"Aegis Logistics Limited Q3 FY-20 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Aegis Logistics Limited Q3 FY20 Earnings Conference Call.

This conference call may contain forward-looking statements about the company which are based on the believes, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involves 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, please signal an operator by pressing '*' then '0' on your touchtone telephone. 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 Q3 results for financial year '20. It was a superb set of results in quarter 3, up significantly quarter-on-quarter as well as year-on-year. Total revenues from operations was Rs. 2,169 crores versus Rs. 1,320 crores a year earlier. That is a rise of 64% year-on-year.

EBITDA for the group was a huge Rs. 157 crores versus Rs. 103 crores a year earlier. That is a rise of 53%, and that is a cumulative Rs. 402 crores of EBITDA for 9 months of this financial year 2020.

Normalized profit before tax, by which I mean excluding the noncash accounting charge of the employee stock plan of Rs. 42.1 crores for Q3. So normalized profit before tax, excluding the ESPP charge was Rs. 130 crores versus Rs. 76 crores a year earlier. That is a rise of 71% year-on-year. And even that figure of Rs. 130 crores are much higher than the normalized quarter 2 pretax profit of Rs. 104 crores. So this quarter was really a fantastic quarter, Rs. 130 crores of normalized profit before tax.

The normalized profit after tax for the group was Rs. 101 crores versus Rs. 65 crores a year earlier. That is a rise of 55%. And the normalized profit after tax after minority interest, in other words, the profit after tax available to common shareholders was Rs. 92 crores for Q3 versus Rs. 59 crores a year earlier. That is a rise of 56% year-on-year.

So I think you will agree with me, this is a great set of quarter 3 results. We have clearly gone up a level in profits in this financial year, and certainly, in quarter 2 and quarter 3.

Now I will go through the segment analysis to show you the underlying reasons for this set of results. Starting with Liquid Terminal Division. The revenues for quarter 3 were Rs. 54.8 crores versus Rs. 46 crores a year earlier, that is a rise of 19% in quarterly revenues year-on-year. The EBITDA for quarter 3 was Rs. 35.6 crores versus Rs. 24.6 crores a year earlier. That is a rise of 45% year-on-year in the EBITDA for this division.

So a very pleasing rise, and that confirms that the new capacity we have built in Kandla, Mangalore and Haldia is really performing now with full terminals and very good profitability. And that is good to see that the operating profits are doing very well in this division.

Now I will go through the Gas Terminal Division. For quarter 3, revenues were Rs. 2,113 crores versus Rs. 1,274 crores a year earlier. The EBITDA was an excellent figure, Rs. 121.8 crores for 3 months versus Rs. 77.9 crores a year earlier, a rise of 56%. Not only did we cross the Rs. 100 crores in the quarter decisively, but a 56% rise year-on-year shows a truly healthy picture for the Gas division with all market segments in this division rising, as I will explain now with the sales volume analysis.

Starting with the throughput volumes, the LPG handling volumes in our 3 terminals of Mumbai, Haldia and Pipavav, I am really pleased with this figure. It was a massive 958,293 metric tons handled for quarter 3, versus 572,040 metric tons a year earlier. That is a big rise of 68% year-on-year in the LPG volumes handled in our terminals. And just short of 1 million metric tons in a quarter. And by the way, that is even a very large figure compared to the last quarter, which was 751,000 metric tons in quarter 2. In quarter 3, as I said, it was just short of 1 million metric tons, 958,000 metric tons. So it is a really great quarter.

Haldia terminal was record volumes. Mumbai with IOC, HPCL and BPCL, all bringing imports like in quarter 2, was a record as well. Pipavav was also good. So record throughput volumes handled in quarter 3.

Coming to the second segment, bulk industrial sales that is to bulk LPG sales to industrial customers was 26,368 metric tons in quarter 3 versus 23,132 metric tons a year earlier, that is a rise of 14%.

The commercial and domestic cylinder segment, that is sales to hotels, restaurants and small-scale industries, under the Pure Gas brand, Aegis Pure Gas brand, and the domestic household segment under the Aegis Chhota Cikander brand saw really a big rise of 50% year-on-year. So quarter 3 sales were 6,551 metric tons versus 4,371 metric tons a year earlier. That is a rise of 50%, and that is a result of our increasing distribution network and the number of bottling plants on a national scale, resulting in this 50% rise in sales in the cylinder segment.

Auto gas was 7,328 metric tons in quarter 3 versus 6,006 metric tons a year earlier, that is a rise of 22%. That is a healthy rise in our 115 gas stations. There is more commissioning of stations on the way, and there is also a good pipeline of new dealers over the next 18 months or so. So that is a good, healthy performance in the Auto gas segment. I said, I think, in the last earnings call that I confirm that our margins have gone up to an average of Rs. 10,000 a ton EBITDA margins in the Auto gas segment. So every ton that you sell more is a very, very good rise in profits, and it adds to the healthy profitability picture.

The sourcing business in quarter 3. The sales volume was 441,848 metric tons versus 273,406 metric tons a year earlier. That is a rise of 62% year-on-year. I should say the outlook for this segment for 2020 is probably less sales volumes than 2019 as we did not win the IOC tenders for Kandla and Haldia, the recent tenders for 2020, which were as we had won it in the last year. But we are bidding for other tenders of BPCL, HPCL, et cetera, which are coming up in 2020. So this is a small margin business. But we do expect lower sales volume in 2020 compared to 2019.

So the summary for our Gas division. There was a big increase in sales volume across the board, leading to a 56% rise in EBITDA for quarter 3, and that is a really excellent performance.

Let me now finally turn to the outlook for quarter 4 and an update on the various projects that we are undertaking. Outlook for quarter 4. Liquid Terminal Division expected to perform similarly in quarter 4 as quarter 3, good high levels of revenues and profits. Gas division, we also expect to perform at similarly high levels of sales volumes in quarter 4 as in quarter 3, which is a really good signal to investors and analysts. We expect these kinds of elevated levels of profitability to be sustained, and it is not just Q2 and Q3 were good, but we expect this to be sustained, driven by the excellent performance of the Gas division.

Now coming to the projects update. The Uran-Chakan pipeline in Mumbai is expected to start in February, is going through its final technical approvals. So this will, obviously, be a good source of incremental volumes for the next few years, not only quarter 4 but going forward. But we expect this to start this month in February, subject to the final technical approvals.

Also the railway gantry project in Pipavav and the 2 new spheres, that project is on track. We expect that to be commissioned in quarter 2 of FY '21, that is in the next financial year. And that is a very important project as well for the future of sales volumes in Pipavav. That project is on track.

Next, the Kandla LPG terminal, which is a very large project, which we have ongoing. That is also on track. We expect that to be completed on schedule in Q3, quarter 3 of FY '21. That means October, November, December of 2020. And I repeat, we have budgeted sales volumes for FY '22 of 1 million metric tons. That is incremental 1 million metric tons coming out of Kandla is our budget for FY '22.

So conclusion is that all systems go for Aegis in FY '20 in the current financial year. FY '21, FY '22, FY '23, in other words, the medium term, the next 3 years is looking bullish for earnings per share growth, driven mainly by booming conditions for LPG demand and our capacity increases that I just mentioned.

And finally, the Board has approved an interim dividend of Rs. 0.5 per share, that means 50 paisa per share with a final dividend to be considered by the Board in May.

So that concludes my presentation. We can now take questions.

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

Jiten Doshi: And as I see, the next 3 years look very good, which you stated, what would be your plans to use this nearly Rs. 2,000 crores of cash that you aggregate over the next 3 years? I mean you are going to face a very good problem. It is a problem, but it is a good problem to have because as we can see through the situation, you all are going to be accruing nearly Rs. 2,000 crores of cash flow over the next 3 years. And I think this is what sets the company in another orbit.

Anish Chandaria: Well, I would not confirm that figure. But yes, as we have discussed many times face-to-face, I think, first, this, obviously, means a healthy dividend policy, a healthy dividend growth rate that we can take if earnings per share is going up, then obviously, shareholders can also be rewarded. However, I have to say, we are retaining quite a bit of those funds in the company because beyond the projects that we have announced already, which is in the public domain, there are a number of projects that we are working on right now. So we expect to be able to implement those projects.

So it is a growth company, and we will continue to invest in those projects. And I think that is what you would expect. It is because of the excellent conditions in the LPG business, which we expect to continue for a number of years, not only the next 2, 3 years, but a number of years, we will be investing in those projects, particularly in the Gas division. And not only terminals but also, I should say, we are heavily expanding the distribution network and LPG bottling plant network, actual capital expenditure that we are doing in order to become a national player in the branded retail business of Aegis.

So that is, basically, the direction we are going. More dividends in other words, more profits mean more dividends for shareholders, but also more growth. But obviously, we will announce those projects as we see. And the clue is, if you look at our investor presentation, let me see which page that is, we have modified our investor presentation, which I hope everyone has seen, and you can actually see some clues as to how we are going to be investing.

For example, we have put there on Page 22, our retail LPG 5-year growth plan. For example, we have actually talked about expanding LPG terminal capacity further beyond what we had already announced. So that gives you a clue as to some of the projects that we would be doing. For example, on Page 21, there is a map which shows medium-term plan 2020 to '25 to further increase LPG capacity.

Jiten Doshi: So what is the location in South have we all finalized that?

Anish Chandaria: No, not yet. Not announced it. So that is why we put that chart. We said one additional LPG terminal in the South as well as debottlenecking and possible expansion at existing terminals in Haldia, Mumbai and Pipavav. So that gives you a clue as to where some of that free cash flow is going.

Jiten Doshi: So you know your execution is world-class. You are growing very quickly and executing all your plans to take your capacity to nearly 10 million metric tons as a throughput capacity. So basically, when do you think you will hit that capacity, in 3 years' time?

Anish Chandaria: I think what I would like to say is that, let us call it, 3 to 5 years. You are right that we are very fast in executing. But some of the new projects, which would take us to, say, for example, 10 million-plus metric tons. I do not want to fix on that figure of 10 million metric tons because of things that are going on right now. So 10 million-plus metric tons of capacity, I would give it 3 to 5 years because some of the new projects, which are not announced. Obviously, we are looking for land. Obviously, their permissions, et cetera. So 3 to 5 years is probably a good description of the next cycle of investment.

Jiten Doshi: So I think any person who is just putting your numbers together can see that you can grow by 20%, 25% over the next 5 years? I mean, it is a no-brainer.

Anish Chandaria: It remains to be seen, but I would say that we are definitely targeting a good and high earnings per share growth for sure.

Jiten Doshi: That is right. And I think what is actually worrying us is you have already answered that you have enough number of projects on the drawing board, but I think there is going to be thousands of crores of cash over the next 3 to 5 years that you need to deploy apart from giving dividends, which I hope that you all are looking at new projects on the drawing board?

Anish Chandaria: Yes, we are. But I am not going to announce them today.

Jiten Doshi: Fantastic. Wishing you all the very best.

Anish Chandaria: We are always looking for a fresh project, but you will.

Jiten Doshi: So that at least you will go to remain as a growth company for at least the next 5 to 6 years, minimum.

Anish Chandaria: Well, we aim to be a growth company for longer than the next 5 to 6 years, I mean.

Jiten Doshi: Fantastic. Great. Keep it up, all the very best. Wishing you the best for the next quarter and the year ahead.

Moderator: Thank you. We have the next question from the line of Shaleen Kumar from UBS Securities. Please go ahead.

Shaleen Kumar: Sir, you said 1 million tons for Kandla. That is a pretty significant number, while you have proven Haldia as a key successful factor, but the difference was that, in case of Haldia, you had an anchor customer. In case of Kandla, we do not have one. So that 1 million ton, like, have you been talking to your key clients or what kind of visibility you have?

Anish Chandaria: Yes. So I think I made very clear that we are talking to all 3 customers, IOC, HPCL and BPCL every day. We are doing it now well in advance and have been doing well in advance when we commissioned it. Hence, our budgeted figure of 1 million metric tons is not pulled out of the air. It is based on certain conversations, certain discussions with these 3 oil companies.

And I mentioned that connectivity of Kandla not only by road but by other means, including pipeline and rail are absolutely crucial to that. So I would not say more, but these discussions are ongoing. They are going well. And by the time we commission the terminal in end of 2020, we do expect that we will meet that budgeted figure in the next financial year, FY '22, of 1 million metric tons. So that figure is not pulled out of the air. But I think that is basically what we expect. We are confident of that figure.

Shaleen Kumar: And just one more question related to same. In this 2022 for 1 million metric ton, you have assumed evacuation through all the 3 ways like road, rail and pipeline or it is limited to 1 or 2?

Anish Chandaria: It depends on those discussions, they are still going on. So they are not over yet. So it depends on which ones get settled. But road is for sure. The other 2, which means pipeline and rail, the discussions are ongoing. So we will see what gets sorted out. But all 3 ultimately are important for Kandla. But we will see how things work out and set those ongoing discussions well in advance of commissioning almost a year in advance of commissioning the terminal. So we will obviously be able to give a better update closer to the time. But at the moment, we are feeling positive.

Shaleen Kumar: Sorry to hopping on the same thing. Okay, let me put it this way. Assume that you do not get pipeline in next 1 year, assuming. Hopefully, you get it, but let us assume you would not get it. And you get only road, let us say. So still you are comfortable of delivering 1 million metric tons?

Anish Chandaria: I think the pipeline and/or rail are really crucial to that figure. So I think it might be difficult with road alone. So I think that is the crucial thing. But the reason I mentioned it very publicly is that there is, should we say, a good probability, nothing is done till it is done, but there is a high probability of those things getting sorted out. But nothing is done till it is done.

Shaleen Kumar: And you said, for fourth quarter, you are expecting the same kind of strong quarter as what we have seen in third quarter. So can we expect same kind of a quantum of gas volume in the fourth quarter as well as a liquid growth?

Anish Chandaria: Well, I mean, obviously, we do not know the exact figure. But when I say we expect similar levels, that means that we have gone to a different level in Q3. And while the number may not be exactly the same as Q3, but we expect similar levels, yes, in Q4. And the LPG throughput volume is a very key part of the profitability of Aegis. So while I cannot forecast exactly to the exact ton, but we would not be expecting to go down massively from those numbers. Obviously, January has already passed. Business is good.

When I say we expect to continue with similar levels sustained, not only for quarter 4 but going forward into the next financial year, there will be fluctuations quarter-by-quarter, but we expect to sustain these kinds of levels.

Shaleen Kumar: Just last one from my side. So understandably, like Mumbai, we almost run full LPG. And Pipavav, there are some constraint related to rail. So is it safe to assume that a significant part of growth in this quarter has come from Haldia?

Anish Chandaria: No. Actually, in quarter 3, not only was significant part of growth in Haldia but significant part of growth was Mumbai as well. Mumbai was much higher in quarter 3 than Mumbai volumes in quarter 2. So we continue to grow in Mumbai, and it will be added to when this Chakan pipeline is done.

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

Kashyap Jhaveri: My first question is on gas side, if you could help with the client contribution in terms of volumes for various OMCs in terms of this year's volume? And by FY '22, what could it look like?

Second question is on liquid division. If I look at liquid EBITDA, that was roughly about Rs. 90 crores, Rs. 92 crores in FY '17, and it is just about Rs. 130 crores now, whereas gas EBITDA has almost doubled versus who are more than doubled over the same period. If I look at liquid ROCE, that is now about a single-digit number versus 20% if I look at period between FY probably '15, '16, '17.

So in terms of liquid, we have not seen as much spectacular numbers as what gas has done. So if you could throw some light on that division as to what we could do in future? Or what are the plans for that division also to probably fire as much as what gas has done?

Anish Chandaria: So yes, 2 questions. First, on the gas breakup of volumes by customer. We do not give that information publicly, but IOC, HPCL, BPCL are 3 customers. There are different levels of volumes that we handle in each terminal. For example, we do not handle any IOC in Haldia, but we do handle IOC in Pipavav as well as Mumbai. HPCL is much larger as in Haldia because it is the anchor customer.

So we do not give the exact breakup, but the good news is the 3 national oil marketing companies, they are all customers. And they are all importing at various locations. And obviously we expect that to continue depending on which terminal.

As far as the liquid EBITDA is concerned. Now this is a very important point. You took return on capital employed as a measure. Look at the quarter 3 results. I have not actually worked out the quarter-on-quarter 3 basis, but we had a record EBITDA in this division in quarter 3. It was something like let us see, it was Rs. 35.6 crores. Now you are absolutely right that if you take a longer period, the EBITDA in this division has taken some time to rise.

But quarter 3 was a really good figure of Rs. 35.6 crores, a record figure Rs. 54.75 crores, of revenue. So this division has as we takes a little longer as we commission the terminals to get the right product mix. But I am saying, actually, Q2 and Q3, you are beginning to see really good numbers in EBITDA. So just the last 6 months, that means Q2, Q3, you are now beginning to see the kind of profitability.

So I do not recognize the single-digit figure that, obviously, if you take previous quarters that may have been the case, but we are now approaching the kind of 20% target, 20% return on capital in this division, which I think is reasonable. However, returns on capital for the gas division are spectacular. I agree with you, they are higher than 20%. And that is a fact. The Gas division is growing very fast. The gas division profitability, return on capital is much higher than the kind of 20%, and I think that is wholly good.

So I think that is the fact. And you now see that the Gas division represents more than 75%. I think in this quarter 3, if I see the pie chart, it is 77%, that is on Page 13. 77% of total operating profits is now Gas division and 23% is liquid. Just a few years ago, that used to be 50-50. But gas is clearly growing faster and is more profitable. So I think we can expect that to continue.

The Liquid Terminal Division will continue to grow at a slower pace than the Gas division. It will continue to operate at lower profitability, but 20% is still a reasonable target, I think, in terms of return on capital. It just so happens that the Gas division is spectacular. And I think that is going to continue.

What you will finally expect to happen is that the overall profitability of the group, which clearly is driven by the Gas division, that should continue, which I said for the next 3 to 5 years. And we will continue to invest a lot into the gas projects. In fact, the CAPEX program that we see is limited CAPEX in the Liquid Terminals Division. But much more growth in the Gas division.

So I think that is the pattern that you would expect that the Gas division is going to continue to grow very well. And the Liquid Terminal Division will remain as a good profit, good cash flow, but not at the kind of spectacular levels to quote you for the Gas division.

Kashyap Jhaveri: And where my question comes from is that liquid gives us a lot of bandwidth in them or a lot of de-concentration in terms of clients, whereas gas is like probably about just 3 customers. So that is why this question that, in liquid, it just helps us diversifying the risk.

Anish Chandaria: Yes. I think that is a fair point. I agree with you that one of the reasons, by the way, the Liquid Terminal Division has been a core business of Aegis for many years. But you are right, it is good to not put all the eggs in 1 basket or 3 baskets. So I think diversification is a good point. However, it is just a fact that the Gas division is growing so fast that the mathematics are clear that if you are growing at such high pace, then it is increasingly going to take a greater share of Aegis group profits.

But look, on the Liquid Terminal Division, one thing which investors should and analysts should recognize is that there are some growth opportunities there, probably not so much from just increasing capacity, but also the fact that there is more petroleum retailing going on and new and more stations, et cetera, which does mean.

Yes. So I was just saying that we do see growth, particularly from petroleum because of petrol and diesel retailing more private entrants and more revival of stations, et cetera. So that means they need more terminals. So I think there will be continued growth in the Liquid Terminal Division. It just would not be as higher growth as the Gas division.

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

Rajesh Kothari: My first question is with reference to there is some confusion on this distribution business. Your slide mentions on top, rupees, crores; and then in below, it mentions volume. So is it volume or is it revenue?

Anish Chandaria: Which slide is that? Can you give us the number, slide number?

Rajesh Kothari: Yes, LPG volume distribution, Slide #26.

Murad Moledina: It is volumes, Anish. It is volumes.

Anish Chandaria: That is a mistake. So just take out the rupees in crores, it is actually metric tons.

Rajesh Kothari: Sir, is it possible for you to share the revenue for the distribution business?

Anish Chandaria: Revenues, I do not have off the top of my head. There are different market segments, different prices. Murad, do you have any rough idea of revenues here. If you can apply it by weighted average?

Murad Moledina: No, we do not give that. It is not very relevant in that sense.

Rajesh Kothari: Okay. Because you mentioned that Rs. 10,000 operating profit per ton, that is blended or is it for a particular segment?

Anish Chandaria: No. Auto gas segment, I said, was Rs. 10,000 a ton, the EBITDA margin. So the revenue figure would be different. That is the EBITDA margin.

Rajesh Kothari: Yes. but that is for only 1 segment, am I right?

Anish Chandaria: And the EBITDA margin which is normally for the cylinder business and the industrial distribution business is around Rs. 3,000 to Rs. 4,000 a ton.

Rajesh Kothari: Understood. Because if I look at your overall Gas division EBITDA and if I divide it by the total volume, then, of course, I get very high realization or EBITDA per ton because retail is also included in this. So I was just trying to understand that how your overall Gas division EBITDA per ton, excluding what I would say, distribution business, how that is moved in this quarter?

Anish Chandaria: Well, look, it is pretty straightforward. And we try to be transparent and open as possible over the last few years. So if you multiply the volume figures, which are our sales volume figures, which I always give out, for example, for quarter 3. And we say the EBITDA margin for the LPG throughput volumes is around somewhere between Rs. 1,000 to Rs. 1,200 a ton, that gives you the EBITDA figure.

Then I will give you specific volumes for Auto gas and you can multiply that by roughly Rs. 10,000 a ton, et cetera, and Rs. 3,000 to Rs. 4,000 for the industrial and all that. I think it is kind of an LPG model.

Rajesh Kothari: My second question is with reference to the FY '21. So as we enter FY '21, I understand that because of this Chakan line, the Mumbai definitely will see good growth. Pipavav will see good growth because of the railway. And Haldia, also, should we see better growth as we move into FY '21?

Anish Chandaria: Yes. So if you look at Page 20 of the investor presentation, which I have called the path to increasing LPG throughput volumes. It really says it all there, that we see, as you rightly said, Uran-Chakan LPG pipeline, which we believe will see potential incremental volumes. We believe the railway inter-connectivity in Pipavav will see potential incremental volumes.

And new terminal at Kandla, yes. I did not mention Haldia, but we do expect to see further growth in Haldia, although we have already seen very high levels in Q3, as well as quarter 2. So I did not mention that in the slide, but we expect Haldia to continue to grow. There is no new project right now in Haldia, but we expect that to continue to grow. But it is already at very elevated levels in terms of the volumes.

Rajesh Kothari: I see. So this Kandla project, which you are mentioning to be completed in Q3. So basically, you are saying by December, the Kandla will come on-stream? That is what you mean, right?

Anish Chandaria: Yes. October, November, December of 2020, by the end of this calendar year, which means Q3 FY '21, we expect that to be completed.

Rajesh Kothari: And Haldia right now as you are seeing that you are already seeing very good high volumes in Haldia in 3Q itself. So do you think from fourth quarter onwards, on sequential basis, it is difficult to ramp up Haldia beyond that number?

Anish Chandaria: At the moment, I kind of said it, generally, we expect continuation of Q3 kind of performance.

Moderator: Thank you. We have the next question from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: I have 3 questions for LPG only. One, in this 958,000 metric tons, is there any seasonal element in the volume because when we look at quarter 3 and when we look at 9 months, the growth numbers look completely different. And if there is any pent up, which was there for first half, which got filled up in quarter 3?

My second question is, does this 958,000 metric tons include any Mumbai expansion volume, which was on account of that pipeline?

And my third question is, why is the unit profitability in LPG lower? So when we look at per ton basis, the unit profitability is lower and it is like 4, 5 quarters low number at about Rs. 1,100-and-some-rupees per ton. So 3 questions.

Anish Chandaria: Generally speaking Q3 & Q4 are the winter months, which means Q3, Q4 can be good. But I have to say, both with Q2, Q3, it is not really seasonal here, something which I was really trying to get across to all of you. Something has happened, which is that, we had a major breakthrough in Mumbai, which I mentioned in Q2, that BPCL in Q2 itself started taking quantities in our Mumbai terminal, even though they have their own terminal in JNPT.

And the reason is that they realized that the Chakan pipeline is coming, and they started bringing cargoes on industry ships, which IOC and HPCL were also bringing. So they realized that it is far more cheaper in economic to bring cargoes to Mumbai. So that was Q2 and Q3 as well. And so there is a different level of demand. Nothing really to do with seasonality over here. That is as far as Mumbai is concerned.

And Haldia has been going very strong as well. That is a result of bigger marketing volumes distribution network of particularly HPCL. So again, not really a seasonal aspect. So this is a different level of volumes, and we expect this to be sustained and grow further based on what I just said.

As for this Q3 figure does not include anything from Chakan pipeline, that has not even started yet. So it is already just so that is going to result in further volumes once that starts, further incremental volumes sustained over the coming quarters. So that is the really good news that the level that we have already reached of 958,000 metric tons does not even include the Uran-Chakan pipeline; does not include the railway gantry in Pipavav, which will be commissioned in Q2 of next financial year, FY '21. This is all further volume growth that we expect going forward.

I do not really understand the question of unit profitability. I think the way we have always discussed this is because there are so many different market segments, the best way is, I give you the sales volume figures per market segment, whether it is cylinder business, whether it is Auto gas, et cetera, or even the throughput business and give you roughly the EBITDA margins per ton, and those have remained stable or have even increased in the case of Auto gas for some years. So I think that.

Pritesh Chheda: So Anish, you did that. I took the EBITDA and the throughput volumes, and when I do that, the number comes to about Rs. 1,100 as your EBITDA per ton. This is different from Rs. 1,300, Rs. 1,350, which you are doing, let us say, since the last 2, 3 quarters, there is this deviation of Rs. 150, Rs. 200. So is there anything, which you want to highlight on this lower number?

Anish Chandaria: Not really. I have just said that the EBITDA margin was around Rs. 1,000 to Rs. 1,200 a ton, right, EBITDA margin on the throughput, which is confirmed by the figure that you said, which is Rs. 1,150, whatever you calculated. But I think there is a different customer mix with different prices. There are different terminals. So the exact figure will depend a little bit on which terminals were growing more, et cetera.

But I think you can take the kind of rough figure, I said, between Rs. 1,000 to Rs. 1,200 a ton EBITDA margin. That is basically what it is. But the main point is, volumes are growing so high margins are fluctuating between that range of Rs. 1,000 to Rs. 1,200 a ton. But the volumes, 958,000 metric tons versus 751,000 metric tons in the quarter before.

That is just quarter-on-quarter, let alone year-on-year, which I said was growing so fast. So I think the 958,000 metric tons versus 572,000 metric tons a year earlier. So I think the clear message is volumes are going up, margins are very stable, but volumes, that is the real story here. I hope that is clear. And I should also mention that the retail volumes, 50% rise, for example, in the cylinder volumes. It is not only LPG throughput volumes, but even those volumes are going up a lot with stable margins. So message is LPG volumes and all segments are going up in very large percentages. Margins are basically stable.

Pritesh Chheda: Sir, anything in the budget which affects us or benefits us?

Anish Chandaria: Well, obviously, the DDT, the dividend distribution tax, has been withdrawn on the companies. So the company will have less tax to pay on dividend distributions. I would say that is the major change. Murad, do you have any other comments on budgetary impact apart from that?

Murad Moledina: Yes. We are reviewing the budget as of now. But I do not think other than DDT, everything else is almost the same.

Pritesh Chheda: And what will be the taxation for FY '20 and FY '21? This is the last one.

Murad Moledina: I think on an average, we do 20%. I think that is what would be the case, approximately 20%.

Moderator: Thank you. We have the next question from the line of Ankit Gupta from IndiaNivesh Portfolio Managers. Please go ahead.

Ankit Gupta: Sir, gas prices have declined significantly, around 30% from November. So as per my understanding, sir, how do they affect our EBITDA per ton?

Anish Chandaria: So what I have been saying consistently for a number of years, and I repeat again, that our margins, rupees per ton, the EBITDA margins I mentioned are broadly stable because even though prices fluctuate every month, the actual international gas prices, we pass on increases or decreases after 1 month. So that is the way the industry is.

So in terms of profitability, most important thing is sales volume and margin, stable volumes, not prices. Prices do not really affect our profitability because we pass them on, and the whole industry follows that kind of thing that 1 month after the international LPG prices change in the Indian market based on whatever that was sold.

Ankit Gupta: But sir, in Auto gas, I believe, the change in prices is a bit delayed, right?

Anish Chandaria: It changes every month. So for example, they have just raised the price now based on the previous month's international LPG prices. That is normally set by the public sector. We are not price leaders. We follow their price. They have just raised the price literally days ago. So that is the way it is.

But I really do not think investors should get too worried about prices going up and down. That happens, but it is more to do with it is like petrol price goes up and down, but it is more to do with sales volume and margins in terms of profitability. As an academic exercise, one can see prices go up and down, but I do not see the relevance in terms of Aegis.

Moderator: Thank you. We have the next question from the line of Anup Lal from Mount Intra Finance. Please go ahead.

Anup Lal: Sir, I just want to ask you that in this current budget, the custom duty on very low-sulphur fuel oil has been decreased from 10% to 0%. So how do you think that what kind of opportunity it will give to you?

Anish Chandaria: It is difficult to forecast that immediately. I mean, finally, it depends on customers, which is who handle low-sulphur fuel oil. But there is a lot of refined low-sulphur fuel oil, which does not come through our terminal. So the very fact that they just reduced the import duty may not necessarily result in more imports because a lot of the product comes from which is stored with us is produced by the refineries. By the way, and I can just check this with Murad, I do not think we actually store very much low-sulfur fuel oil in our terminals, actually. So is that the case, Murad? I cannot.

Murad Moledina: No. We do not. It is not going to affect us.

Anish Chandaria: It is not, we do not even store most of that. So it is not going to affect us. We store a lot of other products, but that is at the moment and that means it is changed from many years ago. But we do not store, that I do not think, in any of our terminals.

Moderator: Thank you. We have the next question from the line of Subhanu Chakrabarti from SBICAP Securities. Please go ahead.

Subhanu Chakrabarti: I have only one question. So as you know that there is currently some major global risk going on with the corona virus and Iran crisis. And there is a chance of large-scale volatility that may happen in the chemical prices. So in case and God forbid something like that actually materializes, how do you think volumes would be affected for the liquid division?

Anish Chandaria: Yes, that we have been thinking about it. It is difficult to really comment on it because no one knows, to be honest, the impact of corona virus. All I would say in terms of overall Aegis business, given that it is highly concentrated as far as LPG and petroleum and many other things apart from chemicals, even if the worst happens, it would have a very minor impact on Aegis.

But at the moment, we have not really seen any impact so far. But even if there was any impact in terms of chemicals, as I said, we have not seen any impact, it would have a very minor affect as far as Aegis because, as I said, our business is chemicals, is relatively small part of the volumes now. But difficult to predict exactly what would happen.

Listen, we have seen episodes like SARS before, we have seen another financial crisis, all that. As far as Aegis' liquid business is concerned, it is remained pretty stable despite all those things. So that is the historical record, very difficult to predict the future as far as this impact of corona virus. But as I said, it is chemical volumes and all that is relatively small part of our business anyway. But the business has remained stable historically despite issues like this. So my prediction for what is worth is, I do not expect any real difference this time.

Moderator: Thank you. Ladies and gentlemen, we have time for one last question from the line of Dipan Mehta from Elixir Equities. Please go ahead.

Dipan Mehta: My question is regarding the ESPP charges. So by which quarter will the ESPP charge become 0? Is it by this FY '20 or till what and what will be the quantum, which is left to be written off?

Anish Chandaria: Murad, can you comment on that?

Murad Moledina: Yes. I think the total write-off will be around Rs. 335 crores, out of which Rs. 196 crores are done. So balance will be in the next year and one quarter of the year after.

Dipan Anil Mehta: So entire FY '21, you will have a similar charge for ESOP?

Murad Moledina: Not similar. It will be around Rs. 90-odd crores next year, and then the balance the year after Rs. 20 crores, yes.

Dipan Anil Mehta: So Rs. 90 crores will be in 4 equal installments over the next 4 quarters? Can you just give us an amount over the next 6 quarters, how this will happen?

Murad Moledina: The first quarter of next year will be Rs. 42 crores and then Rs. 17 crores.

Dipan Anil Mehta: No, for Q4, Q4 will be?

Murad Moledina: Q4 will be Rs. 42 crores, then Q1 of next year is Rs. 42 crores, and then Rs. 17 crores are next 4 quarters.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference back to Mr. Chandaria for closing comments. Please go ahead.

Anish Chandaria: Yes, thank you. A lot of questions today. I just wanted to summarize again. I think what Q2 as well as Q3 has shown is that we have gone up a level in profitability, particularly driven by the excellent volumes, sales volumes in all segments in the LPG business, all systems go for Aegis in FY '20 in the current year, that means we have only one quarter more.

But in the medium-term outlook, FY '21, FY '22, FY '23 is looking bullish, and we expect this continue to be driven by the increases in LPG demand and the increase in LPG capacity that we are building to take advantage of this.

Plus, I have to highlight the continued growth in the retail LPG business that we are doing by going national, and people should now start paying attention to the retail sales volumes as well, highly profitable margins, but also the sales volumes, which I remind you, 50% increase in quarter 3 for the cylinder business year-on-year.

So the direction change by the company into more retailing is very, very important and is going to remain a very important growth factor for many years to come as far as the LPG business segment is concerned.

Thank you for attending, and we look forward to talking about the quarter 4 results when they come out.

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