

Annexure to the Directors' Report

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic Overview

Indian Economy

The GDP of the Indian Economy is estimated to grow at 4.2% in FY 2019-20, as compared to 6.1% in FY 2018-19.¹ India is ranked the 5th largest economy in the world, in terms of GDP, valued at US\$ 2.9 trillion in 2019. The softening growth during the year under review was on account of multiple headwinds including a slowdown in gross fixed capital formation and private consumption expenditure. The economy was anticipated to revive in FY 2020-21 but, the outbreak of COVID-19 has altered the growth outlook for the country. The outlook for Indian economy remains subdued at 1.9% for FY 2020-21, with revival expected in FY 2021-22 when growth is expected to touch 7.4%. The muted growth can be attributed to weak global demand and a lockdown imposed in the country which has resulted in complete disruption of the demand-supply chain. The revival in FY 2021-22 will be on the back of various government reforms to revive growth of the economy.

Industry Overview

Global Natural Gas Industry

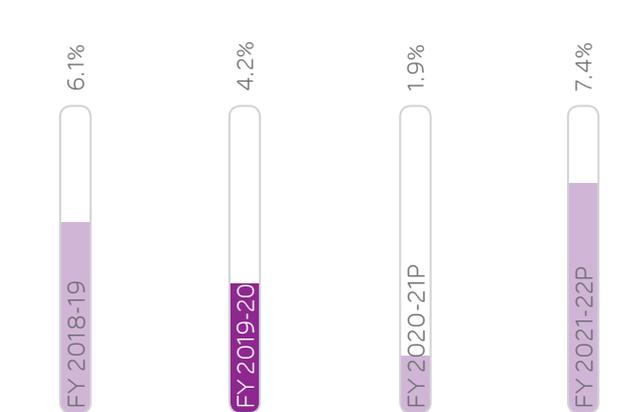
Natural gas is the cleanest among available fossil fuels. It is used as feedstock for manufacturing fertilizers,

plastics and other commercially important organic chemicals. It is also used as a fuel for electricity generation and for heating purposes in industrial and commercial units. Natural gas is also used for cooking in households and as a transportation fuel for vehicles.

Global demand for energy is increasing rapidly, owing to population increase and economic growth, especially driven by emerging market economies. Energy security concerns may also arise as energy consumption increases. Consumption of natural gas has gone up worldwide and is projected to increase from 3,702 billion metres (Bcm) in 2017 to 6,154 Bcm² by 2050 (For details refer graph 2), supported by broad-based demand, abundant low-cost supplies, and the increasing availability of gas globally, aided by the growing supply of Liquefied Natural Gas (LNG).

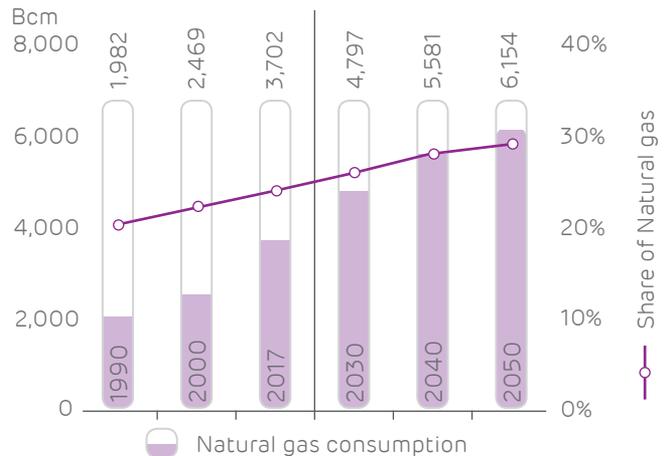
Natural gas remains a key fuel for the power sector and other industrial sectors. In the power sector, natural gas is an attractive choice for new generating plants due to its enhanced fuel efficiency. Natural gas is also cleaner than coal or petroleum products, significantly reducing carbon dioxide emissions. Countries, all over the world, have started to implement national or regional plans to reduce carbon dioxide (CO₂) emissions, encouraging the use of natural gas to displace carbon-intensive coal and liquid fuels.

Graph 1: GDP growth rate in India



(Source: IMF WEO)

Graph 2: Global natural gas consumption



[Source: IEEJ Outlook 2020]

¹ IMF WEO

² <https://eneken.ieej.or.jp/data/8650.pdf>

It is expected that around 88% of the 2,452 Bcm natural gas consumption growth between 2017 and 2050 will be accounted for in the emerging markets and developing economies and their share of global natural gas consumption will expand to 68% by 2050. Countries such as China, India, and the Middle East and North Africa region (MENA) region, among the emerging markets and developing economies, are most likely to post remarkable growth in this segment. However, challenges remain and it will be critical to overcome them to sustain the rapid growth of gas markets in future. Some of the challenges include:

- **Cost competitiveness** - Global gas market growth has demonstrated that gas is an abundant resource with increasingly competitive pricing. But local market regulations and infrastructure constraints in some countries still limit the competitive usage of gas.
- **Security of supply** - Supply continued to grow and become more diverse, supported by greater and more flexible gas liquefaction capacity. Yet the limited scale of investment in cross-border pipelines continue to limit access to gas and deter growth in some markets.
- **Sustainability** - Government policies continued to recognize the role of gas in reducing GHG (Green House Gas) intensity and improving local air quality, spurring further gas market development. Improving carbon footprint by changing the energy mix of the country.

Indian Gas Industry

Currently natural gas accounts for relatively less percentage in the total energy mix due to its low per capita consumption. Despite good infrastructure coverage, pan-India penetration remains low, compared to other emerging markets. However, the government has set an ambitious target of increasing the share of natural gas from 6.2% to 15% by 2030, in the total energy mix. Moreover, with favourable government policy and increasing consumption of gas, penetration level and per capita consumption is expected to increase.

India currently ranks among the top energy consumers in the world. According to BP Energy Outlook 2019, India is the world's third-largest energy consumer after the USA and China. It is projected that the country's energy consumption will jump from the current 6% to 11% by 2040 and is expected to cross China as the largest energy consumption market by 2020.³ With India's population and GDP expected to grow in future, energy demand will see a significant rise, leading to associated greenhouse gas (GHG) emissions as well.

In line with these developments, numerous policy measures are being discussed, focused on increasing access to energy and aimed to keep emissions in check. The population of India is expected to grow to 1.44 billion by 2024 from 1.35 billion in 2019.⁴ With the increase in population, demand for energy is also expected to increase. The increased consumption is expected to result in an alteration of the primary energy mix, on account of a growing substitution of oil by natural gas.

Globally It is projected that the US and China will be the two largest individual contributors to supply growth of natural gas by 2024, together accounting for over 50% of total production increase. However, due to strong domestic demand, increase in production will only meet this increased demand in case of China. With the United States, Australia and Russia together accounting for the vast majority of gas exports growth by 2024, exports are likely to be concentrated in some regions

Looking at LNG specifically, the market is set to undergo profound changes in the coming years. China and India are likely to emerge as major LNG buyers, while also increasing imports to Europe. On the supply side, the emergence of a trio of leading exporters will result in United States leading the supply by 2024, followed by Australia and Qatar.

- Global Liquefaction Capacity ~430 MTPA,
- Global LNG regasification capacity ~920 MTPA
- Global LNG Trade grew at a 13.0% rate.⁵

In India, demand for natural gas is projected to grow at a CAGR of 7-10% between FY 2019-24.⁶

- The likely main growth drivers of natural gas in near future are Significant expansion in city gas network
- Higher demand from the fertilizer sector with revival of several inactive fertilizer plants (enabled by expanded gas pipeline network) and government's drive to convert naphtha-based plants to gas-based
- Low spot LNG prices to boost industrial demand (global LNG market to stay oversupplied at least till CY21)
- Surge in industrial demand with stricter controls by the National Green Tribunal (already ordered Central Pollution Control Board to take action in more than 69 areas) on polluting units

³ <https://economictimes.indiatimes.com/industry/energy/oil-gas/natural-gas-consumption-to-rise-3-folds-in-10-yrs-for-15-target-pradhan/articleshow/72382676.cms?from=mdr>

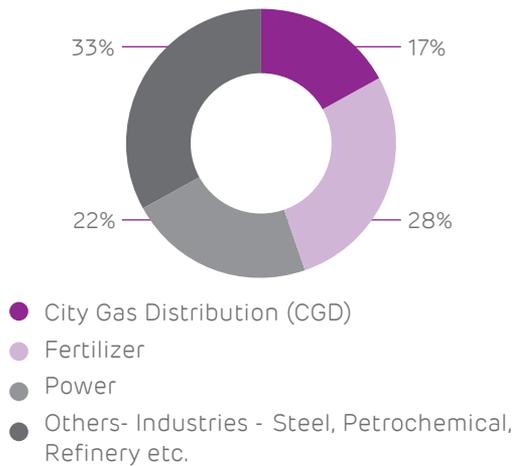
⁴ <https://www.statista.com/statistics/263766/total-population-of-india/>

⁵ IGU Report

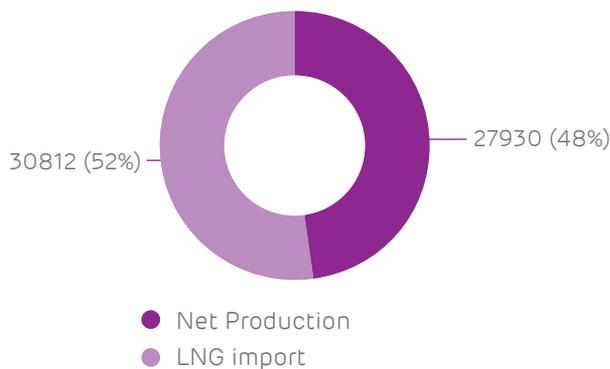
⁶ India Gas Sector – Credit Suisse

- Higher utilization of gas-based power plants in the event of LNG prices sliding further
- Increased gas requirements will result in higher LNG imports in the short to medium term
- Opportunity for developing small-scale LNG supply, as liquefied-to-compressed natural gas (LCNG) station development may take place in regions where access to gas pipeline is not guaranteed
- Availability of natural gas will trigger its usage in place of polluting energy sources. Strict pollution control standards are expected to impose bans on polluting fuels across sectors
- The new MOPNG license guidelines for transportation fuels will also boost the opening up of new CNG stations across the country leading to increase in availability and use of natural gas

Graph 3: Sector-wise gas consumption in FY 2018-19

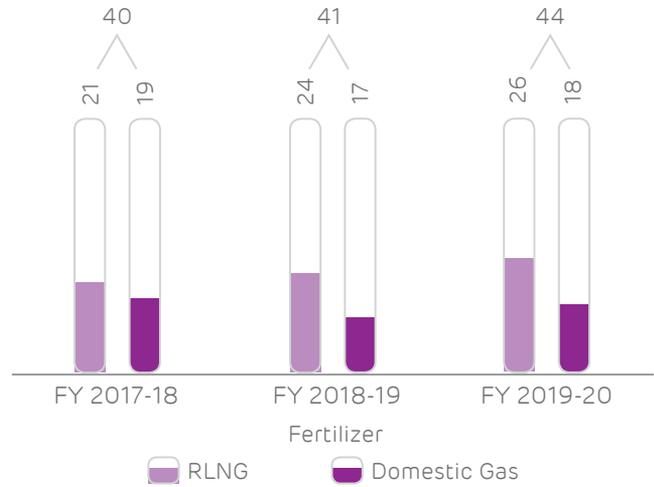


Graph 4: Natural Gas Consumption in MMSCM (including internal consumption), 2019-20 (Till March, 2020)

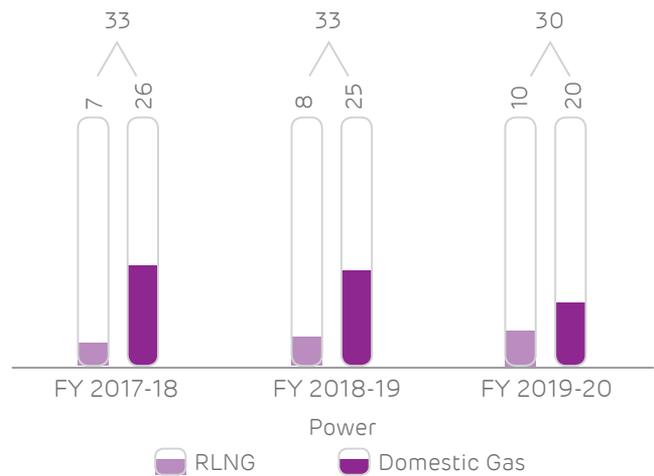


Total Consumption (Net Production + LNG import) 58742

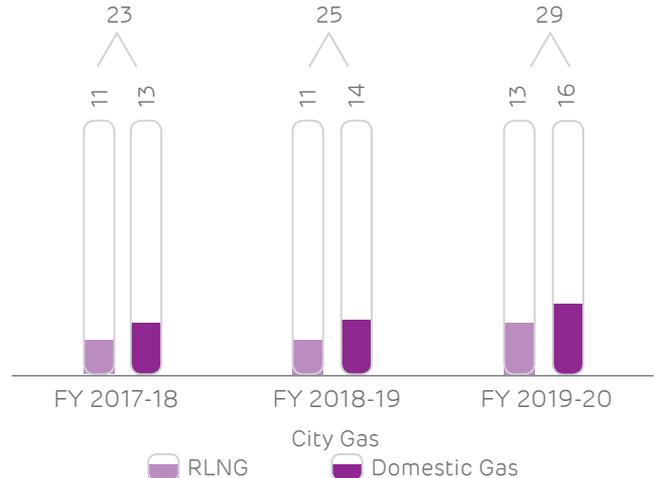
Graph 5: India Sectorwise Gas Consumption in MMSCMD



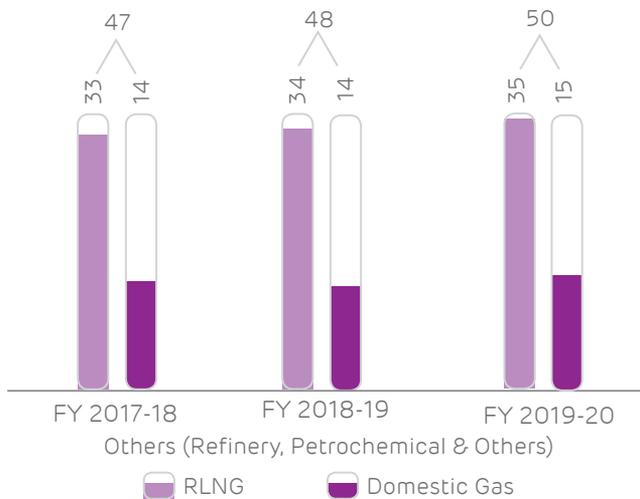
Graph 6: India Sectorwise Gas Consumption in MMSCMD



Graph 7: India Sectorwise Gas Consumption in MMSCMD



All graph sourced from PPAC

Graph 8: India Sectorwise Gas Consumption in MMSCMD

Natural Gas Grid and City Gas Distribution Sector Outlook

To promote the usage of natural gas as a fuel/feedstock across the country and move towards a gas-based economy, the government of India has initiated the development of additional gas pipelines to complete the Natural Gas Grid (NGG). Presently, the NGG predominantly connects the western, northern and south-eastern gas markets with major gas sources. The government has also approved a capital grant of ₹ 5,176 crore (40 per cent of the estimated capital cost of ₹ 12,940 crore) under Pradhan Mantri Urja Ganga, as part its commitment to provide clean energy in the eastern part of the country.⁷

City gas distribution (CGD) networks supply compressed natural gas (CNG) for vehicles and piped natural gas (PNG) for domestic, industrial and commercial use. The CGD sector has relatively high affordability and has the capacity to absorb higher gas prices, as compared to the power and fertilizer sectors. Usage of natural gas has proved to be economical vis-a-vis competing fuels, for most user segments within the CGD space. The Government of India strongly emphasizes the need for expanding City Gas Distribution (CGD) coverage across the country, to make natural gas available to a larger section of the population.

Only around 19% of the country's population, spreading over 11% of the country's area, was covered for development of CGDs in 96 geographical areas till 2017. However, to boost the CGD sector, the 9th round of CGD Bidding was launched in April, 2018 for 86 Geographical Areas (GAs), covering 174 districts in 22 States/ Union

Territories of the country. This round saw participation from 38 entities (Public and Private) and submitted a total of 406 bids for all 86 GAs. Presently, 84 GAs have been authorized for the development of CGD networks. Another round of CGD bidding for 50 GAs was initiated in November, 2018 and it laid the foundation for the development of CGDs in 50 newly authorized GAs, covering 124 districts spreading over 14 States/UTs. With the conclusion of the 10th round, about 70% of the country's population is being covered by CGD networks spreading over 50% of India's total area.

The CGD sector is one where demand has remained in few pockets where CGD infrastructure was available. More than ~80 % of the PNG Connections are in Delhi, Maharashtra and Gujarat along with ~76 % of the CNG Stations and ~87 % of CNG powered Vehicles.

India has ~278 mn active LPG users with an annual consumption of 23.0 mn tons of LPG (FY20E) as against 6.0 mn PNG users providing a lucrative market. (Source: PPAC)

Natural gas demand for CGD sector is expected to rise steadily due to the addition of gas networks in new cities, price advantage of CNG and increased use of PNG in domestic, industrial and commercial sectors. Environmental concerns will further push the use of natural gas, especially in the automotive and industrial segment (coal replacement). Demand for natural gas from CGD networks has consistently increased over the last few years and stood at ~30 mmscmd (~16.5% of the total gas demand) in FY 2019-20 (Up to February, 2020). As of March, 2020, 2200 CNG Stations, 6.07 Million domestic connections and ~41,000 industrial and commercial connections.

National Gas Grid - The Government has envisaged the development of a National Gas Grid. At present, about 16,200 Km⁹ natural gas pipeline is operational and it is expected to increase to 27,000 km to increase the availability of natural gas across the country. The objectives of the grid would be:

- To remove regional imbalance
- To connect gas sources to major demand centers
- Development of City Gas Distribution Networks in various cities for the supply of CNG and PNG

City Gas Distribution (CGD) network - Petroleum and Natural Gas Regulatory Board (PNGRB) grants the authorization to develop a City Gas Distribution (CGD) network (including PNG network) in a specified Geographical Area (GA) of the country.

⁷ PPAC

⁸ <https://economictimes.indiatimes.com/industry/energy/oil-gas/gas-grid-to-be-expanded-to-27000-km-pricing-reforms-in-offing/articleshow/73851426.cms?from=mdr>

All graph sourced from PPAC

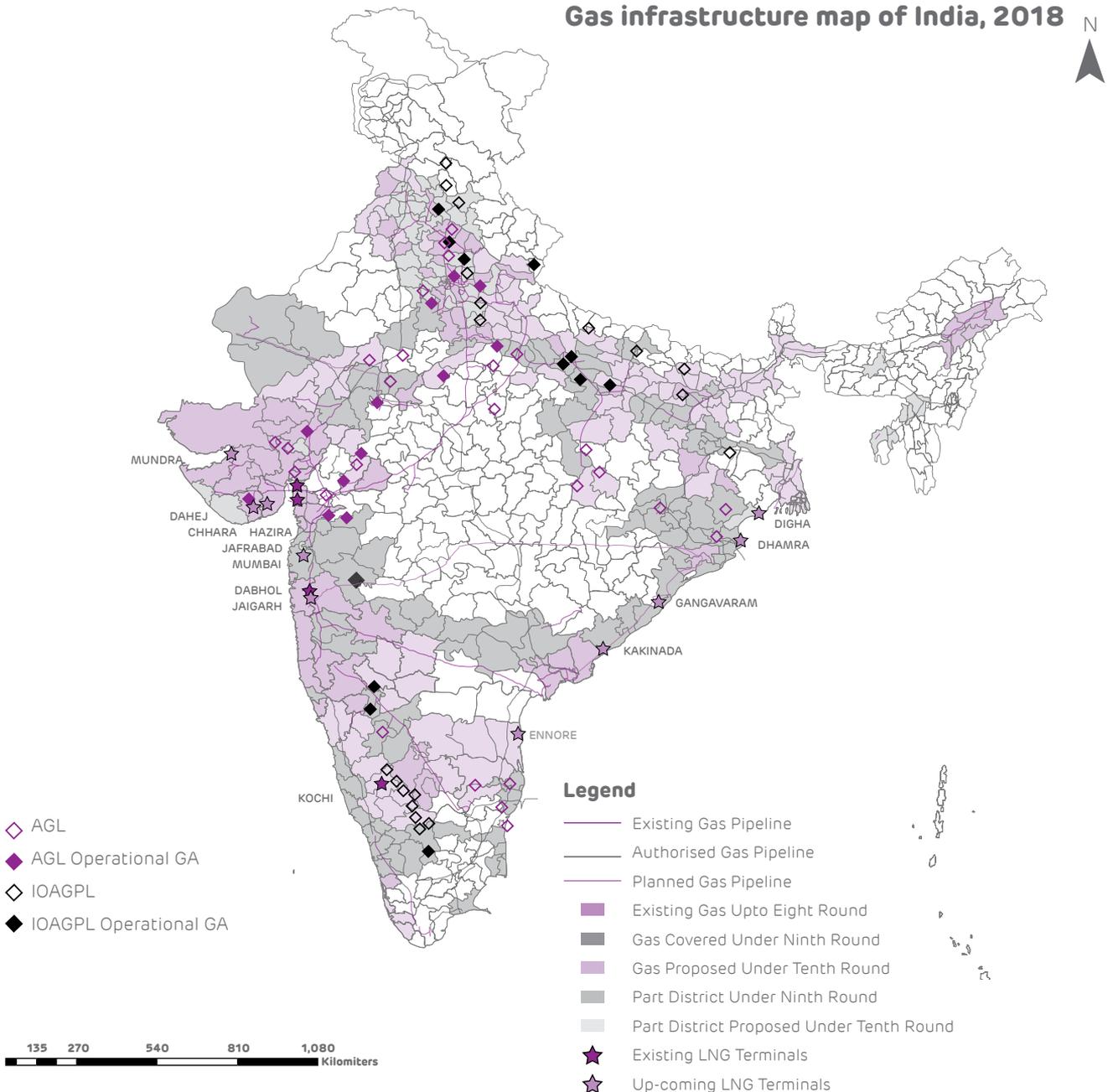
- CGD sector has four distinct segments - Compressed Natural Gas (CNG) predominantly used as auto-fuel, and Piped Natural Gas (PNG) used in domestic, commercial and industrial segments
- The revised regulatory framework helped in expanding the coverage of CGD to 228 GAs spread over 406 districts with the potential to cover about 53% of the country's area and 70% of the country's

population, with an aim to make environment-friendly fuel like CNG/PNG available to the public

- It has been decided to meet 100% gas requirement of CNG and PNG Domestic segments through the supply of domestic gas which is cheaper than imported gas

Snapshot of AGL Portfolio -38 GAs (Incl. IOAGPL)

Gas infrastructure map of India, 2018



Regulatory & Policy Support

Draft city gas distribution policy – A draft city gas distribution policy has been released by the Ministry of Petroleum and Natural Gas to facilitate speedy implementation of city gas distribution (CGD) networks and value-added services.

- The draft policy suggests that under the chairmanship of the chief secretary a committee will be formed to help formulate policies and streamline processing of permissions required to develop the CGD infrastructure
- This will help to set up a single-window clearance mechanism in the state for the promotion and development of CGD infrastructure and to improve ease of doing business
- A suitable mechanism would be introduced by the committee for permissions from state divisions of the Petroleum and Explosives Safety Organization, NHAI, railways, etc.
- CNG/LNG will become the preferred fuel in public transportation. State transport corporations will accord priority to CNG/LNG buses while purchasing new buses and for retrofitting it to the present alternate fuel fleet (which is viable), in order to actively promote the usage of CNG/LNG in public transport
- To ensure affordable and reasonable rates, VAT rates may be reviewed and rationalized with a ceiling of 5%
- To promote the safe usage of CNG/LNG in the transport sector, state policy thrust may be used to rationalize road tax for factory-fitted CNG/LNG vehicles and to bring them at par with electric vehicles

Investment plan of \$60 billion⁹ – The government of India has set an ambitious target to increase the share of environment-friendly fuel to 11% from 6% in the country's energy basket. To do this, an estimated investment of \$60 billion is underway, to build a gas pipeline and terminal infrastructure that is nearing completion or remains in advanced stages of completion. The investment is going to be used for building LNG import terminals, laying pipelines and expanding city gas distribution networks to facilitate the usage of non-polluting fuels. This move

will have a dual advantage of utilizing a cleaner as well as a cheaper fuel (when compared with liquid fuels like diesel and furnace oil), and could help steer India towards a 'low carbon future'.

SATAT initiative - It aims to set up Compressed Bio-Gas (CBG) production plants and make available CBG in the market for use in automotive fuels. It will promote better use of agricultural residue, cattle dung and municipal solid waste along with providing an additional revenue source to farmers.

Interim Union Budget Grants - The Ministry of Petroleum and Natural Gas has been allocated ₹ 42,901 crore for 2020-21. The allocation for the ministry has remained unchanged from the revised estimates for the year 2019-20. Of the total allocation, the subsidy on LPG is the largest component of the Ministry's expenditure, including approximately 87% of the allocation.

Company Overview

Adani Gas is in the business of developing City Gas Distribution (CGD) Networks to supply Piped Natural Gas (PNG) to industrial, commercial, domestic users and Compressed Natural Gas (CNG) to the transport sector. With over 15 years of experience, the Company has forayed into the Gas Distribution Business with an objective of providing safe, convenient, reliable and environment-friendly fuel.

The Company has city gas distribution networks in Ahmedabad & Vadodara in Gujarat, Faridabad in Haryana and Khurja in Uttar Pradesh. AGL has started Commercial Operations in 8 GAs allotted under the 9th Round of CGD Bidding by PNGRB namely Navsari, Porbandar, Barwala, Kheda, Surendranagar in Gujarat, Udaipur in Rajasthan, Palwal and Mahendragarh in Haryana. Further, the Company has also started Commercial Operations in 1 out of 2 GA allotted under 10th Round of GCD Bidding by PNGRB i.e. Bhind, Madhya Pradesh. As on March 31, 2020, the Company has 115 CNG filling stations providing gas to over a million vehicles. The Company also supplies PNG to over 0.44 million PNG customers, through a connected pipeline network that spans over 7,600 kms, including 470 km of steel and 7,130 km of polyethylene pipeline.

⁹ <https://economictimes.indiatimes.com/industry/energy/oil-gas/natural-gas-consumption-to-rise-3-folds-in-10-yrs-for-15-target-pradhan/articleshow/72382676.cms?from=mdr>

SWOT Analysis



Strengths

- Established brand presence and recall
- Excellent project execution capabilities
- Established natural gas supply network in Ahmedabad, Faridabad, Khurja and Vadodara for over a decade
- Experienced senior management and leadership team along with competent and committed workforce focused on delivering excellence in operations and customer service
- Track record of growth in volumes, revenue and margins
- Strong Parentage i.e. Adani Group and TOTAL Group enabling AGL to leverage their expertise and experience in expanding its operations
- HSE: Safety first in everything we do at AGL



Opportunities

- Favourable government policies and regulation leading to rising consumption of Natural Gas
- Growing demand for natural gas from domestic customers and the commercial sector owing to increasing population and growing number of commercial establishments
- Large base of Geographical Areas (19) provides an opportunity to increase the customer base manifold coupled with additional opportunities for expansion of CNG and PNG network by participating in bidding process for new CGD areas



Weakness

- Operation of the Company restricted to the defined geographical boundaries (GA)
- Due to regulatory provision, the Company is not allowed to sell PNG to large industrial unit >50,000 SCMD within its GA



Threat

- The Company operates in a highly competitive environment with stiff competition from consumption of alternate fuel Increase in cost price of natural gas by MoPNG
- Changes in rules and regulations regarding import of natural gas
- Change in gas allocation policy by Government / regulatory changes like split into carrier and supply business

Financial and Operational Performance

The growth in revenue from operations and profitability was supported by growth in overall sales volume which grew by 8% YoY to 582.21 MMSCM in FY 2019-20. The sales volume of CNG grew by 5% to 291.60 MMSCM while PNG sales volume grew by 10% to 290.61 MMSCM in FY 2019-20. During the year under review, the Company was also able to expand its footprints to connect 56,167 new domestic households to PNG leading to increase in customers base to 0.44 million households. It also added 756 new industrial and commercial customers thereby increasing its total customer base to 4,458 industrial and commercial units. The Company also increased its CNG station from 82 in FY 2018-19 to 115 in FY 2019-20.

New GAs Operational Performance update

- Permission of 350+ KM are already in place for laying Steel Pipeline
- Steel Pipeline laying carriedout in full swing in most of the GAs
- 24 CNG Stations commissioned
- Office Location for all GAs Idenetified and most of the location offices made functional

Table 4: Summary of key financial metrics and key ratio

Key Metrics	FY 2019-20	FY 2018-19
Revenue from Operations (₹ in crore)	1,991	1,823
Operating EBITDA (₹ in crore)	595	455
PBT (₹ in crore)	547	357
PAT (₹ in crore)	436	229
EPS (₹ per share)	3.97	2.08

Key Ratios	FY 2019-20	FY 2018-19	YoY Change	Explanation
Debtors Turnover (Times)	26.04	15.35	10.69	Due to increase in revenue from operations and reduction in debtors
Inventory Turnover (Times)	24.86	25.38	(0.51)	NA
Interest Coverage Ratio (Times)	14.33	5.28	9.06	Due to increase in Operating profit and reduction in Interest
Current Ratio (Times)	0.94	1.37	(0.43)	Due to Security Deposit classified as Current Liabilities
Debt Equity Ratio	0.27	0.36	(0.24)	NA
Operating Profit Margin (%)	29.9%	24.9%	500 bps	NA
Net Profit Margin (%)	21.4%	12.0%	940 bps	Due to Higher Operating profit and change in the tax structure
Return on Net worth (%)	33.79%	23.20%	1,059 bps	Due to Higher Net Profit for FY20

Financial and Operational Performance Highlights of the Joint Venture Company – Indian Oil Adani Gas Private Limited (IOAGPL)

IndianOil-Adani Gas Pvt. Ltd. (IOAGPL) is a joint venture company of Indian Oil Corporation Limited (IOC) – a Maharatna Company of Government of India and Adani Gas Ltd. (AGL), a leading city gas distribution company and part of Adani Group – a well-diversified business Group in private sector engaged in infrastructure development.

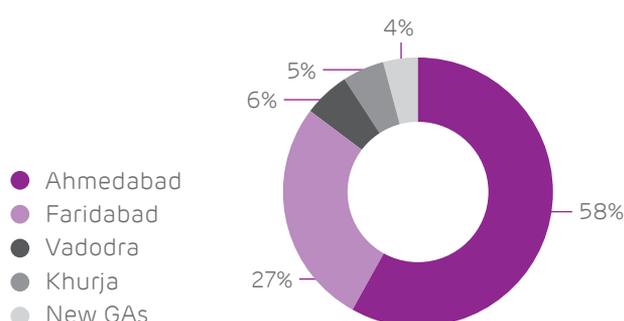
IOAGPL has been formed to implement City Gas Distribution projects across the country for distribution of environment friendly fuel (Natural Gas) through network of underground pipelines.

IOAGPL is currently having 19 GAs Authorisation across India.

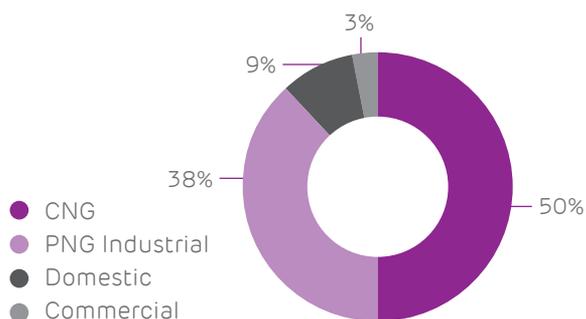
- The revenue from operation grew by 89% YoY to ₹ 309 crore in FY 2019-20 from ₹ 163 crore in FY 2018-19
- EBITDA grew by 85% YoY from ₹ 31 crore in FY 2018-19 to ₹ 58 crore in FY 2019-20
- Sales volume grew by 240% from 27.40 MMSCM in FY 2018-19 to 93.23 in FY 2019-20

Adani Gas Business Analysis at a Glance:

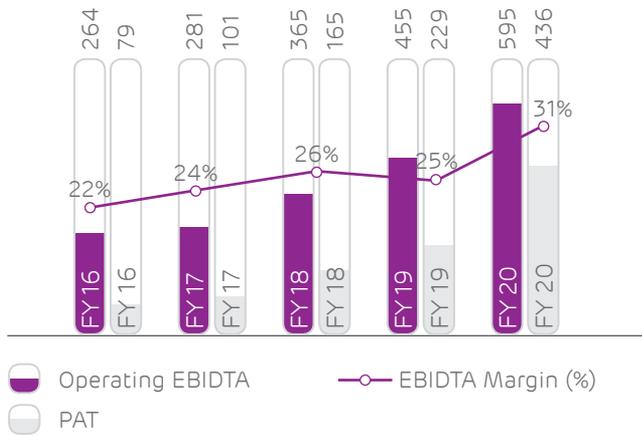
Graph 9: City Wise Volume Break-Up FY 2019-20



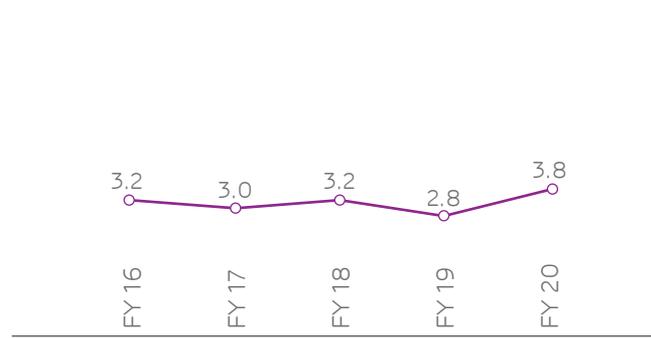
Graph 10: Segment Wise Volume Break-Up FY 2019-20



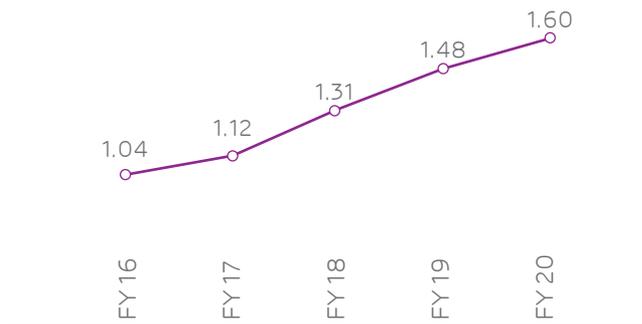
Graph 11: Operating EBITDA and PAT trend



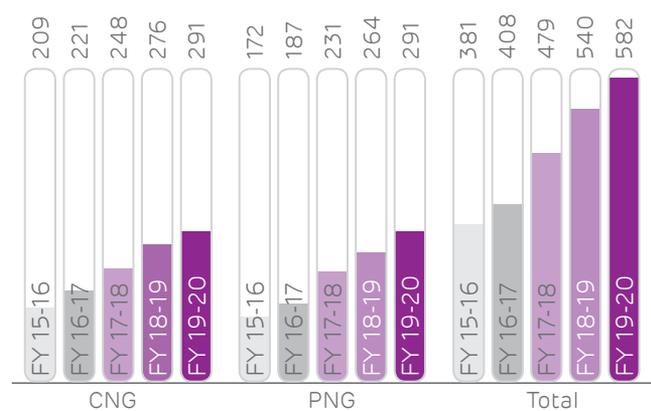
Graph 12: OPEX (₹ / SCM)



Graph 13: Yearly sales volume trend (MMSCMD)



Graph 14: CNG/PNG sales volume (MMSCM)



Safety First - At AGL

AGL is committed to ensure continuity of natural gas supply & reliability of services to its customers and committed to demonstrate continual improvement in our Quality, Occupational Health, Safety & Environmental (QHSE) management.

"Safety first in everything we do at AGL" is an integral part of AGL culture. AGL firmly believes that all types of injuries, illness & incidents are preventable. Nothing is more important to our overall success than our employees going home safe, each day. Safety is not a priority – it is a pre-condition for an Organizational behaviour.

AGL takes seriously, its responsibilities to conduct its operations with proper regard for the environment and to the health and safety of all those involved in its operation and the public at large. We ensure compliance to legal and regulatory requirements through software-based tracking system.

AGL has established its Integrated management system (IMS) & accredited for the ISO 9001 Quality Management System, ISO 14001 Environmental Management System and BS OHSAS 18001 Occupational Health and Safety assessment Series. Regular internal and external audits have been conducted to verify the adherence and effectiveness of the system and procedure. AGL has determined and provided the resources needed for the establishment, implementation, maintenance and continual improvement of the QHSE Management System through process chart, QHSE system procedure and management program as required

AGL has defined Ten (10) "Life Saving Safety Rules" based on Business specific high risk & past incident history. Rules are framed to target and reinforce critical behaviours and processes that ensure safety performance, particularly in high risk areas of the business. Awareness on Life saving rules are being through audio visual training to all employees and contractors.

AGL has been conducting HAZOP & QRA studies for its CGD business through PNGRB approved third party. It aims to pro-actively identify hazards and take actions to prevent & mitigate the risks.

AGL is having well-structured training program for different stakeholders. Safety induction training is imparted to all employees & contractors. Safety, technical & Operation competency (STOC) training is given to all contractor employees. Employees and contractors are trained on Permit to work, Job Safety analysis & other critical HSE procedures. PETZL Rope access system training is imparted to plumbers doing high risk riser job at height.

AGL has established, implemented and maintained the processes needed to prepare for and respond to potential emergency situation identified including actions to address risks and opportunities. AGL has well established Emergency Response and Disaster Management Plan (ERDMP) for all Geographical Areas. Emergency response drills are conducted periodically, and lessons are communicated, and corrective actions are ensured. ERDMP Plan is updated and certified as per PNGRB requirements. The company has established procedures to ensure that there is an appropriate response to unexpected or accidental incidents. AGL has Area Emergency Offices equipped with all resources for timely response to any type of emergency. It is working 24X7 along with our customer care team.

AGL encourages all its employees and stakeholders to report safety concerns/hazards/near misses & other incidents through Mobile/web-based Incident reporting system. All incident/accidents are promptly & transparently being reported. The lesson learnt from near misses and incidents are shared with all employees and contractors to ensure similar incident are prevented.

Asset Integrity: AGL ensures that its assets perform reliably and safely throughout various stages of their Life cycle. It is achieved through risk-based inspections, surveillance and monitoring of the network 24/7 and compliance with respect to PNGRB IMS and T4S regulations. Integrity Management System (IMS) is in place for all geographical areas. AGL has developed a comprehensive IMS manual in line with PNGRB regulation 2013. Regular audit (once in 3 years) on ISM/T4S conducted by 3rd party as per PNGRB and compliance is-in-place. Asset integrity blueprint chalked out to ensure AGL assets provides business continuity without compromising on safety.

AGL is actively participating in celebrations like National Safety Week, Road Safety Week, Environment Day, Fire Safety Week to increase awareness among employees, contractors and stakeholders.

AGL also increases safety awareness of its customers by organizing Industrial Safety awareness program, sharing CNG Safety tips, distributing Do's & Don'ts for Domestic safety. Special awareness drives are also conducted through social media & radio.

Some of the Key Highlights for FY 2019-20 are:

- During FY 2019-20, AGL has put massive training efforts and imparted 30000 man-hours of training to its people & stakeholders.
- A comprehensive program on Contractor HSE assessment and enhancement (Parivartan- a Green Cap program) has been launched in 2019-20. Third party HSE capability assessment carried out for AGL contractors.
- Implemented Safety Risk Field audit for contractor safety audit in order to check contractor safety compliance on weekly basis.
- Vulnerability Safety Risk Study completed for AGL to identify the high-risk areas. Action plan has been chalked out to further reduce risk in critical activities.
- AGL has aligned to Adani Group safety initiatives on Safety Governance and Process Organization i.e. formation of business safety council, 5 task forces for enhancing safety systems. Functioning of Group Steering Council, Group Taskforces, Business Safety Councils and Site Safety Councils and layered safety taskforces provided a structured platform to discuss safety concerns and improvement strategies.
- 3rd party baseline comprehensive asset integrity audit completed for all operational assets. This would help to improve the asset quality/HSE/performance significantly.
- Special campaign on "Dial before Dig" rolled out to prevent third party damages to our assets. Awareness program through radio & social media, team building initiatives with other utility companies & corporation bodies are few initiatives of this campaign.
- AGL implemented structured behaviour-based Safety program "Suraksha Samwaad" to achieve positive change in people's behaviour towards safety.
- HSE SOP and technical standard compendium prepared and reviewed with TOTAL Group JV partner.
- There have been no fatalities reported during the year. There have been 30% increase in Near miss/hazard reporting in last 8 months. All incident/accidents are promptly & transparently being reported.

Development Plans for newer Geographical Areas

The Company has already commenced its project activities of developing infrastructural network in the 13 awarded GAs during 9th bidding round and 2 GAs awarded in 10th bidding round. AGL has adopted a multipronged strategy for developing a successful implement action plan. The salient features of execution strategy are as detailed below: -

1. Pivotal Approach

Though the Minimum Work Program is spread over 8 years, lot of ground work will be required to create launch pad in first 3 years for easy roll out in later period. AGL's focus will therefore be to create necessary Steel pipeline infrastructure in first 3 years.

All necessary ground work for advancing to market was completed aggressively in FY 19-20. Tap-offs from transmission grid or Plan to setup Small Scale LNG Plant in the GAs currently not connected to Pipelines finalized in all GAs, GSA & Hook-up agreement finalized with transporter, CGS land parcel finalized, Agreement with OMCs such as IOCL/BPCL/HPCL signed to set-up CNG facilities at their Retail-outlets in respective State/GAs. Statutory permissions for pipelines, CNG Stations were also processed.

2. Early Geographical Penetration

This will advance reach of Adani Gas to Domestic, Commercial, Industrial and CNG markets in respective areas. Simultaneously pockets for Domestic connection, potential low hanging industrial/Commercial connections will be studied and Medium Pressure PE pipeline will be aggressively laid in these identified pockets for realizing Domestic, Commercial and Industrial connection in these areas. It's going beyond MWP in search of markets.

Current Progress:

- Land for Setting up CGS and Small scale LNG Plants have been finalized in almost all GAs. Civil work started for setting up CGS facilities in Chittorgarh, Bhilwara, Kheda, and contractor mobilized for Navsari & Surendranagar and under commencement at all other GAs.
- Along with Co-located stations at OMC locations major public advertisement drive was initiated and accordingly 23 LOI issued in various New Gas. CAPEX commitment for New GAs which include Procurement of land, Procurement of Steel and MDPE Pipeline, Booster Compressors, Dispenser, CGS Skids & various service contracts etc.

3. LNG Satellite facility (LCNG/LPNG Route) – Filling the Connectivity Gap

AGL has also been innovatively exploring options to fast track revenue realization. The GA's where the main gas pipeline connectivity is not yet available, LNG Satellite facilities (LCNG) are planned. LCNG will get LNG from nearby LNG plants and after regasification LCNG facility would feed the downstream network. For LCNG facilities land parcels has been identified, permissions are in process and equipment/plant ordered.

A LNG Satellite facility planned in Cuddalore, Nagapatinam & Tiruvarur Districts GA and Tiruppur Districts GA to cater to the initial gas demands in the GA due to non-availability of Pipeline connectivity and Domestic Gas in the notified GA.

4. CNG Roll Out – Delinking Pipeline Progress

Focus will be on making operations commercial. Entire strategy will be towards early monetization, establishing market eco system and optimizing on cost effective operation. The project roll out & related activities will be strategized to make operations start commercially. Early monetization strategy focusing on encashing monetary gains from existing market and eco system and generate early revenue.

As explained above in this FY 19-20 AGL could establish CNG footprints in New GAs and started commercial operation, delinking CNG from network which focus on to Fastrack revenue generation.

- Focus on setting up Mother stations at CGS locations
- Working on HUB & Spoke Model by setting up LNG Satellite stations to cater to the Daughter booster stations
- Use of Type 3/ Type 4 Cascades (composite cylinders with larger carrying capacity) to reach distance areas in the Geographical areas.
- Collaborative approach with OMCs to set up Co-located CNG stations
- Development of dedicated CNG Dealer Network in the Geographical areas which shall act as the brand flag bearers for AGL
- Use of compression facilities from nearby operating CGD entities to cater CNG Stations
- CNG stations to connect on SCADA from the inception to help monitoring of the stations

6. Manpower – Hiring the Helping Hands

Key to this ambitious MWP roll out strategy is manpower requirement. Adani Gas Limited is well

placed in this regard. Company has well trained & experienced manpower at existing operations. Adani Gas has planned to leverage the existing experience to do all basic ground work such as route survey, demand assessment, EIA study, basic engineering for its first 3-year aggressive roll out strategies for all GAs. Accordingly, all the ground work is being done by leveraging existing manpower for initiating inquiries for procurement on all fronts.

During the year simultaneously mix and match of quality & experience manpower along with freshers & senior executive are recruited. With this new recruitment, total manpower strength of AGL stands at 390.

7. Corporate Strengthening – Sustained Support

From project execution point of view 4 key reinforcement identified for effective MWP roll outs at corporate level are:

- a) Bracing up Human Resources - As for ambitious roll out across all GAs is concerned, recruitment drive with HR resources reinforcement has successfully achieved.
- b) Center of Excellence (Technical) – For standardization of processes, specifications, it was required to form Center of Excellence Team-Technical. The team has been strengthened in this area to oversee this function and benchmark to standardize technical requirements across all GAs.
- c) Realigning existing experience resources to new GAs to create blended Teams with existing experience and newly recruited resources. This is helping company to achieve faster execution with new Ideas and Innovation.
- d) Project Management – Centralized Project Management office (Centre of excellence) – for uniform project monitoring and control in all the GA's and for standardized the project management processes established.

Thus, after award of 13 GAs of 9th PNGRB bidding in Month of September-2018 and 2 GAs of 10th PNGRB bidding in Month of March-2019, a strategic comprehensive view is taken by AGL Leadership Team. Not only that after identifying needs and requirements for MWP roll out by leadership team of AGL and entire groundwork is ready for reaching market in majority of GAs in FY 20-21.

Key Business Highlights

Acquisition of 37.4% equity stake by TOTAL Group

One of the major highlights for FY2019-20 was a secondary acquisition of 37.4% equity stake by TOTAL Group in Adani Gas. The acquisition was marked as India's largest Downstream Energy Partnerships. The main rationale

behind the acquisition is to cater the ever-growing demand in the Indian market across LNG, Fuel Retail and City Gas distribution. This will enable AGL to get access to competitive gas supplies from a global natural gas company as well as provide opportunities to strengthen its business model with backward integration in terms of major equipment needed in CGD infrastructure..

For other Business Highlight please refer to 'Our Business Segment' on page 20 for more details

Supervisory Control and Data Acquisition system (SCADA)

AGL is a pioneer in implicating SCADA in CGD. SCADA is already implemented at Ahmedabad, Vadodara and Faridabad. As a management strategy AGL will operate on all new GAs on SCADA from its inception. For this AGL has already initiated strengthening of the SCADA architecture & development of AG&NC (Adani Gas Nerve Centre) which will act as the central command & monitoring centre for all the 19 GAs. Going forward SCADA will not be limited to the central command centre but will be extended to the remotest point of each individual desktops/Laptops with the help of web platform for prompt actions. SCADA will also play a pivotal role in providing Real Time data flow for preventive & forecast analytics.

The system is customized to meet the requirements of Project and Maintenance engineers and make digital Eco system to ensure real time monitoring of data. With the help of SCADA system various operational challenges are addressed in all segments of CGD business detailed as below:

CNG: Compressed Natural Gas – This segment supplies natural gas to vehicles. Compressor & Dispenser are the key gas assets of this segment. All the parameters related to process and link with revenue, these assets are monitored centrally through SCADA software also in case of emergency this system can be isolated centrally through Master Control Room.

PNG: Piped Natural Gas – This segment caters the domestic, industrial & commercial customers. The DRS (District regulating station) is the key gas asset for distributing gas in above segments. SCADA helps in monitoring all the filed parameters like pressure, temperature and meter reading of DRS located strategically throughout the city.

CGS: City Gate Stations are generally equipped with control of pressure and flow parameters with wireless communication. The SCADA controls flow and pressure parameters to facilitate the farthest consumer to receive the gas at desired pressure and flow rate.

In addition, SCADA systems are needed to monitor and control a large geographical displacement where an organization may not have enough manpower to cover.

Thus, reliable communication and operability of these areas or sites is critical to profitability.

Automation & Technology

As a part of its next journey – AGL 2.0, on digitization and automation, Adani Gas started its digital journey with Project Adani Delight. The project is aimed at digitization of Process Across AGL Functions. Under the roadmap, under this project, AGL has already launched the Empowering Community Program to enable Students, Housewives, Senior Citizens to be an ambassador of Adani Gas and providing referral prospects.

With increasing penetration of internet and rising smartphone users, AGL has launched a mobile application, My Adani Gas, A digital ecosystem/ platform which helps in collaborating with partners & stakeholders such as Customers, Vendors, Contractors and Employees. My Adani Gas streamlines complete sales process from Inquiry registration to commissioning for domestic, Industrial & Commercial Customers. This enables Field Sales Officer and Third-Party Inspector to complete the customer onboarding digitally. It provides the full digital self-service channel of interaction for Customers from service request to account statement. It will provide the platform to collaborate with vendors, acquire new vendors, enable vendors/ contractors for service orders and track progress on service orders & manage their performance.

In the journey of making AGL a Smart and Digital Utility company, AGL is aimed to automate maximum processes and operations to leverage technology benefits to add up the bottom line, Build the Adani Gas Nerve Centre – a Central Digital Command Centre for better monitoring, control the business operations and quick decision making.

Human Resource Strategy

AGL is a fast-growing organization and has set new benchmarks by becoming the largest CGD Company in India w.r.t geographical areas. In the face of this agile growth, we at AGL have strived to build a high performing culture by recognizing and rewarding exemplary performance and merit.

In AGL, we ensure that both development and progress are sustainable and all-encompassing; for the people and the environment alike, which is in line with our philosophy of Courage, Trust & Commitment. We believe in promoting inclusiveness, ownership, pride & respect in employees to increase their motivation and engagement at an intrinsic level.

Entire workforce of Adani Gas exhibits One Team spirit & works collectively together to meet the organisational goals.

Over a period, Adani Gas has developed various unique and best in class practices and embraced an effective operating model that has helped to build our COE in – Organization

development / effectiveness, Talent Management, Learning & Development and Talent Acquisition.

Talent Acquisition

With high precision resource planning and talent acquisition strategy, we ensure that the organization maintains a lean workforce that is highly competent to achieve our business goals and ensure that the organization moves towards being a leader in the Gas sector. We focus on talent that has competence, sense of responsibility, go getter attitude and ability to collaborate well.

Learning Culture

Over and above the statutory trainings, we incessantly invest in developing both the technical and behavioural/ managerial skills of our employees in order to ensure a highly engaged and high performing workforce is maintained. Using e-learning platforms, the learning culture has been further augmented across all the employees in AGL.

Talent Management

We ensure that our employees have well defined goals and areas of responsibility based on which their performance is evaluated for each year. The entire process is well defined, robust and transparent which ensures fairness of the entire process. The process starts with the Goal Setting exercise at the start of the financial year and ends with the year-end appraisal process.

Risk and Concern

- **Regulatory Regime**

The City Gas Distribution is under regulatory regime wherein the Regulatory Board (PNGRB) has framed various regulations, which have ramifications on day to day business, operations of the CGD entity. The changes in the regulations may act as facilitators for healthy business in CGD sector.

- **Non-availability of Natural Gas**

Our natural gas supply requirements for CNG and PNG (Domestic) are met by the allocation of domestic natural gas based on priority sector by MoPNG at a price determined in accordance with the New Domestic Natural Gas Pricing Guidelines 2014 ("Pricing Guidelines"). Any reduction in allocation of domestic natural gas may have an adverse effect on our business, results of operations and cash flows.

- **Foreign Currency Risk**

The price of domestic natural gas and RLNG is denominated in USD, while the selling price is in Indian Rupees. If we are unable to pass on the cost to the

extent of any devaluation of the Indian Rupee to our customers on a timely basis our business, results of operations and cash flows could be adversely affected.

- **Competition from Alternate Fuels**

The Company's customers also have an alternative to move towards other alternate fuels if there is a cost advantage and under these situations, it would impact its business. CNG constitutes around 50% of the total sales volume of the Company and it is very much competitive compared to alternate fuels i.e. petrol and diesel.

- **Safety Risk**

The CGD network / system are designed in line with the T4S (Technical Standards and specifications including Safety Standards) regulations laid down by PNGRB. All the existing networks of AGL are compliant to T4S regulations and have been certified so by the independent consultants empanelled with PNGRB.

Robust Integrated Management systems, Risk Assessment, Work permit system & periodic audits will ensure that adequate controls are in place to ensure risk in the construction as well as the operations phase is reduced to "As Low As Reasonably Practicable" (ALARP)

Internal Control Systems

The Company has put in place strong internal control systems and best in class processes commensurate with its size and scale of operations.

There is a well-established multidisciplinary Management Audit & Assurance Services (MA&AS) that consists of professionally qualified accountants, engineers and SAP experienced executives who carry out extensive audit throughout the year, across all functional areas and submit reports to Management and Audit Committee about the compliance with internal controls and efficiency and effectiveness of operations and key processes risks.

Some Key Features of the Company's internal controls system are:

- Adequate documentation of Policies & Guidelines.
- Preparation & monitoring of Annual Budgets through monthly review for all operating & service functions.
- MA&AS department prepares Risk Based Internal Audit scope with the frequency of audit being decided by risk ratings of areas / functions. Risk based scope is discussed amongst MA&AS team, functional heads / process owners / CEO & CFO. The audit plan is formally reviewed and approved by Audit Committee of the Board.

- The entire internal audit processes are web enabled and managed on-line by Audit Management System.
- The Company has a strong compliance management system which runs on an online monitoring system.
- The Company has a well-defined delegation of power with authority limits for approving revenue & capex expenditure which is reviewed and suitably amended on an annual basis
- The Company uses Enterprise Resource Planning (ERP) System (SAP) to record data for accounting, consolidation and management information purposes and connects to different locations for efficient exchange of information.
- Apart from having all policies, procedures and internal audit mechanism in place, Company periodically engages outside experts to carry out an independent review of the effectiveness of various business processes and invite suggestions for process improvements
- Internal Audit is carried out in accordance with auditing standards to review design effectiveness of internal control system & procedures to manage risks, operation of monitoring control, compliance with relevant policies & procedure and recommend improvement in processes and procedure.

The Audit Committee of the Board of Directors regularly reviews execution of Audit Plan, the adequacy & effectiveness of internal audit systems, and monitors implementation of internal audit recommendations including those relating to strengthening of company's risk management policies & systems.

Cautionary Note

Statements on the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations and others may constitute "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results may differ from those expressed or implied. Several factors that could significantly impact the Company's operations include economic conditions affecting demand, supply and price conditions in the domestic and overseas markets, changes in the Government regulations, tax laws and other statutes, climatic conditions and such incidental factors over which the Company does not have any direct control.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.