

AEGIS LOGISTICS LIMITED



48th
Annual Report
2004-2005



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

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

BANKERS

Bank of Baroda
Dena Bank
ING Vysya Bank Ltd.

SOLICITORS & ADVOCATE

ANS Law Associates, Mumbai

AUDITORS

C. 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,
Peninsula Corporate Park, Morarji Mill 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

Plot No. 72, Mahul Village,
Trombay,
Mumbai-400 074.

REGISTRAR & TRANSFER AGENTS

Sharepro Services India Pvt. Ltd.
Satam Estate, 3rd Floor, Above Bank of Baroda,
Chakala, Andheri (East), Mumbai-400 099.
Working Hours: 9.30 to 1.00 & 1.45 to 5.00
Except Sunday and Holiday
Tel. :022-2832 9828, 2821 5168
Fax :022-2837 5646

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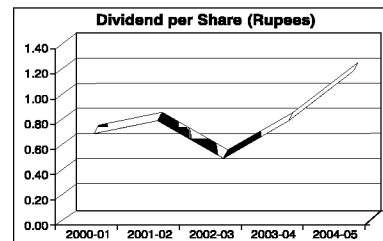
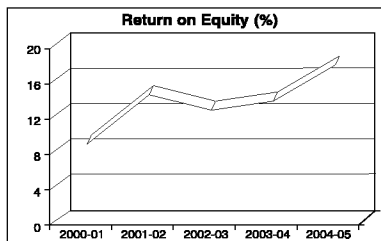
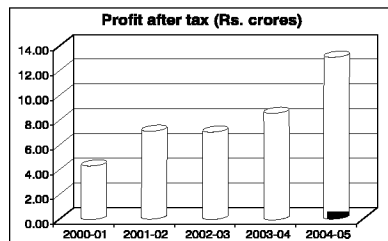
MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

The Company had an excellent performance this year, with revenues up by 49% on the previous year, earnings before interest, tax and depreciation up by 74% and profit after tax up by 53%. Both of the two main business lines, the logistics division and the LPG division, saw higher volumes and good margins. The Company is embarking on a major growth programme over the next five years.

Financial Highlights

- Profit before tax up by 78%
- EBITDA higher by 74% at Rs. 32.89 crores
- Debt to Equity Ratio at 0.41
- Profit after tax up by 53%
- EPS at Rs. 8.00 per share
- Return on Equity up at 17.7%



Segment-wise Analysis

Logistics Division

Logistics is the art of managing the customer's supply chain. The Company's logistics division is now a critical part of the supply chain for the oil, gas, petrochemical and chemicals sector in India. A sharp increase in total product volumes handled for customers by arranging shipping, port operations, tankage, road transport and pipeline logistics has enabled the Company to significantly increase service revenues. The year also saw increasing market share in the key Mumbai/South-West India region. New value added services have added to revenues and margins. Considerable progress was made in de-bottlenecking operations to ensure more turnarounds. In addition, a Master Plan is being implemented to bring Terminal operations to world-class standards, involving concrete blocking of all internal roads, green zones, CCTV and improved office space for the staff.

Gas Terminal Division

The Gas business offers good growth prospects in the long term. LPG has the potential to become a major force in the Auto sector due to its ready availability, easy transportation, comparatively much lower cost vis-à-vis gasoline and its environmental friendliness. However, for autogas to succeed, large-scale illegal diversion of subsidized domestic cylinders as an auto fuel has to stop which will only take place when the government removes the high subsidy.

Investments

The Company's 30% stake in Perstorp Aegis Chemicals Pvt. Ltd has been divested in May 2005 to Perstorp N.V. of the Netherlands, following Perstorp's exercise of their call option.

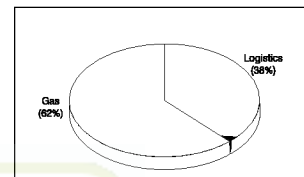
Opportunities and Threats

Growth prospects in the logistics division are excellent, driven by India's higher consumption of oil, gas and chemicals. All of the Company's customers in these sectors have increasingly sophisticated logistics requirements. Future growth of the logistics business will be from the Company's enhanced capability of dealing with a wide range of speciality chemicals, specific value added services and setting up new sites at other Ports through acquisitions or greenfield Projects.

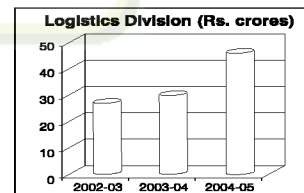
In the logistics business, the Company's strength arises not only out of efficient and quality service (ISO 9001) but also strong commitment towards achieving excellence in Safety, Health & Environment (SHE) (ISO 14001 and Responsible Care) performance.

The gas terminal Business has high growth potential due to very low per capita consumption of LPG in India compared to the global average. The removal of subsidy on LPG will provide a level playing field for private marketers in the domestic gas sector and open up tremendous growth opportunities in the Auto Gas Market too.

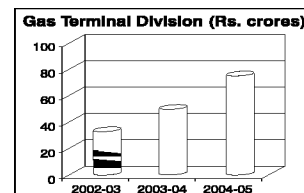
Revenues by division



Revenues



Revenues



The key threat in the gas terminal business is the government's continued uncertainty on the removal of subsidy on domestic LPG and the large scale illegal diversion of subsidized domestic cylinders for use as an auto fuel.

Regarding the logistics business, in line with developed economies, SHE compliance costs have almost doubled in the last few years. However, this must be viewed as an investment in the future and accordingly the Company sees it as an emerging business opportunity because in the future, only a few logistics companies will be able to generate sufficient value to cover this enhanced cost. However, in the short term, fast legislative changes coupled with rapid industrial growth always poses a challenge to the Regulatory Authorities in a country, on ensuring quick compliance and India is no exception. This leaves a window for exploitation by some logistics operators who pose short-term threats by under-cutting service charges

Future Business Outlook

The Company's strategy is to offer customers the best quality and most safe and environmental friendly service in handling oil, gas and chemicals on a national scale. To implement this strategy, the Company is pursuing a number of opportunities at two or three major ports involving acquisitions or greenfield projects as well as achieving OSHAS-18001 certification. The coming three to five years will see a major investment programme in these ports. In the LPG business, improved earnings will come from higher capacity utilization of the main gas terminal and further progress in the auto LPG 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. Company being ISO compliant one, independent ISO audits are being carried out periodically.

Human Resources Development

Industrial relations continue to be cordial at the port operations. The Executive Leadership Group (ELG) comprised of the senior management of the Company continues to carry out the Company's vision and strategy. A recruitment drive is on to strengthen middle management in key areas to prepare for the growth phase over the next three years. The Company has embarked on two new initiatives during the year to further improve competitiveness: a Kaizen programme of continuous improvement in all operations and processes and a Good to Great programme of putting technology and people at the heart of the Company.

Risk and Concerns

The Company derives most of its revenues from volumes handled through two jetties at Mumbai port. There is also a concern over congestion at the port. In addition, there are operating risks through operating at very high levels of capacity at the terminal facilities. Regulatory changes in the oil and gas sector by the Government could have unpredictable effects on the business. The Company therefore continues to follow a conservative strategy to modify its Risk Profile by mitigating and if possible eliminating risk exposure areas.

Corporate Social Responsibility

The Company's value system believes in making substantial contribution to the society. The Company, through its sponsored NGO Anarde Foundation did extensive work in rehabilitation of Tsunami victims in South India (Kanya Kumari area). The rehabilitation work included organizing repair of damaged houses; help out the traumatized victims, alternate means of livelihood for a large number of fishermen's families devastated by Tsunami.



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 realized. 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.

5 Years Financial Performance

(Rs. in Crores)

| | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 |
|---|---------|---------|---------|---------|---------------|
| Operating Results | | | | | |
| Operating Revenue | 101.79 | 106.58 | 69.19 | 80.80 | 120.54 |
| Earnings before Int., Depreciation, Tax | 13.31 | 20.56 | 13.38 | 18.89 | 32.89 |
| Interest | 3.79 | 5.32 | 4.43 | 4.50 | 8.16 |
| Depreciation | 2.40 | 3.06 | 2.69 | 3.14 | 4.67 |
| Profit before Tax | 7.12 | 12.18 | 6.26 | 11.25 | 20.06 |
| Tax | 2.83 | 5.07 | (0.75) | 2.70 | 6.98 |
| Profit after Tax | 4.29 | 7.11 | 7.01 | 8.55 | 13.08 |
| Financial Position | | | | | |
| Capital | 16.22 | 16.22 | 16.22 | 16.22 | 16.29 |
| Reserves (excl. Revaluation Reserve) | 32.97 | 33.51 | 39.65 | 46.72 | 57.77 |
| Net Worth | 49.19 | 49.73 | 55.87 | 62.94 | 74.06 |
| Total Debt | 22.39 | 29.52 | 34.19 | 25.77 | 30.64 |
| Deferred Tax Liability | — | 6.11 | 4.86 | 5.61 | 6.90 |
| Miscellaneous Expenditure | — | — | (0.64) | — | — |
| Total Capital Employed | 71.58 | 85.36 | 94.28 | 94.32 | 111.60 |
| Net Fixed Assets (excl. Revaluation Reserve) | 38.93 | 50.88 | 54.86 | 55.85 | 65.85 |
| Investments | 6.83 | 4.30 | 6.34 | 6.34 | 11.40 |
| Net Working Capital | 25.82 | 30.18 | 33.08 | 32.13 | 34.35 |
| Total Net Assets | 71.58 | 85.36 | 94.28 | 94.32 | 111.60 |
| Ratios | | | | | |
| PAT to Operating Revenue % | 4.21 | 6.67 | 10.13 | 10.58 | 10.85 |
| PAT on Net Worth % | 8.72 | 14.30 | 12.55 | 13.58 | 17.66 |
| Debt : Equity | 0.46 | 0.59 | 0.61 | 0.41 | 0.41 |
| Current Ratio | 1.88 | 1.99 | 3.14 | 2.63 | 2.45 |
| EPS | 2.75 | 4.35 | 4.32 | 5.23 | 8.00 |

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 48th 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 Thursday, 29th September, 2005 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, 2005 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. K. M. Chandaria, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. R. P. Chandaria, who retires by rotation, and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. A. K. Chandaria, who retires by rotation, and being eligible offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

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

“RESOLVED THAT in partial modification of the resolution passed at the Annual General Meeting held on 25th September, 2004 and subject to the provisions of Sections 198, 269, 309, 310, 311 Schedule XIII and other applicable provisions of the Companies Act 1956, the Company do hereby approve the revision in the remuneration payable to the Managing Director Mr. S. K. Hazra as provided for in the draft Supplementary Agreement to be entered into by the Company with the Managing Director with liberty to the Board of Directors to alter, vary terms and conditions of the said Agreement and remuneration as may be agreed to by and between Mr. S. K. Hazra and the Board of Directors.

8. To consider and pass with or without modifications the following Resolution as a Special Resolution :

“RESOLVED THAT pursuant to the Guidelines issued by SEBI under the Securities and Exchange Board of India (Delisting of Securities) Guidelines – 2003, dated 17th February, 2003 and other applicable approvals and procedures which may become applicable hereafter, governing the matter, the Company be and is hereby authorized to voluntarily apply for delisting of its Equity Shares from The Delhi Stock Exchange Association Ltd. and The Stock Exchange, Ahmedabad at such time as the Board of Directors (whether acting through the Board, a Committee of the Board or any Director or any person authorized by the Board) may, in their absolute discretion, consider appropriate and proper without giving an exit option to the Shareholders of the regions where the aforesaid Stock Exchanges are situated and the Board of Directors of the Company be and are hereby authorised to do all necessary acts in pursuance with the above matter.”

9. To consider and if thought fit, to pass the following Resolution with or without modification/s as an ordinary Resolution.

“RESOLVED THAT in partial modification of the Resolution passed by the Members under Section 293(1)(e) of the Companies Act, 1956 in the Annual General Meeting held on 15th September 2001, the consent under Section 293(1)(e) of the Companies Act, 1956, be and is hereby accorded to the Board of Directors of the Company to contribute and subscribe during each Financial year commencing on or after 1st April, 2005 on behalf of the Company to Charitable and other funds not directly relating to the business of the Company or Welfare of its employees, provided however that the aggregate amount of such contribution shall not in any one financial year exceed Rs. 100 Lacs or 5% of its average net profit as determined in accordance with the provisions of Section 349 and 350 of the said Act, during three financial years immediately preceding, whichever is higher.”

By order of the Board of Directors

S. R. IYER

Dy. Gen. Manager (Legal)
Company Secretary

Mumbai

Dated : 24th June, 2005

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 Nos. 7, 8 and 9 is annexed.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 15th September, 2005 to 29th September, 2005 (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. Sharepro Services India Pvt. Ltd., Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai – 400 099.
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 29th September, 2005. Members are requested to intimate Dividend Mandate to the Registrar & Transfer Agent on or before 15th September, 2005.
6. Dividends 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, 1998 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. Members are advised to intimate to the Company well in advance the details of their bank accounts so as to enable the Company to credit the dividend amount payable to them by way of ECS.
9. Brief resume of Directors being re-appointed:
Mr. K. M. Chandaria – Chairman :
Mr. K. M. Chandaria (Age : 75 – Industrialist) is a person of Indian origin. He is a NRI and a British citizen. He is a Commerce Graduate by qualification and is associated with the Company ever since its inception. Company is benefited immensely from his industrial experience of over 40 years.

He has been actively associated with the Company since 1966, and continues to be a driving force for the development of the Company. He has also started, promoted and developed businesses in U.K., Europe and Asia. At present he is also involved in several charitable activities in rural development in India.

Other Directorships : 1) Hindustan Aegis LPG Bottling Co. Ltd. – Chairman
2) Eastern India LPG Co. Pvt. Ltd. – Director

Mr. R. P. Chandaria :

Mr. R. P. Chandaria (Age : 83 - Philanthropist) is a senior member of Chandaria family well known for charitable work.

Mr. R. P. Chandaria started his career in India by setting up family's industries, sea and land transportation and other businesses in India. He then became totally involved with his family business in diversifying their interest from trading into industry in Kenya. He was instrumental in expanding industrial interest in other African countries. Subsequently, he extended his involvement in expanding into business and industrial possibilities in Europe, South East Asia & America where his family has now established firmly.

Apart from his business and industrial activities he has been associated with many social and charitable activities since last 60 years in various countries, in Africa, Asia, Far East, U.K., Canada, etc.

Other Directorships : Steelco Gujarat Limited

Mr. A. K. Chandaria :

Mr. Anish K. Chandaria (Age : 37 - Industrialist) is a Management Graduate of Wharton University and based in London, U.K. He looks after business operations of the Group in Asian Countries.

Other Directorships : 1) Hindustan Aegis LPG Bottling Co. Ltd. – Director
2) Tapi Finvest (India) Pvt. Ltd. – Director

ANNEXURE TO NOTICE

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

Item No. 7

At the Annual General Meeting held on 25th September, 2004, Mr. S. K. Hazra has been re-appointed as Managing Director of the Company on the terms set out in the resolution passed thereat.

Considering the inflationary trend, substantial increase in Company's operations, exceptional performance and increased work and responsibilities of the Managing Director and also keeping the prevailing trends in the corporate sector, your Directors have deemed it fit to increase the monthly salary and also increase limits for increment and commission payable to him as under :

- Monthly salary be revised by Rs. 11,500/- w.e.f. 4th May, 2005;
- The limit for Annual Increment be raised from 10% to 15%;
- The rate of Commission payable to him be raised from 1% to 1.20%.

Provided, however, the total remuneration payable shall not exceed the limits prescribed in Schedule XIII of the Companies Act, 1956.

Other terms and conditions remaining the same.

The draft of the Supplementary Agreement is available for inspection in the Registered Office of the Company on all working days, except Saturdays and Sundays between 11 A.M. and 1 P.M.

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

Mr. S. K. Hazra is interested in this item. No other Director is deemed to be concerned or interested in this item.

Your Directors recommend the Resolution at Item No. 7 of the Notice.

Item No. 8

The Company's shares are presently listed in Mumbai, National Stock Exchange, Ahmedabad Stock Exchange and Delhi Stock Exchange. It is observed that there are hardly any transactions relating to our Company shares in Delhi and Ahmedabad Stock Exchanges. Furthermore, the requirement of having a Regional Stock Exchange is no longer necessary in view of electronic connectivity being offered by National Stock Exchange and Mumbai Stock Exchange. It is therefore felt desirable to delist the Company's shares from Delhi and Ahmedabad Stock Exchanges with a view to reduce costs and at the same time continuing to offer trading facility to our Shareholders.

None of the Directors of the Company is concerned or interested in the said Resolution.

Your Directors recommend the Resolution at Item No. 8 of the Notice.

Item No. 9

The Members in the 44th Annual General Meeting held on 15th September 2001 approved contribution for Rural Development and to other Charitable Institutions upto Rs. 70 Lacs or 5% of the average net profits as determined in accordance with provisions of Section 349 and 350 of the Companies Act, 1956, during the three financial years immediately preceding, whichever is higher in any financial year. It is considered desirable by your Directors to continue to assist Rural Development and to other Charitable Institutions with increased monetary limit from Rs. 70 Lacs to Rs. 100 Lacs per annum subject however to 5% of its average net profit as determined in accordance with the provisions of Section 349 and 350 of the said Act, during three financial years immediately preceding, whichever is higher.

None of the Directors of the Company is concerned or interested in the said Resolution.

Your Directors recommend the resolution at Item No. 9 of the Notice.

By order of the Board of Directors

S. R. IYER

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

Mumbai

Dated : 24th June, 2005.



DIRECTORS' REPORT

To the Members of the Company

The Directors have pleasure in presenting the 48th Annual Report and Audited Statement of Accounts of the Company for the year ended 31st March, 2005.

FINANCIAL PERFORMANCE

(Rs. in crores)

| | 2004-05 | 2003-04 |
|--|---------------|---------|
| Sales and Other Income | 121.87 | 84.24 |
| Gross Profit (before interest, depreciation & tax) | 32.89 | 18.89 |
| Profit before Tax | 20.06 | 11.25 |
| Provision for taxation - Current & Earlier years..... | 5.69 | 1.95 |
| - Deferred | 1.29 | 0.75 |
| Net Profit after Tax..... | 13.08 | 8.55 |
| Balance in Profit & Loss Account | 32.07 | 24.58 |
| Profit available for distribution | 45.41 | 33.55 |

OPERATING PERFORMANCE

The Company earned gross profit before interest, depreciation and tax of Rs. 32.89 crores during the current year. Profits before tax stood at Rs. 20.06 crores. Net profit after tax was Rs. 13.08 crores.

LIQUID TERMINAL DIVISION

The division had a very good year in 2004-05. Volumes were sharply higher due to increased volume (POL) products of refinery coupled with increased volume of Euro III fuel imports, etc. The rationalization work at the main site in Trombay was completed by the middle of the year and the Company started providing logistics services to high value chemicals as well. Pipeline handling for refineries has increased substantially resulting in higher turnaround. Significant efforts are being made to upgrade the operations to world-class standards.

GAS TERMINAL DIVISION

Revenue during the year increased considerably mainly due to higher prices. The Company had some success in expanding sales of Propane also. Margins were maintained due to judicious purchasing. The Company's first franchised auto LPG station was commissioned and the performance will be studied before moving ahead with more stations.

CHEMICAL DISTRIBUTION DIVISION

After discontinuing operations at the factory, all idle machinery and equipment have been sold on "As is Where is" basis or as scrap. Company is now in the process of assigning land lease together with buildings. Negotiations are in progress with a few parties who have expressed interest in acquiring the said land.