AEGIS

August 2, 2023

To,

The Secretary,	Capital Market Operations
Market Operations Dept.,	The National Stock Exchange of India Ltd.
The Bombay Stock Exchange Ltd.	Exchange Plaza, 5th Fl., Plot No.C/1,
Phiroze Jeejeebhoy Towers,	G Block, Bandra-Kurla Complex,
Dalal Street, Fort,	Bandra (E),
Mumbai – 400 023.	Mumbai – 400 051.
Scrip Code: 500003	Scrip Code: AEGISCHEM

Dear Sir/Madam,

Sub. : Transcript of the earnings conference call

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call held on Thursday, July 27, 2023 at 2.30 p.m. (IST), for your information and records.

The above communication is also available on the website of the Company at www.aegisindia.com.

Request you to kindly take the same on record.

Thanking you.

Yours faithfully,
For AEGIS LOGISTICS LIMITED

Monica Gandhi

Digitally signed by Monica Gandhi
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Date: 2023.08.02 17:58:52 +05'30'

MONICA GANDHI
COMPANY SECRETARY

Encl.: as above

“Aegis Logistics Limited

Q1 FY '24 Earnings Conference Call”

July 27, 2023

MANAGEMENT: **MR. RAJ CHANDARIA – CHAIRMAN AND MANAGING DIRECTOR – AEGIS LOGISTICS LIMITED**
MR. MURAD MOLEDINA – CHIEF FINANCIAL OFFICER - AEGIS LOGISTICS LIMITED

MODERATOR: **MS. PAYAL DAVE– ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Aegis Logistics Limited Q1 FY ’24 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during a conference call, please signal an Moderator: by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Raj Chandaria, Chairman and MD. Thank you and over to you, sir.

Raj Chandaria: Thank you very much. Good afternoon. I'm joined by our CFO, Mr. Murad Moledina, and we'll be presenting the Q1 financial results. So, we're pleased to inform you that we have delivered another quarter of strong performance with Q1 EBITDA growing by 30% year-on-year, and profit after tax growing by 23%, as compared to the same period last year.

So, I'd like to remind everyone that the mission of our company is to store and distribute bulk liquids and gases in a safe and sustainable manner and this quarter we did just that. There were no environmental or safety incidents in any of the group's operations, an achievement which we hope to continue repeating quarter after quarter.

Now the strong growth momentum that we saw last year in both liquids and gases has continued during the first quarter of this year. And this once again highlights the great trust that our customers place in Aegis and our capabilities. And this provides us the confidence to deliver an annual performance consistent with the performance demonstrated during this quarter.

And looking further out, all the growth projects which we announced last quarter are progressing well on budget and on time, which also bodes well for the future. And as an indication that we have in the sustainability of our growth agenda and our robust financial position, the Board of Directors has declared an interim dividend of INR 2.50 per share.

Now I would like to hand over to our CFO, Mr. Moledina to give you more details of the financial performance. Murad?

Murad Moledina: Yes, good afternoon. Moving on to the performance for the quarter, we delivered a highest lifetime Q1 profit before tax and profit after tax.

- **Revenues** in Q1 FY'24 decreased by 6% on a consolidated basis led by decreased volumes in sourcing segment along with some corrections in LPG prices.
- **EBITDA** for Q1 FY'24 increased by 30% on a consolidated basis. In liquid division we stored some high margin products and in gas division we had higher share of logistics and distribution business.
- We have delivered a highest ever Q1 **PAT** of INR133 crores, a growth of 23% on a year-on-year basis.
- **EPS** also increased to INR 3.3 compared to INR 2.95 in FY'22.

Now going on to the segments,

Liquid division, the revenues for Q1 FY'24 were INR 115 crores, an increase of 42% on a year-on-year basis. We delivered a highest-ever EBITDA for the quarter of INR 78.5 crores versus INR 55 crores in the previous year, which is again an increase of 43%.

Gas division, revenues in Q1 FY'24 were INR 1,986 crores versus INR 2,155 crores in Q1 FY'23, a decrease of 8% year-on-year attributable to a slight decrease in sourcing volumes and lower LPG prices as compared to the same period last year. EBITDA for Q1 FY'24 was INR 133.5 crores versus INR 108.6 crores in Q1 FY'23, delivering a growth of 23%.

We continue to see growth for the gas divisions with increasing volumes in throughput and distribution. Sourcing division also remains stable with a marginal drop in volumes. Let me give you the volume details of each sub-segment. Throughput volumes, the LPG volumes for Q1 FY'24 handled at our four terminals, Mumbai, Haldia, Kandla and Pipavav, where 8.81 lakhs metric ton versus 6.37 lakhs metric tons in Q1 FY'23.

Haldia the operations at Haldia ports are now normal. **Pipavav** the jetty at Pipavav has also been upgraded to handle VLGC and we expect the first VLGC to berth very soon. **Mumbai,** for Mumbai continues to operate at full capacity with IOCL, BPCL and HPCL bringing imports. As **Kandla** is mentioned in the earlier call, it is fully operational and is delivering on our expectations. Now distribution volumes, we delivered a lifetime record volume in distribution business in Q1 FY'24. The volumes increased by 86% as against Q1 FY'23 volumes.

The commercial, industrial and auto segment combined handled 1.59 lakh metric tons in Q1 FY'24 against 0.85 lakh metric tons in Q1 FY'23, a growth of a whopping 86%. This is a lifetime record performance for this division with stable margins. With Kandla LPG terminal operationally stabilized, we believe that the distribution business will continue to register impressive growth.

Let me remind you here, the improvement of performance in the distribution division, which includes industrial, commercial, as well as autogas immediately reflects in the overall profitability as it's a higher margin business compared to the sourcing and throughput business. The business is also not capex intensive and hence the performance of this subdivision improves our ROCE significantly. Sourcing volume, the sales volume of the sourcing business in Q1 FY'24 was 2.26 lakh metric tons versus 2.3 lakh metric tons in Q1 FY'23. And we are expecting a stable growth in this segment in FY'24 also. Before we hand over to the moderator for Q&A, let me give you a brief on the projects that are under implementation.

New capacity expansion at JNPT for the liquid terminal is progressing well and the same is expected to be operational by end of FY'24. Liquid capacity at Mangalore and Kochi are expected to be operational in FY'24 itself. LPG capacity expansion at Pipavav and Mangalore are also progressing well and the same would be operational in FY'25. We have also started construction of a LPG bottling plant at Kandla in addition to what we completed at Pipavav just a while ago. And this will also be operational in FY'24.

With this I now hand over the line to the moderator to start with the question-and-answer session. Thank you.

Moderator: The first question is from the line of Chirag Vekaria from Budhrani Group. Please go ahead.

Chirag Vekaria: Good afternoon, sir.. Just wanted to understand, in Q4, vis-à-vis this quarter, your volumes are at the higher level, but the profitability is not. So has any realization got impacted sequentially?

Murad Moledina: No, you may not. Distribution volumes, depending on the mix, there could be slight variations. Like in liquid, it depends on the kind of product mix that you do. Similarly in gas, in distribution, we have Auto LPG packed and bulk. So this time we have done more of bulk than packed and Auto. So therefore you would see a slight change in profitability.

Chirag Vekaria: Okay. But more or less, our realizations and all are intact, right?

Murad Moledina: Absolutely, they are intact.

Chirag Vekaria: And sir, just some word on how the industrial business, the Morbi side is doing?

Murad Moledina: Excellent. We almost are doing, we have said that we have done better than the previous quarter.

Chirag Vekaria: Better than the previous quarter. Okay, sir, thank you very much.

Moderator: The next question is from the line of Dr. Amit Vora from the Homeopathic Clinic. Please go ahead.

Amit Vora: Good afternoon, everyone. First of all I would like to thank the management for this excellent set of results. And also, thankful to the management because I have been investing in Aegis since the year 2000. It has been a good return from the company. That is my first time. And my question is that, sir, you have been giving good dividends, but if you could just consider buyback also, because over the world it has been seen that companies with buyback give better investor results.

Raj Chandaria: Yes, thanks. Thank you very much. Dr. Vora? Thank you so much for your kind words. And we'll definitely, the Board will definitely -- we consider all options, including buybacks, dividends and so on. So, we will definitely keep that in mind. Thank you.

Amit Vora: And one more question is, so June, as you had said in previous meetings, that June quarters are generally lower than other quarters. So, do we expect the coming quarters better than the June quarters?

Murad Moledina: We always aim and wish and we are quite positive.

Amit Vora: And one last question, sir, about KGPL deadline, any idea by when it could start? Kandla-Gorakhpur pipeline?

Murad Moledina: We expect that to commission by end of calendar year '24. But they, of course, say it much earlier. But we expect that to be commissioned by end of calendar year '24.

Amit Vora: Thank you so much. That was for now. Thank you once again.

Moderator: Thank you. The next question is from the line of Mayank Bajaj from Oculus Capital, please go ahead.

Mayank Bajaj: Good afternoon, sir. So, in terms of continent, the LPG terminals, can you throw some light on the volumes individually about the terminals? Can we have some data on that front?

Murad Moledina: We do not give terminal-wise individual volumes. We only say all aggregated logistics volumes for all the terminals put together.

Mayank Bajaj: Okay, no problems. Can you get some light in terms of the pricing for all the terminals? Are they same for all the terminals?

Murad Moledina: Same, same.

Mayank Bajaj: And sir, in terms of Kandla, how are the volumes shaping up? What is your plan in terms of the 100% capacity utilization? What is the target that you are looking at in terms of the capacity utilization at Kandla?

Murad Moledina: We always say that LPG terminals are not constructed for a capacity to last for one or two years. They are constructed with a capacity of throughput so that the customer's growth is taken care of for more than five to seven years. So, initially, every LPG terminal begins with a 20%, 25% capacity utilization, and then it keeps growing year-on-year. Similarly, Kandla, our expectations were of 20% capacity utilization to begin with, but it has surprised us and is doing better than that.

Mayank Bajaj: Okay, and any idea on the JNPT terminal? Are we doing something on that side? Because since our Bombay port is completely utilized, are we planning something on the JNPT?

Murad Moledina: We have just acquired a land parcel in JNPT and are constructing our storage terminal but that is for liquid cargo. And the construction is in progress and we have already said that it should be commissioned by FY'24.

Mayank Bajaj: Nothing on the LPG side? Because our…

Murad Moledina: No, we are still not to that. So, we will see how things are and what kind of opportunities come.

Mayank Bajaj: Okay, okay. Thank you. That's it from my side.

Moderator: Thank you. The next question is in the line of Dishant Jain from Quasar Capital. Please go ahead.

Dishant Jain: Thank you for the opportunity, sir. I wanted to just get a sense of how do we measure the capacity utilization of both the divisions. Like, let's say, like last year you did a volume of 33 lakhs metric tons. And we had a third of a capacity of 96 lakhs metric tons. So, let's simply do we divide that or is there any other way to sense that?

Murad Moledina: Yes, you divide that. So that is 33% of the capacity utilization which was there the previous year.

Dishant Jain: Okay, okay. And those distribution volumes and processing volumes are not included in this utilization, right?

Murad Moledina: If the distribution volumes have come from the terminal which we own, then throughput also would be there for those distribution volumes. Yes, in fact, we do it only from our terminal, so it is included in that throughput. The distribution division also uses the throughput.

Dishant Jain: So, basically 33 lakhs plus the 5 lakhs last year divided by 96 lakhs. Is it correct?

Murad Moledina: You have to take the whole 33 lakhs right? For the 96 lakhs utilization. You have used the terminal throughput. So, the 5 lakhs is included in 33 lakhs?

Dishant Jain: Sorry? So, the 5 lakhs of distribution volume is included in gas volume of 33 lakhs?

Murad Moledina: Yes, because it is done by our subsidiary, a different company.

Dishant Jain: Okay, okay. And then, what about the liquid division, like how do we measure it?

Murad Moledina: Liquid division, throughput is not important in liquid division. So what we always tell people is that the capacity, which is 1.6 million as of now, we normally say that there is a rate of INR 3000 per annum, per CBM of space. So that is the potential revenue, average rate to be realized. So, that is the potential revenue. Now how much you reach near to that is the kind of benchmark we use within our company to determine the utilization.

Dishant Jain: Okay sir, perfect. And just for the clarification that the whole distribution is with Aegis right and not with under the JV?

Murad Moledina: Yes, this is at the holding company level.

Dishant Jain: Okay, okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Suman Kawatra from Techfin Consultants. Please go ahead.

Suman Kawatra: Yes, morning. Congratulations for the excellent numbers. Okay, fine. Now, I think in your presentation you have given 10 points. We have almost completed your expansion, linkages, everything. So can we expect a higher growth rate in the coming year?

Raj Chandaria: Yes, so as I mentioned in the last conference call, and I think you're referring to the presentation, the investor presentation from the last conference call. So the projects that we announced, significant, I think INR1,750 crores worth of projects we have announced are of course now under implementation.

So, the list of 10 items that you saw there are actually already completed. And of course, they are having an impact on the next couple of years of results. But the big growth is going to happen because of the INR 1700 crores expansion, INR 1750 crores expansion that is unfolding as we speak over the next 24 months.

Suman Kawatra: Yes. Okay, okay. So what kind of growth are we expecting coming here in the next year?

Raj Chandaria: You mean growth in profitability and so on?

Suman Kawatra: Yes, yes,

Murad Moledina: Well, generally speaking, we don't give specific guidance, but -- We have time and again, said on print also that we expect from FY'22 to FY'27, a five year timeframe, we see enough visibility to say that the EPS growth would be at CAGR of 25%.

Moderator: Thank you. The next question is from the line of Sagar Sanghvi from ADD Capital, please go ahead.

Sagar Sanghvi: Yes, thanks for the opportunity. Congrats on very good set of numbers. Sir, I have very basic question over a long term, if we look at the company. So, right now we are into liquid and gas. Any thoughts of entering into complex chemicals, transportation as well as logistics, given your JV partner, Vopak also is into complex chemicals, and within board members a technical director of Vopak sits on your boards, that's it?

Raj Chandaria: Yes, it's a good question. Thank you so much. But I just wanted to remind everybody that Aegis Logistics, with or without Vopak has been handling a complex chemicals for really for the – for at least the last 25 years. And in fact, the exchange of information about how to handle complex chemicals is both ways. We have taught Vopak a few things and Vopak has taught us a few things.

So, we do in fact handle very interesting products. Of course, they are -- we have to be very careful about how we handle them and so on. So we do handle them in liquid side and indeed in the gas side as you know LPG is not something that one takes lightly in terms of safety and so on. So, we are definitely in that business already. So, thanks for your suggestion, but we already do that and we'll continue to do that.

Sagar Sanghvi: Sir, any new products into the pipeline that you're looking for which are not currently transported at your terminals?

Raj Chandaria: Yes, there is a continuous stream of new products that are coming in, especially as a result of the fallout from the disaffection with the Chinese policy on COVID and also the way things are going with the Chinese economy and so on. We've seen a number of customers who are bringing new products into India and exporting new products out of India. So, definitely that's happening on a daily basis.

Sagar Sanghvi: So, how do you see margin panning out for that new products? What percentage of the business within liquid would be a high margin kind of business?

Raj Chandaria: There is a constant -- we do handle of course vegetable oils as well, edible oils, that is a significant part of our business. So, we handle petrol, diesel and the more complex products. So, it's quite a mix. It's a mix in terms of both in terms of the ports, for example, in Mumbai, since we are situated next to the two oil refineries, we handle a lot of petrol and diesel in Mumbai. In Haldia, we handle a lot of, we don't handle petrol and diesel at all at the moment, but we handle a lot of vegetable oils and other more complex chemicals.

In Kandla, we handle no petrol or diesel, but we handle a wide range of complex products as well as vegetable oil. So, the margin mix varies on a quarter-to-quarter basis depending on what products people are bringing in to which terminal.

Sagar Sanghvi: Okay. And sir last question on Haldia terminal. So, sir a couple of quarters back we had a volume loss because one of the customer-- anchor customer went to their own terminal. How do we see Haldia panning right now? Are the volumes back to normalized level?

Murad Moledina: Now they are back to normal and we'll have a natural growth as we have always said, 7% to 10% year-on-year. So, that's what it is. We are back to normal throughput volumes at Haldia.

Sagar Sanghvi: Okay perfect. Thank you thanks a lot, sir.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Yes, thanks for the opportunity. Two, three questions. Firstly, can you just highlight a bit on what led to such a high growth in the distribution segment over last 12 months?

Murad Moledina: Yes, distribution, bulk distribution in the year FY'23, we have pushed for LPG / propane as an industrial – alternative industrial fuel. And there has been quite acceptance, especially industrial clusters to name more Morbi, where we have LPG as a fuel is competing well. So, that has led to a focus and push on distributing LPG as an industrial fuel in addition to a fuel for cooking purpose.

So, that has seen a big ramp up as far as distribution volumes are concerned. This is I think the fourth quarter that we have done well and growing quarter-on-quarter. So, it establishes our faith and our view that LPG propane is definitely a very competitive alternate fuel for industrial use also.

Dixit Doshi: Now, so basically just to understand, so in distribution segment we have industrial, commercial and auto gas. So, is it fair to assume that most of the growth is led by industrial because of this Morbi thing and maybe normal high teen or teen kind of growth in auto gas and commercial household?

Murad Moledina: Even packed cylinders, because packed cylinders are also going for industrial use. So, the customers who do not have storage facilities, small units -- because that is the reason we have packed cylinders of varying sizes, from 2 kg all the way to 450 kg. So, different class of customers would want different sizes of packed cylinders. So, that segment is also growing. Auto LPG is where we need to now push. We have, of course, started with universal stations where we are also dispensing petrol and diesel.

Those volumes are not recorded here you see, but they do generate margins because it's a universal station. Though, we not distribute, we distribute under a marketing arrangement with Nayara petrol and diesel, but we do get our share of margin by distributing petrol and diesel. So, that segment also, if you do not really focus on the volumes it is contributing quite a bit and we are pushing for more and more of these and also trying to push volumes. But yes, you are right industrial bulk distribution is the major growth if we really count the metric tons.

Dixit Doshi: And do you see this scenario sustainable because I understand that most of this shift was happened due to the sharp increase in the natural gas prices?

Murad Moledina: Natural gas prices are the lowest today. They just this about the abnormal pricing of natural gas was six months or nine months back, but they are now at its really lowest level. For example, Morbi natural gas is being sold at only INR 38 SCM. In spite of that LPG propane is 20% to 25% cheaper today also. So, the prices apart, calorific value of propane is or to say the other way around natural gas calorific value is only 75% of propane. So, that itself gives it an edge.

And also natural gas is to import is far more difficult than to import LPG or propane. Also the macro scenario globally is far more soft as far as LPG and propane is concerned because all those developed countries want more natural gas than propane because they have severe winter and they need tons of gas to -- as a fuel. So, therefore, if you look at all of these factors we feel LPG propane is here to stay as an alternative competitive fuel for industrial use.

Also the fact, that India is still heavily dependent on solid and liquid fuel for industrial use like coal, briquettes, furnace oil, diesel, kerosene. We will definitely see a transition. At what speed is of course a question mark, but that transition will bring in more and more demand of gas, natural gas as well as LPG, maybe going forward ammonia and hydrogen. So it's a transition from dirty fuel to clean fuel which has started, will not stop, it's just how much and how soon would be the question mark. So, we are very bullish as far as LPG and propane is concerned, that it will definitely grow at a very good growth rate.

Dixit Doshi: Are we considering any options in the hydrogen distribution side?

Murad Moledina: No, never say no to anything and we definitely have a very good partner in Vopak who has done a lot of work in many other products like ammonia, like natural gas, like renewable energy, like hydrogen, etcetera, etcetera. So, we are always discussing opportunities, but they have to be sound economics-wise. And there is always the question of timing them well. So definitely, work is there to see if any opportunity of those sorts can be executed in India. And would throw profits more and more for the company.

Raj Chandaria: I think, if I can just add there to what Murad said, look, we are constantly looking at new opportunities along with Vopak, especially on the gas side because we have really emerged as a very strong company in handling LPG, which is, of course, a gas. And, I think the only thing I would caution is that many companies make big announcements. Our strategy is to only make the announcement when we are absolutely clear that the return on capital employed is sufficient to justify the investment. And then we will definitely make announcements. So yes, I think that's all on the.

Murad Moledina: Yes, so again to put it, new product knowledge, management bandwidth, technical expertise, money, those are not the constraints. It's what will work at what time in India. That's the question to look at. So, no other constraints, but so we constantly like Mr. Raj said, looking at opportunities with our partner to do more and more infrastructure work on logistics in India.

Dixit Doshi: Okay, two book keeping questions. Firstly, I have one old number where our EBITDA per ton in the throughput was around 1,100 and auto gas 10,000 and industrial and cylinder around INR3,000 to INR4,000. Is it more or less same currently?

Murad Moledina: Yes.

Dixit Doshi: Okay, it's more or less same. Okay, and last question. So over next 24 months, many capacities are going to come up. So, let's say by next two years this 1.6 million ton in liquid and 96 lakh ton in gas, this capacity will go up to which level?

Murad Moledina: Yes, so we have announced Mangalore project which we say at the capacity to throughput 4 million. And Pipavav we have announced gradually 48,000 metric tons. Again taking the capacity of Pipavav to 4 million so that is an addition of 2.6 and 4, 6.6 to 9.6. That is where the gas capacity will go.

As far as liquid is concerned, 1.6 million we are adding 0.3 million as of now. That would take us to 1.9 million.

Murad Moledina: Yes. I think that's it, 1.6 million in liquid with 0.3 under construction would take it to 1.9 million. So, that's about the capacities.

Moderator: Mr. Doshi may I request you to join the queue for any follow-ups? The next question is from the line of -- Jolyon Chuan Yang Loo from Amiral Justian PTE Limited. Please go ahead.

Jolyon Chuan Yang Loo: Hi, so I just wanted to ask, I was looking at Vopak like a estimates for the JV and I think on the other side they are indicating a 6% revenue growth over five years whereas we are guiding for a 25% CAGR over the next four five years instead. So, could you explain to me the difference in assumptions? Why are we so different versus their customers?

Murad Moledina: Yes. We have businesses, other than what businesses, we have joint venture with Vopak. So, it is not only exclusively joint venture with Vopak, that is Aegis. Aegis has got distribution business, it has got Mumbai storage facilities which is outside the JV, so therefore we expect a growth in EPS at 25%.

Jolyon Chuan Yang Loo: Okay, so would you disagree with their numbers? Because I mean, do still base their numbers on the JV that we are doing a lot of capex on. And a lot of the capacity that's coming online would be in the JV as well. So, do you disagree with that 6% number?

Murad Moledina: We have no idea how this 6% has come, so we are in no position to comment on that. However, what we can tell you is that it's a little bit of a complicated thing because this is consolidation accounting of a subsidiary of 51%. So, all inter-company transactions are eliminated. And there is a matter called minority interest also, the working of which we have to do as per the Indian accounting standard which has been prescribed. So, all of this put together, what I can say is that we see visibility for our growth in EPS, 25% CAGR from FY'22 to FY'27.

And we have already delivered in FY'23, not 25% but 29% growth. So, we are very hopeful of achieving what we have aimed at, which is 25% CAGR growth in EPS year-on-year from FY'22 to FY'27.

Jolyon Chuan Yang Loo: Okay, great. So, I have just one more question. So, could you comment on the impact of the upcoming supply from, especially from our clients, so specifically I think IOC is going to commission one in Paradip, HPCL in Mangalore, and I think further on, I think Kandla, IOC has also announced a big expansion to their 0.6 million to 2.5 million LPG import capacity. So, could you comment on all these expansion plans on how that might affect our own LPG terminals? Thank you.

Murad Moledina: Yes, as far as IOC expansion in Kandla, I don't know how many years more it is going to take. So, we believe that Kandla has got origin or two pipeline grid paths through Kandla. One is Jamnagar-Loni pipeline, which has just upgraded its capacity from around 2 million to 3.5 million. And then Kandla-Gorakhpur pipeline, which is being set up with a capacity of 8.25 million tons, out of which 1.5 is out of Pipavav, and I think Dahej is something around that. But all the balance is going to come from Kandla.

So, we see enough demand coming on in the ensuing years to take care of the capacities which I don't know when but may come up in Kandla. We are equipped to handle the growth with a 4 million capacity of which already 25% is utilized as far as Kandla is concerned. As far as Mangalore, HPCL, I don't think anything HPCL Mangalore. It's under construction. So, we still don't know how much time it will take. Paradip, IOC, we believe, will have no effect on Haldia because we have an anchor customer called HPCL and not IOC using exclusively our terminal at Haldia.

So, Paradip, IOC will not affect as such the LPG through putting which we do from our Haldia terminal.

Jolyon Chuan Yang Loo: Maybe just one last upcoming supply, how about Adani's, Dhamra on the East Coast of India? How is that going to affect us?

Murad Moledina: Again, East Coast, Haldia, we are exclusive arrangement with HPCL and we will not be affected.

Jolyon Chuan Yang Loo: Okay, thank you so much, sir. Thank you.

Moderator: Thank you. The next question is on the line of Harsh Shah from Dalal & Broacha Stock Broking. Please go ahead.

Harsh Shah: Yes, thanks for the opportunity. Couple of questions from my end. Firstly, when I look at the segmented information that you have given, I see that in the unallocable part, close to INR500 odd crores have been added. So, could you give some color on that?

Murad Moledina: Sorry, where have we added INR500 crores?

Harsh Shah: So, it is in the unallocable, the capital employed part in the unallocable segment.

Murad Moledina: Yes, yes, that is cash and bank balance, don't worry. That is the cash surplus yet to be invested into the segment infrastructure asset.

Harsh Shah: Okay, and the INR 1750 crores of capex that you have stocked, is it in the JV or on the console level?

Murad Moledina: It will be at the JV level now.

Harsh Shah: Okay. And I believe we have been talking a lot about the industrial LPG part. So, what kind of volumes are we doing in industrial LPG?

Murad Moledina: Bulk industrial LPG we did around 144,000 tons in this quarter versus previous quarter 116,000 tons and last year quarter 73,000 tons.

Harsh Shah: So, what I want to ask is say in in the next three to five years, how big can this segment, the industrial LPG can go? So, in terms of -- can it go three to five times in terms of volume in industrial LPG?

Murad Moledina: We wish it does, but we always say that 20% to30% growth year-on-year we expect.

Harsh Shah: And if you could -- so I believe you said that the LPG in the Morbi division is close to 20% to 25% cheaper. So, is it after considering the Calorific value, considering that it has higher Calorific value?

Murad Moledina: Yes, of course because you should know -- we should at the end of the day the rates are compared versus the energy which they deliver or which they have so it is always energy-based rates which are compared.

Harsh Shah: Okay and one last question so when I look at the Q1 FY'23 import figures of LPG versus this Q1 of FY'24 LPG import, I see a bit of a dip in the total LPG that is being imported. Any particular reason you would like to attribute?

Murad Moledina: What is your data source?

Harsh Shah: So I have taken from a government website.

Murad Moledina: So, in the government website there will be an asterisk and a fine print which says probably that private importers might not have been accounted for. So, you please look at this split, whether it is only national oil companies import data which is there or all the import data because we don't believe there has been a decline at least in the ports at which we operate.

Harsh Shah: Okay, yes, no issue. That is on my side.

Moderator: Thank you. The next question is a follow-up question from the line of Dr. Amit Vora from The Homeopathic Clinic. Please go ahead.

Amit Vora: Thank you so much for giving me an opportunity second time. Sir, this INR 1,750 crore, what is the ROCE that you expect?

Murad Moledina: Our hurdle rate is always 15%.

Amit Vora: 15% okay. And out of this capacity utilization of 16 million -- 1.6 million ton in liquids, what is the capacity are we using currently? What is the capacity utilization?

Murad Moledina: All our facilities at all ports except Pipavav liquid is utilized 100% plus.

Amit Vora: 100% plus. And last question sir, apart from Morbi, any other areas you are working on for distribution business?

Murad Moledina: Yes, we are doing distribution from Haldia, Mumbai, Kandla, wherever we have. Industrial?

Amit Vora: Industrial?

Murad Moledina: Yes, yes, industrial, of course.

Amit Vora: Okay, thank you so much, sir.

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

Lavanya Tottala: Hello. Hi, sir. Thanks for the opportunity. I joined a bit late. I'm not sure if it was answered already. So, there was slight moderation in gas segment margins. I just wanted to check if margins of gas distribution has softened in this quarter?

Murad Moledina: No, it has not. And I had explained it earlier that it is the mix now between bulk distribution packed and Auto LPG which will show slight variations. This time bulk distribution has been quite -- it is 30% more than the previous quarter and almost 100% over the previous year Q1. So, that is the lowest margin of the three distribution sub-segments.

Lavanya Tottala: Okay. So going ahead, industrial or the bulk will be one of the growth driver. So, is there potential for the softness of those margins or it's likely to sustain at this quarter level?

Murad Moledina: I think given the mix pattern, Auto-LPG will always grow slowly, but packed is expected to improve. So, margins I think will stabilize going forward. Also the fact that it would also depend on the cost of imports, how the prices of LPG behave. That may also be one of the…

Lavanya Tottala: Okay, with the calorific value, I think L-propane is still more beneficial than LPG, but just for SEM basis, it's now broadly comparable, right?

Murad Moledina: Oh yes, you can say that.

Lavanya Tottala: Yes, got it, thank you, thank you so much.

Moderator: Thank you. The next question is from the line of Saurabh Shroff from QRC Investment. Please go ahead.

Saurabh Shroff: Yes, hi. Congratulations, gentlemen. Just quickly on the distribution side, so we've obviously seen fantastic growth here over the last six quarters. My question really is that what have we done different? Because we had these terminals before, so it's just been a question of renewed focus after the JV and bandwidth getting freed up and who are the main competitors here that we are either taking shares from or are we just driving more adoption?

Murad Moledina: This is regarding distribution you're saying, right?

Saurabh Shroff: Yes.

Murad Moledina: Yes, so distribution Morbi happened. So, it's all a question of timing. We could get off on our Kandla terminal commission, I think sometime in March. And during the same time, I think

NGT had advised the Morbi industrial cluster not to use dirty fuel anymore. So, it was a question of an alternative fuel. And because we commissioned our Kandla terminal during that time, we were in a position to supply an alternative, competitive, environment-friendly, clean fuel called propane at a price which was competitive with natural gas which was another fuel which was available for use by the industrial cluster.

So, similarly now our focus at different locations has been to identify industries where propane or LPG can work and can compete as an alternative clean fuel available for use by industries.

Saurabh Shroff: So, is this almost a business development kind of an activity and not just a distribution or logistics activity? Is that the right way to think about this?

Murad Moledina: Yes, we call it distribution.

Saurabh Shroff: I think there is -- what I mean is that do you have to sort of educate people that listen, there is this -- that there is this gas available, it is cleaner, it's probably more efficient calorific wise. So, what is sort of driving it is what I'm trying to understand. One is NGT, which is an external factor to us, but sort of internally, what is it that we are driving?

Raj Chandaria: Yes, I would -- if I can just add there, I think you're right, there is definitely an element of business development in this, because traditionally in India, LPG has been seen as a fuel for domestic cooking with some use in the commercial hotels and restaurants and so on. And it was always for many years was a scarce commodity and so on. Gradually as the industry has developed over the last 10-15 years with the entrance of private players and so on, there has definitely been an element of user education, to convert people from dirty fuels to cleaner fuels.

And also the understanding that between natural gas and propane or LPG, there's not that much difference. Both are gases, both have calorific values, both have many of the same characteristics. And with some small modifications one can interchange between the two fuels. Indeed even if one wants to use natural gas you can always have propane as a backup fuel or you can have propane and have natural gas as a backup fuel, whatever -- and so on.

So, there is definitely an element of business development in this. But many of the customers are pretty savvy themselves. And when they made the calculations, the economics was definitely immediately visible. Plus the fact that when we opened up the new Kandla terminal, we actually had capacity. We have never had any capacity in Mumbai. We've never had any capacity in Haldia to -- because we were so busy with the through putting business.

Murad Moledina: So. Yes, and also to just add here that the laws are now more sensitive to environment. And they are tightening. And for example, if now you go to renew your consent to operate, they will definitely ask you about alternative green fuel to be used in the unit. So, those all factors, the fact that environment sensitivity has become more acute and authorities have become more strict, as well as the availability and the capacity which we have now, much more. We never had four terminals with 9.6 million tons capacity, right?

So, that all put together probably and the business development which you say -- I call it awareness. Yes, those all factors put together is leading to this growth.

Saurabh Shroff: And on my second question, this 9.6 million capacity that we now have and you mentioned that obviously these terminals have 20-30 year lives and are not built for 12-24 months. So, is it safe to assume that over a period of five to six years, you have enough visibility that Kandla sort of gets to, close to 100% or absolutely optimal utilization?

Because the reason why I ask this that obviously the job we've done in Mumbai is just fabulous. I mean, in terms of what we've achieved there in terms of static versus throughput. So I don't want to use that as a benchmark but in general is that the sort of visibility that five- six years is the right time to sort of think that this 9.6 is fully utilized?

Murad Moledina: Maybe you should stretch it a little more but yes that is what we work towards to utilize as much as possible, our terminal that is what the capacities have been created for. And we believe this transition from dirty fuel to clean fuel will certainly help in achieving those throughput utilizations at the earliest.

Raj Chandaria: And I think the other factor to take into account is that both Kandla and Pipavav are going to be connected to two of the largest LPG pipeline systems that India is building and they're specifically chosen for that purpose. So, even if those pipelines get delayed by a year, we are not constructing them because the government companies which are constructing them. So, we know that sometimes, delays do happen in government organizations. But given that caveat, these two terminals are extremely well positioned. If you look at our investor presentation, there is a nice diagram of how they are connected and to what, so on.

Murad Moledina: So, the fact that these refineries, which have been producing LPG, would now look to use LPG not for cooking gas, but for their pet chem. So, that would actually reduce the production even more because obviously, pet-chem, they would get a higher value realization. For example, if you look at Bina Refinery or you look at Bathinda HPCL Refinery, HPCL Refinery has already started their pet-chem, Bina is working towards.

So, by the time Kandla-Gorakhpur works, probably Bina would have started their pet-chem and start using the LPG for pet-chem, leading to the replacement sort of, replacing the LPG which was eager to be produced, now being used to pet-chem, would then -- be serviced by the ports from terminals like ours.

Saurabh Shroff: And finally on these new cryogenic terminals that we are adding, what is -- is the reason just the fact that the vessels now are sort of have moved in that direction? And secondly, is the cost of building them out significantly different?

Raj Chandaria: Yes, so cryogenic terminals is the way to go, generally speaking, because most of the gas in the world is now transported, with big ships, which are all cryogenic. And it's a lot safer as well than having a pressurized facility. Not to say that pressurized does not have a place, but generally speaking, very few pressurized new terminals are being built. So, cryogenic terminals definitely are the way to go. And what was your second question?

Saurabh Shroff: Is the cost to build them significantly higher than a sort of pressurized terminal?

Raj Chandaria: Yes, the absolute capital cost in total is definitely higher because obviously there's a lot more engineering and safety and so on involved with when you're dealing with negative 40 centigrade type of cryogenic facilities. The absolute, but if you ultimately look on a per ton basis in terms of the type of throughput that one can do, I think cryogenic is still wins out.

Saurabh Shroff: So, it is end up being sort of accretive net-net after the initially higher capex?

Raj Chandaria: Yes, correct.

Murad Moledina: And also to add to your earlier question when you said Morbi, Morbi is just an example. Morbi was very price sensitive. But it has to follow. The whole country -- so many small and medium scale units, using dirty solid and liquid fuels, like even wood briquettes. So, those all have to go and the clean gases have to then be – then replace them. So I think, yes, huge potential.

Saurabh Shroff: And other than us and then oil companies -- so who are sort of the main players in this business?

Raj Chandaria: Who are the what?

Saurabh Shroff: The main competitors in this, it's the –

Raj Chandaria: So, there are two foreign companies which are operating in India. One is called SHV Energy, which is a Dutch-based company, which is one of the world leaders in LPG. And they've been – we, of course, do business with them. We supply them. We buy from them. We sell to them and so on. But they are an active player. And then there's a French company called Total, which operates basically in Southern India, in Bangalore in that area, because they have a small terminal in Bangalore.

So, they are definitely operating this space as well. Reliance Industries, in a small way, they are also in the business. And then there are a couple of small private players who at the moment don't have terminals, but they buy from terminal, they buy their gas from other terminals.

Saurabh Shroff: Okay, thank you so much, gentlemen. And all the best, looking forward to you.

Moderator: Thank you. Ladies and gentlemen, that will be our last question for today. I now hand the conference back to Mr. Raj Chandaria for closing comments. Thank you, and over to you, sir.

Raj Chandaria: Yes, thanks very much. Some very insightful questions and I'm really, really pleased to have an opportunity to answer all of them, I hope, to your satisfaction. As I said in the conference call, the long-term prognosis for the company is very healthy with all the growth projects that we have identified. You know, while definitely quarter-to-quarter is important, but I do want to emphasize that really, I think the company is in a really strong position both financially and operationally and from a business strategy perspective.

And we continue to execute really well on the ground. So, I'm really proud of the team that is delivering on a day-to-day basis. Thank you very much. We'll look forward to communicating with you again at the end of the next quarter.

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