



**Agarwal Industrial Corporation Limited
Q3FY22 Earnings Conference Call**

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CORPORATE PARTICIPANTS:

Mr. Lalit Agarwal,
Whole Time Director

Mr. Vipin Agarwal,
Chief Financial Officer

Ms. Astha Jain
Hem Securities

Q&A PARTICIPANTS:

Mohit Nigam - Hem Securities

Piyush Sakia - Rasoigneur Capital

Abhishek Sharda - Individual Investor

Gagan Dixit - Elara Capital

Balaji Jayaraman - TEQUITY Wealth Advisors

HB Bhatia - Sukreet Investments

Subrato Sarkar - Mount Infra Finance

Rahul Agarwal - Individual Investor



Moderator

Ladies and gentlemen, good day and welcome to Agarwal Industrial Corporation Limited Q3 FY22 Earnings Conference Call hosted by HEM Securities limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * and then 0 on your touch-tone telephone. Please note this conference is recorded. I would now like to hand over the floor to Ms. Asta Jain from HEM Securities Limited. Thank you and over to you, ma'am.

Asta Jain

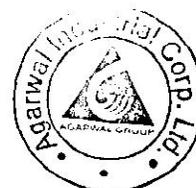
Thank you, Moumita. Good afternoon, ladies and gentlemen. Thank you for joining the Agarwal Industrial Corporation Limited Q3 FY22 Earnings Conference Call. Joining us on the call today, Our senior members of the management team, Mr. Lalit Agarwal, Whole-Time Director, and Mr. Vipin Agarwal, Chief Financial 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 statement 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 call to Mr. Vipin Agarwal to comment, 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. Good afternoon and a very welcome to everyone who has joined us today. I take the pleasure of welcoming you all to the Q3 FY22 Earnings Conference Call of Agarwal Industrial Corporation Limited. Let me start by giving you a brief overview of the company's business and we'll then take you through the financials. We will then be happy to take questions if you have any.

Agarwal Industrial Corporation is an integrated infra ancillary company focused on a wide range of innovative bitumen products backed by their world class quality infrastructure which comprises of five large marine vessels having a total capacity of about 29,500 metric ton and we have a fleet of more than 650 vehicles in which we have 350 bitumen tankers and 300 LPG tankers, and we have seven bulk storage facilities, with a total storage capacity of 30,000 metric



tons, having direct access to shipping networks located at Hazira Port, Mumbai Port, Dighi Port, Haldia Port, Mangalore Port, Karwar, and Hazira.

We, along with our subsidiaries have six manufacturing facilities, located at Vadodara, Taloja, Belgaum, Hyderabad, Guwahati, and Kochi. Coming to the third quarter of the fiscal year 2022, we reported 83% rise in the total revenue to Rs 380.90 crores in Q3 FY22, as compared to Rs 208.16 crores in Q3 FY21. The revenue has seen a growth of 123% in Q3 FY22, compared to Rs 158.95 crores in Q2 FY22. The company posted a 93.5% jump in the consolidated net profit at Rs 20.61 crores in Q3 FY22.

The company's net profit in the year ago, previous to that, Rs 10.65 crores. On a sequential basis company's Q3 FY22 PAT was 381% drop, Rs 4.28 crores. The earnings per share of the company jumped to 17 in Q3 FY22, which was at Rs 10.38 in Q3 FY21 and Rs 3.53 in Q2 FY22. Further, I would also like to add that the demand trend continues to be favourable across the infrastructure industry, which is quite exciting for us. Our customers understand and appreciate the company's execution abilities, which constantly results in the financial growth in the 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. That concludes my opening remarks. I would now request the moderator to open the forum for questions from the participants. Thank you so much.

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 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 * and 1 again. Participants are requested to restrict to two questions per person in the initial round and maintain back the queue for further questions. The first question comes from Mr. Mohit Nigam, please go ahead, sir.

Mohit Nigam

Good evening, everybody. Congratulations to the management for such robust number. Many many congratulations on that part. So, my first question is that we have seen an extraordinary budget in which we have seen a lot of focus on capital expenditure infrastructure growth and in our investor presentation also we have mentioned that we are seeing a CAGR of around 30%-35% on the sector front. So, my first question to you is, how do you see our future, I mean, like



in terms of revenue guidance that you can share with us. What revenue numbers can we look at going forward and since this is an intense field now, and there are a lot of eyeballs there to capture this space, how is the company coping up with the rising competition, and what is our strategy to protect and nurture our market share. Thank you.

Vipin Agarwal

Thank you so much for your question. Firstly, as you have mentioned about the allocation in the infrastructure activity from the budget, yes there is a very good scope as the government has announced a 30% increase in the infrastructure activities amounting to about 1.8 lakh crores in the infrastructure activity. Here, yes, going forward, we will play a very important role as we are providing services to the infrastructure company, that's why we call ourselves as infrastructure ancillary.

So, we are providing them end to end solution for submitting for the roads and the rural roads are expected to be made in about 25,000 kilometers. Going forward in the coming years, the focus that the government has put on infrastructure activities, our company will play a very important role in providing the services and the products that pave the way forward to making these infrastructure activities a success. And your next question about competition. Yes, there have been a few companies that are building in small quantities, but the setup, the facilities that the company is having I think no companies across Indian states having the facilities we are having. So, there's very small chances of any other competition arising to the level that that we have.

Mohit Nigam

Okay. So, my second question is, since we have seen a jump in crude oil prices, I mean in the last quarter it was hovering around \$75, \$50 a barrel zone, nowadays around \$90, \$92 a barrel zone. So, are we deploying the hedging strategies to protect our margins going forward in the bitumen space, and if you can shed some light on our topmost selling products and its revenue contribution? That's it from my side.

Vipin Agarwal

See, firstly, I would like to mention here there is no direct correlation of bitumen price with crude. There is a relation, but it is not that if the crude jumps to about \$20 and bitumen price has to jump by \$50. It's an indirect correlation, but yes, as you mentioned, when it was a 75 level, it could have had gone down into 65 levels again and then it bounced back to 92 levels. It hardly matters because whenever the price of bitumen goes up in the international market, in India the



prices go up by the same percentage in the next 10 to 12 days. So, there is no impact on the margins that by increasing in the international prices, there is hardly any what you say, impact on the side of procuring material and selling in India because here in Indian domestic market prices go up.

Mohit Nigam

Okay, thank you so much.

Vipin Agarwal

Thank you so much.

Moderator

Thank you, sir. Our next question from Mr. Piyush Sakia from Rasoinneur Capital. Please go ahead, sir.

Piyush Sakia

Good afternoon, everyone. Thank you for having this call. We were very impressed with the kind of results that the company has produced, but like you said that you know, there is an impact on the price of bitumen in India when crude prices rise in the international market, so since our revenue has grown 80%, I'd like to understand what part of it comes from volume growth and what part of it comes from price growth? And what is the kind of volume growth that we're looking at over the next 2, 3, 4 years?

Vipin Agarwal

Thank you so much. We have always focused on increasing the volume, we have never focused on increasing the top line. Our aim is always to gain maximum in the volumes, ultimately our top line increases. And as far as the volume growth is concerned, we have been growing at about 18% to 20% on an annual volume growth. But since this year, the price of bitumen is on the higher side, the top line is relatively higher in terms of percentage.

Piyush Sakia



I get that. And in terms of barriers to entry, the previous question was talking about competition, if you could just throw a light on, you know, so I read in your presentation that we have 650 vehicles, which are servicing the bitumen and the LPG market. If you just could tell me, give me some idea on how many vehicles would the second largest competitor or the third largest competitor have because I believe that's a huge barrier to entry for any person to enter into the bitumen market.

Vipin Agarwal

Yeah, I think the next company who would be having so many vehicles would be about I guess, not even 200, but they do not have the facilities that we have. We have an end-to-end solution wherein we are procuring directly from an international market, from where the source we procure. We procure that material, we bring the material in our own designated voyage charter vessels into our own leased tankers, own tankers. From there, we take it to our factories for manufacturing different grades.

From the factories, we manufacture different grades and supply to end users in our own logistics. So, all this integrated forward and backward integration services that we have in-house, I think none of the companies in India is having that much of facilities. They can have either of the services with them. They can either purchase materials or they can either store material, or they can either transport material, but they don't have all the services in under one roof. So that is a very important and the biggest barrier that anyone can have in India.

Piyush Sakia

I get that. And, in terms of volume growth, we're doing 18%, 20% a year, you said, but do you see that accelerating over the years coming by with the kind of push on infrastructure spend that has been coming about from the Government of India?

Vipin Agarwal

Yes, we do. As you can already see in our numbers and as we are growing at 18%, 20%, so every year the import that is happening, it is through this only and that's the reason we're also growing in volumes. We used to do about 170-150,000 tons earlier now, we are in about 350,000 tons and domestic production of the refineries is still limited to 5 million tons only. All additional volumes will be catered only by import. In fact, we are the ones who are supplying even to PSUs.

Piyush Sakia



Correct. And, in terms of our fleet of ships, how much of our usage is captive and are we giving out our ships on charters to make additional revenue?

Vipin Agarwal

There is absolutely no captive use of our vessels. We are giving it to third parties on voyage basis for chartering. Voyage to voyage on that basis.

Piyush Sakia

Okay, but why wouldn't we transport our own product in our own ship?

Vipin Agarwal

See, I can demand higher voyage freight than others than what I give to my other current supplier.

Piyush Sakia

Okay, got it.

Vipin Agarwal

I can do it efficiently with a better margin. I take vessels from the market at a lower rate and give my vessel at a higher rate.

Piyush Sakia

Got it. So, we're making money of that as well.

Vipin Agarwal

Yes. The volume that we are having, so any big supplier who's having vessels, he definitely quotes on a lower level. You understand the synergies of volume.



Piyush Sakia

Got it. Thank you very much, that should be it from me.

Vipin Agarwal

Thank you so much.

Moderator

Thank you, sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Our next question from Mr. Abhishek Sharda, he is an individual investor. Please go ahead, sir.

Abhishek Sharda

Hello, sir. First of all, congratulations for great set of numbers.

Vipin Agarwal

Thank you so much.

Abhishek Sharda

My first question is that our operating margins had seen some pressure in this quarter, around 150, that's declined from quarter last year, and also the operating margins of our majorly contributing revenue segment petrochemicals, this has also declined. So, what is the main reason and what kind of margins do you see sustainable in long term?

Lalit Agarwal

Basically, I would correct it is not a petrochemical business, it's an infrastructure ancillary business.

Abhishek Sharda

Hello!



Lalit Agarwal

We are an infra-ancillary company, not petrochemical.

Abhishek Sharda

Okay.

Lalit Agarwal

To answer your question, the margins are under pressure due to increase in competition and the crude oil price fluctuations in this quarter.

Abhishek Sharda

Okay, sir. Since now this infrastructure sector like a lot of being given in this budget, so lot of small companies will also come in this infrastructure, so right now, our market share in private player is around 18% to 20% so what kind of strategies?

Vipin Agarwal

It is 24% to 28% now.

Abhishek Sharda

Okay, sir. That's fine. So, 24% to 28%. So, what kind of strategies we are like developing to sustain at these market share or increasing market share?

Vipin Agarwal

Yeah. See, the infrastructure setup that we are having, we don't have to add any extra additional facility to increase our volumes. It is only one step that we have to add to our current cycle that we are doing is to add more vessels in the voyage side or in the company, so that we can bring in more product. Today, also there is a lot of demand of this product in India due to the active infrastructure growth. The more the product we can import, the volumes will definitely increase more and when you are increasing the volumes and to capture the market, you have to pass on a little bit more discount to the current companies that you're dealing with.



When you're passing on additional discount to the companies, your margins tend to come down a little bit, but your volumes will increase. So, that is one of the reasons that apart from the crude price substitution, why the margins, not on the overall but yes and if you say overall there has been a bunker price increase in the international market, which has affected the shipping business. So, whatever percentage was there in the shipping business, it has come down a little bit which has ultimately in the controlled level contributed to an operating margin that you are discussing.

Abhishek Sharda

Okay, sir. And sir what kind of market share does the second highest player in private bitumen industry? What kind of market share does that have?

Vipin Agarwal

This is at about 60% of the import that we are doing. So, if you are doing 2 lakhs, this is at about 125, 130 maybe.

Abhishek Sharda

So basically, we can assume that if you have around ongoing 24% of market share the second player is having around 10% of market share, right?

Vipin Agarwal

Of 10. 12 more or less. Some percentage here and there but yes, we are well enough of level that what we are.

Abhishek Sharda

Okay. And Sir, my last question is can you please share the bitumen volumes done in this Q3 FY22 and what is the year-on-year growth in bitumen volumes?

Vipin Agarwal

We have done close to 300,000 tones.



Abhishek Sharda

300,000 tones and in the last quarter, you've done 110,000, right if I'm not wrong?

Vipin Agarwal

No, 192.

Abhishek Sharda

192, in last quarter.

Vipin Agarwal

Last six months, second half. One second, I'll come to you on this question, I need to give you the exact numbers.

Abhishek Sharda

Okay, sir. And what is our target for Q4 FY22 bitumen volume target?

Vipin Agarwal

I will not give you any numbers but yes, if you have seen the results, the volumes that we have already done, I think we would be anything close to, you can say 20% growth on what we did last year.

Abhishek Sharda

Twenty percent growth on what we have done last year.

Vipin Agarwal

Yeah.

Abhishek Sharda



Okay fine, sir. Thank you. I'll come back in the queue then.

Vipin Agarwal

Thank you so much.

Moderator

Thank you, Sir. We have the next question from Mr. Gagan Dixit from Elara Capital. Please go ahead, sir.

Gagan Dixit

Yeah, thanks. Thanks for giving me the opportunity, sir. What are your capex plans for FY23 and FY24?

Vipin Agarwal

See, we don't need to do a large capex because whatever normal 10,15 crores capex that we do every year that we are already doing. Yes, only if we are acquiring more additional vessels then there may be additional capex, but that is not very certain whether it can happen in last quarter or 2022 or next year. It all depends upon the opportunities that we get at a good rate if we get any vessels.

Gagan Dixit

Okay, sir. So, is there any plan for expanding the fleet also, I mean, from the current around 350 bitumen fleet.

Vipin Agarwal

I think we have a good level, but yes, the 10, 15 vehicles here and there, they keep come and go because of the age factor. But it is not because the fleet will not increase to a great say by 10% or 20%, but yes, 10-15 vehicles here and there we keep purchasing and some old vehicles deplete

Gagan Dixit



Okay, sir. Because when I follow the government plan about this road infrastructure, so it looks like that 15% to 20% might be the industry is growing, I mean, road construction industry. So might be, I thought you also need something to catch up at least to maintain the market share.

Vipin Agarwal

For that we have adopted a different strategy where we are trying to over utilize the facilities that we are having, instead of underutilizing, we are trying to overutilize the vehicles, the fleet that we have. With the more turnaround that we will be able to do with our logistics, it will earn in a higher revenue and profitability rather than buying a new one.

Gagan Dixit

Okay, sir. And sir, when I see in the presentation that out of 650 fleet, you have around equal, equal share of the LPG and the bitumen.

Vipin Agarwal

Yeah, more or less it is on the equal sides.

Gagan Dixit

Yeah. Sir, can I assume that the revenue contribution is also similar or it's a more towards a bitumen's size.

Vipin Agarwal

It is about similar, yeah. If you term it in actual percentage then it is almost similar, but yes if you have to comment to value maybe 3-4 crores up and down between the two.

Gagan Dixit

Okay and sir, last question is that what is the reason for the margin expansion in the current quarter, sir? And specific, sir?



Vipin Agarwal

Sorry, can you come back again please.

Gagan Dixit

I mean, the reason for the margin expansion in the current quarter, sir, is it anything because of some inventory gain also or purely because of the volume?

Vipin Agarwal

It is cumulative not only inventory gain. Yes, but in this quarter there was. Actually, if you put it on paper, it is not directly inventory gain, but yes, because of the rising prices, we have kept our inventory at a certain level where we are able to sell at a higher rate. The cost of production is less, but when we are selling it, yes, it is of course on the higher side.

Gagan Dixit

Okay. That's from my side, thank you.

Vipin Agarwal

Thank you so much.

Moderator

Thank you, sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Our next question is from Mr. Balaji Jayaraman from Tequity Wealth Advisors. Please go ahead, sir.

Vipin Agarwal

Pardon, can you repeat please.

Balaji Jayaraman



Hi, good evening. Sir, this is Balaji Jayaraman from Tequity Wealth Advisors. Sir, historically, my understanding of your business is at its peak during the period of Q3 and Q4, and Q3 is historically the best quarter in terms of revenue, which you had informed in the previous calls as well. So can you throw some light in terms of what we can expect in Q4, of course, I did hear that you had mentioned to one of the earlier persons that we can look at 20% growth last year.

One of the other things also I just wanted to understand sir, I went through the footnotes on the results that was there, and it was mentioned that the results will be, you know, even better going forward. So, can you please suggest what gives that confidence, throw some light in terms of what gives that confidence that you know, the results will be better going forward.

Vipin Agarwal

Thank you so much for the question. See, usually the peak period for the company is the Q4. The confidence is coming from the experience that if we have able to do in the first nine months that what we have achieved, so the Q4 in terms of demand, even if there is no infrastructure boom, but because of the cyclic demand, the Q4 demand is always robust, and it contributes almost over 30% to 40% of our total revenue every year.

Balaji Jayaraman

Fine, sir.

Vipin Agarwal

In Q4, if we are able to say about 950 crores in the first three quarters, I think usually about 40% comes from the Q4 of every year. You can imagine what we can get in the Q4 quarter in the current year. That is where the confidence is coming from apart from the activities that are there in the infrastructure activities boom that is happening.

Balaji Jayaraman

Okay, sir, and how will that translate into the subsequent quarters, do we expect some kind of a normalization going into Q1 and Q2 of next year, or do we expect the momentum to continue?



Vipin Agarwal

The momentum continues till Q1. So, the Q1 and Q4 is usually the peak period apart from in the June month of Q1. Q1 April and May, it's quite exciting because the volumes are high and January, February, and March of Q4. These five months are usually on the peak side. And, the momentum will continue because of the activities, you also know what is happening in the infrastructure space and we are the infra-ancillary, we are providing so many of you these infrastructure related activities.

Balaji Jayaraman

Wonderful, thank you very much for the opportunity, sir. Wishing you good luck.

Vipin Agarwal

Thank you so much.

Moderator

Thank you, sir. Our next question from Mr. HB Bhatia from Sukreet Investments. Please go ahead, sir.

HB Bhatia

Hi, thanks for the opportunity. I had two questions, one was, could you give us some guidance on the chartering business, and I think where do you see it going ahead in the next two, three years, and how do we see growth and margin expansion in that? And so the next question was, could you give us the breakup of our clientele, specifically, where is our major concentration of bitumen supply. I understand is the road construction companies, but the private players, the government and what exactly is the breakup of a clientele, sir? Thank you.

Vipin Agarwal

Thank you so much. I would like to address the first question first. The chartering business as you see, we have been adding few vessels here and there, and the fifth vessel that we had acquired, it has added to the current revenues in the last is current Q3 and there has been a strong growth of shipping, because it is like, all our vessels are deployed throughout the year.



The more efficacy that we get from running our vessels, it will result in the higher revenue and profitability. But yes, there has been a constraint from increasing bunker prices. So that that is one of the reasons that the revenues and the profitability is not in line with what we had achieved in the last nine months of the same FY21.

HB Bhatia

So, sir, is it transitory?

Vipin Agarwal

It is transitory because basically, bunker prices are directly linked with the crude, so if the crude come down to about 75 or 70, the bunker price will gradually come down, but the freight remains the same, more or else the same.

HB Bhatia

Also, sir, are we clear on our plan that we want to give our chartering business only for petroleum products or also for some other logistic?

Vipin Agarwal

As of now, we are already using petroleum, strictly bitumen and addressing to your second question was on the clientele. Yeah, see, as I mentioned earlier, we are supplying to PSUs, we are supplying to BPCL, we are supplying HPCL. Moreover, even in the logistics sector, our vehicles are deployed with IOCL, BPCL and HPCL. Our other clienteles are D.P. Jain, TR Infra, J.M. Mhatre, Shapoorji. All the big infrastructure road construction companies are our clients.

HB Bhatia

So, sir, what would be the percentage, how much would be the PSUs and the private sector? If you could just give a number to that please.

Lalit Agarwal

Particularly in infrastructure, everything is a private. We don't take government contracts, or we don't supply to government.



HB Bhatia

Okay, because there was an article once that we had signed, I think a contract with NSIC, yes.

Vipin Agarwal

Yeah, we supply to NSIC as well. That is a government body who supplies to MSME infrastructure companies through us.

HB Bhatia

Okay. And sir, also could you please give the cash in hand numbers?

Vipin Agarwal

Sorry.

HB Bhatia

What would be the cash in our books right now?

Lalit Agarwal

We are not given that number because the balance sheet is not given.

Vipin Agarwal

For that you can mail us back, then we will provide you the details as required.

HB Bhatia

Because in the last quarter, we had I think 45 crores in our hands.

Vipin Agarwal



I will really not like to comment on that as of now because I think it is not in term declared results.

HB Bhatia

Okay, no issues, sir.

Vipin Agarwal

Thank you so much.

HB Bhatia

Thank you, that's all.

Moderator

Thank you, sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Our next question from Mr. Rahul Agarwal, he's an individual investor. Please go ahead, sir.

Rahul Agarwal

Yeah, hello, thank you for giving me the opportunity. Pardon my ignorance, I'm not very conversant with your business, but just wanted to understand, going forward is there any scope of any value addition in your products to gain higher revenue and more margins?

Vipin Agarwal

Thank you so much. See, we are already producing maximum products that we can from bitumen and any other R&D that we are doing, and any other product that is being introduced in the market, we are definitely producing that product also. Either we discover some product related to bitumen or there are other companies who are manufacturing and if there's any new addition in the market of a different product, we do manufacture all those products as well because we have the infrastructure facilities to produce any grade from bitumen.

Rahul Agarwal



Okay, fair enough. Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. So, we have a next question from Mr. Balaji from Tequity Wealth Advisors Wealth Advisors. Please go ahead, sir.

Balaji Jayaraman

Sir, one quick question on the promoter shareholding, it has actually dipped in the last quarter, any specific reason why the promoter shareholding has actually gone down?

Lalit Agarwal

The promoter shareholding has not gone down in fact the promoters are holding warrants. There is no sale, actually market sale from the brokers.

Balaji Jayaraman

Okay, because September quarter I'm seeing the shareholding at 60.11% and June quarter it's about 61.4, the last December quarter it was at 58.57. So, just want to understand why it has dipped?

Lalit Agarwal

There was a warrant issue. There was a warrant issue to the promoter itself. Which we have not converted as of now. So that's why it is showing as a lower number.

Vipin Agarwal

There is absolutely no sale of shares by the promoters.

Lalit Agarwal

Not a single share has been sold by a promoter.

Balaji Jayaraman



Fair enough, sir. Thank you very much.

Vipin Agarwal

Thank you so much.

Moderator

Thank you, sir. The next question from Mr. Subrato Sarkar from Mount Infra finance. Please go ahead, sir.

Subrato Sarkar

Yeah. Sir, sorry, it will be very basic question and I don't know whether you have answer it or not. Sir, can you give some futuristic like margin guidance or whatever to understand as what can be the like stable set margin for this business because I'm very new to your company. So, basic question is margin guidance and what kind of growth we are looking for?

Lalit Agarwal

Our margins will remain more or less the same at the same level what we are achieving right now. And the growth also, if you would have heard our comment, it will be at the same levels, again to 20%, 15%, 18% range. The same growth levels we will be trying to achieve. The margins more or less it will remain plus minus 0.5 basis points, it will remain the same.

Subrato Sarkar

So, sir, it is not really linked to crude or whatever is there you can pass it on.

Lalit Agarwal

Just now, Vipin ji has answered it that it is not directly linked, though it gets impacted but it is not directly linked to the crude price.

Subrato Sarkar

So that is not immediate.



Lalit Agarwal

It's a delayed impact.

Subrato Sarkar

No, I got it, sir. It is delayed impact, but what I mean to say if there is a change in raw material and crude price ultimately it will have some impact. Since, like we are supplying to a few government organizations also so can we pass on that?

Vipin Agarwal

You mean to say will it impact our purchases and margins?

Subrato Sarkar

Yes, maybe after some time. Sir, my only point is if there is ultimately rise in raw material, crude price, there will be some delay in the price impact, but ultimately raw material price should go up also. So, in that case, can we pass on that because we deal with the government like organizations. So, can we pass on?

Sir, that to understand a little bit on a better manner, so whatever we are supplying to these government refineries and all of them, so, is it on a tender basis and we need to quote a price and then we will link it and that has an escalation clause or what is the pricing mechanism there?

Vipin Agarwal

Thank you so much. Firstly, whatever international prices are rising or going down, it directly impacts the Indian market pricing. So, every fortnight in the prices in India are changing according to the international pricing, plus the exchange provisions, if any in the dollar also.

So, if there is an increase in the international market in the next 10,12 days, the price in India will also go up and if the price in the international market goes down, in India also the rates will go down.



To address your first question, yes, whenever the prices are increasing in the international market, we hold our inventories at a higher level so that we can achieve the maximum when the prices are increasing in the next fortnight.

And vice versa, whenever there is a decline in international price, we try to keep the inventory at the lowest level, so that whatever we are selling as on date is at the current price in India. And when the prices in India changes, we have the lowest cost-effective product already imported into our tanks.

And as far as the PSU tenders are concerned, yes, they do have a formula wherein it is directly linked with the international prices as well. So, there is no impact on the company's profitability at all.

Subrato Sarkar

Okay, sir. Thank you so much.

Vipin Agarwal

Thank you so much.

Moderator

Thank you, sir. Ladies and gentlemen, that would be the last question. I would now like to hand over the floor to Mr. Lalit Agarwal, MD of Agarwal Industrial Corporation Limited for closing comments. Please go ahead, sir.

Lalit Agarwal

Yeah. 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 we have any more questions, please feel free to contact us. Thank you once again and we look forward to connecting with you in next quarter with good results. Thank you very much.

Astha Jain



Thank you, sir. On behalf of HEM Securities Limited, I thank Agarwal Industrial Corporation Limited team for giving us a detailed insight on the results and the time we 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.

Moderator

Thank you, ma'am. On behalf of HEM Securities Limited, this concludes the conference call for today. Thank you for your participation. You may all go ahead and disconnect your lines. 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.

