"Aegis Logistics Limited

Q3 FY'24 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to Q3 FY '24 Earnings Conference Call for Aegis Logistics Limited. Short disclaimer before we start this call, this call will contain some forward-looking statements, which are completely based upon our beliefs, opinion and expectations as of today. These statements are not a guarantee of future performance and will involve unforeseen risks and uncertainties.

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 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 Managing Director. Thank you, and over to you, sir.

Raj Chandaria: Okay. Thank you very much, and good evening. I'm joined by our Chief Financial Officer, Mr. Murad Moledina, and we will be presenting the Q3 results and cumulative nine months for FY '24. Now we're already in February. So we have pretty good visibility for the rest of the year. So I think it's a good opportunity to focus a little bit more on what's happened over the last nine months because it will really inform us as to how we're going to end up the year and it gives a better perspective. Of course, the Q3 individual numbers are also available, and Mr. Moledina, will be highlighting those as well.

So I've mentioned in the past that the company was very well positioned to continue delivering on our mission, which is to store and distribute bulk liquids and gases in a safe and sustainable manner. And I'm pleased to report that in the nine months ended 31st December 2023 the group continues to deliver on that mission, while also generating strong operating performance.

So far this year, we've generated an EBITDA of INR 675 crores. Liquid revenues of IN R356 crores, liquid EBITDA was INR 243 crores, and Gas EBITDA was INR 431 crores, all these numbers are, of course, cumulative for nine-month period. And all of these are record highs. The distribution volume was a cumulative 4.33 lakh tons and logistics volume cumulative 3 million tons.

We expect to continue this progress in pursuit of our mission. And as we head towards the last quarter of the year, we are confident of maintaining this momentum and this sets us up nicely for the balance of the year in Q4 as well as providing a very solid base for next year.

Now this solid operational performance has enabled us again to deliver a strong set of financial results for the nine months ended 31st December with profit before tax accumulating to INR 554 crores, representing a 28% increase over the same period last year and profit after tax of INR 435 crores, representing a 24% increase over the same period last year. Mr. Moledina, our CFO, of course will provide more details later on in the call.

As I mentioned in our last call, the group is in the middle of a major expansion program with an anticipated capex spend of INR1,750 crores, and I can provide an update on the progress of this program. So at Pipavav, the jetty is now equipped to work VLGCs. This has been a major ambition of ours. And now VLGCs are calling regularly at that port.

The new LPG bottling plant at Pipavav was also completed, commissioned and already generating revenue. The two additional spheres -- gas spheres at Pipavav which were completed in Q2, have started generating revenues in Q3, representing an additional 3,700 metric tons of capacity. At Kandla, in the liquid side, we expect to commission an additional 35,000 kiloliters of liquid tankage during -- in the next quarter, in this quarter in Q4. And the LPG bottling plant at Kandla has been commissioned and also is now generating revenue.

The new liquids 110,000 kiloliter terminal at JNPT is progressing very well, and we expect to commission about 20,000 of this tankage in Q4 this year and the balance by June 2024. The new liquid expansion at Mangalore of 76,000 kiloliters is progressing well and also expected to be partially operational by the end of FY '24 and the balance of it in Q1 of FY '25.

We have acquired an additional 16,000 kiloliter storage tank terminal at Kochi during this year. It's a small one, but still significant. The expansion at Haldia to set up an additional 50,000 kiloliters liquid tankage was also completed, and this will take our liquid storage capacity total to 1.9 million kiloliters, and we expect to construct a further 300,000 kiloliters more in FY '25, -- more on that later.

The two major cryogenic LPG projects at Pipavav and Mangalore of 45,000 metric tons and 85,000 metric tons, respectively, are also progressing nicely on budget and on time. On a general note, we continue to seek opportunities in the form of acquisitions, brownfield expansions or greenfield sites and also in the area of sustainable fuel and new energy. These are consistent, of course, with our vision of supporting India's transition to a more sustainable future.

Now looking forward, as I said, we have -- we expect the strong momentum that we have seen in Q3 to continue carrying on for the rest of the year and with the various projects that are underway, we are pretty confident of executing really well on our mission as we move into next year.

I'd now like to hand over to Mr. Moledina to present the financial performance in detail. Murad, over to you.

Murad Moledina: Thank you. Good evening, all of you. Both our divisions delivered a strong performance for the nine months ended 31st December 2023, driven by high lifetime revenues and profitability in Liquid division once again and highest lifetime profitability and volumes in Gas division. For the group as a whole, EBITDA for nine months ended 31st December was INR 675 crores, an increase of 15% compared to the same period last year.

Profit after tax increased by 24% cumulative Q3 to INR 435 crores. Earnings per share also increased to INR 10.62 as compared to INR 9.18 for the nine months ended in the previous year, an increase of 16%.

I would now like to provide you with some more details on the individual segments.

Liquid has delivered another record stellar performance for the nine months ended 31st December. The revenues were INR 356 crores, an increase of 18% year-on-year basis. We delivered the highest ever EBITDA at INR 243 crores versus INR 201 crores same period last year, which is an increase of 21%.

This improved performance can be attributed to new capacities coming online as well as acquisitions. Gas also delivered record volumes in our Logistics business, and we experienced growth in our distribution business, resulting in EBITDA growing from INR 386 crores in the same period last year to INR 431 crores in this year. This represents an increase of 12%.

Now if you look at volume details of each subsegment, throughput volumes,

The LPG throughput volumes handled at all of our four terminals were 3 million metric tons for the 9 months ended 31st December versus 2.45 million metric tons same period last year, an increase of 22%. This is a lifetime record performance for this period for this sub-segment of the business.

Distribution volumes.

We had a good growth in our distribution business, too, for this nine month ended. The volumes increased by 21% against the same period last year. The commercial, industrial and auto segment, all combined together handled 433,280 metric tons versus 358,140 metric tons last year. The margins of this division remained stable.

Sourcing volumes.

The sales volume for sourcing business for nine months was, 5,78,140 metric tons versus 6,57,960 metric tons in the same period last year. The financial position of the company remains robust with low debt, strong cash flows and a solid balance sheet.

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

Moderator: Thank you very much. We will now begin the question and answer session. We have a first question from the line of Digant Haria from GreenEdge Wealth. Please go ahead.

Digant Haria: Sir, does that affect our...

Moderator: Sorry, can you please repeat there was some...

Digant Haria: Am I audible?

Moderator: Yes, you are now audible, please go ahead.

Digant Haria: Sir, my question is that the natural gas prices have come down very sharply in the recent times. So do you expect any impact on our distribution volumes in the state of Gujarat because of that?

And do you see this as a temporary blip in the natural gas price or now at least the national gas and LPG will be competing neck to neck with each other in coming times?

Murad Moledina: We have sold more quantity in Q3 when, as you say, that the gas prices were lower. So it has not affected our volumes, and we expect that the difference between the value or the price of natural gas versus propane is going to remain going forward, too. So we don't see any much effect all our volumes going forward as of now.

Raj Chandaria: Our feedback in the market is that both natural gas and propane prices will continue to remain volatile. There will be ups, there will be downs and so on. And the lesson that the customers have ultimately learned is that it is better not to depend only on one source. And so we see this market being nicely shared between both the propane side and the natural gas side.

You can't completely get rid of natural gas and you can't completely get rid of propane. So we're very happy. We are servicing our customers from our local terminal, and we're happy to coexist with natural gas.

Digant Haria: That was great insights. Just one follow-up on this is that let's say, all our SMEs to whom we supply these LPG tankers, a lot of them would have the option to use natural gas or LPG depending on what is available and where the prices are? Is that the right assumption that most of our SMEs would have the choice to change whenever they feel it's to their advantage?

Raj Chandaria: Yes. Anybody over a reasonable size would have dual options, dual burners and many of them have put in flexible fuel systems. And in fact, we are working technically to convert all of those who are not to have that option.

We have -- I mean, I can't go into the details of it, but we have a lot of options for people at a very low cost basis to give them that flexibility. And what we find, the ground reality is that many of them actually quietly are converting from NG to LPG and propane -- both LPG and propane.

Digant Haria: Perfect. Perfect. And then sir, it just means that the more customers we make, the less will be the volatility in our LPG volumes as well because this effect gets mitigated as we move away from those national pipelines of natural gas where customers have those choices. And like are we expanding our radius around Kandla and Pipavav because that's from where we transport this gas. So how large radius are we covering now in...

Raj Chandaria: That's a really insightful question, and thank you for bringing that up. One of the reasons many people have been questioning us that why are you setting up bottling plants? Why is that part of your business?

And one of the reasons I want to mention is that by having these bottling plants strategically located right inside our terminals, our ability to service small, medium and large customers within a radius of about 500 -- maybe 350 to 400 kilometers is -- we are very competitive. And so we've now with the spread that we have of 4 operating terminals, Kandla, Pipavav, Bombay and Haldia with another 2 large ones coming up, the spread and our ability to reach into the hinterland with this radius and our bottling plants is fantastic.

So really, that's why we have been focusing on trying to push our distribution business because we do have -- we feel that we do have a competitive advantage to serve the SMEs and, in some cases, larger consumers as well.

Digant Haria: Perfect. Perfect. And sir, last, which means that if this KGLP pipeline, if it starts, we can probably have bottling plants even in, say, the Northern region of Madhya Pradesh or the east -- the southern region of.

Raj Chandaria: We can. Of course, the KGLP, KGPL and so on is fairly well-established route and the national oil companies have their bottling plants dotted all over close to those things. So I mean, we don't want to compete with them. If there are opportunities, certainly, we will take those opportunities to set up fresh bottling plants. But they're pretty well established, right? Pretty well established in Madhya Pradesh and all these other places along the pipeline routes.

Moderator: We have our next question from the line of Priyankar Biswas from BNP Paribas. Please go ahead.

Priyankar Biswas: Congratulations, gentlemen, for a strong operational performance, firstly. So my first question in this regard is that despite such strong operational performance in the gas business, what we are seeing is that the EBITDA for gas is lower quarter-on-quarter. Can you explain why is this happening?

Murad Moledina: Yes, Priyankar. So the last quarter, EBITDA was INR 152 crores. This quarter, it is INR 146 crores. So there's not much difference. Now what happens is in distribution business, the margin you earn ranges from INR 2,500 to INR 3,250. So the band is changing every quarter. So that is where the difference you may see quarter-on-quarter. But as the volumes will grow, the growth of EBITDA will happen. And you have to see cumulative numbers because if you look at quarter-to-quarter, you may see the difference. But when you take the cumulative numbers, the growth of EBITDA in gas has happened along with the volumes.

Priyankar Biswas: So if I understand it right, so this effect is only due to a change in distribution mix in the quarter. So nothing has happened on the logistics side at least.

Murad Moledina: Logistics, in fact, we have increased the volume and we have done 1.09 million...

Priyankar Biswas: No, from EBITDA point of view, EBITDA per ton.

Murad Moledina: Yes. EBITDA point of view, no changes. No change.

Priyankar Biswas: No changes. Okay. So adding on to the distribution question asked by the previous gentleman. If you can shed some light, so you have done a great work in Gujarat in getting some -- garnering market share from pipe -- from natural gas. Is there -- what are the other plans to, let's say, enhance the distribution? Can you replicate this Gujarat type model in other, let's say, localities?

Which are the areas that you are looking at? And how big these opportunities can be, let's say, in 2, 3 years' timeframe?

Raj Chandaria: There are definitely further industrial clusters in Gujarat, which we are actively pursuing. Our sales force, of course, is actively pursuing in Gujarat between Kandla and Pipavav. Mumbai, I would say that it's pretty much -- where our terminal is pretty much fully occupied. There's not much capacity left because between the national oil companies, that terminal is pretty much occupied.

When Mangalore starts, it's likely that we will start pushing hard in the South as well, which is our next terminal. Haldia, right now, we don't have a huge market, but we're slowly developing the industrial market there, just like we have done with Kandla. So we are slowly making inroads in Haldia on the industrial distribution side.

Priyankar Biswas: Sir, if I may ask further. So I think on the other alternative fuels, we were talking about probably plans for, let's say, the longer-term ammonia terminals and industrial terminals. So where are we with regards to those? And can you give us some -- shed some light on the further capex program than what is already announced in the last con call?

Raj Chandaria: Yes. I think we haven't made too much progress on industrial terminals. So I'd like to say that really not much progress on that because that's a completely different ball game, and we haven't really seen the opportunity that grabs us. So let me just state that, that's not something that we have on the plate right now. As far as ammonia is concerned, it's definitely an active set of projects, several projects. I don't think it's wise for us to actually start making big announcements until we have it in the bag.

But I can assure you that it's pretty advanced. And the day we have a signed a document and on term -- financial and economic terms that satisfy us, Priyankar, you will be the first to know -- not the first to know, but this group will be the first to know. But yes, it's a good question, but we are actively working on it. So we're not yet ready to make a firm public announcement.

Priyankar Biswas: Sir, if you can just give on the capex program. So you had already highlighted a certain part of it in the last con call. But we have a plan of actually much higher, like INR 4,500-odd crores. So if you can shed some more light on that, so what projects and maybe acquisitions that is there in the, let's say, the next 1 year pipeline.

Raj Chandaria: Yes. Look, the announced program of INR 1,750 crores is, of course, I've already talked about that, the LPG project, the liquid projects and so on. Those are all undergoing and should be completed within the next 18 months, maximum 20 months, right? So that's clear. There are occasional opportunities which come up randomly for additional liquid tankage here or there and so on, which may or may not be part of the INR 1,750 crores. And don't -- we just grab them as and when they come. These are potentially sort of tenders that come up for land in strategic ports and so on. And obviously, if something interesting comes up, we'll just grab it.

It's difficult for us to talk about acquisition opportunities at this point because we are definitely pursuing each and every opportunity that comes to our knowledge, but we cannot predict with any certainty as to; one, if they will happen and; number 2, when they will happen. It's just the nature of the M&A game. But as we have mentioned on past calls, Look, the company has the firepower. It has the management bandwidth. It has the cash firepower to take on meaningful acquisitions, and we are definitely on the look out. Murad,, do you want to add anything on that?

Murad Moledina: Yes. So Priyankar, the INR 1,750 crores capex, which we had announced earlier was focused on Pipavav and Mangalore and a little bit of liquid in Haldia. The next round has already started with JNPT, which we have already spoken about in this call, where we are building liquid, and I'm sure we will -- we are looking forward to do more so in this new port where we have done an entry. Similarly, we are looking to get into new ports where we are not yet there. But unless we are able to get the land in our kitty, then we would be ready to announce the same.

There is also plans to expand in Haldia as well as other existing -- where we are already in ports where we already operate. So brownfield, greenfield, getting into new ports we are working. Some of them as and when we are ready, we'll keep announcing and getting into. But be sure INR 4,500 crores is going to happen by 2027. That's for sure.

Raj Chandaria: Yes. I think it just also like to add that I think one of the lessons that we have learned is that we will take the project, we'll get all the permits and licenses and then make the public announcement. Because one of the things, as you know, is that people -- competitors don't like Aegis coming into their turf. So we've learned the hard way that it's better to get everything quietly and then make the announcement when we're ready to start work with everything because this is the way things work. So even though we may not be shouting from the roofs that what new opportunities that are, be assured that we are actively...

Murad Moledina: Lots of work going on.

Raj Chandaria: Lots of work going on, yes, on the ground. Exactly.

Priyankar Biswas: So last question from me, just book keeping one. So can you just provide us the gross debt and the cash number that you have on the balance sheet? So trying to assess firepower you have.

Murad Moledina: Today, we have around INR 1,700 crores as cash on hand and bank debts are INR 1,200 crores.

Moderator: We have our next question from the line of Anil Sarin from Green Field Capital. Please go ahead.

Anil Sarin: I wanted to speak about the distribution, the growth of distribution during the quarter gone by. It seems that in the third quarter, there has been a bit of a let up in terms of -- I mean in the same period last year, there were around 157,000 distribution MT, which has now got reduced to 144,000. While it is an improvement over the immediately preceding quarter, but on a Y-o-Y basis, it appears to be on the lower side.

And this is at a time when -- apart from the Kandla, one is also trying to grow into the hinterland around Pipavav. So we'd love to get some details about what transpired and what is the outlook going forward from here onwards regarding distribution in these industrial clusters?

Murad Moledina: Yes. I think I would suggest that we do not look at quarter-to-quarter. And if you compare nine months cumulative for this year versus the last year, we have done 433,280 metric tons versus 358,140 metric tons last year. So there is an improvement, and we hope to continue doing so in coming quarters and the coming years.

Anil Sarin: Okay. So one would follow on. I think what I understood was there are two main use cases for LPG to sort of make a space for itself. One is LPG powered generator sets. That is one use case. And the second one is LPG-powered furnace -- I'm sorry, boileries where instead of furnace oil you can use LPG. So just for everybody's understanding, how are these -- are there other use cases and how are these use cases progressing as you also make enrolled into industrial areas?

Raj Chandaria: Yes. Can I just -- can you repeat -- your voice was a little garbled. Can you just repeat the last part of your question, please?

Anil Sarin: I'm sorry about the garbled voice. I'm saying that these are the 2 use cases that I'm aware of I'm sure there may be some...

Moderator: Sorry to interrupt, sir. We are unable to hear you. There is a lot of disturbance or your voice is...

Anil Sarin: Is this better?

Moderator: Yes, sir, now it's better.

Anil Sarin: So what -- the last part was -- there are 2 main use cases instead of using diesel in a generator one can use LPG – instead of using furnace oil in a boiler, one can use LPGAre there other such cases? And what is the response of the customers as you go and talk about the use cases of using LPG.

Raj Chandaria: Yes. Just to answer on the use cases. As far as using LPG for power generation -- diesel -- as a replacement for diesel, it's a fairly common thing in -- for smaller units for people to do that, not necessarily in India, but at least around the world, smaller DG sets definitely are powered by propane or LPG. But for larger units, it's a bit of a rarity. Because in other parts of the world, they use diesel. It's not as expensive. Air quality, of course, is a concern, but they do use diesel, but it's on an exceptional basis.

We are looking into larger gensets using propane or LPG, but it's not a very commonly available engine. And so we are, I must say, struggling a little bit to actually get some equipment that we can actually install in customers' premises as far as power is concerned.

But it's not that we have abandoned it, but we are still investing in. But the biggest use case, as you correctly said, is the application of heat, direct heat, whether it's in an automotive paint shop or whether it's in fuel making ceramics or other such applications where clean fuel is required, where there's no sulfur or minimal sulfur and so on.

And these are the kind of industrial applications where we see big inroads happening. The biggest conversion that has happened, of course, is where they're already using clean fuel like natural gas. And as we've talked in the earlier questions, the use of propane and or LPG is an easy substitute. Of course, where there are strictures being placed by the pollution control authorities on the use of diesel or furnace oil or dirtier fuels, those are being mandated by the regulatory authorities on emissions.

And that's happening more and more in different industrial clusters. In fact, one of the reasons why Morbi market grew so exponentially is because of a mandate, right, by the air quality -- pollution authorities. And we see this happening more and more in other industrial areas, where because they're getting much stricter on emissions and their pollution authorities are mandating a conversion to gas-based fuel. And all those gas-based fuels basically only two fuels, natural gas and or propane.

I'm talking about the direct application of heat in a -- like in an oven or a furnace or a kiln or a paint shop.

Murad Moledina: Yes. And just to add here, however, if in case of generators, if we are able to get easily the engines to use propane as a fuel. The difference is huge. When you use diesel, it is INR 30 plus the unit of energy generated. And if you start using propane, it can be 25% of that. So that's 75% savings and plus a clean fuel. So that's big. But it would take its time, as Mr. Raj said, we need to get the engines.

Raj Chandaria: There are plenty of engines which run on natural gas but very few which run on LPG and propane in other parts of the world. So we are just doing some technical -- some engineering work to try and make sure that, that can easily -- just like we did on the other industrial markets.

Murad Moledina: When it happens, it will open up a huge opportunity.

Anil Sarin: Great. I just have two quick follow-on questions, if I can. One is that it seems that further distribution gains are to be had once Mangalore goes on stream because that will open up the southern sort of markets for you. And that's just observations. I needed some kind of response on that. And the second point…

Moderator: Sorry to interrupt, sir. You are not audible clearly. Your voice is breaking too much. We are unable to hear you properly. We have our next question from the line of Yash Dedhia from Maximum Capital. Please go ahead.

Yash Dedhia: Congratulations on a good set of numbers? Sir, I just wanted to know about the cryogenic LPG project, which we are planning and progress is on-going. What would be the expected revenue from the project and the EBITDA added full capacity?

Raj Chandaria: Which project are you referring to?

Yash Dedhia: The cryogenic LPG project.

Raj Chandaria: Yes. So there are two projects that are ongoing. One is in Pipavav of 45,000 kt, and there is one in Mangalore, which is an 80,000 capacity terminal.

Murad Moledina: So what we always say is that whenever an LPG terminal is commissioned, we start -- it is constructed to last the demand for the next seven, 10 years, and it will start with a 20% capacity utilization. So that's the kind of EBITDA. So you can look at and get the numbers by working on that utilization percentage, which is it begins with a 20% -- 20% to 25% utilization like Kandla. Kandla was a 4 million ton capacity.

It's already doing 1 million a year to start with. Similarly, Pipavav and Mangalore. However, Pipavav will get hooked up into KGPL pipeline and the 1.5 million tons have been reserved to be serviced out of Pipavav. So as and when KGPL will get commissioned and then the NOCs supply will happen, it will take it to 1.5 million over a period of two to three years, hopefully. So that will be a faster utilization as far as Pipavav is concerned.

Yash Dedhia: And sir, one more. Just on the general basis for the liquiddivision. Why our ROCE look so low? I mean we are running on the full capacity utilization, and I don't see any escalation on our revenue apart from the volume growth.

Murad Moledina: Yes, there are two, three reasons for that. One is that we have a pre-owned land out there valued at fair market value, even though the cost is lower. So you need to do an adjustment to that. Secondly, CWIP projects all the time are under construction and commissioning. So there is never a period where everything is operational, and there is no CWIP.

Third reason is cash on hand. We carry around INR 1,700 crores as cash on, which will give you 7.5% or 7.6% as interest or earning. So all of these combined will give you an ROCE of around 15%, 16% as of now. The capex program is so aggressive, every year we keep doing capex.

So it's like, at the moment, a few assets are commissioned, there are several more, which some under construction. So it's an on-going capex cycle. I think it would go on probably for the next five years, seven years. There's so much of opportunities in the funnel that we have our hands full for the next five, seven years.

So you have to do those appropriations to come up with the returns number, which is quite good in that sense.

Yash Dedhia: That's great. And on the previous participant's follow-up. So LNG prices in December, they have been higher because of the winter. But from January onwards, we are witnessing in depth at least in India, and also in the global markets, of course. What is the parity between LNG and LPG price per se right now standing today?

Murad Moledina: Standing today, there's a differential of around 10% as far as if you look at the calorific value. The difference between both -- of course, calorific value is, LNG -- or natural gas is 75% of propane.

Yash Dedhia: Yes. So as of today LNG is 10%...

Murad Moledina: 10% to 15% more costly than propane.

Yash Dedhia: Okay. And while using LNG do stem of either, would that integration be more towards something like that is true when network industry has...

Murad Moledina: We really could not hear you well. So...

Raj Chandaria: Is your question, what is the preferred fuel?

Yash Dedhia: Yes, yes.

Raj Chandaria: I think in terms of the characteristics, technical characteristics, there's no essential difference propane and natural gas are pretty much interchangeable. So it's not -- it's just a question of the economics I think.

Murad Moledina: And handling and ease of availability, that is also…

Raj Chandaria: We don't insist on minimum offtakes and no long-term contracts or anything like that. You pick up the phone call and you get, it's there within one hour.

Yash Dedhia: Thank you.

Moderator: Thank you, sir. We have our next question from the line of Lavanya Tottala from UBS. Please go ahead.

Lavanya Tottala: Hi, sir. Am I audible?

Raj Chandaria: Yes. Can you speak up a little bit, though.

Lavanya Tottala: I hope I'm clear now. And congrats on good numbers. So just a follow-up on the earlier participant's question. So with the -- in the distribution segment, now is it a right understanding that the next jump in our volume will happen whenever we open -- I mean, when the Mangalore LPG opens up and commissions, or we like a new use case like gensets. So something like this happen, we see the next jump up in our distribution volume. Is it right understanding?

Murad Moledina: No, Lavanya, yes, you're partly right. However, we expect and we endeavour all the time to keep the volumes grow quarter-to-quarter and year-on-year. I'll tell you that it's not just Kandla, which is doing distribution. It's Mumbai, Haldia and now Pipavav also to some extent. So as the market and the acceptability and -- grows, you will see the volumes increase. But definitely, when Mangalore commissions, yes.

And when we are able to get acceptability by way of generator or industries switching from natural gas to propane, the pitch and -- is there. Our marketing people are all the time trying to get these conversions happen overnight in a range of industries and the right geography as such..

Raj Chandaria: I mean Yes. I was just going to say that to a certain extent, you're right that we had very low distribution volumes, which were restricted to Autogas and some packed cylinders. And we commissioned the big terminal at Kandla and the distribution volumes jumped. And then again, they jumped in a big way, of course, when you have the natural gas spike and now people have got used to it.

So we continued -- so now that initial jump has taken place, but it doesn't mean that we're going to stop. We continue now making inroads into the industrial clusters in Gujarat and other places now that we have understood the whole game. And you're right. The next time we have a big terminal coming up and being commissioned, we'll do the same type of...

Murad Moledina: Also, we have to understand that the capacity, I can -- if I can use the word spare capacity is only in Kandla. Pipavav is doing great in throughput Mumbai is already up to its limit. Haldia also. So like Haldia 60%, Pipavav is already past 60% and Mumbai is 90% plus. So in Kandla where we try to do maximum because that's where we can bring cargo and distribute more easily because of the spare throughput capacity available there.

So it's not that the market is only Kandla and around. The market is there, but then you also need capacity, right, to bring in cargo, hold it and distribute it. But we are working. We are working on each of these locations. And of course, Mangalore will be a big bonus because it's a huge capacity which is going to come up. And then you can do so many more things as far as distribution is concerned. So we also wait for Mangalore because that would really give a step up, so to say.

Lavanya Tottala: Got it. Thanks you so much for the detailed answer. So maybe on the terminaling business, now that we have reached 1 million to 1.1 million run rate in terminaling -- how do you see the ramp-up from here and pickup in Kandla and overall volume going ahead in upcoming quarters? Like how do you see it ramping up?

Murad Moledina: Yes. So probably, we will end the year around 4.1, 4.15, right? We are already at 3 million. So we expect next year also to grow by 20% plus as far as throughput is concerned without looking at the additional Pipavav and the Mangalore, so to say.

Lavanya Tottala: Does they come from market share gain or just increase in imports will be sufficient for us to...

Murad Moledina: If you look at 1.15 as a run rate and you multiple by four, that would give you 4.6 versus four already. So you're already at that run rate today -- that is the reason. That is why I've been conservative of that 20%. So yes, everything it is also because of market because of NOC, because of the natural growth of demand in LPG, etc, etc.

But the run rate is already there. We are already at 1.15 plus. That would take us to a minimum of 4.6 next year without looking at the additional capacities at Pipavav and Mangalore. We should be doing 20% plus,.

Lavanya Tottala: Thank you. And one last question, if I may, is on the liquid side. We were discussing on product mix optimization, which would help us in better margins. So our margins have improved sequentially in both Y-o-Y for liquid. So do we still have that leverage to play on the product mix to have better margins in Kandla room?

Murad Moledina: Yes, absolutely. Yes, we still have. We still have room.

Lavanya Tottala: Perfect. I mean the stabilized levels, where do you see the margins at for the liquids like up to where we can reach? We are at around 52% this quarter.

Murad Moledina: You also wonder. So we reach as much as possible. But it's like the more value-added products you do by doing small tweaking in your infrastructure and that's an exercise ongoing at all the sites, all the time. So we'll keep looking at new products, big clients, complex products and try and get those we have the technical expertise of Vopak. And of course, we ourselves are having those expertise with us. So we are confident. I think the product mix and the improvement on EBITDA on that account should also keep happening going forward.

Lavanya Tottala: Got it. Thank you. Thank you so much and all the best. We look forward for announcement on ammonia sides.

Murad Moledina: Thank you.

Moderator: Thank you. We have our next question from the line of Bhavin Pande from Athena Investments. Please go ahead.

Bhavin Pande: Sir, you just shed some light on the industry dynamics, sort of consolidation you see in the space and also perspective ones winning higher market share? Or could it be a consolidation? Or maybe if you could highlight a initiatives and growth drivers that would be great?

Raj Chandaria: We only heard something about market dynamics. The rest of the question was kind of muffled. Can you repeat slowly, please?

Bhavin Pande: Okay. Am I clear now?

Raj Chandaria: Yes, clearer.

Bhavin Pande: So maybe if you could shed some life on the industry dynamics sort of consolidation that you see in the space for the next 5 years, and your perspective on getting higher market share and initiatives that we would like to have to do that?

Raj Chandaria: Yes. Good question, and I'm glad you asked that. Look, market dynamics and industry dynamics and consolidation I think I've mentioned this in the past. I think with the combination of Aegis and Vopak coming together, we have noticed that in every port that we are operating, we are now -- with our joint venture, Aegis Vopak Terminals Ltd., is essentially becoming the market leader -- unquestioned market leader with maximum market share.

And we have become the price leaders and the volume leaders in every single port. In Kandla, we are the unquestioned leader. In Pipavav, we are done unquestioned leader. In Mumbai, obviously, we are the unquestioned leader. We've just entered into JNPT. I could say that we are not the market leader, we have yet to commission the terminal, but please watch this space.

In Mangalore, we are the market leader. In Kochi, we are the market leader, and in Haldia, we are the market leader. So I would say that there has been consolidation going on, consolidation where there's actual acquisitions happening. Kandla, of course, you've seen we've done 2 or 3 key acquisitions. Kochi, we've just done a small acquisition. Proposals come to us all the time, but we won't pay top rupee. We will pay because we can build it cheaper than what the market expectations are.

So I'm extremely bullish on the prospects for liquids. There will be announcements as I've already mentioned to you that in Haldia, we are -- and overall, we are expanding next year, probably another 300,000 kiloliters all over different ports and so on, and it may be more than that. And that is because we are clearly becoming the market leader in all these ports.

Secondly, I think the technical aspects of this industry. There are products that we are handling, which are very complex and difficult for -- unless you are technically sophisticated, which we combined forces of Aegis and Vopak, they're not easy to handle and -- safely and even from a quality perspective. So customers, international customers, domestic customers are coming to us rather than choosing to go with competitors. So I think definitely in that area, we are very, very bullish and I'm happy with the way things are going.

And on the LPG side, at least in the -- we know that we have competition. We know, of course, you mentioned the A word many times, people have mentioned another group, which is very powerful and so on. But at least from our perspective, with the five terminals that we are, fourterminals operating and another two coming up, and more opportunities that we are exploring, we are pretty confident that we are certainly a leading player in this business.

Bhavin Pande: Sounds great. Sounds good. And sir, when we look at an acquisition that's happening in India, what sort of turnaround time for that business to be integrated to our own set of values and processes? And also given that we have an international partner involved where the processes are much more aligned at a higher level. So how do you look at that?

Raj Chandaria: Murad, I'm going to ask you because he's involved in...

Murad Moledina: Asset, integrity has to be examined before we acquire. So it's not that any trash can will be acquired and it would take a lot of time for it to turnaround. So we have our due diligence process. And in fact, being in the business, we know what kind of assets are on ground. And when we do take up or acquire those assets, I think because of our expertise and because more so of our EPC expertise that we construct our own terminals, we are able to turn those around very, very quickly. So it could take 3 months, 6 months, a year, maybe. So -- but what best is in these cases is nothing comes to a standstill.

So what you do is you start off with low-value, low-risk products to handle. And then as you upgrade your terminal, you move on to more value-added products. So it's not that it takes time and everything is zero till the time you upgrade. So our expertise on EPC, our expertise in operating and our marketing strength that we can get products which suits the infrastructure we acquire and thenWe upgrade and move to higher value products as the upgradation happens.

Raj Chandaria: Yes. And in answer to your question, our agreement with Vopak is very clear that both partners must be satisfied that the operating asset adheres to their standards and our standards. And they operate globally. We operate, of course, all over India. And basically, we've aligned completely on our safety standards and operating standards, emission standards and everything.

So whenever we are going in for acquisitions and so on, basically, these are the boxes that we have to check. They send their people over from Singapore and so on, and we send our teams. It's one team actually, which adheres to the common standard now. So I think we're pretty good. I mean the acquisitions we have done so far have learned -- have taught us a lot. And so it's a pretty seamless process now.

Bhavin Pande: Sound great, sir. In the interest of time I should be back into the queue and maybe you can connect offline for the questions. Thank you.

Moderator: Thank you, sir. We have a next question from the line of Amit Vora from The Homoeopathic Clinic. Please go ahead.

Amit Vora: My question is regarding the KGPL that you mentioned in your PPT, that is going to start by second half of FY'24. So can you tell me how much addition in the terminal volume can we see after the first phase of KGPL starting?

Murad Moledina: I think the KGPL pipeline will be commissioned by FY'25 and not FY'24. FY'24 is just 1.5 months away. When it starts...

Amit Vora: H2 FY'24.

Murad Moledina: Yes. No, it should...

Amit Vora: H2 '24.

Murad Moledina: Yes. What the NOC says is that it is -- it will be commissioned by December 2024. Now when it happens, they have reserved 1.5 million tons out of 8.25 million tons the capacity of the pipeline to handle gas. So it depends on the national oil companies, how much are they going to pump and how much time are they going to take to fully use the pipeline capacity. But yes, it depends. So let's see.

Amit Vora: Okay. And out of that 1.5, is the initial capacity that will be going from our ports?

Murad Moledina: That is what they have said, yes.

Amit Vora: Thank you, sir. That's it from my end

Moderator: Thank you, sir. Due to time constraint, that was last question for today. And I now hand the conference over to Mr. Raj Chandaria for closing comments. Thank you, and over to you, sir.

Raj Chandaria: Thank you very much. So I thank you for all the excellent questions. And I'm very pleased that many of you asked about the general -- about the industrial context and so on because that's really an important part of the Aegis story that we operate these businesses with a very clear strategy in mind. These strategies unfold over 1, 2, 3, 4 years. And those of you who have been following the company, can see how we have grown from a one terminal operator with now many terminals all over India, liquids, gas and so on.

So really, I have to say that I'm super excited with the way the roadmap is unfolding, and I have to complement our team, which is executing on the ground really well. And these projects are being commissioned on a clock worth basis. So really pleased to see that. And the financial numbers, of course, will follow each commissioning. So look forward to communicating with all of you in probably middle of May, which is when we have our full year numbers ready. Okay. Thank you very much.

Murad Moledina: Thank you.

Raj Chandaria: Bye-bye.

Murad Moledina: Bye.

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