

# Inclusive **GROWTH**

Adding Momentum  
Enriching the Environment





## Inclusive Growth

Inclusive growth is at the forefront of our development policy. We seek to create opportunities for everyone to participate in our growth process, and benefit from it.

Our strategy is to ensure that growth is inclusive, not just for our stakeholders whose lives MGL touches, but in the diversity of opportunities it offers. And, at MGL, we are constantly on the lookout for approaches to extend, innovate and collaborate in new ways to drive inclusive growth further.



## Vision

To be a leading consumer-friendly gas company.

To provide safe, efficient & reliable energy.

To contribute significantly for a pollution free environment.



**Board of Directors**



CGS Ambarnath



CGS Mahape



CGS Talaja



## Highlights

- Over 10 lakh customers covering over 50 lakh people being supplied PNG & CNG in and around Mumbai.
- CNG filling facility at 17 depots for over 3300 public transport buses run by BEST, MSRTC, TMT, NMMT providing pollution-free travel to over 10 lakh people daily.
- Supplying CNG to over 3.9 lakh vehicles through a network of over 170 CNG outlets.
- Largest length and breadth of over 380 Km steel & 3800 Km PE pipeline spread across Mumbai and its adjoining areas.
- Daily reduction of over 1100 tonnes of pollutants in Mumbai with the use of CNG.
- Implementation of GIS mapping and SCADA system for efficient control and monitoring of the entire network.
- Initiative towards renewable energy sources by installing roof top solar power panels at CGS and office premises for reducing dependence on electricity.
- Securing Gas supply network by setting up a network of City Gas Terminals at strategic locations in the area of operation.
- Won Greentech Award for Environment Excellence and Safety.
- All CNG auto and taxi drivers (above 2 lakh) provided insurance cover against accidental death or disabilities under MGL's unique insurance scheme- 'Mahasuraksha Yojana'.
- Contributed in rehabilitation of families of three martyrs of 26/11 terror attacks by handing over operatorship of 3 CNG stations.
- Contributed for renovation of Taraporewala Aquarium, the only aquarium in Mumbai.
- Facilitated the mentoring of 10 meritorious students from underprivileged families for entrance exams of premier engineering institutions resulting in their selection for IIT/NIT.
- Reaching out to the customers through a network of 7 walk-in centres across the operational area.
- Enhancing customer centric approach by registering presence on social media.

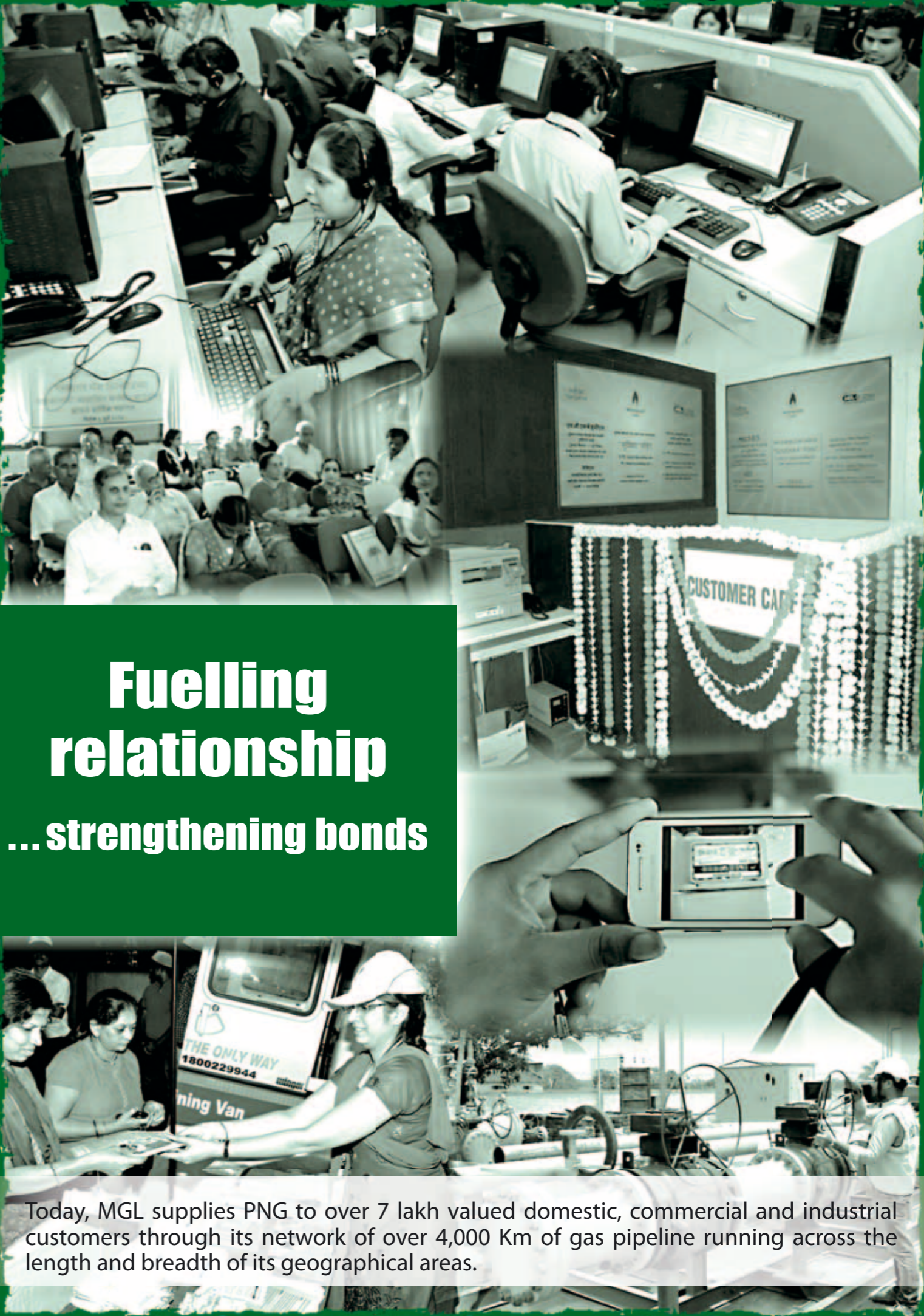
\* Figure for number of customers and pipeline as in August, 2014



CGS Wadala

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**Fuelling  
relationship  
...strengthening bonds**

Today, MGL supplies PNG to over 7 lakh valued domestic, commercial and industrial customers through its network of over 4,000 Km of gas pipeline running across the length and breadth of its geographical areas.

# Corporate Directory

## BANKERS

The Hongkong & Shanghai Banking Corporation Ltd  
United Bank of India  
ICICI Bank  
AXIS Bank  
Standard Chartered Bank  
Yes Bank Ltd  
BNP PARIBAS  
Kotak Mahindra Bank Limited  
IDBI Bank Ltd  
Oriental Bank of Commerce  
HDFC Bank  
Indian Bank  
Punjab National Bank  
The Dhanlaxmi Bank Ltd  
Deutsche Bank, AG

## STATUTORY AUDITORS

M/s. Deloitte Haskins & Sells,  
Chartered Accountants,  
Indiabulls Finance Centre, Tower 3, 32nd Floor,  
Elphistone Mill Compound, Senapati Bapat Marg,  
Elphistone (W), Mumbai - 400 013

## COST AUDITORS

M/s. Dhananjay V. Joshi & Associates,  
Cost Accountants,  
"CMA Pride" Ground Floor, Plot No. 6, S. No. 16/6,  
Erandawana Co.op. Hsg. Soc., Erandawana,  
Pune - 411 004

## REGISTERED OFFICE

MGL House, Block No: G-33,  
Bandra-Kurla Complex,  
Bandra (East),  
Mumbai - 400 051



## Transforming Mumbai ...creating a cleaner environment



Today, over 3.9 lakh vehicles are running on CNG in and around Mumbai, thereby helping to reduce over 1,100 metric tonnes of pollutants everyday.

# Directors' Report

## TO THE MEMBERS

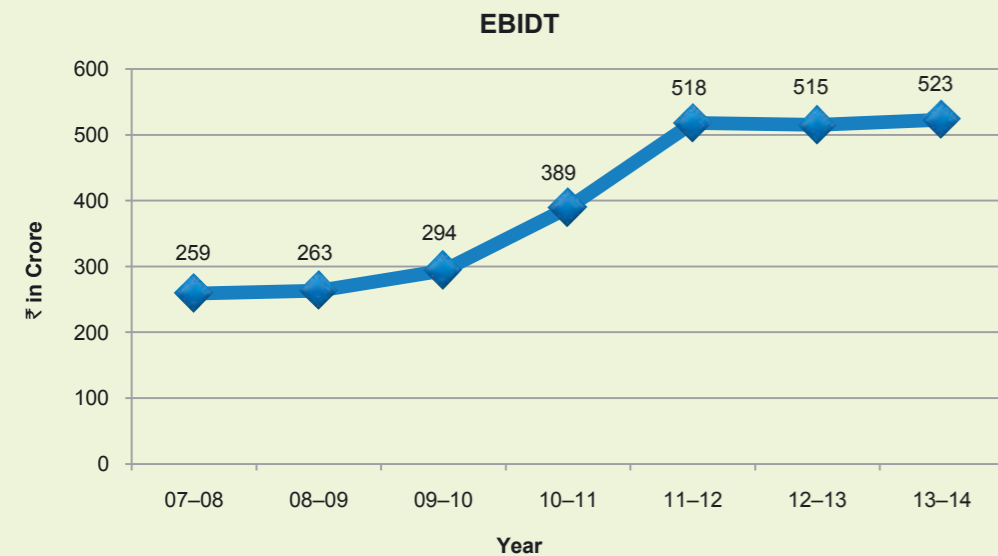
Your Directors are pleased to present the Nineteenth Annual Report and the Company's audited accounts for the financial year ended March 31, 2014.

## FINANCIAL PERFORMANCE:

Your Company surpassed the milestone of ₹1,800 Crores turnover, registering an impressive growth of 24% over the previous year. The Profit after Tax is ₹ 297 Crores for the year 2013-14 as compared to ₹ 299 Crores for the year 2012-13.

The financial results for the year ended March 31, 2014 are summarized below:

Particulars	2013-2014	2012-2013
	₹ in Crores	₹ in Crores
Net Revenue (Operating)	1,885	1,514
Other Income	34	32
Profit before Interest and Depreciation	523	515
Interest	0.21	1
Depreciation	81	71
Profit before Tax (PBT)	442	442
Provision for Tax	145	144
Profit after Tax (PAT)	297	299
Balance of profit for earlier years	911	825
Balance available for appropriation	<u>1,208</u>	<u>1,124</u>
<b>Appropriations:</b>		
- Transfer to General Reserve	30	30
- Proposed Dividend on Equity Shares	156	156
- Tax on Dividend	27	27
- Balance of profit carried to Balance Sheet	995	911
<b>Total appropriations</b>	<u>1,208</u>	<u>1,124</u>
<b>Earning per Share (₹ per Share)</b>	<b>33.27</b>	<b>33.41</b>



## DIVIDEND:

In the previous year, a dividend of ₹ 17.50 per share (which included special dividend of ₹ 7.50 per share) was paid. For the financial year ended March 31, 2014, your Directors are pleased to recommend a dividend of ₹ 17.50 per equity share (i.e. normal dividend of

Building trust of Promoters – Presentation of dividend cheque to BG India, GAIL (India) Ltd., and Government of Maharashtra



BG India



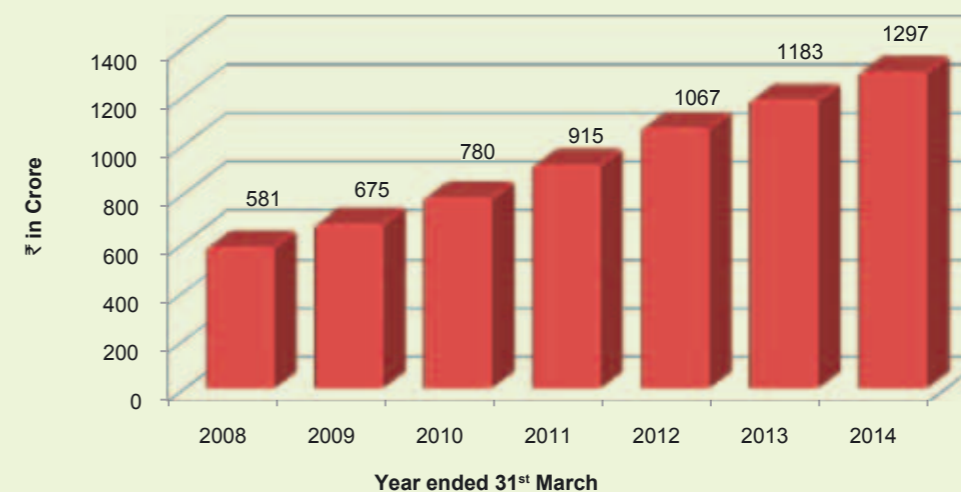
GAIL (India) Ltd.



Government of Maharashtra

Net worth per share is increased from ₹ 132.37 in 2012-13 to ₹ 145.17 in 2013-14 signifying sound return on investment coupled with sizeable amount of profit ploughing back into the business.

## Net Worth



₹ 10.00 per share and special dividend is ₹ 7.50 per share) on 8,93,41,600 equity shares of ₹ 10.00 each (175% on the paid up value of each share).

The payment of dividend, after your approval at the Annual General Meeting, will be made in accordance with the regulations applicable at that time.

## FINANCE:

The Company continued to have a robust cash flow. The net worth of the Company as on March 31, 2014 is now ₹ 1297 Crores as compared to ₹ 1183 Crores as on March 31, 2013. Your Company is not having any interest bearing loans as on March 31, 2014. The Company has not accepted any fixed deposits from the public.

For the year 2013-14, long term rating of the Company has been reaffirmed at [ICRA] AAA by ICRA. This is a result of the financial soundness of your Company.

Low debt equity ratio will enable your Company to raise debt finance for its expansion plans.

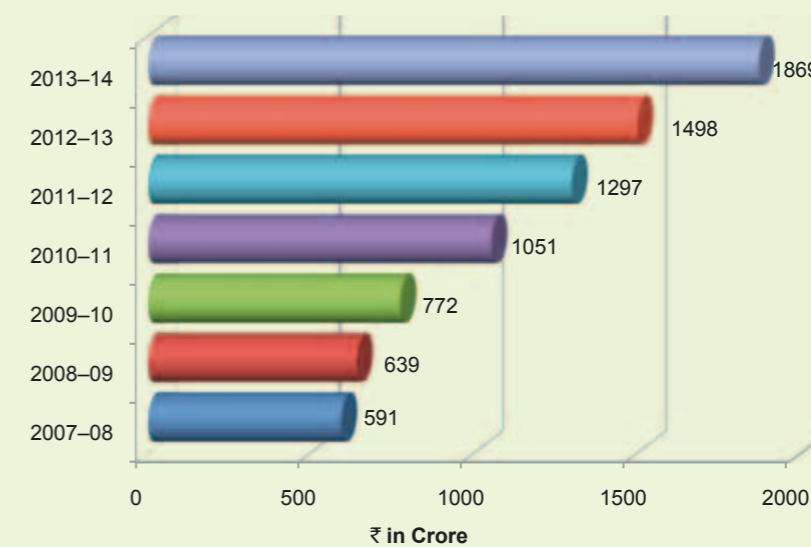
## MANAGEMENT DISCUSSION & ANALYSIS:

### (a) Operations and Business performance:

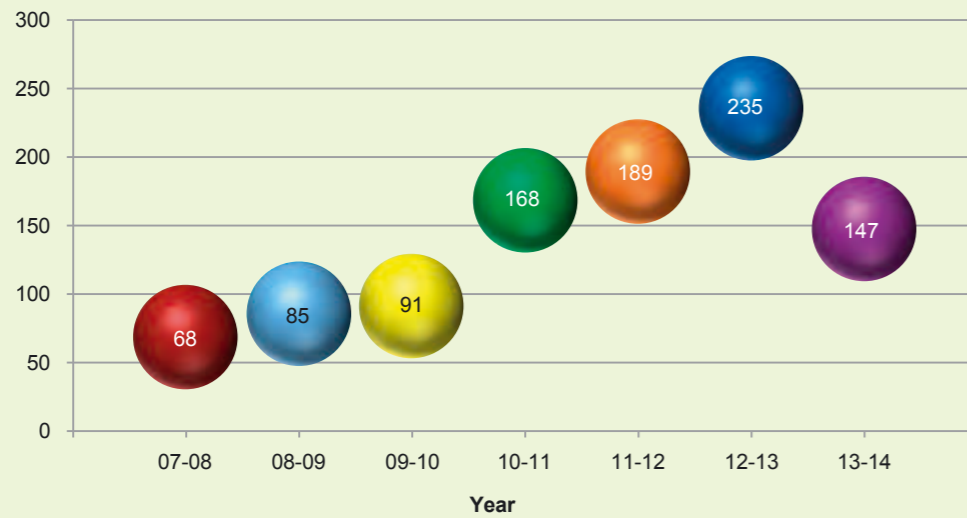
Mumbai is a densely populated and a congested city. Building infrastructure in the city has always been a challenge for your Company. Furthermore, as compared to other utilities whose infrastructure is already laid in the limited corridors available, City Gas Distribution (CGD) has the "last mover" disadvantage in Mumbai.

The Company has successfully continued scaling up of the infrastructure during the year under review in its authorised areas of operation of Mumbai, Thane, Mira-Bhayander and Navi Mumbai. The Company is also rapidly spreading its distribution infrastructure and connecting consumers in the suburban areas of Kalyan-Dombivali, Ambarnath-Badlapur, Ulhasnagar, Bhiwandi, Panvel, Kharghar and Taloja which are also within your Company's authorised geographical area. Growth has been maintained despite encountering complexities due to development of infrastructure by various other entities/authorities, limited construction window period

## Sale of Natural Gas



**Addition to Gross Block**



of six months due to monsoons and delay in availability of statutory permissions from local authorities to build CGD infrastructure.

The table below shows growth achieved by the Company:

Sr No	Particulars		Addition for the Year 2013-14	Cumulative Growth Upto March 31, 2014
A.	Piped Natural Gas - Household Consumers Connected	Nos	64,744	7,06,226
B.	Compressed Natural Gas - Outlets / Stations	Nos	13	169
	- Dispensing Points	Nos	85	920
	- Compression Capacity	Kgs/day	1,43,000	23,87,700
	- Vehicles converted to CNG	Nos	68,452	3,59,068
C.	Pipelines laid - Steel	Kms	27	378
	- Polyethylene	Kms	196	3,829

Continuous additions to the number of domestic connections and vehicles converted to CNG have ensured that your Company is one of the largest CGD companies in India in terms of consumer base.

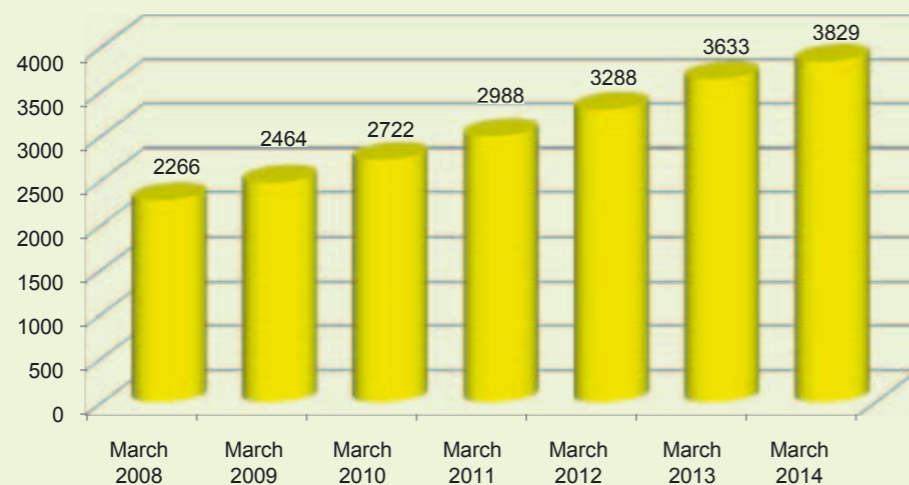
The average gas sales volume of your Company during the financial year 2013-14 increased to 2.26 MMSCM per day registering a growth of over 8.8% over the previous fiscal year. The highest daily gas volume has reached a peak of 2.539 MMSCM per day during the year.

During the year 2013-14, your Company has made substantial investments in network expansion in its existing areas of operations of laying, building and developing CGD infrastructure in the authorized areas.

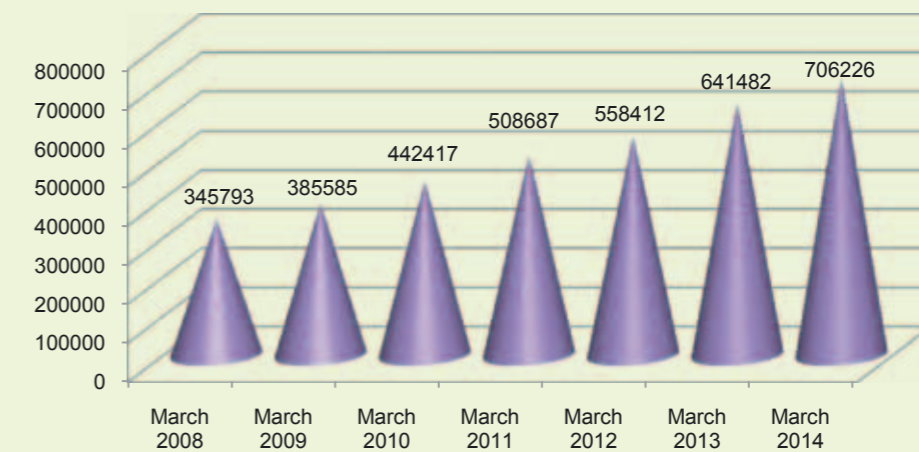
During the year, apart from domestic connections, your Company has also made progress in adding new Commercial and Industrial consumers.

The average CNG sale during the financial year 2013-14 increased to 11.51 Lakhs Kg per day registering growth of about 8.9 % over the previous fiscal year. The peak daily sale of CNG reached 13.32 Lakhs Kg per day during the year. The growth in demand for CNG is expected to continue and your Company is preparing to seize this opportunity by significantly investing further in the CNG infrastructure in the city of Mumbai and adjoining authorised areas during the next fiscal year.

**PE Pipeline Laid**  
(Cumulative in km)



**Homes Benefited with PNG**  
Households Connected (Cumulative)



Some of the highlights of performance and initiatives taken up during the year are as follows:

- Day to day efficiency in gas sourcing, supply management, fund management and operations undertaken by your Company led to an overall control on costs.
- Your Company was re-affirmed with AAA rating by ICRA in March 2014, the highest possible rating for Debt instrument by ICRA.
- Your Company has completed successful assessment of OHSAS 18001:2007, ISO 9001:2008 and ISO 14001:2004.
- Your Company received Greentech Safety Award 2013 in Gold Category for outstanding safety management standards in its entire operations and for excellence in developing system and technologies for preserving the environment.
- Your Company signed term regasified Liquified Natural Gas (RLNG) contract (0.15 Firm + 0.15 Fall back) for gas supplies commencing effectively from April 01, 2014 and the term is valid till December 2015. Firm RLNG supplies would help your Company to reduce its dependence on spot RLNG having high volatility of prices.

- Your Company has successfully commissioned its first DRS at Ambernath to cater to the demands of domestic load, and thereby completing its first domestic conversion at Ambernath.
- Your Company has also, safely and successfully, commissioned M/s. Fine Organics Industrial Pvt. Limited and M/s. Godrej Industries Limited in MIDC Ambernath area with a daily authorized quantity of 13,000 SCMD and 30,000 SCMD respectively.
- The first 'VIRTUAL PIPELINE-CASCADE SUPPLY' was commenced for M/s. Asian Colour Coated Ispat Limited, Khopoli which was beyond the reach of our pipeline.

**(b) Development in Gas Sourcing and Pricing:**

Untiring efforts and advocacy by your Company resulted in your Company being allocated domestic gas for full requirement of CNG (transport) and PNG (domestic) segment at a level of the average consumption in the first half of 2013-14 vide Ministry of Petroleum and Natural Gas (MOP&NG) guidelines dated February 03, 2014. The allocation of domestic gas will be reviewed periodically and revised based on actual consumption in the previous period, by MOP&NG.

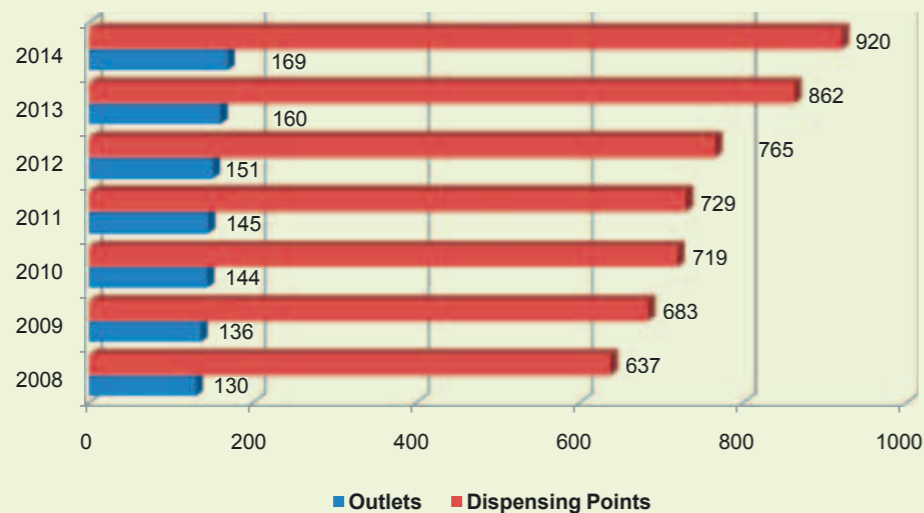
However, additional demand of natural gas arising between two reviews shall be met by market determined priced gas. The recently signed term RLNG contract would help your Company to reduce its dependence on Spot RLNG having high volatility of prices.

Also, your Company has entered into framework agreements for Spot RLNG with various suppliers available in market to source Spot RLNG in a competitive manner to cater to daily and seasonal fluctuations in gas demand and quantities required over and above total of domestic gas allocations and firm RLNG supplies. Spot RLNG prices increased substantially during the year from low of about US\$ 14.99/MMBTU to a high of US\$ 19.54/MMBTU.



MGL steel pipeline laying site

### CNG Growth



#### (c) Opportunities and Challenges:

The decision dated February 03, 2014 of Government of India to provide domestic gas to cater to full requirement of CNG (transport) and domestic PNG segments increase security of gas supply.

The ability to source market priced gas from all major sources through physical connectivity with GAIL's Dahej-Uran pipeline network and the large demand potential in the existing authorized areas of your Company, provides a tremendous scope for growth.

A challenge before your Company would be to roll out its CGD infrastructure in a time bound manner to meet its regulatory targets, develop competitive skills to prepare for likely competition post exclusivity scenario in terms of skilled manpower, materials, contractors etc. and also to source long term gas at competitive terms. To address this challenge, your Company is focusing on upgrading its robust processes, strengthening manpower, developing more number of vendors, contractors and strengthening its regulatory functions with the support of its promoters - GAIL and BG.

In addition, an unfavorable outcome in the ongoing legal case in the Hon'ble Supreme Court between the PNGRB and Indraprastha Gas Limited, the Delhi based CGD entity, and other CGD entities on Network Tariff and Compression Charge related issues may have an impact on your Company.

#### (d) Risk Management & Internal Control System:

MGL has well placed robust internal control systems commensurate to the nature and size of its business and designed to ensure protection of value, adherence to operating standards and to eliminate the risk of fraud. Various policies and operating procedures have also been laid down to ensure internal control and compliance to statutory requirements.

Your Company has the following systems / procedures to ensure effective risk management and mitigation measures:

- Robust integrated Enterprise Resource Planning (ERP) system across the Company which encompass through all major business operations.
- A Geographical Information System (GIS) to effectively manage its network.
- A well defined financial authority matrix in the form of Book of Delegation of Power (BODOP) to ensure stringent financial control.
- A Strategic Management Group (SMG) consisting of Senior Executives to undertake joint discussion and deliberation and to take joint decision on major issues.
- A formal Risk Committee of Senior Executives to identify and discuss the critical business risks as well as to discuss the mitigation plans and responsibilities for identified risks. The Reports on the risks and mitigation plans are periodically placed before the SMG, Audit Committee and MGL Board.
- An internal audit by reputed external professional firm covering major business operations, ensures the effectiveness of existing processes, controls and compliances. The key findings and vital recommendations are reported to the senior management and Audit Committee of the Board at regular intervals.

Apart from the above, the organization structure and the well defined financial authorities' matrix at different levels optimizes decision making and ensures transparency. A combination of processes like approved policies / procedures and system of internal checks and balances involving inter-dependencies of job responsibilities also ensures that there are discussions and approvals before any commitment is made.

#### (e) Health, Safety, Security & Environment (HSS&E):

##### Safety

Your Company is in the business of supplying Piped and Compressed Natural Gas that is environment friendly and safe. To facilitate this, your Company constructs and operates pipelines in the city of Mumbai and its adjoining towns. Whilst doing this, your Company adheres to high standard of Health, Safety, Security and Environment as the Company believes that 'Outstanding Business Performance requires Outstanding HSS&E Performance'. Your Company complies with all legal and statutory requirements applicable to its operations as a minimum standard and aspires to attain recognised world class performance.

Your Company is accredited to OHSAS 18001:2007, ISO 14001 for Environment and ISO 9001:2008 for Quality Management Systems which are being audited regularly at par with international requirements.

Your Company is committed to the health and safety of all its employees, the employees of our contractors and other stakeholders who may be affected by the Company's operations. Your Company considers its contractors as business partners and expects them to adhere to the Company's HSSE standards. Coaching and assistance is provided to the business partners as and when required.

Your Company has received the prestigious "Greentech Safety Award 2013-Gold Category" in the CGD sector in recognition of its outstanding safety management standards observed in its entire operations in Mumbai. This reflects our efforts towards the sustainable safety management systems and practices followed.

Your Company has also received "Greentech Environment Excellence Award 2013-Gold Category" for your significant contribution for a pollution free environment in Mumbai and its suburbs.

In your Company's drive for continuous improvement in safety, the Company has undertaken various steps



Recognition for Safety Performance



Recognition for Environmental Contribution

such as celebrating "Work at Height" campaign; "Driving Safety" campaign with a series of workshops and seminars across the Company. Your Company also expects all of its employees and contractors to report near miss and hazards which are then investigated and lessons learnt are shared with all the concerned. Your Company also takes cognisance of the lessons learnt from other oil and gas companies across the world. To further inculcate safe driving behaviours, in addition to VTS, your Company conducts Defensive Driving Training (DDT) to all drivers and helpers of LCV, pool, MCC / EMG vehicles. Your Company has imparted DDT training to more than 450 contractor drivers who worked for MGL.

Your Company has a well-built fire management system in place in compliance with all national standards. A competent firefighting workforce is being deployed to all the Company's critical installations 24x7 to combat any fire emergency. The fire management system is being scrutinized by an external third party agency of international repute to check and validate the effectiveness of the system.

A series of mock drills were conducted in the presence and association with the MARG group members to demonstrate the MGL ERDMP (Emergency Response and Disaster Management Plan) and learn from the inputs of the MARG members for continual improvement.

Your Company is a customer centric company and therefore customer satisfaction and safety is of utmost importance to us. To facilitate this, a series of PNG safety awareness programs for domestic housing societies, commercial and industrial customers have been initiated. This helps in building brand value and raise customer awareness.

##### Security

The security management system is being audited periodically by a highly reputed third party agency to identify further areas of improvement in security and vigilance measures. Towards this direction, a central

security control room is developed and phase wise implementation of increased security system through CCTV monitoring of all critical installations and offices are undertaken.

#### Environment

The environment is both a brand image and a core area of concern to your Company. In addition to the process and procedures your Company has in place to meet the requirements of ISO 14001 accreditation, every year your Company celebrates World Environment Day wherein your employees rededicate themselves to protect the environment and promote the benefits of natural gas to the environment through public awareness campaigns.

#### (f) Project Monitoring:

Aligned with the vision imparted by your Company's management, Centralized Monitoring System (Web based application) has been devised for capturing and display of milestones / achievements pertaining to all ongoing projects for effective monitoring of cost and progress.

This web based application eliminated the former system of maintaining and compiling day to day progress at decentralized location for all key parameters (connection, conversion, CNG outlet status, PE and Steel laying etc) in excel sheet and need of sending information by emails for preparation of MIS report.

Web application facilitates the centralized pool for storage and display of MIS report in digital form. This has helped your Company in Go Green initiatives.

Continuous monitoring improved timely booking of consumption and fast processing of contractors bill for executed work. This has helped in prompt closing of financial accounts. It also helped in controlling other parameters of MIS like inventory level, number of MP damages, dry out of CNG outlets and CNG outlet related complaints.

Corporate Project Monitoring department is continuously working to improve process of project monitoring.

#### (g) Asset Integrity:

While working on the gas network, a number of activities of critical nature are being undertaken at site, which requires right competency and ability of the personnel performing it. In order to enable every user to understand these activities and enhance his / her knowledge, your Company has developed suitable E-learning modules in the form of short films comprising of animated slides using Code of Practice (COP) as the basis for the contents.



MGL's Geographical Information System (GIS)

Apart from above, your Company has also undertaken various tasks including the following:

- Developing online solution for reporting and effective tracking, monitoring of actions arising from various internal audits; updating the status of open actions online and keeping track of all open actions until they get closed.
- Developing anti rodent HDPE sleeve bends to prevent PE damages to minimize gas leakages within the residential society premises.
- In order to enable further improvements to achieve higher system integrity, the recommendations from an adequacy assessment on the MGL PE pipeline practices have been implemented.

Development and installation of plastic disk type pipe marker along the entire pipeline network enhancing its visibility and therefore better protection from third party activity.

#### (h) Future Outlook:

MGL has established its operations in one of the largest metro of India. The ever expanding customer base coupled with large unserved population provides a strong growth opportunity. Over the next 5 years, your Company would focus on increasing the penetration in the current authorized geographical area through higher number of domestic connections and more CNG stations.

MGL would also be participating in opportunities in the upcoming CGD bid rounds of PNGRB to grow outside its current area of operations.

### AUTOMATION, INFORMATION TECHNOLOGY, METERING AND CRM IMPROVEMENTS:

#### (a) Automation and Information Technology:

Your Company has witnessed smooth operation of 3 ERP systems as well as IT systems during the year. Maximum uptime of IT infrastructure, systems and services could be achieved without any loss-time of operation or information security incidents.

Your Company enhanced the ERP systems by implementing add-on modules in Human Resources and also implementing complex meter control process. The mobility implementation has not only stabilized but also was strengthened with the implementation of collection which has helped significantly in debt management. Interfaces were developed for business associates, which has resulted in better control and effective time management.

Your Company has also developed an independent application to bring in effective management, control and enhanced decision making process. One such application is the "Audit - database", where in-house audits conducted by Safety and Asset Integrity department have been made on-line and is part of a relational database with the aid of client-server technology. A comprehensive training module has been developed by integrating with the e-Performance Management System. The system has proved to be a handy tool for measuring the effectiveness of both external and internal trainings. In its endeavour to have greater transparency in its processes, your Company has developed a centralized system of receipt and processing of invoices of its business associates adhering to the first-in-first-out principle and making the associates aware through the internet the status of their invoices.

Your Company has made significant continued progress in the implementation of SCADA covering all the four City Gate Stations, 109 CNG stations and 3 Sectionalising Valves (SV). Further work is in progress to cover an additional 34 CNG stations and 6 SVs.

The implementation of Data logger monitoring system for monitoring of District Regulating Stations (DRS) has been completed for thirty DRSs; the process is drawn for covering an additional number of fifteen DRSs enabling your Company to further strengthen the safety of operations and provide improved services to your consumers in a more efficient manner.

Further to the successful implementation of pilot projects in the premises of 1,425 domestic customers, your Company is now in the process of evaluating the feasibility of implementing Automated Meter Reading (AMR) system in the premises of additional 50,000 domestic customers.

Your Company is also in the process of reviewing a cost-effective solution for an AMR system for the Commercial consumers. The AMR project is primarily aimed to remotely acquire the actual meter readings instead of personal visit to the property. In addition, AMR has a functionality of detecting meter tampering instances.

#### (b) Metering:

Accuracy and efficiency improvement in domestic meter reading was achieved by adopting various practices such as rectification in large number of master data related to consumer address, meter serial number etc; introduction of system for cross-checking the authenticity of at least 10% door lock images, meter reading punching accuracy etc; checking meters of domestic consumers having consistently nil gas consumption; carrying on survey on gas geyser location in individual premises; providing list of non-functioning meters to O&M department for replacement; carrying out measurement of actual length of copper tubing in few domestic PNG installations, performance of Industrial and Commercial (I & C) meter reading activities, etc.

In addition to the above, to enable better monitoring and control over meter tampering, commercial meter reading software was modified to capture also the meter seal photo and enabled keying-in of meter seal number along with provision of Undertaking Form to ensure meter reader accountability with respect to 'no tampering' status at each location.

As way forward, following improvements are under implementation which would further enhance meter reading efficiency and authenticity:

- Meter reading software modification to include key features like display of detailed address at a glance, specific instruction to meter reader for individual consumer, etc.
- Replacement of joint ticketing from hard form to soft form.
- Change in ERP mapping for the address visible to meter readers, from Premise Master Data to Business Partner Master Data.

#### (c) CRM:

The overall Customer Satisfaction Index (CSI) survey carried out through a third party for CRM department increased to 78 from 70 for previous year.

This was a result of the efforts undertaken by the Company to enhance the service to customers, such as opening of 3 new Walk-in Centres (Sanpada, Andheri and Mira Road); issuing of bilingual (English and Marathi) leaflet with PNG bill explaining the details of billing methodology and various ways to provide meter reading; improvement of Call Management System in terms of resolution of chronic problem of 'notification not visible to responsible person'; modification of few report modules to facilitate easy and better monitoring by responsible persons; and reduction in call abandonment through deployment of Call Centre Customer Service Executives.