

November 21, 2022

To, <b>BSE Limited</b> Corporate Relationship Department P.J Towers, Dalal Street, Fort, Mumbai- 400001 Scrip Code: 531921	To, <b>National Stock Exchange of India Limited</b> Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai 400051 SYMBOL: AGARIND; Series: EQ
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Dear Sirs,

**Sub.: Transcript of Q2 FY 2022-23 Earnings Call Pursuant to Regulation 30 and 46 read with clause 15 of Para A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

Please find enclosed **Transcript** of the investor conference held on 18<sup>th</sup> November, 2022, with regards to the Financial Results of the Company for the Quarter and Half year ended 30th September, 2022.

We confirm that we have uploaded transcript of the Q2 FY 2022-23 Earnings Call held on Friday, November 18, 2022 on our website viz: [www.aicld.in](http://www.aicld.in) on 18<sup>th</sup> November 2022.

The above is for your kind information and records.

Kindly take the same on your record.

Thanking you,

**For Agarwal Industrial Corporation Limited**



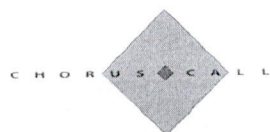
**Dipali Pitale**

Company Secretary & Compliance Officer





“Agarwal Industrial Corporation Limited  
Q2 FY ‘23 Earnings Conference Call”  
November 18, 2022



**MANAGEMENT:** MR. VIPIN AGARWAL – CHIEF FINANCIAL OFFICER –  
AGARWAL INDUSTRIAL CORPORATION LIMITED

**MODERATOR:** MR. RAMADHIN RANE – HEM SECURITIES LIMITED





**Moderator:**

Ladies and gentlemen, good day, and welcome to Agrawal Industrial Corporation Limited H1 FY '23 Earnings Conference Call hosted by Hem Securities. 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. Ramadhin Rane from HEM Securities Limited. Thank you, and over to you, Mr. Rane.

**Ramadhin Rane:**

Thank you, Neerav. A very good morning, ladies and gentlemen. Thank you for joining the Agarwal Industrial Corporation Limited H1 FY '23 Earnings Call. Joining us on the call today are the senior members of the management team, Mr. Vipin Agarwal, Chief Financial Officer. We will commence the call with the opening thoughts from the management, post which we will open the forum for Q&A session where the management will be glad to respond to any queries that you may have.

At this point, I would like to add that some of the statements made or discussed on the conference call may be forward-looking in nature, and the actual results may vary from these forward-looking statements. I would now like to hand over the call to Mr. Vipin Agarwal to commence by sharing his thoughts on the performance, strategic progress made by the company. Thank you, and over to you, sir.

**Vipin Agarwal:**

Thank you very much, Ramadhin. Good morning, all and a very welcome to everyone who has joined us today. I take the pleasure of welcoming you all to the first half of FY '23 Earnings Conference Call of Agarwal Industrial Corporation Limited. Let me start by giving you a brief overview of the company's business and will then take you through the financials. We'll then be happy to take questions if you have any.

Agarwal Industrial Corporation is an integrated in infra ancillary company focused on a wide range of innovative bitumen products backed by our world-class logistics infrastructure, which comprises of six large marine vessels having the total capacity of 38,000 metric tons, which are used in importing raw materials, raw materials from oil-producing countries.

Company is having a fleet size of 650 LPG and bitumen tankers and seven storage terminals for importing bitumen totaling to a capacity of 50,000 metric tons, having direct access to the shipping network located at Hazira Port, Mumbai port, Dighi Port, Karwar Port, Mangalore port and Haldia port. And Vadodara is in our in-line location where the imported product is being stored. We, along with our subsidiaries have six manufacturing plants located at Taloja, Vadodara, Belgaum, Hyderabad, Kochi, Guwahati.



Going to the financial results reported starting with the consolidated quarter highlights of H1 FY '23, the company's revenue has seen a growth of 42.56% in H1 FY '23 at INR 809.99 crores compared to INR 568.18 crores in H1 FY '22. The company reported EBITDA of INR 61.7 crores in HY FY '23 versus INR 38.52 crores in HY FY '22 a growth of 59.83%. Company's PAT has surged by 100.24% from INR 19.35 crores in H1 FY '22 to INR 38.75 crores in H1 FY '23. Further, I would like to add that the demand trend continues to be in the favorable across the infrastructure industry, which is quite setting for us. Our customer understands and appreciates the company's exhibition abilities, which constantly results in the financial growth of the company's market share. We continue to demonstrate profitable performance in long term through the relentless focus on leveraging our two decades of experience in bitumen and logistics.

With this, I would like to conclude my opening remarks, and I would now request the moderator to open the forum for questions from the participants. Thank you so much.

**Moderator:**

The first question is from the line of Keshav from RakSan Investors.

**Keshav:**

Sir, the kind of cyclicalities we're seeing container rates in general, does it equally apply to specialized vessels, such as bitumen or is the market is reasonably stable?

**Vipin Agarwal:**

No. It's different for container and marine vessels. Container trades have increased as per the demand and in unavailability of the containers. And though we are not dealing with the containers as much. Our main import logistics is marine vessels. So continually usually does not play any part in our business, as such.

**Keshav:**

Sir, just a follow-up to that is that we started the chartering business in 2020...

**Vipin Agarwal:**

2019.

**Keshav:**

2019, yes. And since then, we see the charter rates in general stay very buoyant, they reached to sky high level. So when we are forecasting a growth of 20% plus, is that valid for our overall business? And do we expect to maintain 20% plus ROCs on the overall level going forward?

**Vipin Agarwal:**

Yes. In absolute percentage, if you say it will always vary 1%, 2% here and there. But yes, if you see the path and coming to the demand that we have in the future, in the same line, I think there is no worry in terms of, what do you say, return on ROI because there is a good demand, and we are adding fleets vessels now then and now. So if we are increasing the fleet that adds to the bottom line. So percentage wise I think to name a particular person, it's not be fair. But yes, 1% or 2% plus/minus will always be there, but it will remain in this range.

**Keshav:**

And sir, secondly, last year, the PSUs have announced that by 2025, there will be increase in the refining capacity by 20%. So do we see some impact in the downstream bitumen production and a potential revision to the growth we are projecting or...





- Vipin Agarwal:** No. Absolutely not because whatever PSUs are predicting, it is only for the refining business of the oil products. For bitumen, I think, in fact, they will be cutting down the production. So the demand of bitumen will definitely come from imports only. There will be no additional capacity from any of the PSUs. In fact, it will go down.
- Keshav:** And we don't see a negative even from government's plan to have storage farms or...
- Vipin Agarwal:** Absolutely no worries because even if the government is not focusing on any new projects, if we have to think hypothetically, the existing will require a repairing, so even if they are not focusing on new projects, the existing road network that we have, it will require repairing which will result in demand of bitumen itself.
- Moderator:** The next question is from the line of Abhishek Sharda, an individual Investor.
- Abhishek Sharda:** Congratulations for a good set of numbers. Sir, I just wanted to inquire about this quarter volumes and H1 volumes?
- Vipin Agarwal:** This quarter volumes have remained steady as for -- in line with last year because the monsoons were pretty very serious this time. And we have closed at the same level that we closed last year in the second quarter, about 42,000 tons. But first half, we have done about 5% growth from 150,000 tons to about 162,000 tons to 64,000 tons.
- Abhishek Sharda:** Like in the H1, we have done 160,000 tons, right? 6164,000 tons, to be precise...
- Vipin Agarwal:** 164,000 tons, to be precise...
- Abhishek Sharda:** Around 165,000 tons in H1. And in the last con call, you mentioned the guidance for FY '23, it is around 20% above 380...
- Vipin Agarwal:** Yes, so that was for the entire year.
- Abhishek Sharda:** Yes, that's for the entire year. So in this guidance or the same...
- Vipin Agarwal:** We will try to maintain that percentage that we have forecasted. 1% or 2% is always up and down, but yes, because of say, very, what you say, monsoons even continue until now in some parts of India, the demand has not come as it should come.
- Abhishek Sharda:** Sir, one more thing I want to ask about the market share. Like in the last quarter, it was around 25%. So is there any, I mean...
- Vipin Agarwal:** No, I think market share is remaining at the same level, 1% or 2%, as I'm always saying, 1% or 2% up and down, maybe there, but we are trying to, we are at 20%, 25% market share.



- Abhishek Sharda:** And that's good, sir. Sir, can you throw some more light on our shipping business, like what is the major like because the most of our operating profit comes from this business only? So can you throw some lights on that?
- Vipin Agarwal:** It is coming from this business because it is complementing the Indian operations that we have, so whatever vessels, marine chartering business that we are doing, we are giving it to third parties who is in fact, supplying to Indian counterparts or to the company in India as well. So all this is complementing each other. So without the Indian operation, it is not that we will get the bottom line of only the shipping business.
- Abhishek Sharda:** So sir, all the revenues that are coming from the shipping business is from the third parties, right?
- Vipin Agarwal:** Yes, all from third parties..
- Abhishek Sharda:** But like as you mentioned that most of our ships are utilized by you only, like third-party are very...
- Vipin Agarwal:** Supplier is looking for vessels in overseas. So, in fact, he hires vessels from my Dubai company itself, instead of looking into the market.
- Abhishek Sharda:** And sir, is this business depends on crude oil to some extent?
- Vipin Agarwal:** No. None of this business is depending on crude oil but yes, very high volatile pricing in crude does impact a little bit, but not a serious threat.
- Abhishek Sharda:** Not too much extent. And sir, since now H1 is past H2, we will generate most of our volumes in H2 only, so we can be witness an improvement in EBITDA margins also with volumes?
- Vipin Agarwal:** If you have, it's already improved if you have seen year-on-year or quarter in terms of percentage wise also now, I can say this very confidently even in terms of percentage, it has improved from last quarter, 4.8% to about 7.7% now.
- Abhishek Sharda:** No, sir, I'm asking about the ancillary infra margins?
- Vipin Agarwal:** Yes, I'm talking about the entire ancillary all the parts of the business is coming into infra ancillary.
- Abhishek Sharda:** No, so the segment like that you provide ancillary infra, its EBIT margin is around 3.5% EBIT margin, what you've given. So can I just want to ask, we can witness improvement in this margins with the...
- Vipin Agarwal:** Yes, it is already improved. This is what I'm telling you. I am giving the absolute percentage which I have in front of me.





- Moderator:** Next question is from the line of Vinayak Mohta from Stallion Asset.
- Vinayak Mohta:** Congratulations on good set of numbers. So sir, I had a few questions to start with in and around the market size and the market share that you command. I just wanted to understand, you mentioned that you're the largest player in the private sector space. So the 25% market share that you mentioned, is this for the private sector or for the entire market?
- Vipin Agarwal:** For the private sector only, because we cannot compete with the PSUs.
- Vinayak Mohta:** And what would be the relative share of PSUs as against private sector?
- Vipin Agarwal:** Sorry, can you come back again, please?
- Vinayak Mohta:** In the market, what is the private sector percentage, total, of the total market size?
- Vipin Agarwal:** See, the total production of PSUs is about 5 million tons, 5.5 million tons, and the total demand is about 8 million tons. So 2.5 million tons is private bitumen, imported bitumen, which consists of bulk and fat.
- Vinayak Mohta:** And what would be the, how does the realization growth work in the business? Because last year, you mentioned that that you your volumes were the same, but your revenue has grown by 40%. So is this all led by realization? Or is there some other factor also into it?
- Vipin Agarwal:** In the last year, volume increased by 20%, 25%, but the revenue increased by significantly because of the price. It's not that the volume did not grow. Volume grew by 20%, 25%, but the revenues grew because of the realization of the product, the higher realization of the product because of the increase in the commodity price.
- Vinayak Mohta:** So you see the realization benefit slowing down or normalizing as we move...
- Vipin Agarwal:** No, I think it is on the same line as per last year. There is no downfall in the realization of the commodity price.
- Vinayak Mohta:** No. So I mean if the commodity price normalizes going forward. So your realizations will also have an impact or this will not fall as much? How will it work...
- Vipin Agarwal:** Because volumes will definitely grow. So I will talk about the revenue, realization maybe in absolute terms on a tons wise, but I will talk about total revenues that will definitely increase. If you see the first half of this year, we have already done what we did last -- the entire last year. So 50% is already revenue-wise, is already covered in the first half of this year. And the third and the fourth quarter is the major contributing revenues over the year.
- Vinayak Mohta:** Yes. Yes.



- Vipin Agarwal:** In that sense, if you go percentage-wise in what the revenues we get from each quarter, I think we will easily close above what we closed in FY '22.
- Vinayak Mohta:** Understood. And you see a decent amount of business flow coming towards you and that you'll be able to maintain the 20%, 25% growth...
- Vipin Agarwal:** Because there's a good demand of the product because of the impact of the development that is going on in India.
- Vinayak Mohta:** And what are the margins that you look to sustain on an EBITDA level going forward over a period of time, average?
- Vipin Agarwal:** I think we will be maintaining a higher return than what we have declared now, I think.
- Vinayak Mohta:** So you mean higher than the 10% that you have declared as of Q2.
- Vipin Agarwal:** Q2 is not 10%. You are saying it's not 10%, it's 7.73% 7.72%.
- Vinayak Mohta:** Okay. Understood. I'll just have the valuation again. And one...
- Moderator:** The next question is from the line of Samir Palod from AUM Fund Advisors.
- Samir Palod:** Sorry, not had exposure to this company in the past, so some basic questions. In your case, who is the customer? Is it the road contractor who is asking you to import? Or is it the PSUs because they can't meet the bitumen requirement, they are asking you to transport the bitumen.
- Vipin Agarwal:** It is both no one is asking us to import. There is a market demand of our product. So because of the parity available between the import and production by the PSU. That's the reason why the product is being imported, though we are the major customers are the road contractors, and they don't ask us to import, but they have a demand of bitumen whether they purchase from PSU or from us. So it is all depending on the relations that we have with the customers on basis the product is being sold. And in fact, we are supplying to PSUs as well. We are applying to HPCL is applying to BBCL.
- Samir Palod:** So what would be the split? What would be the split in your sales between private sector buyers, contractors and the PSUs?
- Vipin Agarwal:** I think PSU is hardly, not even 5%.
- Samir Palod:** And was going through the presentation it also said that you have your own manufacturing facilities basically, I'm guessing these are blending plants where you can customize the bitumen as per the requirement. So how much of your turnover comes from this activity? And is this a higher margin business for you? Is it the one that is growing even faster than the broader market?





- Vipin Agarwal:** Thank you. Both the markets are growing. In fact, the value-added products, if you consider in the volume in percentage-wise, it will not grow to that higher percentage. But yes, they are between it is about 30% to 40% of manufacturing products, again, 60% to 70% of imported product, which is actually a finished product, which we are importing. And in fact, instead of producing in our factories, we are importing that product so that we save the cost of producing in the factories or the manufacturing plants.
- Samir Palod:** Okay. So is it fair to say that about 30% to 40% of your sales will come go through your factory, whereas 70% -- 60% to 70% would be just the whole logistics chain of imports and then distribution.
- Vipin Agarwal:** Yes, yes. You can say that.
- Samir Palod:** And margin-wise, how much more margin would you make over the, let's say, the company average of 7.5%, 8%?
- Vipin Agarwal:** We in fact, if you see last year, last year, we were at in the first half we were at about 4%. And this year, we are -- the first half, we are at about 5.6%. So it's already a jump of 1.5%. So we will try to maintain or sustain higher returns on as per the percentage that we have got.
- Samir Palod:** Sir, my question was not on the overall company margin. I'm saying this where you're standardizing the products, how much more margin do you make rather than just the import and distribution part of our business...
- Vipin Agarwal:** No. Manufacturing, I think it is already at a good level. I don't see any very spike in the percentage of revenue or margins in that sense.
- Samir Palod:** No, not the future. Currently...
- Vipin Agarwal:** Rent currently a current...
- Samir Palod:** Margin do you make over there.
- Vipin Agarwal:** We make about 10% in the manufacturing product that we make.
- Samir Palod:** So 10% over there and maybe 6% in the balance business...
- Vipin Agarwal:** So it works out on an average basis or because in absolute terms, we are not declaring anywhere manufacturing percentage separately.
- Samir Palod:** And my last question is on from a growth perspective, would the thesis be that India will require more and more bitumen whereas the refineries, even with their expansion are producing less and less bitumen. So the need for import and hence, import warehousing, import terminaling, et cetera, and distribution will increase disproportionately than just the demand of bitumen.



- Vipin Agarwal:** Yes, yes, it will definitely grow because of what I just said a few minutes back, the demand is robust. And even if the refineries don't cut down or if they sell what they have, the demand will go from 8 million tonnes to about 10 million to 12 million tonnes in coming two, three years. It has to come the -- all the demand which will be coming, it has to be fulfilled by only imports, no other mode of getting the product.
- Samir Palod:** And the last question is, sir, how do you define capacity utilization in this business. Now you have 6 vessels. You have a lot of bitumen and LPG tankers and you have storage facilities. So at optimal utilization after turnover, how much it will be now, et cetera? And then what more capex do you need to and where you need to put it to keep growing volumes over the next three, four, five years.
- Vipin Agarwal:** The optimal utilization of tankage is whatever tankages you are having, you should be able to do at least one turnaround -- what is the 100% utilization of the tanks, but though we are trying to utilize almost 1.5 times of the storage facilities that we have. Optimum utilization of tanks would be 1.5 times of the storage facilities that we have and fleet also the same way. I think we are utilizing 100% of the capacity that we have. And logistics part, it does not come in the same segment of utilizing because they are running on a continuous basis.
- Moderator:** The next question is from the line of Ayush Vimal from Clearview Capital Management.
- Ayush Vimal:** Thanks for giving me the opportunity, sir. Just a very fundamental question on the pricing contract that you have with your customers. So I understand that the pricing contract is on the basis of a spread on the purchase price of bitumen that you have like with the customer?
- Vipin Agarwal:** Thank you for the question. There is no agreement as such with any of the customers in terms of pricing, whatever prices are being declared by PSU on a fortnight basis. That is the basis of giving any pricing to the customer and a customer is getting discounts on the basis of PSU pricing declared every fit. Yes. With the refinery CSU contract, there is a price formula but not with the customers.
- Ayush Vimal:** And over the last 3 years, we've seen that the spread that you've made is basically the price at which you sold bitumen to your customers what you brought Yes. In absolute terms, that spread has been increasing in the last 3 years, and it's been increasing significantly, which has contributed to your profitability. Where do you see that going? If I look at your FY '22 results, then you got an EBITDA of about -- on the core bitumen business, the EBIT is close to around INR 53 crores on a turnover of 390,000 385,000 tons, which comes to about INR 1,374 per ton. Where do we see that going forward?
- Vipin Agarwal:** I would just address this question by we are trying to increase if you have seen the earlier year before that, it was at about 1,100 in absolute terms that you are -- the amount that you mentioned at 1,300. It was at about 1,100. So whatever increase in volumes we've made, it has an increasing additional profit because all the other costs, fixed costs are remaining the same. There is hardly any throughput charges that we have to pay by increasing the volume. So all





additional volume that will be increasing, it will definitely help us in getting good set of absolute numbers.

**Ayush Vimal:** Got it. So from what I understand, sir, the spread that there, which is the selling price minus the purchase price, that hasn't been materially impacted over the last two, three years. The increase in the absolute margin is broadly because of the fixed cost absorption benefit...

**Vipin Agarwal:** Yes, the optimum or overutilizing of the facilities that we have. So when you overutilizing the facilities, there is not a major cost involved. It is only a throughput charge, say, about 10%, 15% of the entire fixed cost. Volumes game really helps us in what is getting good set of numbers.

**Ayush Vimal:** Sir, historically, have PSUs tried to -- have you seen occasions where the prices of procurement that's been declared by PSUs has undergone a substantial fall much beyond the fall that you experienced in normal crude prices. I'm just trying to get an understanding of whether the spreads that we are having, we get reduced because of some pressure on demand in the plan.

**Vipin Agarwal:** That's a very good question that you heard a want to ask for. Can this energy for so long. So we know when the prices will go down or when the prices are going to go up. So whatever, whenever the prices are going up, we try to keep the inventories at the highest levels with the sales going on. So when the prices are increasing by the PSUs, we have a maximum inventory for which we take this -- we can take the benefit for. And the same way when the prices are going down. So in international market, the prices goes down before it goes in or it is done by the PSUs. So whatever the product comes in when the prices are going down, it is already at a lower cost.

**Ayush Vimal:** If I can squeeze one more question sir, over the last year, I think most of the capex is around the ship operating and charting business I just wanted to understand how much volumes we can achieve on an annual basis with the current capacity that we had. So we would at 385,000 in FY '22 -- and in the first half, we were at 164,000. So what is the maximum that we can go at if you go to optimally utilize their existing capacity?

**Vipin Agarwal:** There is no maximum at such. We can turn around our tank to a capacity even in one day or three days. So the demand is a major, what do you say, a booster for turning out or turning on the capacity. So if the demand suppose tomorrow, there is a good set of demand all the work that starts which are waiting, we do all the contractors, which are waiting for the monsoon to get over.

If they all start, I think we will be able to do even 7 lakh tons in the balance five months that we have. And for that, you need to have a logistics cycle in place to import that much of quantities. So that is why we are increasingly focusing on the capex of marine vessels so that we are not dependent on any third parties for providing the logistics part for importing bitumen...



- Moderator:** The next question is from the line of Shubham Jain Individual Investor.
- Shubham Jain:** Hello, sir. First of all, congratulations for a good set of numbers. Sir, I just have a simple question. Can you please share capital guidance for any FY '23 or '24, if we have?
- Vipin Agarwal:** Thank you so much. capex guidance, as I have been telling in the few last con call also, the major capex will go into if addition of any vessels that is also on an opportunity base, if we get any opportunities wherein we see that the vessel is at an attractive price. That part would come into capex, but yes, small capex of addition of a new machinery or a small part it goes on in the Indian entities, Indian business now and then. The major part of AFS will come from the vessel side only.
- Shubham Jain:** Sir, can you just show some particular amount or some figures so that I can, it will help for me for the production, some guidance or anything...
- Vipin Agarwal:** Vessel value is about 7 million to be precise. The size of vessel that we are looking at in the market right now the market prices. So a vessel typically will cost us about 7 million plus minus. So 7 into 8. So it is about INR 50 crores, INR 55 crores today.
- Shubham Jain:** For FY '23 and '24, right?
- Vipin Agarwal:** Yes, it is for FY '23, FY '24 guidance I'm not giving, but yes, only FY '23. It's very difficult to predict the prices of these vessels going forward.
- Moderator:** The next question is from the line of Sandeep Dixit from Arjav Partners?
- Sandeep Dixit:** So I just wanted to understand this concern about the business. You mentioned that your manufactured product has a margin of about 10%, while the trading or the imported product, your margin is about 67%. Is that understanding correct?
- Vipin Agarwal:** No. The 6% to 7% is the average of the entire revenues.
- Sandeep Dixit:** Okay. So what would we start resuming the imported business would be even lower at, let's say, 4-ish?
- Vipin Agarwal:** About 4%, 5%. Or maybe...
- Sandeep Dixit:** So what is the constraint? Why are you not then putting in more capital into manufacturing in sort of wine ships?
- Vipin Agarwal:** Yes. Thank you. A value added product is a small component which goes into making of these road. So if you take an example of emulsion, so for supplying emulsion or for making a road, the emulsion is a very small part of the entire road that they will be making. The major portion of making the road will go into the bitumen side. So the bitumen that they will be using would be at least, say, 1,000 times more than the emulsion that we require for that project.





And also the stuff that we are importing, as I said, it's a finished product that can be produced in the manufacturing plant. But if you have to produce that product in the manufacturing plant, you have to get that much of quantity into the plant first and then produce that product and then transport to various parts of India, wherein the products required, whereas it is readily available in the international market and can be easily placed logistically as per the demand in the various states of India. We will be able to get higher margins than importing this product and placing it at a particular location for supply of a particular project.

**Sandeep Dixit:** So there so what I understand is that at least for the value-added products, there is enough capacity available with you, even if the demand were to rise for...

**Vipin Agarwal:** Efficient will be -- it's not a continue that we can work even in 3, 4 shifts, if there is an additional demand or in any month, there is a good demand of any of the product. We always - all the factories are working even over time to finish that orders.

**Sandeep Dixit:** Sir, just last question on this. So what -- how many times mostly rather, what is the current volume you're producing versus whatever is maximum possible in three shift?

**Vipin Agarwal:** I said we are already at 30% to 40% manufacturing from the one or the total volumes that we are making.

**Moderator:** Next follow-up question is from the line of Keshav from RakSan Investors.

**Keshav:** Sir, can you talk about the post monsoon demand currently if we are fully on track with it or it's slowly ramping up?

**Vipin Agarwal:** Can you repeat once again, please?

**Keshav:** Yes. Can you talk about how the post monsoon demand is shaping, if we are fully on track with the demand or it's still ramping up?

**Vipin Agarwal:** We are fully on demand, but yes, if you say statewide, their demand has not started in some states, maybe Gujarat, because of the elections next month. So they are yet to start to the fullest level. Maybe after elections they will work overtime to complete the job that they have not done in say this 20-25 days before the elections. So in terms of demand, it is already there in some parts and maybe in the south because of the little bit of monsoons coming up here and there, it stops and then it starts. But demand wise it has started over the entire various states in India. It is in line with the usual cycle of the season

**Keshav:** And sir, our inventory holding period is roughly in line with the 50-day tenure, which PSUs have...

**Vipin Agarwal:** 15, not 50...



**Keshav:** Yes, is 15. So our exposure to commodity pressures is limited to only very sharp short-term moves, but otherwise, we'd be able to maintain our ROC on say, on a yearly basis is that the understanding?

**Vipin Agarwal:** Yes very much because particularly if you say about this commodity it is not a commodity very that is very volatile, crude is volatile but this commodity is not very volatile yet a very of what you say spike of rates in maybe crude or on the bottom line, then maybe in 15-20 days it will affect but not as such prices driven for this commodity.

**Keshav:** And sir, that is only possible for a player like us with the end-to-end logistics...

**Vipin Agarwal:** Because we can manage our inventories depending upon the indication of price, maybe a price increase or decrease. If you say they are 16, the prices were up so our inventory was on the higher side and if the prices are going to go down then the inventories are on the lower side and the product that is coming up is already at a lower price. And if you see the balance sheet in the company's history there has never been an inventory loss at all.

**Moderator:** The next question is from the line of Anupam Aggarwal from Lucky Investment Managers.

**Anupam Aggarwal:** Sir, my question is on the capex again. So you mentioned INR 50 crores, INR 55 crores per vessel. So can you give some colour as to what the tonnage of the vessel that we are looking at whether this the capex is going to be followed every year? And how many vessels are we looking to add in the near future?

**Vipin Agarwal:** Thank you so much. The vessel size is about say between 6 kt to 10 kt or maybe 6 kt to 12 kt. And if we are taking a bitumen vessel that is already a bitumen vessel then yes, a small vessel of 6 kt would be required. say 6 million, 7 million and if we are taking a vessel that is not a bitumen vessel then for conversion you require additional capex.

In absolute terms of today's market of the marine vessels is very, what do you say, in demand. So the prices of vessels are on a higher side and coming to the other question of how many vessels do we require, the volume that we target to grow at or the volume that we still we are currently at We easily require about 13 to 15 vessels in our own fleet to bring this kind of a volume.

That answers your question of how many vessels may be required. Even after having these marine vessels in our own fleet, we are still hiring third party vessels apart from these vessels to bring the product into India. And all the capex of these marine vessels are also opportunity driven wherein if we are getting a good deal suppose a vessel at a very attractive price or a distressed sale that is a management call wherein to take the vessel at that price that is an opportunity price.

**Anupam Aggarwal:** Sir, because from an earlier interaction, you mentioned that incrementally all the vessels that we're looking at is going to be around 10,000 to 12,000 tons? So is that right?



- Vipin Agarwal:** As I said, it is both. It depends upon whatever vessels you are bringing in Indian coast. All the vessels, all the ports are not having those kind of draft available. So you have to, we have to have a mix match of 5 to 7 KT vessels with 10 to 12 KT vessels.
- Anupam Aggarwal:** And sir, this INR 50 crores, INR 55 crores capex every year, will this be funded through a mix of debt and internal accruals or how?
- Vipin Agarwal:** As of now, I think all the vessels are mostly done by internal accruals.
- Anupam Aggarwal:** So we are not looking to add any incremental debt or what kind of debt are we comfortable within our balance sheet.
- Vipin Agarwal:** I think we are very comfortable currently with minimum debt, even if we are adding about 10 million, 15 million in our -- on the balance sheet, I think the balance sheet does not have any impact.
- Anupam Aggarwal:** Thank you so much, sir.
- Vipin Agarwal:** And again, the vessel that you mentioned is only one vessel capex, we may go for two, three vessels in a year. It will be two, 3x of one vessel.
- Moderator:** The next question is from the line of Vinayak Mohta from Stallion Asset. The line for the participant dropped. Next question is from the line of Rahul from Sunidhi Securities and Finance.
- Rahul:** Yes. So congratulations for a good set of numbers. My major question is like your charting business, the revenue is growing significantly. So I wanted a guidance on the next two to three years. What will be that growth and are the margins of 22, 23 or 27% sustainable going forward in the charting business?
- Vipin Agarwal:** Yes, thank you so much. Yes, very much I think the current set of percentage that we are having very much we will be in line or in fact higher. I don't see any reasons for going below this percentage at all. Yes, with the addition of the new phase that we are already discussing, the revenues will also grow and the same way profit will be growing in that segment.
- Rahul:** Sir, any set of metrics like number of trips or the capacity utilization or...
- Vipin Agarwal:** It is already at almost 100% capacity. As I informed the viewers, we are already doing 100% capacity, adding additional volumes, addition of the vessels. It also be deployed in the same manner when it will be optimally utilized 100%
- Rahul:** Yes, but are you given numbers of the bitumen trading and also any set of numbers which we can get for the charting thing? Like tons or you know number of...





- Vipin Agarwal:** If a vessel is going to a different location if it is going to in the west coast of India it only requires about 15 to 17 days but if it's going to east part of India it requires about 30 days so in terms of revenue it will get more benefit of going to into the east side but again if you say ton by it will do only one trip so it all depends upon which a location it goes into and the prices are accordingly priced for that in terms of rate.
- Rahul:** Okay. So we can assume or 50% growth year-on-year, if I'm not wrong? -- in the charting revenue?
- Vipin Agarwal:** Both in terms of revenue, it depends upon how many vessels we add. First half of last year and first half of this year, I think one...
- Rahul:** Yes, you have done INR 83 crores round of revenue in the half year.
- Vipin Agarwal:** Last year, we were about say INR 53 crores against this year about INR 84 crores. So 50% to 60% increase. With the addition of vessels, yes, we will be in line with what over the last few years that we are getting.
- Rahul:** Okay. So you are adding two vessels for this year, so we can assume that percentage which you said around 50 percentage is it?
- Vipin Agarwal:** We -- whatever we have only added one vessel in the first half as of now has declared.
- Moderator:** The next question is from the line of Vinayak Mohta from Stallion Asset.
- Vinayak Mohta:** Sir, just a follow-up question. I'm relatively a little new to the company. Could you just help me explain all the business segments, the segmental breakup that you gave on the petrochemical shipping in operations. So I'm a little confused between there. In some cases, you are only getting the finished product and selling it off and some places, you're getting the finished product and manufacturing or refining it and then selling it. So could you just help me bifurcate between the different segments for better understanding please?
- Vipin Agarwal:** We have four segments largely. We have this ancillary infra products, bitumen and allied products which we manufacture at our plants. Then we have the shipping business in UAE. We have the logistics part wherein we have the bitumen and LPG tankers in India and the petrol pumps on the fourth segment. These are the four segments that are contributing majorly to the company's revenue.
- Vinayak Mohta:** And in this the bitumen, ancillary infra would be the largest part, right?
- Vipin Agarwal:** Yes, ancillary infra is the largest competing the shipping business.
- Moderator:** As there are no further questions, I now hand the conference over to Mr. Ramadhin Rane for closing comments.



**Ramadhin Rane:** Thank you, Nirav. On behalf of Hem Securities Limited, I thank Agarwal Industrial Corporation Limited team for giving the time we spend on this call and responding all the queries in a detailed way. I would also like to thank all the participants for joining this call. Now I would like to hand over the call to Nirav for the closing remarks.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Hem Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

**Vipin Agarwal:** Thank you so much.

**Moderator:** Thank you.

