August 23, 2022

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 Tuesday, August 16, 2022 at 04.30 p.m. (IST), for your information and records.

Request you to kindly take the same on record.

Thanking you.

Yours faithfully,
For AEGIS LOGISTICS LTD.

MONICA GANDHI
COMPANY SECRETARY

Encl. : As above

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"Aegis Logistics Limited Q1 FY'23 Earnings Conference Call"

August 16, 2022

MANAGEMENT: MR. RAJ CHANDARIA – CHAIRMAN & MANAGING DIRECTOR, AEGIS LOGISTICS LIMITED
MR. MURAD MOLEDINA – CHIEF FINANCIAL OFFICER, AEGIS LOGISTICS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY'23 Earnings Conference Call of Aegis Logistics Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone 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. Thank you, and over to you, Rasika.

Rasika Sawant: Hello and welcome to Aegis Logistics Limited. Today, on this call, we have Mr. Raj Chandaria -- Chairman and Managing Director along with 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. Statements are not the guarantees of future performance and involves risks and uncertainties that are difficult to predict. A detailed Safe Harbor statement is given on page notwo of "Company's Investor Presentation" which has been uploaded on stock exchange and company's website.

With this, I hand over the call to "Mr. Raj Chandaria for his Opening Remarks." Over to you, sir.

Raj Chandaria: Okay. Thank you very much. Good afternoon. I'm joined by our Chief Financial Officer, Mr. Murad Moledina, and "We will jointly be Presenting the FY'22-23 Q1 Results, as well as the Outlook for the Rest of the Year '22-23 and Various Business Updates."

So let me start by reminding everyone of our vision for the company. So 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 with this vision. Let me say that the successful commencement of our partnership with global Vopak, along with the successful launch of the Kandla LPG terminal, and the growth projects currently under implementation. With those, that vision is certainly coming into clearer focus.

Now, you will recall that we had good overall performance for the whole year of FY'21-22, and I'm pleased to present to you another strong performance for Q1 FY'22-23 to build further on the profits growth that we saw last year.

Revenues increased to Rs.678 crores year-on-year primarily a result of the higher sourcing volumes that we have referred to in the previous call. Normalized EBITDA for the group increased to Rs.164 crores in Q1 versus Rs.114 crores in the previous year, rise of 43% over the previous year, which is I believe the life-time high. Profit before tax rose to Rs.131 crores compared to Rs.90 crores year-on-year, and that's a rise of 46%. Profit after tax for the group was Rs.107 crores versus Rs.72 crores year-on-year and that is a rise of 49%. And we believe that this marks a strong platform for robust profits growth during this fiscal year.

On the basis of the excellent results that we've seen in Q1, and confidence in our future performance, I'm also pleased to report that the board of directors has declared an interim dividend of Rs.1.50 per share.

I would now like to hand over to "Mr. Moledina, our CFO to go through the Underlying Segment Numbers."

Murad Moledina: Thank you. We will start with liquid terminal division. The revenue for Q1 FY'23 were Rs.81 crores which is a life-time high versus Rs.66 crores year-on-year that is an increase of 23%. The EBITDA of liquid terminal division for the quarter rose to Rs.55 crores, which is again an increase of 12% year-on-year.

Coming to gas terminal division, revenues were Rs.2,155 crores for the quarter versus Rs.612 crores year-on-year. The EBITDA for the quarter was Rs.109 crores versus Rs.65 crores in the previous year same quarter, a rise of 68%. We continue to see growth for the gas division with sourcing throughput and distribution volumes improving.

I will now try and explain with the sales volume analysis. Starting with the throughput volumes, the LPG volume for the quarter handled at our three terminals of Mumbai, Haldia and Pipavav were 6.37 lakh MT versus 5.67 lakh MT year-on-year. This was despite 10% lower volume recorded at Haldia on account of Haldia port taking up upgradation of both the jetties where the group handles LPG. But this will however help in increase of throughput volumes going forward from Haldia.

The company had good volumes at Mumbai as it continue to operate at full capacity with IOC, HPCL and BPCL, all bringing imports. The LPG Railway Gantry at Pipavav continues to perform well and is delivering considerable cost savings to our customers, which is driving the improved volumes at Pipavav.

The bulk industrial segment delivered a whopping 85,300 MT in Q1 versus 30,900 MT year-on-year, representing 176% growth over previous year and a life-time high, and margins in this segment remained stable.

With Kandla LPG terminal now operationally stabilized, we believe that the distribution business will continue to register impressive growth going forward.

The commercial and domestic cylinder segment which sells to hotels, restaurants and small scale industries under the Aegis pure gas brand and to the domestic household segment under the Aegis Chhota Sikander brand were higher with Q1 sales of 5,973 MT versus 5,039 MT year-on-year registering a 19% increase.

Auto gas sales were also higher at 5,148 MT in Q1 versus 3,567 MT a year earlier, an increase of 44%. Margins remain stable and healthy.

The sales volume of sourcing business was 2,29,992 MT versus 1,00,052 MT year-on-year. As reported previously we expect this to increase in volumes to continue throughout the calendar year.

With that, I would now like to hand over back to Mr. Raj Chandaria.

Raj Chandaria: Thank you very much, Murad. So let me now turn to the "Business Updates for the Quarter and Outlook for the Rest of the Year and also the Update on the CAPEX Plan." During the quarter, Pipavav port continue its work on making the LPG jetty compliant for handling the VLGC with the completion expected now sometimes during Q3, when completed will further improve the competitiveness of Pipavav as an LPG logistics hub. Work also continues at Kandla oil jetty number three, which will also be VLGC-compliant when the work is completed and that is expected sometime by the end of this financial year.

We understand that work continues well by IHBL, that is Indian Oil, Hindustan Petroleum, Bharat Petroleum consortium, which is building the AGPL LPG pipeline, to which if I can remind everyone, both Kandla port, our terminal and Pipavav port will be connected. Phase-I is expected to be completed this year as well.

So, in terms of the outlook for the rest of FY'23, both gas and liquid segments continue to perform well, and it is our expectation that this year's profits will continue to grow robustly. We expect our liquid business which is a 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. The same applies to the LPG segment. And as I said in previous call, we are confident that the distribution business is going to flourish and add to our base to good business.

As far as the projects update is concerned, I'm pleased to confirm that the project work has now commenced full suite on all the expansion projects announced last year, and we will keep giving updates in the ensuing quarters as and when the work progresses and we are nearing commissioning of any projects.

Finally, as far as the Aegis Vopak joint venture is concerned, as I informed you previously, the joint venture has achieved a successful closure and its performance is in line with expectations. And along with our partners, we are constantly evaluating business opportunities and proposals, and are confident that the combination of our strengths will lead to some interesting projects in the future.

So I think that concludes my formal presentation, and we can now move on to take questions. Thank you.

Moderator: We will now begin the question-and-answer session. We take the first question from the line of Gazal Gupta from JM Financial. Please go ahead.

Gazal Gupta: Hi, Thanks for taking my question. So I had a couple of questions. The first question would be that there is a huge spike in other expenses going from Rs.39 crores to Rs.106 crores. If possible, could you please provide the breakup of that? And the next question is related to the volume of different segments? So, as mentioned, there's a sudden spike in the distribution segment in this particular quarter. Just wanted to understand that what drove this particular growth and can we expect similar numbers for the coming quarters? For the logistics segment, so, as mentioned that there was a 10% decline in volume due to Haldia, but on a quarter-on-quarter basis, the volume decline is approximately 20%. So, could you please explain the remaining 10% why was there a decline?

Murad Moledina: Regarding your first question, other expenditure includes JV-related expenses, which is mentioned in the notes to the quarterly results amounting to Rs.62.08 crores. So, that is what is the reason for the other expenditure increase. As far as your next question on… sorry, it slip my mind, what was it?

Gazal Gupta: There is a sudden spike in the distribution segment for this particular quarter. Just wanted to understand that what drove this growth and can we expect a similar number in the coming quarters?

Murad Moledina: Yes, we can expect on similar lines. As we have mentioned, Kandla terminal has stabilized operations and we have started it off as a distribution hub for industrial area nearby, including Morbi and we expect such healthy volumes in ensuing quarters also. As regards to your question on Haldia, 10% lower and quarter-on-quarter, we are down by 20%. Q1 generally is not strong. So you have to compare year-on-year where we have done an improvement on throughput volumes in spite of 10% fall in Haldia volumes.

Moderator: We move on to the next participant, Chirag Vekaria from Budhrani Group. Please go ahead.

Chirag Vekaria: I have a couple of questions. So, first, want to understand the liquid terminal revenue has gone up, but **corresponding EBITDA** hasn't increased.

Murad Moledina: That is because we have just done additions of CRL terminals land front in the liquid segment, where EBITDA improvements and product mix, etc., will take a few quarters and then you will see the improvement in the EBITDA of liquid also.

Chirag Vekaria: Secondly, what is the volume in bulk gas category? I missed that number.

Murad Moledina: In bulk, we have done 85,300 MT versus 30,900 MT in the June quarter last year.

Chirag Vekaria: Is the cost being repetitive, this is sustainable, sir?

Murad Moledina: Yes, I just explained that.

Chirag Vekaria: So, this is on account of the supply to Morbi, right?

Murad Moledina: To industrial areas in and around Kandla.

Chirag Vekaria: Reason for higher other income?

Murad Moledina: The valuation of options which we have under the JV.

Moderator: We take the next question from the line of Rajesh Agarwal from Moneyore. Please go ahead.

Rajesh Agarwal: Sir, the increase in volumes of bulk is because of shortage of natural gas or LNG. So, it is sustainable for industry going forward, because a lot of tile companies now using propane?

Raj Chandaria: I think obviously from the last three participants, they've all been surprised at the spike in distribution volumes. And I think this is correct. We believe that LNG or natural gas, whether it is liquefied form or compressed form, pipe form or any other form, there is going to be quite a supply crunch, and with high price problem with natural gas, whichever form it takes. Now, obviously, propane prices have also spiked up, LNG prices have spiked up. But we believe that the closest fuel to natural gas is propane and/or LPG. And so, we are quite hopeful that this trend is going to continue…in fact, not only are we hopeful, we are confident that the trend is going to continue for some time to come.

Rajesh Agarwal: So for us there is no capacity constraint, whatever is the volume we can supply?

Raj Chandaria: Yes, that's correct.

Rajesh Agarwal: Sir, can you give the corresponding figures for the fourth quarter of bulk volumes and auto LPG volumes?

Murad Moledina: We don't have it here, but we can give you offline.

Moderator: We take the next question from the line of Gazal Gupta from JM Financial. Please go ahead.

Gazal Gupta: So I was discussing about the EBITDA. So since distribution is high margin business, but EBITDA on QoQ level is almost flat. Just wanted to understand the dynamics of EBITDA per ton, has it changed for the logistics and distribution segment or it would be really helpful if you could provide an average number of the value for EBITDA per ton for these two segments?

Murad Moledina: You have to compare like-for-like, which is June quarter with June quarter last year where there is an increase in EBITDA of 68%. If you compare it with the previous quarter, then you have to also compare the volumes, where, as was discussed in the earlier question, throughput is lower by 20%. So, as such, you would have seen flattish EBITDA when compared to the previous quarter. Q1 is generally, as mentioned earlier, not strong in every financial year. This year the EBITDA forecast for Q1 is life-time high. So, we have broken that, even in Q1 we have done a good performance as far as gas terminal is concerned.

Moderator: We take the next question from the line of Lavanya from UBS. Please go ahead.

Lavanya: So, despite being repetitive, I just wanted to ask on distribution volume. Do you see any potential softness in near term because of some shutdown, which is happening in Morbi, they have announced like one month shutdown, will that might impact current quarter volumes, any sense there?

Murad Moledina: You see, Morbi shutdown is not more than 15, 20 days in the month of August and we have not yet been selling huge volumes in Morbi to get affected by that. This distribution volumes are from three ports, which is Mumbai, Kandla and Haldia. So as such, we do not see much or a significant effect on our distribution volumes in the ensuing quarters also.

Lavanya: And on other income bit, can you just help me understand a bit more on why is it higher? I missed your earlier comment.

Murad Moledina: That is valuation of options under the JV, amounting to Rs.76 crores.

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

Himanshu Yadav: Two, three questions. Murad sir, you said that on a YoY basis, we are taking 10% kind of softness in Haldia. And despite that, sir, it seems like there is also some softness at Mumbai and the other port, otherwise, our quarterly volume should have been even better. Could you just talk about that, I mean, just Haldia 10% softness does not explain the softer volumes?

Murad Moledina: We have increased throughput volumes from 567,000 MT to 637,000 despite 10% fall in Haldia volumes. So that explains there is an increase in the other two ports, which is namely Mumbai and Pipavav. That's all I have to say on this.

Himanshu Yadav: But last year this quarter, Haldia volumes were I guess itself very weak, because we lost some share to BPCL.

Murad Moledina: Yes, that continues. BPCL is still not there. So, it is comparable volumes. If BPCL would have been there in last year Q1, then adjustment would have been required, but it's a comparable volume. And we have seen increase in Mumbai, Pipavav and Haldia. There is softness of 10% which we see in the next quarter being corrected as the jetties have now become operational and upgraded. So, better turnaround for ships going forward.

Himanshu Yadav: Could you also talk about what is the current cash and debt position of the company?

Murad Moledina: Balance sheet, of course, you will see in September, but we are carrying around Rs.1,500 crores of cash in the balance sheet. Debt stands on a consolidated level stands around Rs.900 crores.

Himanshu Yadav: Sir, when we were saying that from Vopak, we'll be getting around Rs.2,600 crores of cash. So, how much of that has come in?

Murad Moledina: We had said that 75% which is Rs.2,000 crores we will receive and very pleased to say that we have received Rs.2,050 crores from the deal and the tax is Rs.300 crores and then we have done investment. So, that is why Rs.1,500 crores stands in our balance sheet.

Moderator: We take the next question from the line of Depesh Kashyap from Equirus Securities. Please go ahead.

Depesh Kashyap: I just have one that why there was no contribution of Kandla port in the throughput volumes as it got commissioned in the month of May, right? And what will the guidance for full year from Kandla port itself?

Raj Chandaria: So, as far as Kandla port is concerned, we at the moment do not have a throughput agreement with any of the major oil companies… of course, we are working on that, and we are confident that that will conclude. This has been the pattern in Haldia, this has been in the pattern in Pipavav, this has been in the pattern also in Kandla. That will take some time to get one, two or three of the customers throughputing volumes through Kandla. Generally, these companies have been cautious. They want to make sure things running smoothly before they commit. And also, of course, we are waiting for the completion of the VLGC upgradation work at the jetty. So we don't have any concerns. Ultimately, we will be operating Kandla on the same basis as we are operating the other terminals. But, at the moment, the distribution business is highly profitable, and we continue to operate Kandla achieving the same kind of margins, in fact, probably better margins in terms of overall total margins on the distribution basis. So, I think let's not read anything into it for one quarter. Let's see how the story unfolds.

Depesh Kashyap: But do you think that that agreement will be reached in this quarter? And you earlier did around 0.7 million tons right for the Kandla port in the first year, do you go by that number still?

Raj Chandaria: I would not like to speculate as to the exact date at which we will be able to secure agreements with any customer. So whenever the customer feels that it's the right time for them to bring cargo, they will bring it. But we are just mentioning that we are confident that this will happen. As far as the specific financial performance projections and so on, Murad, can I ask you to just take that one on the forecast?

Murad Moledina: Kandla, when we said 0.7 million tons and at an EBITDA of 1,000 is Rs.70 crores EBITDA contribution for a 12-month period. I think we are on well on course to achieve that. Whether with a model of property or distribution. So we are well on course to achieve that target of generating EBITDA of around Rs.70 crores for a 12-month period from Kandla. I think that is what is important.

Depesh Kashyap: Murad sir, you just answered the previous question that you have received the cash of Rs.2,050 crores from Vopak, but in the notes to account, you have mentioned around Rs.1,098 crores. So, just want to understand what the difference regarding?

Murad Moledina: No-no, we have said that Aegis has received Rs.2,050 crores as has been explained many times in past, this is from the JV. So, out of the equity which has been brought in, which is Rs.1,098 crores and Rs.350 crores for purchase of Hindustan Aegis share and the borrowing which the subsidiary, JVCo has done and paid to Aegis. All of this put together is Rs.2,050 crores on group level and that has been explained many times over the past.

Depesh Kashyap: So the borrowing that has been done on the JV level will be serviced by Vopak, not by Aegis?

Murad Moledina: It will be serviced by the JVCo.

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

Digant Haria: This was explained I think in two separate questions in this call, but this extra other income and extra other expenses, should they be seen as offsetting each other?

Murad Moledina: No, they are of different nature and we follow the rules and the law laid down by Indian accounting standard and accordingly they have been presented in the financial results.

Digant Haria: No-no, Murad, I get that, but like just if somebody wants to take a broad view of the operating numbers, is it that in the quarter when other incomes are going to be high because of the revaluation, other expenses are also going to be high, and when they are –

Murad Moledina: In our investor presentation if you look at, this have been shown under unallocated net expenditure, so we have netted out in that investor presentation if you look at the P&L in our investor presentation. On the segment results, it is not reflected in the normalized EBITDA, it is outside the normalized EBITDA.

Digant Haria: My second question is just on this Kandla-Gorakhpur pipeline. What's the progress there, and what do we expect once that pipeline is built, which of our terminals can actually see a massive bump up in the throughput, just a macro commentary on this?

Raj Chandaria: The Kandla-Gorakhpur pipeline, as we mentioned, is being constructed. It's a very large pipeline and leaving from Kandla port, with a connection also to Pipavav port. So, both our ports and terminals will be connected to that pipeline, and running through the heartland of India all the way to Gorakhpur. It has a pipeline allocation to Pipavav. Murad, what was the figure for Pipavav allocation?

Murad Moledina: 1.5 million tons has been planned for through putting out of Pipavav port.

Raj Chandaria: And then of course, a significant amount to Kandla as well. And as I said, as both our terminals will be connected to this Kandla-Gorakhpur pipeline. And of course, the pipeline is being constructed by Indian Oil, Bharat Petroleum, Hindustan Petroleum consortium. They are working on it hard. But as we've seen in previous things, the pipeline construction is not within our control. So, I don't think we can give a precise date as to when we start seeing throughput through there, but we can certainly state with confidence that both Pipavav and Kandla, we will be through putting LPG on behalf of these public sector companies.

Murad Moledina: Also to add here that IHBL has taken the position of land in Pipavav in our premises to build the pumping station, which will then connect to the KGPL pipeline. Work has started at Pipavav.

Digant Haria: This 85,000 MT of gas that we did in the retail volumes, in that is there any one-off kind of thing because this quarter was very good for weddings, restaurants, typically, the commercial LPG cylinder users or it was Morbi effect where we have started supplying propane and –

Murad Moledina: No one-off and it is Kandla terminal, which has started, has also contributed. And we have said it earlier, Mr. Raj has also explained, we expect this to be quite healthy growth in bulk distribution in the ensuing quarters.

Moderator: We take the next question from the line of Ritwik Sheth from OneUp Financial. Please go ahead.

Ritwik Sheth: Firstly, on the Vopak JV, I would like to get some details on the gross debt excluding the Vopak JV and the cash position and then Vopak debt and cash position if possible?

Murad Moledina: This is consolidated accounts. We do not do accounting in this manner. But if you ask me what was the debt before the Vopak JV came in? Then it was around Rs.450 crores.

Ritwik Sheth: Which has gone to now Rs.900 crores?

Murad Moledina: Yes, yes.

Ritwik Sheth: This Rs.1,500 crores of cash would be sitting exclusively on the standalone balance sheet?

Murad Moledina: Yes, which is other than the JVCo, so it will be in the standalone or it's 100% subsidiary.

Ritwik Sheth: But not Vopak?

Murad Moledina: No, no, no, not Vopak.

Ritwik Sheth: So technically, our net debt if we look at, then excluding the JV, our net debt would be somewhere in the negative Rs.1,000-odd crores, is that a fair understanding?

Murad Moledina: Yes.

Ritwik Sheth: My second question is again on the Vopak JV. I believe Q2 FY'23 will be the first quarter of all the assets into the JV. So, it will get consolidated in the book except all the Mumbai projects, all the other assets will be coming in from the JV, right, and there will be a reduction of minority interest to the extent of 49%. So, is this understanding, right?

Murad Moledina: Oh, yes, it is line-by-line consolidation and minority interest will be there, which would be 49% of the JVCo profits carved out for the JV partner. And minority interest is reflected in our results, which have been published.

Ritwik Sheth: What was the date of JV, that is getting –

Murad Moledina: We said 25th of May we completed the JV.

Ritwik Sheth: A little more than one month?

Murad Moledina: Yes.

Ritwik Sheth: My final question is on the gas throughput volume. We've been stuck in a range in the last few years. So, taking a medium term, you said three to five years. Where do you think the throughput volumes will be trending, we are about 30, 31 lakhs on an annual basis, where do we see this going in the next three to five years with our capacity in place, and multiple growth levers that you mentioned in the presentation also, so, just wanted to get a sense on this?

Raj Chandaria: We continue to be bullish on the of overall LPG demand and throughput in the country. Now, with our four terminals, we are really well positioned to take advantage of that. The overall demand for LPG is continuing to increase at 6% to 7% per annum, sometimes even higher. And in fact, I believe that it will be higher than 6% to 7% growth. And to the extent as far as I can see, that no further LPG terminals are planned by anybody else. So, I think we are confident that the growth in capacity that we have will get utilized. We've just seen one example of a new capacity coming onstream in Kandla, and, the advantages and opportunities that has given us in terms of the distribution. So, whether it comes from throughput or distribution, we are really confident that the LPG demand and our position to supply that demand is we're well positioned to capitalize on that.

Ritwik Sheth: Could it be possible for us to grow in, say, double digits over the next three to five years from current base?

Raj Chandaria: We don't give specific numbers, but I stand by the comments that we've made always in the past that, we can grow our business and our earnings between 25% to 40% per annum on a consistent basis based on the assets we have in place. And obviously, LPG throughput and distribution profits are going to be a significant portion of that.

Moderator: We take the next question from the line of Jay Shah from Capital PMS . Please go ahead.

Jay Shah: Sir, my question is more on the broader front. Given the way globally crude prices are falling and the gap between our products and alternate fuels as the petrol and diesel and crude derivatives, do you think that there can be a shift again to the primary fuels vis-à-vis using LPG or other gases, do you think there is a possibility?

Raj Chandaria: I think the crude oil is not a direct substitute for LPG and never will be, it's too dirty. Crude oil does have an impact on the pricing benchmarks for LPG, because it's a widely traded commodity, and easy to benchmark. And so the price of crude oil can be correlated with the price they announced, Saudi CP price for LPG. So I think it's definitely correlated with the pricing. But, in terms of the actual substitutability, the closest substitute for LPG is natural gas, which many of you have asked in the past, but always natural gas is a threat to LPG and natural gas. As I mentioned earlier, the two fuels, natural gas, LPG, propane, butane, will continue to co-exist for many years. So I'm not relating it to crude oil. What the future of natural gas and the way it plays out is more relevant, I believe than crude oil to LPG. So I believe that with clean fuel and environmental pressures that everybody's under including India with the commitments of reducing carbon emissions step-by-step and so on. The only way for India to move forward is to continue its transition to a combination of net polluting fossil fuels in the short to medium term, like LPG, like natural gas, and, of course, as the development of renewable and other clean zero emission fuels happen. It's going to happen overnight, but it will happen to move towards that. So I'm not particularly concerned about crude oil and price fluctuations obviously does affect the price of LPG. I think the biggest thing that we have to look for is natural gas and what it's trajectory, it's availability to India given what's happening in Europe, switching away from Russian gas, a lot of gas, natural gas is moving towards Middle East and gas is moving towards Europe as well, and also to Japan and Korea and China, of course, as they continue on their journey towards cleaner fuels. So, it's a very interesting scenario that's unfolding, but we believe that we are very well positioned to take advantage of the move towards cleaner and cleaner fossil fuels, with our strong position in LPG and the four terminals that we now have.

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

Himanshu Yadav: One is since two new liquid terminals will be there in our number now on, could you spend some time talking about those in terms of how comparable they are or any of our existing terminals, I just want to have some color of how to think about profitability of French group and the potential over there, and also the terminal which we have bought from Vopak into the JV?

Raj Chandaria: The biggest answer, Murad, then you can also add in case on this, because you are familiar with the acquisition of French group and so on. But, our assessment is that the addition of these two facilities, the CRL terminal and the French group terminals, really has put us in a very commanding position in Kandla port in terms of the marketplace. We still have some work to do to rationalize and improve the efficiency. As some of you have followed Aegis for many years, we pride ourselves on our margins in the liquid business, north of 60%. Right now, neither of the two recently acquired terminals are in that operating in that sort of profitability ratio. Of course, our objective will be to bring them up to that level. And so, just literally, a couple of months ago, got possession of them and now starting to improve. We believe that ultimately those two new terminals with the extra capacity of almost 700,000 KL extra between the two terminals under the Aegis company. And as we start working on improving the profitability, we believe that this will become significant contributors to the overall liquids profitability. And of course, the other liquid terminals in the expansion, which I think we should also not forget in Bangalore, in Haldia, and soon to start in Kochi and so on, will also bulk up the liquid business. I believe that liquid in the past been not given its due recognition, because it is a slower growth business, if I can use the word, not as sexy as LPG, but it is a very, very consistent and profitable business, and we are really proud to have that business with us. So, I'm glad, thank you for asking that question. We look forward to some good results from liquids.

Murad Moledina: To add, with the acquisition of these two terminals, there will be lot of synergy of cost and a lot of duplication of expenses will be avoided, we will also rationalize the storage because of constraint of capacity, we had to also store low value items which now with the increased capacity we will have a lot of leeway to play around and entertain and store more high value products. This will be a process and will take a little time, but you will see huge advantage and EBITDA in the coming times. Very good step that has happened in the liquid division.

Himanshu Yadav: These are the terminals which have been introduced for the first time. So, any ballpark or any guidance would be helpful?

Murad Moledina: We do not give terminal wise either in liquid or in gas specific numbers, but you will see overall improvement in the liquid terminal division in revenue as well as EBITDA.

Himanshu Yadav: The next is a follow up to your comment that you expect LPG consumption to grow 6% or plus. What is driving your assumptions behind these? Last three years, it has been below 6% and with pipe natural gas coming into many metros, our case for any higher LPG consumption is actually derived from increasing users in tier two, three cities and in the rural areas. If you're saying that you expect this 6% kind of growth, do you have like a short term in mind or do you expect that this 6% kind of growth will be there for five years plus, under what presumptions are you expecting this growth?

Raj Chandaria: I think, on historical data and what we see on the ground in terms of the various incentives and schemes that the government is pushing to try and move the entire country on to more sustainable and less and safer cleaner fuel. First of all, let me just tell you that, nothing moves in exactly a straight line. So, I think we've seen quite a lot of disruption in all businesses, including LPG over the last couple of years, because of what happened with COVID and so on. But, I think that's behind us now. We're back on track. There are things that happen, for example, if the price of LPG, which is now essentially for the Indian public is a market-driven prices, the subsidy is very little. If the price does go up too much, so we will try to economize and so on. So, nothing as I said moves in a straight line. But if you take the overall mix between industrial use, domestic use and the issues that are arising from cost of natural gas and so on, we believe that we stand by that number that the growth of LPG will continue at the rate around 6%, 7% in the longer term, in one year, it may be 5%, but may go up in another year.

Moderator: We take the next question from the line of Saurabh Shroff from QRC Investment Advisors. Please go ahead.

Saurabh Shroff: My first question was on the sourcing business. It's good to see a really strong recovery I guess over the last two years in the first quarter, but we are still a far cry from let's say what the pre-COVID era volumes were. So just wanted to understand, is this just a function of the NOC is not putting out enough tenders or is it lack of availability or supply tightness given what is happening in the energy market globally, and how do you see this evolving over the next few quarters?

Raj Chandaria: Obviously, the disruptions that happened at the time of COVID with the NOCs which national companies which are of course the primary supplier, so the domestic market in some cases they had over-ordered and then they suddenly had too much inventory, so they under-ordered and so on. So I totally agree with you that certain volumes really went down significantly. But I think we are back on track; we won 18 new cargos last year, which are currently being delivered, which accounts for the kind of excellent sort of top line numbers for sourcing. The new tenders are coming out very shortly. It will be ready in a month or two. And we will be bidding for that like we normally do along with our partners in total cooperation. So we are confident that we are back on track. Of course, the reason why we are even more confident than previously is because we hold energy scenario with customers. Everybody in the world scrambling for gas, whether it's the natural gas, liquefied natural gas, or propane, or butane, or LPG combination. So, with our strong sourcing capability with our partners, ITOCHU Corporation, we believe we are very well positioned to secure both the ships and the cargos for bringing gas for the national oil companies. And of course, it's not just that, it's also getting gas at the cheapest possible price. So as we mentioned, the two ports that are right now, not VLGC capable, which is basically Pipavav and Kandla, as they become VLGC capable, we'll be able to offer to the national oil companies even more cost-effective cargo because you can bring in the VLGC there and also offer them the allergen storage. I think we are very well positioned to do well in sourcing business. I would point out that sourcing, of course, is not a huge profit contributor. It does, so we welcome, but certainly these are very close working relationship with the national oil companies.

Saurabh Shroff: My second question is on the distribution business. So we are obviously adding to dealers and retailers, etc., And I guess the idea is that we want to eventually sort of grow this business much more. Where are you seeing this sort of growth coming from? Obviously, we are going into new geographies with our distribution, but I would imagine that there are incumbents in terms of sort of the big oil companies already there. So are we seeing new customers coming to us? What is our sort of value proposition? Are we cheaper? Is our service better? Are we doing something that they are not able to do that we will continue to sort of grow this business and eventually, I guess take share?

Raj Chandaria: Good question. Look, the distribution business is a very competitive business. You're right, we have established incumbent companies, not only the national oil companies, which are of course dominant players, very present in that business, but also we have Reliance Industries, we have SHV, an important global LPG player and so on. So we have a number a total, of course, another multinational and so on, a number of players. It is quite a crowded playing field. But I just would like to also mention that we do not compete on price. This is the characteristic of Aegis that our management has instructed that we do not compete on price, we compete on service, the assured quality of the product, our technical capabilities to ensure that there's safety and the reliability because we have our own terminals. So I think it's the value proposition is all of the above that basically reliability of supply, you're never going to get stocked out. you're We have a priority to supply our domestic customers this month. There'll be less gas available for you and so on. We compete on those terms, not on price. So we are confident that whatever the incumbents are… we are an incumbent, of course, we've been in this business for many years. But with our tremendous network now of four terminals, and more to come as we've said in previous calls. The value proposition is service and all of the things that come with that.

Saurabh Shroff: I guess auto LPG in India generally hasn't done much as compared to what we are seeing on the natural gas side. Is it just the lack of availability and that most of our LPG gets imported, is that the reason or what do you put as a reason why this market isn't big or if you think it's going to be much bigger, what is going to change for it to be significantly better?

Raj Chandaria: Go to LPG, you're right, the market has not been growing very rapidly, because there has been a push by the government and by the car companies to push Compressed Natural Gas, (CNG) over LPG. While the auto gas market has been certainly present on volume range on an all India basis of between 250,000 to 300,000 MT a year and we are a very small portion of that, it's certainly been a very profitable niche for us and will continue to be a very profitable niche. I would say that there are many factors which are buffeting the auto LPG business. One is up to now at least the presence of subsidized CNG. It's always a problem that when you are trying to compete with the government subsidized product, it's difficult. Then the only thing that we're counting on is that the subsidized product may not be as easily available. But this is changing that if you're a follower what's going on in the world of natural gas, natural gas cannot be subsidized for much longer, the price of natural gas landing in India is in excess of $25 per MMBTU, and you're trying to sell subsidized CNG to automotive at $6 or whatever, it's just not sustainable going forward. So, we believe that CNG while everybody is pushing for it, LPG has no subsidy, it's a totally market-driven fuel. It will continue to have its position. Very competitively priced with petrol. And, of course, it's a much cleaner fuel. So while I concur with you that it's not been setting the world on fire, LPG, as an auto fuel is a niche position, but we can earn good margins, we continue to be sort of push hard on expanding our network. I would say the other thing is that the rollout of stations, and the commissioning of new stations has been frustratingly slow. A lot of it has to do with the fact that while the ease of doing business in India on a headline basis has certainly improved, and India has improved its position by three places in the ease of doing business on a global basis. I think if you go down to the nitty gritty level, the ease of business certainly has not improved, because you have many NOCs from local officials and so on, it's very, very difficult to get things done on a local level. So the headlines are so easy to do business in India, but nothing's easy on the local level. So I'll leave it at that.

Saurabh Shroff: Our dealers and distributors who we have sort of empaneled in and we are adding sort of gas stations, what kind of breakeven are they experiencing as a sort of I guess franchise out with us, etc.,, is it turning profitable business for them over time or are they sort of counting on this being one-off, maybe many other things that they will retail i.e., maybe they'll have some sort of store on retail or whatever, just to sort of understand better the ecosystem and how profitably the entire chain is doing?

Raj Chandaria: Again, a very good question. The model that we are pushing very hard now is a multi-fuel distribution, which is ultimately we're not building our network of fuel distribution just for one year or two years, we're building it for many, many years to come. So we've finalized on a model of multi-fuel distribution. Today, it's basically a partnership we have with AERA Energy where we have a co-branded of stations that are selling petrol, diesel and auto LPG and they're very successful and dealers are very happy because they have three revenue sources. So that's certainly a model going forward. And who knows, in the future, if the electric revolution takes place, maybe we put chargers, we'll put whatever. But at the moment, we're focusing on the street view. And we've seen that wherever there is a multi-fuel distributor, they make good returns on investments, and they're happy. The old model of just having only standalone auto LPG has taken a bit of a beating. So we're trying to push the multi-fuel station concept much more.

Moderator: In the interest of time, this was the last question. I would now like to hand over the conference to Mr. Raj Chandaria for closing comments.

Raj Chandaria: Thanks very much. Some very interesting questions and I hope we've been able to answer them successfully. I just like to leave everybody that look, we've been through a bit of a rough patch both in the country and in our company. We had a bit of a slowdown in our earnings. A number of other things happened. But as we ended last year with a positive note, and confidently and this quarter, I'm confident we end this quarter with a very positive note that we're back on track, a number of projects are coming down the pipeline that work apart from just completing the Kandla LPG terminal, which is our flagship terminal, bigger and better things are coming. So really looking forward to the next two, three quarters to report some good news. And with that, I think I'd like to close the conference call and thank you.

Murad Moledina: 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.