

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of your Company, I am delighted to present the 36th Directors' Report of your young and vibrant Maharatna Company, along with Audited Standalone and Consolidated Financial Statements for the financial year 2019-20:

Performance Review

The important financial highlights on standalone basis for the year 2019-20 are as under:

Particulars	FY 2019-20		FY 2018-19	
	US \$ Million	(₹ in Crore)	US \$ Million	(₹ in Crore)
Gross Sales	9,558	71,730	10,722	74,808
Other income (including other operating income)	208	1,564	267	1,864
Cost of Sales (excluding Finance cost and depreciation)	8,462	63,507	9,398	65,572
Net Exceptional Items i.e. Impairment/ (Reversal) of Investments	(14)	(102)	47	326
Gross Margin	1,318	9,887	1,544	10,774
Finance Cost	15	108	20	139
Depreciation	245	1,836	222	1,550
Profit Before Tax (PBT)	1,058	7,943	1,302	9,085
Provision for Tax	176	1,323	438	3,059
Profit After Tax (PAT)	882	6,621	864	6,026
Appropriations				
Final Dividend for previous year	53	399	47	325
Interim Dividend for current year	385	2,886	202	1,409
Corporate Dividend Tax	88	657	51	356
Net transfer to (from) Bond Redemption Reserve	2	15	2	15
Transfer to General Reserve	88	662	86	603
Net surplus after Appropriations	267	2,001	476	3,318

Note: The following exchange rates are used in calculations:

For 2019-20: 1 US\$ = ₹ 75.05 as on 31st March, 2020.

For 2018-19: 1 US\$ = ₹ 69.77 as on 31st March, 2019.

Consolidated Financial Statements

Your Company has prepared the Consolidated Financial Statements in accordance with the IND-AS by consolidating the financials of its subsidiaries, associates and joint venture entities. The key highlights of the Consolidated Financial Results are as follows:

(₹ in crore)

Particulars	FY 2019-20	FY 2018-19
Gross Sales	72,414	75,912
Profit Before Tax	10,429	9,831
Profit After Tax	9,422	6,546

Performance Indicators (Standalone)

Gross Sales

Gross sales decreased by 4% from ₹ 74,808 crore in FY 2018-19 to ₹ 71,730 crore in FY 2019-20.

Profit Before Tax (PBT)

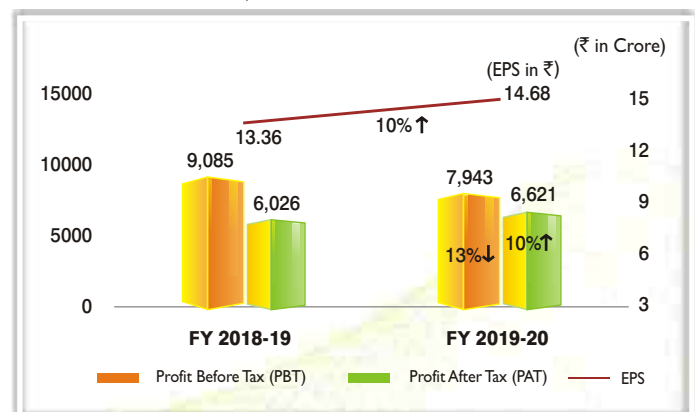
PBT registered a fall of 13% from ₹ 9,085 crore during FY 2018-19 to ₹ 7,943 crore during FY 2019-20.

Profit After Tax (PAT)

Profit after Tax increased by 10% from ₹ 6,026 crore in FY 2018-19 to ₹ 6,621 crore in FY 2019-20.

Earnings Per Share (EPS)

In view of the increase in PAT, EPS has gone up from ₹ 13.36 per share as on March 31, 2019 (after adjustment to bonus in 1:1 ratio) to ₹ 14.68 per share as on March 31, 2020.





Shri Manoj Jain, CMD (Centre) announced the Annual Financial Results 2019-20 of the Company at a Press Conference in the presence of Shri P.K.Gupta, Director (HR), Shri A.K. Tiwari, Director (Finance), Shri E.S.Ranganathan, Director (Marketing)

Business Overview

➤ **Pipeline Transmission**

• **Natural Gas Transmission**

Your Company owns and operates a network of around 12,426 km of natural gas pipeline across the length and breadth of country. The average gas transmission during the financial year 2019-20 increased to 108.37 MMSCMD as compared to 107.43 MMSCMD in the previous financial year. Gross revenue of your Company from Natural Gas Transmission in FY 2019-20 was ₹ 6,034 crore as against ₹ 5,779 crore in FY 2018-19.

• **LPG Transmission**

Your Company owns and operates 2,038 km LPG pipeline network for LPG transmission namely Jamnagar-Loni (JLPL) & Vizag-Secunderabad (VSPL). Jamnagar-Loni (JLPL) and the Vizag-Secunderabad (VSPL) pipeline networks achieved a throughput of 3.91 MMTPA during the year against 3.97 MMTPA in the previous year. Gross revenue of your Company from LPG Transmission in FY 2019-20 was ₹ 637 crore as against ₹ 624 crore in FY 2018-19.

➤ **Natural Gas Marketing**

During the financial year 2019-20, your Company clocked a sales figure of 96.26 MMSCMD (which included sales within India of 84.60 MMSCMD and overseas sales of 11.66 MMSCMD) as against 96.93 MMSCMD during

FY 2018-19. Gross revenue of your Company from Natural Gas Marketing in FY 2019-20 was ₹ 59,955 crore as against ₹ 61,338 crore in FY 2018-19.

➤ **Petrochemicals**

During FY 2019-20, your Company's production increased by 4.9% to 788 KTA of polymers as against 751 KTA in FY 2018-19 and sales increased to 737 KTA of polymers as against 735 KTA in FY 2018-19. Gross revenue of your Company from Petrochemicals in FY 2019-20 was ₹ 5,432 crore as against ₹ 6,704 crore in FY 2018-19.

➤ **LPG and Other Liquid Hydrocarbon**

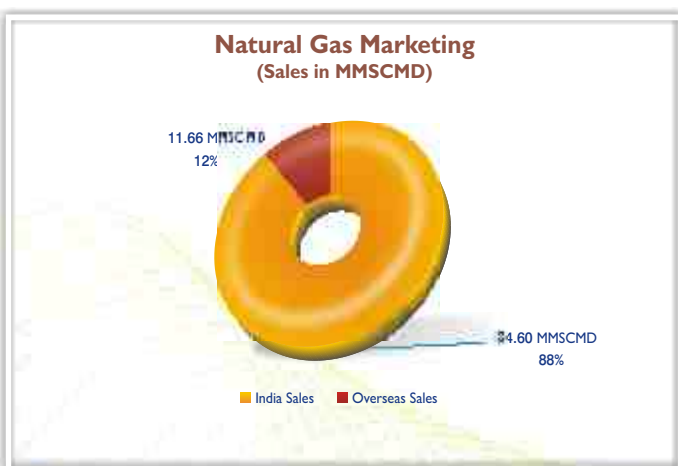
Your Company has five Gas Processing Plants (GPUs) at four locations in the country having LHC production capacity of 1.4 Million MT. During FY 2019-20, total Liquid Hydrocarbon production was about 1.26 Million MT as against 1.32 Million MT in FY 2018-19, of which almost 90% constitutes LPG and Propane. Gross revenue of your Company from Liquid Hydrocarbons in FY 2019-20 was ₹ 4,234 crore as against ₹ 5,083 crore in FY 2018-19.

➤ **Exploration and Production (E&P)**

Your Company is having participating interest in 11 E&P blocks out of which 9 blocks are in India and 2 blocks are in Myanmar. Your Company is Operator in two onland blocks CB-ONN-2010/11 and CB-ONHP-2017/12 in Cambay basin awarded during NELP-IX and OALP-I bidding rounds respectively. These eleven E&P blocks hold an acreage of 2,170 km² as per its Participation Interest (P.I.) in various consortiums.

Revenue from sale of hydrocarbons is being generated from 4 producing blocks namely A-1 & A-3 in Myanmar and CB-ONN-2000/1 & CB-ONN-2003/2 (Cambay onshore blocks) in India. Revenue of ₹ 968 crore has been generated from E&P activities during FY 2019-20 as against ₹ 639 crore in FY 2018-19.

Appraisal activities are in progress in one NELP-IX block i.e. GK-OSN-2010/1, where ONGC is the operator. Development activities are in progress in three blocks (i) two NELP-IX blocks CB-ONN-2010/8 (Lead Operator: Bharat Petro Resources Limited) & CB-ONN-2010/11 (Lead Operator: GAIL) and (ii) one NELP-IV block AA-ONN-2000/1 (Operator: Jubilant Oil & Gas Pvt. Ltd.). As a part of Revised Field Development Plan (RFDP) in Myanmar offshore blocks A1 & A3, development activities have commenced. Simultaneously, drilling of 3 exploratory wells in Block A-3, Myanmar was also initiated during FY 2019-20 and one gas discovery has been made in this block. Exploratory activities continued in two blocks (i) one NELP-IX block AA-ONN-2010/2 (Operator: OIL) and (ii) one OALP block CB-ONHP-2017/12 (Operator: GAIL).





Hon'ble Chief Minister of Jharkhand Shri Raghubar Das, Hon'ble Union Minister of Tribal Affairs Shri Arjun Munda and Hon'ble Minister for Petroleum & Natural Gas and Steel Shri Dharmendra Pradhan along with other dignitaries launching supply of Compressed Natural Gas (CNG), domestic Piped Natural Gas (PNG) and CNG-run vehicles in Ranchi

➤ Projects Execution

Currently your Company is executing around 7,500 km of pipeline projects wherein, your Company has made significant progress in the ongoing 2,655 km of Jagdishpur Haldia and Bokaro Dhamra Pipeline (JHBDPL) Project popularly known as Pradhan Mantri Urja Ganga Pipeline Project. Phase-I (750 km) of this prestigious project from Phulpur to Varanasi, Gaya, Patna and Barauni has already been commissioned. Your Company is also extending this pipeline project to the eastern region of India upto Guwahati in Assam with construction of 729 km Barauni-Guwahati Pipeline as integrated part of JHBDPL. GAIL commissioned 594 km of Natural Gas Pipeline in FY 2019-20 with consist of 165 km Gorakhpur spurline section of JHBDPL Phase-I alongwith 350 km section of Kochi-Koottanad-Bangalore-Mangalore Pipeline Phase-II and 07 customer connectivity projects. Your Company has made significant progress in pipeline laying activities in the 6 states of Bihar, Uttar Pradesh, Jharkhand, Odisha, West Bengal and Assam. Natural gas supply for CNG & PNG has also commenced in Ranchi & Jamshedpur City in the august presence of the Hon'ble Chief Minister, Jharkhand, Shri Raghubar Das & Hon'ble Minister of Petroleum & Natural Gas and Steel, Shri Dharmendra Pradhan. With this your Company has completed gas supply in all six cities, entrusted to your Company by the Government of India, i.e. Varanasi, Bhubaneswar, Cuttack, Patna, Ranchi & Jamshedpur.

Your Company also completed construction of 30 CNG stations in FY 2019-20, out of which 14 are already commissioned & 16 CNG stations are mechanically completed. Further, your Company is also taking up hook up connections from pipeline network with CGD entities to supply gas for CNG and PNG. Your Company has completed 7 CGD hook ups with these CGD entities authorised by PNGRB.

Other ongoing pipeline projects under execution at various stages include Dobhi-Durgapur Pipeline Project (Section-2B) (500 km), Bokaro- Angul Pipeline Project (Section-3A) (667 km), Baruani Guwahati Pipeline (729 km) and Vijaiapur to Auraiya (357 km).

Disinvestment by the President of India

The Government of India disinvested 1,96,10,227 shares in October 2019 through CPSE Bharat 22 ETF. After disinvestment, the President of India's shareholding is 233,44,49,987 equity shares, representing 51.76% of paid-up share capital of your Company.

Dividend

Your Company has a consistent track-record of dividend payment. The Board of Directors of your Company had earlier approved payment of an interim dividend @ 64% on equity share of ₹10 each (₹ 6.40 per equity share) amounting to ₹ 2,886.49 crore on the paid-up equity share capital of the Company (₹ 4510.14 crore) and it was paid in February, 2020.

Changes in the Share Capital/ Bonus Issue

Your Company fixed 10th July, 2019 as the record date for the purpose of

ascertaining the eligibility of shareholders for Issuance of bonus shares in the ratio of 1:1 i.e. one new bonus equity share of ₹10/- each for every one existing equity share of ₹10/- each held subject to the approval of shareholders which was obtained through postal ballot process. The results of Postal Ballot/E-voting were announced on 2nd July, 2019. During the FY 2019-20, the Company had issued a total of 225,50,70,933 equity bonus shares.

Contribution to Exchequer

Your Company has contributed ₹9,460 crore in FY 2019-20 to the exchequer through dividend, duties, taxes and others, as compared to ₹8,070 crore in FY 2018-19.

Credit Rating

➤ Domestic rating

Your Company has been reaffirmed the highest domestic credit rating of AAA from ICRA, CARE and India Rating. This signifies the highest credit rating in India, hence, carries lower credit risk of the Company.

➤ International Rating

The International rating agency, Moody's International, Singapore, has assigned the corporate issuer rating of Baa3 with negative outlook which is equal to the sovereign rating of India. Further, Fitch Ratings has also assigned a long-term foreign currency issuer rating of BBB- with a negative outlook, which is also equivalent to the sovereign rating of India. The agencies have indicated that your Company's rating may be upgraded once the sovereign rating of India improves.

Particulars of Loans, Investments and Corporate Guarantees

Details of investments, loans and guarantees covered under Section 186 of the Companies Act, 2013, forms part of the financial statement, as a separate section in the Annual Report for FY 2019-20.

Related Parties - Subsidiaries/Associates/ Joint Ventures

Your Company has formed various subsidiaries / associates / joint venture companies for different business areas such as City Gas Distribution (GAIL Gas Limited, Indraprastha Gas Limited, Mahanagar Gas Limited, etc.), Petrochemical production (Brahmaputra Cracker and Polymer Limited, ONGC Petro-additions Limited), LNG/ Re-gasification (Petronet LNG Limited, Konkan LNG Limited (KLL), etc.), Gas trading (GG SPL), Power generation (RG PPL) and Shale gas (GGUI). Contracts or arrangements / transactions with the related parties were on an arm's length basis and in the ordinary course of business.

Your Company has acquired shares in KLL by providing financial support to KLL for debt resolution with its lenders. As part of debt resolution exercise, lenders of KLL have transferred their entire equity shareholding in KLL to your company. Subsequently, KLL became subsidiary of your company w.e.f. 27th March, 2020, with GAIL's equity shareholding of 69.06% along with NTPC and others.

No other Subsidiary / Joint Venture Company except GAIL China Gas Global Energy Holdings Limited ceased to exist during the year. The Subsidiaries / Associates / Joint Venture companies of your Company have contributed significantly to its business expansion activities. A statement containing the salient features of the financial statements of your Company's Subsidiaries, Associate Companies and Joint Ventures as per first proviso of section 129(3) of the Companies Act, 2013 including individual contribution of these companies towards the overall performance of the Company during the period is given under Consolidated Financial Statements.

Vigilance

Corporate Vigilance department of your Company is ISO-9001:2015 certified for having adopted Quality Management System in compliance with the requirements of ISO.

During the year, many system improvements were undertaken to ensure greater transparency as well as automation of processes for reducing manual intervention. Review of policies and procedures were carried out, which helped in reduction of corruption and ensure all round good governance. Some of these systematic improvements were:

- Review of Whistle Blower Policy has been carried out and revised policy has been implemented.
- To ensure greater transparency, additional information viz. Health and Safety Policy, Information Security Policy, Quality Policy and Risk Management Policy have been displayed on your Company website. In addition to the above, list of



Hon'ble Chief Minister of Jharkhand Shri Raghubar Das, Hon'ble Union Minister for Tribal Affairs Shri Arjun Munda and Hon'ble Union Minister for Petroleum & Natural Gas and Steel Shri Dharmendra Pradhan inaugurated the supply of domestic Piped Natural Gas (PNG) and inaugurated Compressed Natural Gas (CNG) station in Jamshedpur, in the presence of several dignitaries

parties/ vendors banned/ put on holiday by your Company, have also been displayed on your Company's website.

- In order to have uniformity in the tender conditions for submission of EMD & CPBG in the form of DD / Bank Guarantee being submitted by the bidder/ Vendor, provisions has been made that EMD and CPBG will not be accepted in case the same has reference of remitter / financier other than bidder on the aforementioned financial instrument of EMD/ CPBG as a part of Government's initiative for ease of doing business.
- To avoid the time gap between the date of complaint uploaded by the complainant and the date when Complaint system is accessed by Vigilance Executive, provision for generating auto e-mail alerts has been developed.

The Vigilance Awareness Week 2019 was observed by your Company and its various site Offices from 28th October to 2nd November 2019, under the guidance of Central Vigilance Commission (CVC). Theme for this year's Vigilance Awareness Week was **"Integrity – A Way of Life"**- "ईमानदारी – एक जीवन शैली". The observance of the Vigilance Awareness Week commenced by taking the Integrity Pledge by GAIL Employees at the Corporate Office and all its work centers.

During the week, a lecture by Shri Subhash Chandra Agarwal – a right to information activist, was organized at GAIL Corporate Office. Your Company also organized two Customer Interactive Meets at New Delhi and Jaipur, wherein customers from Gas, Polymer and Retail business along with Consignment Stockiest participated.

Your Company organized two vendor meets at New Delhi and Vijaiapur, Guna. At New Delhi, the meet was attended by Independent External Monitor (IEM) of GAIL, Chief Vigilance Officer, Director (Finance) and other senior executives.

An e-pledge booth was organized in the office of Goods & Service Tax, Central Goods & Services Tax Commissionerate, South Delhi at Bhikaiji Cama Place, New Delhi, for facilitating the employees of GST to administer e-pledge.

To spread awareness amongst students, various competitions like poster, debate, elocution, panel discussion were organized in Colleges/ Schools. Some work centers also organized "Walkathon" as a part of the Vigilance Awareness campaign. Two Gram Sabhas were organized at Khano and Munshipur Tarai in District Auraiya of Uttar Pradesh with co-operation of the Village Head.

Representation of Priority Section

Your Company has been complying with the Presidential Directives and Instructions/Guidelines issued from time to time pertaining to Policies and Procedures of the Government of India in regards to reservations, relaxations, concessions, etc. for Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs) and Persons with Disabilities (PWDs) in Direct Recruitment.

Group wise details with regard to total number of employees and the representation of Scheduled Castes, Scheduled Tribes, and Other Backward Classes amongst them in your Company as on 31st March, 2020 are given in the Table below:

Group	Total no. of Employees on Roll	SC	ST	OBC	PWD
A	3,393	538	225	660	56
B	441	71	43	111	7
C	790	150	35	271	35
D	52	13	6	16	-
CMD, DIRECTORS & CVO	6	-	1	-	-
Total	4,682 (*)	772	310	1,058	98

(*Including Advisor (Security))

A total of 271 new employees (including CVO) joined your Company during the FY 2019-20. Total Manpower of the Company as on 31st March, 2020 stood at 4,682 (including Whole-time Directors & CVO) with 16% of its employees belonging to the SC category, 7% to the ST category, 23% to the OBC category, 8% to the Minorities and 2.1% to the Persons with Disabilities (PWDs) category. Your Company's workforce comprised of 304 women employees as on 31st March, 2020.



Shri Nitin Gadkari, Hon'ble Union Minister, Road Transport and Highways and Micro, Small and Medium Enterprises inaugurated GAIL's stall at Auto Expo 2020

Official Language

The Official Language Implementation Committees at the Corporate and Work Centre level meet on a quarterly basis to monitor and review the progress made for achieving the targets fixed in the Annual Program issued by the Official Language Department, Ministry of Home Affairs, Government of India.

Hindi workshops / trainings are organized on regular basis at Corporate Office and all work centers including training centers at GTI Noida and GTI Jaipur. Hindi computer training sessions are also integral part of these programs. As many as 120 Hindi workshops were conducted during FY 2019-20 in which 2,402 employees were provided training.

Hindi Fortnight (हिन्दी पखवाड़ा) was observed across your Company from 16th to 30th September, 2019, to propagate linguistic harmony and to motivate the employees for the progressive usage of Hindi in their day-to-day work. Several Competitions / programmes were organized to encourage the employees to work in Hindi and create a conducive atmosphere.

Your Company also publishes its Quarterly Hindi magazine **"Rajbhasha Sahyog"** to promote Hindi language. During the year **"Standard Implementation Procedure (SIP)"** for Official Language has been prepared and hosted on your Company's intranet for the benefit of the employees.

"GAIL Rajbhasha Sammelan" was organized from 31st January to 1st February, 2020 at Puri (Odisha), chaired by Director (HR). The purpose was to spread and propagate the essence of Hindi and simultaneously review the progress made on the implementation of the Official Language in the Company.

The First Sub-Committee of Committee of Parliament on Official Language inspected your Company's Lucknow Zonal Office, GGL Bengaluru and Hyderabad Zonal Office to review the steps undertaken to promote the Official Language and the efforts were appreciated by the Parliamentary Committee.

Vishwa Hindi Divas was celebrated across your Company on 10th January, 2020. To mark the occasion, a Literary Seminar was organized at Corporate Office to promote Official Language. To inculcate the reading habit in Hindi, 'Kathgodam' Hindi Book was distributed to employees of Corporate Office. Several other programmes were organized across your Company to promote Hindi during Vishwa Hindi Divas.

Sexual Harassment of Women at Workplace

Your Company has in place a Policy on Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. The Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment.

Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

- Number of complaints pending at the beginning of the Financial Year: NIL
- Number of complaints filed during the Financial Year: 01
- Number of complaints disposed of during the Financial Year: NIL
- Number of complaints pending at the end of the Financial Year: 01

Procurement from Micro and Small Enterprises

The Government of India has notified a Public Procurement Policy for Micro and Small Enterprises (MSEs), Order 2012 mandating 25% Procurement/Services from MSMEs. In terms of the said policy, out of the total eligible value of annual procurement of approx. ₹ 3,548 crore towards goods procured and services rendered by MSEs (including MSEs owned by SC/ST Entrepreneurs and Women Entrepreneurs) during the FY 2019-20. The value of total procurement made from MSEs is ₹ 1,367 crore, which is approx. 38.53%.

Further, several initiatives have been taken towards ease of doing business in recent past for pre-award and post-award activities including initiatives for coaching and development of stakeholders. Initiatives for Pre-Award stage include Pre-Tender Meeting, Model Instructions to Bidders (ITB) For Domestic Bidding -Procurement of Services & Works and Goods, Provision for Submission of EMD/ Security Deposit/ Contract Performance Guarantee through additional mode of Online Bank Transaction, Standardization of terms and conditions with OEMs etc. For better contract administration, your Company has implemented initiatives like Health Monitoring of Contracts, Quarterly Closure of Contracts, Pre-Dispute Resolution (Samadhan) Mechanism, Methodology for Transaction on Trade Receivable Discounting System (TReDS), uploading details on Company's Website, Contract Management Document (COMAND), Rationalization of Mobilization Advance, Review of CPBG in Work Contracts & Time Period for Submission of CPBG, Review of Arbitration Provision and many others.

Your Company also believes that coaching and development of stakeholders (both internal as well external) forms an important part of sustainable growth and accordingly, initiatives like Vendor Coaching Program, EIC Coaching Program and Vendor Interactive Meets are regularly organized in this direction.

MoU Performance

Your Company achieved 'Excellent' MoU rating for the Financial Year 2018-19 with a score of 93.27.

MoU for the FY 2019-20 was signed between Chairman & Managing Director, GAIL and Secretary (P&NG), Government of India on 30th May, 2019.

In 2019-20 also, GAIL's MoU was aligned with GOI's aspiring vision of transforming India into a Gas based economy. Key thrust area of MoU was mainly on continuing effort to increase number of PNG connections and CNG stations. Other critical aspects were related to key financial parameters, gas marketing, gas transmission, project implementation, capital expenditure and support to Start-ups to align with GOI's vision of 'Start-up India'.

Your Company has made earnest efforts in fulfilling MoU obligations in spite of adverse effects faced due to COVID-19 situation. Self-Evaluation of MoU FY 2019-20 will be carried out and submitted to DPE in due time, result of which is expected to be announced by December, 2020.

Right to Information (RTI)

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



GAIL's team at one of the world's largest integrated gas, LNG and energy event - Gastech 2019 at Houston, USA

Your Company has hosted RTI Guidelines and related information on its site and these may be accessed at http://www.gailonline.com/final_site/RTI.html Besides, MIS Report on RTI Applications, Record Retention Schedule and latest RTI Audit Report had also been hosted under the same link.

Section 4(1)(b) of the RTI Act, 2005 lays down the information which should be disclosed by any Public Authority on a suo-motu or proactive basis. Section 4(2) and Section 4(3) of the RTI Act, 2005 prescribes the method of dissemination of this information. Accordingly, keeping in view the purpose of suo-motu disclosures under Section-4, GAIL's Corporate RTI Cell has hosted a dedicated page on GAIL's website, through which large amount of information in the public domain on proactive basis is placed. This is being done to make the functioning of your Company more transparent and reduce the need for filing individual RTI applications.

Further, your Company has been made LIVE on the Government of India's DoPT Online RTI Portal from July, 2016 and ever since, we are providing information through Online mode also, apart from providing the requested information in offline manner.

For the FY 2019-20, GAIL's Corporate RTI Cell has disposed-off all applications received through online/offline mode. All RTI Applications were disposed-off within time schedule/as per the provisions of the RTI Statute. Further, your Company has received NIL penalty/adverse remarks from Central Information Commission for FY 2019-20 in respect of second Appeal(s) filed by Appellants.

Management Discussion and Analysis

In terms of Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and clause 7.5 of DPE Guidelines on Corporate Governance, the detailed Management Discussion and Analysis Report forms part of this report at **Annexure-A**.

Corporate Governance

Your Company believes that good corporate governance plays a critical role in establishing a positive organizational culture. It is displayed through responsibility, accountability, consistency, fairness and transparency towards our stakeholders. Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and DPE guidelines on Corporate Governance, a report on Corporate Governance forms part of this Report at **Annexure-B**.

The details of the meetings & composition of the Board, details of meetings & composition of statutory committees of the Board including the terms of reference, Company's policy on Directors' appointment and remuneration and also their shareholding in the Company, details of establishment of whistle blower mechanism, details related to Annual General Meeting, information pertaining to Dividend declared, IEPF Details and other matters, etc. forms part of report on Corporate Governance.

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

The Statutory Auditors of the Company have examined and certified your Company's compliance with respect to conditions enumerated in SEBI (LODR) Regulations, 2015 and DPE guidelines on Corporate Governance. The certificate forms a part of this Report at **Annexure-C**.

Auditors

Statutory Auditors

The Statutory Auditors of your Company are appointed by Comptroller & Auditor General of India (C&AG). M/s ASA & Associates LLP, Chartered Accountants, New Delhi and M/s A R & Co., Chartered Accountants, New Delhi were appointed as Joint Statutory Auditors of your Company for the FY 2019-20.

Review and Comments of C&AG, if any, on the Company's Financial Statements for the Financial Year ending March 31, 2020, forms part of Financial Statements. Notes on the Financial Statement referred to in the Auditors' Report are self-explanatory. There is no qualification on the Financial Statements by the Statutory Auditors for FY 2019-20.

Cost Auditors

Your Company has appointed six Cost Auditors for FY 2019-20 i.e., M/s Ramanath Iyer & Co., New Delhi for Northern Region, M/s Bandyopadhyaya Bhaumik & Co., Kolkata for Northern and Eastern Region, M/s A C Dutta & Co., Kolkata for Southern Region, M/s Musib &



Shri A.K. Tiwari, Director (Finance), reviewed the project progress of the 'Pradhan Mantri Urja Ganga' pipeline project at Durgapur and met Analysts and Investors to brief them about the project

Company, Mumbai for Western Region Part-I, M/s N.D Birla & Co., Ahmedabad for Western Region Part-II and M/s Sanjay Gupta & Associates, New Delhi for Central Region as Cost Auditors for FY 2019-20. M/s Ramanath Iyer & Co. is the lead Cost Auditor.

Your Company is maintaining Cost Accounting Records as prescribed under the Companies (Cost Records and Audit) Rules, 2014, specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013.

The Cost Audit Report for the Financial Year ended March 31, 2019 was filed with the Central Government on August 7, 2019.

Internal Auditor

Your Company has an in-house Internal Audit Department, which is headed by Chief General Manager.

Your Company has independent and integral Internal Audit Department having diligent professionals covering aspects relating to commercial and technical domains. The Internal Audit Department functionally reports to the Audit Committee and administratively reports to the Chairman & Managing Director as per the best global practice. The audit assignments are conducted as per the annual audit program approved by the Audit Committee. Internal Audit examines the effectiveness of internal controls through risk-based audit of business processes. In congruence with the mission of Internal Audit "Assurance and advice that adds value to the organization", the root cause and impact of the significant audit observations are reported to the management. The Audit Committee of the Board reviews the significant findings of internal audit and C&AG audit regularly.

Secretarial Auditor

Your Company has appointed M/s Agarwal S. & Associates as Secretarial Auditor for FY 2019-20. Secretarial Audit Report confirming compliance by Practicing Company Secretary to the applicable provisions of the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and other applicable laws, forms part of this Report at **Annexure-D**.

Pursuant to SEBI Circular Number CIR/CFD/CMD1/27/2019 dated 08.02.2019, Annual Secretarial Compliance Report is also attached as **Annexure-E**.

The observations made in the Secretarial Audit Report and Company's response to the observations as under:-

Observation No. 1: Non-Compliance of Regulation 17(1)(b) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Clause 3.1.4 of the DPE Guidelines on Corporate Governance for Central Public Sector Enterprises, the Company did not have requisite no. of Independent Directors on the Board of the Company w.e.f. 19.11.2019 to 31.03.2020.



GAIL Pata has amongst the largest rooftop solar plants in India

Company's Response: GAIL is a Government Company and appointment/nomination of all Directors on the Board of the Company is done by Government of India, (GOI). Further, the terms & conditions of appointment as well as tenure of all Directors are also decided by GOI. GAIL has been regularly following up with its Administrative Ministry (MoP&NG), Government of India for filling up the vacant positions of Independent Directors on its Board of Directors.

Observation No. 2 : Non-compliance of Regulation 17 (10) & 25 (4) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the Company has not carried out the performance evaluation of the directors.

Company's Response: GAIL is a Government Company, appointment/nomination of all the Directors including Independent Directors are being done by the President of India, through the MoP&NG, Government of India. Therefore, performance evaluation of individual Directors including Independent Directors are undertaken by Government of India, being the appointing authority. Further, there is a well laid down procedure for evaluation of Directors by the Administrative Ministry, Government of India.

Performance Evaluation

GAIL is a CPSE and appointment/nomination of all the Directors including Independent Directors is being done by the President of India, through the MoP&NG, Government of India. Therefore, performance evaluation of individual Directors including Independent Directors is to be undertaken by the Government of India being the appointing authority.

Corporate Social Responsibility

Your Company firmly believes that the commitment towards playing a defining role in the development of its stakeholders extends to uplifting the lives of the marginalised segments of the society, living in and around its areas of operation. The principles of Corporate Social Responsibility (CSR) are deeply imbibed in your Company's corporate culture. To amplify outreach efforts, your Company has incurred an expenditure of ₹125.30 crore (2.01% of the average net profit of the preceding three years) on CSR activities during FY 2019-20 which is more than the statutory mandated expenditure of 2% (₹124.79 crore) of average net profits of the preceding three years.

Annual Report on CSR activities as required under Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 read with section 134(3) and 135(2) of the Companies Act, 2013 is placed at **Annexure-F**.

Your Company's CSR Policy is also available on Company's website at https://gailonline.com/CSR_Policy.html

Energy Conservation, Technology Absorption and Foreign Exchange Earnings & Outgo

As per the requirement of section 134 (3)(m) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014, details of conservation of energy and technology absorption and foreign exchange earnings and outgo forms part of this report at **Annexure-G**.

Particulars of Contracts or Arrangements with Related parties

As per the requirement of section 134 (3) (h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014, particulars of contracts or arrangements with the related parties as referred in the section 188(1) of the Companies Act, 2013 in the prescribed form AOC-2 is placed at **Annexure-H**.

Your Company has formulated the policy on dealing with the Related Party Transactions and the same is hosted on your Company's website at http://gailonline.com/pdf/InvestorsZone/GAIL_Related_Party_Transaction_Policy.pdf

Particulars of Employees

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

Extract of Annual Return

Extract of Annual Return forms part of this Report at **Annexure-I**. The Extract of Annual Return for the Financial Year ended 31st March 2020 is also available on the Company's website at <https://gailonline.com/IZ-AnnualReports.html>

Dividend Distribution Policy

As per Regulation 43A of the SEBI (LODR) Regulations, 2015, your Company has formulated a Dividend Distribution Policy. The dividend pay-out is made in accordance with the Company's Dividend Distribution Policy.

The Dividend Distribution Policy of the Company is available on the Company's website at <http://gailonline.com/pdf/InvestorsZone/GAIL%20Dividend%20Distribution%20Policy.pdf>

Issue of Shares and Fixed Deposits

In Financial Year 2019-20, there was no buyback of shares. Your Company had issued a total of 2,25,50,70,933 equity bonus shares.

Your Company has not accepted any fixed deposits during the Financial Year 2019-20 and as such, no amount of principal or interest was outstanding as on the balance sheet date.

Fund Raising

During FY 2019-20, your Company has not raised funds through preferential allotment or qualified institutions placement.

Foreign Exchange Earnings and Outgo

During FY 2019-20, Foreign exchange earnings was ₹13,078 crore and foreign currency outgo was ₹ 26,485 crore.

Key Managerial Personnel and Directors

The following Key Managerial Personnel (KMP) / Directors were appointed/ceased/extension of tenure on the Board of your Company:

KMP

- Shri Manoj Jain, Director (Business Development) was appointed as Chairman & Managing Director w.e.f. 14.02.2020 in place of Dr. Ashutosh Kamatak, Director (Projects) who was holding additional charge of the post of Chairman & Managing Director during the period w.e.f. 01.08.2019 upto 13.02.2020.
- Shri E.S. Ranganathan was appointed as Director (Marketing) on the Board of the Company w.e.f. 01.07.2020.
- Shri B.C. Tripathi was Chairman and Managing Director upto 31.07.2019.
- Dr. Ashutosh Kamatak was Director (Projects) upto 21.05.2020.
- Shri Gajendra Singh was Director (Marketing) upto 30.06.2020.

Government Nominee Director

- The tenure of Shri Ashish Chatterjee, Government Nominee Director was extended for a period of 3 years w.e.f. 19.12.2019 or until further orders, whichever is earlier.
- Smt. Esha Srivastava was appointed as Government Nominee Director w.e.f. 24.03.2020 for a period of three years or until further orders, whichever is earlier.
- Smt. Indrani Kaushal was Government Nominee Director upto 27.05.2019.
- Shri Ashutosh Jindal was Government Nominee Director w.e.f. 27.05.2019 till 04.11.2019.

- Shri Rajiv Bansal was Government Nominee Director w.e.f. 08.01.2020 till 17.02.2020.

Independent Director

- Shri Sanjay Tandon was Independent Director upto 18.11.2019.
- Shri Anupam Kulshrestha was Independent Director upto 18.11.2019.
- Shri S.K. Srivastava was Independent Director upto 18.11.2019.
- Dr. Anup K. Pujari was Independent Director upto 30.01.2020.
- Shri Dinkar Prakash Srivastava was Independent Director upto 30.01.2020.

The Board placed on record its deep appreciation for the valuable services rendered by outgoing Directors during their association with your Company.

Code of Conduct

Pursuant to the requirements of SEBI (LODR) Regulations, 2015 and DPE Guidelines on Corporate Governance, the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the Financial Year ending 31st March, 2020.

Information Systems and Technology

Under the 'Digital Yatra 2.0' initiative - an umbrella programme towards the next level of digitalization, various developments in digital technologies were adopted by your Company. One such initiative was Digital Conduct of Board and Committee Meetings- 'G Board'. The Board of Directors adopted digital way to conduct Board and Committee meetings. It has been developed with the support of in-house BIS team of GAIL. Employees can use e-Note sheet application for taking approvals online wherever required. E-measurement Portal 'Anjani', was rolled out to automate and digitalize contractor payments. The E-Sales of Polymers was launched on 17th March, 2020. Launch of SUGAM Portal to facilitate paperless, smooth & faster processing in submission of medical claims and travel claims. Digitalization of medical claims under Post-Retirement Medical Scheme (PRMS) for superannuated employees. Automation in capitalization and buyback of employee assets under furnishing scheme and also started remote DD Printing facility.

In addition to delivering superior financial & physical performance in this Financial Year, your Company has also taken various initiatives to optimize processes and improve effectiveness of internal controls. Your Company has implemented centralized payment and centralized compliance system of TDS thereby reducing man hours and is also among the first PSU to successfully implement the first digital worker named 'GAIL Manu' in production system for review of Accounts under its Robotic process automation program.

GAIL's services during Lockdown and impact of COVID-19 on GAIL's business

Employees were given the facility to work from home and advised to strictly follow Government guidelines w.r.t COVID-19. During FY 2019-20, your Company and its employees have contributed around ₹ 54 crore to PM-CARES Fund at this hour of the national crisis. In addition, several CSR measures such as distribution of PPE kits, mask, food and ration, etc. to the needy across districts were arranged as a relief measure worth ₹ 4.74 crore.

Despite restrictions imposed on account of COVID-19 outbreak and nationwide lockdown, your Company managed uninterrupted and safe operations of pipeline systems and plants to ensure the availability of Natural Gas and LPG to the essential sectors in the country. The Petrochemical complex at Pata was under temporary shutdown from 03rd April, 2020 to 18th April, 2020 due to reduction of demand as well as transport restrictions in the Country. Further, during lockdown, Vendors, Contractors, etc. bills were paid smoothly through digital mode. It is worth mentioning that more than 40 lakh households, connected to GAIL and GAIL's CGD JV's were supplied uninterrupted Piped Natural Gas.

Aarogya Setu App (Mobile application developed by the Government of India to connect essential health services with the people of India to fight against COVID-19) was downloaded by all employees of GAIL. Further details on COVID-19 impact on GAIL's business and services of GAIL during lockdown are included in Management Discussion & Analysis Report.

Directors Responsibility Statement

Your Directors confirm that they have:

- i) followed applicable accounting standards, along with proper explanation relating to material departures, in the preparation of the annual accounts for the Financial Year ending March 31, 2020;

- ii) selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit of the Company for the year under review;
- iii) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) prepared the annual accounts for the Financial Year ending March 31, 2020 on a going concern basis;
- v) devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively; and
- vi) laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively.

Acknowledgment

Your Directors express their gratitude for help, guidance and support received from the Government of India, especially the Ministry of Petroleum and Natural Gas, various State Governments, Regulatory and Statutory Authorities.

Your Directors acknowledge wise counsel received from Statutory, Cost and Secretarial Auditors, guidance received from C&AG and are grateful for their consistent support and cooperation.

Your Directors also wish to thank all the shareowners, business partners and members of the GAIL family for reposing their faith, trust and confidence in your Company.

On behalf of your Directors, I would like to place on record our deep appreciation for the hard work, dedication, commitment and solidarity of your Company's employees.

Your Directors and employees look forward to the future with confidence and stand committed towards creating a mutually rewarding future for all stakeholders.

For and on behalf of the Board



Manoj Jain
Chairman & Managing Director
(DIN: 07556033)

Place: New Delhi
Dated: 14.08.2020