

Report

Annual Report 2003-04



Aegis Logistics Limited

Company Vision

Aegis is one of India's leading logistics service companies. Our vision is to provide total solutions for moving oil, gas and chemicals from the manufacturer to the end user.

We offer customers such essential services as sourcing of raw materials, tank storage and port services, arranging transportation, and on-site management of materials at the customer's site.

Aegis believes in providing end to end solutions, managing every activity in the supply chain to enable reliable, continuous and competitive supplies of raw materials for its customers.



Our Values

- We will provide the most flexible, responsive and best quality service to our customers.
- We will strive for the highest standards of integrity, hard work, professionalism and discipline.
- We will place a strong emphasis on safety, protecting the environment and reaching world-class standards at each of the company's operations.
- We believe that our company should make a substantial contribution to the welfare and needs of the community and society at large.
- We believe in maximising shareholder value and return on capital.

COMPANY INFORMATION**BOARD OF DIRECTORS****CHAIRMAN**

K. M. CHANDARIA

VICE-CHAIRMAN

R. K. CHANDARIA

DIRECTORS

A. M. CHANDARIA

R. P. CHANDARIA

A. K. CHANDARIA

S. S. KUMAR

V. B. GANGAR

D. J. KHIMASIA

R. J. KARAVADIA

K. S. NAGPAL

MANAGING DIRECTOR

S. K. HAZRA

**DEPUTY GENERAL MANAGER (LEGAL)
& COMPANY SECRETARY**

S. R. IYER

BANKERSBank of Baroda
Dena Bank**SOLICITORS & ADVOCATE**

Little & Co., Mumbai

AUDITORSC. C. Chokshi & Co.,
Chartered Accountants, Mumbai**REGISTERED OFFICE**502, Skylon
G.I.D.C., Char Rasta,
Vapi-396 195, Dist. Valsad,
Gujarat State.**CORPORATE & ADMINISTRATIVE OFFICE**403, Peninsula Chambers,
Morarji Mills Compound, G.K. Marg,
Lower Parel (West), Mumbai-400 013.
Tel. : 022-5666 3666
Fax : 022-5666 3777
Website : www.aegisindia.com**LIQUID & GAS TERMINAL DIVISION**Trombay,
Mumbai-400 074.**REGISTRAR & TRANSFER AGENTS**IIT Corporate Services Ltd.,
Proto Prima Chambers,
2nd Floor, Suren Road, Near Cinemax,
Andheri (East), Mumbai-400 093.
Working hours: 9-30 to 12-45 & 1-30 to 3-00
Except Saturday, Sunday and Holiday
Tel. : 022-2683 8240/41, 2683 5599, 2683 1416
Fax : 022-2684 8375

Members are requested to
bring their copy of the
Annual Report to the
Annual General Meeting

Please address all correspondence regarding
share transfer work to the Registrar & Share
Transfer Agents and/or Corporate Office.

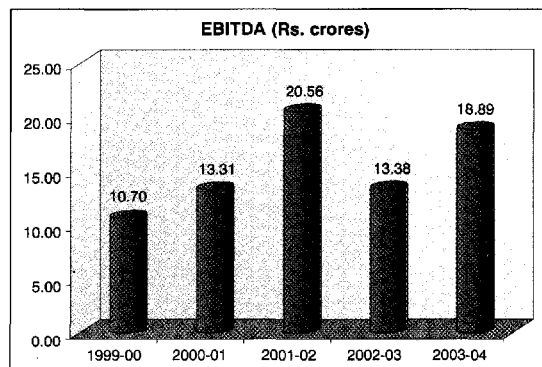
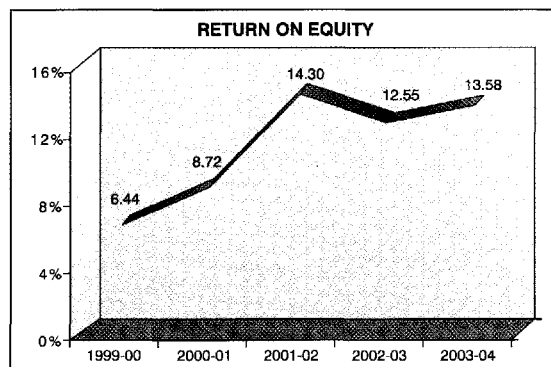
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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

The Company has had a very good year, returning to levels of performance seen in 2001/2. Operating revenues were up by 16.8% on the previous year, earnings before interest, tax and depreciation were up sharply by 41% and profit before tax rose by almost 80%. Both of the two main business lines, the logistics and terminal division and the LPG division, saw a strong recovery in sales volumes and margins. A major cost reduction programme undertaken by the Company in 2002 yielded significant savings during the year. The Company moved to a new corporate office in Peninsula Corporate Park, a premises owned by the Company.



Financial Highlights

- Profit before tax up by 80%, Profit after tax up by 22%
- EBITDA higher by 41% at Rs.18.89 crores
- EPS at Rs. 5.23 per share
- Debt to Equity Ratio at 0.41
- Return on Equity at 13.6%

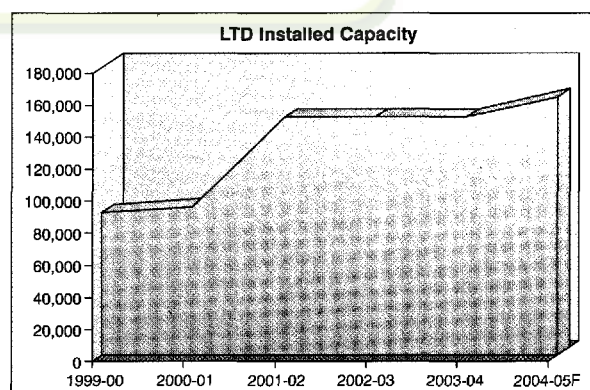
Increased volumes in both Business segments viz LTD and GTD together with low financial leverage, generated a substantial improvement in Financial Performance during the year.

Segment-wise Analysis

Logistics and Terminal Division

The division has seen a complete change in the business model towards higher thruput volumes handled and increasing the range of products handled in oil and chemicals. New products handled include IPA and NBA. The Company has sought to increase handling capacity substantially at the main site in Pir Pau in order to keep pace with the higher volumes and relieve acute capacity constraints. At the end of 2003/4, a new mini-terminal with stainless steel tanks and dedicated loading bays began construction.

The general economic recovery and new opportunities in handling petroleum products for the major oil companies through pipeline movement led to sharply increased volumes. Approximately 50% of capacity is now contracted under long-term contracts ensuring a consistent revenue stream.



Gas Terminal Division

This business had an excellent year, with good margins and growing volumes in the industrial sector. During the year, the Company also successfully entered into propane marketing. It is expected that subsidies on cooking gas will continue for quite a few years to come, and the Company has therefore chosen to focus on different market segments rather than the domestic sector. Since there is little scope for major growth in the niche of industrial sales, the focus has shifted to providing thruput services for handling gas to major oil companies as well as entering into the retailing of auto LPG.

Chemical Distribution Division

A decision was taken during the year to suspend a further part of the manufacturing operations at the factory in view of the poor economics of the business. Attempts were made to reduce costs in order to re-gain competitiveness and to continue to diversify into distribution of tertiary amines and fatty acids as well as traditional oleochemicals. However, this proved unsuccessful. In view of this, the Board of Directors was left with no alternative but to take a decision to close the whole division. The Company's efforts to dispose of the undertaking has yielded no response. In order to avoid further deterioration, the Board has since decided to dispose of the machinery and other assets an exercise which is in progress.

Opportunities and Threats

The Company has decided to focus on two major business lines – logistics services and LPG storage and distribution. There is significant growth potential in both.

In logistics, the volume of growth expected in petroleum product handling is enormous due to trends such as deregulation of the industry and more coastal movement of goods and exports. In addition, the major oil companies are expanding their refineries in the western region and outsourcing more of their requirement for logistics services.

Due to the subsidy on cooking gas, private companies are restricted to smaller market segments in the LPG business such as industrial and commercial sales. However, new areas such as the auto LPG segment and providing logistics services for handling gas for the major oil companies show great promise.

The main threats remain competitive pressure on service rates and the high cost of doing business in Mumbai.

Future Business Outlook

The Company's strategy is to offer the best service in handling oil, gas and chemicals. Further expansion to two or three new ports and maintaining a leading market share in the greater Mumbai region are the main priorities for the next few years. Higher capacity utilization in the LPG business through diversifying into new segments is the way forward for that business.

Internal Control Systems and their adequacy

The Company has a proper and adequate system of internal controls to ensure that all the assets are safeguarded, protected against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly.

The company conducts audit of various departments based on an annual audit plan through an independent internal auditor and reports significant observations along with 'Action Taken Reports' to the Audit Committee from time to time. The views of the statutory auditors are also considered to ascertain the adequacy of the internal control system.

Human Resources Development

Industrial relations continued to be cordial at Terminal. Major Workmen and Officers at Jalgaon availed Voluntary Retirement Scheme of the Company. New Corporate Office has also contributed in increase in morale of staff.

An executive group of managers has been formed which will carry out the Company's vision and strategy. A greater emphasis on high level management development programmes is being planned.

Risk and Concerns

The Company derives most of its revenues from volumes handled at MbPT Jetty. Susceptibility to change in volumes due to MbPT rates becoming non-competitive with other Ports or due to any major impact at one jetty of MbPT will have impact on the Company's revenue. Slow down in volumes of exports or imports on account of Government policy, Global Market factors, any unfavourable trends in import tariffs, etc. will also affect Company's revenue. Company is exposed to Foreign Exchange risk as LPG selling prices are linked to the landed cost of imported products. Any volatility in the Foreign Exchange Rate has an impact on Foreign Currency Debt held by the Company.

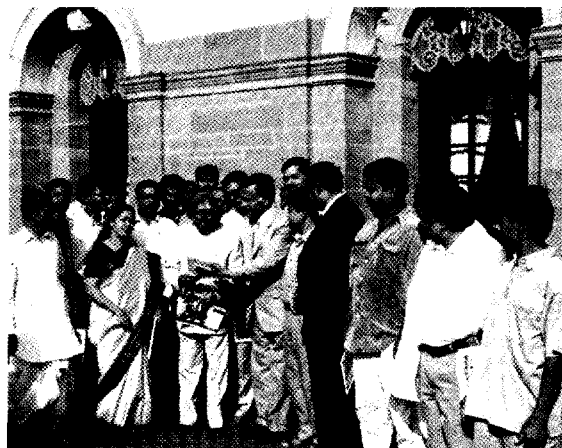
The Company continues to follow conservative strategy to modify its Risk Profile by reducing and eliminating risk exposure areas.

Corporate Social Responsibility

The Company is aware of the requirements of Corporates to live up to its expectations from the 'society'. Corporate Social Responsibility goes beyond meeting statutory obligations and ensuring sound returns to shareholders. Aegis makes a large and very significant contribution to rural development through its sponsored Anarde Foundation, which is engaged in rural development schemes in the field of health, education and social upliftment integrated with natural resource management (specially water conservation). Various rural schemes such as "health awareness program", "women education & awareness program", "Micro Credit", Lift Irrigation and Water Shed projects are being executed in 15 States spread all over the Country.

Forward-Looking Statements

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.



Farmers' delegation from W. Bengal meets President of India through Anarde Foundation.

5 Years Financial Performance

(Rs. in Crores)

	1999/00	2000/01	2001/02	2002/03	2003/04
Operating Results					
Operating Revenue	52.10	101.79	106.58	69.19	80.80
Earnings before Int., Depreciation, Tax	10.70	13.31	20.56	13.38	18.89
Interest	2.42	3.79	5.32	4.43	4.50
Depreciation	2.96	2.40	3.06	2.69	3.14
Profit before Tax	5.32	7.12	12.18	6.26	11.25
Tax	2.04	2.83	5.07	(0.75)	2.70
Profit after Tax	3.28	4.29	7.11	7.01	8.55
Financial Position					
Capital	14.87	16.22	16.22	16.22	16.22
Reserves (excl. Revaluation Reserve)	36.07	32.97	33.51	39.65	46.72
Net Worth	50.94	49.19	49.73	55.87	62.94
Total Debt	12.48	22.39	29.52	34.19	25.77
Deferred Tax Liability	—	—	6.11	4.86	5.61
Miscellaneous Expenditure	—	—		(0.64)	—
Total Capital Employed	63.42	71.58	85.36	94.28	94.32
Net Fixed Assets (excl. Revaluation Reserve)	31.64	38.93	50.88	54.86	55.85
Investments	13.14	6.83	4.30	6.34	6.34
Net Working Capital	18.64	25.82	30.18	33.08	32.13
Total Net Assets	63.42	71.58	85.36	94.28	94.32
Ratios					
PAT to Operating Revenue %	6.30	4.21	6.67	10.13	10.58
PAT on Net Worth %	6.44	8.72	14.30	12.55	13.58
Debt : Equity	0.24	0.46	0.59	0.61	0.41
Current Ratio	2.18	1.88	1.99	3.14	2.63
EPS	2.24	2.75	4.35	4.32	5.23

AEGIS LOGISTICS LIMITED

Regd. Off.: 502, Skylon, G.I.D.C, Char Rasta,
Vapi - 396 195, Dist. Valsad, Gujarat State.

NOTICE

NOTICE is hereby given that the 47th Annual General Meeting of the Members of AEGIS LOGISTICS LIMITED will be held at Hotel Galaxy, National Highway No. 8, Near Koparli Road, G.I.D.C., Vapi - 396 195, Dist. Valsad, Gujarat State on Saturday, 25th September, 2004 at 11.30 a.m. to transact the following businesses :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 and Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. D. J. Khimasia, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. V. B. Gangar, who retires by rotation, and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. R. J. Karavadia, who retires by rotation, and being eligible offers himself for re-appointment.
6. To appoint a Director in place of Mr. K. S. Nagpal, who retires by rotation, and being eligible offers himself for re-appointment.
7. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

8. To consider and if thought fit to pass the following resolution with or without modification, as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Mr. S. K. Hazra be and is hereby re-appointed as Managing Director of the Company for a period of 5 years commencing from May 04, 2004 upon the terms and conditions as set out in the draft agreement between the Company and Mr. S. K. Hazra submitted to this meeting and for identification initialed by the Chairman which agreement is hereby specifically approved with liberty to the Board of Directors to alter and vary the terms and conditions of the said agreement and remuneration in such manner as may be agreed to between Mr. S. K. Hazra and the Board of Directors.

RESOLVED FURTHER THAT subject to the provisions under Section 198 and other applicable provisions, if any of the Companies Act, 1956 and compliance with Section XIII of the Companies Act, 1956 and approval of the Central Government, the remuneration and perquisites as set out in the said draft agreement shall be paid or granted to Mr. S. K. Hazra as minimum remuneration notwithstanding that in any financial year of the Company, during the term of Mr. S. K. Hazra's Office as Managing Director, the Company has made no profits or the profits made are inadequate but subject to the upper limit, if any, prescribed under the Companies Act, 1956 from time to time."

By order of the Board of Directors

S. R. IYER

*Dy. Gen. Manager (Legal)
& Company Secretary*

Mumbai

Dated : 15th June, 2004

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD AND A PROXY NEED NOT BE A MEMBER. A proxy in order to be effective must be received at the Company's Registered Office not less than 48 hours before the meeting.
2. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Item No. 8 is annexed.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 11th September, 2004 to 25th September, 2004 (both days inclusive).
4. In case there is any correction/change in address registered with the Company, members are requested to communicate immediately to the Company's Registrar & Transfer Agents M/s. IIT Corporate Services Limited, Proto Prima Chambers, 2nd Floor, Suren Road, Near Cinemax, Andheri (East), Mumbai - 400 093.
5. Payment of dividend, if declared, will be made to those Members whose names appear on the Register of Members of the Company as on 25th September, 2004. Members are requested to intimate Dividend Mandate to the Registrar & Transfer Agent on or before 11th September, 2004.
6. Dividend remaining unclaimed for a period of seven years is required to be transferred to the Investor Education and Protection Fund. Members who have so far not encashed their Dividend Warrant(s) for the financial year ended 31st March, 1997 or any subsequent year are advised to submit their claim to the Company immediately quoting their folio numbers.
7. Members may avail themselves of the facility of nomination in terms of Section 109A of the Companies Act, 1956 by nominating in the prescribed form a person to whom their shares in the Company shall vest in the event of their death. The prescribed form can be obtained from the Company's Registrar and Transfer Agent.
8. Brief resume of Directors being re-appointed :
 - a. Mr. D. J. Khimasia
Age : 62
Mr. D. J. Khimasia has been associated with the Company as Director since 1999. Mr. D. J. Khimasia is a Commerce and Law Graduate. He is a Businessman by profession and trades in Agricultural Produce. He has several years experience in the field of Bulk Drugs, Plastics and Textiles.
Other Directorships held : i. Khimasia Plastic Pvt. Ltd. - Director ii. Khimasia Rubber Industries Pvt. Ltd. - Director iii. Jethalal Nemchand Export Pvt. Ltd. - Director iv. Metochem Exports Pvt. Ltd. - Director
 - b. Mr. V. B. Gangar
Age : 64
Mr. V. B. Gangar has been associated with the Company as Director since 1999. He is a Businessman by profession and he is having about four decades of experience in Steel Business. He has a good knowledge of Business and Industry in general and Steel Industry in particular.
Other Directorships held : Nilgiri Investment Co. Pvt. Ltd. - Director
 - c. Mr. R. J. Karavadia
Age : 57
Mr. R. J. Karavadia has been associated with the Company as Director since 1999. Mr. R. J. Karavadia is a B.Com and I.I.C.W.A. He has several years of experience in the field of Production Personnel, Finance, Marketing, Purchase etc. He has held senior position in various Companies. Presently he is carrying on his own business as an indenter for Importers & Exporters of Chemicals and Minerals.
Other Directorships held : i. Nilgiri Investment Co. Pvt. Ltd. - Director ii. M/s. Five Star Textiles Rags (India) Pvt. Ltd. - Director

d. Mr. K. S. Nagpal

Age : 35

Mr. K. S. Nagpal has been associated with the Company as Director since 1999. Mr. K. S. Nagpal is a Commerce Graduate from Mumbai and holds position as CEO and Managing Director of MNS Agro Oils & Chemical P. Ltd. He has experience of over 11 years in the business of Chemicals, Bulk Drugs, Solvents, different types of Oils etc.

Other Directorships held : MNS Agro Oils & Chemical P. Ltd. - Managing Director

e. Mr. S. K. Hazra

Age : 56

Mr. S. K. Hazra is an Engineering Graduate from IIT with Post Graduation in Business Management. Mr. Hazra has over 35 years experience in Petrochemical, Oil and Gas Industry and is very actively involved in various National and International Industry Associations in the aforesaid fields.

Other Directorships held: i. Hindustan Aegis LPG Bottling Co. Ltd. - Director
ii. Perstorp Aegis Chemicals P. Ltd. - Director

ANNEXURE TO NOTICE

Explanatory Statement Pursuant to Section 173 of the Companies Act, 1956.

Item No. 8

Mr. S. K. Hazra was re-appointed as Managing Director of the Company at the Meeting of the Board of Directors of the Company held on 28th April, 2004.

At the said Meeting a Committee comprising of Mr. K. M. Chandaria, Chairman and Mr. S. S. Kumar, Director was constituted to decide the tenure and remuneration of Mr. S. K. Hazra.

At the Board Meeting held on 15th June, 2004 the Directors passed a resolution to enter into an Agreement with Mr. Hazra subject to Shareholders approval.

The re-appointment has been made for a period of 5 years with effect from 4th May, 2004 and is subject to the approval of the Shareholders in General Meeting.

The following are the terms and conditions for re-appointment of and remuneration payable to Mr. S. K. Hazra as Managing Director.

I. Salary :

CONSOLIDATED Salary of Rs.1,85,000/- (One Lakh Eighty Five Thousand only) per month with increments as may be decided by the Board of Directors from time to time of an amount not exceeding 10% of the salary and allowances.

II. Commission :

Commission payable @ 1% of Profit calculated as per provisions of Sec. 349 and 350 and other relevant provisions of the Companies Act.

However, the amount of Commission payable in any year shall not exceed 150% of salary as stated in (I) above.

III. Perquisites :

In addition to the above, Mr. Hazra shall be entitled to the following perquisites.

Category - A :

i. Housing :

The Company will provide rent free, fully furnished and fully maintained residential accommodation together with gas, electricity and water.

ii. *Medical Benefits :*

Expenses incurred on Mr. Hazra and his family subject to a ceiling of one month's salary in a year or of as many months salary in a block of so many years as are there in the total tenure as MD. Company to take Mediclaim Policy covering Mr. Hazra and his family as applicable to Senior Executives of the Company.

iii. *Leave Travel Concession :*

For Mr. Hazra and his family, once in a year incurred in accordance with the rules specified by the Company for executives.

iv. *Club Fees :*

Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

v. *Personal Accident Insurance :*

Premium not to exceed Rs. 2,000/- per annum.

vi. *Leave Encashment :*

Leave unavailed of to be allowed to be encashed as per rules of the Company.

Provided that the value of the perquisites in Category A will be restricted to an amount equal to the annual salary.

Category – B :

- i. Company's contribution to Provident Fund at the rate of 12% of the Salary.
- ii. Company's contribution towards Superannuation Fund as per the rules of the Company's Superannuation Scheme as may be applicable from time to time; provided, however, that the Company's contribution to the Superannuation Fund together with its contribution to the Provident Fund shall not exceed 27% of the Salary.
- iii. Gratuity in accordance with the rules of the Company as applicable to the Senior Executives of the Company.

Category – C :

Car for use on the Company's business and Telephone at Mr. Hazra's residence which will not be considered as Perquisites. Personal long distance calls on telephone to be billed by the Company to Mr. Hazra.

In the event of inadequacy or absence of profit in any financial year Mr. S. K. Hazra, Managing Director, shall be paid the same remuneration as stated hereinabove, as minimum remuneration but subject to the upper limit, if any, prescribed under the Companies Act, 1956 from time to time.

Except Mr. S. K. Hazra no Director is concerned or interested in the proposed resolution.

The aforesaid terms and conditions may be treated as an abstract under Section 302 of the Companies Act, 1956.

The draft Agreement proposed to be entered into by the Company and Mr. S. K. Hazra is available for inspection at the Registered Office of the Company on any working day upto the date of the ensuing Annual General Meeting between 11.00 a.m. and 1.00 p.m.

By order of the Board of Directors

S. R. IYER

Dy. Gen. Manager (Legal)
& Company Secretary

Mumbai

Dated : 15th June, 2004