

Swachh bhi Surakshit bhi

MAHANAGAR GAS LIMITED
ANNUAL REPORT 2017-18



MAHANAGAR
GAS

indhan hariyali ka



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Bulk Commercial and
Industrial Establishment

3,388

Small Commercial
Establishment

1.03

Million Household
Connection




Website :
www.mahanagargas.com



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DISCLAIMER

We have exercised utmost care in the preparation of this report. It contains forecasts and/or information relating to forecasts. Forecasts are based on facts, expectations, and/or past figures. As with all forward looking statements, forecasts are connected with known and unknown uncertainties, which may mean the actual result may deviate significantly from the forecast. Forecasts prepared by the third parties, or data or evaluations used by third parties and mentioned in this communication, may be inappropriate, incomplete, or falsified. We cannot assess whether information in this report has been taken from third parties, or these provide the basis of our own evaluations, such use is made known in this report. As a result of the above mentioned circumstances, we can provide no warranty regarding the correctness, completeness, and up-to-date nature of information taken, and declared as being taken, from third parties, as well as for forward looking statements, irrespective of whether these were derived from third parties or ourselves. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



City gas distribution (CGD) is poised to play an important role in increasing natural gas penetration in the country. MGL is strategically positioned to capture the benefits of this large and growing market. The ever expanding customer base coupled with large unserved population provides a strong growth opportunity. In the coming years, **MGL plans to focus on increasing the penetration in the current authorized geographical areas through higher number of domestic connections and setting up of more CNG stations along with expeditious rollout of CGD infrastructure in the authorized Raigad district.**

As the sole authorised distributor of compressed & piped natural gas in Mumbai, Thane urban and adjoining municipalities and the Raigad district, we are focused on expanding our presence and creating more value for all our stakeholders.

MGL at a Glance

We are one of the largest City Gas Distribution Company in India with state-of-the-art pipe infrastructure.

Incorporated in 1995, we are engaged in the business of supplying Natural Gas. With over 23 years of experience in supplying natural gas in Mumbai, MGL is the sole authorized distributor of Compressed Natural Gas (CNG) and Piped Natural Gas (PNG) in Mumbai, Thane urban and adjoining municipalities and the Raigad district. We distribute CNG for motor vehicles and PNG for domestic household use as well as commercial and industrial use. With a wide distribution network, we have a well-established customer base across Mumbai Metropolitan region and adjoining areas.

The Company is promoted by GAIL (India) Limited (GAIL) and BG Asia Pacific Holdings Pte. Ltd (BGAPH) {ultimately owned by Royal Dutch Shell group}, who hold 32.5% and 24% of our Equity Shares respectively. GAIL is a Maharatna public sector undertaking and the largest natural gas transmission company in India. BGAPH is headquartered in Singapore and is a part of the Shell Group. It is also a leader in the international exploration and production of oil, natural gas and LNG.



Vision



To be a World Class, Consumer & Environment Friendly, Employer of Choice; committed to provide Safe, Efficient and Reliable energy; while creating Value for all our stakeholders.

Mission for 2022



MGL's aim is to grow sustainably as an organization by leveraging core MGL values; and by 2022:

50%

Grow the per - day gas distribution volume

75%+

Increase the customer base

100%

Achieve growth in Turnover


 City gas Station at Mahape

Values



Innovation



We encourage creativity, experimentation and focus on innovation for effective use of resources and improving customer experience while protecting the environment.

Accountability



As an organization, we strive towards achieving our business and organizational goals. Each one of us is committed to add value to MGL and the society as a whole while helping the organization excel on all performance.

Customer Centricity



At MGL, as a team, we go beyond achieving 100% customer satisfaction and ensure that our customer is at the centre of our every thought, decision and action.

Excellence



We are always in the pursuit of excellence, striving to continuously upgrade our knowledge, skills and working towards making the systems and processes more efficient within the organization.

Integrity



Fairness and ethical behavior are part of the MGL way of working. We ensure Integrity and transparency in all aspects of our work.

Our Milestones

20.95

Net Worth in 2017-18
(in ₹ billion)

1997-98

Natural gas
supply &
transportation
contract with
GAIL

2008-09

Pipeline PE -
2,500 km & Steel
- 250 km

2011-12

150th CNG
dispensing
station

2010-11

2nd CGS at
Mahape

2012-13

3rd CGS at Taloja
& 4th CGS at
Ambernath



**2015-16**

New GA
Raigad

2016-17

200th CNG
dispensing
station

Listing on NSE
and BSE

2014-15

110% allocation
of domestic gas

2013-14

Pipeline PE – 3,800 km
& Steel – 380 km

2017-18

Started
Commercial
operations in
Raigad

Our Strengths



Management Experience

Our top management expertise and experience in the CGD industry helps us shape the Company in most strategic manner. We have a team of competent and efficient professionals who have prior experience in some of the top companies across the country. This helps us to capitalize the industry opportunities in a better way by setting goals and targets which are directed towards our objective.

Infrastructure Exclusivity

We have built an extensive supply network over the past 23 years and we further planned to expand our network and enter new areas while increasing our penetration in existing areas. MGL distributes natural gas through an extensive CGD network of pipelines. We have exclusive authorization to lay, build, expand and operate in accordance with the Petroleum and Natural Gas Regulatory Board 2008 in Mumbai until 2020, in Thane urban and adjoining municipalities until 2030 and the Raigad district until 2040.

Robust Financial Performance

Since the past few years, we have witnessed a strong growth in our revenue, profits and profitability margins. This growth was mainly driven by increase in customer base and coverage area. We have experienced a CAGR of 5.1% in PNG volume and that of 5.5% in CNG volume between FY13 and FY18.

Strong Customer Base

Over the years, we have taken various initiatives that have helped us to increase our customer base. The cost effective availability of domestic natural gas coupled with sourcing flexibility helps us to reduce our gas cost and thus provide our customer with natural gas at a low cost.

Attractive Market

India is one of the largest energy consumers of the world after China with a rapid growth in energy consumption since the past decade. With increase in use of environmentally clean fuels, natural gas is expected to play a dominant role in the country's energy spectrum. Typically, CNG and PNG provide more benefits when compared to liquid fuels as they offer higher fuel efficiency to the customers.



City gas Station at Ambernath

Chairman's Message

34.94

EBITDA Margin in FY18
(in %)

5.14

Growth in sales
volume (in %)

Dear Shareholders,

Over the years, we have established ourselves as one of the leading natural gas distribution companies of India. MGL has a strong presence in Mumbai, Thane urban and its adjoining municipalities, where we supply both piped gas and CNG. The trust that customers and stakeholders have shown in our abilities, has helped your company deliver consistent results and achieve significant milestones during the year. We believe that our experience of more than two decades coupled with Company's dynamic leadership, empowered and competent workforce and pragmatic business acumen and strong promoter support provide us a competitive advantage, allowing the Company to expand and grow its business.

India is among the fastest growing economies of the world with a GDP of \$2.6 trillion in F.Y. 2017-18. GDP growth rate witnessed a cyclical movement as it reached a low of 5.3% in the first quarter and bounced up to 7.7% in the fourth quarter of F.Y. 2017-18. In the backdrop of such heightened economic activity, the demand for natural gas has increased significantly due to rapid growth in population, increase in urbanization, policy support and development of pipeline infrastructure. By 2025, Natural Gas sector is expected to make a significant contribution to the country's energy mix. Much of the future growth of natural gas usage in domestic economic will play out in the City Gas Distribution (CGD) segment. At MGL, we are strategically positioned to leverage new opportunities in the CGD sector.

Operational Overview

During the financial year 2017-18, we improved our operational efficiencies while growing in financial terms. MGL achieved an overall growth in sales volume of 5.14% in FY 2017-18 in comparison to previous fiscal. We successfully added 20 new CNG stations and upgraded 14 existing stations, which led to an increase in compression capacity by around 3.45 lakhs kg per day. As on date, our total compression capacity stands at 30.80 lakhs kg per day. In FY 2017-18, we were able to supply gas to 1,03,750 additional households and 441 new industrial and commercial consumers.



Mr. Akhil Mehrotra - Chairman

Financial Performance

Our financial performance during the year was admirable. We increased our revenue to ₹2,452.92 crore in FY 2017-18 from ₹2,239.07 crore in 2016-17. Despite increase in gas cost, EBITDA margin improved by 327 bps to reach 34.94% in FY2017-18. We delivered a net profit after tax (PAT) of ₹ 477.87 Crore, a 21.47% increase over the PAT of ₹ 393.42 Crore in the previous fiscal.

The results reflect combined effect of higher margin capture and volume growth in CNG and PNG segments. Increase in the price of competing fuels linked to Brent, aided margins in industrial and commercial segment.

Safety

MGL believes that outstanding business performance requires outstanding HSE performance. We believe in Goal Zero, which means all injuries are preventable. We work relentlessly to ensure health and safety of our employees and contractors. During the year, we undertook various programmes to increase the awareness about safety amongst our consumers. Nurturing the highest level of safety standards, we worked towards the goal of zero injuries and achieved 10.35 Million Man-Hours Lost Time Injury (LTI) free operations, which is an outstanding achievement.