"Aegis Logistics Limited Q4 FY 2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY 2021 Earnings Conference Call of Aegis Logistics Limited. 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 any assistance during the conference, 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 MD for Aegis Logistics Limited. Thank you and over to you, sir!

Anish Chandaria: Thank you, I will be presenting the quarter four FY 2021 results as well as the full year audited results for FY 2021. I would say it was an okay set of results in Q4FY21. And the full year results were slightly down versus the previous financial year FY 2020, not surprising in the year of COVID. But I think we were just slightly down in terms of the normalized profits before tax.

Let us start with total revenue:

The total revenues for quarter four was Rs. 1,101 crores versus Rs. 1,242 crores a year earlier, primarily due to lower LPG prices. Obviously, since the COVID happened, all commodity prices did fall a lot. Now they started rising but at that time quarter four, so primarily low due to that.

The total EBITDA for quarter four was Rs. 145.4 crores versus Rs. 158.4 crores a year earlier, a drop of 8% in the EBITDA year-on-year, almost the same EBITDA as Q3 by the way, quarter three of our FY 2021. So, in Q4, we were able to maintain the EBITDA at the Q3 levels, but year-on-year, it was a small drop of about ~8%.

The normalized profit before tax excluding, the employee stock purchase plan of Rs. 28.1 crores for quarter four was Rs. 120.5 crores versus Rs. 128 crores a year earlier. That is a drop of 6% year-on-year in Q4FY21.

And the key figure the profit after tax for Q4 in other words, all earnings available to Aegis shareholders was Rs. 70 crores versus Rs. 47 crores a year earlier. So, actually a rise of 49% primarily due to lower tax charges compared to a year earlier. And full year profit after tax after was Rs. 249 crores versus Rs. 207 crores a year earlier.

As I said, a small drop of 6% year-on-year in the normalized profit before tax figures mostly due to the first half performance in FY 2020 being impacted by COVID. Q3 and Q4 saw a recovery as you know, but there was obviously Q1 and Q2 the first half performance which was affected by the National Lockdown in April, May, June and then July, August, September to some extent. So, that is a small drop in the full year normalized profit before tax of 6%.

Now, let me go through the segment analysis for both divisions:

Starting with Liquid Terminals Division:

In quarter four the revenues were Rs. 65.7 crores an excellent result again versus Rs. 53.3 crores year earlier. So, that is 23% rise in revenues in Q4 year-on-year, excellent performance and EBITDA was even stronger Rs. 54.3 crores in Q4 versus Rs. 36.7 crores a year earlier. That is a rise of 48% year-on-year. These are really good figures.

And I think it is testament to this divisions outstanding performance this year FY 2021 during this COVID crisis, it has been actually a great performer and I think, it shows the resilience of this division and the business model which is primarily storage revenues for chemicals and petrochemicals and petroleum. Despite COVID-19 customers kept storage revenues up.

And let me give you the full year figures for this division:

Record revenues for the full year as well., Rs. 234 crores versus Rs. 207 crores a year earlier. So, that is a year-on-year rise of 13% in Liquid Terminal Division revenues for the year. And also record EBITDA for this division for the year Rs. 172.9 crores versus Rs. 140 crores year earlier. A very good rise of 24% in EBITDA for the year for the division and really driven by great performances in the Mumbai Terminal, Kandla Terminal, Haldia and Mangalore. These were all driving very good figures for the year as well as quarter four, so very happy with the Liquid Terminal Division performance.

Now, let us turn to the Gas Terminal Division:

The revenues for Q4 were Rs. 945.6 crores versus Rs. 1,188.3 crores the year earlier. The EBITDA for Q4 was Rs. 91.1 crores versus Rs. 121.7 crores. So, that is a drop of 25% year-on-year in Q4. And I will just go through some weakness in the gas sales volumes in quarter four, which I will now present.

Starting with the LPG throughput volumes in our three terminals of Haldia, Mumbai and Pipavav:

The throughput volumes for Q4 was 714,899 metric tonnes versus 728,364 metric tonnes a year earlier, so a slight drop of 2% year-on-year in the quarter four throughput volumes.

Industrial sales, of course, were more down Q4 21,822 metric tonnes versus 31,195 metric tonnes. That is a drop year-on-year of 30%. Auto gas was also down by 14% sales, in Q4 5,926 metric tonnes versus 6,866 metric tonnes a year earlier, drop of 14% year-on-year. And the LPG cylinders business that is commercial in the domestic market segments was also done by 15% year-on-year quarter four was 6,430 metric tonnes versus 7,580 metric tonnes year earlier. And sourcing LPG volumes was also down. It was 194,593 metric tonnes versus 425,000 metric tonnes a year earlier.

So, the summary is, almost every market segment that we have for LPG has continued to be affected by COVID in the quarter four. In other words, even Q4, i.e. January, February, March before the latest surge in COVID cases has impacted sales volumes. They have not recovered to pre-COVID sales yet. And we expect that to change it and I will talk about that in the outlook shortly. But we still have not recovered fully.

So, unlike the Liquid Terminal Division, which has been extremely resilient in terms of the business model. LPG particularly the retail volumes regarding auto gas and commercial segments, etc. industrials all of them have been particularly affected because of COVID. LPG throughput volumes slightly down 2%, but even there do not forget to see public sector volumes are affected by their own retail divisions they are selling less volumes to the hotels and restaurants and all that because of COVID. So, I would say this, is really impacted to some extent.

Now, let us talk about the outlook for the coming year FY 2022:

We have actually very good expectations for the liquids division again, carrying on from the excellent performance from FY 2021. And that is a result of more capacity increase. The Mangalore project, which is 50,000 kilo liters will be commissioned in this quarter that is Q1 FY21. And in fact, it is already pre-sold, and we will actually start generating revenues and profits from Q1 of this financial year, FY 2022.

The Haldia project, which is also another 53,500 kilo liters, also is going to be commissioned in this quarter, Q1FY21 and that is also already pre-booked. So, those two are going to be generating good revenues and that is going to boost liquid terminal division revenues further in this financial year beyond what we had in the previous financial year.

Now for the LPG division, the gas division, despite the recent surge in COVID, in this quarter that means April, May, we actually expect a good boost to LPG sales volumes, throughput volumes throughout the year FY 2022 due to the following factors. More rail movement in Pipavav. Right now, we have been handling in the previous quarter, Q4 for IOC.

But I am pleased to inform you that we have just signed up with BPCL as the second customer in Pipavav probably from next month from the month of June, for rail moment. So, we will have IOC as well as BPCL moving by rail, so that is going to boost throughput movements of LPG in Pipavav.

Secondly, we expect to continue good throughput in Mumbai through the Uran-Chakan pipeline, which is since December 2020 has been operating at maximum levels and we have the full year benefit of that in FY 2022. We expect some bounce back in Haldia after the loss of the BPCL volumes because they obviously move to their own terminal in December, which did impact Haldia volumes in Q4.

And it is going to take a few months for it to pick up again. But we have the forecast from HPCL, our customer in Haldia, that there will be an increased sales volumes in FY 2022 which will not completely make up for the loss of BPCL, but at least 60% to 65% of that will be made up by increased volumes from HPCL, etc.

And finally, the commissioning of the Kandla LPG project this year, the big project in FY 2022 these are all factors which will result in a boost to LPG throughput volumes, not affected by COVID, we do not expect any of these factors to be disturbed by COVID issues. However, the retail LPG segment will continue to be affected by the COVID wave. We do not know how long it will carry on.

But I think it is natural to assume that there will continue to be some impact on the retail business because if they are all at home, they are not going to go to restaurants, they are not going to go to hotels, they are not going to be using taxis and auto rickshaw as much. Obviously, there will be some impact on that.

But I think this will be outweighed in terms of the better volumes in the LPG throughput business which I just mentioned all the factors in Pipavav, Mumbai, Haldia and Kandla. Longer term of course, we have great growth prospects in our LPG business which we have to look beyond COVID anyway and we will be updating investors soon on our growth plans for that as well.

Now, let me come to the project's update, as I mentioned the Mangalore Liquid Project 50,000 kilo liters that will be commissioned in this quarter, Q1 of FY 2022 and all the tanks are sold out. The Haldia Liquid Project of 53,500 kilo liters will also get completed in this quarter and we will be commissioned in this quarter of FY 2022. And then, obviously, we will add to profits from them.

The Kochi 20,000 kilo liter project, the date of completion is expected in the second half of FY 2022. That means between Q3 and Q4 of this financial year. And as I mentioned already we have made further progress in the pipav railway movements with having just concluded a deal with BPCL in addition to IOC for rail volumes. Obviously, there is one more customer left HPCL and we are now beginning discussions with them as far as rail movement in Pipavav as well. But at least IOC and BPCL are now through.

Now, the Kandla, the main project Kandla, the LPG project, I have to now report is delayed for the commissioning, probably to the end of Q2 we were expecting this to be commissioned in Q1 that is the current quarter. But I have to now report that we expect this to be delayed for commissioning to the end of quarter two of this financial year and therefore, we will not start generating those LPG throughput sales volumes until the second half of this financial year.

So, one quarter delay. It will not surprise you for the reasons. Unfortunately, the project workforce has gone down by half in this latest second wave of COVID in Kandla, we had about 300 people to 350 people working on the site in March that has declined by half, because either they have got COVID, or they have actually not reported to the site. These are not our employees, our sub-contractors, the employees of the project sub-contractors. But that is the fact and that has obviously slowed down the work, with only half the workforce is there.

We saw that happen last year around April and the same thing has happened now as well. So, it is unavoidable. It is very difficult to see in terms of timeframe, how we will build back that workforce so that we can complete the project. But at the moment, based on current weekly trends of people coming back to work, we expect this to have some impact in terms of the construction work.

And also, no surprise, lack of oxygen for construction work that has also impacted. Everyone knows that and I think it is quite right that oxygen is being diverted to hospitals for people to really get essential supplies of oxygen for COVID patients. So, that has affected our construction work as well. Again, I make no apologies for that. It is the priority of the country that we have to live with.

All of which means that we expect one quarter delay, as I said, for the commissioning of this project, probably towards the end of quarter two, we expect to commission, which means August, September time rather than in May, June is what we were earlier expecting. If this changes then obviously we will update. But that is the current expectation. Of course, it is difficult to forecast what happens with COVID on that. But it is going to impact on the project commissioning.

In fact, on procurement side, when we are procuring from America or elsewhere that is all on track. There was really no worries on that front. But these two factors particularly and that has slowed down the construction work including one of the remaining things which is finishing the pipeline work and without finishing the pipelines, you cannot obviously bring in the ship. So, these are the kinds of things that have delayed commissioning. But we at the moment expectation is we will try to commission this with one quarter delay towards the end of quarter two instead of quarter one.

Now, finally, I have indicated in the previous earnings call and other investor communications that the company will be coming forward with major growth strategy update for the next five years, including our CAPEX plans. And I can now confirm that we will be making this update in June.

And so, it is obviously end of May now, 28 May, but this will be one of the most significant announcements of our growth strategy for many years and I would urge all of you who are interested in Aegis should attend this because it really will be a major growth strategy update and we believe it will be really a transformational announcement from Aegis and accelerate Aegis into the big leagues as we like to do.

As I said, exact date will be notified in June, but now I can confirm that we expect to come forward with a major announcement on growth in June. I realized indicated it might be in April or March or May, things had to take a little time to put together. But I think we are now ready so I can confirm it will be June.

And finally, just lastly, we at Aegis are very much planning for the post COVID recovery and we cannot just sit still while this crisis is going on and everything we are doing now in terms of growth not only finishing the commissioning of existing projects, like the Kandla LPG Project, but everything we are doing now is looking to post COVID times and accelerating our growth plans, which is I think what we would need to do in Aegis to really start planning that and that is the kind of announcements that we will be making in June as you guys will see.

Okay, that completes my summary of the results and I can now take questions.

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

Rajesh Kothari: Sir, few questions from my side on this LPG volume front, if I take out the retail, excluding retail our volumes are less than even the third quarter volumes. Now, what was given to understand during last conference call is that Pipavav was impacted till the time the project was not on, but then the project was started. So, we were expecting recovery in Pipavav in fourth quarter itself. And number two, even Mumbai was expected to ramp up significantly, it was integrated from January itself, the ramp up has been very significant. So, where are we missing?

Anish Chandaria: Yeah, good question. And basically, as far as Pipavav is concerned, although we did commission the railway gantry in January with IOC, it has taken some time to get the next customer which is BPCL. I have nothing positive to say on that, every single week, I have been in touch with our marketing people, when are you concluding the next movement. So, we expected that to happen in quarter four, it did not happen.

In fact, it has just been concluded literally last week and they will start in June. So, a delay in that and there is significant volume from BPCL. So, that did not happen in quarter four as per our expectation. Main reason and I am sorry to say this is that, during these times every single decision of some of these companies have slowed down because of people are not in the office and all such thing. Anyway, it was a significant delay that it is now actually into June. But now this will happen. I thought it because once the IOC start in January, we did expect that there would be some volumes with got delayed by some time. So, that did impact on Pipavav volumes.

Haldia how they are actually, the loss of BPCL throughput, because they commissioned their terminal in December that did actually take away significant amount of throughput from the Haldia terminal in quarter four and that will continue to some extent even in quarter one of this year. But as I said, the latest forecast that our people have put together based on HPCL volumes is that this will bounce back in the coming months.

So, we do expect there was going to be some impact of lower throughput volumes in Haldia, but that will be 50% - 60% - 65% something of that range will bounce back in the coming quarters, we have already started seeing rising throughput volumes already, for example, in May. Mumbai was okay, that has continued to operate at good levels.

Anyway, the answer to the question is weakness in LPG throughput volumes in quarter four relative weakness even compared to Q3 was less volumes in Haldia because BPCL went out compared to Q3 and Pipavav, we did not add as much volumes as we thought we were because BPCL rail movement was delayed until now in June.

But this is temporary, and we expect Mumbai has continued to operate well. So, we expect this to recover in both Pipavav for the reasons I gave and in Haldia, but that recovery will go into this year, FY 2022. It did not happen in Q4.

Rajesh Kothari: Sure, no issues. That is actually fine. And just trying to understand a little bit more detail into that, Mumbai, if I am not wrong, it adds about 120,000 additional per quarter, am I right about 5 lakhs per year?

Anish Chandaria: I do not give the exact breakup of every terminal. But essentially, if I can talk in an annual basis, we have talked now with the Uran-Chakan pipeline and all that Mumbai can operate roughly around somewhere between 1.2 million tonnes to 1.4 million tonnes per year. So, if you take 1.2 million tonnes that means there are around 100,000 tonnes a month and 1.4 million tonnes is around 110,000 tonnes. So, that is the kind of rate that we can sustain. That could increase a little bit more in fact possibly as much as 1.5 million tonnes analyzed in Mumbai depending on demand. So, there is a little room to grow even in FY 2022.

Rajesh Kothari: And, for Haldia, the loss of BPCL would be about 15,000 to 20,000 on a quarter basis, am I right?

Anish Chandaria: Probably a bit more.

Rajesh Kothari: Okay. And Pipavav, the BPCL, basically, you are saying even in 1Q they are coming by June. So, even the first quarter is kind of almost like gone maybe only 15 - 20 days might be there. So, probably from second quarter should we assume 2 lakhs to come back in Pipavav.

Anish Chandaria: I do not want to give an exact figure. But yes, there will be a good recovery from quarter two in Pipavav, because now IOC as well as BPCL, the reason I do not want to give an exact figure is we are still negotiating with BPCL as to how many rakes the railway wagons they are going to do. So, what they have said is that look, we will start off in June.

And then we will add to it as the dealing issues and all that. So, it will take some time, but we cannot just expect that everything will happen in even in quarter two. But I am just saying that now that we have cracked BPCL, we expect we know which bottling plants etc. they are quite good volume. So, we expect IOC and BPCL to grow. And as I said, we still are working on HPCL if that happens, then it will be even better.

But remember one thing which I did say in previous earnings calls, the one thing which could boost Pipavav even further is if we could actually bring VLGCs into Pipavav, which requires some jetty modifications by the port. And of course, they have just had a cyclone there last week, etc.

So, that work is still not finished and delayed. So, at the moment, because they can only bring midsize gas carriers and there are only so many midsize gas carriers in the market, that does give some restriction. Once that jetty work is completed, which I was hoping would be completed by the monsoon. I have not got the latest update from the port; I think that will be delayed because of various things. When I say delay, it could be as much as two months - three months that kind of thing.

Any case, once that is possible, we will get a further boost because this sheer availability of VLGC, Very Large Gas Carriers, will allow more ships to come and that will give a further boost. So, it is going to be a step-by-step process in Pipavav to build up the throughput volumes. First thing is yes, let us now get BPCL to start working in June and growing those volumes. Let us get HPCL and then the next phase is get this jetty work over which is being done by the port and which will allow more ships to come in which will therefore boost volumes.

So, I think the answer is throughout FY 2022 quarter-by-quarter month-by-month, we expect to grow in Pipavav, but it will not be just a quick job, it will be a step-by-step process. But the benefit of this railway gantry is going to be, its strategic and long term, it will not just be for one or two months. But now, that will really improve and that is going to be a part of the growth story in terms of earnings growth for Aegis in FY 2022 and beyond this Pipavav story in the way that I described.

Rajesh Kothari: And for Haldia, the BPCL customer, we lost for one month basically or from January itself, we stopped them?

Anish Chandaria: Actually, from January itself.

Rajesh Kothari: I see, so it is full quarter impact. Okay.

Anish Chandaria: Yeah, full quarter impact. And that is obviously will continue as it even in quarter one April, May. But what I did say, and we had our board meeting, in fact, yesterday, as far as we reviewed this program for the year, the outlook for the year. So, I would not go into the specific numbers.

But what I did say is that possibly 60% to 65% of the BPCL volumes will be recovered because of increased HPCL. So, it would not be fully recovered this year, FY 2022. So, there will be a bounce back in FY 2022. It has already started; you can see that in the May figures. But it was never going to happen in three months. So, I think that is positive for the future. And HPCL has pretty aggressive plans of building up.

I will just mention this, again, just so that people understand, this was discussed in the board meeting as well. Some of you may remember, I have gone on about the Panagarh bottling plant which consumes half a million tonnes. HPCL bottling plant is the largest bottling plant in Asia. So, it is still operating at around 50% capacity utilization. In other words, they are only taking about 250,000 tonnes a year. And that is part of the process this year. As more LPG will flow into Panagarh to raise their capacity utilization. And that is the reason why we think that there will be a bounce back in HPCL throughput volumes, which will recover part of the loss BPCL of volumes. And that will of course, carry on in future years. But we will see some of the benefit of that in FY 2022.

Moderator: Thank you. The next question is from the line of Dipesh from Equirus. Please go ahead.

Dipesh: Sir, the liquid segment has an all-time high a margin of 82% versus the normalized 65% - 70% margin that we used to see. So, if you can, please explain what led to that? And if you can highlight any price hikes you have taken across any ports?

Anish Chandaria: Yeah, as I said, we are very proud. And I really made that clear of the performance of the liquid division throughout the year, not just Q4. Q4 was a record but Q1, Q2, Q3 and some of it was because of the change in product mix, particularly in Mumbai and Kandla terminals etc., that we were handling higher margin products. So, that obviously, further boosts EBITDA and revenues.

But generally, the main message to take from the performance of the division for the year as a whole not only Q4 is that as I said it has been extremely resilient. The customers have continued to hire the storage tanks because they knew whatever happened with COVID that they needed those tanks to store their goods. So, we have had really excellent occupancy levels if at all terminals with the exception of Pipavav which remains at 20% - 25%.

But all the other terminals including Kochi and all that and which is why, we are expanding in Mangalore, we are expanding in Haldia and when I come forward with these growth announcements in June, part of that, you will see, and I am not going to reveal it right now. But part of that is going to be another major push by us in the liquids business, because we have great prospects of that. I think people will be quite pleasantly, I hope pleasantly surprised by the scale of what we have got in mind.

But anyway, it has been a good performance in Q4 changes in product mix. But as I said, capacity utilization has been extremely high, particularly in Kandla, Mumbai, Haldia, Mangalore and we have really generated good revenues and good profits in that division throughout the year.

Dipesh: Understood. And whenever the capacity of liquid terminals increased, historically, we have seen some pressure on the margins are you generally start with the low value liquid, right? So, when you say Mangalore and Haldia pre-sold during the coming capacities? How do we see the market going forward for these two terminals?

Anish Chandaria: Yeah, that is a really good question. And I had actually the same question for our marketing people in the liquid division. And you are right, but normally, that is always what I say that okay, we start with lower value parts. Now, the good news is, and I can really say is the new capacity, which is coming on stream in this quarter in Mangalore 50,000 kilo liters as well as Haldia actually is higher price already.

We are actually going to see because those have already been pre sold. So, we are actually going to see right from day one, pretty much good margins and good revenues from that new capacity, unlike the normal capacity. That is a good sign and as I said, it kind of informs our growth plans in this division, even for the next five years, which you will hear about in June. So, that it is a good pattern for that. But they are going to start generating revenues from quarter 2, in Mangalore as well as Haldia which will add to the good performance we have already seen in the in the other terminals.

Dipesh: Understood. And lastly, sir, if you can guess, I know you do not share the port wise throughput volumes, but if you can just give us capacity utilization levels of the Haldia terminal FY 2021 and what are the contribution of BPCL in that? That will really helpful, sir.

Anish Chandaria: You mean the LPG terminal?

Dipesh: Yes, sir. Yes.

Anish Chandaria: Yeah, I mean, the total throughput capacity that we have in Haldia is as per our Investor Presentation is 2.5 million. So, we would have probably ended somewhere around 50% of that in FY 2021. And BPCL, I think was probably around 30% to 35% of that which we have to replace. But I can mention to you that based on the plans that we have with HPCL, I am not going to go through all of that now because I am going to say more about it in this growth update.

In fact, as far as Haldia is concerned. But based on that, we are really confident about hitting that 2.5 million tonnes, 100% capacity utilization figure in Haldia in the coming years. It will not happen in one quarter based on that, but I will have more to say about it in the June update.

But anyway, right now, that is where we are. And first job is to replace the BPCL volumes with HPCL, particularly in the Panagarh plant. And then we have got additional plans, the road to the 2.5 million tonnes 100% capacity realization. As I said, I will say more about it in the June update.

Moderator: Thank you. The next question is from the line of Jiten Doshi from Enam Asset Management. Please go ahead.

Jiten Doshi: So, Anish, first of all, I must say that whenever we speak to you, we always get a little booster dose like the vaccine because you are always very optimistic. So, I just need to see that converting to the results in the future. That is one. Two, basically, I am a little confused because we are building up our LPG capacity from 9.6 to even further with one more terminal in the South, right. Is that correct?

Anish Chandaria: Yes.

Jiten Doshi: Now, we are at 3 million today. But I mean, what are you seeing that we are all missing? Because at 3 million, if you are able to produce this sort of an EBITDA, when do you think you will utilize and go to 12 million?

Anish Chandaria: Yeah. So, we talked about this before and I am going to be able to give a much more detailed answer when we do this growth update, because that is for the next five years of when we are going to be able to take up the sales volumes.

By the way, the figure for FY 2021was 2.91 million, that is the throughput versus 3 million the previous year. So, long way to go, given that we have built all this capacity as you rightly say, and we are going to add capacity. So, I will say more about it in the June update. And I think you will see some very specific answers.

But the long and short of it is that the result of some of the projects that we have done, which includes the Pipavav, railway gantry, the commissioning of the Kandla, LPG project, some further moves that I will be talking about in Haldia etc., we will be able to show you how we intend to take up the sales volumes in the coming years towards those kinds of capacities. And that is absolutely creaky to the profit growth, earnings growth of Aegis over the next five years.

So, you will get more detail in June which is just a few days away now. But that is really the answer that it is nothing really to do with COVID, which you will be relieved to hear. This roadmap of how we add volumes in Pipavav, we add volumes in Haldia, we add volumes in Kandla, obviously, we will add volumes in when we commissioned the future projects for example, in the south, etc. How that will build up towards those capacity, we will be able to give a little bit more detail on that.

Jiten Doshi: Actually, frankly speaking, I would be shocked if you tell me that in the next five years, you cannot make Rs. 2,000 crores of EBITDA because you are building up the whole company what is even great is your liquid division has now reached a run rate of Rs. 200 crores EBITDA every year. And I think with all your expansions, you will go to North of Rs. 350 crores, but I am just saying that when will you think you will hit a quarterly EBITDA run rate of what Rs. 150 crores in your gas division? Because that is like long overdue. We cannot believe these numbers actually.

Anish Chandaria: Yeah, it is overdue. And unfortunately, life is never perfect. We would have expected to be better than where we ended up. Some of it is due to COVID as I said. Some of it is due to delays in things which are unfortunate. But as I said, I think we are on the right road. And I think we will be able to explain in quite a lot of detail in June exactly when we will be able to reach those kinds of numbers. So, please attend that update.

Jiten Doshi: Of course, I would love to, and I think there is no other company as beautifully positioned to actually capitalize on the opportunities in Asia, it is just that we are we are quite flabbergasted to see all the last one year or two years results we believe, which should have already happened.

And of course, you are killing us with your suspense over the next one month. But my question is that the businesses that we love are the auto gas, the commercial LPG, the domestic LPG, Chota Cikander. There we are not seeing you talk of large numbers. The growth plans, what you have given in your presentation are only 200 gas stations. So, you should be at 500, because that is the business, if it is getting you the margin and that is the vision we are seeing, I think those numbers we find are very conservative in your presentation.

Anish Chandaria: Unfortunately, you call it conservative. I call it realistic because I have long experience on the ground. And it is actually very difficult to achieve more than that. And because, the realities are it takes sometimes three years to build one gas station because of permission, things like that. So, there are the realities of how to build out.

But you are right, that look, we want to put more efforts into this retail division, not only auto gas stations, but also on building up the dealers and the bottling plants and all that. At the moment, I would stick to what we have said, even if we can implement that, it is still what we said, I think it will be a major driver of growth for Aegis for the years ahead. But it is hard work on the ground to build out this distribution network with all the constraints that we have in India.

So, yes, it is conservative or realistic, whichever phrase you want to do. But there is a lot of scope

Jiten Doshi: Absolutely, we believe in it and that is why we invested. But I think somewhere we are not seeing the numbers. It has been quite 24 months. My question to you is that when do you think on a quarterly basis, we will hit that 1.5 million, which is actually what you can do, and you will do

Anish Chandaria: Yeah. So, I said, the June, the growth update and you will get much more sense of that.

Jiten Doshi: Okay. So, you are holding an analyst meet probably in June, which can give us the roadmap for all of that?

Anish Chandaria: Yeah, we will give you a roadmap and I think there is a lot of stuff in that, I have the presentation in front of me right now to be honest. But I am not yet ready to finish it.

Jiten Doshi: You want to kill us in suspense and also anyways, we will wait for it.

Anish Chandaria: I am not playing games here. Obviously, we only release that update when it is ready. I did say, it might be ready in March. It is exciting. It is exciting. And it is credible. And it will be worth waiting. But it is a lot more than what we have talked in the past, so it will be quite a lot of new information.

Jiten Doshi: No, actually, we really do believe that your liquid business in five years, can we at least Rs. 500 crores of EBITDA, your gas business, I will be shocked if it is less than Rs. 1,500 crores - Rs. 2,000 crores because that is the way you are building your capacities. And the only thing is in last one year or two years, we have not seen that. What I just want to know from you is the conviction with which you are still putting capacity because we are still at 3 million and you are still putting another 3 million. I mean, what is it that we are missing? So, you really do believe that these volumes that we are seeing subdued right now is only a temporary phase, and you will see a huge pickup in the years ahead?

Anish Chandaria: Yes, absolutely. I have full conviction on that. And as I said, we will paint the picture properly. We have been working very hard on that, which will explain a lot more and you are perfectly entitled to ask me more questions in a few weeks' time.

Jiten Doshi: No, I mean, you all have done very good execution. You are beautifully positioned. But I mean, we just want to know, what is the roadmap ahead. Anyway, so we will talk to you in June. But anyway, congratulations that you all have actually gone and built capacities in the worst period, then you all have actually sort of tried to battle it out in COVID. So, anyway, all the very best and really look forward to the June update.

Anish Chandaria: Thank you. And we will assure everyone that we will be accelerating our plans, that is really the purpose of the June update.

Moderator: Thank you. The next question is from the line of Kashyap Jhaveri from Emkay Investment Managers. Please go ahead.

Kashyap Jhaveri: Yeah, I have just one question and three clarifications. One, on the clarification side, if I look at your balance sheet at the end of March 2021, our working capital components have dramatically declined though overall working capital has not changed. We have just about Rs. 94 crores of receivables and Rs. 75 crores of payable. How does one read this absolute numbers, though as a number of days working capital has only improved but these numbers have gone down dramatically. Are these only quarter end numbers and the actual numbers, I mean on an average would be in line with what we have been reporting in past?

Anish Chandaria: I will comment on that and Murad, he is on the line, our CFO, he can also comment after I finish. I think, some of it is just the fact that the international LPG prices have dramatically fallen so much because of COVID and all that. So, obviously, all absolute figures would be less purely because prices are much less you, you all remember when crude oil fell, LPG prices also fell a lot. So, that is probably the answer. Murad, do you have any further clarification on that working capital figures payables and…

Murad Moledina: Yeah. If I can add to that is that the sourcing volumes have come down. So, this would have otherwise been if you look at last year's quarter sourcing volume and this year so there has been a drop because of this has got direct effect

Kashyap Jhaveri: Okay, got this. Second clarification, I want is that on the liquid side to one of the earlier questions, you highlighted that there has been some product mix change also, which has helped you report this kind of margins. However, it looks like on the cost side also there has been a dramatic drop in this particular quarter. So, I am just reducing the normalized EBITDA that we report in the quarterly presentation, which has more for about Rs. 39 crores to Rs. 54 crores Q-on-Q. Whereas if I look at you know our revenues have moved up just now about Rs. 57 crores to about Rs. 66 odd crores. So, there it seems to be adding about almost about Rs. 6 crores - Rs. 7 crores costs drop also in this particular quarter. If you could help me understand that.

Anish Chandaria: Murad, you do want to comment on that one?

Murad Moledina: Yeah. Where did you get revenue…

Kashyap Jhaveri: Okay, I will repeat the numbers. So, our quarterly revenue in the liquid segment has moved up from Rs. 57 crores to about Rs. 65.7 crores. That is about Rs. 8.5 crores increase quarter-on-quarter versus December quarter. I am highlighting. And if I look at our normalized EBITDA, which we report in the quarterly presentation, which was about Rs. 39 crores in quarter three December 2020 quarter has moved up to about Rs. 54 crores, that is a growth of about Rs. 15 odd crores. So, I mean there is a delta of Rs. 15 crores in normalized EBITDA versus December quarter, whereas the revenue has have changed only by about Rs. 8 crores or Rs. 9 crores or so.

Murad Moledina: No. Around Rs. 10 crores revenue and Rs. 14 crores if you look at EBITDA in the segment. So, it is a difference of Rs. 4 crores, which is around Rs. 1.25 crores per quarter, yes. So, because of COVID also, there has been lot of reduction in expenses also, obviously, people not coming to offices and operating from home etc., so all of that. But what is more important is the increase in revenue has flowed, everything of that is flowed into the EBITDA because of the margins on high value items. That we have stored. So, yes, the expenses are not very significant around Rs. 1.3 crores a month

Kashyap Jhaveri: But ideally, that should have reflected in the previous quarter, right? Because fourth quarter most of the workforce would have reported for work barring probably in the last month, probably last 15 days when Maharashtra probably or maybe some of the other states went into lockdown.

Murad Moledina: No, we have operated from home throughout the lockdown, so that has always been there.

Kashyap Jhaveri: Okay. And just third clarification over here, again, on the balance sheet side, our employee loans and advances had gone up by about Rs. 100 crores in this particular year. Has any repayment plan also been worked out, how employees would pay back this money, we would have given them this Rs. 100 crores for what employee stock options to exercise them?

Murad Moledina: Yeah, if I may say so, it is towards the tax of ESPP, and the repayments will start from the next year.

Kashyap Jhaveri: I mean the TDS which you got

Murad Moledina: Yeah.

Kashyap Jhaveri: And how do they pay? So, would this be deducted from the salary or how does it happen or what period would this be paid back?

Murad Moledina: This is complicated because these are all in relation to lock-ins also because there are lock-ins on the shares. So, once the lock-in expires then you start.

Kashyap Jhaveri: Yeah. So, this will fructify only if they sort of exercise the options or is this a fructified liability towards the technician?

Murad Moledina: No, no, these are taxes like I said, which otherwise if we were not to get ESPP deduction company would have had to pay on its own account. Now, this is recoverable once the lock in gets over, over a period of time. The given of time is five years, so we just get that done in the five years.

Anish Chandaria: So, just to clarify from my side, those loans will be repaid obviously, now, after the lock-in period these employee stock options they can be sold and then they can obviously pay back those loans to the company. And obviously, the higher the share price goes, the less shares they have to sell. So, that program will now begin since the lock-in periods are according to the schedule.

Kashyap Jhaveri: Sure. And just one question from my side, in Haldia, BPCL has got 3 million tonnes LPG plant, right, I mean, the filling plant? As of now, you said they are working at about a third. But in terms of throughput, do they have the full 3 million tonnes capacity or incrementally as they increase the volumes a fair part of that volumes will come for us as a throughput?

Anish Chandaria: Yeah. I think you mean by terminals**.**

Kashyap Jhaveri: Bottling part is for 3 million tonnes, right?

Anish Chandaria: No, you are talking about bottling plant or the terminal. It can't be 3 million, 3 million is too big.

Kashyap Jhaveri: Maybe I am confused, if you could help me understand both, the bottling capacity as well as…

Anish Chandaria: I think you mean the BPCL LPG Terminal, which probably could do a throughput potentially of 2 million tonnes to 3 million tonnes, it cannot be a bottling plant. So, that what we said is they commissioned that in December, but their volumes were not that much, when you were through putting LPG from us. They would have been far less than 2 million tonnes. So, they will take years to build that up, while they build up the distribution network.

In the same way that HPCL is building out the distribution network. So, they will, of course, you have to ask them. But they will probably take a few years to reach those kinds of throughput levels. But they were not operating in that kind of level, even when they were through putting through our terminal. I mentioned, the kind of 25% to 30% of our throughput volumes with BPCL. So, that gives you some indication is far lower than 2 million tonnes, that will take some time for them to build that up.

Kashyap Jhaveri: So, from BPCL, there would not be an incremental volume, which could flow to us in Haldia, right? Because they have their own spare capacity?

Anish Chandaria: Never say never. But we do not expect that right now. For us, it will primarily be HPCL. There are some ideas and some discussion, which we have I do not want to go through that right now. But yes, it will primarily be HPCL, who will be incremental throughput will come from HPCL for us.

Moderator: Thank you. The next question is from the line of Himanshu Yadav from Edelweiss Wealth Research. Please go ahead.

Himanshu Yadav: Quickly on the liquid side. I mean just saying that despite COVID, the customers were happy to hire the capacity and we were operating at full utilization. Do you think this is something sustainable or there could be some roll back once you know, things normalize? I mean, is this high margin and super results due to COVID or is it something which we should probably…?

Anish Chandaria: No, we do not think it is due to COVID. We think is sustainable. In other words, it has nothing to do with COVID. The whole point is liquid division is that it is been less affected by COVID than anything else. So, it is nothing really to do with COVID. We think it is sustainable in that these are the products that they want to store.

In fact, we have got some, I do not want to go into detail right now, but we have got some work going on in Kochi, for example, which have not really mentioned, if that works out, they will be further boost over there. And again, I mentioned about June update, we are really quite bullish on this liquid division.

So, hence, we think it is sustainable. And it is a result of India's, nothing to do with COVID. It is a result of India's requirements, in terms of chemicals, petrochemicals and petroleum requirements over many years to come. That is what is driving the growth in this.

So, we think it is sustainable, we are building more capacity as we discussed, commissioning of Mangalore and Haldia and all that. And still, we are working on the Kochi project. But as you will hear in June, we have got many more plans in this liquids business going forward. So, therefore, by definition, that means we think it is sustainable and we really expect this to be a significant driver of growth for Aegis in coming forward in the future.

Himanshu Yadav: Sure. And the second question is on the LPG, I mean, you think that the four Q was weaker, because you and the PSU guys were not able to sell as much LPG as they could I mean, because maybe the stronger shut down. But I mean, it seems counterintuitive, because during the January to March period, I mean things were like opening up really well. And there were a lot more vehicles on the road and people were moving out. So, actually the lockdown and everything started from April. So, what explains slightly weaker performance on in four Q?

Anish Chandaria: Yeah, so I kind of explained it. But let me repeat one more time. So, let us first talk about the throughput volumes. As far as the throughput volumes in the terms are concerned, not really affected by COVID particularly. So, I am not saying it has to do with COVID there were specific practices in Pipavav that we were delayed in getting the second customer for further rail movement that we expected which only now is going to happen in June.

It took time, their decision making, etc. So, that was our expectations, it did not happen in Q4, it will happen even now later in June. So, there are specific factors related to less volumes in Pipavav than we had expected. As far as Haldia was concerned, I mentioned that of course, once BPCL went out, there was going to be the loss of those volumes in quarter four, which happened, January, February, March, pretty much as predicted.

We will take some time to build those back and the way that I described. So, it was not really to do with COVID. These are specific practices related to Pipavav and Haldia, Mumbai continue to operate well, which means that the sales volumes were lower than we expected in fact in quarter four. But we expect that to change in the coming months for the reasons I gave. So, nothing to do with COVID, really.

Yes, on the retail side meaning the auto gas sales and industrial sales as well as the commercial sales, cylinder sales, yes, look, it is still despite there were lower level of cases, etc. Things have still not recovered, even in January, February, March and it is got worse now, because of COVID. But they still not recovered to pre COVID sales. In other words, people were still not going out to hotels and restaurants as much as before COVID.

People were still not moving about as much. So, that is the reality on the ground that things were not back to completely and now it has got even worse in April and May, as you all know. So, it is going take more time, I cannot forecast when things will go back to pre-COVID levels. But even in January, February, March, the reality on the ground was that things were still not back to pre-COVID sales regarding taxi’s and auto rickshaws and hotels and restaurants, etc.

I think you all know that. But sooner or later it will happen, when it will happen, I do not know, but probably it will still take some more time. Point is that we have to keep building out our network. For example, I was very happy. And I just mentioned this in the board meeting, Aegis board meeting yesterday that I think we added more stations last year FY 2020 auto gas stations than in any of the previous 15 years.

So, I think, we are something like nine or 10 stations we added. So, we have told our people that look, while sales are affected right now, keep building the network, keep building the distribution, dealer network, etc., I will continue to do that. So, that when COVID is finally over then the sales will bounce back to that extent because we have the gas stations in place, or we have the dealers in place. So, that is it is going to happen.

The reality on the ground is that we have not gone back to in that particular division or segment. We have not gone back to pre-COVID sales. It is probably a matter of some time, still more months to go until the second wave is over in India. Your guess is as good as mine, but we will be standing in good, we will have good foundations for when that happens, that business will really bounce back because we will have expanded the dealer network and the distribution network. So, that is actually what happened.

Himanshu Yadav: Right. And just general stuff, clarifying on the liquid side, Mangalore and I mean, the current volumes, which are plugged in four Q is excluding the newer capacity, right. And there will be an addition to that?

Anish Chandaria: Yeah. This will be in addition because they are being commissioned right now in this quarter. That was in Q1.

Moderator: Thank you. The next question is from the line of Shriram Rajaram from Ratnatraya Capital. Please go ahead.

Shriram Rajaram: Sir, as I could see, LPG imports for the month of April have gone down by 20 odd percent, even sequentially, they are down by 28%. So, can you throw some light on this?

Anish Chandaria: Yeah, there is always a seasonal thing that you will see, probably when we come to quarter one, April, May, June, it is kind of slower season for LPG demand and LPG imports. And then it starts picking up. We see this every year. Some of it is because it is holiday period, May and all that now also. So, I think that is not really surprised that has been the pattern for some time.

So, not to get over excited, if I can say just because of two months, three months, that is a normal seasonal pattern. But then LPG demand does pickup in future month. So, I think that is really the reason. Again, I do not think it is COVID related, particularly. It is just a seasonal thing that there is lower demand in these months, April, May, June.

Moderator: Thank you. The next question is from the line of Nimish Desai from Kitara Capital. Please go ahead.

Riya: Hi, Anish. This is Riya. I just needed a small clarification on the current LPG capacity at the end of March 2021. So, I am referring to Slide 12 of your presentation, as I understand, you had throughput capacity of about 5 million tonnes at the end of March 2020. Is that correct?

Anish Chandaria: Yeah, I am looking at Slide 12. So, sorry, say that again.

Riya: So, I am looking at the chart on Slide 12. So, as I understand, we had a capacity of about 5 million metric tonnes at the end of March 2020. And now that Kandla and Pipavav, which were at add about 4.2 million will now come through in FY 2022. So, at the end of March 2021, our capacity was still at 5 million metric tonnes, is that a correct understanding?

Anish Chandaria: Yeah, that is actually, I think we do have to modify that slide, because Kandla would not have been commissioned by, so that 9.6 million by March 2021 is not correct. Sorry, my apologies. We will have to correct that. I did not catch that. That will come into FY 2022, it is a little delayed. But probably we would have potentially a higher capacity than 5 million by March 2021, because of the people railway gantry. But anyway, not 9.6 million that actually should be FY 2022 because Kandla will only be commissioned now. So, yes, you are right to catch that. I will tell our people to correct that slide.

Riya: All right. And from Kandla and Pipavav, we were expecting about 4.2 million and which would have come to about 9.2 million total. And since the slide mentions 9.6, I am just trying to bridge the differences. It is fair to assume that that point for differential is from that railway gantry at Pipavav?

Anish Chandaria: Yes, potentially. We might revise that figure down. But yes, potentially, that was the reason for 9.6 Pipavav plus Kandla. You can see, Pipavav we put 1.6 million and then Kandla 4 million. So, yes, that is how it comes to 9.6. We might smartly adjust that figure. But yes, it was because of that Pipavav railway gantry plus we are adding two spheres in Pipavav as part of the project, which is still not completed. But it will probably be, as I said, FY 2022 will probably change the chart to 9.6 million or it might be 9.4 million somewhere around this in FY 22 rather than as it is incorrectly represented. FY 2021, that should be corrected.

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

Anish Chandaria: Thank you very much for all the extensive questions. Yes, I think broad summary is that we are now looking to the future. Q4 is over and FY 2021 is over. A tough year for India, but I think

Aegis has come through it okay in terms of slight drop in profits, but we have been able to maintain uninterrupted sales as much as possible. But we are now looking to the future at Aegis.

As I have kept on repeating throughout this earning call, we are very much looking forward to the future. Actually, explaining to investors and analysts, what is next for Aegis? That is a common question which many people have been putting to us. I think, we have got actual answers for that, which we will be detailing in our extensive growth update in the month of June.

We have got really good answers, I think in some detail on that, and we will be really presenting that roadmap of the next five years, quite frankly, not only the next five years, but longer-term future of Aegis. So, that should answer all the questions and feel free whoever is attending those calls at that time to ask more questions once you see. But there is a lot of lot of announcements that will be all put together in that one thing.

And we have to as I have emphasized today, like many companies, we have to look past COVID now, and not keep talking about COVID. Whatever we are now going to talk is irrespective of COVID whenever that whenever that happens, we will be looking forward to that. And as I said, it is the next stage of growth of Aegis to take us into the next league that we will be detailing. So, look forward to presenting that in June Thank you very much.

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.