



**MAHANAGAR
GAS**

ISO 9001: 2000 & ISO 14001



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Fourteenth Annual General Meeting
of
MAHANAGAR GAS LIMITED

STATEMENT OF THE CHAIRMAN



MR. DEREK FISHER
Chairman

September 30, 2009

STATEMENT OF THE CHAIRMAN

Dear Shareowners,

At the outset, I extend a warm welcome to you at the Fourteenth Annual General Meeting of your Company. The Annual Report containing the Directors Report and the audited accounts along with the Auditors Report for the year ended March 31, 2009 have been with you for sometime and with your permission, I take these as read.

For any gas utility company, safety has to be given the highest priority. In MGL, safety has been given the highest priority, and MGL has taken many new initiatives on the HSSE front to further enhance our safety performance. I firmly believe that safety change has to come from the top and the MGL Management Team, including myself, have taken the steps to create a visible leadership commitment to safety. I am happy to inform you that with this commitment from top, the Company has created an environment where safety is being discussed at all levels in all parts of MGL, even in offices where safety has not historically been given a high priority. During the year, your Company has conducted several programmes on safety to continue strengthening safety culture in the Company. These safety and training programs have been extended not only to MGL's own employees but also to the staff and laborers of our contractors.

Financial and Physical Performance :

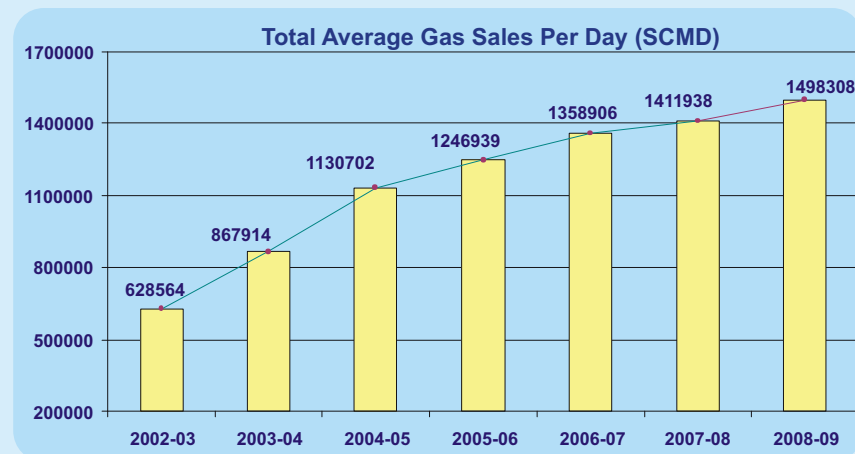
The year 2008-09 has been another eventful and successful year for MGL.

First, the net turnover for the year grew by more than 8.25% to Rs.6394 millions compared to Rs.5907 millions in 2007-08. The increased turnover helped your Company to post Profit After Tax of Rs.147 crores. A substantial part of the profit was reinvested back into the Company on infrastructure development in line with its growth strategy.



Second, during the last year, the long term rating of the Company has been retained at LAAA by ICRA. This is a result of the financial soundness of your Company.

Third, our growth agenda continues. The Company has consistently maintained its track record of achieving an impressive growth in developing PNG and CNG infrastructure. The average gas sales per day had increased to 14,98,308 SCM per day as on March 31, 2009 as compared to 14,11,938 SCM per day as on March 31, 2008, an impressive growth of 6.1%. The sales volume have reached a peak of 17,62,000 SCM per day during the year.



On the CNG front, the business continued to grow during the year under review. Mahanagar Gas added 6 CNG stations taking the total number of stations to 136. Over 5,000 vehicles were converted on CNG taking the total number of CNG vehicles to over 1,90,000. The sale of CNG exceeded 8,50,000 Kgs per day in the month of July 2009, registering a growth of more than 8% over the previous year.

Your Company entered into an Agreement with BEST, NMMT, MSRTC and TMT for setting up CNG stations at their depots for filling up their own buses and public vehicles. In the coming years, all public transport vehicles are planned to be converted into CNG in phases. In addition, the Government of Maharashtra has allotted four plots at strategic locations in Mumbai to your Company for setting up CNG stations.

On the PNG front, about 40,000 new homes were provided the convenience of piped gas taking total domestic connections to 3,85,585. Apart from domestic connections, around 80 Commercial and Industrial consumers were also added.

On the transmission front, up to March 2009, your Company has laid 250 Kms of Steel pipeline and 2500 Kms of Polyethylene pipeline.

Fourth, the PNGRB on January 21, 2009 formally recognized MGL's Central Government authorization and granted both physical and marketing exclusivity for Greater Mumbai (GA-1).

Finally, your company went live on SAP in the month of December 2008. It has implemented all the major six functional modules viz. Plant Maintenance, Project Systems, Material Management, Sales & Distribution, Financials, and Human Capital. Additionally, the add-on module of "Industry Specific Utility (ISU/CCS)" was also integrated with the implementation. SAP will help ensure that MGL continues to be a well run, efficient, and productive business going forward.

In addition, I would also like to share the following significant achievements and progress post April 2009 :

1. In July 2009, the PNGRB has accorded exclusivity for MGL's CGD operations in District Thane in the areas of Thane City, Kalyan, Dombivili, Ambarnath, Badlapur, Ulhas Nagar, Bhiwandi, Navi Mumbai and Mira-Bhayander and the adjoining contiguous areas of Kharghar, Panvel and Taloja which fall in District Raigad.
2. In July 2009, and in view of the significant increase in gas and non gas costs, your Company has revised its selling prices of CNG, Domestic PNG and Industrial PNG from Rs.21.70 per KG, Rs.11.82 per SCM and Rs.11.81 per SCM to Rs.24.65 per KG, Rs.13.60 per SCM and Rs.14.92 per SCM respectively.
3. On August 04, 2009, the company crossed a significant milestone and for the first time in its history took in non APM market priced gas into its network. This gas was sourced from the Hazira LNG terminal of M/s. HLPL on a spot basis and was transported to Mumbai under a Gas Transportation Agreement through GAIL's Dahej-Uran pipeline with suitable swapping arrangements in the Uran sector.
4. The Government of India has allocated 0.370370 MMSCMD of gas to MGL from the KG-D6 NELP block of M/s. RIL and this gas is likely to be available in MGL's system in the near future. An agreement has also been signed with RIL-NIKO in the month of September 2009.
5. In addition to CGS at Wadala, your Company has constructed a second CGS at Mahape, which is likely to be commissioned shortly. The commissioning of this CGS will enable MGL to directly source gas from all the remaining major sources of gas in the country viz. the LNG terminals at Dahej, Hazira and Dabhol as well as the prolific NELP gas fields off the east coast of India.

Opportunities and Challenges :

The recent recognition by PNGRB of MGL's Central Government authorization, and its grant of exclusivity for MGL's existing and expansion areas combined with the availability of additional gas from New Exploration Licensing Policy (NELP) blocks and gas from other domestic and imported sources provide a tremendous scope of growth for MGL.

The major challenge before your Company is to put in place new City Gas Distribution infrastructure in a time bound manner meeting all regulatory targets and obligations in the face of limited resources available in terms of skilled manpower, materials, and qualified contractors as well as the ability to source long term gas at competitive rates and terms. To address these challenges, MGL is focusing on refining its robust processes, increasing its manpower strength, developing and qualifying more vendors and contractors and strengthening its gas sourcing and regulatory functions with the support of its promoters GAIL and BG.

Future Outlook :

MGL is committed to continue to grow the business and increase its customer base.

In the next 2-3 years, MGL's sales volumes are targeted to double. The Company has ambitious expansion plans which inter alia include commissioning of 2 more city gate stations at Ambarnath and Taloja.

In the next five years, your Company has plans to increase its customers' base to over 10 lakh households covering a population of over 60 lakhs, operate over 200 CNG stations, expand the steel pipeline network to around 500 KM

and PE pipeline network over 4200 KM (including 1600 KM MP Network). This will require an additional investment of Rs.300 Crores per year over this five year period. If successful with these plans, the Company would be supplying over 4 MMSCMD of Natural Gas.

Corporate Governance and Social Responsibility :

I am happy to inform that you that the good Corporate Governance practices which your Company has in place enable the Management to direct and control the affairs of the Company in an efficient and appropriate manner to achieve the Company's goals of maximizing stakeholder value. The Company has been voluntarily following the requirements of the Corporate Governance code as applicable for listed Companies. A separate Report on Corporate Governance has been attached to the Annual Report.

Your Company also continues to support sustainable community investments as a conscious responsibility towards the society and environment. The key initiatives included the following:

- (i) Rehabilitation of four dependent families of police officials as a respect to the martyrs of November 26, 2008 by allotting operation of 4 CNG filling stations.
- (ii) Financial assistance towards boarding and lodging of 10 visibly challenged students.
- (iii) Distribution of sewing machines to the needy women.
- (iv) Contribution to the Chief Minister's Flood Relief Fund.

Conclusion

Before I conclude, I would like to take this opportunity to thank all the stake holders in the Company – our valued Shareholders, bankers, suppliers, contractors, employees, and most importantly, our customers – all of whom have contributed to our success through their continuing confidence in and support of MGL.

On behalf of the Board of Directors and on my own behalf, I also extend sincere gratitude for the valuable guidance and support received from the Ministry of Petroleum & Natural Gas, Petroleum & Natural Gas Regulatory Board, Government of Maharashtra (GOM), Municipal Corporation of Greater Mumbai, Navi Mumbai, Thane, Mira-Bhayander, other State and Central Government Authorities, Mumbai Metropolitan Regional Development Authority (MMRDA), Maharashtra Industrial Development Corporation (MIDC), Police and Fire Brigade Authorities, Bankers, Contractors, Consultants, Consumers, GAIL (India) Limited, BG Group, and the Local Citizens for their whole hearted support and co-operation.

Thank you very much ladies and gentlemen.


(Derek Fisher)

(This does not purport to be a record of the proceeding of the 14th Annual General Meeting of the Company held on September 30, 2009)