**Steps to Set Up Azure Application Gateway:**

**Step 1: Create Two Virtual Machines (VM1 and VM2)**

1. In the Azure Portal, navigate to **Virtual Machines**.
2. Click **+ Add** to create two VMs, **VM1** and **VM2**, ensuring both are in the same **Virtual Network (VNet)**.
3. Install any necessary services on both VMs (like a web server on port 80).

**Step 2: Create an Application Gateway**

1. In the Azure Portal, search for **Application Gateway** in the search bar and click **Create**.
2. Select your **Subscription** and an existing **Resource Group** (or create a new one).
3. In the **Instance Details** section:
   * Provide the **Name** for the Application Gateway (e.g., AppGateway).
   * Select **Region** where both your VMs are located.
   * Choose **Tier** as **Standard V2** or **WAF V2** depending on your needs.
4. In the **Virtual Network** section:
   * Select the **VNet** that your VMs are connected to.
   * Create a **Subnet** if not already available for the Application Gateway.
5. In the **Frontend IP** section:
   * Choose **Public** or **Private IP** based on your application.
   * Create a new **Public IP** if needed.
6. Click **Review + Create** and complete the deployment process.

**Step 3: Configure Backend Pools**

1. Once the Application Gateway is deployed, go to the resource and select **Backend pools** in the left menu.
2. Create two backend pools:
   * **Pool1**: Add **VM1** as a target.
   * **Pool2**: Add **VM2** as a target.

**Step 4: Create HTTP Settings**

1. In the Application Gateway settings, navigate to **HTTP settings**.
2. Click **+ Add** and create HTTP settings for each VM:
   * **HTTPSettingsForVM1**:
     + Name: HTTPSettingsForVM1
     + Protocol: **HTTP**
     + Port: **80** (if using HTTP)
   * **HTTPSettingsForVM2**:
     + Name: HTTPSettingsForVM2
     + Same configuration as for VM1, but named for VM2.
3. Save both settings.

**Step 5: Set Up Listeners**

1. In the **Listeners** section of the Application Gateway, create a new listener:
   * **Name**: HTTPListener
   * **Frontend IP**: Select the **Public IP** created in Step 2.
   * **Port**: **80**
   * **Protocol**: **HTTP**
2. Save the listener configuration.

**Step 6: Set Up Path-Based Routing Rules**

1. In the **Rules** section, click **+ Add Rule**.
2. Set up a rule with **path-based routing**:
   * **Name**: PathBasedRoutingRule
   * **Listener**: Choose the **HTTPListener** you just created.
3. In the **Routing rules** section:
   * Under **Paths**, add the following rules:
     + Path /vm1/\*: Select **VM1Pool** and **HTTPSettingsForVM1** as the target.
     + Path /vm2/\*: Select **VM2Pool** and **HTTPSettingsForVM2** as the target.
4. Save the rule.

