"Aegis Logistics Limited Q1 FY 2019 Earnings Conference Call"

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MANAGEMENT: **MR. ANISH CHANDARIA – VICE CHAIRMAN AND MANAGING DIRECTOR – AEGIS LOGISTICS LIMITED**
MR. MURAD MOLEDINA – CHIEF FINANCIAL OFFICER – AEGIS LOGISTICS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Aegis Logistics Limited Q1 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 the 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. Thank you and over to Sir!

Anish Chandaria: Thank you very much. I will be presenting the Q1 FY2019 results. It was a very solid quarter result. Total revenues for the quarter were Rs. 1017 Crores versus Rs. 858 Crores last year which is a rise of 19%. The total segment EBITDA was Rs. 91 Crores for the quarter versus Rs. 66 Crores last year which is a rise of 38%. Profit before tax was Rs. 68.8 Crores versus Rs. 49.1 Crores last year which is a rise of 40% and profit after tax was Rs. 59.17 versus Rs. 46.83 Crores a rise of 26%. Profit after tax after minority interest was Rs. 51.46 Crores for the quarter versus Rs. 43.86 Crores last year which is a rise of 17% year-on-year and earnings per share after minority interest for the quarter was 1.55 versus 1.32 last year a rise of 17%.

A very good operating performance, but a slightly higher tax rate compared to last year after the implementation of the Indian Accounting Standards, the rise in after tax profits is a little lower than the operating performance. Now, those were the consolidated results.

Starting with the liquid terminal division. Revenues were Rs. 45.45 Crores in Q1 versus Rs. 42.69 Crores last year, which is a rise of 6% in revenues and the liquid terminal division EBITDA was Rs. 28.88 Crores versus Rs. 27.85 Crores, a rise of 4%. It has been a steady business in all the terminals in Q1, but I am pleased to inform you some good news that the Kandla liquid terminal 100000 kiloliters project is now operational, and we expect revenues to kick in from Q3 onwards.

Also we expect to complete the Mangalore project with a capacity of 25,000 kiloliters in this quarter and so revenues we expect to kick in from Q3 and the final expansion in the liquid business is the Haldia-4 liquid terminal project 35000 kiloliters, which we also expect to complete in this quarter Q2 and therefore incremental revenues from Q3, so I am suggesting is that the three projects in liquid terminal, which involve 100000 kiloliters expansion in Kandla, the Mangalore 25000 kiloliters and the 35000 kiloliters in Haldia, these are all expected to start delivering revenues and profits in the second half of the financial year, which will a significant boost to the revenues and earnings in this divisions in the second half of the year.

As far as the gas terminal division for Q1 revenues were Rs. 971.4 Crores versus Rs. 813.3 Crores year earlier. The EBITDA for the Q1 for this division was Rs. 62.2 Crores versus Rs. 38.9 Crores last year, a very strong rise of 60% year-on-year another strong result again in our LPG division.

Let me go through the underlying volumes analysis I do for explaining the rise of 60% EBITDA in the gas division. First the LPG volumes, throughput volumes, logistic volumes in our terminals that is three terminals of Mumbai, Pipavav and Haldia was 576468 metric tonnes in Q1 versus 301571 year earlier that is a stunning rise of 91% year-on-year in the LPG logistics volumes in those three terminals. Obviously, the reason for a massive rise of 91%is the increased throughput volumes, which in the last earning call, I promised to give an update on the kind of current run rate.

Now some of you might remember the budget for the first year was around 125000 metric tonnes in Haldia or an annualized 500000 tonnes, but now I can confirm based on the last two in Haldia that means Q4 of the last financial year and Q1 of this financial year that we have already reached a run rate of around 200000 tonnes for quarter as opposed to the budgeted 125000 tonnes per quarter, in other words 60% higher than the budget so I think this is over the last two quarters so we can now see the impact Haldia is having on the overall LPG volumes for Aegis. Packed cylinder volumes for the commercial cylinder market were also good, 3900 metric tonnes for the quarter versus 2946 metric tonnes last year that is a rise of 32%.

Industrial bulk LPG sales was 11031 metric tonnes versus 8835 metric tonnes year earlier that is the rise of 25.1% also very good results. Water gas was 6895 metric tonnes for the quarter versus 6204, a pleasing rise of 11% year-on-year. I think business has been firing on all cylinders primarily driven by the logistics volume, but even the retail distribution has had a very good quarter. Sourcing volumes for LPG for AGI in Singapore was 215849 metric tonnes versus 285094, so that was drop of 24%. Main reason being that BPCL, Bharat Petroleum still has not come out with the tender for 2018, although we are already in August. We expect them to do so soon, but it basically depends on their import requirements.

Now I will come to the outlook for future quarters for this financial year. We expect continuous strong growth in earnings in our LPG division for the second half of the year Q2, Q3, Q4 as well driven by growth in the Haldia Logistics volume. Business is going very strong in Haldia as I explained, and we expect that to continue for the second half of the year. We also continue to work on the next deals and terminals for the LPG division but have nothing to report as of today and will only when we sign the deals, but this obviously will not have an impact on earnings this year Now, the good news is I explained for the liquid terminal division is that we expect the expansion in the Kandla Liquid Terminal capacity, Mangalore and Haldia-4 project to add revenues and profits in the second half of the year, so that we see the liquid terminal division also adding to earnings growth for this year, but that will come to effect after a year as the projects are completed.

Finally let me explain the dividend announcement, which was approved in the AGM yesterday by the shareholders with a final dividend of 0.75 paisa per share so that means along with the interim dividend earlier in year the total dividend for the year interim plus final dividend for financial year 2018 was Rs.1.25 share versus Rs.1.05 a share in the previous year.

That completes my presentation. I can now take your questions.

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.

Dhruv Bhatia: Sir, first I request you to share the EBITDA split of the gas division in your annual report, this time the data is not there, so is it possible for you share it because it is helpful for us to understand the business better?

Anish Chandaria: Maybe I will handle over to the CFO maybe you can respond to that, Murad?

Murad Moledina: I think we will take this offline and provide you the data if possible.

Dhruv Bhatia: First question on the liquid business. What is the current utilization of Pipavav, Kandla as well as the Haldia facility and has the utilization improved for the Pipavav facility?

Anish Chandaria: I think basically as you see the results are pretty steady, so all the utilization rates remain about the same as the previous quarters, which means that Mumbai, Haldia, etc., are all operating at a very high rate and Kochi as well is operating at around 85% to 90% or above. Pipavav remains at around 20% to 25% utilization so not much of a change, but as I indicated in the presentation that we now expect the Kandla, Mangalore and Haldia capacity expansions to be completed in this quarter and to really start adding to revenues and profits. In other words we expect all of those three new projects to have a very good high capacity utilization rate from day one. Business is already lined up for most of them, so that is a really good news for the future because we need that capacity expansion in these other ports to drive the revenues and earnings in this division in the second half of the year.

Dhruv Bhatia: What is causing the lack of utilization growth in Pipavav? Is it competition, is there not much of demand in that area, which is leading to the utilization Pipavav?

Anish Chandaria: Well as I have said on previous earnings calls, there are number of reasons. Let me list two or three, which I have said before. First of all it is a remote location, which means the transport distance from Pipavav to where the customers want the product is a fair distance, which means it adds to the delivery cost and inland cost compared to other competing ports like Kandla let us say, so that is why for the future we have been always trying to say that if we can reduce the inland transport cost by may be building the railway gantry then that would be the best way of expanding in future, but now we have decided that probably the focus for the railway gantry is on LPG because that is the most immediate requirement so we are concentrating on that rather than liquid terminal railway gantry so for now I do not expect to see any major change in Pipavav utilization. We will continue this way because our focus is on LPG growth on Pipavav right now rather than the liquid. Later on we will see once we build the railway gantry project for the LPGs then we can actually see what we can do on the liquids, but for now as I said the priority is to bring business to Kandla, Mangalore, Haldia, Mumbai, Kochi and all the other terminals and at least maintain what we have in Pipavav.

Dhruv Bhatia: If we see the import data, which is available it says sourcing volume growth has been 24% ,import has increase by 24%, whereas we had declined by 24%, so what is the cause and my understanding at this time the BPCL tender is not out, but is it that your losing share to the OMCs, what has led to the decline versus the growth in imports?

Anish Chandaria: Well yes, you are right about overall imports, they are very healthy. Now, most of our imports come into for example Mumbai and Pipavav that means on the west coast that is what AGI itself and as I said BPCL unlike last year, which was the major customers have not come out with the tender so far this year. They just kept delaying it although the indications are that they are going to come out with it, so that is actually because BPCL was one of our main customers last year and that depends on their own imports, it depends on many other factors so it is really mainly because of that I would say but let us see for the second half of the year. I always do indicate that our main business in LPG is not sourcing volume. That is the minor part of the business, which is more to provide a service for these oil companies. Our business is using our terminals, which is very healthy, so in some ways if as long as Mumbai terminal and Pipavav terminal and Haldia terminal are very well used that is my main focus in terms of making money if we get the sourcing volumes that adds another $4 per tonne to it, but I would much prefer that the LPG imports keep coming into terminals that is where we mostly make money on the logistic volumes and as I indicated we had a 91% rise in LPG throughput volumes in our three terminals, which is very healthy, so the sourcing volumes are good, but they are not priority for the company, but if we can win the BPCL tender obviously then it will be higher figures in the second half of the year.

Dhruv Bhatia: Lastly, is the profitability in Haldia terminal better than the other two terminals?

Anish Chandaria: I would say it is about the same kind of EBITDA rates. It is highly profitable. The main thing is that it has become more profitable, more volumes and that is very pleasing for us, which I have been hoping for and now it is proven over two quarters is that the volumes are so strong as I said 60% higher than budget so far and I can indicate that indications are because the demand is so strong from both the BPCL and HPCL in Haldia that that figure might even improve above budget in the second half of the year in other words more than 60% higher than the budget. This is the last six months, but things are going very well and the reason why it may end up being slightly more profitable even then Mumbai and Pipavav is purely driven by more volumes because you are sweating that asset even more, but at the moment all three are highly profitable, Haldia is doing very well.

Dhruv Bhatia: Thank you so much.

Moderator: Thank you. The next question is from the line of Balthazar Florentin-Lee from Sloane Robinson. Please go ahead.

Balthazar Florentin-Lee: God afternoon. Congratulations on a good set of numbers and thank you for your time today. I was wondering with regards to the further expansion in the LPG segment whether you could give us any details and give us some idea of what is the status, how quickly these deals could be secured and when we might here on?

Anish Chandaria: It is a question, which everyone asks and I know you have asked it before. So I think the roadmap is as follows that we have been working for quite some time I would say may be a year-and-a-half on two deals in the West Coast of India, two different ports in the West Coast. We already have taken certain amounts of permissions for these ports in the anticipation of the deals, which is a good sign because that obviously will shorten the time of construction if you have already taken environmental permissions and explosives permissions, which means that we already have layouts approved for example by the explosive department with capacities already of the tankage that is agreed. In other words we are doing everything in advance of the commercial deals in terms of all the permits. That may even save us something like 12 to 18 months of time, so the roadmap to first get those environmental permissions, which to a lot extent not completely, but to a large extent in both the sites has been done. Second thing is yes, we are negotiating the commercial deals with the oil companies. Normally we require one anchor customer although we might end up with all three oil companies being major, but we normally negotiate with on anchor customer using the Haldia model, so Haldia for example, it took about three or four years, but we finally signed up HPCL on 20-year contracts, so we are using a similar model that it takes time because if you want a long-term anchor customer, it takes time and we have to go through the internal approval process of these oil companies probably sector oil companies which takes time and at the end of the day, I have to say that there is no guarantee that the deal is done until it is signed that is why I cannot, I would love to that yes we are moving ahead. Final question in terms of how long we think that the negotiation process will take. I would say on deal number one, at the moment, based on current state of discussions and where the file is in the internal process, I would say the first deal, if it is going happen, which I say if it is going to happen, but things are underway right now into the negotiations, I would say at the moment it is still looking like towards the end of this financial year is looking more likely not if there is any way in which we can bring their internal process faster we are making best effort, but we have go through the process, so at the moment that is the expectation and then obviously from there if we sign the deal then it can be around 18 months construction time from there, so for the first deal, we expect at the moment end of this financial year that means Q4 of this the financial year. For the second deal actually much of the commercial negotiation is in place, not signed, but in place; however, there some work we need to do in terms of the layouts of the land and some of permits still to be done, but I would say that at the moment, I would expect that deal to be signed and ready for construction probably in the first half of the next financial year that means Q1 or Q2 of FY2020 and then obviously another 18 month construction of that, so that is much of the roadmap that I can give and obviously it is uncertain as far as the precise states, but we have said all along that we think that we are working on these two deals. They are both important for the growth of Aegis and at the moment the expectation. It is only an expectation, but at the moment the expectation is that we will be able to do both deals.

Balthazar Florentin-Lee: Thank you very much indeed.

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

Chirag Vekaria: Good evening Sir. I did not get this Haldia throughput you said are more than budget could you re-explain it?

Anish Chandaria: Sure. When we were starting this project in Haldia, we had budgeted it for an annual rate of 500000 metric tonnes per year, which translates into 1250000 metric tonnes per quarter that was the budget when we started, so now what I said was that I can confirm over the last two quarters that means over the last Q4 of last financial year and Q1 of this financial year that we are already reaching a quarterly run rate of 200000 tonnes per quarter or annualized 800000 tonnes, which means that is 60% higher than the original budget.

Chirag Vekaria: This with the commitment increasing from BPCL or HPCL the number should improve right?

Anish Chandaria: Well the BPCL and HPCL are already have been using the terminal for the last two quarters, so they are already using it, but what I kind of indicated as far as outlook is that all indications are based on demand from the actual final customer indications are from HPCL and BPCL that business may even improve beyond the last two quarters, but I do not want to say anything more than. It is just an indication that things are going very well, but already we are 60% over the budget and we may expect things to improve for not only in the next two or three quarters, but also in the years ahead.

Chirag Vekaria: Sir, two accounting questions one is what is the reason for lower employee coast and second what would be the effective tax rate for FY2019?

Anish Chandaria: Murad do you want to take those two?

Murad Moledina: Effective tax rate would on lines of Q1 for a year and employee cost is actual, so it may be that the numbers are increasing, but then there is always transition where the old people go away and new join it is a kind of balances and the cost remains as it is.

Chirag Vekaria: Nothing much to read on it?

Murad Moledina: Yes.

Anish Chandaria: Thank you. That is it from my side.

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

Shaleen Kumar: Thanks for the opportunity and congrats on the good set of numbers. Sir, I have two questions, first is if I look at all new announcements, which we have made, we are basically calling out around Rs. 500 Crores of capex and if I look at your capex addition of FY2018 and FY2017 it is roughly Rs. 650 Crores, so is it right to assume that most of the capex is already being done and there will be more of a maintenance capex, which will outflow in FY2019 if actively meaning that we will generating a healthy free cash flow resulting in lowering of debt is my assumption right?

Anish Chandaria: Let me comment on it without going through the specific numbers on capex but let me comment generally. At the moment yes, right now up to where we are today, which is August 2018, the bulk of the capex of all of those projects that we have done over the last 18 months is over, so there is no major additional capex as of now, which has been approved by the Aegis board, so right now we are actually in the process of increasing the free cash flows and you are absolutely right at the moment it will be just maintenance capex, which is very, very small figures we are talking about Rs. 10 Crores a year or something like that, so right now we are in a phase since we have completed all that capex of the last 18 months to two years that it is very much a kind of cash harvesting phase until the announces of the next projects. Now, obviously I had not announced any new projects, but I have indicated some things for the future that we should look out, which are the two new LPG deals, which hopefully will unfold over the next in terms the capex will unfold over the next two years and so we will be building up funds for those projects in this cash harvesting phase. There would not be really debt reduction. There is some debt reduction because there is no point having debt just sitting there, but most of the funds that we are accumulating right now the free cash flow will be towards building that war chest for the next set of projects and obviously apart from those two terminals, I have given indications at regular intervals that the rail connectivity for example in Pipavav for LPG that is another very crucial project, which we are working on right now and although I have nothing to announce today but I think that is something that we are aggressively working on in terms of permits and NOCs and all that so that we can then start the construction, so there will be capex in FY2019 itself and FY2020 and FY2021 based on work, when those projects are approved and announced, but as of now you are right that we are accumulating free cash flow in the cash harvesting phase.

Shaleen Kumar: Got it, so how should we look at the interest cost for the year like it is going to be same level Rs. 6 Crores to Rs. 7 Crores or it can come down from here. The reason I trying to ask this because there is a big divergence between EBITDA and PAT and trying to see what all can come down that going to remain same, minority interest going to remains the same, depreciation I assume that it is going remain same though you do not need so much of maintenance capex, but how can PAT become closer to EBITDA?

Anish Chandaria: Yes, I will say little bit and I will hand over to Murad to comment little more, but essentially I do not think there will be too much change in interest costs going forward it is fairly stable might even decline that will be possibly depending on how things go, but I think one of the indications I gave the difference between although at the operating level EBITDA and all that has gone very well for example in Q1 as we did indicate last year that there was a lower effective tax rate because of which is why PAT was higher last year because of the new Indian Accounting Standards on deferred taxation, etc., and therefore that wash is out in this financial year, so it is a pure accounting regions that the effective tax rate is now higher under new Indian Accounting Standards compared last year, so that takes into account some of the difference between profit after tax and operating profit; however, what I would generally indicate is that for the second half of the year particularly what we are hoping is, expecting actually is it be greater earnings from the liquid division at the operating level as well as continued growth in the LPG division at the operating level both of those will be even higher than in quarter one, I think we had a EBITDA growth of 38%, so even higher at the operating levels, which means that actually would benefit the profit after tax ultimately even with the higher effective tax rate and you are right depreciation, interest cost, none those will change to much so in other words even higher operating profits in the second half of the year should actually flow through the bottomline even with the higher effective tax rate. Murad you want to comment anything more on that.

Murad Moledina: I think you are right and Shaleen just to explain further interest in this quarter and the trend thereafter will follow the interest trend of this particular quarter because most of the projects are now completed and interest capitalization is no more, so you see interest what is being hit in this quarter is right, but like Mr. Anish explained these new projects will start throwing in more EBITDA and more cash going forward with full operations in Kandla, in Mangalore, in H4 Haldia as well as Haldia LPG and Pipavav LPG so EBITDA will rise substantially we believe going forward and interest will reduce gradually as we keep paying of our debts with those surplus cash flow keeping in mind of course the war chest, which we have build up for the new projects.

Shaleen Kumar: If I can just ask you one more question, so finally Adani Ports have disclosed their terminal, they posted the picture of the terminal in their presentation the capacity of 1.35 million tonnes per annum though I do not see it as really meaningful in terms of the overall scheme of things, but just to understand can it have a negative bearing on your Pipavav terminal like can it increase competition and slow down Pipavav new facility ramp up?

Anish Chandaria: Yes, let me comment on that. Yes, I have seen the same reports and now yes, I think it is clear it is now visible that they have already started construction on this new LPG terminal in Mundra up till a few months it was still uncertain, but now that we have seen the photographs and they have actually started the construction on that; however, we think they have not yet signed a contract with anyone, so they are basically building a LPG terminal unlike our philosophy of having an anchor customer. The main issue will be competitive the usage of that LPG terminal when it is completed in Mundra given the cost of delivered product from Mundra by road, because right now that is just like in Pipavav that is the only way that they can deliver LPG from Mundra by road to where the bottling plants of the oil companies are so that is something that they have to examine. As far as the impact in Pipavav is concerned at the moment yes, I think I would say that until we build this railway gantry we are potentially at a disadvantage in Pipavav not only because of Mundra, but there are other ports, which are around where the people can bring products apart from Pipavav so which is very much why we have been focused like a laser beam on building this railway gantry, which is a relatively simple project let me say building a railway gantry is not difficult, but for that you need the permissions of the ports, you need that means Gujarat Pipavav Port, you need the permissions of Indian Railways, you need the permissions of the Explosive Department. Now, I would say that the things are moving, and we are quite confident that we will be able to do that project and then that means that Mundra or any other LPG terminal in the vicinity, Pipavav will be competitive because then we can actually. We know that because actually the oil companies have indicated that there will be certain bottling plans, which will be ideally suited to distribution by rail from once which is there. In future I think we will see how things develop, but at the moment that is all say about Mundra.

Shaleen Kumar: Thank you Sir. That is it from my side and best of luck for the rest of the year.

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

Rajesh Kothari: Good afternoon Sir. Congratulation for strong set of numbers. My two questions are one, in terms of FY2018, total LPG volume was 174200 if I am not wrong can you give breakup between Mumbai, Haldia, and the terminal wise is it possible?

Anish Chandaria: I do not actually disclose each terminal in terms of the actual throughputs, so I just give the overall figure, but you know I had given you some indication of the Haldia quarterly figures and as far as the Mumbai generally the run rate has been around 900000 to a million, so I think it is fairly to work out what the Pipavav figure was. Last year of course we did not have Haldia for most of the year, so you have to strip it up, that gives you rough understanding where the throughputs, but I am not going to give every single terminal throughput so that gives you a rough idea of the ranking of the three in terms how much of throughputs.

Rajesh Kothari: When your Mumbai is 1 million that is for one?

Anish Chandaria: Annualized figure roughly 0.9 to one million in Mumbai.

Rajesh Kothari: Mumbai is it improving, or it is steady?

Anish Chandaria: At the moment, it is steady because we have limitations of how much more evacuation you can do until that Uran pipeline is used that has been ready for some time, as you know. I think we completed that project about 18 months ago, but are into connection into the HPCL, but we are still waiting for HPCL to finish their extension of the pipeline from Uran to Chakkan and from there reaching that, so once that extension is done then RLPG we think can increase in Mumbai throughput beyond of annualized rate of 0.9 to one million tonnes, which is today. If once that extension is done to Chakkan because that we expect that they will then start moving product by pipeline and then by road, but that is dependent on HPCL finishing their project, so right now it is steady.

Rajesh Kothari: And what about Pipavav?

Anish Chandaria: I think I said right now things are generally steady in Pipavav and in Mumbai and Haldia is the one, which is increasing a lot.

Rajesh Kothari: From Haldia do you think in about two to three years last time I think we were discussing you said that 2.5, 3 is kind of a number, which is our target so is it three to five years are you maintaining the same or you think it can be earlier than what you think?

Anish Chandaria: Well I do remember the figure of three, I think we have always maintained publicly and in all our investor presentation maximum capacity of 2.5 million tonnes per year.

Rajesh Kothari: Yes, 2.5 tonnes within three to five years, you said that?

Anish Chandaria: Yes, but I do not recognize the higher figure in that we talked about the capacity of 2.5 that is the maximum, I do not remember three, so let us stick to that. Yes, in terms of look we never expected in the first six months later on the first year that we are going to run at a run rate 800000 already we told the first year budget was 500000, so that is the good indication that things are moving faster than we expected in terms of throughput volumes and that is mainly driven by the oil companies are marketing plans that they are going far better in terms of the penetration of LPG in the northeast faster, but I would be cautious and obviously there is a three to five year timeframe for reaching that overall capacity of 2.5 million, so at the moment, I would stick to that. I do not see any reason to change that three to five years, but obviously we will see how the business runs, but at the moment we will maintain that.

Rajesh Kothari: And in FY2019 you think 1.5 type of number from underlying demand driver's perspective is it possible?

Anish Chandaria: I think that is too aggressive. I think as I said in the last two quarters we are running at an annualized run rate of 800000, so I think 1.5, which is more than double that is too aggressive. I would stick right now if I was doing modeling I was stick to the kind of 800000 run rate for the year maybe better let us see if it improves that depends on how, but 1.5 is too high, I think

800000 annualized for this financial year seems to be a good figure based on current actual, but finally even in future years it all depends not on us, but on how fast HPCL and BPCL can build the new bottling plants, can build the distribution network because finally to increase the LPG imports and throughput they have to build their marketing distribution only as fast as they can move. Now I have to say that they have been surprisingly aggressive and done very well, which is why we are seeing this kind of throughput and I did mention in the last earnings call that for example HPCL has already completed their bottling plant in Panagarh, which is the largest bottling plant in Asia, so that is the good sign. They have yet to connect up our terminal by pipeline that is something that they are intending to do in further that will certainly accelerate the throughput for example, but even now by road, I think the road distance is around 200 kilometer a way even by road and I can tell you that everyday the HPCL and BPCL I should say, I see reports that they are pressing for more road tanker deliveries, which gives the indication that they are really aggressive in terms of daily throughput traffic etc., but for now let us leave it as a kind of 800000 tonnes annualized target for this year, which is certainly a realistic.

Rajesh Kothari: On liquid business you see that Kandla, Mangalore and final expansion in Haldia in all there we will start in Q3 onwards, what kind of revenue you would see in the first six months of these three put together?

Anish Chandaria: I would like to hold judgment on that at the moment or hold reporting on that at the moment of the earning call purely because the actually product mix at each of the terminals, Mangalore particularly Kandla as well as Haldia deals and contracts are being less than 10 are being negotiated right now, so that when they are commissioned and that actually determines because different products have different rates, different margin, so I think it is too early to give on this earning call the kind revenue forecasts and earnings forecast for those, but probably as those are being negotiated right now in the next few weeks and months we will have a better idea perhaps in the next earning call, which will be end of October, November we will have a much better idea of that kind of revenues based on the products, which are being handled at each of those terminals, so I would be able to give a better view on than today.

Rajesh Kothari: What was the capex for three put together expansion?

Anish Chandaria: Murad, you probably have the figures with you on for those three projects, I think you just add up Kandla capex what was it and the Haldia-4 and the Mangalore?

Murad Moledina: I think you have to just add up the numbers given in our presentation. I mean they are all there the capex cost of each of those expansions.

Rajesh Kothari: Which page is that, so to that extent depreciation will go up in second half onwards right that is the reason?

Anish Chandaria: That is only 3%, so it will not be…

Rajesh Kothari: So, you mean to say that this, you are talking about which slide?

Anish Chandaria: Page 22, the project cost of Kandla 100000 kiloliters 75 Crores and Mangalore 18 Crores, which is the 25000 kiloliters and the Haldia 35000 kiloliters is on page 23 the project was 35 Crores.

Rajesh Kothari: During one of the last conference calls you said that tax rate normal to be 23% and when somebody asked you said it should be equivalent to first quarter, which is then 14%, can you clarify what is the deferred tax rate for the full year?

Murad Moledina: Yes, I think you take it for the moment on basis Q1 rate, which has emerged.

Anish Chandaria: Why it should be lower.

Murad Moledina: It depends because the answer is not in one line, it is a complicated working of deferred tax as well as current tax and there are any assessments, then there are reversals, so that is working now with the present set of Indian Accounting Standards is a very complex working, but I have a feeling that we will somewhere be in line with Q1.

Rajesh Kothari: Fine, no problem. Thank you very much.

Moderator: Thank you. The next question is from the line of Sandeep Mathew from SBICAP Securities. Please go ahead.

Sandeep Mathew: Good evening Anish. Just quickly on Haldia, so the volumes that we have seen in this been 100% for HPCL or the other customers as well over there?

Anish Chandaria: HPCL and BPCL both of them are operating over there as they had been since January of this year, BPCL came in January, so they been throughput in HPCL, so both are there.

Sandeep Mathew: And do we see any risk once BPCLs own import terminals at Haldia comes in of any of these volumes moving away?

Anish Chandaria: It is possible obviously they are constructing their terminal. This project was really right from the beginning anywhere even when I talked about the 2.5 tonne figure is it was actually based on what we expected HPCL to take so we would not really be banking on BPCL, the fact the BPCL has come in while their terminal is under construction is actually a bonus and that does account for the much higher figures than budget. Now they are working slowly on their project BPCL so right now we are in enjoying both HPCL and BPCL throughput, however in future and do not want to give all details ahead right now it is possible in future that all three companies HPCL, BPCL and even IOC which is at full capacity in their IPPL terminal at Haldia, and I am not talking in the short-term in future and it is something that we are actually talking to them right now that is why I am mentioning it, but nothing else to say on that. I would not discount that all three companies will use this Aegis terminal, HLPG terminal, Hindustan Aegis LPG terminal in future, so right now we are banking on HPCL but even where BPCL having their own terminal and IPPL having their own terminal based on two factors that we are talking to them one is on improving our evacuation from this terminal and also the actual demand requirements that all companies had in the Haldia region in the long-term that is something we are working on, so we are very, very positive on the long-term future of this Haldia terminal not only on HPCL, but even the other two oil companies.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants I now hand the conference over to Mr. Anish Chandaria Vice Chairman and Managing Director for closing comments.

Anish Chandaria: Thank you very much for listening to this earnings call. So I think the summary was a solid quarter results particularly at the operating level you could see that we had 38% rise in company wide EBITDA, so it is a very good operating level. The earnings went up 17%, so the difference was slightly high tax rate as I said due to the new Indian Accounting Standards pulling out compared to last year, but we are quite positive about the second half of the year based on the new capacity in the liquid terminals and the continued progress in the Haldia LPG terminals to drive operating earnings even higher than the 38% year-on-year in the first quarter, which will then fall to the bottomline in terms of earnings so let us see how it goes and I think in terms of the future deals and projects you could rest assured that the management remain committed to steadily negotiating those deals and those are again then the extremely important for future years earnings growth, but I think we have a good in FY2019 for earnings per share, but obviously the greater operating earnings will drive back. Thank you very much for attending.

Moderator: Thank you very much Sir. Ladies and gentlemen, on behalf of Aegis Logistics that concludes this conference. Thank you for joining us. You may now disconnect your lines.