

14th Annual Report
2012-13



**Enabling
Global
Businesses**

Aqua Logistics Limited

14th Annual General Meeting

Day & Date : Monday, September 30, 2013

Time : 10:00 a.m

Venue : VITS Hotel, Emerald Hall,
Andheri - Kurla Road,
Andheri (E), Mumbai - 400 059

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CORPORATE INFORMATION**Board of Directors**

| | |
|-------------------------|---|
| Mr. Rajesh G. Uchil | Chairman |
| Mr. M. S. Sayad | Vice-Chairman |
| Mr. Harish G. Uchil | Managing Director & Chief Executive Officer |
| Mr. B. S. Radhakrishnan | Independent Director |
| Mr. Ravi Sharma | Independent Director |

Company Secretary & Compliance Officer

Mr. Bhupendra N. Shah

STATUTORY AUDITORS**M/S. Anil Nair & Associates,**

Chartered Accountants

"Casablanca", 6 Casa Major Road,
Egmore, Chennai - 600 008.

Secretarial Auditor**M/S. Pankaj & Associates**

Company Secretaries

505/panchsheel-4/B, Raheja Township,
Malad (East), Mumbai - 400 097.

Bankers

Bank of India

Registered Office & Corporate Office

5th Floor, B-Wing, Trade Star,
Andheri-Kurla Road, Andheri (E),
Mumbai – 400059, Maharashtra

Wholly-owned Subsidiary Company**Sharjah Office****Aqua Logistics, FZE**

P.O. Box: 122421,
SAIF-Zone, Sharjah, U.A.E

Registrar And Transfer Agents**M/s Link Intime India Pvt. Ltd.**

C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West),
Mumbai 400078

Website : www.aqualogistics.com

E-mail : investor@aqualogistics.com

Corporate Identity Number (CIN)

L63090MH1999PLC121803

Demat ISIN NSDL and CDSL

INE544K01026

Listing

Bombay Stock Exchange/National Stock Exchange
Luxembourg Stock Exchange

Scrip Code

BSE: 533159 Bloomberg: AQUA:IN

NSE: AQUA Reuters: AQUA.NS

Luxembourg: US03837W1027 (GDR)

Aqua Logistics Limited

Notice

NOTICE is hereby given that the 14th Annual General Meeting of the Members of Aqua Logistics Limited will be held on Monday September 30, 2013 at 10.00 A.M. at Emerald Hall, VITS Hotel, Andheri Kurla Road, Andheri (E), Mumbai - 400059 to transact the following business:

ORDINARY BUSINESS:

- 1.** To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2013 and the Profit & Loss Account for the financial year ended on that date together with the Report of the Directors' and Auditors' thereon.
- 2.** To appoint a Director in place of Mr. B. S. Radhakrishnan who retires by rotation and being eligible, offers himself for re-appointment.
- 3.** To appoint M/s. Anil Nair & Associates, Chartered Accountants, as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

**By Order of the Board of Directors
For Aqua Logistics Limited**

**Place: Mumbai
Date: 14th August, 2013**

**Harish G. Uchil
Managing Director**

Reg Office:
5th Floor, B-Wing,
Trade Star Building,
Andheri Kurla Road,
Andheri (East),
Mumbai – 400 059

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The Instrument appointing a proxy must be deposited with the Company at its Registered Office, not less than 48 hours before the time for holding the Annual General Meeting.
3. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a certified copy of Board Resolution authorizing their representative to attend and vote their behalf at the Meeting.
4. Members are requested to bring their attendance slip along with their copy of annual report to the Meeting.
5. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/ Registrar and Transfer Agents, M/s Link Intime India Private Limited.
7. Non-Resident Indian Members are requested to inform M/s. Link Intime India Private Limited, immediately of Change in their residential status on return to India for permanent settlement.
8. The notice of the Annual General Meeting will be sent to those members whose names appear on the register of members as on 30th August, 2013.
9. Annual Report is available at the website of the Company at www.aqualogistics.com in the Investor Relations Section.
10. The Register of Members of the Company will remain closed from Saturday, 21st day September 2013 to Monday, 30th day September, 2013 (both days inclusive).
11. Members are requested to:
 - (a) Notify the change in address if any, with Pin Code numbers immediately to the Company. (In case of shares held in physical mode):
 - (b) Bring their copy of the Annual Report and Attendance Slip with them at the Annual General Meeting.
 - (c) Quote their Regd. Folio Number/DP and Client ID Nos. in all their correspondence With the Company or its Registrar and Share Transfer Agent.
12. Consequent upon the introduction of Section 109A of the Companies Act, 1956, Shareholders desirous of making a nomination are requested to send their requests in Form 2B in duplicate (Which will be made available on request) to the Registrar and Share Transfer Agent of the Company.
13. Members having any questions on accounts are requested to send their queries at least 10 days in advance to the Company at its registered office address to enable the Company to collect the relevant information.
14. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days except Saturdays between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting and the same will be available for inspection at the Annual General Meeting.
15. The Ministry of Corporate Affairs has announced a "Green Initiative in Corporate Governance" thereby allowing paperless compliance through electronic mode. The Company supports this environment friendly initiative of the Government of India and proposes to send Notices for General Meetings/Annual Reports/Other Shareholder

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Communication through electronic mode to the e-mail addresses, which are registered for the purpose from time to time. The Company requested the members whose e-mail id were not registered either with registrar and transfer agents or with the depository and send e-mail to those members whose e-mail registered with depository.

**By Order of the Board of Directors
For Aqua Logistics Limited**

Place: Mumbai
Date: 14th August, 2013

Harish G. Uchil
Managing Director

Reg Office:
5th Floor, B-Wing,
Trade Star Building,
Andheri Kurla Road,
Andheri (East),
Mumbai – 400 059.

Particulars of the Directors seeking Appointment/Re-appointment at the ensuing Annual General Meeting pursuant to Clause 49 of the Listing Agreement.

| | |
|---|--|
| NAME | Mr. B. S. Radhakrishnan |
| AGE | 50 |
| DATE OF APPOINTMENT | March 05, 2009 |
| EXPERTISE IN FUNCTIONAL AREAS | Long Standing experience in the field of media and entertainment |
| NAME OF THE COMPANIES IN WHICH HE HOLDS DIRECTORSHIP/ COMMITTEE MEMBERSHIPS | White Color Entertainment (P) Ltd. Eastmen Ventures Singapore Pte. Ltd. |

Director's Report

To,
The Members of Aqua Logistics Limited

Your Directors are pleased to present the Fourteenth Annual Report of the Company along with Audited Statement of Accounts for the period ended on 31st March, 2013.

FINANCIAL HIGHLIGHTS

Your Company's performance during the year under review is summarized below:

(₹ in Lacs)

| Particulars | For the year ended 31-03-2013 | For the year ended 31-03-2012 |
|---|----------------------------------|----------------------------------|
| Sales & Other Income | 26067.98 | 31298.97 |
| Profit Before Depreciation, Interest, Exceptional, Extraordinary Items and Taxes | 1915.65 | 1841.57 |
| Interest and Financial Charges | 1265.92 | 1178.27 |
| Depreciation | 392.11 | 386.84 |
| Profit Before Exceptional, Extraordinary Items and Taxes | 257.62 | 276.46 |
| Exceptional Items | 99.93 | 99.93 |
| Extraordinary Items | 2908.59 | 5.69 |
| Profit / (Loss) Before Tax | (2750.90) | 170.83 |
| Provision For Tax | 0.00 | 40.00 |
| Deferred Tax Liabilities | 89.81 | 15.47 |
| Profit / (Loss) After Tax | (2840.70) | 115.36 |
| Profit brought forward from Previous Year | 6153.73 | 6038.37 |
| Profit carried to Balance Sheet | 3313.04 | 6153.74 |

REVIEW OF OPERATIONS

During the year, your Company has registered a significant volatility and thereby a lower growth in its overall performance, entirely due to the extreme weak economic fundamentals within the country and in overseas market. The broad spectrum of industries in India has gone through a very bad patch during this fiscal, with top line of operations and margins shrinking. Logistics industry has been no exception to this, as its performance largely depends on the GDP growth within the various segment of industry. Income from operations is Rs 26067.98 lacs as compared to Rs. 31298.97 lacs in the previous year showing decrease of 16.71%. The decrease in revenue is mainly due to decrease in revenue from freight forwarding services and largely in project logistics. However, in spite of all odds and adversities your Company has achieved reasonable level of sales targets, which is grossly attributable to Company's customer-centric approach and its ability to provide customer specific solutions, customer centric focus on pricing and innovative marketing strategy, timely project executions and better control over cost.

Profit before Depreciation, Interest and Tax (PBDIT) has increased from Rs. 1841.57 lacs for the year ended March 31, 2012 to Rs. 1915.65 lacs showing a slight growth of operations this fiscal. During FY 2013, your Company has recorded Net Loss after Tax to Rs. 2840.70 lacs from a PAT level of Rs. 115.37 lacs in FY 2012 due to loss on sale of Investments in subsidiary companies.

The Directors of your Company are currently doing their best to improve the Company's earning and the results will show up in the ensuing quarters.

BUSINESS & FUTURE OUTLOOK

According to the World Bank's 2012 Logistics Performance Indicator, India is ranked 46th and is behind countries such as Japan, the United States, Germany and China. Logistics costs account for around 6-10% of average retail prices in India as against the global average of 4-5%. Therefore, there is a clear scope to improve margins by 3-5% by improving the efficiency of the supply chain and logistics processes. India is the second largest producer of fruits and vegetables in the world but, according to the India Tribune, due to inadequate supply chain and logistics infrastructure and management, two-thirds of the produce, worth US\$ 65 billion in revenue, is wasted or lost in transit every year. In the last few years, India has also been crippled by rising food inflation rates, predominantly due to

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high supply chain costs in the Indian food and grocery industry, estimated at US\$ 24 billion. When it comes to temperature-sensitive transportation and storage, the gap is more glaring. According to industry analysts, improving the back-end processes in the supply chain and integrating cold chains can save US\$ 15 billion annually while reducing the wastage of perishable horticulture produce and ensuring additional export revenue of over US\$ 5 billion. In India, 65% of freight traffic moves on the road network. Road freight volumes have increased at a much higher rate than the growth of the road network over the last few years, creating structural issues of capacity and quality. Complex taxation and the use of different road permits/documents in different states impose additional constraints on the movement of freight by road.

Going forward Your Company intends to focus on this opportunity in creating infrastructure to cater to this segment and is already in the process of scouting for suitable partners to align with for seizing this opportunity. This segment of logistics business requires huge level of investments in infrastructure and is a short to medium term opportunity with heavy dose of top line business and fantastic bottom level business opportunity. Your Company is clearly focused on this and is making the right moves to enter this area.

As far as the existing operations are concerned, Your company is focused in reducing the lower margin business in the various segments of logistics operations and focus only on reasonable margin oriented businesses and is currently focused more in supply chain solutions and delivery to existing clientele on selective basis. Your Company wants to certainly restructure the operations from an improved margin orientation business which only can sustain operations on long term basis and can also provide value to its valued existing shareholders and other stake holders.

Your Company is also focused currently in reducing its short and long term liabilities significantly by aligning with strategic investors so that the interest burden which is erasing the margins to be retained can be restored and the operational efficiency can be brought back into black during this fiscal. Lot of efforts are under way to achieve this and Your company is confident of achieving this at a reasonable time frame.

Your Company is completely aware of the weak economic fundamentals prevailing in the domestic and overseas markets at this point in time. There is a huge negative sentiment prevailing. But Your Company feels that these are the best times to initiate and enter newer segments of logistics businesses which can provide long term value to shareholders and stake holders. Further, with the economic sentiment within the country likely to show positive results in the third quarter of this fiscal, Your Company is confident of restoring back its original glory of CAGR and PAT.

DIVIDENDS

In order to conserve the profits of the business of the company, to meet the growing funding requirements, your Directors have not recommended any dividend for the year under report.

PUBLIC DEPOSITS

Your Company has neither invited nor accepted any deposits from public, within the meaning of section 58A of the Companies Act, 1956 and Rules made thereunder.

SUBSIDIARY COMPANIES:

The major part of the Subsidiary Companies have been hived off and sold during this fiscal to an Overseas Investor and for the balance tiny subsidiaries, in accordance with the General Circular no. 2/2011 File no. 51/12/2007-CL-III dated 8th February, 2011 issued by the Ministry of Corporate Affairs, Government of India, granting general exception to the Companies Under Section 212 (8) of the Companies Act, 1956 the Balance Sheet, Profit and Loss Account and other Reports and statement of the Subsidiary Companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the Subsidiary Companies and the related detailed information to any shareholder of the seeking such information at any point of time. The Annual Accounts of the subsidiary companies also available for inspection by any shareholder at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statement of the Company and all the subsidiaries duly audited by the statutory auditor of the Company are presented in the Annual Report of the Company.

AMOUNT TO BE CARRIED TO RESERVES

Since it is not proposed to declare any dividend, the entire amount of Rs. (2840.70) is proposed to be transferred to the Reserves of the Company.

AUDITORS

M/s. Anil Nair & Associates, Chartered Accountants, Chennai, the Statutory Auditors of the Company, retires at the conclusion of this Annual General Meeting. They have furnished a certificate stating that their appointment if made will be within the limits laid down u/s 224 (1B) of the Companies Act, 1956. The Board recommends re-appointment of M/s. Anil Nair & Associates as Statutory Auditors of the Company for the current financial year and to fix their remuneration.

AUDITORS' REPORT

The notes to the Annual Accounts of the Company, referred to in the Auditor's Report are self – explanatory and do not require any clarification from the Board except with regard to the following:

Though there are no qualifications in the Auditors Report there are certain issues which have been highlighted viz financial stress on the Company which is reflected by statutory dues are in arrears, dues to banks and a financial institution are pending. In order to overcome the situation, Your Company is focused currently in reducing its short and long term liabilities significantly by aligning with strategic investors so that the interest burden which is erasing the margins to be retained can be restored and the operational efficiency can be brought back into black during this fiscal. Lot of efforts are under way to achieve this and Your company is confident of achieving this at a reasonable time frame.

DIRECTORS

Pursuant to the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. B. S. Radhakrishnan is liable to retire by rotation at the ensuring Annual General Meeting of the Company and being eligible, have offered himself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217 (2AA) of the Companies (Amendment) Act, 2000, with respect to Directors' responsibility statement, it is hereby confirmed:

1. that in the preparation of the accounts for the financial year ended 31st March, 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for the period under review;
3. that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. that the Directors have prepared the accounts for the financial year ended 31st March, 2013 on a going concern basis.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

PARTICULARS UNDER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956

Conversion of Energy

The Operations of the Company do not consume high levels of energy. Adequate measures have been taken to conserve energy everywhere. Your Company uses latest technology and energy efficient equipments. As energy cost forms a very small part of the total costs, the impact on cost is not material.

Technology Absorption, Adaptation and Innovation

Your Company is in an Industry, which demands absorption of emerging technologies and trends so as to cater to the needs of its esteemed Clients. Your Company has developed methods for absorption and adaptation of new / emerging / developing technologies, in consonance with the needs of its Clients and its own requirements.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The Earnings in Foreign Exchange were Rs.23.15 lacs (Previous Year Rs.278.96 lacs) as against Expenditure incurred in Foreign Currency of Rs. 24.51 (Previous Year Rs. 238.05 lacs). Since the Company does not own any manufacturing facilities, the other particulars under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

PARTICULARS OF EMPLOYEES

None of employees has received remuneration/salary exceeding the limit as stated in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

ACKNOWLEDGEMENTS

Your Directors hereby wish to place on record their appreciation of the significant contribution made by each and every employee of the Company. The Directors also thank all other stakeholders for their support and encouragement. Your Directors look forward to your continued support in the years to come.

For and on behalf of the Board of Directors

Place: Mumbai
Dated: 14th August, 2013

Chairman

Management Discussion and Analysis

1. Economic Outlook

India's struggling economy is likely to grow even more slowly this fiscal year than the decade low of 5 percent struck last year, as investment will stay weak due to inadequate reforms and uncertainty ahead of a looming election. The parlous state of Asia's third largest economy was reflected in the rupee's 18 percent plunge against the dollar to all time lows since May, when signals emerged that the U.S. Federal Reserve was considering winding down an easy money strategy that had benefitted emerging markets like India. Burdened with a record high current account deficit, the rupee has suffered a far steeper fall than other emerging market currencies, and investors doubt whether Prime Minister Manmohan Singh's minority government will take bold enough steps needed to remedy the economy with an election due within nine months.

India's growth slowed to 5 percent in the 2012/13 fiscal year that ended in March, its worst performance since it grew by 3.9 percent in 2002/03. However, some economists are more optimistic. They are hopeful that upbeat farm output prospects on the back of plentiful rainfall this year, benefits of a weak rupee for exports, a pick-up in investments following approvals to several large projects in recent months and improvement in the global economy, will combine to deliver more favorable outcome than anticipated.

According to the 'India 2020 - Economy Outlook' launched by Dun & Bradstreet in association with Life Insurance Company (LIC), the Indian economy is expected to recover from the current phase of slowdown by FY'14 and is expected to gather pace by FY'15.

2. Indian Logistics Industry

Logistics cost in India is estimated to be 13% of GDP, which is much higher than the developed economies like USA which spends around 10% of its GDP as logistics cost and Japan which spends 11% of its GDP for the same. The reason for this high spending is attributed to poor infrastructure facilities, lack of implementation of IT in logistics and unnecessary check points at the National highways which wastefully increases the transportation costs. India can save upto US\$ 7.13 Billion each year in the event of a reduction in logistics cost by 1%.

Indian logistics industry is approx. 3% of the global logistics and is highly fragmented so far. Logistics industry comprises of three major segments - transportation, storage and value added services. Based on the analysis of various sub-segments in the Indian context on various comparative factors, Companies in the storage and the value added service segments are well-placed to capitalize on growing Indian economy.

Growth Drivers

The evolving business landscape and increasing competition across industries, is creating the need for more efficient and reliable logistics services than what exists today. The growth drivers for the Industry can be summarized as follows –

- **GDP growth and rise of 3PL services** – Most companies across industries like automotive, electronics, FMCG and pharmaceutical sectors are increasingly opting to outsource their logistics requirements to specialized 3PLs. This has created a demand for a range of logistics services which will benefit the productivity and efficiency of the customers supply chains.
- **Investments in infrastructure** – Given the current thrust on infrastructure investments, the growth and efficiency of Logistics Service Providers as well as their customers will be positively impacted. The government has planned investments in infrastructure development amounting Rs. 20,00,000 Crore in the next 5 years. This will prove to be a major benefit for the logistics industry.
- **Qualified work force** – There has been a sudden transformation in the scale and scope of activities within the logistics sector. This growth rate needs to be supported with a parallel growth of skilled and trained manpower. Attracting and retaining talent is a major problem faced by Companies in the logistics business. There is a need