

GUJARAT STATE PETROLEUM CORPORATION LIMITED
34th ANNUAL REPORT
2012-13

Board of Directors

Dr. Varesh Sinha, IAS
Dr. Hasmukh Adhia, IAS (w.e.f 21st March, 2013)
Shri D J Pandian, IAS
Shri M. M. Srivastava, IAS (Retd.)
Shri K. Kailashnathan, IAS (Retd.)
Shri Y. B. Sinha
Dr. N. Ravichandran
Dr. T. Harinarayana
Shri Tapan Ray, IAS

Chairman

Managing Director

Shri A. K. Joti, IAS (Retd.) upto 1st March, 2013
Shri Urjit Patel upto 17th January, 2013
Shri Suresh Mathur upto 12th July, 2012

Executives

Shri N. K. Mitra, Chief Operating Officer
Shri Samir Biswal, Director (Exploration)
Shri Padam Singh, Director (Operations)
Shri Manish Verma, ED (F& A)
Shri Alok Chaudhuri, SEVP(E&C),
Shri Rakesh Johari, President (FS)
Shri M Y Farooqui, GM (Overseas Operation)
Shri R N Pandey, GM (R&D)
Shri Jayesh Dave, GM (Accounts)
Shri Vinay Kumar ED (HR)

Statutory Auditors

Talati & Talati,
Chartered Accountants.
Ahmedabad

Internal Auditors

KPMG

RT&A

Karvy Computershare Pvt.Ltd.

Company Secretary

Shri Sandeep Dave, DGM (S&L)

Bankers

State Bank of India
Bank of Baroda
IDBI Bank
Bank of India
Corporation Bank
Bank of Maharashtra
Oriental Bank of Commerce
Indian Bank
Allahabad Bank
Canara bank
Dena Bank
Indian Overseas Bank

Punjab and Sind Bank
Union Bank of India
Vijaya Bank
EXIM Bank
Syndicate Bank
UCO Bank
State Bank of Mysore
HDFC Bank
Yes Bank
ICICI Bank
IndusInd Bank
Axis Bank

Corporate & Registered Office

GSPC Bhavan, Sector-11,
Gandhinagar-382010.

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the 34th Annual Report along with the Audited Statement of Accounts for the financial year ended 31st March 2013.

FINANCIAL PERFORMANCE

The financial performance of the Company for the financial year ended March 31, 2013 is summarized below:

(Rs. In crore)

Particulars	2012-13	2011-12
Revenue from Operations (Net)	10,250.15	8,489.72
Other Income	53.64	45.08
Total Revenue	10,303.79	8,534.80
Purchases of Stock in Trade	8,052.58	6,735.60
Changes in inventories of Finished Goods, Stock in process and Stock in Trade	224.40	(77.18)
Employee Benefits Expense	12.77	8.42
Finance Cost	93.37	62.97
Depreciation, Amortization, Depletion and Impairment	118.18	109.79
Other Expenses	503.75	414.30
Exploration cost written off	51.60	339.35
Total Expenses	9,056.65	7,593.25
Profit Before Tax and Adjustments	1,247.74	941.71
Prior period Adjustments	0.60	0.16
Profit Before Tax	1,247.14	941.55
Tax Expenses	400.57	333.81
Profit for the Period	846.57	607.74

The global economy during the financial year 2012-13 has experienced a slow down on account of deteriorating financial conditions and sluggish growth prospects.

Despite of these constrains, your Company has been able to excel on all performance parameters. Highlights of financial performance of the Company for the current financial year are summarized below:

- Total Income increased from Rs. 8534.80 crore in previous year to Rs.10303.79 crore recording increase of 20.73 %.
- PBT increased from Rs. 941.55 crore in previous year to Rs. 1247.14 crore, recording an increase of 32.46%.
- PAT increased from Rs.607.74 crore in previous year to Rs. 846.57 crore, recording an increase of 39.30 %.

FINANCING

➤ Equity

During the financial year, paid up share capital of the Company has increased from Rs. 229.61 Crore to Rs.235.78 Crore on account of infusion of additional equity by the Government of Gujarat.

➤ Debt

Particulars of issue	Amount (Rs. Crores)
Unsecured 9.39% NCDs with 8 years maturity	1000
Unsecured 9.45% NCDs with 10 years maturity	1000
Unsecured 10.45% NCDs with 60 years maturity	1000
Unsecured 9.03% NCDs with 15 years maturity	2000
Unsecured 9.80% NCDs with 60 years maturity	1000
Total	6000

The aforesaid series of NCD are listed on National Stock Exchange.

The CARE has issued AA+ rating to Unsecured NCDs with 8 year, 10 year and 15 year maturity and AA rating to unsecured NCDs with 60 years of maturity.

DIVIDEND

Your Directors are pleased to recommend dividend @ 50% for the Financial Year ending on 31st March, 2013. Total outgo on account of dividend payment (including dividend tax) would be Rs.134.35 crore.

BUSINESS:

The Company along with its subsidiaries and associates has evolved strategically as an “**Integrated Energy Company**” with significant presence across the entire energy value chain spanning wide range of oil & gas activities comprising oil and gas exploration, development and production, gas trading, gas transmission, gas distribution and power generation. The Company has played a proactive role in the development of entire gas value chain in the State of Gujarat through its initiative of participation in the midstream and downstream segments as well as gas based power generation and initiating activities for setting up of LNG Terminal.

Segment wise performance highlights are summarized below:

I. Upstream Business Activities

The Company has grown from operatorship of small onland fields in Gujarat to a large oil and gas exploration entity across India and overseas. The Company has significant growth potential with a diversified portfolio of onland / offshore blocks, both within India and

overseas, along with combination of matured blocks and blocks under development and exploration.

Technology plays an important role in E&P sector. The Company has inducted best in class technology in all spheres of its exploration, development and production activities. In addition, your Company has also entered into strategic service agreements with reputed service providers like Schlumberger, Halliburton, Baker Hughes, M I Overseas, B J Services, Weatherford, ITS, Aban Offshore, Nabors, Precision Drilling, Fugro, Blade energy, EIL, L&T, Punj Loyd etc. to have cutting edge in E&P operations.

The major achievements are summarized below:

1.1 KG Block

The KG-OSN-2001/3 offshore block was awarded to GSPC under a production sharing contract with Government of India in February, 2003. The Company since then drilled total of 18 exploratory/appraisal wells, some of these wells were drilled to 6000m depth, which are among the deepest HPHT wells globally.

The Company has carried out detailed G&G studies and deployed internationally renowned technical consultants i.e. Schlumberger, Fugro Robertson and Blade Energy. These technical studies have helped in developing better understanding about the geological system and development philosophy.

The overall strategy for development of KG Offshore block is one involving an integrated development of Deen Dayal Area. The basis of development

is to initiate the development of Deen Dayal field by building production facility in the DDW area which is currently being undertaken through several projects outlined below. The second phase would involve integrated Declaration of Commerciality (DOC) and development of other discovery areas, among them are DDE, DDN, DDW-DT and DD NE. The integrated DOC was submitted to DGH/MOPNG in February 2013 and the same is currently under consideration by DGH/MOPNG. After approval of DOC, the development plan is envisaged to be submitted.

It is envisaged that an integrated field development strategy allows for a phased development and early monetization of the reserve in the Deen Dayal Field. DDW area is accordingly being developed as the first phase of development along with development of additional mining lease area of 20.5 sq.km granted by GoI in January 2012, an area associated with extension of DDW area.

The Company is fully geared up and committed to proceed ahead with the successful implementation of the Deen Dayal West Field Development Project which is the first of its kind offshore HPHT (High Pressure High Temperature) field development in India. Thousands of workers, technicians and engineers are working round the clock amidst tough conditions to ensure completion. Notwithstanding multiple challenges (including agitation by fishermen / local people, delay in statutory clearances, etc), significant progress in

project implementation has been achieved.

The Deendayal field development plan consists of four major segments- Well Head Platform (WHP), an offshore Process-cum-Living Quarter Platform (PLQP), Sub-sea Pipeline and Onshore Gas Terminal (OGT).

DDWFDP – Aerial view of WHP & PLQP



A. Well Head Platform

The Offshore Wellhead Platform Project was awarded to L&T (M/s Larsen & Toubro Ltd. Ready for Drilling (RFD) status of at Wellhead Platform has been achieved.

B. Process Cum Living Quarter Platform (PLQP)

The Process cum Living Quarter Platform project was awarded to L&T (M/s Larsen & Toubro Ltd). Process Cum Living Quarter Platform has been installed successfully.

C. Submarine Pipeline

The Submarine Pipeline Project was awarded to Punj Lloyd Ltd). The

pipeline Project is going on in full swing

DDW FDP – Pipeline laying by pipe lay barge



D. Onshore Gas Terminal

The Company has awarded the Contract for development of Onshore Gas Terminal to EIL. The cumulative actual physical progress for OGT project is 94%

DDWFDP – Aerial view of OGT



E. Installation of Platform Rig :

The Company has successfully completed installation of 3000 HP Platform rig capable of drilling up to 7000 mtrs. As compared to the conventional Cantilever Jack Up rig this type of Rig is a highly economic solution. The Company has started development drilling operations in DDW field.

1.2 Other E&P block

➤ Overseas Blocks

• Egypt

In exploration Block 6 (North Hap'y), acquisition, processing and interpretation of 3D seismic data led to firming up of Six locations for which a semi-submersible floater rig, namely, Noble Paul Romano was mobilized for undertaking the deepwater drilling campaign in the North Hap'y block. Drilling of exploratory wells during the first exploration phase has been completed and based on the drilling results a concept study to analyse the hydrocarbon potential of the Block is in progress.

In exploration block 8 (South Diyur), located onshore in the western desert, the Company has completed acquisition, processing and interpretation (API) of 2D seismic data and drilling operations are going on.

• Yemen

The Consortium of Alkor Petroo Limited ("Alkor"), Western Drilling Contractors Private

Limited, and the Company (as operator) has terminated PSAs for three blocks (19, 28 & 57) in Yemen in view of force-majure conditions prevailing in that Country.

- **Indonesia**

In Indonesian block of South East Tunkal the first phase of exploration involving activity of 2D seismic data acquisition and processing is in progress.

- **Australia**

In Australia, a scouting for deep water drilling rig is being initiated by the operator and is likely to be finalised shortly.

➤ **Domestic Block**

- **Operated Blocks**

- Subsequent to drilling of two new wells & stimulation in one well, Oil production has been increased by order of 300-350 BOPB – the field is currently producing close to 850-900 BOPD from 6 wells. The field is now taken up for studies on secondary oil recovery to arrest decline of reservoir pressure and to maximize the incremental recovery of oil. As a fulfillment of extended exploration campaign, the Company along with partner GAIL has signed in June, 2012 Ring-fence PSC for a part of Ahmedabad Block with Government of India. Under this contract, the Company will now be able to carry out

appraisal/development of GSAH-5 oil discovery.

- Tarapur Block is currently producing about 80-90 BOPD along with about 15000-18000 cubic meter of gas per day. The Company has commissioned Tarapur-G gas field and has also embarked on various plans for improved oil recovery, which includes installation of artificial lift and drilling of horizontal well with multi-stage hydraulic fracturing.
- Field Development Plan (FDP) for Cambay reservoir of Sanand East Field has been approved and a development well is being drilled.
- During the year, the Company has progressively matured various plans as a part of implementation of field development strategies for enhancement of onshore hydrocarbon production. Field development plans, for Miroli Oil discovery and Anleswar-21 oil discovery, have already been approved by Management Committee and Sanand East Oil discovery are presently lined up for Management Committee approval ahead of commencement of commercial production.
- Oilex, the Operator of Cambay Field wherein Company holds 55% participating interest has embarked on drilling of an offset well to test tight hydrocarbon potential. Being part of tight hydrocarbon development, the field has been

independently certified by international reserves auditor to hold best case contingent resources of 493 billion cubic feet of natural gas and 84 million barrels of oil and condensate.

Sub surface geo-scientific work on development/redevelopment for oil discoveries at Tarapur-1 and Tarapur-6 was submitted and at PK-1 currently finalized for submission to their respective Joint Ventures. Similarly, work on field development plan was initiated for five marginal oil discoveries of Sanand area of Sanand-Miroli block. One Appraisal well in Ahmedabad Extension area was drilled and found oil bearing in Kalol reservoir.

• **Non Operated Blocks - Domestic**

In domestic non-operated blocks portfolio, some discoveries have been made by the company's partner ONGC, pursuant to drilling campaign carried out. In block CB-ONN-2004/3, the discovery well located near Dabka, was gas bearing and tested to flow at the rate of 33,000 SCMD. In block CB-ONN-2004/2, oil well Vadtal-5, two zones were tested and confirmed presence of hydrocarbons. The discovery is being evaluated for potential commercial interest. In block MB-OSN-2005/1, during drilling of first well in the Mahuwa formation, encouraging results were obtained. The testing of the formation will be conducted after

completing the current drilling activity upto the planned depth.

II. Midstream Business Activities:

2.1 Gas Trading

Your Company in its role as a 'Gas Demand Aggregator' for customers across Gujarat continued to procure gas from international markets, independently as well as through other suppliers, to meet the demand for gas. Your Company, one of India's leading gas marketing companies, marketed ≈ 10 MMSCMD in the FY 2012-13 to cater to demand from various segments, including the critical demand from City Gas Distribution (CGD) companies across the State. It has always been your Company's endeavour to market gas at affordable prices to meet the demand of its customers.

The major achievements in Gas trading business for the current financial year 2012-13 are summarized below:

- The Company has imported 10 LNG cargoes (6 at Dahej and 4 at Hazira) from global markets including Egypt and Qatar.
- In December 2012, the Company reserved 1.25 MMTPA regassification capacity in PLL's Dahej Terminal
- In March 2013, the Company has signed a long term SPA with BGIES for supply of up to 2.5 MMTPA for a period of 20 years beginning 2016-17. The signing of Long Term Agreement with BG India, will help the Company to meet the gas requirement of the consumers of gas in Gujarat through its downstream CGD Companies and thereby position

itself as an “Integrated Energy Company”.

The Company’s persistent efforts of sourcing gas at competitive prices has ensured security of gas supply and also led to effective capacity utilisation of the midstream and downstream infrastructure of GSPC group.

- The Company also commenced marketing of gas outside Gujarat to other States like Maharashtra, Goa, Karnataka.
- The Company has also entered into Master LNG sales & purchase contracts with leading global companies for its short/ medium term requirements.

2.2 Gas Transmission

In the midstream section of the integrated value chain, GSPL the listed subsidiary of the Company has emerged as the leading player in the State of Gujarat which provides connectivity to major demand centers and supply sources in the State of Gujarat. GSPL owns and operates more than 2163 kms kilometers of gas pipelines. GSPL has transported 9966.06 mmscm of gas during the financial year 2012 – 13 as compared to 12430 mmscm during the previous financial year.

GSPL has effective firm GTAs of 30.94 mmscmd for transmission of gas to various customers and interruptible / short - medium term GTAs for 11.32 mmscmd (Previous year: firm GTAs of 29.70 mmscmd and interruptible GTAs of 6.58 mmscmd).

Highlights of financial performance of GSPL for the financial year under review are summarized below:

- Total Income increased from Rs. 1174.63 crore in previous year to Rs. 1239.25crore recording increase of 6%.
- PBDITA increased from Rs. 1084.57 crore in previous year to Rs. 1138.02 crore, recording an increase of 5%.

GSPL, the pipeline and gas transmission company of the GSPC group has not only emerged as India’s premier pipeline and gas transmission Company but also earned a name for itself for its highly enviable safety track record. British safety council has awarded it prestigious Five Star Certification to GSPL’s O&M division.

The petroleum & Natural Gas Regulatory Board awarded the three major cross-country gas pipeline projects to GSPL consortium. GSPL has a majority stake of 52% along with IOCL (26%), BPCL (11%) and HPCL (11%).

Accordingly GSPL has incorporated following subsidiaries to carry out the aforesaid projects:

- **GSPL India Transco Limited (GITL)**

Project	Kms. (approx.)
Mallavaram- Bhopal - Bhilwara - Vijaipur Pipeline Project (MBBVPL)	1746

The pipeline will traverse through the State of Andhra Pradesh, Maharashtra, Rajasthan and Madhya Pradesh.

- **GSPL India Gasnet Limited (GIGL)**

Project	Kms. (approx.)
Mehsana-Bhatinda Pipeline Project (MBPL)	1670
Bhatinda- Jammu-Srinagar Project (BJSPL)	740

The pipeline will traverse through the State of Gujarat, Rajasthan, Punjab, Haryana and Jammu-Kashmir.

GSPL along with its consortium partners have achieved financial closure for the said three pipeline projects.

Basic engineering activities have been completed and ROU acquisition is in advanced stage for MBPL and MBBVPL. Further, Environmental Clearance has been received for all three projects from MoEF.

2.3 LNG terminal

The Company has incorporated GSPC LNG Limited for developing LNG Receiving, Storage and Regasification Terminal in the State of Gujarat with an initial capacity of 5 MMTPA to ensure energy security. The LNG terminal is designed to have two LNG storage tanks. FEED has been completed. GSPC LNG has initiated process for award of the EPC contract for Tank and Regas facilities through

International Competitive Bidding route.

III. Downstream Business activities

3.1 City Gas Distribution

In the downstream section of integrated value chain, the group Companies have scaled following milestones

➤ **GSPC Gas**

GSPC Gas has customer base of 4,20,023 domestic customers, 1793 industrial customers and 1643 commercial establishments as well as 152 CNG stations in various areas in the State of Gujarat. GSPC Gas has achieved remarkable sale of 4.33 MMSCMD of gas, which make it India's largest City Gas Distribution Company in terms of volume of gas sales.

➤ **Gujarat Distribution Network Limited (GDNL)**

GDNL was formed as a subsidiary of GSPC Gas to acquire 65.12% stake of BG in GGCL.

GDNL took over the majority stake of BG in Gujarat Gas. GSPC Group, intends to achieve accelerated growth and spread its reach to a wider customer base by complementing the strengths of GSPC Gas and Gujarat Gas.

The acquisition of BG stake in GGCL is a strategic move that would benefit the entire GSPC group in terms of synergies of an integrated business model.

➤ **Sabarmati Gas Limited (SGL)**

SGL has customer base of 71,163 domestic customers, 228 industrial customers and 383 commercial establishment as well as 30 CNG stations in three Districts of North Gujarat. The average daily gas sale from all the segments is approx 0.774752 MMSCMD.

CGD business is growing very rapidly and CGD companies of GSPC Group are expected to grow by leaps and bounds in the years to come.

IV. Power Generation:

4.1 Gas based Power Generation :

The existing and new power projects scheduled to commission in the financial year 2012-13 will increase the gas based power generation capacity to approx 1200 MW.

➤ Gujarat State Energy Generation Ltd. (GSEG)

Gujarat State Energy Generation Ltd. (GSEG), the associate of the Company, has successfully commissioned its 351.43 MW combined cycle power plant at Hazira . With the commissioning of the expanded capacity of 351.43MW, the total capacity of the Hazira CCPP (Combine Cycle Power Plant) has gone up from 156.1 MW to 507.53 MW.

➤ GSPC Pipavav Power Company Limited (GPPC)

GSPC Pipavav Power Company Limited (GPPC), a subsidiary of the Company, is scheduled to commission 702 MW combined cycle power plant at Pipavav.

GPPC has successfully completed continuous trial run test (CRT) and has made announcement of successful commercial operation of the Unit-2 (351 M.W).

The commissioning activities with respect to Unit-1 (351 MW) is also going on in full swing and is expected to be commissioned in the financial year 2013-14.

4.2 Alternate sources of Power Generation :

Your Company being committed to promote clean and green energy has also set up alternate sources of power generation as follows:

The Company had set up a 71.4 MW wind farm in Gujarat. GSPL had set up a 52.5 MW wind farm in Gujarat. The total wind power generation capacity of 123.9 MW for GSPC Group.

V Other Operations.

5.1 IT Infrastructure

The Company has promoted GIPL (Guj Info Petro Limited) for providing IT related services. GIPL currently holds a category "A" internet service provider license from the Department of Telecom, Government of India for operations across India. GIPL has been appointed as total solution provider (TSP) for various government organisations. GIPL is also involved in e-mail solution provider, website development, hosting results of HSC, SSC and GUJCET results of GS&HSEB, facilitating e-tendering as well as software development.

GIPL has been awarded the prestigious 7th NTA ICT World Communication award for "Excellence in Innovative Telecom Services".

5.2 Gujarat Energy Research and Management Institute (GERMI)

GERMI is promoted by GSPC with a vision to establish it as a leading one stop institution for the entire gamut of educational, training and research requirements of the energy sector. This institute develops the talent pool for the oil and gas sector, conduct research and training in petroleum sector, assists in devising techno-economically feasible solutions for various problems encountered in exploration, drilling, and production and transportation operations. GERMI has also established a centre of excellence in Energy with focus on oil and gas, solar and environmental research.

GERMI is DSIR (Department of Scientific and Industrial research) approved research institute engaged in the field of advance level research in petroleum, solar and nuclear energy, climate change and also offers training and consultancy services to the industry.

MANAGEMENT DISCUSSION & ANALYSIS:

Management Discussion & Analysis Report for the year under review is presented separately as **Annexure – I**.

INTERNAL CONTROL SYSTEM

The Company has put in place well established and efficient internal control systems and processes commensurate with its size and scale of operations. The

Company has appointed M/s KPMG to carry out the work of Internal Audit so as to ensure adherence to policies and mitigation of the operational risks. The key findings of Internal Auditor are being reviewed by the Audit Committee from time to time and appropriate action plans are prepared so as to implement the recommendations/observations of the Internal Auditor.

The Company uses SAP system for integration of various business processes across the organization.

QUALITY, HEALTH, SAFETY AND ENVIRONMENT POLICY

At GSPC, Quality, Health, Safety & Environment (QHSE) Policy, is of paramount importance. The Company is committed to achieve high level of QHSE performance as an integral part of company's business performance for sustainable development, safe workplaces and enrichment of quality of life of the employees, customers and community at large.

To ensure that the QHSE management system is functioning satisfactorily, the Company has adopted the best auditing mechanisms and the recommendations of such audits are consistently implemented. The Company has taken many initiatives to achieve continuous improvement in QHSE activities which includes formal safety management systems, comprehensive incident and 'near-miss' reporting and investigation system, establishing Emergency Response System and Oil Spill Response Plan, Safety and Environmental audits and Systematic HSE Training for employees. These facilities are periodically reviewed, audited and upgraded for continuous excellence.

To create safety awareness amongst

employees, the Company organizes various training programs from time to time. Apart from the above the Company takes active part in spreading the awareness amongst customers, citizens and authorities at large in the area of hazards and risks associated in natural gas handling, importance of the clean and environment friendly fuel and the safety measures required.

Corporate Social Responsibility

The Company undertakes the corporate social responsibility as a genuine expression of goodwill and gratitude towards society. The Company being a state sector entity is fully recognizing its social responsibilities and is keen to make significant contributions towards development of social infrastructure, economic, environmental and social upliftment of communities in and around the work centers in the major thrust areas such as community development, infrastructure, literacy enhancement, education aids and healthcare. The Company is committed towards its corporate social responsibility in the areas of its operation. The Company has contributed from time to time for the benefit of local communities.

In the spirit of enhancing “Educational Awareness” among children especially girl child in the rural areas of Gujarat, your company whole heartedly participated in the Kanya Kelvani Mahotsav. The Company has also adopted a school for promoting educational activities in rural areas.

The cultural programs, social awareness campaigns and volunteer activities are just the right opportunities for GSPC to act and reinforce its commitment towards the society. GSPC prides itself in being always there for the society and desires to

be closely intertwined with the society in the future as well.

GSPC has tried to make difference in the lives of the senior citizens by supporting the Old Age homes. As a socially responsible organization, blood donation camps are organized at regular intervals. Besides, GSPC assumes leading role in promoting awareness about various social issues affecting the society today like education, women empowerment, preserving scarce natural resources, etc.

The company has always emphasized on the objective of promoting fuel efficiency and conservation aspect of natural resources in line with national wide oil and gas Conservation campaign.

HR Initiatives:

The Company takes pride in the commitment, competence and dedication shown by its employees in all areas of business. GSPC Human Resources remain its biggest strength as the Company sets out to meet the challenges in the days ahead.

The Board has approved HR initiatives which are summarized below :

- As the business grows in size and complexity, the requirements in terms of skills, expertise and experience would increase significantly. The Company continues to focus on initiatives which will contribute towards enhancing the capabilities of the next generation of leaders and promote the development of a high performance culture.
- The Company has worked out the manpower requirement for the next three years as per the business

needs in various functional areas at various geographical locations in India and abroad. Similarly, keeping in view the business plan, it has put in place an Organizational Structure as per the functional & operational needs of the Company.

- The Company believes that training and personnel development is of vital importance to create a climate where people maximize their technical skills and inner potential which can help the Company in capitalizing the emerging business opportunities through their involvement. During the year, employees were sent for various training programs and seminars in line with the Annual Training Calendar.
- A new HR policy has been put in place to facilitate the HR objectives and company's business needs.

FIXED DEPOSITS

During the year, the Company has not accepted any Fixed Deposits from the public.

DIRECTORS

During the financial year under review Shri Suresh Mathur and Shri Urjit Patel have ceased to be the Directors of the Company and Shri A. K. Joti, IAS (Retd.) has ceased to be the Chairman of the Company. Your Directors wish to place on record appreciation of services rendered by Shri Urjit Patel and Shri Suresh Mathur as Directors and Shri A. K. Joti, IAS (Retd.) as Chairman of the Company.

Since the last Directors Report, Dr. Varesh Sinha, IAS has been nominated as Chairman of the Company. Further Dr. Hasmukh Adhia, IAS and Shri M. M. Srivastava, IAS (Retd.) have been appointed as additional Directors on the Board of the Company. It is proposed to appoint Dr. Hasmukh Adhia, IAS and Shri M. M. Srivastava, IAS (Retd.) as regular Directors and Dr. Varesh Sinha, IAS as regular Director and Chairman of the Company.

AUDITORS

Your Company being a Government Company, the Statutory Auditors are appointed by the Comptroller & Auditor General of India. Accordingly, M/s Talati & Talati Chartered Accountants, Ahmedabad were appointed as Statutory Auditors of the Company for the financial year 2012-13. The Accounts will be submitted to the CAG office after approval of the Board of Directors of the Company.

AUDIT COMMITTEE

The Company has constituted Audit Committee in compliance with the provisions of Section 292A of the Companies Act, 1956. The Audit Committee consists of following Directors:

Audit Committee of Directors	
Shri Y. B. Sinha	Chairman
Dr. Hasmukh Adhia, IAS	Member
Shri N. Ravichandran	Member
Shri T. Harinarayana	Member

Audit Committee has approved and recommended the Annual Accounts for the year ended on 31st March, 2013 for approval of the Board at its meeting held on 12th August, 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors hereby confirm that,

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures
- (ii) accounting policies are selected and applied consistently and judgments and estimates are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of profit of the company for that period
- (iii) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities is taken
- (iv) the annual accounts are prepared on a going concern basis.

COST ACCOUNTING RECORDS

The company has maintained cost records as required by Cost Accounting Records (Petroleum Industry) Rules, 2011.

The Company has filed the Cost Audit Report for the financial year 2011-12. The Cost Audit for the financial year 2012-13 is in process and the Cost Audit Report shall be filed before due date.

The Board of Director has appointed M/s N. D. Birla as Cost auditor for the financial year 2012-13.

PARTICULARS OF EMPLOYEES

As per Notification issued by the Ministry of Corporate Affairs, the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable to government companies. As your Company is a Government Company, the information has not been included as a part of the Directors' Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Conservation of Energy

Your Company is in the business of exploration of oil and gas wherein consumption of energy is not significant. However, the Company is still taking all steps for efficient consumption of energy.

Technology Absorption

The Company has not imported any technology. However, based on the technology used by the Contractors and Joint Venture partners, the Company is continuously upgrading its skills.

Foreign Exchange Earnings and Outgo

Foreign Exchange	Rs. In crores
Earnings	-
Outgo	474.12

ACKNOWLEDGEMENTS

The lead in hydrocarbon sector that GSPC has attained so far is indeed the end result of persistent hard work of its employees coupled with unstinted support from the Government of Gujarat.

The Directors convey their sincere appreciation for the valuable services rendered by employees at all levels, without whose contributions the excellent performance and growth of the Company would not have been possible.

The Directors are extremely grateful for all the support given by the Government of Gujarat at all levels. Their guidance, encouragement and moral support enabled GSPC to carry out this high risk business of exploration in a bold and professional manner.

The Directors place on record their sincere thanks to the Ministry of Petroleum & Natural Gas, Directorate General of Hydrocarbon, PNGRB Government of Gujarat, Natural Gas Suppliers, Customers, Joint Venture partners, Lenders, and investors for their continuous support and guidance.

For and on behalf of the Board of Directors



Dr. Varesh Sinha, IAS
Chairman

Date: 12/08/2013
Place: Gandhinagar

Annexure – I

Management Discussion & Analysis

The year 2012-13 has been a year of economic adversities affecting many nations, including India. Markets globally were affected by unrest in Middle East amidst other economic factors. As in the previous year, Indian gas markets were also embroiled in uncertainties. Apart from reduced availability of domestic gas and prevailing regulatory regime, the problems were magnified owing to no new gas finds being commercialized.

In spite of falling domestic gas production primarily from RIL's D6 fields, India did not record any significant increase in its LNG imports in FY'13 owing to lower demand in the domestic market, as well as due to volatility in LNG prices in the global markets. Some of the significant factors that contributed to the increase in LNG prices were (a) strong global demand including demand from Asian markets like Japan & Korea, which have an appetite for high priced LNG along with (b) delay / declined production from Angola, Indonesia & Egypt coupled with unplanned outages at major liquefactions facilities including in Nigeria, Tangguh, & Yemen. (in addition to planned maintenance activities at liquefaction facilities of Trinidad, Australia & Qatar)

In fact, as per data published by the Petroleum Planning & Analysis Cell (PPAC), in FY 2012-13 natural gas production from domestic fields significantly reduced by 17% y-o-y owing to substantial decline in gas production from RIL's D6 fields, while the LNG Imports in to India marginally increased from 10.13 MMT in 2011-12 to 10.90 MMT in 2012-13 (i.e. an increase by 8% on y-o-y basis).

Even though analysts project a growth rate of around 5.5% this fiscal, the future prospects for our burgeoning economy are not grim. It is believed that with rising population, India's requirement of energy resources would continue to grow and with investor friendly policies and regulations, the country will be able to increase its self sufficiency in energy. The Government of India has announced the policy for development of Shale Gas reserves and has also announced a shift towards a more market determined gas price. Though there is some ambiguity with regards to the gas pricing policy to be made applicable from April 2014, the move seems to be in the right direction and may attract the required investments in the E&P sector.

GSPC's DDW field is set for commercial production shortly and the same shall play a key role in meeting the rising demand of gas in the country. Your Company has successfully discovered the gas price for supplies from its DDW field through a transparent e-auction mechanism involving customers from all segments and submitted the same for approval of Government of India, as per the terms of Production Sharing Contract. Your Company awaits further communication from the Government on the same.

Gujarat State Petronet Ltd. (GSPL), a subsidiary of GSPCL, which was awarded Letter of Authorization (LoA) for development of three cross country pipelines of approximately 4900 kms namely, Mehsana-Bhatinda pipeline, Bhatinda-Jammu-Srinagar pipeline and Mallavaram-Bhilwara pipelines traversing across more than 100 cities, has been making significant progress with the development of these cross country infrastructure projects. Gas finds from newly discovered fields may not be sufficient to cater to the demand across

the length & breadth of these pipelines and it is expected that connectivity of these pipelines with LNG terminals in Gujarat shall ensure boost in imports of LNG. The commissioning of these pipelines would ensure materialization of latent demand enroute these pipelines.

Gas trading will continue to be an important segment for your Company, as India will continue to rely on LNG imports to meet its demand of gas. Your Company has taken some significant steps in order to cement its position as a reliable gas supplier in the country by signing a long term gas supply agreement with a global major like BG India for supply of up to 2.5 MMTPA for a period of 20 years beginning 2016-17. Moreover, your Company also reserved access to regassification capacity at existing LNG terminals on a long term basis to ensure availability of regassification services for gas sourced from international markets. In its endeavor to source long term LNG, the Company continues to carry out negotiations with several global LNG suppliers and has made satisfactory progress during this year in this direction.

Your Company continues to participate in synergistic businesses which add value and provide growth opportunities. In line with the same, in June 2013, further to receipt of approvals from Reserve Bank of India and Competition Commission of India, your Company successfully completed the acquisition of 65.12% stake in Gujarat Gas Co. Ltd. and has by virtue of such acquisition & through its subsidiaries, become the largest City Gas Distribution company in India marketing natural gas to the tune of around 7 MMSCMD to various customers in industrial, commercial, CNG and PNG segments in Gujarat.

Your Company's sustained efforts towards

participating in CGD business (by way of acquisition of Gujarat Gas Co Ltd.) as well as development of LNG terminal are poised to ensure reliable supply of gas across all the user segments at reasonable prices in the State and shall also help in successfully maintaining itself as an integrated energy company.

E&P business : Producing Assets

Oil and gas production volumes, which depend on the yield from the company's producing fields, have a significant impact on the Company's results of operations. Currently, all of our producing fields are within the Cambay basin, where company holds participating interests in 16 producing fields. The Cambay basin is a maturing resource province with declining production levels, especially of gas. The volume of production from oil and gas fields generally declines as reserves are depleted with ongoing production.

The Company also intends to continue exploration activities in its existing exploration blocks to discover new oil and gas reserves for development. The company's future production will be significantly dependent upon success in finding and developing reserves in a timely and cost effective manner.

Assets under development

The company's primary asset is its KG-OSN-2001/3 block, located offshore in the KG basin, off the east coast of Andhra Pradesh, India, which includes the Deen Dayal Field. The Deen Dayal Field is a high temperature, high pressure (HTHP) tight and deep gas field with a complex structural/stratigraphic trap involving several separate fault blocks associated with rift geology. One fault block (DDW) has been approved for development, while other discovery areas with Six discoveries are in line to become part of a long term plan for developing the

greater field. The development strategy for Deen Dayal West consists of a Well Head Platform (WHP) bridge-linked to a Processing and Living Quarter Platform (PLQP). The Company has appointed reputed project management consultants, to co-ordinate the overall construction and development work for DDW Development Project.

GOI has granted additional 20.5 sq. km area towards south of DDW Field beyond the block boundary, associated with extension of DDW area for development (under extended Mining Lease area). Following GOI approval of this extension area, the total development area for DDW has increased to 37.5 sq. k.m.

Forward Looking Statements:

This report contains forward looking statements which address expectations or projections about the future, including but not limited to statements about the company's strategy for growth, product development, market position, expectations and financial results. The company can not guarantee that these assumptions and expectations are accurate or will be realized.