"Aegis Logistics Q4FY2015 Earnings Conference Call"

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MANAGEMENT: MR. ANISH K. CHANDARIA – CEO & MANAGING DIRECTOR, AEGIS LOGISTICS

Moderator: Ladies and gentlemen, good day and welcome to the Aegis Logistics Q4FY2015 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. This statements are not the guarantees of future performance and involved risks and uncertainties that are difficult to predict. With this, I now hand the conference over to Mr. Anish Chandaria – Managing Director & CEO at Aegis Logistics. Thank you and over to you sir.

Anish Chandaria: Thank you very much. I would be presenting the quarter four results as well as the annual results for FY14/15. I would summarize the quarter four results for Aegis as a very stellar set of result as I will explain we are very happy with quarter four in all respect.

Total revenue for quarter four was Rs. 520.25 crores versus Rs. 1,099.9 crores year earlier. Now this drop in revenues is mostly because of the drop in the international LPG prices to $450 level from $1000 plus last year. So not really anything to do with volume but more to do with trends in international LPG prices and for the year as a whole FY14/15 the total revenues for Aegis group was Rs. 3,916 crores. Total segment EBITDA for both divisions in total we reached an all time record for Q4 of Rs. 51.78 crores versus Rs. 33.08 crores year earlier. That is a rise of 56.5% in quarter four year-on-year EBITDA, for the company as a whole, for the group as a whole and also we have an old time record for the year as a whole, FY14/15 for EBITDA, Rs. 182.03 crores versus Rs. 143.9 crores year earlier. That is a rise of 26.5% year-on-year for the year as a whole. So all time records for EBITDA for quarter 4 as well as for the year as a whole 14/15. As far as pretax profits are concerned, profit before tax, quarter four was Rs. 32.4 crores versus Rs. 14.87 crores year earlier. So that is the rise of 117.9% in quarterly earnings for profit before tax and for the year as a whole FY14/15 profit before tax was Rs. 142.2 crores versus Rs. 79.91 crores year earlier, that is a rise of 78% for the year as a whole. As far as profit after tax is concerned, in quarter 4 it was Rs. 23.8 crores versus Rs. 13.8 crores year earlier, that is a rise of 73% in profit after tax for the quarter, year-on-year and for the year as a whole FY14/15, profit after tax was a record Rs. 112.3 crores versus Rs. 68.7 crores year earlier. So that is a rise of

63.5%. So I think we are very happy with the quarterly result for quarter four and the year as whole as well with very substantial rises in the figures.

Let me just give you some key highlights of quarter four. Pipavav terminal, there was a very high capacity utilization between January-February–March of this year and that is reflected in the segment results which I will be going through as part of liquid terminal division. So 9 months after we started Pipavav in April 2014 by January-February-March of 2015 we reached very high capacity utilization and the start of the rail connectivity from Pipavav which is the key to the future of Pipavav, more movement by rail to the North.

Second highlight was that allotment of 5 acres in Kandla port, which means this will be our fifth port in the Aegis necklace of terminals that we are building around the coastline of India. This is a very significant development because Kandla is one or major ports of the country and Aegis is now present in Kandla with for now 5 acres of land. So these are the two major highlights I would say for Q4.

Now turn to the detail discussion of each business division starting with the liquid terminals division. The revenues for quarter four were record Rs. 47.68 crores for Q4 and that was versus Rs. 32.2 crores year earlier, so a rise of 48% in revenues, year-on-year. Again we haven't seen these kinds of revenue growth figures for some time but it is very much as a result of the major Terminal Pipavav coming on stream achieving high capacity utilization. Also for the year as a whole 14/15 there was a record revenue for the liquid terminal division of Rs. 153.5 crores versus Rs. 130.8 crores year earlier. So for the year as a whole a rise of 17.2% but as Pipavav has really only started achieving the high capacity utilization in the last quarter in quarter 4, you can see the impact. As far as EBITDA for the segment is concerned for Q4 for liquid terminals, Rs. 34.2 crores was the Q4 EBITDA for this division versus Rs. 19.39 crores year earlier, a rise of 76% in the EBITDA for quarter 4 year-on-year and for the year as the whole 14/15 a record EBITDA for this division of Rs. 97.38 crores versus Rs. 83.47 crores year earlier, a rise of 16.7% year on year. So as I said in quarter four revenues and capacity utilization was strong in all the terminals, Mumbai, Pipavav, Haldia, Kochi, but the strong Q4 really shows the impact of Pipavav which was operating at an average of 75% to 80% capacity utilization and as I discussed in the last earnings call we are very happy to say that the start of the rail connectivity movements of alcohol by rail started I think in the month of February and that is very interesting because for the future, Pipavav is an important growth prospect for Aegis.

Now turning to the gas terminal division, LPG division, revenues for quarter four were Rs. 472.57 crores versus Rs. 1,067.7 crores year earlier, as I said the revenue figure is affected by the sharp drop in international LPG prices, not really profits or volumes, so one should discount that to some extent and for the year as a whole 14/15 revenues in this division were Rs. 3,762.6 crores versus Rs. 4,900 crores year earlier. As far as EBITDA for this division, Q4 was 17.58 crores versus Rs. 13.69 crores year earlier, that is a rise of 28.4% in year-on-year quarterly earnings for this division and for 14/15 as a whole EBITDA was Rs. 84.65 crores versus Rs. 60.47 crores year earlier, that is a rise of 40% in the EBITDA for gas division year-on-year. Now I also can tell you little bit about the volume analysis that I normally gave. The sourcing for LPG, the volumes that we did for sourcing through Aegis Group International System in Singapore, quarter four was 1,13,698 metric tonnes versus year earlier 1,43,510, for the year as a whole we achieved 7,01,560 metric tonnes for sourcing volumes versus 7,69,086 year earlier, so almost about the same sourcing volumes over the year as the previous year. As far the throughput fees are concerned that is the LPG terminals that we run in Mumbai and Pipavav mostly for the PSU oil companies and Reliance and few other customers. Quarter four volumes showed a healthy rise, 1,30,982 metric tonnes versus 1,01,594 metric tonnes handled year earlier for quarter four, so that is a rise of 29% in terminal throughput fees, I mean volume handled for throughput in the quarter four and also for 14/15 for the year as whole there was a rise of 31% year-on-year for the year as a whole 6,25,812 metric tonnes handled through our two terminals, LPG terminals where it was 4,76,854 for the year earlier. So for FY14-15 a rise of 31% in volume handled for LPG in our two terminals.

Now for the first time in few quarters I am pleased to announce that in Autogas we saw a very large rise in volume, a 42% rise in volume in quarter four, 5,250 metric tonnes for quarter four Autogas sales versus 3,697 metric tonnes year earlier. That is a 42% year-on-year rise in quarterly volumes for Autogas and for the year as a whole 14/15 however it was little lower 18,718 metric tonnes versus 20,112 that is drop of 7%. But the difference in quarter four compared to the first three quarters why there was a 42% rise is I think our retail LPG team explained to me that this is the first positive sign of volume growth in Autogas for quite a few quarters because of DBTL, Direct Benefit Transfer for LPG. It seems that, which I think 82% or 83% of the Indian households are now covered by DBTL, this is the cash transfers for the LPG subsidy. Although there is still a great period for another three months up till June, the people still can, before they stop getting the subsidized cylinder and then everything has to go through their bank account. But it is the first time and it is not only us, the industry as a whole, although we have seen a 42% increase in the volumes, the industry as a whole BPCL, IOC, HPCL etc, they have also seen rise in Autogas sales in the introduction of DBT. It is very early days yet, it is only three months in but it is the first time, positive signs of volume growth that we seen for a number of quarters and I think the real key for the future is to see whether the current direction of government policy of single market pricing for LPG cylinders continues. Now today, despite this rise in sales there is still, we estimate 7,50,000 metric tonnes of diversion in Autogas. That means that total one million tonnes is being sold, is being consumed as LPG for cars and three wheelers, but only 2,50,000 to 2,60,000 metric tonnes is going to the Autogas sector, of which we are roughly 10% by selling 20,000 tonnes or so or 8% to 10% market share. But the other 7,50,000 tonnes is still being diverted from cooking gas cylinder, subsidized cooking gas cylinders going into their car despite DBT going on and I think the reason for that is that there is still two factors which the government has yet to deal with, despite putting DBT. One is that they are having a differential pricing in terms of the import duties for domestic subsidized cooking gas cylinders and non subsidized cylinders, what we call free market cylinders because they are saying that LPG for domestic subsidized cylinder has 0% customs duty. That seems to be about a Rs. 100 per cylinder difference and there is no reason for that anomaly, all LPG in principle should be priced the same. There should be the same import duty for whether it is a subsidized cylinder or non subsidized cylinder particular since they implemented Aadhar. If that price difference goes and if they start restricting as conversation I understand are going on with the petroleum ministry that even the Aadhar subsidy or the DBT subsidy only gets targeted towards poorer people. Then again the combination of those two which seems to be the logical direction of government policy over the next few years probably will reduce further the diversion. If they go all the way over the next few years and implement both those things then all logic says that diversions could be down to zero over the next few years, but okay I have no way of predicting the change, but that would make the Autogas market, a million tonnes market rather than 2,50,000 tonnes that it is today. So I think our policy will be to continue to build this new station and see whether we can continue to increase the volumes.

Another very interesting development which I would like to say, which I have not said before is, we had four years ago entered into agreement with Essar Oil that is reciprocal agreement that in our Autogas station we have now 101 Autogas station. If the dealer so chooses they can put an Essar branded petrol or diesel and/or petrol/diesel pump and if Essar dealers, Essar petrol and diesel dealers are interested they can put an Aegis Autogas pump in their premises and I am very pleased to say my retail LPG team has told me that out of 101 stations around 35%-40% of our dealers have taken a decision to install Essar Diesel pumps in their station. That is good because it gives them more return on the investment that they do not only sell Autogas but they can also sell diesel and petrol. So I think this is positive because anything that keeps the dealer happy and make them more money is good and then you see more traffic generally at the station and this is obviously as a result diesel decontrol.

Now moving on to commercial industrial sales for quarter four is worth 5,993 metric versus 6,518 metric tonnes year earlier and for the year as a whole 14/15 it was 23,467 metric tonnes versus 28,394 metric tonnes. So still a drop of 18% in our commercial industrial sales and again I have to say that it has been a difficult two or three quarters but in Q4 we saw the first time of this DBT for LPG leading to a pickup in signing new dealers particularly for the commercial LPG cylinders and that is the only way you can increase sales by adding more dealers. What we have seen is that every time we have added more dealers for the commercial LPG because times were tough in 2014 with all these diversions. Some dealers were leaving, so we have no major net increase in the commercial LPG dealers in 2014 but first early signs that the impact of DBT is in quarter four that is January-February-March we have seen a pickup in the pipeline of new dealers. So I am hoping that in current year 15/16 our retail people will see an increase, will implement an increase in number of net new dealers added to our network for the hotels and restaurant sector and that therefore should result in more volumes in the coming year.

Now finally let me turn to the outlook for the year ahead for FY15/16. As far as the liquid terminal division is concerned in this current year 15/16, four things I would like to say. One, is that we would like to sustain the Pipavav terminal utilization rate by more movement of rails. So that is very much the focus of our marketing team to sustain the higher utilization rates in Pipavav by more movements of rails. Second action that we have already announced but I reconfirm is that we will be completing in this year, the 9,100 KL expansion in Haldia liquid terminal where we are in the final, project has not quite yet started because of some promise but we are very close now to the start date for that and that process will only take about four months of construction to complete those tanks. So we will see some impact of that in revenues once that project is completed in the current year. Third is that we sent out the press release couple of months ago that we have taken on 30 years lease around 5 acres of land in Kandla port and what I can tell you today as new information is that our project people are now in the process of getting the permit for construction of tankage in that port. The Aegis Board has not yet approved this CAPEX plan but I can indicate as soon as we get the permit for this land we will be building on 5 acres roughly around 48,000-50,000 KL we could build in Kandla. However there is no permit yet and we still have not decided the exact configuration of the tank, but most likely the marketing people would like to put up this tankage as soon as possible as soon as we get the permit and it will be most likely for vegetable oil is what they are looking at right now. But there is readymade business and we would be trying to implement this project I can confirm in the current year as soon as we get the permit.

And final thing I like to say is that we are still in the process of planning for Phase-II in Pipavav which is 1,24,000 KL for construction. The trigger for starting that project is simply when our marketing people are ready for more business over there, signing up more customers and when they are at a few more month of sustained high capacity utilization for the existing Phase-I 1,20,000 KL. Three months is very good; January, February, March. April, May, June the current port remain positive, but they like to see that continue before we start the work for the construction of Phase-II. But that is clearly being planned 1,24,000 KL which I said many times for Pipavav.

Then as far as the gas division is concerned. I have something new to announce also which was decided by our Board which is we are announcing today a construction of another 2,700 metric tonnes, two more LPG spheres in Pipavav. As you remember last year we have been 2,700 metric tonnes, so take our total LPG storage capacity to 5,400 metric tonnes and we are announcing today, very significant, business we feel is strong enough in we expect in LPG terminal handling in Pipavav port that we would like to with immediate effect in fact the project is, since we already have the permission, the project is already starting today as we speak. 2,700 additional metric tonnes of LPG Phase-In Pipavav. The total CAPEX for this project will be 17.5 crores and we expect a 6 months' completion. So expected commissioning of these two new sphere is probably November-December of 2015. It might be 6-9 months, so let us say that it might be somewhere between December to February, so Q4 of 15/16, 6-9 months and that will take our total storage capacity in Pipavav upto 8,100 metric tonnes when it is completed, which means roughly a throughput total import capacity of as much as 3,00,000 metric tonnes once that is completed and that is a very positive signal. Our business team for gas division expect more throughput, additional throughput of LPG in Pipavav terminal this year and going forward. We will also be pushing more throughput through the Mumbai LPG terminal as the new berth, the second chemical berth is being commissioned later this year. At the moment we are assessing every month the progress of Mumbai Port Trust in their commissioning work. It is slow but at the moment the best guide I think I can give is that we feel that by end of July, the actual berth will be ready to receive, maybe July-August will be ready to receive ships, in other words the actual civil works will be completed. However there is still a delay in the fire-fighting equipment, so at the moment I do not expect LPG vessels to be able to dock at this new berth until probably quarter four, January-February-March of 2016, but it is quite possible that liquid chemicals and other ships could start coming in from August-September of this year. So there might be a delay for LPG but at least for the liquid it could start coming in. So that means we can push more LPG through our LPG terminal as there will be less congestion at the jetty by having the second chemical berth. Third and last point on gas division for this year is, which I am not going to say anything more in detail but as I have been indicating in previous earnings call and in presentation to investors, the first two major projects in our ITOCHU joint venture business plans are getting closer to getting the final permits and obviously I will have more to say only and give the details of those first two major projects in that business plan when we get the final permits but the final building permits and environment permits and nearly start building. But we are getting very close, it looks like getting those permits. So I have more to say on that but I think I can tell you today that the first two major projects in our business plan with our Japanese joint venture partner ITOCHU for the terminals and pipelines are actually getting closer and closer to getting the permits. Maybe if things go well I might be able to actually give the details of that at our annual general meeting in August.

So to summarize I think it has been an excellent year for Aegis Group in FY14/15 by any standard with record financial results for the year as a whole, signing of the ITOCHU LPG joint venture in quarter 3 which is very significant for our future and start of rail connectivity from Pipavav in quarter four and in FY15/16 is all about implementation, implementation of our necklace of liquid terminals, building our necklace of liquid terminals and building our necklace of LPG terminals and associated infrastructure pipeline and rail connectivity as per our business plan may be told you. So the model that we have at Aegis is built as fast as possible as the permit allows, the environmental permits in the building permit. The last thing I want to say is that the Board has also approved and announced last night a stock split in the ratio of 10:1, this is result of sounding from our brokers and others to encourage more retail investors, we have decided 10:1 stock split, the AG share prices risen strongly of the last year up to I think Rs. 700 but to encourage more share volumes and more retail investors who have expressed an interest to buy the shares, the Board has approved a stock split of 10:1 and we feel that in a confident move for Aegis in the year ahead but it is now all about building the project that we have in our pipeline. Thank you very much, we can now take some questions.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. We have first question from the line of Kashyap Zaveri from Capital 72 Advisors. Please go ahead.

Kashyap Zaveri: My first question is in your presentation you usually report this normalized EBITDA number. You also highlighted during your opening remarks but unfortunately I missed out on that. So liquid and gas, normalized EBITDA was how much?

Anish Chandaria: I will just repeat it. I got the figures here. For the liquid terminal division for quarter four you want it or full year as well?

Kashyap Zaveri: Quarter four and quarter three.

Anish Chandaria: For quarter four for liquid terminal division it was Rs. 34.2 crores and for the year as a whole it was Rs. 97.38 crores and for quarter three it was Rs. 23.07 crores. So quarter four was really a big jump, Rs. 34.2 crores versus Rs. 23.07 crores and you want it for gas?

Kashyap Zaveri: Yes.

Anish Chandaria: Gas for quarter four, the EBITDA was Rs .17.58 crores and for the year as a whole was Rs. 84.65 crores and the previous year was Rs. 60.47 crores and quarter three was Rs. 22.13 crores.

Kashyap Zaveri: And this Q-on-Q decline in gas EBITDA would be largely to do with the industrial…

Anish Chandaria: Actually we had normally in January-February, we have to shut down that Reliance cracker. So that impact to some extent. That happen almost every year, they take a maintenance shutdown, it is about 6 weeks between January and February, so that is the main reason and that does result in some drop but generally speaking it was a good quarter except for that shutdown.

Kashyap Zaveri: And on your expansion plans in liquid, now in Kandla you said 5 acres of land is already been acquired. Now if I understand properly then about 6 months to permit and about 12 months to build would that be right assumption?

Anish Chandaria: We have taken that 5 acres on long term lease 30 year lease we cannot acquired it, obviously it is port land. But yes, generally speaking I think it is reasonable to assume 6 months, these are just state approvals. These are normal state approvals. So generally 6 months is about okay and I would say that about 9-12 months is the construction period for this.

Kashyap Zaveri: So this Kandla, 50,000 KL would probably be ready by Q4 of next year?

Anish Chandaria: Yes, we will try and build it as fast as possible. It is not even the configuration is not agreed and because we only received the land I think about 6 weeks ago but I am just giving you a sense of direction that within about 18 months from now we probably expect that to be earning revenue.

Kashyap Zaveri: And this Pipavav Phase-II, you mentioned that Phase-I almost utilization are reaching about 80%, in this quarter, they are still 80% or inched up in Q1 also.

Anish Chandaria: This quarter is not over yet, we are still in May and June, in the next earning call I will be able to give you indication but business is going well, I can at least say that but we would like, I will ask marketing people when are ready for Phase-II. I think we always take the attitude that until we sign up enough customers for the next Phase-II we do not just build it and hope the customer come and we like to see enough sustained high capacity utilization rate not just with 3 months but before, but the construction phase there is actually pretty fast for Phase-II, it would not be more than 6-8 months because it is just putting up tank the associated infrastructure is already there including pipeline and fire fighting and all the other utilities. So in fact it can be pretty fast as soon as but we are cautious we only press the button on that Phase-II when our business team is ready for that. But business is going well and I think the key is as I said rail connectivity that we just started the rail movement in the month of February, again that is only two months ago, three months ago, we need more movement by rail and that is probably then trigger Phase-II, that probably is the best way of thinking about it. So far we have moved alcohol for one major client. We need to sign up more customers for also other products like for example vegetable oil, not only alcohol. Then we can. But that process is on they are working hard to negotiate those contract and then we will be able to come forward. But then I would not mention it today that, that is what has been planned for 15/16 if we were not reasonably confident that will happen, but we have to sign up those customers first for the rail movement before we probably trigger the start of Phase-II.

Kashyap Zaveri: So roughly in FY16 it will be all complete utilization of the facilities that we put up in FY15 which is Pipavav full and also Haldia 69,000 KL.

Anish Chandaria: Yes, I mean our intention is always to run as full as possible.

Kashyap Zaveri: I am saying to increase the utilization, let us not put it full utilization but at least to get revenues from increased utilization of this.

Anish Chandaria: Yes absolutely, plus whatever we can, because remember that in 14/15 really we only saw impact of Pipavav for three months, which is quarter four and you can see the impact it had on EBITDA and revenue. So now we should see for the full year because you only really got three months of that, for almost 9 months we did not have much revenue coming under Pipavav. Now you see the full year of Pipavav, Baddi is operating at a very high level but we will also see some impact later on in the year of 9,100 KL and that is how we will continue to raise revenues and profits in the liquid division for this year.

Kashyap Zaveri: And lastly on the gas side, you mentioned about this ITOCHU two projects getting to sort of initial closures, in ITOCHU totally there are three terminals which you have planned, right?

Anish Chandaria: Yes.

Kashyap Zaveri: And when you say closure it does it mean that all permits are in place now or it is just land which has been identified or?

Anish Chandaria: I would not use the word closure, what I am saying is start of construction, as I have been explaining in many presentation and yes I can definitely confirm that of those three one of those which I have said many time one of that is a brand new LPG terminal, I am not specifying where it is today where it is but of those three terminals is now very close to getting the environmental permit. But as soon as we get it only then I am going to announce that project. Probably we will be one of the biggest announcement this year for Aegis, once we are able to start the construction but I am not able to say that today but at least I can give an indication as I do that we are getting closer and closer to those promise and second thing is that in that business plan as I said the there are three terminals but there are also other projects in that business plan which I am explaining including pipelines and railways interconnections and also some other thing. So all I am saying is two of those projects in that business plan, one of which will be a terminal getting closer to getting the building permits and environment permits and I think reasonably high degree of confidence unless something goes drastically wrong in this final environmental assessment committee meeting or whatever, they will start construction with you.

Kashyap Zaveri: It was missed out on this retail LPG volumes, could you in Q4?

Anish Chandaria: I think I said all I have to stay on that, that we had a 42% increase in volumes.

Kashyap Zaveri: That is auto, right?

Anish Chandaria: Yes, Autogas.

Kashyap Zaveri: No, I am saying the hotel/restaurant part.

Anish Chandaria: Yes, well the point is that we had not really been able to increase the number of dealers. You cannot really increase the sales unless you have more dealers because every time we have added new dealers, some dealers have dropped out, not in Autogas but in the commercial.

Kashyap Zaveri: The commercial?

Anish Chandaria: The business is being difficult with so many diversions of domestic cylinders going into hotels and restaurants, then how can increase sale if people are using in the hotels and restaurants and industries are using the domestic cooking gas cylinders? Now it is difficult. I said it for supporters, the only the good news is the first impact, we have seen it in Autogas, but the first impact has started with this DBT that diversions have started coming down, is that new dealers are now coming into the pipeline in January-February-March and saying okay, I will now start and we seem to have stop losing dealers since the last 3 months. That can only be because of this DBT. So I think what I am saying is our retail LPG field is now indicating that they think now because of this DBTL, we will be able to add more dealers and therefore more sales in this current year and get back on track on that business.

Kashyap Zaveri: Actually I just wanted the retail, those volumes numbers actually?

Anish Chandaria: Volume number for what?

Kashyap Zaveri: The last segment which is that hotel and restaurant one.

Anish Chandaria: Yes, I think I gave the figures for…

Kashyap Zaveri: So 5,250 metric tonnes was Auto.

Anish Chandaria: Yes for quarter four, it was 5,993 metric tonnes for commercial and industrial sales in cylinders.

Moderator: Thank you. We move on to the next question. That is from the line of Pawan Kumar from Unifi Capital. Please go ahead.

Pawan Kumar: Sir for the year-ended 2013 and 2014, the other unallocable expenditure as per your financial statements what would that pertain to because there is a sharp difference, you compare the full year figures of 2014, it is reflecting as around Rs. 224 crores and whereas for the year 2015, it reflect as just Rs. 8.7 crores.

Anish Chandaria: That is regarding other expenditure?

Pawan Kumar: Yes, it is other unallocable expenditure which I guess does not belong to any of the segments.

Anish Chandaria: Let me just check with my CFO who is sitting here. As per the accounts for FY14/15, the total unallocated other expenditure, the actual figure is Rs. 33.17 crores, other expenditure, and then we have other income which is the sale of stake in Aegis Group International, ITOCHU of 34.05 crores. We sold 40%.

Pawan Kumar: Rs. 30 crores would be the other expenditure sir?

Anish Chandaria: Yes and other income was the sale of that 40% stake to the Japanese of Rs. 34.05 crores**.**

Pawan Kumar: So technically next year this particular other unallocable expenditure should go up right?

Anish Chandaria: That is right because that is a one off, so that is why the net if you say Rs. 33.17 crores minus Rs. 34.05 crores, the gain on the sale is only Rs. 89 lakhs. That is a one off as we said many times that we are not going to sell every year this stake to the Japanese. So that will go off.

Pawan Kumar: Can you just us an idea on what is going to be expected CAPEX for Kandla?

Anish Chandaria: I cannot because first of all we have not decided the configuration and secondly we have not even taken it in the Board Meeting yet. We have only received the land about 6 weeks ago but be assured that as soon as the Board approve the CAPEX plan then I will report it, but as such I am able to give you an indication which is pretty obvious that on 5 acres, you can build roughly 48,000 or 50,000 KL. So that give you some sense but the actual CAPEX will depend on which size of pipeline we put and which type of storage tank whether it is stainless steel or whether it is this type of size of tank 3,000 KL or 5,000 KL, we have not done that yet. So no point in doing that and it has not gone through the Board yet.

Pawan Kumar: Sir for the Phase-II of Pipavav liquid construction, when is that expected to start and what is the expected CAPEX for this?

Anish Chandaria: You are talking about the liquid? 1,24,000 KL.

Pawan Kumar: Yes sir what would be the capital expenditure in this particular year or for the next year?

Anish Chandaria: Here the configuration has been actually agreed but it is not yet approved by the board, the CAPEX plan but at least I can give you a rough indication because here the configuration is agreed. It is going to be around between 60-70 crores of CAPEX for Phase-II which is significantly less than Phase-I because we do not need to lay new pipelines and common utility. So around Rs. 60-70 crores and we have actually got, generally the master permission is already there in Pipavav. So it is only the specific what they call consent to establish it etc. So actually there will be no delay on permit. It is only the marketing question that I mentioned and I think the construction time will be somewhere between 7-9 months for commissioning that.

Pawan Kumar: So after December may we can expect something? Sir can we expect the revenues in December or the last quarter from this particular Phase-II expansion?

Anish Chandaria: For Pipavav Phase-II?

Pawan Kumar: Yes sir.

Anish Chandaria: No, I do not think you should take that because until we actually announce the start of construction, there is no point in doing that. It has not even gone through the Board. So at the moment, I would if you are modeling it, I would take nothing from Pipavav Phase-II until we announce it.

Moderator: Thank you. The next question is from the line of Abhijeet Vara from Sundaram Mutual Fund. Please go ahead.

Abhijeet Vara: So I have two questions. Firstly I was thinking since you have large commitment in Gujarat Pipavav port currently as well as in future as well in terms of capital expenditure, was thinking some volumes from Kandla might more to Pipavav port because efficient operators like yourself are present in Pipavav port. Now that you are also looking at Kandla how will it impact the future scope of expansion in Pipavav port? Will there be a potential cannibalization of volumes?

Anish Chandaria: Actually it is a very good question. I like your question because I also have the same question and if you are going for land in Kandla? The answer is actually very interesting. Our business team for liquids is basically saying there are separate markets in the sense that Pipavav is much more, will be for this movements to the North which is why the railway connectivity is very important whereas Kandla has very regular traffic for chemicals and perhaps this vegetable oils that we are looking at, etc. So Kandla has a kind of very specific catchment area of market which is more around Gujarat and Northern Maharashtra whereas Pipavav, we are kind of planning for movements to states like Uttar Pradesh likely move the alcohol and maybe even further not. So we are looking at 2 kind of different strategies for these two ports and we see that it will be very much complimentary.

Abhijeet Vara: Secondly as of now could you give us a broad scope of how your operations will look in Pipavav port, maybe 2-3 years down the line in terms of probably what you are targeting topline or PAT?

Anish Chandaria: Well, the way I have said it a few times and I think that is way of explaining it is that I think in the next, let us say 3 years from now, it is most likely that we will have Phase-I and Phase-II already earning revenues. Phase-I is the 1,20,000 KL which we are earning right now and Phase-II as I already said that most likely we will start construction sometime this year which is another 1,24,000 KL. So in other words, we will be probably having a terminal with 2,24,000 KL earning revenue. Roughly, the average rates that we are getting right now are about Rs. 170-180 per KL per month and we have been talking about pretty high EBITDA margins of somewhere like 70%-75%. So I think from that base it is quite easy to model what we are expecting. Capacity utilization rates is the next metric and as I have been indicating we normally run on the basis of year one 75% capacity utilization. We budget for year #2 to raise that to run 85% and trying to stabilize at least at 90% by year #3. So that is the way we have done our budgeting and I think it is quite easy therefore to calculate at what we expect to be generating by year #3?

Now going further that does not mean that we end that 2,24,000 KL. I have said in the past I reconfirm that we have 2 more phases in Pipavav, Phase-II another 2,00,000 KL and Phase-IV another 2,00,000KL . In other words, total of 4,00,000 KL on top of that 2,24,000 KL which is we feel and I say it because obviously negotiations are going on about that, will probably be dedicated more to petroleum traffic and again the pipeline connectivity is very-very crucial because the customers that we are currently negotiating with for Phase-III and Phase-IV are talking about moving petroleum traffic to and from Pipavav but through rail connectivity because those are very large volumes that we are negotiating. So that is why we keep emphasizing rail connectivity is such a crucial strategic thing for Pipavav that we started with alcohol, now the next step will be vegetable oils, the third step will be petroleum but there we need explosives permission which we are working on right now which might take 6 months or 9 months to get that explosive permission but we feel reasonably confident that we will get back but we are currently negotiating right now and have been for last few months with particular customers for petroleum traffic. So as soon as we get the business, then we will start construction but today I cannot say anything more than that. At the moment, the only plan so far for the next couple of years is Phase-II of Pipavav 1,24,000 kiloliters but that gives you a very clear sense of how importantly with regards Pipavav in the Aegis growth story over the next let us say 3-5 years and what I said is that we would intent to try and build all the 6,20,000 KL in Pipavav within the next 4 or 5 years.

Moderator: Thank you very much. Next question is from the line of Sujit Lodha from B&K Securities. Please go ahead.

Sujit Lodha: Sir just wanted to check sir in the next year there would 3 major CAPEXes, right? The new Kandla terminal, the Pipavav terminal expansion, and Pipavav LPD except for this are we planning anything else?

Anish Chandaria: Yes, we are. I said that there are 2 major projects in our LPG division which I have not yet announced but I cannot say anything more on that today until we get those moving but those are extremely significant and as given an indication that one of those will be a major new LPG terminal and there is a high probability that with that we will get the final environmental permission because we are at the final stage in which case I will be able to announce this but that will be hopefully in the next few weeks.

Sujit Lodha: So basically want to understand obviously you cannot share the CAPEX number but the Kandla port which is 48,000-50,000 rental roughly our CAPEX over Rs. 50-60 crores being a Greenfield terminal, Rs. 18 crores for LPG, and above Rs. 60-70 crores for MPJ terminal. So above this Rs. 150 crores, do you expect a significant increase in the CAPEX number in the next year?

Anish Chandaria: Yes, I said that for example the new LPG terminal which I have not announced today that will also be significant but for now there is nothing more to say about that.

Sujit Lodha: In Kandla sir, how is the operating expenses compared to other terminals, is just to get an idea of how the margins could be compared to say Pipavav terminal or is compared to Mumbai obviously?

Anish Chandaria: I think Kandla will be probably a little bit more expensive than Pipavav but less than Mumbai, so will be somewhere in between Mumbai expenses and Pipavav. Pipavav is a reasonably low cost operation which is why we were interested in it but it is let me say we expect it to be very profitable in Kandla, otherwise so it continued to be very high profitability but actually I think the rates might be a little higher in Kandla than Pipavav because it is a major port. So in terms of profitability, although it might be slightly higher cost than in Pipavav but the rates are slightly high. So profitability will be very good in Kandla.

Sujit Lodha: Sir the last question sir about how is your utilization at other terminals like Kochi and Haldia?

Anish Chandaria: Well in quarter four which I can say the Haldia was very high, 85% plus utilization, Bombay remains at full 100%, Kochi I believe average about 65%, something like that, and it continues to operate along that level.

Sujit Lodha: Sir is there been any update on the Sealord stake?

Anish Chandaria: Sorry, Sealord what about it?

Sujit Lodha: Sir Sealord stake which you are planning to buy that?

Anish Chandaria: Well yes, you have not forgot much**.** So Aegis retained 75%. Now I do not want to go into all the details but at least to give you a sense that it appears that Ahmedabad Stock Exchange has been derecognized. That is now a fact and the reason that Sealord only has one listing as a public company that is Ahmedabad. So I think that as soon as that process is through and it is a matter of few weeks I am told, then Sealord will become unlisted. As soon as it becomes unlisted, then that threshold of 75% goes which means that Aegis can actually go up in its stake. So I think that is the process, we want to obviously raise the Aegis stake from 75%. I am restricted for doing that until this listing goes. Once it is delisted or unlisted, then clearly we will take up our stake because it is a highly profitable venture. Yes so that is a very clear consideration. There are different ways of doing it but I think we are on the path to see. So probably in the next earnings call in August, I will be able to shed some positive news on that.

Moderator: Thank you. Next question is from the line of Pritesh Cheddha from Emkay Global. Please go ahead.

Pritesh Cheddha: Sir just one question, I could not understand what explains the drop in sourcing volumes between FY2015 and FY2014 and second what is the sense on this part of the business in terms of volumes incrementally on the direction side that is one question? Second on your sourcing volume drop but spread expansion for us because EBITDAs have gone up. So if you could throw some light there again?

Anish Chandaria: Well, the sourcing volumes as I said was 7,01,560 metric tonnes versus 7,69,000 metric tonnes in the year earlier. There is no real reason. It all depends on the import patterns of the public sector particularly customers like BPCL, HPCL, and Reliance. So there is no particular trend. It all depends on their refineries. Remember that they import from Aegis in ports like Bombay, Pipavav, mostly on the West Coast, Mangalore etc. Dahej. So it also depends on their own import requirements. Sometimes they import themselves at Vizag or it depends on that. So I would not get too tied up into whether the volumes are 7,60,000 metric tonnes or 7,10,000 metric tonnes or whatever it is, it does depend on that. More importantly is your question about going forward that what is going to drive more sourcing volumes going forward and which is one the main reasons why we went into this ITOCHU Joint Venture for the sourcing business. That is actually a joint venture right now, Phase-I of the joint venture that how can we expand the volumes going forward, I am not talking about the 50,000 tonnes here or there but I saying really trying to raise the volumes and the answer to that is the two things that I have been explaining to really drive up the volumes in the future. Build more terminals because if you build more terminals, then you can source more gas for those customers to use those terminals and that is why we are in this drive to build three new LPG terminals and I have some positive developments which I will be saying on one of those new terminals. That one terminal alone which we hope to announce soon without revealing too much is going to mean a significant rise in the sourcing volumes going forward. So that is how we build, one is build more terminals because terminals means you have a way of that marketing more cash to the users. The second way is by reducing the cost of LPG which is again part of the whole ITOCHU Joint Ventures by saying that okay as we get more deported as we put new terminals in deported ports or as for example Bombay new second chemical berth is going to come which will allow us to bring larger ships that will drive down the cost of LPG ports which therefore should need more sourcing volume. So these are the two ways in which we are actually following to actually really significantly increase this sourcing volumes from the 7,00,000 metric tonnes odd level that we are today, build more terminals and which is going on right now and start being able to bring the larger ships and lower the cost which means then they will prefer to buy from you rather than importing themselves. So this is really what we are working on and I think we are well down the road now. We are really well down the road to significantly increasing this thing but this will unfold. The story is unfolding this year and we are working very hard on doing that and I repeat what I have said when I had announced the ITOCHU Joint Venture, our business plan for this joint venture is that by year 5-7 let us say, we have got two scenarios, year 5-7 from last year that is 2014 which means 2019-2021 depending on whether you take the high scenario or the low scenario, we are targeting sourcing volumes of 2.5 million metric tonnes for year, not 7,01,000 tonnes. So that is really the way we have been trying to build this business.

Pritesh Cheddha: You see growth in the near term, let us say your FY2016 or your FY2017?

Anish Chandaria: Yes, I would say that until we build these new terminals and some of associated infrastructure like the pipelines and other things that I have been talking about, I do not think we will see much more in terms of sourcing until we do that. So I think it is very much dependant on building the new terminals, putting that pipeline into connections, and doing that which is why I keep emphasizing how hard we are working on that. As soon as those come on steam, you will see a step jump in the sourcing volumes. So in the near term, it is all dependent on that however, I do think we will see more throughput in the volume handling, it is not necessarily on the sourcing for example in Pipavav by adding those more spheres.

Pritesh Cheddha: What explains the improvement in spread of margin, is it because we did more logistics that is why or despite the drop in volume?

Anish Chandaria: Well I have to tell you the retail Autogas has been in very good margins.

Pritesh Cheddha: So there was a drop in volume there right?

Anish Chandaria: Volumes but also margins. Margins have been very good.

Pritesh Cheddha: Between FY2014 and FY2015 though there is a drop in volume what we can see is there is increase in logistic volume. There is decline in sourcing volume but there is decline in gas retailing also?

Anish Chandaria: I can tell you here I have got the figures in front of me that…

Pritesh Cheddha: No, I have written down the figures. So I am just trying to understand the increase in margin or increase in spread and reasons for that despite overall drop in sourcing of volume.

Anish Chandaria: I do not think there has been any margin increase in the sourcing because that is the same margin but it is really on the logistics that is the throughput fee because the volumes have increased a lot for example from Reliance where the margins are very good. So the volumes are 6,25,000 metric tonnes versus 476,000 metric tonnes. The main increase in the gas EBITDA is not on the spread, it is more on the volumes from the terminals.

Pritesh Cheddha: I said if the mix stays, then the margins stays, right.

Anish Chandaria: Yes, the margins are reasonably stable. I think it is more to do with how much you handle in terms of the volumes.

Moderator: Thank you. Next question is from the line of Pawan Kumar from Unifi Capital. Please go ahead.

Pawan Kumar: Sir how much of debt will be we taking for this particular CAPEX for this particular year and next year if you could just indicate a figure?

Anish Chandaria: Well generally speaking in terms of the CAPEX that we have talked about so far which has been approved by the Board Rs. 17.5 crores CAPEX for the two new spheres in Pipavav, we are going to be funding it from internal cash flow. So no debt. Company is throwing a lot of free cash flow. So we are going to have no debt on that. As far as the 9,100 KL in Haldia, that will also be funded from internal cash flows, no debts.

Pawan Kumar: How much would that amount to, expenditure, 4 crores?

Anish Chandaria: Yes around Rs. 4 crores. So that we will fund from internal cash flow.

Pawan Kumar: Phase-II Pipavav?

Anish Chandaria: Yes Phase-II Pipavav, the CAPEX I said will be around Rs. 65-70 crores. Probably, we will be looking at around 50% of that is debt and 50% from internal cash flow. So really the only debt we will increase until we announce new projects which are the LPG projects which are not announced but so far will be only around Rs. 30-35 crores which is for this Pipavav Phase-II when we actually start building up.

Pawan Kumar: Sir this year CAPEX is expected to be around Rs. 90-100 crores right?

Anish Chandaria: Yes based on what I just said until we announce the new project for the LPG which I have not yet announced?

Pawan Kumar: If they are announced, the mix of that particular funding might be very different right?

Anish Chandaria: Yes, that will be different for sure because I will only announce that pattern when we announce those projects.

Moderator: Thank you. The next question is from the line of Tarun Sisodiya from Anand Rathi. Please go ahead.

Tarun Sisodiya: What I would like to understand is on the gas side, you did throw some lights on the volume and I just wanted to understand the margin part of it? How is it planning out and number 1 and number 2, my question is specific to Autogas, any revenue that you would share with us or what has been thrown from the retail operations out there, just the retail part?

Anish Chandaria: Yes, as far as the margins are concerned I think we normally have been talking about rupees per tonne kind of margin. I think there are about the same, there is no real change. For example for the sourcing business we make roughly $3-4 per tonne that is the same. For example in the Autogas, we make somewhere between Rs.5,000-6,000 per tonne. That is the same. For example in the commercial business we make somewhere between Rs.1,500-2,000 per tonne that remains the same. So margins are fairly stable and have been for many years and as far as the throughput business is concerned, I have been indicating a range of between Rs.700-1000 per tonne depending on which customers per tonne that we handle. So that has remained the same but I think very little change for these figures I we have been talking about for last 5-6 years not that much change. As far as the retail Autogas revenues are concerned, I mentioned that we sold roughly around 18,000 metric tonnes in Autogas and of course the prices have changed depending on the LPG prices when the international LPG price was $1,000 per tonne and the crude oil price was over a $100, we were supplying Autogas at Rs. 45 or 48 a liter. I believe now that the international LPG price is at $450 and the crude oil prices, this petrol price is therefore now at $60 Brent. Our Autogas prices are down to Rs.28 a liter. So I do think it is very relevant what is the price target is? We do not have much control. What is more relevant is volumes and the margins, yes you know volume multiplied by Rs. 5,000-6,000 per ton that I mentioned.

Tarun Sisodiya: So could I take it as irrespective whether gases is at 20, 40, or 60, the margins would more or less remain at Rs. 5,000-6,000?

Anish Chandaria: That is right, that is exactly right.

Tarun Sisodiya: Could you just elaborate on the DBTL scheme that you said that is really getting for you in terms of volumes and you have just witnessed only probably one quarter benefit in that?

Anish Chandaria: Yes, that is right and I can go on for long time but we have limited time but let me cut through the chase. What I have been saying is that Indian DBTL that is now in 83% I am told or 82% of the Indian households are now receiving the LPG subsidy of the cylinder in their bank account. You may be also yourself, I do not know, but there is a grace period apparently that you still have 3 month up till June; April-May-June. After that if you do not link your bank accounts with your dealer for DBT, then you are not going to get the subsidy. So that is why but we have only seen that really coming under implementation in January-February-March 2015 and now we will see in April-May-June, that 3 months’ grace period also going. So by July, it looks like most of the country 85% or 90% with only get their LPG subsidy through cash through their bank account and the cylinder price will be I do not know what it is right now but it will be the so called market price based on that. So what I am saying is what was pleasing to see is that the actual sales volume in the Autogas stations for example has actually risen in January-February-March station-by-station and I have seen a couple of days ago in our review meeting station-by-station whether it is Maharashtra, whether it is Gujarat, whether it is Karnataka, we have actually seen rises in sales volume for station. I have actually seen the station-by-station drive. That can only be because of the DBT that means less diversion, that people are now not putting so many domestic cylinders in their cars but actually coming to the gas station but there is still I would say 75% of the diversion problem is still not solved because of this price differential between import duty between subsidized and non-subsidized LPG. So this is a partial good thing and we have seen the impact of that in the last quarter but I think everything seems to happen very gradually in India. Diesel decontrol happened over number of years. I think they continued so called market determined pricing of LPG is not over. There are still things to do which I mentioned that they still have to get rid of this anomaly of the import duty being zero for the so called domestic cooking gas and 5% for the commercial LPG or the Autogas. They still have to try and target the subsidy better, things like that. So they are still room for this to have an impact. If really they do that over the next 2 years and even that 7,50,000 tonnes of continued diversion will start diminishing and that will be very interesting for us reasonably.

Tarun Sisodiya: Just a quick update on that Essar whatever understanding you have in terms of sharing each other's outlets, am I to believe I was under the impression that Essar retail price of oil, both on petrol and diesel part, was more expensive than the PSU outlets, is that right?

Anish Chandaria: That you better ask Essar, I have no idea. All I am saying is that now that the pricing of diesel is market determined and petrol is determined, whether they are a little bit more expensive not I have no idea but our dealers are very happy because they are apparently selling extra diesel now and getting business. So it is positive from that perspective.

Tarun Sisodiya: How many such outlets would you tied up on the Essar front? You said about 35%-40% of Autogas selling Essar oil?

Anish Chandaria: We have 101 Autogas stations and I think what my retail team tell me that around 35 or 40 of those retail outlets have already decided that they want to put the diesel or petrol but most of them are going for diesel and I am sure more will come through and good thing is new dealers. We are now able to offer new dealers in the pipeline and I have seen again in the last 3-4 months an uptick in the dealer pipeline for gas station because we are able to say okay not only can you put in Autogas pump but we can also offer you an Essar diesel or petrol. So it is more attractive for new dealers because they have to look at return on their investment.

Tarun Sisodiya: Actually my question was how many of the Essar outlets have started selling Autogas?

Anish Chandaria: Oh I see, that is more number, it is a handful. I think it is probably real handful single digit. Nothing so far but that because Autogas has been hit by this diversion but as that improves, I am sure that more Essar petrol and diesel people, dealers will start saying okay, why do not we just had one more Autogas pump as well. It helps them and helps us.

Moderator: Thank you. Next question is from the line of Pranav Mehta from Value Quest. Please go ahead.

Pranav Mehta: Sir my question is regarding the LPG terminal that you are planning to have it? Sir would that be as big as our Mumbai LPG terminal?

Anish Chandaria: Well since I have not actually announced the details of the project, you are not going to get more information out of it. What all I will say which I have said in many other forums and I can say it in public and is recorded on the transcript now is that we intent to build large LPG terminals. So that is all I will say at the moment. What size and all that will only be announced when we have the project but they will be large LPG terminal because the whole strategy is economies of scale.

Pranav Mehta: Sir my second question is regarding sir this autos means are the vehicles moving from LPG to CNG, would it affect our LPG sales?

Anish Chandaria: Well actually once you put in LPG kit, you cannot then put a CNG kit. It is either one or the other. So once we put the LPG kit, it is there permanently until you buy a new car or auto rickshaw or whatever it is.

Pranav Mehta: But all the new vehicles are on CNG if I am not wrong?

Anish Chandaria: I think you are wrong because for example there is no CNG in most of cars and that is where the main Autogas market is. So if there is no natural gas, then for example in Karnataka which is I believe our most important market, we are selling so many cars and three wheelers with LPG; there is no CNG. Where CNG is available, there is no doubt for example in Gujarat, there is no doubt that for the three-wheelers, they are more going to CNG because the price has been cheaper than auto LPG, by the way CNG used to be 50% cheaper than auto LPG. I believe now it is about 20% cheaper and as the domestic APM price if it does increase then may be which is they reviewed every 6 months as you know it goes more towards market determined pricing because for example domestic APM gases is around $6 or $5.8 or something dollars per mmbtu and imported LNG is around $8. As just like in LPG as the government slowly move towards more market determined pricing, it is quite possible that there will be parity between CNG and auto LPG rather than the 20%, used to be 50% cheaper, now it is 20% cheaper but if it becomes parity then you start seeing quite a few people going for maybe auto rickshaw is going for LPG rather than CNG because there are a lot of disadvantages in CNG as you know.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand over the floor back to the management for their closing comments. Over to you sir.

Anish Chandaria: Yes thank you very much. Some very interesting and good questions. So I think the summary I have given is that we had an excellent year with a lot of good news with the joint venture with ITOCHU last year and record results but 2015-2016, this current year is all about new project implementation and building and I hope you will all continue to take interest in the progress of Aegis but we are a company with a lot of growth prospects ahead but in the liquid terminal and in the LPG business. Thank you very much.

Moderator: Thank you very much sir. Ladies and gentlemen with this we conclude today's conference call. Thank you for joining us and you may now disconnect your lines.