



# AGARWAL INDUSTRIAL CORPORATION LIMITED

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

CIN NO.: L99999MH1995PLC084618

June 09, 2023

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 Q4 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 6<sup>th</sup> June, 2023, with regards to the Financial Results of the Company for the Quarter and Year ended 31<sup>st</sup> March, 2023.

We confirm that we have uploaded transcript of the Q4 FY 2022-23 Earnings Call held on Tuesday, June 06, 2023 on our website viz: [www.aicltd.in](http://www.aicltd.in).

The above is for your kind information and records.

Kindly take the same on your record.

Thanking you,

**For Agarwal Industrial Corporation Limited**

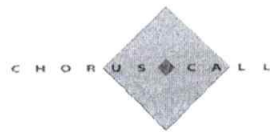
  
**Dipali Pitale**  
Company Secretary & Compliance Officer





“Agarwal Industrial Corporation Limited  
Q4 FY '23 & Financial Year Ended 31st March 2023  
Earnings Conference Call”

June 06, 2023



**MANAGEMENT:** MR. LALIT AGARWAL – WHOLE TIME DIRECTOR –  
AGARWAL INDUSTRIAL CORPORATION LIMITED  
MR. VIPIN AGARWAL – CHIEF FINANCIAL OFFICER –  
AGARWAL INDUSTRIAL CORPORATION LIMITED

**MODERATOR:** MS. ASTHA JAIN – HEM SECURITIES LIMITED



**Moderator:**

Ladies and gentlemen, good day and welcome to the Agarwal Industrial Corporation Limited Q4 FY '23 and Financial Year Ended 31st March 2023 Earnings Conference Call hosted by Hem Securities Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star and 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, ma'am.

**Astha Jain:**

Thanks, Darwin. [Inaudible 0:00:47] management of Agarwal Industrial Corporation Limited for giving us the opportunity to host the call. The management is represented by Mr. Lalit Agarwal, Whole-Time Director and Mr. Vipin Agarwal, Chief Financial Officer of the company. 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.

Before we begin this, let me mention a short cautionary statement. Some of the statements made in today's earnings call will be forward-looking in nature. Such forward-looking statements are subject to risk and uncertainties that may cause actual results to differ from the anticipated outcome.

Now we hand over the call to Mr. Vipin Agarwal, Chief Financial Officer of the company for opening remarks, post which we will open the Q&A session. Over to you, sir.

**Vipin Agarwal:**

Good evening to all and a very warm welcome to everyone who has joined us today. I take the pleasure of welcoming you all to the Q4 FY '23 and financial year-ended 31st March 2023 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 will then be happy to take questions if you have any.

At the very outset, we are pleased to inform that we have reported highest ever numbers in terms of top line operating profit and bottom line in FY '23. This we are able to achieve on back of strong volume growth since we have cropped total volume of 4,24,000 metric tons in FY '23 as compared to our 3,85,000 metric tons in FY '22. Thus, registering a strong rise of 10.13% on year-on-year basis.

Agarwal Industrial Corporation is an integrated bitumen logistics and ancillary company. It plays a prominent role right from sourcing of bitumen to ocean transportation, to storage, to value addition and manufacturing, to road transportation and finally, sending it to our final customers. With such a vast setup at our end and being fully integrated, we believe that there are high entry barriers to the industry.

You have seen that in the last couple of years, there have been an incremental growth in our operating profit and fact due to onboarding of more bitumen vessels. This is a part of our strategy to secure timely availability of vessels for meeting incremental demand prevailing in





India. We want to bring to your kind notice that in last year, out of total volume, we did 2,00,000 metric tons of volume from our own vessels.

In case if we have to charter vessels from outside, usually we have to pay an additional 15 metric tons on the same. So every time we transport through our own vessels, we save costs that we have to pay outside and earn 25% EBITDA margin. Presently, with our full vessel deployed, we are able to do around 2,80,000 to 3,00,000 metric tons in a year to our own vessels. And giving you an example, if we have to onboard about 20,000 metric tons vessel capacity more at the cost of about INR150 crores, we would save an additional INR50 crores to the bottom line.

Earning such margins from our own bitumen vessels is a huge incremental savings to us. And we will continue to search for additional vessels which should give us an incremental ROCE of 20% or more. I would like to retaliante here that onboarding bitumen vessels is an integral part of our overall bitumen and logistics business. There are some external factors in any business, and we believe that our financial performance will be seen on a full year basis.

Also, India being a country with second largest road network has the lowest consumption of bitumen as compared to countries like USA and China, wherein for the same road construction requirement of bitumen is 3x, thereby providing a large opportunities in Indian market. This year, budget allocation to the road transport and highway ministry is rising. This year, road transport and highway ministry has achieved a push with the union budget, raising the allocation by 36% to around INR2.7 lakh crores for 2023 and 2024. This is nearly 10% jump over the budgetary allocation of INR1.99 lakh crores made in the budget of 2022-23.

Higher budgetary allocation were necessary to help the ministry meet the 25,000 km road development target announced by the government in the year 2022-23. Budget remains raising interest expenses and increasing land acquisition costs. This along with large quantum of maintenance work awarded by government and other agencies is creating continuous growth demand for the bitumen.

We believe that we continue to grow in coming years and for 2024 we are expecting to grow at the same pace as in FY '23. We will also be efficiently utilizing our capital, providing more vessels, thus strengthening and smoothing the overall business.

Now coming on the financials, we are happy to report that AICL has continued to demonstrate phenomenal results in FY '23 as well as in Q4 FY '23. Coming on to quarterly results, during Q4 FY '23 we have reported a 1.11% jump in the consolidated revenue from operations at INR663.18 crores on a year-on-year basis. Our EBITDA has increased by 15% at INR43.20 crores and we reported a PAT of INR28.3 crores with an increase of 19.22% during Q4 FY '23 as compared to Q4 FY '22.

However, on a full year basis, the company has reported a 26.35% rise in the total revenue at INR2,024.08 crores in FY '23 as compared to INR1,601.99 crores in FY '22. Company has reported a 32.03% rise in EBITDA at INR144.57 crores in FY '23 versus INR109.50 crores in FY '22. Company's FY '23 PAT surged by 44.87% from INR63.68 crores in FY '22 to



INR92.25 crores in FY '23. We are seeing constantly witnessing rise in the ROCE from 14.65% in FY '19 to 22.52% in FY '23.

Also, our debt equity ratio is continuously seeing a decline from 0.51% in FY '19 to 0.34% in FY '23. We believe that rising consumption in India with constant production creating opportunities for AI sales. We are committed to serve our nation by being an integral part of Indian infrastructure development through bitumen, logistics and ancillary.

I would like to take any questions from here.

**Moderator:** Thank you very much. The first question is from the line of Vikash from Acomtree. Please go ahead.

**Vikash:** Yes, thank you. One clarification is required. On 1st December, 22, we announced about the acquisitions of specialized bitumen vessels, which is the Durga and Rudra. At the time we mentioned, this one, our overall capacity is 51,574. But now we reported it is 48,550. Is it different or here is it 2000 metric tonnage? Any specific reason?

**Vipin Agarwal:** Thank you for the question. No, there is no difference. It is only in a particular draft, there is a summer draft and a topical draft. So depending upon the draft available, we have mentioned the quantities. So even during the other seasons, the loading is in fact higher than what we have reported sometimes.

**Vikash:** Then is the corrected quantity, the corrected vessel size is 48,550, not the 51,000.

**Vipin Agarwal:** In the current draft, the climate, yes, the 48,500 is the loading capacity. But when it comes to the next quarter, it will be again go to 52,500 or 51,500, 52,000. So there are different drafts. There is a summer draft, there is a topical draft on basis of which we report on date when we are doing the con call, the loading capacity.

**Vikash:** Okay, I understand. One thing also I want to understand, generally is that Q2 a sluggish quarter is there for our industry?

**Vipin Agarwal:** Sorry, can you come back again please?

**Vikash:** Is it Q2? Q2 generally is a sluggish quarter for our industry?

**Vipin Agarwal:** Yes, Q2 is a little bit of, because since the industry, we are in a little bit of seasonal climate is affected in the business. Second quarter, July to September is usually the lowest revenue giving quarter for us. But nowadays, the activities are continuously happening even in the monsoon. So if you have seen on a year-on-year basis, we have been growing in this quarter as well.

**Vikash:** Okay. I understand. Thank you. One small clarification is there. Actually, whatever your, the telephonic line is there on website, it is not working. [inaudible? 0:11:47] But you just check this one also.



- Vipin Agarwal:** No, it is working. Actually, there is some, I think, problem from the BSNL, I guess, today. But otherwise, our lines are always working. If I have to dial your number, it is working.
- Vikash:** Okay, I understand. You just check, because I continuously dial in the six-seven times. And after I will dial you.
- Vipin Agarwal:** I think there is some network problem from the provider not from our side of the phone. If you ask me to call now, I can call you from the same number.
- Vikash:** Okay. Thank you.
- Vipin Agarwal:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ayush Vimal from Clearview Capital. Please go ahead.
- Ayush Vimal:** Hi, Vipin. Thanks for taking my question. You know, just wanted a small clarification from page 12 of your presentation. You know, I see that the refinery production this year has increased from 4,900 to 5,400. So, I have been under the impression that refinery is generally, curtailing production, which is resulting in an increase in imports. But FY '23 seems to be reversing the trend. So, just wanted a clarification on that trend from you.
- Vipin Agarwal:** Which page number are you referring to?
- Ayush Vimal:** This is page 12 of the presentation, 13/24 of the PDF, where you compared bitumen consumption, refinery production, and you show imports.
- Vipin Agarwal:** Yes.
- Ayush Vimal:** So, the refinery production has increased from 4,900 to 5,400, which hasn't happened in the last four, five years. So, just wanted to check if the refineries are increasing production these days.
- Vipin Agarwal:** No, not really. You see, as we have been always saying in earlier con calls also, the total refining capacity is in India by the TSU still stands at maximum 5.5 million tons in a year. But there is some seasonal maintenance or in a refinery shutdown due to which actually the production 100% capacity is never met. But yes, in a particular year, sometimes they do, if they have not done any maintenance in a particular year, they may be able to produce about 5.5 million tons. But usually, if you have seen on a year-on-year basis, the production is nearly 5 million to 5.1 million in any given year.
- Ayush Vimal:** Got it. Fair enough. Another question that I had is, look, I am looking at your standalone P&L for the last three years, right? And I am just looking at your gross profit, right? And I just see that the gross profit per ton expanded from INR1,700 per ton to INR1,800 per ton in FY '20 to about INR2,400 per ton in FY '23. So, there is a INR600 per ton expansion in gross profit on a standalone. So, this excludes shipping. So, I just wanted to check, if this is likely to reverse or, this is a sustainable increase and what is the reason for this increase?





- Vipin Agarwal:** No. It will definitely increase from here. If you have seen from last three years, it is always on an incremental side. And with the setup that we have already placed now, we do not require any additional operational expense as such in terms of any other cost. So, whenever we are, any volume that we are targeting from here, which will help us in increasing the overall volume, it will definitely result in a higher per metric ton EBITDA and it will not reverse at any given point.
- Ayush Vimal:** So, just one clarification, I am here looking at revenue from operations minus cost of material consumption. So, I am not looking at other expenses. I am not looking at manufacturing expenses. This is pure trading spread that I am looking at. And that has increased by INR600 per ton.
- Vipin Agarwal:** Yes, even if you see, the bitumen business is totally in all. We have not segregated any trading or because for us, we are manufacturing and bringing product to be transported at all ends. So, whatever product is being manufactured or brought at other places, it is sold in an equal manner.
- Ayush Vimal:** Okay. May I just check on, you know, how this spread is actually determined, how do we price our contracts?
- Vipin Agarwal:** There is no contract, there is no contract as such in this industry. But yes, with this growing demand, whatever product we are being able to bring or sell at all the factories that we have, we are able to sell any quantity that is available to us at any given time. So, the demand is such that whatever product is available at our disposal to be sold, we can easily sell. And with the existing customers that we already have, we are in fact adding new customers every day nowadays, with some references from one customer to other customers.
- Ayush Vimal:** Got it. And just one more question. You know, I spoke to some EPC contractors and some of them suggested that for NHAI road contracts, there is preference given to, BPCL, HPCL for bitumen purchase. You know, the contract mentions that, a stipulation that the contractors have to buy from PSU refineries. So, just wanted to check on how do we, you know...
- Vipin Agarwal:** If I talk to you in a practical manner, there is nothing like this. We are selling and we are on a year-on-year basis, our volumes have increased. And in fact, we are supplying to BPCL and HPCL as well.
- Ayush Vimal:** Okay. What proportion approximately of our total volume is going to these PSU refineries?
- Vipin Agarwal:** BPCL, HPCL, PSU, I think we are selling about 10% to 15% on a year-on-year basis, depends upon how much they take as per tender conditions. But yes, this year we have a contract with BPCL of supplying about 30,000 to 40,000 TMT. Not in this current quarter 2, I am talking about FY '23-FY '24.
- Ayush Vimal:** Got it. Fair enough. Thank you.



- Vipin Agarwal:** Even PSU that are supporting tenders to take products from any other vendor, from third party. We are supplying to BPCL and HPCL, even in the last year and even in this year we have supplied and in the year '21-'22 also we have supplied to them.
- Ayush Vimal:** Got it. Fair enough. Thank you so much.
- Vipin Agarwal:** Thank you so much for your question, sir.
- Moderator:** Thank you. The next question is from the line of Anupam Aggarwal from Lucky Investment Managers Private Limited. Please go ahead.
- Anupam Aggarwal:** Thank you for the opportunity, sir. Good evening. Firstly, my question is, sir, in the past we have guided for a volume growth of about 25%. This year, in your opening remark, you mentioned 10% volume growth on a base of 385 last year. What gives us confidence going forward, we'll be able to grow at 20%-25%?
- Vipin Agarwal:** Thank you so much for your question, Anupam ji. As we have always said that our growth is between 10% to 20% on a year-on-year basis. But yes, we have been able to go towards the higher end in the last few years. And this year there was a challenge of say, bringing the product at the disposal because the source of product, there was a lot of waiting and there are so many factors that affect sometimes to bring the product into different locations that we have. And that has affected in a quantity going down by say about 10,000 tons to 20,000 tons. Refinery shutdown also is a part of this process.
- Anupam Aggarwal:** All right. So by this, do you mean that there was some sort of inventory de-stocking at the customer's end or some other phenomena?
- Vipin Agarwal:** No, there was some concern in terms of bringing the product to bring the required volume that we are targeting. There was some concern from the refinery side when the refinery had some maintenance and the product was not available as per requirement. But still we have managed to grow and clock 10% growth in the last year's volume.
- Anupam Aggarwal:** So if the refinery maintenance wasn't part of the plan, in a normal state we would have done around 445, 450, is that's what you...
- Vipin Agarwal:** Yes, easily. We are trying to complete in the current year.
- Anupam Aggarwal:** Got it. Going ahead, what is the -- so we've done about 1,600 EBITDA per metric ton this quarter, this year. And you mentioned gross profit is likely to sustain and increase from here on. What is the likely scenario on EBITDA per metric ton going down three to four years?
- Vipin Agarwal:** See, as I have explained in the last question, all the fixed expenses that we are incurring in terms of handling, operation, it is already there, irrespective of what volumes we do. So if we are clocking more volume, the increase in cost is only the throughput cost that we have to incur, which is hardly maybe 20%. Okay. So that would result in, if we are bringing in more product and selling more products, it will definitely result in higher yield in terms of per metric ton because your additional expense is minimum compared to the volume that we'll be doing.





- Anupam Aggarwal:** Right. So the last two vessels that we added in December, were they part of top line EBITDA in this quarter?
- Vipin Agarwal:** No, no. There was a seventh vessel which was deployed half of February and the eighth vessel, Rudra, is being operational in the current year and it was not a part of the business in the last year. So the seventh and eighth vessels effectively will be fully operational in the current year and the operational on top line and bottom line will be seen in this year.
- Anupam Aggarwal:** Understood. And how many vessels did we outsource apart from own vessels?
- Vipin Agarwal:** We have been, as mentioned in the presentation also, we have done about 4,24,000 tons out of which only about 2,00,000 tons is done through our own vessel. And rest of the 2,24,000 has been done through outsourcing of other vessels, which we have, which as I have mentioned in my opening remarks, we want to curtail this quantity also and bring through our own vessels whereby we can save about INR50 crores on the bottom line, which is being paid to third party as on day when we are hiring any vessels from outside.
- Anupam Aggarwal:** Sorry, just to clarify this INR50 crores is EBITDA on 2,24,000 metric ton that you are saving?
- Vipin Agarwal:** Yes, about 2,25,000 tons.
- Anupam Aggarwal:** Okay. Okay. And by when are we going to completely switch to own vessel, any timeline you can give out?
- Vipin Agarwal:** See, this all, we are planning, as I mentioned in my opening remarks, we are planning to add at least 20,000 more to bring to the current level that we are at and any additional volumes that may go further, we may require some vessels from outside, but largely, we will be able to consume our own vessels to bring in the quantities on a large basis, about 80%, 90%. We will try to make it even 100%, but the volumes and the growth that we are targeting, you never know, you may fall short of any number of vessels that you have then with the requirement of the industry.
- Anupam Aggarwal:** Right. So, in the chartering business, what sort of EBITDA per metric ton do we do?
- Vipin Agarwal:** In the chartering business, as you can see on the sector-wise segment result, it is anyway about 20%.
- Anupam Aggarwal:** 20% margin?
- Vipin Agarwal:** Minimum, Yes. I think you will be able to see in the segment results.
- Anupam Aggarwal:** I will do the math. No problem. Now, going forward, what is your sense on debt repayment or since we are going to be adding more capacity, more vessels, what is your likely debt on the books that is going to be?
- Vipin Agarwal:** As on debt, we hardly have any debt on. If you compare to the gross, we hardly have any debt, but yes, going forward, we do have internal accruals in the company and we have a capex plan of about 150 crores in the coming year to add 20,000 metric tons of capacity.



- Anupam Aggarwal:** All right. All right. That is it from my side. I will get back in the queue if I have any.
- Vipin Agarwal:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Abhishek Sharda from Hem Securities PMS. Please go ahead.
- Abhishek Sharda:** One thing I want to, can you share the volumes for Q4 FY23?
- Vipin Agarwal:** Yes. Q4 2022-23, we have done about 152,000 tons.
- Abhishek Sharda:** 152,000. And sir, it is more than Q3 FY23, right? Q3 is around 110, right?
- Vipin Agarwal:** Yes, 115 to be precise.
- Abhishek Sharda:** So but sir, if we look at EBIT margins of these quarters, only for the bitumen business, it has fell by around 80 bits quarter on quarter.
- Vipin Agarwal:** As I have explained in my opening remarks, we have to look on a year on year basis for our company because there are some factors which do affect some quarters.
- Abhishek Sharda:** But sir, with increase in volume, we have already told that with increase in volume, our EBIT margin will also increase.
- Vipin Agarwal:** Yes, but if you look, if you see the year on year margin, definitely you will be able to see that. If you have to, I have to give you an example, last year, year on year, PAT was 2.73, which is 2.78 in the current year. And the volume is standalone. On a console basis, it was 3.98 and this year it is 4.56.
- Abhishek Sharda:** Okay. Okay. So the whole year volume is 424 and what is the guidance for FY24?
- Vipin Agarwal:** As informed on all the con calls, we are targeting a volume of additional volume of 10% to 20% on a year on year basis.
- Abhishek Sharda:** 10% to 20%?
- Vipin Agarwal:** 10% to 20%. It has to be a range because if you give me any number, then it may be wrong sometimes. So minimum 10% to 20% is what we usually target and we have been able to achieve this in the last few years.
- Abhishek Sharda:** Right, right. Understood, sir. And these are 10% to 20% will also include those two added shift vessels?
- Vipin Agarwal:** Yes, added shift vessels only would be added for bringing the product.
- Abhishek Sharda:** Okay. Okay. And sir, one thing I missed in the call, you were telling about something INR50 crores increase in EBITDA. Can you repeat that?



- Vipin Agarwal:** Yes, I will explain that again. I am just giving you an example, this year about 4,24,000 that we have done, from this only 2,00,000 tons is brought to our own bitumen vessels. And the balance we had to hire third party vessels to bring that product into India. And if we are able to meet this demand, this additional volume, through our own bitumen vessels, we will be able to save \$15 per metric ton in this volume, which and on a minimum of 20% ROI that we do when we are able to earn when we do it through our own vessels. So \$15 into 2,00,000 tons plus 20% on the volume of bitumen vessels that we will be earning from the operation of these vessels. So somewhere around 50 crores.
- Abhishek Sharda:** Okay, sir. Because in the shipping business, you just now mentioned that minimum of 20% operating margin, right?
- Vipin Agarwal:** Yes, bitumen shipping, yes.
- Abhishek Sharda:** But if we look at like, it varies a much this quarter, it comes at 35% last, like in the last year, same quarter, it was around 25%. So I mean...
- Vipin Agarwal:** This margin, as I said, this sector has to be looked at on a year on basis. Because sometimes crude prices, because of crude prices, bunker prices also go up and down.
- Abhishek Sharda:** Okay. So, so, sir, majorly depends on crude prices.
- Vipin Agarwal:** And sometimes the vessel is also going for dry docking and doing that dry docking, the vessel is not available at your disposal to earn. And all those factors are inbuilt in a year on year basis.
- Abhishek Sharda:** Okay. Okay, fine. Thank you, sir. I'll join back in the queue.
- Vipin Agarwal:** Thank you so much, sir.
- Moderator:** Thank you. Ladies and gentlemen, that would be our last question for today. I would now like to hand the conference over to Ms. Aastha Jain for closing comments. Over to you, ma'am.
- Vipin Agarwal:** Thank you. Thank you, Darwin. On behalf of Hem Securities Limited, I thank Agarwal Industrial Corporation Limited team for giving the time we spent on this call and responding all the queries in the detailed way. I would like to thank all the participants for joining this call. Now I would like to hand it over to the moderator.
- Moderator:** Thank you. On behalf of Hem Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.
- Vipin Agarwal:** Thank you so much, everyone.

