmission and distribution segment of the natural gas sector remains relatively under developed, but this is likely to change in the immediate future. Major trunk pipelines have been authorized in the southern region and development of these pipelines is opening the doors to the southern market. Keeping in mind the prospects of the gas demand in the southern states and the LNG re-gasification

terminal under construction at Kochi, your Company has identified the important cities /towns / industrial parks for implementation of CGD projects.

The above developments open material opportunities for your Company while posing certain challenges. The flow of additional volumes of gas by way of RLNG and by way of indigenous gas mainly from the East Coast, offer several options for gas sourcing in the future, which will lead to fulfilling the unmet demand. The process of urbanization in Indian towns has been growing rapidly. These factors create opportunities for growing the market for natural gas for industrial applications, household usage and for use as CNG in vehicles.

The challenges that your Company expects to face relate mainly to increasing competition in certain market segments, retention of critical talent and resourcing, and the growth of its pipeline network. Your Company has strong processes in place to address these challenges.

■ POTENTIAL OF CITY GAS NETWORKS IN INDIA

Natural Gas usage in Indian cities has been limited primarily due to the scarcity of supply. However this scenario is changing with several LNG projects/ transnational pipelines under implementation, which along with new domestic gas finds are expected to shore up the supply in the next few years.

Meanwhile the market for city gas distribution is also set to grow at an accelerated pace. The CNG demand got a boost with the judicial mandate on pollution reduction in 12 major cities of India. The domestic segment is also expected to grow with the government's intentions to remove the subsidy on LPG cylinders in a phased manner making piped gas even more economical.

The growth of industrialization continues to be robust in areas where GAIL Gas is operating. Growth of urbanization in NCR towns of Meerut and Sonapat will also support market growth. These factors create opportunities for growth in CGD market.

■ REGULATORY FRAMEWORK

The Petroleum and Natural Gas Regulatory Board (PNGRB) Act, 2006, provides a legal framework for regulating the refining, processing, storage, transportation, distribution, marketing and sale of petroleum, petroleum products and natural gas, but excluding the activities of production of crude oil and natural gas, so as to protect the interests of consumers and entities engaged in these activities.

The main functions of PNGRB, inter-alia, include (a) granting authorizations for laying, building, operating or expanding new common carrier or contract carrier pipelines and for laying, building, operating or expanding new city gas distribution networks, (b) declaring pipelines as common carrier or contract carrier (c) regulating access to common carrier or contract carrier pipelines and CGD networks.

PNGRB has notified several Regulations pertaining to Natural Gas Pipelines, City Gas Distribution (CGD) networks and Petroleum Product Pipelines.

As the Company is now operating in a regulated environment, various steps are being taken to meet the challenges posed by these developments.

■ RISK FACTORS

The feasibility of city gas projects is highly sensitive to the demand your Company is able to capture, and is thus exposed to demand risk. The project is also exposed to price risk due to the probable mismatch in the movement of input gas price and selling price. The project could also be exposed to the residual risk created by the difference in terms and conditions of contracts with the suppliers and the buyers.

Further, the selling prices to the various customers are not covered by the Regulations. Similarly, the Network Tariff and Compression Cost are to be derived based on the investment done for the same by the entities. Thus, risk mitigation is essential to realize the potential of city gas business. The Selling Price

to customers needs to take care of the investment as well as the risk involved in the business. In view of this, there may be a potential revenue risk to the company since gas is being supplied by the Company in four cities and TTZ as authorized by PNGRB, which can be revised depending upon actual investments.

PNGRB has notified several Regulations pertaining to Natural Gas Pipelines, City Gas Distribution (CGD) networks and Petroleum Product Pipelines. PNGRB Regulations have ramifications on the business of the Company. However, the Company is fully prepared to adapt itself under the regulatory environment.

■ CONCERNS & MITIGATION

Your Company will take the following steps to reduce risk factors involved in City Gas Distribution:

GAS PRICE

At present, pricing of natural gas in Asia is linked mainly to oil prices. As per McKinsey Report 'Gas in 2020: A perspective' CGD has a switching price of \$7-9/MMBtu. As such, it is essential that the delivered gas must be priced in such a manner so as to secure a minimum level of profitability for the Company; while providing adequate incentive to targeted customers to shift to Natural Gas.

DEMAND BUILD-UP

For a city gas distribution project the industrial segment provides the "base load" demand, which can be captured in a shorter time frame. In contrast, build-up of demand in the commercial, transport and residential segments provides better margins but has a higher gestation period. The project roll out must therefore be planned to capture an optimal mix of demand from these segments.

SUPPLY

Input gas price and its terms and conditions are critical for the viability of the city gas distribution project. Existence of Natural gas networks passing by or in proximity of the supply sources from the city limit enhances the project feasibility by reducing the capital and input gas costs.

➤ FUTURE OUTLOOK

Your Company endeavours to grow its retail markets to take full advantage of the growth in

industrialization and urbanization in its areas. The management is focused in ensuring that adequate systems, processes, resources and infrastructure are available and are scalable to enable the growth of your Company.

Your company has prepared a comprehensive Business Plan for 15 years. Business Plan envisaged a number of cities for implementation of CGD projects by GAIL Gas in phased manner. With its intrinsic strength of CGD projects execution and pedigree of promoters expertise in project implementation and financial strength, your Company would be able to garner a majority market share in CGD business.

Your Company has achieved sales revenue of ₹ 286.96 Crores in the FY 2011-12 and has targeted to significantly increase the sales revenue in the current Fiscal. In order to establish a pan-India presence and ensure market leadership in the segment, your Company is in the process of setting up joint ventures with state bodies in various states. The alliances are being developed for formation of JV Company in Vadodara with Vadodara Mahanagar Sewa Sadan (VMSS), in Karnataka with Karnataka State Industrial Investment & Development Corporation (KSIIIDC) and in Rajasthan with Rajasthan State Power Corporation Limited (RSPCL).

➤ INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has adequate Internal control procedures commensurate with its size and nature of business. During the financial year 2011-12, Internal Audit Department of GAIL (India) Limited carried out internal audits and the internal audit reports prepared by them were placed before the Audit Committee.

➤ FINANCIAL PERFORMANCE

During the period your Company has achieved gross turnover of ₹ 289.01 crore as against ₹ 29.57 crore during the corresponding period ending 31.03.2011. The Profit after Tax (PAT) for the year ending 31.03.2012 is ₹ 8.34 crore as against profit after Tax of ₹ 1.11 crore for the corresponding period ending 31.03.2011. During the year, general administrative & over head expenses amounting to ₹ 12.18 crore (PY ₹ 15.07 crore) and Interest on Term Loan ₹ 7.10 crore (PY ₹

3.08 crore) have been transferred to CWIP as IEDC to be capitalized.

During the year the expenses incurred amounting to ₹ 1.45 crore (PY ₹ 0.75 crore) on preparation of DFR, Application fees, Financial appraisal etc in respect of cities found not feasible provided for in Profit & Loss Account as "Expenses written off on Unsuccessful cities" since your Company did not want to participate in the bidding process of these cities.

Your Company has prepared its financial statements as on 31.03.2012 as per Revised Schedule VI of the The Companies Act, 1956. The summary of the financial position of the Company as at 31st March 2012 & 31st March 2011 is given below:

(₹ In Lakhs)		
I. Equity & Liabilities	31.03.12	31.03.11
1. Share Capital (Including share application money pending allotment & Reserves and Surpluses)	22,784	13,315
2. Non-Current Liabilities	14,923	9,319
3. Current Liabilities	8,374	3,833
Total Equity & Liabilities	46,081	26,467
II. Assets		
1. Non Current Assets	37,970	23,366
2. Current Assets	8,111	3,101
Total Assets	46,081	26,467

➤ PHYSICAL PERFORMANCE

Your Company has achieved an impressive growth in developing PNG and CNG infrastructure. The Sale of Compressed Natural Gas (CNG) in the year 2011-12 has reached 1,12,25,804 Kg and Sale of Piped Natural Gas (PNG) has reached 7307113 MMBTU

➤ SHARE CAPITAL

Share holders fund of your Company is ₹ 227.84 Cr as on 31.03.2012 comprises of Paid up Equity Capital of ₹ 167.95 crores, Share Application money pending allotment of ₹ 54.35 Cr and Reserve & Surplus of ₹ 5.54 Cr.

➤ HUMAN RESOURCES DEVELOPMENT

Your Company believes that a continuous thrust on learning by the employees is the source of sustainable competitive advantage.

Towards, this end your Company has been quite proactive in the area of Human Resource Development through various in-house and external training programmes. Industrial relations scenario remained harmonious and cordial for whole of the year. Your Company continues to focus on employee oriented initiatives with a view to tap potential of employees while synergising individual development and organizational growth.

➤ **CORPORATE SOCIAL RESPONSIBILITY**

As a responsible corporate citizen, your Company has identified a number of CSR projects to be taken up for implementation for betterment of life of people around the cities your Company is operating. Some of the CSR activities which your Company has identified are

- Plantation and development of Green Belt area in Dewas city.

- Imparting tailoring training to women of weaker sections for self-employment.
- CSR expenditure as 3% of previous year PAT.

➤ **ENVIRONMENTAL PROTECTION AND CONSERVATION**

Environment protection and its preservation is today a matter of concern for all citizens including corporate.

Your Company focuses on supplying clean and green fuel in the form of CNG to the transport sector and PNG to domestic and commercial sector. For instance, CNG as automotive fuel provides eco-friendly alternative to control the growing air pollution from vehicles. Exhaust emissions from CNG vehicles are much lower than from petrol/diesel vehicles. CNG also emits significantly lower amounts of greenhouse gases and toxins. Also, natural gas is not toxic or corrosive and does not contaminate

ground water. Being the cleanest burning alternative transportation fuel it can aid in cutting harmful Green House Gas (GHG) emissions from the rising number of automobiles. Thus it can not only significantly bolster our Energy Security but also reduce the pollution generated by transport sector.

➤ **CAUTIONARY STATEMENT**

Statements in the Directors' Report and Management and Discussion & Analysis, describing the Company's Objectives, projections and estimates, expectations, predictions etc. may be "forward looking statements" within the meaning of the applicable laws and regulations. Actual results, performances or achievements may vary materially from those expressed or implied, depending on economic conditions, Government policies and other incidental factors.



REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Your Company adheres to good corporate and ethical business conduct. It believes in adopting the best practices and goes beyond adherence of statutory framework to bring transparency, accountability and equity in all facets of its operations. Your Company's philosophy of Corporate Governance is to ensure transparency in all its operations and enhancing stakeholder value within the framework of laws and regulations.

2. BOARD OF DIRECTORS

i. Composition of the Board

The Company is managed by the Board of Directors which formulates strategies, policies and reviews its performance periodically. As per its Articles of Association, the number of Directors shall not be less than four and more than twelve.

As on 31st March, 2012, there were 6 (Six) Directors on the Board comprising of 5 (Five) Promoter-Nominee Directors including the Chairman and 1 (One) Part-time Directors (Government Nominee) nominated by Ministry of Petroleum & Natural Gas. Composition and attendance record of the Company's Board of Directors are as follows:

Name and Designation of the Director	No. of Board Meetings attended	Attendance at last Annual General Meeting	Directorships held in other Public Limited Companies	Membership/ Chairmanship in Committees of the Board of the other Companies
I. Part-time Directors (Promoter Nominee)				
Sh. B. C. Tripathi Chairman	4	Yes	4	1
Shri Prabhat Singh	4	Yes	3	1
Sh. P. K. Jain	4	Yes	5	1
Sh. J. Wason (upto 08.11.2011)	2	Yes	-	-
Dr. Ashutosh Karnatak	3	Yes	Nil	Nil
Sh. Rajesh Vedvyas (w.e.f. 04.11.2011)	2	No	Nil	Nil
II. Part-time Directors (Government Nominee)				
Sh. Neeraj Mittal (w.e.f. 14.09.2011)	2	No	2	Nil

Note:

- During the year 2011-12, 4 (Four) Board Meetings were held.
- 3rd Annual General Meeting was held on 06.09.2011.
- Directors inter-se are not related to each other.
- None of the Director(s) on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees across all the Companies in which he is a Director. Membership/Chairmanship in Committee is reckoned pertaining to Audit Committee and Shareholders/Investors Grievance Committee

and based on latest disclosures received from Director(s).

ii. Details of Board meetings

During the financial year 2011-12, 4 (Four) meetings of the Board were held, the details of which are as below:

S.No.	Meeting No.	Date of Board Meeting
1.	21st	19.05.2011
2.	22nd	17.08.2011
3.	23rd	08.11.2011
4.	24th	25.01.2012

3. AUDIT COMMITTEE

The terms of reference of the Audit Committee is in accordance with Section 292A of the Companies Act, 1956 which, inter-alia, include overseeing the Company's financial reporting process and the disclosure of its financial information; reviewing with the Management, the quarterly and annual financial statements before submission to the Board for approval; reviewing with the Management, the performance of statutory and internal auditors, adequacy of internal control systems and all other matters specified under Section 292A of the Companies Act, 1956 as amended from time to time.

The Audit Committee of the Company comprises of three Directors, Shri P.K.Jain as Chairman, Shri Rajesh Vedvyas and Dr. Ashutosh Karnatak as the Members.

Besides the above, the Chief Executive Officer (GAIL Gas Limited), Chief Financial Officer (GAIL Gas Limited) and Sr. Manager (Internal Audit) of Promoter-GAIL (India) Limited are the permanent invitees to the meetings of Audit Committee. Senior functional executives are also invited, as and when required, to provide necessary inputs to the Committee. The Company Secretary acts as the Secretary to the Committee.

During the financial year 2011-12, 4 (Four) meetings of Audit Committee were held. The details of Audit Committee meetings held during the year are as follows:

S.No.	Meeting No.	Date of Meeting
1.	7th	19.05.2011
2.	8th	17.08.2011
3.	9th	08.11.2011
4.	10th	25.01.2012

4. REMUNERATION COMMITTEE

In terms of DPE Guidelines, the role of remuneration committee is to decide the annual bonus/variable pay pool and policy for its distribution across the executives and non unionized supervisors, within the prescribed limits. CPSE will not be eligible for

Performance Related Pay unless the Independent Directors are on its Board. Since, the Board of the Company has approved payment of remuneration and other allowances in line with the rules applicable in GAIL (India) Limited, Remuneration Committee has not yet been constituted.

The Part-time Director(s) which includes Promoter-Nominee and Government Nominee, do not receive any remuneration from the Company.

2. OTHER SUB-COMMITTEES

Apart from statutory sub-committee viz. Audit Committee, there are other Board level Committees. The details of these sub-Committees of the Board are enumerated below:

S. No.	Name of Committee(s)	Constitution	Power(s)
1.	Empowered Managing Committee	1. Sh. Prabhat Singh Chairman 2. Sh. Rajesh Vedvyas 3. Sh. P.K.Jain 4. Dr. Ashutosh Karnatak 5. Sh. S.K.Singh 6. Sh. J Wason 7. Sh. A.K.Sahni	Award of Works, Purchase, Consulting Services and Contract Services and accord approvals within its delegated powers for the procurement / execution of projects

During the financial year 2011-12, 1 (One) meeting of Empowered Managing Committee was held. The details of Empowered Managing Committee meetings held during the year are as follows:

S.No.	Meeting No.	Date of Meeting
1.	12th	13.10.2011

The minutes of sub-committees of the Board are also placed before the Board from time to time.

6. GENERAL BODY MEETINGS

Location and time, where last three AGMs were held

The location, time and details of special resolutions passed during last two AGMs are as follows:

Year	2008-09	2009-10	2010-11
AGM	1st	2nd	3rd
Date & Time	07.09.2009 5.00 p.m.	09.09.2010 4.00 p.m.	06.09.2011 11.00 a.m.
Venue	6th floor, GAIL Corporate Office, 16, Bhikaiji Cama Place, R.K. Puram, New Delhi-110066		
Special Resoluti on passed	None	Issue of further shares in terms of Section 81 of the Companies Act, 1956	None

7. MEANS OF COMMUNICATION

Annual Report is available on the web-site in a user-friendly manner viz. www.gailgas.com and is circulated to the members and others entitled thereto.

8. DISCLOSURES

- i. Annual Financial statements 2011-12 are in conformity with applicable Accounting Standards. During the year, there have been no materially significant related party transactions that may have potential conflict with the interest of the Company at large. The details of "Related Party Disclosures" are being disclosed in Notes to the accounts in the Annual Report.
- ii. The CEO/CFO of the Company has certified the specified matters to the Board and Audit Committee.
- iii. The Company has adopted the Whistle Blower Policy in its 24th Board Meeting held on 25.01.2012 and has hosted the same on its website **www.gailgas.com**.
- iv. Your Company has adopted a Code of Conduct for Board members and senior management personnel and has hosted the same on its website **www.gailgas.com** and all the members of the Board and Senior Management Personnel have affirmed the compliance of the Code of Conduct.
- v. The Company has complied with applicable rules and the requirement of regulatory authorities and no penalties or strictures were imposed on the Company on any matter related to any guidelines issued by Government during last three years. All statutory filings were within stipulated time with various authorities.
- vi. No item of expenditure has been debited in the books of accounts, which are not for the purposes of the business and no expense which are personal in nature and incurred for the Board of Directors and Top Management.
- vii. The administrative and office expenses are 6.50 % of total expenses in 2011-12 as against 24 % in 2010-11.

9. AUDIT QUALIFICATIONS

The Company has received un-qualified audit report for the financial year 2011-12.

10. TRAINING OF BOARD MEMBERS

Though, no specific training programmes were arranged for Board members, detailed presentations are made by senior executives / professionals/ consultants on business related issues at the Board / Committee meetings.

11. SHARE OWNERSHIP PATTERN AS ON 31st MARCH, 2012:

Category	No. of shares held of 10 each	Percentage of shareholding
GAIL (India) Limited and its nominees	16,79,50,000	100%




To,

The Members,
GAIL Gas Limited,
A-1, Sector-2,
Noida-201301

CERTIFICATE ON COMPLIANCE OF GUIDELINES ON CORPORATE GOVERNANCE

1. We have examined the compliance of Guidelines on Corporate Governance by GAIL Gas Ltd for the year ended 31st March, 2012 as stipulated in O.M.No. 18(8)/2005-GM dated 22.06.2007 and modified by O.M. of the same number dated 14th May, 2010 of the Ministry of Heavy Industries and Public Enterprises, DPE, GOI.
2. The Compliance of Guidelines on Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the Guidelines on Corporate Governance. It is neither an audit nor an expression of opinion on financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us by the management, we certify that, except the Composition of the Board of Directors with regard to Functional and Independent Directors & Audit Committee with regard to Independent Directors, risk management implementation, Remuneration Committee, the Company has complied with the Guidelines on Corporate Governance as stipulated in the O.M. mentioned above.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.



For SMITA RASTOGI & CO.
Company Secretaries

Smita Rastogi
(Proprietor)
CP.NO.5485

Place: New Delhi
Date : June 21, 2012

ANNEXURE TO THE DIRECTORS' REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

(DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A. CONSERVATION OF ENERGY:-

As energy conservation is one of the objectives of the company, so aspect of energy conservation is taken care of in every activity that GAIL Gas Limited undertakes while implementing the project from design to execution of the project.(Annexed as Form A).

B. TECHNOLOGY ABSORPTION:-

GAIL Gas always adopts the new technology wherever required. At the moment the design and execution activities are being undertaken and new technology/ procedure/ standards etc. are being followed.(Annexed as Form B)

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:-

Foreign Exchange Earning and Outgo	Current Year (₹ In lacs)	Previous Year (₹ In lacs)
Total Foreign Exchange earned		
a. Tender fee	0.00	0.00
Total Foreign Exchange outgo		
a. CIF Value of Imports Capital goods	653	342
b. Others (TA)	1	2

FORM A

Form for disclosure of particulars with respect to Conservation of Energy

	Current Year
Power and Fuel Consumption	
1. Electricity	
a) Purchase	
Unit	3.05 lacs units
Total Amount (₹)	22.57 lacs
Rate / Unit (₹)	₹ 7.38/unit
b) Own Generation	
(i) Through Diesel Generator	NIL
Unit	
Unit per Ltr of Diesel Oil	
Cost / Unit (₹)	
(ii) Through Steam	NIL
Units	
Units per Ltr and Fuel Oil / Gas	
Cost / Units	
2. Coal (specify quantity and where used)	NIL
Quantity (tonnes)	
Total Cost	
Average Rate	
3. Furnace Oil	NIL
Quantity (K. Ltrs)	
Total Amount	
Average Rate	
4. Others / Internal Generation (please give details)	NIL
Quantity	
Total Cost	
Rate / Unit	

FORM B

Form for disclosure of particulars with respect to absorption

S.r. No.	Particulars	Current Year
1	Research and Development (R&D)	
A	Specific areas in which R&D carried out by the Company	(a) Continuity with development of: <ul style="list-style-type: none"> - Gas composition & gas quality - Safety of the cylinder - Development of spares such as O-rings etc. - Indigenous development of imported spares - Supervisory Control and Data Acquisition (SCADA) System - Geographical Information System (GIS)
B	Benefits derived as a result of the above R&D	Improvement in the existing business processes and working standards of a City Gas Distribution Project. <ul style="list-style-type: none"> - Safe and effective operation of Gas Supply Network - Forex savings - Easy availability of spares
C	Future plan of action	Continuing Vendor Development (Regulators, Meters, PE pipes etc) <ul style="list-style-type: none"> - Further development of GIS, SCADA, ERP system - Automatic meter Reading (AMR) technology - Development of spares such as O-rings etc. - Indigenous development of imported spares
D	Expenditure on R&D	No Direct Expenditure
	(a) Capital	
	(b) Recurring	
	(c) Total	
	(d) Total R&D expenditure as a percentage of total turnover	
2	Technology absorption, adaptation and innovation	
A	Efforts, in brief, made towards technology adaptation and innovation	<ul style="list-style-type: none"> - Further development of Standards, Specifications and Operating Procedures with policies adapted for local implementation - Safe operation of Gas Supply Network
B	Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.	NIL
C	In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished : <ul style="list-style-type: none"> (a) Technology Import (b) Year of Import (c) Has technology been fully absorbed? (d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action 	

AUDITORS' REPORT

To,
The Members of GAIL Gas Limited,

We have audited the attached Balance sheet of GAIL GAS LIMITED as on 31st March, 2012 and also the profit & Loss Account and Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit:

- 1) We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 2) As required by the Companies (Auditor's Report) Order (Amendment), 2004 issued by the Department of Company Affairs in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in the paragraphs 4 and 5 of the said order in so far as they are applicable to the company.
- 3) Further to our comments in the Annexure referred to in paragraph 2 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account as required by law, have been kept by the company so far as appears from our examination of the books;
 - c) The company's Balance sheet and the Profit & Loss A/c dealt with by this report are in agreement with the books of account;
 - d) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in compliance with accounting standard referred to sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable;

In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the significant accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India:

- i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2012; and
- ii) In the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date.
- iii) In case of Cash Flow Statement, of the Cash Flows for the year ended on that date

For **A.K.G. & ASSOCIATES**
 Chartered Accountants

CA. HARVINDER SINGH
 Partner
 (M. No. 087889)
 (FRN. 002688N)

Place: Delhi
 Date: 21.05.2012

ANNEXURE TO THE AUDITORS' REPORT

THE ANNEXURE REFERRED TO IN PARAGRAPH 2 OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF GAIL GAS LIMITED FOR THE YEAR ENDED ON 31ST MARCH 2012, WE REPORT THAT:

The matters contained in paragraph 4 of the Companies (Auditor's Report) Order, 2003, are as follows:

- I) (a) The Company has maintained records showing quantitative details and situation of fixed assets.
- (b) According to the information and explanation given to us, there is a regular programme of verification of fixed assets which, in our opinion, having regard to the operations of the company in different locations, its size and nature of its assets, needs strengthening. It was informed to us that the Fixed Assets have been physically verified by the management during the year and no major discrepancies were noticed on such verification.
- (c) Substantial part of fixed assets has not been disposed of during the year to effect the going concern.
- II) (a) According to the information and explanations given to us, the inventory of stores and spares were physically verified by the management, except those lying with contractors and project consultants.
- (b) According to information and explanations given to us in our opinion, the procedures for physical verification of inventory followed by the management needs further strengthening in relation to the operations of the company in different locations, its size and nature of its business.
- (c) According to the information and explanations given to us, no major discrepancy has been noticed on physical verification of stock of capital goods in hand, Stores and spares as compared to the Book Records. We have been explained that the stock of gas at the end of the year has been arrived at on the basis of pipeline volume, pressure and temperature available in the pipe line by standard formula.
- III) (a) The Company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under sec. 301 of the Companies Act, 1956.
- (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under sec. 301 of the Companies Act, 1956.
- IV) In our opinion and according to information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and for the sale of goods. During the course of our audit, we have neither come across nor have we been informed of any continuing failure to correct major weakness in the internal controls system of the company.
- V) (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us the transactions, made in pursuance of contracts or arrangements entered in the register under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- VI) Company has not accepted any deposits from the public covered by sec. 58A and 58AA of the Companies Act, 1956. Therefore clause (VI) of the order does not require any comment or explanation from the auditors.
- VII) The Company has taken the support of in house Internal Audit system of its holding Company, GAIL (India) Ltd., which in our opinion is reasonable and commensurate with the size of the Company and the nature of its business.
- VIII) Maintenance of cost records has been prescribed by the Central Government under section 209(1) (d) of the Companies Act 1956, and proper cost records have been maintained by the company.
- IX) (a) According to the records, the Company is generally regular in depositing undisputed statutory dues including Investor Education and Protection Fund, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. As regards the deposit of dues of Provident Fund, Employees State Insurance and other dues relating to staff, since all the employees working in the company are on the payroll of GAIL (India) Ltd., the same is taken care of by the Holding Company and the debit notes raised on the company are accounted in Company's Books under appropriate head of Accounts.
- (b) According to the information and explanation given to us, no undisputed amounts payable in respect of Sales Tax, Service Tax, Custom Duty, Excise Duty and other statutory dues were outstanding at the year end for a period of more than six months from the date they become payable.
- (c) As certified by the Management on which we have relied upon, there are no dues of Excise Duty, Customs Duty, Entry Tax, Sales Tax and Other Taxes which have not been deposited on account of Disputes.
- X) The Company was incorporated on 27 May, 2008, hence this clause is not applicable.
- XI) In our opinion and according to information and explanation given to us, the Company has raised funds through loans and as such there is no default in repayment of dues to financial institutions or banks.
- XII) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

XIII) The Company is not a chit fund, Nidhi, mutual benefit fund, society. Accordingly the provisions of clause 4(XIII) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

XIV) According to the information and explanations given to us, the company has not dealt in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(XIV) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

XV) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by

others from banks or financial institutions during the year.

XVI) According to the information and explanation given to us, the Company has been disbursed term loan of ` 4359 lakhs (PY ` 7441 lakhs) and ` 1500 lakhs (PY ` 1500 lakhs) by Oil Industry Development Board and Union Bank of India, respectively, during the year and the same has been used for purpose for which the loans were disbursed.

XVII) According to the information and explanation given to us, the Company has not raised any short term loan during the year.

XVIII) During the year the company has not made

any preferential allotment of shares to parties or Companies covered in register maintained under section 301 of the Companies, Act, 1956. However during the year private placement of 50780000 equity shares was made to Gail (India) Ltd, the Holding Company.

XIX) The Company has not issued any debenture during the year.

XX) The Company did not raise money by public issue during the year.

XXI) According to information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **A.K.G. & ASSOCIATES**
Chartered Accountants

CA. HARVINDER SINGH
Partner
(M. No. 087889)
(FRN. 002688N)

Place: Delhi
Date: 21.05.2012





GAIL GAS LIMITED

Balance Sheet as at 31st March, 2012

(` in Lakhs)

	Note NO.		AS AT 31 st March, 2012	AS AT 31 st March, 2011
I. EQUITY AND LIABILITIES				
(1) Shareholder's Funds				
a) Share Capital	1 A	16,795	11,717	
b) Share Application money pending Allotment	1 B	5,435	1,878	
c) Reserve & Surplus	2	554	22,784	13,315
(2) Non Current Liabilities				
a) Long Term Borrowings	3	12,565	8,941	
b) Deferred Tax Liability (Net)		58	-	
c) Other Long-term Liabilities	4	2,300	378	
d) Long-term Provisions	5	-	14,923	9,319
(3) Current Liabilities				
a) Short Term Borrowings				
b) Trade Payables	6	2,651	178	
c) Other Current Liabilities	7	5,497	3,655	
d) Short-term Provisions	8	226	8,374	3,833
TOTAL			46,081	26,467
II. ASSETS				
(1) Non-current assets				
a) Fixed Assets	9			
(i) Tangible Assets		19,929	5,214	
(ii) Intangible Assets		386	422	
(iii) Capital Work in Progress	10	16,828	17,097	
(iv) Intangible Assets under Development		-	-	22,733
b) Non-current Investments	11 & 11A	503	-	
c) Deferred Tax Assets (Net)		-	334	
d) Long-term loans and advances	12	324	299	
e) Other non-current assets	13	-	827	633
(2) Current Assets				
a) Current Investments	14	-	-	
b) Inventories	15	516	289	
c) Trade receivables	16	3,275	278	
d) Cash and cash equivalents	17	1,918	1,696	
e) Short-term loans and advances	18	2,347	803	
f) Other current assets	19	55	8,111	3,101
TOTAL			46,081	26,467

See accompanying notes to Financial Statements

Notes to Accounts, Balance Sheet abstract and Company's General Business Profile, Cash Flow Statement, Notes on Accounts and Accounting Policies form an integral part of the Accounts.

Contingent Liabilities not provided for (Refer Note-28)

For and on behalf of the Board of Directors

Preeti Agarwal
Company Secretary
(PAN - AANPG3779M)

Jyoti Dua
CFO
(PAN - ACJPD6268J)

J Wason
CEO
(PAN - AAOPW8792K)

P K Jain
Director
(DIN-02145534)

Prabhat Singh
Director
(DIN-03006541)

As per our separate Report of even date
For **M/S A.K.G. & Associates**
Chartered Accountants
Firm No. 002688N

CA Harvinder Singh
(Partner)
M No. 87889

Place: New Delhi
Dated : 21.05.2012

GAIL GAS LIMITED

Profit & Loss Statement for the Year ended 31st March, 2012

(` in Lakhs)

	Note NO.	Year Ended 31 st March, 2012		Year Ended 31 st March, 2011
I. Revenue from Operations	20	28,696		2,937
II. Other Income	21	205		20
III Total Revenue (I+II)		28,901		2,957
IV Expenses				
Gas consumed	22	25,116		2,312
Employee benefits expense		-		-
Finance Cost	23	247		10
Depreciation	24	511		82
Other Expenses	25 & 26	1,798		760
		27,672		3,164
V. Profit before exceptional and extraordinary items and tax (III-IV)		1,229		(207)
VI. Exceptional Items		-		-
VII. Profit(Loss) before extra ordinary items and tax (V-VI)		1,229		(207)
VIII. Extraordinary Items		-		-
IX. Profit(Loss) before prior period items and Tax (VII-VIII)		1,229		(207)
X. Prior Period Adjustments (Net)	27	4		-
XI. Profit(Loss) before Tax (IX-X)		1,225		(207)
XII. Tax Expenses				
1. Current Tax		226.00		-
Less: MAT Credit		(226.00)		-
2. Deferred Tax		391.00		-
3. Excess Provision of Income Tax of earlier years written back		-	(318)	(318)
XII. Profit(Loss) after Tax for the period (XI-XII)		834		111
Details of Earning Per Share				
A. Profit after tax		834		111
B. Weighted Average No. of Equity Shares		1,444		616
C. Nominal Value per Equity Share (`)		10/-		10/-
D. Basic and Diluted Earning Per Share (`)		0.58		0.18

See accompanying notes to accounts

For and on behalf of the Board of Directors

Preeti Agarwal
Company Secretary
(PAN - AANPG3779M)

Jyoti Dua
CFO
(PAN - ACJPD6268J)

J Wason
CEO
(PAN - AAOPW8792K)

P K Jain
Director
(DIN-02145534)

Prabhat Singh
Director
(DIN-03006541)

As per our separate Report of even date

For **M/S A.K.G. & Associates**
Chartered Accountants
Firm No. 002688N

CA Harvinder Singh
(Partner)
M No. 87889

Place : New Delhi
Dated : 21.05.2012

GAIL GAS LIMITED

Notes

(` in Lakhs)

	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 1 A: Share Capital		
AUTHORISED		
20,00,00,000 (Previous Year 20,00,00,000) Equity Shares of ` 10/- each	20,000	20,000
ISSUED, SUBSCRIBED AND FULLY PAID-UP		
8,38,65,397 equity shares of ` 10/- each (Upto PY 5,51,95,132 shares) Equity Shares of ` 10/- each fully paid up in cash	8,386	5,520
8,40,84,603 equity shares of ` 10/- each (Upto PY 6,19,74,868 Shares) otherwise than in cash	8,409	6,197
TOTAL	16,795	11,717
Par Value Per Share		
Equity Shares	10.00	10.00
NOTE-1B : Share Application Money pending Allotment		
i) In form of Consideration other than Cash pending Allotment A/C GAIL (India) Ltd	4,858	721
ii) In form of Consideration in Cash pending Allotment A/c GAIL (India) Ltd.	577	1,157
TOTAL	5,435	1,878
NOTE-1C : Reconciliation Statement of No. of Shares Outstanding		
Opening No. of Shares	117,170,000	31,300,000
Issued during the year	50,780,000	85,870,000
Forfeited during the year	-	-
Closing No. of Shares	167,950,000	117,170,000
NOTE-1D : The right /Preferences/Restrictions attached during the year for shares		
Proposed /Intereim/Final Dividend	-	-
No. of Shares of the co. held by holding Company		
Share holding Pattern (No. Of Shares): Holding Co-Gail (India) Ltd.(100%)	167,949,994	117,169,994
Total	167,949,994	117,169,994
Share Reserved for Issue under Options & Contracts/ Commitments for Sale of Shares/Disinvestment		
Terms		
Amount	-	-
No.	-	-
	-	-
Convertible Securities in Equity/Preference Shares		
	-	-
Unpaid Calls		
By Directors and Officers	-	-
By Others	-	-
Forfeited Amount of Shares	-	-

GAIL GAS LIMITED

(₹ in Lakhs)

	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 2 : Reserves and Surplus		
Opening Balance	(280)	(391)
Add: Current Year Profit	834	111
Less: Transfer to General Reserve	-	-
Closing Balance	<u>554</u>	<u>(280)</u>
Note 3 : Long Term Borrowings		
SECURED		
TERM LOANS		
From Banks :		
Union Bank of India	2,625	1,500
(Secured against all assets of four authorised cities of Dewas, Kota, Meerut & Sonapat. Against total sanctioned amount of ₹ 14200 lakhs, loan drawn up to 31.03.2012 is ₹ 3000 lakhs as against ₹ 1500 lakhs drawn up to 31.03.2011)		
Terms of Repayment		
Repayable in 16 half yearly installments after moratorium period of 2 years from the date of 1st drawl i.e 12.08.2011. The first repayment will start from 30.09.2012 as per the agreement.		
From Other Parties :		
Oil Industry Development Board	9,940	7,441
(Secured by Corporate Guarantee given by GAIL(India) Ltd)		
Terms of Repayment		
Repayable in 4 annual installments after moratorium period of 1 financial year excluding the year of drawl for each loan. The first repayment will be on 09.06.2012.		
	<u>12,565</u>	<u>8,941</u>
Period and Amount of Continuing default as on Balance Sheet Date in repayment of Loan and Interest	-	-
Note 4 : Other Long Term Liabilities		
Trade Payable	-	-
Others :		
Deposits from Customers	2,238	335
Advance received from customers	62	43
TOTAL	<u>2,300</u>	<u>378</u>
Note 5 : Long Term Provisions		
Employee related Provisions	-	-
Others	-	-
TOTAL	<u>-</u>	<u>-</u>
Note 6 : Trade Payables		
Trade payables	2,651	178
TOTAL	<u>2,651</u>	<u>178</u>

GAIL GAS LIMITED

(` in Lakhs)

	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 7 : Other Current Liabilities		
(a) Current Maturity of Long Term Debt		
Secured	-	-
Oil Industry Development Board	1,860	-
(Secured by Corporate Guarantee given by GAIL(India) Ltd)		
Loan from Union Bank of India	375	-
(Secured against all assets of four authorised cities of Dewas, Kota, Meerut & Sonapat. Against total sanctioned amount of ` 14200.00 lakhs . Loan drawn up to 31.03.2012 is ` 3000.00 lakhs as against ` 1500.00 lakhs drawn up to 31.03.2011)		
Unsecured	-	-
(b) Others		
Audit Fees Payable	1	1
Service Tax Payable	14	-
Int. on Service Tax Payable	-	-
TDS and WCT Payable	256	11
Deposits,retention money from contractors and others	987	126
Other Payables Against O&M	1,358	1,945
Other Payables Against Plant & Machinery	646	1,572
TOTAL	5,497	3,655
Note 8 : Short-term Provisions		
Others :		
Provision for taxation / FBT/Wealth Tax	226	-
TOTAL	226	-

GAIL GAS LIMITED

Note 9 - Fixed Assets (Tangible / Intangible Assets)

(` in Lakhs)

DESCRIPTION	GROSS BLOCK (AT COST)		DEPRECIATION			IMPAIRMENT OF ASSETS			NET BLOCK			
	As at 01.04.2011	Additions/ Adjustments during the year	Sales / Adjustments during the year	As at 31.03.2012	Upto 31.03.2011	For the Year	Adjustments during the year	As at 31.03.2012	Upto 31.03.2011	For the Year	As at 31.03.2011	As at 31.03.2012
Tangible Assets (A)												
Land : Freehold	797	293	-	1,090	-	-	-	-	-	-	797	1,090
Leasehold	383	-	-	383	2	4	-	6	-	-	381	377
Plant and Machinery	4,003	14,824	-	18,827	66	404	-	470	-	-	3,937	18,357
Electrical Equipments	-	1	-	1	-	-	-	-	-	-	-	1
Furniture, Fixtures and other Equipments	67	6	-	73	11	4	-	15	-	-	56	58
Office Equipments	54	13	-	67	11	10	-	21	-	-	43	46
TOTAL (A)	5,304	15,137	-	20,441	90	422	-	512	-	-	5,214	19,929
Intangible Assets (B)												
Right of Use *	-	36	-	36	-	-	-	-	-	-	-	36
Softwares / Licences	432	17	-	449	10	89	-	99	-	-	422	350
Total (B)	432	53	-	485	10	89	-	99	-	-	422	386
TOTAL (A+B)	5,736	15,190	-	20,926	100	511	-	611	-	-	5,636	20,315
Previous Year	682	5,054	-	5,736	19	92	(10)	100	-	-	663	5,636

* Right of use for laying pipelines is a perpetual right of use of land but does not bestow upon the company, the ownership of land and hence, treated as intangible asset. However, no amortisation is provided on the same, being perpetual in nature.

GAIL GAS LIMITED

(` in Lakhs)

		AS AT 31ST MARCH, 2012	AS AT 31ST MARCH, 2011
Note 10 : Capital Work-in-Progress			
A. Plant & Machinery			
Linepipe Construction and related facilities	10,144		9,552
Less : Provision for Linepipe and Related Facilities	(145)	9,999	-
			9,552
B. Linepipes, Capital Items in Stock/Transit			
	6,829		7,545
Less : Provision for losses/obsolescence	-	6,829	-
			7,545
TOTAL		16,828	17,097
Note 11 : Non-current Investments			
1. Trade Investments			
Un-Quoted at Cost			
(a) Investments in Equity Instruments :-			
(i) In Joint Venture Companies:			
50,00,000 (Previous Year : NIL) Equity Shares of ` 10/- each fully paid-up in APGDC Ltd		500	-
(ii) In Subsidiary Company			
26000 (Previous Year : NIL) Equity Shares of ` 10/- each fully paid up in Kerala GAIL GAS Ltd as deemed allotment		3	-
TOTAL I		503	-
Note 11A - Advances for Investments (Pending Allotment)			
TOTAL II		-	-
TOTAL I + II		503	-
Note 12 : Long term Loans and Advances			
(a) Capital Advances			
(Unsecured - Considered Good)	-		-
(Unsecured - Considered Doubtful)	-		-
Less : Provision for Doubtful Advances	-	-	-
(b) Security Deposits			
- Unsecured, Considered Good-Govt	301		299
- Unsecured, Considered Good-Non Govt	23		-
- Unsecured, Considered Doubtful	-		-
	324		299
Less : Provision for doubtful claims	-	324	-
			299
(c) Loans and Advances to related Parties			
(Unsecured, Considered Good)	-		-
(d) Other Loans and Advances			
	-		-
TOTAL		324	299

GAIL GAS LIMITED

(` in Lakhs)

	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 13 : Other Non Current Assets		
- Long Term Trade Receivables	-	-
- Others		
Interest Accrued on Employees Loans secured & considered good (including dues from Directors ` Nil (Previous Year :Nil)	-	-
TOTAL	-	-
Note 14 : Current Investments		
Current Investments		
Associate Companies	-	-
TOTAL	-	-
Note 15 : Inventories		
(a) Finished Goods		
Compressed Natural Gas	2	1
(b) Stock-in-trade		
Stock of Gas* *after adjustment of calorific value	23	1
(c) Stores and Spares		
(As taken, valued and certified by the Management)		
Stores and Spares	491	287
Less : Provision for Losses/Obsolescence	-	-
Construction Surplus - Capital / Stores	-	-
Less : Provision for Losses/Obsolescence	-	-
TOTAL	516	289
Note 16 : Trade Receivables		
(i) Debts outstanding for a period exceeding six months		
- Secured, Considered Good	-	-
- Unsecured, Considered Good	112	-
- Unsecured, Considered Doubtful	-	-
	112	-
(ii) Other Debts		
- Secured, Considered Good	-	-
- Unsecured, Considered Good	3,272	278
- Unsecured, Considered Doubtful	-	-
	3,272	278
Less : Provision for Doubtful debts	108	-
TOTAL	3,275	278

GAIL GAS LIMITED

(` in Lakhs)

	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 17 : Cash and cash equivalents		
(i) Cash and cash equivalents		
(a) Balances With Banks		
On Current Account (includes Corporate Liquid Term Deposit ` 189.80 (Previous Year : ` 90.25))	1,902	1,692
(b) Cheques/Drafts/Stamps in hand	-	-
(c) Cash in hand	16	4
(d) Others	-	-
	1,918	1,696
TOTAL	1,918	1,696
Note 18 : Short Term Loans and Advances		
(a) Loan to Related Parties		
(b) Others		
Loan to Employees	-	-
Advances recoverable in cash or in kind or for value to be received		
- Unsecured, Considered Good	-	275
- Unsecured, Considered Doubtful	-	-
Less : Provision for Doubtful Advances	-	275
	-	275
Advance tax / TDS	464	6
Claims Recoverable-Govt		
- Unsecured, Considered Good	1,883	522
- Unsecured, Considered Doubtful	-	-
	1,883	522
Less : Provision for doubtful claims	-	-
	1,883	522
Deposits with Others		
- Unsecured, Considered Good	-	-
- Unsecured, Considered Doubtful	-	-
Less : Provision for doubtful claims	-	-
TOTAL	2,347	803
Note 19 : Other Current Assets		
Interest accrued but not due	-	1
Prepaid Insurance & Other Charges	55	34
TOTAL	55	35

GAIL GAS LIMITED

(₹ in Lakhs)

		AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 20 : Revenue from Operations			
a) Sale of Products/ Gas	27,963		2,649
Less : Excise Duty	381	27,582	94
b) Gas transmission charges		1,029	338
c) Other Operating Revenues			
Application Fees - Domestic Connection	12		16
Interest Income Customers & Others	3		-
Misc Income - Extra Pipe line	10		-
MGO Receipt	60	85	28
TOTAL		28,696	2,937
Note 21 : Other Income			
Interest Income on Bank Deposits		169	1
Tender Fees		2	5
EMD Forfeited		-	1
Liquidated Damages		34	1
Profit/(Loss) on Sale of Fixed Asset		-	10
Miscellaneous Receipts Eg PBG, Chq Dishonour etc		-	2
TOTAL		205	20
Note 22 : Gas Consumed			
Opening Stock		1	-
Add:Purchases		25,222	2,331
Less :Gas Consumption		25,116	2,312
Less: Gas Consumed as Fuel		82	18
Closing Stock		25	1
Note 23 : Finance Cost			
Interest on Term Loans		957	318
Less : Interest and Finance Charges transferred to Capital Work-in-Progress		710	308
TOTAL		247	10
Note 24 : Depreciation and Amortization Expenses			
Depreciation and Amortization Expenses		511	82
TOTAL		511	82

GAIL GAS LIMITED

(` in Lakhs)

	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note-25 : Other Expenses		
Power & Fuel Charges		
Electricity Charges	29	39
Fuel Charges	82	18
Rent-Office & Others	264	244
Repairs and Maintenance-P&M	112	32
Repairs and Maintenance-Buildings	-	-
Insurance Charges	15	11
Rates & Taxes	1	-
Payment to Auditors		
Audit Fees (incl other Certification)	2	1
Tax Audit Fee	-	-
Out of Pocket Expenses	1	3
Management Service for Employee Cost	832	319
Salaries, Wages and Allowances	1,553	1,041
Contribution to Provident and Other Funds	191	18
Welfare Expenses	18	55
	1,762	1,114
Less : Management Service for Employee Cost transferred to Capital Work-in-Progress	930	795
TOTAL	832	319
Other Misc Expenses	748	807
Less Expenditure transferred to IEDC - Note 26	288	713
Net Other Expenses	1,798	760

GAIL GAS LIMITED

(` in Lakhs)

	AS AT 31 ST March, 2012	AS AT 31 ST March, 2011
Note 26 : Expenditure during Construction Period		
IEDC- Advertisement Exp.	-	14
IEDC- Audit Fee	-	-
IEDC- Bank Charges	-	-
IEDC- Books & Preiodicals	-	-
IEDC- Communication Expenses	-	7
IEDC - Consultancy Charges	-	106
IEDC - Depreciation	-	-
IEDC Electricity Charges	-	-
IEDC-Entertainment Exp	-	-
IEDC-Legal Expenses	-	-
IEDC- Insurance	(1)	2
IEDC- Misc Exp	25	18
IEDC - Misc Income	-	-
IEDC - Power, Water, Fuel Charges	7	33
IEDC- Printing & Stationery Expenses	1	12
IEDC- Rates & Taxes	-	-
IEDC- Rent & Warehouse Exp.	186	189
IEDC- Repair & Maint.	-	-
IEDC - Survey Expenses	-	229
IEDC - Travelling & Conv. Exp	35	59
IEDC - Vehicle Hire Charges	35	44
Total	288	713
Note 27 : Prior period Adjustment		
Other Exp	3	-
Power & Fuel	1	-
Total	4	-
Note 28 Contingent Liabilities		
A BG ISSUED	5140	5707
B COURT CASES-AGRA with Allhabad High Court	129	-
C COURT CASES-AGRA with Firozabad District Court	326	-
D ARBITRATION CASES-Agra Customers	1,221	-
E STATUTORY		
Audit Report received from Service Tax Department advising reversal of Input Credit availed on Transportation charges of Gas purchased and Interest there on	46	-
GRAND TOTAL (A+B+C+D+E)	6,862	5,707

ACCOUNTING POLICIES

1) Accounting Conventions:

The financial statements are prepared on accrual basis of accounting under historical cost convention in accordance with generally accepted accounting principles in India and relevant provisions of the Companies Act, 1956 including accounting standards notified there under from time to time.

2) Use of Estimates

The preparation of financial statements requires estimates and assumptions which affect the reported amount of assets, liabilities, revenues and expenses of the reporting period. The difference between the actual results and estimates are recognized in the period in which the results are known or materialized.

3) Fixed Assets:

Fixed Assets are valued at historical cost on consistent basis and are net of refundable taxes and levies wherever applicable. All costs relating to acquisition of fixed assets till commissioning of such assets are capitalized. In the case of commissioned assets where final payment to the contractor is pending, capitalization is made on provisional basis, including provisional liability pending approval of Competent Authority, subject to necessary adjustment in cost and depreciation in the year of settlement.

4) Intangible Assets

Intangible assets like software licenses and right of use of land, which are expected to provide future enduring economic benefits are capitalized as Intangible Assets.

5) Capital Work-in-Progress

The Capital Work-in-Progress includes advance for capital goods/material in Transit/ value of stores lying in the hands of contractor for use in the projects/value of material/equipment etc. received at site for use in the projects.

6) Borrowing Cost

Borrowing cost of the funds specifically borrowed for the purpose of obtaining

qualifying assets and eligible for capitalization along with the cost of the assets, is capitalized up to the date when the assets is ready for use after netting off any income earned on temporary investment of such funds. Further, the funds generally borrowed and used for the purpose of obtaining a qualifying asset, the amount of borrowing cost eligible for capitalization, in terms of AS 16, is determined on the basis of judgement of the Company.

7) Expenses Incurred During Construction Period

All revenue expenditures incurred during the construction period which are directly or indirectly attributable to acquisition/ construction of fixed assets, will be capitalized at the time of commissioning of such assets.

8) Depreciation/Amortisation

- 1) Depreciation on Fixed Assets other than those mentioned below is provided in accordance with the rates as specified in Schedule XIV of the companies Act, 1956, on straight line method (SLM) on pro rata basis (monthly pro-rata for bought out assets).
 - a) Assets costing upto ` 5,000/- are depreciated fully in the year of capitalization
 - b) Cost of the leasehold land not exceeding 99 years is amortised over the lease period.
 - c) Software/Licences are amortised in 5 years on straight line method.
- 2) Capital assets installed at the consumer premises on the land whose ownership is not with the company, has been depreciated on SLM basic in accordance with the rates as specified in schedule XIV of the Company's Act, 1956.

9) Foreign Currency Translation

- a) Transaction in foreign currency are accounted at the exchange rate prevailing on the transaction date.
- b) Monetary items (such as cash,

receivables, loans, payables, etc.) denominated in foreign currencies, outstanding at the year end, are translated at exchange rates (BC Selling rate for Payables and TT Buying rate for Receivables) prevailing at year end.

- c) Non monetary items (such as Investments, Fixed Assets, etc.) denominated in foreign currencies are accounted at the exchange rate prevailing on the date of transaction (s).
- d) Any gains or loss arising on account of exchange difference either on settlement or on translation is accounted for in the Profit & Loss account.

10) Inventories

- a) Raw materials and finished products are valued at cost or net realizable value, whichever is lower.
- b) Stock in process is valued at cost or net realizable value, whichever is lower. It is valued at cost where the finished products in which these are to be incorporated are expected to be sold at or above cost.
- c) Stores and spares and other material for use in production of inventories are valued at weighted average cost or net realizable value, whichever is lower. It is valued at weighted average cost where the finished products in which they will be incorporated are expected to be sold at/or above cost.
- d) Surplus/obsolete stores and spares are valued at cost or net realizable value, whichever is lower.
- e) Surplus/obsolete capital stores, other than held for use in construction of a capital assets, are valued at lower of cost or net realizable value.

11) Machinery spares, which can be used only in connection with an item of fixed assets and their use is expected to be irregular, are capitalized with the cost of that fixed assets and are depreciated fully over the remaining useful life of that asset.

12) PROFIT & LOSS ACCOUNT:

- a. Sale proceeds will be accounted for based on the consumer price inclusive of statutory Levies and charges upto the place where ownership of goods is transferred.
- b. Pre-Project expenditure relating to Projects which are considered unviable/closed will be charged off to Revenue in the year of declaration / closure.

13) Taxes on Income

Provision for current tax is made as per provisions of the Income Tax Act, 1961. Deferred Tax Liability/ Assets resulting from 'timing difference' between book and taxable profit is accounted for considering the tax rate and laws that have been enacted or substantively enacted as on the Balance Sheet date. Deferred Tax Assets, if any, is recognised and carried forward only to the extent that there is virtual certainty that the

asset will be realized in future.

14) Contingent Liabilities and Capital Commitments

- a) Contingent liabilities are disclosed in each case above ` 5 lakhs.
- b) Estimated amount of contracts remaining to be executed on capital account are disclosed in each case above ` 5 lakhs.

15) Impairment

The Carrying amount of assets are reviewed at each Balance Sheet date. In case there is any indication of impairment based on Internal/External factors, an Impairment loss will be recognized wherever the carrying amount of an asset exceeds its recoverable amount.

GENERAL

- 16) Prepaid expenses and prior period expenses/income upto ` 1,00,000/- in each

case are charged to relevant heads of account of the current year.

- 17) Liquidated damages, if any, are accounted for as and when recovery is effected and the matter is considered settled by the Management. Liquidated damages, if settled, after capitalization of assets are charged to revenue, if below ` 50 lakhs in each case, otherwise adjusted in the cost of relevant assets.

- 18) Insurance claims are accounted for on the basis of claims admitted by the insurers.

- 19) a. Custom duty and other claims (including interest on delayed payments) are accounted for on acceptance in principle.

- b. Liability in respect of MGO of Natural Gas is not provided for where the same is secured by MGO recoverable from customers. Payments/receipts during the year on account of MGO are adjusted on receipt basis.

Preeti Agarwal
Company Secretary
(PAN - AANPG3779M)

Jyoti Dua
CFO
(PAN - ACJPD6268J)

J Wason
CEO
(PAN - AAOPW8792K)

P K Jain
Director
(DIN-02145534)

Prabhat Singh
Director
(DIN-03006541)

As per our separate Report of even date

For **M/S A.K.G. & Associates**
Chartered Accountants
Firm No. 002688N

CA Harvinder Singh
(Partner)
M No. 87889

Place : New Delhi
Dated : 21.05.2012

NOTES ON ACCOUNTS

1. Some of the projects of the Company are still in progress. Since both operation and project activities are being undertaken simultaneously, the employees working in the various disciplines have been identified as working for (a) project activities and (b) operation activities. Therefore, the employee cost & travelling expenses have been directly identified to the project activities and operation activities respectively on actual basis and accounted for accordingly. All administrative and other expenses have been allocated to IEDC and charged to Profit and Loss Account in the ratio of manpower identified for project activities and operation activities respectively during the year.
2. The incidental expenditure during construction amounting ` 1218 lakhs (PY 1507 lakhs) have been allocated to completed Project & Capital work in progress in the ratio of direct allocated cost for assets.
3. One of the project activities of the company is construction of CNG stations. Borrowing cost is capitalized on CNG stations even in cases where the period of construction is less than one year.
4. The details of disclosure regarding share application money are as under:
 - a. Shares to be allotted to GAIL (India) Ltd at par with face value of ` 10.00 each.
 - b. 5,43,51,265 Shares (PY 18,78,000 shares) will be allotted for the total amount of ` 5435 lakhs appearing as share application money as on 31.03.2012.
 - c. Out of the above amount 1,00,00,000 shares for ` 1000 lakhs have already been allotted to GAIL (India) Ltd on 30.04.2012. The balance amount of shares will be issued after increase in authorized capital of the Company after approval in the Annual General Body meeting for the FY 2011-12, as per the requirement of the Companies Act.
 - d. The total authorized capital of the Company is ` 200,00 lakhs against which ` 16,795 lakhs has been issued as on balance sheet date and ` 1000 lakhs issued on 30.04.2012. Further, as on balance sheet date the Company does not have sufficient authorized capital for allotment of shares against balance share application money of ` 4435 lakhs. The same will be issued after increase in authorized capital of the Company for which the Company has already obtained approval of the Board of Directors.
 - e. The amount of ` 1000 lakhs was received from GAIL (India) Ltd on 20.10.2011 (` 577 lakhs in cash (PY ` 1157 lakhs) and balance amount of ` 423 lakhs (PY ` 721 lakhs) by way of reimbursement of expenses incurred on behalf of GAIL GAS Ltd). The remaining balance amount of ` 4435 lakhs (PY : ` Nil) was received in kind by way of value of Net Assets transferred from GAIL (India) Ltd to GAIL GAS Ltd on slump sale basis as per Income Tax Act. There is no requirement of payment of interest on share application money.
 - f. The Company is a 100% subsidiary of GAIL (India) Ltd and the shares are issued as per the approval of Board.
5. The estimated amount of contracts over ` 5 lakhs amounting to ` 5558 lakhs (PY ` 11,291 lakhs) are remaining to be executed on Capital Accounts and not provided for.
6. During the year expenses incurred on cities towards preparation of DFR & Demand survey not found feasible amounting to ` 145 lakhs (PY 75 lakhs) and accordingly provided in the books.
7. To the extent information available with the Company, amount due to Medium & Small Scale Industry is Nil (PY Nil).
8. The reconciliation of accounts with parties is carried out as an ongoing process. Request for confirmation of balances have also been sent.
9. All the employees posted at GAIL Gas Limited during the year are on the rolls of GAIL (India) Limited. Employees benefits including salary are being prepared and disbursed by GAIL (India) Limited for which debit notes are raised on GAIL Gas Limited. Service Tax on cost of manpower posted at GAIL Gas Limited is not being charged by GAIL (India) Limited as the same is not ascertainable therefore no liability for the same has been provided for in the books.
10. Employees Benefits in terms of AS-15 (Revised) have not been considered by GAIL GAS Ltd as all the employees posted at GAIL Gas Ltd are on the rolls of GAIL (India) Ltd.
11. Information required as per Schedule VI of the Companies Act, 1956

	2011-12	2010-11
I. CIF Value of Import		
Capital Goods	653	342
II Expenditure in Foreign Currency-		
Others-Travelling	1	2
12. Details of Sales, Opening Stock, Closing stock & Purchases of product manufacture and traded are as under:

Details of Finished goods for the year 2011-12			
Manufactured Goods	Sales Value	Closing Inventory	Opening Inventory
Compressed Natural Gas	3013 (738)	2 (1)	1 (0)
Total	3013 (738)	2 (1)	1 (0)
Traded Goods			
a. Compressed Natural Gas	332 (105)	0 0	0 0
b. Natural Gas	25647 (2154)	23 (1)	1 (0)
Total	25979 (2259)	23 (1)	1 (0)

The sales as shown above is inclusive of Excise Duty of ` 380 lakhs.

b) Details of purchases of traded goods are as under:

Details of Purchases		₹ in lakhs
Goods Purchased		
a. Compressed Natural Gas		244 (68)
b. Natural Gas		24978 (2263)

The figures in the brackets pertains to previous year.

- 13 In compliance of Accounting Standard 22 on "Accounting for taxes on income" issued by the Institute of Chartered Accountants of India, the Company has created net deferred tax Liability in respect of timing difference as on 31st March, 2012 amounting to ₹ 58 lakhs (Previous year ₹ (-)334 lakhs). The item-wise details of deferred tax liability/asset are as under:

DETAILS OF DEFERRED TAX			
₹ in Lakhs			
Particulars	Balance Carried as at 31.03.2011	Arising/ (Decreasing) during the year and recognized in profit & Loss	Balance Carried as at 31.03.2012
Deferred Tax Liabilities	0	(463)	(463)
Deferred Tax Assets on account of Depreciation	152	0.00	152
Deferred Tax Assets on account of Accumulated Losses	182	71	253
Net Deferred Tax Assets	334	(392)	(58)

- 14 During the year, the Company has been disbursed a Term loan from OADB ₹ 4359 lakhs (PY ₹ 7441 lakhs) and from Union Bank of India ₹ 1500 lakhs (PY ₹ 1500 lakhs) to finance the project activities in the cities of Dewas, Kota, Meerut & Sonapat. Wherever the expenditure on the projects was incurred post disbursement of loan, the borrowing cost on the same was appropriately capitalized and in respect of projects completed out of the opening capital work in progress is assumed to be funded by equity. In terms of AS 16, the total Interest & Finance Charges amounting to ₹ 957 lakhs (PY ₹ 318 lakhs) was incurred, out of which an amount of ₹ 710 lakhs (PY ₹ 308 lakhs) was capitalized during the period.
- 15 With regard to Cenvat Credit of ₹ 21 lakhs taken prior to registration as Input Service Distributor during 2008-09, according to para 31(b) of the guidance note on accounting treatment for Cenvat issued by ICAI, the excess Cenvat credit, if any, arrived on assessment which relates to fixed asset shall be added back to the cost of relevant fixed assets and depreciation thereon shall be claimed over the residual life of fixed asset. The service tax audit has been completed up to 31.03.2011 and as directed by the audit an amount of ₹ 4 lakhs was disallowed out of ₹ 21 lakhs and the same was accounted for.

Further, the department vide their letter No.20/STR-1/N-1/Audit/IAR/GGL/89/2012 dated 13.04.2012 has advised to reverse the service tax input credit taken up to 31.03.2011 for ₹ 34 lakhs in the context that the same is not allowed for the reason that neither PNG is chargeable to any duty of excise nor activity of sale of PNG as such is chargeable to service tax. In view of the contradictory opinion regarding chargeability of service tax on Network Tariff by the service tax department to GAIL(India) Ltd & Bhagyanagar Gas Ltd, the same along with interest amounting to ₹ 12 lakhs has been taken as contingent liability.

- 16 During the year, the Company has two segments i.e. Natural Gas and CNG. Segment reporting in terms with AS 17 are as under:

A. INFORMATION ABOUT BUSINESS SEGMENTS FOR FINANCIAL YEAR 2011-12

₹ in Lakhs					
Sl. No.	SEGMENTS	NG	CNG	Unallocable	TOTAL
1	REVENUE				
	Segment Revenue	25731	2965	205	28901
2	EXPENDITURE	23358	2569	1745	27672
3	RESULTS	2373	396	-1540	1229
4	OTHER INFORMATION				
a	Segment Assets	24313	6293	15475	46081
b	Segment Liabilities	5140	563	17040	23013
c	Capital Expenditure	8374	2006	4811	15190
d	Depreciation	256	147	107	510
e	Non Cash expenses other than Depreciation	-	-	-	-

B. INFORMATION ABOUT BUSINESS SEGMENTS FOR FINANCIAL YEAR 2010-11

₹ in Lakhs					
Sl. No.	SEGMENTS	NG	CNG	Unallocable	TOTAL
1	REVENUE				
	External Sales/Other Income	2144	749	64	2957
	TOTAL REVENUE	2144	749	64	2957
2	RESULTS				
	Segment Result /Profit Before Interest & Taxes	449	(20)	(626)	(198)
	Operating Profit	449	(20)	(626)	(198)
	Interest Expenses			10	10
	Provision for Tax			(318)	(318)
	NET PROFIT /(Loss)	449	(20)	(318)	111
3	OTHER INFORMATION				
	Segment Assets	9755	6045	10667	26467
	Total assets	9755	6045	10667	26467
	Segment Liabilities	1189	1263	10700	13152
	Total Liabilities	1189	1263	10700	13152

Note 1 Sales net of Excise Duty

The business operation of the company does not fall under the definition of geographical segment as per AS-17, therefore no geographical segment reporting has been made.

17 Related Party Disclosure:

- A. The entire Equity Share Capital of the Company is held by GAIL (India) Ltd, Holding Company.
- B. Related Party disclosure as per Accounting Standard 18.
- a. Relation and name of the related parties are:
- i) Holding Company: GAIL (India) Ltd.
- ii) Subsidiary Company

Sl. No.	Name of JV	Date of Incorporation	Total paid up capital as per JV Agreement 31.03.12 (` in lakhs)	GAIL GAS Ltd.'s Share as per JV Agreement 31.03.2012 (` in lakhs)	Amount Contributed by GAIL GAS Ltd. as on 31.03.2012 (` in lakhs)	% holding as on 31.03.2012
1	Kerala GAS Ltd.	22.11.2011	5.00	26%	2.60	52 %

Till the induction of other strategic partners there is difference between the % of ownership as per Joint Venture Agreement and actual % of share capital currently held by the Company i.e.GAIL GAS Limited.

i. Fellow Subsidiary Company:

- a. GAIL Global (Singapore) Pte Ltd.
- b. Brahmaputra Cracker & Polymer Ltd
- c. GAIL GLOBAL USA INC.

ii. Associate Company:

- a. Mahanagar Gas Limited
- b. Indraprastha Gas Limited
- c. Petronet LNG Limited
- d. Bhagyanagar Gas Limited
- e. Tripura Natural Gas Corporation Ltd.
- f. Central UP Gas Ltd.
- g. Green Gas Ltd.
- h. Maharashtra Natural Gas Ltd.
- i. Ratnagiri Gas & Power Pvt Ltd.
- j. Avantika Gas Ltd.
- k. Shell Compressed Natural Gas
- l. Gujarat State Electricity Generation Ltd
- m. National Gas Company "Nat Gas"
- n. Fayum Gas Company
- o. China Gas Holding Ltd.
- p. GAIL China Gas Global Energy Holding Ltd.
- q. ONGC Petro Additions Ltd (OPAL)

v. Joint Venture Company

a.

Sl. No.	Name of JV	Date of Incorporation	Total paid up capital as per JV Agreement 31.03.12 (` in lakhs)	GAIL GAS Ltd.'s Share as per JV Agreement 31.03.2012 (` in lakhs)	Amount Contributed by GAIL GAS Ltd. as on 31.03.2012 (` in lakhs)	% holding as on 31.03.2012
1	Andhra Pradesh Gas Development Corporation Ltd	10.01.2011	1000.00	25%	500.00	50 %

Till the induction of other strategic partners there is difference between the % of ownership as per Joint Venture Agreement and actual % of share capital currently held by the Company i.e.GAIL GAS Limited.

(B) There is no provision towards payment of Management fees to the operator accordingly no management fee has been paid by the JV, therefore, no provision has been made in the books of accounts for same.

(C) As per the information available on the balance sheet date, no contingent liability has been recognized by the JV and as such no provision has been made in the books of account in regard to contingent liability.

vi. Key Management Personnel:

Mr M. Ravindran, C E O
up to 27.10.2011 &

Mr J Wason, CEO
from 28.10.2011 to 31.03.2012

b. Related Party Transactions:

(` in Lakhs)

Sl. No.	Particulars	Holding Co.	Fellow Sub-sidiary	Joint Venture	Asso- ciates	Key Management Personnel	% of holding
1	Purchase of Goods	25222 (2532)	0 (0)	0 (0)	0 (0)	0 (0)	100 (100)
2	Sales of Goods	0 (593)	0 (0)	0 (0)	987* (40)	0 (0)	100 (100)
3	Management contracts including for deputation of employees						
a.	Reimbursement of Remuneration to Key Management personnel	0 (0)	0 (0)	0 (0)	0 (0)	37 (31)	100 (100)
b.	Reimbursement of remuneration to staff	1724 (1117)	0 (0)	0 (0)	0 (0)	0 (0)	100 (100)
4	Outstanding Balance Payable	3169 (182)	0 (0)	0 (0)	0 (0)	0 (0)	100 (100)
5	Outstanding Balance Receivable	0 (0)	0 (0)	0 (0)	70* (0)	0 (0)	100 (0)
6	Provision for Bad Debt	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)

Sl. No.	Particulars	Holding Co.	Fellow Sub-sidiary	Joint Venture	Associates	Key Management Personnel	% of holding
7	Bad Debt written off	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
8	Guarantee & Collateral	16388 (16388)	0 (0)	0 (0)	0 (0)	0 (0)	100 (0)
a.	Corporate Guarantee given to OADB for term loan availed	11800 (11800)	0 (0)	0 (0)	0 (0)	0 (0)	100 (100)
b.	Counter Guarantee given to IDBI Bank for BG issued on behalf of the Co.	4588 (4588)	0 (0)	0 (0)	0 (0)	0 (0)	100 (100)
9	Finance						
a.	Share Application money received pending allotment in cash	577 (1157)	0 (0)	0 (0)	0 (0)	0 (0)	100 (100)
b.	Share Application money received pending allotment in kind	423 (721)	0 (0)	0 (0)	0 (0)	0 (0)	100 (100)
c.	Share Application money towards value of Assets transferred.	4435 (0)	0 (0)	0 (0)	0 (0)	0 (0)	100 (100)
10	Investment in JV	0 (0)	0 (0)	500 (0)	0 (0)	0 (0)	50% (0)
11	Investment in Subsidiaries	0 (0)	0 (0)	3 (0)	0 (0)	0 (0)	52% (0)

*The amount relates to Associate mentioned at iv.f
Figures shown in brackets pertain to previous year.

There is no transaction occurred with Fellow Subsidiary.

18 The rent lease deed of ₹ 1349.71 Lakhs pertaining to rental of office premises of the company at Noida (U.P) taken from HHECIL at A-2, Sector-2, Noida has not yet been registered under the agreement executed on 29/08/08 and 10/03/09. Thus provision for 50% share in stamp duty and registration charges of lease deed shall be accounted for in the year the lease rent deed is executed by the Lessor.

The details of amount paid to auditor during the year vis-à-vis previous year is as under:

Particulars	2011-12	2010-11
a. As auditor:	2	1
b. For Taxation matters	0	0
c. For Company law matters	0	0
d. Management Services	0	0
e. Others Services	0	0
f. For reimbursement of expenses	1	2
TOTAL	3	3

*Includes Service Tax @ 10.30% for 2010-11 & 12.36% for 2011-12

19. Previous Year's (PY) figures have been regrouped and recast to the extent practicable, wherever necessary. Figures in brackets indicate deductions

Preeti Agarwal
Company Secretary
(PAN - AANPG3779M)

Jyoti Dua
CFO
(PAN - ACJPD6268J)

J Wason
CEO
(PAN - AAOPW8792K)

P K Jain
Director
(DIN-02145534)

Prabhat Singh
Director
(DIN-03006541)

As per our separate Report of even date

For **M/S A.K.G. & Associates**
Chartered Accountants
Firm No. 002688N

CA Harvinder Singh
(Partner)
M No. 87889

Place : New Delhi
Dated : 21.05.2012

GAIL GAS LIMITED

Cash Flow Statement for The Accounting Period Ended 31.03.2012

(` in Lakhs)

Particulars	FY 2011-12	FY 2010-11
A. CASH FLOW FROM OPERATING ACTIVITIES		
1. NET PROFIT AFTER TAX AND EXTRAORDINARY ITEMS	834	111
2. ADD:(Non Cash items)		
DEPRECIATION	511	82
OTHER PROVISIONS	391	(318)
CWIP PROV FOR CITIES W/O	145	0
INTEREST INCOME RECEIVED	(182)	(1)
INTEREST PAID	957	318
EXCHANGE RATE VARIATION	15	0
PROFIT ON SALE OF ASSET	0	(10)
EXTRAORDINARY ITEMS- PRIOR PERIOD ITEMS	4	0
3. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES (1+2)	2675	182
4. CHANGES IN WORKING CAPITAL (EXCLUDING CASH & BANK BALANCES)		
TRADE AND OTHER RECEIVABLES	(2997)	(216)
INVENTORIES	(227)	(472)
TRADE AND OTHER PAYABLES	4221	2435
5. CASH GENERATED FROM OPERATIONS (3+4)	3672	2617
6. DIRECT TAX PAID	470	7
NET CASH FLOW FROM OPERATING ACTIVITIES (5+6)	4142	2624
B. CASH FLOW FROM INVESTING ACTIVITIES		
INVESTMENT IN JV'S & SUBSIDIARY	(503)	0
PURCHASE OF FIXED ASSETS	(15190)	(5054)
CAPITAL WORK-IN-PROGRESS	414	(11855)
INTEREST & OTHER INCOME RECEIVED	(182)	(1)
CURRENT ASSETS LOANS AND ADVANCES	(2054)	(545)
CURRENT LIABILITIES & PROVISIONS	58	
PROFIT ON SALE OF ASSET	0	10
NET CASH FROM INVESTING ACTIVITIES.	(17457)	(17445)
C. CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM ISSUE OF SHARE CAPITAL	5078	8587
PROCEEDS FROM ADVANCE AGAINST SHARE CAPITAL FROM GAIL(INDIA) LTD	3557	(762)
SECURED LOANS FROM UBI	1500	1500
SECURED LOANS FROM OIBD	4359	7441
INTEREST PAID	(957)	(318)
NET CASH FROM FINANCING ACTIVITIES	13537	16448
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	222	1627
CASH & CASH EQUIVALENTS- OPENING BALANCE	1696	69
CASH & CASH EQUIVALENTS- (CLOSING BALANCE)	1918	1696

For and on behalf of the Board of Directors

Preeti Agarwal
Company Secretary
(PAN - AANPG3779M)

Jyoti Dua
CFO
(PAN - ACJPD6268J)

J Wason
CEO
(PAN - AAOPW8792K)

P K Jain
Director
(DIN-02145534)

Prabhat Singh
Director
(DIN-03006541)

As per our separate Report of even date
For **M/S A.K.G. & Associates**

Chartered Accountants
Firm No. 002688N

CA Harvinder Singh
(Partner)
M No. 87889

Place : New Delhi
Dated : 21.05.2012

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 OF THE ACCOUNTS OF GAIL GAS LIMITED FOR THE YEAR ENDED 31ST MARCH 2012.

The preparation of financial statements of GAIL Gas Limited for the year ended 31st March 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 619(2) of the companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to be done by them vide their Audit Report dated 21st May 2012.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditors on the accounts of GAIL Gas Limited for the year ended 31st March 2012 and as such have no comments to make under section 619(4) of the Companies Act, 1956.

Place: Delhi
Date: 13.06.2012



For and on the behalf of the
Comptroller & Auditor General of India

Sd/-

(P.K.Singh)

Principal Director of Commercial Audit &
Ex-officio Member, Audit Board-II
New Delhi

GAIL GLOBAL (USA) INC.



DIRECTORS' REPORT

Dear Shareholder(s),

On behalf of the Board of Directors of GAIL Global (USA) Inc. (Company), a 100% subsidiary of GAIL (India) Limited, India, I am delighted to present the First Annual Report of your Company along with Audited Financial Statements ending December 31, 2011.

General Overview

Your Company, was incorporated as a wholly owned subsidiary of GAIL (India) Limited on September 26, 2011 in State of Texas, USA, to undertake investment in the Eagle Ford shale gas asset and operations related to asset and any other activities. The Company has its registered office at 333 Clay Street, Suite 3300, Houston, Texas 77002, USA.

The Company executed a Definitive Agreement with M/s Carrizo Oil & Gas Inc., USA on September 28, 2011, to enter into an unincorporated Joint Venture (JV) in the Eagle Ford Shale asset in Texas. The Company has acquired 20% participating interest in the Joint Venture. Carrizo (Eagle Ford) LLC (Carrizo) with participating interest of 80% is functioning as the Operator of the Joint Venture. The Company acquired net acreage of around 4040 acres in Dimmit, Frio, LaSalle and McMullen Counties in Eagle Ford. Subsequently it acquired around 208 acres as part of Area of Mutual Interest (AMI) for operational reasons.

Board of Directors

The Board of Directors in office as on the date of this report are:

Mr. Venkatraman Srinivasan, Chairman
Mr. Sanjib Datta, Director
Mr. Subir Purkayastha, Director

The Board of Directors are assisted by the following two officers of the company:

Mr. Jayanta Sinha, President
Mr. Amit Jhalani, Secretary cum Treasurer

The day to day operations of the Company are managed by the above mentioned officers.

Performance Overview

During the first year of operation (from September 26, 2011 till December 31, 2011), Company sold approx. 42000 MCF of Natural Gas, 31100 BOE of Oil and 27150 MMBTU of NGL.

At the end of the year the JV had 12 producing wells in Frio and LaSalle Counties.

The Company achieved a turnover of \$ 2.36 Mn. and a net income of \$ 0.26 Mn. during the financial year. A summary of financial performance is as under:

PARTICULARS		
i)	Sales (\$ in Mn.)	2.36
ii)	Income from Operations (\$ in Mn.)	0.64
iii)	Net Income (\$ in Mn.)	0.26
iv)	Net worth (\$ in Mn)	36.06
v)	Capital Employed (\$ in Mn)	94.27
vi)	Gross Fixed Assets (\$ in Mn)	86.09
vii)	Income from Operation to Sales (%)	27%
viii)	Net Income to Sales (%)	11%

Financing

The authorized share capital and the paid up share capital is \$ 50 Million and \$ 36 Million respectively as on December 31, 2011. In order to fund the acquisition, Company had initially taken a loan from GAIL (India) Ltd., which was repaid during the year by drawing a short term loan from Bank. During the year Company signed a short term loan facility agreement of \$84 Mn with Citibank N.A., USA out of which \$ 58 Mn was drawn till December 31, 2011. The paid up capital is entirely subscribed by GAIL (India) Limited.

Dividend

It is not proposed to declare any dividend during the current year.

Audit

The independent auditors, M/s Pannell Kerr Forster of Texas, P.C. has carried out the audit of the Financial Statements of the Company ending December 31, 2011 and their report is annexed hereto.

Drilling & Completion Program

The Operator of the JV has planned for approx. 139 wells in the next seven years entailing an investment of over US\$ 200 Mn. The plan is however subject to review from time & time.

Director's interest in shares or debentures, contractual benefits and responsibility statement.

None of the Directors holding office at the end of the financial year has any interest in the shares or debentures of the Company and no Director has received or become entitled to receive a benefit by reason of a contract made by the Company.

In the opinion of the Directors,

- the financial statements annexed hereto are drawn up in accordance with generally accepted accounting principles, so as to give a true and fair view of the state of affairs of the Company as at December 31, 2011 and the results of the business, change in equity and cash flows of the company for the year.
- at the date of this statement, there are reasonable grounds to believe that the company will be able to service its debts as and when they fall due.

Acknowledgement

The Board of Directors acknowledge its deep and sincere thanks for the co-operation and assistance received from M/s GAIL (India) Ltd., M/s Carrizo Oil & Gas Inc. (JV partner), Bankers, Financial Institution, Vendors and Customers.

For and on Behalf of the Board

(S Venkatraman)
Chairman

Place : New Delhi
Date : June 27, 2012



INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of

Gail Global (USA) Inc.

We have audited the accompanying balance sheet of Gail Global (USA) Inc. (the "Company") as of December 31, 2011, and the related statements of operations, changes in stockholder's equity and cash flows for the period from inception (September 26, 2011) to December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Gail Global (USA) Inc. as of December 31, 2011, and the results of its operations and its cash flows for the period from inception (September 26, 2011) to December 31, 2011, in conformity with U.S. generally accepted accounting principles

PANNELL KERR FORSTER OF TEXAS, PC.

CPAs & PROFESSIONAL ADVISORS

MAY 1, 2012



GAIL GLOBAL (USA) INC. Balance Sheet December 31, 2011

ASSETS	Amt in USD	Amt in INRCrs.
Current Assets:		
Cash and cash equivalents	306,327	16.17
Accounts receivable- oil and natural gas	1,599,035	84.43
Advances to operator	11,084,390	585.26
Prepaid expenses	7,416	0.39
Total current assets	12,997,168	686.25
Oil and natural gas properties:		
Proved property:		
Leasehold costs	28,357,967	1,497.30
Drilling costs	16,938,588	894.36
Completion costs	12,516,494	660.87
Asset retirement obligation asset	67,005	3.54
Capitalized interest	76,643	4.05
Production equipment	450,332	23.78
Wells in progress:		
Drilling costs	6,050,793	319.48
Completion costs	1,744,180	92.09
Production equipment	85,603	4.52
Unproved leasehold costs	19,803,585	1,045.63
	86,091,190	4,545.61
Accumulated depletion, depreciation and amortization	(1,375,041)	(71.44)
	84,716,149	4,474.17
Deferred loan costs, net	199,337	10.52
	97,912,654	5,170.95
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Accounts payable	3,135,341	168.46
Accrued interest	313,705	16.86
Line of credit	58,000,000	3,116.34
Total current liabilities	61,449,046	3,301.66
Deferred income taxes	134,513	7.23
Asset retirement obligation	67,982	3.65
Commitments and contingencies		
Stockholder's equity:		
Common stock, \$1 par value; 50,000,000 shares authorized, 36,000,000 shares issued and outstanding	36,000,000	1,791.72
Retained earnings	261,113	11.38
Foreign Currency Translation Reserve	-	55.31
	36,261,113	1,858.41
	97,912,654	5,170.95

GAIL GLOBAL (USA) INC.

STATEMENT OF OPERATIONS

For the Period from Inception (September 26, 2011) to December 31, 2011

	Amt in USD	Amt in INR Crs.
Oil and natural gas sales	2,361,239	120.49
Expenses:		
Lease operating	223,018	11.59
Production taxes	110,203	5.73
Depletion, depreciation and amortization	1,375,041	71.44
General and administrative	13,118	0.68
Acretion expense	977	0.05
Total operating expenses	1,722,357	89.49
Income from operations	638,882	31.01
Other expense		
Interest expense	(319,899)	(16.62)
Interest expense capitalized	76,643	3.98
Total other expense, net	(243,256)	(12.64)
Income before income tax expense	395,626	18.37
Income tax expense	(134,513)	(6.99)
Net income	261,113	11.38
Other comprehensive income/(losses)		
- Currency translation differences	0	55.31
Total	261,113	66.69

GAIL GLOBAL (USA) INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

For the Period from Inception (September 26, 2011) to December 31, 2011

	Common Stock	Retained Earnings	Other Res Fgn. Curr Trn	Total
Initial contribution - September 26, 2011	\$ 36,000,000	\$ -	-	\$ 36,000,000
Net income	-	261,113	-	261,113
Balance, December 31, 2011 in USD	\$ 36,000,000	\$261,113	\$ -	\$36,261,113
Balance, December 31, 2011 in INR (Crs.)	1,791.72	11.38	55.31	1,858.41

See accompanying notes to financial statements.

GAIL GLOBAL (USA) INC.
STATEMENT OF CASH FLOWS
For the Period from Inception (September 26, 2011) to December 31, 2011

Particulars	Amt in USD	Amt in INR Crs.
Cash Flows from Operating Activities:		
Net income	261,113	66.69
Adjustments to reconcile net income to net cash used in operating activities:		
Depletion, depreciation and amortization	1,375,041	71.44
Amortization of deferred loan costs	6,194	0.30
Deferred income taxes	134,513	6.99
Accretion expense	977	0.05
Changes in operating assets and liabilities		
Accounts receivable	(1,599,035)	(84.43)
Prepaid expenses	(7,416)	(0.39)
Accounts payable	3,135,341	168.46
Accrued interest	313,705	16.86
Net cash used in operating activities	3,620,433	245.97
Cash Flows from Investing Activities:		
Acquisition of oil and natural gas properties	(62,743,406)	(3,312.85)
Additions to oil and natural gas properties	(23,280,779)	(1,229.23)
Advances to operator	(11,084,390)	(585.26)
Net cash used in investing activities	(97,108,575)	(5,127.33)
Cash Flows from Financing Activities:		
Deferred loan costs	(205,531)	(10.52)
Proceeds from borrowings on line of credit	58,000,000	3,116.34
Capital contribution	36,000,000	1,791.72
Net cash provided by financing activities	93,794,469	4,897.54
Net increase in cash and cash equivalents	306,327	16.17
Cash and Cash Equivalents, beginning of period	-	-
Cash and Cash Equivalents, end of period	306,327	16.17
Supplemental Schedule of Noncash Investing and Financing Activities:		
Capitalized asset retirement obligation costs included in oil and gas properties	67,005	3.54

GAIL GLOBAL (USA) INC.

Notes to Financial Statements December 31, 2011

NOTE 1 - NATURE OF OPERATIONS

GAIL Global (USA) Inc. (the "Company") was formed on September 26, 2011 as a Texas Corporation. The Company is a wholly owned subsidiary of GAIL (India) Limited (the "Parent"). The Company is a United States petroleum exploration and production company engaged in the acquisition, exploration, and development of properties for the production of crude oil and natural gas from underground reservoirs.

On September 28, 2011, the Company entered into a purchase and participation agreement (the "Agreement") with Carrizo Oil & Gas, Inc. and two of its affiliates (collectively "Carrizo") and paid \$63,650,000 (₹ 316.79 Crs) to acquire a 20% interest in oil and natural gas properties located in Eagle Ford Shale area in Dimmit, Frio, LaSalle and McMullen Counties of the State of Texas. The Agreement also requires the Company to pay up to an amount not to exceed \$31,350,000 (₹ 156.03 Crs.) (the "carry"), representing 50% of Carrizo's share of all development costs (as defined in the Agreement), through June 30, 2013. The Company has paid approximately \$20,206,000 (₹ 100.57 Crs.) of the required development costs as of December 31, 2011. The Agreement also provides the Company the right of first refusal to acquire a 20% interest in future acquisitions of oil and natural gas leases in the Eagle Ford Shale made by Carrizo in an area of mutual interest (as defined in the Agreement).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less from the date of purchase.

Receivables

Receivables are recorded at their outstanding balances adjusted for an allowance for doubtful accounts. The allowance for doubtful accounts is determined by analyzing the payment history and credit worthiness of each debtor. Receivable balances are charged off when they are considered uncollectible by management. Recoveries of receivables previously charged off are recorded as income when received. No allowance for doubtful accounts was considered necessary at December 31, 2011.

Oil and Natural Gas Properties

The Company uses the successful efforts method of accounting for oil and natural gas producing activities. Costs to acquire mineral interests in oil and natural gas properties, to drill and equip exploratory wells that find proved reserves, to drill and equip development wells, and related asset retirement costs are capitalized. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed. Interest costs are capitalized to oil and natural gas properties during the period the assets are undergoing preparation for their intended use. Interest costs totaling \$76,643 (₹ 0.40 Crs.) was capitalized for the period from inception (September 26, 2011) to December 31, 2011.

Proved oil and natural gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The Company estimates the future undiscounted cash flows of the affected properties to judge the recoverability of carrying amounts. Impairments are measured by the amount by which the carrying value exceeds the fair value.

Unproved oil and natural gas properties that are individually significant are periodically assessed for impairment of value, and a loss is recognized at the time of impairment by providing an impairment allowance. Capitalized costs of producing oil and natural gas properties, after considering estimated residual salvage values, are depreciated and depleted by the unit-of-production method.

Upon sale or retirement of a complete unit of a proved property, the cost and related accumulated depreciation, depletion, and amortization are eliminated from the property accounts, and the resulting gain or loss is recognized in the statement of operations. On the retirement or sale of a partial unit of proved property, the cost and related accumulated depreciation, depletion, and amortization apportioned to the interest retired or sold are eliminated from the property accounts, and the resulting gain or loss is recognized in the statement of operations.

Upon sale of an entire interest in an unproved property, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Deferred Loan Costs

Deferred loan costs are amortized into interest expense using the straight-line method over the terms of the related debt agreement.

Asset Retirement Obligation

The Company records an asset retirement obligation for the abandonment of oil and natural gas producing properties. The asset retirement obligation is recorded at its estimated fair value on the date that the obligation is incurred and accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value. Fair value is measured using expected future cash outflows discounted at the Company's credit-adjusted risk-free interest rate. The fair value of the estimated asset retirement cost is capitalized as part of the carrying amount of the applicable proved oil and natural gas properties and depleted with the corresponding proved oil and natural gas property using the unit of production method.

Revenue Recognition and Natural Gas Imbalances

Revenues from the sale of crude oil and natural gas production are recognized when title passes, net of royalties. Natural gas revenues are generally

recognized under the entitlements method of accounting for natural gas imbalances, i.e., monthly sales quantities that do not match the Company's entitled share of joint production. Entitled quantities in excess of sales quantities are recorded as a receivable from joint venture partners. The receivable is carried at the lower of current market price or the market price at the time the imbalance occurred. Sales quantities in excess of entitled quantities are recorded as deferred revenue carried at the natural gas market price received at the time the imbalance occurred. There were no significant natural gas imbalances at December 31, 2011.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Significant estimates include volumes of oil and natural gas reserves used in calculating depreciation, depletion and amortization of oil and natural gas properties, future net revenues and abandonment obligations, impairment of undeveloped properties, the collectibility of outstanding accounts receivable, contingencies, and the results of current and future litigation. Oil and natural gas reserve estimates, which are the basis for unit-of-production depreciation and depletion, have numerous inherent uncertainties. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Subsequent drilling results, testing, and production may justify revision of such estimates. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered. In addition, reserve estimates are sensitive to changes in wellhead prices of crude oil and natural gas. Such prices have been volatile in the past and can be expected to be volatile in the future.

The significant estimates are based on current assumptions that may be materially affected by changes to future economic conditions, such as the market prices received for sales of volumes of oil and natural gas, and are primarily based upon the data and information received from the joint venture operator. Future changes in these assumptions may affect these significant estimates materially in the near term.

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current period and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and

liabilities are adjusted through the provision for income taxes. The state of Texas has a gross margin tax that applies to the Company.

Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Company is subject to income tax examinations by U.S. federal or state tax authorities for the period ending December 31, 2011.

Tax-related interest is included in interest expense and tax-related penalties are included in income tax expense. The Company had no tax-related interest or penalties in 2011.

Sales-Based Taxes

The Company pays certain governmental taxes based on its sales of oil and natural gas to customers. The Company reports its sales at the gross amount and the related taxes, primarily severance taxes, are included in production taxes in the accompanying statement of operations. Total sales-based taxes incurred by the Company during 2011 amounted to \$110,203 (ˆ 0.56 Crs).

NOTE 3 - ACQUISITION

On September 28, 2011, but effective September 1, 2011, the Company closed on the acquisition of oil and natural gas properties paying \$63,650,000 (ˆ 316.79 Crs) for a 20% working interest in Carrizo's oil and natural gas leases covering 20,200 net acres (4,040 net acres to the Company's interest). The property contained a number of wells that were producing and in progress of being drilled on the closing date. Subsequent to the closing date, oil and natural gas revenue (\$1,012,056) (ˆ 5.16 Crs), net of production and operating costs (\$105,462) (ˆ 0.54 Crs), totaling \$906,594 (ˆ 4.63 Crs) was received by the Company that related to operating activities prior to the closing date. Since the Company did not have effective control of the assets acquired these proceeds were accounted for as a reduction of the purchases price (adjusted purchase price) ultimately allocated to the assets and liabilities acquired. The adjusted purchase price was allocated to the following assets and liabilities acquired:

Proved leasehold costs	\$28,357,967	(ˆ 149.73 Crs)
Well costs and ARO asset	\$15,504,399	(ˆ 81.86 Crs)
Production equipment	\$204,160	(ˆ 1.08 Crs)
Unproved leasehold costs	\$18,721,082	(ˆ 98.85 Crs)
Asset retirement obligation	\$(44,202)	(ˆ 0.23 Crs)
Total	\$62,743,406	(ˆ 331.29 Crs)

NOTE 4 - DEFERRED LOAN COSTS

following table represents the Company's deferred loan costs at December 31, 2011:

Deferred loan costs	\$205,531	(ˆ 1.08 Crs)
Accumulated amortization	\$(6,194)	(ˆ 0.03 Crs)
Balance, December 31, 2011	\$199,337	(ˆ 1.05 Crs)

Amortization expense during 2011 amounted to \$6,194 (ˆ 0.03 Crs). Future

amortization of deferred loan costs will be \$199,337 (ˆ 1.05 Crs) during the year ending December 31, 2012.

NOTE 5 - ASSET RETIREMENT OBLIGATIONS

A summary of the changes in the asset retirement obligation for the period ending December 31, 2011 is as follows:

Balance, September 26, 2011	\$	-
Liabilities acquired	67,005	(ˆ 0.36 Crs)
Accretion expense	977	(ˆ 0.01 Crs)
Balance, December 31, 2011	\$67,982	(ˆ 0.37 Crs)

NOTE 6 – LINE OF CREDIT

The Company has an \$84,000,000 (ˆ 451.33 Crs) credit facility (the "Line of Credit") with a bank. The outstanding balance on the credit facility at December 31, 2011 was \$58,000,000 (ˆ 311.63 Crs). Principal is due at maturity on December 20, 2012. Borrowings under the Line of Credit accrue interest at the one-month LIBOR (0.36% at December 31, 2011) plus 0.8% and is payable monthly. During the period from inception (September 26, 2011) to December 31, 2011, the Company incurred interest totaling \$42,035 (ˆ 0.22 Crs) related to this Line of Credit. The Line of Credit is guaranteed by the Parent and for this guarantee a fee of \$17,095 (ˆ 0.09 Crs) was required to be paid to them and has been recorded as interest expense in the accompanying statement of operations.

The Company also has an \$84,000,000 (ˆ 451.33 Crs) loan agreement with its Parent. There was no outstanding principal balance on the loan agreement at December 31, 2011. Borrowings under the loan agreement will have interest payable at the six-month LIBOR (0.5578% at December 31, 2011) plus 2% as well as any income tax withholding required. On January 31, 2012, the loan agreement was amended to make the next interest payment due March 31, 2012 and due annually thereafter. Principal is due three years after the last borrowing under the loan agreement. During the period from inception (September 26, 2011) to December 31, 2011, the Company incurred interest

expense totaling \$277,864 (ˆ 1.44 Crs) related to this loan agreement with the Parent that is included in accrued interest in the accompanying balance sheet.

NOTE 7 - INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liability as of December 31, 2011 are as follows:

Differences in depletion, depreciation and amortization of property for tax purposes	\$(1,505,010)	(ˆ 7.82 Crs)
Net operating loss carry forward	1,396,224	(ˆ 7.25 Crs)
Other	(25,727)	(ˆ 0.13 Crs)
Total deferred tax liability	\$ (134,513)	(ˆ 0.69 Crs)

The Company had a net operating loss carry forward available at December 31, 2011 amounting to approximately \$4,107,000 (ˆ 21.34 Crs) which expires in 2031.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and trade receivables. The Company maintains its cash with financial institutions it believes have a high credit quality. The Company at times maintains bank deposits in excess of federally insured limits. The possibility of a loss exists if the bank holding excess deposits was to fail. All of the Company's trade receivables are from Carrizo as operator of the Company's properties resulting from oil and natural gas sales. To mitigate this credit risk, the Company closely monitors the payment history and credit worthiness of Carrizo.

NOTE 9 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 1, 2012, the date the financial statements were available to be issued.

*Figures in INR are unaudited.