"Aegis Logistics Limited Q4 FY2022 Earnings Conference Call"

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MANAGEMENT: **MR. RAJ CHANDARIA - CHAIRMAN AND MANAGING DIRECTOR, AEGIS LOGISTICS LIMITED**
MR. MURAD MOLEDINA - CFO, AEGIS LOGISTICS LIMITED

Moderator: Ladies and gentleman, good day and welcome to the Q4 and FY22 earnings Conference Call of Aegis Logistics Limited. Today on this call we have Mr. Raj Chandaria, Chairman and Managing Director of Aegis Logistics Limited along with the senior management team. 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 the date of this call, actual results may differ materially. These statements are not the guarantees of future performance and involve risk 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 touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Raj Chandaria, CMD of Aegis Logistics Limited. Thank you and over to you, sir.

Raj Chandaria: Thank you very much, good afternoon, everyone. I am joined today by our chief financial officer, Mr. Murad Moledina and we will be presenting the FY 21-22 full year results, which of course, includes the Q4 results, as well as the outlook for FY 22-23 and various other business updates. Now you will recall that we did have a weaker start to the year in Q1, which was then followed by a steady recovery in the following three quarters, which has resulted in an overall good performance for the whole year of FY 21-22. We're now looking forward to a strong performance for the current year, FY 22-23 to build further on the recovery in profits growth that we saw in FY 21-22.

So let me just turn to a little more detail on FY 21-22. Revenues increased to INR 4,631 crore versus INR 3,843 crore in the previous year, primarily as a result of higher sourcing volumes, EBITDA for the group rose to INR 586 crore versus INR 535 crore in the previous year, that's a rise of around 10% over the previous year and an increase of INR 164 crore in Q4, which is actually a quarterly high, lifetime high. Profit before tax rose to INR 472 crore as compared to INR 433 crore in the previous year, which was adjusted for the effect of the ESPP, that's a rise of 9% of profit growth despite a very weak Q1 at the beginning of the year, profit after tax for the group was INR 385 crore versus INR 347 crore in the previous year and adjusted for the effect of ESPP and that's a rise of 11%. We believe that this marks a clear return to our PAT despite a shaky peak COVID affected start to the year in Q1, which was April, May and June of 2021. In earnings, per share for the year, therefore comes in at INR 10.19 per share for the whole of FY 21-22 versus INR 6.36 per share in the previous year. On the basis of the improved results and confidence that business conditions have now stabilized I am pleased to report that the board has declared a final dividend of INR 0.50 per share, aggregating to INR 2.50 per share for the whole year, a 25% rise over the previous year.

So I'd now like to go through the underlying segment numbers. In the liquids division, revenues for FY 22 were INR 270 crore versus INR 234 crore in the previous year. That's an increase of around 15% from the previous year and the EBITDA rose to INR 194 crore, which is again an increase of 13% from the previous year reflecting the impact of the capacity additions at Kandla, Mangalore and Haldia. Coming to the gas terminal segments, revenues were INR 4,361 crore versus INR 3,609 crore in the previous year. The EBITDA for the year was INR 390 crore versus INR 362 crore in the previous year, a rise of 8% over the previous year. We continue to see a rebound for the gas division with sourcing and distribution volumes improving and throughput remaining stable as I will now explain with the sales volume analysis. Starting with the throughput volumes, the LPG volumes for the year handled at our three terminals of Mumbai, Haldia and Pipavav were 2.86 million metric tons versus 2.91 million metric tons in the previous year, despite a very low first quarter. So Q4 volumes were 800,800 metric tons versus 752,000 metric tons in the previous quarter, with Q4 clocking the second highest lifetime volumes. Haldia had good volumes and Mumbai continued to operate at full capacity with all three oil companies IOC, HPCL and BPCL bringing imports. The LPG rail gantry at Pipavav continued to perform well and is delivering considerable cost savings to our customers, which is in turn driving improved volumes at Pipavav. The bulk industrial segment delivered 38,580 metric tons in Q4 versus 29,662 metric tons in the previous quarter and aggregating to 114,058 metric tons during the year versus 56,107 metric tons a year earlier representing a 50% growth over the previous year and margins remained stable.

The commercial and domestic cylinder segment, which sells to hotels, restaurants and small scale industries under the Aegis pure gas brand and to the domestic household segment under the Aegis Chota Sikander brand was steady with Q4 sales of 6,568 metric tons versus 6,414 metric tons in the previous quarter but for the year as a whole sales volume ended at 24,334 metric tons versus 19,524 metric tons a year earlier registering a 25% increase. So we have now commissioned five bottling plants during the year, which should bring additional volumes to this segment in the current year. Auto gas sales were slightly higher at 6,185 metric tons in Q4 versus 5,961 metric tons in Q3 and 21,700 metric tons during the whole year versus 19,785 metric tons a year earlier, which represents an increase of around 10%, margins remain stable and healthy.

There are more fuel stations to be commissioned this year, and there's also a good pipeline over around 60 new dealers over the next 24 months or so. The sales volume of the sourcing business was 270,451 metric tons versus 125,858 metric tons in the previous quarter. As we reported last quarter, we expect this to increase the volumes to continue throughout the calendar year on account of winning an important tender at the beginning of the year. Let me now finally turn to the business highlights for the quarter and the outlook for the rest of the year and an update on the CapEx plan.

During the quarter Pipavav port continued its work on making the LPG jetty compliant for handling VLGC with completion expected by June 2022, which when completed will further improve the competitiveness of Pipavav as an LPG logistics hub, we recall that an important part of this was the rail gantry, which is completed and now we are waiting for the jetty to be completed. Kandla oil jetty number seven, which will be VLGC compliant, the work continues and is expected to be completed by September 2022. Work by the IHBL, which is the IOC Hindustan Petroleum Bharat Petroleum consortium built with the KGPL pipeline, LPG pipeline, that's the Kandla Gorakhpur LPG pipeline, to which if I can remind everyone, both Kandla and Pipavav terminals will be connected, that work continues, phase 1 is expected, from the information we have, is expected to be completed by December 2022, the outlook for FY 23, both gas and liquid segments continue to perform well, we've had a good start of the year and it is our expectation that the current financial year 2023 sales will continue to grow robustly.

As far as the projects are concerned, I'm really pleased to confirm that the Kandla LPG project has been successfully commissioned with no technical issues and we have in fact handled our first cargo --, we expect now to see the terminal gradually ramp up volumes and start contributing to the earnings per share. Project work has now commenced full swing on the expansion projects that we announced in Q2, and we will keep giving updates in the ensuing quarters on how these are progressing. As far as the Aegis Vopak joint venture is concerned, I'm also really pleased to confirm that all the formalities are now complete. The joint venture has been completed successfully and we look forward to excellent results from this joint venture, that concludes my presentation. We can now take questions. Thank you.

Moderator: Thank you, ladies and gentlemen. Our first question comes from the line of Digant Haria with GreenEdge Wealth Services. Please go ahead.

Digant Haria: Yes, hi, firstly, congratulations for the, you know, probably the best ever quarter in terms of gas volumes, you know, bottle refilling institutions. My question sir, is, you know, how much of the gas that we handle is eventually used for cooking gas purposes, you know, would you have like insight as to what **BPCl & IOCL**, what percentage eventually **enters cooking gas for** people?

Raj Chandaria: I would say that, the statistics that we have basically show that 90% of the LPG volumes in India are related to cooking gas and so that would mean 10% is non-cooking gas related. I think the ratio in the future will change. Cooking gas will continue to grow simply by way of the fact that more and more people are coming into the LPG net, but the non-cooking gas applications are also increasing, transportation, slow with steady improvement, the industrial applications of LPG are also increasing and at least right now, it's a good competitor to natural gas because as you know natural gas prices globally are rising quite rapidly. Plus I think generally we are seeing much more awareness of the environmental pressures and so on and, you know, slow substitution to cleaner fuels is also happening amongst industrial customers. So I think at the moment the ratio is, I would say 90%, but slowly we expect the proportion of non cooking gas applications to also improve.

Moderator: Thank you. Our next question comes from the line of Himanshu Yadav with Edelweiss Wealth, please go ahead.

Himanshu Yadav: Thanks for the opportunity. Sir, first of all could you please clarify the reason behind the spike in receivables and INR 221 crore dividend paid, what is that related to the cash flow statement? That's one. Second, I mean, with Kandla now started, what kind of volume expectations do you have for the first 12 months? I mean, you have been saying that anywhere from 0.7 to 1 billion tons is what we have been expecting, does it remain the same or is there any change in that, that's all. Thank you.

Raj Chandaria: I didn't hear the first question.

Himanshu Yadav: So, the first question was the reason behind there's a spike in the receivables in the balance sheet, and also there is INR 221 crore dividend paid item appearing in the cash flow. So I just wanted clarification regarding what is that related to.

Raj Chandaria: Okay, Yes Murad, can I ask you to take that question, please, the first part and then I can talk about Kandla.

Murad Moledina: Yes. So, as you are aware, beginning this calendar year, we have had a good booking of sourcing business, and therefore, as these have almost doubled in the previous quarter you will see the increase in receivables as well as a corresponding increase in payable. So these are on back to back open credit of 30 days, so they will both appear, but they are not a drag on working capital because working capital is zero in this. So it is only on both sides an equal kind of increase you will see in receivable as well as payable on account of increase in sourcing volumes during this calendar year 2022. As far as dividend in cash flow is concerned, in this financial year we have paid two dividends of INR 2 each, so that is what is being reflected out there including minority shareholders of Hindustan Aegis being paid their share from our subsidiary Hindustan Aegis. So all of these three together will amount to INR 221 crore dividend, which has been shown here. So we paid dividend for FY 20-21 during the year, as well as we paid for the year 21-22 an interim of INR 2, so INR 4 itself, that is INR 140 crore paid to Aegis shareholder and the balance is what the minority shareholders was paid out of Hindustan Aegis, our subsidiary, I hope that answers you.

Himanshu Yadav: Yes.

Raj Chandaria: As far as the second question is concerned, the prospects for the Kandla LPG terminal, I think, you know, obviously, we are six months delayed so obviously that has sort of, reduced our expectations to that extent, but we expect a slow and steady ramp up to the volumes, you know, in an LPG terminal or any form of gas terminal, it really depends of course, on the contract, the attractiveness of the terminal, we have been speaking to our customers that we are now ready to receive cargos and I'm confident that while we may not have specific exact numbers at the moment to share with you, but I'm confident that like all the other three terminals we will achieve close to the kind of numbers that we have been talking about in terms of throughput. Murad, do you want to add anything to that?

Murad Moledina: Yes, and also please note that Kandla terminal is very close to a very large industrial consumption market for LPG and that is also what we would be targeting. So you will have to see both put together the throughput as well as the distribution margins which Kandla is going to generate, I think that will definitely meet up with whatever projections we have had in mind.

Himanshu Yadav: Okay, thank you sir.

Moderator: Thank you. Our next question comes from the line of Priyankar Biswas with Nomura, please go ahead.

Priyankar Biswas: Sir, what I heard about Kandla is that this asset can also give you distribution linked benefits, that's what you said in the previous statement, so can you like quantify the impact that like how much uptake in distribution volumes you can expect just because of the Kandla commissioning from your normal run rate?

Raj Chandaria: Murad, do you want to just take that question?

Murad Moledina: I can take that. So let me explain to you in the sense that as you are aware, distribution margins are at least between 5x to 10x of throughput margins, and as such, even if we are able to do 10,000 tons distribution from Kandla, which is expected very easily as Morbi market is very nearby, we would be doing equivalent of 50,000 tons of throughput in that sense. So that should give you a fair idea of the potential and it all depends as we will grow and there is a huge potential we believe that we can grow in distribution volumes out there. So we are looking at both, throughput as well as distribution to achieve what is targeted as an EBITDA generation from Kandla LPG terminal.

Priyankar Biswas: Sir, my additional question is recently you have acquired these asset at Kandla, these liquid terminals. So the acquisition price seems quite low, I mean, given the size of the asset. So are there any hidden issues or something with this asset that we need to rectify? I mean, is there some problem with that asset?

Raj Chandaria: No, I think Biswas you have correctly identified. We are very proud of what has been achieved in terms of the acquisition price. I think it's an outstanding transaction for us. I'm surprised that nobody else really noticed it, but you did, congratulations. No, I can confirm that thorough due diligence was done. There is absolutely nothing wrong with the assets. I think in fact, the asset is an excellent asset and really puts us in a commanding position as far as the liquid business in the north part of India, you know, for which Kandla is the main gateway. We are now the undisputed jointly with Vopak, of course, AVTL where we have 51%, the undisputed market leader, the price setter and really looking forward to some outstanding numbers coming out of this acquisition. So, I can confirm that, no, there's nothing wrong with the asset. It's in excellent condition. So Murad, you participated in the due diligence for this.

Priyankar Biswas: It was such a great asset, I mean, by the previous owners, so I'm just wondering.

Raj Chandaria: Murad, you want to add anything here?

Murad Moledina: Yes, let me add here, you see, the advantage with Aegis is that it had money to put on the table, and it was the only party because we had already announced our joint venture with Vopak, really a serious contender to take over easily that asset and quickly, and, of course on the other side, there were succession issues, there were pressures, which the party was undergoing and sometimes things just fall in place. So see, we are very happy that this has happened, there could be N number of reasons, you know, we can't list all of them, but I think we have highlighted a few, that we were the party who could put money on the table, acquire the asset quickly, and we could undertake due diligence fast to complete it in a very short time and I think this has what put us ahead of any other contender on paper that would have been there. So we are very happy that we could do this.

Priyankar Biswas: Sir, one additional question. So since the deal with Vopak is now affirmed that is concluded. So can you give us an idea since this is done? So what would be the cash utilization? So you are getting like INR 2200 crore of cash post tax, so how this is going to be utilized, I mean, probably a roadmap or something like that.

Raj Chandaria: Yes, Murad, you want to just take that?

Murad Moledina: Yes, I'll start with that. So, we have in past said that we have done this joint venture and this cash, we have highlighted and set out three growth paths, which we are going to pursue, and we are sure and confident that the cash would easily be used in these three growth paths. Of course, the first one is that we have said that there will be more aggressive growth and expansion in our retail and distribution segment, which is a high EBITDA generating segment and then of course in AVTL itself there is already a set growth path where we would be deploying all the internal accruals of AVTL back into the growth project that we have identified over the next 5 years and then there would be a third growth path, which is new products that the JV partner brings on the table, lots and lots of new ideas and projects and products, which could be pursued of course, in terminal space, whether it is natural gas, ammonia, and many, many more and we are already talking on some of them and I'm sure in near future we will come up with projects as and when they are identified as suitable investment opportunities and share it. We have, of course already announced INR 1,250 crore project in AVTL, which has already kicked off and has commenced construction. So, on all fronts, I think very aggressive growth pursuit and we are sure this cash would be used up productively. In the meantime, of course, we would ensure that it gets a reasonable, safe return in our books until the time it is deployed.

Priyankar Biswas: Okay, thank you, sir.

Moderator: Thank you, ladies and gentlemen, if you would like to ask a question, please press “*”, “1”. Our next question comes from the line of Digant Haria with GreenEdge Wealth Services. Please go ahead.

Digant Haria: Yes, sir. So my second question is, you know, my first question was cut I don't know why, but my second question was that, you know, we mentioned in our presentation that we will do around INR 1250 crore of CapEx in the joint venture with Vopak and that would be, you know, for 1,90,000 tons of liquid capacity and around 1,00,000 metric tons of gas capacity. So now, you know, before the deal, we almost had six times of that capacity in liquid and around nine times of that capacity in gas. So, is it fair to say that the replacement value of all the assets that we had before the Vopak deal would easily have been INR 6000 crore to INR 7,000 crore or, you know, has that CapEx score really gone up in recent years?

Raj Chandaria: What is the crust of your question, is it on the replacement cost of the assets?

Digant Haria: My question is that, you know, the assets that we already have are maybe, you know, five times or six times the assets we are trying to build in the Vopak joint venture by spending

INR 1250 crore. So, you know, like, you know, is it that the replacement value of our assets has gone up so much in the last 5-10 years?

Murad Moledina: Let me put it this way, that our existing LPG static capacity is close to around 110,000 metric tons, all four terminals put together, 18,300 Pipavav, 25,000 Haldia, 20,000 Mumbai and 48,000 in Kandla, so that is 110,000 metric tons. We are building 100,000 additional static gas capacity.

Digant Haria: I get it, okay.

Murad Moledina: So your valuation of 6000-7000, I don't know where it has come from.

Digant Haria: Okay, fine, that was from my side, thank you.

Raj Chandaria: But, I just would like to add that, I mean a general point that in fact, for any newcomer coming into this sector, yes, the cost of capital expenditures has gone up, you know, materials are much more expensive. So, you know, somebody who has already got a substantial asset base obviously is always going to be at an advantage.

Digant Haria: Right, thanks sir. If we have to do a theoretical exercise of if we have to make the entire Aegis Logistics asset based today, what will be the cost for that?

Murad Moledina: Sorry, we have not worked out, so it's very difficult. Yes, it's very hypothetical in any case, but it's not just the cost, the location, you know, in Mumbai, no one else can come in. There's no land, in Pipavav no one else can come in, there's no land. So it's not just the cost, it's very difficult to value anything like this, hypothetically.

Digant Haria: Right, okay, fair enough, thank you so much.

Moderator: Thank you, next question comes from the line of Depesh Kashyap with Equirus Securities. Please go ahead.

Depesh Kashyap: Yes, hi sir, thanks for taking my questions. So your volumes for sourcing throughput and distribution have improved quarter on quarter, but your EBITDA in the gas segment seems to be a little down, right. So I just want to understand the reason for the same, which segment have you felt the margin pressure?

Murad Moledina: We have in Q4 almost got identical EBITDA as the previous quarter and, you know, it is the mix, but yes, in the last quarter, the retail margins were a little higher, but the throughput volume which increased in the current quarter was not very significant as well as the bulk industrial sales where the real increase was there as the least margin out of all the four sub segments, so, which is why you see almost equivalent kind of an EBITDA in Q4 versus Q3.

Depesh Kashyap: Sir, but will you say that.

Raj Chandaria: Yes, I, I think it was more the product mix because as Murad said that the industrial segment, you know, accounted for a fairly important part of the Q4 numbers and there the margins are the lowest out of all the segments that we have. Yes. sorry, go ahead.

Depesh Kashyap: So I just wanted to confirm the throughput margins are intact, right? The INR 1000 per tonne that you basically normally talk about.

Murad Moledina: Absolutely.

Raj Chandaria: Yes, absolutely.

Depesh Kashyap: Okay, got it, and sir recently there were a lot of press releases that you put on the storage exchanges, regarding the change in evaluation, right, of the few terminals that were transferred to the JV. I just want to understand what was the reason for the change in valuations for that?

Murad Moledina: Sorry. I have not understood your question correctly.

Depesh Kashyap: There were a lot of press releases that the assets that are being transferred to the AVTL joint venture, there was some change in valuations, right, if I understand correctly.

Murad Moledina: Okay, yes, now that valuation happened when we were finalizing the joint venture and it was an upside valuation. So we were, as you can see with Vopak release also, we could secure €10 million more than what was earlier agreed, which was around INR 900 million is the valuation finally signed off between the partners, so we could secure more, we are happy for that.

Depesh Kashyap: Okay, got it. So, so that JV is now structured, right post March, so can you just give the gross head and the cash number of the AVTL as of now, what will be that?

Murad Moledina: Oh, no, it just happened, just 2 days back. So just give us time, maybe in Q1, when we come out, we will come out with some guidance on that.

Depesh Kashyap: So, INR 265 crore for the Friends terminal that was spanned through JV. Is that understanding correct?

Murad Moledina: Yes, absolutely.

Depesh Kashyap: Okay, got it and lastly, sir, the CapEx of INR 1250 crore that you have mentioned in the PBT, how should we build that? Should the CapEx be in FY 23 and 24?

Murad Moledina: I think you can spread it almost equally between 2 years, FY 23 and FY 24.

Depesh Kashyap: So 1250 divided by 2, like that is the CapEx.

Murad Moledina: Yes, you can safely do that.

Depesh Kashyap: Understood, thank you, sir.

Moderator: Thank you. Our next question comes from the line of Sarvesh Gupta with Maximal Capital. Please go ahead. Mr. Gupta, your line is unmuted. You could please state your question.

Sarvesh Gupta: Sir, hi, good evening. So with regard to this INR 2200 crore that you are receiving, so INR 1250 crore is the expenditure by the joint venture, right? So out of which our share would be INR 625 odd crore. Is that the right way of looking at it?

Murad Moledina: Yes.

Sarvesh Gupta: Okay, so given that this will be again spread, you know, across 2 years, so out of the INR 2200 crore, we have plans for INR 300 crore as of now for this year, right? What is the plan for the remaining INR 1900 crore for FY23 and for the remaining INR 1600 crore for FY24, if you can be more specific, because I know that you had tried to answer this to an earlier participant question, but that was very, very high level and very vague, so I want to understand specifically, you know, what is the quantum of money that we are going to spend, which year, which way, because you know, the businesses which have been retained are very asset like, like your distribution and all, so they don't require that quantum of money. So, you know, as shareholders, because this has been almost 1 year, the deal has been in making. So, we want some concrete answers on this particular question, sir.

Murad Moledina: Yes, we take a point, but then the deal has closed just 2 days back and we are yet to decide on the projects, which are going to be undertaken and we will come out as and when we are ready with those projects because a project involves a lot of things to be closed and fixed. So, we are not yet ready for that but what we can tell you is that there are lots and lots of opportunities, and we are working on many of them and no sooner, you know, as and when they happen and we are ready to undertake, we will come out and, you know, announce them like we have announced INR 1,250 crore of project. So, we it's that we cannot wait and first finalize the project and then come up with the money, so the joint venture was important for two reasons. One is that it gives the cash for future growth, as well as it brings on table new ideas, like industrial terminals, jetty, as well as new products, like natural gas and ammonia, etc. which we can now get into and which are already on the tables under discussions, but have patience we will come up as and when we are ready with specific projects we'll announce.

Raj Chandaria: Yes. I think I'd like to add a point here, that one of the philosophies that Aegis has is that we will not invest in projects, which do not give shareholders an excellent return on capital, you know, this has been the guiding philosophy, better not to spend the money than do poor return projects, so we will, , be looking around for high return projects. I think Mr. Biswas from Nomura also highlighted that, you know, that we will try to acquire assets or build assets which are attractively priced, which will of course enhance our return on capital employed and we will not do white elephant projects or prestige projects. It's basically as and when opportunities come before us, we will examine them and then deploy the capital that we have, you know, in order to give the maximum return. So that's our philosophy and as Murad said that as and when these opportunities present themselves, we will, of course be, you know keeping everybody updated.

Murad Moledina: Yes and just to add here, in addition to INR 1,250 crore projects which were announced, we acquired when the opportunity presented itself, the Kandla terminal of half a million kiloliters. So there are discussions on many other such opportunities and as and when we are able to secure them or finalize, you know, then we would come up with the announcements.

Sarvesh Gupta: Understood, from a business point of view, I mean, most of this gas and liquid divisions business has been parked in the JV now, you have distribution business with you, are there any adjacent area where we feel we will have a competitive edge and where a reasonable amount of money can be deployed? I mean, adjacencies to your business, do you see such possibilities? And if yes, then what are those?

Raj Chandaria: Yes, I would say, you know, every aspect of the business, of our adjacent businesses which improves and enhances the competitiveness of our existing assets, so Murad mentioned, for example, if we have the opportunity to participate in or build jetty's which bring down the cost of bringing gas or new energy projects or anything like that, we will definitely look at, and, you know, that's something that our teams are doing every day. I think I met somebody where I mentioned that the environmental pressures are increasing on people using dirty fuels and one of the key things that we at Aegis believe is that we will be an important player and participant in helping India transition to a more sustainable future and that means primarily gas in the short term, so all aspects of, you know, so converting, for example, people who are using coal to cleaner fuels and so on, all aspects of that are on the table and our teams are actively looking at such projects and investment opportunities.

Sarvesh Gupta: Understood, sir, and this Friends terminal that you have acquired while normally you will have some time to ramp up the capacity, this would already be in full utilization. So what sort of an EBITDA would it add to us?

Raj Chandaria: Yes, this is one of the advantages of acquisition driven growth as well. Murad, can I hand over that question to you?

Murad Moledina: Yes, so what we do is that when we acquire a terminal it has to be then upgraded to the standard of Aegis and Vopak, so that doesn't mean that we will close down, but it'll take time for a ramp up and change of product mix, which will enhance the revenue and EBITDA, so it's premature to come up with any projections of EBITDA as far as Friends terminal is concerned, but during the year, I'm sure we would be in a position to come up with the contributions which Friends terminal would make to our EBITDA very soon.

Sarvesh Gupta: Understood, sir, thank you and all the best.

Murad Moledina: Thank you.

Moderator: Thank you. Our next question comes from the line of Chirag with Budhrani Group, please go ahead.

Chirag: Good evening, sir. Am I audible? Hello? Am I audible now, sir?

Raj Chandaria: Yes, you are audible.

Chirag: Yes, so just two things to understand, the CRL acquisition and the acquisition from Friends group of this liquid terminal, what is the current utilization level there?

Raj Chandaria: In both the cases it is about 75%.

Chirag: And this acquisition from the Friends group will come in the Aegis book, right? All 100% belongs to Aegis?

Raj Chandaria: AVTL, Aegis Vopak Terminal, all liquid capacities are in Aegis group.

Chirag: Okay, and sir I wanted to understand during FY 20, we had a very good, you know, sourcing volume of around 18,00,00 to 19,00,000 metric tons, are we ever going to reach there or you think that the current volumes are good enough?

Raj Chandaria: Yes. Sourcing volumes? I think, yes, we had an excellent in the 18, 19, 20 year, then, of course we've had the much lower volumes, we are back in the game now for this calendar year and we expect to see continued growth in sourcing volumes. I can't predict exact, you know, whether we will win a tender or not. It is a tender driven business, and of course there are some supply chain challenges as well, but our objective is to obviously try and get back to the kind of levels that we were operating previously.

Chirag: Okay, sir, thank you, sir.

Moderator: Our next question comes from the line of Suman Kawatra with TechFin Consultant. Please go ahead, Ms. Kawatra, your line is unmuted. Please go ahead. Since there is no response, we will take the next question. Our next question comes from the line of Anant Mundra with Mytemple Capital Advisors, LLP, please go ahead.

Anant Mundra: Good evening, sir. I'm sorry I joined the call late, so probably this might have been answered earlier, what is the reason for an increase in borrowing year on year, it's gone up from around INR 400 crore to around INR 800 crore, so I just wanted to know that.

Murad Moledina: Sorry, what did you say, the borrowings have gone from?

Anant Mundra: Around INR 400 crore to INR 800 crore.

Murad Moledina: Where did you get INR 800 crore from? It is not INR 800 crore.

Anant Mundra: What is the debt level?

Murad Moledina: INR 300 crore odd and INR 90 crore for the current year.

Anant Mundra: Okay, alright, I'll recheck that figure again, I am sorry sir.

Murad Moledina: INR 800 crore I have never ever in our lifetime taken.

Anant Mundra: Okay, alright and sir, how much of our distribution is to domestic retail, around what percentage?

Murad Moledina: Against what volume are you referring as a percentage?

Anant Mundra: Gas distribution volume.

Murad Moledina: Yes, so gas distribution volume, if you look at our presentation, 24,000 and 21,000 were auto gas and pack cylinders and around 114,000 worth bulk industrial distribution, so that's the breakup for the year, 114,000, 22000 odd auto LPG and around 24,000 odd is gas cylinders.

Anant Mundra: Okay, so on the retail side, are we saying any pressure on volume given that the government has increased subsidy through the PSU channel? So won't people be more inclined on getting cylinders through the oil PSU?

Murad Moledina: No, we are not into the domestic LPG segment in a big way as yet, so there is enough scope in commercial LPG and of course, very small cylinders of 2 kg and 4 kg in the retail segment, for commercial use, we have gone all the way up to 450 kg cylinder, so there is enough scope there to make inroads and please understand there is no change in pricing. The subsidy is given to the oil companies, so there is no tweaking in the price which the consumer pays as such.

Moderator: Mr. Mundra, sorry for the interruption. I would request you to kindly join the queue. Our next question comes from the line of Rajesh Agarwal with Moneyore, please go ahead.

Rajesh Agarwal: I have two questions. One auto LPG can there be a drop in volumes because our main customers are auto rickshaw drivers and all three wheelers and the government has not increased the subsidy, there's a lot of black marketing happening in that sector where the difference is a huge per cylinder or per kg, whatever you call it, and second question, sir, PNG infrastructure being set up across the country, will it affect the cooking LPG volumes which we are importing? These are the two questions, sir?

Raj Chandaria: Murad, shall I take those?

Murad Moledina: Sir, let me just add here, I'll just highlight a couple of things here, then you can take it, as far as PNG is concerned and maybe you are talking about CDG, you know, there are so many players now getting in, but where is the material? You know, the CDGs which have been given, the city distribution gas network maybe equal around 20 MMBTU, if I may call it and our local production is not even 25% and if we try and import natural gas, it's ridiculous rates at which it is now being sold, the producers are booked till 2-3 years from now, till 2026 and beyond, so where is the gas, you know for city distribution and cooking purpose and auto LPG volumes have not dropped, in fact, they're marginally increased during the year, as you, you can see from our presentation, for the year over the previous year, we have increased by 25% and there are a lot of auto gas station in pipeline, so they wouldn't be in pipeline if there wouldn't be a demand for the gas, so there are franchisees who are interested in setting up stations and they are in pipeline and you will see a ramp up, only thing is it is a slow ramp because of, you know, lot of permits and on ground difficulties, which the franchise face, so otherwise we don't see a challenge. Mr. Raj, if you would want to add to this.

Raj Chandaria: Yes, I fully endorse what you said, Murad, but, I might just add that the question about the penetration of natural gas distributed through a pipe network and so on has been raised many times before, I think, first of all city gas distribution is coming, but we do not believe it will pose a serious challenge to the growth in LPG. LPG will continue to be the most important fuel in India and as these big important pipelines, like the KGPL pipeline and so on get built, the cooking gas in the most portable form, which is LPG will be the dominant fuel in India for many, many years to come and, you know, there is a serious question on the economics of piped natural gas, you know, in terms of the sourcing of the actual natural gas as well alluded to, so we believe that LPG will continue to be the main fuel of the future. On the second question of, you know, the price differentials for the auto gas segment and so on we don't anticipate a serious problem on that. We've been through this type of cycles many years and ultimately prices always adjust and we don't anticipate a problem in volumes.

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

Raj Chandaria: Thank you very much, so I just want to conclude by saying that really 2021-22 started off in a very challenging way, but we finished the year on a note of optimism and tremendous excitement because we have concluded many, many important milestones, including commissioning of our Kandla terminal including the completion of the Vopak joint venture and important infrastructural developments that are going on in the various ports and we begin the new financial year with real confidence in the path that we are following and really looking forward now that these important projects are behind us, Kandla and Vopak and so on, really looking forward to the next phase of growth and reporting some excellent results going forward. Thank you so much and we will see you next time. Bye.

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