AEGIS

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# 65th Annual Report

Aegis Logistics Limited
2021–2022

## 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

**Directors**
Amal R. Chandaria
Anilkumar M. Chandaria
Raj Kishore Singh
Kanwaljit S. Nagpal
Rahul D. Asthana
Lars Erik Johansson
Jaideep D. Khimasia
Tasneem Ali

**Company Secretary**
Monica T. Gandhi

## Key Management Team

**Chief Executive Officer**
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

**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

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 Private Limited
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



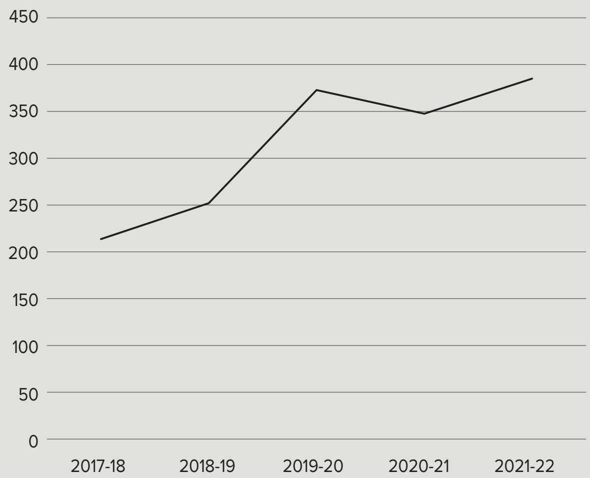
# Financial Section (Standalone)



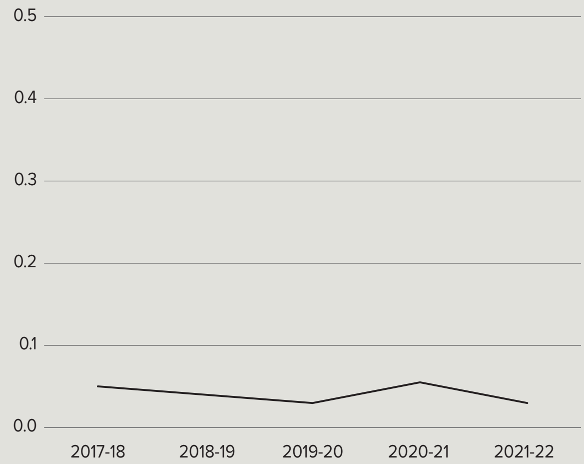
# Financial Section (Consolidated)

# Financial Overview

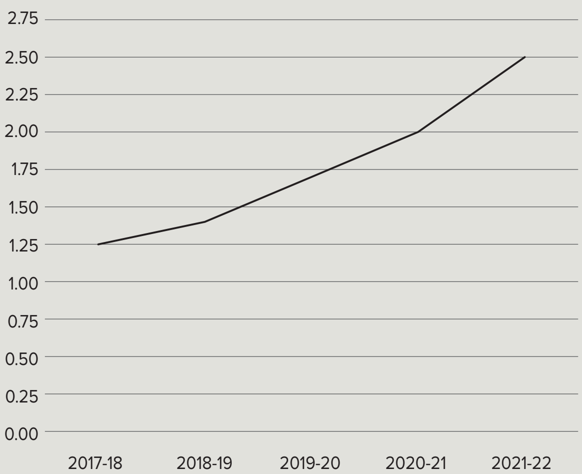
**Profit After Tax** (Normalized for ESPP) *(Rs. in Cr.)*



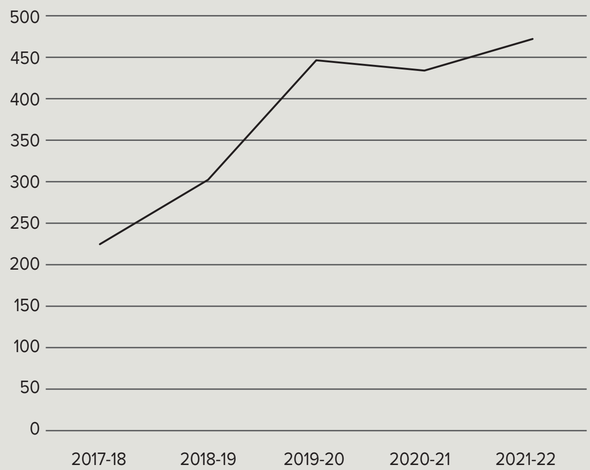

**Debt to Equity**



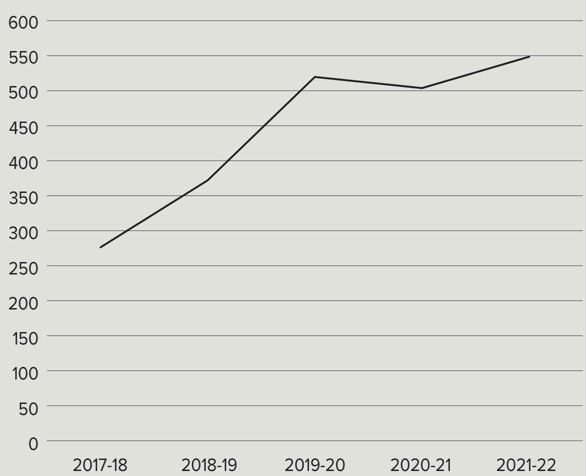

**Dividends Per Share** *(Rs.)*



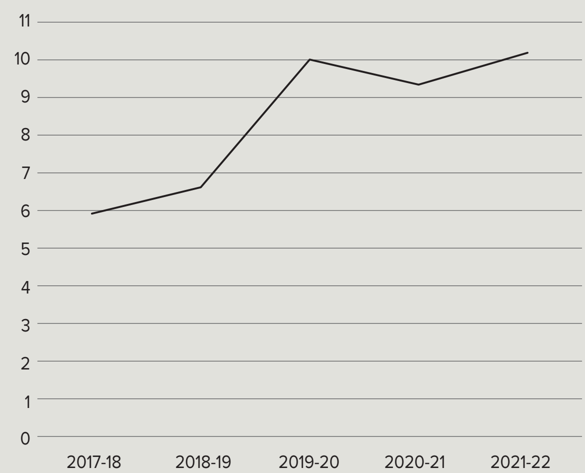

**Profit Before Tax** (Normalized for ESPP) *(Rs. in Cr.)*




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




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



# Management Discussion & Analysis Report

## Overview

The oil and gas sector is among the eight core industries in India and plays a major role in influencing decision making for all the other important sections of the economy. Indian economic growth rebounded in FY 2021-22 to over 8% and is forecast to be at 7% in FY 2022-23. Demand for oil, gas and chemicals is therefore expected to grow robustly in line with economic growth, and along with it, the need for quality infrastructure to handle the demand growth.

In line with the rebound in economic growth, the Operational Profit (before Finance cost, Depreciation, Tax and ESPP) of the Group increased to Rs. 548.40 crore as compared to 503.56 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.

Aegis is an important participant in the Indian LPG market, which is comprised of four main segments: domestic cooking gas, industrial, commercial and transportation. While LPG is not a renewable energy source, it is a much cleaner fuel than biomass, coal or kerosene. It's portability and convenience make it an ideal fuel to help India in its transition to a more sustainable energy future.

The demand for LPG continued to show robust growth boosted by the PMUY (Pradhan Mantri Ujjwal Yojana) scheme, and the Group benefited from the capital investments in new LPG capacity and infrastructure 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 and chemicals in India and its wide applications in household and industrial activities, it is apparent that there continues to be room for major investments in this sector.

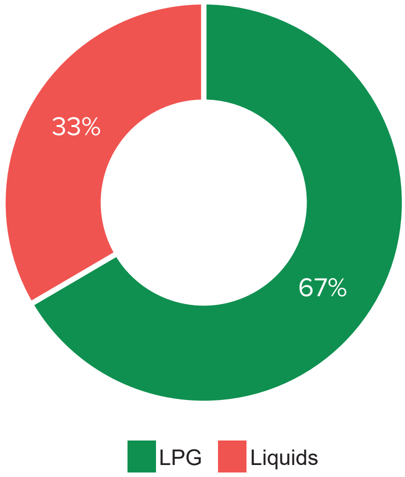

*Weigh bridge at Kandla Terminal*

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 other liquefied gases. Furthermore, as new, more environmentally sustainable gases, such as Ammonia, emerge as new sources of energy, they will also require this type of infrastructure. 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 seven bulk liquids terminals at six Ports.

**Segment-wise-Analysis**

*Segment Result (EBITDA)*




## Liquid Logistics Division

Liquid terminalling revenues were at Rs. 270.01 crore as compared to Rs. 234.28 crore the previous year, an increase of about 15.25%, and normalised EBITDA of the division was higher at Rs. 195.59 crore compared to Rs.172.86 crore in previous year. The capacity additions at Mangalore, Kandla and Haldia as well as product mix handled boosted EBITDA performance by 13.15%. Future growth in this division will come from the additional capacity utilisation and

*Newly acquired Friends terminal at Kandla* 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 FY 2021-22, the division recorded revenues of Rs. 4360.97 crore as compared to Rs. 3609.18 crore the previous year on account of higher volumes and higher prices. The normalised EBITDA for the Gas division increased to Rs. 389.32 crore as compared to Rs. 359.44 crore in the previous year, mainly due to higher retail volumes and higher terminalling volumes. Retail distribution of autogas and packed cylinders continued to be a focus area for FY 2021-22 and onwards.

## New Developments

The most significant new development in FY 2021-22 was the completion and commissioning of the Kandla LPG Terminal and new rail gantry for LPG at Pipavav port which has started work on making the LPG jetty compliant for handling VLGCs and which is expected to complete in Q1 of FY23. Preliminary work for connecting Pipavav into the KGPL pipeline has also started.

Further, an additional LPG jetty Pipeline at Haldia was commissioned thus improving turnaround times for ships by increasing the unloading rate at Haldia. HPCL has received permission from PNGRB to lay a pipeline from Aegis Haldia Terminal to its Panagarh bottling plant and is now in the process of executing the same. An additional LPG jetty Pipeline at Mumbai Port is completed and commissioned. All these new developments are expected to result in an improvement of the volumes of LPG handled at Kandla, Haldia, Mumbai and Pipavav in FY 2022-23.

The expansion of the liquids terminal at Mangalore was also completed at the end of Q4 and was commissioned in April 2021 and the Company is underway expanding its bulk liquid terminals in Kochi, thereby indicating good volumes at Mangalore and Kochi in FY 23. Furthermore, acquisition of assets pertaining to liquid tank terminals with capacity of ~500,000 KL at Kandla port from Friends Group and acquisition of CRL Terminals at Kandla will augment Aegis's presence in liquid terminal business at Kandla port which handles the highest Liquids and POL traffic in India.

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 as follows:

*Pump house at Kandla terminal*

| Ratio | Consolidated | | Change (%) | Reason for change |
|---|---|---|---|---|
| | FY 2021-22 | FY 2020-21 | | |
| Net Profit Margin (%) | 8.31 | 6.48 | 28% | Increase in Net profit margin and Return on net worth ratio is mainly due to increase in profit due to reduction in non cash expenses recognised as per Employee Stock Purchase Plan during the previous year. |
| Return on Net Worth (%) | 16.40 | 11.54 | 42% | |
| Debt to Equity Ratio | 0.03 | 0.05 | 40% | Reduction in debt to equity ratios is due to repayments made during the year as per terms of borrowing. |

## 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.

## 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

*New LPG terminal at Kandla*