



AGARWAL INDUSTRIAL CORPORATION LIMITED

Petrochemicals (Manufacturers & Traders of Bitumen & Bituminous Products) • Logistics for Bitumen & LPG • Wind Mills.

CIN NO.: L99999MH1995PLC084618

February 16, 2023

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

Dear Sirs,

Sub.: Transcript of Q3 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 13th February, 2023, with regards to the Financial Results of the Company for the Quarter and Nine Months ended 30th December, 2022.

We confirm that we have uploaded transcript of the Q3 FY 2022-23 Earnings Call held on Monday, February 13, 2023 on our website viz: www.aicltd.in on 16th February 2023.

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 Q3 FY2023
Earnings Conference Call”

February 13, 2023



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

**MODERATOR: MS. ASTHA JAIN – SENIOR RESEARCH ANALYST FROM
HEM SECURITIES LIMITED**



*Agarwal Industrial Corporation Limited
February 13, 2023*

Moderator: Ladies and gentlemen, good day, and welcome to Agarwal Industrial Corporation Limited Q3 & 9 months ended 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 Ms. Astha Jain – Senior Research Analyst from HEM Securities Limited. Thank you, and over to you, Ms. Astha.

Astha Jain: Thank you, Lizann. A very good evening, ladies and gentlemen. Thank you for joining the Agarwal Industrial Corporation Limited Q3 & 9 months ended FY '23 Earnings Call.

Joining us on the call today from the management team is 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 a 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 and strategic progress made by the Company. Thank you, and over to you, sir.

Vipin Agarwal: Thank you very much, Astha. Good afternoon, all and a very welcome to everyone who has joined us today. I take the pleasure of welcoming you all to the Q3 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 eight large marine vessels having the total capacity of 49,000 metric tons, which are used in importing raw materials, raw materials from oil-producing countries.

Company is having a fleet size of 650 tankers LPG and bitumen tankers and seven storage terminals for importing bitumen totaling to a capacity of 49,000 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



Agarwal Industrial Corporation Limited
February 13, 2023

product is being stored. We, along with our subsidiaries have six manufacturing plants located at Taloja, Vadodara, Belgaum, Hyderabad, Kochi, Guwahati.

In Budget 2023 Road Ministry has given a 33% hike in allocation at Rs 2.7 lakh crore for 2023-24, to help the ministry meet the 25,000-km road development target announced in the 2022-23 Budget. This development pace is creating a huge demand for road materials, thereby our responsibilities of catering Bitumen has further increased.

Going to the Financial Results reported starting with the Consolidated Quarter Highlights of Q3FY '23:

The Company's revenue has seen a growth of 45.42% in Q3 FY '23 at INR 553.90 crores compared to INR 380.90 crores in Q3 FY '22. The Company reported EBITDA of INR 39.80 crores in Q3 FY '23 versus INR 33.40 crores in Q3 FY '22 a growth of 19.18%. Company's PAT has improved by 22.37% from INR 20.60 crores in Q3 FY '22 to INR 25.21 crores in Q3 FY '23.

The Company's revenue has seen a growth of 43.71% in 9MFY23 at Rs. 1363.90 crores. v/s 949.08 crores. in 9MFY22. We have reported EBITDA of Rs.101.37 crores. in 9MFY23 a growth of 40.95% v/s Rs. 71.92 crores. In 9MFY22. The Company has reported a PAT of Rs.63.96 crores. in 9MFY23 a growth of 60.08% v/s Rs. 39.95 crores. in 9MFY22.

Further, I would like to add that the demand trend continues to be in the favorable across the infrastructure industry, which is quite beneficial 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:

Ladies and gentlemen, we will now begin with the question & answer session. The first question is from the line of Keshav from RakSan Investors. Please go ahead.

Keshav Kumar:

Sir, though you clarified in the past about new sizable bitumen capacities coming up in India, but just for the sake of repetition, I would put the question a bit differently. The domestic refining capacity is expected to go up by 20% in the next 3 years and 50% by 2030. Does it not mean that the domestic bitumen production should also go up commensurately or that's not the way to look at it?



*Agarwal Industrial Corporation Limited
February 13, 2023*

Vipin Agarwal: No, there is absolutely no chance of any bitumen production going up by a significant level at all in the next 3 years. Maybe refining other products like petrol, diesel, or other petroleum products may go up, but as far as bitumen is concerned, there is no capacity increase going to happen in the next 3 years as per the information available. Absolutely not.

Moderator: The next question is from the line of Bhaumik Shah, an individual investor. Please go ahead.

Bhaumik Shah: My question is, in this year's budget, we can clearly see the trend of the government which is giving more impetus to infrastructure which is, I think, beneficial for our Company. I have been in your con-calls many times. Management has been guiding that 20% volume growth we will be looking out year-on-year. That is what we look at. Is there any chance that in the next financial year, we may see our volume growth compared to the previous financial years looking at the impetus of the government on the infrastructure? Is there any look out for this from our side? My one more question is that, in the last 1 or 2 con-calls, you had said that we are having superior networks in the South, East, and West compared to the North. Are we capitalizing anything to have more focused on the North area? I think there is also a lot of construction growth going on there.

Vipin Agarwal: To answer your first question, we have been growing at a 20% volume every year. Last year, we had closed near 4 lakh tonnes and if we are closing somewhere around 480,000 tonnes this year, next year preferably we will be trying to close somewhere between 550,000 to 600,000 tonnes which is anyways our production capacity of one of the refineries if you say in Mumbai. It's a huge quantity and for any increase in the target, we also require basic other facilities like logistics. That's the reason we have been focusing on increasing the vessel that would help us in getting the same in line to bring more product at Indian ports.

And your second point was about the government's infrastructure.

Bhaumik Shah: And especially in the North region.

Vipin Agarwal: North, yes. We have got our approval from the Government of Rajasthan to supply our product for the Government of Rajasthan. This is one step taken towards the North side and we are focusing ahead from Rajasthan towards J&K and other parts of the North, which is already in focus.

Bhaumik Shah: My one more question is that I just wanted to understand the payment cycle of our products. I think regarding the raw materials which we buy from the Gulf countries for importing the raw materials and all, how is the payment cycle for that? And the finished product which we supply to the contractors and all or the refineries, how is from them we get the payment? How is the payment cycle? In how many days we get our cash back into our books?



Agarwal Industrial Corporation Limited
February 13, 2023

Vipin Agarwal: If you see the balance sheet of the Company, we have focused and changed a little bit in the last 3-4 years wherein we are focusing more on cash & carry basis for the volumes that we are getting additional volumes apart from the regular clients that we have. The main benefit always comes from the client is direct customers that we have because there we don't end up paying a higher discount wherein if you are selling to other customers where the margins are lower. So, we are keeping a mix and match of both wherein the payment cycle is reduced to about less than 20-25 days now.

Bhaumik Shah: So, within 20-25 days, we can receive our payments actually?

Vipin Agarwal: Yes, if you see overall turnover of the Company against the payment cycle, it is about 20-25 days now; maybe 30 days if you divide exactly, but more or less it is much better than what it was in the previous few years.

And supply part as the question that you have asked, we are making the payment upfront when the vessel is arriving into Indian ports.

Moderator: The next question is from the line of Vivek from Marquee Financials. Please go ahead.

Vivek: Sir, I would like to understand the details on the volumes which we have cracked in terms of tonnes for the quarter as well as for 9 months?

Vipin Agarwal: In Q3 FY21, we had done about 87,000 tonnes to 88,000 tonnes against which this year we have done about 114,000 tonnes, almost an increase of about 26 TMT to 27 TMT. And we have achieved a growth of about 13% in the first 9 months of this year.

Moderator: The next question is from the line of Anupam from Lucky Investment Managers Private Limited. Please go ahead.

Pritesh Chheda: Just wanted to check on a few things. One, when I look at your numbers and I try to understand from the EBITDA per tonne perspective, we tend to make a certain EBITDA per tonne based on the stand-alone, which is the import of the bitumen. And then when we make a certain number from the logistics part of the business by having our own shipping, which comes on consolidation. If you could tell us some total for a per tonne of bitumen that we would import and try to use our logistics for vessel plus distribution, what kind of EBITDA per tonne ideally we should be making? That's the first question. Second, we had certain ships in our system and then we added these 2 ships. I think we had six and then we took it to eight, if I am not wrong.

Vipin Agarwal: Yes.



*Agarwal Industrial Corporation Limited
February 13, 2023*

Pritesh Chheda: When we had these 6 ships until December 2022, how much of the bitumen was being imported via our own ships and how much of third-party we were deploying, if you could share that? It will also help us understand that eventually when you go 100% on our logistics, what kind of EBITDA per ton we will have because that will fully capture the logistics that we would deploy. Some of these parts if you could explain us because looking at percentage margin might be a misnomer, if I am not wrong. And if you could help with these queries?

Vipin Agarwal: Firstly, on the vessel part that you have highlighted, I would like to add here that whatever vessels are coming into India, we are giving it to third parties. All our vessels are being given to third parties, which may result in transporting the product to even our own locations in India. But all our vessels, as a subsidiary, are an individual entity in the Gulf countries. They are running independently and they are offering the vessels solely to third parties on the basis of market rate. Whatever vessels we are getting into India from third party or our own vessels to third party, the freight remains the same. There is no differentiation between the vessels that we are taking from any other suppliers or our own vessels in the UAE.

Pritesh Chheda: That's okay, that's the route. You might deploy your own and you might make someone else's. That depends on the route and availability wherever it is. But you are putting vessels because you want to have your own logistics, right? And want to earn that much more profit by having your own logistics.

Vipin Agarwal: Yes, very much, but all those operations are in the UAE entirely, wherein the UAE supplier who is looking for vessels is being offered our vessels in the UAE.

Pritesh Chheda: Let's say by deploying 6 vessels now, how much of the volumes have moved to pseudo our logistics, whether you use your own vessel or someone else's?

Vipin Agarwal: Close to about, on a month-on-month basis, we are importing about 20 TMT from our own vessels. And sometimes, if the vessel is going towards East, it may as well come down because the turnaround of the East region is only once a month. Volume that we have done in the first 9 months, I think about 20% to 25% volume is through our own vessels because we require back-to-back product sometimes and most of the times in the season. So, our 6 vessels still fall short of bringing the product into Indian ports.

Pritesh Chheda: So, 6 vessels is still 25% of your own output, 75% is still via....

Vipin Agarwal: To give a range, it would be about 20% of 25% of the volumes that we have done.

Pritesh Chheda: So whatever EBITDA per tonne that we see today is based on 25% of your output on your own vessels, right?



*Agarwal Industrial Corporation Limited
February 13, 2023*

- Vipin Agarwal:** Yes, you can say that, but which are totally deployed through third parties through our UAE entirely individually. There is no connection between the two in terms of the running of the two entities.
- Pritesh Chheda:** I will try to frame it differently. One is you might have given there and you are using someone else's here, that's different. You have created this capacity ideally to use to make sure that the logistics profit comes to you, right?
- Vipin Agarwal:** Yes.
- Pritesh Chheda:** You gave there, you took here. You will do this business to the extent of volumes that you have or you will do this business more than the volumes that you have?
- Vipin Agarwal:** To the tune of volumes that we have.
- Pritesh Chheda:** So, based on that, today, is it that out of 280,000 tonnes, only 25% of the volumes is on your own vessels?
- Vipin Agarwal:** Yes.
- Pritesh Chheda:** Forget that you are using your own and/or you are using UAE's.
- Vipin Agarwal:** We are doing approximately 25% from our vessels.
- Pritesh Chheda:** Correct. So, this profitability that we see today in per tonne basis is subject to that much volume. When you keep on adding ships, you will try and capture the shipping profits? You will capture the logistics profits, right?
- Vipin Agarwal:** Yes, very much.
- Pritesh Chheda:** So, in an ideal scenario for the per tonne of bitumen that you import, ship, and distribute, ideally what should be your per tonne profitability eventually when everything moves to your own shipping?
- Vipin Agarwal:** To answer that question, we have not seen 100% switching to our own vessels because some of the vessels are even deployed for others on TC basis as well in the last quarter due to better revenue or better optimization of the vessels in terms of making it profitable. And in India, whatever product we are selling, we have an absolute number. To sell a particular product, we have defined a particular amount below which we do not sell.
- Pritesh Chheda:** Then this means that you will deploy vessels more than your requirement.



*Agarwal Industrial Corporation Limited
February 13, 2023*

- Vipin Agarwal:** It depends upon the management call, the logistics part that you're talking about shipping is not 100% that it has to be deployed to our own uses in India. It is used for better and optimum utilization of the vessels to make it profitable.
- Pritesh Chheda:** What is the per tonne profitability of bitumen for import, logistics, and distribution? Is it Rs. 4 a kg? Is it Rs. 2 a kg? Is it Rs. 1 a kg? Because your stand-alone reflects pure trading profits, right?
- Vipin Agarwal:** There are other profits also there, from logistics as well.
- Pritesh Chheda:** I am just trying to understand the stand-alone is your pure trading profits?
- Vipin Agarwal:** I have already given the volumes for this quarter, I think, and we can divide that if you....
- Pritesh Chheda:** Yes, that number is about Rs. 1,500 a tonne to Rs. 1,700 a tonne.
- Vipin Agarwal:** That will answer your question, sir.
- Pritesh Chheda:** Then you will add another profitability which comes from your own logistics, right?
- Vipin Agarwal:** Yes.
- Pritesh Chheda:** So, that number works out to another Rs. 2,000 a tonne?
- Vipin Agarwal:** I have not calculated, but maybe if you have calculated, I think you may be right.
- Pritesh Chheda:** No, I am looking for that calculation from your end and for everyone to understand.
- Vipin Agarwal:** send it on the mail. I will send the exact calculations if you require them for that.
- Pritesh Chheda:** But this much we should take home that only one-fourth of your volume is on 6 vessels?
- Vipin Agarwal:** Yes.
- Pritesh Chheda:** That is correct, right?
- Vipin Agarwal:** Yes. To understand for you better, we are giving the vessels to third parties wherein we get higher and profitable revenues as well. So, instead of using the vessels to India, we have sent the vessels even to other countries wherein the revenue is more, the profitability is more, and using purely third-party vessels from outsourcing for India.



*Agarwal Industrial Corporation Limited
February 13, 2023*

- Pritesh Chheda:** Sir, I understand that wherever and whichever is a convenient vessel, you will take that. And wherever it is convenient to give away, you will give away. But sum total, your requirement is X and you are using one-third of that X?
- Vipin Agarwal:** Yes, I said 25%.
- Pritesh Chheda:** At least that assessment we can make, right?
- Vipin Agarwal:** Yes, you can make that assessment.
- Pritesh Chheda:** So, every time that you add a vessel, your profitability will improve, right? Because today only 25% of your volumes are a function of your 6 assets. Tomorrow, if it moves to.... you take another 2 assets....
- Vipin Agarwal:** There are vessels which are not for bitumen as well. So, those are deployed purely for other products.
- Pritesh Chheda:** So, there are vessels not meant for bitumen?
- Vipin Agarwal:** Yes, which is yet to be made into bitumen.
- Pritesh Chheda:** So, they will eventually be made into bitumen?
- Vipin Agarwal:** Yes, it will eventually be made into bitumen.
- Pritesh Chheda:** So, every time when we progress in our Company, instead of 25% of your bitumen on your own logistics, it will move to 30%, 35%, 40%, 45%, whatever be the number?
- Vipin Agarwal:** That's the reason we are adding more vessels so that we can improve....
- Pritesh Chheda:** And that's the reason you are adding more vessels.
- Vipin Agarwal:** to contribute percentage increase.
- Pritesh Chheda:** So, it will bring you more profitability per tonne of bitumen business that you do, right?
- Vipin Agarwal:** On consol basis, yes. That can already be seen in the 9 months results that we have published.
- Pritesh Chheda:** Sir, then I will ask this way. From today to FY25 or let's say from FY23 to FY25, how many vessels will be see? Six number will move to what number? And this 25% will move to what number?



*Agarwal Industrial Corporation Limited
February 13, 2023*

Vipin Agarwal: Firstly, it is all an opportunity cost. If we see some vessels at an attractive price and a good decision to add any volumes, yes, that will be taken. And it comes as and when basis, it is not pre-decided whether we would be going for this vessel or not. It is all purely an opportunity. When we get, we will try to encash on it. And yes, once we have more vessels, definitely the volume of this percentage will increase to, say, 35% to 40% as well.

Pritesh Chheda: And what will be the per tonne profitability at that time?

Vipin Agarwal: Very difficult to answer. It is a very futuristic answer. But, yes, definitely, it will be in line with what we have today.

Pritesh Chheda: And how much volume growth do you anticipate this year? You have done about 200....

Vipin Agarwal: About 20%.

Pritesh Chheda: So, you will still be able to do 5 lakh tonnes in FY23?

Vipin Agarwal: We are targeting that. Yes, we should be in line with....

Pritesh Chheda: That means that the last quarter has to be a plus 2 lakh tonne number. Is it doable?

Vipin Agarwal: We will know after this quarter, sir. Very much doable, but.

Moderator: The next question is from the line of Rahul Chandarana from Sunidhi Securities. Please go ahead.

Rahul Chandarana: Yes, this is again a follow-up to the previous question. I got a gist like in the business model that you use the ships mainly for charting and not for the related process of bitumen, but even though you do the CAPEX, more of it is into the usage of earning the freight income. Sir, I wanted to get a guidance like, you are buying a number of ships or something like that. As you provide us with the number of bitumen trading, can you give us guidance for the ship charting as well? Because, I am getting just a vague number, number of trips of certain parameters through which we can forecast the future revenue number for the ship charting because your this thing is not still fixed like 25% of the ships you will use it for your own bitumen thing and then you are targeting to 40%, and then what will be the proportion like? By what factors will you make it 40%?

Vipin Agarwal: All our vessels are capable of supplying bitumen, but it is only a question of where it is to be deployed as of now in terms of optimum utilization of the vessels. There we are taking a call whether we should be bringing bitumen into India or keep the vessel to supply some other products for some other reasons. It is all about optimum utilization of the vessels, but all our vessels are capable of utilizing in bitumen.



*Agarwal Industrial Corporation Limited
February 13, 2023*

Rahul Chandarana: If I assume that 25% of the shipping portfolio when you bring the bitumen from the gulf country to the Indian ports, then it will return empty-handed, right?

Vipin Agarwal: It would go empty, yes.

Rahul Chandarana: 25% is used for bitumen, we take that particular as agreed. Then the rest of the 75%, I wanted a certain volume number so that we can take the guidance like this is your realization or this is the volume game which you are playing with the number of ships you have. There would be certain metrics in your business model which you will be catering to?

Vipin Agarwal: But I didn't still understand what the exact question is. You want me to inform you about the optimum utilization of these vessels for us or the other 75% that we are doing?

Rahul Chandarana: For the charting which you are doing, you are giving a revenue number. This quarter, you gave a revenue of Rs. 10 crores to Rs. 11 crores. That would be on certain volumes or certain tonnage or something like that.

Vipin Agarwal: Shipping is always in terms of voyage. It cannot be compared with any tonnage.

Rahul Chandarana: You can provide that number, if possible, like number of voyages or....

Vipin Agarwal: That is what I answered, sir. Whatever vessels we are adding irrespective of the capacity, they are put in use for optimum utilization. You cannot divide a bigger vessel by per metric ton because it will not give you the same numbers, maybe, compared to the smaller vessels.

Rahul Chandarana: So, this 11 number is optimum utilization of 75%. We can take that as the understanding.

Vipin Agarwal: You can take it as a gap to increase, maybe, the fleet of the vessels to increase the percentage of volume that we are importing in through the own vessels from UAE.

Rahul Chandarana: And to the previous question, you guided that this will lead to an optimum level of 40% for the own bitumen trading. Even though the rates are not sustainable, rates are higher by taking your own vessels and bringing the bitumen over here, then too we will keep this percentage or it will vary? What will be the metrics for the own bitumen? It will be gradually going to 40% by FY25 or you will still remain 25%? You can give guidance if possible.

Vipin Agarwal: As informed, we are trying to improve, but it is all depending upon what opportunities we get in the UAE. If we get good opportunities of running the vessels with the other parties, yes, the Company is always happy to take third-party vessels for India and deploy the vessels into different regions. It is all an opportunity and a profitable call depending upon the rates available in the market at a particular time.



Agarwal Industrial Corporation Limited
February 13, 2023

Rahul Chandarana: Do you see more margin accretion from charting business rather than bringing the bitumen in your own vessel, if I am not wrong, because we have seen....

Vipin Agarwal: Yes, sometimes you get better margins from supplying cargo or maybe vessels to some other country, we get better margins, yes.

Moderator: The next question is from the line of Keshav from RakSan Investors. Please go ahead.

Keshav Kumar: Sir, building on the previous 2 participants, in the previous call, you said that the bitumen vessel charter rates are usually stable. And you mentioned right now that we are doing a lot of third-party chartering and we aren't saying that we want to be completely volume self-reliant on our own fleet. But with this increasing sharing vessels and capacity on a consol level by adding more ships, we have an increasing assurance of the ability to commit higher volumes. Is that correct? Is the vessel addition rather a step to help us gain....?

Vipin Agarwal: No, higher volumes have nothing to do with the capacity of own vessel utilization or any third party. Higher volumes is irrespective of vessels we have or not.

I will just answer the first part of your question, though it is not complete as of now. As I said, the freights are constant in the regions that we are doing. But I also said that it is all about opportunity. Sometimes we are getting a good margin and good freight. That's the reason we are sometimes offering the vessel to another party for a particular region's cargo.

Moderator: The next question is from the line of Ayush Vimal from Clearview Capital. Please go ahead.

Ayush Vimal: I had a question on the usage of bitumen in the future. Recently, the BMC has come out with a contract for concretization of 400 kilometers of road. And given cement is cheaper from a lifecycle cost perspective – when we compare it to bitumen, it is resistant to water and fuel and other weather conditions – it's not required to be imported and limestone reserves are domestically available and it's also considered to be greener given the mileage is higher and it's less polluting. I wanted to know how do you see it emerging as a credible alternative to bitumen in the years to come.

Vipin Agarwal: You are talking about the BMC contract?

Ayush Vimal: There was this BMC contract that is given for concretization of roads in Mumbai. This was about a Rs. 6,000-crore contract.

Vipin Agarwal: Yet to be given.

Ayush Vimal: Yes, it's being discussed and a couple of issues around it. How do you see cement emerging as a credible alternative to bitumen for future roads?



*Agarwal Industrial Corporation Limited
February 13, 2023*

- Vipin Agarwal:** This concretization is having no impact on the business that we are doing because this is only inland city roads wherein it hardly affects the product that we are dealing in.
- Ayush Vimal:** And in terms of NHAI contracts for national highway construction, you continue to see the use of bitumen there or you see the role of cement....
- Vipin Agarwal:** If you see the budget also or even the new tenders that are being awarded, there is absolutely no question of cement being used at all. All the new road tenders that have been allotted or under execution or under implementation are having bitumen portion only, because as informed earlier also, the cement road is not being taken up by the NHAI as of now.
- Ayush Vimal:** What is the qualitative characteristics because of which bitumen scores above cement, because....
- Vipin Agarwal:** Safety is the most important, I guess.
- Ayush Vimal:** Bitumen roads tend to be safer is what you are saying.
- Vipin Agarwal:** If you have gone on a bitumen road and a cement road, bitumen will always give you a smooth ride, whereas concrete will not give you a smooth ride.
- Ayush Vimal:** Also, another question I had was, recently, the Minister of Roads in a recent interview said that they are procuring bio-bitumen from rice straw and they're also using rubberized tires to make bitumen, which is being laid in the Dholera-Ahmedabad Express Highway. Your view on these materials gradually becoming an alternative to bitumen – not maybe recently, but from a long-term perspective?
- Vipin Agarwal:** Maybe, this is all trial as of now. But even that would also require bitumen in portion in it. It is not 100% bitumen, but yes, it is under trial, and still the bitumen.... It is only addition of some other product to bitumen. It's not 100% substitute of bitumen.
- Ayush Vimal:** From a global perspective, even other countries, how do you see this trend emerging? Do you see bitumen still getting used or do you see alternatives emerging in other parts of the world?
- Vipin Agarwal:** There may be alternatives but it will not be around bitumen only. It cannot be anything different than bitumen.
- Ayush Vimal:** So, bitumen roads tend to be as much and more in the U.S. and in Europe?
- Vipin Agarwal:** Yes, very much.



*Agarwal Industrial Corporation Limited
February 13, 2023*

Moderator: The next question is from the line of Rahul Chandarana from Sunidhi Securities. Please go ahead.

Rahul Chandarana: Who are your major clients and what percentage do they make up the total orders?

Vipin Agarwal: We have mix and match in all the road contractors – big road contractors, medium size, small, all are our customers; NHAI customers, PWD, all the road contractors are our customers. And it is not that we are focusing on a few big companies, no. We are distributed along a set of customers wherein all the sales are happening.

Rahul Chandarana: And what percentage would be the government contracts in this?

Vipin Agarwal: All the road contracts are somehow the government department only. There is no private use of bitumen as such. Very small percentage that maybe some industries are laying it for internal purpose, but that would be a very small part. All the road contracts in the Indian road network are being awarded by some government body.

Rahul Chandarana: What is the visibility like? Do they give long-term contracts or it's adjusted....?

Vipin Agarwal: They give a particular kilometer road contract wherein the maintenance is also nowadays on the contractors for particular periods depending upon the tenders.

Rahul Chandarana: And the last question is, what are your prospects in the East and the Northern sides? Northern side, you told that you have got the Rajasthan.

Vipin Agarwal: We are already there in Guwahati and its already happening in the Eastern region already.

Rahul Chandarana: You don't need any other CAPEX other than your shipping because you have all-round....

Vipin Agarwal: Not much. I have also said this in the earlier call. Location-wise the import facilities that we are already having are capable of handling even increased volumes that we are targeting in the coming few years.

Moderator: The next question is from the line of Pritesh from Lucky Investment Managers. Please go ahead.

Anupam Agarwal: My first question is to understand how the market is shaping with respect to PSU capacity and with respect to private and bulk capacities? Secondly, I was listening to your earlier con-call commentary wherein you mentioned that in the next 2 years we're looking to add vessels from now 8 to 13. And now in this call you are kind of hinting to the fact that we are still evaluating adding vessels. Just trying to bridge the gap between the two comments?



*Agarwal Industrial Corporation Limited
February 13, 2023*

- Vipin Agarwal:** But I don't remember I have said anytime from 8 vessels to 30 as far as I know.
- Anupam Agarwal:** Not 30, thirteen, sir, 13.
- Vipin Agarwal:** There also I mentioned it is all depending upon opportunity that would be coming up around the Company, and this is what I mentioned right now also; it all depends upon the opportunities that the Company will be getting in terms of getting any vessels. This is what I said last time also, and this is again what I said today.
- Anupam Agarwal:** How should we look at CAPEX, sir? 1 to 2 vessels are going to be added every year, Rs. 50 crores per vessel, or is it going to be any different?
- Vipin Agarwal:** It depends upon the size of the vessel also. And since the market is on the higher side, the prices of the vessels have gone up. So, maybe in terms of CAPEX, it may go up, but it all depends. Again, I am saying, if we are getting any vessels at a very attractive price which makes sense for us to buy, it would be a management call on that. And we are definitely looking to add more vessels, but it will be all upon the opportunity that we will be getting.
- Anupam Agarwal:** When you say attractive price, is it Rs. 50 crores for a 10,000-tonne vessel or isn't that attractive?
- Vipin Agarwal:** For today's market, yes. For a vessel of that size, Rs. 50 crores is a decent amount.
- Anupam Agarwal:** And sir, my first question on the PSU capacity addition by oil manufacturing companies?
- Vipin Agarwal:** Absolutely no addition by PSUs in terms of higher quantity. Maybe a few hundred thousand tonnes here or there, but no PSUs are focusing on increasing the production capacities in terms of bitumen.
- Anupam Agarwal:** The market that we operate in which is private and bulk, we are at 25% of the market. Have you seen any sort of market share decline in this quarter?
- Vipin Agarwal:** No. If you can go on Google also, you will get the figures. We are the market leaders from the last so many years and we are still the market leaders in bitumen, private sector.
- Anupam Agarwal:** Sir, last question on the debt. What is the debt profile currently as of December?
- Vipin Agarwal:** Debt, we have not taken any additional working capital even in this last quarter. So, we are still the same for the last 2 years.
- Anupam Agarwal:** And long-term debt, sir?



*Agarwal Industrial Corporation Limited
February 13, 2023*

- Vipin Agarwal:** Long-term debt is, we have added about \$7 million in the current quarter.
- Anupam Agarwal:** And what is the absolute amount as of December, debt figure?
- Vipin Agarwal:** Debt account of about Rs. 60 crores. It is purely for CAPEX.
- Moderator:** As there are no further questions, I now hand the conference over to Ms. Astha Jain for closing comments.
- Astha Jain:** Thank you, moderator. 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 moderator 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.