



गेल (इंडिया) लिमिटेड

(भारत सरकार का उपक्रम – महारत्न कंपनी)

GAIL (India) Limited

(A Government of India Undertaking - A Maharatna Company)

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ND/GAIL/SECTT/2018

16TH March, 2018

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (East)
Mumbai – 400051

Subject – News Clarification - GAIL (India) Limited

Dear Sir,

This is with reference to the mail dated 15.03.2018. Please find attached document which is self-explanatory in nature.

This is in compliance of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Hope that above will be to your satisfaction.

Thanking you
Yours faithfully


(A.K.Jha)
Company Secretary

Petroleum and Natural Gas Regulatory Board, New Delhi

In the matter of

GAIL (India) Limited for Surat-Paradip Natural Gas Pipeline (SPPL)

Order dated 13.03.2018

I. Facts of the case

PNGRB, vide letter Ref: Infra/PL/BID/SPPL/01/2012 dated 25th April, 2012 granted authorization to GAIL (India) Limited for Laying, Building, Operating or Expanding Natural Gas Pipeline along the route of Surat (Gujarat)-Paradip (Orissa).

2. As per the provisions of Regulation 10(4) of PNGRB (*Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines*) Regulations, 2008, "The authorized entity shall obtain the financial closure of the project from a bank or financial institution within a period of one hundred and eighty days from the date of the authorization." Also as per the provisions of Regulation 10 (5) of the aforesaid Regulation, "in case of an internally financed project, the entity shall submit the approval of its Board of Directors' for the detailed feasibility report (hereinafter referred as DFR) of the project along with its financial plan within one hundred and twenty days of the authorization".

3. GAIL (India) Limited (GAIL) could not achieve the financial closure of the project within the time stipulated under PNGRB (*Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines*) Regulations, 2008.

Accordingly, on 22nd September 2015, the Board decided that 25% of the PBG amount i.e. Rs. 5 Crore out of total PBG of Rs. 20 Crore be encashed. This will provide "natural justice" to GAIL to explore possibilities to come up with viable strategies on project implementation. In case this does not happen within reasonable time, other more stringent penalties can be considered including cancellation of Authorization. Accordingly, communications vide PNGRB's letter dated 30th



would need more than 50% stake in the Joint venture. Subsequently, in the reply dated 20.01.2014 to the show cause notice the appellant took a stand that the project can be financed by GAIL from its internal generation and external borrowings. Again, no details are given as to how the external borrowings are to be tied up as is required by Regulation 10(4). This position has continued. Hence, it is clear from these facts that the appellants have failed to take a clear stand. There is no categorical averment that the joint venture route of financing has been completely abandoned. Repeatedly, reference is made to internal financing/external borrowings. No details of external borrowings have been given to respondent No. 1. In the light of these facts the conclusion raised by respondent No.1 that the appellants have failed to comply with the provision 10(4) and 10(5) of the Regulations appears to be plausible conclusion. The said conclusion cannot be said to suffer from any material illegality. The conclusion cannot be termed to arbitrary or irrational.

There are no grounds which would warrant interference by this court. There is hence no merit in present appeal and the same is dismissed."

Unquote

6. Accordingly, in line with the Hon'ble High Court of Delhi order dated 11th April 2017, encashment of 25% PBG of GAIL (India) Limited for SPPL project was processed and the same was encashed on 19th April 2017. Additionally, PNGRB under the provisions of Regulation 16(1)(c)(i) of PNGRB (*Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines*) Regulations, 2008, directed the entity to make good of the Performance Bank Guarantee within two weeks of receipt of this letter and also submit an unconditional Financial closure of the project within 30 days. However, encashed PBG has not been made good by GAIL till date.

7. Various communications/letters, directing GAIL to refurbish the encashed PBG, i.e., letters dated 20.04.2017, 05.06.2017, 24.07.2017, 29.09.2017 were sent



3. *It is submitted that an agenda on the SPPL project, including the subject PBG issue, is proposed to be placed before the Board of directors of GAIL for further steps.*

4. *In view of the above, it is requested to kindly grant additional time of 2 more months to GAIL in this regard."*

11. The Board in its meeting decided the following in the matter of "Refurbishment of encashed Performance Bank Guarantee of Surat-Paradip Natural Gas pipeline (SPPL), authorized to GAIL (India) Limited:

"After deliberation, the Board has accepted the Financial Closure and Gas Supply agreement (GSA) submitted by GAIL (India) Limited for Surat-Paradip Natural Gas Pipeline. Further, the Board directed that GAIL shall refurbish the encashed Performance Bank Guarantee for an amount of Rs. 5 Crore within 15 days, failing which action under Regulation 16(1) of PNGRB (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines) Regulations, 2008 including encashment of balance PBG of Rs. 15 Crore and termination of authorization will be taken without any further notice."

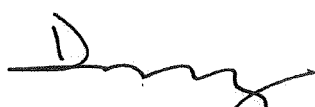
12. Accordingly, a letter dated 18.01.2018 was sent to GAIL stating that the Financial Closure submitted by GAIL (India) Limited for SPPL project has been accepted by the Board and GAIL is once again directed to make good the encashed Performance Bank guarantee (PBG) amount of Rs. 5 Crore within 15 days of issuance of the letter, failing which action under Regulation 16(1) of PNGRB (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines) Regulations, 2008 including encashment of balance PBG of Rs. 15 Crore and termination of authorization will be taken without any further notice.

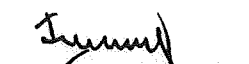
13. GAIL in response, inter-alia requested that, "now, as the Board has accepted the Financial Closure submitted by GAIL, we humbly request PNGRB to consider refunding the amount of Rs. 5 Cr encashed from the PBG no. 150127IBGP00289

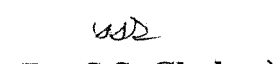


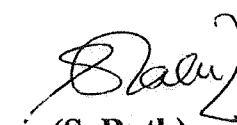
II. Final Order

As per the provisions of Regulation 16(1)(c) of the PNGRB (*Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines*) Regulations, 2008, that, the entity shall make good the encashed performance bond, within a week of encashment failing which the remaining amount of the performance bond shall also be encashed and authorization of the entity terminated. Further, considering that enough time and chances have already been provided to GAIL for making good the encashed PBG amount of Rs. 5 Crore and also the ground progress made in implementing the SPPL project is NIL after about six years from the date of authorisation. The Board has come to the conclusion that the authorized entity has failed to perform its obligations under the terms and conditions of authorization with respect to refurbishment of the encashed PBG amount of Rs. Five Crore for Surat-Paradip Natural Gas Pipeline project. Thus, action under the provision of Regulation 16(1)(c) be taken for encashment of the balance PBG amount of Rs. 15 Crore and authorization of GAIL (India) Limited for Surat-Paradip Natural Gas Pipeline project be terminated.


(D.K. Sarraf)
Chairperson


(Satpal Garg)
Member (C&M)


(Dr. S.S. Chahar)
Member (Legal)


(S. Rath)
Member (I&T)
