



A E G I S

AEGIS LOGISTICS LIMITED
49th Annual Report 2005-2006

Company Vision

Aegis is a leader in oil and gas logistics. We offer services such as sourcing of product, storage and port operations, arranging road and pipeline movement, shipping, and integrated supply chain management.

We believe in providing our customers in the oil, gas and chemicals industry with end to end solutions, managing every activity in the supply chain to enable reliable, continuous and competitive supplies of materials.

Our vision is to provide *Total Supply Chain Management* for oil, gas and chemicals.



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 attaining world-class standards in every sphere of activity.
- We shall strive to make a substantial contribution to the welfare and needs of the community and the society at large.
- We shall endeavour to maximise value for our shareholders.

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

COMPANY SECRETARY

J. N. SHAH

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,
G. K. Marg, Lower Parel (West),
Mumbai-400 013.
Tel. : 022-6666 3666
Fax : 022-6666 3777
Website : www.aegisindia.com

LIQUID LOGISTICS & GAS 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
Tel. : 022-2832 9828, 2821 5168
Fax : 022-2837 5646

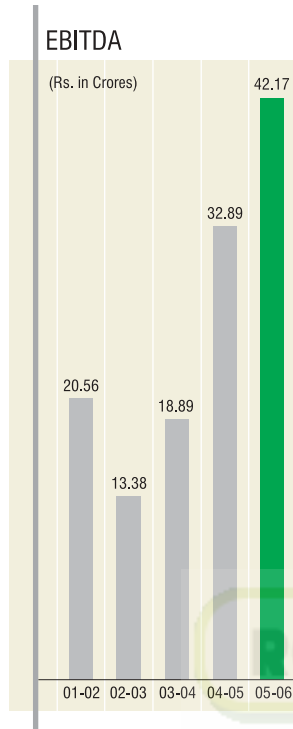
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Members are requested to bring their copy of the Annual Report to the Annual General Meeting.

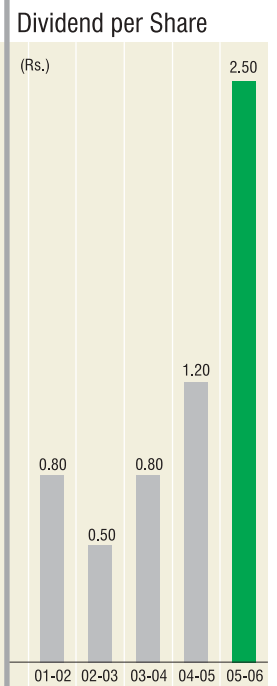
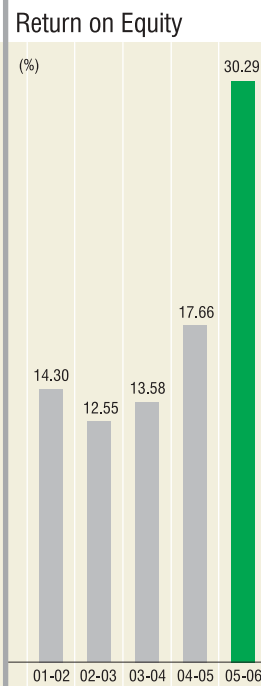
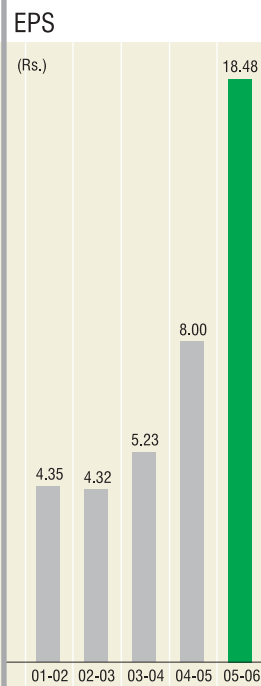
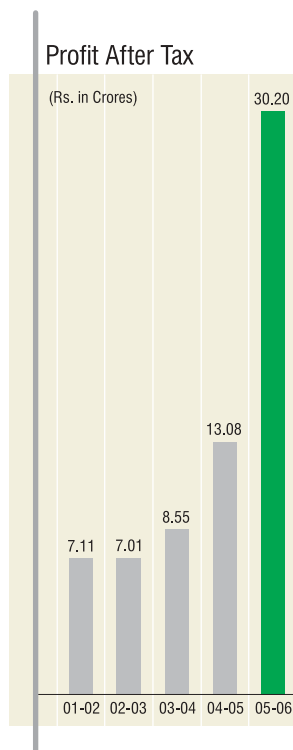
Please address all correspondence regarding Share Transfer Work to the Registrar & Share Transfer Agents and/or Corporate Office

Financial Overview



FINANCIAL HIGHLIGHTS

- ◆◆ Revenues up by 28% to Rs.154.50 crores
- ◆◆ EBITDA up by 28% to Rs. 42.17 crores
- ◆◆ Profit before tax up by 79% to Rs. 35.83 crores
- ◆◆ Profit after tax up by 131% to Rs. 30.20 crores
- ◆◆ EPS up by 131% to Rs. 18.48 per share
- ◆◆ Debt to Equity Ratio – 0.26
- ◆◆ Return on Equity – 30.29%



Management Discussion and Analysis Report

Overview

The Company had another excellent year, with revenues up by 28% and profit after tax up by 131%. The Liquid Logistics division saw revenue growth of 15% and the Gas Division also saw an increase of 36%. Work commenced on the expansion of the liquid logistic capacity of the group at a second site. The Company's initiative in the autogas retailing business has gained momentum.

For the 3PL business in the Chemical, Oil and Gas Industry, sound environmental management, safety and health performance is the key, wherein only experienced and well-established players with a proven track record and ISO/OHSAS certification can flourish in the long run.

A number of major ports and minor ports in the country are offering port facilities and necessary land, encouraging the 3PL sector to put up logistics facilities for bulk Chemicals, Oil and Gas. India, with its large coastline of around 8000 KM, needs a large number of such facilities to be built in its ports in the future.

Industry Structure and Development

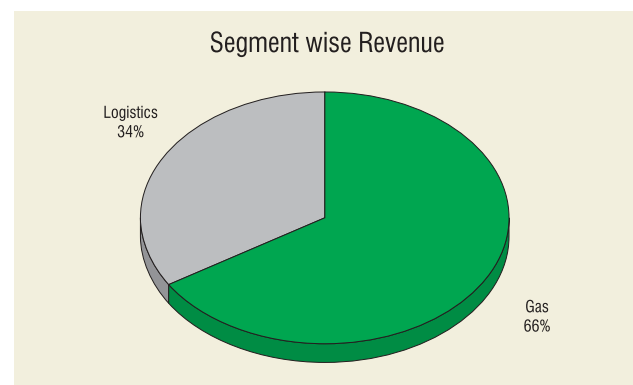
The Third Party Logistics (3PL) industry in India is still at a primary stage, but is growing at a very fast rate. Historically, logistics costs for Indian companies have been very high at around 13% (as against 7% in developed countries), because companies are used to carry out their own logistics.

With the Indian economy growing over at 8% per annum, the Indian Chemical, Oil, Gas Industries are striving hard to bring down their costs and remain competitive globally. A Third Party Logistics Company (3PL), provides a one stop specialized integrated service at a lower cost. 3PL service thus has tremendous potential. There is considerable interest amongst large Indian corporates as well as multinational companies to avail 3PL services.

Segment-wise Analysis

Liquid Logistics Division

Business volumes were very healthy in all product areas: petroleum, petrochemicals and speciality chemicals driven by India's consumption of petroleum and chemicals. Operations at the Mumbai port terminal continued to be at peak



capacity. The Company's integration into the pipeline networks of two of the major oil companies in Mumbai was completed. With the expansion of the oil refineries nearing completion, the volumes of petroleum products handled through Mumbai Port are expected to rise sharply.

The Company is half-way through a three year site improvement programme of the Mumbai port terminal. The Company aims to achieve world class productivity levels through improved layout, automation and IT.

Upon completion of the expansion in the group's second site by 2007, the total capacity will rise by 50%.

Gas Division

Liquefied Petroleum Gas (LPG) prices have been at record levels. Accordingly, despite stable volumes in the industrial gas distribution business, revenues have been high this year. The Division also made a push into Propane Gas distribution.



Aegis Autogas Station at Kolhapur



Aegis Autogas Station at Ichalkaranji

Aegis is exploring the possibility of expanding into propylene gas storage and logistics thereby increasing gas storage capacity, by a further 15-20% by 2007-08.

A major thrust into autogas retailing has taken shape during the year. Autogas prices are around 40-50% cheaper than petrol and emit 75% less greenhouse gases. After commissioning its first Autogas (Auto LPG) station in Kolhapur in 2005, two more Autogas (Auto LPG) stations (Ichalkaranji and Jalgaon) have been commissioned in the current year. Presently around 20 Aegis Autogas Dispensing Stations are under various stages of execution. The Autogas stations also provide the facility for kit installation for cars and autorikshaws at the station.

The Company's entry strategy in this business is to put up a retail network of 100 gas stations in five states over the next two years.



Aegis Autogas Station at Jalgaon



Opportunities and Threats

The Company is focused on growth in two key areas: construction of a national network of logistics facilities in major and minor ports and setting up a retail network of autogas stations in five western states.

Demand for oil and liquid products is growing at high rates as India's energy consumption rises. As a result, demand for logistics services for handling

this rapid volume growth is also rising at a fast pace. While competitive pressure on rates is ever-present, strict environment norms and safety requirements pose entry barriers to new entrants. Therefore, opportunities for professional logistics service companies are great. In addition, customers i.e. chemical companies, refineries, oil importers and exporters alike are increasingly demanding value added services including total supply chain management.

The LPG business has good potential as demand for energy increases both from Indian Industry as well as from the automotive sector. Autogas retailing is likely to be a key growth area for the Company.

Like any core infrastructure sector, any downturn in the country's economic growth (presently GDP rising at 8%) arising out of runaway rise in global crude oil price, could have an impact on the company's liquid logistics division.

Future gas business too will be dependent on the country's economic growth.

Future Business Outlook

The outlook for the business is promising, given the growth in the oil and gas sector in India and rising demand for Autogas (Auto LPG).

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 continue to be cordial. Middle management in key functional areas such as marketing and operations is being augmented. The Company has 127 employees as on 31st March, 2006.

Risks and Concerns

The Company derives most of its revenues from cargo volumes handled through two Pir Pau chemical jetties at Mumbai port. Port congestion at Pir Pau continues to be a cause of concern. However, Mumbai Port Trust has given the go-ahead for a new chemical berth which will alleviate this concern. High levels of capacity utilization at the present chemical port facilities can be affected due to port's operational difficulties and equipment failure. Government policy changes with respect to taxation or regulation in the oil sector are unpredictable. The Company endeavours to manage its risks through a systematic evaluation and analysis of risk and threats.

Corporate Social Responsibility

The Company sponsors an NGO (Anarde Foundation) which continued with its major thrust in Rural upliftment all over India, alleviating poverty, improving quality of life of Rural Poor. So far, 15,000 villages in 79 districts in 15 States have been covered with 18,24,000 Rural families benefiting. Various training projects for Rural Youth, Women and Farmers were undertaken, including capacity building through Self-Help Groups and informal education.



Major projects in Water Shed Management were undertaken. This year Twenty Five Check Dams were constructed in Gujarat with State Government financial support.



Rehabilitation in Tsunami area continued. Sections of worst affected population were provided with tools and implements and organized into self-help groups helping them not only to start their lost livelihood but to convert them into small scale business.

Anarde Foundation alongwith groups of local NGOs facilitated bank loans to Tsunami affected people, helping them to get suitable financial support for rehabilitating themselves.

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.

Five Years Financial Performance

(Rs. in Crores)

	2001-02	2002-03	2003-04	2004-05	2005-06
OPERATING RESULTS					
Operating Revenue	106.58	69.19	80.80	120.54	154.50
Earnings before Interest, Depreciation, Tax	20.56	13.38	18.89	32.89	42.17
Interest	5.32	4.43	4.50	8.16	2.61
Depreciation	3.06	2.69	3.14	4.67	3.73
Profit before Tax	12.18	6.26	11.25	20.06	35.83
Tax	5.07	(0.75)	2.70	6.98	5.63
Profit after Tax	7.11	7.01	8.55	13.08	30.20
FINANCIAL POSITION					
Capital	16.22	16.22	16.22	16.29	16.31
Reserves (excl. Revaluation Reserve)	33.51	39.65	46.72	57.77	83.39
Net Worth	49.73	55.87	62.94	74.06	99.70
Total Debt	29.52	34.19	25.77	30.64	26.44
Deferred Tax Liability	6.11	4.86	5.61	6.90	7.26
Miscellaneous Expenditure	—	(0.64)	—	—	—
Total Capital Employed	85.36	94.28	94.32	111.60	133.40
Net Fixed Assets (excl. Revaluation Reserve)	50.88	54.86	55.85	65.85	66.60
Investments	4.30	6.34	6.34	11.40	16.97
Net Working Capital	30.18	33.08	32.13	34.35	49.83
Total Net Assets	85.36	94.28	94.32	111.60	133.40
RATIOS					
PAT to Operating Revenue %	6.67%	10.13%	10.58%	10.85%	19.55%
PAT on Net Worth %	14.30%	12.55%	13.58%	17.66%	30.29%
Debt: Equity	0.59	0.61	0.41	0.41	0.26
Current Ratio	1.99	3.14	2.63	2.45	2.75
EPS (Rs.)	4.35	4.32	5.23	8.00	18.48