



“Aegis Logistics Limited Q4 FY 2018 Earnings
Conference Call”

May 31, 2018



**MANAGEMENT: MR. RAJ CHANDARIA -- AEGIS LOGISTICS LIMITED
CHAIRMAN & MANAGING DIRECTOR**



Aegis Logistics Limited
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**MR. ANISH CHANDARIA -- VICE CHAIRMAN AND
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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Aegis Logistics Limited Q4 FY 2018 Earnings Conference Call. 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 the date of this call. These statements are not the guarantees of future performance and involves 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 after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anish Chandaria -- Vice Chairman and Managing Director Aegis Logistics Limited. Thank you and over to you Mr. Chandaria.

Anish Chandaria: Thank you very much. I will be presenting the full year results for FY 2018 and as you will see, I will be describing an excellent growth in earnings for the full year. Also, our Investor Presentation has been circulated on the website, in which you can see all the figures in the Presentation.

So total revenues for the financial year ending 2018 March were Rs. 4,791 crores versus Rs. 3,939 crores year earlier, that is a rise of 22% for consolidated Aegis group revenues. The total EBITDA for the year was Rs. 306 crores versus Rs. 247 crores year earlier. That is a rise of 24% year-on-year. Profit after tax for the group was Rs. 214 crores versus Rs. 136 crores year earlier, a rise of 57%. And earnings per share reached Rs. 6.38 for the year versus Rs. 3.97 year earlier, a rise of 61%.

And yesterday, the board has approved a Rs. 75 paise final dividend, taking the total dividend for the year to Rs. 1.25 per share.

Let me cover the 2 divisions, starting with Liquid Terminal division. The revenues for the year reached a record Rs. 168 crores for the Liquid Terminal division versus Rs. 154 crores year earlier. That is a rise of 9% year-on-year. The EBITDA for the year for the division was Rs. 103 crores versus Rs. 91 crores a year earlier, that is a rise of 13% year-on-year. So I will describe this as steady overall performance for this division.

The future growth will depend on new capacity, in Kandla, Haldia, and Mangalore, which is coming up. As far as the Gas Terminal division is concerned, the revenue for the year was Rs. 4,622 crores versus Rs. 3,776 crores year earlier. The EBITDA for the division for the year was Rs. 203 crores versus Rs. 156 crores year earlier. That is a year-on-year rise of 30% in the EBITDA. So a strong increase in profits for this division during the year driven by sales volumes, which I will go through the analysis.



So our most important segment in the LPG volumes is obviously the LPG throughput terminal logistics volumes. For the year it was 1,742,467 metric tonnes versus a year earlier we reached 1,349,899 metric tonnes, a rise of 29% in the volumes of LPG handled at our 3 terminals in Mumbai, Haldia and Pipavav and a very strong rise of 29%. So this was the main growth in this LPG division.

LPG sourcing volumes for the year were 1,176,598 metric tonnes versus year earlier 1,043,067 metric tonnes, a rise of 13%. The Packed LPG Commercial Cylinder business was 13,504 metric tonnes for the year versus 12,521 metric tonnes year earlier, a rise of 8%.

Bulk industrial distribution sales of LPG was 40,232 metric tonnes versus 23,539 metric tonnes year earlier, a rise of 71% as we signed up new customers. And Autogas was 24,150 metric tonnes for the year versus 23,217 metric tonnes year earlier, a rise of 4%. So the key driver of rising LPG profit in the division was the LPG terminal logistics volumes which as I said, increased by 29% for the year.

Now, I will cover the outlook for FY 2019 for the year ahead and the project's update. Starting with the Liquid Terminals division. The growth in revenues and profits for the year ahead in this division will come from the major capacity increases in the following 3 projects.

First, the 100,000-kiloliter project in Kandla. This project was completed in Q4 of FY 2018. We are still waiting for the final permission to fully start operations. But the project is complete, so we are just waiting for the final permission to fully start the operations.

The second project is a 25,000-kiloliter project in Mangalore Port. This project should be completed in the current quarter, Q1 of FY 2019 and then, we have to get the final permission to start operations there but that like Kandla should then add to the earnings in FY 2019.

And finally, the third project the 35,000-kiloliter expansion in Haldia, we expect to complete this project in the first-half of FY 2019 all of this new capacity in Kandla, Mangalore and Haldia should significantly boost revenues and profits in this Liquid Terminal division in FY 2019.

Coming to the Gas Terminals division, we, of course, expect a major boost to the LPG terminal volumes in FY 2019 because of full year operations of the Haldia terminal. This Haldia terminal was commissioned only in Q3 of FY 2018. But in FY 2019, we will see the full year benefit of the Haldia sales volumes and I can confirm that sales volumes are currently running far above the budget in Haldia. The one year budget, as you recall was mentioned to be around 0.5 million tonnes. That would be the full year annualized budget for sales volumes in Haldia. And I can confirm that based on the current run rate over the last few months, we are far above that budget and therefore, that will result in a very good boost we expect in FY 2019 from the volumes handled in Haldia for the year.



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We expect to maintain the throughput volumes in Pipavav and Mumbai terminals and more Autogas stations are in the pipeline. But very significantly, I can state that all new stations of Autogas are unified petrol, diesel under the Essar brand and Aegis Autogas - Aegis Auto LPG. That all new stations which we are constructing we are selling petrol, diesel under the Essar brand as well as Aegis Autogas. So that means that the dealers are selling 3 products rather than 1. And also, around 11 of the old 107 stations have already been petrol and diesel has already been added and we are continuing to see each of the current 107 stations more can be petrol and diesel.

The main benefit, as I said, is that you get more traffic in the station. Apart from LPG, you get petrol and diesel vehicles also coming through. And that is the focus for the future that all new Autogas stations of Aegis are under unified stations that means petrol, diesel as well as Autogas.

By the way, in the Essar petrol stations themselves, a small number around 5 or 6 of Aegis Autogas pumps have been put in the Essar petrol stations. So that is a limited amount the main focus will be on our all Autogas network to put Essar branded petrol and diesel.

So the summary is it has been I think, an excellent year in FY 2018 with earnings per share rising to Rs. 6.38 from year earlier, a rise of 61%. By any calculation, that is a very significant year in terms of rising profits. And the outlook for the next year FY 2019 its continued strong growth in LPG Terminal volumes especially in Haldia, where we will see full year results and with a continued focus by management on delivering the next deals in our strategy of building the necklace of LPG and liquid terminals at various ports around the coastline of India. So that is the focus of management for the future.

That completes the Presentation and with that, I can take some questions.

Moderator: Thank you very much. We will now begin the Question-and-Answer Session. The first question is from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

Rajesh Kothari: Sir, if you can give some view on why top-line growth has been muted in the fourth quarter? Question number #1. Question number #2 is, if you look at the overall LPG imports for the country in the fourth quarter, it has significantly declined compared to what we have seen in last 2 to 3 years. So what is the reason for the decline? And if this decline continues because of the ramp up in domestic production, then how do you see visibility for your business?

Anish Chandaria: Yes. On the top-line, I always say that it is misleading because international LPG prices go up and down. So the focus should be on actual metric tonnes rather than LPG prices because they go up and down. In fact, now, for example, in Q1 because of rising oil prices and gas prices you will see a sudden jump. In fact, prices have started rising, particularly in this Q1. So that is misleading those prices go up and down. I do not think one should focus too much on that. It is more to do with as you rightly said with what is happening with volumes. Now on your question



of LPG import volumes in quarter 4 as a country as a whole obviously, there are fluctuations from time-to-time in terms of fluctuations from time-to-time in import volumes but we do not see that as any major trend, major change in trend. The trend is very strong import growth continued for the year because of the penetration of LPG rising in the rural areas under the Ujjwala Scheme, etc. In fact, you see that in Aegis imports for example, in Haldia very strong imports, etc. so I do not think there is any major change in trend. Sometimes when the oil companies when they schedule their deliveries of LPG imports or domestic production, there are fluctuations with that. But we fully expect continued growth, strong growth in imports. Domestic production, that fluctuates again, depending on the production schedule. But again, there is limited capacity on domestic production. The incremental growth in satisfying the increased LPG demand is going to come from imports, that is a fact. So I do not think you will see any for the year as a whole for example, FY 2019 you are going to see continued strong growth in imports for India as a whole and in Aegis terminal. But quarter-by-quarter, there are sometimes fluctuations, but the trend is very strong growth in imports as the Government of India continues to increase penetration particularly in the rural areas of LPG. Regarding LPG prices, I said that international LPG prices are rising. I asked our people based on Q1, are you seeing any impact on demand because LPG prices are rising? But it does to appear to be so. Even though prices are rising, they are still from a fairly low base. So we do not see any impact. Demand continues to be strong and we expect that to continue.

Rajesh Kothari: And one more question, if I may add, by FY 2021 as the HPCL, BPCL, IOC and of course few more private players, they keep adding their capacities, how do you see the scenario by FY 2020 over in 3 year or 4-year period, do you think that the demand-supply gap will significantly reduce?

Anish Chandaria: Well, we have a very nice chart which is in our investor presentation, which shows over the coming many years not only by FY 2021 but even going to FY 2030. The gap is rising between domestic production and domestic consumption, which means more imports, right? That gap is going to be increasing because domestic production is stagnant. Not only over the next 3 years but over the next 10 to 15 years, that is the chart that we have in our presentation. Have a look at it.

Rajesh Kothari: Which slide is that? Yes, I got it. Understood.

Anish Chandaria: Slide #8, is it...

Rajesh Kothari: Yes, Slide number #.08. Slide number #08.

Anish Chandaria: Yes. So more imports mean more terminals, right? Which is the whole story of Aegis that who is going to build those LPG terminals because in order to handle that vastly increased imports. So we know that as far as the public sector is concerned, we know that Indian Oil is trying to build 1 terminal in Kochi, which is a 30,000 terminal, which has got into some problems with



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National Green Tribunal and are trying to sort out. We know that BPCL is trying to construct 1 more terminal in Haldia a 30,000 tonnes terminal which is under construction. Currently, it is not operational. But apart from those 2 public sector projects, there is only one company at the moment which is building LPG terminals, which is Aegis. And of course, there are many people talking about other projects but at the moment, it is only Aegis. Of course, we have just commissioned Haldia. And as I mentioned many times before, we are currently planning another 2 LPG terminals in collaboration with the public sector. So the bottom-line is, at the moment, you will have to see the announcement of those projects. But the bulk of the incremental import capacity is going to come from either public sector or Aegis. And India should then be able to handle the imports and that is really the story of Aegis that much of that incremental import capacity is going to be coming from Aegis not only the public sector. So it is a very good position for the company to be in.

Moderator: Thank you. The next question is from the line of Shalin Kumar from UBS. Please go ahead.

Shalin Kumar: Sir, can you give a little bit detail on your throughput terminal volume for Haldia, Mumbai, and Pipavav for this quarter?

Anish Chandaria: Yes. I am not really going to focus too much and I do not really give out the details terminal-by-terminal. And in fact, as we get more terminals, I am not going to report every quarter on every terminal. But what I can say is that, all I gave the annual figures but there was very good throughput in all the terminals as far as Haldia, Bombay (Mumbai), and Pipavav is concerned. I would not give the detailed break-up. But we expect that resulting in 29% growth in overall LPG volumes in those 3 terminals. But as I said that we will be growing, particularly, the Haldia in this current year, FY 2019 and we will maintain the full kind of full results in Pipavav and Mumbai going ahead. One thing that we are still waiting for which somebody may asked before they ask is the you will remember in Bombay (Mumbai), so that we can increase throughput further is that Uran pipeline connection, but we are waiting for HPCL to finish their Chakan project, which I asked our gas marketing people the other day and they are still saying that, that might be the end of calendar year 2018 to complete that project because we have done our best. We have connected into that Uran pipeline some time ago but they are not using that. So it is still very much road evacuation from the Mumbai terminal for the LPG. But that we can expect greater volumes in Mumbai. But right now, as far as Mumbai and Pipavav is concerned it is going very strong and Haldia is building, as I said, very strong and will continue to build.

Shalin Kumar: Sir, I completely understand that it is going to be too much of detail going terminal wise but since the Haldia is critical, if you can give any sense on the run rate or ballpark something where Haldia stands?

Anish Chandaria: I can give you a sense of it without reporting all the figures. For example, and looking at it, we commissioned Haldia in Q3 of last year. So obviously, there was a ramp-up of this. Q3 we just started. Q4 was much better than Q3. And Q1, which I will report will be talking about the



overall figures in the next earnings call. So what I mentioned is that the current run rate, is far above the kind of 40,000 tonnes to 50,000 tonnes per month budget. I do not want to give more information on that but, that does not mean its just 10% above budget. It is far above it and I will have a little bit more to say once the figures that come from April - May - June in the next earnings call. But for now, you can take that it is when I say far above it is much more than 10% above budget. It is much more.

Shaleen Kumar: That is helpful, sir. That is what I needed actually. So that is helpful. Second bit on, any update on the new terminal where we are right now? We believe that everything was done from our side but still...

Anish Chandaria: Nothing is done till it is done. As I have told you a few times and my last line in my Presentation was management is fully focused on delivering those deals. In fact, meetings are going on this week. We are also going for those meetings. So we are fully focused on that but until they are closed, they are not closed. But I think, I say it in every investor meeting, every earnings call, we are working as fast and as hard as possible but these are big deals and big contracts. So many things have to be still fine-tuned. But I think, there is a probability of hearing it in this financial year, FY 2019 deal announcement is high, and we are confident. But they can only be announced once everything is final. So we are not quite there yet but we are working as fast as possible on those and remain very confident.

Shaleen Kumar: Sure, sir. And sir, one more bit on the Gas side then on the Liquid side as well. So in answering to the previous participant, you said that the only private player who is building is Aegis but we were of the belief that even Mundra is active on building an LPG terminal.

Anish Chandaria: Yes. I ask this to our people as well. We have also heard the same. So watch this space, yes, we will see. But I can tell you one thing which I think I said when we were in our Investor Meetings in America, whatever the next deals that we do are going to be in the West Coast in India,. In other words, there is enough imports which are projected to happen in West Coast India that we are going to continue to build that.. If you have any other information, please do let me know. But irrespective of what they do I think that our deals and our projects are based on irrespective of that.

Shaleen Kumar: Sure, I agree with you. And my information is again, based on media articles and maybe some other investor sources. Coming out of Liquid, we are seeing a decent growth in Liquid in this quarter, but the profitability has come down. What has happened over here?

Anish Chandaria: I think quarter-by-quarter, again, if you look at it different product mixes, chemicals, sometimes it depends on trade flows, quite frankly sometimes the more chemicals are bought which are higher values, sometimes more bulk petroleum. So I do not think you should read too much into quarter-by-quarter figures of operating profit, generally, it remains a steady basis I would not say there has been a very strong growth already. Until we bring this new capacity on stream in



FY 2019, so it is a steady business in the terminals of Mumbai, Kochi, Haldia are all full and they are operating at full capacity. Pipavav remains at roughly around 20% capacity utilization, that has not changed. But I would it is a steady business and there are fluctuations in which products we bring. But otherwise, nothing different but the focus, as I said, for the future is bringing the new capacity of 100,000 kiloliters in Kandla; there is 25,000 kiloliters in Mangalore and the capacity expansion in Haldia of 35,000 kiloliters bring that all into full operation in FY 2019 that will significantly add to revenues and profit. In fact, we gave when we had our review just now to our Liquid terminal marketing team, which just had a few days ago, we gave them a very demanding target for the next 2 years in terms of revenues and you will see some further announcements which I am not going to make today, you will see some further announcements beyond these the 3 projects that I mentioned, you will see some further announcement perhaps in FY 2019 on that. So we are very much focused on growing capacity in Liquid Terminals in FY 2019 and that should result in quite a good boost this year in that division.

Shalin Kumar: Sure, sir. Just last...

Moderator: Thank you. The next question is from the line of Pranav Mehta from ValueQuest Research. Please go ahead.

Pranav Mehta: My question was so now the Haldia LPG terminals reaching 2.5 million tonnes kind of throughput which is our target is dependent on the pipeline which is coming up near Paradip, just wanted a status update on that? And secondly, for our Pipavav Liquid Terminal, we were trying to get other players in that region on board for the Rail movement and so is there any update on that?

Anish Chandaria: Okay, both good questions. On the Haldia LPG pipeline issue actually the latest information I had is that IOC is making good progress on that pipeline that this is the Paradip to Durgapur pipeline via Haldia, they are making good progress on that pipeline more significant than I had expected. I am always a little pessimistic with the time frame of this projects. However, I want to correct you that achieving 2.5 million metric tonnes is not dependent on that pipeline. That will come that right time will come whenever it comes, they are working as fast as possible. But actually, the way we have designed the project is that we think that irrespective of that pipeline, we can handle 2.5 million tonnes both by road and some other work that we are trying to do on future Rail movement of LPG which I have nothing to say right now but we are working on it that I think I can say clearly, that we are strongly working on it. And this is one of those type of deals that I am talking about where management is fully focused on. So the pipeline will come and that will only enhance evacuation possibility but we are confident. By the way, I can also tell you some other things on this Haldia LPG throughput, which I did not say in the presentation. But just to give you an indication, HPCL is building the largest bottling plant in Asia in a place called Panagarh. And I have just been told by our people that they are actually very close to completing that bottling plant which is great news for our progress towards that 2.5 million tonnes figure. Again, I am surprised with how fast they have constructed that, but they are



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apparently very close to completing that project. Now they still have to lay pipelines from the Panagarh to our Haldia terminal which they have committed to do. So they have still not even started working on that. But we can still move by road. We can still move by road LPG to that bottling plan, as we are doing today. Another thing I can tell you, which should give everybody a great comfort on volumes again I have been very pleased to see I have asked our people that why is it that we are so far above budget I am happy, very happy as we just after 6 months of operation in Haldia we are so far above the budget in Haldia? And again, it is primarily HPCL and there is also BPCL cargoes which are coming in because they have completely stopped transporting any LPG from Vizag all the way to the Northeast because things are going very well in the Haldia LPG import terminal with us, with Aegis. So that is another reason why they are importing so much more than budget in Haldia because they have completely stopped all LPG coming up from Vizag. They are just taking from the Aegis LPG terminal. And the fact and as I said, BPCL is also bringing good cargoes into Haldia. So the growth in Haldia in this year is really going to power Aegis earning overall as we have said but much above budget and I have not given a quantification because we are in April and May and there is still one more month but maybe I will have a little bit more to say in the next earnings call once I have the June figure as well. But the current run rate is far above the budget far above and we will quantify a little bit more once I have the June figure, but it is looking very good and I am really pleased. And that is it is so significant it is going to power Aegis profit as a whole in FY 2019. That is how significant Haldia is. And we are building towards that 2.5 million tonnes that you said it is not quite happening in this year obviously but we are building towards that. And I expect that figure we will be talking about perhaps in somewhere between 3 years to 5 years from start of operation. So we are very much building towards that figure.

Pranav Mehta: Right. And on the Pipavav Liquid Terminal?

Anish Chandaria: Yes. Sorry. Yes, Pipavav Liquid Rail, I have been talking about it for some time our focus has now shifted to Rail movement of LPG from Pipavav. That is what we have actually been negotiating with Gujarat Pipavav Port. Again, I do not have anything to announce today except that ongoing discussions are going well. And so, therefore, we decided that was the priority rather than Liquid Rail movement because there is a lot of scope for increased LPG throughput movement by Rail in Pipavav, so that is the current focus. Once contract agreement is signed with Gujarat Pipavav on LPG Rail movement then we will again go back and talk to them about Liquid Rail movement.. So I think, probably high probability is a question of when not if, because the state of negotiations with Gujarat Pipavav on the Rail but it is not yet signed off. Then we will return to the Liquid Rail movement but that is the current priority.

Pranav Mehta: Right. Sir, one more question, a bookkeeping question. So you had the benefit on the taxation front this year because of which our effective tax rate was much lower. So going to FY 2019, so our tax rate should reverse back to a normal 20% to 22% kind of range going forward?



- Anish Chandaria:** Yes, that is right because now all these Indian Accounting Standards has been implemented as of this year. So you should probably target an effective tax rate of around 20% to 22% for next financial year. But the good news is that pretax profit even irrespective of the increase in the effective tax rate pretax profit mostly because of Haldia hopefully will be growing well, as I said many times and therefore, we will see rising post-tax profit in the current year even though there is an increase in the effective tax rate.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.
- Pritesh Chheda:** Yes sir, I missed on the throughput source again transport volumes which you gave at the beginning of the call on an annual business?
- Anish Chandaria:** I can repeat them again. So the LPG throughput terminal volume for the year FY 2018 was 1,742,467 metric tonnes.
- Anish Chandaria:** Okay. For the year in all the 3 terminals of Haldia, Bombay (Mumbai), and Pipavav.
- Pritesh Chheda:** And what is the growth rate in this?
- Anish Chandaria:** 29% year-on-year.
- Pritesh Chheda:** Sourcing?
- Anish Chandaria:** Sourcing was 1,176,598 for the year.
- Pritesh Chheda:** 1,176,598.
- Anish Chandaria:** Versus 1,043,067 year earlier, which was a rise of 13%.
- Pritesh Chheda:** Okay. And transportation?
- Anish Chandaria:** Transportation meaning?
- Pritesh Chheda:** So the Aegis...
- Anish Chandaria:** Autogas?
- Pritesh Chheda:** Yes.
- Anish Chandaria:** Yes, Autogas. We do not call it transportation. Our Aegis Autogas yes, it was 24,150 for the year.



Pritesh Chheda: 24,150.

Anish Chandaria: Versus 23,217 year earlier, our team informed us around 6-7 opening was just delayed, and those will come into this financial year.. And these are in many very-very good sites and cities of Bangalore and Hyderabad and place, etc. in the South where it will have a meaningful impact on volumes because these are big sites. So I think you will see and you can ask me in the next earnings call in Q1 and Q2 and going through the year, you will actually see some because some of those are carried over from last year's construction, and we can see the progress. So we should see hopefully some good growth this year in Autogas.

Pritesh Chheda: What kind of growth in throughput do you expect for FY 2019?

Anish Chandaria: Well, I am not going to give a guidance because I think a lot of it depends on Haldia volumes because I expect Bombay (Mumbai) and Pipavav to continue the current run rate which is basically as strong as possible what I would call full capacity unless we get something on that Uran pipeline in Bombay (Mumbai). So it is really going to be driven by Haldia volume. It is too early to say as I said that currently April and May we have already seen very far above budget. So throughout the next few quarters, I will be able to give greater updates but I do not want to give that based on only 2 months but it is going very well we have very good confidence that is all I would say that is going to be maintained. But that is really based on only 2 months I do not want to extrapolate based on that. But I hope that to have greater certainty in the next few quarters on that. And that is going to be the major incremental volume growth on last year's 1.74 million tonnes that is where we should really see in Haldia in this FY 2019 the growth. But it is looking very strong and the current growth rate is looking very strong.

Pritesh Chheda: And lastly, on the sourcing side, why is the growth rate so soft? You would have obviously thought of a much...

Anish Chandaria: The growth rate, yes, I think as you know that that depends on whether the customers tender and whether they on their own requirements and whether they import themselves or whether they tender more for us. We do it as a service and we make \$3 to \$4 per tonnes in Singapore. So we try our best. If IOC, HPCL, BPCL, want to bring product then here is our bid and you come out with the tender. But if they find that they can import themselves through the national oil companies of Saudi Aramco and others, then we cannot force them to come up with them. So it very much depends on that. It depends on their own purchasing policy. We are doing it as a service to under \$3 or \$4 but if they have a different tendering program that is what it is. So I think that it is almost a result of their own purchasing policy. They are currently deciding in 2018 what the program is even though we already made. So I think we will see quarter-by-quarter how that develops. But the main focus is as I have always said, how much LPG can we handle in our terminal? That is where the main profit is. What happens on sourcing is a result of their own the oil companies own purchasing policies on tendering.



Moderator: Thank you. The next question is from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.

Dhruv Bhatia: Sir, just first question, could you give us an update on the Pipavav expansion that you have done for LPG, how has that been progressing for you?

Anish Chandaria: Yes. Obviously, that expansion was completed some quarters ago and it is going very well. As I said, we are maintaining good volumes in Pipavav and utilizing all the tanks that we have put up to in storage. And also do not forget, we always talk about LPG but we are also storing other gases like butylene for Reliance in Pipavav so it is not only LPG I know I focus mostly on LPG. So everything is going well. In fact, nothing to announce today but we are always looking to say, okay, can we expand more in Pipavav? Not announced today because here it is a very modular approach. We can add another 2-3, we can add another 4 but again, it is always dependent on when the volumes are there. As I said, I do not have anything to announce on that today but that is a clear focus that how we can expand more in Pipavav given the good throughput that we have there. So that will give you some indication that we are looking to expand in Pipavav. If for example, we have a breakthrough on Rail movement in Pipavav then that would then determine the future, if you see what I mean. So it is probably that is how we will decide on future growth in Pipavav but things are going well.

Dhruv Bhatia: Sir, with better than expected numbers from Haldia, is it possible to achieve the full throughput capacity of 2.5 by 2020?

Anish Chandaria: I would doubt that. You remember our budget was 0.5 million tonnes for the first full year operation and I definitely say we are far above that at least for the first few months of this financial year, the run rate. But that does not mean we are going to achieve 2 million or 2.5 million by FY 2020. I think we will be conservative in our guidance in saying, which I have said repeatedly that 3 years to 5 years is a realistic time frame for that. But that is a big-big ramp up of volumes which had a big impact on profit. So let us maintain that 3 years to 5 years which means from FY 2018 3 years to 5 years is the kind of program that we have been told by the main customer and we are working towards that.

Dhruv Bhatia: Sir and on your Mumbai terminal, you have a throughput capacity of 1.1 million tonnes. In previous calls also you had mentioned that with the Uran Chakan pipeline being ready, commissioned, the throughput capacity can go up till 1.4 million tonnes. So is it that delay in the pipeline, I mean, the throughput volumes cannot increase beyond 1.1 million tonnes?

Anish Chandaria: Yes, to a large extent, because then everything is on road transport except for the Reliance contract on propane which goes to the pipeline because there is only road tankers that we can handle on a daily basis. So that kind of reach the full capacity if we do not have that pipeline throughput there is no Rail obviously. So we have been doing that in FY 2018 and that is the current kind of run rate that we are doing right now in FY 2019 which is why we were very keen



that this Chakan pipeline is completed to Poona Chakan by HPCL because they can start moving products in that 1.2 million tonne capacity pipeline and that is the only way at the moment we can raise the throughput in Bombay (Mumbai) towards that kind of 1.4 million tonnes. So we have been ready. We did our interconnection of 2.8 kilometers in December 2016. So we did our best some time ago because we were told by HPCL that the Chakan would be ready by October 2017. In fact, they used to say 2016 anyway. So they seem to add one more year but the current reporting is that they will be ready by end of 2018 which means December 2018. But anyway, whenever it happens we are ready and then we can not only see perhaps some greater throughput in Bombay (Mumbai) as well as Haldia. And then we are working on something in Pipavav as I said on the Rail thing and then new terminals also, new LPG terminals that we are working on. That is how we are trying to increase throughput volumes in all the terminals.

Dhruv Bhatia:

Sir, any timeline on the new terminal in the West Coast?

Anish Chandaria:

As I said that we are working as hard as possible, there is no timeline, except once it is done. And you will be the first to know, after we tell Aegis board, but we are working as hard as possible. As I said even this week itself, Raj and I are going for meetings and negotiations on that. So those deals will happen, they take time because these and I said this last time these are very-very large projects deal and they take time too. But once they are done and signed and we announce them then they are there for the next 30 years - 40 years. So that is why a few months here and there you should be patient. But once we have to get the right deal, so that we can maximize profitability that is what we are negotiating. But the reason I have been talking about these deals for some time just like I used to talk about Haldia and you can see the impact on Haldia you will see this year. Once they are done, then they generate profits and revenues for many-many years to come. So it is worth getting the right deal and we are negotiating as fast and as hard as possible but these are big deals and so you will have to be patient until they are done.

Moderator:

Thank you. The next question is from the line of Ajay Khandelwal from Bank Of India AXA Mutual Fund . Please go ahead.

Aakash Manghani:

Hi, this is Aakash Manghani from BOI AXA. I have joined the call a bit late. I am not sure whether this question already asked but the question was on the macro front. If I am looking at the data on the LPG production growth in FY 2018 and the LPG imports, it looks like the LPG imports grew at only 2.6% and the production growth was closer to 10% and this was after a couple of years of low growth on the production side and the imports have grown at a significantly lower pace as compared to what it has been for the last 3 years to 4 years. So your comment on that and how do you see that panning out over the next couple of years?

Anish Chandaria:

Yes. I think someone else asked the question also. So I will repeat it. I do not if you have a copy of the Investor Presentation in front of you?



- Aakash Manghani:** Yes, I do have it, yes.
- Anish Chandaria:** Page #08 which shows the forecast of not only LPG demand and LPG imports, you can see a very strong growth in imports not only over the next 2 years but over the next 10 or 15 years because domestic production is actually operating at full capacity right now all the refineries that we have the full capacity of LPG right now. Domestic production of LPG always will be less expensive than imports. So they will be obviously, all refineries would like to maximize domestic production if they can. So that is what has happened. But actually, we are at the full domestic production of LPG, that means all incremental to fulfill all incremental demand, it has to be imported, there is really no doubt on that at all. So for example, this current year and you are seeing this as I said, in Aegis terminals let us say all India basis you will see a significant rise in imports because there is no more domestic production possible. Yes, there might be some small debottlenecking of refineries, etc. but so I think, there is really no doubt on that all that and we are already seeing in Q1, in quarter 1 we are already seeing rising imports from the oil companies. So I think that trend is clear. You are going to see rising imports which is why we are operating our import terminals at such full capacity, Bombay (Mumbai) and Pipavav and obviously, Haldia, has now just started. And we are constructing there is no choice for India but to import more. There really is no choice, that is the fact.
- Aakash Manghani:** So if I were to use a timeframe of let us say for the next 2 years to 3 years, is it fair to say that the LPG production, domestic production would be flattish to just about low single-digit growth between FY 2018 to FY 2021?
- Anish Chandaria:** Yes, that is exactly right. In fact, I have a spreadsheet here which shows that. That is exactly right, based on petroleum ministry figures that should be domestic production expansion will be flattish or low single-digit kind of growth and also it is going to be imported.
- Aakash Manghani:** And what is your sense of the demand CAGR over the next 2 years to 3 years the conservation CAGR it grew at 8% in FY 2018?
- Anish Chandaria:** Again, I think it is pretty much as per this chart that we kind of compounded growth rate in terms of demand we expect to be somewhere between 6% to 8% demand growth. In some areas like Northeast, it is going to be higher because the penetration is lower and that is being governed by how fast the public sector companies IOC, HPCL, BPCL are building out that rural penetration distribution network in the Ujjwala Scheme and all that. That is all dependent on that. But they are growing as fast as possible so around 6% to 8% is the forecast, which is being built into this chart of demand growth. And as I said, that is fulfilling that increased demand is going to be from imports.
- Aakash Manghani:** Okay. And in this chart, on Slide #08, I mean say FY 2025 - FY 2030, what sort of market share do you envisage Aegis Logistics market share for imports?



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Anish Chandaria: That is a dramatic increase which I have been talking about for the last few years which we expect to achieve something like 25% to 30% market share of handling those imports by constructing not only the new Haldia terminal but perhaps the next couple of deals that only happens if you do those 2 deals that I am talking about those two but we are at the moment confident. So a dramatic increase from currently around 15% of handling of LPG imports to around 25% to 30% whereas it will be 25% or 30% that we will have to see but somewhere in that range is what we are targeting and that is really driving Aegis profits going forward. But it depends on building that terminal capacity the extra terminal capacity.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we will be taking the last 2 questions. Next question is from the line of Deepak Shinde from SBI Cap Securities. Please go ahead.

Deepak Shinde: All my questions have been answered.

Anish Chandaria: Very good. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand conference over to Mr. Anish Chandaria. Over to you.

Anish Chandaria: Thank you very much for some good questions today. So I will just summarize that we, as Aegis management, are satisfied and happy with the progress last year FY 2018 61% increase in earnings per share and I think that has even beaten some of the analyst's numbers. So we are happy to deliver that. But the management is very focused on continued growth this year, particularly with the commissioning of the Haldia LPG terminal. I think, you will see very strong figures, which I have indicated generally today but we can quantify a little bit more in future earnings calls and that is going to power our earnings growth in FY 2019. And obviously, as I said, the management is also focused on completing our strategy of a necklace of terminals and doing those deals throughout the coming months. So that is really the focus. And I hope that we will be able to continue to deliver good earnings growth therefore in FY 2019. Yes, it is always, Raj is just saying, he is sitting here beside me that cannot always expect 61% growth in earnings per share every year, but we will try our best to deliver as high a growth is possible. But as I said, the confidence is there because of the growing volumes, particularly in Haldia. And watch this space for deal announcements in the coming months, I am confident that we will be able to announce in the coming months at least some projects. But they only can be announced when everything is signed off. Thank you very much for attending this call.

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