



AEGIS LOGISTICS LIMITED
53RD ANNUAL REPORT 2009-2010

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 maximize value for our shareholders.

Company Information

Board of Directors

CHAIRMAN

K. M. CHANDARIA

VICE-CHAIRMAN AND MANAGING DIRECTOR

R. K. CHANDARIA

MANAGING DIRECTOR

A. K. CHANDARIA

DIRECTORS

A. M. CHANDARIA

R. P. CHANDARIA

D. J. KHIMASIA

R. J. KARAVADIA

K. S. NAGPAL

V. H. PANDYA

COMPANY SECRETARY

J. N. SHAH

BANKERS

Bank of Baroda
Dena Bank
ING Vysya Bank Ltd.
HDFC Bank Ltd.

SOLICITORS & ADVOCATES

ANS Law Associates, Mumbai

AUDITORS

Deloitte Haskins & Sells
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,
Peninsula Corporate Park,
G. K. Marg, Lower Parel (West),
Mumbai-400 013.
Tel. : 022-6666 3666
Fax : 022-6666 3777
Website : www.aegisindia.com

LIQUID LOGISTICS & GAS TERMINAL

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

REGISTRAR & SHARE TRANSFER AGENTS

Sharepro Services (India) Pvt. Ltd.
13 AB, Samhita Warehousing Complex,
2nd Floor, Near Sakinaka Telephone Exchange,
Andheri Kurla Road, Sakinaka,
Andheri (E), Mumbai - 400 072.
Working Hours: 9.30 to 1.00 & 1.45 to 5.00
Tel. : 022-6772 0300, 6772 0400
Fax : 022-2859 1568, 2850 8927
E-mail : sharepro@shareproservices.com

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.

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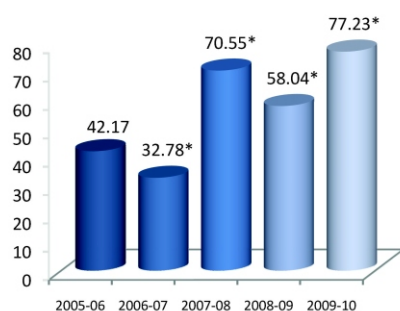
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Financial Overview

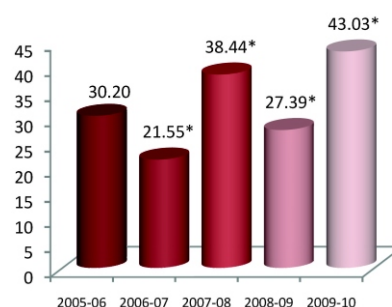
Financial Highlights

- ◆ Group Consolidated Net Sales stood at Rs. 304.90 crores
- ◆ EBIDTA Rs. 77.23 crores, up by 33.20%
- ◆ Profit after tax Rs.43.03 crores, up by 56.80%
- ◆ EPS rises to 22.22
- ◆ Debt to Equity Ratio 0.69
- ◆ Dividend increased to 57.50%

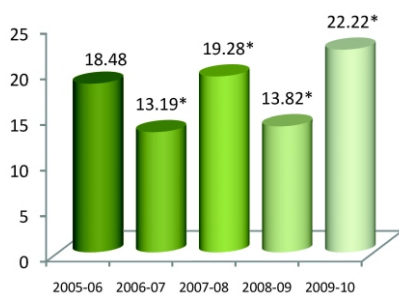
EBITDA (Rs. in Crore)



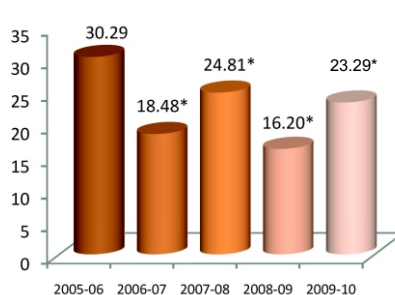
PAT (Rs. in Crore)



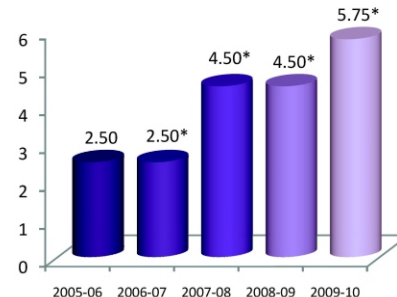
EPS (Rs. in Crore)



Return on Equity (In %)



Dividend Per Share (Rs.)



*Aegis Group Consolidated figures

Management Discussion and Analysis Report

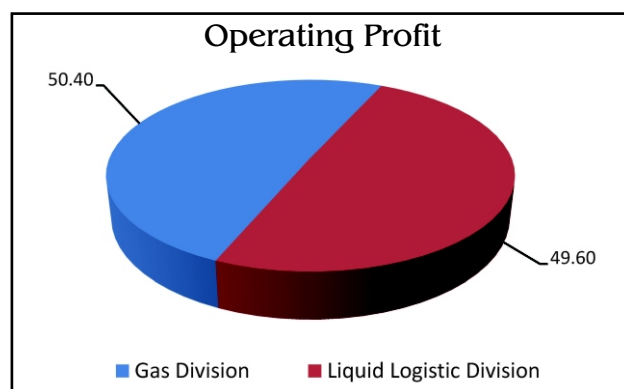
Overview

There was a full and broad recovery in 2009-10 (FY10) in both sales and operating margins as the Indian economy recovered from the world wide financial and economic crisis.

The Company was able to get back on track in its growth plans and initiated a large number of projects or acquisitions during the year which will enhance future earnings.

Net group profits after tax rose by 57% to Rs.43.03 crores and earnings per share rose to Rs.22.22.

The Company's strategy of building a "necklace" of port terminals around India's coastline and developing a retail distribution network of gas stations in west and south India is proceeding at a steady pace.



Industry Structure and Development

The Third Party Logistics (3PL) sector provides supply chain management services to customers in the Oil, Gas and Chemicals Industry. As volumes of petroleum products and chemicals for exports and imports continue to rise, demand for logistics services is expected to increase further. The liquefied petroleum gas (LPG) business has room to grow as well.



Segment-wise Analysis

Liquid Logistics Division

Revenues were Rs.81.03 crores for the year, a 15% increase on the year earlier. Operating profit margins were steady at 45.63% from 47.67% in the year earlier. The recovery in volumes handled of petroleum and chemicals in Mumbai port began from February 2009 and strengthened as the year went on. By mid-year FY10, volumes were back to the pre-crash period. Kochi operations remained subdued, but the Company was able to resolve a long standing legacy issue. The Company is in discussions with Kochi Port to enhance the operational flexibility of the Port so that international size cargoes can be handled.

A large-scale modernization of the Company's operations at Mumbai port is underway to upgrade infrastructure, install state of the art measurement systems and implement changes in standard operating processes to improve customer service and flexibility. A Lean Six Sigma programme has been instituted which is yielding considerable benefits in operating efficiencies. The goal is to reach world-class standards of service and operational excellence.

Gas Division

LPG revenues were Rs.223.88 crores (Rs.315.57 crores year earlier). The year saw large swings in international gas prices as recessionary fears lowered gas prices, which then recovered towards the end of the year as the global recovery took hold.

Total sales volumes were up by 42% for the year. Average operating margins for the year were higher at 16.78% (PY 7.46%), as the Company's product mix moved towards higher volumes of petrochemicals and autogas.

The industrial gas segment volumes were broadly stable but with continued competition from natural gas. Thruput for oil companies was sharply higher by 45% as their requirement for LPG increased and

volumes for petrochemical users rose by 244%.

Autogas sales volumes rose by 41% in the year as more stations were commissioned. By March 2010, 66 stations were operating. There was no improvement in average sales per station however, the gap between domestic LPG subsidized prices and autogas continue leading to large scale diversion of illegal cooking gas to autos.

The Company is slowly commissioning the remaining stations to meet its primary target of 100 operational stations. In order to increase the average sales per station, a greater focus on opening "flagship" stations in city centres is being pursued. The first two sites in Bangalore city were opened in January 2010 and have had high sales. A further 5 flagship city stations are being targeted for commissioning in FY2011 in cities like Pune and Bangalore.



In November 2009, a strategic alliance with Essar Oil Ltd. was announced for six states, whereby selected Essar stations would sell Aegis Autogas and selected Aegis stations would sell Essar branded petrol or diesel. Both companies are now evaluating the site network to see the best stations for this cross-selling deal. The first Essar site to sell Aegis Autogas was commissioned in April 2010 in Kalyan.

In December 2009, the Company announced the takeover of Shell Gas (LPG) India's operations. This transaction was completed in April 2010. The rationale for Aegis, was to enter into a promising new market segment, the packed (large) cylinder



Auto LPG Retailing in India

business for hotels, restaurants and industry. The acquisition comes with a 2700 MT import terminal at Pipavav port, a number of bottling plants and a distribution network in Maharashtra and Gujarat. The new brand name for the cylinders will be "puregas". Future plans are being worked out with the management of the new 100% subsidiary which will be called Aegis Gas (LPG) Pvt. Ltd. (AGPL).

Opportunities and Threats

India's economy is set for growth of above 8%. Accordingly, the oil and gas sector will remain strong. Aegis group's approach will be to serve its customers by expanding its capacity and port infrastructure around the coast of India. Competition from low quality local terminals remains a threat as does price competition in the LPG business particularly from subsidized domestic gas being illegally diverted into the unsubsidized sector.

The challenge for autogas remains how to increase penetration levels and persuade car owners to try an alternative to petrol. Marketing efforts will have to be scaled up in order to fully establish the industry in India. Also, more stations will have to be built in Tier 1 and Tier 2 cities where the largest pool of customers reside.

Diversifying the Company's LPG distribution into new segments like commercial/industrial packed cylinders is both a necessity and an opportunity.

Future Business Outlook

The Oil and Gas logistics business continues to show great potential as India's consumption of petroleum, LPG and chemicals increases.

The Company is pursuing high growth in both the logistics and LPG businesses through a combination of organic growth and acquisitions.

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.

The Company has during the ensuing year successfully implemented a state of art integrated real time SAP ERP software across all functions. It went "Go Live" on May 1, 2010. This will further strengthen the Internal Control System of the company.

Human Resources Development

The Group employs 273 people. Aegis group is introducing a three tier structure of management development programmes, to develop young leaders, to improve functional training of middle management and general management skills for senior managers. In addition, organizational socialization programmes are being developed to absorb the expected increase in new employees.

Risks and Concerns

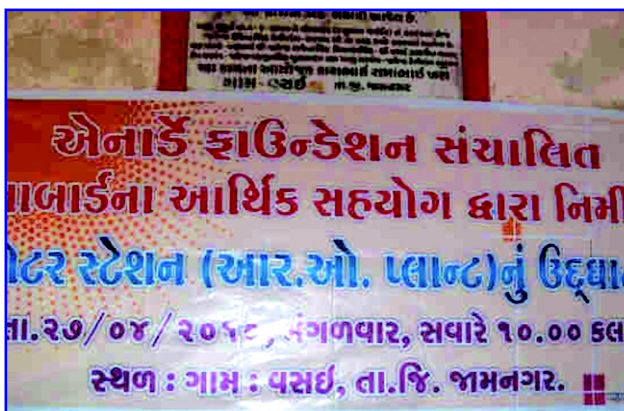
The Company continues to derive most of its revenues from cargo volumes handled through two Pir Pau oil and chemical jetties at Mumbai port. Port congestion at Pir Pau is worsening as the number of ships continues to increase. However, Mumbai Port Trust's proposed new chemical berth (expected to open in 2014) will alleviate this concern and allow continued growth in traffic. 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 excise duty, customs duty or regulation in the oil sector are unpredictable.

The oil subsidy regime and continued large-scale diversion of cooking gas cylinders into autos does adversely affect sales growth of Autogas.

Finally, being in a sensitive location in Mumbai port, risk of terrorist activity is ever present. The Company, in cooperation with the police and its neighbouring companies is seeking to enhance security at all its operations.

Corporate Social Responsibility

During the year, Aegis has supported rural development initiatives throughout India through its Anarde Foundation. The focus remains poverty



alleviation. Programmes such as water management and house building were the main thrusts.

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)

	2005/06	2006/07*	2007/08*	2008/09*	2009/10*
Operating Results					
Operating Revenue	154.50	240.38	389.26	386.18	304.90
Earnings before Int., Depreciation, Tax	42.17	32.78	70.55	58.04	77.23
Interest	2.61	3.24	8.94	10.39	8.55
Depreciation	3.73	3.83	12.02	13.54	14.33
Profit before Tax	35.83	25.71	49.59	34.11	54.35
Tax	5.63	4.16	11.15	6.72	11.32
Profit after Tax	30.20	21.55	38.44	27.39	43.03
Financial Position					
Capital	16.31	16.31	19.91	19.79	18.77
Reserves(excl. Revaluation Reserve)	83.39	100.28	135.04	149.33	165.98
Net Worth	99.70	116.59	154.95	169.12	184.75
Total Debt	26.44	66.69	103.86	94.45	127.88
Deferred Tax Liability	7.26	7.57	23.64	21.02	20.12
Total Capital Employed	133.40	190.85	282.45	284.59	332.75
Net Fixed Assets (excl. Revaluation Reserve)	66.60	154.59	236.98	230.66	261.67
Investments	16.97	3.04	7.77	33.74	22.94
Net Working Capital	49.83	33.22	37.70	20.19	48.14
Total Net Assets	133.40	190.85	282.45	284.59	332.75
Ratios					
PAT to Operating Revenue %	19.55%	8.96%	9.88%	7.09%	14.11%
PAT on Net Worth %	30.29%	18.48%	24.81%	16.20%	23.29%
Debt : Equity	0.26	0.57	0.67	0.56	0.69
Current Ratio (incl. Inv. in Liquid MF)	2.86	1.61	1.62	1.63	2.29
EPS	18.48	13.19	19.28	13.82	22.22

*Aegis Group Consolidated figures