AEGIS

57th Annual Report

Aegis Logistics Limited

2013–14

To be the leading provider of logistics and supply chain services to India’s oil, gas, and chemical industry.

Our mission is to enable our clients to source, receive, store and deliver oil, gas, and chemical products in a safe and environmentally responsible manner through a national network of tank terminals, pipelines, and inter-modal transportation.

We deliver flexible, responsive, and high quality services to our clients with integrity and professionalism.

Corporate Information

Board of Directors

Chairman
Kapoorchand M. Chandaria

Vice Chairman & Managing Director
Raj K. Chandaria

Managing Director & CEO
Anish K. Chandaria

Directors
Anil M. Chandaria
Dineshchandra J. Khimasia
Rajnikant J. Karavadia
Kanwaljit S. Nagpal
Rahul Asthana

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
Murad M. Moledina

Auditors
Deloitte Haskins & Sells LLP
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, Gujurat

Corporate & Administrative Office
1202, 12th Floor, Tower B
Peninsula Business Park
Ganpatrao Kadam Marg
Lower Parel (West), Mumbai-400 013
Tel: 022-6666 3666
Fax: 022-6666 3777
www.aegisindia.com

Liquid Logistics & Gas Division
Plot No. 72, Mahul Village,
Trombay, Mumbai-400 074

Liquid Cargo Park, Dock Zone,
Chiranjibpur, Dist. Purba Medinipur,
Haldia – 721604, West Bengal

Registrar & Share Transfer Agents
Sharepro Services (India) Pvt. Ltd.
13 AB, 2nd Floor,
Samhita Warehousing Complex,
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

Notes

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

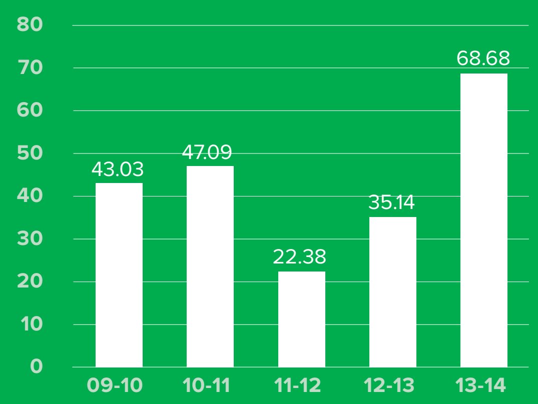
Please address all correspondence regarding Share Transfer Work to the Registrar & Share Transfer Agents and/or Corporate Office.

Standalone Financial Statements

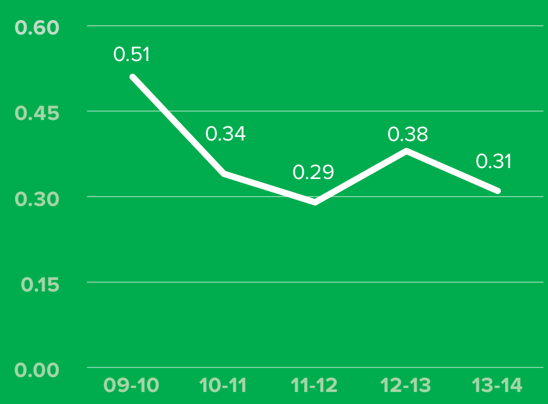
Consolidated Financial Statements

Financial Overview

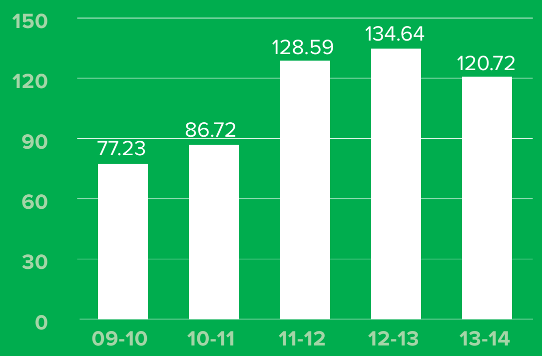
After-Tax Profit (Rs. in Cr.)



Debt Equity Ratio



EBITDA (Rs. in Cr.)*

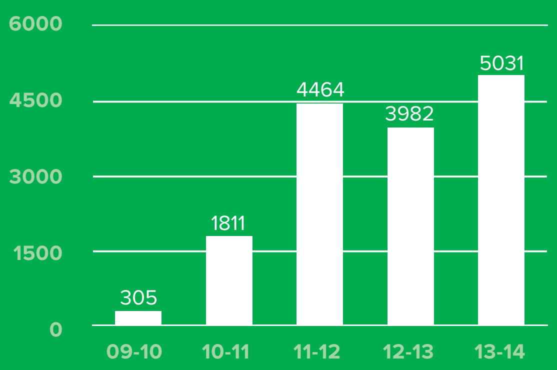


** Normalized EBITDA before forex hedging-related expenses.*

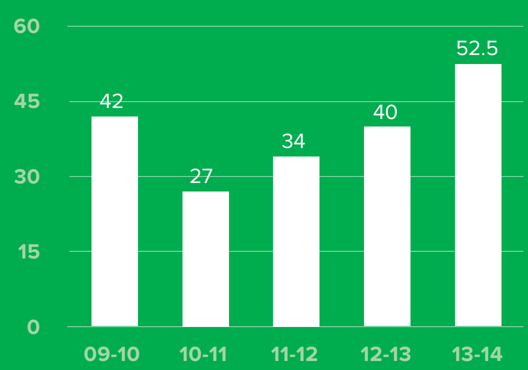
Highlights

- Group Consolidated Net Sales at Rs. 5,030.87 Cr., (up by 26.35%).
- EBITDA: Rs. 120.72 Cr.
- Profit after Tax: Rs. 68.68 Cr. (up by 95%).
- Debt to Equity Ratio: 0.31
- Dividend at Rs. 5.25 per Share (including interim)

Operating Revenue (Rs. in Cr.)



Dividend (%)



Management Discussion & Analysis Report

Overview

During FY13-14, the Indian economy was stuck at a sub-par growth rate of less than 5%, amidst high inflation, sluggish demand, an erratic exchange rate and political and economic uncertainty. Despite these adverse economic conditions, the Group's performance rebounded from last year with Profit After Tax rising to Rs 68.67 Cr. (previous year Rs. 35.14 Cr.). With a more stable exchange rate in the second half of the year, both imports and exports of bulk liquids as well as liquefied gases rose, resulting in an excellent performance in our terminalling and sourcing business.

The terminalling business of the Group benefitted from investments made in the previous year in the liquid terminals business, ranging from de-bottlenecking to commissioning of the new terminal at Haldia Dock Complex. Towards the end of the year, our company also partially commissioned the liquid terminal at Pipavav Port with the balance of the expansion of the liquid terminal as well as the gas terminal expected to be completed by the end of 2014.

The performance of the gas retail and distribution business was lower due to a slow down in the growth rate of the retail LPG business as government policy on LPG subsidies fluctuated. The performance of the gas sourcing business improved during the year, with higher off-take by the national oil companies.

With an end to the political uncertainty, new terminal capacity coming on stream, as well as several new initiatives under way, the Group is poised for higher growth in the medium term.

Industry Structure and Development

The Group is engaged in the terminalling of oil products, chemicals and liquefied gases, sourcing of LPG, and retailing and distribution of LPG. These sectors require specialized infrastructure at key ports such as specialized berths, fire fighting equipment, pipelines, transit storage and handling facilities, and above all, safe and environmentally responsible handling practices. The terminalling, retail and distribution industry in India has many participants, but only a select few possess the necessary technical and safety credentials as well as the infrastructure to benefit from the long-term prospects for an increase in Indian imports and exports of oil products, chemicals and liquefied gases. Fortunately, the Aegis Group is positioned well for this.

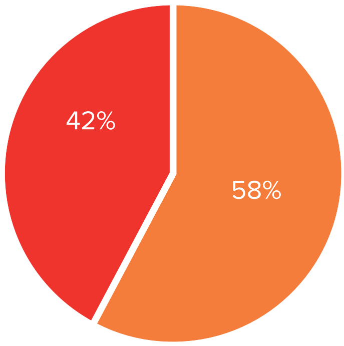
The oil and gas industry comprises three major components: upstream, midstream, and downstream. The upstream segment comprises Exploration and Production (E&P) activities, the midstream segment is involved in storage and transportation of crude oil and gas, and the downstream segment is engaged in refining, production of petroleum products, and processing, storage, marketing, and transportation of the commodities such as crude oil, petroleum products, and gas. The Group 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 Group also services the terminalling requirements of bulk liquid chemical importers and exporters through its five bulk liquids terminals.

The increasing importance of new private ports such as Pipavav in Gujarat and several new ones along the east coast of India will continue to challenge the dominance of older, less efficient ports. As importers and exporters face ever increasing cost pressures, those ports which have made investments in infrastructure will benefit from the increase in traffic arising from India's imports and exports of oil products, chemicals, and liquefied gases.

Segment-Wise Analysis

Segment Results (EBITDA)



- *Gas Division*
- *Liquid Division*

Liquid Logistics Division
The performance of liquid terminalling business revenues was at an all time high of Rs. 130.82 Cr. (previous year Rs. 107.51 Cr.) for the year, an increase of 21.68%. Operating profit margins (Segment EBITDA) were better at 64% (previous year 57%). Normalized EBITDA of the division was also at a record of Rs. 83.47 Cr. for the year (previous year Rs. 61.23 Cr.), a rise of 36.32%. With the commissioning of the new Q4 berth at Kochi Port, the performance of the Kochi terminal has improved over the last year and is expected to perform even better once the economy revives. 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 partially commissioned 120,000 KL liquid terminal at Pipavav Port in Gujarat, both of which are equipped with specialized and conventional tanks.

In the Operations and Maintenance (O&M) business, contracts with the national oil companies and other customers are continuing satisfactorily, and with the experience of handling multiple of such contracts, the Company is poised to expand this activity. The marine fuels supply activity is developing, with the Company building expertise and experience in this new business.

Gas Division
Aegis Group captures the complete logistics value chain starting from sourcing of LPG, terminalling to retail, and distribution. The division recorded revenues of Rs. 4,900.05 Cr. (previous year Rs. 3,874.13 Cr.). The LPG sourcing and terminalling business improved largely due to higher off-take by national oil companies during the year. However, volumes in the gas retail and distribution business have remained static. The recent government policy reversals on the capping the number of subsidized cylinders and Direct Benefit Transfer (DBT) Scheme had a dampening effect on the industry with all participants being affected. Policy changes by the new government have yet to be announced. Similarly, policy uncertainty on the level of fuel subsidies on petrol, diesel, and CNG also had a dampening effect on retail and distribution margins of auto LPG, packed and bulk LPG as well as on the expansion of the retail and distribution network.

The normalized EBITDA for the gas division decreased to Rs. 60.47 Cr. compared with the previous year (Rs. 95.14 Cr.) mainly due to the decline in margins, also due to lower volumes in the retail and distribution segment. However, based on “Vision 2015” of the 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, combined with more policy clarity as a result of the change in government, is likely to result in continued demand growth for LPG as well as a level playing field for the private sector. By leveraging its infrastructure and logistics competence to achieve higher volumes and profit, Aegis is well positioned for this business in the medium term and the business strategy for the gas division is to continue growth in all the segments by expanding terminal capacity and enlarging the retail and distribution network.

Expansion in the Terminalling Capacity at Haldia and Pipavav Port
The Indian oil and gas logistics sector is undergoing expansion with continued deregulation and liberalization by the government. Continuing its mission to build an unrivalled national port infrastructure and retail and distribution network, Aegis has embarked upon setting up terminals at multiple ports. Towards this goal, the new liquid terminal at Haldia with a storage capacity of 60,190 KL has progressed well and 60% of the capacity has already been put into revenue generating use. The project will help the Company expanding its horizons by catering to the market of the north east and eastern states. Consistent with the