"Aegis Logistics Limited Q1 FY-16 Earnings Conference Call"

August 12, 2015

MANAGEMENT: MR. ANISH CHANDARIA – MANAGING DIRECTOR, AEGIS LOGISTICS LIMITED.

Moderator: Ladies and gentlemen, good day and welcome to the Quarter One FY-16 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 involved 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 this conference, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anish Chandaria – Managing Director of Aegis Logistics. Thank you and over to you, sir.

Anish Chandaria: Thank you very much. I am going to present today the quarter one results April to June for FY-15-FY-16. The headline I would like to say at the start is in the all-time record set of results for Aegis Group in quarter one. We are very happy with the results that we are going to present.

Total revenues for quarter one were 750.4 crores versus 949.3 crores a year earlier, this reflects no drop in LPG business but it is really reflection of continue drop in international LPG prices which have continue to follow crude oil down so, keep that in mind. Total segment EBITDA for Aegis Group consolidated another all-time record for quarter one 53.39 crores in this quarter versus 38.05 crores a year earlier that is a year-on-year rise of 40.3% in total segment EBITDA.

Pre-tax profits, profits before-tax for quarter one was 36.03 crores versus 21.13 crores year earlier that is a year-on-year rise of 70.5% and profit after-tax for the company in quarter one was 29.27 crores versus 18.84 crores year earlier in quarter one that is a year-on-year rise of 54% in net profit after-tax.

The key highlights for quarter one the allotment of land at Haldia, we got 9 acres more land compare to what we have so this is an incremental 9 acres more of land that was allotted to the company and I will discuss what we are going to that. And also the allotment of five acres in Kandla port for the first time which is we have taken possession of and this is extremely good news because Kandla is one of the busiest or it is actually the busiest port in India for the liquid petroleum and chemical products, POL products. So this is a very significant thing for us that we are now in five ports including Kandla, Pipavav, Bombay, Kochi, and Haldia.

Now let me turn to the segment results, liquid terminal division the revenues for quarter one were 44.93 crores versus 30.62 crores year-on-year that say 46.7% rise in year-on-year revenues in the liquid terminal division. EBITDA for quarter one for liquid terminal division was 26.67 crores versus 17.61 crores year earlier that is a 51.4% rise in the EBITDA for liquid terminal division. This really shows the impact of the Pipavav terminal which was not there in last year April, May, June quarter one but obviously that plus the strong Haldia operations has resulted in this very strong rise in both revenues and EBITDA performance of liquid terminal division.

Now turn to gas terminal division. The revenues were 705.2 crores in quarter one versus 918.8 crores year earlier and EBITDA for quarter one was very high figure of 26.72 crores in quarter one for gas division versus 20.44 crores a year earlier that is a 30.7% rise in year-on-year in the EBITDA for the gas division. The volume analysis for quarter one, very pleased to say that the sourcing volumes in quarter one rose by 17.4% year-on-year that is in quarter one we handle 179,543 metric tonnes versus year earlier 152,926 metric tonnes that is a year-on-year rise of 17.4% in the LPG that we have sourced for various customers. LPG throughput volumes through our terminals in Bombay and Pipavav basically these are the national oil companies PSUs and reliance customer that was a booming 50% rise in the LPG throughput volumes in quarter one which was 197,417 metric tonnes in quarter one this year versus 131,732 metric tonnes last year, so 50% rise in throughput volumes for our main customers of reliance and national oil companies in our terminals of Bombay and Pipavav. And as you can see that definitely reflects booming LPG demand in India which shows how much is being imported by these customers but also reliance is going well as far as petrochemical demand is concerned.

I have some good news on Auto Gas as well. Quarter one saw a 25% rise in year-on-year sales 5,588 metric tonnes in quarter one this year versus 4,459 metric tonnes last year. We are not only now at 102 stations one or two stations but this does reflect as I said in the last earnings call the partial impact of DBT, direct benefit transfer where cash trends of LPG subsidy that has definitely had a knock-on effect on sales volumes which are up by 25% almost in every state I think we see from Karnataka to Bombay to other states in the South. So that is good that we are finally seeing rise in sales volumes.

And in commercial industrial sales of LPG we had a 10% rise in volumes 6,161 metric tonnes in quarter one versus 5,605 metric tonnes year-on-year. I do want to make it clear both on auto gas as well as commercial industrials still despite DBT there is a lot of diversion going on because there is still a cheaper price for subsidized domestic cooking gas cylinders versus non-subsidized domestic cooking gas cylinders something like Rs. 100 a cylinder. So still there are people diverting into auto gas and commercial gas. I think they are going in the right direction which is positive.

Now finally let me cover outlook and new projects and CAPEX, capital expenditures for 2015-2016. In liquid terminal division, we are going to focus this year on more movement by rail and Pipavav although we have started moving alcohol since I think February or March of 2015 that is the only product we are now moving by rail. So the next step in our program is to get explosives permission, Chief Controller of Explosives permission for moving petroleum products refined petroleum products by rail and after which we can see much bigger volumes handled at Pipavav. And I think that we have to push at least I have to push our project people to get that permit from the explosives are generally being talking about and a six months the process of getting permission and I would therefore hope that by the end of this calendar year by December we would have that in place. This is a very important part of growing our capacity in Pipavav that if we can get the permission from explosives for handling petroleum product then just with alcohol then we can start moving multiple petroleum products by rail into and out of Pipavav and various customers are extremely interested so this is really very-very important thing to look out for in the future in terms of growing our capacity in Pipavav.

Now I have two major project announcements today. First, we are very pleased to announce that we are going to start the construction of a 100,000 kiloliter liquid terminal in Kandla port. As I said, we have already been allotted land in Kandla port which is the busiest POL, petroleum oil and lubricant spot in India. And I am extremely happy to also tell you that the environmental clearances and ciaz coastal regulatory zone permits are already in place with the Kandla port so that means we do not have to spend six months, nine months, getting individual permissions for the environment clearances et cetera. But we have seen the paper work over the last few weeks that Kandla port has already taken the permissions from The Ministry of Environment & Forests Delhi and the Gujarat state government and done on the environmental impact assessment et cetera. So that is great news because that means that we aim to start construction as soon as possible we do not have to wait for permits because we already have them and we expect 12 months to 14 months project completion time so within 12 months to 14 months we expect to be earnings revenues out of this 100,000 new liquid terminal in Kandla and our marketing people are extremely bullish about market conditions in Kandla because there is a lot of traffic. We expect the CAPEX to be 75 crores in this project in Kandla and we expect to start construction as soon as possible. So that is good news.

The second project that we are announcing today is new 25,000 kiloliter liquid terminal in Haldia on the new land that we have been allotted last month and again we aim to start construction as soon as possible because most of the permissions are there, except we have get consent to establish. We again expect about 12 months to 15 months construction period. By the way we had earlier announced a 9,000 kiloliter project in Haldia. This actually this 25,000 kiloliter will include that 9,000 so really we are talking about incremental 16,000, 16,000 plus 9,000 becomes 25,000 and the reason is that now that we have more 9 acres of additional land probably our project team has decided that they would like to expand 25,000 on the new land rather than the congested existing block where we have the 60,000 kiloliter. The CAPEX here for this project will be around 15 crores for the Haldia terminal and business is very strong in Haldia there are specific even for this 25,000 even some new product that we are going to be handling but just like in Kandla we believe that there is readymade business for both these projects.

Revenues from both these projects together within 12 to 15 months at the prevailing rates that we charge in Kandla are in Kandla and in Haldia we expect if I combine both the projects revenues are of around 18 crores to 20 crores per annum between the two projects that is the 100,000 in Kandla and 25,000 in Haldia and EBITDA margins on average at about 80%. So again very handsome thing and this is a one part one part only at least that I am announcing today of our earnings growth plan for financial year 2016-2017 not for this year but for next year because within 12 months to 15 months from now we expect that to be commissioned. This is one important development today.

I would also now like to turn to outlook for gas division. As you know there is one project right now which is going on which is project for constructing 2,700 metric tonnes of LPG spheres two more LPG spheres in Pipavav. That project that we already announced some months ago is on track and we believe it will be commissioned by December January of this year and this will allow Pipavav port as far as LPG is concerned to bring much larger much larger shifts because we will have a total of 8,100 metric tonnes of storage capacity and it will take our potential throughput capacity in Pipavav up to 300,000 metric tonnes per year from today's 20,000 metric tonnes per year. As you know we have 500,00 metric tonnes throughput capacity in Bombay and with this expansion in Pipavav we will have another 300,000 that means a total throughput capacity of 800,000 tonnes will be available between Bombay and Pipavav. So that is very good news because what it means more throughput revenue from our various customers both in Bombay and Pipavav.

Now I have to say because I have talked about it a lot when we signed ITOCHU deal that this is not the last LPG project that we will be discussing this year. I have nothing to announce today but as I said in October last year when we discuss the business plant with ITOCHU there are going to be three more LPG terminal plant over the next five years and these would be major LPG terminals and nothing to announce today but we are clearly working on final environmental clearances for the first of those projects and in the coming weeks we expect to announce that, that may well be the biggest announcement of projects in Aegis this year 2015-2016. But I am not able to announce it until we receive the final environmental clearance so that we will discuss when we receive that.

Details on the project that first major LPG terminal, details of the project will be announced at that time including CAPEX expected revenue, expected profits from that project and other commercial detail but nothing to announce on that today. So the CAPEX that I have just announced for liquid terminal in Kandla and Haldia will not be the last CAPEX for this year they will obviously be other project which are coming through we will discuss that as and when Aegis Group announce those projects.

So to summarize and then I can take questions. I think it has been a brilliant quarter one and a very-very good start to the financial year FY-15-16 with a number of new project s to start construction starting with the 100,000 kiloliter liquid in Kandla terminal and 25,000 in Haldia and we look forward to a very good year for Aegis in FY-15-16. And one last thing which is that the shareholder yesterday in the Annual General Meeting did approve stock split ten to one stock split which many people have asked when would be the record date for that? Is September 18 that means that each one share will be sub-divided into ten and therefore, we believe that will be make it much more attractive for retail investors to start participating in the Aegis stock because we have been told time and time again that with the current share price it is too high for someone to participate even if they want to buy small quantities so, we would like to encourage more share volume in the Aegis stock.

With that, that completes my presentation and I will be now take questions.

Moderator: Thank you, sir. Ladies and gentleman, we will now begin with the question and answer session. We have our first question from the line of Shishir Srivastava from Aion Capital. Please go ahead.

Shishir Srivastava: That is Aion Capital. If you could just give some sense of how pricing is different let us say Haldia how the markets are defend as compared to Kandla, Pipavav, Haldia and now we are going towards Haldia. And also in terms of the markets where we are already present in the liquid storage space what sort of pricing growth on an annual basis can be expected?

Anish Chandaria: Sure. So as far as the prevailing rates let us say the headline storage rates in Kandla we are expecting some something around Rs. 180 per kiloliter per month which is similar to what we charge in Pipavav so that is the kind of rate in Gujarat. In Haldia currently we are average is around Rs. 125 to Rs. 135 per kiloliter per month depending on what products it is but that is the basically the average. Clearly the rates are higher in Gujarat because of supply demand et cetera et cetera. But remember that the cost are much lower in a place like Haldia so even though the rates maybe lower in Haldia than in Pipavav or Kandla I believe it is correct. Our EBITDA margin is probably as much as 85% to 90% in Haldia whereas it might be something like 80% to 85% in Gujarat so it is very profitable in Haldia and ultimately we are all interested in profits. As far as the pricing is concerned for going forward, there is no very easy way to forecast I would say there is inflation in India but I would say that pricing conditions are really dependent in each market. Say for example, you have to look what is the pricing conditions in Bombay, there are different pricing conditions in escalation of pricing in future in Kandla or in Pipavav or in Haldia. So it is very difficult to make a general rule. I would say it really determined by the supply and demand in those particular ports and if there is more massive volumes of products coming through for example into Gujarat or in Bombay, pricing power for people like Aegis is higher for example in Bombay as I said many times we are about 10% to 15% more expensive. We charge premium prices because of supply and demand compare to our competitors but there is a weaker pricing power in Kochi there is no doubt about it. We have I think not been able to increase the rates from Rs. 100 for the last five years. We have not been I think in Haldia there is also weaker pricing power although that maybe about to change because the kind of demand over there is increasing rapidly. So I think in terms of increasing rates going forward it really depends on the supply and demand situation in every port but we expect to see some increases overtime in places like Bombay and Gujarat, little less in places like Kochi and Haldia.

Moderator: Thank you, sir. We have our next question is from the line of Mr. Pawan Kumar from Unifi Capital. Please go ahead.

Pawan Kumar: I just wanted to expansion at Haldia we were expecting the additional 10,000 kiloliters to come in December. So is it like this has been pushed back to next year?

Anish Chandaria: Yes, you are right, because what happened was that we had that 9,000 kiloliter project which we announced a few months ago but that was supposed to be trying to squeeze out more tankage in the exiting four acres site where we have 60,000 kiloliters and then when we realize that we won tender for more line another 9 acres we decided to put that project on hold because it would be much easier and much better to actually build that 9,000 and now additional 16,000 on the new lands so, 25,000. So you right we have put back probably by few months but I think it makes more sense because we have to think long-term. But now we will be billing 25,000 till kiloliters and we expect that to be commissioned within 12 months to 15 months from now.

Pawan Kumar: And secondly regarding the gas terminal expansion so this year we are expecting 2,700 metric tonnes to come online right in December that is it?

Anish Chandaria: That is it for today but what I was heavily indicating is that will not probably be the last LPG terminal project we are going to announce this year. But we will only announce when it is ready.

Pawan Kumar: Okay. Sir, I also wanted to check on what is on the liquid storage volumes quarter-on-quarter I think there was the volume numbers.

Anish Chandaria: That we do not actually track because you know it really does not have the relevance in terms of like LPG our revenues are dependent not on volumes handled in that business because it is dependent on the storage capacity hence the rupees percolated so there is no real point in tracking how many tonnes of products are handled but yes, if you would like to roughly that I believe in Bombay for example in 2073,000 kiloliters we are handling something like 2 million tonnes plus of liquid product in Mumbai. But as I said it has not relevance in terms of financial modeling because the revenues are generated by storage capacity that we charge the storage use by the customers rather than the volume unlike in LPG where it is actually throughput volumes.

Pawan Kumar: I actually wanted to understand if there is any seasonality with regard to the liquid business because Q-on-Q if you compare with Q4 actually the revenues have slightly dip but gas revenues have actually bumped up a lot so I just wanted to understand if there is any seasonality in there in the business.

Anish Chandaria: It is a good question and I applaud you for your sharpness in pointing that up. Yes, actually we do not really think there is any real seasonality in the liquid business at all that is not really the case but what actually happed was little bit there was some delay in some cargos of alcohol in Pipavav which was supposed to come in at the massive quantity of alcohol which was supposed to come in I believe in May or June or something like that but they have got differed into this quarter July, August, September so I think is a function of that and we have kept that capacity reserve for one of the major customers. This is the alcohol they take by rate. So we as my discussion with our marketing people we expect that to be a temporary there is no really seasonality and shift there was delay in receiving that those shipments of alcohol in Pipavav.

Moderator: Thank you, Mr. Kumar. We have our next question is from the line of Kashyap Jhaveri from Kashyap Jhaveri. Please go ahead.

Kashyap Jhaveri: Since our last meeting I must admit you have been announcing your CAPEX plans just as you have been highlighting in some of previous meeting so congratulations on that also. On question on liquid which the earlier participant also asked now let’s say if the client has committed that some cargo is going to land up at our site and it does not come would not we charge him for that period despite the fact that cargo did not come?

Anish Chandaria: Well no in this particular case unless they actually sign a contract to reserve that tankage which they did not did in this case the discussions going on that, okay the alcohol I do not know where it was coming from to be honest but the alcohol is going to be produced at this time the production schedule and then it will come from where it was. So obviously they would not sign a contract until they were sure. So I think that is the thing. But is happens from time to time. What I would emphasis which is very important is that Pipavav right now alcohol is a very big part of that 120,000 kiloliters it is as much as 40%-50% of utilization. The rest of it is are the other chemicals and all that. So we do have to if we want to do more in Pipavav it is better to diversify that they are not only dependent on this so, this I have to say and that is what significance of what I said that we this is definitely something on my agenda now push our project promised people which they promise me to get the permission for petroleum products so that we are not only looking at alcohol because then you have more diversified there are whole host of petroleum products which could be handled at Pipavav the volumes are massive even much bigger than alcohol so that is really the next phase and that probably will then figure the Phase-II construction which I have been talking about for something but I am not ready to do that until we get this petroleum thing because we cannot depend only on alcohol and chemicals to grow our tankage in Pipavav so it is a very important thing and you can ask me next time as well have you made progress in getting this explosive permission for petroleum. I do not believe there will be any problem this is handled by rail many other places in India so it is just a question our people going and campaign out in Nagpur and getting that permit.

Kashyap Jhaveri: But let us say if something like this happens and revenue loss to us is slightly higher does the client compensate for that?

Anish Chandaria: No, not unless we have actually signed the contract of that capacity. In this case they did it. But I tell you in Bombay it never happens. In my 20 years - 22 year there is simply no tankage available so it never happened. But in Pipavav because it is still a new port and all that the customer can say, okay, you know what I am not signing the contract now I will tell you when I bring my cargo so we have to be realistic that Pipavav is not Bombay.

Kashyap Jhaveri: But once that petroleum things come in then we can have our terms over there?

Anish Chandaria: I think once the petroleum product happens you will really see a massive amount potentially, potentially we still have to work out those deals with many different clients for the petroleum that is why it is so significant. And as I said many times, Pipavav we have a plan to build 620,000 kiloliters which means where we want to… that is a 100 crore per year profit type of terminal so today we are talking about Kandla but that permit for petroleum and then following-up with actually making deals with refiners to move product in and out of Pipavav is the next real job for us in Pipavav. If we do that, if we crack that wow! All learning forecast from Aegis as far as liquid will be even better than what we currently expect.

Kashyap Jhaveri: Okay. Second question is on you mentioned about this expansion of 100,000 at Kandla and 25,000 at Haldia and mentioned about some revenue number of about 18 odd crores to 20 odd crores that is based on 75% utilization or full utilization?

Anish Chandaria: Actually good question again I think because we are so confident as far as Kandla is concerned and well as Haldia because they apparently tied-up quite a few customers I believe that in this case which is unusual we have actually targeted 85% capacity utilization in year one itself and normally you are right we take it in year two but at least my marketing people are extremely bullish about these two because they have actually tied up in Haldia for example the customers for that and in Kandla they the maximum amount of edible oil and other products so I think those figures of 20 crores of revenue are based on 85% capital utilization on average in both Haldia as well as in Kandla.

Kashyap Jhaveri: Right. I had a question on Pipavav but you have already mentioned in your earlier comments so I will leave it over there. And just last one, bookkeeping questions on commercial gas you mentioned about the volumes from about 5,605 metric tonnes to what number?

Anish Chandaria: Commercial industrial gas for the quarter one was 6,161 metric tonnes.

Kashyap Jhaveri: 6,161?

Anish Chandaria: 6,161, versus last year 5,605 metric tonnes that is a rise of 10% that is good and I am pleased to say I did not mention in my presentation that our retail LPG Head tells me that we are not up to 72 dealers for commercial now that means that results in future growth in sales because generally speaking every deals average means about 25 metric tonnes to 30 metric tonnes per month of sale so more dealers we sign up and since DBT has started we are seeing a bigger pipeline of new dealers interested in the coming dealers for commercial land in the industrial LPG.

Anish Chandaria: Sure. Just last one question on this gas throughput you mentioned a number of 197,417 metric tonnes. Now if I annualize this we are at roughly about 800,000 metric tonnes and in the presentation we are saying expanded capacity is going to be 800,000 metric tonnes of throughput. So does this mean that the current capacity be over utilized to certain extent?

Anish Chandaria: Yes, it can be.

Kashyap Jhaveri: Right. So 800,000 metric tonnes would be more of nominal capacity but it can be utilized higher also.

Anish Chandaria: Absolutely and again I watch this space, we are working on something to do more throughputs over there and nothing to say today but we are very confident that something is going to happen on that increase the throughput in Bombay and Pipavav.

Moderator: Thank you, sir. We have our next question is from the line of Chirag Vakharia from Budhrani Finance. Please go ahead.

Ashish: Yes, hi, good evening Anish this is Ashish here. I had a few questions. Can you talk a little bit on both the divisions which is liquid as well as gas at least on the competitive scenario the kind of CAPEX that you have done and we are doing right now? So you sound pretty optimist on our business plans in achieving top-line so what is the competitive scenario that can keep sustaining this kind of CAPEX and growth?

Anish Chandaria: Yes, on the liquid side we are really bullish on the competitive situation really bullish and have been for many years and the reason is that, two reasons I would say one is many of the competitors are quite weak and there is definitely consolidation going on because some of these in various ports. Now let me give you a classic example of Kandla there are 20 different operators over there. The day that they found out some of these people and I am giving you actual story the day they found out that the land has been allotted to Aegis there were a lot of phone calls over here saying what are your plans and so there is a lot of concern from the smaller competitors as to when a major group like Aegis as I said the leading company in last 40 years when liquid terminals comes in. The problem for us over so many years is being getting land that is why we are so proud when we can come into Kandla after years of trying we are getting land at Kandla we are getting more land at Haldia and other places you will see we are working on number of projects. We are very-very bullish on taking market share from existing smaller operators. Number two it is certainly the fact that the amount of demand for imports as well as exports is rising very-very rapidly. And has been for so many years whether it is in Bombay, whether it is in Haldia, whether it is in Gujarat the product is just coming in and pit. So I think for both reasons not only taking market share but also capacity to actually grow and that's why we are taking the aggressive actions on CAPEX the question is how fast we can build within that type of market.

Ashish: And just follow-up on that, so how do you think eventually competition reacts to us you know the fact that you are going so strongly and taking away market share. So how do you expect them to react in terms of pricing or how do we compete that it is very difficult for them to react to us.

Anish Chandaria: Yes, what they normally do especially the kind of shall we say the smaller people what they first do is cut the price that is always the reaction. But I think what you want to understand that I told you this before, is that price is really only one part of the logistics business because the customers are more interested in the quality of their service and time is money in this business that is the whole point why we have such a good business because we have such high margin because actually the so called storage rate is 1% or 2% or whatever it is of their total product value there are much more interest they make much more money in being able to bring product into straight to the art terminals on that so that is why it is a very-very good business because actually price…so it is non-price competition which is where the smaller competitors lose out own their only weapon is price. But actually we proven it over the last 40 years we actually charge higher prices I mean we still have very high utilization.

Ashish: Thanks, that is helpful. Just Anish in one small follow-up on this auto gas while it has grown on a Y-o-Y basis sequentially there is some dips. So do we read anything to it or the outlook is still pretty conservative?

Anish Chandaria: I think is better to be conservative on the outlook for auto gas purely because as many of you know although I am always very interest in this business it is still so affected by government policy on diversion and DBT and all that so for a businessman like me to predict what is going to happen. All we are doing is we keep building stations now 102 and we keep trying to increase the sales I have said in the last call I am very happy that we are now in collaboration with Essar we are now I think 30 or 35% of our existing auto gas station having in two stations are now actually putting either Essar diesel and/or petrol. And that is also very good news.

Ashish: And just one bookkeeping question. Could you give us some CAPEX guidance for current year FY-16?

Anish Chandaria: Yes, so we took in the Board Meeting yesterday CAPEX budget for 97 crores, okay yesterday which is 75 crores of Kandla liquid terminals, 15 crores of the Haldia 25,000 liquid terminals and then some small maintenance CAPEX at Bombay and Pipavav and other things. So 97 crore as but as I have been saying that that will not be the last CAPEX for this year because there will be some major projects which are going to be announced in the coming weeks which will add to that CAPEX but as of today all that the board has approved is 97 crores for this financial year. It will most likely find as my internal cash flow because the company is throwing up a lot of free cash flow.

Ashish: And the project level we generally leverage so you would not do that for these two things?

Anish Chandaria: Today with interest rates where they are and we have got so much cash sitting in the bank account we have to use. So we will see but once the new bigger project come then we will see about the debt-equity and all that.

Moderator: Thank you, Mr. Vakharia. We have our next question is from the line of Mr. Sachin Kasera from Lucky Investment Managers Private Limited. Please go ahead.

Sachin Kasera: Yes, sir this is regarding the statement that you made while because of the DBT being implemented the industrial and commercial segment of LPG has seen some improvement but still no on the full potential and some diversions happening. Can you elaborate on that sir?

Management: Yes, sure what we are seeing that with the introduction of DBT since particularly this year January to July that many people are now getting the cash or I guess most of the people are mow getting into their bank account for the subsidized cylinder but there are still a lot of people who do not require 12 cylinders. I believe the figures are there 45% or 50% only use about 6 or 7 cylinders per year. So those access cylinders they still take the subsidy and take the cylinder and then sell it in the black market so that is the problem. If for example the cylinder cap was fixed then probably we would not have this problem but there is still a lot of diversion. So I expect over time the government policy seems to be to do more targeting of the subsidy DBT towards below the poverty line people. Today everybody rich or poor gets it but the way they are doing the propaganda is that probably that is the next move if that happens then that will definitely reduce diversion because then rich guys like you and me will no longer get the DBT and we have to pay the full market price for the cylinder which means that we cannot divert that into things but this is a gradual process and I think it is start and let us see how it works.

Sachin Kasera: Okay. So if you were to look at from an economic perspective the buyer is passing on keeping some portion of the subsidy and remaining is passing on in the market and benefit to that extent.

Anish Chandaria: That is right.

Sachin Kasera: Okay. My second question was sir just clarification if you mentioned that the potential of Pipavav at full capacity is to deliver a profit of around 100 crores a year is that you mentioned that you meant?

Anish Chandaria: Yes, I said since the year 2011 or whatever when we started the project there we believe a 620,000 kiloliter project in Pipavav as per our business plan for Pipavav can produce something like a pretax profit of 100 crores per year but that is basically the plant but we have to build that capacity to generate that and we said the most significant part of that business plan we have still not done yet which is to get the rail movement of petroleum but yes, that is what we are planning and it is a very significant part of the growth of Aegis over the next two - three years and we actually build-up 620,000 kiloliters in Pipavav. But we need to get that explosive permission for rail movement of petroleum.

Sachin Kasera: Sure. We were I think also looking in terms of putting up a pipeline to increase throughput of the Bombay Terminal so any progress on that sir?

Anish Chandaria: There is a lot of progress and nothing to report today but that is definitely one of the projects is most likely to be announced soon, but not today.

Sachin Kasera: Okay. And you mentioned there is a CAPEX of 97 crores cleared for the current year?

Anish Chandaria: Yes, that is what the board approved yesterday in the meeting but it will not be the last CAPEX for this year as I said.

Sachin Kasera: And that just can you give the break up between Kandla and Haldia of this 95 crores?

Anish Chandaria: Yes, 75 crores in Kandla and 15 crores in Haldia.

Sachin Kasera: Okay. Just one last question on auto LPG, how do you see the growth in number of stations by end of current year and the next year?

Anish Chandaria: It is a very slow process. I asked the same question every time but the best I can is that over the next three years that is including this year 2015-206, 2016-2017, 2017-2018. The current 102 based on the pipeline that we have in with us. We expect to go up to 125 by 2017-2018. So it is a slow process but I cannot really promise at the moment.

Sachin Kasera: With this coming of the DBT in LPG, do you think that business should see some better times or that does not get much impacted by this DBT on LPG?

Anish Chandaria: Well we have seen a 25% in volumes in this quarter that can only be because of the impact of DBT. So it is wrong to say that the business is completely transformed and there is a 100% growth. It is wrong to say that there has been no impact, 25% is the increase of volume which is good but it is not a major revolution let us put in that way and until those diversions go down of the subsidized cylinders we will not really be to see very-very positive growth in this business. But look you take your 25% increase in volumes and be happy about it.

Sachin Kasera: But this 25 is one-time jump because of the DBT or this is like you think more of year-on-year sustainable growth number?

Anish Chandaria: I think it is a one-time jump because of DBT. Until we see that diversion coming on I do not see a jump in year-on-year but it is a one-time jump.

Moderator: Thank you, Mr. Kasera. We have our next question is from the line of Pranav Mehta from Value Quest Research. Please go ahead.

Ravi: This is Ravi here. I had one small question regarding Haldia, the new land that we have got in the 16,000 capacity will that occupy the entire land or will have some excess land as well and are we planning anything for that?

Anish Chandaria: Good question, I think which I expected you to ask. Yes, the additional 9 acres of land we have got allotted obviously the 25,000 kiloliters; the 16,000 plus 9,000 is not going to occupy that there is access land available for future growth.

Ravi: Okay. Do we have to pay for the land? And how much have we paid if we have to pay?

Anish Chandaria: Basically what we do in the tenders we have to pay a premium and then there is an annual lease cost and all which is very marginal but we have to pay upfront the premium. It was not in Haldia, it around 3 crores or something like that the premium so, nothing too horrible.

Ravi: The pipeline connectivity and the new jetty in Mumbai. What kind of productivity improvement or realization improvement will it lead to?

Anish Chandaria: Well I will not give a general answer and I will give a more specific answer when we actually announce the project for that pipeline connection but let's say it will be potentially very-very significant in terms of productivity improvement because through that pipeline you can evacuation much more LPG then through road tankers. So it will be a very-very big impact but I will not answer specific today I will answer those when we actually announce that project.

Ravi: Sure. And just last question from my side ITOCHU has been almost a year since we announced. What has it led to? Has it led to increase in sourcing? Has it led to some productivity improvements on our side? What is the status of that development now?

Anish Chandaria: Yes, we signed in October last year I think Diwali day last year October 2014. I think it had limited impact except I think this year's freight cost with a help has reduced a little bit which means good for the customer and we passed that on. But as I said yesterday somebody asked the same question in the a shareholder asked in the AGM I think the real benefit of ITOCHU and the real strength of ITOCHU is VLGC, very large gas carrier so there expertise will really benefit once the second chemical berth in Bombay is ready for LPG vessel which we expect by January or February of 2016 so probably six months later and I think that is where we really see the benefit because then if we are able to bring much cheap cargos because of VLGC with help of ITOCHU then we would probably expect to see more sales volumes with our customer that was never planned to happen really so far until they can bring the VLGCs.

Ravi: All right. And just sorry but one more question. The Phase-II of Pipavav are we to understand that there are some delays over there?

Anish Chandaria: Yes, I mean delays in the sense that I am not announcing it because as I have repeatedly said we will only announce Phase-II when we have enough traffic we are not we result not a company which builds white elephants and I repeat one more time and in fact many times I will repeat it the trigger for Phase-II is to get that explosives permission for petroleum products only then we will go ahead and build that but the time to construct those tanks is very small it is probably only nine month for Phase-II because all the infrastructure is already there we just have to add some tanks but there is really no point in that until we can store petroleum products.

Moderator: Thank you, Mr. Mehta. We have our next question is from the line of Pawan Kumar from Unifi Capital. Please go ahead.

Pawan Kumar: Sir, I wanted to understand that the dynamics of the liquid business in more depth at least I understand we get income from storage, do we also get income from logistics and also handling of the liquids and is it better for us if a liquid stays with us for a long period of time or is it better if the movement throughput has more faster because we will get more handling charges.

Anish Chandaria: Yes, let me answer the last part. Yes, there is a fast transit which is what we see in for example Bombay more utilization of those tanks happen because the product moves faster and we get the next customer in. So generally speaking, more transit is good. On your fist part of the question, yes, within that combine kind of what I call the revision rates that we talked about that embeds in there and it depends on the customer there is no specific that embeds in their other value added services or other services that we give but the storage part of it is really the main part of that range probably something like 85% of the thing so other services will be a little marginal but there is one provider to that for the OE companies particularly BPCL, HPCL we do generate extra pipeline fees because we have laid pipeline for example in Bombay to the refinery so for every tonne let us say use our pipelines have additional pipeline throughput fees for liquid along with the storage fees, they call PLT, pipeline transfer. So those are additional revenues. But that is specifically for the oil companies most of the chemical customer and other customers really the storage rate is about 85% or 90% of the revenues.

Pawan Kumar: So sir we are saying at Haldia we get around Rs. 180 per kiloliter per month we are seeing that this includes handling and logistic charges?

Anish Chandaria: And Haldia it is about 125 to 135 not 185 but yes, that includes all the handling and all that.

Moderator: Yes, thank you. We have our next question is from the line of Sanjeev Panda from Share Khan. Please go ahead.

Sanjeev Panda: The alcohol part where we are talking about in that do we have flexibility in terms of handling other products or it is product specific approval or clearances and how is the intention of management to utilizing or to thinking in utilizing different products or it is product specific that we need to go?

Anish Chandaria: No, it is very flexible because most of the storage in fact all the storage in Pipavav you can handle different types of product but it all depends on what the customer wants, right now the customer want to bring alcohol so that is the major part of business in Pipavav. But it is not product specific at time which can be used for multiple products. But as I have repeating let me say one more time, if we want to build more than 120,000 kiloliters in Pipavav then we got to start storing petroleum products because the volumes are maximum there. There is only so much chemical there is only so much petrochemical and there only so much alcohol traffic, but all the tanks are flexible and we can handle different products.

Sanjeev Panda: Okay. And sir my next question is regarding our long-term intention to work with capitalized our expertise with ITOCHU and also talking about better utilizing demurrage and whatever is happening in the gas import side. I remember we had discussed a lot of thing about overall perspective in a very long-term perspective. Any development on that part because last time you have shared that you have been discussing with concerned people so anything that you can like to add?

Anish Chandaria: Are you referring to the liquid capacity expansion?

Sanjeev Panda: Gas, primarily.

Anish Chandaria: Okay. Well I will just repeat what I said at the time of signing ITOCHU deal which is extracted straight from the business plant that we intent to construct three new LPG terminals associated infrastructure, pipeline, rail or whatever it is and we are very much on track with that program and you will start seeing some announcements very shortly so, one by one on those projects. But that is just implementing the business plan that we agreed to.

Sanjeev Panda: So, now that anyway you have discussed earlier so I am asking like is there any new development that has happened which you would like to share in that regard?

Anish Chandaria: No, there is no new development just delivering the business plan which is I am very ambitious no, new development.

Moderator: Thank you. Participant's that was the last question, I would now like to hand over the floor back to Mr. Anish Chandaria for closing remarks. Thank you. And over to you, sir.

Anish Chandaria: Thank you very much. It was nice Earnings Call and very interesting questions. And I think that we appreciate your interest in Aegis and its growth prospects. But, please, do keep attending these Earnings Call because as I said there is going to be some very interesting developments in the coming quarters. Thank you very much.

Moderator: Thank you, sir. On behalf of Aegis Logistics Limited, that concludes this conference. Thanks for joining us. You may now disconnect your lines. Thank you.