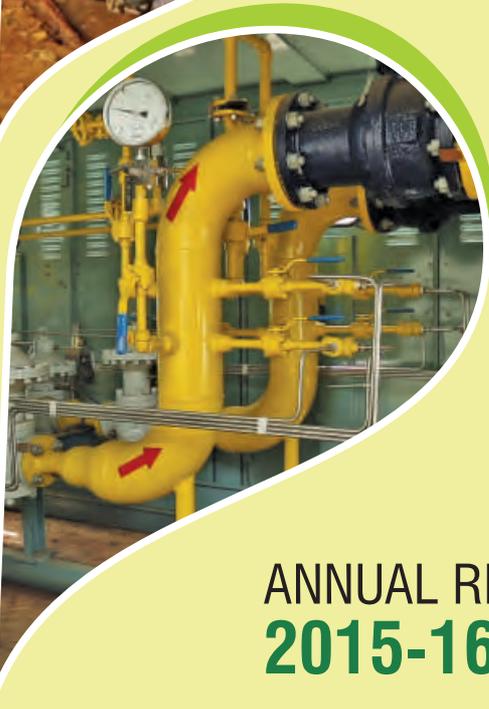
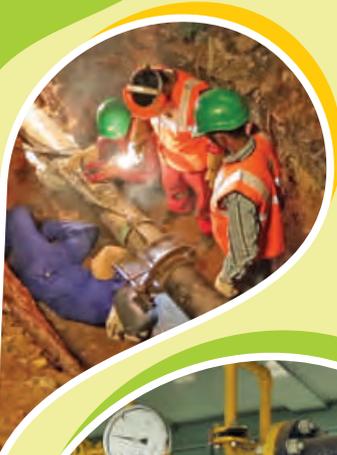


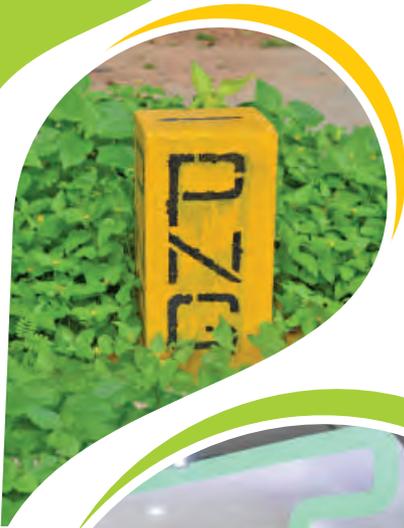


GAIL Gas Limited

# ENERGIZING PROGRESS WITH GREEN ENERGY



ANNUAL REPORT  
**2015-16**



## VISION

Be the leading company in retailing, distribution and marketing of Natural Gas with focus on City Gas Distribution, committed to customer care, value creation for all stakeholders and environmental responsibility

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# MESSAGE FROM CHAIRMAN

## ***Dear Shareholders,***

It is with great pleasure that I present before you the 8<sup>th</sup> Annual Report of your Company, along with the Audited Financial Statements for the financial year 2015-16. The year gone by was a challenging one for the oil and gas industry. By focusing on its distinctive areas of strength, your Company was able to respond quickly to changing conditions and meet the needs of its customers and deliver the experience, products and services that matter to them.

During the period 2015-16, GAIL Gas achieved gross revenue of ₹ 1553.93 crores as against ₹ 1026.44 crores during the corresponding period ending March 31, 2015. The Profit After Tax (PAT) for the year was ₹ 38.96 crores as against PAT of ₹16.84 crores for the corresponding period ending March 31, 2015, representing an increase of 131.35%.

During the year, your Company augmented its CNG distribution infrastructure by enhancing the capacity of its existing stations and adding two new CNG stations at Sonapat and one at Firozabad, thereby achieving a significant jump in CNG sales from 30.90 MMSCM in FY 2014-15 to 38.00 MMSCM in FY 2015-16. Cascade CNG sales to industries where the pipeline connectivity is not feasible or available was also undertaken by your Company. The volume of sales of CNG through cascades amounted to 0.017 MMSCM during the FY 2015-16. Your Company is supplying PNG to domestic customers progressively in its authorized cities. Presently, GAIL Gas is catering to 11404 households as against 8770 in March 2015. During the year, the sales volume for industrial, commercial and domestic customers grew from 526.17 MMSCM (FY 2014-15) to 704.42 MMSCM (FY 2015-16).

In order to expand footprints to more charge areas for domestic connections, the steel grid network and MDPE pipeline network was extended from 374.21 kms & 586.74 kms, respectively, in FY 2014-15 to 388.93 kms & 806.41 kms, respectively, in FY 2015-16 in the cities of Sonapat, Meerut, Dewas, Kota, Taj Trapezium Zone (TTZ) and Bengaluru.

In Bengaluru, your Company has timely achieved its first year target to lay 316.44 Inch-Km pipeline as set by PNGRB. During the FY 2015-16, 478 Inch- Km Pipeline was laid. Where ever technically possible, the pipelines were laid through the Horizontal Directional Drilling (HDD) Technique. i.e., without open cuttings of the roads so as to cause less inconvenience to the people. Your Company is also in the process of implementing an IT network for customer online registration and billing including smart meters for automated recording of consumption. To reduce carbon footprints, your Company is partnering in the Solid Oxygen Fuel Cell (SOFC) based power generation system by supplying natural gas. Company is also imparting training to ITI students for skill development in CGD Sector and to encourage local entrepreneurship.

Your Company is on the track with respect to the city gas projects in the authorized cities. Besides, it is also actively participating in the bidding processes of Petroleum and Natural Gas Regulatory Board. Your Company has formed a consortium with BPCL and won the authorization of Haridwar District and North Goa for implementing CGD projects. To further expand its footprints, GAIL Gas is actively associating with the State Government stakeholders in Rajasthan, Andhra Pradesh, Karnataka and Gujarat to form Joint Ventures for its CGD business.

Going forward, your Company has an ambitious plan to connect lakhs of households in its area of operation through its PNG network in the coming year. This will not only provide cleaner energy to households but also reduce carriage of LPG by trucks across these cities. The LPG so replaced at the urban kitchens would be gainfully utilized to penetrate remote villages without any additional financial burden to the Exchequer. With this step, GAIL Gas aims to fulfil its responsibility to the environment and ensure clean air to the people.

Your Company has received 'NIL' comments from the CAG and has been conferred "Very Good" MoU rating for FY 2015-16.

Environmental protection is one of the main pillars of your Company's corporate philosophy. Your Company remains committed to incorporating leading environmental practices into its business strategy and operations. Your Company believes that effective Corporate Governance is characterized by the practice of principles of transparency, fairness, disclosure and accountability. Your Company has been complying with the requirements of Corporate Governance as enunciated in DPE Guidelines on Corporate Governance as stated in the Report on Corporate Governance. Your Company has always placed Health, Safety and Environment (HSE) at the very heart of the way it does business. Your Company aims to continuously improve the way it operates to prevent untoward incidents and identify and minimize adverse impacts at its projects and facilities.

On behalf of the Board of Directors and Team GAIL Gas, I would like to thank all the employees for their consistent endeavor in creating wealth for the stakeholders and in taking the Company forward. My gratitude is also extended to the parent company GAIL (India) Limited, Central and State Governments and the nodal Ministry for supporting and nurturing GAIL Gas.

*Thank You Ladies and Gentlemen,*

**B.C. Tripathi**  
Chairman

# BOARD OF DIRECTORS



**Shri B.C. Tripathi**  
*Chairman*



**Dr. Ashutosh Karnatak**  
*Director*



**Shri Subir Purkayastha**  
*Director*



**Smt. Anuradha Sharma Chagti**  
*Director (w.e.f. 02.01.2016)*



**Shri R.C. Gupta**  
*Director*



**Shri A.K. Jana**  
*Director (w.e.f. 22.09.2015)*



**Smt. Vandana Chanana**  
*Director*

## KEY MANAGERIAL PERSONNEL

**Shri Pankaj Kumar Pal**  
*Chief Executive Officer*

**Smt. Jyoti Dua**  
*Chief Financial Officer*

**Shri Rajeev Garg**  
*Chief Operating Officer*

**Shri Deepak Asija**  
*Company Secretary*

**Registered Office**  
16, Bhikaiji Cama Place,  
R.K Puram,  
New Delhi-110066

**Bankers**  
HDFC Bank  
ICICI Bank  
State Bank of India

**Statutory Auditors**  
M/s Bansal Sinha & Co.,  
Chartered Accountants,  
New Delhi

**Cost Auditor**  
M/s K.L. Jaisingh & Co.  
NOIDA

# DIRECTOR'S REPORT

## Dear Shareholders,

On behalf of the Board of Directors, I am delighted to present the 8<sup>th</sup> Annual Report of your Company, along with the Audited Financial Statements for the financial year, 2015-16.

## PERFORMANCE OVERVIEW

For the year 2015-16, the important financial highlights are as under:

## FINANCIAL RESULTS

(₹ in Crores)

Particulars	Standalone		Consolidated	
	2015-16	2014-15	2015-16	2014-15
Turnover (Net of ED)	1478.90	984.29	1509.30	1000.68
Gas Transmission Charges	68.32	34.31	68.32	34.31
Other Operating Income	4.66	5.99	5.56	5.99
Other Income	2.05	1.85	3.34	2.78
<b>Total Revenue (rounded off)</b>	<b>1553.93</b>	<b>1026.44</b>	<b>1586.52</b>	<b>1043.76</b>
Cost of Sales (excluding Depreciation and including extraordinary items and prior period expenses)	1481.83	989.33	1509.16	1004.23
Profit before Depreciation & Tax (PBDT)	72.10	37.11	77.36	39.53
Depreciation	13.73	12.23	20.38	12.56
Profit/(Loss) Before Tax	58.37	24.88	56.98	26.97
Provision for Tax (Incl. Def. Tax)	19.41	8.04	20.60	8.92
Proposed Dividend and Dividend Distribution Tax	9.68		9.68	
<b>Balance carried forward to Balance Sheet (rounded off)</b>	<b>29.29</b>	<b>16.84</b>	<b>26.70</b>	<b>18.05</b>

## BUSINESS PLAN

Your Company was incorporated with a vision to be the leading Company in retailing, distribution and marketing of Natural Gas with focus on City Gas Distribution (CGD). It aims to create value for all its stakeholders while fulfilling its responsibilities to its customers and the environment.

Your Company is on the track with respect to the city gas projects in the authorized cities. Besides, it is also actively participating in the bidding processes of Petroleum and Natural Gas Regulatory Board. Your Company has formed a consortium with BPCL and won the authorization of

Haridwar District and North Goa for implementing CGD projects. To further expand its footprints, GAIL Gas is actively associating with the state government stakeholders in Rajasthan, Andhra Pradesh, Karnataka and Gujarat.

Your Company is also participating in the fertilizer pool bidding, as a supplier for RLNG to organizations such as National Fertilizers Limited and Tata Chemicals Limited. In addition, your Company is also supplying gas to City Gas Distribution Companies like IGL and CUGL.

PNGRB is targeting CGD bidding for more than 200 cities in a phased manner. Your Company is all set to participate in more cities in the forthcoming rounds of the PNGRB bidding process. Your Company, with its intrinsic strength of CGD project execution is expected to garner a majority market share to become the dominant player in this business. GAIL Gas intends to create CNG Corridor for facilitating inter-city transport of CNG, which is a cleaner fuel, with the approval of statutory bodies.

GAIL Gas has an ambitious plan to connect lakhs of households in its area of operation through its PNG network in over the next two years. This will not only provide cleaner energy to households but also reduce carriage of LPG by trucks across these cities. The LPG so replaced at the urban kitchens would be gainfully utilized to penetrate remote villages without any additional financial burden to the Exchequer. With this step, GAIL Gas aims to fulfil its responsibility to the environment and ensure clean air to the people.

In order to achieve its strategic goals efficiently, your Company is committed to build and maintain a customer-friendly approach in its operations and systems. We are in the process of implementing an IT network, to streamline operations such as customer registration and billing based on smart meters that would automatically record consumption of natural gas by the domestic customers.

## SEGMENT & BUSINESS PERFORMANCE

### ■ COMPRESSED NATURAL GAS BUSINESS (CNG)

During the year, your Company augmented its CNG distribution infrastructure by enhancing the capacity of existing stations and adding 02 (Two) new CNG stations at Sonapat and 01 (One) at Firozabad, thereby achieving a significant jump in CNG sales from 30.90 MMSCM in FY 2014-15 to 38.00 MMSCM in FY 2015-16.

Cascade CNG sales to industries where the pipeline connectivity is not feasible or available has also been undertaken by your Company. The volume of sale of CNG through cascades amounted to 0.017 MMSCM during the FY 2015-16.

## ■ PIPED NATURAL GAS BUSINESS (PNG)

### **PNG – Domestic Connections**

Your Company is supplying PNG to domestic customers progressively in its authorized cities. Presently, the Company is catering to 11404 households as against 8770 in March 2015.

### **PNG – Commercial & Industrial**

Your Company has maintained its focus on the PNG industrial and commercial segment as one of its potential growth areas. With its concentrated efforts in the year 2015-16, the total number of commercial and industrial customers increased from 503 in FY 2014-15 to 513 in FY 2015-16. In order to increase the gas sales volume, the company participated, won the bids, and supplied natural gas to five fertilizer plants/CGD entities. This increased the gas sales volume by around 34% as compared to previous FY 2014-15.

During the year, the sales volume for industrial, commercial and domestic customers grew from 526.17 MMSCM (FY 2014-15) to 704.42 MMSCM (FY 2015-16).

Your Company has commissioned the steel networks in the geographical areas (GAs) of Sonapat, Dewas, Kota and Meerut. Further, the steel network augmentation is under progress in the Taj Trapezium Zone (TTZ) & Bengaluru.

In order to expand footprints to more charge areas for domestic connections, the steel grid network and MDPE pipeline network has been extended from 374.21 kms & 586.74 kms, respectively in FY 2014-15 to 388.93 kms & 806.41 kms, respectively in FY 2015-16 in the cities of Sonapat, Meerut, Dewas, Kota, TTZ & Bengaluru.

### ■ **GAIL Gas Bengaluru CGD Project**

Your Company has been authorized by Petroleum & Natural Gas Regulatory Board (PNGRB) for laying, building, operating and expanding CGD network in the GA of Bengaluru Rural & Urban districts vide authorization dated 18.02.2015. As per PNGRB's Minimum Work Programme (MWP) target, the Company is authorized to lay 1583 Inch-Km pipeline and provide PNG domestic connections to approximately 1.31 lakhs houses in the initial five years. The first year target was to lay 316.44 Inch-Km pipeline, which was to be completed by February 17, 2016 to meet the PNGRB timeline. The Company is glad to announce that it could achieve the target a few days in advance, on February 10, 2016. During the FY 2015-16, a total 478 Inch-Km pipeline was laid. Where ever technically possible, the pipelines are being laid through the Horizontal Directional Drilling (HDD) technique that does not involve the open cutting of the roads. Needless to say, the technique causes less inconvenience to the people, especially in the densely inhabited areas.

Your Company is also in the process of implementing IT network for customer online registration and billing including smart meters for automated recording of consumption of natural gas by the domestic customers. We have also launched Emergency Response Vehicle with latest equipment for operating safe network of gas pipeline in Bengaluru.

During the year under review, Bengaluru CGD project also started gas supply to its industrial and commercial customers. The total Gas sales revenue during FY 2015-16 from this GA was ₹ 4.1 crores.

Although no MWP target was provided for PNG domestic connection during the year, your Company was still able to create PNG infrastructure for 1225 houses in its initial year. Your Company has also started construction of three CNG stations in BMTC (Bengaluru Metropolitan Transport Corporation) Depots and another CNG station at one of the SV stations in Bengaluru.

Your Company is the energy partner for 2.5 MW Solid Oxygen Fuel Cell (SOFC) based power generation system at one of the IT companies in Bengaluru, which is expected to consume around 11000 SCMD of natural gas when in full production. The Natural Gas Driven Fuel Cell based power plant will be the primary source of power for the consumer's Global Data and this would enable the consumer to reduce its carbon footprints in its R&D center from power production by about 30%.

## **RELATED PARTIES – ASSOCIATES & JOINT VENTURES**



### • **ANDHRA PRADESH GAS DISTRIBUTION CORPORATION LIMITED (APGDC)**

APGDC, a Joint Venture Company of GAIL Gas and Andhra Pradesh Gas Infrastructure Corporation Private Limited (APGIC), was incorporated on January 10, 2011 with the objective to import, process, and transport natural gas; to develop gas distribution network; and to establish LNG import facility in the East coast, store, regasification of LNG, transport, and distribute natural gas in Andhra Pradesh.

In line with the business plan, APGDC undertook the following major activities:

- Floating Storage and Re-gasification Unit (FSRU) based LNG import project in Kakinada.
- APGDC has received authorization to lay, operate and expand Natural Gas Pipeline from Kakinada to Srikakulam (around 300 kms) through bidding process by PNGRB. The construction of the pipeline project has commenced.

- In addition, APGDC along with HPCL has also received authorization of GAs of East Godavari district, West Godavari district and Krishna district from PNGRB for CGD.

The total revenue of the JV Company for FY 2015-16 was ₹ 91.23 Lakhs and PAT was ₹ (57.98) Lakhs.



#### • KERALA GAIL GAS LIMITED (KGGL)

Your Company incorporated a Joint Venture Company with Kerala State Industrial Development Corporation (KSIDC), namely Kerala GAIL Gas Limited, on November 22, 2011 with an objective to promote CGD activities in Kerala.

As per the Joint Venture agreement, your Company has 26% equity stake in KGGL, along with KSIDC having an equity stake of 24%. Initially, both GAIL Gas and KSIDC are holding 50% equity shareholding, respectively, in KGGL.

The total revenue of the JV Company for FY 2015-16 was ₹ 196.14 Lakhs and PAT was ₹ 110.89 Lakhs.



**RAJASTHAN STATE GAS LIMITED**

राजस्थान राज्य गैस लिमिटेड

#### • RAJASTHAN STATE GAS LIMITED (RSGL)

Rajasthan State Gas Limited (formally known as RSPCL GAIL Gas Limited) was incorporated on September 20, 2013 with the objective to promote CGD projects and undertake activities of gas distribution in Rajasthan. As per the Joint Venture Agreement, Your Company has 26% equity stake in RSGL, along with Rajasthan State Petroleum Corporation Limited (RSPCL) as an equal partner. Initially, both GAIL Gas and RSPCL are holding 50% equity shareholding, respectively, in RSGL.

Valuation for transfer of Kota CGD assets to Rajasthan State Gas Limited (RSGL) was done at ₹ 80.00 crores plus book value of incremental/decremental CAPEX on or after April 01, 2015. In consideration of the transfer of the Acquired Business, the Purchaser, i.e., Rajasthan State Gas Limited (RSGL) will pay to your Company a sum of ₹ 80.00 Crores based on valuation ("Initial Amount"), ₹ 40.00 Crores will be paid by the Purchaser as cash and for the balance ₹ 40.00 Crores of the initial amount, the shares of the same value will be issued in terms of Purchase Consideration other than cash. Additional Amount(s) of the purchase consideration will also be paid by RSGL,

based on the book value of incremental/decremental CAPEX undertaken by GAIL Gas on and after April 01, 2015 till long stop date, i.e., December 31, 2016.

The total revenue of the JV Company for 2015-16 was ₹ 104.37 Lakhs and PAT was ₹ (322.10) Lakhs.



#### • VADODARA GAS LIMITED (VGL)

Vadodara Gas Limited (VGL), a Joint Venture Company of GAIL Gas Limited and Vadodara Mahanagar Seva Sadan (VMSS) was incorporated on September 13, 2013 for supply of CNG and PNG in the city of Vadodara.

Your Company, with JV partner, VMSS, has entered into Business Transfer Agreement for JV Company VGL. Further, the parent Company GAIL (India) Limited has also entered into a separate Business Transfer Agreement with VGL. In view of the assets transferred by your Company, VMSS and GAIL (India) Ltd. to VGL, the purchase consideration was discharged by VGL by way of allotment of its equity shares during the year under review. Consequent upon the said allotment, your Company holds 17.07%, GAIL (India) Ltd., holds 32.93% and Vadodara Mahanagar Seva Sadan holds 50.00% equity shareholding in Vadodara Gas Ltd.

Presently, VGL operates nine CNG stations in Vadodara, dispensing more than 45000 kg/day CNG. The CNG network in the city of Vadodara includes 03 mother stations, 01 online station and 05 daughter Booster Stations and 18 km steel pipelines.

VGL also caters to the PNG requirements of its consumers in domestic and commercial sectors. VGL supplies PNG to 76862 houses and 2450 commercial units in the city through a 830 kms long PE Pipeline Distribution Grid and 02 District Pressure Regulating System. This network was originally built, owned and operated by VMSS.

VGL plans to supply PNG to additional 2.0 lakhs domestic, 850 commercial/industrial in the next five years by laying about approximately 1500 kms of MDPE Pipeline Distribution Network.

The total revenue of the JV Company for 2015-16 was ₹ 12134.92 Lakhs and PAT was ₹ (903.05) Lakhs.

#### • HARIDWAR NATURAL GAS PRIVATE LIMITED (HNGPL)

Your Company has recently formed a Joint Venture Company (JVC), namely Haridwar Natural Gas Private Limited (HNGPL), with Bharat Petroleum Corporation Limited for the implementation of CGD business in the city of Haridwar and State of Uttarakhand. The JV was

incorporated on April 20, 2016. The GA of Haridwar covers the entire Haridwar district of approximately 2305 sq. kms.

The JV Company will supply, distribute and market for the following:

- a. CNG as fuel for vehicles
- b. PNG for residential, commercial and industrial purposes
- c. Laying of communication cable along with pipeline network
- d. Supply of CNG through mobile cascade to industrial and commercial customers

Your JV Company has successfully achieved first year Minimum Work Programme as mandated by PNGRB.

#### • JOINT VENTURE FOR NORTH GOA

Your Company, along with consortium partner Bharat Petroleum Corporation Limited, has won the bid for North Goa GA under the sixth round of CGD bidding conducted by PNGRB. PNGRB granted the authorization for implementation of CGD business in North Goa GA on June 24, 2016. The incorporation of JV for North Goa is under process. The North Goa GA covers approximately 1676 sq. kms.

The proposed JVC Company will supply, distribute and market for the following:

- a. CNG as fuel for vehicles
- b. PNG for residential, commercial and industrial purposes
- c. Laying of communication cable along with pipeline network
- d. Supply of CNG through mobile cascade to industrial and commercial customers

#### DIVIDEND

Your Company has proposed to declare maiden dividend @ 2% of paid up equity capital amounting to ₹ 8.04 Crores excluding dividend distribution tax for FY 2015-16.

#### TRANSFER TO RESERVES

Your Company has transferred ₹ 29.29 Crores to reserve in 2015-16 after adjustment of proposed dividend and dividend distribution tax aggregating to ₹ 9.68 Crores.

#### DEPOSITS

During the period, Your Company has not accepted deposits from the public under Section 73 of the Companies Act, 2013.

#### IT ADVANCEMENTS

Your Company has undertaken several new IT initiatives to simplify processes and further improve operational performance.

Your Company has successfully implemented the following IT measures:

- State-of-the-art ERP System (SAP ECC 6.0) with modules such as IS-Utility, Customer Relationship Management (CRM), and Utility Customer e-Services (UCES) to conduct business transactions online. The feature-rich system with enhanced information management and reporting facilities also includes a portal for domestic, commercial and industrial customers.
- SAP IS Utility to service industrial and commercial customers from cities such as Sonapat, Meerut, Kota, Dewas, Bengaluru, Agra & Firozabad. The customers can also manage their billing online. The system also ensures unmatched customer service and improved efficiencies in the CGD business operations.
- A portal for **Online PNG Registration** for providing PNG connections to the prospective customers. The system not only makes the process more effective but is also a step towards a paperless office.
- **Central Dak System** for making our processes more transparent and expedite the process of billing for our stakeholders.
- The portal **Online Bill Tracking System** to empower its stakeholders to track their bills and payments.
- Geographic Information System (GIS) facilities at Dewas city. The model is now being replicated for Bengaluru city as well.

Your Company has also started instant billing system for domestic customers. GAIL Gas is also using an in-house advance software technology for pipeline network designing and optimization. Your Company is also implementing Supervisory Control and Data Acquisition (SCADA) system spanning four cities to enable centralized monitoring of the pipeline infrastructure and other assets. The system will also help to ensure a more effective response during disasters.

Your Company is also conducting regular training of its employees to ensure smooth implementation of these technologies.

#### HEALTH, SAFETY AND ENVIRONMENT (HSE)

Your Company is committed to promote globally comparable levels of HSE management in the areas of its business. A number of safety related initiatives were undertaken during the previous year to ensure the safe practice at work places. Various procedures and guidelines like, pipeline patrolling procedure, leakage survey procedure, and stakeholder's management system etc. have been developed and implemented to ensure accident-free work environment. Safety & Technical competency training was conducted for safety personnel. Safety audits were

undertaken in all offices and rectification action plans were prepared and complied in a time-bound manner.

Employee involvement in the HSE decision-making process is a characteristic of a positive safety culture in GAIL Gas and has also been recognized as being fundamental to the successful implementation and sustainability of the HSE management system.

GAIL Gas is confident that its efforts and initiatives, time and expenses to respect human life must take precedence over all other things. With recognition that “Safety takes precedence over all other things,” the Company continuously implements safety education and training programs for all its employees and contractor employees to spread awareness of safety culture.

Your Company is complying with all the safety standards, norms, procedures, guidelines and the instructions in order to achieve the utmost safety in all its working in the business activities. It is the effort for the total compliance, commitment & dedications, which has resulted in the safe working culture within the organizational environment of the Company. Your Company is also planning to start GIS-based pipeline patrolling for ensuring efficient and complete patrolling of steel and MDPE pipeline in order to check third-party damages etc.

#### **HUMAN RESOURCE MANAGEMENT**

Your Company lays a strong emphasis on deploying the best talent across all its business functions. Your Company in association with GAIL Training Institute (GTI) organizes systematic and structured training programs for capability building across all levels within the organization.

Your Company realizes that it is critical to continually strive to develop and enhance the capability and competence of its senior level executives, in order to prepare them for future leadership positions. As an effort in this direction, the Senior Management Development Centre (SMDC) exercise has been undertaken as part of the Leadership Development Program in association with GAIL Training Institute.

#### **SEXUAL HARASSMENT OF WOMEN AT WORKPLACE**

Your Company has in place a Policy for Prevention, Prohibition and Redressal of Sexual Harassment of Women at work place in line with the requirements of The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. During the year under review, one complaint was received and disposed off.

#### **VIGILANCE**

In pursuance of DPE Guidelines on Corporate Governance, Chief Vigilance Officer (CVO) of parent Company, GAIL (India) Limited is overseeing the vigilance functions of your Company. Your Company has also adopted the Whistle Blower Policy with the approval of the Board which is also hosted on its website [www.gailgas.com](http://www.gailgas.com).

During the year, 'Vigilance Awareness Week 2015' was observed on the theme 'Vigilance is a necessary aid to Governance' from October 26 to 29, 2015 under the aegis of the Central Vigilance Commission (CVC).

Your Company organized various programs, viz., bilingual quiz, elocution competitions, debate competitions in various schools and colleges in NOIDA, Greater NOIDA and Meerut which witnessed the enthusiastic performance of hundreds of students. Various in-house competitions, such as poster/painting, slogan writing (Hindi & English), essay writing (Hindi & English) etc., were also organized across work centers of your Company during the Vigilance Awareness Fortnight to enhance awareness amongst employees towards vigilance. On this occasion, a magazine, 'Satark', was also released and the same was circulated through e-mail to all the employees.

#### **OFFICIAL LANGUAGE**

Your Company is continuously making vigorous efforts for the propagation and successful implementation of the official language of the Union.

With a view to create greater awareness and consciousness among employees, Hindi Fortnight was celebrated from September 14-28, 2015 across the Company. During the fortnight, innovative and interesting competitions, cultural activities, seminars on Hindi activities were conducted.

One-day Hindi Workshops were organized on July 29, 2015 and February 17, 2016 wherein employees from all the sites participated. An online Hindi typing competition was also organized on March 29, 2016 throughout GAIL Gas Ltd. A Hindi e-magazine 'Abhivyakti' was also released on this day to commemorate the occasion.

#### **HUMAN CAPITAL**

Your Company, being wholly owned subsidiary of GAIL (India) Limited, all employees posted in GAIL Gas are employees of the Parent Company. The details with regard to the total number of manpower and the representation of Scheduled Castes (SCs), Scheduled Tribes (STs), and Other Backward Classes (OBCs) amongst them, posted in your Company as on March 31, 2016 are mentioned in the table below:

<b>MANPOWER</b>	<b>SC</b>	<b>ST</b>	<b>OBC</b>
<b>149</b>	<b>17</b>	<b>9</b>	<b>13</b>

Your Company's workforce comprised of five women employees as on March 31, 2016.

#### **PROCUREMENT FROM MICRO AND SMALL ENTERPRISES (MSES)**

The Government of India has notified a Public Procurement Policy for MSEs, Order 2012. In terms of said policy, out of the total eligible value of annual procurement of approx. ₹ 85.42 Crores towards goods produced and services rendered by MSEs (including MSEs owned by SC/ST Entrepreneur) during the FY 2015-16, the value of total procurement made from MSEs is ₹ 85.42 Crores which is approx. 39.26%.

#### **RIGHT TO INFORMATION**

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

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

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

#### **CORPORATE GOVERNANCE**

Your Company believes that good corporate governance is critical in establishing a positive organizational culture and it is evident by responsibility, accountability, consistency, fairness and transparency towards its stakeholders. Pursuant to the DPE Guidelines on Corporate Governance, a report on Corporate Governance forms part of this report at **Annexure-B**.

The details of the meetings of the Board, Company's policy on Directors' appointment and remuneration etc. and other matters, details of establishment of whistle blower mechanism etc. forming part of report on Corporate Governance.

There are no significant and material orders passed by the regulators or Courts or tribunals impacting the going concern status and Company's operations in future.

A Practising Company Secretary has examined and certified your Company's compliance with respect to conditions enumerated in the DPE guidelines on Corporate Governance. The Certificate forms part of this report at **Annexure- C**.

#### **PARTICULARS OF EMPLOYEES**

As per provisions of Section 197(12) of the Companies Act, 2013 read with the Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Board's report shall include particulars of such employees.

However, as per notification dated June 5, 2015 issued by the Ministry of Corporate Affairs, Government of India, Government Companies are exempted from complying with provisions of Section 197 of the Companies Act, 2013. Your Company is a Government Company, therefore, such particulars have not been included as part of Directors' Report.

#### **KEY MANAGERIAL PERSONNEL AND DIRECTORS**

During the year, the following changes occurred in the Board of Directors and Key Managerial Personnel:

- Smt. Anuradha Sharma Chagti, Director (Supply & Pricing), Ministry of Petroleum & Natural Gas (MoP&NG), was appointed as an Additional Director of the Company in place of Shri Prashant Sitaram Lokhande, who ceased to be Director w.e.f. January 2, 2016.
- Shri A.K. Jana was appointed as an Additional Director of the Company in place of Shri Prabhat Singh who ceased to be Director w.e.f. September 22, 2015.
- Shri Deepak Asija, was appointed as Company Secretary of the Company w.e.f. April 13, 2016 in place of Ms. Preeti Aggarwal consequent upon her transfer to parent Company, i.e., GAIL (India) Limited.

#### **INDEPENDENT DIRECTOR**

Your Company has been pursuing with administrative ministry, i.e., MoP&NG for the appointment of requisite number of Independent Director on the Board.

#### **WOMAN DIRECTOR**

Your Company is fully compliant w.r.t. appointment of Woman Director. Presently, there are 2 (Two) Women Directors on the Board of the Company namely Smt. Anuradha Sharma Chagti, Part-time (Government-Nominee) Director and Smt. Vandana Chanana, Part-Time (Promoter –Nominee) Director.

#### **CODE OF CONDUCT**

Pursuant to the requirements of DPE guidelines on Corporate Governance, the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year ending March 31, 2016.

#### **DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 134 OF COMPANIES ACT, 2013**

Your Directors confirmed that:

- i) in the preparation of the annual accounts for the financial year ending March 31, 2016, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
- ii) selected such accounting policies and applied them consistently and made judgements and estimates that

are reasonable and prudent to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year 2015-16;

- iii) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) prepared the annual accounts for the financial year ending March 31, 2016 on a going concern basis;
- v) had devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively.
- vi) laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

#### AUDITORS

##### ■ Statutory Auditors

The Statutory Auditor of your Company is appointed by the Comptroller and Auditor General of India (C&AG). M/s Bansal Sinha & Co., Chartered Accountants, New-Delhi are appointed as Statutory Auditors of your Company for the FY 2015-16.

Review and Comments of CAG, if any, on the Company's Financial Statements for the financial year ending March 31, 2016, forms part of Financial Statement. Notes on Financial Statement referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further comment.

##### ■ Cost Auditor

M/s K L Jaishing & Co was the Cost Auditor for FY 2015-16. However, M/s Jugal K. Puri & Associates, New Delhi has been appointed as Cost Auditor for the financial year 2016-17 to conduct the audit of cost accounting records maintained by the Company.

##### ■ Secretarial Auditor

Your Company has appointed M/s Aggarwal S. & Associates, New-Delhi as Secretarial Auditor for FY 2015-16. Secretarial Audit Report confirming compliance by Practicing Company Secretary to the applicable provisions of the Companies Act, 2013 and other applicable laws, forms part of this Report at **Annexure-D**.

#### The observations made by Secretarial Auditor in his Audit report are as under:

1. The composition of the Board and Statutory Committee(s) of the Board should be in compliance with the provisions of the Companies Act, 2013 and DPE

Guidelines on Corporate Governance with respect to appointment of Independent Directors & consequential non-compliances thereof.

2. The compliance of Section 149(8) read with Clause VII & VIII of Schedule IV of the Companies Act, 2013 w.r.t. to separate meeting of the Independent Directors and Performance Evaluation of the Directors should have been complied with.
3. The Company should comply with Clause 2.4 (iv) of the DPE Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprise, the unspent CSR amount in a particular year would not lapse, it would instead be carried forward to the next year for utilization for the purpose for which it was allocated.
4. The Company should comply with provisions under Section 205(1)(a) of the Companies Act, 2013 and Clause 3.3.3 of the DPE Guidelines w.r.t Compliance of Applicable Laws.

#### Explanation on observations made by Secretarial auditor in seriatim is as under:

1. Presently, there are no Independent Directors on the Board of Company. GAIL Gas Limited being Government Company under the administrative control of MoP&NG, the Directors are appointed/ nominated by Government of India (GOI). The Company has been pursuing with administrative ministry, i.e., MoP&NG for the appointment of requisite number of Independent Directors on the Board.

Composition of Audit Committee as per the provisions of the Companies Act & DPE requirement will be realigned after the appointment of requisite no. of Independent Directors on the Board of the Company.

2. Government of India is in process of selecting requisite no. of Independent Directors. Further, GAIL Gas is a Government Company, therefore appointment, performance evaluation etc. of Independent Directors is not within the control of the Company.
3. The prescribed CSR expenditure i.e. 2% of net profit (Profit Before Tax) for FY 2015-16 as per provisions of Companies Act, 2013 was Rs. 46.86 lacs. Since the Company is in process of formulating CSR Policy & Annual Plan, no CSR activity was identified during the year and no liability has been incurred, therefore no provision has been made in the books of account as per the applicable Accounting Standards.
4. M/s Universal Legal, law firm has been engaged for identification of various Compliances to be followed in GAIL Gas & audit the same. The system is being implemented. The first outcome report of the six month



from October to March 2016 is prepared and to be put up to Board shortly.

■ **Internal Auditor**

During the year under review, your Company has appointed M/s KPMG as Internal Auditors w.e.f. October, 2015 for a period of two years. However, internal audit department of parent Company will now conduct Promoters Audit only.

**PARTICULARS OF LOANS, INVESTMENTS AND CORPORATE GUARANTEES**

A statement containing the salient feature of the financial statements of your Company's Associate/Joint Ventures Companies as per first proviso of section 129(3) of the Companies Act, 2013 is included in the consolidated financial statements. Further, details of investments, loan and guarantee covered under Section 186 of the Companies Act, 2013 forms part of financial statement, as a separate section in the Annual Report for the FY 2015-16.

**PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES REFERRED SECTION IN 188**

As per requirement of Section 134(3) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 particulars of contracts or arrangements with related parties as referred in Section 188(1) of the Companies Act, 2013 is placed at **Annexure-E**.

**EXTRACT OF ANNUAL RETURN**

Extract of Annual Return forms part of this Report at **Annexure-F**.

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Your Company believes that Corporate Social Responsibility (CSR) plays a major role in the development of any country. Therefore, it has made Corporate Social Responsibility (CSR) an integral part of its ethos and culture. The Annual Report on CSR activities as required under Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 read with section 134(3) and 135(2) of the Companies Act, 2013 is placed at **Annexure-G**.

**ENERGY CONSERVATION, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO IN ACCORDANCE WITH RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULE, 2014**

As energy conservation is one of the objectives of your Company, so the aspect of energy conservation is taken care in every activity that GAIL Gas Limited undertakes while implementing the project from design to its execution.

The information in accordance with the provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is appended as **Annexure-H** to this report.

**STATEMENT REGARDING NOMINATION AND REMUNERATION COMMITTEE**

As per the requirements of the Companies Act, 2013, your Company has constituted the Nomination & Remuneration Committee comprising of Shri Subir Purkayastha as Chairman and Dr. Ashutosh Karnatak & Shri A. K. Jana as members.

The role of the Nomination and Remuneration Committee includes identification of qualified Directors and senior management personnel, performance evaluation of directors and recommend to the Board policy for remuneration of Directors, KMPs and other employees, as per provisions of the Companies Act, 2013.

As you are aware, your Company being wholly owned subsidiary of GAIL (India) Limited, Part-time (Promoter Nominee) Director(s) are nominated by GAIL and Part-time (Government Nominee) Director(s) are appointed by MoP&NG being the administrative ministry. All Senior Management Personnel are employees of the Parent Company. The part time Directors, which includes the Promoter Nominee and Government Nominee, does not receive any sitting fee/compensation from the Company for attending the meetings of the Board as well sub-Committees of the Board.

**STATEMENT REGARDING THE DEVELOPMENT & IMPLEMENTATION OF A RISK MANAGEMENT POLICY OF THE COMPANY**

- Your Company has implemented Risk Management framework to protect and add value to the Organization and its stakeholders with the following objectives
- to establish a risk intelligence framework for the organization;
- to establish ownership throughout the organization and embed risk management as an integral part of the business rather than a stand-alone function in the system;
- to help the decision makers of the organization explicitly take account of uncertainty, the nature of that uncertainty, and work towards a solution to address it;
- to ensure that all the current and expected risk exposures of the organization are identified, qualitatively and quantitatively evaluated, analyzed and appropriately managed; and
- to assure demonstrable achievement of objectives and improvement of financial stability of the organization.

M/s KPMG, consultant has developed the Enterprise Risk Management Policy, Procedures & Framework of the Company. The consultant has developed a RMF consisting of 21 key risks (6 are strategic and 15 operational) covering

all major processes, in addition they have also developed detailed risk cards against each key risk.

The Audit Committee will on quarterly basis review the risk assessment and minimization procedure across the Company after review of the same by the Corporate Level Risk Management Committee. The Audit Committee will assist the Board in independently assessing compliance with risk management practices. The Board will comprehensively review the effectiveness of the Company's risk management system on an annual basis.

**STATEMENT BY THE DIRECTORS INDICATING THE MANNER IN WHICH FORMAL ANNUAL EVALUATION IS MADE OF ITS OWN PERFORMANCE AND THAT OF ITS COMMITTEE & INDIVIDUAL DIRECTORS**

As per provisions of section 134(3)(p) of the Companies Act, 2013, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors should form part of the Directors' Report.

However, as per notification dated June 5, 2015 issued by the Ministry of Corporate Affairs, Government of India,

Government Companies are exempted from complying with provisions of section 134(3)(p) of the Companies Act, 2013. Your Company is a Government Company, therefore, such particulars have not been included as part of Directors' Report.

**ACKNOWLEDGMENT**

Your Directors express their gratitude for the constant support and cooperation showed by GAIL (India) Limited, especially the Ministry of Petroleum and Natural Gas, various state governments, and regulatory and statutory authorities.

Your Directors acknowledge the wise counsel received from the Statutory Auditors and CAG and are grateful for their consistent support and assistance.

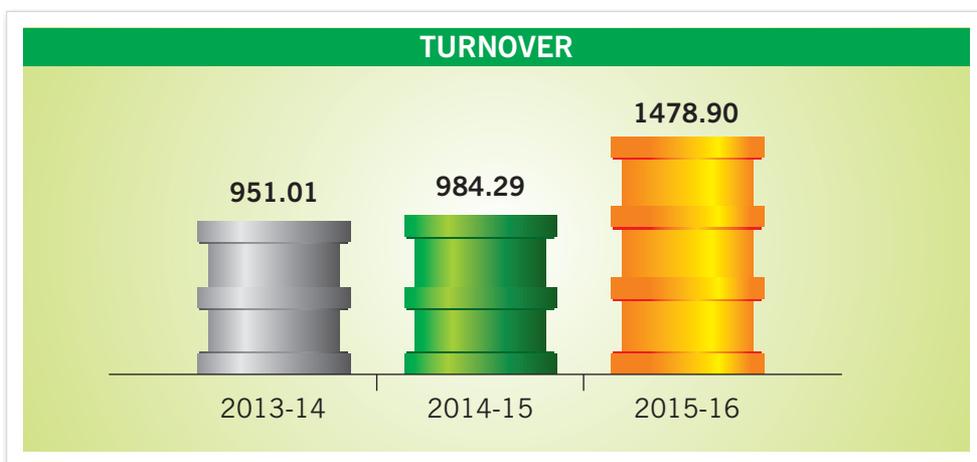
On behalf of your Directors, I would like to place on record our deep and sincere appreciation for the committed efforts by the Company's employees for driving GAIL Gas towards a glorious future.

Your Directors and employees look forward to the future with confidence and stand committed to create a prosperous future for all stakeholders.

*For and on behalf of the Board*

  
**B.C. Tripathi**  
 Chairman

**Place** : New Delhi  
**Dated** : September 21, 2016



# MANAGEMENT DISCUSSION AND ANALYSIS

## NATURE OF BUSINESS

Your Company was incorporated for undertaking downstream distribution of natural gas to various small/medium industrial customers and implementing City Gas Distribution (CGD) projects in various cities/Geographical Areas (GAs) authorized by GoI/PNGRB.

Your Company is in the business of distribution of CNG as fuel for vehicles (inter-city as well as intra-city), Piped Natural Gas (PNG) for domestic/commercial/industrial purposes in the various cities of India and has also ventured into the LNG trading business.

City Gas Distribution (CGD) segment is one of the fastest growing end-user segments of natural gas and is becoming an integral part of the economic development of India. This business, though not new, did not get its share of limelight initially because of lack of technical know-how, availability of gas and infrastructure, and absence of safety measures. Things have now changed and the CGD is one of the most happening and challenging businesses in the oil and gas sector today.

CNG is a safe, economical and environment-friendly fuel for the transport sector. It is fast replacing traditional fossil fuels such as petrol and diesel. PNG, the other fuel supplied by your Company, is also a safe, convenient, environment-friendly and reliable fuel for domestic, commercial and industrial consumers. The demand for PNG continues to grow with potential consumers in new areas eagerly awaiting to be connected to the network.

## CITY GAS DISTRIBUTION IN INDIA-INDUSTRY STRUCTURE AND DEVELOPMENTS

For the year 2015-16, production of natural gas is targeted at approximately 36 Billion Cubic Meters (BCM), i.e., 5% higher than production of 33.50 BCM in 2014-15. The projection of demand as made by the working group on Petroleum and Natural Gas Sector for the 12th Five Year Plan (2012-17) is as under:

**Table: Year-Wise and Sector-Wise Demand of Natural Gas (MMSCMD)**

Sector	2015-16	2016-17	2017-18	2018-19
Power	189	207	225	243
Fertilizer	113	113	113	113
City Gas	39	46	47	50
Industrial	25	27	28	32
Petrochemicals/ Refineries/Internal Consumption	72	72	72	76
Sponge Iron/Steel	8	8	9	9
<b>Total Demand</b>	<b>446</b>	<b>473</b>	<b>494</b>	<b>523</b>

Globally, there is an increasing thrust on developing cleaner energy sources and obviously, the spotlight is on natural gas. With natural gas being the preferred fuel of the future, the City Gas Distribution (CGD) sector is poised for an exponential growth. Natural Gas consumption growth has been driven by its cost competitiveness, efficiencies, and environment-friendly nature.

Natural gas with its environmental friendliness and its easy transportability has caught the attention of the energy sector in India over the last five years. This colorless, odorless gas is converted to CNG and PNG, which is distributed to the end users through CGD. City Gas Distribution is expected to play a vital role in all sectors such as transportation, domestic, commercial and industrial over the next decade. CNG is used in the transportation sector where it acts as a fuel for vehicles like taxi, cars, LCVs/RTVs and autos, while PNG is used as a fuel by domestic consumers (households), commercial consumers (hotels, offices, canteens, etc.), and industrial consumers (dryers, boilers, furnace, etc.) in the country.

In the coming years, the country's CGD network is anticipated to witness robust growth on the account of increasing number of vehicles coupled with rising population and growing urbanization in the country. The country's CGD market offers huge growth opportunities as expansion of CGD network distribution in India is among the top-most priorities of the Indian Government.

Presently, the CGD market in India is dominated by the transportation sector on account of an increase in the number of CNG vehicles. Moreover, the PNG segment is projected to grow at around 7% through 2030 due to anticipated advancements in the CGD sector and increasing government focus to expand the PNG network throughout the country in the coming years.

Reduced subsidization in pricing of alternative fuels will further enhance business economics of CGD entities. Domestic discoveries and LNG sources provide a strong impetus to CGD development. The government has approved a transparent New Gas Pricing Formula linked to the global market, striking a fine balance between incentivising exploration and production of gas in the country while protecting the consumer affordability.

New gas supplies have stimulated gas transmission development. On the domestic and RLNG supplies front, the following measures have been taken:

- As per the gas utilization policy, CGD sector is prioritized after fertilizer, petroleum and power projects.
- Allocation from RIL's KG-D6 field is 5 MMSCMD for domestic and CNG segments and additional of

2 MMSCMD on a fall back basis, for industrial & commercial segments

- Many power plants are being planned in expectation of additional natural gas supplies.
- Significant LNG import capacity exists/planned which will ensure availability of gas to CGD companies.

New initiatives taken by the government include:

- Guidelines for granting marketing rights of CNG and setting up of CNG stations
- Uniform guidelines for utilization of domestic gas
- Pipeline tariff policy
- Policy on EOI for new pipelines

Your Company is fully geared up to spearhead the CGD development in the country as well as to consolidate its presence on pan-India basis.

#### **Natural Gas Scenario in India**

Historically, India has relied on coal to power its electricity sector, liquid fuels as feed stock and oil for its transport sector. But environmental reasons have compelled your Company to focus on cleaner fuels.

The development of the natural gas industry in the country started in 1960s with the discovery of gas fields in Assam and Gujarat. After the discovery of South Basin fields by ONGC in 1970s, Natural Gas assumed importance. Gas is one of the cleanest fuels with less carbon dioxide per joule delivered than either by coal or oil and far fewer pollutants than other hydrocarbon fuels.

In India, natural gas available can broadly be classified into two categories, viz., (i) Domestic Natural Gas and (ii) Imported Re-gasified Liquefied Natural Gas (RLNG). Keeping in view the shortage of natural gas in the country, domestic gas is allocated to various sectors based on the Policy Guidelines issued by the government from time to time. In case of imported gas, the marketers are free to import LNG and sell the RLNG to customers.

Power, fertilizer, CGD and refineries and petrochemicals are the key gas-consuming sectors. India's gas consumption declined considerably in recent years due to the lack of availability of domestic gas and the inability to absorb expensive LNG imports in the power and fertilizer sectors.

The fall in domestic gas production and low price affordability of imported gas in the power sector has resulted in gas-based power plants remaining under-utilized. The government has recently taken positive initiatives to revive the stranded gas-based capacities in the power and fertilizer sectors by making imported LNG affordable.

Currently, India is one of the most promising economies in the world. Healthy investments in the oil and gas sector will further boost growth. Change in policies and regulations

can attract investors from the world as well as from India.

The demand in India is likely to be on an increasing trend and the consumption is expected to increase multi-fold. Competitive, safe and efficient business environment will boost foreign investments.

#### **Natural Gas Infrastructure in India**

Natural gas infrastructure consists of CGD networks, gas pipelines and R-LNG terminals.

**CGD Infrastructure:** The CGD sector comprises of CNG and PNG customers. With increased availability of gas in the country, the CGD network has been enlarged to cover various cities supplying gas for domestic consumers, public transport, and commercial/ industrial entities.

The PNGRB has envisaged a rollout plan of CGD network development through competitive bidding in more than 300 possible GAs in a phased manner depending upon the availability of natural gas and pipeline connectivity. In order to promote CNG (transport) and PNG (domestic) and for a developed CGD sector in the country, the government has taken a decision to meet 100% requirement (to the maximum extent possible) of CNG (transport) and PNG (domestic) of all CGD entities across the nation without any discrimination amongst entities. This decision has brought down the price of CNG (Transport) and PNG (domestic) across the nation and has led to increase in the consumption of natural gas, an environmentally friendly fuel, in the sector.

The Government is formulating guidelines relating to grant of rights to entities for sale of CNG as transportation fuel through CNG stations. The intent of the envisaged guidelines is to promote setting up of several CNG stations in various cities/towns across the country, including along highways, and also to foster competition amongst eligible entities in the CNG segment, analogous to that in the liquid transportation fuel (MS, HSD and ATF) segment. This would lead to faster rollout of a large number of CNG stations across the nation.

**Natural Gas Pipelines:** At present, the country has a gas pipeline network length of approximately 15,000 kms having capacity of 401 MMSCMD spread over 15 States & UTs. At present, there is a strong regional imbalance within the country with regard to access natural gas. Few states like Gujarat, Maharashtra and UP together consume more than 65% of the available gas, while a large number of states have no access to it. This regional imbalance is mainly on account of lack of pipeline infrastructure in many states like West Bengal, Bihar, Jharkhand, Odisha and Chhattisgarh.

In order to take the benefits associated with natural gas to all states across the nation, it is essential that the pipeline network is expanded to all regions of the country. The government is contemplating to developing a National Gas Grid having multiple points of injection and multiple points

of withdrawal. The proposed gas grid would connect the gas sources to major demand centers such as industrial clusters, big cities etc.

**R-LNG Terminals:** At present, natural gas demand far exceeds domestic supply and this shortage is likely to prevail in the near future. Additional demand is catered through imported RLNG. However, the demand for RLNG is price-sensitive.

In India, the total re-gasification capacity of four RLNG terminals has touched approximately 79 MMSCMD. The capacity of these four RLNG terminals is likely to be increased further to 117 MMSCMD by 2016-17.

### **OPPORTUNITIES AND CHALLENGES**

Indian energy consumption is majorly driven by fossil fuels and oil & gas are one of the major resources in energy mix. A major part of the resources is from imports and it is witnessed that India imports 80% of its crude oil. Hence, this provides enormous opportunity for investors to develop this sector to meet the rising demand scenario. Nevertheless, challenges such as stagnant domestic production, slacking government policies, regulations, lack of intense participation from foreign and private oil & gas players are likely to hamper the growth to an extent.

Lack of infrastructure in the natural gas sector has hampered the production of domestic natural gas assets. Hence, it is important to provide immense opportunities for the development of infrastructure such as terminals, pipelines, thereby enabling the end-user to utilize natural gas as a source of energy.

CGD is a lucrative opportunity for the companies in the CGD sector for investment, however, the amount of gas left for distribution after sharing it with prioritized sectors is minimal. This leaves CGD with no gas and coerces to depend on imported RLNG, which makes it costlier, and this directly impacts end consumer. There are ample opportunities for the new players as well as the existing players to enter into CGD as exclusivity for infrastructure is available for a time period of 25 years.

In order to promote the development of the CGD business in India, PNGRB has notified regulations for authorizing various entities to set up CGD networks in various cities.

The various opportunities and challenges that exist for your Company in the domestic CGD sector, given the business environment for the sector and operations of your Company in India at present has been listed below:

#### **Opportunities**

Presently, your Company is authorized to operate CGD projects in Sonapat, Meerut, Kota, Dewas, Taj Trapezium Zone and Bengaluru. GAIL Gas has also formed consortium with BPCL for implementing CGD projects in North Goa and Haridwar District. APDGC, a JV of GAIL Gas and APGC is

also implementing CGD projects in East and West Godavari in Andhra Pradesh.

PNGRB has also recently initiated the seventh round of CGD bidding for few Smart Cities identified by the Government of India (GoI). Your Company will aggressively pursue the CGD business and aim to add more cities in its existing portfolio. Your Company is also exploring the opportunity to form JVs with various state governments /OMC/NHAI for developing CNG corridors.

#### **Challenges**

As per PNGRB Act 2006, the new CGD authorization is through bidding process. Recent rounds of bidding have witnessed intense competition in some GAs. Present CGD bidding is being done on district basis, which is very challenging especially in rural areas where customers are scattered and last mile connectivity cost is high. Some of the GAs are away from Natural Gas Pipeline and could affect the viability of the CGD project. Also, with the reduction in international crude oil prices, the alternative fuels like FO and LPG pose a strong challenge in terms of pricing of natural gas to the industrial and commercial segment.

### **OUTLOOK ON THREATS, RISKS & CONCERNS AND MITIGATIONS**

#### **1. Regulatory Regime:**

The Petroleum and Natural Gas Regulatory Board (PNGRB) was constituted under The Petroleum and Natural Gas Regulatory Board Act, 2006. The Act provide for the establishment of Petroleum and Natural Gas Regulatory Board to protect the interests of consumers and entities engaged in specified activities relating to petroleum, petroleum products and natural gas and to promote competitive markets and for matters connected therewith or incidental thereto.

The CGD business is under the regulatory regime wherein the Regulatory Board (PNGRB) has framed various regulations, which have ramifications on the day-to-day business operations of a CGD entity. Your Company is fully geared up to meet such challenges and is complying with the regulations and norms set by PNGRB and other statutory authorities.

#### **2. Natural Gas Sourcing and Pricing:**

Natural Gas is considered as a relatively efficient, convenient, economical, and reliable fuel source by all categories of consumers, viz. domestic, commercial, industrial, and vehicles. As an automobile fuel, CNG primarily competes with petrol and diesel, and scores high on cost competitiveness. Recently, in the NCR region Apex court and tribunals have passed orders for promotion of CNG as auto fuel which will lead to higher CNG demand in nearby GAs.

Also, in the major revamp of natural gas allocation policy,

the government has given CGD companies selling CNG to automobiles and piped cooking gas to household's top-most priority for allocating domestically produced natural gas ahead of power and fertilizer group. Vide MoP&NG guidelines dated February 03, 2014, the full gas requirement of all CGD entities for their domestic (PNG) and transport (CNG) segments is being met through domestic gas. This has now enabled CGD companies to offer competitive prices in domestic and CNG segment and thereby ensuring increase in customer base. The GoI has also set challenging targets to connect domestic households with PNG in the coming years.

Domestic natural gas pricing is based on 'new domestic natural gas pricing guidelines, 2014 issued by Ministry of Petroleum and Natural Gas (MoP&NG), Govt. of India. Domestic natural gas price is being declared on half-yearly basis by Petroleum Planning & Analysis Cell (PPAC), MoP&NG. Due to the reduction in international gas prices, the domestic gas price has also reduced significantly and is presently at \$3.06 per MMBTU.

Since LNG is imported and does not fall under the purview of the Gas Utilization Policy, RLNG pricing is done on a market-determined basis. Currently, Petronet LNG Limited (PLL) imports long-term LNG on contracted terms from RasGas, Qatar whereas there are many players like IOC, Shell, GSPC, BPCL etc. procuring spot LNG from the international market.

### **3. Value Creation through Operational Excellence:**

In the competitive environment, wherein many CGD companies have stepped in, creating value for the end customer is of utmost importance for growth and sustainability. Your Company has taken various initiatives such as digitalization of its systems, operational excellence, cost reduction, state-of-the-art practices, customer-friendly approach, development of its human resource, and streamlining of its system & procedure to meet the challenges.

### **4. Natural or Man-made Calamity Risk**

Various risks are associated with gas transmission and distribution such as blowout of pipelines, earthquake, tsunami, terrorist activities, etc.

These risks are being mitigated right from the designing stage of these projects. However, such natural or man-made risks are emergent events and cannot be totally eliminated. If such an event occurs, it will incur significant liabilities for your Company.

### **FUTURE OUTLOOK**

With the recent deliberation going on at various forums regarding the change in the climate and development of the country, the importance of the CGD sector is also acknowledged by the GoI. In recognition of its benefits to the economy, the gas utilization policy of the government

accorded top priority to the automotive and residential segments of the CGD sector. The government has also focused on more and more residential piped natural gas connections in the coming next years. In line with the objective and targets set by the government, your Company aims to connect various cities across the nation with the supply of natural gas by acquiring new cities through bidding process and ventures with state government bodies.

In order to achieve its objectives, the Company has drawn a comprehensive business plan envisioned for the implementation of CGD projects in various cities and reaching out households for the connection of natural gas. Your Company is focusing on its marketing plans for creating more opportunities and demand for the natural gas for the city consumption. Your Company expects that it will be able to reap the benefits of growing opportunities in the CGD segment in the country and will be able to contribute in the objectives set up by the government.

As your Company is expanding its business operations, the management is focusing on the development of the robust systems, processes and resources to facilitate the growth. To create a customer-friendly environment and ease for switching on to the new fuel, the Company is also bringing in digitalization in its processes for registration and billing etc.

### **CORPORATE SOCIAL RESPONSIBILITY**

In alignment with the vision of your Company, CSR initiatives strive to enhance value creation in the society and in the community in which it operates, through its services, conduct & initiatives, so as to promote sustained growth for the society and community. The Annual report on CSR activities as per requirement of the companies Act, 2013 is forming part of the Directors' Report.

### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

Your Company has developed Internal Control System in its various business processes, commensurate with size & nature of business to help achieve its objectives.

To maintain Arm's length principle in Related Party Transaction between parent Company, GAIL and your Company, Your Company has decided to hire the services of external agency for carrying out internal audit, whereas GAIL will conduct only Promoters Audit. During the year under review, your Company has appointed M/s KPMG as Internal Auditors w.e.f. October, 2015 for two years, however, internal audit department of GAIL has carried out internal audit for your Company till October, 2015.

### **FINANCIAL PERFORMANCE**

During the period 2015-16, your Company has achieved a gross revenue of ₹ 1553.93 crores as against ₹ 1026.44 crores during the corresponding period ending March 31,

2015. The Profit After Tax (PAT) for the year ending March 31, 2016 was ₹ 38.96 crores as against PAT (₹ 16.84 crores) for the corresponding period ending March 31, 2015. During the year, general administrative and overhead expenses amounting to ₹ 22.13 crores (PY ₹ 12.48 crores) and interest on term loan ₹ 4.24 crores (PY ₹ 4.95 crores) have been transferred to Capital Work-in-Progress (CWIP) as Incidental Expenses During Construction period (IEDC) to be capitalized.

■ **Sales (Net of ED)**

Sales (net of ED) increased by ₹ 494.61 crores from ₹ 984.29 crores during 2014-15 to ₹ 1478.90 crores in 2015-16.

■ **Profit After Tax (PAT)**

Profit after Tax has increased by 131.35% from ₹ 16.84 crores during 2014-15 to ₹ 38.96 crores in 2015-16.

■ **Shareholder's Funds**

The Reserves and Surplus increased to ₹ 89.90 crores at the end of the current financial year as compared to ₹ 60.62 crores in the corresponding previous year. As on March 31, 2016, the Net Worth of the Company

stood at ₹ 491.90 crores, as compared to ₹ 360.62 crores as on March 31, 2015.

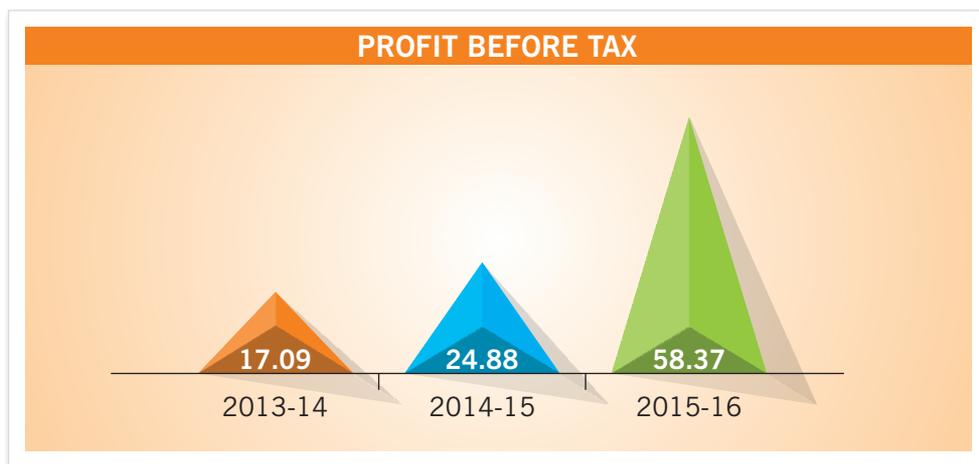
■ **Ratio Analysis**

Return to Net Worth (PAT/ Net Worth) for the Company as on March 31, 2016 stood at 7.92% as compared to 4.67% as on March 31, 2015. Return on Capital Employed (PBIT/ Capital Employed) was 10.93% as on March 31, 2016, as compared to 7.18% as on March 31, 2015.

■ **Consolidated Financial Statements**

In accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India, your Company has prepared the Consolidated Financial Statements of its subsidiaries and joint venture entities. The highlights of the Consolidated Financial Results are as follows:

Particulars	2015-16	2014-15
Turnover	1586.52	1043.75
Profit Before Tax	56.98	26.97
Profit After Tax	36.38	18.05



\* Standalone Data

The summary of the financial position of your Company as on 31<sup>st</sup> March, 2016 and 31<sup>st</sup> March, 2015 is:

Particulars	Standalone Data		Consolidated	
	2015-16	2014-15	2015-16	2014-15
<b>I. Equity &amp; Liabilities</b>				
1. Shareholders' funds (Including Share Application Money pending Allotment & Reserve and Surplus)	525.90	360.62	521.35	361.36
2. Non-Current Liabilities	183.70	184.65	189.79	184.60
3. Current Liabilities	299.17	193.27	308.86	251.66
<b>Total Equity &amp; Liabilities</b>	<b>1008.77</b>	<b>738.54</b>	<b>1020.00</b>	<b>797.62</b>
<b>II. Assets</b>				
1. Non-Current Assets	724.04	510.21	707.82	558.37
2. Current Assets	284.73	228.33	312.18	239.25
<b>Total Assets</b>	<b>1008.77</b>	<b>738.54</b>	<b>1020.00</b>	<b>797.62</b>

## HUMAN RESOURCES AND INDUSTRIAL RELATIONS

During the year, your Company worked in a harmonious and cordial industry-relation environment. There has been a continuous emphasis on building capabilities and learning of all employees to drive better organizational performance. There were no Man Days or Man Hours lost on account of any sort of industrial conflict.

Being a 100% subsidiary of GAIL (India) Limited, all the employees are employees of parent Company. Your Company continues to focus on various developments initiatives to synergise individual development and organizational growth.

The following e-journals were published by your Company for strengthening a close-knit culture and engagement with the extended families:

- Safety Buzz**- To inculcate the safe practices among the employees at work place and home, published during National Safety Week;
- Abhivayakti** - To promote the use of Hindi language; and
- Satark**- To develop intrinsic values among the employees, published during Vigilance Awareness Week.

## ENVIRONMENTAL PROTECTION AND CONSERVATION/RENEWABLE ENERGY DEVELOPMENTS

Your Company is dealing with the business of natural gas distribution which is an alternative eco-friendly fuel. Natural gas emits significantly lower amounts of greenhouse gases and toxins compared to petrol & diesel. Natural gas is not toxic or corrosive and will not contaminate ground water.

Your Company is committed to the environment and takes care to promote various activities such tree plantations with an aim to improve the air quality and reduce air pollution, and prevent storm water runoff, erosion & pollution in the water ways etc.

On the renewable energy front, your Company has installed solar lights in all its CNG stations to promote the conservation of conventional energy resources under the sustainable development program.

All the employees of your Company have actively participated in the sanitation and cleanliness drive under the "Swacha Bharat Abhiyan" launched by the Hon'ble Prime Minister of India. The workshop-cum-interaction session was organized for "SAFAI SATHIS" to generate awareness about safe disposal of e-waste etc. amongst Safai Sathis. Their problems were examined and immediate solutions were given for improvement. Pledge ceremony was organized across all offices of your Company. In addition, in-house Safai programs for cleaning the work place, files, proper management of records, etc. were also organized.

Besides the above, GAIL Gas also organized ten Safai programs at nearby public places viz, metro station, parks, office surroundings, nearby CNG stations etc. The photographs of these events are attached herewith.

## CAUTIONARY STATEMENT

Statements in the Directors' Report and Management Discussion and 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. Stakeholders are cautioned not to place undue conviction on the forward looking statements.

# REPORT ON CORPORATE GOVERNANCE

## 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company is committed to the adoption of effective corporate governance practices to ensure transparency in all corporate decisions and activities, to enhance long term stakeholder value, to foster confidence of the stakeholders at large and for sustained development of the Company. It has been the constant endeavour of the management to inculcate a culture of ethical and honest conduct with the emphasis on integrity and accountability in the conduct of business.

In commitment to practice strong governance principles, your Company is guided by the following core principles of corporate governance:

1. Building robust internal control processes & systems for enhancing accountability and responsibility.
2. Transparency and openness in the communication of the information with various stakeholders.
3. Compliance with the statutory requirements under the applicable laws.
4. Conducting business in fair and ethical manner.

The Board of your Company constantly endeavours to set goals and targets aligned to the Company's vision and mission.

## 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 the Articles of Association, the number of Directors shall not be less than four and more than twelve.

As you are aware, your Company being wholly owned subsidiary of GAIL (India) Limited, Part-Time (Promoter-Nominee) Directors are nominated by GAIL and Part-Time (Government-Nominee) Directors is appointed by MoP&NG being administrative ministry.

As on 31<sup>st</sup> March, 2016, there were 7 (Seven) Directors on the Board comprising 6 (Six) Promoter-Nominee Directors including the Chairman and one Part-Time Director (Government Nominee) nominated by the MoP&NG.

The 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 other Companies
<b>I. Part-Time (Promoter -Nominee) Directors</b>				
Shri B. C. Tripathi- Chairman	8	Yes	2	NIL
Dr. Ashutosh Karnatak	8	Yes	NIL	5
Shri Subir Purkayastha	7	Yes	5	2
Shri. R.C. Gupta	7	Yes	5	3
Shri A.K. Jana (w.e.f 22.09.2015)	3	N.A.	NIL	3
Smt. Vandana Chanana	4	Yes	NIL	2
<b>II. Part-time (Government-Nominee) Director</b>				
Smt. Anuradha Sharma Chagti (w.e.f. 02.01.2016)	NIL	N.A.	NIL	NIL

**NOTE:**

1. During the year 2015-16, 8 (Eight) Board meetings were held.
2. The 7<sup>th</sup> Annual General Meeting was held on 14<sup>th</sup> September, 2015.
3. The Directors, inter-se, are not related to each other.
4. None of the Director(s) on the Board is a member of more than 10 (Ten) Committees or Chairman of more than 5 (Five) committees across all the Companies in which he/she is a Director. Membership/ Chairmanship in a Committee is reckoned pertaining to Audit Committee and Stakeholders Relationship Committee and based on the latest disclosures received from the Director(s).

**ii. Details of Board Meetings**

During 2015-16, 8 (Eight) meetings of the Board were held, the details of which are as below:

S.No.	Meeting No.	Date of Board Meeting(s)
1.	43 <sup>rd</sup>	24 <sup>th</sup> April, 2015
2.	44 <sup>th</sup>	22 <sup>nd</sup> May, 2015
3.	45 <sup>th</sup>	06 <sup>th</sup> July, 2015
4.	46 <sup>th</sup>	08 <sup>th</sup> July, 2015
5.	47 <sup>th</sup>	03 <sup>rd</sup> September, 2015
6.	48 <sup>th</sup>	14 <sup>th</sup> October, 2015
7.	49 <sup>th</sup>	24 <sup>th</sup> November, 2015
8.	50 <sup>th</sup>	12 <sup>th</sup> January, 2016

**3. COMMITTEES OF THE BOARD**

The Board has constituted various statutory and non-statutory Board level Sub-Committees to take informed decisions within the framework of delegated authority and make specific recommendations to the Board on matters in their areas on purview. The minutes of these Sub-Committees are further placed in the next Committee meeting for confirmation of the members and in Board meeting for information. Senior functional executives are also invited, as and when required, to provide necessary information/clarification to the Committees of the Board.

The Chief Executive Officer, Chief Financial Officer and Chief Operating Officer of your Company are the permanent invitees to the Sub-Committee meeting(s).

**A. Audit Committee**

The term of reference of Audit Committee is in accordance with Section 177(4) of the Companies Act, 2013 and DPE Guidelines on Corporate Governance which inter-alia includes the following:

- (i) Recommending the appointment, remuneration and terms of appointment of auditors of the company;
- (ii) Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- (iii) Examination of the financial statement and the auditors' report thereon;
- (iv) Approval or any subsequent modification of transactions of the company with related parties;
- (v) Scrutiny of inter-corporate loans and investments;
- (vi) Valuation of undertakings or assets of the company, wherever it is necessary;
- (vii) Evaluation of internal financial controls and risk management systems;
- (viii) Monitoring the end use of funds raised through public offers and related matters and
- (ix) Approve the Related Party Transactions including granting of omnibus approval and laying down the criteria for the same

The Audit Committee of the Company comprises of 3 (Three) Members, namely Shri Subir Purkayastha - Chairman, Dr. Ashutosh Karnatak and Shri R.C. Gupta as the members.

The Company Secretary acts as the Secretary to the Committee.

During 2015-16, 5 (Five) meetings of the Audit Committee were held, the details of which are as follows:

S.No.	Meeting No.	Date of Board Meeting(s)
1.	24 <sup>th</sup>	22 <sup>nd</sup> May, 2015
2.	25 <sup>th</sup>	03 <sup>rd</sup> September, 2015
3.	26 <sup>th</sup>	14 <sup>th</sup> October, 2015
4.	27 <sup>th</sup>	24 <sup>th</sup> November, 2015
5.	28 <sup>th</sup>	09 <sup>th</sup> March, 2016

During the year, there is no instance, where the Board had not accepted any recommendation(s) of the Audit Committee.

Your Company has ensured to remain in the regime of unqualified statement.

## B. Committee of Directors

The Committee of Directors of the Company comprises of three Directors with Dr. Ashutosh Karnatak as the Chairman, Shri R.C. Gupta and Shri A.K.Jana as the members.

During 2015-16, 7 (Seven) meetings of the Committee of Directors were held, the details of which are as follows:

S.No.	Meeting No.	Date of Board Meeting(s)
1.	13 <sup>th</sup>	2 <sup>nd</sup> April, 2015
2.	14 <sup>th</sup>	2 <sup>nd</sup> September, 2015
3.	15 <sup>th</sup>	14 <sup>th</sup> October, 2015
4.	16 <sup>th</sup>	9 <sup>th</sup> November, 2015
5.	17 <sup>th</sup>	24 <sup>th</sup> November, 2015
6.	18 <sup>th</sup>	1 <sup>st</sup> December, 2015
7.	19 <sup>th</sup>	17 <sup>th</sup> March, 2016

## C. Health, Safety & Environment Committee

The Health, Safety & Environment Committee of your Company comprises of two Directors, Dr. Ashutosh Karnatak as the Chairman and Shri A.K. Jana as the member.

During the year 2015-16, 1 (One) meeting of the HSE was held on 15<sup>th</sup> April 2015.

## D. Nomination & Remuneration Committee

The Nomination and Remuneration Committee was constituted by the Board in the year 2014. Nomination and Remuneration Committee consist of 3 (Three) Directors namely Shri Subir Purkayastha as the Chairman, Dr. Ashutosh Karnatak and Shri A. K. Jana, being the members.

As you are aware, your Company being wholly owned subsidiary of GAIL (India) Limited, Part-Time (Promoter Nominee) Director(s) are nominated by GAIL and Part-Time (Government Nominee) Director(s) are appointed by MoP&NG being the administrative ministry. All Senior Management

Personnel are employees of the Parent Company. The Part-Time Directors, which includes the Promoter Nominee and Government Nominee, does not receive any sitting fee/compensation from the Company for attending the meetings of the Board as well Sub-Committees of the Board.

No meeting of the Nomination and Remuneration Committee during FY 2015-16.

## E. Corporate Social Responsibility Committee

The CSR Committee consists of 3 (Three) Directors namely Dr. Ashutosh Karnatak, Chairman and Shri R.C. Gupta and Smt. Vandana Chanana, as members.

In alignment with the Companies Act, 2013, CSR initiatives strive to enhance value creation in the society and in the community in which your Company operates, through its services, conduct & initiative, so as to promote sustained growth for the society and community.

As per the provisions of the Act, your Company is in the process of formulating CSR policy and annual Plan. As mandated under the Companies Act, 2013, 2% of Average Net Profit (Profit Before Tax) for FY 2015-16 was ₹ 46.86 lacs, but since no CSR activity was identified during the year and no liability has been incurred, therefore no provision has been made in the books of account.

During the year under review, 1 (One) meeting of the CSR was held on 14<sup>th</sup> October, 2015.

## 4. GENERAL BODY MEETINGS

### Forthcoming AGM: Date, Time and Venue

The 8<sup>th</sup> Annual General Meeting of the Company (AGM) is scheduled on Thursday, the 29<sup>th</sup> day of September, 2016 at 04:30 hrs. at the Registered Office of the Company situated at GAIL Bhawan, 16, Bhikaiji Cama Place, R.K. Puram, New Delhi-110066

### Location and Time of the Last Three AGMs

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

Year	2012-13	2013-14	2014-15
<b>AGM Date and Time</b>	5 <sup>th</sup> 20 <sup>th</sup> September, 2013 04.00 p.m	6 <sup>th</sup> 16 <sup>th</sup> September, 2014 04.00 p.m.	7 <sup>th</sup> 14 <sup>th</sup> September, 2015 04:00 p.m
<b>Venue</b>	6 <sup>th</sup> Floor, GAIL Corporate Office, 16, Bhikaiji Cama Place, R.K. Puram, New Delhi-110066	6 <sup>th</sup> Floor, GAIL Corporate Office, 16, Bhikaiji Cama Place, R.K. Puram, New Delhi-110066	6 <sup>th</sup> Floor, GAIL Corporate Office, 16, Bhikaiji Cama Place, R.K. Puram, New Delhi-110066
<b>Special Resolution Passed</b>	Transfer of GAIL Gas' CNG assets at Vadodara to the proposed JVC of GAIL Gas Limited	To increase borrowing powers in excess of the paid-up share capital and free reserves of the Company	-

## 5. MEANS OF COMMUNICATION

The Annual Report is available on the website in a user-friendly format viz. [www.gailgas.com](http://www.gailgas.com) and is circulated to the members and others entitled thereto.

## 6. INDEPENDENT AND WOMEN DIRECTOR

As per the requirement of DPE Guidelines and Companies Act, 2013 there is a requirement of 2 (Two) Independent Director and one Women Director in the Board of the Company. Presently, there are no Independent Director and your Company is pursuing with MoP&NG, being administrative ministry, to appoint requisite number of Independent Directors on the Board.

Presently, there are 2 (Two) Women Directors on the Board of the Company.

## 7. DISCLOSURES

- The Annual Financial Statements FY 2015-16 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.
- CEO and CFO of the Company, inter-alia, confirmed the correctness of the financial statements, adequacy of the internal control and certified other matters to the Board and Audit Committee, as per the requirements of Department of Public Enterprises guidelines.

- The Company has in place adopted the Whistle Blower (Vigil Mechanism) Policy and the same has been hosted on the website of your Company.
- CEO has given a declaration that Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct of your Company for the financial year ending on 31<sup>st</sup> March, 2016.
- 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 the government during last three years.
- During the year under review, no Presidential Directives have been received by your Company.
- 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 have been incurred for the Board of Directors and Top Management/SMP.
- The administrative and office expenses are 4.21% of the total expenses in FY 2015-16 as against 5.13% in FY 2014-15.

## 8. TRAINING OF BOARD MEMBERS

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

## 9. SHARE OWNERSHIP PATTERN AS ON 31<sup>ST</sup> MARCH, 2016

Category	No. of shares held of ₹ 10 each	Shareholding
GAIL (India) Limited and its Nominees	40,20,00,000	100%



CNG STATION AT HUDA ROAD. SONEPAT

# CERTIFICATE ON COMPLIANCE OF GUIDELINES ON CORPORATE GOVERNANCE

To  
The Members,  
GAIL Gas Limited,

We have examined the compliance of Guidelines on Corporate Governance for Central Public Sector Enterprise, 2010 issued by DPE.

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.

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 & composition of its Statutory Committee(s) with regard to Independent Directors, the Company has complied with the Guidelines on Corporate Governance as stipulated in DPE guidelines. The Board in its meeting held on 21.07.2016 has framed Risk Management Framework Policy as per compliance of Clause 3.6 of the DPE Guidelines on Corporate Governance.

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 Agarwal S. & Associates,  
Company Secretaries,

Sd/-

(Sachin Agarwal)

Partner

FCS No. : 5774

C.P. No. : 5910

Place : New Delhi  
Dated : July 26, 2016



INFRASTRUCTURE CREATION FOR BENGALURU

# SECRETARIAL AUDIT REPORT

Annexure-D

## FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2016

{Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014}

To,  
The Members,  
GAIL Gas Limited,

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by GAIL Gas Limited (hereinafter called the Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial period ended on 31<sup>st</sup> March, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and Compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder; - **Not Applicable**
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; - **Not Applicable**
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; - **Not Applicable**
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011; - **Not Applicable**
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; - **Not Applicable**
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; - **Not Applicable**
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; - **Not Applicable**
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **Not Applicable**
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; - **Not Applicable**
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and - **Not Applicable**
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; - **Not Applicable**

(vi) Compliances/processes/systems under other applicable Laws to the Company are not being verified by us.

I have also examined compliance with the applicable clauses of the following:

- (a) Secretarial Standards issued by the Institute of Company Secretaries of India-Generally not complied with.
- (b) The Listing Agreement and the Securities Exchange Board of India (Listing Obligation & other Disclosure requirements) Regulations, 2015. - **Not Applicable.**
- (c) Corporate Governance & CSR Guidelines as issued by the DPE.

During the period under review the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

1. The composition of the Board and Statutory Committee(s) of the Board should be in compliance with the provisions of the Companies Act, 2013 and DPE Guidelines on Corporate Governance with respect to appointment of Independent Directors & consequential non-compliances thereof.
2. The compliance of Section 149 (8) read with Clause VII & VIII of Schedule IV of the Companies Act, 2013 w.r.t. to separate meeting of the Independent Directors and Performance Evaluation of the Directors should have been complied with.
3. The Company should comply with Clause 2.4 (iv) of the DPE Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Undertaking, the unspent CSR amount in a particular year would not lapse, it would instead be carried forward to the next year for utilization for the purpose for which it was allocated.
4. The Company should comply with provisions under Section 205(1) (a) of the Companies Act, 2013 and Clause 3.3.3 of the DPE Guidelines w.r.t Compliance of Applicable Laws.

**I further report** that the Board of Directors of the Company is not duly constituted due to non-appointment of Independent Directors on the Board of the Company. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Generally, adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

The Board in its meeting held on 21.07.2016 has framed Risk Management Framework Policy as per compliance of Clause 3.6 of the DPE guidelines on Corporate Governance.

All the decisions made in the Board/Committee meeting(s) were carried out with unanimous consent of all the Directors/Members present during the meeting and dissent, if any, have been duly incorporated in the Minutes.

**I further report** that there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines and Company is in process of reviewing & strengthening the same.

**I further report** that during the audit period, there were no specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws.

**For Agarwal S. & Associates,**  
**Company Secretaries,**  
Sd/-  
**(Sachin Agarwal)**  
Partner  
FCS No. : 5774  
C.P. No. : 5910

**Place** : New Delhi  
**Dated** : July 26, 2016

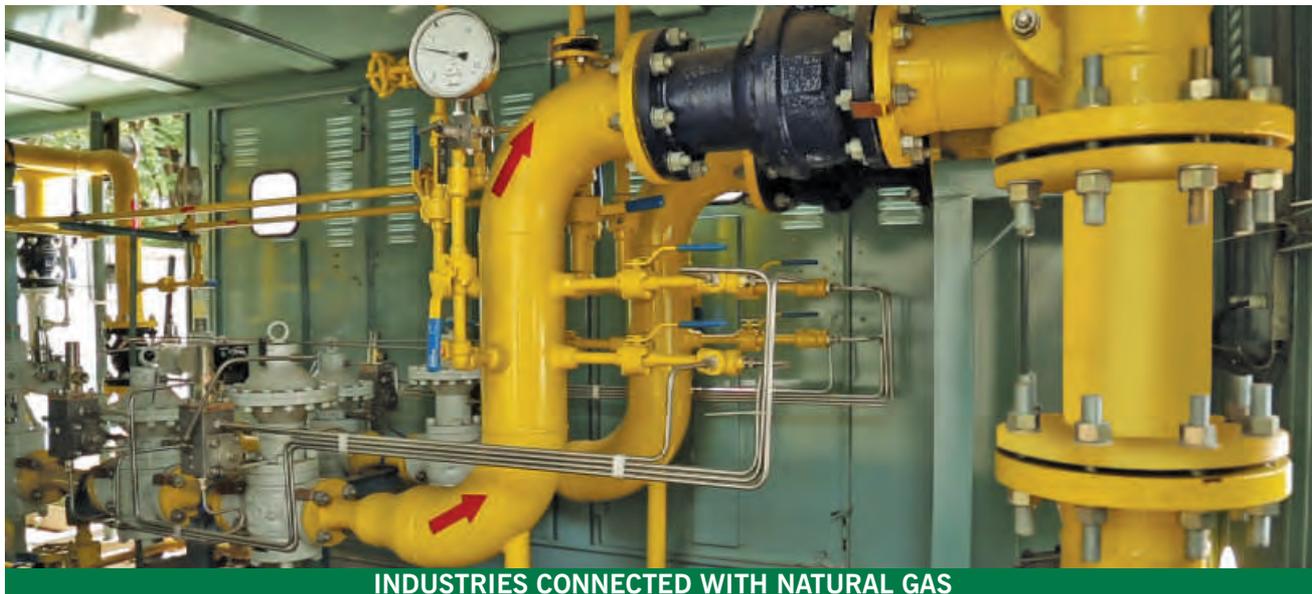
To,  
The Members,  
GAIL Gas Limited,

**Our report of even date is to be read along with this letter.**

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulation and happening of events etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis. Compliances/ processes/ systems under other applicable Laws to the Company are not being verified by us.
6. The Secretarial Audit Report is neither an assurance as to future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For Agarwal S. & Associates,  
Company Secretaries,  
Sd/-  
(Sachin Agarwal)  
Partner  
FCS No. : 5774  
C.P. No. : 5910**

**Place** : New Delhi  
**Dated** : July 26, 2016



# Form No. AOC-2

(Pursuant to Clause (h) of Sub-Section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

**Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in Sub-Section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto**

**1. Details of contracts or arrangements or transactions not at arm's length basis –**

GAIL Gas Limited has not entered into any contract or arrangement or transaction with its related parties which is not at arm's length during financial year 2015-16.

**2. Details of material contracts or arrangement or transactions at arm's length basis**

- a. Name(s) of the related party and nature of relationship – GAIL (India) Limited, holding Company
- b. Nature of contracts/arrangements/transactions : Purchase of Regasified Liquefied Natural Gas (RLNG).
- c. Duration of the contracts / arrangements/transactions – Agreements dated 15<sup>th</sup> May, 2009 which is ongoing till year 2028.
- d. Salient terms of the contracts or arrangements or transactions including the value, if any-Purchase of RLNG from GAIL (India) Limited Transactions with GAIL (India) Limited for FY 2015-16 were approx. ₹ 1405.33 Crores.
- e. Date(s) of approval by the Board, if any - Not applicable, since the contract was entered into in the ordinary course of business and on arm's length basis.
- f. Amount paid as advances, if any - NIL

*For and on behalf of the Board*

**Place** : New Delhi  
**Dated** : September 21, 2016

Sd/-  
**B.C. Tripathi**  
 Chairman



# Form No.MGT-9

# EXTRACT OF ANNUAL RETURN

## FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2016

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

### I. REGISTRATION AND OTHER DETAILS :

CIN	U40200DL2008GOI178614
Registration Date	27.05.2008
Name of the Company	GAIL Gas Limited
Category/Sub-Category of the Company	Government Company
Address of the Registered Office and contact details	16, Bhikaiji Cama Place, R.K.Puram New Delhi -110066 Tel: +91-11-26172580, +91-120-2446400
Whether listed company (Yes/No)	No
Name, Address and Contact details of Registrar and Transfer Agent, if any	Not Applicable

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:

S. No.	Name and Description of main products / services	NIC Code of the Product/ Service	% to total turnover of the Company
1	PNG (Piped Natural Gas Supplied to Domestic, Commercial & Industrial Sector)	410	91.47%
2	CNG (Compressed Natural Gas Supplied to Transport Sector)	410	8.53%

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable Section
1.	<b>GAIL (India) Limited</b> 16, Bhikaiji Cama Place, R K Puram, New Delhi - 110066	L40200DL1984GOI018976	Holding	100	2(46)
2.	<b>Kerala GAIL Gas Limited (KGGL)</b> 2nd Floor, Choice Tower, Manorama Junction, Ernakulam - 682016	U40200KL2011GOI029899	Associate	50	2(6)
3.	<b>Rajasthan State Gas Limited (RSGL)</b> C- 89-90, Jan Path, Lalkothi Scheme, Jaipur, Rajasthan - 302004	U11101RJ2013SGC043884	Associate	50	2(6)
4.	<b>Andhra Pradesh Gas Distribution Corporation Limited (APGDC)</b> Parisrama Bhavanam, 2nd Floor 5-9-58/ B, Fateh Maidan Road Hyderabad - 500004	U11100TG2011SGC072140	Associate	50	2(6)
5.	<b>Vadodara Gas Limited (VGL)</b> Shri Muni Commi Gas Office Gas Office Building, Dandia Bazar, Vadodara, Gujarat - 390001	U40106GJ2013PLC076828	Associate	50	2(6)
6.	<b>Haridwar Natural Gas Private Limited</b> Bharat Petroleum Corporation Ltd Landhora, Roorkee, Haridwar, Uttarakhand - 247667	U40300UR2016PTC007004	Associate	50	2(6)

#### IV. SHAREHOLDING PATTERN

(Equity Share Capital Breakup as percentage of Total Equity)

##### i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 1 <sup>st</sup> April 2015]				No. of Shares held at the end of the year [As on 31 <sup>st</sup> March 2016]				%Change during the year
	Demat	Physical	Total	%of Total Shares	Demat	Physical	Total	%of Total Shares	
<b>A. Promoters</b>									
1) Indian									
a) Individual/ HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt. (s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.									
GAIL (India) Limited	-	30,00,00,000	30,00,00,000	100%	-	40,20,00,000	40,20,00,000	100%	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (1):-</b>	-	<b>30,00,00,000</b>	<b>30,00,00,000</b>	<b>100%</b>	-	<b>40,20,00,000</b>	<b>40,20,00,000</b>	<b>100%</b>	-
2) Foreign									
a) NRIs-Individual	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other . . .	-	-	-	-	-	-	-	-	-
<b>Total shareholding of Promoter (A) = (A) (1) + (A) (2)</b>	-	<b>30,00,00,000</b>	<b>30,00,00,000</b>	<b>100%</b>	-	<b>40,20,00,000</b>	<b>40,20,00,000</b>	<b>100%</b>	-
<b>B. Public Shareholding</b>									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-Total (B)(1)</b>	-	-	-	-	-	-	-	-	-
2. Non-Institutions									
a) <b>Bodies Corp.</b>	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) <b>Individuals</b>	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital up to Rs. 1 Lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs 1 Lakh	-	-	-	-	-	-	-	-	-
c) <b>Others (specify)</b>	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2):</b>	-	-	-	-	-	-	-	-	-
<b>Total Public Shareholding (B)=(B)(1) + (B)(2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
<b>Grand Total (A+B+C)</b>	-	<b>30,00,00,000</b>	<b>30,00,00,000</b>	<b>100%</b>	-	<b>40,20,00,000</b>	<b>40,20,00,000</b>	<b>100%</b>	-

## (ii) Shareholding of Promoters

S. No.	Shareholder's Name	No. of Shares held at the beginning of the year [As on 1 <sup>st</sup> April 2015]			No. of Shares held at the end of the year [As on 31 <sup>st</sup> March 2016]			%Change share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged /encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged /encumbered to total shares	
1	GAIL (India) Limited Total	30,00,00,000	100%	-	40,20,00,000	100%	-	-
		30,00,00,000	100%	-	40,20,00,000	100%	-	-

## (iii) Change in Promoters' Shareholding (please specify, if there is no change) -

S. No.	Name	Shareholding at the Beginning of the Year		Shareholding at the end of the Year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	At the beginning of the Year	30,00,00,000	100%	30,00,00,000	100%
	Date wise Increase/ Decrease in Promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/sweat equity etc):	6,00,00,000 shares allotted on 14.10.2015		36,00,00,000	
		4,20,00,000 shares allotted on 24.02.2016		40,20,00,000	
	At the end of the year	30,00,00,000	100%	40,20,00,000	100%

## (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs): NOT APPLICABLE

S. No.	For Each of the Top 10 Shareholder	Shareholding at the Beginning of the Year		Cumulative Shareholding at the end of the Year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	At the beginning of the Year	-	-	-	-
	Date wise Increase/ Decrease in Promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/ sweat equity etc):	-	-	-	-
	At the end of the year	-	-	-	-

## (v) Shareholding of Directors and Key Managerial Personnel: NOT APPLICABLE

S. No.	For Each of the Directors and KMP	Shareholding at the Beginning of the Year		Cumulative Shareholding at the end of the Year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	At the beginning of the Year	-	-	-	-
	Date wise Increase/ Decrease in Promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/ sweat equity etc):	-	-	-	-
	At the end of the year (or on the date of separation, if separated during the year)	-	-	-	-



## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in Crores)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>INDEBTEDNESS AT THE BEGINNING OF THE FINANCIAL YEAR 2015-16</b>				
i) Principal Amount	182.76	40.40	-	223.16
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	0.20	-	-	-
<b>TOTAL (I + II + III)</b>	<b>182.96</b>	<b>40.40</b>		<b>223.16</b>
<b>CHANGE IN INDEBTEDNESS DURING THE FINANCIAL YEAR</b>				
Addition	111.18	40	-	151.18
Reduction	64.37	29.50	-	93.87
Exchange Rate Fluctuation	-	-	-	-
<b>Net Change</b>	<b>(+) 46.81</b>	<b>(+) 10.50</b>		<b>57.31</b>
<b>INDEBTEDNESS AT THE END OF THE FINANCIAL YEAR</b>				
i) Principal Amount	229.77	50.90	-	280.67
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>TOTAL (I + II + III)</b>	<b>229.77</b>	<b>50.90</b>		<b>280.67</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager: NOT APPLICABLE

(₹ in Lakhs)

S.No	Particulars of remuneration	Name of MD/WTD/Manager						Total Amount
1.	<b>Gross Salary</b>							
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	-	-	-	-	-	-	-
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	-	-	-	-	-	-
	(c) Profits in lieu of salary under Section 17 (3) of the Income Tax Act, 1961	-	-	-	-	-	-	-
2.	<b>Stock Option</b>	-	-	-	-	-	-	-
3.	<b>Sweat Equity</b>	-	-	-	-	-	-	-
4.	<b>Commission</b>							
	- as% of profit	-	-	-	-	-	-	-
	- Others, specify...	-	-	-	-	-	-	-
5.	<b>Others</b>	-	-	-	-	-	-	-
	<b>Total (A)</b>	-	-	-	-	-	-	-
	<b>Ceiling as per the Act</b>							

**B. Remuneration to other Directors : NOT APPLICABLE**

(₹ in Lakhs)

S No.	Particulars of Remuneration	Name of Directors				Total Amount
		---	---	---	---	
1.	<b>Independent Directors</b>					
	Fee for attending Board and Committee meetings					
	Commission					
	Others, please specify					
	<b>Total (1)</b>					
2.	<b>Other Non-Executive Directors</b>					
	Fee for attending Board and Committee meetings					
	Commission					
	Others, please specify					
	<b>Total (2)</b>					
	<b>Total (B) = (1+2)</b>					
	<b>Total Managerial Remuneration</b>					
	<b>Overall Ceiling as per the Act</b>					

**Note:** The Promoter Nominee Director(s) and Government Nominee Directors do not receive any remuneration from the Company.

**C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD**

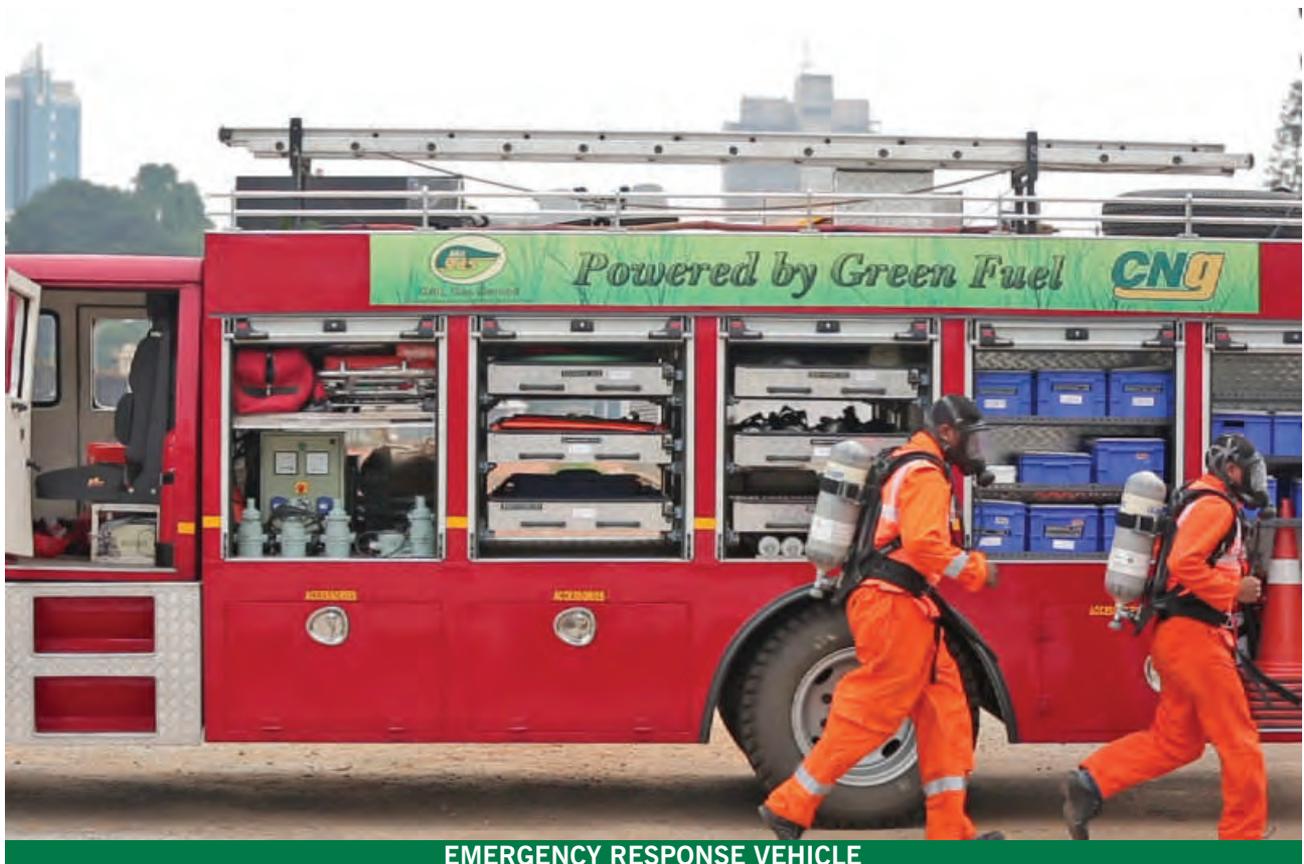
(₹ in Lakhs)

S. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	CFO	CS	Total
1.	<b>Gross Salary</b>				
	a. Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	33.60	33.43	12.59	79.62
	b. Value of perquisites u/s 17(2) of the Income-Tax Act,1961	13.26	13.20	5.49	31.95
	c. Profits in lieu of salary under Section 17(3) of the Income Tax Act,1961				
2.	<b>Stock Option</b>				
3.	<b>Sweat Equity</b>				
4.	<b>Commission</b>				
	As % of profit				
	Others, specify...				
5.	<b>Others, please specify</b>				
	<b>Total</b>	<b>46.86</b>	<b>46.63</b>	<b>18.08</b>	<b>111.57</b>

**Note:** This include service tax @ 12.36% charge on salary and paid to Parent Company GAIL (India) Limited

## VII. PENALTIES/ PUNISHMENT/ COMPOUNDING OF OFFENCES: NONE

Type	Section of the Companies Act	Brief Description	Details of Penalty Penalty/punishment Compounding Fee imposed	Authority (RD/NCLT/ Court)	Appeal made, if Any (Give Details)
<b>A. COMPANY</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>B. DIRECTORS</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-



# ANNUAL REPORT ON CSR ACTIVITIES

Annexure-G

## BRIEF OUTLINE OF CSR POLICY AND PROJECTS OR PROPOSED PROGRAMMES TO BE UNDERTAKEN

Your Company in order to comply with the provisions of said Section 135 and the accompanying rules has formulated the draft Corporate Social Responsibility Policy and the same is under finalization.

In alignment with the Companies Act, 2013, CSR initiatives strive to enhance value creation in the society and in the community in which it operates, through its services, conduct & initiatives, so as to promote sustained growth for the society and community.

The Company's CSR Policy is under finalization, covering major thrust areas detailed below, in line with Schedule VII of the Companies Act, 2013:

The Company's CSR Policy is being framed considering identified major thrust areas as detailed below, in line with Schedule VII of the Companies Act, 2013:

- Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
- Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;
- Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- Measures for the benefit of armed forces veterans, war widows and their dependents;
- Training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports;
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- Rural development projects.

## CSR COMMITTEE OF BOARD

In compliance with the provisions of Section 135(1) of the Companies Act, 2013, as on 31.03.2016, the CSR Committee of the Board comprised of Dr. Ashutosh Karnatak as the Chairman, Shri R.C. Gupta, and Smt. Vandana Chanana (in place of Shri P.K. Gupta) as the member(s).

## AVERAGE NET PROFIT FOR LAST THREE FINANCIAL YEARS

(₹ in Crores)

Financial Year	Net Profit before tax
2012-13	34.81
2013-14	17.09
2014-15	24.88
<b>Total (A)</b>	<b>76.78</b>
<b>Average of 03 Financial Years = (A)/3</b>	<b>25.59</b>

## CSR EXPENDITURE

The prescribed CSR expenditure i.e. 2% of net profit (Profit Before Tax) for FY 2015-16 as per provisions of Companies Act, 2013 was ₹ 46.86 Lakh. Since your Company is in process of formulating CSR Policy & Annual Plan, no CSR activity was identified during the year and no liability has been incurred, therefore no provision has been made in the books of account as per the applicable Accounting Standards.

## DETAILS OF CSR SPENDS DURING THE FINANCIAL YEAR

Total amount to be spent for the Financial Year – ₹ 46.86 Lakhs  
Amount unspent, if any – ₹ 46.86 Lakhs

## REASON FOR UNSPENT STIPULATED EXPENDITURE

The prescribed CSR expenditure i.e. 2% of net profit (Profit Before Tax) for FY 2015-16 as per provisions of Companies Act, 2013 was ₹ 46.86 lacs. Since the Company is in process of formulating CSR Policy & Annual Plan, no CSR activity was identified during the year and no liability has been incurred, therefore no provision has been made in the books of account as per the applicable Accounting Standards.

## RESPONSIBILITY STATEMENT OF THE CSR COMMITTEE OF THE BOARD

This is to certify that the framing of CSR Policy, is in compliance with the CSR objectives as provided in Section 135 of the Companies Act, 2013.

Sd/-  
**Pankaj Kumar Pal**  
Chief Executive Officer

Sd/-  
**Dr. Ashutosh Karnatak**  
Chairman, CSR Committee

**Dated:** September 21, 2016



# CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

## A. CONSERVATION OF ENERGY

i. Your Company has taken various steps for conservation of energy which are as under:

**LED lights has been installed as a pilot project for energy conservation**

ii. Steps taken by the Company for utilizing alternate sources of energy

**PV Solar Panels has been installed in some of the CNG Station, as a pilot project to reduce electrical power consumption from power distribution companies.**

iii. The capital investment on energy conservation equipment

**NIL**

## B. TECHNOLOGY ABSORPTION

1. The efforts made towards technology absorption	<b>Continued indigenization of various spare parts of CNG Compressors, CNG Dispensers, MRS etc.</b>
2. The benefits derived like improvement, cost reduction, product development or import substitution	<b>Overall reduction of cost of spares</b>
3. In case of imported technology (imported during the last 3 years reckoned from the beginning of the financial year): a) The details of technology imported; b) Year of import c) Whether the technology been fully absorbed d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof.	<b>NIL</b>
4. The expenditure incurred on Research and Development	<b>No direct expenditure</b>

## C. FOREIGN EXCHANGE EARNING AND OUTGO

During the year under review, the foreign exchange earnings and outgo are given below:

**Foreign Exchange Earned : NIL**

**Foreign Exchange Outgo \* : ₹ 0.12 Crores**

*(\*on foreign tours and training and NIL on advertising and publicity)*

# INDEPENDENT AUDITOR'S REPORT

## To, The Members of GAIL Gas Limited

This Revised Report is issued, in supersession of our earlier Audit Report dated 17<sup>th</sup> May, 2016, at the instance of Comptroller & Auditor General (C&AG) of India in order to Revise Annexure C as per the revised directions issued u/s 143(5) of the Companies Act 2013 and the reporting requirements under clause (v) of the Companies (Auditor's Report) Order, 2016. Further, we confirm that there is no change in the true and fair view of the financial statements as expressed in our earlier report and also none of the figures have undergone any change in the financial statements of the Company as at 31<sup>st</sup> March, 2016.

## Report on the Standalone Financial Statements

We have audited the accompanying financial statements of **GAIL Gas Limited ("the Company")**, which comprise the Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are

required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 financial control relevant to the Company'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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on standalone financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March, 2016, and its Profit and its cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

- As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the **Annexure-A**, a statement on the matters specified in the paragraph 3 and 4 of the order, to the extent applicable.
- As required by Section 143(3) of the Act, we report, to the extent applicable, that:
  - We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - In our opinion, proper books of account as required

- by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in “**Annexure-B**”.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. Company has disclosed the impact of pending litigations on its financial position in its financial statements- **Refer note 29 to the financial statements.**
  - ii. The Company did not have any long-term contracts including derivative contracts for which may lead to any material foreseeable losses.
  - iii. There has been no delay in transferring amount, required to be transferred, to the Investor Education and Protection Fund by the Company.
3. As required by Section 143(5) of the Companies Act, 2013, please refer **Annexure-C enclosed.**

**For Bansal Sinha & Co**  
**Chartered Accountants**  
**Firm's Reg. No.: 06184N**  
 Sd/-  
**CA Tanupriya Gupta**  
 Partner  
 Membership No.: 511757

**Place :** New Delhi



# ANNEXURE - A TO THE INDEPENDENT AUDITORS' REPORT

## THE ANNEXURE REFERRED TO IN INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE COMPANY ON THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016, WE REPORT THAT:

- i) In respect of fixed assets:
- The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - The Company has a regular programme of physical verification of its fixed assets other than fixed assets related to the underground natural gas distribution system (included in plant and equipment in Note 10 to the financial statements) which as per the Management cannot be physically verified, by the committee constituted by the company during the year. In accordance with this programme, the fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
  - On the basis of information and explanation given to us and on the basis of our examination of the records of company, title deeds in respect of all the lands ( both leasehold and freehold) appearing in the books of accounts valuing ₹ 23.88 crores, have not been mutated in favour of GAIL Gas Limited since its procurement from government agencies.
- ii) In respect of its inventory:
- The inventories of the Company comprise inventory of stores and spare parts and inventory of natural gas. On the basis of information and explanation provided by the management, the Company has a regular programme of physical verification of inventories of stores and spares except for the inventories lying with contractors and project consultants. No material discrepancies were noticed on verification between the physical stocks and the book records.
- As explained to us, having regard to the nature of inventory of natural gas, management has followed policy for estimation of natural gas quantities which is based on volume of pipelines and the volume of cascades containing the natural gas considering standard temperature and pressure whereas opening stock of gas been arrived at on the basis of book balances. No reconciliation has been made with book balances since as per the management it is not possible as gas is flowing continuously in pipelines.
- According to the information and explanation given to us, the Company has not granted any loan to a party covered in the register maintained under Section 189 of the Companies Act, 2013.
  - In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to the loans and investments made.
  - The Company has not accepted any deposits from the public during the year covered under directives issued by Reserve Bank of India and under Section 73 to 76 or any other relevant provision of Companies Act, 2013 and rules framed thereunder.
  - The Central Government has prescribed the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the products sold by the company. The company has maintained proper cost records which are yet to be audited by the cost auditor.
  - (a) On the basis of information and explanation given to us and on the basis of our examination of the records of company, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with appropriate authorities. Further there were no undisputed outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable.  
(b) According to the records of the Company examined by us and the information and explanations given to us, there were no dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax that have not been deposited on account of any dispute.
  - The Company has got outstanding dues to OI DB and Term Loans from Banks and there is no default to any of these institutions during the year.
  - The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.
  - According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
  - The company being the government company, Section 197 shall not apply. Accordingly paragraph 3(xi) of the Order is not applicable.

- xii) The Company is not a Nidhi Company; accordingly paragraph 3(xii) of the Order is not applicable.
- xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of paragraph 3(xiv) of the Order are not applicable to the Company.
- xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of paragraph 3(xv) of the Order are not applicable to the Company.
- xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

**For Bansal Sinha & Co**  
**Chartered Accountants**  
**Firm's Reg. No.: 06184N**  
 Sd/-  
**CA Tanupriya Gupta**  
 Partner  
 Membership No.: 511757

Place : New Delhi



# ANNEXURE - B TO THE INDEPENDENT AUDITORS' REPORT

## **Report on the Internal Financial Controls under Clause (I) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act").**

We have audited the internal financial controls over financial reporting of GAIL Gas Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial

controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate

because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial

reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Bansal Sinha & Co**  
**Chartered Accountants**  
**Firm's Reg. No.: 06184N**  
Sd/-  
**CA Tanupriya Gupta**  
Partner  
Membership No.: 511757

**Place :** New Delhi



**VENDOR'S MEET FOR MIRCO & SMALL ENTERPRISES**

# ANNEXURE - C TO THE INDEPENDENT AUDITORS' REPORT

## DIRECTIONS UNDER SECTION 143(5) OF COMPANIES ACT, 2013

S. No	Directions	Auditor's Remark
1	Please report whether there are any case of waiver/ write off of debts/loans/interest etc., if yes, the reasons there for and the amount involved.	There are no case of waiver/write off of debts/loans/ interest etc. during the year under audit. Hence no comments are made on requirements of Direction No. 2.
2	Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.	Proper records are being maintained with regards to inventories lying with third parties. No assets are received as gift from Govt. / Any other authorities.
3	Whether the company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold and lease hold land for which title/ lease deeds are not available.	On the basis of information and explanation given to us and on the basis of our examination of the records of company, title deeds in respect of all the Lands ( both leasehold and freehold) appearing in the books of accounts valuing ₹ 23.88 crores, have not been mutated in favour of GAIL Gas Limited since its procurement from government agencies.
4	Whether company has provided for penalty imposed/ imposable in case of non- achievement, if any, of milestones approved by PNGRB.	The PNGRB invoked the performance bank guarantees amounting to 25% of BG i.e. ₹ 75,00,000/- on account of non-achieving of targets of authorization by GAIL Gas in TTZ area vide letter dt. 2.11.2015 Considering the case history and stay order granted to GAIL Gas, it has not provided for any penalty imposable for non-achievement of targets.
5	Independent verification may be made of information / inputs furnished to Actuary , viz number of employees, average salary, retirement age and assumptions made by the Actuary regarding discount rate, future cost increase, mortality rate, etc. for arriving at the provision for liability of retirement benefits, viz. gratuity, leave encashment, post- retirement medical benefits etc.	All the employees posted in GAIL Gas Limited during the year are on rolls of GAIL (India) Limited, the Holding Company. The Employee's benefits and all statutory compliances including provision for liabilities like Gratuity, Leave Encashment, Post- retirement medical benefits etc. are being made by GAIL (India) Limited.

**Place** : New Delhi  
**Dated** : July 1, 2016

**For Bansal Sinha & Co**  
**Chartered Accountants**  
**Firm's Reg. No.: 06184N**  
Sd/-  
**CA Tanupriya Gupta**  
Partner  
Membership No.: 511757



# BALANCE SHEET

## AS AT 31<sup>ST</sup> MARCH, 2016

(₹ in Crores)

	Note No.	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
<b>I. EQUITY AND LIABILITIES</b>					
<b>(1) Shareholder's Funds</b>					
a) Share Capital	2	402.00		300.00	
b) Reserve & Surplus	3	89.90	491.90	60.62	360.62
<b>(2) Share Application money pending Allotment</b>	2A		<b>34.00</b>		-
<b>(3) Non Current Liabilities</b>					
a) Long Term Borrowings	4	122.88		131.11	
b) Deferred Tax Liability (Net)		25.60		17.79	
c) Other Long-term Liabilities	5	35.22		35.75	
d) Long-term Provisions	6	-	183.70	-	184.65
<b>(4) Current Liabilities</b>					
a) Short Term Borrowings	8	111.95		33.67	
b) Trade Payables	7	66.29		53.96	
c) Other Current Liabilities	8A	98.84		95.87	
d) Short-term Provisions	9	22.09	299.17	9.77	193.27
		<b>TOTAL</b>	<b>1,008.77</b>	<b>TOTAL</b>	<b>738.54</b>
<b>II. ASSETS</b>					
<b>(1) Non-current assets</b>					
a) Fixed Assets					
(i) Tangible Assets	10	361.55		321.45	
(ii) Intangible Assets	10	1.66		1.78	
(iii) Capital Work in Progress	11	265.68		152.18	
(iv) Intangible Assets under Development		-	628.89	-	475.41
b) Non-current Investments	12	92.46		31.98	
c) Long-term loans and advances	13	2.69		2.82	
d) Other non-current assets	14	-	95.15	-	34.80
<b>(2) Current Assets</b>					
a) Current Investments	15	-		-	
b) Inventories	16	8.30		6.66	
c) Trade receivables	17	61.97		58.03	
d) Cash and cash equivalents	18	1.35		0.62	
e) Short-term loans and advances	19	212.56		162.70	
f) Other current assets	20	0.55	284.73	0.32	228.33
		<b>TOTAL</b>	<b>1,008.77</b>	<b>TOTAL</b>	<b>738.54</b>

Significant Accounting Policies & Notes on Accounts 1

See accompanying notes to Financial Statements

Cash Flow Statement, Notes on Accounts and Accounting Policies form an integral part of the Accounts.

Contingent Liabilities not provided for (Refer Note-29)

As per our separate report of even date

**Deepak Asija**  
Company Secretary  
PAN-ADRPAA0983E

**Jyoti Dua**  
CFO  
PAN-ACJPD6268J

**Pankaj Kumar Pal**  
CEO  
PAN-AATPP6657M

**Subir Purkayastha**  
Director  
DIN-06850526

**B.C. Tripathi**  
Chairman  
DIN-01657366

**For Bansal Sinha & Co**  
Chartered Accountants  
Firm's Reg. No. : 06184N

Place : New Delhi  
Dated : 17.05.2016

**CA Tanupriya Gupta**  
Partner  
Membership No. : 511757

# STATEMENT OF PROFIT & LOSS

## FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

(₹ in Crores)

	Note No.	Year Ended 31 <sup>st</sup> March, 2016	Year Ended 31 <sup>st</sup> March, 2015
<b>I. Revenue from Operations</b>	<b>21</b>	1,551.88	1,024.59
<b>II. Other Income</b>	<b>22</b>	2.05	1.85
<b>III. Total Revenue (I+II)</b>		<b>1,553.93</b>	<b>1,026.44</b>
<b>IV. Expenses</b>			
Gas consumed	<b>23</b>	1,398.50	930.26
Employee benefits expenses	<b>24</b>	-	-
Finance Cost	<b>25</b>	18.87	14.07
Depreciation and Amortization Expenses	<b>26</b>	13.73	12.23
Other Expenses	<b>27</b>	62.88	51.73
		<b>1,493.98</b>	<b>1,008.29</b>
<b>V. Profit before exceptional and extraordinary items and tax ( III-IV )</b>		<b>59.95</b>	<b>18.15</b>
<b>VI. Exceptional Items</b>		<b>0.00</b>	-
<b>VII. Profit(Loss) before extra ordinary items and tax ( V-VI )</b>		<b>59.95</b>	<b>18.15</b>
<b>VIII. Extraordinary Items (Profit on Sale of Assets)</b>		<b>(0.04)</b>	<b>(6.49)</b>
<b>IX. Profit(Loss) before prior period items and Tax (VII-VIII)</b>		<b>59.99</b>	<b>24.64</b>
<b>X. Prior Period Adjustments (Net)</b>	<b>28</b>	<b>1.62</b>	<b>(0.24)</b>
<b>XI. Profit (Loss) before Tax (IX-X)</b>		<b>58.37</b>	<b>24.88</b>
<b>XII. Tax Expenses</b>			
Current Tax		12.41	5.48
less MAT credit		0.14	<u>3.89</u>
Less: Pr Year Tax written back		0.68	11.60
Deferred Tax			
Current Year		7.88	6.45
Less: Excess Deferred Tax Pr Year written back		<u>0.07</u> <u>7.81</u>	-
		19.41	6.45
		-	-
<b>XIII. Profit(Loss) after Tax for the period (XI-XII)</b>		<b>38.96</b>	<b>16.84</b>
<b>XIV. Appropriation of Profit</b>			
Proposed Dividend		8.04	0.00
Corporate Dividend tax		<u>1.64</u>	<u>0.00</u>
<b>Balance Carried to Balance Sheet</b>		<b>29.29</b>	<b>16.84</b>
<b>Details of Earning Per Share</b>			
A. Profit after tax		38.96	16.84
B. Weighted Average No. of Equity Shares		33.20	27.76
C. Nominal Value per Equity Share (₹)		10/-	10/-
D. Basic and Diluted Earning Per Share (₹)		1.17	0.61

See accompanying notes to accounts

As per our separate report of even date

**Deepak Asija**  
Company Secretary  
PAN-ADRPAA0983E

**Jyoti Dua**  
CFO  
PAN-ACJPD6268J

**Pankaj Kumar Pal**  
CEO  
PAN-AATPP6657M

**Subir Purkayastha**  
Director  
DIN-06850526

**B.C. Tripathi**  
Chairman  
DIN-01657366

For **Bansal Sinha & Co**  
Chartered Accountants  
Firm's Reg. No. : **06184N**

Place : New Delhi  
Dated : 17.05.2016

**CA Tanupriya Gupta**  
Partner  
Membership No. : 511757



## Note 2: Share Capital

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>AUTHORISED</b>		
70,00,00,000 (Previous Year 30,00,00,000) Equity Shares of ₹ 10/- each	700.00	300.00
<b>ISSUED, SUBSCRIBED AND FULLY PAID-UP</b>		
26,93,34,132 Equity Shares of ₹ 10/-each (up to PY167334132	269.33	167.33
Equity Shares of ₹ 10/- each ) fully paid up in cash		
132665868 Equity Shares of ₹ 10/- each (Up to PY 132665868 equity	132.67	132.67
Shares) of ₹ 10/- each fully paid otherwise than in cash		
<b>TOTAL</b>	<b>402.00</b>	<b>300.00</b>
Par Value Per Share (in ₹)	10.00	10.00

## Note 2 A: Share Application Money Pending Allotment

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
i) In form of Consideration other than Cash pending Allotment A/C GAIL (India) Ltd	0.00	0.00
ii) In form of Consideration in Cash pending Allotment A/C GAIL (India) Ltd	34.00	0.00
<b>TOTAL</b>	<b>34.00</b>	<b>0.00</b>
<b>Reconciliation Statement of No. of Shares Outstanding</b>		
Opening No. of Shares	300,000,000	254,351,265
Issued during the year	102,000,000	45,648,735
Forfeited during the year	-	-
Closing No. of Shares	402,000,000	300,000,000
<b>The right /Preferences/Restrictions attached during the year for shares</b>		
<u>Proposed /Interim/Final Dividend</u>		
<u>No. of Shares of the Co. held by holding Company</u>		
<u>Share holding Pattern (No. Of Shares)</u>		
Holding Co-GAIL (India) Ltd.(100%)	401,999,994	299,999,994
<b>Total</b>	<b>401,999,994</b>	<b>299,999,994</b>
<u>Share Reserved for Issue under Options &amp; Contracts/</u>		
<u>Commitments for Sale of Shares/Disinvestment</u>	-	-
Terms	-	-
Amount	-	-
No.	-	-
<b>Convertible Securities in Equity/Preference Shares</b>		
<b>Aggregate No. &amp; class of shares allotted as fully paid up pursuant to contract without payment being received in cash during last 5 years (in Nos)</b>	-	-
<b>Unpaid Calls</b>		
By Directors and Officers	-	-
By Others	-	-
<b>Forfeited Amount of Shares</b>	-	-

**Note 3: Reserves and Surplus**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Opening Balance</b>	<b>60.62</b>	<b>43.92</b>
Less: Depreciation Adjustment		(0.13)
Add: Current Year Profit	38.96	16.84
Less: Transfer to General Reserve	-	-
Less: Appropriation		
Proposed Dividend	8.04	
Dividend Distribution tax	1.64	
<b>Closing Balance</b>	<b>89.90</b>	<b>60.62</b>

**Note 4: Long Term Borrowings**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>SECURED TERM LOANS</b>		
<b>From Banks :</b>		
<b>Union Bank of India</b>	<b>0.00</b>	<b>78.62</b>
(Secured against all assets of four authorised cities of Dewas, Kota, Meerut & Sonapat. Against total sanctioned amount of ₹142 Crore, loan drawn up to 31.03.2016 is ₹142 Crore as against ₹127 Crore drawn up to 31.03.2015. The said loan swapped with HDFC Bank on 27.01.2016)		
<b>Rate of Interest on term Loan as on 31.03.2015: 10.75 % p.a</b>		
<b>Terms of Repayment</b>		
Repayable in 16 half yearly installments after moratorium period of 2 years from the date of 1st drawl i.e 12.08.2010 on 30th June & 31st Dec each year. The first repayment started from 31.12.2012 as per the agreement. The said loan has been swapped with HDFC Bank on 27.01.2016		
<b>HDFC Bank Ltd</b>	<b>71.56</b>	<b>0.00</b>
Loan from UBI swapped with HDFC BANK w.e.f 27.01.2016 Rate of interest 9.30% as on 31.03.2016		
<b>From Other Parties:</b>		
<b>Oil Industry Development Board</b>		
(Secured against all assets of TTZ Project, ₹58.00 Crore sanctioned against which ₹58 Crores drawn up to 31.03.2016, PY ₹58 Crores Sanctioned & drawn up to 31.03.2015. The repayment of loan started from 24.02.2015. During the year the Company availed ₹24.23 Crores from OIIB for Dewas, Sonapat & Meerut and the same were secured against the assets of the cities)	<b>51.32</b>	<b>41.59</b>
<b>Rate of Interest (ROI) on term Loan as on 31.03.2016 :</b>		
Outstanding Loan as on 31.03.2016 (₹ in Crores)	ROI (%)	
5.00	8.28	
4.88	9.27	
7.95	9.06	
9.26	8.81	
<u>24.23</u>	<u>7.97</u>	
51.32		
<b>UNSECURED</b>		
<b>From Other Parties:</b>		
<b>Oil Industry Development Board</b>	<b>0.00</b>	<b>10.90</b>
(Against Corporate Guarantee given by GAIL(India) Ltd) for Loan of ₹ 118 Crores pertaining to Cities of Dewas, Kota, Meerut & Sonapat)		
<b>Rate of Interest (ROI) on term Loan as on 31.03.2015:</b>		
Outstanding Loan as on 31.03.2015 (₹ in Crores)	ROI (%)	
5.00	8.60	
2.50	8.77	
3.40	9.18	
<b>Terms of Repayment</b>		
Repayable in 4 annual installments after moratorium period of 1 financial year excluding the year of drawl for each loan. The first repayment started from 09.06.2012. Period and Amount of Continuing default as on Balance Sheet Date in repayment of Loan and Interest		
	<b>122.88</b>	<b>131.11</b>
	-	-



## Note 5: Other Long Term Liabilities

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Others:</b>		
Deposits from Customers	35.22	35.75
<b>TOTAL</b>	<b>35.22</b>	<b>35.75</b>

## Note 6: Long Term Provisions

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Employee related Provisions	-	-
Others	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

## Note 7: Trade Payables

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
GAIL (India) Ltd- Gas Purchase	58.16	44.16
Other Payables Against O&M	8.13	9.80
<b>TOTAL</b>	<b>66.29</b>	<b>53.96</b>

## Note 8: Short Term Borrowings

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>SECURED</b>		
(I) Short Term Debt		
(a) Cash Credit Facility with HDFC Bank (Secured against Debtors & Inventories, ROI 9.30 % as on 31.03.2016, PY ROI @ 11%)	71.95	33.67
<b>UNSECURED</b>		
(I) STL FROM HDFC BANK (Unsecured Short Term Loan, ROI 9.30% as on 31.03.2016, PY NIL)	25.00	0.00
(II) STL FROM ICICI BANK (Unsecured Short Term Loan, ROI 9.35% as on 31.03.2016, PY NIL)	15.00	0.00
<b>TOTAL</b>	<b>111.95</b>	<b>33.67</b>

**Note 8A: Other Current Liabilities**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>SECURED</b>		
<b>(I) Current Maturity of Long Term Debt</b>		
<b>(a) Loan from Union Bank of India</b>	-	17.47
(Secured against all assets of four authorised cities of Dewas, Kota, Meerut & Sonapat. Against total sanctioned amount of ₹142.00 Crore, Drawn ₹142 Crores up to 31.03.2016 PY (₹127 Crores). Loan has been swapped with HDFC.		
<b>(b) Oil Industry Development Board</b>	14.50	11.41
(Secured against all assets of TTZ Project, ₹58.00 Crore sanctioned against which ₹58 Crores drawn up to 31.03.2016, PY ₹58 Crores Sanctioned & drawn up to 31.03.2015. The repayment of loan started from 24.02.2015. During the year the Company availed ₹24.23 Crores from OIDB for Dewas, Sonapat & Meerut and the same were secured against the assets of the cities)		
<b>(c) HDFC BANK Ltd</b>	20.44	-
(Secured against all assets of four authorised cities of Dewas, Kota, Meerut & Sonapat. Loan has been swapped from UBI on 27.01.2016. Current maturity loan from HDFC ROI 9.30% as on 31.03.2016		
<b>UNSECURED</b>		
<b>(I) Current Maturity of Long Term Debt</b>	10.90	29.50
<b>Oil Industry Development Board</b>		
(Against Corporate Guarantee given by GAIL(India) Ltd) for Loan of ₹118 Crores pertaining to Cities of Dewas Kota Meerut & Sonapat)		
<b>(II) Others</b>		
Interest Accrued but not paid	0.00	0.20
Audit Fees Payable	0.02	0.03
Service Tax Payable	0.05	0.04
TDS, VAT, Excise and WCT Payable	4.63	5.77
Deposits, retention money from contractors and others	14.68	12.04
Other Payables Against Plant & Machinery (Including Provisional Liability of ₹24.64 Crore PY ₹13.39 Crore)	30.55	18.66
<b>Other Liabilities</b>	3.07	0.75
<b>TOTAL</b>	<b>98.84</b>	<b>95.87</b>

**Note 9: Short Term Provisions**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Others:</b>		
Provision for taxation	12.41	9.77
Corporate Dividend tax payable	1.64	-
Dividend payable	8.04	-
<b>TOTAL</b>	<b>22.09</b>	<b>9.77</b>



## Note 10: Fixed Assets (Tangible / Intangible Assets)

(₹ in Crores)

DESCRIPTION	GROSS BLOCK			(AT COST)	DEPRECIATION			IMPAIRMENT OF ASSETS			NET BLOCK		
	As at 01.04.2015	Additions	Sales / Adjust- ments during the year	As at 31.03.2016	Upto 31.3.2015	For the Year	Adjust- ments during the year	As at 31.03.2016	Upto 31.3.2015	For the Year	As at 31.03.2016	As at 31.3.2015	As at 31.03.2016
<b>Tangible Assets (A)</b>													
Land: Freehold	12.79	-		12.79	-			-				12.79	12.79
Leasehold	3.93	7.15		11.09	0.13	0.11		0.24				3.80	10.85
Plant and Machinery	321.61	33.59	(2.04)	357.24	36.62	10.59	0.80	46.41				284.99	310.83
Buildings	22.90	7.52		30.42	4.67	0.74	0.01	5.40				18.23	25.02
Furniture, Fixtures and other Equipments	0.95	0.03		0.98	0.35	0.08		0.43				0.60	0.56
Office Equipments Including Electrical Equipments	2.08	1.01		3.09	1.05	0.53		1.58				1.03	1.51
<b>TOTAL (A)</b>	<b>364.26</b>	<b>49.31</b>	<b>(2.04)</b>	<b>415.61</b>	<b>42.82</b>	<b>12.04</b>	<b>0.81</b>	<b>54.06</b>	-	-	-	<b>321.44</b>	<b>361.55</b>
<b>Intangible Assets (B)</b>													
Right of Use *	0.36	-		0.36	0.01	0.00	-	0.02				0.35	0.34
Softwares / Licences	5.68	3.18		8.86	4.25	1.69	1.62	7.55				1.43	1.32
<b>Total (B)</b>	<b>6.04</b>	<b>3.18</b>	<b>-</b>	<b>9.22</b>	<b>4.26</b>	<b>1.69</b>	<b>1.62</b>	<b>7.57</b>				<b>1.78</b>	<b>1.66</b>
<b>TOTAL (A+B)</b>	<b>370.30</b>	<b>52.49</b>	<b>(2.04)</b>	<b>424.84</b>	<b>47.08</b>	<b>13.73</b>	<b>2.43</b>	<b>61.62</b>	-	-	-	<b>323.22</b>	<b>363.21</b>
Previous Year	357.84	45.46	(33.00)	370.30	37.12	12.23	(2.28)	47.08				320.72	323.22

\* All the assets have been owned by the Company except the leasehold land and ROU.

## Note 11: Capital Work-in-Progress

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015	
<b>A. Plant &amp; Machinery</b>			
Linepipe Construction and related facilities excluding IEDC trf to CWIP in the Current year	174.92	80.15	
IEDC -Interest	4.24	4.95	
IEDC-Management Services	15.75	8.93	
IEDC-Other Exp	6.38	3.55	
<b>TOTAL</b>	<b>201.29</b>	<b>97.58</b>	
Less : Provision for Linepipe and Related Facilities	-	(0.58)	97.00
<b>B. Linepipes, Capital Items in Stock</b>	<b>64.39</b>	<b>52.75</b>	
<b>C. Capital Items in Transit</b>	<b>-</b>	<b>2.43</b>	
Less : Provision for losses/obsolescence	-	-	55.18
<b>TOTAL</b>	<b>265.68</b>	<b>152.18</b>	

**Note 12: Non-Current Investments**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>1. Investments in Joint Venture</b>		
<b>Un-Quoted at Cost</b>		
<b>(a) Investments in Equity Instruments :-</b>		
<b>(i) In Joint Venture Companies:</b>	15.00	10.00
150,00,000 (Previous Year: 100,00,000) Equity Shares of ₹ 10/- each fully paid-up in APGDC Ltd		
<b>(ii) In Joint Venture Company</b>	11.93	11.93
119,28,000 (Previous Year: 119,28,000) Equity Shares of ₹10/- each fully paid up in Kerala GAIL GAS Ltd		
<b>(iii) In Joint Venture Company</b>	10.03	0.03
1,00, 25,000 (Previous Year: 25,000 deemed allotment) Equity Shares of ₹10/- each fully paid up in RSGL		
<b>(iv) In Joint Venture Company</b>	41.01	0.03
4,10,08, 940 (Previous Year: 25,000 deemed allotment) Equity Shares of ₹10/- each fully paid up in Vadodara Gas Limited		
<b>TOTAL - 1</b>	<b>77.96</b>	<b>21.98</b>
<b>2. Advances for Investments (Pending Allotment)</b>		
<b>(i) In Joint Venture Company</b>	7.00	10.00
700,00,000 (Previous Year: 10000000) Equity Shares of ₹10/- each fully paid up in RSGL yet to be allotted		
<b>(ii) In Joint Venture Company</b>	7.50	0.00
750,00,000 (Previous Year: NIL) Equity Shares of ₹10/- each fully paid up in APGDC yet to be allotted		
<b>TOTAL - 2</b>	<b>14.50</b>	<b>10.00</b>
<b>GRAND TOTAL (1+2)</b>	<b>92.46</b>	<b>31.98</b>

**Note 13: Long Term Loans and Advances**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>(a) Capital Advances</b>		
(Unsecured - Considered Good)	-	-
(Unsecured - Considered Doubtful)	-	-
Less : Provision for Doubtful Advances	-	-
	-	-
<b>(b) Security Deposits</b>		
Unsecured, Considered Good-Govt	6.21	6.34
Unsecured, Considered Good-Non Govt	0.02	0.02
Unsecured, Considered Doubtful	-	-
	<b>6.23</b>	<b>6.36</b>
Less : Provision for doubtful claims	(3.54)	(3.54)
	2.69	2.82
<b>(c) Loans and Advances to related Parties</b>		
(Unsecured, Considered Good)	-	-
<b>(d) Other Loans and Advances</b>		
	-	-
<b>TOTAL</b>	<b>2.69</b>	<b>2.82</b>

## Note 14: Other Non-Current Assets

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Long Term Trade Receivables</b>	-	-
<b>Others</b>		
Interest Accrued on Employees Loans secured & considered good (including dues from Directors ₹ NIL (Previous Year :NIL))	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

## Note 15: Current Investments

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Current Investments	-	-
Associate Companies	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

## Note 16: Inventories

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>(a) Finished Goods</b>		
Compressed Natural Gas (Valued at Cost or Net Realisable Value whichever is lower)	0.05	0.05
<b>(b) Stock-in-trade</b>		
Stock of Gas* *after adjustment of calorific value (Valued at Cost or Net Realisable Value whichever is lower)	0.32	0.43
<b>(c) Stores and Spares</b> (As taken, valued and certified by the Management)		
Stores and Spares	7.93	6.18
Less : Provision for Losses/Obsolescence	- 7.93	- 6.18
Construction Surplus - Capital / Stores	-	-
Less : Provision for Losses/Obsolescence (Valued at Cost or Net Realisable Value whichever is lower)	-	-
<b>TOTAL</b>	<b>8.30</b>	<b>6.66</b>

## Note 17: Trade Receivables

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>(i) Debts outstanding for a period exceeding six months</b>		
- Secured, Considered Good	-	-
- Unsecured, Considered Good	3.91	3.20
- Unsecured, Considered Doubtful	- 3.91	- 3.20
<b>(ii) Other Debts</b>		
- Secured, Considered Good	-	-
- Unsecured, Considered Good	59.14	55.91
- Unsecured, Considered Doubtful	- 59.14	- 55.91
<b>TOTAL</b>	<b>63.05</b>	<b>59.11</b>
Less : Provision for Doubtful debts	(1.08)	(1.08)
<b>TOTAL</b>	<b>61.97</b>	<b>58.03</b>

**Note 18: Cash and Cash Equivalents**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
<b>(I) Cash and cash equivalents</b>				
<b>(a) Balances With Banks</b>				
On Current Account (includes Corporate Liquid Term Deposit ₹ NIL)	0.50		0.29	
<b>(b) Cheques/Drafts/Stamps in hand</b>	-		-	
<b>(c) Cash in hand</b>	0.85		0.33	
<b>(d) Others</b>		1.35		0.62
<b>TOTAL</b>		<b>1.35</b>		<b>0.62</b>

**Note 19: Short Term Loans and Advances**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
<b>(a) Loan to Related Parties</b>				
Claim Recoverable from VGL	1.83		42.78	
Claim Receivable from RSGL	0.67		0.72	
Claim Receivable from APGDC	0.22	2.72	-	43.50
<b>(b) Others</b>				
<b>Loan to Employees</b>				
<b>Advances recoverable in cash or in kind or for value to be received</b>				
Unsecured, Considered Good	0.02		0.31	
Unsecured, Considered Doubtful	-		-	-
Less: Provision for Doubtful Advances	-	0.02	-	0.31
<b>Advance Tax &amp; TDS</b>		29.48		25.50
<b>Claims Recoverable-Govt</b>				
Unsecured, Considered Good	175.56		91.21	
Unsecured, Considered Doubtful	-		-	
	175.56		91.21	
Less: Provision for doubtful claims	-	175.56	-	91.21
<b>Deposits with Others</b>				
Unsecured, Considered Good	4.78		2.18	
Unsecured, Considered Doubtful	-		-	
	4.78		2.18	
Less: Provision for doubtful claims	-	4.78	-	2.18
<b>TOTAL</b>		<b>212.56</b>		<b>162.70</b>

**Note 20: Other Current Assets**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
Interest accrued but not due		-		-
Prepaid Insurance & Other Charges		0.55		0.32
<b>TOTAL</b>		<b>0.55</b>		<b>0.32</b>



## Note 21: Revenue from Operations

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
a) <b>Sale of Products/ Gas</b>	1,493.31		995.96	
Less: Excise Duty	14.41	1,478.90	11.67	984.29
b) <b>Gas transmission charges</b>		68.32		34.31
c) <b>Other Operating Revenues</b>				
Application Fees - Domestic Connection	0.07		0.01	
Interest Income Customers & Others	1.20		1.60	
Misc Income - Extra Pipe line	0.25		0.09	
Misc Income After Sales Service	0.06		0.92	
MGO Receipt	3.08	4.66	3.37	5.99
<b>TOTAL</b>		<b>1,551.88</b>		<b>1,024.59</b>

## Note 22: Other Income

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
Interest Income on Bank Deposits	0.01		0.87	
Interest Income -Others	0.21	0.22	0.14	1.01
Tender Fees		0.02		0.01
Liquidated Damages		0.79		0.11
Miscellaneous Receipts		1.02		0.72
<b>TOTAL</b>		<b>2.05</b>		<b>1.85</b>

## Note 23: Gas Consumed

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
<b>Opening Stock</b>		<b>0.48</b>		<b>0.47</b>
Add: Purchases		1,405.33		937.91
Less: Gas Consumption		1,398.50		930.26
Less: Gas Consumed as Fuel including Abnormal Gas Loss		6.94		7.64
<b>Closing Stock</b>		<b>0.37</b>		<b>0.48</b>

## Note 24: Employees Benefits

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
Salary Wages & Allowances		-		-
Contribution to Provident Fund		-		-
Welfare Expenses		-		-
<b>TOTAL</b>		<b>-</b>		<b>-</b>
Less: Employees Benefits Transferred to IEDC		-		-
<b>TOTAL</b>		<b>-</b>		<b>-</b>

**Note 25: Finance Cost**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Interest on Term Loans- OADB	7.18	9.42
Interest on Term Loans- Union Bank of India & HDFC	9.89	9.09
Interest on Cash Credit -HDFC Bank Ltd	6.04	0.51
<b>TOTAL</b>	<b>23.11</b>	<b>19.02</b>
Less: Interest and Finance Charges transferred to Capital Work-in-Progress	4.24	4.95
<b>TOTAL</b>	<b>18.87</b>	<b>14.07</b>

**Note 26: Depreciation and Amortization Expenses**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Depreciation and Amortization Expenses	13.73	12.23
<b>TOTAL</b>	<b>13.73</b>	<b>12.23</b>

**Note 27: Other Expenses**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Power &amp; Fuel Charges</b>		
Electricity Charges	0.64	0.58
Fuel Charges	2.85	2.70
<b>Rent-Office &amp; Others</b>	5.84	5.25
<b>Repairs and Maintenance-P&amp;M</b>	10.50	5.66
<b>Repairs and Maintenance-Buildings</b>	0.45	0.55
<b>Insurance Charges</b>	0.31	0.28
<b>Rates &amp; Taxes</b>	0.76	0.02
<b>Payment to Auditors</b>		
Audit Fees (incl other Certification)	0.04	0.03
Tax Audit Fee	0.00	0.00
Out of Pocket Expenses	0.01	0.01
<b>Management Service Cost</b>		
(Since all the employees posted at GAIL Gas are on the roll of GAIL(India) Ltd, the expenditure reimbursed to GAIL are shown under other expenses instead of Employee Cost)		
Salaries, Wages and Allowances	33.31	27.88
Contribution to Provident and Other Funds	2.02	1.58
Welfare Expenses	3.23	2.39
	<b>38.56</b>	<b>31.85</b>
Less: Management Service Cost transferred to Capital Work-in-Progress	15.75	8.93
<b>TOTAL</b>	<b>22.81</b>	<b>22.92</b>
<b>Other Misc Expenses</b>	27 A	17.28
Less Expenditure transferred to CWIP	27 B	3.55
	6.38	13.73
<b>Net Other Expenses</b>	<b>62.88</b>	<b>51.73</b>



## Note 27 A: Other Misc. Expenses

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Stores & Spares Consumed	1.26	1.96
Loss/Gain (+/-) of Foreign Currency Transaction	0.06	-0.05
Water Charges	0.01	0.01
Communication Exp	0.15	0.12
Printing & Stationery	0.26	0.21
Travelling Exp	2.68	1.69
Books & Periodicals	0.00	0.01
Advt & Publicity	0.72	0.4
Training Exp	0.17	0.04
Vehicle Hire & Running Exp	1.49	2.05
Consultancy & Legal Charges	1.87	1.14
Data Processing Exp	0.92	0.37
Selling & Distribution Exp	0.14	0.04
Dealer Commission	2.64	1.64
Security Exp	1.58	1.41
CSR Exp	0.00	0.03
Other Misc Exp	1.02	0.52
Provision Against Doubtful Claims	0.00	0.00
Other Exp-Abnormal Loss	4.09	4.95
Expenses on Cities Written off	5.98	0.58
Other Exp - Interest/Penalty Charges-Statutory	0.03	0.17
<b>TOTAL</b>	<b>25.05</b>	<b>17.28</b>

## Note 27 B: Expenditure during Construction Period transferred to CWIP

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
IEDC - Power, Water, Fuel Charges	-	-
IEDC- Security Expenses	0.55	0.34
IEDC- Rent & Warehouse Exp.	3.47	2.12
IEDC - TRAVELLING & CONV. EXP	1.68	0.70
IEDC - Vehicle Hire Charges	0.54	0.38
IEDC- Others	0.14	0.01
<b>TOTAL</b>	<b>6.38</b>	<b>3.55</b>

**Note 28: Prior Period Adjustment**

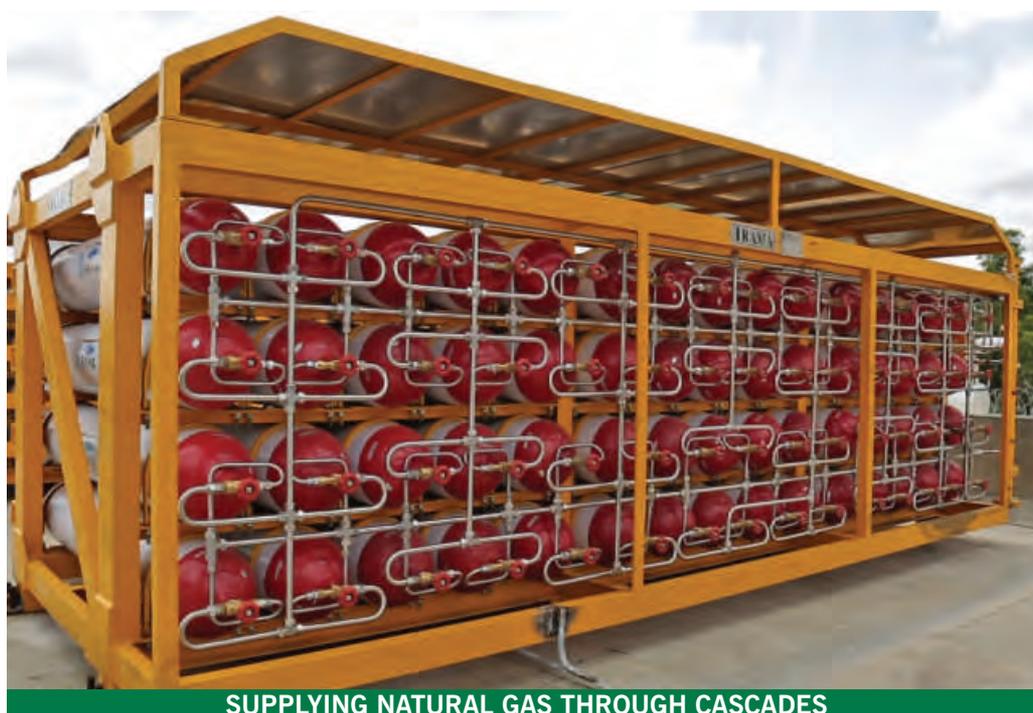
(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Advt & Publicity	0.00	0.00
Interest Paid to Supplier	0.00	0.00
Depreciation-P/M	1.62	0.00
Depreciation-Leasehold Land	0.00	0.00
Prior Period Adj - Sales	0.00	(0.24)
<b>TOTAL</b>	<b>1.62</b>	<b>(0.24)</b>

**Note 29: Contingent Liabilities**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>A BG ISSUED</b>	5225.42	5211.70
<b>B COURT CASES-AGRA &amp; Firozabad with Allahabad High Court</b>	23.06	21.65
<b>C ARBITRATION CASES-Agra &amp; Firozabad</b>	18.66	12.50
<b>D STATUTORY</b>	1.74	1.74
Demand received from Commissioner, Central Excise, Dewas in connection with wrong filling of ER-1 for the month of Sept 2010.		
<b>E Share in Contingent Liability of Joint Venture</b>	6.03	2.53
<b>GRAND TOTAL (A+B+C+D+E)</b>	<b>5,274.91</b>	<b>5,250.12</b>





# CASH FLOW STATEMENT

## FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2016

(₹ in Crores)

Particulars	2015-2016	2014-2015
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
1 Net Profit After Tax and Extraordinary Items	<b>38.96</b>	<b>16.84</b>
2 ADD :		
Depreciation & Amortization Expenses	15.35	12.23
Capital Reserve for Depreciation	0.00	(0.13)
Profit on sale of Assets	(0.04)	(6.49)
Interest Expenditure	18.87	14.07
Interest Income	(0.22)	(1.01)
Other Provisions	0.00	0.00
Provision / Writte off of Assets / CWIP	-	(0.58)
	<u>33.96</u>	<u>18.09</u>
3 Operating Profit Before Working Capital Changes (1+2)	72.92	34.93
4 Changes in Working Capital (Excluding Cash & Bank Balances)		
Trade and Other Receivables	(90.83)	(64.67)
Inventories	(1.64)	(3.10)
Trade and Other Payables	31.01	26.80
	<u>(61.45)</u>	<u>(40.97)</u>
5 Cash Generated from Operations (3+4)	11.46	(6.04)
6 Direct Taxes Paid	16.15	4.03
<b>NET CASH FROM OPERATING ACTIVITIES (5+6)</b>	<b>27.61</b>	<b>(2.02)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(170.33)	(45.16)
Investment in Other Companies	(60.48)	(19.40)
Loans & Advances	0.13	(2.44)
Interest Received	0.22	1.01
Profit On sales of Fixed Assets	0.04	6.49
	<u>(230.43)</u>	<u>(59.49)</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(230.43)</b>	<b>(59.49)</b>
<b>BALANCE CARRIED FORWARD</b>	<b>(202.82)</b>	<b>(61.51)</b>

Contd...

(₹ in Crores)

Particulars	2015-2016	2014-2015
<b>BALANCE BROUGHT FORWARD</b>	<b>(202.82)</b>	<b>(61.51)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share Application Money Received	34.00	
Proceeds from Equity	102.00	33.65
Proceeds from Long Term Borrowings	38.70	34.35
Repayment of Long Term Borrowings	(60.00)	(47.98)
Cash Credit Facilities from HDFC Bank	111.95	33.67
Interest Paid	(23.11)	(19.02)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>203.54</b>	<b>34.68</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>0.73</b>	<b>(26.84)</b>
<b>CASH AND CASH EQUIVALENTS AS AT 01.04.2015 (OPENING BALANCE)</b>	<b>0.62</b>	<b>27.46</b>
<b>CASH AND CASH EQUIVALENTS AS AT 31.03.2016 (CLOSING BALANCE)</b>	<b>1.35</b>	<b>0.62</b>
<b>NOTES :</b>		
1 Cash & Cash Equivalents include :		
Cash & Bank Balances As per Balance Sheet	1.35	0.62
Unrealised (Gain)/ loss on foreign Exchange	0.00	0.00
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<b>1.35</b>	<b>0.62</b>

As per our separate report of even date

**Deepak Asija**  
Company Secretary  
PAN-ADRPA0983E

**Jyoti Dua**  
CFO  
PAN-ACJPD6268J

**Pankaj Kumar Pal**  
CEO  
PAN-AATPP6657M

**Subir Purkayastha**  
Director  
DIN-06850526

**B.C. Tripathi**  
Chairman  
DIN-01657366

**For Bansal Sinha & Co**  
Chartered Accountants  
Firm's No. : 06184N

Place : New Delhi  
Dated : 17.05.2016

**CA Tanupriya Gupta**  
Partner  
Membership No. : 511757

**DEDICATED TOWARDS THE GOAL**

# 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, 2013 including accounting standards notified thereunder 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. Inventories

- i. Raw materials and finished products are valued at cost or net realizable value, whichever is lower.
- ii. 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.
- iii. Stock of gas in pipeline is valued at cost (FIFO) or net realisable value which ever is lower.
- iv. 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.
- v. Surplus/obsolete stores and spares are valued at cost or net realizable value, whichever is lower.
- vi. 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.

## 4. Depreciation / Amortisation

- i. Depreciation on Fixed Assets other than those mentioned below is provided in accordance with the rates as specified in Schedule II of the Companies Act, 2013, on straight line method (SLM) on pro-rata basis (monthly pro-rata for bought out assets).
  - (a) Cost of the leasehold land not exceeding 99 years is amortised over the lease period.
  - (b) Software / Licences are amortised in 5 years on straight line method.
  - (c) Cost of the Right of Use (ROU) is amortized considering life of RoU as 99 years.

- ii. Capital assets facilities installed at the consumers premises on the land whose ownership is not with the company, has been depreciated on SLM basis in accordance with the rates as specified in Schedule II of the Companies Act, 2013.

## 5. Revenue Recognition

- i. Sales are recognised on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the deliver of goods to customers. Sales include excise duty but exclude value added tax. Any retrospective in prices is accounted for in the years of such revision.
- ii. Income in respect of MGO of Natural Gas and Interest on delayed realization from customers is not provided . Receipts during the year on account of MGO and Interest on delayed realization are adjusted on receipt basis.
- iii. Prepaid expenses and prior period expenses/income upto ₹ 5,00,000 in each case are charged to relevant heads of account of the current year.

## 6. Fixed Assets

- i. 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.
- ii. 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.

## 7. 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.

## 8. Capital Work-in-Progress

- i. 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/services etc. received at site for use in the projects.
- ii. Pre-Project expenditure relating to Projects which

are considered unviable/closed will be charged off to Revenue in the year of declaration /closure.

#### 9. 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.

#### 10. Foreign Currency Translation

- Transaction in foreign currency is accounted at the exchange rate prevailing on the transaction date.
- 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.
- 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).
- Any gains or loss arising on account of exchange difference either on settlement or on translation is accounted for in the Profit & Loss account.

#### 11. Investments

Investments are classified into current and non-current investments. Current investments are stated at lower of cost or market value. Non-current investments are stated at cost and provision for diminution in value is made only if such decline is other than temporary in the opinion of management.

#### 12. 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.

#### 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. Impairment

The Carrying amount of assets is 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.

#### 15. Provision Contingent Liabilities and Capital Commitments

- Provision involving substantial degree of estimation in measurement is recognized when there is a present obligation as a result of past events and it's probable that there will be an outflow of resources. Contingent Assets are neither recognised nor disclosed in the financial statements. Contingent liabilities exceeding ₹ 5 Lacs in each case are disclosed by way of notes to accounts.
- Estimated amount of contracts remaining to be executed on capital account are disclosed in each case above ₹ 5 Lakhs.

#### 16. Others

- 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.
- Insurance claims are accounted for on the basis of claims admitted by the insurers.
- Custom duty and other claims (Including interest on delayed payments) are accounted for on acceptance in principle.

As per our separate report of even date

**For Bansal Sinha & Co**  
Chartered Accountants  
Firm's No. : 06184N

**Deepak Asija**  
Company Secretary  
PAN-ADRP0983E

**Jyoti Dua**  
CFO  
PAN-ACJPD6268J

**Pankaj Kumar Pal**  
CEO  
PAN-AATPP6657M

**Subir Purkayastha**  
Director  
DIN-06850526

**B.C. Tripathi**  
Chairman  
DIN-01657366

Place : New Delhi  
Dated : 17.05.2016

**CA Tanupriya Gupta**  
Partner  
Membership No. : 511757

# NOTES ON ACCOUNTS

1. 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. Expenses related to Rent , vehicle hire charges, security charges and other expenses have been allocated to Incidental Expenditure during the construction 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 ₹ 22.13 Crores (Previous Year ₹ 12.48 Crores) have been allocated to completed Project & Capital work in progress in the ratio of direct and indirect allocated cost of assets.
3. (a) CWIP include asset under construction which are under different stage of completion, capitalization will be made after scrutiny of all cases. An amount of ₹ 1.67 crore held under CWIP related to Expenditure incurred for bidding conducted by PNGRB.  
(b) During the year company has written off ₹ 5.97 crore for expenditure lying in CWIP as preoperative expenses against bidding expenditure for Geographical Areas (GA) where the company has not emerged as successful bidder. Since, these CGD GAs had been awarded to different entities other than GAIL Gas, hence the operations in those GAs wouldn't be done by GAIL Gas. Approval of writing off has been accorded by board in its meeting held on 27.04.2016.  
(c) The capital expenditure incurred to the tune of ₹ 4.04 crore for one CNG Station at Mathura has been shown under Capital Work in Progress (CWIP). The permission from NHAI for laying of pipelines along the National Highway-2 has already been received and the construction is under-going and will be capitalized in due course.  
(d) All the lands appearing in the books are procured from various government agencies. However, till balance sheet date mutation has not been done in favour of GAIL Gas Limited to the tune of ₹ 23.88 crore.
4. The details of disclosure regarding share application money pending allotment ₹ 34.00 crore are as under:
  - a) Shares have been allotted to GAIL (India) Ltd at par with face value of ₹ 10 on 27.04.2016.
  - b) The total authorized capital of the Company is ₹ 700 Crores against which ₹ 402 Crores has been issued as on balance sheet date.
  - c) The Company is a 100% subsidiary of GAIL (India) Ltd and the shares are issued as per the approval of Board.
5. Capital Commitment Disclosure:-
  - a) The estimated amount of contracts over ₹ 5 Lac amounting to ₹ 313.54 crores (Previous Year ₹ 160.75 crores) are remaining to be executed on Capital Accounts and not provided for.
  - b) The Company has no uncalled liability on shares and other investments partly paid.
  - c) Provisional liability of ₹ 24.64 crores has been made in the books of accounts as on 31.3.2016 which will be settled as per actual bills.
  - d) The reconciliation of accounts with parties is carried out as an ongoing process. Request for confirmation of balance have also been sent.
6. Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act, 2006"):

(₹)

Particulars	2015-16	2014-15
i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	NIL	0.07 Cr.
ii) The amount of interest paid by the buyer in terms of Section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;	NIL	NIL
iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	NIL	70,928
iv) The amount of interest accrued and remaining unpaid at the end of each accounting year; and	NIL	70,928

Particulars	(₹)	
	2015-16	2014-15
v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23.	NIL	70,928

The above information regarding micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

7. Information required as per Schedule III of the Companies Act, 2013

I. CIF Value of Import

(₹ in Crores)

	2015-16	2014-15
Raw Material	0.00	0.00
Components & Spare	0.00	0.19
Capital Goods	0.00	0.00

II. Expenditure in Foreign Currency

	2015-16	2014-15
Others-Travelling	0.12	0.0

III.

	2015-16	2014-15
Total Value of imported Raw Material, spare parts and components consumed % of total	65.39%	59.47%
Total Value of Indigenous raw materials, spare parts and Components consumed % of total	34.61%	40.53%
<b>TOTAL % AGE</b>	<b>100%</b>	<b>100%</b>

8. Details of purchases of traded goods are as under:

Details of Purchases	₹ in Crores
Goods Purchased	
a. Compressed Natural Gas	0.00 (6.80)
b. Natural Gas	1405.33 (931.11)

(The figures in the brackets pertain to previous year.)

9. (a) During the year, the company has been granted authorization for laying, building, operating or expanding CGD network in the Geographical Area of Bengaluru Rural and Urban Districts (Karnataka) under the Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Networks) Regulation, 2008. Company has submitted a Performance Bank Guarantee of ₹ 5199.99 Crores issued by State Bank of India to PNGRB for which the Corporate Guarantee has been provided by the parent company i.e. GAIL (India) Ltd. The Bank Guarantee Commission of ₹ 5.38 Crores for the year has been paid and booked as Incidental Expenditure During Construction. Since this Bank Guarantee covers the construction obligation for creation of infrastructure in the first 5 years, after completion of 5 years from the date of authorization the bank charges will be charged off to revenue.

(b) During the year 2015-16, authorization for City Gas Distribution Network in the geographical area of Haridwar district has been granted to the consortium of GAIL Gas Limited and Bharat Petroleum Corporation Limited (BPCL) by Petroleum and Natural Gas Regulatory Board. The consortium company namely Haridwar Natural Gas Pvt. Limited has been registered with ROC on dated 20th April 2016. As per MOU entered into with BPCL all costs related to submission of joint bids such as Cost of developing PFR and/or DFR, Application money, Bid Bond, Bid Document, Maps etc, shall be shared equally by parties. The Performance Bank Guarantee to the tune of ₹ 20.00 Crores has been submitted by BPCL against which a Bank Guarantee of ₹ 10.00 Crores has been submitted by GAIL Gas Limited to BPCL as security towards 50% holding in the JV. The Bank charges on performance Bank Guarantee including the share of other charges have been booked in CWIP-Haridwar Project for transfer to the JV Company.

10. Claim recoverable to be the tune of ₹ 169.83 crores represent excess of VAT paid on purchase of gas over the amount of VAT recovered on sale of gas in the state of Haryana and Gujarat against which ₹ 47.00 crores received on 06<sup>th</sup> May 2016. The recovery of balance refund is being pursued and considered good.

11. Corporate Social Responsibility

a) Gross amount required to be spent by the company during the year was ₹ 46.86 Lacs.

b) Amount spent during the year on:

	In Cash	Yet to be paid in cash	Total
i) Construction/ acquisition of asset	-NIL-	-NIL-	-NIL-
ii) On purposes other than (i) above	-NIL-	-NIL-	-NIL-

c) In accordance with generally accepted accounting principles of accounting no provision for the above amount has been made since no CSR activity was identified during the year & no liability has been incurred which needs to be recognized in the financial statements.

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

(₹ in Crores)

Particulars	2015-16	2014-15
a. As auditor:	0.04	0.03
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	0.01	0.01
<b>TOTAL</b>	<b>0.05</b>	<b>0.04</b>

\* Includes Service Tax @ 14.5%

13. Employees Benefits

All the employees posted at GAIL Gas Limited during the year are on the rolls of GAIL (India) Limited, the

holding company. The Employees' benefits including salary are being prepared and disbursed and recovered by GAIL (India) Limited. All statutory compliances in this regard are being made by GAIL (India) Limited. The disclosure requirement in terms of Accounting Standard-15 (Revised) has not been considered as the same have been complied by the GAIL (India) Limited.

14. The Company has taken Term loans from OADB and from HDFC to finance the project activities in the TTZ and cities of Dewas, Kota, Meerut and 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 Accounting standard 16 "Borrowing Costs", the total Interest & Finance Charges amounting to ₹ 17.07 Crores (Previous Year ₹ 18.51 Crores) was incurred, out of which an amount of ₹ 4.24 Crores (Previous Year ₹ 4.95 Crores) was capitalized during the period.

15. The company operates in a single segment of Natural Gas business and therefore the disclosure requirements as per Accounting Standard 17 "Segment Reporting" are not applicable to the Company.

16. Related Party Disclosure

A. The entire Equity Share Capital of the Company is held by GAIL (India) Ltd, Holding Company either singly or jointly.

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. Joint Venture Company

(a)

SI No	Name of JV	Date of Incorporation	Total paid up capital 31.03.16 (₹ in Crores)	GAIL Gas Ltd.'s Share as per JV Agreement	Amount Contributed by GAIL GAS Ltd. as on 31.03.16 (₹ in Crores)	% holding as on 31.03.16
1	Andhra Pradesh Gas Distribution Corporation Ltd	10.01.2011	30.00	25%	22.50	50
2	Kerala GAIL Gas Limited	22.11.2011	23.86	26%	11.93	50
3	Vadodara Gas Limited	13.09.2013	240.29	25%	41.01	17.07
4	Rajasthan State Gas Limited	20.09.2013	20.05*	26%	17.03*	50

\* This includes application money against equity shares pending allotment.

**iii. Key Management Personnel:**

1. Mr. Pankaj Kumar Pal (CEO)
2. Mrs. Jyoti Dua (CFO)
3. Mrs. Preeti Aggarwal (CS)/ Mr. Deepak Asija (CS) w.e.f. 13.04.2016

**(b) Related Party Transactions**

(₹ in Crores)

SI No	Particulars	Holding Company	Joint Venture	Key Management Personnel
1	Purchase of Goods	1405.33 (937.91)	0 (0)	0 (0)
2.	Interest on Delayed Payment	0.08 (0.03)	0 (0)	0 (0)
3.	Sales of Goods	0 (0)	0 (0)	0 (0)
4.	Management contracts including for deputation of employees	-	-	-
a.	Reimbursement of Remuneration to Key Management Personnel	0 (0)	0 (0)	1.06 (1.02)
b.	Reimbursement of remuneration to staff	41.27 (31.33)	5.98* (1.57)	0 (0)
c.	Rent	3.00 (2.70)	0 (0)	0 (0)
5.	Outstanding Balance Payable	62.12 (49.73)	0 (0)	0 (0)
6.	Outstanding Balance Receivable	0 (0)	2.72** (43.50)	0 (0)
7.	Provision for Bad Debt	0 (0)	0 (0)	0 (0)
8.	Bad Debt written off	0 (0)	0 (0)	0 (0)
9.	Guarantee & Collateral	118.00 (118.00)	0 (0)	0 (0)
10.	Corporate Guarantee given to OADB for term loan availed	118.00 (118.00)	0 (0)	0 (0)
11.	Corporate Guarantee given to SBI for BG issued on behalf of the Co.	5199.99 (5199.99)	0 (0)	0 (0)
12	Investment in JV APGDC	0 (0)	22.50 (10.00)	0 (0)
13	Investment in JV KGGL	0 (0)	11.93 (11.93)	0 (0)
14	Investment in JV VGL	0 (0)	41.01 (0.03)	0 (0)
15	Investment in JV RSPCL	0 (0)	17.03 (0.03)	0 (0)

\*The amount relates to Associate/ Joint Venture mentioned at II(A)(1) ₹ 0.22 Crores., atII(A)(3) ₹ 1.83 Crores and II(A)(4) ₹ 0.67 Crores.

\*\*The amount relates to Associate/ Joint Venture mentioned at II(A)(1) ₹ 2.24 Crores., at II(A)(3) ₹ 1.89 Crores and II(A)(4) ₹ 1.85 Crores. Figures shown in brackets pertain to previous year.



GAIL Gas Ltd. has formed four Joint Venture Companies by executing Joint Venture Agreement / Share Holder Agreement with various State Governments. In all these companies it was approved that Equity Shareholding of both the promoters will be in equal ratio till the time strategic investor comes in. However, after the investment of strategic investor, the shareholding of both the promoters will be as per the shareholder Agreement executed between them.

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.

As per the information available on the balance sheet date contingent liability of ₹ 6.03 crores (P.Y. ₹ 2.53 crores) has been recognized by the JV as such our share in contingent liability of Joint Venture has been disclosed in "Note No. 29 Contingent Liability."

#### 17. Accounting Standard – 19 Lease:

- (a) The company has not taken/given any assets on operating lease during the period under audit. However, the company has taken finance lease comprising of lease hold land for which the entire amount has been paid at the beginning and the same has been capitalized in the books of accounts and shown under lease hold land in Fixed Assets. There is no recurring lease rental payable for the said land.
- (b) GAIL Gas Limited has paid ₹ 14.86 Lakhs to MPAKVN Ltd , Ujjain on 15.02.2016 as sub-lease amount for running CNG outlet on that land for the period 06.10.2009 to 15.10.2014. A tri-partite agreement is yet to be signed amongst GAIL (India) Limited, GAIL Gas Limited and MPAKVN.
- (c) Lease agreement with GAIL (India) Ltd. for hired office premises of 13<sup>th</sup> & 14<sup>th</sup> Floor of GAIL Jubilee Tower, B-35 & B-36 Sector-1, NOIDA for GAIL Gas Limited expired on 29.02.2016 and is under the process of renewal. However, the expenditure for the use of this office space is being accounted for as per mutually agreed terms.

#### 18. Earning per Share :

Particulars	Unit	2015-16	2014-15
Profit after Tax	₹	389610715	168365348
Weighted Average No. of Equity Shares	Nos	332,000,000	277580917
Nominal Value per Share	₹	10.00	10.00
Earning per Share Basic	₹	1.17	0.61
Earning per Share Diluted	₹	1.17	0.61

19. 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 31<sup>st</sup> March, 2016 amounting to ₹ 25.60 crores (Previous year ₹ 17.79 crores). The item-wise details of deferred tax liability/asset are as under:

Particulars	(₹ in Crores)	
	31.03.2016	31.03.2015
Opening Balance Deferred Tax Assets/ Liabilities	(17.79)	(11.33)
Deferred Tax Assets/Liabilities arising on account of Depreciation	(7.81)	(8.07)
Deferred Tax Assets on Unabsorbed Depreciation for the year	0.00	1.61
Closing Balance C/F	(25.60)	(17.79)

20. During the year the total net gas loss is ₹ 4.44 crores which is within the permissible limit considering the Company as a whole. However, there is abnormal gas loss of ₹ 1.09 crores (P.Y. ₹ 2.24 crores) in Meerut, ₹ 2.75 crores (P.Y. ₹ 2.29 crores) in Sonapat and ₹ 0.24 crores (P.Y. NIL) in Kota as per gas loss policy and accounted for accordingly.
21. Previous Year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

As per our separate report of even date

**Deepak Asija**  
Company Secretary  
PAN-ADRPAA0983E

**Jyoti Dua**  
CFO  
PAN-ACJPD6268J

**Pankaj Kumar Pal**  
CEO  
PAN-AATPP6657M

**Subir Purkayastha**  
Director  
DIN-06850526

**B.C. Tripathi**  
Chairman  
DIN-01657366

**For Bansal Sinha & Co**  
Chartered Accountants  
Firm's Reg. No. : 06184N

Place : New Delhi  
Dated : 17.05.2016

**CA Tanupriya Gupta**  
Partner  
Membership No. : 511757

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 134(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF GAIL GAS LIMITED FOR THE YEAR ENDED 31 MARCH 2016.**

The preparation of financial statements of GAIL Gas Limited, for the year ended 31 March 2016 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act is responsible for expressing opinion on the financial statements under Section 143 of the Act on independent audit in accordance with the standards on auditing prescribed under Section 143 (10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated 01 July 2016.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 143 (6) (a) of the Act of the financial statements of GAIL Gas Limited for the year ended 31 March 2016. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to the enquiries 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 auditor's report.

**Place** : New Delhi  
**Dated** : July 14, 2016

For and on the behalf of the  
**Comptroller & Auditor General of India**  
Sd/-  
**(Suparna Deb)**  
Director General of Commercial Audit &  
Ex-officio Member, Audit Board-II  
New Delhi

# CONSOLIDATED FINANCIAL STATEMENTS



**RAJASTHAN STATE GAS LIMITED**  
राजस्थान राज्य गैस लिमिटेड

# INDEPENDENT AUDITOR'S REPORT

## To, The Members of GAIL Gas Limited

This Revised Report is issued, in supersession of our earlier Audit Report dated 17th May, 2016, at the instance of Comptroller & Auditor General (C&AG) of India in order to Revise Annexure C as per the revised directions issued u/s 143(5) of the Companies Act 2013 and the reporting requirements under Clause (v) of the Companies (Auditor's Report) Order, 2016 and to include an opinion Para preceding the other matters in Auditor's Report which was inadvertently missed out. Further, we confirm that there is no change in the true and fair view of the financial statements as expressed in our earlier report and also none of the figures have undergone any change in the financial statements of the Company as at 31<sup>st</sup> March, 2016.

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of GAIL Gas Limited (hereinafter referred to as "the Holding Company") and its associates and jointly controlled entities, comprising of the Consolidated Balance Sheet as at 31<sup>st</sup> March, 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

## Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associates and Jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose

of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated 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 whether the Holding Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Group, its associates and jointly controlled entities as at 31<sup>st</sup> March, 2016, and their Consolidated Profit and their

consolidated cash flows for the year ended on that date.

#### Other Matters

- (a) We did not audit the financial statements / financial information of 4 jointly controlled entities, whose financial statements / financial information reflect total assets of ₹ 11.23 crores as at 31<sup>st</sup> March, 2016, total revenues of ₹ 32.59 crores and net cash flows amounting to ₹ 0.52 crores for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit/loss of ₹ 2.58 crores for the year ended 31<sup>st</sup> March, 2016, as considered in the consolidated financial statements, in respect of 4 Joint Ventures, whose financial statements / financial information have not been audited by us and **out of Four Joint Venture Accounts 3 are unaudited.** These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, jointly controlled entities and associates, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, jointly controlled entities and associates, is based solely on the reports of the other auditors.
- (b) Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

#### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, based on the comments in the auditors' reports of the Holding company, subsidiary companies, associate companies and jointly controlled companies incorporated in India, we give in the **Annexure-A** statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
  - (a) We have sought and obtained all the information and

explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
  - (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014
  - (e) On the basis of the written representations received from the directors of the Holding Company as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the other statutory auditors of its jointly controlled companies incorporated in India, none of the other directors of the Group's companies, its associate companies and jointly controlled companies incorporated in India is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure-B**".
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. Company has disclosed the impact of pending litigations on its financial position in its financial statements- **Refer note 29 to the financial statements.**
    - ii. The Company did not have any long-term contracts including derivative contracts for which may lead to any material foreseeable losses.
    - iii. There has been no delay in transferring amount, required to be transferred, to the Investor Education and Protection Fund by the Company.
3. As required by Section 143(5) of the Companies Act, 2013, please refer **Annexure-C** enclosed.

**For Bansal Sinha & Co**  
**Chartered Accountants**  
**Firm's Reg. No.: 06184N**  
Sd/-  
**CA Tanupriya Gupta**  
Partner  
Membership No.: 511757

Place : New Delhi

## ANNEXURE - A TO THE INDEPENDENT AUDITORS' REPORT

**The Annexure referred to in Independent Auditors' Report to the members of the Company on the Consolidated Financial Statements for the year ended 31 March 2016, we report that:**

- i) In respect of fixed assets:
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) The Company has a regular programme of physical verification of its fixed assets. Other than fixed assets related to the underground natural gas distribution system (included in plant and equipment in Note 10 to the financial statements) which as per the Management cannot be physically verified, by the committee constituted by the company during the year. In accordance with this programme, the fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
  - c) On the basis of information and explanation given to us and on the basis of our examination of the records of company, title deeds in respect of all the Lands (both leasehold and freehold) appearing in the books of accounts valuing ₹ 23.88 Crore, have not been mutated in favour of GAIL Gas Limited since its procurement from government agencies.
- ii) In respect of its inventory:
 

The inventories of the Company comprise inventory of stores and spare parts and inventory of natural gas. On the basis of information and explanation provided by the management, The Company has a regular programme of physical verification of inventories of stores and spares except for the inventories lying with contractors and project consultants. No material discrepancies were noticed on verification between the physical stocks and the book records.

As explained to us, having regard to the nature of inventory of natural gas, management has followed policy for estimation of natural gas quantities which is based on volume of pipelines and the volume of cascades containing the natural gas considering standard temperature and pressure whereas opening stock of gas been arrived at on the basis of book balances. No reconciliation has been made with book balances since as per management it is not possible as gas is flowing continuously in pipelines.
- iii) According to the information and explanation given to us, the Company has not granted any loan to a party covered in the register maintained under Section 189 of the Companies Act, 2013.
- iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to the loans and investments made.
- v) The Company has not accepted any deposits from the public during the year covered under directives issued by Reserve Bank of India and under Section 73 to 76 or any other relevant provision of Companies Act, 2013 and rules frame there under.
- vi) The Central Government has prescribed the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the products sold by the company. The company has maintained proper cost records which are yet to be audited by the cost auditor.
- vii) (a) On the basis of information and explanation given to us and on the basis of our examination of the records of company, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with appropriate authorities. Further there were no undisputed outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable.
  - (b) According to the records of the Company examined by us and the information and explanations given to us, there were no dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax that have not been deposited on account of any dispute.
- viii) The Company has got outstanding dues to OIIB and Term Loans from Banks and there is no default to any of these institutions during the year.
- ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.
- x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

- xi) The company being the government company, Section 197 shall not apply. Accordingly paragraph 3(xi) of the Order is not applicable.
- xii) The Company is not a Nidhi Company; accordingly paragraph 3(xii) of the Order is not applicable.
- xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of paragraph 3(xiv) of the Order are not applicable to the Company.
- xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of paragraph 3(xv) of the Order are not applicable to the Company.
- xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

**For Bansal Sinha & Co**  
**Chartered Accountants**  
**Firm's Reg. No.: 06184N**  
 Sd/-  
**CA Tanupriya Gupta**  
 Partner  
 Membership No.: 511757

Place : New Delhi



**SAFETY TRAINING**

# ANNEXURE - B TO THE INDEPENDENT AUDITORS' REPORT

## **Report on the Internal Financial Controls under Clause (i) of Sub-Section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of GAIL Gas Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the consolidated financial statements of the Company for the year ended on that date.

### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit

evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

### **Meaning of Internal Financial Controls over Financial Reporting**

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, the Holding Company, subsidiary companies, associate companies and jointly controlled companies, which are incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively

as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Bansal Sinha & Co  
Chartered Accountants  
Firm's Reg. No.: 06184N**

Sd/-

**CA Tanupriya Gupta**

Partner

Membership No.: 511757

Place : New Delhi



**HINDI FORTNIGHT AND TRAINING**

# ANNEXURE - C TO THE INDEPENDENT AUDITORS' REPORT

## DIRECTIONS UNDER SECTION 143(5) OF COMPANIES ACT, 2013

Sl.No.	Directions	Auditor's Remark
1	Please report whether there are any case of waiver/write off of debts/loans/interest etc., if yes, the reasons there for and the amount involved.	There are no case of waiver/write off of debts/loans/interest etc. during the year under audit. Hence no comments are made on requirements of Direction No. 2.
2	Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.	Proper records are being maintained with regards to inventories lying with third parties. No assets are received as gift from Govt. /Any other authorities.
3	Whether the company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold and lease hold land for which title/lease deeds are not available.	On the basis of information and explanation given to us and on the basis of our examination of the records of company, title deeds in respect of all the Lands ( both leasehold and freehold) appearing in the books of accounts valuing ₹ 23.88 crores, have not been mutated in favour of GAIL Gas Limited since its procurement from government agencies.
4	Whether company has provided for penalty imposed/imposable in case of non- achievement, if any, of milestones approved by PNGRB.	The PNGRB invoked 25% of BG i.e. ₹ 75,00,000/- on account of non-achieving of targets of authorization by GAIL Gas in TTZ area vide letter dt 2.11.2015 Considering the case history and stay order granted to GAIL Gas, it has not provided for any penalty imposable for non-achievement of targets.
5	Independent verification may be made of information / inputs furnished to Actuary , viz number of employees, average salary, retirement age and assumptions made by the Actuary regarding discount rate, future cost increase, mortality rate, etc. for arriving at the provision for liability of retirement benefits, viz. gratuity, leave encashment, post- retirement medical benefits etc.	All the employees posted in GAIL Gas Limited during the year are on rolls of GAIL (India) Limited, the Holding Company. The Employee's benefits and all statutory compliances including provision for liabilities like Gratuity, Leave Encashment, Post- retirement medical benefits etc. are being made by GAIL (India) Limited.

Place : New Delhi  
Dated : July 1, 2016

**For Bansal Sinha & Co**  
**Chartered Accountants**  
**Firm's Reg. No.: 06184N**  
Sd/-  
**CA Tanupriya Gupta**  
Partner  
Membership No.: 511757



# CONSOLIDATED BALANCE SHEET

## AS AT 31<sup>ST</sup> MARCH, 2016

(₹ in Crores)

	Note No.	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
a) Share Capital	1	402.00	300.00
b) Reserve & Surplus	2	85.35	61.36
		<b>487.35</b>	<b>361.36</b>
<b>(2) Share Application money pending Allotment</b>	1A	<b>34.00</b>	<b>0.00</b>
<b>(3) Non Current Liabilities</b>			
a) Long Term Borrowings	3	126.43	131.10
b) Deferred Tax Liability (Net)		28.14	17.75
c) Other Long-term Liabilities	4	35.22	35.75
d) Long-term Provisions	5	0.00	0.00
		<b>189.79</b>	<b>184.60</b>
<b>(4) Current Liabilities</b>			
a) Short Term Borrowings	6	114.03	35.21
b) Trade Payables	7	68.09	56.51
c) Other Current Liabilities	8	104.54	150.13
d) Short-term Provisions	9	22.20	9.81
		<b>308.86</b>	<b>251.66</b>
	<b>TOTAL</b>	<b>1,020.00</b>	<b>797.62</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
a) Fixed Assets			
(i) Tangible Assets	10A	391.28	341.06
(ii) Intangible Assets	10A	22.28	36.47
(iii) Capital Work in Progress	10	281.31	162.13
		<b>694.87</b>	<b>539.66</b>
b) Non-current Investments	11	0.00	0.00
c) Long-term loans and advances	12	12.95	18.40
d) Other non-current assets	13	0.00	0.31
		<b>12.95</b>	<b>18.71</b>
<b>(2) Current Assets</b>			
a) Current Investments		0.00	0.00
b) Inventories	14	9.80	7.69
c) Trade receivables	15	67.45	61.73
d) Cash and cash equivalents	16	18.74	17.15
e) Short-term loans and advances	17	213.35	152.10
f) Other current assets	18	2.84	0.58
		<b>312.17</b>	<b>239.25</b>
	<b>TOTAL</b>	<b>1,020.00</b>	<b>797.62</b>

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-26)

As per our separate report of even date

**Deepak Asija**  
Company Secretary  
PAN-ADRPAA0983E

**Jyoti Dua**  
CFO  
PAN-ACJPD6268J

**Pankaj Kumar Pal**  
CEO  
PAN-AATPP6657M

**Subir Purkayastha**  
Director  
DIN-06850526

**B.C. Tripathi**  
Chairman  
DIN-01657366

**For Bansal Sinha & Co**  
Chartered Accountants  
Firm's Reg. No. : 06184N

Place : New Delhi  
Dated : 17.05.2016

**CA Tanupriya Gupta**  
Partner  
Membership No. : 511757

# CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

(₹ in Crores)

	Note No.	Year Ended 31 <sup>st</sup> March, 2016	Year Ended 31 <sup>st</sup> March, 2015
I. Revenue from Operations (Net)	19	1583.19	1040.97
II. Other Income	20	3.33	2.78
III. Total Revenue (I+II)		<b>1586.52</b>	<b>1043.75</b>
IV. Expenses			
Gas Consumed	20A	1419.60	941.84
Depreciation	21	20.38	12.56
Finance Cost	22	19.38	14.12
Other Expenses	23	68.63	55.00
	<b>TOTAL EXPENSES</b>	<b>1527.99</b>	<b>1023.52</b>
V. Profit before exceptional and extraordinary items and tax (III-IV)		58.53	20.24
VI. Exceptional Items		0.00	0.00
VII. Profit before extraordinary items and tax (V-VI)		58.53	20.24
VIII. Extraordinary Items (Profit on Sales of Assets)		0.00	(6.49)
IX. Profit(Loss) before Prior Period Adjustments (Net) (VII-VIII)		58.53	26.73
X. Less: Prior Period Adjustments (Net)	25	1.55	(0.24)
XI. Profit before Tax (IX-X)		56.98	26.97
XII. Tax Expenses			
1. Current Tax			
Current Year		12.55	6.39
Less: Mat Credit		-0.14	3.89
Less: Pr Year Tax written back		-0.68	
2. Deferred Tax		8.93	6.42
Less: Excess Deferred Tax Pr Year written back		(0.07)	0.00
	<b>TOTAL TAX EXPENSES</b>	<b>20.60</b>	<b>8.92</b>
XIII. Profit (Loss) after Tax for the period (XI-XII)		<b>36.38</b>	<b>18.05</b>
XIV. Appropriation of Profit			
Proposed Dividend		8.04	0
Corporate Dividend Tax		1.64	0
Balance Carried to Balance Sheet		<b>26.70</b>	<b>18.05</b>
<b>Details of Earning Per Share</b>			
A. Profit after tax (₹ in Crores)		36.38	18.05
B. Weighted Average No. of Equity Shares (in Crores)		33.20	27.76
C. Nominal Value per Equity Share (₹)		10/-	10/-
D. Basic and Diluted Earning Per Share (₹)		1.10	0.65

See accompanying notes to accounts

As per our separate report of even date

Deepak Asija  
Company Secretary  
PAN-ADRPAA0983E

Jyoti Dua  
CFO  
PAN-ACJPD6268J

Pankaj Kumar Pal  
CEO  
PAN-AATPP6657M

Subir Purkayastha  
Director  
DIN-06850526

B.C. Tripathi  
Chairman  
DIN-01657366

For Bansal Sinha & Co  
Chartered Accountants  
Firm's Reg. No. : 06184N

Place : New Delhi  
Dated : 17.05.2016

CA Tanupriya Gupta  
Partner  
Membership No. : 511757



## Note 1: Share Capital

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>AUTHORISED</b>		
70,00,00,000 (Previous Year 30,00,00,000) Equity Shares of ₹ 10/- each	700.00	300.00
<b>ISSUED, SUBSCRIBED AND FULLY PAID-UP</b>		
26,93,34,132 Equity Shares of ₹ 10/-each (up to PY167334132 Equity Shares of ₹ 10/- each) fully paid up in cash	269.33	167.33
132665868 Equity Shares of ₹ 10/- each (Up to PY 132665868 equity Shares) of ₹ 10/- each fully paid otherwise than in cash	132.67	132.67
<b>TOTAL</b>	<b>402.00</b>	<b>300.00</b>
<b>Par Value Per Share (in ₹)</b>		
Equity Shares	10.00	10.00

## Note 1 A: Share Application Money Pending Allotment

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Share Application Money pending Allotment</b>		
i) In form of Consideration other than Cash pending Allotment A/c GAIL INDIA Ltd	-	-
ii) In form of Consideration in Cash pending Allotment A/C GAIL (India) Ltd	34.00	-
<b>TOTAL</b>	<b>34.00</b>	<b>0.00</b>
<b>Reconciliation Statement of No. of Shares Outstanding</b>		
Opening No. of Shares	300000000	254351265
Issued during the year	102000000	45648735
Forfeited during the year	-	-
Closing No. of Shares	402000000	300000000
<b>The right /Preferences/Restrictions attached during the year for shares</b>		
<b>Proposed /Intereim/Final Dividend</b>		
<b>No. of Shares of the Co. held by holding Company</b>		
<b>Share holding Pattern (No. Of Shares)</b>		
<b>Holding Co-GAIL (India) Ltd. (100%)</b>	401999994	299999994
<b>TOTAL</b>	<b>401999994</b>	<b>299999994</b>
<b>Share Reserved for Issue under Options &amp; Contracts/</b>		
<b>Commitments for Sale of Shares/Disinvestment</b>	-	-
Terms	-	-
Amount	-	-
No.	-	-
<b>Convertible Securities in Equity/Preference Shares</b>	-	-
Aggregate No. & class of shares allotted as fully paid up pursuant to contract without payment being received in cash during last 5 years (in Nos)	0.00	0.00
<b>Unpaid Calls</b>		
By Directors and Officers	0.00	0.00
By Others	0.00	0.00
<b>Forfeited Amount of Shares</b>	0.00	0.00

## Note 2: Reserves and Surplus

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Surplus in the Statement of Profit &amp; Loss</b>		
As per Last Financial Statements	61.35	43.44
Add : Transferred from statement of Profit & Loss	36.38	18.05
Add : Adjustment due to Joint Venture Regrouping (Ref. Note 28 of Notes on Accounts)	(2.70)	0.00
Less : Depreciation Adjustment	0.00	(0.13)
Less: -Appropriations		
Proposed Final Dividend	(8.04)	0.00
Corporate Dividend Tax	(1.64)	0.00
<b>TOTAL</b>	<b>85.35</b>	<b>61.36</b>

## Note 3: Long Term Borrowings

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>SECURED</b>		
<b><u>TERM LOANS</u></b>		
<b>From Banks :</b>		
<b>Union Bank of India</b>	<b>0.00</b>	<b>78.62</b>
(Secured against all assets of four authorised cities of Dewas, Kota, Meerut & Sonepat. Against total sanctioned amount of ₹ 142 Crore, loan drawn up to 31.03.2016 is ₹ 142 Crore as against ₹ 127 Crore drawn up to 31.03.2015. The said loan swapped with HDFC Bank on 27.01.2016)		
<b>Rate of Interest on term Loan as on 31.03.2015: 10.75 % p.a</b>		
<b>Terms of Repayment</b>		
Repayable in 16 half yearly installments after moratorium period of 2 years from the date of 1 <sup>st</sup> drawl i.e 12.08.2010 on 30 <sup>th</sup> June & 31 <sup>st</sup> Dec each year. The first repayment started from 31.12.2012 as per the agreement. The said loan has been swapped with HDFC Bank on 27.01.2016		
<b>HDFC</b>	<b>71.56</b>	<b>-</b>
Loan from UBI swapped with HDFC BANK w.e.f 27.01.2016 Rate of interest 9.30% as on 31.03.2016		
<b>Share of Bank Loan taken by JVs</b>	<b>3.55</b>	<b>-</b>
<b>From Other Parties :</b>		
<b>Oil Industry Development Board</b>	<b>51.32</b>	<b>41.59</b>
(Secured against all assets of TTZ Project, ₹ 58.00 Crore sanctioned against which ₹ 58 Crores drawn up to 31.03.2016, PY ₹ 58 Crores Sanctioned & drawn up to 31.03.2015. The repayment of loan started from 24.02.2015. During the year the Company availed ₹ 24.23 Crores from OIDB for Dewas, Sonepat & Meerut and the same were secured against the assets of the cities)		



### Note 3: Long Term Borrowings - (contd.)

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Rate of Interest (ROI) on term Loan as on 31.03.2016 :</b>		
Outstanding Loan as on 31.03.2016 (₹ in Crores)	ROI (%)	
5	8.28	
4.88	9.27	
7.95	9.06	
9.26	8.81	
24.23	7.97	
<b>Oil Industry Development Board</b>	<b>0.00</b>	<b>10.90</b>
(Against Corporate Guarantee given by GAIL(India) Ltd for Loan of ₹ 118 Crores pertaining to Cities of Dewas, Kota, Meerut & Sonapat)		
<b>Rate of Interest (ROI) on term Loan as on 31.03.2015:</b>		
Outstanding Loan as on 31.03.2015 (₹ in Crores)	ROI (%)	
5	8.6	
2.5	8.77	
3.4	9.18	
<b>TERMS OF REPAYMENT</b>		
Repayable in 4 annual installments after moratorium period of 1 financial year excluding the year of drawl for each loan. The first repayment started from 09.06.2012.		
<b>TOTAL</b>	<b>126.43</b>	<b>131.10</b>
<b>Period and Amount of Continuing default as on Balance Sheet Date in repayment of Loan and Interest</b>	<b>0.00</b>	<b>0.00</b>

### Note 4: Other Long Term Liabilities

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Deposits from Customers	35.22	35.75
<b>TOTAL</b>	<b>35.22</b>	<b>35.75</b>

### Note 5: Long Term Provisions

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Provision for Employee Benefits (incl. Gratuity)	0.00	0.00
Other Provisions	0.00	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>

## Note 6: Short Term Borrowings

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>SECURED</b>		
(I) <b>Short Term Debt</b>		
(a) <b>Cash Credit Facility with HDFC Bank</b>	71.95	33.67
(Secured against Debtors & Inventories, ROI 9.30 % as on 31.03.2016, PY ROI @ 11%)		
(b) <b>Share of Loan taken by JVs</b>	2.08	1.54
<b>UNSECURED</b>		
(I) <b>STL FROM HDFC BANK</b>	25.00	0.00
(Unsecured Short Term Loan, ROI 9.30% as on 31.03.2016, PY Nil)		
(II) <b>STL FROM ICICI BANK</b>	15.00	0.00
(Unsecured Short Term Loan, ROI 9.35% as on 31.03.2016, PY Nil)		
<b>TOTAL</b>	<b>114.03</b>	<b>35.21</b>

## Note 7: Trade Payables

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Trade Payables	59.96	46.71
Other Payables Against O&M	8.13	9.80
<b>TOTAL</b>	<b>68.09</b>	<b>56.51</b>

## Note 8: Other Current Liabilities

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>SECURED</b>		
(I) <b>Current Maturity of Long Term Debt</b>		
(a) <b>Loan from Union Bank of India</b>	0.00	17.47
(Secured against all assets of four authorised cities of Dewas, Kota, Meerut & Sonapat. Against total sanctioned amount of ₹ 142.00 Crore . Loan has been swapped with HDFC .		
(b) <b>Oil Industry Development Board</b>	14.50	11.41
(Secured against all assets of TTZ Project, ₹ 58.00 Crore sanctioned against which ₹ 58 Crores drawn up to 31.03.2016, PY ₹ 58 Crores Sanctioned & drawn up to 31.03.2015. The repayment of loan started from 24.02.2015. During the year the Company availed ₹ 24.23 Crores from OIB for Dewas, Sonapat & Meerut and the same were secured against the assets of the cities)		
(c) <b>HDFC Bank Ltd</b>	20.44	0.00
(Secured against all assets of four authorised cities of Dewas, Kota, Meerut & Sonapat. Loan has been swapped from UBI. Current maturity loan from HDFC ROI 9.30% as on 31.03.2016		



## Note 8: Other Current Liabilities - (contd.)

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>UNSECURED</b>		
<b>(I) Current Maturity of Long Term Debt</b>		
<b>Oil Industry Development Board</b>	<b>10.90</b>	<b>29.50</b>
(Against Corporate Guarantee given by GAIL(India) Ltd) for Loan of ₹ 118 Crores pertaining to Cities of Dewas Kota Meerut & Sonapat)		
<b>(II) Others</b>		
Interest accrued but not Paid	0.01	0.20
Advances / Deposits from Customers	4.26	4.17
Deposits/Retention Money from Contractors and others	14.76	12.13
Audit Fees Payable	0.02	0.03
Statutory Payments (TDS, Excise, WCT, VAT& Service Tax)	5.07	5.88
Other Payables Against Plant & Machinery (Including Provisional Liability of ₹ 24.64 Crore PY ₹ 13.39Crore)	30.55	18.66
Purchase consideration Payable - GAIL (India) Ltd	-	19.78
Purchase consideration Payable - VMSS	-	30.04
Other Liabilities	4.03	0.86
<b>TOTAL</b>	<b>104.54</b>	<b>150.13</b>

## Note 9: Short Term Provisions

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Provision for Taxes	12.50	9.80
Provision for Proposed Dividend	8.04	0.00
Corporate Dividend tax payable	1.64	0.00
Other Provisions	0.02	0.01
<b>TOTAL</b>	<b>22.20</b>	<b>9.81</b>

## Note 10: Capital Work-in-Progress

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>A. Plant &amp; Machinery</b>		
Linepipe Construction and related facilities	174.92	80.15
IEDC - Interest (Refer Note-22)	4.24	4.95
IEDC - Management Services(Refer Note - 23)	15.75	8.93
IEDC - Other Exps (Refer Note -24)	6.38	3.55
Less : Provision for Linepipe and Related Facilities	-	-0.58
	<b>201.29</b>	<b>97.00</b>
<b>B. Linepipes, Capital Items in Stock</b>	64.39	52.75
<b>C. Capital Items in Transit</b>	-	2.43
Less : Provision for losses/obsolescence	-	-
<b>D. Others</b>	15.63	9.95
<b>TOTAL</b>	<b>281.31</b>	<b>162.13</b>

**Note 10A: Fixed Assets (Tangible / Intangible Assets)**

(₹ in Crores)

DESCRIPTION	GROSS BLOCK			(AT COST)	DEPRECIATION			IMPAIRMENT OF ASSETS			NET BLOCK		
	As at 01.04.2015	Additions	Sales / Adjust- ments during the year	As at 31.03.2016	Upto 31.3.2015	For the Year	Adjust- ments during the year	As at 31.03.2016	Upto 31.3.2015	For the Year	As at 31.03.2016	As at 31.3.2015	As at 31.03.2016
<b>TANGIBLE ASSETS (A)</b>													
Land: Freehold	21.25	3.45		24.70	-	-		-				21.25	24.70
Leasehold	4.87	8.03		12.90	0.13	0.14		0.27				4.74	12.63
Plant and Machinery	331.29	40.18	2.04	373.51	36.86	11.18	(0.75)	47.29				294.43	326.22
Buildings	23.52	7.41		30.93	4.73	0.81	(0.01)	5.53				18.79	25.40
Furniture, Fixtures and other Equipments	1.02	0.08		1.10	0.35	0.09		0.44				0.67	0.66
Office Equipments Including Electrical Equipments	2.27	1.06		3.33	1.08	0.58		1.66				1.19	1.67
				-									
<b>TOTAL (A)</b>	<b>384.22</b>	<b>60.21</b>	<b>2.04</b>	<b>446.47</b>	<b>43.16</b>	<b>12.80</b>	<b>(0.76)</b>	<b>55.19</b>	-	-	-	<b>341.06</b>	<b>391.28</b>
<b>INTANGIBLE ASSETS (B)</b>													
Right of Use *	0.36	-		0.36	0.01		-	0.01				0.35	0.35
Goodwill	-	29.45		29.45		5.89	2.93	8.82				-	20.63
Softwares / Licences	40.38	3.18	(34.70)	8.86	4.25	1.69	1.62	7.56				36.13	1.30
<b>TOTAL (B)</b>	<b>40.74</b>	<b>32.63</b>	<b>(34.70)</b>	<b>38.67</b>	<b>4.26</b>	<b>7.58</b>	<b>4.55</b>	<b>16.39</b>				<b>36.48</b>	<b>22.28</b>
<b>TOTAL (A+B)</b>	<b>424.96</b>	<b>92.84</b>	<b>(32.66)</b>	<b>485.14</b>	<b>47.42</b>	<b>20.38</b>	<b>3.79</b>	<b>71.58</b>	-	-	-	<b>377.54</b>	<b>413.56</b>
Previous Year	357.88	100.08	(33.00)	424.96	37.13	12.58	(2.28)	47.42	-	-	-	320.75	377.53

\* All the assets have been owned by the Company except the leasehold land and ROU.

**Note 11: Non-Current Investments**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Trade Investments (Unquoted - At cost)	-	-
Investments in Equity Instruments :-		
(i) In Joint Venture Companies:	-	-
150,00,000 (Previous Year: 100,00,000) Equity Shares of ₹ 10/- each fully paid-up in APGDC Ltd		
(ii) In Joint Venture Company	-	-
119,28,000 (Previous Year: 119,28,000) Equity Shares of ₹ 10/- each fully paid up in Kerala GAIL Gas Ltd		
(iii) In Joint Venture Company	-	-
4,10,08,940 (Previous Year: 25,000 deemed allotment) Equity Shares of ₹ 10/- each fully paid up in Vadodara Gas Limited		
(iv) In Joint Venture Company	-	-
1,00,25,000 (Previous Year: 25,000 deemed allotment) Equity Shares of ₹ 10/- each fully paid up in RSGL		
2. Advances for Investments (Pending Allotment)		
(i) In Joint Venture Company	-	-
700,00,000 (Previous Year: 10000000) Equity Shares of ₹ 10/- each fully paid up in RSGL yet to be allotted		
(ii) In Joint Venture Company	-	-
750,00,000 (Previous Year: NIL) Equity Shares of ₹ 10/- each fully paid up in APGDC yet to be allotted		
<b>TOTAL</b>	<b>-</b>	<b>-</b>



## Note 12: Long Term Loans and Advances

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>(a) Capital Advances</b>		
(Secured/Unsecured - Considered Good)	0.32	0.00
(Unsecured - Considered Doubtful)	0.00	0.00
Less : Provision for Doubtful Advances	0.00	0.00
<b>(b) Security Deposits (Unsecured)</b>		
Unsecured, Considered Good-Govt	6.31	6.34
Unsecured, Considered Good-Non Govt	0.02	0.02
Unsecured, Considered Doubtful	0.00	0.00
Less : Provision for Doubtful Advances	-3.54	-3.54
<b>(c) Other Loans and Advances</b>		
Loans to Employees		
- Secured, Considered Good	0.05	0.01
- Unsecured, Considered Good	0.00	0.02
Advances to Income Tax against pending demand	0.01	0.00
<b>(d) Loans &amp; Advances to related Parties</b>	9.79	15.55
(Unsecured, Considered Good)		
<b>TOTAL</b>	<b>12.95</b>	<b>18.40</b>

## Note 13: Other Non-Current Assets

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Long Term Trade Receivables</b>		
(Unsecured - Considered Good)	0.00	0.00
(Unsecured - Considered Doubtful)	0.00	0.00
Less : Provision for Doubtful Debts	0.00	0.00
<b>Others</b>		
Pre Operative Expenses pending allocations	0.00	0.00
Capital Advances	0.00	0.29
Deposit with various parties	0.00	0.02
<b>TOTAL</b>	<b>0.00</b>	<b>0.31</b>

## Note 14: Inventories

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>(a) Finished Goods (incl Work-in-Progress)</b>		
Compressed Natural Gas (Valued at Cost or Net Realisable Value whichever is lower)	0.05	0.05
<b>(b) Stock in Trade</b>		
Raw Material	0.00	0.00
Raw Material in Transit	0.00	0.00
CNG and Natural Gas in Pipeline	0.00	0.00
Stock of Gas*	0.39	0.43
*after adjustment of calorific value (Valued at Cost or Net Realisable Value whichever is lower)		
<b>(c) Stores and Spares</b>		
Stores and Spares(Including Construction Surplus-Capital/Stores) (As taken, valued and certified by the Management) (Valued at Cost or Net Realisable Value whichever is lower)	9.36	7.21
Less : Provision for Losses/Obsolescence	0.00	0.00
Construction Surplus - Capital / Stores Less : Provision for Losses/Obsolescence (Valued at Cost or Net Realisable Value whichever is lower)	0.00	0.00
<b>TOTAL</b>	<b>9.80</b>	<b>7.69</b>

## Note 15: Trade Receivables

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>(i) Trade receivables outstanding for a period exceeding six months</b>		
Secured, Considered Good	0.00	3.70
Unsecured, Considered Good	3.91	3.20
Unsecured, Considered Doubtful	0.00	0.00
<b>(ii) Others</b>		
Secured, Considered Good	0.00	0.00
Unsecured, Considered Good	64.62	55.91
Unsecured, Considered Doubtful	0.00	0.00
	68.54	62.81
Less : Provision for Doubtful debts	-1.08	-1.08
<b>TOTAL</b>	<b>67.45</b>	<b>61.73</b>

## Note 16: Cash and Cash Equivalents

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>BALANCES WITH BANKS</b>		
On Current Account	1.86	5.62
On Fixed Deposit Account	15.98	11.18
Cash in hand	0.91	0.36
<b>TOTAL</b>	<b>18.74</b>	<b>17.15</b>



## Note 17: Short Term Loans and Advances

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>(a) Loan to Related Parties</b>		
VGL	1.37	32.08
RSGI	0.50	0.53
KGGL	0.00	0.00
APGDC	0.17	-
<b>(b) Others</b>		
Loans / Advances to Employees		
Advances recoverable in cash or in kind or for value to be received		
- Unsecured, Considered Good	0.02	0.32
- Unsecured, Considered Doubtful	0.00	0.00
Less : Provision for Doubtful Advances	0.00	0.00
<b>Advance tax / TDS</b>	<b>30.68</b>	<b>25.67</b>
<b>Claims Recoverable</b>		
- Unsecured, Considered Good	175.56	91.26
- Unsecured, Considered Doubtful	0.00	0.00
Less : Provision for doubtful claims	0.00	0.00
Deposits/Balances with Government Authorities and Others		
- Unsecured, Considered Good	5.05	2.24
- Unsecured, Considered Doubtful	0.00	0.00
Less : Provision for doubtful deposits	0.00	0.00
<b>Trade and Security Deposits</b>		
- Unsecured, Considered Good	0.00	0.00
<b>TOTAL</b>	<b>213.35</b>	<b>152.10</b>

## Note 18: Other Current Assets

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Interest accrued but not due	0.29	0.18
Prepaid Insurance & Other Charges	0.59	0.34
Others	1.96	0.06
<b>TOTAL</b>	<b>2.84</b>	<b>0.58</b>

## Note 19: Revenue from Operations

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
a) Sale of Products/ Gas	1525.70	1012.35
b) Sale of Services		
Gas Transmission Charges	68.32	34.31
c) Income from Telecom	0.00	0.00
	1594.02	1046.65
Less : Excise Duty	-16.40	-11.67
d) Other Operating Revenues	0.90	
Application Fees - Domestic Connection	0.07	0.01
Interest Income Customers & Others	1.20	1.60
Miscellaneous Income - Extra pipe line	0.25	0.09
Misc Income After Sales Service	0.06	0.92
MGO Receipt	3.08	3.37
<b>TOTAL</b>	<b>1583.19</b>	<b>1040.97</b>

**Note 20: Other Income**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Interest on :</b>		
- Bonds / Debentures (Long term trade investment)	0.00	0.00
- Deposits with Banks	1.29	1.67
- Others	0.21	0.14
Add: Transferred to Expenditure during construction period (Refer Note 27)	0.00	0.00
Tender Fees	0.02	0.01
Liquidated Damages	0.79	0.11
Miscellaneous Receipts	1.03	0.85
Add: Transferred to Expenditure during construction period (Refer Note 24)	0.00	0.00
<b>TOTAL</b>	<b>3.33</b>	<b>2.78</b>

**Note 20A: Gas Consumed**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Opening Stock</b>	<b>0.48</b>	<b>0.47</b>
Add: Purchases	1426.43	949.49
Less : Gas Consumption	1419.60	941.84
Less: Gas Consumed as Fuel including abnormal gas loss	6.94	7.64
<b>Closing Stock</b>	<b>0.37</b>	<b>0.48</b>

**Note 21: Depreciation and Amortization Expenses**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Depreciation and Amortization Expenses	20.38	12.56
Impairment Loss	0.00	0.00
	20.38	12.56
Less: Depreciation & Amortization expenses transferred to Capital Work-in-Progress (refer note no. 10)	0.00	0.00
<b>TOTAL</b>	<b>20.38</b>	<b>12.56</b>

**Note 22: Finance Cost**

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Interest on Term Loans - OADB	7.18	9.42
Interest on Term Loans - Union Bank of India	9.89	9.09
Interest on Cash Credit - HDFC Bank Ltd	6.04	0.51
Others	0.51	0.05
<b>TOTAL</b>	<b>23.62</b>	<b>19.07</b>
Less: Interest and Finance Charges transferred to Capital Work-in-Progress (refer note no. 10)	(4.24)	(4.95)
<b>TOTAL</b>	<b>19.38</b>	<b>14.12</b>



## Note 23: Other Expenses

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Power, Fuel and Water Charges		
Electricity Charges	0.82	0.63
Fuel & Water Charges	2.85	3.01
<b>Management Service Cost</b>		
(Since all the employees posted at GAIL Gas are on the roll of GAIL (India) Ltd, the expenditure reimbursed to GAIL are shown under other expenses instead of Employee Cost)		
Salaries, Wages and Allowances	34.82	28.26
Contribution to Provident and Other Funds	2.02	1.58
Welfare Expenses	3.24	2.39
Gas Pool	0.00	0.00
Rent	5.99	5.31
Rates and Taxes (includes entry tax on gas)	0.94	0.15
Licence Fees - Telecom	0.00	0.00
Bandwidth Consumption	0.00	0.00
Repairs and Maintenance		
Plant and Machinery	10.50	5.67
Buildings	0.48	0.55
Others	0.93	0.03
Insurance	0.32	0.28
Payment to Auditors		
Audit Fees	0.06	0.05
Tax Audit fees	0.00	0.00
Management Services	0.00	0.00
Out of Pocket Expenses	0.01	0.01
Entertainment Expenses	0.02	0.01
Recruitment and Training Expenses	0.00	0.00
Equipment Hire charges	0.00	0.00
CNG Transportation	0.00	0.00
CNG Dispensing Charges	0.00	0.00
Operating Expenses at CNG Stations	0.36	0.00
Lease Charges	0.00	0.00
Survey Expenses	0.00	0.00
Dry Well Expenses written off	0.00	0.00
Oil & Gas Producing Expenses (Operators)	0.00	0.00
Royalty on Crued Oil	0.00	0.00
Consultancy Charges	1.95	0.12
Legal and Professional Charges	0.53	1.38
Postage & Telephones	0.00	0.01
Donation	0.00	0.00
Research and Development Expenses	0.00	0.00
Directors fees	0.00	0.00
Loss on sale / written off of assets(net)	0.00	0.00
Bad Debts / Claims / Advances / Inventories written off	0.00	0.06
Provision for Doubtful Debts, Advances, Claims, Deposits and obsolescence of Stores and Capital Items	0.00	0.00
Provision for Probable Obligations / Contingencies	0.00	0.00
Excise Duty on Stock (net)	0.00	0.00

**Note 23: Other Expenses** (contd...)

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Expenses on Enabling Facilities	0.00	0.00
Discount on Sales	0.00	0.00
Commission on Sales	0.00	0.00
Dealers' Commission	0.00	0.00
Net Loss on Foreign currency transaction and translation / Exchange Fluctuation	0.00	0.00
Stores & Spares Consumed	1.68	2.25
Loss/Gain (+/-) of Foreign Currency Transaction	0.06	-0.05
Water Charges	0.01	0.01
Communication Exp	0.16	0.12
Printing & Stationery	0.28	0.22
Travelling Exp	2.85	1.78
Books & Periodicals	0.01	0.01
Advt & Publicity	0.74	0.46
Training Exp	0.17	0.04
Vehicle Hire & Running Exp	1.84	2.05
Data Processing Exp	0.92	0.37
Selling & Distribution Exp	0.71	0.23
Dealer Commission	2.64	1.64
Security Exp	1.67	1.42
CSR Exp	0.00	0.03
Other Misc Exp	1.13	1.73
Provision Against Doubtful Claims	0.00	0.00
Expenses on Cities Written off	5.98	
Other Exp-Abnormal Loss	4.09	4.95
Expenses on Cities Written off	0.00	0.58
Profit (-)/Loss (+) on sale of assets	-0.04	0.00
Other Exp - Interest/Penalty Charges-Statutory	0.04	0.17
Less : Management Services for Employee Cost transferred to Capital Work-in-Progress(Refer Note -10)	-15.75	-8.93
<b>TOTAL</b>	<b>75.01</b>	<b>58.55</b>
Less : Incidental Expenditure during construction transferred to Capital Work-in-Progress (refer note no. 24)	-6.38	-3.55
<b>TOTAL</b>	<b>68.63</b>	<b>55.00</b>



## Note 24: Expenditure during Construction Period

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
IEDC- Insurance	0.00	0.00
IEDC- Other Exps	0.14	0.01
IEDC-Power, Fuel and Water Charges	0.00	0.00
IEDC-Printing & Stationery Expenses	0.00	0.00
IEDC- Security Expenses	0.55	0.34
IEDC- Rent & Warehouse Exp.	3.47	2.12
IEDC- Travelling & Conv. Exp	1.68	0.70
IEDC- Vehicle Hire Charges	0.54	0.38
<b>TOTAL</b>	<b>6.38</b>	<b>3.55</b>

## Note 25: Prior Period Adjustment

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Purchase of Gas*	0.00	0.00
Advt & Publicity	0.00	0.00
Interst Paid to Supplier	0.00	0.00
Depreciation-P/M	1.62	0.00
Sales	0.00	0.24
Depreciation-Leasehold Land	0.00	0.00
Other	-0.07	0.00
<b>TOTAL</b>	<b>1.55</b>	<b>0.24</b>

## Note 26: Contingent Liabilities

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
BG ISSUED	5225.42	5211.70
COURT CASES-AGRA & Firozabadwith Allhabad High Court	23.06	21.65
ARBITRATION CASES-Agra & Firozabad	18.66	12.50
STATUTORY	0.00	0.00
Demand received from Commissioner, Central Excise, Dewas in connection with wrong filling of ER-1 for the month of Sept 2010.	1.74	1.74
SHARE IN CONTINGENT LIABILITY OF JOINT VENTURES	6.03	2.53
<b>TOTAL</b>	<b>5274.91</b>	<b>5250.12</b>

## Note 27: Material Forceable Losses

(₹ in Crores)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Forceable Losses on Long Term Contracts including Derivative Contracts	0.00	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>

# CASH FLOW STATEMENT

## FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2016

(₹ in Crores)

Particulars	2015-2016	2014-2015
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>1. Net Profit After Tax and Extraordinary Items</b>	<b>36.38</b>	<b>18.05</b>
<b>2. Adjustments:</b>		
Depreciation & Amortization Expenses	22.00	12.56
Capital Reserve for Depreciation	0.00	(0.13)
Profit on sale of Assets	(0.04)	(6.49)
Interest Expenditure	19.29	14.11
Interest Income	(1.50)	(1.94)
Other Provisions	1.20	1.02
Provision / Writte off of Assets / CWIP	0.00	(0.58)
	40.95	18.55
<b>3. Operating Profit Before Working Capital Changes</b>	<b>77.33</b>	<b>36.60</b>
<b>4. Changes in Working Capital</b> (Excluding Cash & Bank Balances)		
Trade and Other Receivables	(92.94)	(68.36)
Inventories	(1.99)	(4.13)
Loans & Advances and other Current Assets	(0.21)	(0.33)
Current Liabilities and Provisions	(27.44)	80.53
	(122.58)	7.70
<b>Direct Taxes paid</b>	<b>16.11</b>	<b>3.03</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(29.13)</b>	<b>47.33</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sales/(Purchases) of Fixed Assets	(61.09)	(90.16)
(Increase)/Decrease in Capital WIP and Capital Advances	(120.64)	(7.03)
Investment in Other Companies	(60.48)	(14.35)
Pre-operative Expenses	0.00	0.00
Fixed/Other Deposits	0.00	0.00
(Increase)/Decrease in Loans & Advances	0.07	(1.83)
Profit On sales of Fixed Assets	0.04	6.49
Interest Received	1.50	1.90
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(240.60)</b>	<b>(104.99)</b>

Contd...



(₹ in Crores)

Particulars	2015-2016	2014-2015
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Equity	169.76	36.15
Proceeds of Long Term Borrowings	42.25	35.89
Share Application Money Recd	30.62	2.60
Repayment of Long Term Borrowings	(60.07)	(47.98)
Cash Credit Facilities from HDFC Bank	111.95	33.67
Interest Paid	(23.53)	(19.06)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>270.99</b>	<b>41.28</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>1.25</b>	<b>(16.38)</b>
<b>CASH AND CASH EQUIVALENTS AS AT 01.04.2015 (OPENING BALANCE)</b>	<b>17.49</b>	<b>33.53</b>
<b>CASH AND CASH EQUIVALENTS AS AT 31.03.2016 (CLOSING BALANCE)</b>	<b>18.74</b>	<b>17.15</b>
<b>NOTES :</b>		
1 Cash & Cash Equivalents include :		
Cash & Bank Balances As per Balance Sheet	18.74	17.15
Unrealised (Gain)/ loss on foreign Exchange	0.00	0.00
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<b>18.74</b>	<b>17.15</b>
2 Cash & Cash Equivalents		
3 Closing balance of Cash & Cash Equivalents of financial year 2014-15 was un-audited of JVs, however opening balance of current year taken based on audited figure. Impact due to same is of ₹ 0.34 Crs in opening Cash and Cash Equivalent.		

As per our separate report of even date

**Deepak Asija**  
Company Secretary  
PAN-ADRPA0983E

**Jyoti Dua**  
CFO  
PAN-ACJPD6268J

**Pankaj Kumar Pal**  
CEO  
PAN-AATPP6657M

**Subir Purkayastha**  
Director  
DIN-06850526

**B.C. Tripathi**  
Chairman  
DIN-01657366

**For Bansal Sinha & Co**  
**Chartered Accountants**  
Firm's Reg. No. : 06184N

Place : New Delhi  
Dated : 17.05.2016

**CA Tanupriya Gupta**  
Partner  
Membership No. : 511757

# 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, 2013 including accounting standards notified thereunder 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. Inventories

- i. Raw materials and finished products are valued at cost or net realizable value, whichever is lower.
- ii. 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.
- iii. Stock of gas in pipeline is valued at cost (FIFO) or net realisable value whichever is lower.
- iv. 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.
- v. Surplus/obsolete stores and spares are valued at cost or net realizable value, whichever is lower.
- vi. 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.

## 4. Depreciation / Amortisation

- I. Depreciation on Fixed Assets other than those mentioned below is provided in accordance with the rates as specified in Schedule II of the Companies Act, 2013, on straight line method (SLM) on pro-rata basis (monthly pro-rata for bought out assets).
  - (a) Cost of the leasehold land not exceeding 99 years is amortised over the lease period.
  - (b) Software / Licences are amortised in 5 years on straight line method.
  - (c) Cost of the Right of Use (ROU) is amortized considering life of RoU as 99 years.

- II. Capital assets facilities installed at the consumers premises on the land whose ownership is not with the company, has been depreciated on SLM basis in accordance with the rates as specified in Schedule II of the Companies Act, 2013.

## 5. Revenue Recognition

- i. Sales are recognised on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the deliver of goods to customers. Sales include excise duty but exclude value added tax. Any retrospective in prices is accounted for in the years of such revision.
- ii. Income in respect of MGO of Natural Gas and Interest on delayed realization from customers is not provided. Receipts during the year on account of MGO and Interest on delayed realization are adjusted on receipt basis.
- iii. Prepaid expenses and prior period expenses/income upto ₹ 5,00,000 in each case are charged to relevant heads of account of the current year.

## 6. Fixed Assets

- i. 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.
- ii. 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.

## 7. 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.

## 8. Capital Work-in-Progress

- i. 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/services etc. received at site for use in the projects.

- ii. Pre-Project expenditure relating to Projects which are considered unviable/closed will be charged off to Revenue in the year of declaration /closure.

#### 9. 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.

#### 10. Foreign Currency Translation

- i. Transaction in foreign currency is accounted at the exchange rate prevailing on the transaction date.
- ii. 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.
- iii. 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).
- iv. Any gains or loss arising on account of exchange difference either on settlement or on translation is accounted for in the Profit & Loss account.

#### 11. Investments

Investments are classified into current and non-current investments. Current investments are stated at lower of cost or market value. Non-current investments are stated at cost and provision for diminution in value is made only if such decline is other than temporary in the opinion of management.

#### 12. 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.

#### 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. Impairment

The Carrying amount of assets is 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.

#### 15. Provision Contingent Liabilities and Capital Commitments

- i. Provision involving substantial degree of estimation in measurement is recognized when there is a present obligation as a result of past events and it's probable that there will be an outflow of resources. Contingent Assets are neither recognised nor disclosed in the financial statements. Contingent liabilities exceeding ₹ 5 Lacs in each case are disclosed by way of notes to accounts.
- ii. Estimated amount of contracts remaining to be executed on capital account are disclosed in each case above ₹ 5 Lakhs

#### 16. Others

- i. 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.
- ii. Insurance claims are accounted for on the basis of claims admitted by the insurers.
- iii. Custom duty and other claims (Including interest on delayed payments) are accounted for on acceptance in principle.
- iv. Expenditure incurred by the promoter **ANDHRA PRADESH GAS INFRASTRUCTURE CORPORATION PVT. LTD.**, in relation to project development of the company has been reimbursed to them and debited to relevant expenses / CWIP accounts.

As per our separate report of even date

**For Bansal Sinha & Co**

**Chartered Accountants**

**Firm's Reg. No. : 06184N**

**Deepak Asija**  
Company Secretary  
PAN-ADRPAA0983E

**Jyoti Dua**  
CFO  
PAN-ACJPD6268J

**Pankaj Kumar Pal**  
CEO  
PAN-AATPP6657M

**Subir Purkayastha**  
Director  
DIN-06850526

**B.C. Tripathi**  
Chairman  
DIN-01657366

Place : New Delhi  
Dated : 17.05.2016

**CA Tanupriya Gupta**  
Partner  
Membership No. : 511757

# NOTES ON ACCOUNTS

## 1. Basis of Preparation

The Consolidated Financial Statements (CFS) relate to GAIL Gas Limited (herein after referred as the "Company") and its Joint Ventures. The accounts are prepared on historical cost convention in accordance with applicable accounting standards and other applicable relevant statutes.

## 2. Principles of Consolidation

The consolidated Financial Statements have been prepared in accordance with the applicable Accounting Standards on the following basis:

The Financial Statements of the joint venture Company have been combined by applying proportionate consolidation method on line by line basis on items of assets, liabilities, income and expenses after eliminating proportionate share of unrealized profits or losses in accordance with Accounting Standard (AS) 27 on "Financial Reporting of interest in Joint Ventures" as notified under Companies Accounting Standard Rules, 2006.

The consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's separate Financial Statements except as otherwise disclosed in the other Notes to Accounts.

## 3. The Consolidated Financial Statements represent consolidation of accounts of the Company (GAIL GAS LIMITED), its Joint Venture Companies as detailed below:

Sl No	Name of JV	Country of Incorporation	Relation	Proportion of Ownership Interest as on 31.03.2016
1	Andhra Pradesh Gas Distribution Corporation Ltd	India	Joint Venture	25%
2	Kerala GAIL Gas Limited	India	Joint Venture	26%
3	Vadodara Gas Limited	India	Joint Venture	25%
4	Rajasthan State Gas Ltd.	India	Joint Venture	26%

## 4. Audited/Unaudited financial statements of the joint venture- Andhra Pradesh Gas Distribution Corporation Ltd, Kerala GAIL Gas Limited, Vadodara Gas Limited & Rajasthan State Gas Ltd. have been included in consolidation. The figures included in the consolidated financial statements relating to these audited/unaudited joint venture companies are as under:

Total Assets of ₹ 11.23 crores and Total Liabilities of ₹ 15.78 crores and

Total Income of ₹ 32.59 crores and Total Expenditure of ₹ 34.05 crores.

- 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. Expenses related to Rent, vehicle hire charges, security charges and other expenses have been allocated to Incidental Expenditure during the construction and charged to Profit and Loss Account in the ratio of manpower identified for project activities and operation activities respectively during the year.
- The Incidental Expenditure during Construction amounting ₹ 22.13 crores (Previous Year ₹ 12.48 crores) have been allocated to completed Project & Capital work in progress in the ratio of direct and indirect allocated cost of assets.
- (a) CWIP include asset under construction which are under different stage of completion, capitalization will be made after scrutiny of all cases. An amount of ₹ 1.67 crores held under CWIP related to Expenditure incurred for bidding conducted by PNGRB.  
(b) During the year company has written off ₹ 5.97 crores for expenditure lying in CWIP as preoperative expenses against bidding expenditure for Geographical Areas (GA) where the company has not emerged as successful bidder. Since, these CGD GAs had been awarded to different entities other than GAIL Gas, hence the operations in those GAs wouldn't be done by GAIL Gas. Approval of writing off has been accorded by board in its meeting held on 27.04.2016  
(c) The capital expenditure incurred to the tune of ₹ 4.04 crores for one CNG Station at Mathura has been shown under Capital Work in Progress (CWIP). The permission from NHAI for laying of pipelines

along the National Highway -2 has already been received and the construction is under-going and will be capitalized in due course.

- (d) All the lands appearing in the books are procured from various government agencies. However, till balance sheet date mutation has not been done in favour of GAIL Gas Limited to the tune of ₹ 23.88 crores
- (e) The expenses of ₹ 4.48 crores (Previous year ₹ 3.27crores) incurred by the Company in relation to project development towards consultancy charges, feasibility studies, administration expenses etc, which are directly attributable to the project CGD Network, FSRU & RGD Pipeline has been treated as “Capital Work in Progress” as the company hopes to derive long term economic benefits out of incurring such expenses. However, in the case of abandonment of the project such cost will have to be expensed to Profit & Loss Account.

The FSRU Project is proposed to be implemented through an SPV to be formed along with GDF SUEZ LNG UK as strategic partner. The Government of A.P. has approved for the inclusion of SHELL in the Project. In that situation the capital expenditure incurred would be transferred to the proposed SPV.

8. The details of disclosure regarding share application money pending allotment ₹ 34.00 crores are as under:
- Shares have been allotted to GAIL (India) Ltd at par with face value of ₹ 10 on 27.04.2016.
  - The total authorized capital of the Company is ₹ 700 crores. against which ₹ 402 crores has been issued as on balance sheet date.
  - The Company is a 100% subsidiary of GAIL (India) Ltd and the shares are issued as per the approval of Board.
9. Capital Commitment Disclosure:-
- The estimated amount of contracts over ₹ 5 Lac amounting to ₹ 313.54 crores (Previous Year ₹ 160.75 crores) are remaining to be executed on Capital Accounts and not provided for.
  - The Company has no uncalled liability on shares and other investments partly paid.
  - Provisional liability of ₹ 24.64 crores has been made in the books of accounts as on 31.3.2016 which will be settled as per actual bills.
  - The reconciliation of accounts with parties is carried out as an ongoing process. Request for confirmation of balance have also been sent.

10. Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 (“MSMED Act, 2006”):

(₹)

Particulars	2015-16	2014-15
i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	NIL	0.07 Cr.
ii) The amount of interest paid by the buyer in terms of Section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;	NIL	NIL
iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	NIL	70,928
iv) The amount of interest accrued and remaining unpaid at the end of each accounting year; and	NIL	70,928
v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23.	NIL	70,928

The above information regarding micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

11. Information required as per Schedule III of the Companies Act, 2013

I. CIF Value of Import

(₹ in Crores)

	2015-16	2014-15
Raw Material	0.00	0.00
Components & Spare	0.00	0.19
Capital Goods	0.00	0.00

## II. Expenditure in Foreign Currency

	2015-16	2014-15
Others-Travelling	0.12	0.0

## III.

	2015-16	2014-15
Total Value of imported Raw Material, spare parts and components consumed % of total	65.39%	59.47%
Total Value of Indigenous raw materials, spare parts and Components consumed % of total	34.61%	40.53%
<b>TOTAL % AGE</b>	<b>100%</b>	<b>100%</b>

12. Details of purchases of traded goods are as under:

Details of Purchases	₹ in Crores
<b>Goods Purchased</b>	
a. Compressed Natural Gas	0.00 (6.80)
b. Natural Gas	1426.43 <b>(942.69)</b>

The figures in the brackets pertain to previous year.

13. (a) During the year, the company has been granted authorization for laying, building, operating or expanding CGD network in the Geographical Area of Bengaluru Rural and Urban Districts (Karnataka) under the Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Networks) Regulation, 2008. Company has submitted a Performance Bank Guarantee of ₹ 5199.99 crores issued by State Bank of India to PNGRB for which the Corporate Guarantee has been provided by the parent company i.e. GAIL (India) Ltd. The Bank Guarantee Commission of ₹ 5.38 crores for the year has been paid and booked as Incidental Expenditure During Construction. Since this Bank Guarantee covers the construction obligation for creation of infrastructure in the first 5 years, after completion of 5 years from the date of authorization the bank charges will be charged off to revenue.
- (b) During the year 2015-16, authorization for City Gas Distribution Network in the geographical area of Haridwar district has been granted to the consortium of GAIL Gas Limited and Bharat Petroleum Corporation Limited (BPCL) by Petroleum and Natural Gas Regulatory Board. The consortium company namely Haridwar Natural Gas Pvt. Limited has been registered with ROC on dated 20<sup>th</sup> April

2016. As per MOU entered into with BPCL all costs related to submission of joint bids such as Cost of developing PFR and/or DFR, Application money, Bid Bond, Bid Document, Maps etc, shall be shared equally by parties. The Performance Bank Guarantee to the tune of ₹ 20.00 crores has been submitted by BPCL against which a Bank Guarantee of ₹ 10.00 crores has been submitted by GAIL Gas Limited to BPCL as security towards 50% holding in the JV. The Bank charges on performance Bank Guarantee including the share of other charges have been booked in CWIP-Haridwar Project for transfer to the JV Company.

14. Claim recoverable to be the tune of ₹ 169.83 crores represent excess of VAT paid on purchase of gas over the amount of VAT recovered on sale of gas in the state of Haryana and Gujarat against which ₹ 47.00 crores received on 06<sup>th</sup> May 2016 The recovery of balance refund is being pursued and considered good.
15. Corporate Social Responsibility
- a) Gross amount required to be spent by the company during the year was ₹ 46.86 Lacs.
- b) Amount spent during the year on:

	In Cash	Yet to be paid in cash	Total
i) Construction/ acquisition of any asset	-NIL-	-NIL-	-NIL-
ii) On purposes other than (i) above	-NIL-	-NIL-	-NIL-

- c) In accordance with generally accepted accounting principles of accounting no provision for the above amount has been made since no CSR activity was identified during the year & no liability has been incurred which needs to be recognized in the financial statements.

16. The details of amount paid to auditor during the year vis-à-vis previous year is as under: (₹ in Crores)

Particulars	2015-16	2014-15
a. As auditor:	0.06	0.05
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	0.01	0.01
<b>TOTAL</b>	<b>0.07</b>	<b>0.06</b>

\* Includes Service Tax @ 14.5%

### 17. Employees Benefits

All the employees posted at GAIL Gas Limited during the year are on the rolls of GAIL (India) Limited, the holding company. The Employees' benefits including salary are being prepared and disbursed and recovered by GAIL (India) Limited. All statutory compliances in this regard are being made by GAIL (India) Limited. The disclosure requirement in terms of Accounting Standard-15 (Revised) has not been considered as the same have been complied by the GAIL (India) Limited.

18. The Company has taken Term loans from OADB and from HDFC to finance the project activities in the TTZ and cities of Dewas, Kota, Meerut and 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

Accounting standard 16 'Borrowing Costs', the total Interest & Finance Charges amounting to ₹ 17.07 crores. (Previous Year ₹ 18.51 crores) was incurred, out of which an amount of ₹ 4.24 crores (Previous Year ₹ 4.95 crores) was capitalized during the period.

19. The company operates in a single segment of Natural Gas business and therefore the disclosure requirements as per Accounting Standard 17 'Segment Reporting' are not applicable to the Company.

### 20. Related Party Disclosure

A. The entire Equity Share Capital of the Company is held by GAIL (India) Ltd, Holding Company either singly or jointly.

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. Joint Venture Company

(a)

SI No	Name of JV	Date of Incorporation	Total paid up capital 31.03.16 (₹ in Crores)	GAIL GAS Ltd.'s Share as per JV Agreement	Amount Contributed By GAIL GAS Ltd as on 31.03.16 (₹ in Crores)	% holding as on 31.03.16
1	Andhra Pradesh Gas Distribution Corporation Ltd	10.01.2011	30.00	25%	22.50	50
2	Kerala GAIL Gas Limited	22.11.2011	23.86	26%	11.93	50
3	Vadodara Gas Limited	13.09.2013	240.29	25%	41.01	17.07
4	Rajasthan State Gas Limited	20.09.2013	20.05*	26%	17.03*	50

\* This includes application money against equity shares pending allotment.

### iii. Key Management Personnel:

1. Mr. Pankaj Kumar Pal (CEO)
2. Mrs. Jyoti Dua (CFO)
3. Mrs. Preeti Aggarwal (CS)/ Mr. Deepak Asija (CS) w.e.f. 13.04.2016

## (b) Related Party Transactions

SI No	Particulars	Holding Company	Joint Venture	Key Management Personnel
1	Purchase of Goods	1426.43 (937.91)	0 (0.)	0 (0)
2.	Interest on Delayed Payment	0.08 (0.03)	0 (0.)	0 (0)
3.	Sales of Goods	0 (0)	0 (0)	0 (0)
4.	Management contracts including for deputation of employees	-	-	-
a.	Reimbursement of Remuneration to Key Management personnel	0 (0)	0 (0)	1.06 (1.02)
b.	Reimbursement of remuneration to staff	41.27 (31.33)	5.98* (1.57)	0 (0)
c.	Rent	3.00 (2.70)	0 (0)	0 (0)
5.	Outstanding Balance Payable	62.12 (49.73)	0 (0)	0 (0)
6.	Outstanding Balance Receivable	0 (0)	2.03** (32.62)	0 (0)
7.	Provision for Bad Debt	0 (0)	0 (0)	0 (0)
8.	Bad Debt written off	0 (0)	0 (0)	0 (0)
9.	Guarantee & Collateral	118.00 (118.00)	0 (0)	0 (0)
10.	Corporate Guarantee given to OADB for term loan availed	118.00 (118.00)	0 (0)	0 (0)
11.	Corporate Guarantee given to SBI for BG issued on behalf of the Co.	5199.99 (5199.99)	0 (0)	0 (0)

\* The amount relates to Associate/ Joint Venture mentioned at II(A)(1) ₹ 2.24 crores, at II(A)(3) ₹ 1.89 crores and II(A)(4) ₹ 1.85 crores

\*\* The amount relates to Associate/ Joint Venture mentioned at II(A)(1) ₹ 0.22 crores, at II(A)(3) ₹ 1.83 crores and II(A)(4) ₹ 0.67 crores

Figures shown in brackets pertain to previous year.

GAIL Gas Ltd. has formed four Joint Venture Companies by executing Joint Venture Agreement / share holder agreement with various State Governments. In all these companies it was approved that Equity Shareholding of both the promoters will be in equal ratio till the time strategic investor comes in. However, after the investment of strategic investor, the shareholding of both the promoters will be as per the shareholder Agreement executed between them.

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.

As per the information available on the balance sheet date contingent liability of ₹ 6.03 crores (P.Y. 2.53 crores) has been recognized by the JV as such our share in contingent liability of Joint Venture has been disclosed in "Note No. 29 Contingent Liability."

#### 21. Accounting Standard – 19 Lease:

- (a) The company has not taken/given any assets on operating lease during the period under audit. However, the company has taken finance lease comprising of lease hold land for which the entire amount has been paid at the beginning and the same has been capitalized in the books of accounts and



shown under lease hold land in Fixed Assets. There is no recurring lease rental payable for the said land.

(b) GAIL Gas Limited has paid ₹ 14.86 Lakhs to MPAKVN Ltd, Ujjain on 15.02.2016 as sub-lease amount for running CNG outlet on that land for the period 06.10.2009 to 15.10.2014. A tri-partite agreement is yet to be signed amongst GAIL (India) Limited, GAIL Gas Limited and MPAKVN.

(c) Lease agreement with GAIL (India) Ltd. for hired office premises of 13<sup>th</sup> & 14<sup>th</sup> floor of GAIL Jubilee Tower, B-35 & B-36 Sector-1, NOIDA for GAIL Gas Limited expired on 29.02.2016 and is under the process of renewal. However, the expenditure for the use of this office space is being accounted for as per mutually agreed terms.

## 22. Earning per Share :

Particulars	Unit	2015-16	2014-15
Profit after Tax	₹	363834620	1840496570
Weighted Average No. of Equity Shares	Nos	332,000,000	277580917
Nominal Value per Share	₹	10.00	10.00
Earning per Share Basic	₹	1.10	0.65
Earning per Share Diluted	₹	1.10	0.65

23. 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

31<sup>st</sup> March, 2016 amounting to ₹ 28.14 crores (Previous year ₹ 17.75 crores). The item-wise details of deferred tax liability/asset are as under:

Particulars	₹ in Crores)	
	31.03.2016	31.03.2015
Opening Balance Deferred Tax Assets/ Liabilities	(19.28)	(11.33)
Deferred Tax Assets/Liabilities arising on account of Depreciation	(8.86)	(8.03)
Deferred Tax Assets on Unabsorbed Depreciation for the year	0.00	1.61
Closing Balance C/F	(28.14)	(17.75)

Note: Closing balance of financial year 2014-15 includes the unaudited amount of JVs however Opening balance taken based on audited amount of JVs. Impact on account of same is of ₹ 1.53 crores

24. During the year the total net gas loss is ₹ 4.44 crores which is within the permissible limit considering the Company as a whole. However, there is abnormal gas loss of ₹ 1.09 crore (P.Y. ₹ 2.24 crores) in Meerut, ₹ 2.75 crores (P.Y. ₹ 2.29 crores) in Sonapat and ₹ 0.24 crore (P.Y. NIL) in Kota as per gas loss policy and accounted for accordingly.

25. Previous Year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

As per our separate report of even date

**Deepak Asija**  
Company Secretary  
PAN-ADRPA0983E

**Jyoti Dua**  
CFO  
PAN-ACJPD6268J

**Pankaj Kumar Pal**  
CEO  
PAN-AATPP6657M

**Subir Purkayastha**  
Director  
DIN-06850526

**B.C. Tripathi**  
Chairman  
DIN-01657366

**For Bansal Sinha & Co**  
Chartered Accountants  
Firm's Reg. No. : 06184N

Place : New Delhi  
Dated : 17.05.2016

**CA Tanupriya Gupta**  
Partner  
Membership No. : 511757

## COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(B) READ WITH SECTION 129 (4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF GAIL GAS LIMITED FOR THE YEAR ENDED 31 MARCH 2016.

The preparation of consolidated financial statements of GAIL Gas Limited, for the year ended 31 March 2016 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 139 (5) of the Act read with Section 129 (4) of the Act based on independent audit in accordance with the standards on auditing prescribed under Section 143 (10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated 01 July 2016.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 143 (6) (a) read with Section 129 (4) of the Act of the consolidated financial statements of GAIL Gas Limited for the year ended 31 March 2016. We conducted a supplementary audit of financial statements of GAIL Gas Limited and did not conduct supplementary audit of the financial statements of the Companies mentioned in Annexure-I for the year ended on that date. Further, Section 139(5) and 143(6) (b) of the Act are not applicable to Vadodra Gas Limited being Private entity, for appointment of their Statutory Auditors nor for conduct of supplementary audit. Accordingly, C&AG has neither appointed the Statutory Auditor nor conducted the supplementary audit of the company. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to the enquiries 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 auditor's report.

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

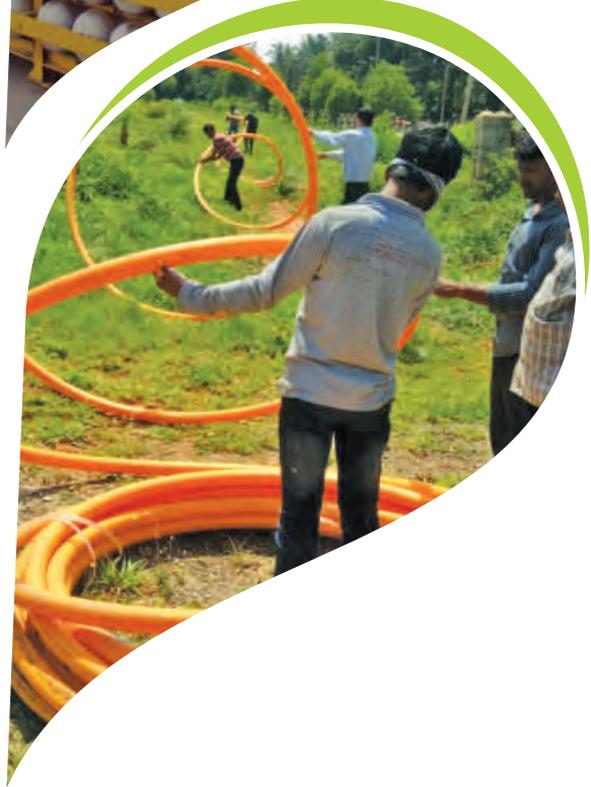
Sd/-  
**(Suparna Deb)**

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

**Place** : New Delhi  
**Dated** : July 19, 2016



**AWARENESS CAMPAIGNS**



## MISSION

To accelerate and optimize the effective and economic use of Natural Gas in Industries and CGD to the benefit of National Economy



**GAIL Gas Limited**

(A wholly owned subsidiary of GAIL (India) Limited)

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**Phone:** +91-11-26172580

**Corporate Office:**

13th & 14th Floor, GAIL Jubilee Tower, B-35 & 36, Sector-1, NOIDA - 201 301

**Phone:** +91-120-2446400 **Fax:** +91-11-26185941 **Website:** [www.gailgas.com](http://www.gailgas.com)

**CIN:** U40200DL2008GOI178614