"Aegis Logistics Limited
Q1 FY2022 Earnings Conference Call"

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Moderator: Good evening, Ladies and gentlemen, welcome to Q1 FY2022 Earnings Conference Call of Aegis Logistics Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anish Chandaria - Vice Chairman & Managing Director of Aegis Logistics Limited. Thank you and over to you Sir!

Anish Chandaria: Thank you. I will be presenting the Q1 results for the current financial year 2022. It was a below par set of results for Q1, really affected by the peak second wave of COVID in April and May especially impacting the gas business side. Fortunately, as I will explain sales volumes are already picking up in Q2 that means from July onwards than Q1 April, May, June particularly April and May were affected by the peak second wave of COVID.

Let me go through the figures, total revenues for Q1 were Rs.678.1 Crores versus Rs.636.4 Crores a year earlier; total normalized EBITDA for Q1 was Rs.114 Crores versus Rs.118 Crores a year earlier a drop of 3% year-on-year. Normalized profit before tax for Q1 was Rs.90.3 Crores versus Rs. 92.2 Crores a year earlier after adjusting the earlier figure for the employee stock purchase plan of last year so that is a drop of 2%. I just want to make it clear that from this year onwards including Q1 the employee stock purchase plan there is no more expensing for that so that will fall out of the figures but obviously to compare on a like-to-like basis we have to adjust the previous year's quarterly figures for the non-cash charge of the employee stock purchase plan. Profit after tax for Q1 after all minority interest that is net profit after taxes available to Aegis shareholders was Rs.66.4 Crores versus Rs.71.8 Crores again after the earlier figure last year adjusting for the employee stock plan so that is a drop of 7.5% year-on-year in net profit after tax after all minority interest.

Let me go through the segment analysis as usual which will explain what was happening in the underlying business segments starting with the liquid terminals division which remains strong in Q1 as it has throughout the COVID crisis in fact again another record revenue figure for Q1 Rs.66 cores for Q1 versus Rs.55 Crores a year earlier a rise of 19% year-on-year in revenues and EBITDA was also very strong Rs.49 Crores for Q1 versus Rs.40 Crores a year earlier a rise of 23% year-on-year in EBITDA for the liquid terminals division. Again it shows the efforts of the past expansion in capacity which we have carried out is paying off in increased revenues and increased EBITDA and of course the commissioning of the new capacity in Mangalore and in Haldia which started to show results in Q1 just to remind everyone that we had a project of 50,000 KL of expansion of capacity in Mangalore and 54,000 KL in Haldia so some of those revenues are already in Q1 and they will continue to be sustained throughout FY2022 which will add to the liquid terminals division revenue growth and profits growth. So as I said actually the liquid terminals division performed very healthily in Q1, but the gas division was affected again just like last year at the same time, around this time of course last year there was a national lockdown this year in April and May there was no national lockdown of course there were various state curfews and state lockdowns and April and May particularly when cases were rising to 400,000 a day in India, we were affected in all segments of the gas division which I will go through the volume figures in one minute.

Let me just quickly finish the revenue, EBITDA figures for Q1 for the gas division, revenues in Q1 was Rs.612 Crores versus Rs. 581 Crores a year earlier. The EBITDA in Q1 for the gas division was Rs. 65 Crores versus Rs.78 Crores a year earlier so a drop of 16% in the EBITDA of the gas division and as I said the impact was felt in all the market segments that we have in the gas division. Let us start with the LPG throughput volumes, it was 568,000 metric tonnes of throughput volumes in our three terminals of Pipavav, Haldia and Mumbai in Q1 versus 700,000 metric tonnes a year earlier a drop of 19% year-on-year and all terminals, Haldia, Mumbai and Pipavav throughput volumes did fall in the face of this second wave, quite simply there were less ships and less cargos ordered from the public sector units in all three terminals particularly in April and May there was a bounce back in June as COVID issue started to reduce but April and May was definitely affected. In addition, there were two major cyclones in which affected both Pipavav and Haldia ports in Q1. Now I would like to say that our terminals actually were not affected there was no real damage in either Pipavav and Haldia in our terminals, but it was more in the two ports they sustained some damage particularly in Pipavav and the impact was really more in terms of reduction of shipping when the cyclones hit because no one could bring ships during those days so that was the impact of the cyclone.

Now the next segment, industrial sales in Q1 which is part of our retail distribution segment was 22,271 metric tonnes versus 7,414 metric tonnes so that actually was a very big rise of 200% year-on-year despite COVID which suggests that at least private industry unlike last year we had a national lockdown private industry kept going in terms of their consumption of gas so that was reasonably healthy. Autogas however was 3,567 metric tonnes in Q1 versus 2,944 metric tonnes a year earlier so still a rise of 21% year-on-year compared to last year's lockdown but still much lower than Q4 figure January, February, March of 2021 where we sold 5,926 metric tonnes, so 3,567 metric tonnes in Q1 of FY2022 was lower quarter-on-quarter but obviously still higher than the previous year so there was impact of COVID on that. Clearly less movement of people, so less use of autorickshaws and taxis that obviously would affect the autogas business but not as much as when we had the national lockdown last year. Similarly the cylinder business the commercial and domestic market segment sales in Q1 were 5,039 metric tonnes versus 2,553 metric tonnes again 97% rise year-on-year which was affected by the national lockdown last year but still lower than the 6,430 metric tonnes in Q4 of FY2021 so 5,039 metric tonnes in Q1 of this financial year FY2022 still lower quarter-on-quarter but higher year-on-year and sourcing was 100,000 metric tonnes in Q1 versus 158,000 metric tonnes the sourcing of gas. So summary is, I think primarily the COVID second wave did affect every market segment for LPG sales volumes compared to the previous Q4 some positive sales figures year-on-year but obviously if we had not had the second wave in April and May it would have been better.

Let me talk about the outlook for Q2 and the rest of FY2022. Now we have some good expectations for the liquid division throughout the rest of the year including Q2 and the rest of the year obviously because of the new capacity that we have commissioned in Mangalore the 50,000 KL and the Haldia 54,000 KL also and that business every terminal whether it is Kochi, Mumbai, Haldia and Mangalore, etc., Kandla they are all operating well. Pipavav liquid remains the only one which is still below expectations in terms of rationalization but all the other terminals have been strong throughout COVID and they remain strong in Q1 of FY2022 and we expect that to be sustained throughout the year so that is positive.

Now for LPG volumes, for autogas we are already seeing signs of a bounce back in Q2 obviously July is almost over so we are actually seeing a good bounce back in autogas it started already in June that is the tail end of Q1 but it is risen already with the sales volumes in July and we expect further increases in sales volumes in August and September assuming that there is no third wave of COVID, which I do not know that will be but right now things are definitely better than April and May, so at the moment the expectation of our marketing team is continued sales volumes growth of autogas in fact we are now hoping to see a recovery to pre-COVID sales levels in the second half of this financial year that is in the second half of FY2022 from October onwards so some bounce back already seen in Q2 July and September but we are actually now looking for the first time in 18 months for growth beyond COVID sales levels in other words going back to pre-COVID sales level time in terms of autogas. Again, assuming that there are not so many COVID restrictions and people begin to move around as they were. Similarly for the cylinder segment again we are seeing a recovery in Q2 in sales volumes in July from the Q1 levels again due to less impact from COVID there are more use of LPG in hotels, restaurants, etc., so there is going to be a positive bounce back in Q2 it looks like July we have already seen that and we expected further growth in sales throughout FY2022 as a result of not only less restrictions due to COVID but also because we have expanded the distribution network throughout this last 12 to 18 months and finally for the LPG logistics throughput volumes in Haldia, Mumbai and Pipavav again in Q2 just like the other segments, we are seeing a bounce back in sales volumes from the Q1 figures which is happening to see obviously that is July figures but the expectation in terms of the order book for August and September in terms of what we expect is positive and we expect to see better volumes and further increase in volumes in the second half of FY2022 due to the following factors, one there is normally a better seasonal demand from Q3 onwards which is Diwali time, etc., that is normally the case. We also expect to see more rail throughput in Pipavav once the jetty modification work is over by Gujarat Pipavav Port limited to allow partly labeled VLGCs so we expect that to kick in, in the second half of the financial year. With BPCL rail throughput particularly increasing as well as IOC as because if they are able to bring VLGCs into Pipavav port that will make a big difference to the rail throughput volumes in Pipavav compared to what we have seen today and of course the commissioning of the Kandla LPG terminal in the second half of the financial year FY2022 which brings me to the projects update and of course just a reference to the go back deal which we announced a couple of weeks ago. First let me start with the Kandla LPG project, the project work is getting back on track after the hiatus of Q1 you recall in the last earnings call, I said in Q1 we did have a problem with manpower during the peak COVID levels of April and May there was actually difficulty in many of the contractors in terms of manpower and also the lack of oxygen which affected the construction work so work did slow down on the project but I am pleased to say that now those factors have dissipated and we are mobilizing as we speak to contractors, the man power for the final push to complete this project and we hope to see the commissioning in Q3 of this year FY2022 that means mechanical completion of all work by end of Q2 and then the commissioning in Q3 and that should be positive for throughput volumes for the Kandla LPG in the second half of the year. We have also announced a major deal with Vopak which I referred to and now we are going through the conditions or the conditions precedent and various milestones for closing which we expect in the next six to eight months to close that deal and I think really nothing else to say and that we have explained the deal but even before we close the deal with Vopak. Aegis is not waiting around, we are starting to execute the joint business plan of expansion in our terminal business so nothing to say today but we will be obviously as and when we can implement various projects, etc., in that joint business plan with Vopak we will not wait for the closing but we will start implementing that in this year FY2022 itself and then of course beyond that in FY2023 once the joint venture starts which I remind everyone 51% of the earnings for the joint venture will be consolidated into Aegis earnings 49% with the Vopak by 51% of the earnings of the joint venture Aegis Vopak Terminals Limited most likely from next year but FY2022 will remain Aegis business. That really closes my presentation, now take some questions.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Depesh from Equirus Securities. Please go ahead.

Depesh: Thanks for taking my questions, Sir throughput volumes growth has been lagging the Indian LPG import for the last six quarters now and this quarter your market share seems around 16% of the overall LPG imports which is the lowest in the last three, four years so just wanted to understand what are the reasons for the same that you are underperforming in this thing?

Anish Chandaria: I think that is correct what you said, I think there are specific factors that all terminals whether it is Haldia, Pipavav as well as Mumbai we did see in Q1 less ships and less cargos but I think it is temporary because as I said we already see in Q2 a healthy bounce back starting in July and so there is no particular factors it is just that ultimately depends on the public sectors which means IOC, HPCL, BPCL where they want to import the cargos which terminals, etc., but I do not think there is any particular concerns but because we are already seeing a good bounce back so let me go through very quickly Haldia without going to specific numbers we now know of course BPCL has already gone out to their own terminal which was the case since December 2020 but we are seeing rising volumes from HPCL which is the anchor customer in Haldia in Q2 bounce back from Q1 and they have indicated to us that throughout the year there will be growth so we have now good forecast from HPCL in terms of volumes, it will not replace all the volumes of BPCL immediately but we are already seeing a bounce back in volumes from Q1 as well as replacing some of the loss of the BPCL sales and that of course we expected and we will continue to see we think in FY2023 and beyond further growth from HPCL but this year, Mumbai has already bounced back very strongly in Q2 in fact in June it already started bouncing back but not April and May but in June itself but July it has already seen further growth so Mumbai is looking very strong using that Uran-Chakan pipeline and etc., so we remain confident of Mumbai that is good and Pipavav as I said I think the railway movement is going quite well we have signed up two customers IOC and BPCL but BPCL is facing challenges right now in doing more throughput that they want to do because they have indicated they want to do because of the lack of ships so there are specific factors on the Jetty which is why we have been working with the port to make those modifications of course it is their project in jetty which I mentioned, once that is over and we have a clear timeline from Pipavav port as to when the jetty modification work will be over then we will be able to handle part dealers and VLGCs in Pipavav for BPCL, IOC, etc., and number of ships then increase and therefore the throughput volumes in the second half of this financial year, so I think there are some specific factors in Pipavav which will now change probably second half of the year but Mumbai is looking strong and Haldia is now looking strong as well. So I do not any see any major concerns and then of course once we commission the Kandla LPG project that will give a big boost to the volume so just to complete the picture we do expect to see a good volumes growth in our LPG division in FY2022 but there are some specific challenges that we have to deal with in April and maybe to improve it but we do not expect any major problems in terms of volumes growth taking all the factors into account so after being affected by COVID, etc., but I do not think that will really be of course I cannot predict COVID but I do not expect that to badly affect the throughput volumes in the year as a whole now but they have already seen the first time they were bounced back in June and July and we expect that to continue.

Depesh: Got it Sir. Sir secondly given the delay in the Kandla terminal what is the expectation for volumes in FY2022 because the PPT still mention 1 million tonne so I just wanted the updated number now?

Anish Chandaria: Yes I think we are obviously one quarter delayed from the earlier we thought we would be able to commission in Q2 now most likely the Q3 so I think prorata probably we have been budgeting around 700,000 tonnes of prorata probably will be one quarter less than that if you just look at it because it will really be in Q3 and Q4 rather than Q2, Q3, Q4, so that is what we see but I think I would be able to have a better sense once we actually commission the terminal because it really depends on the customers how soon they really want to get going if you want that terminal is ready so ask me again maybe in the October earnings call and I probably have a better sense but for now I would probably just by taking out one quarter because we are delayed by one quarter Q2 and probably adjust downwards, but we might be able to have more clarity by October.

Depesh: Sure, Sir lastly the EBITDA per tonne for gas handling that you normally mention around Rs.1,000 per tonne that seems to be lower this quarter is it a correct observation and secondly the LPG prices have moved up 30% Y-o-Y so what kind of EBITDA per tonne are we making in the distribution business?

Anish Chandaria: I do not really recognize that because the EBITDA figures on the throughput that seems to be stable because all the rates are the same so I think that has remained stable all the rates are the same so they have not changed. As far as the distribution business yes international LPG prices have increased not as much as crude oil has increased in fact we were discussing in the Aegis Board raising the same issue but the distribution margins have actually remained quite stable and quite good yes that is the nature of the business but what was affected was the sales volumes not the margins but the margins have remained quite stable throughout.

Depesh: Okay thank you Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Rajat Sethia from I Thought Financial. Please go ahead.

Rajat Sethia: Thanks for the opportunity. Sir there are a lot of discrepancies between the press release related to the deal that Vopak has come out with and what we have heard from you, could you please clarify on the same?

Anish Chandaria: Yes in several calls we have actually explained exactly how it backed up I am going to ask our CFO, Murad Moledina to explain the journey we make we might not have been on those course but it all ties up very well, Murad you want to give the usual accounting of the Vopak amount in Euros and there will be amounts that we have given.

Murad Moledina: Yes, to put it very simply and we have explained several times in past calls that the Vopak press release talks of three numbers 153, 115 and 40 Mn euros, if you add all the three and convert into rupees that is what we have said is what we are going to receive out of the deal Rs. 2,766 Crores, so it matches.

Rajat Sethia: So, then the followup is that this 153 that you are talking about actually as per that release it says Vopak and Aegis have arranged this financing.

Murad Moledina: Yes, that is going to come entirely to Aegis for the JV transaction.

Rajat Sethia: No so it will come to Aegis that is understandable however is this debt going to be on the books of JV?

Murad Moledina: On the JVCO, yes so both the partners have decided is, going forward JVCO from day one would be conservatively get to a maximum debt gearing ratio of 0.5 to 0.6 so that is going to remain over the lifetime of the JVCO and that is why the clarification given by Vopak.

Rajat Sethia: Just to make sure that I have understood it right so we are saying we will take €153 million of debt in JV and then that €153 million will come to Aegis as part of the consideration right?

Murad Moledina: Right.

Rajat Sethia: So basically, we are raising debt in the JV and then paying ourselves so essentially the effective valuation of the JV of the deal in fact goes down, is that understanding correct?

Murad Moledina: No that your understanding is wrong the whole consideration amount is Rs. 2,766 Crores which Aegis is going to receive and you see the conduct of JVCO from day one is what has been decided how the capital structure is going to be formed so that is how it will conduct itself so whether you take it out of projects which the JVCO do for this so you know debt and equity has been pre-decided between the partners and that is how it is going to function so that has got nothing to do with what amount we are going to receive so what we are going to receive out of the transaction is Rs .2,766 Crores, the Reco which you asked for is what we have clarified to you.

Rajat Sethia: Sir I understand, what I am saying is that okay so other way of saying looking at this would be the JV partner is going give only the payment from their side is going to be whatever like Rs. 2,700 Crores minus €153 million right because €153 million essentially is coming from the JV as debt correct?

Murad Moledina: Yes you can say that but it is not that simple so I have explained…

Rajat Sethia: Sorry to interrupt you, so in other ways can we also say that €153 million since we are going to earn 51% of it so €153 million 51% through debt in our books and then we are paying ourselves as cash, correct?

Murad Moledina: Again you are looking at it in a different way, I have said it very simply that how the JVCO's capital structure is going to be conducted that has been explained so that debt is ever going to remain so there is no payback of that debt because that is how it will be geared so there is no outflow of that debt that is how the capital structure of that JVCO has been structured. So, what you are trying to say is not actually that what is going to happen.

Anish Chandaria: Can I put it in my way just to close this conversation, so the way we have structured this deal and is quite explicit is that yes there will be certain amounts of payments by Vopak to Aegis which are the figures that you quoted in Euros which are for buying equity shares in the 49% of the joint venture company that is actually correct and then these payments after three years of an additional up to €40 million paid by Vopak to Aegis so that is clear and then when we negotiated the whole thing as the deal and there is a structuring we had as far as Aegis is concerned we had a certain target cash amount that we wanted to take out of the of the transaction and obviously it was then a question of okay what is and this we discussed explicitly with Vopak over a few months but what is an appropriate capital structures, Murad rightly said for the joint venture company that is the next part of the discussion and clearly zero debt was not acceptable to us or to Vopak because why would you have all this assets and infrastructure with zero debt that is not an appropriate capital structure so we ended up negotiating, we said look we have a certain conservative gearing ratios they had certain ratios anyway finally we compromised and we said okay 0.5 to 1 debt equity ratio, 0.6 to 1, 0.5 or 0.6 to 1 that is the maximum and with all the assets that we have therefore that translated into this much debt in the JVCO which as Murad said because the JVCO is throwing off a certain amount of cash we expect that to be maintained almost on a perpetual basis that is a reasonable debt equity structure and then we said okay then that amount of debt is bank debt let us say that we raised in the JVCO which both parties Aegis and Vopak will be working to arrange in fact that work is already going on right now that we will be taking into Aegis as part of the transaction so we will be extracting that additional cash hence the Rs. 2,766 Crores so that is the way the deal was negotiated. We wanted a certain amount of cash share to be taken out of Aegis and this is the way we structured it. Why did we want the certain amount of cash because this allows Aegis in its own balance sheet to have that cash in order to be able to reinvest as required Vopak will also be able to investing in the JVCO because they have a large capex program of up to Rs. 4,500 Crores to JVCO so both shareholders Aegis as well as Vopak from time to time will be required to fund that capex, but we wanted to keep the cash in Aegis rather than just let it sit in JVCO and that is the way we structure it plus it also gives Aegis the flexibility so when we are discussing with Vopak other big ticket projects then we have the financial power with that Rs. 2,766 Crores to be able to put our share of the money out. Let me remind all listeners that we have never had the ability at Aegis to have this size of balance sheet or financial firepower to be able to actually deploy into those projects but we now with so I think it gives us a very strong balance sheet in Aegis Logistics Limited and gives us the ability to not only from our share of the 4,500 Crores of capex that the joint venture company will need to do as required but it will also allow Aegis to take advantage of future projects that we will do join through with Vopak and that is what is all about ultimately this whole deal and why we did it with Vopak by the way was not to generate cash but it was all to say okay how can we actually together with the world's largest tank storage company how can we jointly do more projects, faster projects using and actually have the financial strength to be able to invest in those projects which will give future profitability to Aegis shareholders and that is really the basis so I hope that clarifies I think we have been through this several times even in previous calls but the numbers add up and that is the way we restructured it so that we would actually extract this amount of cash up to Rs. 2,766 Crores in Aegis as a result of this transaction.

Rajat Sethia: Understood Anish, so basically for any future capex in the JV, JV would be raising more debt because this debt will essentially be going towards the deal consideration to Aegis correct?

Anish Chandaria: That is right and of course exactly and as I said for the future capex depending on making sure that we do not go above that 0.5 to 1 debt equity ratio if we can raise more debt in the JVCO as long as we remain within that limit to fund that further capital of course the JVCO will be throwing out its own free cash flows which will also go towards that capex but then there is the two shareholders Aegis and Vopak are ready to put in further and we will have to put in further amounts we will see whether it will be in the form of equity, whether it be in the form of share all the loans whatever it is or preferred stock whatever it is but both shareholders will make sure that the JVCO can fund its capex program of up to 4,500 and we fully expect to recycle some of that Rs.2,766 Crores into the JVCO and Vopak will do its share 49% prorata.

Rajat Sethia: Understood thanks.

Moderator: Thank you. The next question is from the line of Sriram Rajaram from Ratna Traya Capital. Please go ahead.

Sriram Rajaram: Yes, I just have one question from my end. This is regarding the minority share of EBITDA post Vopak deal what would be the percentage of assets that would be taken out in terms of minority so you can give some broad range in terms of EBITDA that we use?

Anish Chandaria: Yes again we have answered this question on several other calls but you are not on the calls so I ask Murad because he has all the figures there with him, Murad you want to just answer that question about what share of EBITDA will go out into the joint venture company from…

Murad Moledina: Yes as per the estimates of FY2022 we estimate around Rs.90 Crores of EBITDA to go to Vopak from this deal, from the businesses which are being put into the JVCO.

Sriram Rajaram: Okay absolute amount is Rs.90 Crores?

Murad Moledina: That is the estimate from FY2022 projection.

Sriram Rajaram: That is very well. Thank you.

Moderator: Thank you. The next question is from the line of Jayveer Parekh from Sunidhi Securities & Finance. Please go ahead

Jayveer Parekh: Thanks my question has already been answered.

Moderator: Thank you. The next question is from the line of Ankit from Bamboo Capital. Please go ahead.

Ankit: Thanks for the opportunity so if we look at it we will be getting close to Rs.2,500 Crores plus from this post completion of this deal from the JV as well as from Vopak and if we talk about the JV we have capex plans of let us say around the ballpark figure that you gave in the last call was around Rs.2,500 to Rs.4,000 Crores to be spent over the next three to five years and even if we assume there is a 1:1 debt equity requirement in JV for funding this project it will not be that significant to deploy the entire Rs. 2,500 Crores plus that we will be receiving and apart from that over the next three to five years as standalone we will be generating cash flows and even the JV will be generating significant cash flows so any thoughts on returning this capital to the shareholders and how do we plan to deploy such a huge cash that we have on our standalone basis I know it is still early days for you to decide but if you can broadly throw some light on whether giving money back to the shareholders will make more sense than deploying this money into the projects?

Anish Chandaria: Yes I will answer that directly first of all let me just clarify one thing which I think you got wrong remember we said very clearly that the debt equity ratio of the JV company is there is a cap of 0.5 to 0.6 to 1 not 1 to 1 so we will not share anything more to fund Rs. 4,500 Crores of capex if we go above that therefore there will be a requirement of full share of the Aegis and Vopak to recycle or Aegis to recycle some of that cash amount into that Rs .4,500 Crores of capex up to Rs. 4,500 Crores of capex because we will not go above the debt equity cap of 0.5 to 1 that is the first thing. Second thing is, Yes you are right there will be certain amount of free cash flow from operations thrown off by the JVCO of course we will be seeing the Board will decide Aegis Vopak Board will decide whether some will go into dividends and bulk of it yes will be going into the debt service of that we are going to take that we took part in the JVCO so there will be some of that and some will go into the capex that is Rs. 4,500 Crores so that is the balance that we will have to judge but there is no question in our mind that both Aegis and Vopak will have to pump in further funds into the joint venture company in order that we do the projects, now let me be very clear on this the whole point of this deal with Vopak is to actually do implement those projects as possible as long as they are commercially viable and high return projects the whole what you would all like to hear as Aegis shareholders presumably like me is that we can accelerate the growth and therefore the profits ultimately once the projects get commissioned as long as that regardless high profitability projects which they are so we want to make sure that both Aegis and of course Vopak and the joint venture company itself can fully fund at on demand actually when those projects happen we do not want to be scrabbling around for months on and saying oh how are we going to fund those projects so as soon as we can do those projects finance will not be a constraint from either Aegis, Vopak or the JV company because the whole goal is as soon as we can physically do it on the ground implement those projects one constraint will not be there in terms of finance, management constraints would probably not be there in the sense that now we will have the bench strength of Vopak Global to help us including and by the way even before the deal is closed I can say this the Vopak projects team have already been in touch with the Aegis projects team looking at some of those projects that we have to start working so even though the financial transaction is not closed yet the work is already started between Aegis and Vopak so ultimately it is all about delivery and execution on the ground that is what is going to result in extra profits for Vopak as well as Aegis 51% and doing it as fast as possible and that is how the whole deal has been structured so I hope that explains the thing the clear thing is debt cap of 0.5 to 1 in the joint venture company that we will be conservative both shareholders have written that into the joint venture shareholders agreement but we will not go above that cap and therefore both shareholders of Aegis and Vopak to fund as required those as a capex plan not only for the next five years but beyond but of course the next five years is most clearly to find….

Ankit: My second question on this deployment on this Rs. 4,500 Crores capex plan that we have in the JV if you look at the Kandla has been our largest terminal and that consumes hardly Rs. 400 Crores of capital so it is still early days but such huge deployment of capital even for setting new terminals you will not be needing such huge capitals, some color on what kind of capex spend we will be doing in that JV that will require such huge capital over the next three to five years?

Anish Chandaria: Yes sure actually the whole clue is this that we will be doing a bigger size project than what Aegis has been doing in the past but we will be also doing different types of projects not just LPG terminals or liquid terminals of the size that Aegis will be built so you are absolutely right if you look at the Kandla LPG project the capex was Rs. 350 Crores, if you look at Mangalore liquid terminals project 50,000 KL the ticket sizes were much more that is what Aegis could do, but now this we have tied up with Vopak what we have jointly agreed with over eight, nine months of discussion is that now we can actually jointly do much bigger size LPG terminals, other types of projects and multiple projects including connectivity projects like railway gantries all at the same time but you ask for flavor we will also be doing I just give you an example things which Aegis has not been doing in the past for example and this is in our presentation of the deal you can look at that on the website the two partners the Aegis and Vopak will be looking to invest in jetty construction that is not anything that Aegis has ever done in the past with all those type of costs and why are we doing that so that we can actually have more for example LPG throughput to allow VLGCs to come in is going to be important that is the constraint that we have to increase the throughput volume so we will be investing in perhaps one or two already those projects have been identified let us see whether they are one or two but one is almost certain. The other types of projects that Aegis has not done which is now going to be in the scope of the Aegis Vopak joint venture will be what a Vopak called industrial liquid terminals and this is something that Vopak does in other countries in the world that they would like to introduce into India that they built something like half a million to one million KL or cubic meters of storage dedicated to a large multinational customer that they have let us take an example, let us call it as petrochemical customer who basically outsources to the Aegis Vopak joint venture the whole building in operation of logistics infrastructure dedicated for them in their complexes so it is like a terminal within their complex and those are large ticket sizes half a million to one million KL to whole of Aegis to take is in terms of liquid terminal capacity I think the current figure is over 800,000 KL and we are talking about in this up to Rs. 4,500 Crores doing a couple of those industrial terminals so those are not just pulled up on deals, these are deals that Vopak has been working on as far as India is concerned and with particular multinational client and of course we have to see whether those deals happen or not but they think that they pay good and hence there is a range of Rs. 2,500 Crores to Rs. 4,500 Crores so I hope that shows you that this joint venture with Vopak enables Aegis to do projects of a different size and these types of projects that we have not done before including the VLGC jetty including the industrial liquid terminals as well as a bigger size LPG projects that we have not been able to do in the past and that is the benefit of the Aegis and Vopak working together and all of which if they are highly profitable will result in greater profits for Aegis ultimately 51% of it in Aegis in a condensed timeframe of five years rather than taking 10-15 years and what I have said in the last couple of weeks is look never in the history of Aegis have we seen that type of capex program of Rs. 2,500 to Rs. 4,500 Crores over a period of five years and we talk in hundreds of Crores over two years so you know the reason we can do that is we are going to do it together with Vopak and that will ultimately result in profits growth for earnings per share for Aegis shareholders.

Raj Chandaria: There was another part of your question I believe the earlier part which is other than the joint venture growth opportunities which you alluded to and the deployment of that cash was your question, also that as far as Aegis shareholders are concerned what would they see that because Aegis as a standalone entity will also have substantial cash inflows on an ongoing basis from its retained businesses and of course it will be sitting on a fairly healthy cash balance as well and I think your question was first part of your question was what about Aegis shareholders directly and I think two things I would add to what Anish has just commented obviously Aegis is going to be focused on expanding its retained businesses the retail LPG business and any other opportunities which come up so we will definitely be looking at that and the second point is that the Aegis Board has in terms of capital return policy to shareholders already has a fairly established dividend policy and we intend to continue growing our dividend every year in line with what is reasonable and in line with the profits growth of the company so the Aegis shareholders will definitely not be forgotten but our objective is obviously to continue to deploy capital in profitable and where there is high return on invested capital projects.

Anish Chandaria: I remember the first part of the question and I just add to what Raj said absolutely right which is that we think now at Aegis with the Vopak deal but also the business that Aegis retained 100% which is the retail LPG business as well as Mumbai terminals particularly the LPG terminal we think that there is also a lot of growth there and in other words Aegis through its joint venture with Vopak as well as its existing business 100% owned businesses there are enough projects and profitable opportunities and acquisitions out there to deploy into that which would be rewarding to shareholders rather than just return capital to shareholders in the form of buybacks or dividends that is absolutely our policy that we think there are great profitable opportunities out there which we can get high returns. If the day when we have run out of things to invest in and grow then yes then the question may come okay let us have higher dividends and Aegis stopping such a growth company but that day has not come yet and we are nowhere near that I think whole point of the Vopak deal is actually to enhance the scope of profitable growth opportunities and we believe that we have been able to kind of at least show people the direction which we are going to work and I think ultimately that is good for all Aegis investors and shareholders to see that the company can actually deploy capital into high growth and highly profitable opportunities but we are nowhere near running after that for many years to come and I think that is what at least people would like to hear that Aegis is actually putting his foot on the growth.

Ankit: The kind of projects that you alluded to large storage tanks, do you think that this kind of capital you might also be able to and the technical expertise of Vopak we might also be able to reduce the construction timelines and let us say such a large project and normally we have seen for our previous projects we usually take at least two years to construct and getting approvals and all so the timeline for construction of these projects can that also be reduced with the Vopak expertise?

Anish Chandaria: I do not think so because Aegis has expertise and we have proven that we are amazingly fast in terms of how we execute these projects in these conditions as well as in terms of the costing of these projects, in fact one of the things that attracted Vopak to Aegis apart from having the network of access that we already do is its project execution capability because it is recognized by those factors this is really quite frankly excellent performance so that is the strength that Aegis brings to the table I do not think that is something that we will be able to tremendously improve because it is already at a very high level but what will help with Vopak is they shared number of projects that might be going on simultaneously throughout the country in different parts of the country we will need more projects friends we will need more people and the good news is as I said Vopak projects department is already helping out so we just have more people to be able to do multiple projects and we do not have to just do one or two projects at one time we can do multiple projects and then the faster we can do multiple projects and deliver them on the ground the faster it translates into profits which is what we are all interested so I think that is the benefit of Vopak but not really increasing the speed of. Murad you want to just comment on that because you are very much involved with the projects team as well?

Murad Moledina: Yes you are right that Aegis has been the best in the business of execution of projects and as far as Vopak is concerned I think yes they will give us technical expertise on projects which will help us maybe to like you have said get to into new products as well as to improve if there is any room to do so in whatever way we have been doing in past years.

Ankit: Yes thank you so much that is very helpful.

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

Himanshu Yadav: Thanks for the opportunity. Two questions, one is Anish do you think FY2023 the throughput volumes will be able to cross five million tonne and second clarification from Murad you said for FY2022 estimated EBITDA share to Vopak is around 90 Crores how have you arrived there because in the deal call you said 248 Crores is the EBITDA which is for the assets which are kind of going into the JV so how this Rs.90 Crores maths worked out?

Anish Chandaria: Yes let me take the first one now and I will ask Murad to answer the second one. On the first one obviously I am not going to give targets for FY2023 in terms of LPG throughput volumes in this call or publicly we do not do that we give very specific forecast of that but listen let me put it this way if you go to our slide which is the throughput capacity slide 12 once the Kandla terminal is ready we will be able to handle 9.6 million tonnes of LPG and last year we did an actual throughput of below 3 million tonnes I think I cannot remember the figure it was 2.9 or 2.8 million tonnes something like that so the whole goal will be to drive towards first the full capacity utilization 9.6 million tonnes. I am not going to give as I said the forecast of FY2023 but it is going to depend on how much throughput we can do full year of operation in Kandla in FY2023 it is obviously going to continue to depend on the Pipavav railway throughput and all those issues, Haldia to increase so what I am saying is that the whole game plan is how to increase from 3 million or 2.9 million, 2.8 million last year towards the full capacity utilization it is going to take some time, there are specific things that we need to do in Haldia, there are specific things we need to do in Pipavav further, there are things we need to do which actually is part of the plan with Vopak but the faster we implement those things which is in the business plan some of them are connectivity issues they are faster we can get those throughput volumes and the way I would best describe it is we want to make all the terminals of Aegis and Aegis Vopak the LPG terminals the most preferred terminals to be used by IOC, HPCL and BPCL as the main users of these terminals and the way to do that we know exactly what we have to do. I think we need to make sure that they have the lowest delivered cost of LPG but there are still things we need to do to get to that stage so I think that is what we are about and I think you will see over the coming years I do not want to just say FY2023 you will see rising figures of throughput volumes not because I think so because Aegis is a nice company, Vopak is a nice company but because the users the customers realize that this is the most efficient way and the cheapest way of delivering LPG to where they want it in other words their bottling plants and there is a whole host of things we need to do some of which are already underway, some of which will be implemented over the next year. For example Kandla LPG the work that we are doing right now is to ensure the pipeline connectivity into the Loni pipeline for example that work is going on so that we do give the customers that lowest delivered cost to where they want it so things like that, these are all the things that we are building into our terminals, just building a terminal is not sufficient we have to do various things to make sure that they become the most competitive LPG terminals in India not there yet but that project work is going on and with the help of Vopak we will be really doing even better as far as all those things are concerned so I do not want to be tied into a forecast for FY2023 but what I would like to say is that the whole goal now of not only the joint venture Aegis Vopak but for Aegis itself is to having built this capacity and we are going to be building more capacity and LPG capacity is to drive up those throughput volumes which ultimately result in higher profits for Aegis and Vopak and together that is really the whole goal. The second question in terms of the EBITDA I will hand it to back to Murad to explain again one more time.

Murad Moledina: Rs. 248 is the total EBITDA of business in this joint venture however large part of it is Haldia LPG business in which Vopak is taking only 24% stake so as such if you then accordingly calculate it is Rs. 90 Crores EBITDA which is going for process.

Himanshu Yadav: Sure Sir I understood. So Anish thanks for the explanation other way of putting my question is how reasonable do you think is our estimate of having a 1 million ton run rate in the first year of operation for Kandla?

Anish Chandaria: Well if you look at it on a first year of operation rather than quarter-by-quarter I think we still are comfortable with a range of 0.7 to 1 million ton I think without looking at quarter-by-quarter annualized basis so I think we are comfortable with that as I said the most important thing needs to complete the project as fast as possible and to make sure that pipeline interconnection is there that is absolutely to the Loni pipeline because then it is almost becomes let me be careful not to say a no-brainer but it becomes a very extremely competitive way of delivering LPG to where the customers wanted that because that is the conversation that we had with the customers so that is why we are comfortable with that 0.7 to 1 million tonne as the first full year of operation we need to do that but the project is not over we are still completing that work as we speak but we are confident that we will be able to maintain or hit that budget definitely, 0.7 to 1 million tonne the first full year of operations of Kandla and by the way that is also in the business plan of the new Aegis Vopak joint venture company budgets and financial plans so Vopak is also should we say endorse that figure.

Himanshu Yadav: Sure. Thanks.

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

Anish Chandaria: Actually this time maybe I prefer Raj he can summarize. Raj if you can just summarize what we talked about as far as FY2022 and beyond that will be probably quite useful for everyone.

Raj Chandaria: Yes certainly so I think obviously we are not particularly happy with Q1 of this year Anish explained in detail some of the reasons behind the lackluster performance but we are definitely seeing signs of a bounce back and return to more normal business conditions and on that basis getting our strategy back on track Obviously the announcement of our strategic partnership and joint venture with Vopak is going to have a significant and major impact on every quarter and every year going forward given the plans that we have and the capacity and capability both from a financial and managerial perspective to capitalize on the opportunities of India back on its feet. These opportunities and the growth plans obviously will not materialize every quarter in strict cadence but there is a clear plan and I think I would like to convey to all our investors that we are extremely positive and confident on the outlook for the company despite some setbacks that I think most companies have had in recent months, but we are we are very confident as far as the future goes, so that is it from my side. Thank you.

Moderator: Thank you very much members of the management. Ladies and gentlemen on behalf of Aegis Logistics Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.