



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. ”

Manoj Jain

Chairman & Managing Director



Dear Stakeholders,

I am glad to report that Financial Year 2019-20 was another remarkable year for your Company. Despite numerous challenges such as low oil and gas prices, COVID-19 pandemic, limited economic growth and reduced petrochemical margins, your Company has delivered incredible results on several fronts with enduring spirit. Your Company has yet again clocked new heights by attaining highest ever profits in the history - a feat that is made possible through your continued support and confidence. Our physical performance remained positive in most areas including construction of natural gas pipelines, expansion of new gas markets in different parts of country, development of new gas markets, petrochemical production including new petrochemical grades etc.

Retrospect on the previous year

Last Financial Year was a challenging year for both global economy and global energy sector. Global economy has shown signs of softening in the wake of rising tariffs, escalating trade tensions and policy uncertainty. COVID-19 has further aggravated the position as it resulted into a substantial economic crisis worldwide. Global primary energy consumption, already decelerating due to the weaker economic growth was further weakened by the pandemic crisis. Except nuclear, all other primary fuels witnessed a declining growth in last financial year. Share of coal, which has a dominant share of global primary energy mix, reduced to 27% which is the lowest in last 16 years. Crude price has witnessed significant fall due to significant demand destruction by pandemic and corona virus further threatens to make this shift permanent. Renewables and natural gas have emerged as more feasible options for global energy system. Three-fourth of the overall global energy growth in last year came from natural gas and renewables as both the fuels have started to displace coal gradually in the power sector as sustainable choice. As a result, the growth in carbon emissions has also slowed down in 2019 from the sharp increase seen in the previous year.

India remains one of the few optimistic energy markets. India's energy consumption grew at around 2.3% while gas consumption grew at a higher rate of 2.7%. LNG consumption grew at an even higher rate indicating bright future prospects for the natural gas sector. But against reduced growth in global carbon emission last year, carbon emission growth in India has accelerated. Our country consumed only 5.8% of world primary energy in 2019, but contributed to over 7.3% of global carbon emissions, indicating a less-cleaner energy mix. At a time when environmental issues and pollution are at the heart of concerns, the call for action is intensifying. Rest of the world is increasingly adopting renewables and natural gas as mainstay energy sources and your Company has been advocating for usage of natural gas in power and industrial sector as fuel to shift India's energy mix to cleaner sources.

Performance

During FY 2019-20, your Company has shown consistent performance across all segments despite the volatile macro environment clubbed with sluggish economic growth. Your Company shifted to the new tax regime and has recorded highest ever Profit After Tax (PAT) of ₹ 6,621 crore, a rise of 10% from ₹ 6,026 crore over the last fiscal year. In view of the increase in PAT, EPS has gone up from ₹ 13.36 per share as on March 31, 2019 to ₹ 14.68 per share as on March 31, 2020.

Your Company owns over 70% of India's gas transmission network, operating around 12,426 km of natural gas trunk pipeline. Natural gas transmission segment has witnessed 4.5% increase of gross revenue compared to previous year and transported 108.37 MMSCMD in FY 2019-20. Your Company is aligned to the Government of India's vision of gas based economy with inclusive growth. As a part of providing access to natural gas across India, your Company is executing around 7,500 km of pipeline projects in various parts. Significant progress has been made in pipeline laying activities of Pradhan Mantri Urja Ganga pipeline, also known as Jagdishpur-Haldia and Bokaro-Dhamra Pipeline (JHBDPL) across 6 states of Bihar, Uttar Pradesh, Jharkhand, Odisha, West Bengal and Assam. Your Company has commissioned 165 km Gorakhpur spurline section of JHBDPL and 350 km section of KKMBPL pipeline last year. Construction of various other pipeline sections are under progress in phases and are on schedule. The construction of above natural gas pipelines re-affirms the commitment of your Company to provide access of cleaner fossil fuel, natural gas, in different parts of the country by creating national gas grid.

In 2019-20, your Company received PNGRB approval for capacity expansion of the JHBDPL network by way of a new pipeline from Dhamra to Haldia and resizing of the Dhamra-Paradip section of JHBDPL. Your Company also received PNGRB authorization for the Mumbai-Nagpur-Jharsuguda pipeline, while the construction of the 690 km Srikakulam-Angul pipeline has commenced. To offer seamless and transparent pipeline access to its customers, your Company launched a 24x7 available online portal in 2018. Around 1,800 Capacity Tranche (CT) requests have been processed through the portal during FY 2019-20 while total CT requisitions processed till March 31, 2020 since the launch of online portal is around 3,000. With an aim towards market development, your Company has tied-up more than 13 MMSCMD of gas supply to customers in FY 2019-20 including customers along the new pipelines viz. JHBDPL and KKMBPL, reinforcing its position as a trusted supplier.

Natural gas trading remains your Company's one of the core business with gross revenue ₹ 59,955 crore in FY 2019-20. Your Company's LNG import touched new heights as GAIL imported 74 LNG cargoes to India amounting to approx. 4.8 MMT of LNG volumes to cater to the growing needs of the country. LNG imports, at 7.4% year on year growth





witnessed higher growth than overall sector growth of 2.7% indicating significant appetite of India to consume LNG. Konkan LNG Limited (KLL) has become a subsidiary of your Company which shall provide greater operational flexibility in LNG business in terms of sourcing, regasification and trading of LNG.

In the LPG transmission segment, Jamnagar-Loni and the Vizag-Secunderabad pipeline networks achieved a throughput of 3.91 MMTPA during the year. In petrochemicals, with a marketing portfolio of over 1 MMTPA, your Company successfully maintained its market share in the domestic Polyethylene market and remained the second largest player therein. During FY 2019-20, your Company achieved highest ever polymer production of 788 KTA which is an increase of 5% from preceding year. Your Company has five LPG plants at four locations in the country having a production capacity of 1.4 Million MT, total liquid hydrocarbon production was about 1.26 Million MT of which almost 90% constitutes LPG and Propane. During FY 2019-20, the gross revenue in the liquid hydrocarbon segment has increased by 2%. In E&P segment, revenue from sale of hydrocarbons is being generated from 4 producing blocks in Myanmar and in India. In E&P, your Company has generated revenue of ₹ 968 crore during FY 2019-20 as against ₹ 639 crore in FY 2018-19.

Your Company has presence directly and through affiliates in most of the major metropolitan cities and state capital cities under CGD and has participated in the 9th and 10th CGD bidding rounds of PNGRB. During FY 2019-20, your Company along with its Subsidiaries and Joint Venture Companies (JVC) has achieved around 9.52 lakh domestic PNG connections and has commenced operations at 311 CNG stations, the highest figure ever achieved.

Enabling Innovation

Your Company is a part of the pioneering Coal Gasification Project in Talcher which has huge potential to convert the abundant coal reserves of the country to natural gas. In petrochemicals, after creating history in 2019 by becoming the first ever producer of Metallocene grade polymer in India, your Company has successfully produced around 12,800 MT of Metallocene grade polymers during the year.

As part of our continued advocacy efforts, your Company also partnered with UN patronized "Interdependence" - a global campaign, for raising awareness on environment & climate change.

I am delighted to inform you that as a part of the Sustainable Alternative Towards Affordable Transportation (SATAT) initiative, our wholly owned subsidiary GAIL Gas is actively engaged with entrepreneurs to promote Compressed Bio Gas (CBG).

Your Company has signed investment agreements with 9 Start-Ups during the year with a commitment of ₹ 22 crore. As on

date, 24 Start-Ups are supported with a total commitment of ₹ 46 crore and ₹ 35 crore has already been disbursed.

Going Strong

The headwinds due to pandemic did contribute to some negative factors in our performance. There was slowdown in business activities due to country wide lockdown. With graded relaxation in lockdown and other measures adopted by the Government of India to resume economic activities, the operations of your Company has been normalized to a great extent. Your Company remained pioneer in maintaining essential supply of natural gas to key segments such as power, fertilizer, PNG, mobility and other essential industries. Soon after COVID-19 unlock provisions, construction work on pipeline projects of GAIL resumed and work started at JHBDPL, KKMBPL and VAPL sites, while adhering fully to the various Government's COVID guidelines. CGD activities have also commenced in a gradual manner in most of the cities.

For FY 2019-20, there were little consequences of COVID-19 on the physical and financial performance of your company. However, going forward, the pandemic may act as a catalyst upsetting performance of your Company even with preventive measures. However, your Company is determined to stay strong and will remain committed to perform business obligations towards developing future gas market in the country. I am certain that your Company will sail through these tough times and will emerge as a stronger and more determined entity.

Way forward

Last year, we had adopted a revised strategic plan identifying priority business initiatives and reviewed at our purpose with new Vision and Mission statements. This strategic plan will help us to address our challenges in changing industry scenario and provide new areas for growth with geographic expansion meeting high employee aspiration. While gas will remain our core segment, we will look for growth in other areas such as petrochemicals, specialty chemicals, renewables, water etc. With our newly embraced Mission and Vision as guiding principles and strategic initiatives as the chosen path, I am confident that GAIL will reach new heights in coming years.

Towards the end, I would like to express my sincere gratitude for your continued belief in the Company which has enabled us to tread the path of consistent business growth over the years in spite of challenging and harsh business environment. I look forward to the same camaraderie in the times to come as well.

Manoj Jain
Chairman & Managing Director