



**Gujarat State Petronet Limited**

————— The Energy Lifeline of Gujarat —————

## CHAIRMAN'S SPEECH



## **Dear Shareholders,**

I am glad to welcome you all to the 11th Annual General Meeting of Gujarat State Petronet Limited.

The Directors' Report and the Audited Accounts for the financial year 2008-09 are already with you and with your permission, I take them as read.

### **Performance**

In the emerging gas economy, your Company has continued to be a major player in gas transmission business. Your Company has successfully developed and now operates one of the largest natural gas transmission networks across the State of Gujarat. During the financial year, the Company has maintained an upward trend in all performance parameters.

It gives me immense pleasure to share with you the financial performance of the Company for the year 2008-09. Your Company has shown consistent growth by registering 14% increase in its turnover and 24% increase in its Profit After Tax as compared to the previous year inspite of the economic downturn. Despite having large financial commitments towards capital expenditure, the Board of Directors of the Company has recommended a dividend @ Re. 0.75 (i.e. 7.5%) for the shareholders.

### **Projects under Execution and Future Expansion Plan**

The pipeline network of the Company is connected to all major supply sources located in the State of Gujarat. The Company is efficiently managing the network to service various demand centers by providing connectivity to gas from multiple supply sources. The Company has ensured 100% pipeline grid availability during the year. During the year, the Company has, on an average, transported 14.91 MMSCM of gas per day as compared to 16.83 MMSCM per day in previous year. The current span of the Grid under operation is approximately 1420 kms and gas is flowing from Hazira / Dahej / Vapi to various industries and City Gas Distribution networks located in various major cities of Gujarat. You will be glad to note that your Company is currently transporting more than 35 MMSCMD gas.

The Company is developing various pipelines i.e. Gana-Hadala Pipeline Project (30" x 85 km), Darod – Jafrabad Pipeline Project (24" x 220 kms), Morbi – Anjar Pipeline Project (18" x 130 km), and spur lines in various areas to enhance its reach to newer markets and further strengthen the market position of the Company.

Further, I am glad to inform you that the Company is all set to expand beyond the State of Gujarat after filing of Expression of Interest (EOI) for development of cross country gas transmission pipeline network from Mallavaram – Bhilwara (approx. 1600 Kms), Mehsana – Bhatinda (approx. 1670 Kms) & Bhatinda to Jammu & Srinagar (approx. 740 km) and Surat to Paradeep (approx. 1600 Km). Many of these projects have already been offered for bidding by PNGRB during the current year.

I am confident that your Company will continue to show consistent growth on its way to become a leading gas transmission Company in the country as it has always emphasized on quality and timelines while execution of its gas pipeline projects.

The Company has consistently focused on Health, Safety and Environment (HS&E) and has ensured an accident free year of operations.

### **Natural Gas Industry**

Natural gas remains a key energy source over and above other conventional energy sources for industrial sector uses and electricity generation due to its inherent environmentally benign nature, greater efficiency and cost effectiveness. Further, expansion of existing projects, setting up of new

industries and development of CGD networks in Gujarat will increase demand for gas. The expansion of the gas grid into new markets has resulted in substantial increase in the demand for gas. The demand for natural gas is a huge impetus for world natural gas transmission Company.

Some of the major developments in the natural gas sector in India are as follows,

- Notification of regulations relating to Natural Gas Pipelines and CGD Network under the PNGRB Act.
- Expansion of capacity of LNG Terminals by Petronet LNG and Hazira LNG.
- Commencement of work for setting up LNG Terminal in Kochi.
- Proposed Completion of LNG Terminal in Dabhol.
- Commencement of production of natural gas from Reliance Industries Ltd's (RIL) Krishna Godavari (KG) fields.
- Two-rounds of bidding for award of City Gas Distribution (CGD) franchisee in 14 cities.
- Commencement of bid process for cross country natural gas transmission pipelines.

### **GSPC Group**

Your Company belongs to the GSPC Group, which is present throughout the energy value chain. It is a matter of pride for me to share with you some of the achievements of GSPC, the flagship Company of GSPC Group and other Companies in the Group.

- The field development plan of GSPC for KG Basin has been approved by the Director General of Hydrocarbon approving initial Commercial production of more than 2 Trillion Cubic Feet Natural Gas from the Pandit Deendayal Block. Further, GSPC has also acquired various blocks outside India including Egypt, Yemen and Indonesia.
- GSPC Gas, the retail arm of GSPC had aggressively expanded into the city gas distribution areas for supply of Piped Natural Gas (PNG) as well as Compressed Natural Gas (CNG) facilitated by your Company's transmission infrastructure. With the commissioning of the CNG Station at Gandhinagar, GSPC Gas now operates 57 CNG stations in different parts of Gujarat. GSPC gas has prepared a master plan to connect 184 more towns in the State of Gujarat.
- GSPC LNG Limited is in advance stage of commencing the setting up the LNG Terminal in the State of Gujarat. Recently GSPC received its first LNG cargo at Dahej Port . The Company will be benefited by transmission of additional volumes of gas available on account of increase in supply of natural gas in the State and expansion of distribution networks.
- Sabarmati Gas Limited has marched ahead towards coverage of most of the areas of Sabarkantha, Mehasana and Gandhinagar districts. Sabarmati Gas limited has also achieved equity investments by financial investors like IDFC, UTI and IFCI.
- GIPL caters to the escalating demand for Internet-based services for highly efficient operations in the industry by providing Internet Bandwidth, various IT related Services, IT Project Consultancy as a Total Solutions Provider / Nodal Agency to prestigious Corporates, Educational Institutions and Government Departments etc.

Your Company has benefited significantly from the integrated approach followed by GSPC group in the natural gas values chain; marketing of gas / import of LNG Cargos by GSPC has helped it in transportation of higher quantities of gas and rapidly expanding CGD business of GSPC Gas / SGL provides secure long term growing business opportunity for transportation of gas.

Your Company has enhanced its strategic investment in GSPC Gas Company Ltd, Sabarmati Gas Limited, GSPC LNG Limited which are playing core role in developing energy value chain in the State of Gujarat.

## **Regulatory Framework**

Regulatory Board set up under The Petroleum and Natural Gas Regulatory Board Act, 2006 (the Act), has started functioning and further Rules & Regulations for transmission business have been notified by the Board. The Act inter-alia provides for common carrier principle and open access for Natural Gas Pipelines. The Act has also put in place a broad framework for accessing pipelines by various players. The unique business model of "Pure Transmission Services and Open Access" adopted by the Company are in line with the spirit of new regulatory regime.

The Board has granted authorization to several pipeline operators including CGDs and is in the process of granting authorization to your Company.

## **Opportunities and Challenges**

Availability of the natural gas in required quantity at competitive price, lower operational cost of transportation per unit of gas, feasibility to transport higher capacities will play major role in expansion and growth of Natural Gas Transmission Industry.

Your Company believes that additional supply of volumes available in the market due to commencement of production of natural gas from Reliance Industries Ltd's (RIL) Krishna Godavari (KG) fields from April 2009, potential development of discoveries announced by GSPC and ONGC, development of a new LNG Terminal in the State of Gujarat by the GSPC Group and development activities carried out for setting up cross country transmission pipelines / City Gas Distribution (CGD) networks in and across various States in India will boost the transportation volumes for GSPL.

Your Company is well poised to take full advantage of the new opportunities arising in the gas industry.

## **Acknowledgment**

I would like to appreciate the valuable guidance and contribution of my colleagues on the Board of the Company. I would like to place on record my sincere thanks to the employees of the Company for their valuable services rendered under the guidance of Managing Director of the Company, without whose contribution the excellent performance of the Company would not have been possible.

I am grateful to the Government of Gujarat for their guidance, encouragement and moral support, which enabled the Company to expand the pipeline network in a professional manner.

I would also like to thank our bankers and customers for their continuous co-operation.

At last, I take this opportunity to convey my sincere thanks to all the shareholders for their confidence and trust in the Company. I am sure that you will be happy to be a part of our exciting journey of growth and excellence and to share the benefits thereof.

Thank you All.

Date : 3rd December, 2009  
Place : Gandhinagar

**D Rajagopalan, IAS**  
Chairman



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