

## INDEPENDENT AUDITORS' REPORT

To the Members of GAIL (India) Limited

Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial statements of GAIL (India) Limited (hereinafter referred to as "the company"), which comprise of the standalone balance sheet as at March 31, 2020, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity, the standalone cash flow statement for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

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 Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards ("Ind AS") prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profit including other comprehensive income, changes in equity, and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

1. We draw attention to Note No. 33 (c) to the standalone financial statements regarding, various final transportation tariff orders issued by Petroleum and Natural Gas Regulatory Board (PNGRB), which have been contested by the company at Appellate Tribunal for Electricity (APTEL) and

also certain customers have challenged these orders of PNGRB in Court of Law. Adjustment if any will be recognized as and when matter is finally decided.

- We draw attention to Note No. 29 (I) (a) (iii) to the standalone financial statements regarding CESTAT order confirming the demand for the differential amount by the Central Excise Department in the matter pertaining to classification of 'Naphtha' manufactured by the Company, of ₹ 3,014.32 crore including applicable penalty and interest thereon. Considering the merits of the case, Company has filed an appeal before the Hon'ble Supreme Court. Based on the legal opinion obtained, the Company does not foresee any probable outflow in the matter and accordingly has disclosed the same under contingent liability.
- We draw attention to Note No. 29 (I)(a) (v) to the standalone financial statements regarding demand raised in provisional assessment orders by Department of Telecommunications (DoT) towards Annual License fees including interest and penalty on Adjusted Gross Revenue (AGR). Subsequent to the proceedings held on June 11, 2020 and June 18, 2020, Hon'ble Supreme Court has considered the affidavit filed by DoT to withdraw the demand raised on PSUs.
- We draw attention to Note No. 30 to the standalone financial statements regarding the impact of COVID -19 pandemic on the Company. The impact of pandemic in future period cannot be ascertained as on date. However, the Management is of view that there will be no significant impact on the continuity of operations of the business on long term basis/on useful life of the assets/on financial position, etc.
- We draw attention to Note No. 47 and 49 (ii) to the standalone financial statements regarding the composite tripartite framework agreement with Konkan LNG Limited (KLL) and its lenders for settlement of KLL's Loan as per Debt Resolution Plan, the accounting treatment done by the Company and reversal of impairment of ₹ 137.57 crore on its investment in KLL.

Our opinion is not modified in respect of matters mentioned in above paragraphs.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Sr. No. | Key Audit Matter   | How our audit addressed the Key Audit Matter  |
|---------|--|---|
| 1       | <p><b>Recognition and measurement of revenues in view of adoption of Ind AS 115 "Revenue from Contracts with Customers"</b></p> <p>We identified above as Key Audit Matter as the application of the revenue accounting standard involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognized over a period. Additionally, revenue accounting standard contains disclosures which involves collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.</p> <p>Refer notes 1.10, 21 and 38 to the standalone financial statements.</p> | <p><b>Principal Audit Procedures</b></p> <p>We assessed the Company's process to identify the impact of adoption of the revenue accounting standard and checked the appropriateness of accounting policy. Our audit approach consisted testing of design and operating effectiveness of the internal controls as follows:</p> <ol style="list-style-type: none"> <li>Evaluated the design of internal controls relating to implementation of the revenue accounting standard, wherever applicable.</li> <li>Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, re-performance and inspection of evidence in respect of operation of these controls.</li> <li>Tested the relevant information technology systems' access and change management controls relating to contracts and related information used in recording and disclosing revenue in accordance with the revenue accounting standard.</li> </ol> <p>Selected a sample of continuing and new contracts and performed the following substantive procedures:</p> <ol style="list-style-type: none"> <li>Read, analyzed and identified the distinct performance obligations in these contracts.</li> <li>Compared these performance obligations with that identified and recorded by the Company.</li> <li>Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable consideration.</li> </ol> |

| Sr. No. | Key Audit Matter   | How our audit addressed the Key Audit Matter  |
|---------|--|---|
| 2       | <p><b>Evaluation of uncertain tax positions and contingent liabilities</b></p> <p>The company operates in multiple jurisdictions and is subject to periodic challenges by local tax authorities and other regulatory authorities such as PNGRB on a range of matters during the normal course of business including indirect tax matters. We have identified above as Key Audit Matter as these involve significant judgment to determine the possible outcome of material uncertain tax positions and contingent liabilities including matters under dispute, consequently having an impact on related accounting and disclosures.</p> <p>Refer note 29 (I) to the standalone financial statements.</p>   | <p><b>We have applied the following audit procedures in this regard:</b></p> <ol style="list-style-type: none"> <li>1. Obtained an understanding of key tax matters and other contingent liabilities.</li> <li>2. Read and analyzed the key correspondences, external legal opinions/ consultations obtained by the company</li> <li>3. Evaluated and challenged key assumptions made by the company in estimating the current and deferred tax balances</li> <li>4. Assessed and challenged the company's estimate of the possible outcome of the disputed cases by considering legal precedence and other judicial rulings</li> <li>5. Assessed and tested the presentation and disclosures relating to uncertain tax positions and contingent liabilities</li> </ol>   |
| 3       | <p><b>Derivative transaction and accounting of hedge transactions</b></p> <p>We have identified above as Key Audit Matter as hedge accounting has resulted into significant impact on financial statements coupled with complexity of its accounting, calculations and complex/numerous assumptions taken for establishing hedge relationship. Mark to market gain / loss pertaining to these derivative contracts are recognized in other comprehensive income.</p> <p>Refer note 59 to the standalone financial statements.</p>  | <p><b>We have applied the following audit procedures in this regard:</b></p> <ol style="list-style-type: none"> <li>1. Obtained an understanding of management's controls over recording of derivative transactions and application of hedge accounting.</li> <li>2. Tested the accuracy and completeness of derivative transactions.</li> <li>3. We have relied on the valuation report evaluating the appropriateness of the valuation methodologies applied and tested on sample basis the valuation of the derivative financial instruments.</li> <li>4. Validated that the derivative financial instruments qualifies for hedge accounting and tested accuracy of hedge effectiveness and ineffectiveness on sample basis.</li> </ol>  |
| 4       | <p><b>Technical parameters and voluminous transactions of Natural gas trading and transmission captured to measure Revenue and Inventory through integrated system and complexities involved therein.</b></p> <p>We have identified above as Key Audit Matter because determination of the quantity of Natural Gas sold and in stock through gas-pipelines involves use of various technical aspects of the natural gas such as pressure, temperature etc. captured from the measuring devices installed on the gas pipelines. We were informed that the methodology is standard and used industry-wide. This increases the complexity of validating quantity of Natural Gas sold and stock in pipeline as at March 31, 2020.</p> <p>Refer notes 1.9, 1.10, 10 and 21 to the standalone financial statements.</p>  | <p><b>We have applied the following audit procedures in this regard:</b></p> <ol style="list-style-type: none"> <li>1. We have performed test of controls, assisted by our IT specialists, over the accuracy and completeness of the quantity captured via IT system through to the accounting software.</li> <li>2. We have obtained management representation that the IT system applies a standard methodology to capture the quantity of Natural Gas for the purpose of Revenue and inventory measurement.</li> <li>3. We have verified valuation of closing Inventories by applying various aspects made available to us by the management such as conversion factors, meter reading etc.</li> </ol>   |
| 5       | <p><b>Adoption of Ind AS 116 Leases</b></p> <p>As described in Note 1.24 to the standalone financial statements, Company has adopted Ind AS 116 Leases (Ind AS 116) in the current year. The application and transition to this accounting standard is complex and is an area of focus in our audit since company has a large number of leases with different contractual terms.</p> <p>Ind AS 116 introduces a new lease accounting model, wherein lessees are required to recognize a right-of-use (ROU) asset and a lease liability arising from a lease on the standalone balance sheet. The lease liabilities are initially measured by discounting future lease payments during the lease term as per the contract/ arrangement. Adoption of the standard involves significant judgments and estimates including, determination of the discount rates and the lease term.</p> <p>Additionally, the standard mandates detailed disclosures in respect of transition.</p> <p>Refer notes 1.24 and 39 to the standalone financial statements.</p> | <p><b>We have applied the following audit procedures in this regard:</b></p> <ol style="list-style-type: none"> <li>1. Assessed and tested new processes and controls in respect of the lease accounting standard (Ind AS 116)</li> <li>2. Assessed the company's evaluation on the contractual agreements and our knowledge of the business.</li> <li>3. Evaluated the reasonableness of the discount rates applied in determining the lease liabilities.</li> <li>4. Upon transition as at 1<sup>st</sup> April 2019: <ul style="list-style-type: none"> <li>▶ Evaluated the method of transition and related adjustments</li> <li>▶ Tested completeness of the lease data by reconciling the company's operating lease commitments to data used in computing ROU asset and the lease liabilities.</li> </ul> </li> <li>5. On a statistical sample, we performed the following procedures: <ul style="list-style-type: none"> <li>▶ Assessed the key terms and conditions of each lease with the underlying lease contracts; and</li> <li>▶ Evaluated computation of lease liabilities and challenged the key estimates such as discount rates and the lease term.</li> <li>▶ Assessed and tested the presentation and disclosures relating to Ind AS 116 including, disclosures relating to transition.</li> <li>▶ Tested the implementation of Ind AS 116 at various units and offices of company during the course of our audit</li> </ul> </li> </ol> |

## Information Other than the Standalone Financial Statements and Auditors' Report Thereon

The Company's Board of Directors are responsible for the preparation of other information. The other information includes the Director's Report, Corporate Governance Report, Business Responsibility Report and Management Discussion and Analysis of Annual Report, but does not include the Standalone Financial Statements and our report thereon. The Director's Report, Corporate Governance Report, Business Responsibility Report and Management Discussion and Analysis of Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available to us and, in doing so, consider whether the other information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained during the course of our audit, or otherwise appears to be materially misstated.

When we read such other information as and when made available to us and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

The Company's Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

## Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Matters

- We draw attention to the Note no. 45(B)(iii) to the standalone financial statements regarding inclusion of proportionate share in Jointly Controlled Operations in the standalone financial statements of the Company. The total proportionate share includes Assets of ₹ 1,072.31 crore, Liabilities of ₹ 160.78 crore, Expenditure of ₹ 428.84 crore, Income of ₹ 970.47 crore along with the elements making up the Cash Flow Statement and related disclosures. The aforesaid amounts have been included based on the unaudited statements of these entities. Management is of view that this will not have a material impact on the Company's financial statements.

Our opinion is not modified in respect of above matter.

## Report on Other Legal and Regulatory Requirements

- As required by the Companies (Auditors' Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of Section 143(11) of the Act, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanation given to us, we give in "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the said Order, to the extent applicable.
- As required by Comptroller and Auditor General of India through directions/sub-directions issued under Section 143(5) of the Companies Act 2013, on the basis of written representation received from the management, we give our report on the matter specified in the "Annexure -B" attached.
- As required by Section 143(3) of the Act, we report 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 Standalone Balance Sheet, the Standalone Statement of Profit and Loss (including the Other Comprehensive Income), the Standalone Statement of Changes in Equity and the Standalone Statement of Cash Flow 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 Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended;
- (e) Pursuant to the Notification No. GSR 463(E) dated 5<sup>th</sup> June 2015 issued by the Ministry of Corporate Affairs, Government of India, provisions of sub-section (2) of Section 164 of the Act are not applicable to the Company, being a Government Company;
- (f) We are enclosing herewith a report in "Annexure – C" for our opinion on adequacy of internal financial controls system in place in the Company and the operating effectiveness of such controls;
- (g) Pursuant to the Notification No. GSR 463(E) dated 5<sup>th</sup> June 2015 issued by the Ministry of Corporate Affairs, Government of India, provisions of Section 197 of the Companies Act, 2013, are not applicable to the Company, being a Government Company; and
- (h) With respect to the other matters to be included in the Auditors' 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. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 29(l)(a) to the standalone financial statements;
  - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any and to the extent ascertainable, on long-term contracts including derivative contracts.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**For ASA & Associates LLP**

Chartered Accountants  
Firm Registration No: 009571N/N500006

**Parveen Kumar**

Partner  
Membership No.: 088810  
UDIN : 20088810AAAABH3080

Place : New Delhi  
Date : June 24, 2020

**For A.R. & Co.**

Chartered Accountants  
Firm Registration No: 002744C

**Pawan K Goel**

Partner  
Membership No.: 072209  
UDIN:20072209AAAAB13593

## ANNEXURE - A TO THE INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 1 to "Report on Other legal and regulatory requirements" of the Independent Auditors' Report of even date to the members of GAIL (INDIA) LIMITED on the Standalone Financial Statements for the year ended March 31, 2020.

- (i) (a) As informed to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) According to information and explanation given to us, there is a regular programme of physical verification of the fixed assets by the management which in our opinion is reasonable having regard to the size of the Company and nature of its assets. As informed to us, no material discrepancies were noticed on such verification.
- (c) As informed to us and as verified by us during the course of our audit the title deeds of immovable properties are held in name of the Company except for the cases as follows.

| Description of Asset  | No. of cases | Area in Hectares | Gross block as on 31.03.2020 (₹ in Cr.) | Net block as on 31.03.2020 (₹ in Cr.) |
|---|--------------|------------------|---|---------------------------------------|
| Land  |              |                  |   |                                       |
| - Freehold  | 12           | 4.38             | 8.95                                    | 8.95                                  |
| - Leasehold   | 13           | 39.16            | 8.28                                    | 8.28                                  |
| - Leasehold- stated at carrying value (classified as prepayment under | 1            | 0.05             | 3.22                                    | 3.21                                  |

- (ii) As informed to us, physical verification of inventory has been conducted at reasonable intervals by the management except the store and spares lying with the third parties. We have been explained that the stock of gas at the end of the year has been taken with reference to reading of Turbine Flow Meter/Gas Chromatograph installed at Terminals, Stock of LPG/Pentane/SBP Solvent are determined with reference to Tank Level Gauge measurement which are converted into tonnage by measurement of density and applying correction factor for temperature. LPG vapors volume is converted to tonnage by standard formulae. As informed to us, no material discrepancies were noticed on physical verification of inventory.

- (iii) As informed to us, the Company has granted secured and unsecured loans to companies covered in the register maintained under section 189 of the

Companies Act, 2013. In respect of such loans:

- a) In our opinion and as informed to us, the terms and conditions of the grant of such loans are not prejudicial to the Company's interest.
- b) The schedule of repayment of principal and payment of interest has been stipulated and repayments or receipts of principal amounts and interest have been regular as per stipulations.
- c) As informed to us, no amount of loan is overdue as at end of the year for a period more than ninety days.
- (iv) According to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of Companies Act 2013 in respect of loans/investment/guarantee/security granted during the year.
- (v) The Company has not accepted any deposits, in terms of the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act 2013 and the rules framed there under.
- (vi) We have broadly reviewed the accounts and records maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Companies Act, 2013 read with Companies (Cost Records & Audit) Rules, 2014 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made detailed examination of the records with a view to determine whether they are accurate and complete.
- (vii) (a) According to records of the Company and information and explanation given to us the Company has generally been 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, Goods and Service Tax and any other statutory dues with the appropriate authorities. According to information and explanation given to us there are no outstanding statutory dues as referred above as at the last day of the financial year under audit for a period of more than six months from the date they became payable.
- (b) As certified by the management on which we have relied upon, the dues of income tax or sale tax or service tax or duty of custom or duty of excise or value added tax or cess or Goods and Service Tax which have not been deposited on account of dispute or deposited under protest and the forum where the dispute is pending are given below:

(₹ in crore)

| S. No. | Name of Statute  | Nature of the Dues                       | Period to which the amount relates | Forum where the dispute is pending                          | Gross disputed amount | Amount deposited under protest/ appeal | Amount not deposited |
|--------|--|--|------------------------------------|---|-----------------------|--|----------------------|
| 1      | Entry Tax Act of respective States                                   | Entry Tax / Penalty/Interest             | 2002-03 to 2004-05                 | Hon. High Court, Allahabad                                  | 22.03                 | -                                      | 22.03                |
|        |  |  | 1999-00 to 2009-10                 | Commercial Tax Tribunal, UP                                 | 247.73                | 6.41                                   | 241.32               |
|        |  |  | 2008-09                            | Additional Commissioner (Appeals) Noida, Commercial Taxes   | 0.57                  | -                                      | 0.57                 |
|        |  |  | 2015-16                            | Additional Commissioner (Appeals) Gwalior, Commercial Taxes | 22.90                 | 1.77                                   | 21.13                |
|        |  |  | 2002-03 to 2005-06                 | Dy. Commissioner (Appeals), Commercial Tax, Ajmer           | 7.69                  | -                                      | 7.69                 |
|        | <b>SUB-TOTAL</b>   |  |                                    |   | <b>300.92</b>         | <b>8.18</b>                            | <b>292.74</b>        |
| 2      | Central Sales Tax Act, 1956 and respective State Sales Tax / VAT Act | CST / Sales Tax / VAT/ Penalty/ Interest | 2011-12                            | Hon. Supreme Court  | 10.87                 | 4.44                                   | 6.43                 |
|        |  |  | 2003-2004                          | Hon. High Court, Mumbai                                     | 0.63                  | 0.03                                   | 0.60                 |
|        |  |  | 2003-2004                          | Hon. High Court, Guwahati                                   | 0.29                  | 0.14                                   | 0.15                 |
|        |  |  | 2007-08                            | Sales Tax Tribunal Mumbai                                   | 23.81                 | 3.79                                   | 20.02                |
|        |  |  | 2014-15                            | Sales Tax Tribunal, Ernakulam                               | 0.46                  | 0.07                                   | 0.39                 |
|        |  |  | Oct 2011 to Dec 2011               | Joint Commissioner of Commercial Taxes, Trichy              | 0.94                  | -                                      | 0.94                 |

| S. No. | Name of Statute                  | Nature of the Dues                       | Period to which the amount relates               | Forum where the dispute is pending                                    | Gross disputed amount | Amount deposited under protest/ appeal | Amount not deposited |
|--------|----------------------------------|--|--|---|-----------------------|--|----------------------|
|        |                                  |  | 2011-12 to 2014-15                               | Joint Commissioner (Appeals), Sales Tax, Mumbai                       | 75.15                 | 1.67                                   | 73.48                |
|        |                                  |  | 2014-15  | Joint Commissioner (Appeals), Sonapat                                 | 5.38                  | -                                      | 5.38                 |
|        |                                  |  | 2003-04, 2007-08, 2012-13                        | Joint Commissioner (Appeals), Commercial Tax, Vadodara                | 52.63                 | 49.20                                  | 3.43                 |
|        | <b>SUB-TOTAL</b>                 |  |  |   | <b>170.16</b>         | <b>59.34</b>                           | <b>110.82</b>        |
| 3.     | Central Excise Act 1944          | Central Excise Duty / Interest / Penalty | Mar 2000 to Feb 2002 & Jan 2008 to March 2012    | Hon. Supreme Court  | 3022.42               | 20.00                                  | 3002.42              |
|        |                                  |  | Sep 2006 to Feb 2014                             | Customs, Excise and Service Tax Appellate Tribunal, Delhi             | 10.75                 | -                                      | 10.75                |
|        |                                  |  | April 2010 to March 2011                         | Customs, Excise and Service Tax Appellate Tribunal, Ahmedabad         | 11.43                 | -                                      | 11.43                |
|        |                                  |  | April 2008 to March 2010 & July 2010 to Nov 2010 | Customs, Excise and Service Tax Appellate Tribunal, Kolkata           | 8.78                  | 0.66                                   | 8.12                 |
|        | <b>SUB-TOTAL</b>                 |  |  |   | <b>3053.38</b>        | <b>20.66</b>                           | <b>3032.72</b>       |
| 4      | Finance Act 1994 (Service Tax)   | Service Tax / Interest/Penalty           | Apr 2009 to Mar 2014                             | Customs, Excise and Service Tax Appellate Tribunal, Delhi             | <b>6.60</b>           | <b>0.42</b>                            | <b>6.18</b>          |
|        |                                  |  | Oct. 2014 to Mar 2015                            | Commissioner (Appeals), Chennai                                       | <b>1.54</b>           | <b>0.05</b>                            | <b>1.49</b>          |
|        | <b>SUB-TOTAL</b>                 |  |  |   | <b>8.14</b>           | <b>0.47</b>                            | <b>7.67</b>          |
| 5      | Customs Act, 1962                | Customs Duty/ Interest /Penalty          | March 2006                                       | Customs, Excise and Service Tax Appellate Tribunal, Delhi             | 0.53                  | 0.46                                   | 0.07                 |
|        |                                  |  | March 2013 to July 2014                          | Commissioner of Customs, Excise and Service Tax, (Appeals), Ahmedabad | 7.78                  | 7.78                                   | -                    |
|        | <b>SUB-TOTAL</b>                 |  |  |   | <b>8.31</b>           | <b>8.24</b>                            | <b>0.07</b>          |
| 6      | Income Tax Act, 1961             | Income Tax/ Penalty/Interest             | A.Y. 2008-09 to A.Y. 2018-19                     | Jurisdictional Assessing Officer (TDS)                                | 1.05                  | -                                      | 1.05                 |
|        | <b>SUB-TOTAL</b>                 |  |  |   | <b>1.05</b>           | <b>-</b>                               | <b>1.05</b>          |
| 7      | Gujarat Municipalities Act, 1963 | Notified Area Tax / GIDC Tax / Interest  | 1998-99 to 2005-06 & 1985-86 to 2009-10          | Hon. High Court, Ahmedabad  | 6.50                  | -                                      | 6.50                 |
|        | <b>SUB-TOTAL</b>                 |  |  |   | <b>6.50</b>           | <b>-</b>                               | <b>6.50</b>          |
|        | <b>TOTAL</b>                     |  |  |   | <b>3548.46</b>        | <b>96.89</b>                           | <b>3451.57</b>       |

- (viii) Based on our audit procedures and in accordance with the information and explanations given to us by the management, the Company has not defaulted in repayment of dues to a bank or government or bonds holders.
- (ix) The Company has not raised any money by way of initial public offer or further public offer or further public offer (including debt instrument). In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of term loans for the purposes for which they were raised.
- (x) According to the information and explanations given to us and as represented by the management and based on our examination of the books and records of the Company and in accordance with generally accepted auditing practices in India, no case of frauds by the Company or any fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) As per notification no. GSR 463(E) dated 5 June 2015 issued by the Ministry of Corporate Affairs, Government of India, Section 197 is not applicable to the Government Companies. Accordingly, paragraph 3 (xi) of the Order is not applicable to the Company.
- (xii) The Company is not a nidhi Company and therefore paragraph 3(xii) of the Order related to such companies is not applicable to the Company.
- (xiii) In our opinion, the Company has complied with provisions of sections 177 and 188 of Companies Act, 2013 in respect of transactions with the related parties and the details

have been disclosed in the Standalone 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. Accordingly, paragraph 3(xiv) of the Order is not applicable to the Company.
- (xv) As informed to us, during the year the Company has not entered into any non-cash transactions with any of its directors or persons connected with the Directors.
- (xvi) The Company is not required to get registered under section 45-IA of Reserve Bank of India Act 1934.

**For ASA & Associates LLP**  
Chartered Accountants  
Firm Registration No: 009571N/N500006

**For A.R. & Co.**  
Chartered Accountants  
Firm Registration No: 002744C

**Parveen Kumar**  
Partner  
Membership No.: 088810  
UDIN : 20088810AAAABH3080

**Pawan K Goel**  
Partner  
Membership No.: 072209  
UDIN:20072209AAAAB13593

Place : New Delhi  
Date : June 24, 2020

## ANNEXURE - B TO THE INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 2 to "Report on Other legal and regulatory requirements" of the Independent Auditors' Report of even date to the members of GAIL (INDIA) LIMITED on the standalone financial statements for the year ended March 31, 2020.

| Sl. No. | Directions / Sub Directions  | Action taken   | Impact on standalone financial statement |
|---------|--|--|--|
| 1       | Whether the Company has system in place to process all the accounting transactions through IT system? If yes the implications of processing of accounting transaction outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated? | <p>The Company maintains its books of account on IT system, SAP, which is an ERP system. All accounting transactions are processed in accounts maintained on SAP.</p> <p>Based on the audit procedures carried out and as per the information and explanations given to us, no accounting transactions have been processed or carried outside the IT system of the Company. Accordingly, in our opinion, there are no implications on the integrity of the accounts.</p> | Nil                                      |
| 2       | Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/loans/interest made by a lender due to Company inability to repay the loan? If yes, the financial impact may be stated?   | In accordance with the audit procedures carried out and as per the information and explanations given to us by the Company, there was no restructuring of existing loans or cases of waiver/write off of debts/ loans/interest made by a lender to the Company due to the Company's inability to repay the loan.   | Nil                                      |
| 3       | Whether funds received/ receivable for specific schemes from central state agencies were properly accounted for/utilized as per its terms and conditions? List the cases of deviation.   | <p>Refer to Note 55 of the standalone financial statements regarding the grant received by the Company for the project Jagdishpur-Haldia Bokaro Dhamra Pipeline Project (JHBDPL).</p> <p>According to the information and explanations given to us and as represented by the Management and based on our examination of the books and records of the Company, these have been utilized as per its terms and conditions. We did not encounter any deviation.</p>          | Nil                                      |

**For ASA & Associates LLP**  
Chartered Accountants  
Firm Registration No.: 009571N/N500006

**Parveen Kumar**  
Partner  
Membership No.: 088810  
UDIN : 20088810AAAAABH3080

Place: New Delhi  
Dated: 24<sup>th</sup> June, 2020

**For A.R. & Co.**  
Chartered Accountants  
Firm Registration No.: 002744C

**Pawan K. Goel**  
Partner  
Membership No.: 072209  
UDIN : 20072209AAAAAB13593

## ANNEXURE - C TO THE INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 3(f) to "Report on Other legal and regulatory requirements" of the Independent Auditors' Report of even date to the members of **GAIL (INDIA) LIMITED** on the standalone financial statements for the year ended March 31, 2020.

### 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 (INDIA) LIMITED ("the Company") as of March 31, 2020 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. 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 auditors' 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 authorizations of management and directors of the Company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized 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, 2020, 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 ASA & Associates LLP

Chartered Accountants  
Firm Registration No.: 009571N/N500006

#### Parveen Kumar

Partner  
Membership No.: 088810  
UDIN : 20088810AAAABH3080

Place: New Delhi  
Dated: 24<sup>th</sup> June, 2020

#### For A.R. & Co.

Chartered Accountants  
Firm Registration No.: 002744C

#### Pawan K. Goel

Partner  
Membership No.: 072209  
UDIN : 20072209AAAAB13593