AEGIS

64th Annual Report

Aegis Logistics Limited
2020–21

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
Tasneem Ali (w.e.f. January 28, 2021)

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, Gujarat

Corporate & Administrative Office
1202, 12th Floor, Tower B,
Peninsula Business Park,
Ganpatrao Kadam Marg,
Lower Parel (West),
Mumbai - 400 013
Tel. : +91-22-6666 3666,
Fax : +91-22-6666 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. : +91-22-4918 6270,
Fax : +91-22-4918 6060
Email : rnt.helpdesk@linkintime.co.in

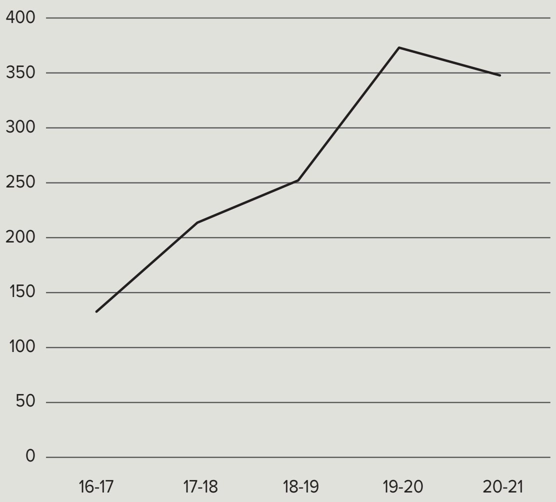
Introduction

Financial Section (Standalone)

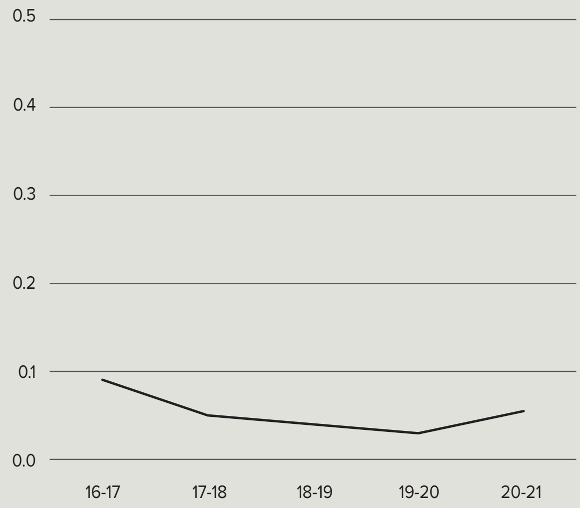
Financial Section (Consolidated)

Financial Overview

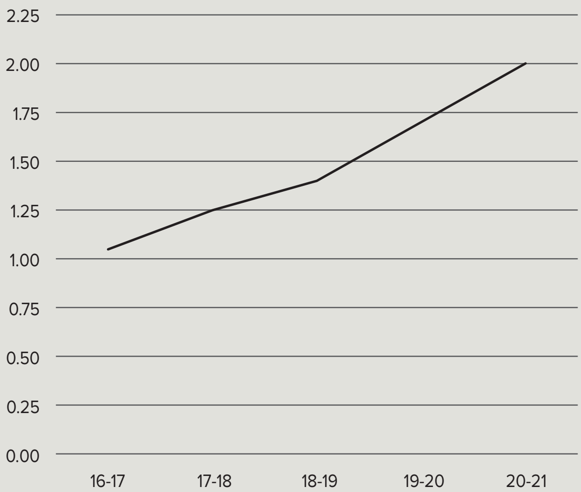
Profit After Tax (Normalized for ESPP) *(Rs. in Cr.)*



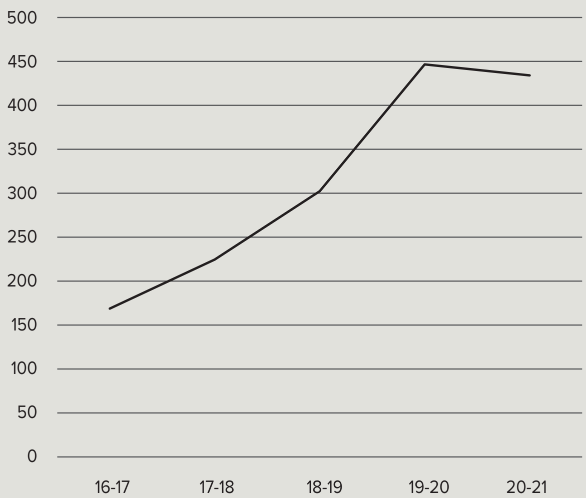
Debt to Equity



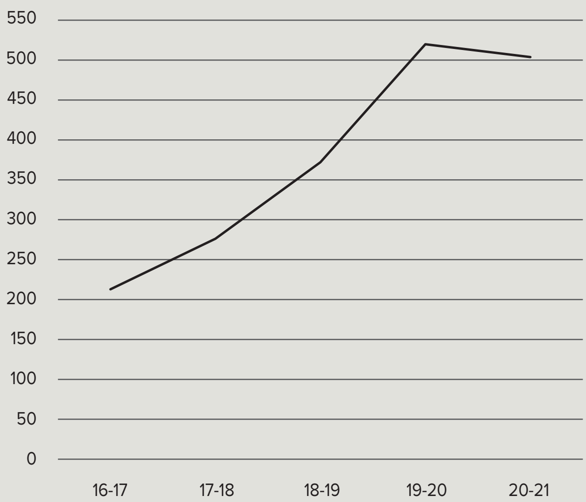
Dividends Per Share *(Rs.)*



Profit Before Tax (Normalized for ESPP) *(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

As expected, FY 2021 was a volatile year for the Indian economy. The first quarter of the year was marked by an extended lockdown, followed by three quarters of optimism punctuated by sporadic lockdowns in different states at different times. The consequent disruptions and uncertainty in the business environment of end users did impact, as expected, the operating performance of the Aegis group. The commercial, industrial and transport use of LPG was particularly affected by the lockdowns, which are also higher margin segments.

Operational Profit (before Finance cost, Depreciation, Tax and ESPP) however declined only slightly to Rs. 503.56 crore as compared to 519.57 crore 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.

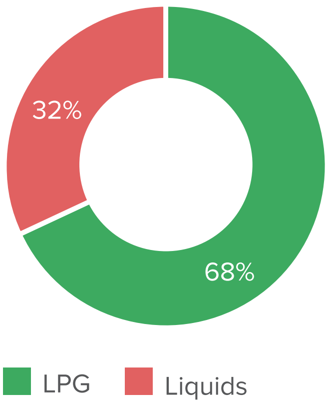
The demand for LPG continued to show robust growth boosted by the PMUY (Pradhan Mantri Ujjwala Yojna) scheme, and the Group benefited from the capital investments in new LPG capacity made in the previous financial years. Demand is likely to continue growing, given the strong push for cleaner fuels by 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 specialised infrastructure at key ports such as specialised 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.

Rail loading of LPG at Pipavav

Segment-wise-Analysis

Segment Result (EBITDA)



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 seven bulk liquids terminals at six Ports.

Liquid Logistics Division

Liquid terminalling revenues were at Rs. 234.28 crore as compared to Rs. 207.55 crore the previous year, an increase of about 12.88 %, and normalised EBITDA of the division was higher at Rs. 172.86 crore compared to Rs.139.99 crore in previous year. The capacity additions at Mangalore, Kandla and Haldia as well as product mix handled boosted EBITDA performance by 23.48 %. Future growth in this division will come from the additional capacity utilisation and better mix of products handled 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 2020-21, the division recorded revenues of Rs. 3,609.18 crore as compared to Rs. 6,975.71 crore the previous year on account of lower volumes and lower prices. The normalised EBITDA for the Gas division decreased to Rs. 359.44 crore as compared to Rs. 422.31 crore in the previous year, mainly due to lower retail volumes and slightly lower terminalling volumes. Retail distribution of autogas and packed cylinders continued to be a focus area for 2020-21 and onwards.

New Developments

The most significant new development in 2020-21 was the completion and commissioning of the new rail gantry for LPG at Pipavav at the end of Q4. This is expected to result in an improvement of the volumes of LPG handled at Pipavav in FY 22. Furthermore, the expansion of the liquids terminal at Mangalore was also completed at the end of Q4 and was commissioned in April 2021. The Kandla LPG project is expected to be delayed due to the severe Covid 19 related workforce disruptions in April and May 2021. The project will most likely be completed at end of Q2 of FY 22.

Mangalore Terminal

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 summarised below:

Ratio	Consolidated		Change (%)	Reason for change
	FY 2020-21	FY 2019-20		
Debtors Turnover Ratio	14.02	21.05	-33%	Decrease in debtors turnover in ratio is due to decrease in distribution and sourcing sales as compared to previous year mainly due to outbreak of Coronavirus (COVID-19) pandemic.
Inventory Turnover Ratio	67.01	170.52	-61%	Decrease in inventory turnover in ratio is due to decrease in distribution and sourcing sales and consequently COGS as compared to previous year mainly due to outbreak of Coronavirus (COVID-19) pandemic.
Operating Profit Margin (%)	13.10%	7.23%	81%	Sustained Gas Operating profit margin and improved Liquid business Operating profit margin has let to overall improvement in Operating Profit Margin
Interest Coverage Ratio	20.39	7.27	180%	Increase in interest coverage ratio, Net Profit Margin (%) and Return on Net Worth (%) is mainly due to increase in Profit due to reduction of non cash expenses recognised as per Employee Stock Purchase Plan as compared to previous year.
Net Profit Margin (%)	6.48%	1.87%	247%	
Return on Net Worth (%)	11.54%	6.02%	92%	
Debt to Equity Ratio	0.05	0.03	67%	Increased debt to equity ratio is mainly due to increase in borrowings.

Pipavav LPG Terminal

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 subsidised 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 2021-22 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.

First LPG loaded rake departing Pipavav Terminal