Management Discussion and Analysis

1. Economy Review

1.1 Global Economy

World economy has been growing consistently at an average CAGR of ~3% during the last four years. World economic growth in 2019 slowed markedly, confirming the weakness that had emerged in the second half of 2018. The trade tensions between the USA and China, the tumultuous geo-political environment and persistent uncertainty linked to the Brexit negotiations curbed consumption and investments. With the economic environment becoming more uncertain, firms turned cautious on long term investments. Faced with sluggish demand, global trade slowed to a standstill as firms scaled back industrial production. Central banks reacted aggressively to the weaker activity. Over the course of the year, several—including the US Federal Reserve, the European Central Bank (ECB), and large emerging market central banks—cut interest rates, while the ECB also restarted asset purchases. These policies averted a deeper slowdown. Lower interest rates and supportive financial conditions reinforced still-resilient purchases of nondurable goods and services, encouraging job creation.

However, due to pandemic COVID-19 situation further worsened in the first quarter of CY20. In this globally spread pandemic situation, protecting lives and allowing health care systems to cope have required isolation, lockdowns, and widespread closures to slow the spread of the virus. The health crisis is therefore having a severe impact on economic activity. According to International Monetary Fund (IMF), global growth in 2020 is projected to contract by 3% due to this. In the coming months, a clearer picture of the economic consequences of the epidemic and impact on financial markets will emerge.

Outlook

The extent of COVID-19 impact will depend on how economic policy will provide cushion to the impact of the decline in activities on people, firm, the financial systems and ensure economic recovery can begin quickly once the pandemic fades. Targeted fiscal, monetary, and financial market measures are vital as the economic fallout reflects particularly acute shocks in specific sectors. The fiscal response in affected countries has been swift and sizable in many advanced economies as well as developing economies. Such actions will help maintain economic relationships throughout the shutdown and are essential to enable activity to gradually normalise once the pandemic abates and containment measures are lifted.

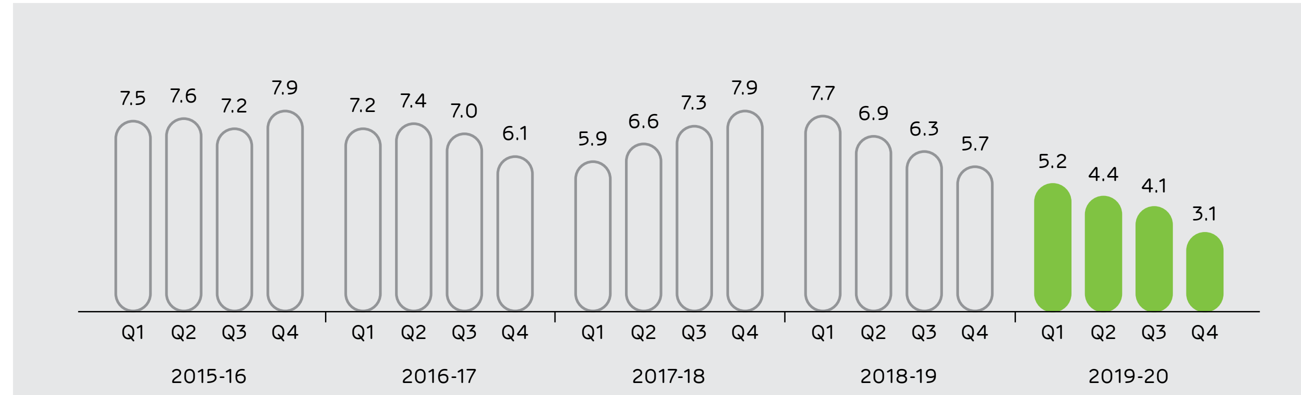
1.2 Indian Economy

2019 has been a challenging year that saw the September quarter GDP growth plunge to 4.5% y-o-y primarily due to a sharp deceleration in investment growth. Corrective measures to boost investments and infuse liquidity in the economy such as reducing the repo rate and slashing the Corporate Tax rate have yet to bear fruit. In India, growth softened in 2019 as economic and regulatory uncertainty, together with concerns about the health of the non-banking financial sector, weighed on demand.

There was a strong hope of recovery in the last quarter of the current fiscal. However, the COVID-19 epidemic made the recovery extremely difficult in the near to medium term. The outbreak has presented fresh challenges for the Indian economy, causing severe disruptive impact on both demand and supply side elements that has the potential to disturb India's growth story over short term. The IMF has cut its projections for India's economic growth to 1.9% for the current financial year, the lowest since the 1991 balance of payments (BoP) crisis and against its 5.8% forecast earlier.

The RBI unleashed a stimulus package to increase liquidity in the Indian banking system as it vowed to whatever it takes to support financial markets hit by the spread of an unprecedented health emergency. The RBI has provided measures like, Cash Reserve Ratio (CRR) reduction, allow banks to borrow from their investment of Statutory Liquidity Ratio (SLR) securities, cut the reverse repo rate to 3.75% v/s repo rate at 4.4%, allowed moratorium on repayment of instalments for term loans outstanding, permitted to allow deferment on payment of interest w.r.t all such working capital facilities o/s.

Real GPD growth (%, constant 2011-12 prices)



Source : Quaterly estimates of gross domestic product for the third quarter (Q3) of 2019-20, Ministry of Statistics and Programme Implementation (MoSPI)

Outlook

The likely duration, intensity and spread of the coronavirus has brought lot of uncertainty into the global and domestic economic outlook. The concerns have transformed from the impact of imports from China on domestic supply chains, into a domestic and external demand shock, the duration of which remains uncertain, with social distancing and lockdowns raising the prospect of production shutdowns and job losses in some sectors.

In the near term, the negative impact of the COVID-19 outbreak on economic growth and sentiment may be modestly mitigated by higher Government spending, a brighter outlook for crop yields and emergency stockpiling of essential items. Furthermore, the fall in commodity prices would provide some cushion to earnings in the near term, which provides a bit of comfort. The course correction of economic recovery in India will be smoother and faster than that of many other advance countries. The UNCTAD in its latest report 'The Covid-19 shock to Developing Countries' has predicted that major economies least exposed to recession would be China and India.

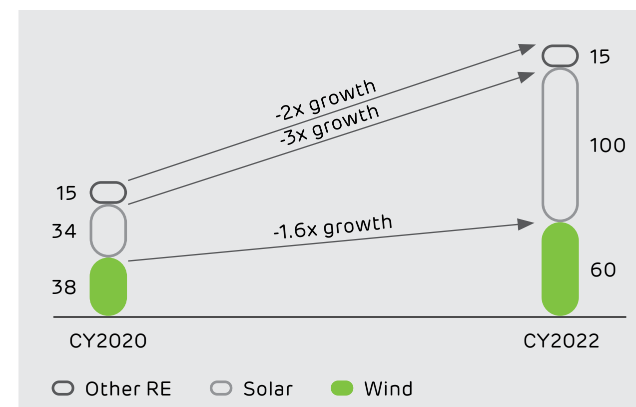
2. Industry Review

Energy, today, is considered crucial to achieve India's development ambitions, to support an expanding economy, to bring electricity to rural areas and to fuel the demand for greater mobility. At the same time, it is important to develop the infrastructure needed to meet the demands of what is soon expected to be the world's most populous country.

An increase in renewable energy in the overall consumption would benefit in reducing the use of fossil fuels and air pollution, maintenance requirements would be lower and has a number of environmental benefits. India is committed towards global climate change initiative and has ratified the Paris Agreement on Climate Change. As part of its Intended Nationally Determined Contributions (NDC), as per the Paris Climate Agreement, India has committed to install around 40% of its power generation capacity based on non-fossil fuel resources by 2030. The major pillar in achieving the NDC commitment is the massive renewable energy capacity addition target of 175 GW by 2022.

According to Australia-based Institute for Energy Economics and Financial Analysis, India's renewable energy sector needs new investment in a range between $500 billion and $700 billion by 2030 to meet its aspiration of 450 GW (as per CEA analysis) of installed capacity. Most of the grid connected RE projects in the country are being implemented by private sector developers selected through transparent bidding process.

Aggresive Renewable Roadmap



About the Report
About AGEL
Performance Review
Creating Enduring Value
Governing Successful Organisation
Impact
Statutory Reports
Financial Statements

Management Discussion and Analysis (Contd.)

The renewables industry responded to the government's call for climate-compatible growth by aggressively ramping up capacity, at an annual growth rate of 17.5% between 2014 and 2019 and increasing the share of renewables in India's total energy mix from 6% to 10%. With an installed renewables capacity of 83 GW by FY 2019, plus 31 GW under development and a further 35 GW out for tender, India is among the top-five clean-energy producers globally and is well on course to surpass its original target.

The installed capacity of renewable energy generation in the country has grown 72% from 80 GW to 138.9 GW during the past six years. Of the renewable energy sources, excluding large hydro above 25 MW, installed capacity of solar energy capacity registered the highest growth. It grew from 2.6 GW in March 2014 to 34.6 GW in March 2020.

	Sector	Installed Capacity (GW) As on March 31, 2014	Installed Capacity (GW) As on March 31, 2020	CAGR Growth
1.	Renewable Energy (Excluding large hydro above 25 MW)	35.5	87.03	16%
	Solar Power	2.6	34.6	54%
	Wind Power	21.0	37.7	10%
	Biomass, Small Hydro and Waste to Energy	11.9	14.7	4%
2.	Large Hydro	40.5	45.7	2%
3.	Nuclear	4.8	6.8	6%
	Total	**80.8**	**138.9**	**9%**

Source: Central Electricity Authority (CEA)

Modern renewable energy is not only used in electricity consumption – the potential is also great for heating, and transport. India needs an all-inclusive strategy for renewable energy to tap into this potential and to make sure that market development can be helpful for sustainable development more generally, including local air and water quality.

Many large industries have made commitment for 100% RE and there is global trend of sourcing renewable energy by C&I customer for sustainable business. In India also that trend has started due to both, economical advantage and for sustainable growth. There is potential in this segment for sustainable growth.

As India looks to meet its energy demand on its own, which is expected to reach 15,820 TWh by 2040, renewable energy is set to play an important role. Today, the criticality of renewable energy cannot be stressed given that it balances the three crucial goals of the Indian economy: rapid pace of growth, confronting pollution and meeting global promises on climate change. Not surprisingly, the sector has been at the centre of policy consideration and the Indian government has been focusing on several enablers to help unleash its full potential.

2.1 Key drivers

1. **Reduced cost of renewable energy helping DISCOMs to optimise cost –** With large scale installations leading to economies of scale and supply chain efficiencies, the cost of renewable power has already fallen below the Average Power Purchase Cost (APPC) of majority of DISCOMs. With tariffs in renewable sector below APPC, incentives for DISCOMs to purchase renewable power increases.
2. **Reducing reliance on fossil fuel imports –** Coal is one of the top five commodities imported in India, adding to India's trade deficit leading to depreciation of INR against USD. Given the increasing competition for the procurement of fossil fuels, the prices of petroleum products have been increasing. The increased use of indigenous renewable resources is expected to reduce India's dependence on expensive imported fossil fuels.
3. **Government support –** The Indian Government is playing an active role in promoting the adoption of renewable energy resources by encouraging private sector investment and mandating the use of renewable resources. It is offering various initiatives to support the development and use of renewable energy sources.
4. **Climate change -** As the world's fastest growing large economy, to sustain our growth, we need to exponentially increase our energy output. With the success of the government's efforts in rural electrification, we will need to double today's generation levels by 2030, and we cannot afford to have all this come from coal. India released a National Action Plan on Climate Change (NAPCC) aimed at promoting the understanding, adaption and mitigation of climate change, energy efficiency and resource conservation. National Solar Mission aims to promote the development and use of solar energy for power generation and other uses, with the objective of making solar energy compete with fossil-based energy options.
5. **Distributed electricity demand –** Renewable energy is a distributed and scalable resource making it well suited to meet the need for power in remote areas, which lack grid and road infrastructure.
6. **Great resource potential –** India has a geographical advantage, making it an ideal country for renewable energy adoption. The country's large land mass receives one of the highest levels of solar irradiation in the world. It has an extensive coastline and high wind velocity in many areas. This provides ample opportunities for the establishment of land-based renewable energy generation as well as for offshore wind farms.

2.2 Government Initiatives

Renewable Purchase Obligation (RPO)	Electricity Act 2003 notified the State Electricity Regulatory Commissions (SERCs) to promote renewable energy by setting yearly RPO targets for obligated entities (utilities and consumers procuring conventional power from other sources). Government of India (GoI) has set an indicative target for respective states based on their electricity demand to achieve 175 GW by 2022. Based on these targets, SERCs have set yearly RPO for the obligated entities.
Solar Parks	Solar energy projects require contiguous land, which could sometime be challenging to acquire, thereby, delaying the development process. Therefore, GoI introduced the solar park scheme. GoI has planned 40 GW of solar parks by 2022. Under this scheme, park developer (joint venture between State Government nodal agency and Central Government nodal agency/private player) is responsible for identifying and acquiring the land, obtaining clearances, building the common infrastructure, making water available, transmission network from the park to nearest grid substation, etc., thereby, reducing the development risk for solar project developers.
Open Access Regulation	Renewable energy generators are allowed to sell power to third party and captive consumers. SERCs provide concessions on open access charges like transmission and wheeling charges and cross subsidy surcharge for sale of renewable energy to third party. Many SERCs also provide energy banking facility to promote third party sale of renewable energy.
Financial Support and Incentives	Renewable energy has been given various incentives and subsidy from MNRE and tax authorities i.e. capital subsidy of 30% - 70% on benchmark cost for rooftop solar projects for certain category of consumers, Solar agriculture pump scheme, KUSUM scheme, home loans to include loans for rooftop solar installations, accelerated depreciation, concessional loans, etc.

2.3 Union Budget 2020-21 key highlights

- The Ministry of New and Renewable Energy (MNRE) received a major boost with budgetary allocation going up by 48% in comparison to the revised allocation in last fiscal
- In her budget speech, FM Nirmala Sitharaman, while presenting a 16-point action plan for the agriculture sector aimed at doubling farmers' income by 2022, announced the allocation of ₹ 1,000 crore for extending the Kisan Urja Suraksha Evam Utthaan Mahabhiyan (KUSUM) scheme. This would aid farmers in adopting solar power for agricultural purposes and utilise barren/ unproductive land for generating revenues
- Proposed setting up of large solar power capacity alongside rail tracks on land owned by the Railways
- To attract investment in the power sector, the concessional corporate tax rate of 15% could be extended to new domestic companies engaged in the generation of electricity
- To encourage foreign investments, the limit for foreign portfolio investment (FPI) in corporate bonds, which is currently at 9% of outstanding stock, would be increased to 15% of the outstanding stock of corporate bonds

Implications

- Increased budgetary allocation for MNRE will improve financial assistance for various clean energy initiatives such as solar parks, roof-top solar, off-grid renewable energy, etc.
- The ₹ 1,000 crore budget allocated for furthering the PM-KUSUM scheme can also have a major effect on the sector. This kind of significant monetary allocation will help speed up implementation and could potentially result in 10-15 GW of new capacity creation if it materialises
- Proposal to set up large solar capacity alongside railway tracks can help the Railways add about 18-20 GW capacity by utilising vacant land owned by the Indian Railways and reduce their power procurement cost

Management Discussion and Analysis (Contd.)

2.4 Impact of COVID-19 on Power and Renewable sector

At country level, power demand has reduced by 25-28% (y-o-y) during the months of April and May 2020. Since renewable plants are must run as per the MNRE, they face lower risk of any potential back-down due to lower demand by DISCOMs. MNRE has further clarified that 'Must Run' status remains unchanged during the period of lock down and the payment to RE generators be done on regular basis as was being done prior to lockdown.

For the Wind and Solar projects under construction, MNRE has confirmed that disruption of supply chain from due to spread of COVID 19 to be considered as Force Majeure and Implementing agencies like SECI/NTPC/ any other to grant suitable relief by providing Time extension in Schedule commissioning date of RE projects. Nevertheless, the renewable capacity addition has slowed down significantly during the lock-down period due to strict containment measures and social distancing.

Outlook

Most industry experts don't see a deep impact on renewable power sector. However, in the short term there would be slowdown in capacity addition.

With the right investments in green technologies, India is well positioned to achieve renewable energy targets. The pursuit towards cleaner energy will have a crucial role in enabling the country's transition to a fully sustainable energy system. The Indian power sector has an investment potential of ₹ 15 trillion over the next four to five years, which indicates immense opportunities in power generation, distribution, transmission and equipment. While there is plenty of capital chasing the opportunities in the renewable sector, there are several risks that need to be kept in view, including counterparty risks both in terms of developers and procurers.

RENEWABLE ENERGY IN INDIA IS SEEN AS A SUPPLEMENT TO ENERGY SUPPLY FROM OTHER TRADITIONAL SOURCES IN MEETING RAPIDLY GROWING ENERGY DEMAND.

3. Company Overview

Adani Green Energy Limited (AGEL) is one of the largest renewable companies in India, with a current project portfolio of 5,990 MW (2,595 MW is operational and 3,395 is under construction).

In addition to this, AGEL is L1 in India's largest solar manufacturing tender and expects an award of 8GW manufacturing linked projects. The Company is Adani Group's promise to provide a better, cleaner and greener future for India. Driven by the Group's philosophy of 'Thinking Big, Doing Better', the Company develops, builds, owns, operates and maintains utility-scale grid-connected solar and wind farm projects. The electricity generated thereof is supplied to central and state government entities and government-backed corporations. On the back of long-term Power Purchase Agreements (PPAs) of 25 years with central and state government entities, AGEL has leveraged its capabilities and expanded its presence across 11 Indian states. The Company deploys the latest technologies in its projects to power India with safe, sustainable energy.

Key strengths

- Largest private solar power developer in India
- Part of a vertically integrated energy and infrastructure conglomerate
- Predictable and high-quality revenue stream
- Reputation and track record of execution excellence – Project Management, Land Acquisition and Strategic Sourcing
- In-house Operations and Maintenance (O&M) expertise, delivering committed plant performance at industry-leading benchmarks
- Market-leading financing terms
- Skilled and experienced senior management

FY20 highlights

- Added 575 MW capacity in FY20 and Net Export of 4,310 million units, up by 14.5% y-o-y
- Won 700 MW of hybrid project from AEML at a fixed tariff of ₹ 3.24 per unit
- Entered into a Securities Purchase Agreement with Essel Green Energy Pvt Ltd and Essel Infra Ltd for acquisition of 205 MW operating solar assets
- Entered into a 50:50 Joint Venture with TOTAL S.A. house 2.148 GW operating solar projects operating across 11 states in India
- AGEL's RG-I and RG-2 bond issues were the highest rated Indian renewable bond issuance during the year across international and domestic ratings agencies.

Capacity (in MW)	FY20 (Operating Capacity in MW)	FY19 (Operating Capacity in MW)	Additions during the year (MW)
Solar	2,148	1,898	250
Wind	247	72	175
Wind# (under acquisition)	150	Nil	150
Total	**2,545**	**1,970**	**575**

AGEL has commissioned 50 MW in April'20.

#AGEL has agreed to acquire 100% equity interest of 150 MW wind projects, subject to the terms of the PPA

AGEL Future Growth: The Company is ideally positioned to deliver above average growth attributed to following factors:

- **High growth potential of renewable industry:** The Indian Government has revised the target for renewable generation capacity to 450 GW by 2030 giving boost to large scale strategic players in the industry
- **Competitive intensity remains low due to:**
  1) Lack of large scale integrated players in the industry
  2) Cost of capital - wider pool for sources of capital at competitive rate available to large scale integrated players
  3) Secured rights for large scale land with high solar / wind resource and transmission connectivity; thus low viability for new and small-scale players in sector
- **Rational Bidding Strategy:** The Company continues to abide by the principles of maximising shareholder value by:
  1) IRR based bidding with rationalised returns benchmarks and conservative assumptions
  2) Priority to GW scale bids and Hybrid projects to improve Return on Assets
  3) Strategic tie-ups with OEMs to ensure adoption of advanced technologies for overall cost optimisation
  4) Retention of Investment Grade rating

Impact of COVID-19

As India struggles with the COVID-19 outbreak, the government has taken measures to insulate the renewable energy sector as much as possible. The lockdown immediately resulted in a sharp decline in power demand as all commercial and industrial activity ceased. A number of thermal power plants had to be shut down so as to match demand with supply. In this regard, MNRE has ordered that payments to renewable energy generators should not be stopped.

Another relief extended to renewable energy project developers is an extension of commissioning deadlines. Developers with projects under construction shall be allowed to use the *force majeure* clause to seek an automatic extension of commissioning deadlines.

- Electricity Generation has been specified as an Essential Service amid Lockdown
- Memorandum Issued by MNRE to all State DISCOM providing following clarification:
  (i) Must run status of all RE projects in India remains unchanged even during the lock down period
  (ii) There is no moratorium applicable on payments for RE generation
- Ministry of Power clarified to all State Governments that obligation to pay for power supplied by IPPs remains unchanged. All bills need to be settled within 45 days of presentation of bill or as provided in the PPA
- All solar and wind plants are in operation as per normal business course
- Electricity generated from all plants is being off-taken on a continuous basis in normal course
- Receiving the regular payments from all the DISCOM

Other Steps

- As a matter of abundant precaution, most head-office based employees are working from home
- All plant-based employees responsible for O&M are quarantined within the plant periphery with adequate supplies
- Some planned maintenance activities have been deferred by 2 months ensuring no impact on performance indicators.
- All plants have adequate stock of necessary spares for 3-month time period

Management Discussion and Analysis (Contd.)

3.1 ESG Focus

Mitigate the impact of operations on the environment	• Strive to minimise the environmental impact of operations and improve efficient use of resources over time
Conduct business according to highest ethical and regulatory standards	• Operate with high ethical standards by conducting business activities in compliance with applicable regulatory requirements and code of business conduct and ethics • Be accessible to investors and stakeholders by being responsive to requests for information and timely communication
Ensure the wellbeing and safety of employees	• Meet all labour laws and standards in administration where we operate, which includes respecting human rights, offering competitive wages and fully inclusive hiring practices • Aim to have zero high risk incidents within our business by working towards executing constant health and safety principles across the organisation
Good stewards in the communities in which we operate	• Engage with communities that might be affected by our actions to ensure that their interests, safety, and wellbeing are appropriately integrated into our decision making • Empower employees to participate in and use resources to give back to the communities in which we operate

4. Financial Review

(₹ in crore)

Year	FY20	FY19	Growth (%)
Net Sales	2,549	2,058	24
EBITDA[2]	1,782[1]	1,710[1]	4
PBT	(50)	(585)	91
PAT	(68)	(475)	86
Cash Profit	787	792	

1. Calculation of EBITDA excludes foreign exchange (gain) / loss.
2. EBITDA margin % represents EBITDA earned from revenue from operations and excludes other income.

Revenue

Total Revenue increased by 24% to ₹ 2,549 crore.

Revenue from power generation up by 8% to ₹ 2,065 crore due to additional project commissioning and full period operationalisation impact. Number of units sold up by 13% to 4,373 Mu's.

EBITDA and EBITDA Margin

EBITDA for the year increased by 4% to ₹ 1,782 crore due to increased operating capacity.

EBITDA margin during the year was 89% compared to 90% last year. EBITDA for year got impacted by exceptional cost incurred on the international projects that are sold or called off during the year.

Depreciation and Amortization

Till FY19, The Group was following Written Down Value (WDV) depreciation method. Based on evaluation during the year, AGEL considered to change the depreciation method from WDV to Straight Line Method (SLM) and has given effect from April 01, 2019.

Due to change in depreciation method, there is reduction in depreciation and amortisation. Depreciation for FY20 is ₹ 394 crore as against is ₹ 1062 crore y-o-y and Depreciation for Q4 FY20 is ₹ 108 crore as against ₹ 293 crore y-o-y.

Profit / Loss before exceptional items

Profit before exceptional item is ₹ 123 crore as against loss of ₹ 475 crore y-o-y.

Cash Profit

Cash Profit for the year at ₹ 787 crore.

5. Risk Management

The Company is exposed to business risks which may be internal as well as external. The Company has a comprehensive risk management system in place, which is tailored to the specific requirements of its business considering various factors such as size and nature of inherent risks and the regulatory environment of the Company. The risk management system enables it to recognise and analyse risks early and to take the appropriate action. The senior management of the Company regularly reviews the risk management processes of the Company for effective risk management. The major risks identified by the businesses are systematically addressed through mitigation actions on a continual basis.

Risk management for COVID-19

The outbreak of the COVID-19 epidemic and the subsequent spread of infections in different parts of India may lead to radically different scenario for 2020. At this point, a significant system shock is expected both on the supply side (i.e. interruptions of the supply chain and production activities) and on the demand side (lower discretionary consumption and investment due to the restrictions).

Among the various industrial sectors, Indian Renewable energy sector is also at risk, given the weight of sourcing electrical components from different OEMs with strong links with China in the supply chain, while we understand that the industrial production in China is slowly coming back to normalcy. On the basis of the current information available, in a fast-evolving scenario, we are constantly monitoring changes in macroeconomic and business variables and are taking actions in order to mitigate the impact through with effective responses and contingency plans.

For operational renewable plants (that forms the majority of investments of the Company), there is no major long-term risk.

- With 2,595 MW of our operational capacity tied up via long term PPAs with sovereign rated off-takers (i.e. SECI and NTPC), there is no delay with respect to receipt of revenue from sale of electricity out of the ordinary course.
- If the severe situation persists, there may be short delay in receipt of monies from some counterparties. This is expected since the government of India has given directive to DISCOMs for providing their customers a 3-month moratorium in bill payments and that may lead to delay in receipt of monies from the DISCOMs. As a result, this may lead to increase in working capital requirement for above mentioned operational units during the short term but this will have no impact on our financial position. We are in constant touch with state DISCOMs, regulatory authorities, ministries, and other stakeholders in the industry to ensure timely receipt of receivables.
- All our debt servicing commitments for the next financial years are completely covered already with the liquidity available with the Company. We are further tying up additional working capital lines as a further backstop for long term delays, if the situation arises.
- Nevertheless, 100% of renewable power dispatched to the grid is getting billed by the off-takers under the must-run policy of the MNRE.
- The Government of India has already announced a liquidity boost for the DISCOM providing a package of ₹ 90,000 crore to DISCOM, in order to enable them to repay their dues to generators including renewable energy suppliers.

~3.4 GW of our renewable projects are under various stages of development and construction.

- For some of these projects, we expect a delay in commercial operation date due to precautionary measures of central and state governments (restriction on movement of people and activities). However, as per the directive from the MNRE, there will be extension of timelines for commercial operation date and therefore no material economic impact is expected.
- For some of these projects, there may be an increase in project cost due to overall delay in construction timelines. The Company has a strong relationship with different partners along the supply chain and we are working to minimise the impact of this disruption on the project economics.

To date, significant but limited economic damage is forecast in the 1st half of the financial year, mainly for economies that have taken stringent precautionary measures to contain the spread of the virus. The coming months will unfold a more clear view of the economic consequences of the outbreak.

The Company has built a resilient and sustainable business model keeping in mind the unforeseen risks that are continuously evolving. With our geographical diversification, integrated business model all along the value chain, a sound financial structure, and the level of digitalization achieved, which enables us guarantee the continuity of our operating activities, there is no evidence that COVID-19 will have a significant impact on the Company.

Refer to detailed risk management section under Non-statutory section of the Integrated Report

Management Discussion and Analysis (Contd.)

6. Internal Control Systems and Adequacy

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 which carries out extensive audit throughout the year, across all functional areas and submits its 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 and capex expenditure which is reviewed and suitably amended on an annual basis
- The Company uses 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 invites suggestions for process improvement
- 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 and systems.

7. Cautionary Statement

Certain statements in the "Management Discussion and Analysis" describing the Company's objectives, projections, estimates and expectations may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include economic developments within the country, demand and supply conditions in the industry, input prices, changes in Government regulations, tax laws and other factors, such as litigation and industrial relations.

Corporate Governance Report

1. Company's Philosophy On Corporate Governance

Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability and commitment to values. The Company continues to focus on good Corporate Governance, in line with the best practices in the areas of Corporate Governance. We are firm in the belief that Corporate Governance means commitment for achievement of value based growth and meeting the commitment within the predefined time frame without compromising with ethical standards, set paradigms, transparency in transactions and fixing of accountability.

Courage, Trust and **Commitment** are the main tenents of our Corporate Governance Philosophy -

- **Courage:** we shall embrace new ideas and businesses. Take calculated risks in pursuing new and big business opportunities.
- **Trust:** we shall believe in our employees and other stakeholders.
- **Commitment:** we shall standby our promises and adhere to high standards of business.

The Company is in compliance with the conditions of corporate governance as required under the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 ("SEBI Listing Regulations"), as applicable.

2. Board Of Directors

At the helm of the Company's Corporate Governance practice is its Board. The Board provides strategic guidance and independent views to the Company's senior management while discharging its fiduciary responsibilities. The Board also provides direction and exercises appropriate control to ensure that the Company is managed in a manner that fulfils stakeholder's aspirations and societal expectations.

a) Composition of the Board

The Company has a balanced Board with optimum combination of Executive and Non-Executive Directors, including independent professionals, which plays a crucial role in Board processes and provides independent judgment on issues of strategy and performance.

The Board currently comprises of 6 (six) Directors out of which 1 (one) Director is Executive Director, 2 (two) are Non-Executive, Non-Independent Directors and remaining 3 (three) are Independent Directors. Independent Directors are Non-Executive Directors as defined under Regulation 16(1)(b) of the Listing Regulations. The maximum tenure of the Independent Directors is in compliance with the Act. All the Independent Directors have confirmed that they meet the criteria as mentioned under regulation 16(1)(b) of the Listing Regulations and Section 149 of the Act. The present strength of the Board reflects judicious mix of professionalism, competence and sound knowledge which enables the Board to provide effective leadership to the Company.

No Director is related to each other except Mr. Gautam S. Adani and Mr. Rajesh S. Adani, who are related to each other as brothers and Mr. Sagar R. Adani who is son of Mr. Rajesh S. Adani.

None of the Directors on the Company's Board is a Member of more than 10 (ten) Committees and Chairman of more than 5 (five) Committees (Committees being, Audit Committee and Stakeholders' Relationship Committee) across all the companies in which he/she is a Director. All the Directors have made necessary disclosures regarding Committee positions held by them in other companies and do not hold the office of Director in more than 10 (ten) public companies as on March 31, 2020.

The composition of the Board is in conformity with the Regulation 17 of the SEBI Listing Regulations.

The composition of the Board of Directors and the number of Directorships and Committee positions held by them as on March 31, 2020 are as under:

Name, Designation and DIN of Director	Category of Directorship	No. of other Directorships held[1] (Other than AGEL)	Details of Committees[2] (other than AGEL)	
			Chairman	Member
Mr. Gautam S. Adani, Chairman and Director DIN: 00006273	Promoter & Non-Executive	5	-	-
Mr. Rajesh S. Adani, Director DIN: 00006322	Promoter & Non-Executive	5	-	6

About the Report About AGEL Performance Review Creating Enduring Value Governing Successful Organisation Impact Statutory Reports Financial Statements