

Message from CMD

“ In this exciting phase of journey of your Company, I express my gratitude for your unshaken support and the decision of continuing an enduring relationship with the Company, Management and Employees. ”



Shri B. C. Tripathi
Chairman & Managing Director

Dear Shareholders,

It gives me immense pleasure to share with you that your Company is continuing to pursue a strategy of investment and growth along the natural gas value chain at a pace and scale unlike in the earlier years. Our charted path has led to delivery of highest ever profits grossing over USD 1.07 billion in the fiscal year 2017-18 accompanied by strong cash flows on secular contributions of all business segments. During the year, we reaffirmed our course of action towards consolidating leadership position in natural gas business by committing to expand transmission and distribution infrastructure, as also the gas trading portfolio of the Company. We set out at the beginning of the last fiscal year with a positive resolve on five major areas - de-risking of long term LNG portfolio, charter hiring of LNG vessels, acceleration of transmission pipeline and city gas distribution projects, intermixing of renewables into operations and stronger delivery of downstream segments. I am happy to share with you that the fiscal year 2017-18 has ended on a highly satisfying note, for our accomplishments have surpassed growth metrics on all fronts as envisaged.

Your Company as an industry pioneer undertook innovative measures of destination and time swap of term contracts with global players to optimize value under long-term LNG contracted from USA. In addition, the Company also ventured into commodity hedging for mitigating price volatilities in LNG trade. You would be glad to know that these steps, although a first for your Company, are paying off in multiple ways. In addition to this, the LNG carrier 'Meridian Spirit' which has been charter hired at extremely competitive rates is pressed into service for voyaging scheduled cargoes from US east coast. As a significant development, long term LNG contract with Gazprom has been re-worked to suit transformations in the consuming markets. In all, with commencement of all the three long term contracts, your Company now has a LNG/RLNG portfolio of over 15 MMTPA and is recognised as a significant player by all major global operators in the industry. GAIL has also tied up new volumes of gas to the tune of 2.8 mmscmd from domestic sources, both from public and private entities, apart from being nominated by Gol for marketing additional volumes from western on-shore fields from a private operator. Modalities under the same are being worked-out. You would be upbeat to learn that from the diversified portfolio structure, your Company has commenced marketing of LNG cargoes in the international market to established and reputed counter parties. On the efforts of your Company in tying-up with domestic consumers, GAIL has been preferred as a partner for supplying RLNG to upcoming capacities under the fertilizer sector and supply contracts aggregating to about 2.5 MMTPA have been successfully concluded.

Your Company is working concurrently on multiple pipeline projects, aggregating over 5400 kms, and the scale of action on this front far surpasses any of the other transmission projects in the history of GAIL. Your Company has been additionally entrusted to lay a 750 kms trunk pipeline network from Barauni to Guwahati as an integral limb of Jagadishpur-Haldia-Bokaro-Dhamra pipeline project. Execution of the natural gas transmission pipeline project in Eastern India is progressing as per schedule and the city of Varanasi is now connected to the main grid network, leading to the commissioning of City Gas Distribution at the Holy City in record time. Hon'ble Prime Minister of India Shri Narendra Modi dedicated the CGD project at Varanasi to the nation on 16th July 2018. Your Company has also commissioned the City Gas Distribution services at Bhubaneswar and the daily sales are an enviable record for any new entity to emulate in such a short span. For the first time in the CGD history of India, LNG based feedstock for supporting CGD application shall soon be tested at Bhubaneswar.

In our journey towards low carbon footprints, GAIL has commissioned India's 2nd largest rooftop solar PV installation of 5.76 MW at Pata Petrochemicals Complex which offsets over 9000 tonnes per annum of

Green House Gases (GHGs). GAIL is now a part of 'FTSE4 Good Emerging Market Index' which reflects its eminent position in Environmental, Social and Governance (ESG) performance in Oil & Gas sector. Your Company will continue to evaluate and pursue forward integration opportunities under Reasonable Endeavour (RE) chain in the evolving future.

Aided by steady production and a gentle help from price recovery, the downstream segments of our business witnessed high growth in sales and margins during the year. In addition, on the downstream diversification end, your Company has finalized technology selection for the coal gasification at Talcher through JV mode to support a coal to urea /fertilizer producing unit. Work on major tenders have been initiated and are under finalization. Project site is geared up for ground breaking anytime soon.

Your Company is working very hard to serve the green energy needs of the society in India and has delivered on strategic plans and commitments envisioned in the last fiscal year.

Market Environment

Energy, Economy and Geopolitics have continued over the past years to spring surprises. Even in the midst of differing policy priorities and trade actions across countries, multilateral institutions have maintained the stance of global economic growth rate at about 4% for 2018 and 2019. Economic activity of India is on an expansionary path and expectation of growth range 7.3-7.5% on last year's base of 6.7%.

LNG markets tested newer frontiers and positively surprised the energy industry with the additional increase of 35 MTPA being completely absorbed, largely in Asia and North East Asian markets. The 12-13% increase in LNG trade in 2017 also witnessed a steady climb in price, from USD 5.5 to near USD 10 per mmbtu between August to December 2017, partly because of rise in crude oil base price as also a rise in consumption, in new and existing markets. India too witnessed 9-10% growth in LNG imports and continues to expand demand through 2018.

During the year 2017, global trend of primary energy consumption grew over 2%, signifying a sharp uptick above the 10 year moving averages. Although renewables grew by 17% over that in 2016 by adding an equivalent of 69 MTOE, carbon emissions too witnessed an increase by over 1.5%. During the same period, LNG trade growth was up by 13% following renewables as the next fastest growing segment.

India mirrored global trends with natural gas consumption registering nearly 7% growth, led by renewable energy segmental growth at over 19%, contributing to India's primary energy consumption growth of 4.3% over the previous year, 2016. India consumed over 52 BCM of natural gas whereas LNG imports recorded throughput at 72 million cubic metres a day and contributed in equal measure to domestic consumption. Going forward, expansion of infrastructure in the midstream, along with rapid expansion in consumption across downstream segments such as fertilizer and city gas retailing, along with additional flows from LNG contracts and domestic sources, is poised to boost gas markets significantly in the medium term and beyond.

GAIL Performance – A Reassuring Present and Reaffirming Future

Amidst the underpinning cyclicality in the energy commodity markets and other prevalent uncertainties, your Company has shown strong performance across all segments. The Company's turnover was up by 10% at INR 53,690 crore while Profit After Tax rose by 32% to INR 4,618 crore, surpassing the peak gross profit of over USD 1 billion for the first time after 2013.

Your Company's Board and Management have consistently followed a policy path of creating wealth and value for the share owners' investments. Keeping with the ethos, your Company issued Bonus shares in ratio of 1:3 for equity shares owned. The Board has also recommended Company's highest ever total dividend payout of INR 1,619 crore leading

to a historic dividend distribution at 35% of profit after tax. Your Company's EPS also increased by 32% at INR 20.48 per share on enhanced paid-up equity.

The combined turnover of your Company's overseas subsidiaries has grown by over 67% to register USD 851 million. The Singapore subsidiary traded 31 cargoes during the year signifying nearly 35% incremental growth over previous year and supporting underlying demand strength in LNG markets.

The Transmission segment recorded a modest 5% physical growth over previous fiscal year and your Company aims to expand throughput by another 0.7 BCM in the current year. GAIL also witnessed over 12% growth under common and contract carrier capacity bookings by having serviced 138 third party requests during the year. Your Company has been steadily servicing more and more consumer requests under open access and has accomplished processing of 100% requests during the last fiscal year. The experience your Company has gathered over the years in the transmission segment shall equip it to become a significant participant in the upcoming gas hub based trading system, which is a widely anticipated policy shift in the making. Prudent financial management of the pipeline projects by your Company has been a constant strength for supporting Government of India's vision of expanding gas grid in the country. GAIL has added over 5,000 kms in gas pipelines since 2008 and within a span of next three years, your Company endeavours to add about 5,500 kms to the gas grid network. Today it has the reputation of being the leading Indian company to work on gas infrastructure projects steadfastly and consistently. In line with the Cabinet approval of September 2016, your Company has also initiated the process of engaging with the regulator, PNGRB on tariff unification modality, in close coordination with the nodal Ministry.

The petrochemicals and LHC segments gained traction and showcased impressive performance. During the FY 2017-18, portfolio sales from Pata unit grew by 15% and from BCPL, Assam grew by 136% over the preceding fiscal year. Your Company now has a strong brand acceptance amongst the polymer processors across the country and GAIL has been a significant facilitator for the Indian agriculture segment through applications of Raffia packaging, drip irrigation and pipe extrusion profiles over the years and has established a name for itself in the sector. During the year, high flow value added LLDPE grade was introduced and established in the processing market for master batch applications, contributing 8-10% into the LLDPE portfolio. Your Company has been at the forefront to work in close coordination with the consumers to enhance their experience and delivery of value through the long trusted brands G-Lex and G-Lene along with the emerging stars Bhrama-Pol and Bhrama-Lene, now part of GAIL's umbrella portfolio of petrochemical marketed products. The year witnessed significant improvements for various grades especially under the HDPE Blow-Moulding and PP Raffia categories to suit consumer end processing requirements in addition to extending value added services to the processors under 'Productivity Enhancement Program'.

Your Company holds a significant experience of over two decades and formidable market share in the city gas distribution landscape on its own as well as through its subsidiary GAIL Gas and other Joint Ventures. The segment is expanding at over 15% year on year, with Gol's thrust to accelerate and promote a gas based economy at retail consumption level. Your Company has recently concluded the JV agreement with Greater Calcutta Gas Corporation Limited (GCGCL), for city gas distribution at Kolkata and project related activities are targeted to commence during the current year. At the mega-city Bengaluru, GAIL Gas has been on track with the network expansion targets and for the first time has joined hands with Uber to switch over its Uber cab fleet to run on CNG. Your Company now has presence directly and through affiliates in most of the major metropolitan cities and state capital cities under CGD and is also

participating in the 9th round of bidding presently under progress. So far affiliates of GAIL have cornered over a dozen new geographic locations and are hopeful of bagging a few more as the round comes to a close. Having commissioned city gas networks at Varanasi, Bhubaneswar and Cuttack in record time, your Company has started work on project activities for laying the CGD networks at Patna, Ranchi and Jamshedpur.

The demerger of RGPPL is now complete with NCLAT approving the scheme and GAIL is now operationally in control of the LNG terminal company- Konkan LNG (P) Limited. The terminal is working towards becoming an all-weather port by early 2022 to facilitate Dabhol regas unit's performance at rated capacity levels at 5 MMTPA and beyond. During FY 2017-18, 17 cargoes were unloaded at Dabhol port including the discharge of the first LNG vessel from USA under GAIL's contract.

GAIL achieved another milestone by signing Tolling Agreement with Dhamra LNG Terminal Pvt. Ltd. for booking 1.5 MMTPA regasification capacity at Odisha as an additional measure of securing RLNG/LNG supplies in eastern region.

Being Responsible

Shareholders shall be happy to know that the Comptroller & Auditor General of India has conveyed 'NIL' report for ninth successive year which is a reflection of the accounting standards devoutly complied by your Company.

I would like to place on record my indebtedness to the various communities that we engage with across the country for their overwhelming response to your Company's acclaimed and award winning digital media awareness campaign-'HawaBadlo' which has drawn attention of more than 50 million Indians. Recognising the impact, SCOPE has awarded 'Gold Medal' for the sustained and popular themes under the campaign to combat air pollution, followed by a prestigious SAMMIE Silver award by competing with top notch multinational brands on effectiveness and reach of digital campaigns. GAIL's outreach under Corporate Social Responsibility initiatives has been a definitive source of sunshine cover for the marginalized lives of over 1.5 million citizens, by equipping and supporting them through various intervening steps towards a better tomorrow. Your Company's grass root involvement through various programmes for empowering the underprivileged has been recognized and awarded recently for excellence in CSR practices under 'Hindustan PSU Award 2018'.

In this exciting phase of journey of your Company, I express my gratitude for your unshaken support and the decision of continuing an enduring relationship with the Company, Management and Employees for growing your investments and trust.

Your Company appreciates the unwavering faith of our consumers in continuing their relationship with GAIL and for their trusted conviction of subscribing to our diverse range of natural gas, petrochemicals, liquid hydrocarbon products and transmission services towards co-creating value to end consumers across multiple platforms of application.

As the Board conscientiously strives to create value for the enterprise and share owners, on behalf of the entire Board, I take the opportunity to acknowledge the support of the central and state governments, regulators, vendors, partners and other stakeholders for supporting our devout aspiration to expand clean and green energy solutions towards creating 'Nav Bharat'.

On behalf of the Board, I also record my profound appreciation to all the employees for their untiring and exceptional contribution constantly in shaping together the future of your Company.



B. C. Tripathi

Chairman & Managing Director