



annual report 2011

AEGIS LOGISTICS LIMITED

54TH ANNUAL REPORT 2010-2011

C 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.

O ur 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

BANKERS

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

SOLICITORS & ADVOCATES

AZB & Partners, Mumbai
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 DIVISION

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.
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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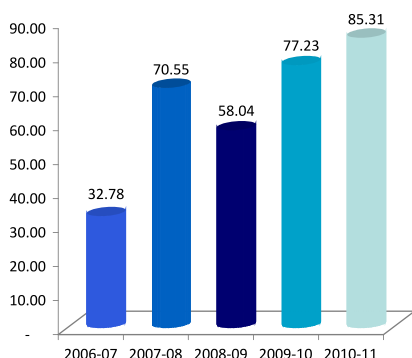
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Financial Overview

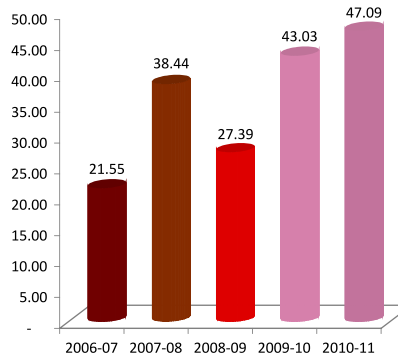
Financial Highlights

- ◆ Group Consolidated Net Sales stood at Rs. 1809.88 crores
- ◆ EBIDTA Rs. 85.31 crores, up by 10.5%
- ◆ Profit after tax Rs.47.09 crores, up by 9.4%
- ◆ EPS (adjusted for bonus issue) at Rs.15.02
- ◆ Debt to Equity Ratio 0.45
- ◆ Dividend increased to Rs. 4 per share (adjusted for bonus issue)

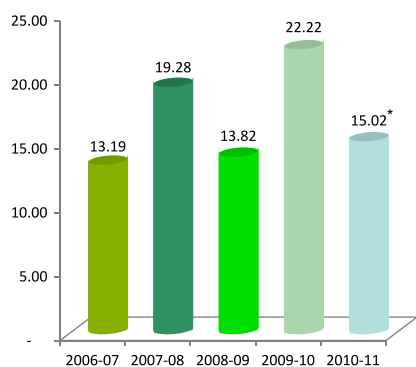
EBITDA (Rs. in Crore)



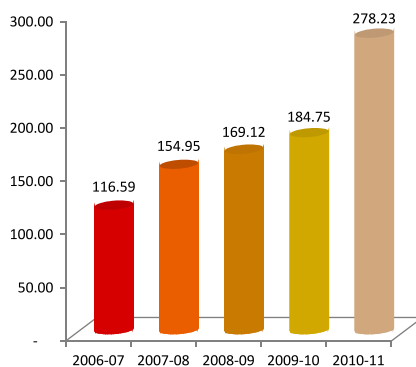
PAT (Rs. in Crore)



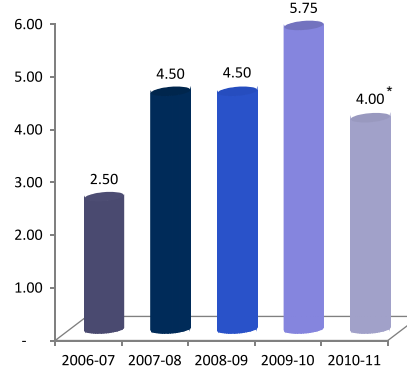
EPS



NET WORTH (Rs. in Crore)



Dividend Per Share (Rs.)



Aegis Group Consolidated figures
 * On diluted basis post bonus issue

Management Discussion and Analysis Report

Overview

This was a year of two halves, with H1 net profits at Rs.18.09 crores being 9% down on the year earlier, mainly due to a plant shutdown of a key petrochemicals customer for the gas division during a de-bottlenecking of their plant. H2 net group profits, however, grew strongly by 25.7% compared to a year earlier, as gas profits were boosted by the start in September of propane gas supplies to the petrochem client, plus a number of other expansions in the gas division. As a result, net profit for the year as whole rose to Rs.47.09 crores, up by 9.4%. EPS (after adjusting for a 2:3 bonus issue of shares during the year), rose to Rs.15.02 and the annual dividend was hiked to a record Rs. 4 per share.

The Company's strategy of building a "necklace" of port terminals around India's coastline from Pipavav to Haldia to Kochi, inland oil terminals to service the national oil companies and developing a retail distribution network for the LPG business is proceeding at a steady pace.

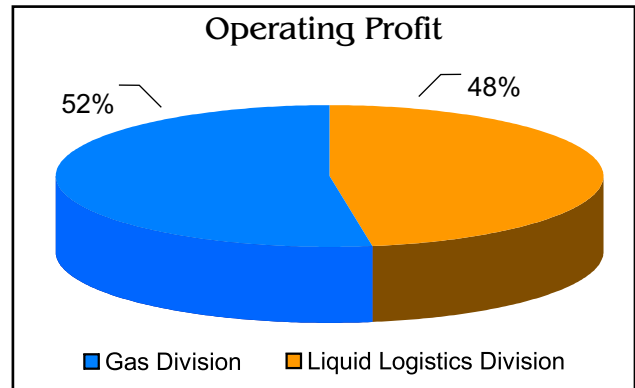
Industry Structure and Development

The Third Party Logistics (3PL) sector provides supply chain management services to customers in the Oil, Gas and Chemicals Industry. As consumption of petroleum products, petrochemicals and chemicals continue to rise, imports and exports of these products is increasing and the need for logistics services is expected to also increase further. The liquefied petroleum gas (LPG) business has a large potential.

Segment-wise Analysis

Liquid Logistics Division

Revenues were Rs. 87.50 crores for the year, a 7.4% increase on the year earlier. Operating profit margins were steady at 45.8% from 45.4% in the year earlier. Operating profits in the division were Rs.40.10 crores for the year, a rise of 8.4%. The division is at full capacity in Mumbai port, as all product segments chemicals, petrochemicals and petroleum were healthy. New capacity expansion is urgently needed to boost revenues further in future years. Kochi operations remained at a low utilisation, due to customers being unwilling to bring small cargoes at the existing SCB berth. The Company received in principle approval by the Port



to lay three new pipelines to a larger jetty, Q4, which after completion, should allow a more attractive draft and larger ships.

The modernization of the Company's Mumbai operations is nearing completion, with the installation of state of the art equipment and implementation of lean six sigma processes throughout the operations. Large scale productivity improvements are being seen in cycle times and turnaround times. The goal is to reach world-class standards of operational excellence. A comprehensive analysis of safety is also being carried out at all the Company's sites in order to strengthen a group wide OHSE code of conduct.

Gas Division

LPG revenues were Rs.1724.50 crores (Rs.224.20 crores year earlier). The steep increase in sales was due to the activation of a subsidiary in Singapore, Aegis Gas International (AGI), which is now sourcing LPG for sale to the national oil companies as well as Aegis's own distribution. These procurement activities generate a small sourcing fee for AGI, but more importantly, allow Aegis to benefit from economies of scale by lower shipping freight costs for gas.

Total sales volumes for the division were up by a strong 57.3% for the year. Despite a slow 5 months from April – August due to a shutdown of a key customer's plant (during a de-bottlenecking and expansion of their gas delivery system), the second half saw very large volume increases. The petrochemicals segment in particular saw a rise for the year as a whole of 85% in sales volumes, as the second half of the year saw a big jump in propane volumes following the de-bottlenecking.

The industrial gas segment volumes were down quite sharply, due to many customers switching to cheaper natural gas. This is now a minor segment for the gas division. Thruput volumes for the national oil companies were up by a large 63% as their requirement for LPG increased. With a continued boom in LPG consumption in the rural areas, this strong trend appears to be set to be maintained.

Autogas sales rose by 12% in the year as more stations were commissioned. 74 stations are now operating. While average sales volume per station were stable, margins did improve following the



Shree Krishna Autogas, Bangalore

deregulation of petrol. Autogas pricing have remained 40% cheaper compared to petrol. In order to increase the average sales per station, a greater focus on opening "flagship" stations in city centres was pursued. Four city sites in Bangalore are now in operations, with more flagship stations expected to open in FY12 in cities such as Hyderabad, Chennai and Nashik as well as more openings in Karnataka. The Company's alliance with Essar Oil is beginning to pick up pace despite a very slow start. Around 20 sites have so far been jointly selected with Essar to install Aegis Autogas dispensers and sell Aegis Autogas.

The acquisition of Shell Gas (LPG) India was completed in April 2010. Since then, the Pipavav LPG terminal has reached 100% capacity utilization and a push to expand the "Aegis puregas"



Pipavav LPG Terminal

commercial cylinder brand in the South has begun. The Company now sells LPG cylinders in three states: Maharashtra, Gujarat and Karnataka with an entry into AP and Tamil Nadu expected in the next two years.

Opportunities and Threats

Although there may be a temporary slowdown in India's economy, trend growth of 8% appears to be assured for the medium term. Oil and gas demand growth is likely to be substantial and much of that will likely be imports as India's domestic production cannot keep pace. Aegis is well placed to benefit through its network of import terminals at major ports around the coast of India. Competition from low quality local terminals remains a threat. LPG domestic sector subsidies continue to eat into margins and sales as domestic cooking gas gets illegally diverted into other market segments such as autogas and commercial cylinders.

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 a high growth strategy in both the logistics and LPG businesses through the building of a national storage and distribution network.

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

The Company employs 353 people. As the Company is growing fast, new senior managers are being recruited to build up the Senior Executive Team. In addition, staffing is boosted at all levels of the group.

Risk 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 remains poor as the number of ships continues to increase year after year. Mumbai Port Trust has assured that they will be building a new chemical berth which should alleviate this concern and allow continued growth in traffic. Aegis is seeking to diversify by building terminals at a number of other ports.

Aegis is exposed to specific risks that are particular to its businesses and environment within which it operates, including the business cycle, environmental 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 inherently unpredictable.

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

Corporate Social Responsibility

During the year, Aegis has supported rural



development initiatives throughout India through Anarde Foundation. The focus remains poverty

Housing Project



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

Aegis Group Consolidated Figures

(Rs.in Crores)

	2006/07	2007/08	2008/09	2009/10	2010/11
Operating Results					
Operating Revenue	240.38	389.26	386.18	304.90	1809.88
Earnings before Int., Depreciation, Tax	32.78	70.55	58.04	77.23	85.31
Interest	3.24	8.94	10.39	8.55	7.82
Depreciation	3.83	12.02	13.54	14.33	16.17
Profit before Tax	25.71	49.59	34.11	54.35	61.32
Tax	4.16	11.15	6.72	11.32	14.23
Profit after Tax	21.55	38.44	27.39	43.03	47.09
Financial Position					
Capital	16.31	19.91	19.79	18.77	33.40
Reserves(excl. Revaluation Reserve)	100.28	135.04	149.33	165.98	244.83
Net Worth	116.59	154.95	169.12	184.75	278.23
Minority Interest	-	-	-	-	0.74
Total Debt	66.69	103.86	94.45	127.88	124.35
Deferred Tax Liability	7.57	23.64	21.02	20.12	18.58
Total Capital Employed	190.85	282.45	284.59	332.75	421.90
Net Fixed Assets (excl. Revaluation Reserve)	154.59	236.98	230.66	261.67	282.14
Investments	3.04	7.77	33.74	22.94	26.89
Net Working Capital	33.22	37.70	20.19	48.14	112.87
Total Net Assets	190.85	282.45	284.59	332.75	421.90
Ratios					
PAT on Net Worth %	18.48%	24.81%	16.20%	23.29%	16.92%*
Debt : Equity	0.57	0.67	0.56	0.69	0.45
Current Ratio (incl. Inv. in Liquid MF)	1.61	1.62	1.63	2.29	1.92
EPS	13.19	19.28	13.82	22.22	15.02**

* On expanded Capital w.e.f. 23.03.2011

** On diluted basis post bonus issue

Notice

NOTICE is hereby given that the 54th Annual General Meeting of the Members of AEGIS LOGISTICS LIMITED will be held on Friday, 29th July, 2011 at 11.00 a.m. at Hotel Fortune Park Galaxy, National Highway No.8, G.I.D.C., Vapi - 396 195, Dist. Valsad, Gujarat to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended on that date together with Directors and Auditors Report thereon.
2. To declare final dividend on Equity Shares.
3. To appoint a Director in place of Mr. A. M. Chandaria, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. V. H. Pandya, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Deloitte Haskins & Sells, Chartered Accountants, having registration no. 117366W, as the Statutory Auditors of the Company from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration.

By order of the Board of Directors

Place : Mumbai
Dated : 30th May, 2011

K. M. Chandaria
Chairman

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY SHOULD BE DULY COMPLETED, STAMPED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 16th July, 2011 to Friday, 29th July, 2011 (both days inclusive).
3. The Dividend, as recommended by the Board, if sanctioned at the ensuing Annual General Meeting will be paid to those members or their mandates whose names stand registered on the Company's Register of Members :
 - i. As Beneficial Owners as at the end of business day on Friday, 15th July, 2011 as per the list to be furnished by National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) in respect of shares held in demat form.
 - ii. As Members holding shares in Physical Mode as per Register of Members of the Company as on Friday, 15th July, 2011.
4. i. Those Members who have not encashed their dividend warrants for the financial year 2003-04 to 2009-10 and interim dividend for the financial year 2010-11 are requested to return the time barred dividend warrants or forward their claims to the Company.

- ii. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year 2003-04 which shall remain unclaimed/unpaid for a period of 7 years from the date of transfer to the unpaid dividend account is due for transfer in October, 2011 and will be transferred to the Investor Education and Protection Fund constituted by the Central Government under Section 205C of the Companies Act, 1956. It may be noted that once the unclaimed dividend is transferred to the Government, as above, no claim shall lie in respect of such amount against the Company/Fund.
5. In case your Bank has migrated to Core Banking Systems, then we request you to update your new Bank Account Number and other details with your depository in case the shares are held in electronic mode and to the Company's Registrar & Share Transfer Agent in case the shares are held in physical form at your earliest convenience. This will enable us to route all your future dividend payments through NECS.
6. Members holding shares in physical form are requested to lodge share transfer, transmission and intimate changes, if any, in their registered address, bank account and mandate details, residential status etc. quoting their folio number(s) to Company's Registrar and Share Transfer Agent.

Members are requested to note that as per the circular of Securities and Exchange Board of India (SEBI), for transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/Registrar and Share Transfer Agent for registration of such transfer of shares.

7. Members may avail 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 Share Transfer Agent.
8. Members who hold shares in physical form in multiple folios in identical names or joint names in the same order of names are requested to send the share certificates to the Company's Registrar and Share Transfer Agent for consolidation into single folio.
9. Since securities of the Company are traded compulsorily in dematerialized form as per SEBI mandate, members holding shares in physical form are requested to get their shares dematerialized at the earliest.
10. Members seeking any information with regard to accounts are requested to write to the Company Secretary at the Corporate Office of the Company at least 10 days in advance, so as to keep the information ready at the Meeting.
11. Brief resume of Directors being re-appointed :

- i. Mr. A. M. Chandaria, aged 76 years, has a B.Sc. (Economics) Degree from London School of Economics and MBA from Harvard Business School, Cambridge, U.S.A. He is a Director of the Company since 1982. Mr. A. M. Chandaria has extensive work experience in Management Position for over four decades in Tanzania, Kenya, United Kingdom, Belgium, Thailand and India as well.

He does not hold any shares of the company.

He is relative of Mr. K. M. Chandaria, Mr. R. K. Chandaria and Mr. A. K. Chandaria.

Other Directorships held : Nil Committee Membership held in other Companies : Nil

- ii. Mr. V. H. Pandya, aged about 78 years has vast experience of about 40 years in the field of banking, finance and export. He had been with Reserve Bank of India for a period of 12 years, with Industrial Development Bank of India for a period of 19 years and with Securities and Exchange Board of India for more than 2 years. Besides, has international experience as Commonwealth Secretariat