

# Adani Gas Ltd

## Investor Presentation

March 2019



adani

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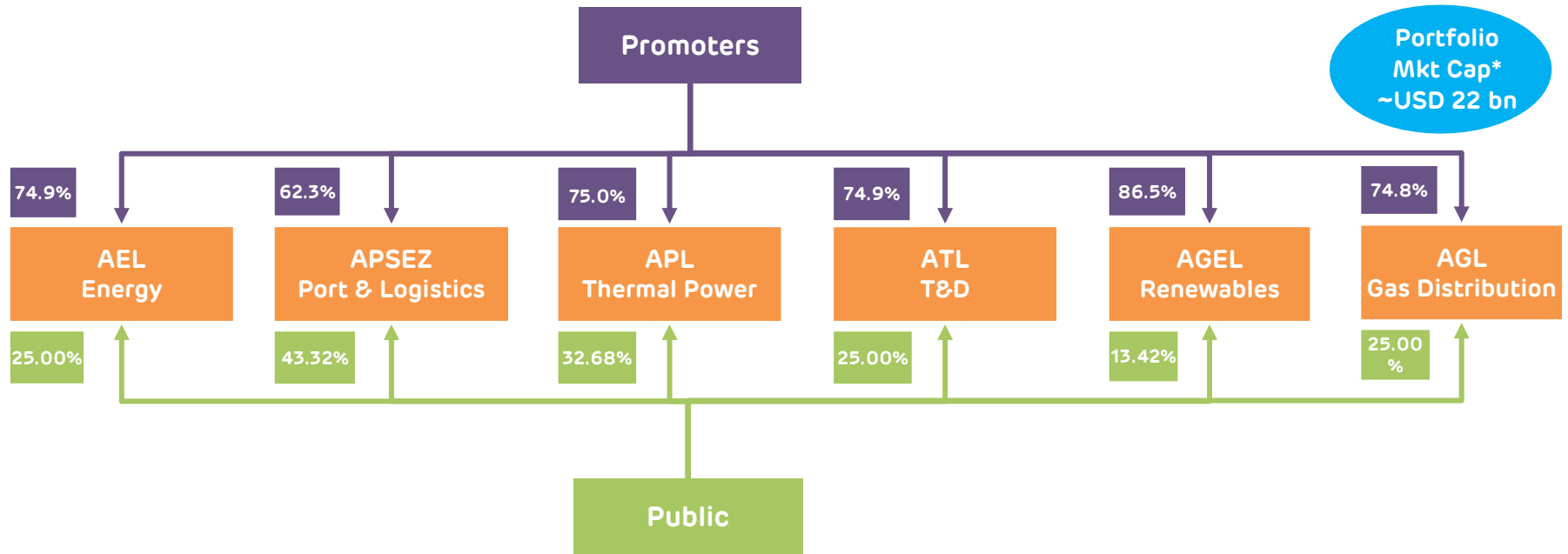
1	Introduction to Adani Group and Adani Gas
2	Sector Dynamics
3	Regulatory Framework
4	Adani Gas – Operations and Financial Performance
5	Growth Strategy



# Introduction to Adani Group and Adani Gas



# Adani Portfolio: Leading Developer, Owner, Operator in Infrastructure



**Adani**

- Pan India presence with leadership position in each vertical
  - **No 1 in Ports, T&D and Thermal Power, Leading position in Renewables & Gas Distribution**
- Independent verticals with independent boards
- Multiple touch points with regulators & public utilities
- Nationwide enduring relationships with regional vendors across multiple sectors

# Adani Group: Track Record of Delivering World Class Assets

## Leveraging Core Strengths



Large scale businesses delivering consistent growth



Unmatched execution capabilities – timely and cost effective



Three decades of regulator and stakeholder relationship



Diverse financing sources – only Indian infrastructure conglomerate with two Investment Grade (IG) issuers

## Delivering World Class Assets

**Longest Private HDVC Line in India**



- **Only HDVC line in India to be executed by a private player**
- Location: Mundra-Mohindergarh
- Capacity: 1,980 Ckt Kms

**648 MW Ultra Mega Solar Power Plant**



- **Mega project developed, constructed and commissioned in 9 months**
- Location: Kamuthi,, Tamilnadu
- Solar Irradiation: 1,900 kWh / m<sup>2</sup> / year
- Capacity: 1.25 BU / year

**India's Largest Commercial Port**



- **Largest commercial port of India**
- Location: Gulf of Kutch with access to northern and western parts of India
- Capacity: 100 MMT cargo / year

**Largest Private Thermal Power Station in India**

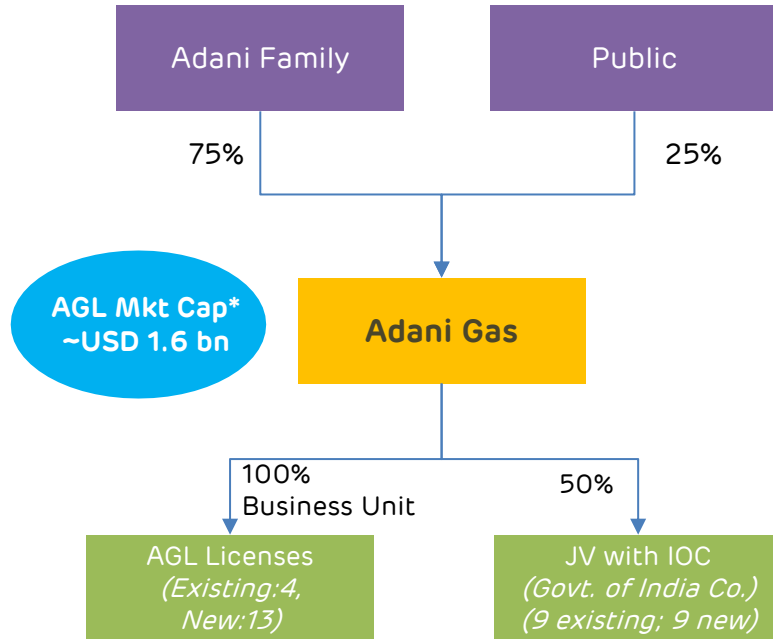


- **Fastest implementation ever by any power developer in India - record completion of inception to synchronization within 36 months**
- Location: Mundra, Gujarat
- Capacity: 4,620 MW



# Adani Gas – India's Largest City Gas Distribution Company

## Ownership Structure



## Business Model

Exclusive authorisation to develop infrastructure, operate and market gas in Geographical Areas (GA)

Piped gas supply (PNG) to residences, commercial, industrial units and CNG to automobiles

Preferential domestic gas supply (CNG, Residential PNG) and tie ups for Imported gas

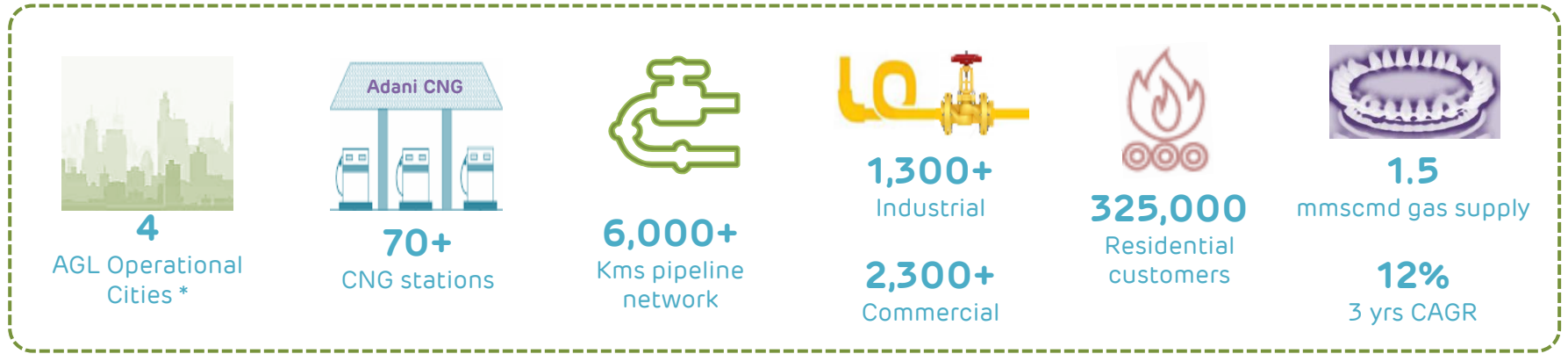
Centralized Operations, monitoring and Technology support to deliver safe and efficient operations

High Focus on ROEs and Growth

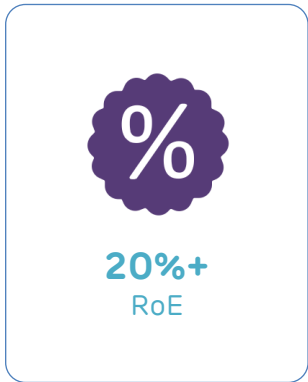
Strategic Bidding for new authorisations

**Long term exclusivity coupled with Business Model delivers best in class margins, returns & growth**

# Adani Gas – Replicating Adani’s Infrastructure Success in Gas Distribution



Largest private player in India's City Gas space with over a decade of experience



Balanced growth across customer segment and geography

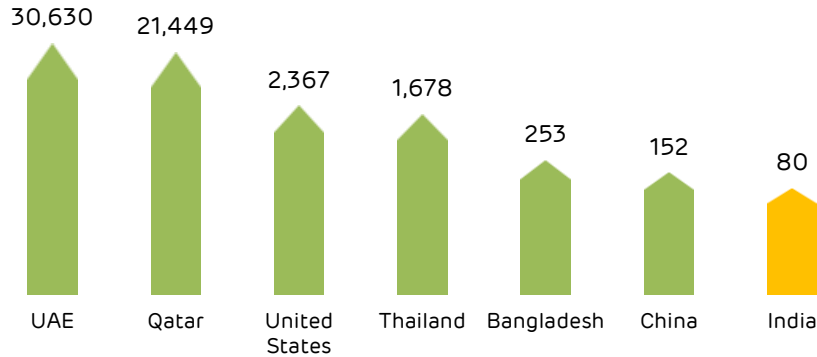


# Sector Dynamics

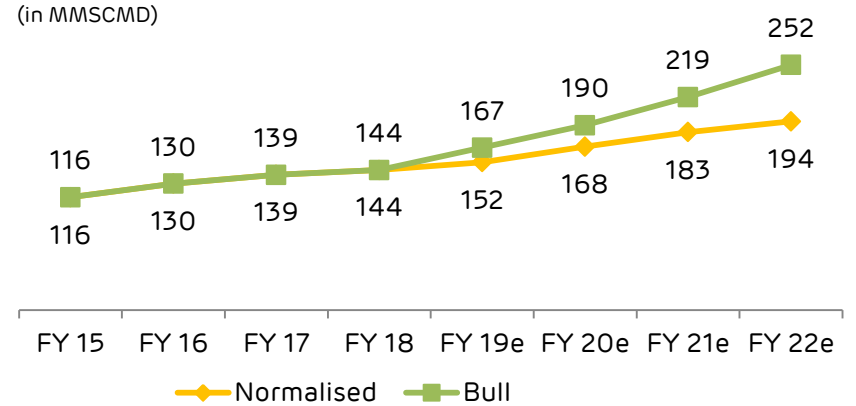


# India's Natural Gas Demand on a multi-year growth cycle

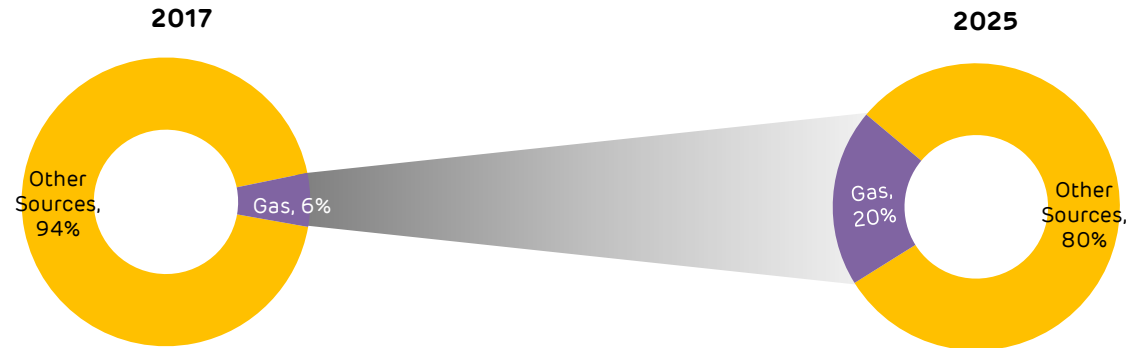
## Lower Gas Consumption per Capita (Cbm/person)



## Consistent increase in Indian Natural Gas Demand



Gas expected to be 20% of the India energy mix



India has lagged, but given the global glut, this might be an advantage with significant uncontracted demand. Gas and Renewables together serves the twin purpose of climate and growth

# Natural Gas – A Low Cost, Clean & Efficient Source of Energy

## Gas Value Proposition

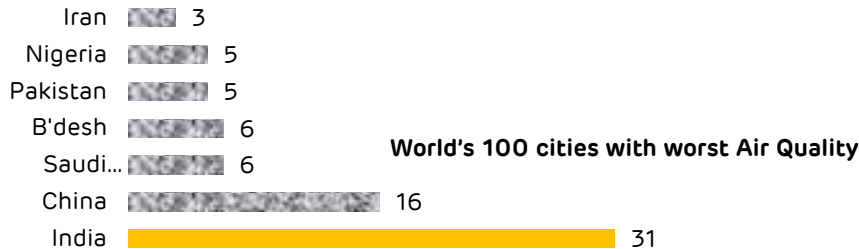
Acceptability  
Less polluting,  
clean and green

Abundance  
Increasing  
Liquefaction

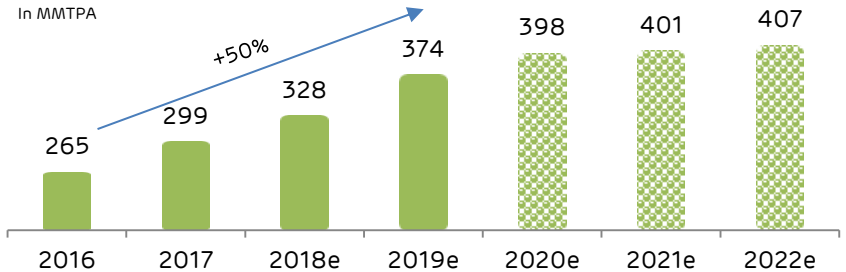
Availability  
Expanding Imports /  
infrastructure

Affordability  
commoditized,  
competitive

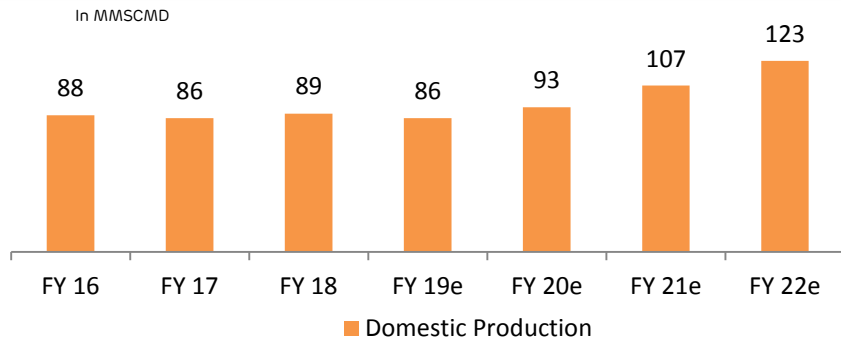
### Poor air quality in cities supporting gas adoption (# of cities)



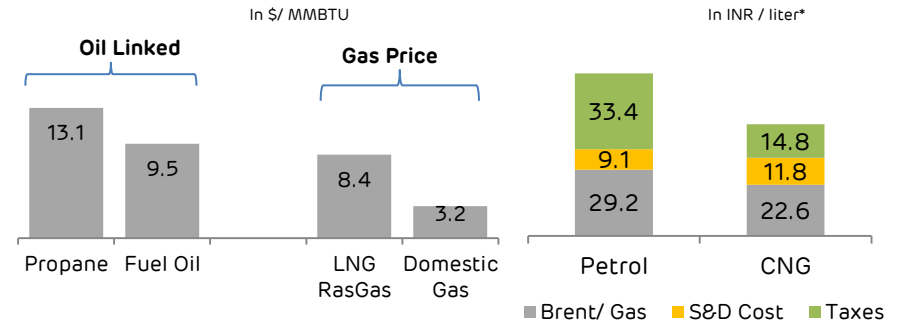
### Global Gas export capacity increasing 50% between 2016-20



### Supply constraints easing as domestic production is growing



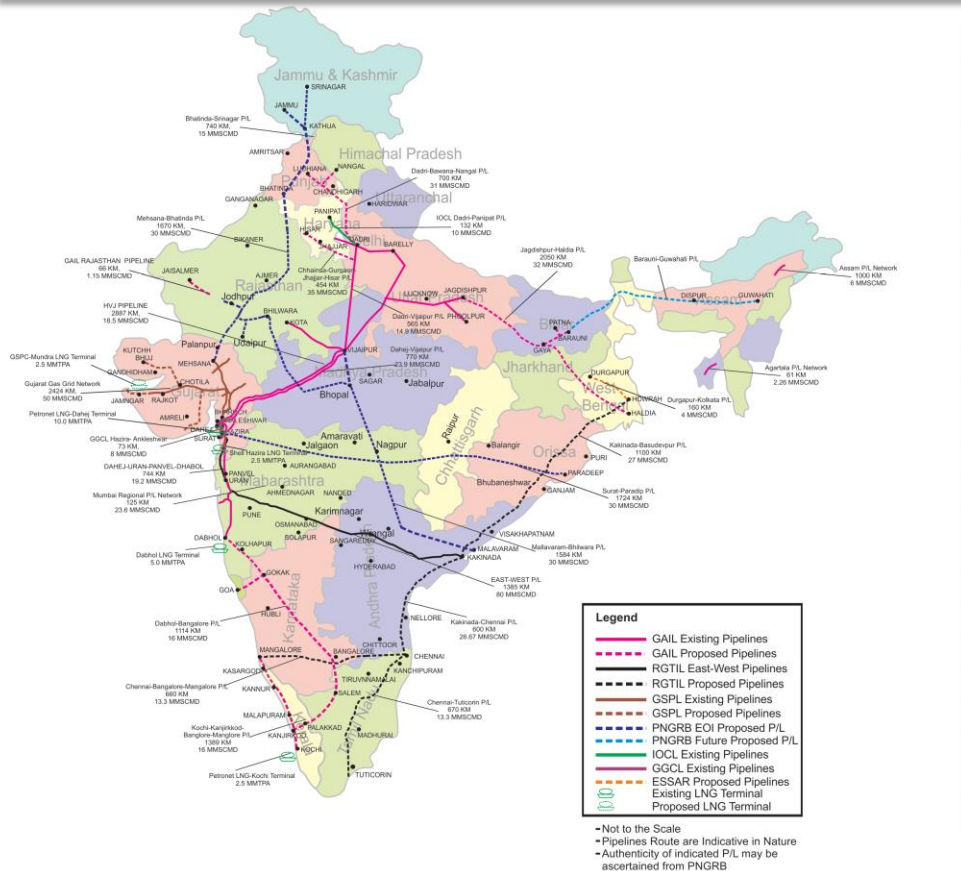
### Natural Gas has cost advantages than oil linked fuels



**From a fragmented regional market, natural gas now a global commodity.  
Supply is driven by new discoveries and demand by rapid infrastructure development.**

# Infrastructure Boost To Propel Gas Demand and Consumption

Carrier first - Commodity latter. Infrastructure to unlock latent demand



Focus on Infrastructure Development

LNG terminals: 10 under construction

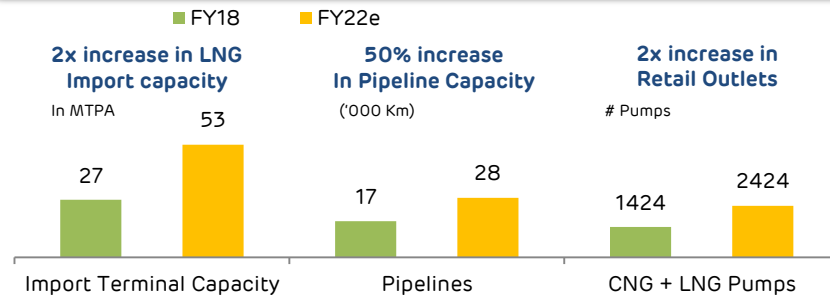
Pipeline network to be extended by 13,000 kms

Incentives to explore and extract gas

City Gas Distribution from 78 to 280 cities

LNG approved as fuel for highways

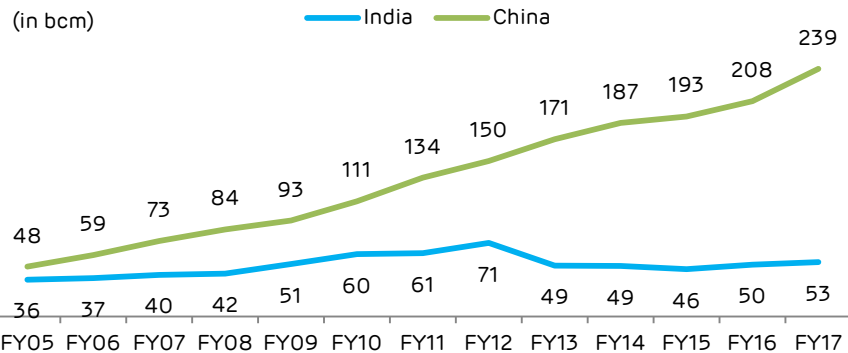
Infrastructure for natural gas ecosystem is accelerating



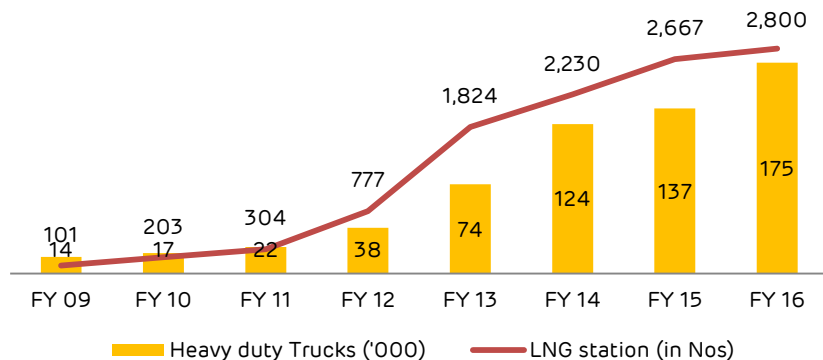
About \$23bn will be spent in the next 5 years to build energy infrastructure

# Infrastructure Development Propels Gas Demand

## China: 4x Increase in Gas Demand with Infrastructure Impetus

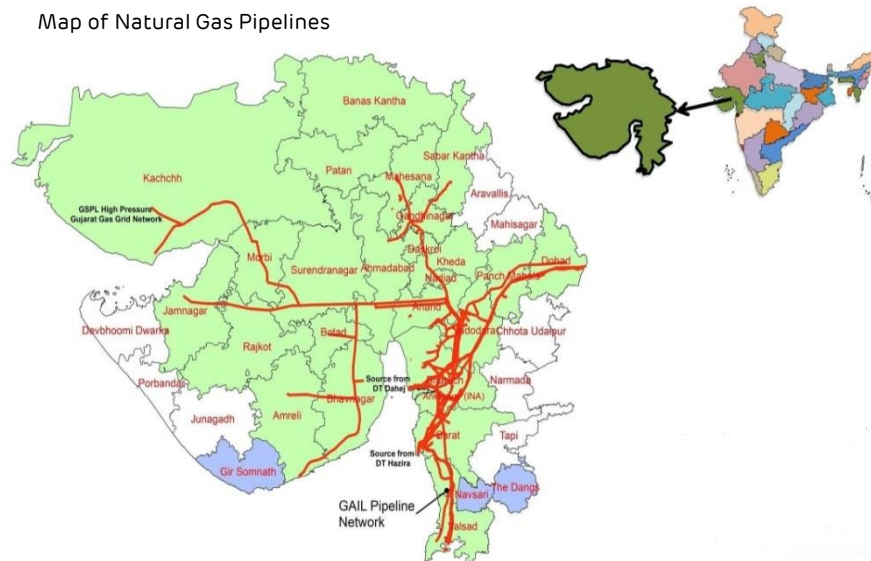


## China: Exponential growth in fuel demand with Retail Investments

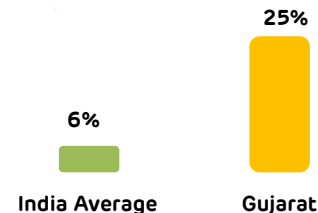


## Gujarat: Gas Infrastructure Integration Driving Demand

Map of Natural Gas Pipelines



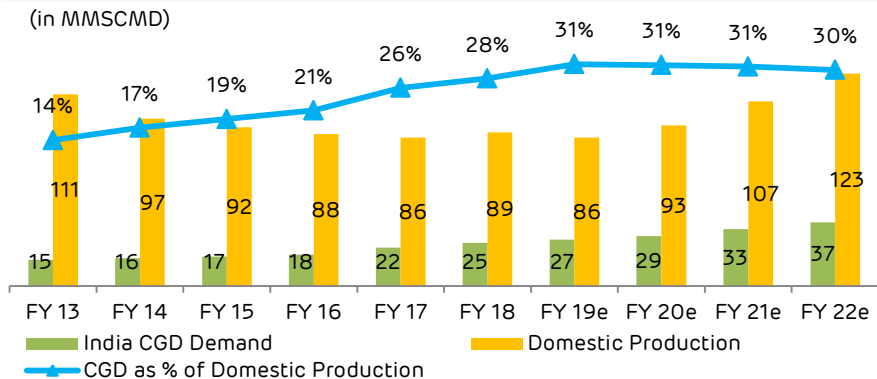
Gujarat's Natural Gas Penetration over 4x of India Average



Government thrust on creating infrastructure & regulatory initiatives to increase gas share to 20%+

# City Gas Distribution In India is ready for next growth cycle

## Increasing Share of Gas distribution in Natural Gas Demand



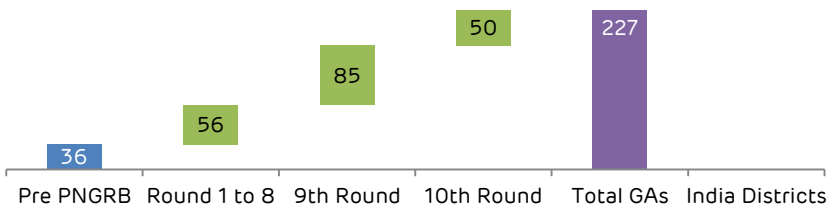
## Huge potential for CGD in India

Only ~45% of India population covered (AGL share 7.5%)

Districts

~402

>700



## Growth Drivers

### Demographic

- Coverage increasing to over 50% of Population
- Highway, Inter city, MHV, 2W to drive demand
- Urbanisation and High rise building
- Convenience

### Environmental

- Stringent Emission norms
- Increasing domestic production of natural gas
- Constraints on LPG production and imports

### Regulatory / Government Priority

- Favourable regulatory support for CGD
- Industrial automation supports gas

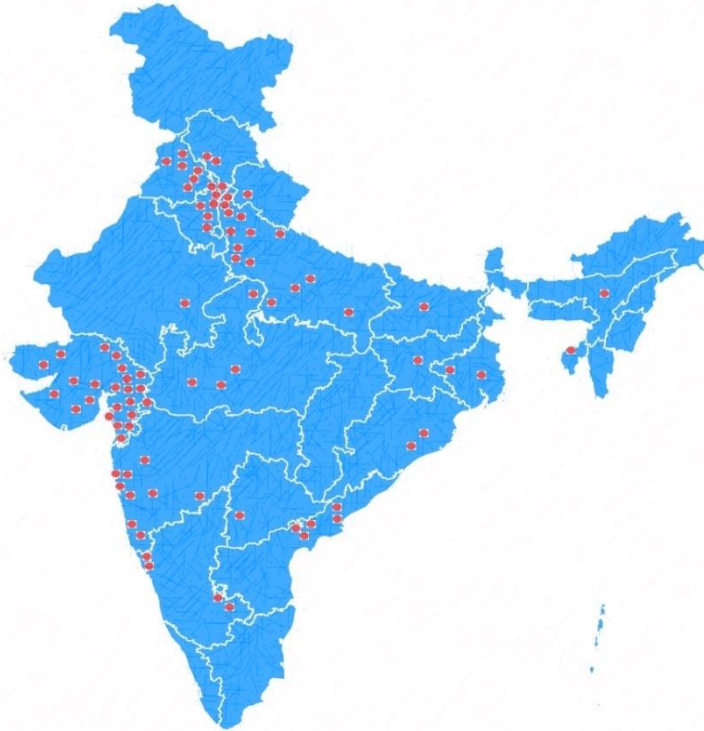
Trinity of availability of gas supply, Infrastructure build-out and competitive pricing vs alternate fuels to drive gas demand



# Gas Distribution – Transforming India's Energy Landscape

2018

Post 10<sup>th</sup> Round



**20%**  
Population



**70%**  
Population

**124**  
Districts



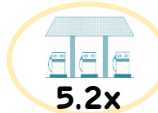
**402**  
Districts

**4 mn**  
Households

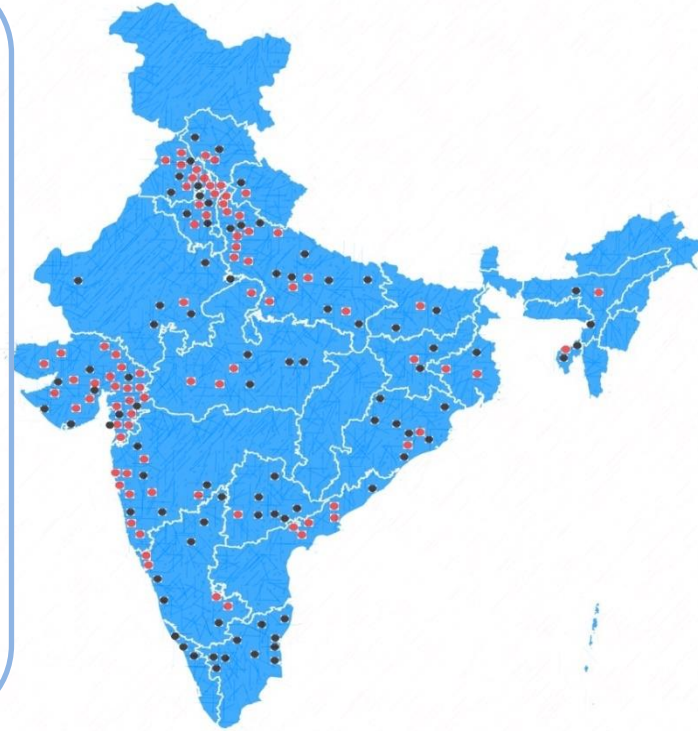


**40 mn**  
Households

**1,450**  
Retail  
Outlets



**7,500+**  
Retail  
Outlets



Gas Distribution sector poised for Significant Growth

# Regulatory Framework



# Sector Regulation - Light on Carrier and none on Content marketing

CGD have two distinct revenue stream: Carrier of 3rd Party Gas and direct Marketing of Gas to End users.

Carrier			Content	
Marketing Exclusivity	5 years to 8 years	+	Marketing Chain	Unregulated by PNGRB
Infra Exclusivity	25 years No parallel infrastructure allowed		Domestic Gas	Available for Domestic PNG and CNG <i>(linked to MS and LPG respectively)</i>
Tariff	Based on Competitive Bidding For Cases pre PNGRB, 14% ROI		Imported Gas	Based on Commercial LPG, Oil Based Fuels
Open Access	Post marketing exclusivity 25% of capacity, if available		Marketing Margin	Free Pricing based on market dynamics <i>(prices aligned to alternate fuels)</i>
Post Infra Exclusivity	Infrastructure remains with entity Likely to be operated perpetually		Gas Sourcing	Separate carrier, marketing role for GAIL Uniform cross country pipeline tariff Regional gas hub based pricing

Gas as a source of energy is more aligned with oil which is market driven compare to electricity which is regulated

# Regulatory & Policy Boost for CGD Development

## Stable Regulatory Environment

**Petroleum and Natural Gas Regulatory Board**  
(established regulator with track record of 11 yrs)



### Open & Transparent Bidding for award of geographical areas

- Network Tariff - 20%
- No. of Domestic Connection - 50%
- No. of CNG Outlets - 20%
- Inch KM of Pipeline - 10%



### Awards 25 years long perpetuity like Authorization

- Awardee to build the network over 8 years
  - Network **exclusivity for 25 yrs**
  - Marketing **exclusivity for 8 yrs**
- **No regulation around marketing margin / product pricing**
- Work program / minimum service linked obligations

## Strong Government Impetus to Gas Sector

- **CGD is No 1 priority** on gas supply
- **Preferential supply** of domestic gas for domestic PNG & CNG
- LNG approved as **fuel for highway** transportation
- CGD eligible for funding from infra cess
- Natural gas is likely **to be included in GST**
- Push for **LPG penetration** in rural area
- **Strong entry barriers** by regulation-exclusivity
- **Ban on Fuel Oil** in NCR and SC suggestion to ban pan India
- **Massive infrastructure** in oil & Gas

**Well defined, largely unregulated and predictable regulatory framework**



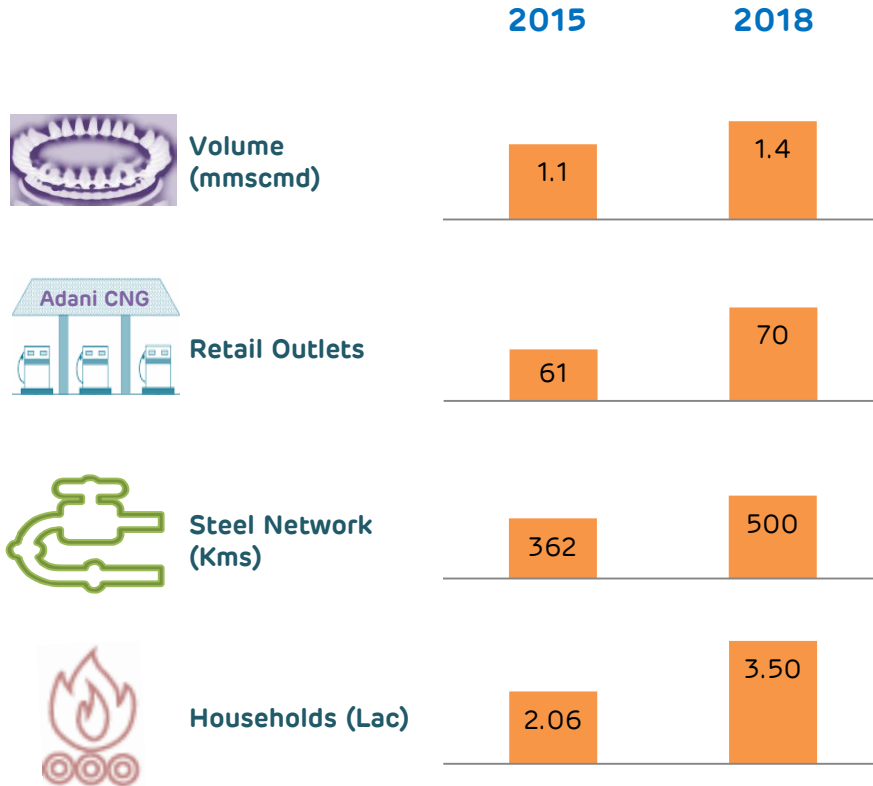


# Adani Gas – Operations and Financial Performance



# Adani Gas – India's Leading Play on Gas Distribution

## Unparalleled Network of Gas Distribution



## Pan India Footprint

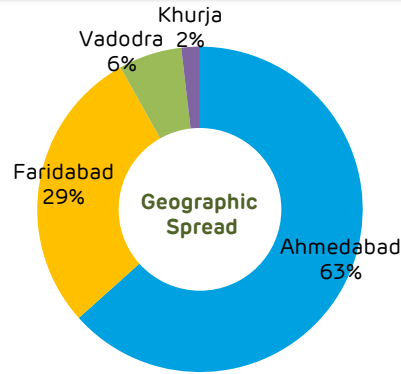
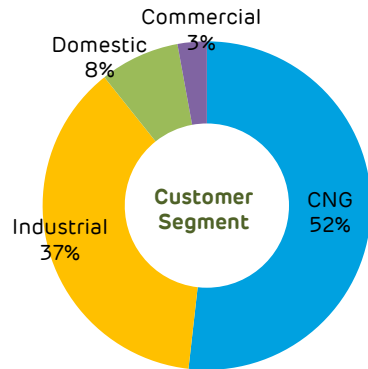


Largest private sector CGD player poised to leverage growth opportunity

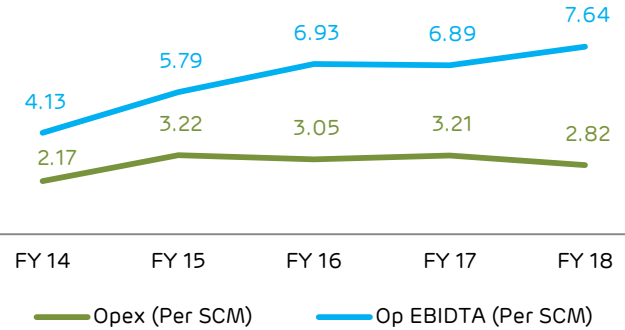


# Existing AGL Operations - Prudent Pricing & Cost Optimisation

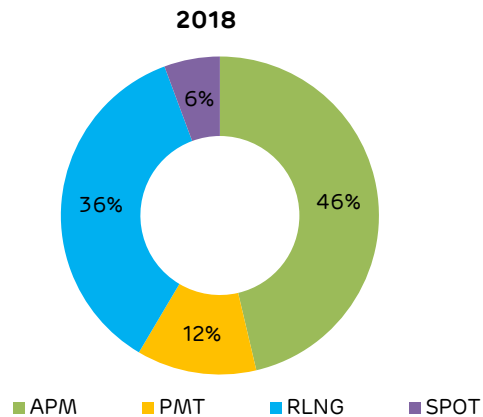
## The most diversified customer base company with balanced geographic spread



## Lowest operating cost in the industry



## Access to Diverse Suppliers & Sourcing of Gas



## Prudent Gas Sourcing & Pricing Mechanism

### Sourcing of Gas

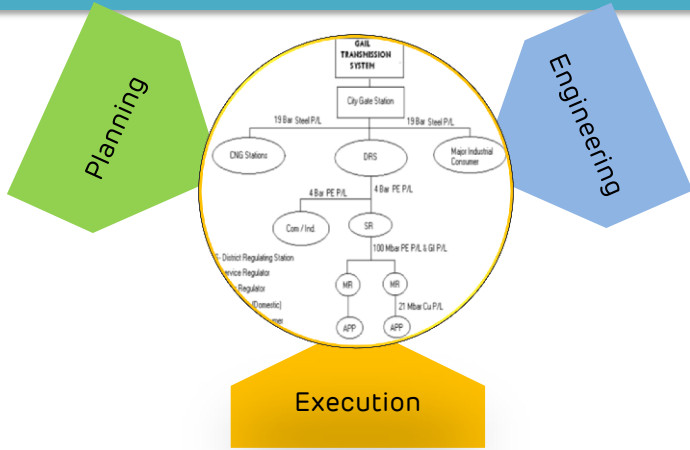
- **Government allocates gas** for CNG & domestic as priority sector
- Gas for other customer segments bought from **open market**
- Sourcing is fair mix of **short term and spot contracts**
- Main suppliers are **GAIL, GSPC, IOCL**

### Pricing for Segments

- Sales price are **benchmarked to alternate fuels**
- Prices are more **stable** than liquid fuel
- **Term** prices are **benchmarked to Brent** crude

# Best in Class Execution with Superior Operations & Service

## Execution Excellence



## World Class Technology for Operation Management

**SAP SYCLO**  
(Comprehensive mobile solution for asset management)

**SCADA**  
(State of art operations monitoring system)

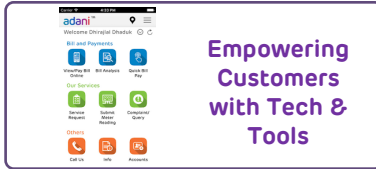
**AMR**  
(Automated Meter Reading system)

**GIS**  
(Global Information System for pipeline with essential details)

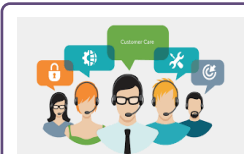
## Focused on Superior Customer Service



**Quality Management System**



**Empowering Customers with Tech & Tools**



**Superior Customer Service**



**Great Place to Work**

## Zero Incident Operations



**Best Environment Management System**



**World Class Health and Safety Management Systems**



**100% safety record**

**T4S compliant**

**Pipeline network T4S compliant & certified**

# Joint Venture with IOC To Support Expansion

Strategic JV with IOCL: Public sector pedigree with private sector expertise



Domain  
Expertise  
Processes  
Manpower



IndianOil-Adani Gas Pvt. Ltd.

Infrastructure  
Logistics &  
resources



IndianOil

	Infrastructure as at Sept 2018
Retail Outlets	14
Network (Kms)	5,090
Households	11,000

Total Investment ~Rs 795 Cr, Combined Equity of ~Rs 300 Cr

## Strategic Advantages



### Access to LNG

- 5 LNG Terminals
- Competitive **sourcing of gas**



### Economies of Scale

- Minimize **funding cost** given parentage
- **Bulk sourcing** of imported LNG
- Access to **wider geographies**
- **Funding limited** to equity contribution



### Retail and Operations Benefits

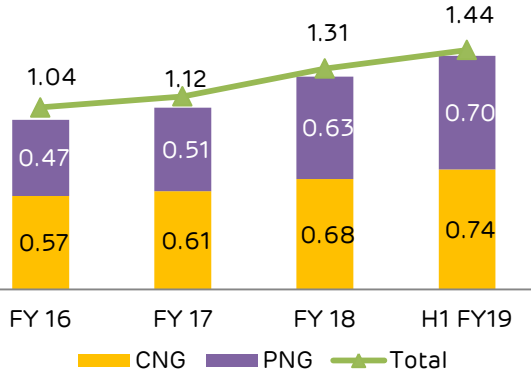
- Access to **25,000 retail outlets** of IOC
- **Plug and play** penetration for CGD
- **Centralized** operations, SCADA, call centers driving operating margins

Strategic Partnership with IOCL to Accelerate Growth

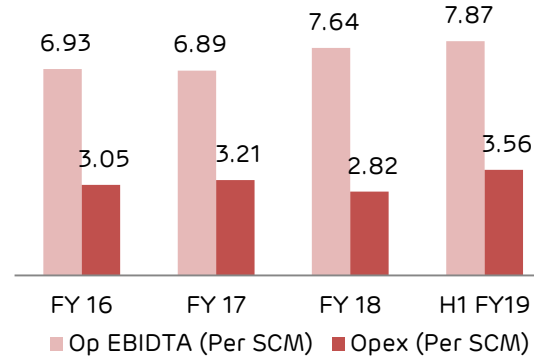
# Resilient Operations Resulting into Strong Financial Performance

## Sales Volume Mix (MMSCMD)

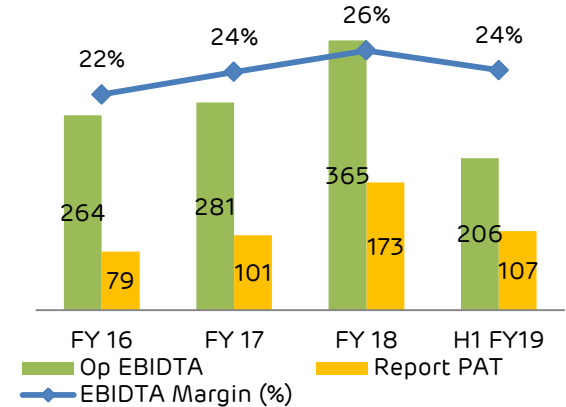
CAGR 12%



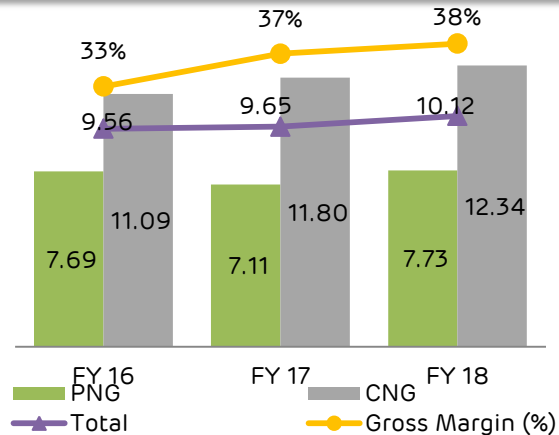
## Op EBIDTA & Opex (Rs / SCM)



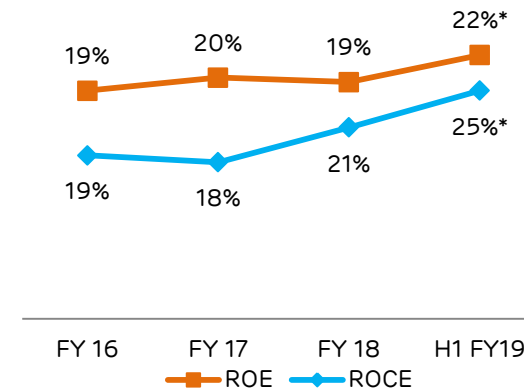
## Op EBIDTA & PAT (Rs Crs)



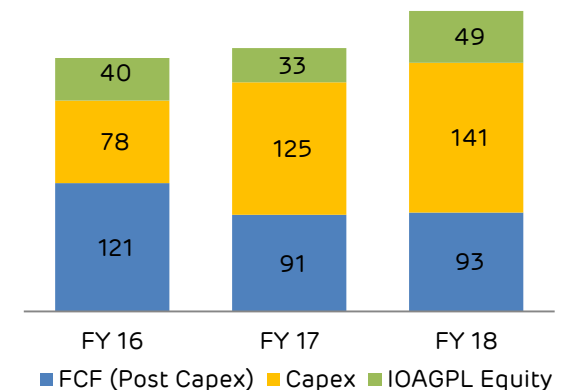
## Gross Margin (Rs/SCM & %)



## ROCE & ROE (%)

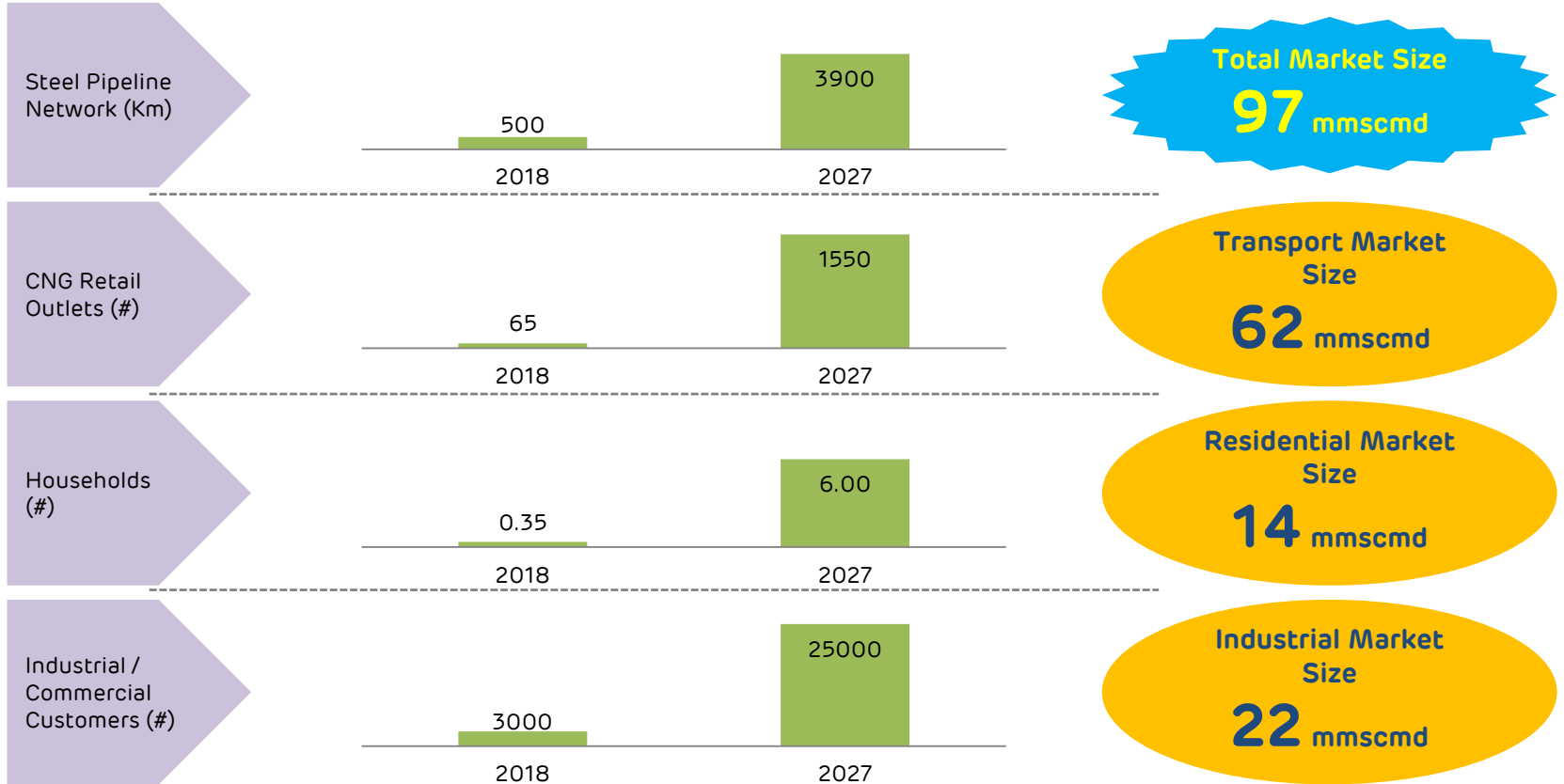


## Free Cash Flow (Rs Crs)



# Adani Gas: Large Addressable Market Size

Infrastructure creation in new 34 GAs would open up a large opportunity



Adani Gas is well positioned to benefit from the large scale opportunity

# Experienced Board and Management Team

## Esteemed Board Members



Mr Gautam Adani



Mr Pranav Adani



Mr Suresh Manglani

Strong Sponsorship

CEO &  
Additional Director



Mr Maheswar Sahu



Mr Naresh Nayyar



Mrs Chandra Iyengar

Independent Directors



# Growth Strategy



# Growth Strategy

## Proven track record of expanding footprint

- New areas are targeted towards **high consumption intensity** and **environmental sensitivity**
- Prospect of **CNG corridor** among the new areas
- New opportunity to build **LNG retail outlets** on **highways**
- **Execution excellence** – experienced team for Design, Engineering and project execution
- **Digital technology** driven servicing & SCADA based operations monitoring

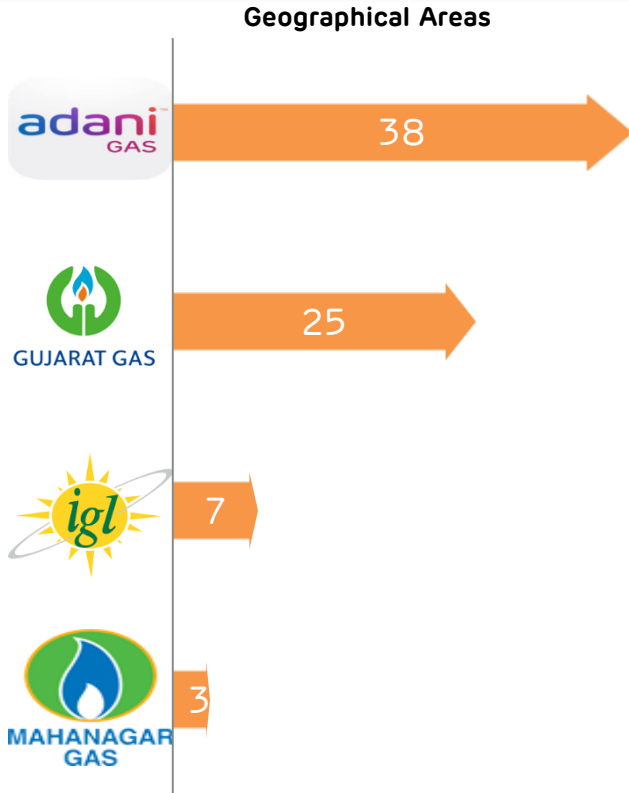
## Robust growth strategy to increase market share with focus on maximising returns



Adani Gas along with JV covers approximately 7.5% of India's population

# Recently won bids to support Growth Aspirations

## Market Share Based on Recent Bids



## Plan for 50 Geographical Areas in Next 5 Years

Target : Significant market share by next decade

### Business Snapshot

Coverage	38 GAs (~7.5% population)
Volume Potential	10-15 mmscmd

States: Gujarat, Bihar, Haryana, Karnataka, Kerala, Madhya Pradesh, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarakhand, West Bengal, Odisha

Adani Gas targets 10% population across geographies by 2023 with a proposed investment of over \$1bn in the next 5 years

# Adani Gas: A Compelling Investment Opportunity

- ✓ Adani Gas is the **largest private sector player** – well positioned to take advantage of growth in NG sector
- ✓ Natural gas – **clean energy source**, expected to be **25% of the India energy mix** in the medium term
- ✓ **Per capita consumption** of gas expected to rise **exponentially**
- ✓ **Strong Government focus for shifting towards** gas based economy
- ✓ **Strong track record of project execution, cost effective operations** and customer service
- ✓ **Robust Strategy** to help in building pan India CGD network

# Sustainability

adani™

## Education

- Adani Vidhyamandir
- Underprivileged Children
- Training Volunteers for teaching
- Girl Child Education

## Health

- Mobile dispensary
- Immunization for kids
- Teaching sanitation in rural area
- HIV/AIDS awareness campaign

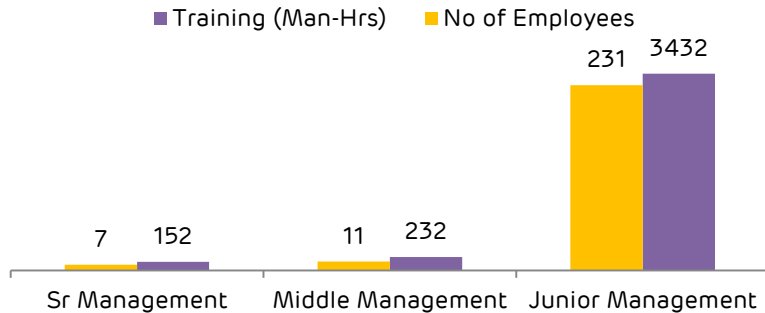
## Livelihood development

- Vocational training
- Cattle vaccination
- Animal Husbandry
- Skill upgradation

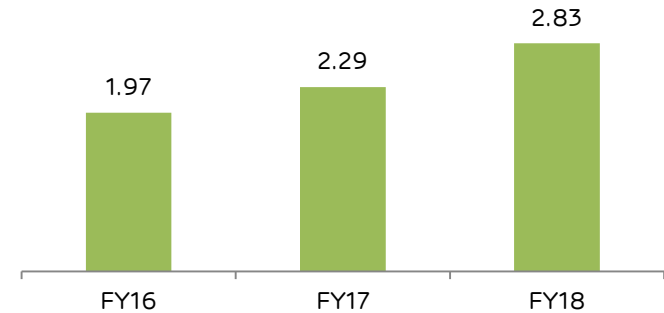
## Rural Infra Development

- Pond deepening
- Check dam construction
- Village drainage system
- Roads, drinking water, power etc.

## Learning & Development



## CSR Spending (Rs Crs)





Thank You