AEGIS

61st Annual Report

Aegis Logistics Limited
2017–18

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. We will do this by building an unrivalled national network of port-based tank terminals, pipelines and multimodal transportation facilities.

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

Corporate Information

Board of Directors

Chairman & Managing Director
Raj K. Chandaria

Vice Chairman & Managing Director
Anish K. Chandaria

Directors
Anil Kumar Chandaria
Kanwaljit S. Nagpal
Rahul D. Asthana
Raj Kishore Singh
Jaideep D. Khimasia
Tanvir A. Koreishi

Company Secretary
Monica T. Gandhi

Key Management Team

Group President & COO
Sudhir O. Malhotra

President (Business Development)
Rajiv Chohan

President (Projects)
Kamlakar S. Sawant

Chief Financial Officer
Murad M. Moledina

Auditors
M/s. P. D. Kunte & Co.
Statutory Auditors

M/s. Deloitte Haskins & Sells LLP
Management Auditors

Bankers
Bank of Baroda
HDFC Bank Ltd.
Kotak Mahindra Bank Ltd.

Registered Office
502, Skylon, G.I.D.C.,
Char Rasta, Vapi-396 195,
Dist. Valsad, Gujarat

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

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

Haldia Dock Complex, Mouza
Chiranjibpur, Dist. Purba Medinipur,
West Bengal

Port of Pipavav, Post Ucchaiya,
Via Rajula, Dist. Amreli, Gujarat – 365560

Kandla Port Trust, Near Jawaharlal Road,
Gandhidham, Kutch, Gujarat

Registrar & Share Transfer Agents
Link Intime India Pvt. Ltd.
C 101, 247 Park,
L. B. S. Marg, Vikhroli (West),
Mumbai - 400 078
Tel. : 022-4918 6270
Fax : 022-4918 6060
Email : rnt.helpdesk@linkintime.co.in

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.

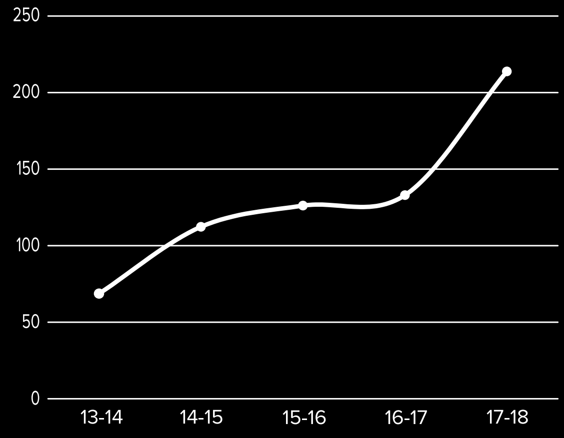
Introduction

Standalone Financial Statements

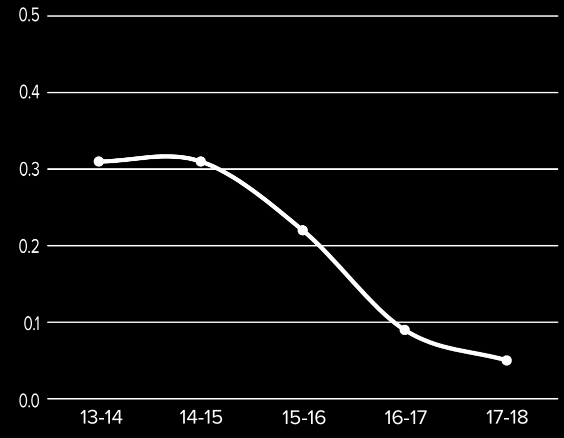
Consolidated Financial Statements

Financial Overview

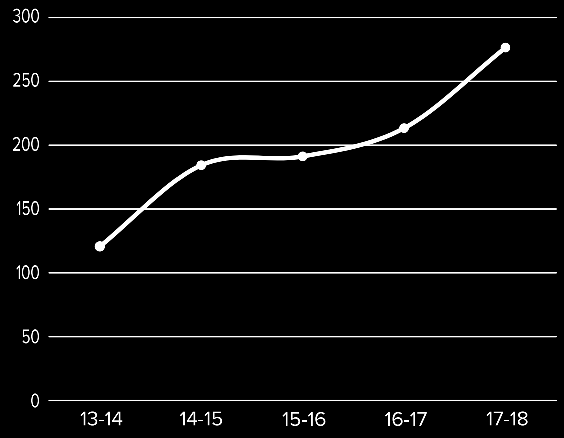
Profits After Tax *(Rs. in Cr.)*



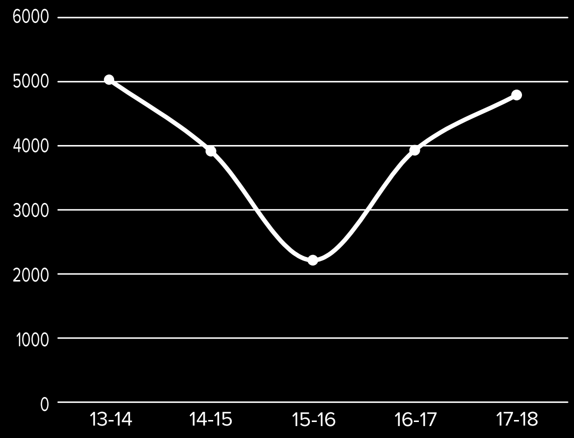
Debt to Equity



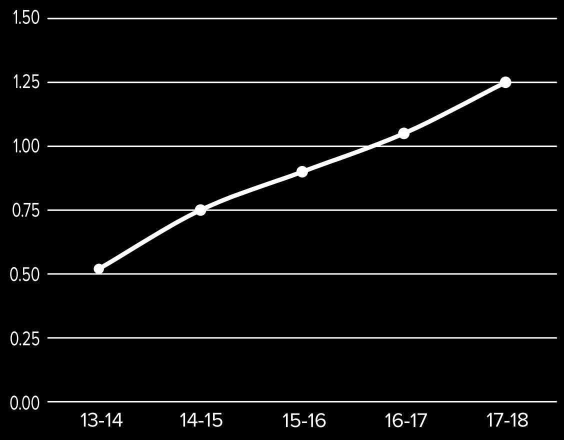
EBITDA *(Rs. in Cr.)*



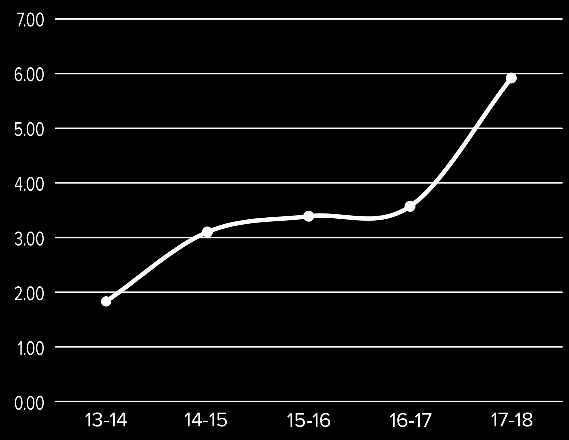
Operating Revenue *(Rs. in Cr.)*



Dividend Per Share *(Rs.)*



Earning Per Share* *(Rs.)*



* Excluding Non Controlling Interest.

Management Discussion & Analysis Report

Overview

Despite the challenges of GST introduction, the Indian economy grew at a reasonable rate during FY17-18, buoyed by consumer spending, good rains and robust FDI. The sustained revival of GDP growth of 7% and confidence boosting measures such as the long awaited GST have improved business sentiment. Despite a rising oil price, both imports and exports of bulk liquids such as bitumen and other petrochemical products have continued to grow. The demand for LPG continued to show robust growth boosted by the LPG PMUY (Pradhan Mantri Yojna Ujjwala) scheme, and the Group benefited from the capital investments in new LPG capacity made in the previous financial year at Pipavav and partially from the commissioning of the new LPG terminal at Haldia. In addition, continued growth in the Liquids capacity utilization and new capacity resulted in an excellent performance which improved from last year with Profit after Tax rising to Rs. 213.80 Cr. (previous year Rs. 132.97 Cr.).

The liquid terminalling business of the Group benefited from additional capacity at its facilities in Haldia and higher capacity utilisation at all terminals, but the Pipavav liquids terminal remained under-utilized. The gas terminalling business performed extremely well with the addition excellent throughput at both Pipavav and Mumbai, and with initial throughput at Haldia.

With the rationalization of LPG subsidies resulting in a decrease in the diversion of subsidized LPG to the transport and commercial sector, the volume performance of the gas retail and distribution business continues to grow.

With full year revenues from the new Haldia LPG terminal, and new liquid projects nearing commissioning, both liquid and gas terminals operating at higher utilization, the Group is poised for higher growth in the medium term.

Newly commissioned Haldia LPG Terminal

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.

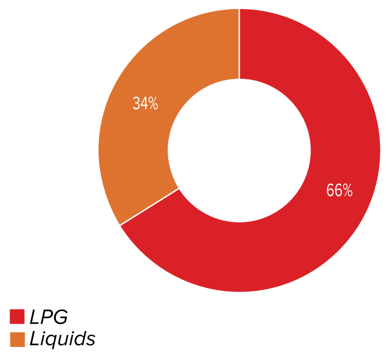
The oil and gas industry comprises three major components: upstream, midstream and downstream. The upstream segment comprises Exploration and Production (E&P) activities, the midstream segment is involved in storage and transportation of crude oil and gas, and the downstream segment is engaged in refining,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



Newly commissioned tanks at Kandla Liquids Terminal

Liquid Logistics Division

Liquid terminalling revenues were at Rs. 168.28 Cr. (previous year Rs. 153.88 Cr.) for the year, an increase of 9.36%. Normalized EBITDA of the division was Rs 102.82 Cr. for the year (previous year Rs. 90.70 Cr.), an increase of 13.36 %. This was primarily due to additional capacity at its facilites in Haldia and higher capacity utilization at major terminals. The performance of the Kochi terminal has improved and is expected to perform even better with the coastal movement of petrol and diesel. Future growth in this division will come from the additional capacity of 35000 KL at Haldia (expected to be commissioned in FY 2019), new products being handled at Haldia and Kochi, and the new 100,000 KL liquid terminal project recently commissioned at Kandla. The Mumbai terminals continue to function at full capacity.

Newly commissioned LPG spheres at Pipavav

Gas Division

Aegis Group captures the complete logistics value chain starting from sourcing, terminalling to retail distribution of LPG. In 2017-18, the division recorded revenues of Rs. 4622.68 Cr. (previous year Rs. 3776.41 Cr.) an increase of 22.4% on account of higher volumes and the new capacity addition. Sourcing volumes also improved markedly due to the sharp increase in demand driven by the successful implementation of the LPG Subsidy PMUY Scheme in rural areas, and gas throughput volumes increased significantly at both Mumbai and Pipavav on the back of this demand. Distribution volumes also improved compared with the previous year. The normalized EBITDA for the gas division increased to Rs. 203.34 Cr. compared with the previous year Rs. 156.84 Cr. an increase of 29.65% as the higher throughput and sourcing volumes resulted in stronger margins. The same applied in the distribution business. The commissioning of an additional 10200 MT of LPG storage capacity at Pipavav during 2017-18 and the commissioning of the Haldia LPG terminal contributed to the rise in throughput of LPG during FY 2018.

New Developments

Aegis Group, through its subsidiary company Hindustan Aegis LPG Limited, commissioned a fully refrigerated LPG terminal, along with associated infrastructure at its facilities at Haldia Dock Complex, West Bengal. The unit has a static storage capacity of 25,000 MT with a throughput capacity of 2,500,000 MT per annum, and an LPG bottling plant which is expected to be commissioned in the Q1 of FY 2018/19.

Aegis Group has announced implementation of a liquid terminal at New Mangalore port with a capacity of 25000 KL which is being implemented in phases. Phase 1 will be completed in Q3 of 2018-19 and phase 2 thereafter.

The Kandla liquids terminal has been recently commissioned.

Opportunities & Threats

The Indian economy is a net importer of almost all forms of energy. This fact, coupled with the country's growing energy demand, has intensified the need for actively seeking private participation in the energy chain to bring in the required investment and technologies. There is therefore a huge potential for the expansion of pipelines, transportation, and infrastructure.

LPG demand continues to rise at the rate of 7-10% per annum due to the rural penetration of LPG on a pan-India basis and the full impact of expected policy reforms curbing illegal diversion of cooking gas and deregulation of diesel and petrol prices. Additional infrastructure for handling of LPG needs to be built and Aegis intends to participate in this process.

The main threat and opportunity to the LPG industry