"Aegis Logistics Limited
Q1 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Aegis Logistics Limited Q1 FY2021 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the 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, Vice Chairman and Managing Director from Aegis Logistics Limited. Thank you and over to you Mr. Chandaria!

Anish K. Chandaria: Thank you very much. I will be presenting the Q1 results for FY2021. This was an average set of results for Q1 during the height of the lockdown. You will see the impact of the peak lockdown from April to June 2020 in these results. We do expect, however, some improvement in Q2. That is the current quarter, July, August, September, and particularly in the second half of this financial year FY2021, as the lockdown restrictions ease in many states and as some of the new projects come on stream. So, I would say that Q1 which was the peak lockdown period in April, May, June, in India, will be probably the worst quarter of the year, but then things will improve.

Total revenues for Q1 were Rs. 636 Crores versus Rs. 1,955 Crores a year earlier. Total EBITDA for the group was Rs. 118 Crores versus Rs. 112 Crores a year earlier. That is a rise of 5% year-on-year. The normalized profit before tax, that means excluding the employee stock purchase plan of Rs. 42.1 Crores, which is a noncash accounting charge, the normalized profit before tax was Rs. 92 Crores versus Rs.84 Crores a year earlier. That is a rise of 10% year-on-year. The normalized profit after tax for Q1 was Rs. 79 Crores versus Rs. 62.3 Crores a year earlier, rise of 27% year-on-year. And finally, the normalized profit after tax after minority interest, that means all profits after tax available to Aegis shareholders in Q1, was Rs. 71.8 Crores versus Rs. 56.9 Crores a year earlier, a rise of 26% year-on-year.

As I said, an average set of results in Q1 with the normalized net profit after tax up by 26% year-on-year during this lockdown period, April, May, June 2020. But we do expect some bounce back in the business as COVID restrictions are lifted gradually in India. And as you will see, when I go through the underlying results, the Liquid Terminal division held up well during Q1, and that supported overall profits for Aegis Group.

Now turning to the segment analysis as I said, we are very pleased to report an all-time high for our Liquid Terminal division during this difficult period of April, May and June. Liquid Terminal division revenues were a record Rs. 55.4 Crores for Q1 versus Rs. 49.5 Crores a year earlier, a rise of 12%. The EBITDA was particularly good, Rs. 39.9 Crores for this division, Liquid Terminal division, versus Rs. 32.1 Crores a year earlier, a healthy rise of 24% in year-on-year EBITDA for this division. As I said, this is a good result for this division despite COVID as the business model is storage-based fees, which remain healthy as almost all the tanks in the terminals, in the various terminals, are full, except Pipavav. And it is good to see this stable source of profits during this difficult period.

Now turning to Gas Terminal division: revenues in Q1 were Rs.581 Crores versus Rs.1906 Crores, a year earlier that is quite a drop, particularly in our sourcing volumes from our subsidiary in Singapore and as the PSUs, the public sector units basically stopped many tenders and many spot imports of LPG around May, June due to the overbooking of cargos. There was also, of course, a sharp drop, particularly in April, in international LPG prices so a big drop in our sourcing of gas for the public sector as well as a big drop in prices. You all know that in April, there were negative oil prices, crude oil prices. So, they were not negative LPG prices, but it fell to around $238 per ton, for example, in April, which was, I believe, the lowest LPG international prices since the 1990s. Now that particularly affected the revenues for our sourcing business.

Now I will go through the underlying sales volumes in our key market segments, which will also show the impact of COVID. First, as I normally take you through the key metric of the LPG throughput logistics volumes in our three LPG terminals of Mumbai, Pipavav and Haldia. And this, in Q1, was 700,349 metric tons versus 588,066 metric tons a year earlier, a 25% increase year-on-year. But as I guided in the last earnings call, quarter-on-quarter, that means comparing this figure of 700,349 metric tons versus Q4 of the previous financial year, that was a small drop of 4% on the last quarter's throughput Q4 of 728,000 metric tons.

What was happening during this lockdown period to LPG imports and the throughput in our terminals in Aegis? It is a little complex picture. I hinted at it in the last earnings call, but I thought it might be helpful for many of you for me to go through the key things that were going on, on the ground during this peak lockdown period, April, May, June.

The basic headline is there was an oversupply of LPG during this quarter in India. The PSUs had overbooked imports, particularly in the month of April. There was a very strong expectation from the PSUs for demand during the April month because they were anticipating the Prime Minister's new three free LPG cylinder scheme during the lockdown. This was announced by the government of India in, I think it was shortly from the start of the lockdown at the end of March, early April that the government would be giving customers in India, domestic customers, three free LPG cylinders during this lockdown period. So obviously, in anticipation of that, the PSUs expected a big rise in demand. However, this did not actually take place. Demand remained normal at normal levels despite this free cylinder scheme. So, there was, as a result, a pileup of ships at ports and with refineries restarting production of LPG in May, there was an oversupply. So, lots of high inventories were built up, especially in the west coast terminals and the south terminals. East coast terminals were okay, but the overestimation of demand leading to higher imports meant very high inventories in the west coast terminals and the south in this Q1.

Finally, just like Aegis' own retail division, during the lockdown, the PSUs themselves saw a sharp drop-off in their commercial LPG sales in hotels, restaurants, industrial sales and the Autogas volumes during the peak lockdown period, April to June, because, obviously, no hotels and restaurants were operating, no Autogas sales pretty much because there was no movement of cars or taxis or auto rickshaws. And obviously, the industry was also shut down, particularly in the month of April. So therefore, their own demand for LPG throughput from the Aegis terminals for their own retailing was less than normal.

So that is what happened. But despite that, we still were able to make 700,349 metric tons in Q1 and as I said, a 4% drop quarter-on-quarter, a small drop, but still a 25% increase year-on-year.

Next segment I am coming to the Aegis' own retail volume, starting with our bulk industrial sales distribution to industrial customers of LPG. Q1 was 7,414 metric tons versus 26,277 metric tons a year earlier. That is a sharp drop of 72% year-on-year as most industry was shut down during the quarter.

Autogas was also down, only 2,944 metric tons in Q1 versus 6,442 metric tons a year earlier that is a drop of 54% year-on-year and as I said no movement of auto rickshaws, taxis and private cars, particularly in April and May.

Then we come to the commercial and domestic LPG segment, market segment, which is the Aegis-branded LPG cylinders, Puregas, Aegis-branded, Puregas in the commercial segment, hotels, restaurants and Chhota Cikander for the domestic segment. Sales in Q1 were 2,553 metric tons versus 4,537 metric tons a year earlier. That is a drop of 44% year-on-year. Again, to repeat, all hotels, restaurant sales, migrant labor sales also were down for the domestic segment due to the lockdown.

Finally, as far as sourcing is concerned, as I mentioned, only 158,287 metric tons in three months in Q1 of sales from our subsidiary in Singapore, Aegis Group International, versus 452,471 metric tons a year earlier due to the sharp drop in PSU spot imports, particularly in May and June. April was a strong month, but then May and June really dropped off as they had overbooked April.

To summarize our Gas division, a small drop of 4% in our LPG throughput volumes, which still represent around 80% of our EBITDA for the Gas division that the LPG throughput volume. So that is a very key metric but a small drop of 4% in LPG throughput volumes quarter-on-quarter, still a rise of 25% year-on-year with 700,000 metric tons for Q1. But despite that rise, we were still hit badly in our retail sales volumes during the lockdown. And as a result of these two factors, during this period in Q1, we did see a 3% drop in EBITDA for the Gas division year-on-year, which is the first time for some years that the Gas division has stalled in a particular quarter. I do not remember this for many years. But I think most of you will agree, this is understandable during the peak lockdown period of April, May, June, a 3% drop in EBITDA in the Gas division, I would argue, is not too bad, not too bad in the circumstances of this peak lockdown period. But the Liquid Terminal division did very well. In fact, we saw a 24% rise in EBITDA for Q1, which supported the overall profits for the group.

Now let me come to the projects update, the impact of COVID that we expect during future quarters and obviously, the outlook for the rest of the year FY2021. Let me start with the project update, and then I will go on to the outlook for sales and profits during the rest of the year.

Starting with the Chakan pipeline for our Mumbai terminal this is the pipeline connecting our Mumbai LPG terminal to Uran and then Chakan on the outskirts of Pune, which most of you will recall, is a very strategic pipeline for the future. So, I am pleased to inform you that after the commissioning in June, the throughput through the pipeline has now gone up to every other day in the month of July. This is the current month, July, that we started it in June and now the throughput has reached once every other day through that pipeline. So basically, 15 days in July there was throughput.

Of course, there remains a road tanker movement as well. And as I said in the last earnings call, we expect the maximum capacity of this pipeline to be reached from October onwards.

And that is as a result of still some technical work with boosting the capacity, which both HPCL and Aegis is doing. And we expect that maximum capacity to be reached from October onwards. And that will add to earnings growth from Q3 onwards of this financial year. Q3, Q4 will be boosted significantly by additional volumes for our Mumbai terminal through this pipeline.

The second project, which is coming on stream in Q3, is the Railway Gantry project in Pipavav. As most of you recall, this, again, is a very strategic project, which we have been working on for several years, but it is coming close to the end now, this project. This will connect our Pipavav LPG terminal by rail, particularly to the north of India, to bottling plants in the north of India. The project is going on in full swing.

I am very, very happy that since the month of April, when we were able to restart that project, the project has been going on full swing. And we expect to start the rail movement of LPG from Q3 from Pipavav. And again, just like the Chakan pipeline, we expect this to significantly boost earnings growth from Q3 onwards with more throughputs in our Pipavav terminal from Q3 onwards when we can commission that Railway Gantry. So those are two important projects which are going to boost second half earnings in FY 2021.

Next is the Kandla LPG project, which is the 4-million-ton annual capacity LPG terminal that we are building in Kandla. That project is also in full swing. And as I said in the last earnings call, we expect to commission that in Q4 of FY2021 with a full impact of earnings growth next year, FY2022. But we expect to commission that in January, February and March of 2021.

Next, some liquid terminal projects. The Mangalore liquid terminal expansion project of 50,000 kiloliters that we are building in Mangalore, that project is also on track. Very happy that, that project is also in full swing. We expect this to be fully completed by Q4 of FY2021. That is the last quarter of this financial year and impact on earnings in FY2022.

I am very happy to say that the 50,000 kiloliters have already been presold. That means all the tanks have already been pretty much prebooked by customers, which gives you a good indication of demand for this important terminal expansion in Mangalore. You will recall that we already have a 25,000-kiloliter terminal in Mangalore. This is an expansion of another 50,000 so that is full as well the existing terminal, but this is additional capacity, which is already prebooked, presold, and that is a good sign. I actually think this will be a pretty good revenue and profit generator for the Liquid Terminal division in FY2022 because of some of the products that we could be handling there, including bitumen, for example, which goes into roads, etc., which are higher-margin products. So, it is a good product mix there, and it will be a successful launch when we are able to commission that by Q4 of FY2021. So that will impact on next year's earnings.

Also, there is an expansion in our Haldia terminal of another 12,000-kiloliter liquid. A small expansion, but we expect to complete this in the current quarter by Q2. So, there will be an impact on Liquid Terminal division earnings from Q3 of this year from Haldia. And I think these are the main projects.

I think the summary on the projects is the Chakan pipeline as well as the Pipavav Railway Gantry is going to be a significant boost to sales throughput volumes from Q3 onwards in this financial year onwards. And that is not really affected by COVID particularly, irrespective of that, these projects are coming on stream and we have been working on these projects for several years. It is good to see them coming on stream by Q3 of this year. And the other projects which I mentioned, including liquid projects in the Kandla LPG, are going to really impact, particularly in the next financial year's earnings growth FY2022.

Now let me come last to the outlook as we see it for FY2021 for the rest of the financial year. Despite the challenges of COVID seen, especially in Q1, which I said was the peak lockdown period and probably the most difficult period for most companies, including Aegis, I think we did okay. As I said, it was an okay set of results in Q1 despite the impact of COVID. But the good news is, at least, we expect some improvement in LPG sales volumes, particularly starting in Q2 in this current quarter, July, August, September. So, I believe that Q2 will be better in terms of LPG sales volumes compared to Q1. And then as I said, Q3 and Q4, we do expect a jump in LPG throughput volumes because of the Chakan pipeline project maximum capacity being reached and the Pipavav Railway Gantry. And that is going to impact on full year earnings. But as I said, it will probably be more from Q3 and Q4.

The retail LPG segment is going to take some more time to bounce back. As you all know, COVID restrictions, complex picture in different states. Restrictions are loosened sometimes in some states, and then they are suddenly reimposed, the local lockdowns are reimposed in states. I give you the example of Karnataka, which was fully opened in June, including important cities like Bengaluru. We saw quite a big bounce back, in fact, in the month of June, for example, in Autogas sales in state of Karnataka, which is our most important state. I get weekly figures on Autogas from our Head of Retail. But then suddenly, in month of July, they went back into some COVID restrictions and therefore, movement of taxis, auto rickshaws, etc., declined in July. So, it is difficult for us to forecast what is going to happen with the retail LPG segment, which is a high-margin segment for Aegis. So, it does have an impact on EBITDA for the Gas division.

But look, irrespective of COVID, we do expect, as I said, some boost to earnings growth in FY2021, especially in Q3 and Q4 due to, well, the Liquid Terminal business has remained strong during COVID, and we expect new capacity also coming on-stream in Mangalore and Haldia, etc. We expect that good performance in Liquid Terminal division to continue irrespective of COVID restrictions because of the business model that we have over there, which is storage-based fee. I believe that is going to support growth for Aegis Group in FY2021. Chakan pipeline, as I said, will add to the Mumbai terminal throughput from Q3 onwards. The Pipavav Railway Gantry will add to LPG throughput from Q3 onwards as well. So those are the 3 key factors which I think will keep profits growth going in this year, in FY2021.

But I think it is difficult. The headwinds of the COVID restrictions on the retail LPG segment are still expected, obviously, to impact the retail division profits for FY2021. But while all this goes on, Aegis will continue to grow and invest in our projects for the year ahead. We have a very strong balance sheet with very little debt, and we are producing strong free cash flows from all the profits that I mentioned, and so that is good. So, we continue to grow and invest for the future.

Final two points let me just talk a little bit about what the industry expects for LPG demand in India, consumption of LPG in India. The government is still projecting a 6% growth in consumption of LPG for this financial year, FY2021 so around 26.5 million metric tons versus 25 million metric tons in FY2020. And imports will, obviously, grow accordingly as well.

The overall picture for LPG demand, despite some volatile period, April, May, June, with PSUs overbooking and all that but despite that, for the year as a whole, they expect a fairly normal 6% growth in consumption of LPG for the year as a whole. So, our plans to boost LPG handling capacity, our own Aegis LPG handling capacity, from 5 million metric tons currently to 9.2 million metric tons by next year, by FY2022, remain on track. Obviously, that is mostly the Kandla LPG project and some expansion in Pipavav as well. So we continue to remain bullish about LPG demand and imports, not only this year but years ahead, and which is why we are increasing capacity from 5 million metric tons to 9.2 million tons because the case for LPG, particularly domestic household cooking gas, remains a long-term and very strong case. And that is why we are continuing to invest in building our capacity.

Finally, we continue to massively build up our national retail distribution network so that when COVID restrictions are over, we stand really to expand our retail sales volumes. As we put in our investor presentation for the last few quarters, we have a national plan for building a national network for our retail sales, retail market division. We are currently in seven states, but we are building that out to 20 states, which is virtually national from our current seven states.

I have been discussing every week with our retail division on the phone how important during this lockdown period it is to continue signing up new dealers, new distributors, new dealers, new Autogas stations. We continue to build and new sales officers as well, which is very important because, ultimately, it is boots on the ground which increases our presence in those 20 states from 7.

We are actually hiring, we are hiring a lot of people, which is good at a time of increased unemployment in India that at least we are expanding our retail distribution network because this is as good a moment as ever to keep working on building that distribution network. Because one day, hotels, restaurants, auto rickshaws, taxis, we, in India, will go back to at least some bounce back from where we are today, certainly where we were in the peak lockdown April, May, June. And that is very important because as I have been emphasizing, we expect this retail LPG division of Aegis, which is high margins, we expect this to be a big engine of growth.

Apart from the expansion of our LPG terminal capacity, we expect the second big engine of growth for many years ahead, not only the next five years, but next 10 years and beyond, to be the Aegis-branded LPG, the retail segment in industrial sales, commercial sales, that means hotels, restaurants and the domestic LPG segment as well. We expect this to be a major engine of growth for many years to come, five years, 10 years and more. And that is why even during this difficult time in India, when the economy is down, but we are continuing to invest and build out our distribution network.

That completes my presentation. We can now take some questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Jiten Doshi from Enam Asset Management. Please go ahead.

Jiten Doshi: Anish, congratulations on a decent set of numbers in a very challenging environment. Now I think I am going to straight jump into the future because I think there is very little visibility of what is happening in the current year FY2021. I believe you are very bullish on the business, and hence, you are going ahead with a lot of capex in this environment. So just to understand from you, if your ultimate capacity in the Gas division should be about over 12 million, and I think you are also looking at rapid expansion on the liquid side, if I look at your next five years cash flows, you are going to accrue at least 500 million cash. What is it beyond this that the company is looking at? Because you do not have any debt, I think your projects are all well funded and you are already on sort of course to execute what you are having on hand. So, what are the next big areas that you are seeing for growth with this kind of cash that is going to come into the company?

Anish K. Chandaria: You have raised this with me a few times, so I will give the same answer. You are right about our big increase in capacity, of course, in LPG, for example, in the next five years. Right now, publicly, we have said that we are going from 5 million to 9.2 million. That is in the current plans, etc., but as I said, during the next five years, there is further debottlenecking that we are going to do. That means we propose increasing our capacity even in existing terminals like Mumbai, like Haldia and Pipavav as well. So that is one part of the expansion that even though they are existing terminals, even in those locations, because we see natural growth of imports, we are, right now, working on various projects. Those are not yet announced, but I have certainly made it clear that we are going to be looking at increasing capacity even beyond the current 9.2 million tons that we have planned in those. And some of those projects may not just be building more tanks. Some of those projects are may be making sure that there is more evacuation options, which is a very crucial part, which may mean railway connectivity, which may mean more pipelines or even in Haldia, what I did say about six months ago that we are, for example, exploring the possibility of barge movement through rivers. So, there are several projects. As they come forward, those are not just simply building more storage tanks for LPG, but they could involve that. They could also involve more evacuation options. So that is one part of it. As and when those projects are ready, of course, we will bring it to the Aegis Board and then ultimately, we will announce it to investors. As you know, we are working right now during this lockdown period we have been working on one additional LPG terminal in the south, which is our remaining terminal that we need to build to kind of complete our necklace of LPG terminals. We have not yet got the land over there, and we are working on that, and that is why it is not possible to say what that is. So that is the kind of capex program that we have in the existing LPG terminal business as far as that is concerned. We do also have, over the next five years and 10 years and beyond, a very big plan and actually, I would emphasize, probably one of the biggest growth engines going forward, 5, 10 years, as I said, is the retail LPG division. That means a series of bottling plants, LPG bottling plants. We have got a plan from our current 13 bottling plants that we are currently using in Aegis to go up to 37 bottling plants, including buying land in certain key locations, etc. This is some of the things that you need to do in order to build that national retail distribution network. So, there will be some capital expenditure involved there. By the way, in that we are not only building Greenfield bottling plants, but because there are distressed assets out there, bottling plants, we are taking advantage of that and buying up those bottling plants. I believe, for example, that we are working on two currently. It takes a long time, unfortunately, working with the banks and financial institutions to go through all the bureaucracy of buying those. But for example, we are currently buying that and then, of course, building out the Autogas stations and the network and then the dealers. Now building up the Autogas stations is not a high capex thing and even building the dealer distribution network in cases for the commercial business, that is not a high capex because it is franchised, but there is some small capex involved in terms of building out that as well, particularly on the marketing. So that is the picture for the next five years. Also, there will be an investment in marketing, okay? It is not what we call capex in equipment. But we will be investing more into building up the Aegis LPG brand. So that will go in the P&L. These days, of course, we do use different types of marketing, particularly digital marketing, etc., which is much lower cost than the old-style marketing. Anyway, that is the next five years.

Jiten Doshi: Anish, you still did not answer my question. Last year, you did a volume of 3 million, and you had an EBITDA in the Gas division of about more than Rs.460 Crores. And your retail is only going to increase, which means sort of your mix is going to get better. So, at probably at 9 million or 10 million, you will do an EBITDA of nearly Rs.2000 Crores. So, if I just extrapolate that to the next five years, there is going to be at least more than Rs.3000 Crores or Rs.3000 Crores, Rs.3500 Crores of cash that is visible to anybody who is just doing his math correctly. So, what you gave me an account for is not more than Rs.500 Crores or Rs.1000 Crores. So, what happens to the other Rs.2500 Crores? And what happens to the big picture? Because I think you are in a very super period where you can really change the orbit and grow exponentially into something else also without leveraging your balance sheet. So that is the answer we are seeking. These are the same businesses that you are talking about.

Anish K. Chandaria: Yes, I am not going to answer it in any detail, but I will give you some, at least indication, this is the same thing I have told you offline, which is because I have been talking about the next five years and broadly, yes, we are going to be strongly cash generative, etc. The numbers maybe we can argue about, but anyway. But we are examining, and I have nothing more details to give, that after five years, where do we go with all that strong profits and cash flow being generated. What I can indicate is we are going to stick within the terminal space, because that is our core competence. We are not going to be investing in anything else. So, two things and give you a hint. We are looking at some acquisitions because we do believe nothing specific right now that is why I am just giving you an indication, but there is possible consolidation particularly in the liquid terminals space because there are distressed companies out there as well. So that is one area that we are looking at. Then as far as further expansion is concerned, beyond LPG, we are looking at some options. Again, let me say, it would be in the field of terminals and other types of gases, not LPG, but using the core skills that we have. There are many other gases, as you know, not just LPG. But that is all I will say right now. Obviously, some of those projects will require large capex if they go forward. But what I am assuring investors is that we are certainly working on those things right now because one must plan any kind of diversification beyond our existing two divisions of LPG and liquids. We must plan that now well in advance. So, we are working on that, and I have certainly indicated that to you offline, but I will not give any more specific.

Jiten Doshi: My second and last question is what is the targeted ROI, the minimum that you look at when you are looking at all of this? Because today, you have a very healthy return on capital employed. Would you be able to maintain it or better it as you go forward with the product mix changing?

Anish K. Chandaria: I think the honest answer to that is the LPG business is a very super high return on invested capital. I believe, and I checked the figures last week with our Finance Department, I believe that in the Gas division, we are, currently, I mean, if you look at the average of the last four, five years, we are currently operating at something like 40% pretax, 40% return on invested capital in the Gas division. In the Liquid Terminal division, we are around 20%, around 18% to 20%. So, the blended return on invested capital for the company is a blend of those two. So, I think it is unlikely, I cannot say for sure, it is unlikely that other types of projects will be able to achieve 40% plus kind of return on invested. That is an unusually high profitability in the LPG division because of the nature of the industry dynamics. But I think what we would be targeting, given that we expect our weighted average cost of capital in Aegis is around, we estimate, at around 12%, we would normally look at projects in this kind of 20% to 25% range. That part would be what we would be looking at. So, I do not think 40% plus is realistic.

Jiten Doshi: So, the blended, if the 40% business is growing, your blended number will always be higher than 30%? So that is the important fact.

Anish K. Chandaria: That is what we are hoping and of course, particularly with the retail division, which is very low, the capital employed is very low in that retail division and very high margin, the more we can grow that that will support earnings growth for long years to come in terms of the LPG division. So that will continue to grow, and that is how we are planning.

Jiten Doshi: Thank you so much. Wishing you all the best. Thank you. Stay safe and stay healthy. Thank you.

Moderator: Thank you. We take the next question from the line of Depesh Kashyap from Equirus Securities. Please go ahead.

Depesh Kashyap: Thank you for taking my questions. I have two quick ones. Sir, the volumes were very low in the distribution business in this quarter, but what is EBITDA per ton that you made in the distribution business, given that the LPG import price are very low?

Anish K. Chandaria: The EBITDA that we made in Q1 remain stable, even though the sales were very low because we did not reduce prices, expecting that, oh there will be more sales volumes. There was no demand because of the restrictions. So, the margins were stable. But obviously, because the sales volumes were very low, did not have much impact on profits in this quarter. But we maintained margins. One of the beauties of this retail division is that we have stable margins. So, LPG prices fell a lot. As I said, the international LPG prices fell a lot. We reduced our prices commensurately, we just passed that on. Theoretically, that is what we did. And the margins were stable because the costs had fallen. But obviously, the sales were down heavily because of the COVID restrictions so stable margins.

Depesh Kashyap: But Sir, in the auto LPG division, if I look at the LPG retail numbers that are like pretty stable, right and that is a 40% discount to petrol price, right? So that has not fallen. But your import prices have hovered. So, I think the normal Rs.10,000 per ton EBITDA that you used to talk about, that must have increased, right?

Anish K. Chandaria: No. I think the actual margins, and I have the figures it averages around Rs.10000 a ton. It was lower before. But I said for the last few quarters, it is averaging around that, it might swing a little bit. But anyway, it is theoretical because we had very small sales of Autogas. So, these are all theoretical in the sense that there were actually very little sales because there was nobody buying.

Depesh Kashyap: Understood. Sir, second question is that I see the interest expense has dropped by Rs.3 Crores in this quarter. Like can you please highlight or what led to that? And what should be the going forward interest expenses?

Anish K. Chandaria: Yes. I asked the same question to my CFO. So maybe he can answer. Murad, why do not you answer on the interest expense, the same answer you gave me?

Murad M. Moledina: We are building cash and we are generating income. Plus, the interest cost has fallen drastically as far as we are concerned. So, all the new loans are coming sub between 7% odd, when hitherto, the previous year, it was 9% plus. So, falling interest rates and building up the cash balance, which we have, is leading to practically nil net interest cost, if you look at it. And that is how the trend is, I believe, would be going forward.

Moderator: Thank you. Next question is from the line of Rajendra Mishra from IDFC Mutual Fund. Please go ahead.

Rajendra Mishra: Thanks for taking my question. I have just a couple of queries just to understand. One is this LPG terminal, which we have or which you are planning, so 5 million. So, this is considered in the LPG Gas division? Or is it considered in the Liquid Terminal division?

Anish K. Chandaria: No. The increase to 9.2 million is the Gas division. That is only the Gas division. Liquid Terminal is something different. But what I referred to be our increasing the LPG terminal capacity from 5 million to 9.2 million that is gas.

Rajendra Mishra: So, this entire 9 million will be is considered in the Gas division revenues, right?

Anish K. Chandaria: Yes, that is right. That is the capacity and then the revenues are how much LPG your throughput. So, do you throughput 3 million, which is what we did last year, out of that 5 million capacity do you throughput, 4 million, 5 million? That is how the revenues come.

Rajendra Mishra: Okay. Second and the same thing is this LPG terminal division, whatever we have is entirely captive? Or do we also do third-party throughput?

Anish K. Chandaria: As far as LPG is concerned?

Rajendra Mishra: Yes.

Anish K. Chandaria: Actually, the whole point of the LPG terminal is its open user. So, we handle for anybody who wants to import. The captive part, which is our retail division, is a smaller part of volumes, maybe as little as 10% of our volumes or even less than that, sorry. So, it is an actual open user terminal. The main customers are the PSUs, that means, IOC, HPCL, BPCL, we also have some industrial customers. But the main customers are third party, and that is how we charge them throughput fees, for handling the LPG for them. That is how we make money. So, the opposite of what you said. It is not captive; it is open user.

Rajendra Mishra: Understood. So, you are saying out of this 5%, only 10% is currently used captive and 90% is basically on open user?

Anish K. Chandaria: Maybe it would even less than 10%.

Rajendra Mishra: Understood. Last thing is if you shared some capex plans and project updates. On a current basis and maybe once these investments come online, so maybe on FY2020 basis and FY2021 basis, if you can have a capex split between the two divisions. Overall capex, how much is the overall gross block, how much is into liquid?

Anish K. Chandaria: Yes. Let me cover some of that, and then Murad can comment if I have left anything out. So, in terms of the current projects that are going on and I will just quickly list them, you can write it down. So, this is currently going on. There is a Rs.35 Crores project for the Mangalore liquid terminal for a capacity of 50,000 KL, that is going on right now. So, we are spending that money. That is already planned. That capex is already planned for this year. There is a small expansion in Haldia, which is Rs.10 Crores for the 12,000-kiloliter project. The Railway Gantry in Pipavav and the additional spheres project is Rs.75 Crores capex, , and that is going on right now. And then finally, the capex is in Kandla, that LPG terminal, the big LPG terminal, the 4-million-ton throughput capacity terminal is Rs.350 Crores. That is also going on. So that capex, some of those projects have been going on since last year, like Kandla, some of them are this year. So, the capex and then some of that capex, the amounts will still go into even the next financial year. So, between FY, should we say, between FY2020, that was the last year and FY2021, the current year, bulk of this capex that I just mentioned would be carried out. So far, we have not mentioned any other capex for FY2022 or FY2023. But I just said to Jiten Doshi of Enam that, yes, we are currently working on further capex for FY2022 and FY2023, particularly in FY2024 and FY2025, particularly for the next four years. We have not yet announced what those projects are, but I gave an indication that further capex will be in debottlenecking of the Haldia, Pipavav and Mumbai LPG terminals. There is a project that we are working on for a new terminal, Greenfield LPG terminal in the south. And then more bottling plants, going up to 37 bottling plants, some of which will be acquisitions, some of which will be Greenfield projects, etc., and then possibly some more small liquid terminal expansions. But probably in the existing terminals, particularly places like Haldia. So that is basically the plan for capex for the next five years, including FY2020, the last year, including this year, I have given you the figures and then future capex to be announced.

Rajendra Mishra: Last, on this distribution network that you plan to build across 20 states, what is the date by which you want to complete this? Or it is open-ended?

Anish K. Chandaria: It is open-ended. It really is open-ended because we do not stop after five years. But we have approved a marketing plan and business plan for our LPG division, which I approved, I and my brother, Raj, approved as co-CEOs. We approved this in I think it was in February of this year, 2020. It seemed like a long time ago. And that is in our investor presentation on Page 22, if you are interested. That gives the goals and objectives of that 5-year growth plan. But that will get us up to five years. After that, we will continue growing that national distribution network. As I said, the good news is it is not very high in capex, it is very high in margin. So, it is a beautiful business. But the most important thing that we need to do is build out the distribution network, the dealer distribution network, appoint those dealers, which takes time, build those Autogas stations, which takes time. And, most important is two other things, which I do not normally emphasize, but I would like to emphasize, which is invest in manpower. We must appoint area sales managers for every state, which we are in the process of doing. We are almost complete, in fact, for those 20 states. We must appoint territory sales managers within those states. These are permanent employees of Aegis. And we also must appoint sales officers. These are the sales reps who go and service the shops, the retail outlets, the kirana shops, that we are selling the domestic Chhota Cikander brand, etc. So, there is a lot of hiring that we are doing, which is good for at a time like this when people need jobs. And we are getting a lot of resumes. So that is an investment and investing in marketing, which is going to be required to build the brand of Aegis, Chhota Cikander and Puregas in the commercial segment. And so those are not capex, but these are investments which do go into our expenses in the P&L. But they are investments which will result in returns as we build out that retail sales volume.

Rajendra Mishra: Thank you so much for the insights. All the best.

Moderator: Thank you. We take the next question from the line of Pranav Mehta from Valuequest. Please go ahead.

Pranav Mehta: Congratulations for the good performance in a tough quarter. First question is on your gas throughput business so like you had laid out the near-term triggers for Mumbai and Pipavav. Similarly, can you throw some light on the triggers for the Haldia terminal? So, we have seen great ramp-up in the last couple of years. But now to take it to the next level, what kind of triggers do you see? Especially in the light of the BPCL terminal also, I am assuming, will be operational within the next 12 months. So, what are the plans there? That is the first thing. The second question is on the Liquid division. So, do we see that this kind of volumes can be sustained here? Because in the Q4 call, you did allude to an expectation of some softness in demand from domestic chemical industry, etc., due to COVID but our performance has been very good. So, do we expect to sustain these kinds of volumes in the liquid side of the business? These are my two questions.

Anish K. Chandaria: Thank you. Both good questions, I appreciate them. As far as the Haldia LPG is concerned, yes, you are right that the BPCL terminal, which, of course, was stopped during the lockdown, but now they have restarted the work, we would expect that to be commissioned perhaps in the next six months, and the work is ongoing. However, this has been planned because our anchor customer is HPCL. And what I have mentioned many times is that they are currently operating their bottling plant in a place called Panagarh, only at 50% capacity utilization. This is the largest bottling plant in the country and in the continent of Asia. It can consume 0.5 million tons of LPG. They are currently only operating that at 50% capacity utilization. It was commissioned last year, and they have built up 50%. Not because they cannot operate at full capacity, but because HPCL is building out their distribution network, their dealer network. They are still under penetration into northeast of India and Bengal, particularly. So we are currently planning, our marketing team has planned that in their budget, that maybe currently, the throughput in Haldia is about 80% HPCL, 20% BPCL that when BPCL goes out, that 20% will be taken up by further expansion or further capacity utilization of Panagarh. In other words, HPCL will take over that. That is what we are currently planning. Now I must tell you that despite this difficult quarter, Q1, the Haldia terminal on the east coast was doing record amounts. So, the west coast terminals were a small drop, as I said, in throughput, but the Haldia terminal was doing great. So that just shows you that demand remember, the penetration of LPG is lower than the national average in the northeast of the state, so Bihar and West Bengal and Odisha. They are making great progress, HPCL, in building out that distribution network. So, now, we have a total potential throughput capacity of 2.5 million tons in Haldia. I will not break out the exact figure for this year that we expect. But we are still not there at 2.5 million. But we are operating the Haldia terminal at much, much higher volumes than we had budgeted even for this year and yes, even then considering BPCL going out sometime in the next six months. So, I think the answer to the Haldia question is the progress is good in Haldia in terms of LPG throughput volumes, particularly from HPCL as they build out their distribution network and as they raise capacity utilization of that Panagarh bottling plant. As far as the liquid volumes are concerned, yes, you are quite right to remind me that in the last earnings call, which was only a month ago, I was suggesting that maybe there might be some softness going forward in the Liquid Terminal division this year due to impact on chemicals, etc. Well, look, I have to say, surprisingly, and I talk regularly to our Liquid Terminal division marketing team, surprisingly, business has remained good in all the terminals, except for Pipavav, which remains at low capacity utilization. But all the other terminals, whether it is Kandla, whether it is Mumbai, whether it is Haldia, whether it is Mangalore, whether it is Kochi, has remained strong. And so, now, and you can ask me this question again after the Q2 earnings, and we just had July, for example, business is holding up very well. It could be that because the business model here is storage-based fees rather than throughput, it is the customers, whether they are chemical manufacturers, whether they are traders or whether they are even the PSUs, the HPCL, BPCL, etc., petroleum, they still need the storage because they need to store those inventories. We get paid if they store it so almost all the tanks are full. And so, I think that business has held up surprisingly well. And petrochemical storage, chemical storage as well as petroleum storage because the customers need storage, the throughput in this business is not moving quite as fast as it used to be because of COVID. But despite that, they still need to store their inventories. And so, it is a surprisingly good result. And as you rightly said, I am very pleased to see record set of results that is a proof in Q1 during the height of the lockdown, that we saw a 24% rise in EBITDA in that division. So, now I would like to change that sales guidance that I was talking about in the last earnings call. Obviously, it is difficult to predict, but we can talk quarter by quarter. But now, that business is looking surprisingly good.

Moderator: Thank you. We take the next question from the line of Chirag from Budhrani Finance. Please go ahead.

Chirag Vakharia: Sir, I just wanted to understand, since Mumbai and Pipavav is going to see a growth in volumes, what is it now? And what is it expected from second half of this year?

Anish K. Chandaria: Well, I have put a very nice data on Page 20 of our investor presentation, which I am reading out now, so I will just stick to that, which was a slide which we prepared, I think, a few months ago, pre-lockdown, and that has not changed. So, the slide is called the path to increasing LPG throughput volumes. The first one is about what do we expect from that

Uran-Chakan LPG pipeline for the Mumbai terminal. And I say in this slide that we expect, on an annualized basis, potential incremental volumes of 0.5 million tons per year, 500,000 tons per year. I think you can divide it by 4 to take it into quarters, which I believe comes to potentially another 125,000 tons per quarter when that Uran-Chakan LPG pipeline reaches maximum capacity. So, I think we fully expect that because the significance of this pipeline is that, and that figure that I put in the slide of 0.5 million tons is not come by magic. It is based on what we have discussed with the customers, HPCL, BPCL, IOC, as to how much they could use, okay? So that is another 125,000 tons per quarter potentially from the Uran LPG pipeline. The railway interconnectivity in Pipavav, again, from the slide, I said once that railway connectivity is ready, we expect potential incremental volumes of 0.3 million to 0.5 million metric tons per year. And that project will be completed in Q3 of FY2021. So that means again, that is annualized. So, an additional 100,000 to 125,000 tons per quarter from the Pipavav, okay? And then, of course, we have the new LPG terminal in Kandla, which is also on the slide. That will come in FY2022, and we expect another first year budget of 1 million tons for the year. So that gives you a good indication. It is on this slide.

Chirag Vakharia: Okay. Sir, this Kochi liquid terminal would be ready by then?

Anish K. Chandaria: Yes, that is going a little slower. It is a small expansion of 20,000 kiloliters. One minute, let me open my slide from my Board presentation yesterday. Yes, that is 20,000 kiloliters project, and it is a small project of Rs. 15 Crores. So, we currently expect that to be completed by the end of this year, FY2021. It is in progress. But I would say that the Mangalore expansion and the Haldia expansions are currently, should we say, more prioritized because the demand is very high there. The Kochi one, which we have planned 20,000 kiloliters, is expected to complete at the end of this year. But that is a lower priority right now than the other two projects.

Chirag Vakharia: Sir, given your thoughts on retail, so two, three years down the line, where do we think Autogas station and commercial distributors from current level?

Anish K. Chandaria: Yes. So again, if I can refer you to the slide in which you can look at later, I will try to put it there in black and white for everyone, on Page 22. So, in Autogas stations, and again, I am reading from the slide, we are currently at 118 stations, over 8 states, I said seven states. We expect to grow that over the next five years to 200 stations over 20 states, okay? So that is a very clear target. And I have put there in the slide other things as far as the distribution network for commercial LPG and the domestic LPG and the LPG bottling plants in that slide. But just to give you a sense, in the cylinder market, which is the commercial LPG and domestic LPG, we had an excellent Q4, for example, which is a record, and we are going great guns until this lock down happened in Q1. But we have bold plans to increase the sales volumes there over the next five years, but still taking a very small market share. Would you believe our market share in India in five years' time will be 1% market share? In other words, the rest of the market will be IOC, HPCL, BPCL. So even though that 1% market share sounds very, very small, it translates into hundreds of thousands of metric tons per year in that segment of commercial and domestic LPG, multiplied by a margin of around Rs. 3000 to Rs. 5000 a ton. So that is just in the commercial and domestic LPG. That is the marketing plan that we have. And then Autogas is separate. So, I think even though 1% market share sounds very small, it is still big volumes, and they can have a big impact on profits.

Chirag Vakharia: From your product mix, Sir, where do you see this contribution of retail LPG in your gas contribution? I mean would it be what? It will go to 20%, 30%? Where do you see it?

Anish K. Chandaria: Well, right now, it is gone up to around let us not take Q1, which was an unusual quarter because of the drop in retail sales. But if you take the average of the last year or so, 80% of the profits pretty much is the terminal of the Gas division EBITDA, 80%, as I said, is the throughput logistics from the terminals, right? And not quite 20%, but it might even be 17%, 18% is coming from the retail division. And the balance, 2%, 3% is from the sourcing volumes in Singapore, okay? So that is roughly where it is. I would expect that to increase gradually as we build up the retail volumes. Difficult to give any precise forecast, but I would probably expect that 17%, 18%, probably to go up to about 25% or so within the next 2 or 3 years. In other words, the mix of operating profits will be probably 75% throughput of LPG terminals throughput, probably 25% or 23%, and the sourcing will remain 1% or 2%, something like that. So that gives you an indication. But we would like the retail volumes to gradually increase the share because, obviously, very high margin, and that is what we are going to do. But that gives you a sense.

Moderator: Thank you. We take the next question from the line of Kashyap Jhaveri from Emkay Investment. Please go ahead.

Kashyap Jhaveri: Congratulations for good set of numbers in challenging times. Thank you for the opportunity. What I am saying is that in terms of some of our clients, there has been talk about divestment and all. And some of the people who have expressed their interest in some of your clients, they are themselves great executor of capex as we have seen in the past. So how do you see that in terms of our contracts with our client? Does this impact us in any way? Or how do you see that?

Anish K. Chandaria: Well, I am not exactly sure what you are referring to. So, let us take LPG division, which produces two-third of our profits. So, our clients are IOC, HPCL, and BPCL. I do not see any divestments or anything from there. So that is going to continue as normal. And we are, as I said, we are a critical company in the supply chain of LPG. I do not expect that to change anyway. I think if you are referring to the Liquid Terminal division, we have many, many clients, 50, 60 clients plus nationwide, which are basically chemical manufacturing companies, which are traders, chemical traders, which are, again, the petroleum companies. We are talking about Reliance, Essar or Nayara Energy, also IOC, HPCL, BPCL. So, on the petroleum; I do not see any change. There is no change of ownership. They are going to continue, and they need the terminal space. On the chemical traders, to be honest, right now, I do not see any change and as far as the chemical manufacturer is concerned, look, ultimately, whoever owns them, they still need to have storage whether if you are saying whether they can build their own storage and terminals. The point about this business is not whether they can do capex or not. It is having the right locations at the ports where there is no land now. I mean, we have been in this business in the Liquid Terminal business for 40 years or so. So, we are at all the prime locations. So, there is nobody who can really build over there because there is no land in most of those locations. So, I do not really see that. I do not really see any evidence of that whatsoever.

Kashyap Jhaveri: Sir, this BPCL thing, you do not think any impact could be there if that divestment happens?

Anish K. Chandaria: Well, whenever that happens, we were told, supposedly, it is going to happen by March 2020. So that did not happen. Anyway, whenever it happens, if it happens, and I would argue whenever it happens and if it happens, there are a lot of crisis going on in India right now. Anyway, I think the owner of BPCL, whether it is the government of India or whether it is XYZ coming forward, as far as LPG is concerned, they would like to make profits. They would like to sell LPG, and they would like to have the lowest cost LPG. That is why they will use Aegis, on a commercial basis. And that is the whole competitive advantage of Aegis that our strategy is to be the cost leader of imported LPG in India. So that is why they will use us to make the maximum profits. Anyone who takes over BPCL would be interested in profit maximization. If you do not think that is the case, then we can talk, but I do not think it really matters. Because the thing about the LPG business is it is all about logistics, and that is why we are in this business. And you need to get the LPG into the domestic consumer. And you need to make sure that, that supply chain is managed very well. So, I think that is the competitive advantage that Aegis has and irrespective of the owner, that is why we will continue to do business with BPCL and HPCL and IOC and many others in that.

Kashyap Jhaveri: Just one last question. If I look at our logistics as a percentage of the final price of LPG, so if I look at our EBITDA per kg or EBITDA per ton, we would be just about probably one, less than 1% of the costing of the final LPG price?

Anish K. Chandaria: Yes. It is small. I would not agree with that figure of 1%. And, it does change depending on the price. It is not a very useful measure because the price changes every month, etc., but let me give you a sense, our margins for our LPG throughput, logistics services, and our EBITDA margin is around Rs. 1,000-plus per ton, per metric ton, which has remained stable for some time. So that is the correct metric to look at. If that margin is stable, it does not swing around. The prices go up and down every month, like oil prices go every day, LPG prices change once a month and that goes up and down. But if you are point is it is a very small part of the LPG delivered cost, and we should look at the delivered cost to the end user, that is, to their bottling plants, which includes inland logistics costs, you are right. The throughput charge and that is what we always tell our customers, that it is a very small part. So, you are right on that. The figure I would dispute is 1% because that obviously changes. But yes, it is a very small part, and it is a very critical part because if you are importing gas without this type of logistics, infrastructure that we provide, you cannot do it. But our goal is to maximize the throughput volumes. That is how we make the money, not to get into some price war or something that, we will charge Rs. 100 per ton less, whatever it is. It is much more about how we can help them maximize the LPG volumes and imports in the company.

Kashyap Jhaveri: Thank you.

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

Rajesh Kothari: I have two, three questions. Unfortunately, I missed your opening remarks, so I do not know if you have covered it in your opening remarks. During the last conference call, you mentioned about the uncertainty in the short term with reference to LPG volume logistics because of the huge import, which was done by HPCL BPCL kind of companies. Do you see the stability in that from here on? And I would like to say, from second quarter on, but how do you see the LPG volume logistics in terms of the volumes for us?

Anish K. Chandaria: Of course, I am not going to give a quarterly sales forecast. But I did earlier in the call, which you may have missed. I did say that, look, we expect Q2 volumes. Obviously, we have just finished July, so I have some indication. We expect Q2 volumes to be better than Q1 in which was the peak lockdown period and they were complicated, volatile things happening in LPG imports. But as the inventories wind down, those high inventories which were generated in April, May, June, we expect the LPG throughput to go up in Q2. But particularly from Q3 and Q4, we expect a jump in LPG throughput volumes for Aegis in our terminals because of the commissioning of those two projects, the Chakan pipeline, the maximum capacity reached in the Chakan pipeline in connecting Mumbai and the Pipavav volumes to go up because of the Railway Gantry project. So, in other words, we expect Q1 which we had a throughput of 700,000 tons. My guidance is we expect Q2 to be better than that, and we expect Q3 and Q4 to be much better than that. That is the current indication.

Rajesh Kothari: Great. My second question is with reference to since Q1, you have marketing and distribution would have impacted significantly because of lockdown. So, it is safe to assume that probably that segment would not have done or might be even a little bit lost some money?

Anish K. Chandaria: We did not lose any money. There are no divisions in Aegis which lose money. That is the good thing. And we did not lose money in the retailing either. Because remember that the costs are low here in the retailing division, which is a franchised operation. And it is high margins. So even if you make 1 ton of Autogas sale, you still make Rs. 10,000 a ton. So, the breakevens are very, very tiny in that. So even though there were very low volumes, for example, I mentioned in Autogas, we sold 2,944 metric tons in Q1 only. But still multiply that by Rs. 10,000 a ton, you still make a profit, EBITDA, etc., etc. So, we made profit, but it was much smaller than the previous year. That is all.

Rajesh Kothari: So, does it mean, therefore, your EBITDA per ton, which was, if I do on a blended basis, was roughly about Rs. 1200 that probably would have a little bit reduced in first quarter?

Anish K. Chandaria: I would not do a blended thing because lots of complicated things happening in different segments. We never advise people to do blended things because it is just, I said stable margins, which means the margins for the throughput business, EBITDA was roughly Rs. 1,000-plus depends on which terminal and stable margins for Autogas in the retail. The margins were stable. Obviously, I mentioned the total EBITDA for the Gas division was slightly down. It was Rs. 77.9 Crores versus Rs. 80.3 Crores. That was a 3% drop in EBITDA. Clearly, a lot of that drop in EBITDA, most of it was because of retail. There was not that much retail EBITDA. And some small part of it was a drop in the sourcing, which is very small EBITDA. And then the rest of the small part was the small drop of 4% in the LPG throughput volumes quarter-on-quarter. Year-on-year, of course, we still did see a 25% rise in the LPG throughput performance. So anyway, in summary, bulk of the shortfall in EBITDA in Q1 in the retail was to do with the retail profits.

Rajesh Kothari: Absolutely. And my last question is with reference to your slide on the retail targets over next five years. If we get to our targets, how meaningfully it can contribute to your EBITDA and your overall, whatever is the business strategy perspective because I think this segment can be highly profitable for you?

Anish K. Chandaria: Yes, it can be. I do not want to get caught into a five-year profit target for the retail entity. But what I can say, which I have said many times, so I can certainly say that again, is our current cylinder sales are very low, as you know, etc., not only because of Q1, but still very low. But if we do reach hundreds of thousands of tons, and for now, let us just say, let us put a range of 200,000 tons to 300,000 tons of cylinder sales in five years' time. Okay, that is the kind of target that we have, multiplied by a margin of between Rs.3000 to Rs.5000 a ton EBITDA margin that gives you a sense from that segment. As far as Autogas is concerned, we are currently, again, excluding the Q1 thing with the lockdown, but let us say, we were at a run rate of expecting around 30,000 tons a year of Autogas that is currently multiplied by a margin of Rs.10,000 a ton. So that is our current, let us say, that was our current if you exclude what happened in Q1 because of the lockdown. We expect that to go to 200 stations from 118 stations. So, you can see that we are probably talking about going to 50,000 metric tons plus of Autogas sales from the current 30,000 multiplied, again, possibly by Rs. 10,000. So that gives you some indication of how important the profitability could be for Aegis Group as a whole.

Rajesh Kothari: Great. Thank you, Sir. Thank you very much. Wish you all the best.

Moderator: Thank you. We take the next question from the line of Smriti Chandwani from Arth Equity. Please go ahead.

Smriti Chandwani: Congratulations on a challenging quarter. You have done well in that sense that it is been a lockdown quarter. My question is that the EBITDA levels have grown despite the drop in volumes in LPG. And typically, LPG contributes 75% of your EBITDA and 25% comes from liquid. So, what exactly, if you could throw some color on the liquid division that what exactly you have done in the liquid division so that it has compensated all the loss of volumes from the LPG. And my second question is that if this is what as you mentioned earlier that you were also pleasantly surprised because you were expecting softening in the liquid division. But it is presently surprised you that the liquid division has done much better. So, if it continues like this for the rest of the year. And you also expect the LPG volumes in the second half to go up because of the additional capacities coming up because of the Railway Gantry as well as the Uran-Chakan pipeline then we should expect this year to do much better than FY2020 because you will have more from the liquid that you did not expect. And in any case, you are expecting the throughput volumes to go up in the LPG in the second half. And the only thing which you are not expecting to be in line is probably the retail, which will take time to pick up. So, should we expect FY2021 to be a much better year in profit than FY2020?

Anish K. Chandaria: Right. Let me take up the first one. So yes, the EBITDA on the liquid side, why did it do so well in Q1, and what do we see throughout the rest of the year in the liquid division. And as I said, I was pleasantly surprised by that outcome and that has supported the overall group profits because the high performance of the liquid division. What I would say is the following. This is a result of two factors, the pleasing results of the liquid division. As I have been saying for several quarters, we have made a lot of capacity expansion in the liquid business over the last two, three years the Kandla liquid terminal we added 140,000 kiloliters. We have added 25,000 KL new terminals in Mangalore. We have added more capacity in Haldia, etc. So, I think it is correct that this investment has paid off now. And in fact, we have seen even in previous quarters of the last financial year, it is beginning to pay off because we are beginning to handle higher-value products. So, what normally happens, the pattern, when you build these terminals, it is not that immediately you can squeeze out the highest margin's products. Because you build the terminals, your first job in the first year is to make sure that you have pretty much 90% to 100% occupancy. And so that means you handle bulk products, etc., especially petroleum products, which are lower value. But as time goes on, we are handling more and more specialty chemical products, etc. And that is, for example, the case in Kandla, which has been doing very well throughout this lockdown period in Q1, etc. Again, Mumbai has continued to do very well. So, I think what I would say is that it is no accident that we have done well in this Q1 because the result of past expansion of capacity is paying off and we are squeezing out more EBITDA out of these terminals. But the other thing which I did say, which I will repeat, is the business model of this Liquid Terminal division is not dependent on throughput volumes, unlike the LPG business. It is not dependent on products going all over the country and the road tankers and all that. The business model here is storage based. So, if the customers still need to store their raw materials or still need to store their products if they are trading it, etc., we remain full. And that is a good source of stability during tough times. So, it was not discretionary. In the hotel business, people can stop going as tourists to hotels, right? But for this business, which is storing petroleum, storing petrochemical, storage of chemicals, even if, for example, in the month of April, most of manufacturing was shut in India, including chemical plants, but they still needed to store their raw materials. So that is why the business was good and going forward into the rest of FY2021, as I answered someone else, just a few questions ago. Again, I ask this question regularly with my conference calls. I am in London right now, so I must have conference calls with my Liquid Terminal team. They assure me that the outlook remains quite strong for the Liquid Terminal division, not soft, even going forward into Q2, Q3, Q4, for the same reason that I said, that the customer actually, irrespective of lockdown restrictions, they need to keep their goods stored somewhere. And you must do it for these types of goods, you need to store them. So, I think that is the reason that the EBITDA has supported in these tough times the group profits. Now you are wrong on expectations for FY2021. At least my judgment is you are wrong. FY2020, I would like you to recall, we had a stellar FY2020. It was 57% increase in earnings per share, normalized increase in earnings per share. I do not think that you really believe that in FY2021, that with all the problems that I mentioned, and I will tell you specifically, that we expect 57% increase in earnings per share in FY2021. I really do not think that. It is highly unlikely because of things which I clearly stated. The biggest impact is that because of the COVID restrictions on retail, which is a highly profitable segment for Aegis, I do not know. We had very, very low figures for sales volumes in Q1. I do not know what those figures are going to be in Q2, Q3, and Q4. It is impossible to forecast because that is purely dependent on government policy on lockdown restrictions in states, in cities. There is a patchwork of restrictions which come and go. So, I really cannot forecast, and no one can expect me. But let us assume that there will not be a big bounce back in retail sales volumes for the whole of the year. That is, at least, the safest assumption. Therefore, you are not going to see now if it has been a normal year, if it had been a normal year, there have been no COVID crisis, actually, we were expecting a very good year in FY2021, and retail was going to play a full part of that. But I do not expect, at the moment, until things change, a big bounce back in retail and you are right to say that because that is what I said, I do expect a good bounce back in our LPG throughput volumes, particularly in the second half of the financial year not because of COVID or anything to that, but because of the coming on-stream of these two major projects, the maximum capacity for the Chakan pipeline, Uran-Chakan pipeline, and the Pipavav Railway Gantry, which is good news, but Q1 has already seen a small drop in LPG throughput volumes. I said that we expect Q2 to be better. But that means the first half of the year, Q1 and Q2, would be all right in terms of LPG throughput volumes. Q3 and Q4 will be a jump. But if you take the year, I think we do expect earnings growth for Aegis as a whole, for FY2021, because of Liquid Terminals division good performance and greater throughput volumes in Q3 and Q4 but retail, possibly not bouncing back. So, I think it would be a good year if we can have some earnings growth in FY2021, and we do expect that, but I do not expect that to be a stellar year like last year of 57% growth. That is, I think, the best summary I can give right now. And I think, quite frankly, if you look at the Indian corporate world, and I know you do, there are very few companies in India who can actually give a guidance that they are going to see an increase in profits this year. I think Aegis will be one of them. But I do not expect FY2021 to be better than FY2020 in terms of earnings growth percentage.

Moderator: Well, ladies and gentlemen, due to time constraint, we take that as the last question for today. I would now like to hand the conference over to Mr. Chandaria for his closing comments. Over to you, Sir!

Anish K. Chandaria: Thank you for a good amount of questions. It is always nice to hear the interest. I think most of you summarized it well. So, I will repeat your own summary that I think this was a decent set of results in challenging times in Q1. But we have expectations of better times to come in Q2, Q3, Q4 in Aegis, but we should not also be over bullish in thinking that, as I replied to the last question, that they will be an amazing year. I think that would be ridiculous in the circumstances. India is living through its worst crisis in decades, but I think where I am ready to give guidance, which is that despite that crisis that the country is going through, Aegis remains a strong performer in the circumstances. And even during the worst quarter that I think we will have, which is April, May, June, Q1, we did okay, it was average. But I think we will do better in the rest of the year. And therefore, I think that is a pretty good performance that we expect in the circumstances. I cannot predict what will happen with the Coronavirus even in FY2022, I do not know now. But FY2022, 2023, again, irrespective of COVID, we are trying to base our strategy irrespective of COVID. We do expect FY2022 also to see a big increase in LPG throughput capacity with the Kandla terminal, LPG terminal. And again, we, therefore, expect to see earnings growth again in those years. And I hope that the whole country gets back on track by then, FY2022. But I think FY2021 is going to be difficult for the whole country but at least, we have held our own as far as Aegis is concerned. I think we have performed well in challenging circumstances, and we are going to do better in the rest of the year. Thank you very much for attending, and we will have our next earnings call after the Q2 results.

Moderator: Thank you very much. On behalf Aegis Logistics this concludes the conference call. Thank you for joining us. You may now disconnect your lines.