"Aegis Logistics Limited Q2 & H1 FY23 Earnings Conference Call"

November 10, 2022

MANAGEMENT:	**MR. RAJ CHANDARIA – CHAIRMAN & MD**
	MR. MURAD MOLEDINA – CHIEF FINANCIAL OFFICER
MODERATOR:	**MR. RAJESH, ORIENT CAPITAL**
	MS. RASIKA SAWANT, ORIENT CAPITAL

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY23 earnings conference call of Aegis Logistics Limited. As a reminder, all the participants' 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 "*" and then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Rasika Sawant from Orient Capital, Investor Relations partner. Over to you, Ms. Rasika.

Rasika Sawant: Welcome to the Q2 and H1 FY23 earnings conference call of Aegis Logistics Limited. Today on this call, we have Mr. Raj Chandaria, Chairman and Managing Director, along with the senior management team.

This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions, and expectations as of today. Actual results may differ materially. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed safe harbor statement is given on page #2 of the company's investor presentation which has been uploaded on the stock exchanges as well as the company's website.

With this, I hand over the call to Mr. Raj Chandaria for his opening remarks. Over to you, sir.

Raj Chandaria: Good afternoon everyone. I am joined by our Chief Financial Officer – Mr. Murad Moledina, and we will be presenting the FY 2022-23 H1 results as well as the outlook for FY 2022-23 and various business updates.

Let me start by reminding everyone of our vision for the company. Our vision is to be the leading provider of logistics and supply chain services to India's oil, gas, and chemical industry. And everything we do is aligned to this vision. And let me say that with the successful commencement of our partnership with Royal Vopak and with the successful launch of the Kandla LPG terminal and the successful acquisition of the Friends terminal and the growth projects currently under implementation, that vision is certainly coming into clearer focus.

We are now the market leaders in Kandla, Pipavav, Mumbai, Mangalore, Kochi, and Haldia. In some cases, we are the leader in capacity terms but in all cases in terms of quality, reliability, and service. And this applies to both liquids and LPG. And as we enter new locations, I am confident that the same dedication to quality, reliability and service will move us into market leadership positions in these new ports as well. We will strive to translate the same dedication to quality, reliability, and service in the gas distribution segment as well. I think I can say with some confidence that we are already there in certain geographic markets, and as we extend our footprint, this dedication will follow.

Finally, before I move on to the financial results, I want to emphasize that being the leading provider of logistics and supply chain services to India's oil, gas, and chemical sector carries with it a duty of care and responsibility to environmental sustainability. And at Aegis, this responsibility is taken very seriously, and we have now incorporated this into the design philosophy of new gas and liquid terminals in addition to retrofitting older facilities.

Now, turning to the results. You will recall that we had a solid performance for the last fiscal year 2021-22. And we are pleased to report that the first half of 2022-23, i.e., H1, is tracking well to deliver another strong performance for FY 2022-23 and to build further on the profit growth that we saw in FY 2021-22.

Revenues increased to Rs. 4,386 crores versus Rs. 1,313 crores year on year, primarily as a result of higher sourcing volumes. Normalized EBITDA for the group increased to Rs. 347 crores in H1 versus Rs. 262 crores in the previous year. That is a rise of 33% over the previous year and a lifetime high. Profit before tax rose to Rs. 259 crores as compared to Rs. 214 crores year on year. That is a rise of 21% profit before tax growth. The profit after tax for the group was Rs. 209 crores versus Rs. 173 crores year on year, and that is a rise of 21%.

Generally, the second half, H2, is stronger than H1, and we therefore believe that this sets us up for robust profits growth during the rest of this fiscal year.

Finally, on the basis of the completion of the joint venture transaction and resultant strong cash position, I'm pleased to report that the Board has declared a third interim dividend of Rs. 2 per share. This is, of course, a one-time and special in nature on account of this joint venture transaction.

I would now like to hand over to Mr. Murad Moledina, our CFO, to go through the underlying segment numbers and financial details. Murad, over to you.

Murad Moledina: Let me take the Liquid Terminal division first. The revenue for first half FY23 was Rs. 188 crores, a lifetime high, versus Rs. 130 crores year on year. That is an increase of 44%. The EBITDA for the quarter for this division was Rs. 124 crores which is again an increase of 31%.

Coming to the Gas Terminal division, revenues were Rs. 4,198 crores for H1 versus Rs. 1,183 crores year on year. The EBITDA for H1 for Gas was Rs. 223 crores versus Rs. 167 crores on a year-on-year basis, a rise of 34%. We continue to see growth for the Gas division with sourcing throughput and distribution volumes improving.

I will now explain the sales volume. Starting with throughput volumes, LPG volumes for H1 for 3 terminals of Mumbai, Haldia, and Pipavav was 14.70 lakh metric ton or 1.47 million tons versus 1.305 million tonnes year on year, an increase of 13%. This was despite lower volumes at Haldia on account of port taking up upgradation of both the jetties where the group handles LPG. The company had good volumes at Mumbai as it operated at full capacity with IOC, HPCL, and BPCL, all bringing imports at Mumbai. The LPG gantry at Pipavav continued to perform well and is delivering considerable cost savings to our customers, which is driving improved volumes at Pipavav.

Now, coming to distribution, the bulk industrial segment delivered 173,990 metric tons in H1 versus 45,816 metric tons year on year, representing 379% growth over the previous year and, of course, a lifetime high. EBIT margins remaining stable. With Kandla LPG terminal operationally stabilized, we believe that this distribution business will continue to register impressive growth.

The commercial and domestic cylinder segment which sells to hotels, restaurants, and small-scale industries under the Pure Aegis gas brand and to the domestic household segment under the Aegis Chhota Cikander brand was also higher with H1 sales of 17,310 metric tons versus 11,352 metric tons a year earlier, registering a 52% increase. Autogas sales were also slightly higher at 10,248 metric tons in H1 against 9,554 metric tons a year earlier, an increase of 7%. Margins remain stable for the distribution business.

The sales volume of sourcing business was 457,960 metric tons versus 159,633 metric tons a year earlier. As reported earlier, this increase in volume is expected to continue this calendar year.

With that, I would like to hand it over to Mr. Raj for further updates.

Raj Chandaria: Let me then turn to the business updates for the quarter and the outlook for the rest of the year and then update on our capital expenditure plans.

As far as the business updates are concerned, during the period, Pipavav port continued its work on making the LPG jetty compliant for handling VLGCs, with commissioning now expected sometime during Q3, which will further improve the competitiveness of Pipavav as a logistics hub. The work continues at Kandla Oil jetty #7, which will also be made VLGC compliant, and we expect it to be completed by the end of this financial year. Work continues by the IHBL on the KGPL LPG pipeline, if I can remind everyone, to which both Kandla and Pipavav will be connected. All of these key developments, which are slowly maturing, are positioning our

Kandla and LPG terminals to be the leading gateways for feeding the key LPG pipelines of India going North and into Central India.

As far as the outlook for the second half of FY23 is concerned, both Gas and Liquids segments continue to perform well. And it is our expectation that this year's profits will continue to grow robustly. We expect our Liquids business, with its leading position in the key ports of India, to perform well for the rest of the year, especially in light of good economic growth in the country. And the same applies to the LPG segment. As I have said in previous calls, we are confident that the distribution business is going to flourish and add to our base throughput business. And you have seen that in the half yearly numbers or quarterly numbers that Murad has just reported on.

As far as the project update is concerned, I am pleased to confirm that the project work has now commenced full swing on the expansion projects that we announced last year. We expect the first of these projects, an additional Liquids capacity of 50,000 cubic meters in Haldia of liquid tankage to be commissioned during this financial year. And all the other projects are ongoing. We will keep giving updates in the ensuing quarters.

As far as the Aegis-Vopak joint venture is concerned, as previously informed, the joint venture has achieved a successful closure and is performing in line with expectations. The joint venture is constantly evaluating new business opportunities and proposals and we are confident that the combination of our strengths, both Vopak and Aegis, will lead to some interesting projects in the future.

That concludes my formal presentation, and we can now take questions.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Priyankar Biswas from Nomura. Please go ahead.

Priyankar Biswas: My first question is, can you provide us some sort of EBITDA margin reconciliation for the Gas business? The reason I ask is, if I assume, let's say, earlier guidance that probably the gas logistics business mix is something like thousand Rs. per ton then if I subtract out from, let's say, your 2Q numbers of the entire normalized gas EBITDA, then what I get as the distribution margin is more like Rs. 2,500 to Rs. 2,700 per tonne. But I think the guidance was something like Rs. 4,000 to Rs. 5,000. Can you help me reconcile on the distribution margins?

Murad Moledina: We have done EBITDA margin in Gas of around Rs. 184 crores and if you take out Rs. 1,000 which you just said, that would, of course, leave around 500 crores. The sourcing volume is, of course, not included in this, which is at a very small margin. But the combined margins of all the distributions put together including bulk, auto LPG, and pack cylinders is always close to Rs. 3,000 per tonne. And I think that is what you are getting in your calculation. So, I don't see any much variant as such.

Raj Chandaria: Priyankar, just to add to that, of course, the big volume of the distribution business is the bulk industrial volumes. Autogas and pack cylinders, which are slightly higher margin, do not constitute the bulk of it. The bulk of it is the bulk industrial thing on which the margins are in the Rs. 2,500 range or Rs. 2,000 range.

Priyankar Biswas: So, the bulk, we should work with some number of Rs. 2,000, probably, maybe slightly higher, something like that?

Raj Chandaria: Yes, Rs. 2,000 to Rs. 2,500 is probably about the right thing. It has always been in that range.

Murad Moledina: Just to add here, the new distribution business, which is really in the industrial area of Morbi and industrial clusters, do not have as much margin as when we were doing small distribution business. This bulk business is always at a margin of around Rs. 2,000. This is in direct competition with natural gas, which is why you will now have to rework with your margin numbers between Rs. 2,500 and Rs. 3,000 blended rate.

Priyankar Biswas: Then I guess it largely reconciles that overall number. Sir, just one more question from my side. Regarding the OPEC deal cash flows, if you can just elaborate for the benefit of everyone, like how much money has been received so far and how does it reflect in the 1H FY23 balance sheet because I am not able to make it out completely.

Murad Moledina: If you look at the balance sheet, the cash being carried is appearing in 3 parts as investment, cash in bank, and bank balance which is around Rs. 1,300-odd crores. That's the cash we are carrying. We have received around Rs. 2,000 crores, out of which, after you deduct the tax of around 20%, leaves around Rs. 1,600 crores. And then if you look at borrowings, if you remember, the borrowings at JVCo level has been Rs. 600 crores. And we already were having a debt of Rs. 400 crores. So, from Rs. 1,000 crores, we have repaid debt of around Rs. 300 crores to Rs. 400 crores. Third reason is that the increased distribution business requires more working capital. If you look at all the three, you will understand that around Rs. 2,000 crores is what has come in, in addition to whatever cash earned out of profits during H1. That is how it appears in the balance sheet.

Moderator: The next question is from the line of Himanshu Yadav from Edelweiss Wealth Research. Please go ahead.

Himanshu Yadav: Two questions from my end. One is a follow-up regarding Priyankar's questions. You mentioned that since the Morbi business is directly competing with natural gas, and hence, the margins would be a bit lower. Could you just help us understand the visibility on that front? How sticky would you believe these volumes are and what would be the share of Morbi within the overall volumes which you have reported for the distribution segment?

Raj Chandaria: Our belief is that the tailwinds that we are receiving from the whole natural gas situation have reasonably good and high visibility for at least the next year or two. I say that because we do not expect the natural gas situation to ease at least for another 4 to 5 years because, as we know, the whole natural gas situation has been appended by not only the Ukrainian situation and the stoppage of Russian supplies of natural gas to Europe, resulting in a huge scramble for natural gas from the Europeans, which has led to this tremendous spike. We do not expect that situation to ease off in the short term. So, we believe that this is quite sustainable for a reasonable period of time. I said 1 to 2 years because, obviously, I wouldn't like to predict 5 years, but we have strong visibility for at least 1 to 2 years and we believe that this is a sustainable situation. In fact, I believe that we will be growing our market volumes more than just the Morbi market and other industrial clusters. I think that the volumes will increase rather than stable.

Murad Moledina: And just to add, Morbi, out of 173,000 industrial distribution volumes that we have done, Morbi would be somewhere around 35% to 40%. This is in spite of the fact that, I think, a month Morbi was closed for their annual maintenance which they take up. So, we expect these volumes to grow even further in the ensuing quarters.

Himanshu Yadav: My second question is, post the JV structure, now we are consolidating our JV. In this quarter, we see a minority interest as around Rs. 7 crores in the profit and loss statement. Could you just give us some color on how to think about that going forward? As per my understanding, whatever has flown to the JV part, they do make a good chunk of EBITDA, and accordingly, the minority interest portion should have been higher. Some color in that direction would be helpful, please.

Murad Moledina: Minority interest is a complex working. Anyway, just to give a color, we are always very much focused on each and every part of the results and, if you see, minority interest is well contained. This is also borne out of the fact that our new terminal Kandla, which has moved to the JVCo, actually is earning more of distribution business and profits which 100% accrue to the holding company. That effectively puts us in a very nice position. It's only throughput. In addition, that is what we have been saying earlier too.

As far as Liquid business is concerned, we have carved out Liquid business of around, let us say, 600,000 CBM or a little less. But we have also got CRL liquid capacity into the JVCo out of which we earn 50% and the Friends acquisition. That has somehow balanced the share which we give to the JVCo partner by the new capacity EBITDAs which are flowing in and coming to us as our share of 51%. So, Liquids is absolutely balanced. Gas, most of the profits out of Kandla is from distribution, which accrues 100% to the holding company, I think. This is how far I can go to explain MI. But we are very conscious of each and every part of the results, and we are focused on the EPS very much to deliver what we have always maintained in the past - the upside and growth in EPS.

Himanshu Yadav: So, sir, would it be fair to assume that this minority interest amount going forward will move in line with the profitability or we should not expect any bump up or any lumpiness going forward in terms of any surprises beyond normal operations?

Murad Moledina: If the profits come in more, obviously, the minority interest will increase. But as of whatever is Q2 in that state, the minority interest is what it is reflected in the results. But as the profits grow even furthermore, then obviously, minority interest to that extent will show an increase which you should project for.

Himanshu Yadav: I will pass it on. I guess I will need to have more clarity on this. Probably, I will follow up later. That is it from my end as of now.

Moderator: The next question is from the line of Amar More from AlfAccurate Advisors. Please go ahead.

Amar More: Just wanted to understand a little bit more on the Gas business volume. In this particular quarter, auto business volume would be around 10,000 metric tons, right?

Murad Moledina: For 6 months, H1.

Amar More: That is for 6 months, right?

Murad Moledina: Yes.

Amar More: So, it would be like 50:50 divided?

Murad Moledina: Yes.

Amar More: And the domestic distribution business volume would be how much, sir, excluding commercial and industrial, i.e., Chhota Cikander?

Murad Moledina: We have already said that in the call, 17,000-odd.

Amar More: 17,000 metric ton?

Murad Moledina: Yes.

Amar More: That is for 6 months or for the?

Murad Moledina: 6 months, H1.

Amar More: If I am not wrong, in the auto business, basically, we used to have the EBITDA part of something around 8,000 to 10,000, right?

Murad Moledina: Yes.

Amar More: And in domestic business, the EBITDA part is around 4,000 to 5,000?

Murad Moledina: A little lower, 3,000 to 4,000; not 4,000 to 5,000.

Amar More: Then, basically the commercial business average EBITDA is significantly lower or what or it has gone down significantly lower?

Murad Moledina: Let us just explain. The Kandla industrial sales to industrial clusters are not at margins which we usually are accustomed to because these are really bulk sales. That is how you will have to realign to the margins combined for the distribution business.

Amar More: Basically, that 3,000 to 4,000 range has come down to 2,000 to 2,500 range?

Raj Chandaria: Yes. And just so that you are clear that the commercial segment was generally packed in larger cylinders. When you package a product, the margins are generally a little higher, in the Rs. 3,000 to Rs. 4,000 range. But a lot of this bulk supply out of Kandla and so on is not packed, it is in tanker trucks. It is a different type of…. It is a bulk industrial sort of small industry supply.

Moderator: The next question is from the line of Digant Haria from GreenEdge Wealth. Please go ahead.

Digant Haria: My first question is on the general competitive intensity that we are seeing because, yesterday, I just read an article that Adani has bought a majority stake in Indian Oil Tanking Company. And I see that with the Vopak joint venture, we have begun a CAPEX drive where we are adding more liquid as well as LPG storage capacity across most of the ports. Do you see this activity to be intensifying apart from you guys and maybe Adani has taken over? Or the competitive intensity is not something we worry about today?

Raj Chandaria: I think competition is always there in every industry. And to be honest, we welcome competition because our positioning, as I explained right at the outset, is quality, quality, quality, service and reliability. And as far as the Liquids business is concerned, this business has been fairly competitive throughout all ports for as long as I can remember. We had tremendous competition in Kandla. We had competition in Haldia. We had competition in Kochi. There are plenty of smaller operators and so on.

This terminal, Indian Oil Tanking Limited, this company has existed for some time. There is no new capacity that they are building. It is just one party acquiring somebody else's stake - Adani acquiring somebody else's stake. Obviously, Adani is a serious player, and we always respect them. But we are confident that this is not going to change our plans at all. We are in 6-7 ports. As I mentioned earlier, we are going to be in a couple more ports. And we will consolidate and strengthen our position so that we are market leaders in all the markets that we operate in.

As far as Gas is concerned, I think those of you who follow the company, you have seen how we have taken the leadership position now with our post LPG terminal in Kandla, and as you know, we will be building more. And again, not at all concerned about competition.

Murad Moledina: Just to add here, the acquisition of stake is minority, not majority, as you said. And secondly, the IOTL business is more for petroleum storage and industrial terminals for captive IOC business and needs. So, it has a distinction as far as what we are being very true and third-party logistics player, where we are not attached as an industrial terminal or to any one customer as yet. That is how there is a difference.

Digant Haria: One more thing. Raj, you mentioned in the comments before that you see the natural gas demand remaining tight for many years. I just wanted to check that if across the world, a lot of people switch to LPG as a more alternative, does the pricing differential is at threat? Or how do you see the demand-supply dynamics for LPG? I know all of this in the future is a guess, but whatever to the best of your understanding, that would be great for us to know.

Raj Chandaria: We don't anticipate the whole world switching to LPG, certainly. India is in a peculiar and unique position that for the last 50 years or possibly more than 50 years, India has been promoting LPG as a fuel. We never promoting natural gas as a fuel. So, India is a unique market in that sense that there is LPG being used for industrial and domestic purposes. Most other countries and developed countries, even China and Japan and so on, moved away from LPG and moved to natural gas. Europe, of course, has been on natural gas mainly and America as well. So, we don't see a huge rush to LPG in other markets. I mean there will be some switching but not a huge amount. In India, natural gas is a relatively nascent industry and extremely price sensitive. Of course, energy in India, all the Indian consumers are extremely price sensitive. So, we believe that when you have a scenario where which countries are bidding for cargoes of natural gas for contracts for natural gas, they have the ability to pay more than the Indian consumers for natural gas. And so, that combined with the fact that LPG has been long established for 50 years in this country for both domestic and industrial use, we think that's a trend that is going to specifically Indian.

As far as the supply of LPG is concerned, at this moment, our suppliers, of course, we are joint ventured with ITOCHU; have a pretty good window. We ourselves are now very experienced in sourcing. We don't see a problem. As you know, when you produce natural gas, LPG comes along with that. So, we don't see a supply constraint too much. Prices will move up and down, but actual supply constraint, I don't see a problem with that.

Digant Haria: Maybe that puts us in a sweet spot. Just one last clarification on, you said that this entire Morbi volumes increase. Is it more through that Magna 410 kg cylinder? Or as you said, it will be more tankers being supplied there and they will empty it in their own system or something like that?

Raj Chandaria: I think it is a mixed bag. You have some of the larger players which just take it in bulk, and they have their own storage tanks on site, small bullets on site. Some are smaller scale. They have Magna cylinders. Some are even smaller, who have the next one down. I don't know exactly what was the next one down. So, it's a mixture.

Digant Haria: I just wanted to know from you; Morbi, if they were on some other kind of fuel technology, how easily did they adapt to this LPG? Any other clusters that you see where we can grow in a similar way in the coming times?

Raj Chandaria: Yes. I think there are some customers who were using natural gas have installed these LPG backup systems. There are some who are converted from dirtier fuels to LPG. We definitely are seeing this and making a big push to convert as many customers as we can onto either use of LPG/propane as a primary fuel. And we are seeing this happening not only in Gujarat but other places as well.

Murad Moledina: Just to add that a lot of power companies can now look at LPG to spike natural gas while producing power. That would be another area where we see potential need and growth as far as LPG is concerned.

Moderator: The next question is from the line of Lavanya from UBS. Please go ahead.

Lavanya Tottala: Sir, I got the sense that about 35% to 40% of our volume goes to Morbi. I just wanted to understand what is the composition of the rest of the segment, which industries and regions form the remaining distribution volume other than this Morbi? Like fertilizers or which industries take the LPG?

Raj Chandaria: I think there's a variety of applications. That hasn't changed much. For example, glass, fiberglass, aerosols, bakeries, a number of industrial applications for using LPG as a heating fuel.

Murad Moledina: I want to add here that even in different geographies; now we are selling bulk from Haldia, from Mumbai, from Kandla. Now we have 4 terminals all operating full on. Like Mr. Raj said, varied industries take and use; in addition to what Mr. Raj mentioned, even steel and automobile companies, etc. So, it's a variety and different geographies where we sell bulk, it's not just Kandla alone.

Lavanya Tottala: I just wanted to check this because if there was any shift in any other industry just like how Morbi has been from LNG to LPG, if that was helping us in any of the other industries.

Murad Moledina: Yes, we are smiling because those still remain as potential opportunities to grow even further. So, I think we will see some of that happening in the near future.

Lavanya Tottala: On the Liquids segment margins, how do you see this going ahead and getting back to normalized levels of how we have seen previously, like 8% to 9% on EBIT terms? How do you see this improving over the next few quarters?

Raj Chandaria: Margins on Liquids segment?

Lavanya Tottala: Yes, Liquids segment.

Raj Chandaria: 8% or 9%? I think it is higher than that. Wouldn't it be, Murad?

Murad Moledina: EBITDA margin or revenue or what are you looking at?

Lavanya Tottala: I was looking at EBIT margins based on reported…. Even the EBITDA margins are slightly lower than what we were seeing earlier.

Murad Moledina: Yes. EBITDA margins are 65% on revenue, and that is what we have always given advice, that is how Liquids should behave. But earlier, of course, were a little higher, and this is expected to improve because we have just taken over Friends Terminal, 0.5 million kiloliters of capacity as well as CRL which was earlier run by Vopak. We see a lot of cost synergy going forward, and we expect even the mix of the products we store at our different facilities to graduate to more high-value products which will see a definite increase in the EBITDA margins from the current level. And any increase in revenue from here on will flow directly or mostly into EBITDA, because the expenses are all there accounted for. So, we definitely see an improvement going forward in the coming quarters over the EBITDA percentage to revenue as far as Liquids business is concerned.

Lavanya Tottala: Any time line here, sir, that you see?

Raj Chandaria: I think you will see a quarter-by-quarter improvement.

Murad Moledina: Yes, quarter by quarter, there should be an improvement.

Lavanya Tottala: On Kandla, how do you see taking the terminaling volume? As of now, we don't have any contracts there. Do you plan to keep them open going forward or plan to enter into any contracts in this particular terminal because it's a decent size or a big capacity for us? How do you see that going ahead?

Raj Chandaria: I am just going to first start off by saying that you will recall that, of course, Kandla terminal was delayed. The commissioning was delayed by about 6 months because of COVID and so on. We finally sort of got our first cargo at the end of May. And I'm really pleased to say that the way the volumes have step-by-step improved, today, we are in a position where I think, and I'll ask Murad to comment on this, we are seeing a....

Murad Moledina: As we talk, the first fully loaded ship for one of the national oil companies is being unloaded. In this month itself, probably 3 ships are already planned and in the first half itself would be unloaded. That is a huge jump and a very good sign of things to come. Throughput-wise also, Kandla should be doing well in addition to the distribution business. It being near to Morbi and other industrial clusters, there would always be a business of distribution also coming from Kandla. So, Kandla is looking really good.

Moderator: The next question is from the line of Ankur from PhillipCapital. Please go ahead.

Ankur: Sir, just one question from my side. How does the contracting for LPG procurement works? Are these long-term contracts or are these on a month-on-month basis? If you could just help us understand that, that would be helpful.

Raj Chandaria: First of all, as far as LPG procurement is concerned, which we do through our joint venture with ITOCHU in Singapore, they are all on a back-to-back basis. First, we respond to the tenders put out by the national oil companies. And if we win the tender, then there is a specified delivery period, say, over 12 months and the frequency of ships and so on. Once we have won that, simultaneously we will obviously on a back-to-back basis secure the ships and the actual supplies. This is all done in coordination with our partners, ITOCHU. So, it is on a back-to-back basis.

Murad Moledina: No exposure on pricing, inventory, currency, nothing - everything back-to-back.

Ankur: On the duration of these contracts. Are these 12-month contracts or are there any shorter-duration contracts?

Raj Chandaria: Generally, they are 12-month tenders that are put out. There may be the odd…. In the interim, if a PSU needs some extra supplies, they might put a spot requirement, but generally they line up for 12-month periods, January to December.

Moderator: The next question is from the line of Dr. Amit Vora, an individual investor. Please go ahead.

Dr. Amit Vora: The revenues as compared to the last half-year FY22 have improved quite a bit, around 234%. But what is the reason that the profits have not; as a common man, I am not able to understand that. If you can help me understand that the consecutive increase in profit is not that much. The sales and revenue have grown up significantly to 234%.

Murad Moledina: Most of the top line is out of our sourcing business, which we just spoke about, back-to-back contracts for supplying shiploads of LPG, which are done at wafer-thin margin of around $0.50 per tonne. So, the EBITDA arising out of the sourcing business is very low, though it contributes almost 80% to the top line, which is why you see the disparity between the revenue increase and the EBITDA increase. This sourcing business is done only as a value addition to our customers because we can get this LPG at lower cost than what they are able to procure. It is just sourcing, which is why we call it, and this contributes maximum to the top line but minimum to the EBITDA.

Dr. Amit Vora: There is just one last question. This is the third dividend, I suppose, for this financial year. I was of the opinion that if you could consider a share buyback also because that would also enhance the shareholder value, if it is possible.

Raj Chandaria: I am sure the Board will consider at some point share buyback.

Moderator: The next question is from the line of Bhavik Shah from MK Ventures. Please go ahead.

Bhavik Shah: There was some CAPEX commentary at the start of the call. Can you repeat that? I just wanted to understand that. And what is the guidance for FY23 and FY24?

Murad Moledina: We have already said that we are already undertaking projects aggregating Rs. 1,250 crores at Pipavav, Mangalore, and Haldia, of which in this year, 50,000 CBM or kiloliter liquid storage terminal at Haldia, which we call H5, will get commissioned in this year. All others will happen in FY24 and FY25 depending on the kind of project that is being executed.

Bhavik Shah: This Rs. 1,250 crores is for the next 3 years, right?

Murad Moledina: Yes, you can say that in FY23, FY24, and FY25, that is how the CAPEX spend will come into the books.

Bhavik Shah: Any other utilization of cash we are expecting?

Murad Moledina: There are many things which, at Aegis, we are looking at.

Raj Chandaria: You remember that we talked about as far as the joint venture with Vopak is concerned. We see a huge plethora of opportunities, whether by way of moving into new gases, whether by acquisition opportunities that come to the table, expansion of our existing sites which the market or projects have not yet been crystallized and so on. I believe that there are tremendous opportunities. And obviously, we have the balance sheet and the cash to be able to move fast as and when these opportunities arise. It is fairly clear to me that there is not a shortage of opportunities and there is not a shortage of financial resources to execute on those opportunities.

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

Raj Chandaria: I would just like to conclude by saying that we are quite pleased with the way the year is unfolding. We have strong visibility for the next quarter and the quarter after that. Of course, we have longer-term plans as well, but I think I would like to convey that we have good visibility, and we are pretty confident that we are going to have an excellent year. I look forward to speaking with you again at the end of January. Thank you.

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