

Chairman's Speech at the 32nd Annual General Meeting

A very warm welcome to you to the 32nd Annual General Meeting of your Company.

Before we commence the proceedings, may I introduce my colleagues on the Board and other senior officials of your Company.

We have with us here today, Mr. Walter Simpson, Prof. Pradip Khandwalla, Mr. Sudhir Mankad, Mr. Ajit Kapadia, Mr. Jal Patel and Mr. Shaleen Sharma

Mr. Walter Simpson is the President & Managing Director, BG India and has been working with the BG Group for the last 13 years. He has been in the Oil and Gas industry for over 26 years and has extensive international experience.

Prof. Pradip Khandwalla is an Independent Director and the Chairman of the Shareholders' Grievances Committee. He has, besides other assignments, served as the Director of IIM, Ahmedabad.

Mr. Jal Patel is an Independent Director and is the Chairman of the Audit Committee. His professional experience at senior levels spans over four decades.

Mr. Sudhir Mankad is an Independent Director and has served in senior positions, both in Government of India and in the Government of Gujarat. Presently, he is the Chairman of Bhavnagar Energy Company Limited, Gujarat International Finance Tec-City limited (GIFT) and Gujarat Institute of Desert Ecology (GUIDE).

Mr. Ajit Kapadia, an Independent Director, has more than four decades of experience in the hydrocarbon industry.

Mr. Shaleen Sharma, Managing Director of your Company, has more than 31 years of experience in Industrial Marketing, the last 27 of which have been in natural gas marketing with major oil and gas companies of India.

We also have with us Mr. Sugata Sircar, Director – Finance of your Company and Ms. Rajeshwari Sharma, the Company Secretary.

The audited financial statements of your Company for the year ended 31st December, 2011 along with the Directors' Report, have already been circulated to you. With your permission, we may take them as read.

I would like to begin the proceedings by giving you a report on the overall performance of your Company and the environment in which it operates.

INDUSTRY DEVELOPMENTS

The Oil and Gas sector in India has been instrumental in fuelling the growth of the Indian economy and hence presents a significant opportunity for investors in the years to come. The New Exploration Licensing Policy (NELP), conceived to address the increasing gap in demand and supply of energy in India, has attracted the interest of both domestic private sector players and some foreign players during the nine rounds of bidding thus far. Significant investments are also planned in Refining, LNG regasification capacity expansion and City Gas Distribution (CGD).

India's consumption of natural gas has risen faster than any other fuel in recent years. Natural gas

contribution towards India's primary energy basket is forecast to grow from 11% currently to ~20% of the primary energy basket by the year 2025. On the supply side, for a brief period during 2009-10, it seemed like the gas supply matched the demand mainly due to significant increase in production from the prolific eastern offshore fields in the Krishna-Godavari basins. However, the supplies from these fields have not increased to the planned levels and, therefore, gas demand in the medium to long term is expected to be significantly higher than supplies. Given that supply from indigenous fields would not be adequate to meet demand over the medium to long term, the country will have to rely significantly on import of Liquefied Natural Gas (LNG). The consumption of regasified LNG (RLNG) in Indian markets increased through the year, primarily due to the availability of spot cargoes in addition to supplies under the longer term contracts.

The projected gas demand is likely to increase from 196 mmscmd in 2010 to 297 mmscmd in 2015 (CRISIL estimates) confirming a clear market preference for this environmentally friendly source of energy. Demand for natural gas in the CGD segment is expected grow at a compounded annual growth rate of 26% over the same period.

The Petroleum and Natural Gas Regulatory Board (PNGRB) was constituted in 2007, which has, among other mandates in the downstream hydrocarbon sector, the mandate of regulating the CGD business. The PNGRB has outlined its vision of expanding the CGD network to over 300 cities in India, a part of which, bidding has been initiated through four rounds for 28 cities. The demand for natural gas remains strong even with the changing economies of gas cost as the product retains an overall benefit to alternate fuels on several aspects.

PERFORMANCE REVIEW

Your Company maintained its status as the largest private sector CGD Company in India by volumes

Your Company met the challenges of gas sourcing through the year by successfully procuring RLNG at competitive prices through medium and short term contracts with various suppliers to meet the gas requirements of its customers, and will continue to make concerted efforts to secure such supplies in an optimum and competitive manner. This will ensure supply security for your Company's customers and generate flexibility in managing the variations in gas requirements of our various market segments. Higher proportion of RLNG at market benchmarked prices in your Company's portfolio, have made it necessary for the Company to revise its pricing more frequently than in the past

Sales Volumes of your Company grew in certain segments. About 30,000 new household customers were connected on natural gas during the year, taking the total number of domestic customers of your Company to over 325,000. More than 165,000 vehicles now ply in your Company's operating areas on CNG. Your Company has c. 330,000 customers, including industrial and commercial units. Sales volumes grew by 12% in the residential segment and 14% in the CNG segment. FINANCIAL PERFORMANCE OF THE COMPANY

Your Company's performance for the year under review has already been circulated to you. I shall take the same as read.

As you would have seen, the Profit After Tax increased from Rs. 2590 million last year to Rs. 2748 million in 2011. Investments were made in extension of pipeline network and in reinforcements and upgradation of existing network as required. Investments were also made to upgrade the IT solutions and hardware of your Company to enhance reliability and enable scalability. A portion of the cash profits generated during the year has been paid out as interim dividend.

Let me add that the Board has recommended a special dividend for the year after careful consideration of the cash reserves and its potential to generate profits. It has been ensured that the

Company has adequate funds to enable its planned growth.

The Company is expected to receive its authorization from the PNGRB shortly for its current areas of operations. The application for network tariff will be prepared and filed after the authorization is received. The Company has a specialized team to ensure that the tariff applied for reflect deliverable capex and volume projections and is hence on robust ground. The Company sells gas at a bundled price, in which network tariff, to be determined by the PNGRB, would be an embedded element.

CORPORATE GOVERNANCE

Your Company remains committed to the highest standards of Health, Safety, Security and Environment (or HSSE) and Corporate Governance. We continue our efforts in imbuing and strengthening a strong safety culture in the Company. We also engage our contractors, franchisees and other stakeholders in this endeavour.

As a Socially Responsible Corporate citizen, we have contributed in environment, education and skill development. We have supported many sustainable development projects to benefit communities in which our Company operates.

As you are aware, the BG Group has expressed its intention to divest its shareholding in the Company. We are advised that this process is currently in progress and significant developments in this regard will be disclosed appropriately.

ACKNOWLEDGEMENTS

All these achievements would not have been possible without the support of all the stakeholders including the Central and State Governments and various Government agencies, our suppliers and contractors, customers and above all the shareholders . I would like to take this opportunity to thank all those who have supported and guided us during the year.

I also thank all my colleagues on the Board for their continued support and guidance.

Last, but not the least, I would like to thank all employees of Gujarat Gas for their high level of motivation, commitment and hard work.

On this very encouraging note and with your permission, may I, on behalf of the Directors, take up the agenda?

I now call upon the Company Secretary to take up the agenda

Hasmukh Shah
Chairman
Date: 26th April 2012
Place: Ahmedabad

Note: This does not purport to be a record of the proceedings of the 32nd Annual General Meeting of the Company.