



# AGARWAL INDUSTRIAL CORPORATION LIMITED

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

CIN NO.: L99999MH1995PLC084618

August 20, 2021

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 Q1 FY 22 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.**

We hereby confirm that we have uploaded the transcript of the Q1 FY 22 Earnings Call held on Wednesday, August 18, 2021 on our website viz: [www.aicltd.in](http://www.aicltd.in)

The above is for your kind information and records.

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Thanking you

**For Agarwal Industrial Corporation Limited**

  
**Dipali Pitale**  
Company Secretary & Compliance Officer



## Transcript

### Q1FY22 Results Conference call of Agarwal Industrial Corporation Limited

**Event Date / Time** : 18<sup>th</sup> August 2020, 04:00 PM IST

**Event Duration** : 59 mins 02 secs

#### *Presentation Session*

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**Vamita:** Ladies & gentlemen, good day and welcome to Agarwal Industrial Corporation Limited Q1 FY 22 earnings conference call hosted by Hem Securities Limited. As a reminder, all participant line 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 and then 0 on your touch-screen phones. Please note that this conference is being recorded. I would now like to hand over the floor to Mr. Akun Goyal from Hem Securities Limited. Over to you, sir.

**Akun Goyal:** Thank you, Vamita! Good afternoon ladies & gentlemen. Thank you for joining the Agarwal Industrial Corporation Limited, Q1 FY 22 earnings conference call. Joining us on the call today, are senior members of the management team, Mr. Lalit Agarwal – Whole Time Director and Mr. Vipin Agarwal – Chief Financial Officer. We will commence the call with the opening thoughts from the management team; 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. The actual results may vary from these forward looking statements. I would now like to handover the call to Mr. Lalit Agarwal to commence by sharing his thoughts on performance and strategic progress made by the company. Thank you and over to you, sir!

**Lalit Agarwal:** Thank you very much! Good afternoon and a very welcome to everyone who has joined us today. We hope that you and your families are safe and have been fully vaccinated. Let me start by giving you a brief overview of the company's business and will then handover to Vipin to take you through the financials. Will then be happy to take questions you have, if any.

Agarwal Industrial Corporation Limited is one the India's largest integrated bitumen players. We develop wide range of innovative bitumen products that is used in construction, roads and waterproofing solutions. Over the years, we have strengthened our business by developing our own shipping and logistics network. Today our group owns and operates a fleet of more than 650 bitumen and LPG tankers and 5 bulk vessels which sets us apart in the bitumen industry. Our logistics division also operates as a separate revenue center to provide transportation, cargo handling and integrated logistics solutions to third-party clients. We along with our subsidiaries have 6 manufacturing facilities located at Vadodara, Taloja in Navi Mumbai, Belgam in Karnataka, Hyderabad, Gauhati and Kochi. We have 7 bulk storage terminals located at Hazira port, Mumbai port, Dighi port,

Haldiya port, Mangalore port, Karwar and Vadodara. Coming to the first quarter of fiscal year 2021, as the country was getting back to normalcy post the first wave of COVID-19 pandemic, the intense second wave hit us in April and May. In this backdrop, I believe that our team has displayed tremendous agility to deliver resilient performance during the first quarter of FY 2021. We reported 177% growth in revenue with 277% improvement in profit. It is phenomenal after tax by comparing year on year figures. Before I hand over to Vipin, I would like to conclude that the demand trend continues to be favourable across infrastructure industry which is quite exciting for us. Our customers understand and appreciate the company's execution abilities, which constantly results in financial growth in market share. We continue to demonstrate profitable performance in long term to relentless focus on leveraging our two decades of experience in bitumen and logistics. Now I would request our CFO, Mr. Vipin Agarwal to share his perspective on the financial performance for the first quarter 22. Mr. Vipin, over to you. Thank you! Thank you, very much ladies & gentlemen!

**Vipin Agarwal:** Thank you, sir! Good afternoon everyone, and welcome on the call. I will quickly touch upon the key financial highlights of the company for the first quarter for the fiscal year 2021. All comparisons are on a year on basis and consolidated in nature. In Q1 FY 22, our revenues have increased by 177% to Rs. 409 crores. They came in despite several challenges on ground as explained by Mr. Lalit ji, with respect to the second wave of COVID-19 pandemic. We have been working since the start of this pandemic in 2020. And (recording problem) shown that we have put in, and entire team which has contributed in the last year's performance even after the COVID hitting the entire country, the company has delivered a very good set of results in the last year and again in the first quarter of this year. The EBIDTA improved by 182% to Rs. 24.5 crores cascading to a margin of 6.25%, an expansion of 11 basis points. Profit after tax stood at 15.07 crores, higher by 277% which was supported by overall high performance across business verticals. That concludes my opening remarks. And I would now request the moderator to open the forum for questions from the participants. Thank you!

**Vamita:** Thank you, sir! Ladies & gentlemen, we will now begin the question and answer session. If you have a question, please press STAR & 1 on your telephone keypad, and wait for your turn to ask the question. If you would like to withdraw your request you may do so by pressing STAR & 1 again. Ladies & gentlemen, if you have any questions, please press STAR & 1 on your telephone keypad. Ladies & gentlemen, we will wait for a moment while the question queue assembles. Sir, our first question is from Mr. Hitanshu Bhatia. He is an individual investor. Please go ahead, sir. Mr. Bhatia, please go ahead with your question, sir.

**Hitanshu Bhatia:** Yeah. Thank you for taking my question, and congratulations on a great set of numbers. My first question would be, with regards to, we are planning to expand the Taloja unit from 280 meter ton to 2000. So, could you give us a break-up of how would we go about from our own cash accruals? Or, would there be any debt to be taken ahead? Am I audible?

**Vipin Agarwal:** Thank you so much! We have... we already had plot no. 37 in Taloja unit firstly. And last year we have taken over the adjoining plot no. 36 and that is a addition to the fixed assets of the company wherein we are putting up new bulk storage

facility of about 3500 metric ton. And all this will be funded from the internal accruals of the company. We are not taking any external debts as of now for this setting up of new unit in Talaja.

**Hitanshu Bhatia:** Ok sir. So, please correct me if I am wrong, but our cash flow from operations this year and our total cash in hand would be anywhere around 350 crores? Am I right?

**Vipin Agarwal:** Sorry?

**Hitanshu Bhatia:** What would be the cash in hand of the company till the quarter end?

**Vipin Agarwal:** The company is having good set of liquidity in its hand, so... and the cost of the project in Talaja is about 8-10... not even 10 crore rupees. So, the company is having internal accruals to tune off that amount.

**Hitanshu Bhatia:** Ok sir. So, if I am not wrong, our cash flow from operations this year was about 45 crores and the cash in hand would be anywhere around 45 to 100 crores?

**Vipin Agarwal:** Yeah, we have cash in hand.

**Hitanshu Bhatia:** Ok sir. And my next question would be, I think sir, with regards to the CAPEX, that the government is going on for the road building and infrastructure on and on, sir, what would be the impact on our taking the market share and specifically the demand for bitumen as compared to the concrete in the roads. So, sir, if you could just give the break-up of how it would impact percent wise? If you could just give break-up of that.

**Vipin Agarwal:** Yeah. Thank you for the question and it is a very good question you have highlighted this time. See, the concrete... concretization that you are talking about that has been a past now. I think, 4-5 years back there was a concept by the NHAI where they were focusing on the concretization of the NHAI roads. But now, that is the past. Now all these roads, new roads, all the new road tenders that have come up are bitumen road. Bitumen making roads, there is no concretization. And earlier orders also which were for concrete, they are all converted into bitumen now. First thing. And bitumen production in India is... by the PSU is limited to 5 to 5.5 million tons only. Wherein the total demand of the product in India is about 7.5 million ton. So, the deficit of 2.4 million ton is being ...higher... is being contributed by the imports only. And going forward, next... if you have to come to the next 5 years or even 10 years all the deficit between the production and demand that is going to be there, it can be only fulfilled by imports. There is no other possibilities of PSUs building up more production facilities in India. And moreover, existing facilities also converted into (incomprehensible). So, the product available even at the PSU range is lesser by 5 million tons.

**Hitanshu Bhatia:** Ok sir. Sir, that is really heartening to know and I think we are the largest importers of bitumen in the entire country.

**Vipin Agarwal:** Yeah, we are the largest for I think a few years now. And going ahead, we hope to keep the same pace that we are in.

**Hitanshu Bhatia:** Thank you, that is really heartening to know, sir. And if I can just squeeze just last one question, sorry for taking much of your time. Sir, if you could just give an outlook on the transportation segment, and along with the Agarwal Translink Private Limited that you had taken into entire subsidiary under our wings. Sir, what is the profitable... profitability numbers of the subsidiary? And sir, how is it performing, any outputs if you could give on that?

**Vipin Agarwal:** See, logistics, we have two verticals in logistics now. One is the fixed artery business and one is the logistics of tankers that we have – bitumen and LPG. We have the Agarwal Translink that... we have acquired as a subsidiary. It will benefit in the long term because we have... we will be utilizing the same logistics as an integral part of the company now. Earlier we had, say about, few... 200 tankers in the company on the logistics business. Now, we are having 350 tankers.

**Hitanshu Bhatia:** Any bottom line numbers of the company if please you can share?

**Vipin Agarwal:** Logistics profitability will be increasing say by about 12-14%.

**Hitanshu Bhatia:** Ok.

**Vipin Agarwal:** And coming back to the ship chartering business, we have been growing and the first quarter revenue of the ship chartering business was 27.60 crore Rupees, and profit on the same was about 790 crores.... 7.90 crores.

**Hitanshu Bhatia:** Thank you sir! And sir, with regards to the windmill segment, there has been a constant decline in the windmill segment. So, what would be our outlook on that sir? Are we planning to get away with the windmill segment? Or are we planning to resurrect it? Or how do we see ahead, sir?

**Vipin Agarwal:** See, we are not planning to do any additional activities in the windmill. We are trying to keep it as the way it has been.

**Hitanshu Bhatia:** Ok. Because, it is constantly on a decline, so...

**Vipin Agarwal:** Yeah, the government rates have gone down actually for the procurement of the electricity.

**Hitanshu Bhatia:** Sir, do you see any changes or any resurrection in the segment by Government giving any impetus or something from our side?

**Vipin Agarwal:** No, nothing. For the windmill there is absolutely nothing to be... much to be discussed on that.

**Hitanshu Bhatia:** Ok sir. Thanks a lot for answering my questions. All the best!

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

**Vamita:** Sir, the next question is from Mr. Abhishek Saradha. He is also an individual investor. Please go ahead, sir.

**Abhishek Saradha:** Hello!

**Vipin Agarwal:** Yeah, good afternoon!

**Abhishek Saradha:** Good afternoon, sir! First of all congratulations for great set of numbers.

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

**Abhishek Saradha:** Yeah, sir. So, the first question sir, we claim that we are India's largest private sector bitumen company. So, I just want to know what kind of market share do we have in bitumen industry in India. And what is the market share of like... public sector in bitumen and then what is the market share of private sector in bitumen.

**Vipin Agarwal:** Yeah. Thank you so much for the question. Firstly, India's market demand for 2021, it was standing at about... between 7 to 7.5 million tons.

**Abhishek Saradha:** Ok.

**Vipin Agarwal:** Of this, about 5 million tons is being produced by PSUs. And about 2.4 million tons was... is being has been imported.

**Abhishek Saradha:** Ok.

**Vipin Agarwal:** By various players. And we are having a market share of about 18% of this imported product in India.

**Abhishek Saradha:** So, out of 2.4 million tons that is imported, we have a market share of 18% of that 2.4 million ton, right?

**Vipin Agarwal:** Yes.

**Abhishek Saradha:** Ok sir. Fine. And another thing sir, that I want to know, like you mentioned that the company serves five different nations, right? So...

**Vipin Agarwal:** Yes, shipping.

**Abhishek Saradha:** So, out of that. Yeah, shipping. So, what is like, what is our revenue percentage coming from exports?

**Vipin Agarwal:** Well, actually there is no export by the company.

**Abhishek Saradha:** Ok.

**Vipin Agarwal:** The segment that we are in, I think bitumen can only be imported. It cannot be exported.

**Abhishek Saradha:** Can be imported. Ok. So, basically we serve 5 countries that is from shipping.

**Vipin Agarwal:** Yeah, yeah. The shipping business, we are doing chartering for various countries.

**Abhishek Saradha:** Ok. Ok.

**Vipin Agarwal:** ...apart from India. We are doing for third parties across the globe.

**Abhishek Saradha:** Ok, sir. And sir, if you can provide some revenue and operating margin guidance for next year, FY22?

**Vipin Agarwal:** FY... the entire year you need?

**Abhishek Saradha:** FY 22, yes sir.

**Vipin Agarwal:** It will be too early to give you any figures on that. But if you consider the first quarter, I think the shipping business will continue to give about 30% on the bottom.

**Abhishek Saradha:** Shipping business?

**Vipin Agarwal:** Yeah,

**Abhishek Saradha:** Ok. And about that...

**Vipin Agarwal:** The company is well planned and equipped to maintain or even increase the profitability as from the last.... Last year 2020. 21.

**Abhishek Saradha:** Ok, sir. Ok, thank you sir! Fine.

**Vamita:** Thank you, sir! The next question is from Mr. Saurabh Garg. He is also an individual investor. Please go ahead sir.

**Saurabh Garg:** Good afternoon, sir!

**Vipin Agarwal:** Good afternoon!

**Saurabh Garg:** I have a question regarding like, in March quarter we have a turnover of 426 crores. However, in June we have a turnover 364. So, is there any specific reason why do we have a fall in revenue? Similarly also profits, it was 11 crores, now it is 7 crores in this quarter.

**Vipin Agarwal:** See, you cannot.... Again I will... You cannot compare a Q4 result with Q1 result. You can compare quarter on quarter, but Q4 is the quarter which gives the highest revenues and the profitability for the company. The peak season for the bitumen, construction area. To compare Q4 with Q1, it will not be justified.

- Saurabh Garg:** Ok.
- Vipin Agarwal:** If you compare Q1 on Q1, I think the results are very good.
- Saurabh Garg:** Yeah. That's I think, more than double.
- Vipin Agarwal:** Yes. I hope you are satisfied with the answer.
- Saurabh Garg:** Ok. Yeah.
- Vamita:** Thank you, sir! Sir, our next question is from Mr. Parshul Kothare from Agarwal Industrial Corporation. Please go ahead sir.
- Parshul Kothare:** Hello!
- Vipin Agarwal:** Yes, good afternoon!
- Parshul Kothare:** Yeah, there is some mistake, I am an individual investor. Ok. So, my question is, you know, as far as your shipping business is concerned, you know, we have been just acquiring FY 2019. And we have a lockdown situation where shipping was not available or there was a... shipping was not available for other companies. So, do you think, you know, we got the benefit of that edge, majority of players were not able to import and we do have this facility helped us? And going forward, I think once this issue of logistics is resolved, do you think that there would be, you know, lower revenue projections or highly competitive business? It becomes after this issue is resolved?
- Vipin Agarwal:** Thank you for the question! Firstly I would like to highlight, see, in the pandemic there is absolutely there has been only opportunities for people who have been on the field working. If you are sitting at home, there will be no one to help you, firstly. And this logistics is not a seasonal business where the other players are not working and you got the advantage. We have our own set of storage facilities across the Indian ports. And we are having our own vessels to cater the demand of the trucks to transport this product into India and then supplying it to our end users. It's not only during the pandemic that other people were not working that we had advantage over it. It has been because the company has been growing since last few year. We have our own set of customers who... who we are fulfilling their demands. You guys have to consider the last year's lockdown period, there were vessels which had to wait for about 14 days at a particular port due to restrictions at the port. In fact, we have lost opportunities of earning higher in the last year.
- Parshul Kothare:** Alright, alright. And by importing of bitumen is cheap compared to the acquisition from Indian companies?
- Vipin Agarwal:** Yeah, of course. But when you are importing there is a price benefit from what you can take from Indian manufacturers or any PSU companies.
- Parshul Kothare:** Ok. So, basically it's a... if you buy it from Indian company, it is more cheap, right?



**Vipin Agarwal:** No, no. If you are importing it is cheaper. If it is not cheaper, importing...it cannot be increase in imports.

**Parshul Kothare:** Ok. Ok. That's it from my side. If there is any question, I will just come in queue again.

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

**Vamita:** Thank you sir! The next question from Sowmya Suralia, individual investor. Please go ahead.

**Sowmya Suralia:** Ok, sir. I would like you to elaborate on your chartering services. The shipping which is of your company and any future plan regarding the same.

**Vipin Agarwal:** Sorry! Can you just repeat again, ma'am please?

**Sowmya Suralia:** Ok, sir. I would like you to elaborate me on your chartering service of your company. And your future plans regarding the same.

**Vipin Agarwal:** Now clear. Thank you for the question. Firstly, I would like to inform you that the company has 5 vessels in its subsidiary now in UAE. And the 5<sup>th</sup> one we have taken over in June. And all the 5 vessels are running, chartering for third party. And all are doing on voyage... chartering on a voyage basis to Indian ports as of now. And going forward also, I think the company plans to add some 2 or 3 vessels more so that they can help us in increasing our revenues in UAE. Giving us good set of numbers at the bottom.

**Sowmya Suralia:** Hmm. Ok, sir. That information was very useful. Thank you so much!

**Vamita:** Thank you! The next question from Parshul Kothare, an individual investor. Please go ahead sir.

**Parshul Kothare:** If I just go through your... from 2014 to till today, the operating margins have always been hovering between, you know, 7 to 9%. So, do you think that there is any upward trajectory possible? Or I think now being more on a service oriented business rather than a pure, you know, bitumen player, I think we are more on a service oriented. So, do you think that, you know, we are going to enter into a constant margin trajectory? Or it would be a volatile one?

**Vipin Agarwal:** Thank you for the question. Firstly... if you... I would like to check on the numbers of the other companies that are there in the similar line. If you consider other people who are there in this line, their margins are even lesser. But we have however, tried and we are able to maintain our operating profit margin at a certain level even after say... sometimes... total fall in prices in the commodity and the higher volatility of... fluctuation even in the dollar if we have to say. Even after all these things the company is able to maintain its profit at a certain level. That is a good sign if you have to compare the company with any other player who is into the similar lines.

**Parshul Kothare:** Ok. But actually there is no other company we can compare. So...

**Vipin Agarwal:** Exactly, because there is no other company in India which has the backward or forward integration that this company is having. And that is the USP of our company.

**Parshul Kothare:** Exactly, so that was the main reason to ask this question. You know, now, because of the way we are integrated, you know, the way the services we are providing, from directly, from, you know, the refining companies to the end customers, I think we are more on a service oriented side. So, that was the reason, you know, are we able to, you know, decrease the volatility of bitumen and, you know, just going forward, you know, we are not going to face; or the margins are going to remain in this range only. So, what's the outlook for? That's the only thing.

**Vipin Agarwal:** No, the margins I think, it is always increasing also, and if you see compared last year with the first quarter, I think it is on the improving side. It is on the higher side. It has not got down. And with the shipping business running with the 5 vessels now, I think it will add to a little bit of percentage on the higher side.

**Parshul Kothare:** Ok. And regarding your debtors base, so we have seen a constant improvement on that front. So, I think, now we are going to see the same trajectory going forward, right? At least... yeah, if not decrease from here, but not increase also, right?

**Vipin Agarwal:** Yes, it is supposed to be declining.

**Parshul Kothare:** Oh... it is supposed to be declining. That would be great, yeah. Alright. Thanks! Yeah. Thanks a lot!

**Vamita:** Thank you sir! The next question from Sahil Chopra from KIFS Trade Capital. Please go ahead, sir.

Mr. Chopara? Please go ahead with your question, sir.

**Sahil Chopra:** Hello! Can you hear me?

**Vipin Agarwal:** Yes, good afternoon!

**Sahil Chopra:** Yeah, good afternoon! Thanks for taking my question. So, my first question is, about your EBIDTA margin. So, how company is able to maintain or stabilize the EBIDTA margins despite of like fluctuating crude oil prices in the past 3 years. Any specific strategy you are adopting for that?

**Vipin Agarwal:** There was fluctuation if you have to consider only in the month of April last year. The major fluctuation for... when the pandemic had started. After that, I think, it has been on a constantly on a rising mode. That is one of the reasons that we are able to achieve higher turnover with good profitability. And moreover the company has a policy of maintaining its inventory at a particular level whereby even if there is an increase or decrease in the commodity, we are able to maintain profit or loss percentage in a

manner wherein the company is not incurring a huge loss, if the commodity prices are crashing. We have inventory of hardly a 15 days' inventory in our hand. So, if there is a commodity crash, if we are seeing the market going out, the company is trying to sell the inventory that it is having in its hand. And buy the inventory at a lower cost which is coming in the fortnight. That is how we... inventory management is being monitored here in the office.

**Sahil Chopra:** Ok. Ok. And my second question is related to your latest acquisition of Agarwal Translink. So, what is the cost of acquisition?

**Vipin Agarwal:** One second. I will just... hold on. I will give you the exact figures. The acquisition of this company is about 12.50 crore rupees.

**Sahil Chopra:** Ok. And, what was the FY 21 sale, EBIDTA and PAT?

**Vipin Agarwal:** FY 21 you said?

**Sahil Chopra:** Yeah.

**Vipin Agarwal:** Can we come back to you, say in 5 minutes? Till that we can take another question. I will be ready with the details of the other company till then.

**Sahil Chopra:** Sure. Sure. Yeah. It's ok. It's ok. Can I ask the next question?

**Vipin Agarwal:** Yeah, please.

**Sahil Chopra:** Yeah. So, my next question is related to your like... 2016 issue of convertible warrants. So, may I get... Like more details about that issue? Who were the entities involved in that? And specially with Garnet International

**Vipin Agarwal:** Yeah, Garnet was given about 10 lakh shares.

**Sahil Chopra:** Was it related to how much...

**Vipin Agarwal:** (Incomprehensible) because you want from 5 years back, I was on the current year

**Sahil Chopra:** Hmm? Sorry?

**Vipin Agarwal:** Just... 2 minutes, I will give you details. We had given 15 lakh warrants at Rs... at 140 Rupees each.

**Sahil Chopra:** Ok. So, Garnet and (incomprehensible). Why they have existed so... within short period of time? What is the reason?

**Vipin Agarwal:** They booked their profit and because after look-in period they are free to sell their and change I guess.

**Sahil Chopra:** That was a related entity or it was ...

**Vipin Agarwal:** No we are not at bringing related entity at all to the company. Garnet is a big investor, I think, you should be knowing that.

**Sahil Chopra:** Yeah, yeah. But normally whenever a company buys... like more than 10% usually holds for 10 years... like that. They exited within 1 to 2 years.

**Vipin Agarwal:** May be, see it is all their... at their discretion. So, we cannot keep anyone in the... especially if they don't want to be there.

**Sahil Chopra:** Ok. My next question is relating to a current situation of availability of containers with respect to your shipping business. Whether there has been...

**Vipin Agarwal:** See, we are into bulk. Containers are used for packed drums. But we are bulk, we don't have problems of availability of any kind of products or ships for transporting. Absolutely no problem.

**Sahil Chopra:** Ok. Ok. And what is like sustainable tax rate going forward?

**Vipin Agarwal:** Sorry?

**Sahil Chopra:** Sustainable tax rate, going ahead.

**Vipin Agarwal:** Sorry? Sustainable tax rate?

**Sahil Chopra:** Yeah.

**Vipin Agarwal:** Taxes, you mean to say Government taxes?

**Sahil Chopra:** Yeah.

**Vipin Agarwal:** The Government taxes, I think lower the taxes, that will help the company to grow. Make more profit.

**Sahil Chopra:** For the company, what kind of taxes you are... like estimating going ahead? 20% / 25%. Because last year it was around 18% only. So, corporate tax rate currently is around 25%. Why there is a difference?

**Vipin Agarwal:** I think we should not comment on taxes and other government.

**Sahil Chopra:** Hmm. No, no. I just want to take an idea. For our modeling purpose what kind of tax rate we put?

**Vipin Agarwal:** I think 15% tax would be a reasonable amount of tax wherein I think company can work more and to earn more and take more profit.

**Sahil Chopra:** Ok. Ok. And what is the current share holding? I think company has issued some warrants to the promoters. And they have converted recently. So, what like currently. As on date what is the shareholding of the promoters?

- Vipin Agarwal:** We are having about 61... 64% now .
- Sahil Chopra:** Now 64.
- Vipin Agarwal:** 61.4% with the promoters.
- Sahil Chopra:** 61.4?
- Vipin Agarwal:** Yes. It was 59.33, it has been increased to 61.40.
- Sahil Chopra:** And, what is the like... future... like sale and EBIDTA margin guidance?
- Vipin Agarwal:** I think we should maintain the last year's EBIDTA margins for FY 22 as well. Or even higher.
- Sahil Chopra:** Ok. And what about topline?
- Vipin Agarwal:** It's too early to say but if you have to consider the first year's first quarter results, I think we should do 20% higher than what we did last year.
- Sahil Chopra:** Umm, for the rest of the year?
- Vipin Agarwal:** I cannot comment on that. That is actually (inaudible)
- Sahil Chopra:** Ok. Ok. No issues. Ok. Thank you! Thank you very much.
- Vamita:** Thank you, sir! The next question from Mr. Pawan Kumar from Ratnatraya Capital. Please go ahead, sir.
- Pawan Kumar:** Sir, what is the kind of growth rate that the bitumen industry is currently growing at? And... sorry but I got dropped out of the call previously even when you were giving the split between bitumen and concrete demand; and as on 2021 how... what is the kind of split and do we expect any kind of shift in the split to the bitumen side?
- Vipin Agarwal:** Can you come back again, please? .
- Pawan Kumar:** Yeah, what is the split between bitumen and concrete...
- Vipin Agarwal:** I think I said earlier also. I don't know whether you were on the call or not. The concretization tenders are the past now. There is no concretization of any of the roads. It's all bitumen.
- Pawan Kumar:** Ok. Ok, so this 7.5 million tons, that is the only market right now?
- Vipin Agarwal:** The market size as of now is about 7.5 million tons, which is to grow at.. to about 10 million tons in 2026. By 2026.
- Pawan Kumar:** By 2026 this will be 10 million tons. Ok.

**Vipin Agarwal:** To go to 10 million tons...

**Pawan Kumar:** And sir... Ok.. Ok. And sir, when we are talking about importing bitumen, our value addition here is logistics and transport or we have a manufacturing unit, so what is the kind of value addition we do before we...

**Vipin Agarwal:** We are doing both. We have import terminals wherein we have 6 plants which is catering across various Indian states. And we are manufacturing other bituminous like emulsions, we are in the PMB, other industrial grades, primers, waterproofing, compounds. All those things... all those products we are manufacturing that are required in different industries. Even in road construction we require harder grade for mast sticks. And the import where the company is doing is one of the finished products.

**Pawan Kumar:** Ok. So you...

**Vipin Agarwal:** Not only (inaudible) raw material and supplying as it is. The product that is being imported... One of the finished products that is imported that is required in building the roads.

**Pawan Kumar:** Ok, so the product that is being imported is the finished product that is used in the...

**Vipin Agarwal:** Some of the finished products can be further modified but it is not the basic raw material that cannot be used directly in the roads.

**Pawan Kumar:** Ok. So, we split into different application products and then we sell it to the final customer, is it?

**Vipin Agarwal:** Yes, as per requirements of the different tenders by the contractors.

**Pawan Kumar:** Ok. Ok, and how do we look at profitability basically, sir? In sense, the last year since you have said you have sold around may be 20% of the 2-2.5 million tons that was imported. So, do we actually look at it from EBIDTA perspective? Or do we try to maintain an EBIDTA margin of the conversion that we take?

**Vipin Agarwal:** We try to maintain both. But, the profit margin you cannot ascertain now. The profit can be ascertained only when the... once you have compiled all the numbers at the end of the year. But we have a policy of, say when we are importing a product we sell product only after certain margins that a company has to maintain. And over and above whatever we get, we try to sell at a higher rate. Company cannot... is not selling a product beyond a certain percentage when we are importing.

**Pawan Kumar:** Hello?

**Vipin Agarwal:** Yeah.

**Pawan Kumar:** Hello... it just got... I just got... I missed the last line because of the bad line.

**Vipin Agarwal:** Whenever we are importing any product, we are selling a product only after keeping a particular margin to the company.

**Pawan Kumar:** Ok. Is that an absolute margin or a percentage margin, sir?

**Vipin Agarwal:** More like a percentage type of margin wherein suppose our EBIDTA margin is about 5 – 7 percent, so whatever product we are importing we try to keep margin about 7% and then sell the product in the market.

**Pawan Kumar:** Ok. I got that. I got that. And... so, going forward over the medium term, so are we looking at growing at 15-20%? Or how does that work? At least from the top line?

**Vipin Agarwal:** We have been growing at (inaudible) year on year basis.

**Pawan Kumar:** Ok. And do the commodity price... will they affect the top line growth over a period?

**Vipin Agarwal:** For coming... FY 22 I don't think so that there would be much of a decrease or increase in the commodity prices. It should not be affecting the top line of the company.

**Pawan Kumar:** Ok...

**Vipin Agarwal:** Unless there is a major crash-down, like what happened in the April last year. Or March last week, last year, in 20. Where the crude went to -37 USD per barrel.

**Pawan Kumar:** Hmm.

**Vipin Agarwal:** If that level comes, then maybe. But, I don't see that level coming up. Any time in future I guess.

**Pawan Kumar:** Ok. And inventory side, is there a fixed policy of 15 days? Or we keep...

**Vipin Agarwal:** No, in a season we have around 8 month season in a year wherein we are selling about 40-50 thousand tons in a month. And the capacity that we are having, about 30 thousand tons storage capacity we are having. We usually... we have an inventory, the capacity of holding inventory is about 15 to 17 days.

**Pawan Kumar:** Ok, so...

**Vipin Agarwal:** That is how the level of inventory has come.

**Pawan Kumar:** Ok. Our storage capacity is, sir?

**Vipin Agarwal:** About 30 thousand tons.

**Pawan Kumar:** 30 thousand tons.

**Vipin Agarwal:** Yeah. Across the various ports and terminals that we are having. Various facilities that we are having.

**Pawan Kumar:** Ok. Ok. And, you said actually imports were at a slight discount to the local manufacturers. So, how... what might be the range of that discount?

**Vipin Agarwal:** Discount is ranging, it has a variance. I cannot tell you exact. But, see, whenever you see that import is rising, it is because... obviously it is because in the prices of the local market that is compared to import it is higher. Then only the imports will increase.

**Pawan Kumar:** Ok.

**Vipin Agarwal:** There is a good set of difference between what is being produced by the PSUs and the import products.

**Pawan Kumar:** Ok. But, the imports are...

**Vipin Agarwal:** We are supplying to PSUs as well.

**Pawan Kumar:** Oh... you are supplying to PSUs as well!

**Vipin Agarwal:** Yes.

**Pawan Kumar:** Ok. And you participate in those tenders, right?

**Vipin Agarwal:** Yeah. Whatever tenders are being floated by the PSUs, we participate in that and as of now we are having tenders with two of the PSUs.

**Pawan Kumar:** Ok. And lastly, can you give us an outline of CAPEX that are expected in FY 22, FY 23 and all your three divisions?

**Vipin Agarwal:** See, FY 22 as of now we don't have much apart from Taloja terminal which has already been built. And maybe if the company is having more, some more opportunities of say, acquiring additional vessels which will help us in top line and bottom line then may be company will go and acquire one more vessel. Or anything that will help the company build up their top line and bottom line. It;s all about getting opportunities.

**Pawan Kumar:** And vessels? Ok. Vessels may cost how much, sir? Each vessel?

**Vipin Agarwal:** Each vessel... the latest vessel that has been added to the fleet, it is about 7-7.5 million USD. The biggest vessel of the company.

**Pawan Kumar:** Ok. 7-7.5 million dollars?

**Vipin Agarwal:** Yeah.

**Pawan Kumar:** Ok. And what would be our present capacity utilization?



- Vipin Agarwal:** For the vessels? It is 100%.
- Pawan Kumar:** No. not of the vessels, but our bitumen facility. Manufacturing facility.
- Vipin Agarwal:** Manufacturing facilities, we are operating now in the monsoons about 20-25%. But in the season we are able to utilize about 40-50%.
- Pawan Kumar:** Ok.
- Vipin Agarwal:** Because as I said, the product that is being imported is a finished product. It is not viable for you to transport that product from a import location to your unit first than sending it to your client directly. To your clients. We send the product directly from the import location.
- Pawan Kumar:** Ok. Ok. Fine, sir. I will get back in the queue.
- Vamita:** Thank you, sir! The next question from Mr. Parshal Kothare, individual investor. Please go ahead, sir.
- Parshal Kothare:** Sir, what kind of revenue one can expect if the company starts working in a full capacity. As you mentioned, the current is 50%.
- Vipin Agarwal:** Ok. Can you repeat your question please, once?
- Parshal Kothare:** So, let's say sir, on all fronts if company starts, you know, managing utilization of 100% capacity, then what range of revenue one can expect? It can... like so... may be...in March 2020 we did around 450 crores on a top line, and as far as petroleum segment is concerned, it was around 413 crores. So, as you mentioned it is around 50% as of now, in normalized quarters. So, can we expect it to be doubled if we are able to gain more market share?
- Vipin Agarwal:** See, suppose if you are utilizing your plant, your manufacturing unit and for that you have to buy raw material which is available at a finished product price in the international market. Suppose I give you a grade A. It is raw material for manufacturing any product in your plant, but when you are importing and the product that you are going to sell from your plant is product B; if the product available at the international market has the same price of A, then why would you produce the product in your plants? That is one of the reasons we are not utilizing the plant on the 100% basis, where if you are importing that product and selling from the import location, we will earn higher revenues and higher profitability.
- Parshal Kothare:** Ok. Ok.
- Vipin Agarwal:** A product taken by company as and when the product requirement is there.
- Parshal Kothare:** Got it.

- Vipin Agarwal:** Yeah. Thank you so much!
- Parshal Kothare:** Thanks!
- Vamita:** Thank you, sir! The next question from Mr. Shubham Jain. He is also an individual investor. Please go ahead, sir.
- Mr. Jain, please go ahead with your question, sir.
- Shubham Jain:** Hello!
- Vipin Agarwal:** Yeah, good afternoon!
- Shubham Jain:** Good afternoon, sir! Sir, can you comment on raw material prices of bitumen? It may be rise in near future, 2 or 3 quarter or its constant?
- Vipin Agarwal:** Sorry, sorry!
- Shubham Jain:** Sir, I want to know, what do you think about raw material prices of bitumen. It may be rise near...
- Vipin Agarwal:** I think the level that... the current level, it should stay at these levels, I think for FY 22. Maybe a 5 – 10% up or down. But, it should stay at these levels.
- Shubham Jain:** And sir, what about crude oil prices? Are you feeling it may be at height at a near term? So, it will affect our commodity prices related to bitumen.
- Vipin Agarwal:** Can you repeat again, once please?
- Shubham Jain:** Sir, what about the crude oil prices? Do you think it will rise in near term?
- Vipin Agarwal:** It will remain at the current level as they are.
- Shubham Jain:** Exactly, sir.
- Vipin Agarwal:** There is no reason for it fall or to rise beyond a particular level.  
**Shubham Jain:** Yes, sir.
- Vipin Agarwal:** Yeah, crude oil should remain stable.
- Shubham Jain:** Hello! Sorry, sir. Pardon me.
- Vipin Agarwal:** I am saying crude prices should stay stable for the current financial year. There is no reason for it to go up or down.
- Shubham Jain:** Ok. Ok. Thank you, sir! Thank you so much!
- Vipin Agarwal:** Yeah, good afternoon!

**Vamita:** Thank you, sir! The next question from Mr. Hetanshu Bhatia, individual investor. Please go ahead, sir.

**Hetanshu Bhatia:** Yeah. Thank you for taking my question again. Sir, my question was regarding one of an established ethanol producing company has also now started and given under patent to convert the crude lignite into bio-bitumen. So, which could potentially as per they say, they could replace the fossil based bitumen and offer a much eco-friendly green bitumen. So, sir, how big a threat can we see in the long term that they can take away some of our market share? From bituminous products and bio-bituminous products. So, is there any counter to this? Are we also planning to get into the green field? Bio-bitumen kind of a thing? Or, how do we see it ahead, sir?

**Vipin Agarwal:** Thank you for the question, but as far as our information is going, we haven't heard of any bio-bitumen that is coming very soon.

**Hetanshu Bhatia:** Sir, if I may take the name, Praj Industries has given it under patent, and they are planning to convert from the ethanol plant that they are producing, lignine is one of the co-products from which they, a second generation ethanol plant. And from that they are planning to make bio-bitumen products. And they are claiming that it could replace the fossil based bitumen. And they have sent it under patents. So...

**Vipin Agarwal:** I think they are only technology providers. Even for the thermal plant they are, the technology that they are providing is not 100% on what they... the orders that they are having as of now. Going... giving technology from producing ethanol. But, as far as bio-bitumen, I don't think for another 5-10 years, there is anything I can think of.

**Hetanshu Bhatia:** Ok, sir. And is there any... I mean in general also is there any prospects for bio-bitumen going ahead rather than fossil bitumen? Because, bitumen itself has some...

**Vipin Agarwal:** I don't think there is any substitute for bitumen. They tried concretization 3 years back. But they failed.

**Hetanshu Bhatia:** Yeah.

**Vipin Agarwal:** Even if you see across the world, I think bitumen roads are preferred mode of building any kind of a road. There is no division from making any kind of a... other than bitumen, yes there can be some mixing of bitumen with some other additives, may be to make a road. But bitumen component will always remain.

**Hetanshu Bhatia:** No, sir. What my question was, bitumen will always remain fossil based and not some bio related which could come out from...

**Vipin Agarwal:** As far as my information goes, I have not heard of any bio-bitumen and its coming up any soon.

**Hetanshu Bhatia:** Ok, sir. Thank you! Thanks a lot!

**Vamita:** Thank you, sir! The next question from Mr. Kishan Mahindra, individual investor. Please go ahead, sir.

**Kishan Mahindra:** Hi! Sir, my first question is, the import that you do is the finished product that I understood. But the domestic procurement that you do, so, in that bitumen do you value addition for all the bitumen that you procure from these overseas?

**Vipin Agarwal:** I think your voice was breaking. Can you just repeat the question again, once?

**Kishan Mahindra:** Yeah, sure. So, the imports that you do, you say that they are totally finished products. The import of bitumen. But the domestic bitumen that you procure, so you do value addition in all the domestic bitumen. Is that correct? My understanding?

**Vipin Agarwal:** No. See, there is a little bit of difference. We, as of now, we try to focus entirely on the import product because the price... difference between the local PSU product and the import product is quite high. Whatever product that we are manufacturing at our plant, is all imported products. Locally we are buying but it is very small percentage of total required quantities for manufacturing any other grades. (Incomprehensible) is a product, bitumen is a product. It's all from the imported products that we are manufacturing grades or any other bituminous products.

**Kishan Mahindra:** Ok. But why should the import... the domestic prices be higher. I mean, shouldn't... don't the refineries sell it at import parity prices?

**Vipin Agarwal:** There, I think you need to check with the PSUs, because there call of selling at a particular discount or particular MRP or whatever prices is...

**Lalit Agarwal:** Basically pertains to the gross refinery margins. Bitumen is a bi-product for refineries. Not a main product for refineries. Technically, if you look at the composition of refinery products, 65% of products is on account of diesel. Bitumen is a residual product. So, oil company's priority is not bitumen production, if you look at per se. That is the reason, most domestic refineries are going on for the FOCA plant, FECO plant have been put up by most of the refineries, whereby limiting the production of bitumen. Bitumen production capacity in last 5 years more or less remains at the 5.5 million as Mr. Vipin has said.

**Kishan Mahindra:** Ok. Ok. Understood. But, if you were to buy, I mean, can you share the pricing terms at which these guys are ready to sell the bitumen to you?

**Vipin Agarwal:** Pricing? Pricing. You mean to say pricing?

**Kishan Mahindra:** Yeah, at what pricing is bitumen is sold from domestic refineries? Because the say...

**Vipin Agarwal:** Umm. We are selling at about say, about 5... 5 to 6 Rupees discount from the prices of the PSUs.

**Kishan Mahindra:** Ok. Ok. And the product that you sell, what is the end use apart from roads? I mean, if you can give a percentage allocation, or is it... how

**Vipin Agarwal:** 90% of bitumen goes for road construction only. 90%. You know, that is the major part bitumen is being used. If you have to compare between amount the... number of metric ton, it is more than 90%. Because, 90% of the bitumen goes into road construction. Other industries are there, but the component required, is not that high, in metric tons.

**Kishan Mahindra:** Ok. So, if 90% goes into road end use, then your processes, the value addition you do should be shared forward. Is it? I mean that the finished goods that you buy,

**Vipin Agarwal:** When we are manufacturing any product at a manufacturing unit, that will also go into road construction only. In different forms.

**Kishan Mahindra:** Ok.

**Vipin Agarwal:** Emulsions are required road contractors, there is PMB, there is CRMB. For masting they require 10-20. All those are different forms of bitumen products only. That goes into road construction.

**Kishan Mahindra:** Understood. Understood. And, any other competitor apart from ONC?

**Vipin Agarwal:** Even ONC, I don't think is a competition to us because ONC is only producing bitumen may be. But they don't have any other verticals even to sell that product or may be transport that product. They are dependent on any third party. But, whereas you compare with our company, we are not dependent on any of the third party for logistics or for storing of products or putting our products. Or even to sell our products.

**Kishan Mahindra:** And, last question from my end. I don't know if you have tackled this already. What is your debt plan? I mean, going forward reduction plan and what was the debt at the end of the June quarter?

**Vipin Agarwal:** The end last year, I think the debt was about 40 odd crore rupees. And going forward I think if the company... if you have to compare the company's financial criteria with 1990, if the vessels were not added to the fleet of the company, the company would have been debt free by now.

**Kishan Mahindra:** Ok. And, June quarter... end of June what were the debts?

**Vipin Agarwal:** End of the June, it was slightly less. It was lesser by 125 or 128 I guess.

**Kishan Mahindra:** Ok. So, 20... 25 crores of debt

**Vipin Agarwal:** I was reduction of about 15-17 crore of Rupees.

**Kishan Mahindra:** 15-17 crores... Ok. Thank you!

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

**Vamita:** Thank you, sir! Ladies and gentlemen, we will be taking last question now. And it comes from Mr. Parshul Kothare, individual investor. Please go ahead, sir.

**Parshul Kothare:** So, thank you for the opportunity again. So, my question is, can we expect the company to be debt free by next one year or let's say one and a half year big teeth. Even though we don't need to have more CAPEX requirement as we are utilizing at around 50%? Can we expect that?

**Vipin Agarwal:** See, one thing I would like to highlight here is, the company can go debt free if the company is not planning to add any CAPEX. If the company is getting any opportunity wherein it will help in the bottom line and in the top line; maybe we would not get debt free, but as of now, the company is only having the facilities for working capital. We don't have any major debts in the company as a term loan, whatever term loan that impacts debt of the company. Only the major portion of the debt is about for the working capital itself. I think about 75-80% is for working capital. If I take out the working capital requirement of the company, I think the company is debt free, even now.

**Parshul Kothare:** Ok. Ok. And, the last question. Can we expect the same conference call on every quarter or every half year or so?

**Vipin Agarwal:** May be in the third or the fourth quarter but second quarter, I think maybe we... it's a first time we have done something like this. Maybe down the line we can plan similar events.

**Parshul Kothare:** Yeah, please. It was really helpful to understand the company...

**Vipin Agarwal:** Thank you so much! So many questions is also good for us.

**Parshul Kothare:** Yeah. Thanks!

**Vipin Agarwal:** We are also prepared with all the numbers next time even more focused on all the numbers that can be gathered. And we should be able to give you numbers more frequently or instantly than we can now.

**Parshul Kothare:** Yeah, and in fact you can include the investor presentation also, which is missing at this point.

**Vipin Agarwal:** I think we have already put that on the website... on the BSE, NSE all the figures are there.

**Parshul Kothare:** Ok. Ok. Thanks a lot!

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

**Vamita:** Thank you, sir! I would not like to hand over the floor to Mr. Lalit Agarwal, M.D. of Agarwal Industrial Corporation Ltd. for closing comments. Please go ahead, sir.

**Lalit Agarwal:** Thank you so much to all the participants for joining the call. I hope we have been able to satisfactorily respond to all your questions. It was a pleasure to interact with you and get your queries addressed to your satisfaction. If you have any more questions, please feel free to contact us. Thank you once again, and we look forward to connecting with you, preferably in 3<sup>rd</sup> and 4<sup>th</sup> quarter of the year. We hope you and your family and your team members & colleagues remain safe in this challenging period. Wish you all the best! Thank you very much! Thank you from Agarwal Industrial Corporation Limited! We value relationship. Thank you!

**Akun Goyal:** Thank you, sir! On behalf of Hem Securities Limited I thank AICL team for giving us a detailed insight on result and the time they spend on this call. I would also like to thank all the participants for joining this call. It was an extremely fruitful discussion. Thank you all for being on the call. I would like to hand over the call to the moderator.

**Vamita:** Thank you, sir! On behalf of Hem Securities Limited, this concludes the conference call. Thank you for joining, you may disconnect your lines now. Thank you and have a good evening, everyone!

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**Note:**

1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.