"Aegis Logistics Limited Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and Q2 FY 2016 earnings conference call of Aegis Logistics Limited. This conference call may contain forward looking statements about the company which are based on the belief, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performances 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 for 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 K. Chandaria, CEO and Managing Director of Aegis Logistics. Thank you and over to you Sir!

Anish Chandaria: Thank you very much. I will be taking you though the FY 2016 Q2 earnings, good set of Q2 results but I will also have a major and significant announcement at the end of the earnings call which I hope people will appreciate. I will say that at the end of the call. Total revenues for Q2 were 496.04 Crores versus 1488.97 Crores year earlier. Now, this is as a result of a 60% drop in the international LPG prices which were averaging around a $1000 per tonne FOB this time last year but now as per international LPG prices and crude oil prices there has been a sharp drop which you all know to around $300, $350 per tonne. Now, this has not affected volumes LPG volumes handled by us, this is just a price effect which we pass on to the customers. Total segment EBITDA, this is the addition of the liquid terminals division and the gas division the total for Q2 was 56.03 Crores versus 47 Crores year earlier, so that is a rise of 19.2% year-on-year, by the way this also an increase on the Q1 segment EBITDA which was 53.1 Crores, so there is a rise in the quarter on quarter EBITDA as well. Profit before tax for Q2 was 38.22 Crores versus 32.17 Crores that is a year-on-year rise of 18.8% in pre-tax profits. The Q1 result for FY 2016 was 36.03 Crores, so that is again a rise in the quarter-on-quarter profit for this financial year as well and profit after tax for Q2 was 30.01 Crores versus 27.18 Crores a year-on-year rise of 10.4% and Q1 was 29.27 Crores for this financial year, so that is again a rise in the net profit after tax for Aegis Group consolidated. For the first half of the year H1, pre-tax profits were 74 Crores versus 53 Crores a year earlier, that is a rise of 40% in the first half pre-tax profits compared to a year earlier and first half profit after tax was 59.37 Crores versus 46.02 Crores year earlier, so that is a rise of 30% in net profit after tax first half compared to the previous year.

Some of the key highlights of Q2 as some of you may have seen the various investor releases we had allotment of additional 15 acres of land at Kandla which means that we now total 20 acres in Kandla, this is a very significant development, 5 acres is good but 20 acres will allow us a lot more room for expansion and we have also got the allotment of 3 acres of land in Mangalore, a small amount of land but it is still significant because this allows us to put a terminal, a liquid terminal and will be the sixth port in our necklace of terminals strategy including Mumbai, Haldia, Kochi, Pipavav, Kandla and then number six will be Mangalore, so it is a significant position in the south west of India.

Now let me take you through the segment data. As far as the liquid terminals division is concerned the Q2 revenues were 45.44 Crores versus 35.18 Crores a year earlier that is a rise of 29% year-on-year in terms of revenue growth. As far as the EBITDA for liquid terminals division, Q2 was 29.4 Crores versus 22.5 Crores a year earlier that is a rise of 30.7% in year-on-year EBITDA growth for liquid terminals division. I can also tell you that all the five terminals work with capacity utilization rate very high; Pipavav was 85% capacity utilization on average in Q2, Mumbai as ever was 100% capacity utilization, Kochi is now up to 80% average capacity utilization and Haldia was 90% capacity utilization, so you can see that business is strong in all terminals in all areas of the country.

Now, I turn to the gas terminals division. As far as revenues were concerned Q2 was 450.6 Crores versus 1455.4 Crores a year earlier, again I mention that international LPG prices were 60% lower but that does not really affect earnings because that depends on volumes handled which I will just give you the volume analysis shortly. As far as EBITDA for Q2 was concerned for gas division 26.63 Crores in Q2 versus 24.5 Crores a year earlier, that is an 8.7% rise in the year-on-year EBITDA, continued record profits in this segment.

As far as volume analysis is concerned starting with LPG throughput volume that is basically the volumes handled in our two terminals of Bombay and Pipavav for the public sector units and Reliance Q2 was 205,605 metric tonnes versus year earlier 200,443, so a rise of 2.6% in the volumes handled. Auto gas was 5,177 metric tonnes in Q2 versus 4,253 metric tonnes a year earlier that is a rise of 21.7% in year-on-year auto gas sales. Commercial and industrial LPG sales were 7,373 metric tonnes in Q2 versus 6,462 metric tonnes a year earlier, which is a rise of 14.1%. Sourcing volumes were lower in Q2 127,664 metric tonnes versus 252,168 metric tonnes a year earlier, that drop was actually due to some delayed shipments especially to one of the customers Hindustan Petroleum because in September they realized that the prices were falling further, so they decided to delay a few days in to October, so you will see those volumes in October rather than September.

Now, let me come to the outlook and new projects update and capex progress in 2015-16. First starting with liquid terminals division, huge volumes of ethanol continue to be imported from Brazil for our customers, stored in our Pipavav terminal for direct rail loading. This looks likely to be sustained in the quarters ahead giving Pipavav a very strong capacity utilization, I mentioned the Q2 average was around 85%, so that is excellent news for the quarters ahead, large volumes of ethanol are being imported from Brazil and then going in to the direct rail loading which is an exciting development. There is also a big focus on construction of the 100,000 kiloliters project in Kandla that I mentioned in the last earnings call and 25,000 kiloliters expansion in Haldia, both of these we expect both Kandla expansion and the Haldia expansion to be commissioned in the second half of FY 2017, we are reasonably confident for commissioning schedule and next we will have to get moving on the liquid projects for Mangalore in terms of environmental permits, as I said we have been allotted 3 acres of land, our projects team is now working flat out to work out the exact configuration that we can fit in to that 3 acres of land, so I hope to have something to announce in the future once we have the environmental permits on hand and as soon as we get those environmental permits we will start the construction of Mangalore as well.

As far as outlook for the gas division is concerned the project for the 2700 metric tonnes LPG spheres is on track. We expect it to be ready in Q4, which means it will be commissioned latest by March 2016 and that is very important. Now as far as our new LPG terminal our major new LPG terminal project, out of the three in the Itochu JV business plan that I have mentioned since last year I have nothing to announce today on this project. As soon as the final environmental clearances and the signatures are received we will announce it but nothing to announce today, once everything is signed and sealed then we will announce it and as I said at the start of the earnings call I have left a very significant announcement for last and let me take you though this because this is extremely important for the future of Aegis. I am very proud to announce a major commercial breakthrough in our gas business. In the month of September 2015 we have signed for the first time in the history of our gas business a terminalling agreement with Indian Oil which as you all know is the giant in the LPG business representing around 50% market share. Up till now, we have for the last 15 years been working with BPCL, HPCL, Reliance and many other customers but we have never been able to crack Indian Oil, for the first time, I can confirm today that in the month of September 2015 we have signed a terminalling agreement with Indian Oil for Pipavav LPG terminal. Since the last days of September they are now through-putting a huge amount of LPG in Pipavav terminal and that shipments have already started as I said in the last few days of September.

Second we have also signed up with Bharat Petroleum for a terminalling agreement for Pipavav also, so both Indian Oil and BPCL and of course Hindustan Petroleum, now all three PSUs are taking massive quantities of gas through the Pipavav terminal, I have just for example seen the October figures which I will be reporting in the next earnings call, massive volumes of LPG which we have never handled before, all of this will come in to the Q3 earnings, Q4 earnings and future quarters and they will be taking this gas or they are taking this gas for feeding their bottling plants for domestic LPG cooking gas which are in the vicinity of Pipavav. Now, perhaps you can understand why we are expanding our spheres to 8,100 metric tonnes capacity in Pipavav from 5,400 project which I mentioned earlier because our team has been working on this commercial deals with Indian Oil and Bharat Petroleum for the last 12 to 18 months, finally this has been signed in September and just to give you a sense in what this means in terms of second half earnings that is Q3 and Q4 earnings we now expect a 70-100% increase in volumes in Pipavav compared to H1 because of these new contracts with Indian Oil and Bharat Petroleum. Now, this will have a very positive impact on earnings in second half. I hope you can do the maths, a 100% increase in second half volumes annualized versus the first half volumes annualized multiplied by roughly a rate of 700 to 800 rupees per metric tonne, what that means in terms of incremental profit for the gas division in the second half. I think the analysts can do the figures, you can see that is a very significant boost to the earnings for the next two quarters certainly and what is beyond and now that we have broken the ice with IOC, I fully expect additional business to be done with IOC in the future. Watch the space, we will be as and when future businesses agreed with IOC of course I will make that topic. So, this is the significant announcement today of very big contracts for the gas terminals in Pipavav. I can also confirm the board has approved a 20% hike in the interim dividend to 30 paisa per share from 25 paise per share last time post split, this reflects the board's view of rewarding shareholders with increased cash payouts while retaining earnings for a very significant capex that we expect to do in the future years.

Let me summarize and then I will go to questions. Q2 was a good set of results continuing the excellent progress made in Q1; the highlights were more land in the fifth and sixth ports in our necklace of terminals. Now, let me just say one thing which would be interesting for you. In terms of our land bank, what is in our land bank which means land that we still have to construct in all the various ports We have 75 acres in Pipavav still to build. We have 20 acres in Kandla still to build. We have 12 acres in Haldia still to build. We have 4 acres in Kochi still to build and we have 3 acres in Mangalore still to build which means 114 acres in our land bank which we expect to build over the coming years. Some of those projects have been already announced including in Kandla and Haldia as part of the projects but lots of room to grow both in liquid terminals and LPG terminals and again to reiterate the result of one to one-and-a-half years of negotiations with Indian Oil and BPCL major terminalling contracts for Pipavav LPG, I cannot stress again how important this is for boosting our current and future volumes in our gas business and what that means for earnings, this is really the major announcement of today and I think this pulls very much in line with our strategy of increasing our import terminal capacity in Pipavav from 5,400 to 8,100 metric tonnes which basically will take our throughput capacity potential in Pipavav to something like 400,000 to 450,000 per year. Now, there are a series of big announcements to come in future quarters, in LPG business we will have announcements not today but we will have announcements implementing the five year business plan agreed with Itochu of Japan which includes new terminals, pipeline etc., those announcements will be made when they are ready, not before but I can definitely confirm that those announcements are coming and liquid business, in the coming days, weeks and months also future announcements beyond the expansion in Kandla and Haldia, there will be future announcements to come but those announcements will not be today, they will be for future quarters. Thank you very much. I can now take questions.

Moderator: Thank you very much Mr. Chandaria. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Kashyap Jhaveri from Capital 72 Advisors, please proceed.

Kashyap Jhaveri: Good afternoon Sir and congratulations for great set of numbers. Two bookkeeping questions, one, on the tax rate side, our tax rate has been quite volatile for the last about few quarters, should one assume that the full year tax rate will be still in line with last year's tax rate or does it still remain volatile.

Anish Chandaria: I will ask Mr. Moledina, our CFO, to answer this question.

Murad Moledina: Yes you can expect it to be in line with last year, around 20% odd.

Kashyap Jhaveri: Any particular reason for this volatility like we had 11% in Q1 last year 15, then 54, then 26, again 18 and then 21.

Murad Moledina: This is more because of tax infrastructure advantage which we enjoy as well as deferred tax, so it keeps changing with each subsidiary company performing differently at different point of time, it is quite complex for me to be able to tell. We have to follow accounting standards and accordingly make provisions or reversals.

Kashyap Jhaveri: Perfectly fine. Second bookkeeping question is on the minority interest, it has gone up materially for last about four quarters that would be primarily to do with the sourcing JV business with Itochu.

Anish Chandaria: Yes, basically there are, yes, one is Itochu now has 40% of Aegis Group International, so that is one reason for increase in minority needs which will continue but more important one is Aegis owns 75% of Sealord Containers which is one of the terminals in Mumbai, 25% is minority interest and what we are intending to do in the next two quarters is probably I won't go through all the details right now but there is a transaction underway in which we have a possibility of taking more than 90% stake in Sealord Containers which is producing lot of profits from the liquid terminals division and if all goes well we expect that process to be completed by March 2016, so that means that the minority interest will perhaps be less than 10% in Sealord Containers but that process is underway, I won't say anything more on it now.

Kashyap Jhaveri: A question, you earlier mentioned about agreement being signed up with IOCL, now we have total the capacity of about 25,400 tonnes at this point of view which implies a throughput capacity of 700,000 metric tonnes expandable up to 8.5 lakh metric tonnes, now if I look at this quarter number the throughput was roughly about 2 lakh plus kind of metric tonnes, so we are already near our capacity of 850,000 metric tonnes on a full year basis, so how do we accommodate IOCL in to this?

Anish Chandaria: It is a good question and I am glad you asked it. Well, answer is that we are actually doing, because the demand is there from Indian Oil and BPCL, both of them plus HPCL we are doing more turns in Pipavav than we normally would do, say for example the ships are coming in and then being rotated in their turns more frequently. As I said I have just seen the October figures which are actual and we have done a huge amount. We cannot build the additional sphere, the two spheres to take it up to 8,100 soon enough but at the moment because the demand is there we are rotating the tank's much faster and much more truck movement, many, many road tankers are coming because they absolutely need this gas, so I believe what I said in the presentation which is we expect, if I compare the, just take Pipavav the first half throughput volumes in Pipavav compared to second half which we expect in the next two quarters we expect to see around 70 to 100% increase in the volumes.

Kashyap Jhaveri: Pipavav or total?

Anish Chandaria: Only Pipavav, that is very significant in terms of the revenues because multiply those additional volumes by the throughput rate as I said of somewhere between 700 to 800 rupees a metric tonne and that is worth Crores of incremental profits in the second half, I have been very explicit.

Kashyap Jhaveri: So let us say if historically the turns if I look at the peak has been about 35 odd times in a year on an annualized and the lowest we have probably done is anywhere less than 20 times something like that, so could it cross the peak of about 35 times also.

Anish Chandaria: It might. I will say nothing right now. We will see in the next quarter that is October, November, December but yes ultimately possible, it depends on how our operation does but I have given as much information as I can. We are seeing a massive increase in volumes which paid to the bottom line.

Kashyap Jhaveri: Just one last question, what is happening on Pipavav phase 2, 3, 4?

Anish Chandaria: Right, another good question. Nothing to say right now except to indicate that we are working on now that we are doing massive movements of ethanol through direct rail loading from the terminal which is excellent which means that we are at 85% capacity utilization for the existing phase 1, 120,000 kiloliters. As I said in succession of earnings calls last two quarters we are working on the petroleum railway gantry extension. We have to get two things. We have to get the explosives approval and we have to get the port approval, that is Gujarat Pipavav Port, I have nothing to say on it right now except good progress on both fronts on explosive permission, have not received it yet, good progress in the negotiations with the Gujarat Pipavav Port but as soon as those two permissions are received then we will be, this I can confirm we will be starting phase 2 which is 124,000 kiloliters, we will not build that until we are sure that we can handle the petroleum because large potential volumes of petroleum are possible. More likely it will be inland refineries which will be transporting the petroleum by rail in to Pipavav and then we either export it or coastal movement of the petroleum, this is likely in the first phase and phase 2 which is 124,000 kiloliters, phase 3 which is another 200,000 kiloliters and phase 4 which is an additional 200,000 kiloliters totaling up around 500,000 kiloliters all of those are dependent on the petroleum railway traffic, as I said two permissions, nothing to say today but that is really the future for Pipavav.

Kashyap Jhaveri: But would you want to hazard any guess on when?

Anish Chandaria: No I would not hazard any guess right now because when it happens then we will announce.

Kashyap Jhaveri: You know last quarter we had this one client who had sort of booked for cargo but which did not done up which resulted in bit loss of revenue, if I look at sequentially still liquid revenues are sort of flattish and the utilizations have gone up, so how does one tally this particular?

Anish Chandaria: Those cargos which are actually the alcohol cargo from Brazil that I mentioned came in I believe starting in last bit of September and then October; those cargoes have now started coming in.

Moderator: The next question is from the line of Pavan Kumar from Unifi Capital, please proceed.

Pavan Kumar: My first question would be can you quantify in terms of volumes H1 at the Pipavav LPG terminal?

Anish Chandaria: It was roughly around 50,000 to 60,000 metric tonnes in the first half.

Pavan Kumar: Sir, secondly I would like to understand that since you are saying there would be more turns I understand that we would be gaining more revenues if we are doing more turns but isn't it like if we hold those gas in the containers we still make money on rent?

Anish Chandaria: No really the way the contracts work or throughput contracts which means that it is not on storage basis but it is every tonne that they throughput through the tanks, so the more throughput you do the more revenue you make. It is not like the liquids which is more of a storage kind of thing. In fact we have a restriction most of the time that the company should not store more than 30 days, it actually doesn't happen, LPG is in such demand, so we make more money, I mentioned around Pipavav rate around 700 to 800 rupees per metric tonne, so it is a straight arithmetical calculation that the more volumes you handle the more volumes you throughput multiplied by that rate gives you your revenue and your profits.

Pavan Kumar: Secondly sir LPG demand, we are speaking about incremental LPG volumes to Pipavav, however is it like the whole LPG demand in India itself is picking up or this particular port since it has become more efficient is now sourcing more of the LPG here?

Anish Chandaria: It is a very good question again, actually both, I am really happy and bullish about LPG demand. It is growing this year, volume growth around at the moment around 8 to 9% year on year that is the first half compared to last year and I have just seen the Indian Oil projection for next year that is the forecast for demand and imports for 2016-2017 and it is really a major increase, I am talking about next year now let alone this year, so LPG demand is really growing fast and the industry is forecasting a very fast growth, now also as far as Pipavav is concerned the reason that Indian Oil and Bharat Petroleum have been negotiating with us to take product is over there yes there is also to feed their bottling plants for domestic cooking gas in that vicinity there is also great demand over there, so I think both reasons LPG demand is booming and the specific port of Pipavav they actually require lot of gas in that area of Gujarat, so both reasons and business is booming.

Pavan Kumar: So this particular gas when it lands up in the port it comes through that liquid jetty that is presently getting operational in Pipavav?

Anish Chandaria: The jetty can handle, which we have been operating for some time or the port operates that handles liquid products as well as LPG, it is a combined jetty and that continues, ships are coming in every day for LPG and for ethanol and for other products like the chemicals methanol, so things are really going well both for liquid and LPG in Pipavav, it is a very significant development for the future of Pipavav both for LPG as well as liquids because we have a lot of land 75 acres of land to grow there.

Moderator: The next question is from the line of Sujit Lodha from Batlivala & Karani Securities, please proceed.

Sujit Lodha: Hi Sir, just one thing, the sourcing volumes are continuously falling but however our throughput volumes have remained in higher range, so does that mean that we are holding the volumes or as you said we are doing more turns, so why is there such a big disconnect that sourcing volumes are around 120 and throughput volumes are 200 plus?

Anish Chandaria: Let me answer that. The sourcing volumes have gone down this quarter probably more because of deferral of some major shipments for example for one of the customers Hindustan Petroleum from the month of September to October because they saw that the prices were falling, you delay the purchase in to October things like that, I don't think you should read too much into that in the sense that we have the outlook for sourcing volumes for example in October, November, December as per their contracts it is very strong, so you will see in the next quarter a big bounce back in the sourcing volumes but what about the handling volumes in Bombay and Pipavav 205,605 tonnes so obviously sourcing means that you also drop off at other ports, you drop off at Mangalore or you drop it off at Dahej or other ports, so those volumes, even though the volumes going in to Pipavav and Bombay have remained strong those other ports they deferred those shipments, I think that is really the matching of the two.

Sujit Lodha: So we expect the sourcing volumes to go back to the previous quarter levels about 180,000?

Anish Chandaria: That is what I have seen, for example in October and the outlook for November and December because those are pretty much contracted, so I don't think you should read too much in to month by month figures because it depends on the delivery scheduled but if you look at the annual figure for even looking at for next two quarters looks strong because LPG demand is strong.

Moderator: The next question is from the line of Chirag Vakharia from Budhrani Finance, please proceed.

Chirag Vakharia: Good evening Sir, just wanted to understand the number of commercial distributors has gone up and also the volumes, could I have the Q1 2016 number of commercial distributors the company had?

Anish Chandaria: We have now, this is as of Q2 we have 76.

Chirag Vakharia: That number in Q1?

Anish Chandaria: I don't have the number of Q1, Murad do you have Q1?

Murad Moledina: 70.

Chirag Vakharia: Sir quarter-on-quarter there is a jump in volume in this category, so what explains this Sir?

Anish Chandaria: Sales per distributor has gone up because of DBT, Direct Benefit Transfer, there is an impact also on note of less diversion, it has not completely stopped, diversion, not by any stretch of imagination but there is less diversions because now the registration of Aadhaar and DBT is arrested, so sales per distributor has risen and the same thing we see in auto gas I mentioned we have a 21.7% increase in sales in auto gas for Q2 and commercial industrial is 14.1, so this is I think the reason plus of course there were six more distributors and it is also important to realize that the pipeline of distributors and pipeline of auto gas stations for new is also increasing because people see that yes there is less diversion but it is a slow process.

Chirag Vakharia: Sir the EBITDA in the liquid terminals segment is strong, so is it only attributed to the increase in capacity utilization or are we seeing some improvement in price realization especially in Bombay terminal?

Anish Chandaria: No it is more to do with capacity utilization, so the increase in EBITDA would be because Pipavav for example is now at 85% capacity utilization, Haldia is 90% and Kochi is 80%, so it is really a function of higher capacity utilization in those places, Bombay remains 100% very strong.

Ashish: Hi good evening Sir, this is Ashish, just couple of things from my side, sir would you throw some light that the agreements you signed by HP, BP, IOC what was the value proposition that they were compelled to get in to agreement with us?

Anish Chandaria: As I mentioned a few minutes ago, we have been negotiating for the last 12 to 15 months both Indian Oil as well as BPCL and the value proposition was this, in terms of location in Gujarat which was close to their bottling plants which are average of 100 to 300 kilometers away from Pipavav port this was logistically the cheapest way of transporting the LPG, so they were looking for given that the demand for domestic cooking gas is going up in Gujarat they were looking for a port which was close by and we believe therefore this will continue, now the main thing is which I have said Indian Oil has never done business with us up till now, this is the first time, that is a large company and it is very difficult to get anything agreed with them but as I said I am very proud of our marketing team that after 12 to 15 months of work where you have to go through the, the file has to move from this person to this person to this person finally Indian Oil has happened, now why could it not have happened earlier, it could have but it takes time and I think it was a combination of the demand that they require over there in that area for those bottling plants plus the fact that we made an intensive push to go after Indian Oil, so I am very happy that we were able to succeed and as I said only one month, October has gone by but we have seen the giant Indian Oil plus BPCL and HPCL massive volumes in Pipavav and may it continue and we will do more business now with Indian Oil, I said that this is one terminalling agreement that does not mean that it is the last one, but nothing to say on it right now.

Ashish: Sir any early thoughts, there was some press article about rationalization of import duties on LPG cooking gas very commercial uses, any thoughts on that?

Anish Chandaria: I saw the same article like you and once they do something it will be very good because it will be a level playing field for LPG between the various excise duties and customs duty between nonsubsidized LPG and subsidized LPG and obviously if it happens who knows if it happens then it means more business for the free market LPG that we sell compared to the subsidized because if the taxes are equal it is a level playing field so more volumes basically in the retail segment but let it happen and then we will see, no point in speculating right now.

Moderator: The next question is from the line of Pratik Poddar from ICICI Prudential Asset Management, please proceed.

Pratik Poddar: Sir just one question I am sorry I joined in late, would you just tell me when would Haldia and Kandla become operational?

Anish Chandaria: I mentioned that it will be in the second half of the next financial year, both will be commissioned 100,000 kiloliters in Kandla and 25,000 kiloliters in Haldia in the second half of 2016-2017 that means between October to March 2016-2017.

Pratik Poddar: Is it fair to assume that in H1 of FY 2017 you would not have any capacity led growth coming in the liquids division?

Anish Chandaria: Yes, I think that is fair the main capacity growth will come in LPG division in Pipavav which I just mentioned.

Pratik Poddar: Sir all the approvals for Kandla as well as Haldia have been issued as in you do not foresee any material impact which might delay the project?

Anish Chandaria: At the moment I don't think so because we have the major environmental clearances for Kandla already in hand, so we are just waiting for a final approval of explosives which is the final configuration but that is routine, and we don't expect any problem, it is more detailed configuration but I don't expect any problems, so we start construction immediately. As far as Haldia is concerned it is getting the consent to establish from the West Bengal Pollution Control Board, again it is just an extension and expansion of an existing terminal, we don't expect any issues but better to get it in the hand and then we can start but at the moment looks routine.

Pratik Poddar: Could you give us an update on Mumbai port what is happening?

Anish Chandaria: Mumbai port at the moment some good news, I am glad you asked this question, some good question on the second chemical berth, as some of you know we have actually been handling non-hazardous cargoes since the month of June, quite a lot of ships actually, large ships as well in the second chemical, but those are non-hazardous cargoes but in order to handle LPG as well as hazardous cargoes meaning many petroleum products the port was building the firefighting equipment and all the other associated infrastructure with that and completing all the civil works. I am told by our marketing and also our projects people that the port now expects that to be completed in this month in November which means potentially you could start handling those ships, however I would say that is probably unrealistic because I am a little cautious because even after they complete the firefighting equipment there is still some work that they have to do to allow the ship, the very large and long ships to hook up to the jetty, so I believe that the safest assumption is probably in Q4 that means between January, February, March the second chemical berth will be commissioned for large area LPG vessels as well as petroleum products which will be very good news for boosting the turnaround time for the liquid terminals in Mumbai because of the less, there will be two or three berths actually and also then we can start thinking about with Itochu our whole strategy for bringing larger LPG ships in to Mumbai on a first call basis.

Moderator: The next question is from the line of Rohit Ahuja from ICICI Securities, please proceed.

Rohit Ahuja: Hi, thank you for this opportunity, sir just want some clarification on the contract with OMC especially IOC and BPCL, could you help me understand that would this also include trading or importing LPG for them in addition to the logistics involved here and can you share some commercial terms?

Anish Chandaria: Yes, I won't share too many commercial but let me answer the first part of your question, yes right now it does not include sourcing which is a whole new ball game with Indian Oil for example because it is a different procedure as far as sourcing but we wanted them to start using the Pipavav terminal, so they are bringing their own gas, they are sourcing their own gas as an industry and bringing those massive quantities in to Pipavav, so it is not sourcing, it is just LPG handling where of course we make much more money than sourcing, sourcing we make $3-4 per tonne but we make much more revenues and profits from using the terminals as you know. Commercial terms, well I told you that it is on a throughput basis and the rates will be somewhere averaging around 700 to 800 rupees a metric tonne for every tonne of LPG that they throughput, that is basically the commercial terms, at least as much as I can tell.

Rohit Ahuja: What is the duration of this contract?

Anish Chandaria: One year, so September 2015 but it is basically renewed on annual basis like what we have with the other contracts.

Rohit Ahuja: Sir on the industry basis we are seeing lot of capacity expansion happening and IOC is commissioning its Paradip refinery while also taking expansion from many of the other refineries so does BPCL and HPCL is looking at Vizag, so if we look at the capacity expansion that would mean that some of the import requirements would come down may be two years or three years down the line, how do you see in terms of your operations, would it also can cater to exports in addition to imports or how do you see in terms of your business shaping up in the scenario?

Anish Chandaria: Again a good question but I would like to correct you which I have in front of me which I cannot show you right now, but I have in front of me the Indian Oil forecast of demand and imports which includes how much capacity production will come on stream from refining, for example the Paradip Refinery that you mentioned it includes in Indian Oil's forecast it includes all the various refineries expansion, going forward for the next 10 days, not only the next two years, five years, ten years, the whole thing is over here and I can tell you that 2016-2017, this year 2015-2016 they expect the imports to be around 10 million tonnes, any case something like that they are expecting, I think last year was 9.2 mn and they are expecting around 10 million tonnes for this year ending March 2016. Next year that is March 2017 Indian Oil is now forecasting an import of 11 million tonnes of imports of LPG. This is even taking in to account the refinery expansion of Paradip and other things and going forward we are now expecting imports to go up to around 15 million tonnes by 2020, so even if these are based on Indian Oil's which is probably the best company in terms of forecasting, so even after taking in to account all domestic production increases in India imports are going up every year and this is why as I have been saying since last year when we signed this Itochu deal the whole program for Aegis is building more LPG import terminals, I mentioned three major LPG import terminals one by one for this great increase in imports.

Rohit Ahuja: So strategically as you mentioned very well in your presentation and when you started the call that most of these are located close to the bottling facilities of OMC, so you expect growth the numbers you have given, I believe you expect the growth to further improve over the next two years and I believe most of this LPG being imported would be catering to the retail LPG and domestic LPG consumers?

Anish Chandaria: Absolutely again I am looking at the figures here in the computer with Indian Oil, about 90% plus of LPG demand in India is domestic household use cooking gas and what is really driving the growth in LPG demand is the rural penetration of the LPG of IOC, BPCL, HPCL and Mr. Pradhan the cabinet minister for petroleum he made a speech last week which is absolutely correct that the penetration of LPG which is something like 60% currently in terms of number of households they are projecting that should reach 70 to 75% actually by 2020, so they are pushing forward and we see this everyday they are really pushing forward to the villages and the rural penetration and this why the LPG demand is more.

Rohit Ahuja: That was very helpful. Thanks for all the answers and looking forward to great year for Aegis. Thank you.

Moderator: The next question is from the line of Jay Modi from Emkay Investments, please proceed.

Jay Modi: Good afternoon Sir, if I remember correctly the average revenue that we realize from Pipavav terminal is to be somewhere around 180-150 kiloliters per month, am I right, the liquid terminal?

Anish Chandaria: That is right the kind of average revenue per kiloliter per month is between 150 to 180 rupees per kiloliter per month, it depends, it is a weighted average of which products you are handling etc., etc., but average is about between 150 to 180 rupees per kiloliter per month.

Jay Modi: The deal that we have signed with Indian Oil and with other PSU companies is with respect to gas terminals right?

Anish Chandaria: Yes, that's right the deal with IOC and BPCL is the LPG terminal throughput in Pipavav.

Jay Modi: Sir, can we expect the same kind of trend to continue in H2 with respect to other unallocable expenses?

Anish Chandaria: Yes I think, Raj do you have anything to say on the unallocable expenses for the second half?

Raj Chandaria: No, I think the trend will continue on similar lines.

Jay Modi: Sir, if you could just provide me with retailing volume number, I missed out on that?

Anish Chandaria: The auto gas for Q2 was 5,177 metric tonnes versus 4,253 metric tonnes a year earlier and commercial industrial retail sales was 7,370 tonnes Q2 versus 6,462 metric tonnes year earlier.

Moderator: The next question is from the line of Niraj Mansingka from Edelweiss, please proceed.

Niraj Mansingka: Thank you for giving an opportunity. I just wanted to know two things, one is on a broad in the liquid terminal side where apart from the POL where the growth coming in?

Anish Chandaria: Well actually POL is actually what we do, that is the whole thing petroleum, oil lubricants, chemicals, petrochemicals that refers to everything, so right now I am pleased to say that of course different product categories but chemicals are very strong of imports, petrochemicals are very strong, petroleum is very strong, all three are very strong, of course locations are different for example, in Haldia it is the petrochemicals and chemicals which are very strong, in Pipavav I mentioned about alcohol but generally speaking in our business the customers are importing and exporting lots of these products, all segments of the market are strong.

Niraj Mansingka: The Kandla capacity that you are building on the Greenfield it will be primarily the petroleum products or chemicals as well?

Anish Chandaria: I think at the moment the 100,000 kiloliters my marketing people because I have the same question, they say that it will be edible oil where there are vast quantities of edible oil and chemicals and petrochemicals, these would be the three main things rather than petroleum so much, it will be more chemicals, petrochemicals and edible oil.

Niraj Mansingka: Any thought on the competition because I think there are significant amount of competition and small players in Kandla, any thoughts of your in that?

Anish Chandaria: We always think of competition you are absolutely right, I believe there are about 20 different terminal operators in Kandla which are small players, some of which are larger players, let me as bullishly as I can which I say in many meetings and again this is based on 40 years of track record of Aegis in the liquid terminals business we are the largest and longest player in this business, when we come in to a port like Kandla where there is existing competition we will take market share, we aim to take market share from the smaller and let us say less efficient or less competitive players almost all companies in the chemicals, petrochemicals, petroleum sector are customers of Aegis in every terminal, so when we come in we will take market share I can say that absolutely and there will be consolidation, I am not sure all of those competitors will remain because some of them are really poor but despite that business is very strong is Kandla, Kandla is the busiest POL port in India and business is really strong, so I think it will be a combination of taking some market share and very, very strong business.

Niraj Mansingka: But just a colour on this Kandla market, what is the total combined all the 20 players, what will be the total capacity in the Kandla region?

Anish Chandaria: Around 1 million kiloliters and we will be adding 100,000 to it.

Niraj Mansingka: Basically 8-9% addition in capacity.

Anish Chandaria: Again let me reiterate as much as I can and you can ask me what it is, once it is commissioned in one year's time, my marketing team really are pressing hard, our projects team to build this as far as possible, that is a good sign when the marketing people are hungry because that means that they have got customer commitment already, letters of intent etc., for building this as fast as possible, they want this built yesterday, so our only job is to execute this project as fast as possible.

Niraj Mansingka: Sir industrial distribution of gas, can you give some colour on what is the growth expectation and what type of industries will drive that?

Anish Chandaria: Industrial distribution of gas I don't expect major growth in that segment in the sense that customers are really steel companies, ceramic tile companies, glass companies, who use LPG for their factory, we have seen over the last 15 years that we have been in this LPG business that the volume growth is not growing very fast in terms of industrial thing, there is also competition from natural gas depending on the availability, so we don't expect major growth but on the other hand the customers that have been using LPG for the last 15 years particularly in Bombay and also Pipavav for us they have been regular customers because it is an essential raw material or feedstock for them, so it is almost I would say regular business but if there is going to be growth it is more likely to be in auto gas and more likely to be in the hotels and restaurants commercials rather than industrial.

Moderator: The next question is from the line of Pranav Mehta from Value Quest, please proceed.

Pranav Mehta: Good evening, first question is on this Mangalore liquid terminal, can you just quantify how many kiloliters are we planning to build on this 3 acres of land and the timelines if you can?

Anish Chandaria: I cannot quantify today because the board has not, neither we have done the configuration, we have really literally received that allotment of land in the last 10 days, neither our projects people have done the configuration, neither the board has approved the capex but I can give you some hint, 3 acres of land you are talking about 20,000 to 30,000 kiloliters something like that, a rough idea, in terms of timeframe we would like to build this as soon as possible but we need to get the permissions, let us assume it probably takes six months to get permissions, so we are talking about six months from now which means roughly around April, May, June Q1 to start construction and it only takes around 12 to 14 or 12 to 15 months of construction to earn the revenues.

Pranav Mehta: One more question if you don't mind can you just repeat the sourcing volumes, I missed out on that?

Anish Chandaria: The sourcing volumes for Q2 were 127,664 metric tonnes.

Pranav Mehta: Year-on-year it is like 50% drop?

Anish Chandaria: Yes it is but as I mentioned.

Pranav Mehta: My question on that all this drop is it just because of this one delayed shipment to HP or is there something else also?

Anish Chandaria: It is not one shipment. When prices are falling all logic says that if you expect prices to fall further you delay your shipment because you will buy cheaper, it is a number of shipments and that probably is the main reason and as I said we have seen that come in to October literally a few days in to October, so at the moment I don't see with all these booming imports that I mentioned I don't see any drop really in the sourcing side but month by month there are some delays in the schedule, nothing to get excited about.

Moderator: Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Anish Chandaria for closing remarks. Over to you Sir.

Anish Chandaria: Thank you very much. I found the questions were very interesting today. By the way I have just got the figures for the LPG imports, the projection from Indian Oil which I would like to say. For this fiscal year ending March 2016 they expect 9.2 million tonnes of LPG imports, that compares with 8.3 million tonnes of imports in the year ending March 2015 and as I said in 2016-2017 almost amazingly but they expect 11 million tonnes of imports in 2016-2017, this is what we are really talking about in terms of the boom in LPG demand in imports and we are going to obviously play our part in handling that LPG imports both for sourcing as well as for the LPG terminals, so I want to summarize again. I think we had a good set of results in Q2 continuing the excellent progress made in Q1. I also want to highlight again for everybody how much land that we have in our land bank, 114 acres of land that we have to grow and lots of growth going forward. Again let me say one more time that I am very proud of this breakthrough with Indian Oil and BPCL for the terminalling agreement for Pipavav LPG. This is important. If those of you are interested in modeling this is important for the second half of the year this current year H2 and future quarters on how much extra profits that will bring because of LPG throughput, the quantities are massive, I say it one more time. I have seen the figures in October and that is really good and last but not the least there are a series of big announcement to come in Aegis for the LPG business, implementing the five year business plan agreed with Itochu of Japan which means new announcements for terminals, new announcements for pipelines. I am not saying anything today but when those are ready then we announce it, but I can certainly confirm that we have a series of big announcements to come in future months and in the liquid business also we have got lots of things to say. There are lots of land which is unutilized as I mentioned and as we see what happens in Pipavav there is lot of growth possible if the railway siding is there for petroleum so I think we are confident about the second half of the year in terms of earnings but we are also confident that over the next one or two years at least there is a series of I would say game changing, to use the American phrase game changing announcements, each one of those projects, that we are coming forward including today's announcements of the commercial breakthrough is a major boost to the incremental profit for Aegis, each one of those but if you add up all those announcements and projects including today's announcement of Indian Oil I think you will see a company which is growing its earnings fast year by year. Thank you very much and we look forward to the next earnings call at the end of January.

Moderator: Thank you members of management. Ladies and gentlemen that concludes this conference call. Thank you all for joining us and you may now disconnect your lines.