"Aegis Logistics Limited Q2 FY17 Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Aegis Logistics Limited Q2 FY17 Earnings Conference Call. This conference 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. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Anish Chandaria – Managing Director and CEO of Aegis Logistics. Thank you and over to you sir.

Anish Chandaria: Thank you. Today, I will be presenting the Q2 FY17 and first half results. Total revenues for Q2 were Rs. 676.5 crores versus Rs. 496 crores year earlier. H1 first half revenues were Rs. 1,416.98 crores versus Rs. 1,247.4 crores year earlier. Total consolidated segment EBITDA for the two segments of the company for Q2 was Rs. 55.74 versus Rs.56.03 crores year earlier and for H1 first half of this financial year, the EBITDA was Rs. 112.2 crores versus Rs. 109.13 crores year earlier. Pretax profits for quarter 2 were Rs. 38.5 crores versus 38.22 crores year earlier and for H1, pretax profits were Rs. 76.91 crores versus Rs. 74.25 crores year earlier. As far as profit after tax is concerned for the group as a whole, Q2 it was Rs. 29.52 crores versus Rs. 30.1 crores year earlier and for H1, profit after tax was Rs. 59.7 crores versus Rs. 59.37 crores year earlier and profit after tax after taking into account the minority interest which is mainly ITOCHU's 40% stake in Aegis Group International Singapore for H1 was Rs. 52.93 crores versus Rs. 51.87 crores year earlier.

Now let me come to the underlying two segments starting with the liquid terminal division. Liquid terminal division revenues for the first half of the year H1 was Rs. 74.75 crores versus Rs. 90.37 crores year earlier. EBITDA for the H1 was Rs. 42.54 crores versus Rs. 55.69 crores. Now let me just comment that quarter-on-quarter, the liquid terminal division revenue was higher than quarter 1 and quarter 2, so there we are now seeing some recovery, but compared to the last year, as I said in the previous earnings call, out of all the terminals, Pipavav terminal still remains at a lower capacity utilization because of less chemicals traffic and less alcohol movements by rails which we were doing last year and as I said in the last earnings call, I can confirm this today that our team is now in full commercial negotiation with refineries for the rail movement of bulk petroleum for exports of product out of India and also for coastal shipping. This really is the most important development after receiving the explosives permission for the petroleum gantry. Now the negotiations have actually started with a number of refineries for this rail movement of bulk petroleum. We still have not carried out the actual work for the petroleum gantry extension work yet because we are still negotiating with the Pipavav port as to the commercial arrangements, but that is relatively small timeframe to do once that is agreed. So rather than waiting for that, our marketing team has actually started negotiation with various refineries for rail movement of petroleum and where our proposals have already been made and

I think we are trying to speed up this negotiation process, but that is the best way that we can return Pipavav to higher capacity utilization rigs**.**

So that is the reason for the continued lower revenues at Pipavav, but on a positive note, all other liquid terminals, Mumbai 2 terminals, Kochi terminal and Haldia, all remained at high occupancy and we expect this to continue at all the other terminals. So business is strong at all other terminals except for Pipavav and also another good note for this liquid terminals division for future, the expansion of new capacity in Kandla, the 100,000 kiloliters project in Kandla, the Haldia expansion of 25,000 kiloliters, those two projects are on track. Therefore, we do expect this new capacity to boost revenues next year in FY18. Thirdly, I can also announce today a new project which the board has approved on Monday afternoon which is a 25,000 kiloliters project in Mangalore port with a CAPEX of Rs. 18 crores which is expected to be commissioned in Q1 of FY18. So we have just approved and we will be commencing work very shortly on that project a smaller project of 25,000 kiloliters but it is again part of our delivering our strategy of necklace of terminals and this is a new port, Mangalore port for us in the South West.

To summarize as far as liquid terminal division is concerned, if we can get the petroleum traffic at Pipavav going by rail for which negotiations have started, I am hopeful that we will strike some deal over there in the coming months and commissioned a new capacity at Kandla, Mangalore and Haldia then I think we can return this division to growth in the next financial year, recovering in Pipavav as well as the new capacity and by the way, I should mention that the Rs. 18 crores CAPEX that we are going to do in Mangalore port will be all financed by internal cash generation. So we are not taking any more debt for that project and all the CAPEX is going on the company right now including liquid terminals as well as gas project. It will be financed by internal free cash flow.

Now turning to the gas terminal division, our second division, the gas division continues to perform well. As it had done in the Q1, it continues to perform well in Q2. So revenues for H1 for the first half were Rs. 1,342.28 crores versus Rs. 1,157 crores year earlier and EBITDA for H1 for this segment was Rs. 69.66 crores versus Rs. 53.44 crores, a rise of 30.3% year-on-year in the EBITDA for the gas division. So that continues to perform well and now I will just take you through the volume analysis for the volume handle for all the LPG.

The total LPG throughput for H1 first half of this year was 546,587 metric tonnes. This is in the two terminals in Mumbai and Pipavav versus 429,116 metric tonnes year earlier. So that is a strong rise of 27.4% in the LPG volume handled at our two terminals. So that continues to be healthy trend that we have been seeing for quite some time in our division.

Also as far as our sourcing business in Singapore, Aegis Group International, again as I have maintained in the last earnings call; for H1, very good performance, 415,020 tonnes versus 307,207 tonnes year earlier. So that is a rise of 35% year-on-year in sourcing volumes, actual sourcing of the gas and gas sales from Singapore and as I mentioned at the start of this financial year, this is sales to HPCL, BPCL, Reliance etc. in turn other customers as well as Aegis's own retail requirements have been increasing as per the contracts that we have entered into this year. So that is positive also. As far as auto gas is concerned, for the first half we sold 11,427 tonnes versus 10,765 tonnes year earlier, that is a rise of 6.1% in volumes. I would like to say something new about at the industry level that in October, so this is not in first half, but just a recent development, that the whole industry including the public sector companies like IOC, HPCL, BPCL and the private companies in auto gas including Aegis, the industry has decided to lower the auto gas price to 50% of the petrol price. For the last so many years, it has generally been the kind of trend that has been 40% lower than petrol**,** now we will be 50% lower than petrol and this decision has been taken by the industry over lower price to really lower the price of auto gas and benefit sales volumes.

With this change in October of this year, this in fact will mean that auto LPG now is in almost in all regions in the country, almost the same price at CNG which is one of the competitors for LPG. So for the first time, the industry has decided to boost sales of auto LPG and be very price competitive not only with petrol, 50% lower than petrol, but almost at the same price with CNG as well and we think that in the long term, this will actually benefit the whole industry including Aegis in terms of sales of auto LPG because it will persuade new customers particularly the three-wheelers, autorickshaws that why do not you try auto LPG rather than any other fuel. So I think it should have a long-term benefit then auto LPG will become even more price competitive compared to petrol and CNG than it was before. So this decision has been carried out in the month of October and we will see overtime whether this does indeed boost sales volumes. It does take time, so we should expect not an immediate reaction. I did ask my retail general manager just now that has there been any impact so far? He said it is too early, it has only been one month and we are in November now, but it does take time for this news of the price reduction **to** percolate down to customers but I think logically would assume that it should change behaviour and increased sales volumes as auto LPG becomes more competitive.

As far as industrial distribution sales volumes, for H1 there were 10,905 metric tonnes versus 7,858 tonnes year earlier, that is a rise of 38.8% in sales volumes in the industrial distribution sales. So LPG sales volumes were positive in industrial and then packed commercial cylinders, these are the commercial cylinders for hotels, restaurants, as well as small scale industry 6,272 metric tonnes versus 5,676 metric tonnes year earlier, that is a rise of 10.5% year-on-year in volume growth. So in all segments of our LPG business whether it was LPG throughput volumes to the terminal or whether it was sourcing volumes, whether it was auto gas, whether it was industrial distribution or commercial sales, I think LPG volumes are good on all front and I can say in terms of the outlook for H2, the second half of the year in LPG, we do expect quite a sharp pickup in throughput volumes particularly compared to H1. I am talking about the throughput volumes to Bombay and Pipavav. We are now expecting and as I did discussed in the last earnings call and I can say this again we are now expecting quite a sharp pickup in the second half LPG throughput volumes compared to H1, both in Pipavav and Mumbai which will actually be remained factored driving overall second half profits for Aegis Group as a whole. We are already in November, so we can already see that in October and November figures.

Now let me just as the last point turn to the overall outlook for second half of the year for Aegis as a whole and the projects update. As far as the liquid terminals division is concerned, as far as second half H2 is concerned, I think we probably would not see any major change in revenues. We probably will continue roughly at the run rate of H1, may be some improvement in revenues, but a small change, but probably maintaining the kind of revenues and EBITDA that we have seen in the first half, but it in LPG division in the second half we do expect a good sharp pickup in the throughput volumes in the LPG terminals as well as the sourcing volumes, we expect to see it boosting the overall profits for the company as a whole because the pickup is quite good. So this should boost the second half earnings compared to the first half earnings for the year.

Now finally let me give you an update on the rest of projects which are going on in the company. First, as far as the Uran pipeline interconnection project is concerned, I can report that the work is getting closer to completion. For that, we had started the project in March-April of this year and although it is a very congested area in Bombay where we are laying this pipeline, I can say that it is now getting closer to completion and once this pipeline is completed, and once the customers use this pipeline, this can be a further step jump in our Bombay LPG throughput even beyond what I just said. So we are looking forward to seeing that completion in the weeks ahead. I won't give an exact date, but I can just say that we are getting closer to completion and we will therefore see it, once the customers start using that pipeline, we should see a further boost in the LPG throughput in Bombay which will obviously boost our revenues and profits once it is commissioned. But we are getting closer to completion for that.

Secondly as far as the big Haldia LPG project of 25,000 metric tonnes refrigerated terminal project is concerned, it is on track for completion as scheduled which means we are hoping for commissioning in Q1 of FY18, April, May, June of FY18. I did mention last time that we had firstly gone to see the work in August and I am pleased to say but of course we get regular updates that we are on track for completion on schedule for that and that is going to be a major boost to our earnings for next financial year once that is commissioned. And as I mentioned earlier, on the liquids project of Kandla of 100,000 kiloliters, the new project of Mangalore of 25,000 kiloliters and the Haldia liquid project of 25,000 kiloliters, these are all on track for scheduled completion as earlier indicated. So I think that completes my presentation, can now take some questions.

Moderator: Thank you very much. We will now begin with the question and answer session. We take our first question from the line of Chirag Vekaria from Budhrani Finance. Please go ahead.

Chirag Vekaria: Sir could you throw some light on this Mangalore projects that what is the opportunity and color of this project?

Anish Chandaria: Yes, sure. So obviously our strategy is to develop this necklace of terminals around the coastline of India, you heard me talk about many times yourself and so we were very excited when we got an opportunity to take a position in Mangalore port which has been important port in the South West of India and yes, unfortunately only 3 acres of land because the tendering for the various plots of land became very aggressive by various companies including some of the PSUs because that is an important port. So we took a call, but however, the 3-acre plot that we ultimately won was quite competitive, was not too expensive and so we keep to go ahead and main reason was that we actually had a number of customers who are already ready to take this capacity. So our final configuration that is approved by Chief Controller Explosives is 25,000 kiloliters and again I am happy to say that this is already committed to various customers for chemicals, petrochemicals traffic.

Chirag Vekaria: You mean that capacity has been taken up.

Anish Chandaria: Yes, so the sooner we can build it faster and we are now scrambling our project team to really get on with the projects in terms of the work over there. So I think it is reasonably small capacity 25,000 kiloliters which has already been effectively presold, but we are committed with various customers, but it is another part of this necklace of terminals which gives us flexibility to offer in the South West of India, South of Bombay obviously, but in state of Karnataka, but sooner we can get cracking with construction the better.

Chirag Vekaria: And sir in terms of profitability, would it be on similar lines to Haldia in terms of realization on margins or where do you see the margins and all?

Anish Chandaria: It might be little better than Haldia. I think the rates that I have been talked about are slightly better than Haldia and so I think little better than Haldia in terms of rates and profitability.

Chirag Vekaria: And sir one question on the balance sheet side, the payables and the receivables have shot up. What is that on account of?

Anish Chandaria: We knew that somebody would ask that question. I will ask the CFO to explain that.

Murad Moledina: This is nothing, but shipments coming or bunching together at end of the quarter. So if you see the receivables and payables almost equal. So these are presold shipments basically Singapore company selling into the PSU back to back contracts and shipments bunched at the end of the quarter.

Anish Chandaria: What he suggests is that which I have been trying to explain is we do see a big jump in sales, for sourcing. In other words, we have been able to sell much more gas than in the quarter 2 to the public sector and you will see that even in the next quarter of quarter 3, there is quite a big jump in the sourcing gas volumes that we are selling .

Moderator: Thank you. We take our next question from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.

Dhruv Bhatia: My first question is as you mentioned that the second half of the year for LPG throughput volumes, you are expecting a sharp uptick. You earlier also mentioned in the presentation, you are expecting 30%-40% throughput volume growth for this year. For the first half, you have already achieved almost 30% and you had mentioned in the last call that you expect Mumbai throughput to be almost 1 million this year and something from Pipavav works to be around 4 lakhs-5 lakhs. So is that on track?

Anish Chandaria: I think what I have seen already for Q3 as we are already in November, I saw the figures yesterday that it looks like I cannot say for certain as far as January-February March, but it looks like we are going to be close to that target, the two figures that you mentioned in Mumbai and Pipavav. It has been quite a bit as expected and the second half is going to be much more than in the first half. So at the moment, it looks like we are close to that target for the second half.

Dhruv Bhatia: If I see again your sourcing volume been growing quite well and if I am not mistaken, the minority interest is majorly the ITOCHU share of profits which is being seen in each quarter. So if I see the volumes in sourcing have continued to grow whereas the profitability, this is the second quarter, the first quarter it was a year-on-year flat number and this year there is a fall. So does that mean it implies that EBITDA per tonne in sourcing is reducing for you?

Anish Chandaria: I think generally speaking, I have always maintained it is around \$3-\$4 per tonne which is the kind of fee that we charge. So that seems to be the figure that we generate and then that is at the AGI as a whole and then yes, you are right, 40% is the minority interest for ITOCHU. But I think that is the correct margin that we have and the increase in the volumes which we are seeing this year and certainly in the first half when it looks like for example in Q3 and let us see what happens in Q4 because LPG demand is growing there. As per our contract with the oil companies in particularly HPCL, BPCL etc. and other customers, that seems to be growing at a very healthy rate. Now last year if you back track, we do have some spot sales etc. maybe there were some additional spot sales where you can make some good better margins. So may be in one particular month or something that may have been the case, but generally, I think it is correct if you take around US \$3-\$4 margins, that is about right.

Dhruv Bhatia: Because this quarter if you see the minority has moved from 3.5 crores to 2.5 crores, so I was just wondering with sourcing volumes increasing this quarter and..

Anish Chandaria: Sorry, let me interrupt. Now in terms of minority interest, we also used to have until Q1, the minority interest in Sea Lord containers. Now as of Q2, that has gone because as I mentioned in the last earnings call we can do in AGI that Aegis has now taken up our shareholding from 75% to 91%. So that actually means that there is less minority interest reduction for Q2 and that will continue going forward.

Dhruv Bhatia: Next question sir on the margins in the liquid division, though I understand that Pipavav utilizations are low, but if you see the margins are on a downward trajectory in the liquid division, is this purely a cause of Pipavav's utilization being lower or is there any reason of margin?

Anish Chandaria: I think it is generally because of that because when you have lower utilization for example in Pipavav, your fixed costs are still there. So in percentage terms you will get lower profit margin because of lower capacity utilization, but I can tell you generally speaking capacity utilization is very important because if the terminals are at very high capacity utilization like in Bombay or in Haldia or in Kochi, then everything maintains, but Pipavav we have some issues which we are being quite open about for the last few months and we need to improve the capacity utilization in Pipavav from Petroleum which is what I have been saying, but I am quite hopeful on that because the potential is very large there when we start of that negotiation, but once that happens, then capacity utilization goes up and I think you will see the improvement in profit margins obviously.

Dhruv Bhatia: So can you go back to the 60% EBITDA margin levels in this business?

Anish Chandaria: I think so because we always say that for example in Haldia, the profit margin, EBITDA margins are something like 80% or whatever. In Pipavav, at least our budget which we are not fulfilling right now, it could be something like 80%-85% in Pipavav on the EBITDA margin basis, but that is clearly dependent on achieving the budget capacity utilization. So once you get the capacity utilization backup, then obviously we can see that average EBITDA margins getting back to where it was.

Moderator: We take our next question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, what explains the lack of traction in LPG volumes since the last 3 quarters on a sequential basis since we had this whole thought of one-one and a half million tonne type volumes to be handled. So what in your opinion was the key reason for slow rampup?

Anish Chandaria: Well, I did say that the second half volumes were going to be better than the first half in this year. Obviously, sometimes there is a seasonal effect at the second half of the year which is actually more demand because of winter etc. and Diwali festival and all and which we have now seen is pretty much on track. So for the year as a whole, you will see a big increase in the throughput volumes, but perhaps in the first half of the year, it is Q1-Q2, sometimes you see these seasonal factors and say for example, as I said I guess the figures for October-November and probably December in terms of the actual order book, there has been a real jump in the demand and I can tell you one more thing which is now affecting Is some of these government schemes that have been introduced which I was just discussing with our retail team not only the schemes for below the poverty line, not only the schemes for the Ujjwala schemes and all that,

that the government announced, It did take some time for these to be organized.. Now there are also some new development which I can tell you, for example are pushing 5 kg cylinders allot more, the smaller cylinders etc. So some of these new marketing schemes for LPG which are going into the rural areas which are targeting new segments like students and it took them some time to organize, but what I have seen now is that they are really rolling these schemes out in a big way and sure enough the demand has picked up. So some seasonal effect that we normally do see is in the second half of the year generally speaking, we expect greater LPG demand and some of these new schemes that they have been implementing. But I did not expect that at the second half, throughput volumes would be sharply higher than in the first half.

Pritesh Chheda: So infrastructure wise where you redeemed first half, so you had the infrastructure in terms of debottlenecking of.

Anish Chandaria: Those were all done fully, for example the debottlenecking that we have done in Bombay with the exception of this new Uran pipeline which we started to work. As I said that, that is now getting close to completion and I think we will probably be ahead of schedule to be honest. I think we had earlier thought that it might be ready by April of next year and I do not want to give an exact date, but from what I have seen in this report of the last few days, I think we will be ahead of schedule for completing that and once the customer particularly HPCL starts using that pipeline and shifting from road traffic in Bombay, then that will actually boost throughput even further in Bombay. So I think some healthy trends both from demand, both from debottlenecking that we already talked as well as Uran pipeline once commissioned, that is why we are quite bullish about the throughput for this year, but it will come more in the second half from October to March and going beyond into next year.

Pritesh Chheda: So you are saying this pipeline will get ready, that is how it is?

Anish Chandaria: Yes, it will get ready. I repeat from the reports I have seen we are ahead of schedule, we only started work in March and it is close to completion. I cannot say that it is completed today, but it is close to completion and we will be ahead of schedule, may be even a few months ahead of schedule.

Moderator: Thank you. We take our next question from the line of Abhijeet Vora from Sundaram Mutual Fund. Please go ahead.

Abhijeet Vora: Sir what explains the loss in liquid volumes in Pipavav port?

Anish Chandaria: I said earlier that last year we had large ethanol or alcohol shipments which are moving by rails. They have actually right now stopped that into Pipavav port. So that we had good revenues from Pipavav last year because of these alcohol shipments, but that customer is no longer taking that, so that is one reason for the shortfall in revenues and generally speaking although the chemicals traffic is very healthy in Bombay, very healthy in many other ports like Kandla and we are building , in Pipavav which is still a new port, we have not yet been able to persuade enough chemical companies to come to Pipavav even compared to last year. So it is month-in month-out marketing to say that look, why do you not come to Pipavav rather than some of the other ports that are there like Bombay where we are obviously present Kandla etc. So I think we are trying our best to revive that kind of business, but as I said, I think the main reason is the location of Pipavav which is little further away by road from some of the consumption centers that is a fact which is why the future of Pipavav, in rail traffic, rail evacuation is so crucial particularly for petroleum which can be bulk products. I am pleased to say that we have started with negotiations on that and that is probably the best route to try and revise the traffic. I do not expect huge movements of chemicals traffic in Pipavav, it would be more petroleum through rain and that is really what we are looking at. So that is the long-term solution as well as short-term solution for Pipavav and where we are now step by step working on it. It does take a bit of time to get that into place in terms of the commercial negotiation, we have started this negotiation.

Moderator: Thank you. We take our next question from the line of Ruchi Mittal from CD EquiSearch. Please go ahead.

Ruchi Mittal: Sir, you told that the reason for this receivables and payables going up is presold shipments, so sir by when can we expect the receivables to realize?

Anish Chandaria: The payment terms are 30 days, so we sell in 30 days and we pay in 30 days, it is back to back, these are BPCL, HPCL sales.

Ruchi Mittal: So these receivables are mostly from the month of September?

Anish Chandaria: Yes and you will now see in the next quarter as well because the sales volumes have picked up quite a bit, but it is just a function of great sales.

Ruchi Mittal: At this point of time, it is realized.

Anish Chandaria: Yes, absolutely.

Ruchi Mittal: And another question, the cost of purchase has gone up considerably quarter-on-quarter and Y-o-Y, so any reason for that?

Anish Chandaria: So again that would be a function of greater LPG sales volumes. The purchase will go because sales volumes have gone up.

Moderator: Thank you. We take our next question from the line of Abhishek Dutta from Prabhudas Lilladher. Please go ahead.

Abhishek Dutta: Sir just wanted to confirm this commercial and industrial volume for this quarter, can you just repeat that sir?

Anish Chandaria: I actually quoted for the half year, so you want for the quarter or for the half year?

Abhishek Dutta: For the quarter?

Anish Chandaria: For the quarter, commercial packed cylinders for the quarter was 3,345 metric tonnes versus year earlier it was 2,941.

Abhishek Dutta: And for the industrial part?

Anish Chandaria: Industrial part was for the quarter, you want for the quarter right?

Abhishek Dutta: Yes.

Anish Chandaria: Quarter 2 was 5,674 versus year earlier it was 4,432.

Abhishek Dutta: So you meant to say that for this liquid terminal run rate will continue for the next half also because none of the new projects are to be commissioned in this financial year?

Anish Chandaria: Yes, that is right because we are seeing some slightly higher revenues in Mumbai. I did saw the figures for October and what is expected for November, so you might see some marginal increase in revenue particularly in Mumbai, maybe in Haldia as well, possibly also in Kochi actually, in fact all three ports except for Pipavav which I have explained at length, but that would not be a big step junk so roughly the run rate may be little bit of an increase in the second half, but until the new capacity comes on stream in the next financial year for the liquid terminal which is the new capacity of Kandla 100,00 kiloliters. new capacity of Mangalore 25,000 and the new Haldia capacity also, 25,000 plus whatever we can do to sign new contracts in Pipavav.

Abhishek Dutta: But on the LPG side, we will see both higher sourcing volume as well as higher throughput?

Anish Chandaria: Yes, we are expecting higher throughput which I have already seen in Q3, at least as far as October, November and looks like December as well. So I can really see that coming through both in Bombay and Pipavav. We are working flat out and I saw a video of Pipavav and I was amazed at, again I do not want to give all the figures out right now, but I was amazed at the kind of logistics operation that we are doing right now with the shift comes in and we are transferring it by pipeline to the storage tanks and the amount of road tankers that are qued up waiting to look and obviously Bombay continues to be very strong. So I can really confirm that we do see a really big jump in the throughput in the terminals and the sourcing volumes again I just mentioned that we are because of greater demand from the public sector, there is a partly seasonal effect in the second half of the year, but also the new schemes, marketing schemes that they are doing particularly in below the poverty line and the new five series and all these seem to be rolling out quite well. So we started Q3 with a very good sourcing volumes as well. So that is positive and both will therefore benefit the bottom-line for the gas division and Aegis as a whole because those kind of volumes go straight to the bottom-line.

Abhishek Dutta: And sir what is the status of this Paradip pipeline being set up by IOC?

Anish Chandaria: Absolutely, no change from 3 months ago. I think I mentioned to many people that this is going to take years, they have not even started doing anything at the moment. So if you ask me maybe in 5-7 years' time, then we will talk, it is flat at the moment, it is on paper, nothing else has been done.

Moderator: Thank you. We take our next question from the line of Pranav Mehta from ValueQuest. Please go ahead.

Pranav Mehta: Any update you would like to give on the 2 new LPG locations which was supposed to come up?

Anish Chandaria: Nothing beyond what I had said in various forums which is that we are working on both of those in terms of commercial negotiation and those negotiations carry on right now. So we are working hard, but it is a slow process of negotiation, but I am hopeful as I said before at least one of those two looks at more advanced stage in terms of commercial negotiation, so I am not saying it is both, but we are working on both on parallel, but there seems to be good interest in both but I think one is perhaps moving at a more advanced pace in terms of negotiation.

Pranav Mehta: Any broad timeline you would like to share on or at least one of the two?

Anish Chandaria: Not really at this stage because I think once we are in those kind of commercial negotiations, then you never know when they are going to add especially with the public sector companies. So it would not be right for me to give any timeframe, but once we have concluded and then only then I will be of saying, but when I do indicate that there is a commercial interest that would suggest that it will not be years away, so I think that is all I can say. It will be difficult because we are negotiating with the customer, every rate and all that and what kind of volumes and all that. But at least I said publically and I can reconfirm that those negotiations are on, they are at a detailed stage of negotiation.

Moderator: Thank you. We take our next question from the line of Utsav Agarwal from Haitong Seurities. Please go ahead.

Jay Kakkad: This is Jay Kakkad from Haitong. Just one question. So if you compare between your cash and liquid business, which is more working capital intensive? If the gas business going forward increases at a proportion of your profits and EBITDA, will working capital also increase, this is the sense I just wanted to get.

Anish Chandaria: Not really because if you look at both businesses for example liquid business is hardly any working capital involved and actually the gas business, there are few timing issues and there was hardly any working capital involved there because we buy the gas and we have to pay it in 30 days and you get the money receivables in 30 days, so actually I would say this is the best way of looking at it and this is the way we look at it and Aegis is a very nice business where we do not actually have to deploy too much working capital in either of the division.

Moderator: Thank you. We take our next question from the line of Suhani Doshi from Edelweiss. Please go ahead.

Suhani Doshi: Sir I just wanted to know what would be your current market share in terms of sourcing LPG into India, if any idea on that?

Anish Chandaria: Yes, sure. So we really talking about the imports market share. I think this year India expects to import around 10 million tonnes and we had given this figure that we expect to be about 10% of that which means a million tonne that is the target for this year in terms of sourcing volumes and I am talking calendar year 2016, these contracts are normally done on calendar year rather than financial year. So we expect to be about 10% of India's imports.

Suhani Doshi: And going ahead, say by 2019-2020-2021, do we expect to increase our market share or because of the ITOCHU.

Anish Chandaria: It is absolutely right. When we sign the joint venture with ITOCHU, I said that in our business plan, we have set a target to raise the market share of India's imports to 25% probably by around 2020. So obviously, we achieve that by setting up new terminals like in Haldia and possibly one or two more we are negotiating. If those happen like we know that Haldia is going to happen, it is going to be commissioned in a few months' time, then we will then go and try and sell more gas. So that is the way we expect to raise the market share from 10 towards the 25%, but a lot of that is dependent on making those, commissioning those terminals because then we can sell our gas into those chunk. So at the moment things are looking good. For example, we do know that Haldia is going to come, we do know that this new pipeline in Bombay, the Uran 8-inch pipeline is going to be commissioned soon. We know that what is happening in Pipavav, these are all good reasons for why we think that the sourcing volumes are going to go up and market share, but we have to take it year by year and for example last year, we sold something like 545,000 tonnes. This year, I said we are targeting a million tonnes. So that showed how we are going about the process.

Suhani Doshi: I just wanted to confirm this 25% is by 2020 right?

Anish Chandaria: Yes, that is the current plan, 2020.

Suhani Doshi: And any idea as to how do you see the import demand of LPG increasing as percentage on year-on-year?

Anish Chandaria: Right now, this has been the case for certainly the last few years, the demand is growing at around 9% per year and if we see in various scenarios, but normally when we have done our internal kind of forecast and even the industry forecast, we normally kind of model around 7% volume growth, but right now to be honest, it is actually growing at 9%, little higher. But I would say a range of 7%-9% is the reasonable assumption for the year as ahead and the reason why there is quite a good amount of confidence in that forecast in the industry as well as Aegis is because of all these schemes to do this rural penetration and below the poverty line that I mentioned and they really seem to be happening on the ground, we are seeing these kind of figures.

Moderator: Thank you. Ladies and gentlemen, we take the last question from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

Rajesh Kothari: I have only two questions. Would you like to give any outlook in terms of both the divisions for the next year?

Anish Chandaria: Not really, I am in the current year, so I will only talk about the current year, but I would say at least directionally that we would expect a boost in capacity of liquids division because of the new projects in Kandla, Haldia and Mangalore plus whatever we can do as far as rail movement of Pipavav. So you should expect a return to revenue growth in the liquid division next year. Unfortunately, I do not think as I had mentioned that will happen this year, but we should expect quite a big boost to revenues in that division next year because of jump and it is reasonably easy to model what there could be because I have said the kind of capacities we are going to commission next year and as far as the gas division is concerned, the main incremental increase in revenues and profits next year will be two fold in the gas division. One is the Haldia project which is going to be commissioned in Q1 next year, so that is going to come in, and also whatever boost we can get from that Uran 8-inch pipeline in Bombay, which as I said we probably going to be ahead of the schedule in terms of commissioning and it is only when the customers start using it and I am fully expecting the customer to use that pipeline because it will be so much cheaper for them in terms of transport cost. So these are the two big incremental growth that we expect in FY18.

Rajesh Kothari: And this negotiation right now what we are doing to improve the Pipavav capacity utilization, do you think in fourth quarter we will see the result of that?

Anish Chandaria: Again like I said for any commercial negotiations, it is really not reasonable to give any particular date, but I would be little cautious in assuming that it will happen by Q4 because we have just had the start of negotiations literally before Diwali that is in middle of October, so it has gone well, at least I can say that. But if things go well, I would probably take it in the next financial year rather than in Q4.

Rajesh Kothari: Any reason why that alcohol shipment what you are talking about, that has stopped, what was the reason for that?

Anish Chandaria: That depends on the customers' requirement. It depends on their own production schedule and all that. So they were of course bringing large shipments from Brazil last year and we have the benefits of that. So we will have to see what is their outlook. I would not like to get too tied up in only into one category of product like alcohol that is why we need to bring this petroleum traffic.

Moderator: Thank you. Ladies and gentlemen due to time constraints that was the last question. I now hand the conference over to Mr. Anish Chandaria of Aegis Logistics for closing comments.

Anish Chandaria: Thank you very much for attending this earnings call and the next one will be after the quarter 3 results which will be around the end of January-early February. Thank you very much.

Moderator: Thank you very much. On behalf of Aegis Logistics Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.