"Aegis Logistics Limited
Q4 FY2019 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Aegis Logistics Limited Q4 FY2019 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 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 after the presentation concludes. 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 now hand the conference over to Mr. Anish Chandaria, Vice Chairman and Managing Director of Aegis Logistics Limited. Thank you, and over to you, Sir!

Anish Chandaria: Thank you. I will be presenting the Q4 results for FY2019 and the full year results for FY2019. This was a good set of results for Q4 with a rise in the Gas division volumes and profits especially driving the group profits. I will also be announcing a number of new projects approved by the Board yesterday at the end of this earnings call, which will continue Aegis' growth story.

The total revenues for Q4 were Rs.1856.3 Crores versus Rs.1252 Crores a year earlier that is a rise of 48% year-on-year. The total EBITDA for Q4 was Rs.117.8 Crores versus Rs.80 Crores a year earlier. That is a rise of 48% year-on-year. Profit before tax was Rs.87 Crores for Q4 versus Rs.59 Crores a year earlier that is a rise of 48%. And profit after tax for the group was Rs.71 Crores for Q4 versus Rs.57 Crores a year earlier. That is a rise of 25%.

Now I will talk about the full year results for FY2019. First, just to recall, this was the highest ever annual performance for Aegis. Revenues for the year were Rs.5624 Crores versus Rs.4799 Crores a year earlier. That is a rise of 35%. EBITDA was Rs.412 Crores for the year versus Rs.306 Crores a year earlier. That is a rise of 35% year-on-year. And profit after tax was Rs.252 Crores versus Rs.214 Crores. That is a rise of 18% year-on-year. And the earnings per share diluted was Rs.7.5 for the year versus Rs.6.4 a year earlier.

I can also announce that the Board recommended a final dividend of Rs.0.90 per share yesterday. So taking the total dividend, including the interim dividend as well as a final dividend, adding both of those up, the total dividend for the year, subject to the shareholder approval will be Rs.1.4 per share.

Now let me go through the segment results, starting as usual with the Liquid Terminal Division. The Liquid Terminals division revenues for Q4 were Rs.48 Crores versus Rs.44 Crores a year earlier. That is a 10% rise year-on-year. The EBITDA for the division was Rs.29 Crores for Q4 versus Rs.24 Crores a year earlier, a rise of 21% year-on-year. And this actually shows a change in the product mix towards higher-value chemicals, especially at the Kandla liquid terminal.

The Mangalore liquid terminal was commissioned in Q4. The new 25000 kiloliters, it was commissioned in Q4. And I am pleased to announce that it is already operating at 100% capacity utilization.

And the further 40000 kiloliters expansion at Kandla, our Phase 2, that I can confirm will be completed in the second half of the current financial year FY2020 so that is on track. That will take us through 140000 kiloliters liquid capacity income so 100000 existing and a further 40000 kiloliters, which is on track for being completed in the second half of this financial year.

Now let me turn to the Gas Terminal Division. As I said at the beginning, the Gas Terminal Division, LPG division continues to do well. In Q4, revenues were Rs.1807 Crores versus Rs.1207 Crores a year earlier. That is a rise of 50% year-on-year. The EBITDA for Q4 for the division was Rs.89 Crores versus Rs.54 Crores a year earlier. That is a rise of 64%. And the Gas EBITDA for FY2019 as a whole, that is the full year Gas EBITDA, was a record Rs.309 Crores versus Rs.203 Crores. That is a rise of 52% year-on-year for the year as a whole so both the Q4 was very good, but the Gas EBITDA, up by 52% year-on-year for the year as a whole.

Now let me go through the volume analysis for the quarter, the underlying sales volume. Starting with the LPG throughput volumes in our 3 terminals of Mumbai, Pipavav and Haldia. For Q4, the throughput volumes was 710440 metric tons versus 479000 a year earlier. That is a rise of 48%. That is another big rise especially, I can note, in the Haldia terminal and the Pipavav LPG terminal so both of those saw the biggest drivers in the throughput volumes.

And let me also report for the year as a whole, for FY2019 year as a whole, we produced a total throughput volume in the 3 terminals of 2.52 million metric tons, in other words, 2.5 million metric tons versus a year earlier of 1.74 million metric tons. That is a 45% increase year-on-year. By the way, 2 million is a higher figure, much higher figure than we budgeted, and a lot of that extra incremental growth in volumes was because of the new Haldia terminal, which has gone far above budget.

This means, by the way, that 2.52 million tons that we handled of LPG as a share of Indian LPG imports for the financial year ending in 2019 March, the total imports of LPG in India as a whole was 13.2 million metric tons and that means if you say that Aegis handled 2.52 million of that, that means that our market share of that India's imports is already 19%, and as I have said in various public meetings and investor meetings, our medium-term target for India's LPG import-handling is 33% so we are currently at 19%, and we have plans to raise our market share in the medium term to 33%.

Now let me go through the LPG cylinder volumes for the commercial and domestic household segment under the Aegis brand. This is part of our retail unit. In Q4, we had 5224 metric tons of sales versus 3720 metric tons a year earlier. That is a big rise of 40% year-on-year, and I do not think we have seen that kind of rise in sales ever since we took over this part of this business from

Shell. But this is the first time we have seen that kind of rise, 40% year-on-year. And it is primarily driven by a great push by our marketing team on the number of dealers and distributors in the South. And in this current year FY2020, we will see a further push in the South, especially in the states of Tamil Nadu and Karnataka. And we will be starting the retail cylinder business under the Aegis brand name in the Northeast of India with our new terminal in Haldia as the supply point. Lots of new dealers had been sought after and appointed in the Northeast.

Our industrial bulk sales, these are bulk LPG sales to industrial customers, were 18794 metric tons versus 12096 a year earlier. That is a rise of 55% year-on-year so another big rise with some new industrial customers for LPG added. And we will also be adding more customers in the Northeast in FY2020, in the current financial year.

Also, gas sales were also up in Q4, 6585 metric tons versus 5587 metric tons a year earlier. That is a rise of 17%. More stations were added in FY2019. We are now operating 114 stations. We plan to add another 68 stations in FY2020, taking us to 122 sites. And we will be adding Kolkata and some other towns in the Northeast starting in FY2020 as well.

Sourcing volumes were 472515 metric tons versus 285094 metric tons a year earlier. That is a rise of 66% year-on-year driven mainly by the new 1.5 million metric ton annual contract for IOC for 2019 so conclusion, as far as the Gas division is concerned, this was a fine quarter for our Gas division, which drove the profits for the company as a whole.

Now let me turn to the outlook for the current financial year FY2020 and new projects. First, a quick update on our existing projects already underway. The 45,000 metric ton Kandla LPG project, which we announced in the last earnings call, is in full swing. We expect to complete this project in the first half of FY2021 that is H1 of financial year 2021. This will add another 4 million metric tons LPG annual throughput capacity, 4 million tons a year, to Aegis and will be a major source of profit and growth from the next financial year, that is FY2021. Also our 40000 kiloliters Phase 2 liquid terminal project in Kandla is on track for completion as I already mentioned in H2 that is the second half of the current financial year FY2020, and will add to revenues in our Liquid Terminal Division in the second half of FY2020.

Now I would like to announce 3 new projects for FY2020, for this current financial year, which was approved by the Board yesterday. Two of these projects are in the Liquid division and one is in the Gas division.

Starting with the first project, a 50,000 kiloliter expansion in our Mangalore liquid terminal to take our total capacity to 75,000 kiloliters, Phase 1 was already commissioned. That is the 25,000 kiloliters Q4 of FY2019. And now we are announcing a Phase 2 project, a 50,000 kiloliter expansion in Phase 2 in Mangalore. As I said, we are already at 100% capacity utilization in Phase 1, the 25,000 kiloliters, and there is enough business to justify another 50,000 kiloliters. The total capital expenditure for this project will be Rs.35 Crores and we expect completion in FY2021.

The second project we are able to announce is the Kochi project, a liquid project, which is a 20000 kiloliter project in Kochi. As people know, we have had 51000 kiloliters in Kochi for the last 13 years. So this is the first time we are expanding by another 20000 kiloliters because, again, business justifies the additional capacity. And that will take us to 71000 kiloliters in Kochi. The capex will be Rs.15 Crores in Kochi, so a small capex. And we expect to complete this by FY2020 that is in the current financial year.

The third project is in the LPG division so we are announcing an important LPG expansion project in Pipavav. Our business has been strong in Pipavav in Q4, and the Board has now approved Rs.75 Crores capital expenditure for the following in Pipavav: first, a 3800 metric ton addition of 2 more spheres LPG spheres in Pipavav, taking our total storage capacity up to 22100 metric tons from the existing 18300, and giving a rise in our throughput capacity to about 1.6 million metric tons per year from 1.4 million capacity today. So our throughput capacity will go up to 1.6 million metric tons in Pipavav.

But secondly, as part of the Rs.75 Crores project in Pipavav, I am able finally to announce the long-awaited construction of a LPG railway gantry in Pipavav to allow us to fill LPG and rail wagons and to evacuate the LPG on the rail tracks, which are right outside our terminal in Pipavav. Many investors will recall me talking about this project in general over the last two years that we have been working on various permissions and etc. But now finally, I am able to announce this project which is very strategically important for Pipavav, and it allows us to offer customers, especially the public sector units, ability to move LPG by rail up to their northern bottling plants at about half the logistics costs versus road as well as speed of movement versus road tankers so it is very crucial for Pipavav that this LPG rail connectivity is in place as it means potentially hundreds of thousands of tons of incremental LPG sales volumes in our Pipavav terminal, which will now become super competitive given the costs that is inland logistics costs of railway movement versus road is so competitive so that those are the 3 projects that I have announced.

In terms of completion time for this LPG gantry and the 2 additional spheres, additional capacity in Pipavav, we expect to complete this in FY2021 that is next financial year. And the total capex therefore, if I add up these 3 projects: Rs.75 Crores for the Pipavav projects, Rs.15 Crores for the Kochi and Rs.35 Crores for the Mangalore project and that is on top of what we have already announced last the last earnings call, which was the Rs.350 Crores capex for the Kandla LPG project and the 40000-kiloliter project capex for the liquid project. So all this capex will take place the projects will take place over the next 12 to 18 months. Of course, the funding of that will be over 18 months. Not all of the capex and actual cash outflows will be accrued. And so therefore, we expect to finance these projects by internal accruals. We do not, at the current time, expect to be taking debt for these projects. The company is strong enough financially in terms of generating substantial free cash flow that we think we can fund from this funding channel cash generation.

So let me summarize and then I can take questions so I think it was a good set of Q4 results, especially in our Gas division, leading to a 30% increase in profit after tax for Q4 year-on-year for the group. We were able to announce 3 new projects today on top of the Kandla LPG and Kandla liquid projects, including the crucial railway gantry project in Pipavav as well as some liquid expansion in Mangalore and Kochi, all these projects will be completed either in the current financial year or the financial year, FY2021. And we expect this year, FY2020, more growth in LPG volumes in our retail LPG division as we expand further in the South and Northeast and especially LPG throughput volumes in our Haldia terminal, which would add to profits in the current financial year FY2020.

And finally, we are working on a number of additional projects, especially in the LPG division, which we will bring forward in future quarters, both this year and next year. We will be announcing those projects which we are working on right now in terms of landing permits, especially in the LPG division, to focus on increasing our LPG terminal capacity further and investing in more LPG evacuation options such as railway connectivity and/or LPG pipeline connectivity so that we can throughput more LPG for our customers.

Okay. That concludes my presentation and I can now take 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: Good afternoon Sir and congratulations for really great set of numbers. My first question is in terms of the throughput, is it possible for you to share fourth quarter throughput volume for Haldia, Pipavav and Mumbai?

Anish K. Chandaria: I generally avoid the detailed breakup of each terminal, but I would say that if you really look at the total for the year, 2.5 million metric tons for the year, I can give you a sense that Haldia was initially budgeted for 0.5 million and it did much, much better. So we actually ended up above 1 million tons in Haldia. So that is double the budget. There was an earnings call maybe a couple of quarters ago when I was talking about an annualized 0.8 million, that is 800000 and we ended up doing even better than that. So out of the 2.5 million metric tons, Haldia alone was over 1 million tons. And then the balance was between Mumbai and Pipavav.

Rajesh Kothari: Sir, Pipavav has crossed 5lakhs? I mean, I think last week was full...

Anish K. Chandaria: I am not going to go through the detail of each terminal. I try to avoid that. But you can just say that the balance, 2.5 million minus the 1 million, was split between Mumbai and Pipavav. And let us say Mumbai was a higher throughput than Pipavav.

Rajesh Kothari: Okay. My second question is more of a macro question. Earlier, we have seen at the country level that people have moved from kerosene to LPG. Do you think in the long term LPG versus, for example, city gas distribution network? How do you see that as a macro picture for overall LPG?

Anish K. Chandaria: Yes. I get asked this question quite a lot in investor meetings. So I have a long explanation but I will cut it short, because it is a short call, I will just put it like this. The government policy is actually to go for 100% LPG penetration. That means universal LPG within the next few years. That is the actual government policy, that they want all the households in India, 240 million households, to have access to LPG. So I believe that I think that LPG, over the next 10, 20, 30 years, will remain far and above the primary cooking fuel to the extent that we expect that natural gas, , which is currently only about 2% to 3% of households using that as a cooking fuel, we expect that to increase only marginally over the next 20, 30 years. In other words, maybe 95% of households will remain on LPG for cooking.

And the main reason for that is that in order to for natural gas to increase as far as the citywide gas is concerned, you actually have to construct infrastructure, pipelines, to every single household, apartment block, etc, digging up roads and all that. Neither is that commercially viable or is it even environmentally or neither the permission is very easy, maybe even impossible in some cases, to dig up all the roads and all that. And you have to connect up every household, every apartment block, even in the block to make it.

So there will be some increase of natural gas. I think what will most likely happen is for, as far as the natural gas is concerned, is that in the city, they will focus more on CNG for transportation, 3-wheelers, etc, because that is much easier to set up to stations. But the idea that every town, apartment block, let alone villages were 70% of the population lives is going to be connected up by pipelines with natural gas, I think, is not very credible. So LPG will remain the cooking fuel of choice and it is actually very, very popular, I think, because of its ease of mobility with LPG cylinders.

Rajesh Kothari: Thank you Sir. I will come back in the queue.

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

Pranav Mehta: Congratulations for a good set of numbers. And Sir, I had a question on this Pipavav expansion that you have announced. So within last quarter, we had a slightly weak volume at Pipavav so what is giving you the confidence to add to your existing capacity there?

Anish K. Chandaria: Actually, that is not correct, if I can interrupt. In fact, the LPG volumes was very strong in Pipavav in the last quarter. And so actually, what gives us confidence is 2 things, most significantly, because we are putting the LPG railway gantry, that project, that will generate additional volumes which we need to handle because we can then move LPG by rail to this kind of Northern bottling plants that I mentioned so as a result of that, we will need more capacity. So that is the most important reason why we are building this extra 3800 metric tons.

And yes, actually, business has been strong in Pipavav in the last quarter, very strong. And of course, things do fluctuate quarter-by-quarter so we should not get overexcited by this one quarter's result. But what is more important when we would make investment decisions is how much import capacity do we need for the future. And the key thing that I was trying to emphasize is this long-awaited railway connectivity. As I said, it has been a personal interest of mine to try and push it through. So finally, we are announcing it. It will take a few months to construct this railway gantry, as I said, but this is very crucial for the future of Pipavav. But we will need more storage capacity basically to store the additional LPG imports that we expect there is going to be when we connected.

Pranav Mehta: Sure Sir. And my second question is, Sir, on this capex that we have announced ongoing projects and whatever you announced today is totaling to around Rs.500 Crores in the next 12 to 18 months so in the interim period, 6 or 12 months, do we anticipate taking on more debt to fund these projects or just falling on somewhere? Or is there any plan to further sell any stake to ITOCHU to fund these projects?

Anish K. Chandaria: Yes, let me cover that. As far as the capital expenditure over the next 18 months or so, we think that we can finance it internally in terms of because we are generating enough cash in the fund. So we do not anticipate taking on debt. We have obviously a very strong balance sheet with 0 net debt. So if you take into account cash on hand, so if we need to, we can easily take on a little bit of debt because we have 0 net debt. But at the moment, we actually do not anticipate that. We think that the free cash flow that we are generating can go towards this capital expenditure over the next 18 months.

On your second question, in terms of raising more funds from sale of minority stakes to ITOCHU, like what we had done in the Haldia project. Look, those discussions are ongoing all the time. They are not really driven by finance because we are in a comfortable finance position. But they are driven mostly by, for example, interest in participating in these projects. So those discussions are going on all the time, for example, with ITOCHU because as many of you remember, it is part of our shareholders' agreement that they have a right to invest in some of these projects so we are discussing that all the time. And no conclusion yet to report, but that goes on. Now if any of those investments do happen, then obviously that money comes into Aegis group and we can use that to fund some of this capex and any future capex. Because as I said, we are working on a number of additional projects over the next two years, and some of which, we may bring forward even in this financial year. So in other words, we may go beyond the Rs.500 Crores that we mentioned over the next 18 months, but we would plan accordingly. So there are lots of options to fund our capital expenditure program. But the main thing is, Pipavav program is a generator as far as growth is concerned and finance will not be a constraint.

Pranav Mehta: Sure Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Yes. Sir, one question on the liquid side. We have added capacity in the last 3, 4 years. We have taken some 5,00,000 kiloliters to about 7,00,000. And now we have another round of expansion which will add another 100000 kiloliters. But when we look at the traction in the EBITDA number, it has largely remained flat for like 1, 2, 3, 4, 5 years now so if you could just help us understand when could we expect to see the traction. And why is there a disconnect between the capacity addition and the EBITDA growth?

Anish K. Chandaria: Yes. That is a good question which we debate a lot in Aegis. I think let us say, the easy days of just expanding in Mumbai are all over. Obviously, we have good, good rates, etc, because obviously, no more land, et cetera. So we have been forced to go out to other ports as far as this necklace of terminals is constructed. And you are absolutely right, when we have built up more capacity, the revenues or sometimes the EBITDA has not quite kept the pace with that capacity expansion.

Now one part of that which most people know is Pipavav, for the liquid side, has been disappointing. LPG side has been amazing, but the liquid site has been disappointing. So that capacity utilization is still around 30% over there so I do not really have much to say on that. And the rates are lower, unfortunately, in places like Haldia, Kochi, etc, because those are, let us say, most remote locations. However, one of the very important things to understand about this business is once you set up capacity, it does take a number of years. And our normal budgeting is about 3 to 4 years for us to start bringing, let us say, higher-value products like high-value petrochemicals and chemicals, rather than, let us say, bulk petroleum products. And so just by building the capacity, within 1 year, it does not automatically result in much higher revenues and much higher EBITDA. It does take a bit of time. And I think you are actually going to see, in the next two financial years, this current financial year FY2020 and FY2021, if I am right and if our management team is correct in what they are forecasting internally, we are now expecting to see the kind of revenue growth from this additional capacity that we talked about actually coming through and greater EBITDA.

Now let me give an example, last one, of Kandla, which we just commissioned last in Q3. I was very pleased to see and it does take a little bit of 2 or 3 years, but Kandla, which is one of the busiest ports, and that is why they have lot of chemicals coming in, already in Q4, a shift in the product mix. But places like Haldia, Kochi, Mangalore, it does take a few years after you build its capacity, maybe as much as 3 to 4 years before you see that change in product mix where we are able to get cargoes which are higher value so that we can generate the kind of EBITDA and revenue increase. So in summary, the reason why we are going ahead with the expansion is with the expectation that you are now actually, the result of this increased capacity that we have already done with the new capacity that is going to be coming through in the next 12 to 18 months is, I think, you are going to see in this division greater revenues and greater EBITDA than you have as we change the product mix.

Pritesh Chheda: Sure. Should I interpret it this way, that barring Pipavav, on a volume basis, you are kind of fully utilized because you are obviously adding capacity in Kochi, Kandla and Mangalore. But it is not translating into EBITDA because though in capacity when you utilize, but it is not that higher-value cargo which generate you that EBITDA possibly. Is that the interpretation that one should?

Anish K. Chandaria: That is exactly right. That is so what happened is, for example, and let me give you again the example of Kandla. We commissioned Kandla in Q3. Our marketing people started off trying to get the capacity utilization up to fill up the tanks in Kandla. The first customers included products like vegetable oils, which are much lower in margins. But then we start moving as they start selling the tankage to higher-value chemical customers, petrochemical customers. It takes time is my point. And your interpretation is correct. I am saying that you should be able to squeeze out more revenue from those tanks and more EBITDA as you go towards a different product mix.

Pritesh Chheda: Okay. And second question on the gas or the LPG side. We have seen a fairly good growth rate this year, which is about 2.5 million tons on 1.7 million tons. And our Haldia capacity is, let us say, about 1 million divided by 2.5, so about 40% utilized. Just wanted and we are adding capacity at two other terminals so just wanted to get a sense if you have put down broader road map in terms of where we are in terms of market share and what is the import, but when we look at the capacity increase, for you, it is a fairly good number so just wanted to understand the traction on the LPG side incrementally over the next two years based on the visibility that you have. There is one slide on LPG volume logistics which is at Slide #22, which gives out the average logistics volume per year. And it has moved up, it is a step up so based on the visibility that you have, what kind of growth do you see in logistics over the next 2 years?

Anish K. Chandaria: Yes. So you are absolutely right, let me put it in total terms. Today, our throughput capacity is 5 million tons between Haldia and Mumbai and Pipavav together, right? And so I said we ended up at 2.5 million tons for the financial year FY2019 so that is 50% utilization. The point is there is a long way to go to reach the kind of 95% to 100% capacity utilization. And then next year, FY2021, we are going to another 4 million tons in Kandla, the new terminal, plus we are going to add more in Pipavav, which I just announced, if I am correct, another 200,000. So we will end up, I think the chart is there in the investor presentation. We will end up with 9.2 million metric ton capacity by FY2021. Now you asked a question that, okay, what about the next 2 years in terms of volumes, yes, which is actually what drives profits, not just throughput capacity so let me answer it like this. When you build up this capacity, it is for the next 15, 20 years. You are not just looking at the next few years. So once you build it, it is there. And then obviously, and the whole game now there is not just about building capacity but how you evacuate the LPG, not only by road, which is there everywhere, but by railway as well as interconnecting into pipelines, okay? That is the whole ball game right now. And all of those projects that we are working on right now in Mumbai, Haldia as well as Pipavav and the new terminals that are coming up, all of the work that we are doing now in terms of is focused on that, of how to raise the utilization rate. And the way you raise the utilization rate and the sales volumes and the throughput volumes is by investing in solutions for railway and of pipeline interconnectivity, okay?

So today, for example, I announced the Pipavav railway gantry project with exactly that in mind. How can I add hundreds of thousands tons more of throughput to Pipavav based on moving by rail? Now without announcing all the projects today because we are working on similar ideas in Haldia, I am not prepared to announce the projects today. But obviously, those are some of the multiple additional projects that I mentioned. There is already a possibility of we have already worked on that project in Mumbai. Once we are able to connect with Danover with the LPG pipeline to Chakan, which HPCL is doing. Again, timescale is uncertain. But once that is there then obviously you can throughput more LPG through that pipeline so it is all about that in terms of how we get to the higher sales volumes.

Now you asked the kind of visibility over the next couple of years. So I mentioned, first, as far as Haldia is concerned, that today, for the FY2019, we achieved over 1 million tons. This year, FY2020 and FY2021, we expect quite a substantial increase in throughput volumes. I would not be giving the exact number, but we expect quite a substantial increase from that 1 million tons over the next 2 years towards that kind of 2.5 million ton capacity figure. Just to remind people because I have said it in the past, we have got some ideas from HPCL of when they expect to achieve that kind of 2.5 million ton throughput figure and where that is going to go. And I said that it will be about 5 to 6 years from the date of commissioning of the Haldia so one year has gone by, and every year, they will be building up towards 2.5 million tons. So that gives you some sense. We are not going to jump to 2.5 million by this year, I can tell you that. But it gives you some sense of how we are building there.

Now as far as Pipavav is concerned, I just mentioned that whatever we are doing currently, the current throughput, once we are able to finish this railway gantry project, it will add hundreds of thousands of tons more of incremental LPG volumes as we are going to feed some of these more than 14 plants. We are still in some discussions and negotiations with the PSU customers as to exactly what they want, but I am just saying hundreds of thousands of tons and as I mentioned in Mumbai, with this Uran-Chakan pipeline, once that is commissioned by HPCL, that has an annual capacity of 1.2 million tons per year. We expect that some of the road movement will go down, but we have already told by HPCL, for example, that they would like to take additional incremental volumes in Mumbai through that pipeline route so in other words, that is the road map to increasing the volumes. First, going towards that 5 million tons figure from 2.5 million last year, but it will be hundreds of thousands of tons incremental volumes over the next 2 years, some in coming in Haldia, some coming in Mumbai, some coming in Pipavav, so all 3 and then when we start the Kandla project in FY2021, I said the first year's budget was 750000 tons additional so I will not quote you exact forecast of the next few years, but that gives you a road map of how we are going to build from 2.5 million towards that 5 million and then onwards as far as Kandla is concerned. And that is really one of the main stories of Aegis, that using these techniques of railway and pipeline connectivity is how we will increase the sales volume. And it goes straight to the bottom line.

Pritesh Chheda: Just to clarify here, Mumbai ramp-up depends upon Uran-Chakan pipeline. That is what you are referring to?

Anish K. Chandaria: Yes. Because right now we are absolutely at the limit of what we can move by road because 24 hours a day, 7 days a week, we just cannot handle anything more so it has been a bottleneck, which is why Mumbai actually did not increase that much in terms of volumes in the year FY2019. The bulk of the increase came from Pipavav and Haldia. But in future, and I said this a few times, if we want increase more throughput volumes in Mumbai, that pipeline is very crucial. And we are just waiting for HPCL to complete it.

Pritesh Chheda: Sir, what would be our utilization in Mumbai?

Anish K. Chandaria: You can see the kind of capacity that we have in Mumbai. I think it is on the chart, which says 1.1 million tons and we are not at 1.1 million tons. We are less than that. And so I kind of gave an indication but we are not close to 100%. We are not close to 90% so we are less than that, but that is just as a physical constraint, that we just cannot handle more road tankers anymore.

Pritesh Chheda: So let me just sum it up here, Sir, this 5 million tons, do you think you can achieve in FY2021?

Anish K. Chandaria: No. I do not think we can achieve 5 million tons by FY2021 because I said half of that, 2.5 million in Haldia, which I just said will take another 4 years, 4 to 5 years so I do not think we will achieve 2.5 million in the next few years, and that gives you some sense so I think that, that is enough information for you to forecast that how long it will take us to get first to that 5 million ton figure. And then obviously, then we will have the Kandla LPG, which should take us to 9.2 million, plus this Pipavav so but there is a clear road map. And the faster we do these projects in terms of railroad connectivity and pipeline connectivity, then the faster we will achieve those numbers.

Pritesh Chheda: Perfect Sir. Thank you this was very useful and all the best.

Moderator: Thank you very much. The next question is from the line of Sandeep Agarwal from Naredi Investment Private Limited. Please go ahead.

Sandeep Agarwal: Sir, my question is what is the top line growth can we expect in current year and the financial year 2021? And which projects?

Anish K. Chandaria: Topline growth?

Sandeep Agarwal: Yes.

Anish K. Chandaria: Look, we do not really I think it is not very usefully to talk about topline growth or expectations on that because, as most of you know, it is driven a lot by LPG international prices, which go up and down every month. So the pricing, if it goes up by $100 then your revenues will go up so I think what is more interesting and more important is to focus on volumes, metric tons, which is why I focused on that in the last question I just answered. It directly rates per ton profitability. The price fluctuation has really no relevance. I mean I cannot forecast the next month LPG's price. So I do not think it will be very helpful to you to try and give me to review any type or sense of topline growth in that sense. But I have given a good idea of where the growth is coming from in terms of volumes, particularly LPG volume that I just mentioned for the last caller.

Sandeep Agarwal: And Sir, the margin expectations, the current margin is 7.3% EBITDA margins?

Anish K. Chandaria: Yes. What I recommend to most analysts and I have done for the last so many years is do not look at percentage margins because, again, a percentage is based on fluctuating prices and all that if you use percentages. Instead, look at margins on EBITDA basis per ton of LPG, per ton so just to give you an example, EBITDA margin, I am giving you ballpark numbers, which had remained pretty stable for a number of years, EBITDA margin on the LPG throughput business is around, ballpark, Rs.1000 per metric ton. The EBITDA margin for the auto gas business is around Rs.6000 to Rs.7000 per ton. The EBITDA margin for the commercial and industrial sales is between Rs.2000 to Rs.3000 per ton so if you forecast the volumes for these segments and then multiply it by EBITDA per ton figure, that will give you an EBITDA forecast. That is the way to do it rather than percentages.

Moderator: Thank you. The next question is from the line of Chirag Vekaria from Budhrani Finance Limited. Please go ahead.

Chirag Vekaria: Sir, if you can just repeat that sourcing volume for Q4?

Anish K. Chandaria: Yes. Sourcing volumes for Q4 was 472,515 metric tons.

Chirag Vekaria: 550?

Anish K. Chandaria: 472515.

Chirag Vekaria: Okay. And Sir, can you throw some light on the railway gantry, what would you be supplying, the realization? I think last time around when you were talking, you were saying that you will be supplying some explosive chemicals or something of that sort so what exactly is this railway gantry help you to supply and what will be the realization?

Anish K. Chandaria: Well, the railway gantry, basically, you are building a kind of shed with kind of loading options to take the LPG from the terminal and then actually load it into the rail wagon so we do not actually expect that the LPG railway gantry itself will earn any money. It is really an additional infrastructure to help generate additional throughput volumes in the Pipavav LPG terminal, which as I say, ballpark, you can take any additional volumes that we generate in the terminal, we will generate additional Rs.1000 per ton EBITDA margin profile so we do not expect this infrastructure in and of itself to generate money. It is the way to generate also...

Chirag Vekaria: But it could also help you for a higher turnaround, Sir?

Anish K. Chandaria: That is right. It will help us to generate additional throughput volumes in Pipavav terminal.

Chirag Vekaria: Okay Sir that is it thank you.

Moderator: Thank you. The next question is from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

Rajesh Kothari: Sir, I know until last quarter, you are showing Pipavav throughput capacity FY2018-2019, 1.4.million. But in this presentation, you are showing Pipavav directly you are saying 2015-2016 at 2.5, slide #16 what are the reason for that?

Anish K. Chandaria: Yes, so in 2015-2016, which was 4 years ago, that was the throughput capacity of only 250,000 tons. Then we have subsequently built more, but they are not showing that on the graph. But it is not showing these figure of 2018/2019...

Rajesh Kothari: Because this is slightly confusing because generally, we used to show every year that kind of thing.

Anish K. Chandaria: Yes. We have modified the graph just to show what it was in 2015/2016 compared to FY2020/2021. But anyway, you have the old presentation from January, and that is correct, what it was. It was about 1.4 million that we have there because we built an additional 10,000 metric tons of spheres in the last couple of years. And now we are going to build more.

Rajesh Kothari: Sure and my second question with reference to EBITDA per ton, but then I was also going by the same benchmark which we used to discuss anywhere we used to meet, about Rs.1000 per ton. But if I look at your FY2019, on a volume of 2.5, we did actually much better EBITDA, Rs.310 Crores kind of thing so numbers are showing you are moving that EBITDA per ton so can you maybe give me a color that what is helping this EBITDA per ton to move?

Anish K. Chandaria: Yes. That is a good point. Actually, we have negotiated the higher rates in Haldia so actually, that was like a ballpark weighted average rate of Rs.1000 per ton. But actually, we have been able to negotiate a higher rate in Haldia, which is a new terminal so that means that the weighted average is actually higher than Rs.1000. You can calculate that if you have. The weighted average is a little higher than that now because Haldia is charging more.

Rajesh Kothari: I see and in Q3, of course, we had some slowdown because Reliance did not take off, some reasons were there, but in Q4, of course, there is a significant ramp-up so can you again add a little bit more color to what resulted in this significant kind of huge ramp-up in your volume and also, since the

Haldia rates had contributed to higher level compared to your blended which used to do until FY2018, that is the rates are kind of it comes to a renewal every quarter. Is it because of a better product mix? Or are they more sustainable? How we should look at this number? or is that after 2 years, you were seeing short of Rs.1000, now look at Rs.1250?

Anish K. Chandaria: Okay so you have two questions. First was on the kind of increased LPG volumes in Q4. Look, I think it is quite possible that the importers that are IOC, HPCL, BPCL, they did ramp up their imports in Q4. They were aggressively, could be due to election as well, that they were aggressively pushing their LPG connections under the Ujjwala scheme BPCL and all that so there definitely was an element of that. But beyond the normal import, I think they ordered much more. And I think that is one reason why the Q4 LPG throughput volumes were excellent. In terms of the rates, actually there is no product mix, by the way. It is basically LPG so it is in the same breath. In terms of the throughput rates, we expect reasonable stability because Haldia was a new project. We actually negotiated that and we do not expect that rate to change every quarter. It may not change for a number of years might be 2 years, 3 years, whatever, until there is a negotiation. Now of course, it does depend on competing terminals as well. In fact, that is the way the agreement is drafted, that we will be competitive with competing terminals in the neighborhood. So if competing terminals if the market rate for this kind of terminals throughput rate does go up, then we have an expectation that we would also go up so the price is not set by us. It is a market rate depending on the negotiations between the terminal companies like us and the customers so but I would say that, at least for the medium term, assume stability in this rate and EBITDA rates per ton.

Rajesh Kothari: Sir, you mentioned that it imports might have been a significant ramp-ups import maybe because of the election year and maybe something like that. Whether in April and May also a similar kind of run rate was there? Or was it like a one-off and it may be a fourth quarter kind of phenomena?

Anish K. Chandaria: No. I do not think it is a one-off. And I am not going to go into the details of April and May right now because, obviously, that will be for the next earnings call. But at least I will say that business remained good. I can say that. But I would not go into the details. So it was not a one-off, but I am just saying that business remains good and healthy.

Rajesh Kothari: Yes. That is fine. Basically, I just wanted a sense that that I hope that you would just say how your third quarter turned out to be bad and then fourth quarter, of course, was supernormal. Quarters are very, very difficult to predict with a year-end business. But I am trying to get some sense that it should not happen in 1Quarter all of a sudden, I think, it becomes a big disappointment kind of thing. And then we say at fourth quarter went so fast.

Anish K. Chandaria: No. I would not of course, one, as I said, we cannot forecast every month and every quarter and all that. But look, at the end of the day, look at the annual figure, and 2.52 million tons for FY2019 versus 1.74 million a year earlier. That is a 45% increase year-on-year, we should not get too much into what happened at Q3 and what happened at Q4. Look at the annual trend and the trends are good.

Rajesh Kothari: Sure. My last question, if I can squeeze one more. The Pipavav railway line will be commenced by when?

Anish K. Chandaria: I think I mentioned that.

Rajesh Kothari: Second half, you mentioned?

Anish K. Chandaria: Yes. Let me say exactly repeat exact what I said so I stick to the same language. I said that it that the completion is expected in FY2021. That is next year. Basically, the Board approved it yesterday, which is May 2019 so expect the project will take about a year, which means it will be commissioned at the next financial year, FY2021. But it would be fairly early in FY2021. It will be in the first half of FY2021.

Rajesh Kothari: Yes. That is what I was trying to understand, that it will be available in second half because then again, this can lookto add good volumes maybe starting on second itself in FY2020.

Anish K. Chandaria: That is right.

Rajesh Kothari: Sir, How dohyou think you will be able to ramp-up volumes in Pipavav until the time railway does not come on next year?

Anish K. Chandaria: I would not expect great increase in Pipavav. I mean, of course, things will go up and down, but I would not expect a great increase in Pipavav until this railway gantry happens so that is why it is, I have been trying to push this project as fast as possible. Then there will be an increase in volumes after that so more of the increase in volumes, for example, in this financial year should be expected in Haldia. And if this Uran-Chakan pipeline is completed by HPCL, then we could expect more in the ...

Rajesh Kothari: The work has started on that pipeline? Or is it just on...

Anish K. Chandaria: Yes, yes, yes. Work has been going on for 3 years...

Rajesh Kothari: For so many years, I mean, yes. I mean what I meant was do think finally it is going to come? Or do think it is going to extend?

Anish K. Chandaria: Yes. I think it will come. I think a lot of money has been spent and I think it will come. This is based on our conversations with HPCL and BPCL, to be honest, because they are co-owners of this pipeline. A lot of money has been spent. It is absolutely crucial that it is completed so I think it will happen. Otherwise, we would not have put so much emphasis on it.

Rajesh Kothari: Do you hope this year?

Anish K. Chandaria: I hope this year. I hoped last year, hopes are eternal. But every time you go and see the senior people of HPCL, they give us a date. But look, just to give you a sense, the problem is the last 25 kilometers so they have completed the rest of it, but it is the last 25 kilometers up to Chakan where there is some, let us say, some arguments with villagers and all that so because it is public sector, they will do it finally, but it does take time. But it is important for the long-term increase in volumes in Mumbai.

Rajesh Kothari: Great Sir. Thank you Sir and wish you all the best.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, I will now hand the conference to the management for closing comments.

Anish K. Chandaria: Okay. Thank you very much for attending and all the questions. And I think, as I was saying, that I think I always believe it is better to focus on the long-term trends, at least annual trends, rather than quarter-by-quarter. But we did have a good Q4. That is true. And I think we will continue growing on all fronts with three new projects announced today on top of the two major projects announced in Kandla in January so it shows the company is poised for growth, which is the title of investor presentation. And the big question is how fast we can execute these projects. And the projects are no longer just about building LPG terminals. As I said, it is also about railway connectivity and pipeline connectivity. This is the crucial phase that we are in, and the Aegis management is focused 100% on delivering this type of growth. Thank you very much for attending.

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