



AEGIS LOGISTICS LIMITED
Annual Report 2006-2007

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.

Report

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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

V. B. GANGAR

D. J. KHIMASIA

R. J. KARAVADIA

K. S. NAGPAL

MANAGING DIRECTOR

S. K. HAZRA

COMPANY SECRETARY

J. N. SHAH

Members are requested to bring their copy of 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 & ADVOCATES

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

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 & SHARE TRANSFER AGENTS

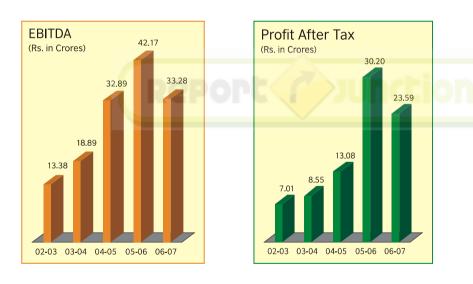
Sharepro Services India Pvt. Ltd.
Satam Estate, 3rd Floor, Above Bank of Baroda,
Chakala, Andheri (East), Mumbai-400 099.
Working Hours: 9.30 to 1.00 & 1.45 to 5.00
Tel. : 022-2832 9828, 2821 5168

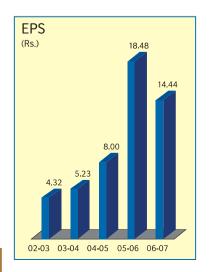
Fax : 022-2837 5646

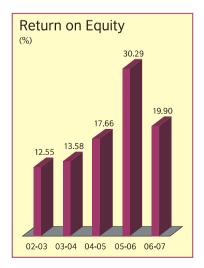
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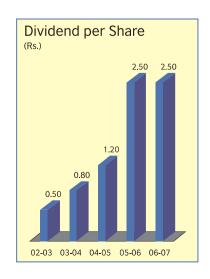
Financial Overview

Financial Highlights A Revenue up by 56% to Rs.240.35 crores BEIDTA − Rs. 33.29 crores Profit after tax − Rs.23.59 crores Net Worth surges to Rs.118.53 crores Debt to Equity Ratio − 0.29 Dividend maintained at 25%







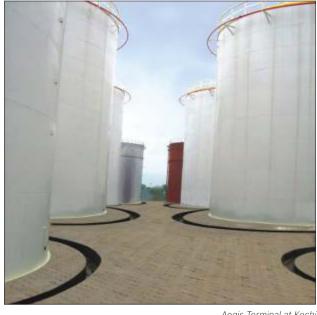


Management Discussion and Analysis Report

Overview

This was a year where Aegis primarily focused on efforts in two key areas: increasing capacity in the Liquid Logistics Business and expanding into the new business segment of Autogas retailing. The Company posted an impressive 56% growth in operating revenues. This was mainly due to a rise in volumes of propane gas and increased volume of public sector oil company throughput. Revenues in the Logistics division (which still represent 73% of operating profits before interest and tax) witnessed a reduction due to acute capacity constraints and a change of product mix handled based on market conditions. Therefore. the Company saw a fall in segment results of 5.16 crores compared to the previous financial year.

There was continued progress in implementing the Company's strategy of building a national network of oil and chemicals logistics terminals in major ports with the near completion of work at the Group's second site at Mumbai Port and with the acquisition of the largest private liquid terminal in Kochi.



Aegis Terminal at Kochi

Aegis's penetration into the Autogas retail business saw 10 stations commissioned by March 2007 and a further 70 stations in various stages of project execution.

The Consolidated Financial Statements of Aegis Group are being presented for the first time this fiscal.



Aegis Terminal at Mumbai

Industry Structure and Development

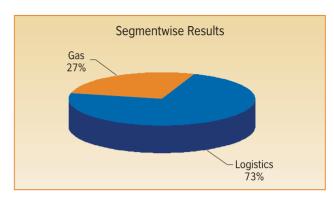
The country has 12 major ports, six each on the west and east coasts and about 45 non-major and private ports. About 95% of volume and 70% by value of India's international trade is carried through maritime transport. Though the bulk of Imports/Exports trade is carried by sea routes, the existing port infrastructure is insufficient to handle trade flows effectively.

Third Party Logistics (3PL) provides the opportunity of one stop specialized integrated services at low cost to target industries. With the Indian economy growing at over 8% and traffic of Oil, Gas and Chemical Logistics growing even higher, the 3PL industry has tremendous growth potential. Sound Environment Management, Safety and Health performance is the key in the 3PL industry, wherein only experienced and well-established players with proven track record and ISO/OHSAS certification can prosper in the long run.

The gas terminal business has high growth potential due to very low per capita consumption of LPG in India compared to the global average. This business is slated to grow immensely in the future. Autogas retailing is presently at the take off stage with vehicles being increasingly converted into gas base vehicles. This business is also expected to show high growth since this fuel is cheaper than petrol and is an environmentally - friendly fuel.

Segment-wise Analysis Liquid Logistics Division

Business volumes continued to be healthy in all product areas: petroleum, petrochemicals and speciality chemicals driven by India's GDP growth rate of over 8 %. Operations at the Mumbai port terminal also saw new records. However, lack of tankage capacity resulted in a significant loss of potential revenues.



The Company is in the second year of its three year site improvement programme of the Mumbai port terminal and has completed 75% of the work. The Company aims to achieve world class productivity levels through improved layout, automation and IT.

With the near completion of the expansion at the group's second site at Mumbai Port and acquisition of a third site at Kochi Port during the fiscal, the total capacity of the Group will rise by 75% in FY08, thereby resolving the problem of capacity constraints.

Integration of both sites shall provide a lot of flexibility to cater for a larger volume of business arising from the expansion of neighbouring oil refineries.

Gas Division

Liquefied Petroleum Gas (LPG) volumes in the industrial gas business remained stable. However, volumes in Propane Gas distribution were at record levels this fiscal Throughput volumes handled by the Gas division



Aegis Autogas Station at Solapur



Aegis Autogas Station at Morbi

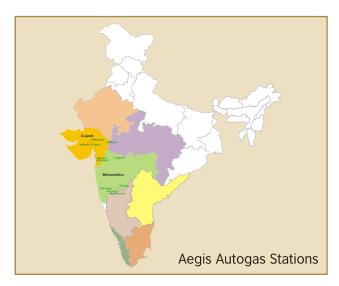
for PSU/other companies also increased. With high international prices of gas, revenues rose by 88% in this division but margins were softer, resulting in broadly static profits.

The company's strategic thrust into Autogas retailing achieved good success with the commissioning of 10 gas stations and another 70 stations in various stages of execution spread over six states viz. Maharashtra, Gujarat, Rajasthan, Karnataka, Madhya Pradesh & Andhra Pradesh. Initial volumes of the first 10 stations have been better than budgeted.

The Company has now decided to widen its business area by adding two more states: viz. Tamil Nadu and Kerala as part of its strategy to build a retail network of 100 Autogas stations. The Company at present is targeting Tier 2 and Tier 1 cities under either a dealer



Aegis Autogas Station at Mehsana



owned-dealer operated (DODO) franchise model or a company owned company operated (COCO) model.

Opportunities and Threats

With GDP growth forecasts of 9% over the next few years, the Indian economy appears to have taken off and moved from a phase of moderate growth to a new phase of high growth generating opportunities in various business segments. The increased thrust on the infrastructure sector, particularly port infrastructure will provide excellent investment opportunities in the future. Further, India's growing consumption of petroleum products will result in higher demand for logistics services to handle the increased volume.

The Industrial LPG distribution business has good long term potential as demand for energy increases from Indian Industry.

Autogas retailing is likely to be a key growth area for the company. After the Auto Fuel policy, recommending LPG as eco friendly alternate fuel, was approved by the Government in April 2002, the Autogas industry has seen phenomenal growth clocking 72% growth in this fiscal. However, as compared to share of Autogas (8.30%) of Total LPG consumption world over, less than 1% share of

Autogas in total LPG consumption in India is pretty low, indicating tremendous untapped potential for Autogas in India. This fiscal, several initiatives were taken up by vehicle manufacturers to launch LPG-variants as OEM's with Maruti launching Omni Van and Wagon R and Bajaj Auto launching LPG driven three-wheelers and two-wheelers strengthening public perception on safety and environmental issues. The projected annual growth rate in Auto LPG sales in India is expected to be approximately 40% to 50% during the next couple of years.

The Company's strategy is to construct a national network of oil and chemical logistics terminals in major ports; as well as to set up a retail distribution network of Autogas stations in eight states to market a gas-based alternative to petrol. This leverages the Company's core competence in both the LPG business and third party logistics business.

Like any other 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, continue to be a concern for company's logistic business.

Competition in the LPG business may put pressure on margins over time. However, against that volumes will likely see a jump in the long term.

Future Business Outlook

The outlook for the business is very promising, given the growth in the oil and gas sector in India and the prospects arising from the various business initiatives under implementation by the company.

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

With expanding business profile of the Group, Aegis's human resource base today covers around 139 team members across the Terminals, Head Office and field staff. During the year under review, Aegis has taken several significant initiatives in further strengthening its human capital.

Risk and Concerns

The Company derives most of its revenues from cargo volumes handled through two Pir Pau oil and chemical jetties at Mumbai port. Port congestion at Pir Pau continues to be a cause of concern. However, Mumbai Port Trust's proposed new chemical berth (expected to open in 2009) will alleviate this concern. Aegis is exposed to specific risks that are particular to its businesses and environment within which it operates, including economic cycle, market risk, credit risk etc. Aegis manages these risks by following prudent business and risk management practices.

Government policy changes with respect to taxation or regulation in the oil sector are unpredictable.

Corporate Social Responsibility

During the fiscal, Aegis through its sponsored NGO Anarde Foundation continued to work for Rural upliftment all over India, alleviating poverty, improving quality of life of Rural Poor. The foundation participated in the World Bank aided project in Jhalawar District, Rajasthan to help Below Poverty Line (BPL) families. It participated in the Wadi Project (Horticulture) in Gujarat



providing Nursery Plants in Tribal areas and helping develop alternate source of income. Several training programmes for Handicaps were held during the fiscal. The foundation was associated with a unique programme WASMO with aim to provide Water at Door step in villages. Major projects in Water Shed Management were undertaken. This year 525 Check Dams were constructed in Gujarat with State



government financial support. Other projects such as Project for Sanitation facilities in rural areas (TSC) were also started during the fiscal.

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)

	2002-03	2003-04	2004-05	2005-06	2006-07	
OPERATING RESULTS						
Operating Revenue	69.19	80.80	120.54	154.50	240.35	
Earnings before Int., Depreciation, Tax	13.38	18.89	32.89	42.17	33.28	
Interest	4.43	4.50	8.16	2.61	1.72	
Depreciation	2.69	3.14	4.67	3.73	3.81	
Profit before Tax	6.26	11.25	20.06	35.83	27.75	
Tax	(0.75)	2.70	6.98	5.63	4.16	
Profit after Tax	7.01	8.55	13.08	30.20	23.59	
FINANCIAL POSITION						
Capital	16.22	16.22	16.29	16.31	16.31	
Reserves (excl. Revaluation Reserve)	39.65	46.72	57.77	83. <mark>3</mark> 9	102.22	
Net Worth	55.87	62.94	74.06	99.70	118.53	
Total Debt	34.19	25.77	30.64	26.44	34.69	
Deferred Tax Liability	4.86	5.61	6.90	7.26	7.57	
Miscellaneous Expenditure	(0.64)	-	-	-	-	
Total Capital Employed	94.28	94.32	111.60	133.40	160.79	
Net Fixed Assets (excl. Revaluation Reserve)	54.86	55.85	65.85	66.60	65.95	
Investments	6.34	6.34	11.40	16.97	16.50	
Net Working Capital	33.08	32.13	34.35	49.83	78.34	
Total Net Assets	94.28	94.32	111.60	133.40	160.79	
RATIOS						
PAT to Operating Revenue %	10.13%	10.58%	10.85%	19.55%	9.81%	
PAT on Net Worth %	12.55%	13.58%	17.66%	30.29%	19.90%	
Debt : Equity	0.61	0.41	0.41	0.26	0.29	
Current Ratio	3.14	2.63	2.45	2.75	3.20	
EPS	4.32	5.23	8.00	18.48	14.44	