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56<sup>TH</sup> ANNUAL REPORT  
**2012-13**

AEGIS LOGISTICS LTD.

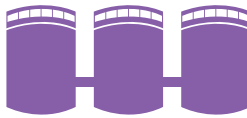


## COMPANY VISION

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

To provide the most flexible, responsive, and best quality service to our customers.

To strive for the highest standards of integrity, hard work, professionalism, and discipline.

To place a strong emphasis on safety, protecting the environment, and attaining world-class standards in every sphere of activity.

To strive to make a substantial contribution to the welfare and needs of the community, and the society at large.

To endeavour to maximize value for our shareholders.



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**CHAIRMAN**

Kapoor M. Chandaria

**VICE CHAIRMAN & MANAGING DIRECTOR**

Raj K. Chandaria

**MANAGING DIRECTOR & CEO**

Anish K. Chandaria

**DIRECTORS**

Anil M. Chandaria

Ratilal P. Chandaria

Dinesh J. Khimasia

Rajnikant J. Karavadia

Kanwaljit S. Nagpal

Vasantrao H. Pandya

**COMPANY SECRETARY & CHIEF MANAGER – LEGAL**

Monica T. Gandhi

### KEY MANAGEMENT TEAM

**GROUP PRESIDENT & COO**

Sudhir O. Malhotra

**PRESIDENT (BUSINESS DEVELOPMENT)**

Rajiv Chohan

**PRESIDENT (OPERATIONS & PROJECTS)**

Kamlakar S. Sawant

**CHIEF FINANCIAL OFFICER**

Bharat I. Gosalia

**AUDITORS**

Deloitte Haskins & Sells

Chartered Accountants, Mumbai

**BANKERS**

Bank of Baroda

Dena Bank

ING Vysya Bank Ltd.

HDFC Bank Ltd.

**SOLICITORS & ADVOCATES**

AZB & Partners, 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: 022-666 3666

Fax: 022-666 3777

Website: [www.aegisindia.com](http://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

Email: [sharepro@shareproservices.com](mailto:sharepro@shareproservices.com)

### NOTES

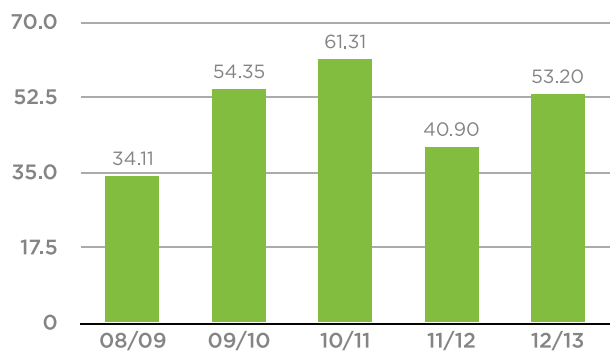
Members are requested to bring their copy of the Annual Report to the Annual General Meeting.

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

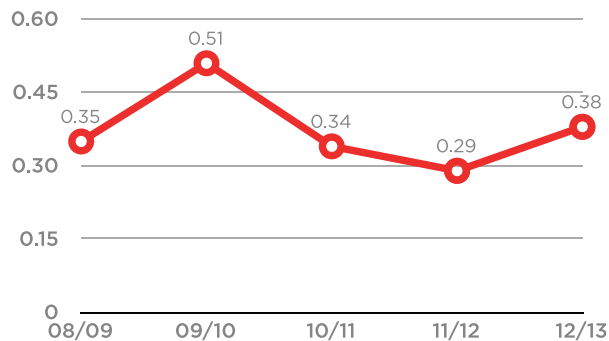
## FINANCIAL OVERVIEW

### CHARTS

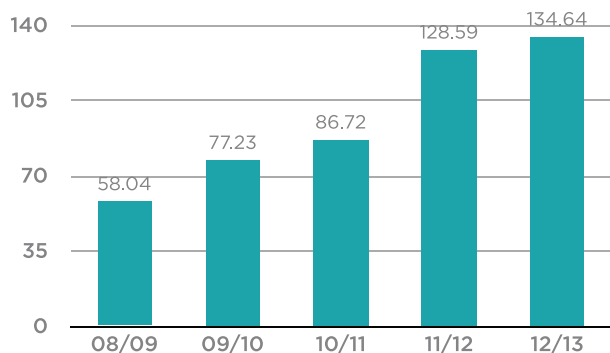
**PRE-TAX PROFIT (RS. IN CRORES)**



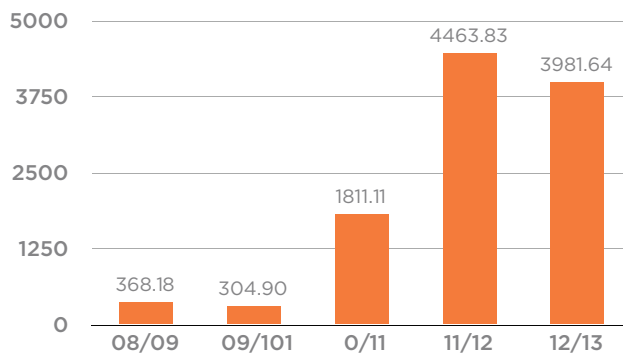
**DEBT EQUITY RATIO**



**EBITDA (RS. IN CRORES)\***

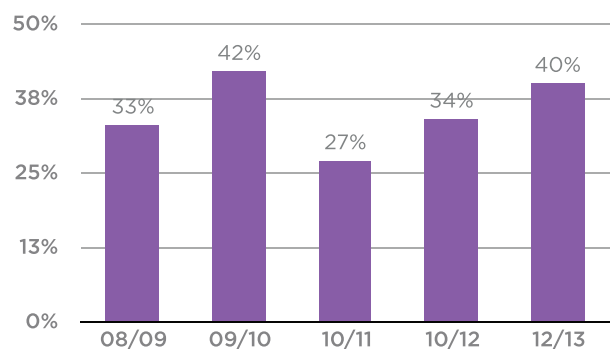


**OPERATING REVENUE (RS. IN CRORES)**



\*Normalized EBITDA before Forex Hedging Related Expenses

**DIVIDEND PAYOUT (%)**



### HIGHLIGHTS

- Group Consolidated Net Sales at Rs. 3982 crores
- EBITDA: Rs. 134.66 crores, up by 4.73%
- Pre-Tax Profit: 53.21 crores, up by 30%
- Profit after tax: Rs. 35.15 crores, up by 57%
- Debt to Equity ratio: 0.38
- Dividend at Rs. 4 per share (including Interim)

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

## OVERVIEW

This was a tough year with a continued challenging global economic scenario, putting the brakes on the growth of the major economies. As a major importer, the Company was again affected by the falling rupee; however, with a change in the Company's hedging policy in the second half of the year limiting the risk of foreign exchange fluctuations, the Group's pre-tax profits rose by 30% at Rs. 53.21 Crores (previous year Rs. 40.90 Crores) after accounting for forex hedging costs.

Despite a slowdown in the Indian economy, we saw growth in both of our business segments. This was mostly attributable to a better product mix, an increase in liquid terminal capacity through de-bottlenecking, the Company's growth in the retail LPG distribution business in south India and also due to policy reforms by the government such as capping subsidized LPG cylinders. The operating performance of the Group remained very strong with the highest ever Normalized EBITDA (Segment) (Earnings before Finance Cost, Depreciation, Tax and Forex related expenses) recorded at Rs. 156 Crores – a year-on year increase of 11%.

In spite of a stagnating macro-economic environment, the Company's revenue remained strong and margins were stable. The Company's growth plans were on track, with the new liquid terminal at Haldia Dock Complex nearing completion and the groundbreaking and construction of a liquid terminal at Pipavav Port, Gujarat.

With good demand growth expected in the oil & gas sector in India and a more favourable business outlook, the Company is poised for higher growth in the medium term.

### INDUSTRY STRUCTURE & DEVELOPMENT

The oil & gas industry comprises three major components: upstream, midstream and downstream. The upstream segment comprises Exploration and Production (E&P) activities, the midstream segment is involved in storage and transportation of crude oil and gas and the downstream segment is engaged in refining, production of petroleum products, and

processing, storage, marketing and transportation of the commodities such as crude oil, petroleum products and gas.

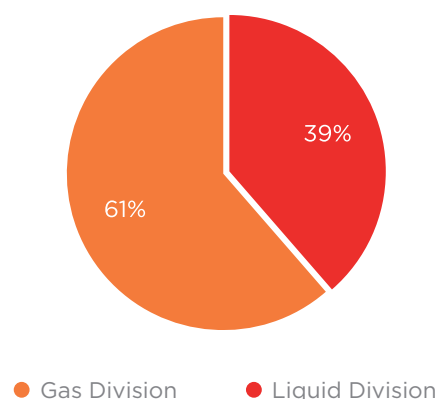
The Company is engaged in both the midstream and downstream segments. As energy consumption increases in India, growth in demand is likely to require sophisticated and safe logistics services. Deregulation of the oil sector will lead to new entrants in the petroleum retailing and bulk marketing requiring the need for integrated logistics services. The government policy of penetration of liquefied petroleum gas (LPG) in rural areas is also driving growth.

The government has taken many initiatives to boost investment in this sector by allowing 100% FDI for petroleum products and pipeline sector, natural gas and for infrastructure related to petroleum products marketing.

The policy change of oil price deregulation and cap on subsidized cylinders together with Direct Benefit Transfer (DBT) scheme to distribute subsidies for cooking gas, opens up a level playing field for parallel marketers and thus propelling growth prospects for Aegis Group.

## SEGMENT-WISE ANALYSIS

### SEGMENT RESULTS (EBITDA)



### LIQUID LOGISTICS DIVISION

Revenues were at an all time high of Rs.107.51 crores (previous year Rs. 92.23 Crores) for the year, an increase of 17% on the year earlier. Operating profit margins (Segment EBITDA) were stable at 57% (previous year 58.8%). Normalized EBITDA of the division was also at a record of Rs. 61.23 Crores for the year (previous year Rs. 54.22 Crores), a rise of 13%. The pricing reforms are expected to improve margins for all companies operating in the petroleum sector, making them more competitive and provide a more level playing field to private players. Aegis is thus expected to benefit in the petroleum liquid logistics from increased participation in the sector by private players.



The performance of the Kochi terminal performance has improved over the last year but is still below full capacity with the current jetty unable to cater to large ships.

Future growth in this division will come from the new capacity at Haldia Dock Complex with storage capacity of 60,190 KL and from the new 120,000 KL liquid terminal at Pipavav Port in Gujarat.

The Operations and Maintenance (O&M) contracts with the OMC's and other customers are continuing satisfactorily, and with the experience of handling multiple of such contracts, the Company is poised to expand this activity by tendering for other new contracts.

### GAS DIVISION

LPG revenues were Rs. 3,874 Crores (previous year Rs. 4,371 Crores) largely due to lower off-take by National Oil Companies during second half of the

year. However, volumes in the gas retailing business have witnessed an upward trend from Autogas and Packed gas. The recent government policy of capping the number of subsidized cylinders and Direct Benefit Transfer (DBT) Scheme is likely to have a sizable positive impact on demand. With a gradual increase in our network of Autogas stations and Commercial/Industrial Distributors, total sales volume for the retail segment shall continue to grow at a greater pace in the current and future years.

The success in expanding network of Autogas stations (presently 94 Nos.) and Commercial/Industrial Distributors (presently 40 Nos.) together with reforms under Government policy have yielded a record normalized EBITDA for the gas business to Rs.95.14 Crores up by 12% against previous year of Rs.85.05 Crores.



Based on "Vision 2015" of Government of India to achieve domestic LPG penetration of 75% on a pan India basis by 2015, the Oil Marketing Companies (OMCs) are in the process of releasing over 50 Million new connections during the period. This, together with full effect of existing policy reforms of the government, is likely to result in continued demand growth for LPG. By leveraging its network and logistics competence to achieve higher share in volumes and profit, Aegis is well positioned for this business in the medium term.

The business strategy for the gas division is to continue growth in all the segments by expanding logistics capacity and enlarging the distribution network. In the wholesale segment, the Company will be doubling import capacity to a throughput of close to 200,000 MT in Pipavav Port within the