



AEGIS LOGISTICS LIMITED

55th Annual Report 2011-12

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 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

BANKERS

Bank of Baroda

Dena Bank

ING Vysya Bank Ltd.

HDFC Bank Ltd.

SOLICITORS & ADVOCATES

AZB & Partners, 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.

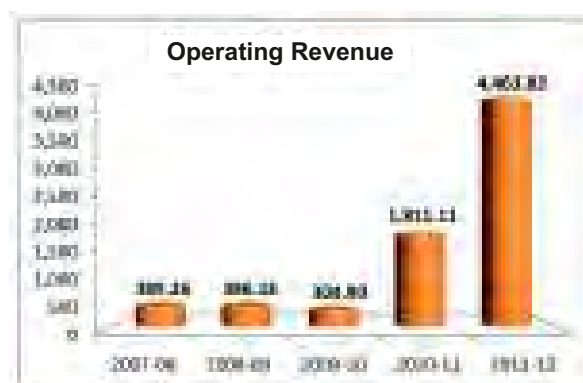
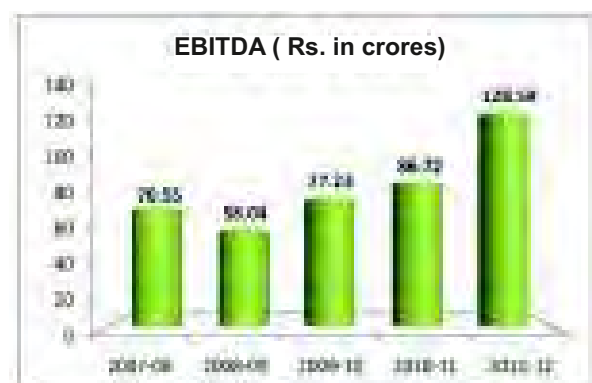
Contents

Company Information	1
Financial Overview	2
Management Discussion & Analysis Report	3
Notice	7
Directors' Report	11
Report on Corporate Governance	16
Auditors' Report	25
Balance Sheet	28
Profit & Loss Account	29
Cash Flow Statement	30
Notes to the Financial Statement	32
Consolidated Financial Statement	58

Financial Overview

Financial Highlights

- ◆ Group Consolidated Net Sales at Rs. 4463.83 crores
- ◆ EBITDA–Rs. 128.59 crores, up by 48.2%
- ◆ Pre-Tax Profit Rs. 40.90 crores, down by 33.3%
- ◆ Profit after tax: Rs. 22.38 crores, down by 52.5%
- ◆ Debt to Equity Ratio: 0.29
- ◆ Dividend at Rs 2 per share



Management Discussion and Analysis Report

Overview

This was a tough year with the return of the global financial and eurozone crisis from July 2011, adversely affecting the Indian economy and currency. As a major importer, the Company was badly affected by the falling rupee, with pre-tax profits down by 33% after accounting for forex and hedging costs. Despite these global factors, operating performance remained very strong with earnings before interest, depreciation and tax (EBITDA) up by 48% and net sales at a record Rs. 4,463 crores.

In spite of a difficult macro-economic environment, the Company's growth plans remain on track, with the Haldia Terminal project started in December 2011, and Pipavav Phase 1 closer to receiving project approvals.

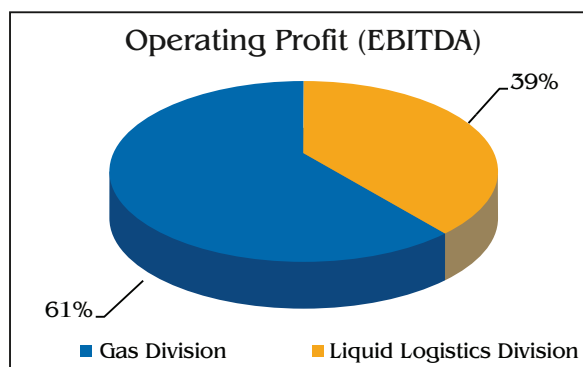
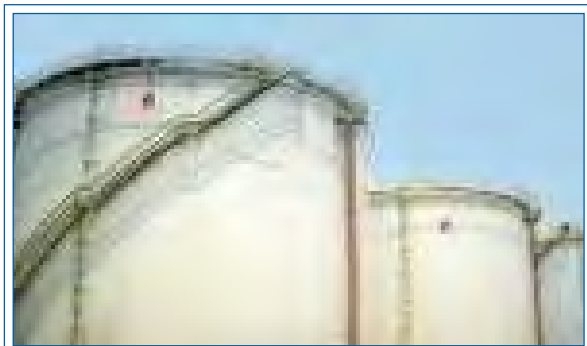
Industry Structure and Development

The oil & gas logistics sector provides storage and handling services to customers in the oil, gas and chemicals industries. As energy consumption increases in India, the movement of petroleum products is increasing at a rapid pace, requiring sophisticated logistics services. The penetration of liquefied petroleum gas (LPG) in rural areas is driving growth.

Segment-wise Analysis

Liquid Logistics Division

Revenues were at an all time high of Rs. 92.20 crores



for the year, an increase of 6% on the year earlier. Operating profit margins (EBITDA) were slightly higher at 58.8% from 57.4% in the year earlier. Operating profits in the division were also at a record Rs. 54.20 crores for the year, a rise of 9%. Business remains at full capacity in the Company's main Mumbai terminals.

Future growth in this division will come from the Haldia project where construction was started in December 2011, and at Pipavav Port in Gujarat, where phase 1 of the project includes 120,000 kl of liquid capacity addition. The Kochi terminal continues to run at a low capacity utilization, with the jetty being unable to cater for large vessels.

The Company has succeeded in bagging more Operations and Maintenance (O&M) contracts with the National Oil Companies, as a result of their decision to outsource the running of many of their oil terminals to private companies. The Company now has a total of five contracts, with more likely to be tendered in the next few years.

The emphasis on occupational health, safety and environment (OHSE) at all the Company's operations throughout India, has been further strengthened, with the establishment of a steering committee of top management to draft group-wide policies and monitor implementation. The Company is committed to top standards in safety.

Gas Division

LPG revenues were Rs. 4,371 crores (Rs. 1,723 crores year earlier). Business continues to boom in this segment with India's consumption of LPG increasing at 12 - 15% per year. This is mainly due to high growth in the domestic market for cooking gas. Sales to the national oil companies at the Company's terminals were up by 13.8%, while thruput of propane to the petrochemicals segment were up by a massive 52.3%. Autogas sales were up by 8.8%, with a gradual increase in our network to around 80 gas stations. Total sales volumes for the division, including all market segments, were over 700,000 MT, up by more than 35% over the year.



As a result, EBITDA for the gas division was a record Rs. 85.05 crores (Rs. 46.05 crores), up by 57.4%. Margins remained strong.

The business strategy for this division is to maintain this growth in sales in all segments by expanding capacity. In the wholesale segment, the Company will be doubling import capacity to a thruput of close to



200,000 MT in Pipavav port within the next two years. In the retail segment, the Company will continue the steady network expansion of Aegis Autogas stations (especially in the



South) in cities such as Bangalore, Chennai and Hyderabad and the dealer network for commercial cooking gas cylinders for the "Aegis puregas" brand.

In January 2012, the Company launched the Marine Products business, supplying bunker fuel to ships. There are high hopes for this business in the medium term, as the Company aims to leverage its port infrastructure and logistics competence to win market share in this growing sector.

Opportunities and Threats

India's economy is going through both a cyclical and secular slowdown, with trend growth dropping as a result of policy inaction. On the other hand, growth in oil and gas demand remains strong, especially in the domestic segment. Aegis is in a good position to benefit from these trends, with its network of oil terminals at major ports around the coast of India.

Competition from low quality local terminals remains a threat. LPG domestic sector government 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 good potential as India's consumption of petroleum, LPG and chemicals increases.

The Company is pursuing a strategy of building a national network of oil terminals, and retail outlets.

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 399 people. As the Company is growing fast, the emphasis is now on competence development of young managers and recruitment of middle management in specific areas.

Risk and Concerns

As a large importer of gas, the Company is exposed to fluctuations in the currency. The policy is to hedge these US dollar exposures with currency derivatives such as forwards and options. However, from time to time if there are very large movements, this can result in mark to market forex losses. However, in most situations, risks can be managed by taking higher protection. The Company also is dependent on Mumbai port for the bulk of its profits. Aegis is seeking to diversify by building terminals at a number of other ports.

Government policy changes in the oil & gas sector, 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 its



Anarde Foundation. The focus remains poverty alleviation.

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)

	2007/08	2008/09	2009/10	2010/11	2011/12
Operating Results					
Operating Revenue	389.26	386.18	304.90	1811.11	4463.83
Earnings before Int.,Depreciation,Tax	70.55	58.04	77.23	86.72	128.59
Finance Cost incldg. Forex/hedging (net)	8.94	10.39	8.55	9.23	70.23
Depreciation	12.02	13.54	14.33	16.17	17.46
Profit before Tax	49.59	34.11	54.35	61.31	40.90
Tax	11.15	6.72	11.32	14.22	18.52
Profit after Tax	38.44	27.39	43.03	47.09	22.38
Financial Position					
Capital	19.91	19.79	18.77	33.40	33.40
Reserves(excl. Revaluation Reserve)	135.04	149.33	165.98	244.83	256.75
Net Worth	154.95	169.12	184.75	278.23	290.15
Minority Interest	-	-	-	0.74	3.44
Long Term Borrowings	92.70	60.00	94.43	95.87	85.36
Deferred Tax Liability (net)	23.64	21.02	20.12	18.58	18.49
Total Capital Employed	271.29	250.14	299.30	393.42	397.44
Net Fixed Assets (excl.Revaluation Reserve)	236.98	230.66	261.67	282.14	298.90
Non Current Investments	2.63	4.03	4.46	1.48	10.05
Net Working Capital	31.68	15.45	33.17	109.80	88.49
Total Net Assets	271.29	250.14	299.30	393.42	397.44
Ratios					
EBITDA on Capial Employed %	28.49%	25.33%	27.66%	23.18%	34.24%*
Debt : Equity	0.60	0.35	0.51	0.34	0.29

* On expanded Capital w.e.f. 23.03.2011

Notice

NOTICE is hereby given that the 55th Annual General Meeting of the Members of AEGIS LOGISTICS LIMITED will be held on Tuesday, 31st July, 2012 at 11.00 a.m. at Hotel Fortune Park Galaxy, National Highway No.8, Near Koparli Road, G.I.D.C., Vapi – 396195, Dist. Valsad, Gujarat to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and Profit and Loss Account for the year ended on that date together with Directors and Auditors Report thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. D. J. Khimasia, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. R. J. Karavadia, 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.

SPECIAL BUSINESS :

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

"RESOLVED THAT in partial modification of the resolution passed at the Annual General Meeting held on 27th September, 2008 and through Postal Ballot on 25th March, 2009 and in accordance with the provisions of section 198, 269, 309 and 310 read with Schedule XIII and all other applicable provisions, if any of the Companies Act, 1956 and subject to the approval of the Central Government, if necessary, consent be and is hereby accorded to the modification in the terms of payment of remuneration to Mr. R. K. Chandaria, Vice Chairman & Managing Director of the Company be revised, as detailed herein below, w.e.f. 1st April, 2012 until the term of his tenure as Managing Director i.e. up to 31st March, 2013.

Remuneration : NIL

Commission : As decided by the Board not exceeding @ 8% of Net Profit of the Company computed as per section 349 & 350 of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to vary or alter the rate of commission annually during the term of appointment so as not to exceed the limit of 8% of the net profit of the Company for Mr. R. K. Chandaria, Vice Chairman & Managing Director.

RESOLVED FURTHER THAT except for the above and until the Company receives the approval from Central Government, all the other terms and conditions of the appointment and remuneration of Mr. R. K. Chandaria as per the resolution passed at the Annual General Meeting of the Company held on 27th September, 2008 and through Postal Ballot on 25th March, 2009 will continue to be binding.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to do all such acts as may be necessary for giving effect to the aforesaid resolution."

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

"RESOLVED THAT in partial modification of the resolution passed at the Annual General Meeting held on 27th September, 2008 and through Postal Ballot on 25th March, 2009 and in accordance with the provisions of section 198, 269, 309 and 310 read with Schedule XIII and all other applicable provisions, if any of the Companies Act, 1956 and subject to the approval of the Central Government, if necessary, consent be and is hereby accorded to the modification in the terms of payment of remuneration to Mr. A. K. Chandaria, Managing Director of the Company be revised, as detailed herein below, w.e.f. 1st April, 2012 until the term of his tenure as Managing Director i.e. up to 31st March, 2013.

Remuneration : NIL

Commission : As decided by the Board not exceeding @ 8% of Net profit of the Company computed as per section 349 & 350 of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to vary or alter the rate of commission annually during the term of appointment so as not to exceed the limit of 8% of the net profit of the Company for Mr. A. K. Chandaria, Managing Director.

RESOLVED FURTHER THAT except for the above until the Company receives the approval from Central Government, all the other terms and conditions of the appointment and remuneration of Mr. A. K. Chandaria as per the resolution passed at the Annual General Meeting of the Company held on 27th September, 2008 and through Postal Ballot on 25th March, 2009 will continue to be binding.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to do all such acts as may be necessary for giving effect to the aforesaid resolution."

By order of the Board of Directors

Place : Mumbai
Dated : 29th May, 2012

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, 14th July, 2012 to Tuesday, 31st July, 2012 (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, 13th July, 2012 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, 13th July, 2012.
4.
 - i. Those Members who have not encashed their dividend warrants for the financial year 2004-05 to 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 2004-05 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 November, 2012 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.