AEGIS

# 2019-2020.

63rd Annual Report
Aegis Logistics Ltd.

## 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**
Anilkumar M. Chandaria
Kanwaljit S. Nagpal
Rahul D. Asthana
Raj Kishore Singh
Lars Erik Johansson
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

**President (Strategic Planning)**
Keshav Shenoy

**Chief Financial Officer**
Murad M. Moledina

**Auditors**
M/s. CNK & Associates LLP
Chartered Accountants, Mumbai

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, 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

**Terminal Locations**

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

Ambapada, Village Mahul,
Taluka Kurla, Dist. Mumbai

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

Padukodi, Thannirbhavi, Mangalore.

Willingdon Island, Kochi - 682 029

**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

# Introduction



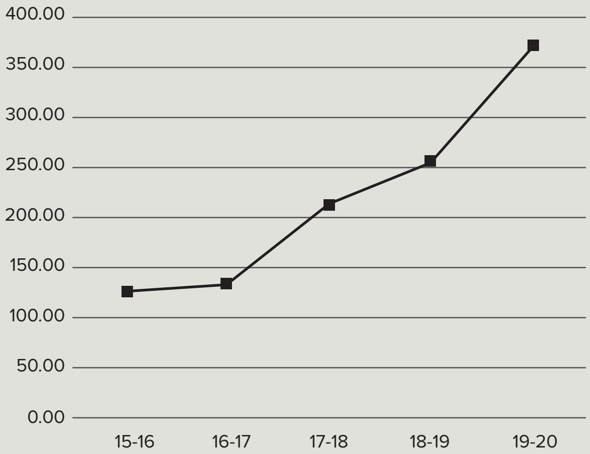
# Financial Section (Standalone)



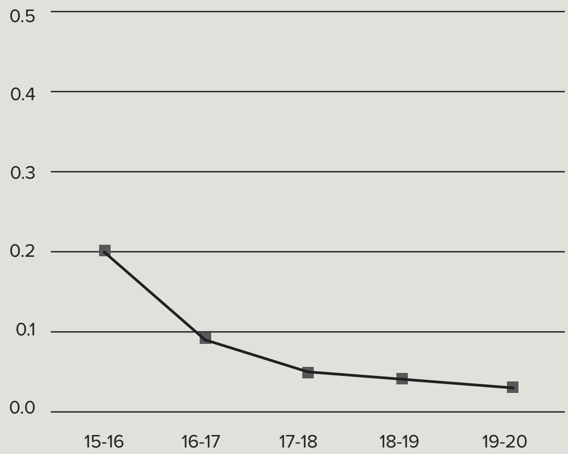
# Financial Section (Consolidated)

# Financial Overview

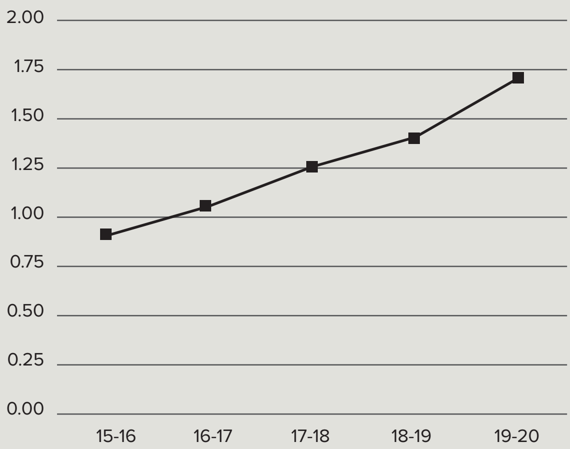
**Profit After Tax** (Normalized for ESPP) *(Rs. in Cr.)*



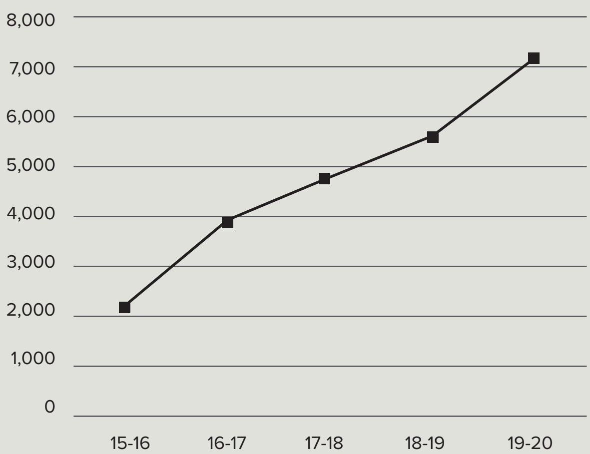

**Debt to Equity**



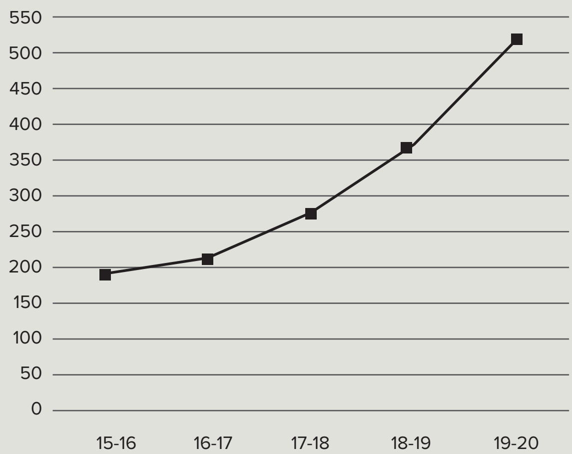

**Dividends Per Share** *(Rs.)*



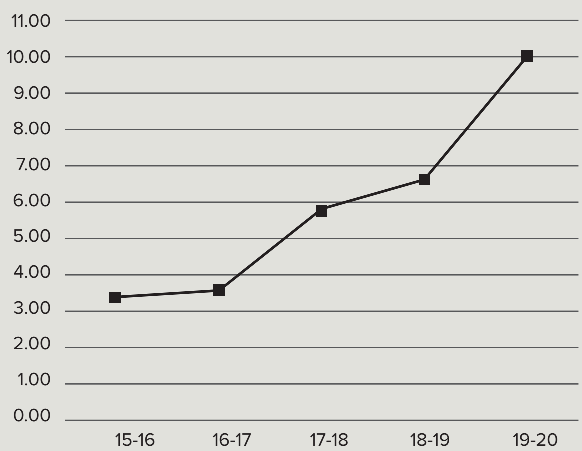

**Operating Revenue** *(Rs. in Cr.)*




**EBITDA** (Normalized for ESPP) *(Rs. in Cr.)*




**Earnings Per Share** (Normalized for ESPP) * *(Rs.)*




* Excluding Non Controlling Interest

# Management Discussion & Analysis Report

## Overview

FY 2020 was a year of good performance for the Aegis Group. All business performed well with the investments in new capacity commissioned in the previous year, increasing capacity utilization levels resulting in improved EBITDA levels in both liquids and gas segments. The macro-economic backdrop was muted in light of tight credit conditions. The business uncertainty introduced by the outbreak of the Covid-19 crisis in March 2020 did not materially affect FY 2020 but will impact business performance in the next year.

In addition, continued growth in the Liquids capacity utilization and new capacity resulted in a good performance which improved from last year with operational Profit (before Finance cost, Depreciation, Tax and ESPP) rising to Rs. 519.57 Crores as compared to Rs. 371.98 Crores the previous year.

## Industry Structure and Development

The oil and gas industry comprises of three major components: upstream, midstream and downstream. The upstream segment comprises of 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.

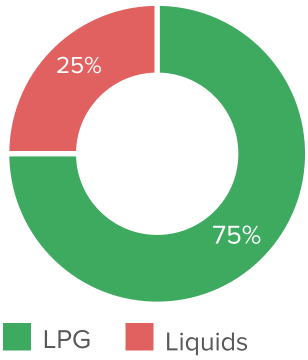
The demand for LPG continued to show robust growth boosted by the PMUY (Pradhan Mantri Ujjwala Yojna) scheme, and the Group benefited from the capital investments in new LPG capacity made in the previous financial years. Demand is not likely to simmer down anytime soon, given the strong push for cleaner fuels by the Government and the commitment to 100% LPG penetration. Separately, the Government of India's push towards a gas based economy is projected to present new investments and opportunities in this area. These developments present an opportunity for India's downstream and midstream oil and gas sectors. Given the growing demand for oil & gas in India and its wide application in household and industrial activities, it is apparent that there is room for major investments in this sector.

The Oil & gas sector requires 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.

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 six bulk liquids terminals.

## Segment-wise-Analysis

***Segment Result (EBITDA)***




## Liquid Logistics Division

Liquid terminalling revenues were at Rs. 207.54 Crores as compared to Rs. 182.80 Crores the previous year, an increase of about 13.53 %, and normalized EBITDA of the division was higher at Rs. 139.99 Crores compared to Rs. 103.53 Crores in previous year. The capacity additions at Mangalore, Kandla and Haldia boosted EBITDA performance by 35.22%. Future growth in this division will come from the additional capacity utilization at Haldia, Kandla, Mangalore and Kochi as well as future capacity additions at those ports. The Mumbai terminals continue to function at full capacity.

## Gas Division

Aegis Group captures the complete logistics value chain starting from sourcing, terminalling to distribution of LPG. In 2019-20, the division recorded revenues of Rs. 6,975.71 Crores as compared to Rs. 5,433.02 Crores the previous year on account of higher volumes, an increase of 28.39 % on account of higher volumes. Gas Logistics volumes increased to 3 million MT (previous year 2.5 million MT). The Haldia LPG terminal and bottling plant performed at above expectations in the second year of operations. Distribution volumes also improved to 165,000 MT (Previous year 114,000 MT). The normalized EBITDA for the Gas division increased to Rs. 422.31 Crores as compared to Rs. 310.63 Crores in the previous year, an increase of 35.95 %, as the higher throughput and sourcing volumes resulted in stronger margins. The same applied in the distribution business. Retail distribution of autogas and packed cylinders continues to be a focus area for 2020-21 and onwards.


*Unified Retail Station*

## New Developments

The most significant new development in 2019-20 was the start of construction of the new LPG Terminal at Kandla. With a planned static capacity of 45,000 MT and potential throughput capacity of 4,000,000 MT, the project will be the 4th LPG Terminal in the Group's portfolio as well as being the largest. At a project cost of Rs. 350 Crores, the Terminal is scheduled for completion in the second half of 2020-21. The company proposes to finance the project through internal accruals and debt. The project is progressing well, although the disruption caused in March 2020 by the lockdown imposed in India and abroad may delay the project slightly due to late delivery of project components.

*The new Magna cylinder*

The significant changes in the financial ratios of the Company which are more than 25% as compared to the previous year on a consolidated basis are summarized below:

| | Consolidated | | Change (%) | Reason for change |
|---|---|---|---|---|
| | **FY 2019-20** | **FY 2018-19** | | |
| Interest Coverage Ratio | 7.27 | 12.54 | -42% | Decrease in interest coverage ratio, Net Profit Margin (%) and Return on Net Worth is mainly due to reduction in profit due to non- cash expenses recognised as per Employee Stock Purchase Plan during the current year. |
| Net Profit Margin (%) | 1.87% | 4.49% | - 58% | |
| Return on Net Worth | 0.06 | 0.16 | -62% | |


*Kandla LPG Project Progress*


*Cylinders*

## 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 due to the rural penetration of LPG on a pan-India basis and the full impact of the PMUY scheme. 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 arise from changes in government policy with regards to subsidized pricing of LPG and its substitutes like CNG. The main threat to the port based liquid terminalling business arises from changes to government policies and inadequate port infrastructure as well as geo-political instability which leads to uncertainty on pricing and impacts customers for the liquid logistics business.

The impact of Coronavirus and consequent lockdowns of varying degrees of severity, as well as the decline in the economic activity will result in uncertainty during 2020-21 and the impact on volumes, margins and earnings is also uncertain.

## Future Business Outlook

Terminalling and handling of liquids and gases is the main expertise of the Aegis Group and provides an important and stable source of Group profits by way of terminalling fees. This pattern is expected to continue in the future as the Group continues to focus on executing its strategy of building a national network of port based tank terminals connected by road, rail and pipelines. Furthermore, the retail division continues to expand its geographic footprint and packed product offerings. This activity is also expected to be an important driver of growth in future years.

However, the length and severity of the downturn caused by the economic downturn resulting from the lockdowns will no doubt temper expectations of volume growth in all sectors of the economy, including those which Aegis caters to.

## Internal Controls Systems and 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 audits 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.

The Company regularly updates its risk management policy to protect the property, earnings, and personnel of the Company against losses and legal liabilities that might be incurred due to various risks.

## Occupational Health, Safety, and Environment

The emphasis on OHSE continues at all of the operations of the Group throughout India. The Company is committed to the best standards in safety and continuously monitors matters related to this. In addition to monthly reviews by the management, the Company has formed a high level committee comprising of three directors and other Company executives, wherein matters concerning the subject are discussed. Safety drills are regularly carried out at all the Group's main facilities.

Although Aegis has a low carbon footprint, efforts are underway to reduce the impact on the environment and improve environmental sustainability. Aegis continues to monitor emissions through the installation of a continuous monitoring system at two locations and continues