

GAIL (India) Limited

New Delhi, June 13, 2009.

GAIL's Turnover increases 32% to Rs. 23,776 crore in FY 2008-09

Net Profit up 8% at Rs. 2,804 crore

Board recommends total dividend of 70% on enhanced capital

GAIL surpasses physical performance targets in natural gas, polymers and liquid hydrocarbon segments

GAIL (India) Limited has recorded sustained performance in all key physical as well as financial parameters in the Financial Year 2008-09. According to the audited figures, **Turnover** (net of excise duty) in the year 2008-09 **increased by 32 per cent to Rs. 23,776 crore** from Rs. 18,008 crore in FY 2007-08. The **Profit Before Tax** during the year 2008-09 **increased by 9 percent to Rs. 4,204 crore** from Rs. 3,855 crore in the previous year. The **Profit After Tax** during the year 2008-09 **increased by 8% to Rs. 2,804 crore** from Rs. 2,601 crore in the previous year. This is despite LPG subsidy of Rs. 1,781 crore against Rs. 1,314 crore in the previous year. The **Gross Margin** during the year 2008-09 **increased by 8 percent to Rs. 4,851 crore** from Rs. 4,506 crore. The Board of Directors has **recommended** payment of **total dividend** at the rate of **70 percent on the enhanced paid-up share capital** of the Company for FY 2008-09.

The turnover during Q4 2008-09 increased by 24 percent to Rs. 6,104 crore against Rs. 4,935 crore in the same quarter last year. The Profit Before Tax during Q4 2008-09 was Rs. 1,004 crore against Rs. 1,098 crore during Q4 of 2007-08. The Net Profit during Q4 of 2008-09 was Rs. 630 crore against Rs. 722 crore in the corresponding period last year, mainly due to lower price realization and E & P costs.

GAIL continued its excellent physical performance as per its Annual Performance MoU signed with Ministry of Petroleum and Natural Gas. As against an excellent MoU target of Gas Transmission of around 81.5 MMSCMD of natural gas from domestic sources and through LNG route, the Company achieved natural gas transmission of 83.29 MMSCMD. Further, GAIL achieved natural gas sales of 79.06 MMSDMC against MoU target of around 70 MMSCMD. GAIL produced 420 TMT of polymers and 1,401 TMT of LPG and other liquid hydrocarbons against MoU 'Excellent' production target of 390 TMT of Polymers (HDPE & LLDPE) and 1,260 TMT of Liquid Hydrocarbons.

Financial Performance details

GAIL is one of the leading public enterprises with a consistently excellent financial track record. Turnover during the last ten years has shown a compounded annual growth rate of 15 percent. Market capitalization of the company as on March 31, 2009 was around Rs. 31,000 crore as against around Rs. 36,000 crore a year ago.

The subsidy sharing in domestic LPG and PDS kerosene for Rs. 1,781 crore in 2008-09 (against Rs. 1,314 crore in 2007-08). Without the subsidy element, the PBT would have increased by 16 percent to Rs. 5,985 crore and PAT would have increased by 14 percent to Rs. 3,991 crore.

Top line growth is a cumulative result of increased volumes in natural gas transmission, natural gas sales, polymers, LPG and other liquid hydrocarbon segments as well as better realization.

The revenue from Natural Gas trading segment has increased by 45 percent to Rs.18,308 crore from Rs.12,648 crore primarily due to increased volumes and higher gas sales price. The revenue from LPG and Liquid Hydrocarbons segment has increased by 12 percent to Rs. 2,964 crore from Rs. 2,641 crore due to better price realization and increased volumes. The revenue from natural gas transmission segment has also increased by 10 percent to Rs. 2,482 crore from Rs. 2,248 crore due to increase in volume of gas transmitted. The revenue from petrochemicals segment has increased to Rs. 2,731 crore from Rs. 2,587 crore registering a growth of 6 percent.

During the year 2008-09, consolidated financial statements of GAIL, incorporating the accounts of subsidiary, JVs and associated companies have also been prepared. Based on the consolidated financial statements, the total sales (net of Excise Duty) of GAIL were Rs. 24,659 crore. The consolidated Gross Margin was Rs. 5,231 crore, the Profit Before Tax was Rs. 4,281 crore and Profit After Tax was Rs. 2,790 crore.

The **Earning Per Share (EPS)** was **Rs. 22.10** per share in the year 2008-09 as against Rs. 20.51 per share in the year 2007-08. The **EPS as per consolidated statement** was **Rs. 22.28** per share as against Rs. 21.94 per share in the previous year.

The Board of Directors has recommended payment of **total dividend** at the rate of **70 percent** on the enhanced paid-up share capital of the company for the financial year 2008-09, which includes **interim dividend** at the rate of **40 percent** and **proposed final dividend** of **30 percent** on the enhanced paid-up share capital.

Natural Gas

Natural Gas continues to constitute the core business of GAIL. During the year 2008-09, **natural gas sales** have **increased by 14 percent** to **79.06 MMSCMD** from 69.10 MMSCMD in the previous year. The Gas transmission has increased to **83.29 MMSCMD** from 82.10 MMSCMD in the previous year.

LPG and other Liquid Hydrocarbons

In 2008-09, **total Liquid Hydrocarbon production including LPG** was **1.401 million MT** as compared to previous year's production of 1.347 million MT. Production of **LPG**

was **1.088 million MT** during the year against a production of 1.043 million MT in the last fiscal. The Propane production was 1,52,671 MT against the previous year's production of 155,873 MT. The Pentane production was 58,932 MT during the year 2008-09 as against 73,505 MT produced in the year 2007-08.

The LPG and other Liquid Hydrocarbons sales during FY 2008-09 were 1.405 million MT as against 1.343 million MT in the previous year. The Propane sales were 1,53,153 MT against 155,292 MT in the previous year, whereas the Pentane sales were 58,528 MT against 73,749 MT in the previous year.

LPG Pipeline

LPG transmission through pipelines was **2.744 million MT** in the year 2008-09 as against 2.754 million MT in 2007-2008.

Petrochemicals

During 2008-09, the **production** of polymers has **increased by 9 percent** to **4.20 lakh MT** as against 3.86 lakh MT in the previous year. The polymer **sales** increased by **8 percent** to **4.23 lakh MT** from 3.91 lakh MT in the last financial year.

Future Outlook

GAIL has set a target of transmitting 94.8 MMSCMD of natural gas from domestic sources and through LNG route during FY 2009-10 under the Annual Memorandum of Understanding signed with Ministry of Petroleum and Natural Gas for performance targets for the Financial Year 2009-10. During the FY 2009-10, to achieve the Excellence in performance, the Company has also targeted for Gas Marketing target of around 83.2 MMSCMD. The MoU also provides for an 'Excellent' production target of 400 TMT of Polymers (HDPE & LLDPE) and 1,260 TMT of Liquid Hydrocarbons.

Capex plans

GAIL plans to invest Rs. 5,558 crore during FY 2009-10. Of these, Rs. 4,020 crore will be invested in pipeline projects, Rs. 650 crore will be invested in E & P projects, Rs. 285 crore will be invested in Petrochemicals, Rs. 130 crore will be invested in business development, Rs. 250 crore for equity investment in city gas projects, Rs. 200 crore in RGPPL and rest in telecom.

Major activities during FY 2008-09

Projects

During the year 2008-09, GAIL completed connectivity to Pune city gas and consumers of Usar region. Further, connectivity was provided to supply Piped Natural Gas to City Gate Stations at Noida, Greater Noida, Gurgaon and Faridabad.

Connectivity to East-West pipeline has been provided at Oduru (A.P.), Mhaskal (Maharashtra) and Ankot (Gujarat) to enable flow of gas from Reliance's D-6 Block in K. G. Basin to consumers in various regions thereby enabling optimum utilization of pipeline networks.

GAIL provided LPG pipeline connectivity to Essar Oil at Jamnagar to take LPG in the Jamnagar – Loni LPG pipeline system. LPG pipeline connectivity was also provided to IOCL bottling plant at Vijaipur and Gandhar and BPCL bottling plant at Jaipur.

Petrochemicals

GAIL and Indian Oil Corporation Limited (IOCL) signed a Memorandum of Understanding (MoU) for cooperation in the area of Petrochemicals to collaborate for exploring the possibility of setting up of cracker complex including downstream derivatives at Barauni.

GAIL shall assess the prospect of natural gas availability from the KG basin field including the potentiality of the rich gas to be used as part of the feedstock for the Project and work out the modality for distribution of the same from KG basin field to the Project site. GAIL will subsequently develop appropriate definitive agreement for supply of the gas to the joint venture, once formed.

IndianOil shall assess the prospect of availability of off-gas and naphtha not only from Barauni refinery but also from other operating refineries of IndianOil, to be used as predominant feedstock for the said Project and work out the modality for positioning of the same to the Project location. IndianOil will subsequently develop appropriate definitive agreement(s) for supply of the feedstocks to the joint venture, once formed.

The foundation stone of the 6th gas cracker furnace at Pata plant was laid by Shri R.S. Pandey, Secretary, Petroleum and Natural Gas, Government of India. The additional furnace will be of Rs. 97 crore and will help boost the petrochemical plant capacity from 4,10,000 TPA to 5,00,000 TPA in the first phase.

City Gas Distribution

GAIL Gas Limited, the wholly owned subsidiary of GAIL for City Gas Distribution (CGD) and CNG corridor business has won rights for rolling out city gas distribution projects in Meerut, Sonapat, Dewas and Kota in the first round of bidding conducted for various cities by PNGRB.

Gas supply to Fertilizer Plants

GAIL signed Term Sheets for supply of natural gas to Barauni plant of Urvarak Videsh Limited and Bhatinda, Panipat and Nangal plants of National Fertilizers Limited. NFL is operating its three fertilizer plants at Panipat, Bathinda and Nangal Plants with fuel oil as feedstock. According to the Term Sheets, GAIL will supply 2.11 MMSCMD gas to

Barauni plant, 0.88 MMSCMD, 0.87 MMSCMD and 1.03 MMSCMD for NFL Panipat, Bhatinda and Nangal plants respectively. The initial supply date in case of Barauni is Oct 2012-June 2013 and June 2012 - December 2012 in case of NFL Fuel Oil conversion plants. The contract period is 15 years from the date of commencement of supplies. The Barauni plant will be supplied gas through GAIL's 1400 km (including spurlines) Jagdishpur-Haldia pipeline (JHPL) to be laid at an investment of approx. Rs. 7000 crore, whereas NFL plants at Bhatinda, Panipat and Nangal will be supplied gas through GAIL's 610 km Dadri-Bawana-Nangal pipeline to be laid at an investment of Rs. 2500 crore. The 32 MMSCMD Jagdishpur – Haldia pipeline will open up energy corridor for major industrial use by other fertilizer plants and steel plants along the pipeline route. The revival of Barauni unit by Urvarak Videsh Limited co-promoted by RCF, Kribhco and NFL is scheduled to be complete by 2012-13. The conversion of NFL plants is scheduled to be complete by 2011.

Gas Cooperation Agreement with Tamil Nadu

GAIL signed a Gas Cooperation Agreement with Tamil Nadu Industrial Development Corporation Limited (TIDCO). As a part of the Gas Cooperation Agreement, GAIL will conduct preliminary techno-economic feasibility study for gas demand potential in industrial, commercial, transport, residential sectors and evaluate medium and long term gas demand potential of the State. GAIL will also assess pipeline infrastructure and associated facilities required for supply of natural gas including optical fibre network. The Company will determine Natural Gas supply options to Tamil Nadu on long term competitive basis.

After the market assessment study and based on the techno-economic feasibility, GAIL may undertake development of pipeline infrastructure and associated facilities together with natural gas sourcing either on its own or from other sources for overall industrial growth and development of the state.

Gas Cooperation Agreement with Himachal Pradesh

GAIL signed a Co-operation Agreement with the Department of Industries, Himachal Pradesh for extension of the proposed Dadri-Bawana-Nangal natural gas pipeline up-to this region, a joint exercise for assessment of the demand potential of natural gas and allied products in the state of Himachal Pradesh and for looking into feasibility of extending the proposed Dadri-Bawana-Nangal natural gas pipeline upto Himachal Pradesh. The Gas pipeline will bring clean and environment friendly fuel to various consumers in the region, which include Industrial, domestic and transport sectors. The availability of gas in the region would herald the use of a more efficient energy resource, which will increase the competitive edge of the industries using natural gas.

Gas Cooperation Agreement with Karnataka

GAIL signed a Gas Co-operation Agreement with Infrastructure Development Department (IDD) Karnataka aimed to develop the natural gas distribution and city gas

infrastructure, to develop the use of eco-friendly fuels, especially Natural Gas/CNG/PNG/R-LNG and to promote a Joint Venture (JV) for domestic, industrial and transport sectors in the state of Karnataka.

MoU with BPCL

GAIL and Bharat Petroleum Corporation Limited signed a Memorandum of Understanding for cooperation in the areas of Natural Gas –Transmission and distribution, LPG Pipeline, City Gas Projects, Exploration & Production, use and marketing of Naphtha, Infrastructure Projects and Technology & Knowledge Sharing.

MoU with IFFCO

GAIL and Indian Farmers Fertilizer Cooperative Limited (IFFCO) signed a Memorandum of Understanding (MoU) for cooperation in natural gas sector related opportunities in India to jointly evaluate the potential of setting up of a Gas based Power Plant and other industries including Chemicals, Fertilizers, Compressed Natural Gas (CNG) & Piped Natural Gas (PNG) in India and also explore the possibility of sourcing of Natural Gas / LNG for the identified projects.

Setting up of Ethics Committee

GAIL took a major step in Corporate Governance by constituting an Ethics Committee of the Board consisting of four Independent Directors and a Government Nominee Director on the Board of GAIL. The Ethics Committee will deal with all aspects of ethics in the Company and suitably evolve its procedures. Ethics Committee shall work as conscience keeper and submit to the Board any recommendation for best corporate governance in the Company. The move to set up the Ethics Committee of the Board in GAIL was been initiated by Dr. U. D. Choubey, Chairman and Managing Director.

Neither the CMD nor any of the Functional Directors are members of the Ethics Committee. The recommendations of the Ethics Committee shall be put up to the Board for deliberations and taking a final view. Some of the aspects to be covered by the Ethics Committee include no conflict of interest, fair play, integrity and accountability, protection of corporate interest and its assets, transparency in disclosures e.g. revenue, expenses and investments etc., legal compliances, propriety and confidentiality.

The step has been taken to strengthen the corporate governance in the conduct of business and to cater to the need of stricter code of ethics.

Issue of Bonus Shares

GAIL issued 1 bonus share for every 2 equity shares held during FY 2008-09. GAIL also paid 100 percent dividend for the year 2007-08. The Authorized Share Capital of the Company was also increased from Rs.1,000 crore to Rs.2,000 crore.

Silver Jubilee Stamp

A special commemorative postage stamp was released on the occasion of GAIL's silver jubilee by Her Excellency, Smt. Pratibha Patil, President of India.

Coal Gasification

Last year, GAIL had entered into MoUs with Rashtriya Chemicals and Fertilizers Limited and Coal India Limited towards setting up of a coal gasification project for production of synthesis gas for fertilizer production at Talcher. GAIL is awaiting allocation of coal by the Coal Linkage Committee to move ahead with the project.

E&P

During the year 2008-09, Oil discovery was made in Cambay Onland Block CB-ONN-2003/2 (Ankleshwar). During NELP-VII bidding round, GAIL consortium was awarded one onland block in Cauvery (CY-ONN-2005/1). GAIL is the Operator of the block. Production continued from Cambay onland block (CB-ONN-2000/1 - Ahmedabad) and crude oil sale during 2008-09 was 195,000 barrels.

Petroleum Exploration License (PEL) was received for all three 3 CBM Blocks during April, June and October, 2008. Core holes drilling is in progress in 3 CBM blocks Tatapani-Ramkola (TR-CBM-2005/III), Mand Raigarh (MR-CBM-2005/III) and Raj Mahal (RM-CBM-2005/III) and 8, 5, 4 core holes respectively have been drilled till April 2009.

Drilling of wells was undertaken in 8 blocks during 2008-09 viz. AA-ONN-2002/1 (Tripura Onland), CY-ONN-2002/1 (Cauvery Onland), CB-ONN-2000/1 (Cambay Onland - Ahmedabad), CB-ONN-2003/2 (Cambay Onland – Ankleshwar), Block 56 Oman, A-1 and A-3 Myanmar, MN-ONN-2000/1 and oil discovery has been made in 1 block during the period viz. CB-ONN-2003/2 (Cambay Onland – Ankleshwar).