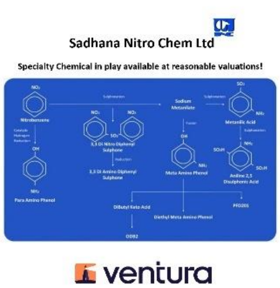
Aegis Logistics Ltd

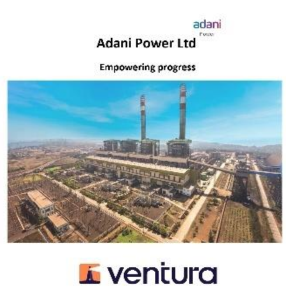
Frontrunner in India's gas story

TABLE OF CONTENTS

Our recent initiating coverage reports



Sadhana Nitro



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Aegis Logistics Ltd

BUY @ CMP INR 349	Target: INR 516 in 24 months	Upside Potential: 47.9%

Frontrunner in India’s gas story

Aegis Logistics Ltd (AEGIS) is fast emerging as a large-scale LPG player in India and its tie-up with Royal Vopak (Netherlands) and Itochu Corporation (Japan) stands it in good stead to roll out its ambitious plan in the LPG space. Prior to getting into the LPG space, AEGIS has been providing logistics and storage services for chemical and petroleum products. Climate change demand and stringent orders from the National Green Tribunal (NGT) in Gujarat and Delhi/NCR to use clean fuels have led to an increase in the demand for LPG. This trend is expected to grow in future as similar restrictions are likely to be implemented in other industrial zones across India, thereby driving the demand for LPG. In addition, LPG's cost-effectiveness compared to industrial natural positions it as a viable sustainable fuel option. During FY16-23, AEGIS’s LPG volumes grew at a CAGR of 14.4%, reaching 3.94 mn tonnes. By FY26 we expect these volumes to be 7.0 mn tonnes (21.1% CAGR) driven by ~INR 3,500 cr capex. There exists an upside risk to our capacity estimates given that AEGIS is looking to acquire existing capacities from inefficient and unviable peers who may be looking for an exit. Strong volume growth and relatively steady EBITDA margins of ~INR 1,000 per tonne (logistics) and ~INR 3,500 per tonne (distribution) make it a lucrative franchise.

AEGIS is undertaking a ~INR 1,500 cr capex on its logistics and storing services for its chemicals and petroleum products vertical. Given the strong demand drivers, we expect the revenues of this division to grow at a CAGR of 12.0% to INR 587 cr by FY26. AEGIS is also expanding its services to include the storage of green ammonia and it is constructing an 80,000 MTPA capacity in Odisha.

Overall, although the revenue is expected to be flat at INR 8,287 cr (based on current LPG pricing), EBITDA is expected to grow at CAGR 22.3% to INR 1,228 cr with 14.8% margins (+703bps) by FY26, while net earnings are expected to grow from INR 463 cr in FY23 to INR 725 cr (CAGR of 16.1%) with 8.7% margins (+338bps).

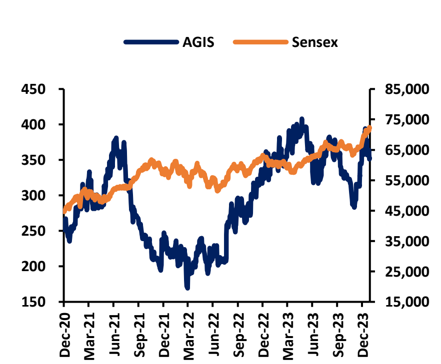
In our opinion, AEGIS is a solid de-risk proxy play on India’s infrastructure growth story and we initiate coverage with a BUY with a price target of INR 516 per share representing an upside of 47.9% from the CMP.

Industry	Logistics

Scrip Details	
Face Value (INR)	1.0
Market Cap (INR Cr)	12,250
Price (INR)	349
No of Sh O/S (Cr)	35.1
3M Avg Vol (000)	1.2
52W H/L (INR)	410/280
Dividend Yield (%)	1.65

Shareholding (%)	Sep 2023
Promoter	58.1
Institution	23.4
Public	18.5
TOTAL	**100.0**

Price Chart



Key consolidated financial data (INR Cr, unless specified)

	Net Revenue	EBITDA	Net Profit	EBITDA (%)	Net (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	EV/EBITDA (X)
FY22	4,631.0	534.4	357.5	11.5	7.7	10.2	64.5	16.4	19.1	34.3	23.3
FY23	8,627.2	671.8	463.0	7.8	5.4	13.2	115.3	13.1	17.9	26.5	17.5
FY24E	6,035.4	842.1	550.9	14.0	9.1	15.7	123.9	14.4	21.3	22.2	14.0
FY25E	6,952.9	1,020.9	653.1	14.7	9.4	18.6	134.2	15.6	20.0	18.8	12.0
FY26E	8,287.0	1,228.0	724.6	14.8	8.7	20.6	145.5	15.8	19.9	16.6	10.3

Our optimism stems from the following:

Growing usage of LPG as a cleaner fuel over coal & diesel in the manufacturing sector provides multi-year growth visibility

Unlike coal and diesel which emit 211.5 and 163.5 pounds of CO_2, respectively, per mmbtu upon combustion, LPG emits only 138.6 pounds of CO_2 per mmbtu, making it a much cleaner fuel for industrial applications.

Following the stringent directives from the National Green Tribunal (NGT) in Gujarat and Delhi/NCR to prohibit the use of coal and diesel in industrial and commercial sectors, there has been a notable surge in the demand for LPG. This trend is likely to continue as similar measures are anticipated in other industrial regions across India, further boosting LPG demand.

Additionally, the Indian government's endorsement of the development of 11 industrial corridors across the country, as part of the National Industrial Corridor Program (NICP), aims to create advanced industrial cities on par with leading global manufacturing hubs. This initiative is expected to significantly elevate the demand for LPG as a cleaner energy source, offering extended growth prospects for AEGIS's LPG division.

LPG commands better economics and higher calorific value than natural gas in the industrial segment

The Kelkar Committee report states that domestically produced natural gas is mainly used for PNG in homes and CNG in vehicles, whereas industrial sectors mostly rely on imported LNG, which costs INR 45.6 per scm. This price is higher than that of propane LPG, which is INR 42.2 per scm. Additionally, natural gas offers a heat content of 10,000 Kcal/scm, compared to propane's 12,467 Kcal/scm. Due to its higher calorific value and energy density, propane requires a smaller quantity to produce the same amount of heat. As a result, the cost of propane is INR 3.38 per million calories, whereas natural gas is INR 4.56 per million calories, indicating that propane is a more economical option.

AEGIS has a JV with Itochu Corporation, a Japanese MNC, for LPG gas sourcing where Itochu helps AEGIS source LPG at a cheaper price, which makes AEGIS's propane LPG rates more competitive in the industrial gas market.

New storage facilities for green ammonia will diversify business and provide strong growth visibility

AEGIS has formed a 51:49 JV - Aegis Vopak Terminals Ltd (AVTL) - with Royal Vopak NV, a Dutch multinational specializing in storing and managing a variety of products like chemicals, oil, gases, biofuels, and vegoils. This JV manages 11 terminals across five key Indian ports on the east and west coasts. With a total capacity of about 960,000 cubic meters, AVTL is emerging as a major player in India's independent tank storage sector for LPG and chemicals. The next stage of

its expansion includes developing a facility in Odisha for storing 80,000 tonnes of green ammonia, with an investment of INR 1,000 cr.

This initiative aligns with India's National Green Hydrogen Mission (NGHM), which has allocated INR 19,744 cr to achieve a production target of 5 mn tonnes of green hydrogen annually by 2030. Green ammonia, a derivative of green hydrogen, will also be produced under NGHM and it will be especially relevant for the fertilizer industry. Currently, Indian fertilizer companies primarily derive ammonia from imported LNG, leading to higher production costs. Over the past three years, the government's subsidy for the fertilizer sector has been significant, reaching INR 1.3 trillion in FY23, INR 1.4 trillion in FY22, and INR 1.1 trillion in FY21.

With the anticipated growth in fertilizer demand in India, the need for ammonia is also set to rise. The government's strategy to shift from imported LNG to a cleaner and domestically produced feedstocks is expected to increase the demand for green ammonia and its related transportation/storage infrastructure. AVTL's upcoming green ammonia storage facility is poised to be a key strategic asset, potentially benefiting greatly from the NGHM.

Rising trade of chemicals and petrochemicals is expected to benefit AEGIS's liquid segment

The consumption of chemicals in India is expected to rise by 9-10% annually over the next few years. This growth is largely attributed to the diversification of the global supply chain, with multinational corporations relocating their manufacturing bases from China to India. This shift is boosting the demand for essential chemicals used in manufacturing various end products. Consequently, there will be an increase in the production and importation of bulk chemicals, alongside a surge in the export of specialty chemicals.

Additionally, India is experiencing a growth in the export of petrochemicals and refined crude oil derivatives. Unlike global refiners who are either not investing in new capacities or are closing down older ones, India is expanding its capacities to meet both the incremental and existing demand. This expansion is leading to a rise in petrochemical exports from India.

The growing trade in chemicals and petrochemicals is enhancing the volumes and service income from the liquid segment for companies, resulting in a robust EBITDA margin of approximately 65%.

Integrated logistics and necklace of terminals across Indian coastline making AEGIS a preferred partner to oil, gas and petrochemical companies

AEGIS is an integrated logistics services company, providing import, export, storage, and logistics services for chemicals and energy products.

- LPG storage, logistics and retailing: The company has a presence across the entire value chain starting from sourcing, terminalling, to distributing LPG to industrial and commercial clients. The total LPG static capacity is 1,15,000 MT with annual throughput of 96,00,000 MT. The company has 5 gas terminals (4 operational and 1 under construction) across Indian coastline.

Moreover, the company operates 142 Autogas stations in 10 states and has a network of 290 LPG distributors across 140 cities in 15 states. Aegis also operates 37 LPG bottling plants through their supply to both commercial and domestic LPG markets.

LPG sourcing remains a major contributor of revenues, and the profit margins are fixed – INR 1,000 per tonne on logistics & sourcing and INR 3,500 per tonne on distribution and retailing.

- Liquid logistics: AEGIS provides import, export, logistics, and storage services for all types of liquid chemicals, petroleum products, and vegetable oils. The company has terminals in six ports (Mumbai, Kandla, Pipavav, Mangalore, Haldia, Kochi) with total operational capacity of 1,603,000 KL. The company has also started construction of a 110,000 KL liquids terminal at JNPT port, expected to be commissioned in FY25.

This integrated infrastructure makes AEGIS a strategic logistics partner for Indian oil & gas and chemical companies. The company has a strong client base, which mainly includes Shell, Reliance, IOCL, HPCL, BPCL, ONGC, HUL, Bombay Dyeing, etc. The company has pipeline connectivity with its major customers like IOCL, HPCL and BPCL which has helped the company in the distribution of LPG.

AEGIS's Valuation: Initiate with a BUY for a 24 months price target of INR 516 per share (25X FY26 P/E)

The company's capacity expansion plans along with industry tailwinds are expected to accelerate the financial performance of AEGIS, while fixed profitability ensures steady EBITDA in the forecasted period. This combination of high growth and steady cash flow deserves a better valuation.

We initiate coverage on AEGIS at the CMP of INR 349 per share (16.9X FY26 P/E) with a price target of INR 516 per share (25X FY26 P/E), representing an upside potential of 47.9% in the next 24 months.

Consensus vs estimates

Ventura Estimates vs Bloomberg Consensus					
Consensus vs Ventura Estimates	FY23	FY24E	FY25E	FY26E	FY23-26E CAGR (%)
Revenue (INR cr)					
Consensus	8,627.2	8,111.0	8,555.0	8,710.0	0.2
YoY Growth (%)	*86.3*	*-6.0*	*5.5*	*1.8*	
Ventura Estimates	8,627.2	6,035.4	6,952.9	8,287.0	-1.0
YoY Growth (%)	*86.3*	*-30.0*	*15.2*	*19.2*	
EBITDA (INR cr) & EBITDA margin (%)					
Consensus	671.8	931.0	1,067.0	1,190.0	15.4
Consensus Margin (%)	*7.8*	*11.5*	*12.5*	*13.7*	
Ventura Estimates	671.8	842.1	1,020.9	1,228.0	16.3
Ventura Margin (%)	*7.8*	*14.0*	*14.7*	*14.8*	
Net Profit (INR cr) & Net margin (%)					
Consensus	463.0	571.0	655.0	727.0	11.9
Consensus Margin (%)	*5.4*	*7.0*	*7.7*	*8.3*	
Ventura Estimates	463.0	550.9	653.1	724.6	11.9
Ventura Margin (%)	*5.4*	*9.1*	*9.4*	*8.7*	
Valuation					
P/E Ratio (X)					
Consensus	26.5	21.5	18.7	16.8	
Ventura Estimates	26.5	22.2	18.8	16.9	

Source: Ventura Research & Bloomberg

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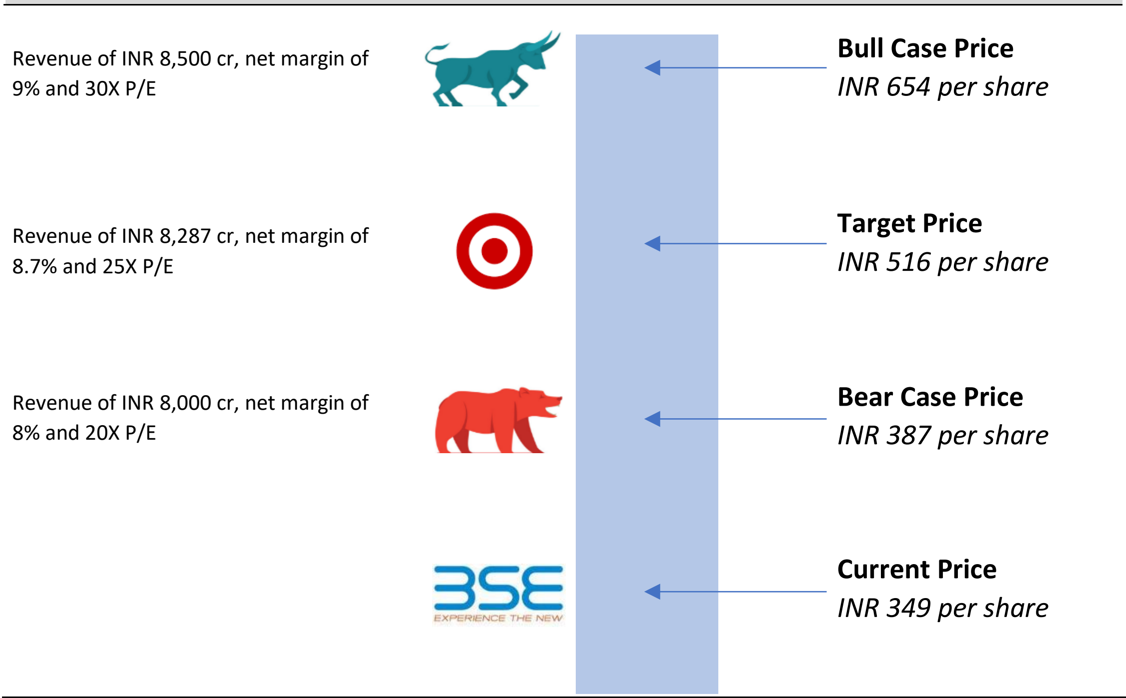
Our Bull and Bear Case Scenarios

We have prepared likely Bull and Bear case scenarios for FY26 price, based on revenue growth, net margins and P/E multiples.

- **Bull Case:** We have assumed revenue of INR 8,500 cr and a net margin of 9.0% at a P/E of 30X, which will result in a Bull Case price target of INR 654 per share (an upside of 87.3% from CMP).
- **Bear Case:** We have assumed revenue of INR 8,000 cr and a net margin of 8.5% at a P/E of 20X, which will result in a Bear Case price target of INR 387 per share (an upside of 11.0% from CMP).

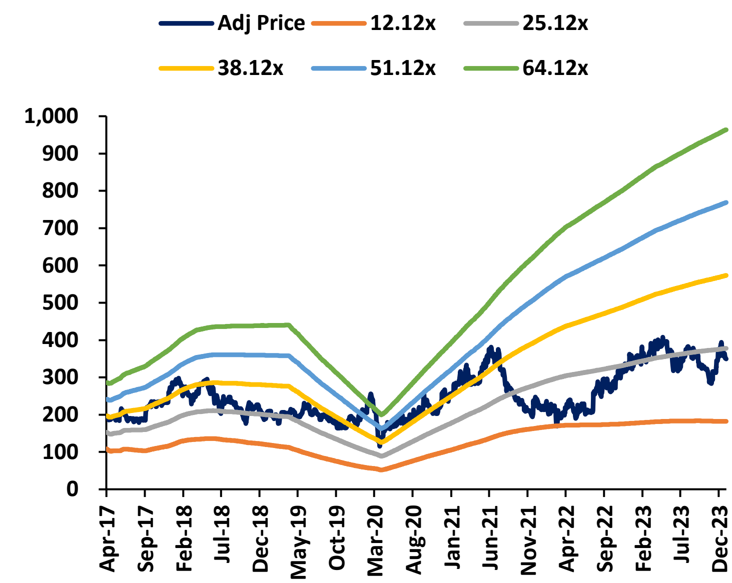
Bull & Bear Case Scenario



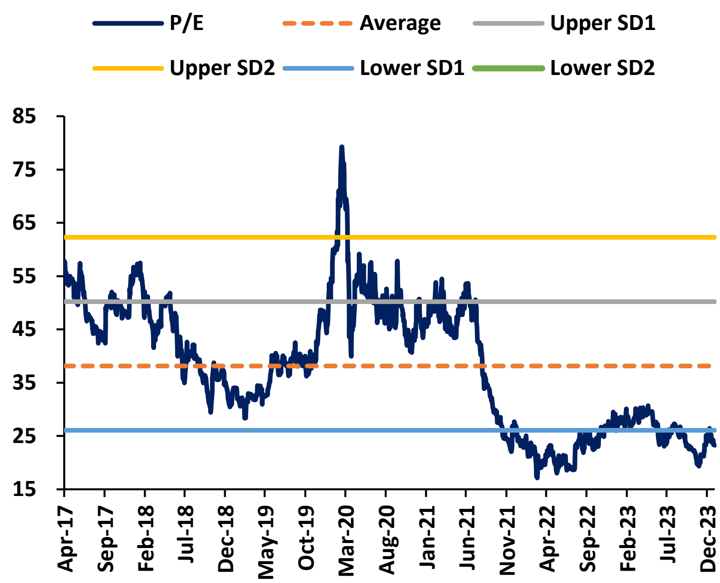
Source: BSE & Ventura Research

Strong growth outlook, improving profitability and healthy balance sheet could sustain valuation

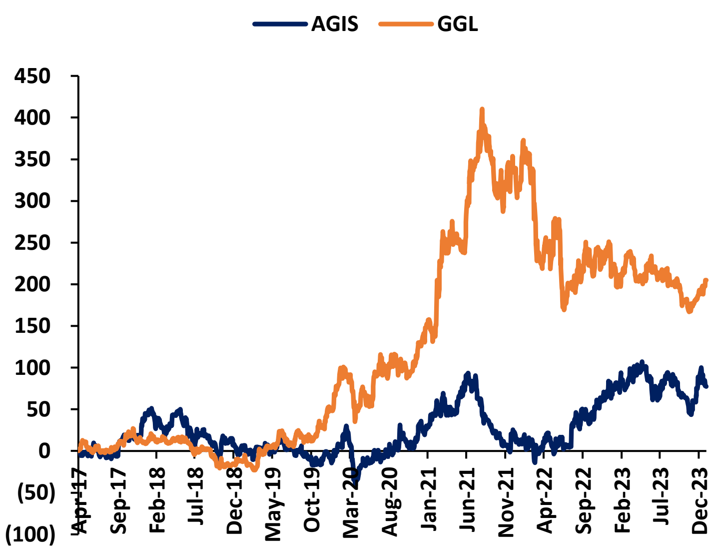
P/E band chart



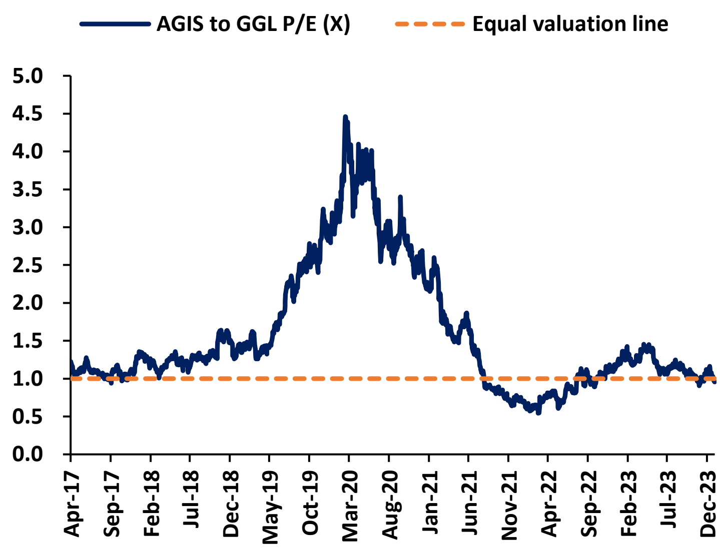
P/E and its standard deviation



Price performance: Gujarat Gas (GGL's) share price has outperformed AEGIS's



Relative value: AEGIS & GGL are at equal valuation, growth prospect of AEGIS are better



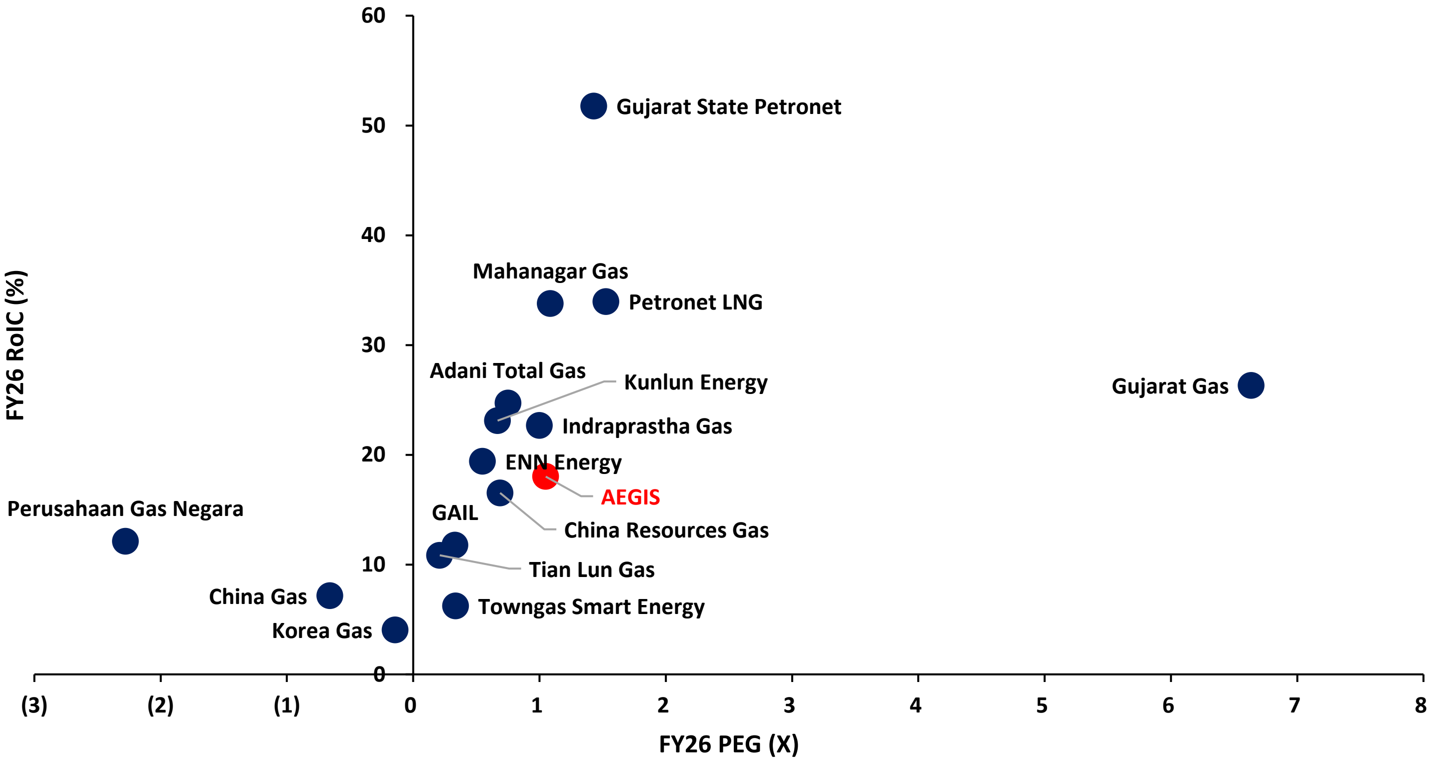
Source: Ventura Research

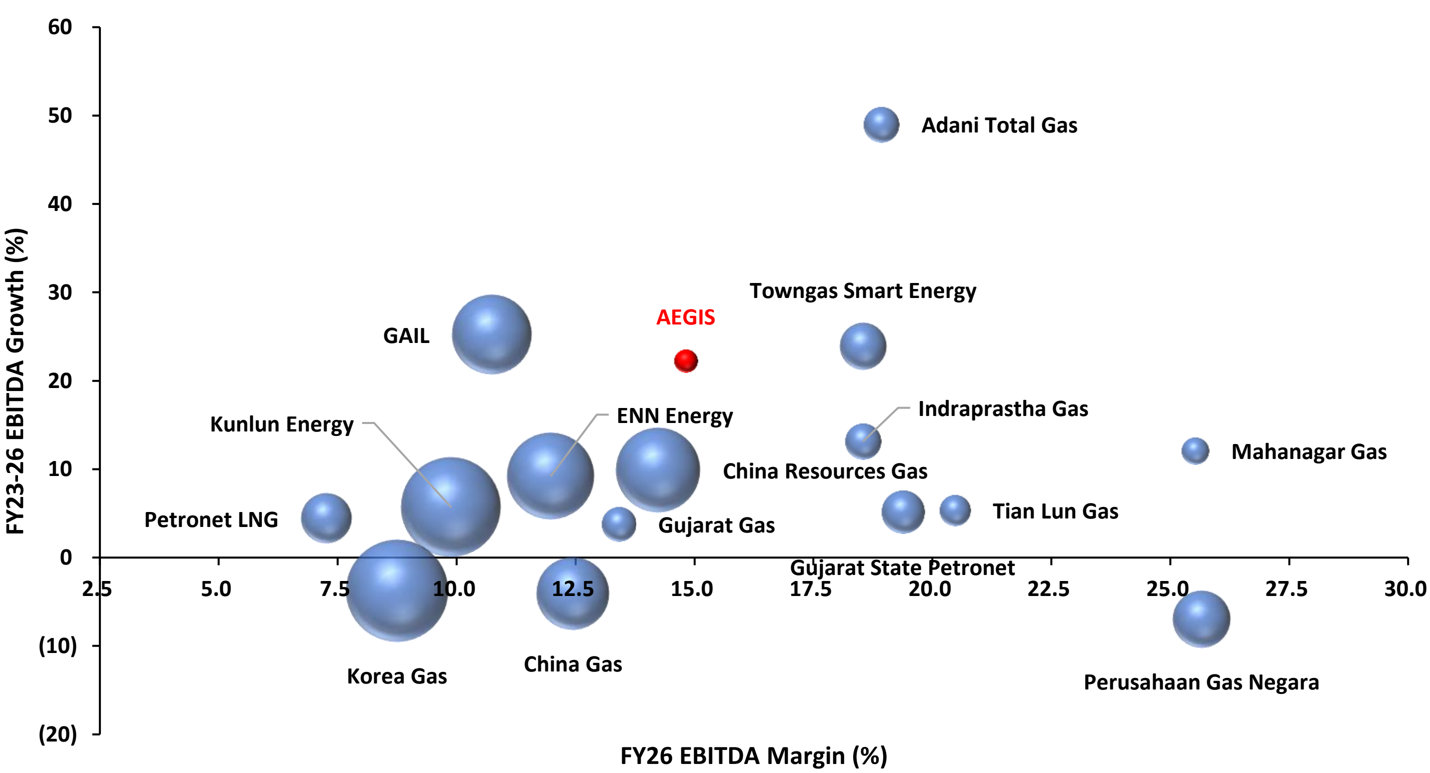
Valuation and comparable metrics of domestic and global companies

Company Name	Mkt Cap	Price	PEG (X)	P/E (X)			P/BV (X)			EV/EBIDTA (X)			RoE (%)			RoIC (%)			Sales			EBITDA Margin (%)			Net Margin (%)		
				2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026
Domestic Peers (fig in INR cr, unless specified)																											
Aegis Logistics Ltd	12,250	349.0	1.0	22.2	18.8	16.9	2.8	2.6	2.4	14.0	12.0	10.3	12.7	13.9	14.2	18.5	17.8	18.0	6,035	6,953	8,287	14.0	14.7	14.8	9.1	9.4	8.7
Gujarat Gas Ltd	35,366	513.8	6.6	29.7	23.5	21.1	4.5	4.0	3.5	17.0	14.0	12.4	15.3	17.0	16.7	21.7	24.7	26.3	16,706	18,309	19,945	12.1	13.3	13.4	7.1	8.2	8.4
Indraprastha Gas Ltd	30,034	429.0	1.0	16.1	14.6	12.8	3.3	2.9	2.6	11.0	9.8	9.2	20.6	19.7	20.1	33.9	30.6	22.7	14,446	15,343	15,943	17.1	17.9	18.5	12.9	13.4	14.7
Mahanagar Gas Ltd	11,820	1,196.6	1.1	10.2	11.5	11.2	2.4	2.1	1.9	6.6	6.4	5.8	23.9	18.7	16.7	34.2	34.6	33.8	6,052	6,034	6,534	28.2	26.5	25.5	19.2	17.1	16.2
Adani Total Gas Ltd	117,289	1,066.5	0.8	175.6	69.6	48.3	32.5	22.2	15.2	126.6	57.1	41.7	18.5	31.8	31.4	18.2	25.0	24.7	6,378	10,774	15,206	14.7	19.4	18.9	10.5	15.6	16.0
GAIL India Ltd	105,925	161.1	0.3	12.2	10.6	9.1	1.5	1.4	1.3	10.3	9.1	8.0	12.4	13.2	13.7	11.6	12.3	11.8	132,965	131,173	136,871	8.8	10.1	10.7	6.5	7.6	8.5
Gujarat State Petronet Ltd	18,492	327.8	1.4	11.1	10.3	9.3	1.7	1.5	1.3	5.9	4.6	2.6	15.6	15.1	13.9	36.3	45.4	51.8	17,396	19,218	22,094	15.1	15.3	19.4	9.5	9.4	9.0
Petronet LNG Ltd	34,560	230.4	1.5	9.8	9.3	8.8	2.1	1.9	1.8	5.6	5.3	5.0	21.2	20.5	19.9	43.5	38.9	34.0	65,866	71,687	80,074	7.7	7.5	7.3	5.4	5.2	4.9
Global Peers (fig in USD mn, unless specified)																											
Kunlun Energy	7,872	0.9	0.7	8.6	8.0	7.4	0.9	0.8	0.8	2.8	2.4	2.1	10.2	10.2	10.2	21.5	22.3	23.1	25,408	26,598	28,247	9.8	9.9	9.9	3.6	3.7	3.8
China Gas	5,415	1.0	(0.7)	9.9	9.5	8.2	0.7	0.7	0.6	9.4	8.7	8.1	7.4	7.2	7.2	6.6	7.1	7.2	11,735	11,305	11,903	10.8	11.9	12.4	4.7	5.0	5.6
China Resources Gas	7,600	3.3	0.7	10.5	9.8	8.8	1.4	1.3	1.2	5.6	5.6	5.0	13.1	13.0	13.5	17.0	15.6	16.5	12,386	13,133	14,025	13.4	13.8	14.2	5.9	5.9	6.2
ENN Energy	8,118	7.2	0.6	7.9	7.3	6.6	1.3	1.2	1.0	5.3	4.9	4.5	16.6	16.0	15.8	19.5	19.4	19.4	15,475	16,596	17,699	11.8	11.7	12.0	6.6	6.7	6.9
Towngas Smart Energy	1,379	0.4	0.3	8.0	7.6	6.6	0.5	0.5	0.4	9.2	8.7	7.4	5.9	6.0	6.7	5.7	5.9	6.2	2,773	3,041	3,291	14.3	15.5	18.5	6.2	6.0	6.4
Tian Lun Gas	520	0.5	0.2	6.1	5.2	4.4	0.6	0.6	0.5	6.4	5.8	5.0	10.2	10.8	11.3	9.2	9.9	10.9	1,113	1,199	1,293	19.2	19.7	20.5	7.7	8.3	9.1
Korea Gas	1,732	18.8	(0.1)	9.5	3.8	3.3	0.2	0.2	0.2	12.7	11.2	10.6	2.3	5.3	5.8	3.1	3.8	4.0	35,197	32,943	33,324	7.6	8.8	8.8	0.5	1.4	1.6
Perusahaan Gas Negara	1,771	0.1	(2.3)	6.6	6.5	5.9	0.6	0.6	0.6	2.6	2.5	2.4	9.9	9.4	10.0	13.6	12.9	12.1	3,391	3,539	3,554	27.4	26.1	25.7	8.0	7.7	8.5

Source: Ventura Research & Bloomberg

Strong revenue growth and margin expansion deserves re-rating in valuation





Source: Ventura Research, ACE Equity & Bloomberg
Bubble size indicates the size of the company's EBITDA

Aegis Logistics Ltd SWOT Analysis in a nutshell

Aegis Logistics Ltd

Growth Drivers

- Rising usage of LPG as a clean fuel in the industrial areas. Its better economics and higher calorific value compared to natural gas makes LPG a preferred fuel.
- Manufacturing activities are rising in India which is enhancing the demand for chemicals, thereby improving the prospects for AEGIS's liquid division.
- INR 5,000 cr capex will significantly enhance the business potential of AEGIS and industry tailwinds ensures strong rampup in the capacity utilization.

Key Challenges

- Recent CGD autions will improve PNG availability, which could be used as a cleaner fuel. But, LPG has economic and operational advantages over PNG.
- Commercial production of green H2 over the next couple of years could restrict LPG growth. However, green H2 pricing is still uncertain.

New Trends

- NGT is likely to issue coal ban orders for other industrial zones in India, which will open significant opportunity for LPG.
- AEGIS is building a 80,000 tonnes of green ammonia storage capacity in Odisha. It will diversify the business from LPG to green ammonia and green H2.

Investment Themes

- Strong industry tailwinds along with capacity enhancement ensures strong business growth.
- Volume based fixed EBITDA in LPG and ~65% EBITDA margins in liquid segment ensures strong cash flow.
- Strong balance sheet and capacity expansion largely through internal accruals ensures higher FCFF generation.

AEGIS's financial analysis and projections

FY15-19: A period of high growth and improvement in profitability

During FY15-19, AEGIS's revenue grew at a CAGR of 9.4% to INR 5,616 cr. This was mainly driven by:

- 9.6% CAGR growth in gas segment revenue to INR 5,433 cr due to weak price realization in LPG segment. Gas volumes grew at a CAGR of 29.6% to 3.87 mn tonnes.
    - Gas logistics & sourcing volumes grew at a CAGR of 29.7% to 3.75 mn tonnes,
    - Gas distribution volumes reported a CAGR growth of 28.6% to 115 kilo tonnes.
- 4.5% CAGR growth in liquid segment revenue to INR 183 cr

During the period, AEGIS's EBITDA grew at a CAGR of 26.6% to INR 369 cr:

- LPG segment EBITDA grew at a CAGR of 38.1% to INR 309 cr driven by EBITDA margins improvement from INR 620 per tonne in FY15 to INR 799 per tonne in FY19. Strong growth in high margin gas distribution revenue improved the segment profitability.
- Liquid segment EBITDA grew at a CAGR of 1.7% to INR 104 cr, while segment EBITDA margins declined by 660bps to 56.9% due to higher opex.

Net profit grew at a CAGR of 21.0% to INR 221 cr, while net margin improved by 130bps to 3.9%.

FY19-21: A period of subdued business performance

During FY19-21, AEGIS's revenue declined at a CAGR of 17.3% to INR 3,843 cr. This was mainly driven by:

- 18.5% CAGR decline in gas segment revenue to INR 3,609 cr due to subdued price realization. Gas volume grew at a CAGR of 0.4% to 3.90 mn tonnes.
    - Gas logistics & sourcing volumes grew at a CAGR of 0.4% to 3.78 mn tonnes,
    - Gas distribution volumes remained flat at 115 kilo tonnes.
- 13.2% CAGR growth in liquid segment revenue to INR 234 cr

During the period, AEGIS's EBITDA grew at a CAGR of 2.5% to INR 388 cr:

- LPG segment EBITDA grew at a CAGR of 8.2% to INR 362 cr driven by EBITDA margins improvement from INR 799 per tonne in FY19 to INR 929 per tonne in FY21. Higher capacity utilization of gas logistics and sourcing business improved the operating profitability.

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- Liquid segment EBITDA grew at a CAGR of 28.8% to INR 173 cr, while segment EBITDA margins declined by 1674bps to 73.6%.

Net profit grew at a CAGR of 0.4% to INR 223 cr, while net margin improved by 187bps to 5.8%.

FY21-23: Sharp business recovery and margin expansion

During FY21-23, AEGIS's revenue grew at a CAGR of 49.8% to INR 8,627 cr. This was mainly driven by:

- 50.8% CAGR growth in gas segment revenue to INR 8,209 cr due to strong LPG realization. Gas volumes grew at a CAGR of 0.5% to 3.94 mn tonnes.
    - Gas logistics & sourcing volumes declined at a CAGR of 4.9% to 3.42 mn tonnes,
    - Gas distribution volumes reported a CAGR growth of 111.6% to 515 kilo tonnes.
- 33.6% CAGR growth in liquid segment revenue to INR 418 cr

During the period, AEGIS's EBITDA grew at a CAGR of 31.6% to INR 672 cr:

- LPG segment EBITDA grew at a CAGR of 21.3% to INR 532 cr driven by EBITDA margins improvement from INR 929 per tonne in FY21 to INR 1,351 per tonne in FY23. Strong growth in high margin gas distribution revenue improved the segment profitability.
- Liquid segment EBITDA grew at a CAGR of 25.4% to INR 271 cr, while segment EBITDA margins declined by 870bps to 64.9% due to high base of FY21.

Net profit grew at a CAGR of 44.0% to INR 463 cr, while net margin declined by 45bps to 5.4%.

H1FY24 performance: Strong business growth and margin expansion

In H1FY24, AEGIS's revenue declined at a YoY rate of 24.0% to INR 3,335 cr, and it was primarily driven by weaker per tonne realizations in the gas business. The gas segment reported a 26.1% YoY decline in revenue to INR 3,103 cr on account of weaker realization. However, gas volume growth remained strong and reported 30.1% YoY increase in gas volumes to 2.23 mn tonnes. Gas logistics & sourcing volumes grew at a YoY rate of 28.1% to 1.94 mn tonnes, while gas distribution volumes grew at a YoY rate of 44.6% to 290 kilo tonnes.

However, the liquid segment reported a strong YoY revenue growth of 23.7% to INR 232 cr due to an increase in the requirement of chemicals and petrochemicals from the manufacturing sector.

EBITDA and net earnings grew at a YoY rate of 59.7% and 23.4% to INR 404 cr and INR 243 cr respectively:

- Gas segment EBITDA grew at a YoY rate of 27.7% to INR 285 cr, while gas EBITDA margin declined marginally from INR 1300 per ton in H1FY23 to INR 1276 per ton in H1FY23.
- Liquid segment EBITDA grew at a YoY rate of 27.0% to INR 158 cr, while the segment EBITDA margins improved by 175bps to 68.0%.

Ventura estimates for FY23-26: Capacity expansion and strong industry tailwinds to drive the business performance

Over the period of FY23-26E, we are expecting AEGIS's revenues to marginally decline at a CAGR of 1.3% to INR 8,287 cr, which is expected to be driven by

- 2.1% CAGR decline in gas segment revenue to INR 7,700 cr on account of weak outlook for LPG prices. However, gas volumes are expected to remain strong. We are expecting gas volumes to grow at a CAGR of 21.1% to 7.0 mn tonnes:
  - Gas logistics & sourcing volumes are expected to grow at a CAGR of 21.2% to 6.1 mn tonnes due to increasing demand for LPG from oil marketing companies.
  - Gas distribution volumes are expected to grow at a CAGR of 20.5% to 900 kilo tonnes due to increasing demand for LPG from industrial and commercial customers.
- 12.0% CAGR growth in liquid segment revenue to INR 587 cr on account of increasing demand for chemicals and petrochemicals in India from manufacturing sector. Various factors such as Make-in-India, Atmanirbhar Bharat and China+1 have improved the manufacturing activities in India, which is enhancing the demand for chemicals in India.

AEGIS's EBITDA is expected to grow at a CAGR of 22.3% to INR 1,228 cr, which will be driven by:

- 20.2% CAGR growth in gas segment EBITDA to INR 925 cr by FY26E and segment's EBITDA margin is expected to remain flat at INR 1,321 per tonne.
- 12.0% CAGR growth in liquid segment EBITDA to INR 382 cr by FY26E and segment's EBITDA margin is expected to remain stable at 65%.

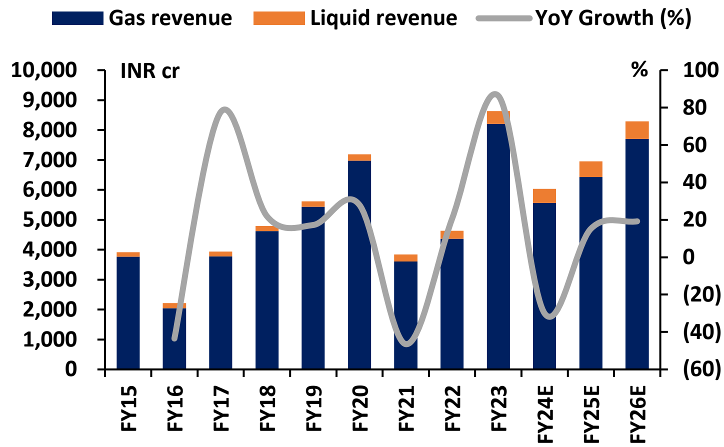
Net earnings are expected to grow at a CAGR of 16.1% to INR725 cr, while net margins are expected to improve by 338bps to 8.7% by FY26E. Strong business volumes along with stable profitability is expected to improve key metrics. As a result, the return ratios – RoE and RoIC – are expected to improve by 267bps to 15.8% and 197bps to 19.9% respectively by FY26E.

AEGIS's Financial Summary

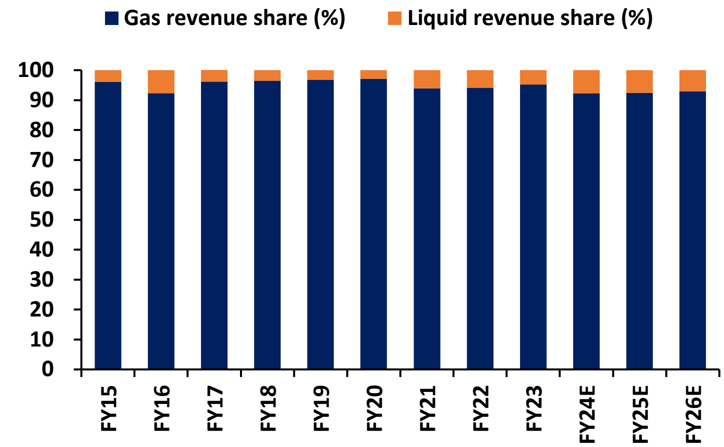
Fig in INR Cr (unless specified)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Gas volume (000 tonnes)	1,370.0	1,536.0	2,450.0	2,998.0	3,868.0	5,050.0	3,898.0	3,576.0	3,938.2	4,691.0	5,840.0	7,000.0	8,160.0	9,320.0	10,480.0	11,640.0
YoY Growth (%)		12.1	59.5	22.4	29.0	30.6	(22.8)	(8.3)	10.1	19.1	24.5	19.9	16.6	14.2	12.4	11.1
Gas logistics & sourcing vol (000 tonnes)	1,328.0	1,486.0	2,390.0	2,921.0	3,753.0	4,886.0	3,783.0	3,416.0	3,423.5	4,081.0	5,090.0	6,100.0	7,110.0	8,120.0	9,130.0	10,140.0
YoY Growth (%)		11.9	60.8	22.2	28.5	30.2	(22.6)	(9.7)	0.2	19.2	24.7	19.8	16.6	14.2	12.4	11.1
Share in gas volume (%)	96.9	96.7	97.6	97.4	97.0	96.8	97.0	95.5	86.9	87.0	87.2	87.1	87.1	87.1	87.1	87.1
Gas distribution vol (000 tonnes)	42.0	50.0	60.0	77.0	115.0	164.0	115.0	160.0	514.7	610.0	750.0	900.0	1,050.0	1,200.0	1,350.0	1,500.0
YoY Growth (%)		19.0	20.0	28.3	49.4	42.6	(29.9)	39.1	221.7	18.5	23.0	20.0	16.7	14.3	12.5	11.1
Share in gas volume (%)	3.1	3.3	2.4	2.6	3.0	3.2	3.0	4.5	13.1	13.0	12.8	12.9	12.9	12.9	12.9	12.9
Gas segment revenue	3,762.6	2,042.6	3,778.9	4,622.7	5,433.0	6,975.7	3,609.2	4,361.0	8,209.3	5,563.2	6,424.0	7,700.0	8,976.0	10,252.0	11,528.0	12,804.0
YoY Growth (%)		(45.7)	85.0	22.3	17.5	28.4	(48.3)	20.8	88.2	(32.2)	15.5	19.9	16.6	14.2	12.4	11.1
Share in total revenue (%)	96.1	92.3	96.1	96.5	96.7	97.1	93.9	94.2	95.2	92.2	92.4	92.9	93.3	93.6	93.8	94.0
Liquid segment revenue	153.4	170.6	153.9	168.3	182.8	207.6	234.3	270.0	418.0	472.2	528.9	587.0	645.7	703.8	760.2	813.4
YoY Growth (%)		11.2	(9.8)	9.4	8.6	13.5	12.9	15.3	54.8	13.0	12.0	11.0	10.0	9.0	8.0	7.0
Share in total revenue (%)	3.9	7.7	3.9	3.5	3.3	2.9	6.1	5.8	4.8	7.8	7.6	7.1	6.7	6.4	6.2	6.0
Revenue from operations	3,916.0	2,213.2	3,930.3	4,791.0	5,615.8	7,183.3	3,843.5	4,631.0	8,627.2	6,035.4	6,952.9	8,287.0	9,621.7	10,955.8	12,288.2	13,617.4
YoY Growth (%)		(43.5)	77.6	21.9	17.2	27.9	(46.5)	20.5	86.3	(30.0)	15.2	19.2	16.1	13.9	12.2	10.8
Raw Material Cost	3,635.2	1,873.9	3,566.9	4,354.5	5,038.0	6,471.9	3,166.3	3,882.0	7,581.3	4,828.3	5,562.3	6,629.6	7,697.4	8,764.7	9,830.5	10,893.9
RM Cost to Sales (%)	92.8	84.7	90.8	90.9	89.7	90.1	82.4	83.8	87.9	80.0	80.0	80.0	80.0	80.0	80.0	80.0
Employee Cost	40.9	46.9	45.8	47.1	51.5	290.0	144.7	66.2	82.5	100.0	100.0	109.9	119.0	127.5	135.4	142.9
Employee Cost to Sales (%)	1.0	2.1	1.2	1.0	0.9	4.0	3.8	1.4	1.0	1.7	1.4	1.3	1.2	1.2	1.1	1.0
Other Expenses	96.4	107.1	114.0	123.4	157.6	144.8	144.8	148.4	291.6	264.9	269.7	319.5	387.3	459.2	529.0	604.1
Other Expenses to Sales (%)	2.5	4.8	2.9	2.6	2.8	2.0	3.8	3.2	3.4	4.4	3.9	3.9	4.0	4.2	4.3	4.4
EBITDA	143.4	185.3	203.5	266.0	368.7	276.6	387.6	534.4	671.8	842.1	1,020.9	1,228.0	1,418.0	1,604.5	1,793.2	1,976.4
EBITDA Margin (%)	3.7	8.4	5.2	5.6	6.6	3.8	10.1	11.5	7.8	14.0	14.7	14.8	14.7	14.6	14.6	14.5
PAT	112.3	126.1	133.0	213.8	252.1	134.0	249.2	384.9	510.7	630.9	745.3	834.5	926.7	1,040.8	1,190.8	1,344.7
PAT Margin (%)	2.9	5.7	3.4	4.5	4.5	1.9	6.5	8.3	5.9	10.5	10.7	10.1	9.6	9.5	9.7	9.9
Net Profit	103.4	113.3	119.2	197.8	221.4	99.6	223.4	357.5	463.0	550.9	653.1	724.6	799.2	895.6	1,027.9	1,164.2
Net Margin (%)	2.6	5.1	3.0	4.1	3.9	1.4	5.8	7.7	5.4	9.1	9.4	8.7	8.3	8.2	8.4	8.5
Adjusted EPS	2.9	3.2	3.4	5.6	6.3	2.8	6.4	10.2	13.2	15.7	18.6	20.6	22.8	25.5	29.3	33.2
P/E (X)	118.5	108.1	102.7	61.9	55.3	123.0	54.8	34.3	26.5	22.2	18.8	16.9	15.3	13.7	11.9	10.5
Adjusted BVPS	12.2	14.4	23.9	34.4	39.6	47.1	55.2	62.1	100.6	109.3	119.5	130.9	143.4	157.4	173.5	191.8
P/BV (X)	28.7	24.3	14.6	10.1	8.8	7.4	6.3	5.6	3.5	3.2	2.9	2.7	2.4	2.2	2.0	1.8
Enterprise Value	12,320.0	12,308.8	12,442.4	12,370.3	12,013.1	12,194.7	12,257.3	12,457.6	11,768.4	11,747.7	12,248.4	12,672.5	13,006.1	12,737.0	12,370.5	11,904.1
EV/EBITDA (X)	85.9	66.4	61.1	46.5	32.6	44.1	31.6	23.3	17.5	14.0	12.0	10.3	9.2	7.9	6.9	6.0
Net Worth	427.4	504.5	837.2	1,207.3	1,391.3	1,654.6	1,936.5	2,179.8	3,532.3	3,835.4	4,194.6	4,593.1	5,032.6	5,525.2	6,090.5	6,730.9
Return on Equity (%)	24.2	22.5	14.2	16.4	15.9	6.0	11.5	16.4	13.1	14.4	15.6	15.8	15.9	16.2	16.9	17.3
Capital Employed	621.6	660.1	1,092.0	1,489.7	1,577.8	1,870.2	2,279.5	2,537.7	4,520.3	5,210.4	5,569.6	6,368.1	7,207.6	7,400.2	7,665.5	7,905.9
Return on Capital Employed (%)	15.3	20.3	12.9	14.8	16.8	7.2	10.3	14.6	9.6	10.8	12.1	12.5	12.6	13.8	15.0	16.1
Invested Capital	497.5	563.4	1,029.7	1,327.7	1,154.4	1,599.4	1,943.9	2,387.5	3,050.8	3,333.2	4,193.1	5,015.7	5,788.8	6,012.3	6,211.1	6,385.0
Return on Invested Capital (%)	24.2	28.7	17.5	17.5	27.6	13.0	16.3	19.1	17.9	21.3	20.0	19.9	19.6	21.2	23.1	25.0
Cash Flow from Operations	122.3	138.4	177.0	191.5	556.3	146.3	441.6	280.1	358.4	894.4	889.4	1,012.3	1,164.3	1,313.8	1,449.9	1,586.6
Cash Flow from Investing	14.8	(63.9)	(220.1)	(296.2)	(154.7)	(151.4)	(428.0)	(179.1)	(931.0)	(110.5)	(1,031.1)	(1,045.2)	(1,045.2)	(545.2)	(545.1)	(545.0)
Cash Flow from Financing	(76.6)	(83.1)	46.7	184.2	(143.1)	(125.8)	60.8	(303.6)	1,310.9	56.5	(390.1)	(36.3)	(97.9)	(844.8)	(883.3)	(1,020.1)
Net Cash Flow	60.5	(8.5)	3.6	79.5	258.5	(130.9)	74.4	(202.6)	738.3	840.3	(531.8)	(69.2)	21.2	(76.1)	21.5	21.4
Free Cash Flow	91.1	61.4	(33.1)	(93.2)	424.0	(3.1)	95.7	(95.4)	(109.6)	(40.2)	(33.6)	100.5	274.9	927.2	1,046.5	1,163.6
FCF to Revenue (%)	2.3	2.8	(0.8)	(1.9)	7.6	(0.0)	2.5	(2.1)	(1.3)	(0.7)	(0.5)	1.2	2.9	8.5	8.5	8.5
FCF to EBITDA (%)	63.5	33.1	(16.3)	(35.0)	115.0	(1.1)	24.7	(17.8)	(16.3)	(4.8)	(3.3)	8.2	19.4	57.8	58.4	58.9
FCF to Net Profit (%)	88.1	54.2	(27.8)	(47.1)	191.5	(3.1)	42.8	(26.7)	(23.7)	(7.3)	(5.1)	13.9	34.4	103.5	101.8	99.9
FCF to Net Worth (%)	21.3	12.2	(4.0)	(7.7)	30.5	(0.2)	4.9	(4.4)	(3.1)	(1.0)	(0.8)	2.2	5.5	16.8	17.2	17.3
Total Debt	194	156	255	282	187	216	343	358	988	1,375	1,375	1,775	2,175	1,875	1,575	1,175
Net Debt	70	59	193	120	(237)	(55)	7	208	(482)	(502)	(1)	423	756	487	121	(346)
Net Debt to Equity (X)	0.2	0.1	0.2	0.1	(0.2)	(0.0)	0.0	0.1	(0.1)	(0.1)	(0.0)	0.1	0.2	0.1	0.0	(0.1)
Net Debt to EBITDA (X)	0.5	0.3	0.9	0.5	(0.6)	(0.2)	0.0	0.4	(0.7)	(0.6)	(0.0)	0.3	0.5	0.3	0.1	(0.2)
Interest Coverage Ratio (X)	5.9	9.2	11.0	15.2	12.1	6.3	18.3	20.9	6.2	8.6	8.7	9.0	8.2	9.0	11.9	16.6
Fundamental scores																
Altman Z Score	5.0	3.8	2.7	3.3	3.3	3.1	2.4	2.0	2.8	3.6	3.7	3.4	3.2	3.4	3.6	3.8
Piotroski F-score		7.0	3.0	5.0	8.0	5.0	6.0	3.0	5.0	6.0	5.0	4.0	4.0	6.0	6.0	6.0
Beneish M-score		(2.9)	1.2	(2.0)	(3.2)	(1.4)	(3.7)	2.9	(1.8)	(2.9)	(2.1)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)

Source: ACE Equity, Company Reports & Ventura Research

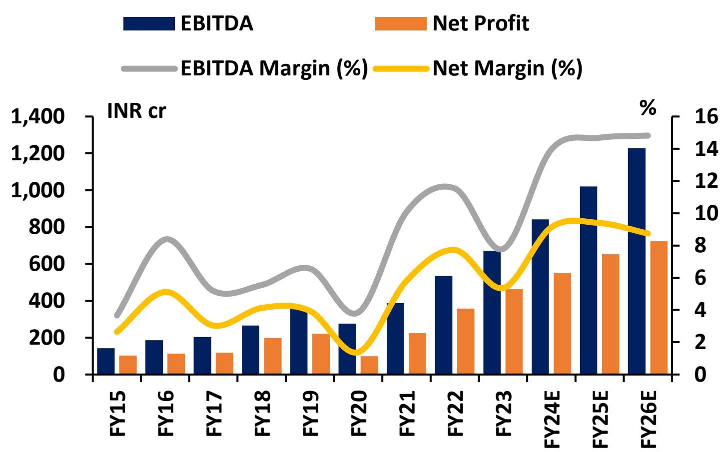
Revenues are expected to remain volatile due to price fluctuations in LPG business



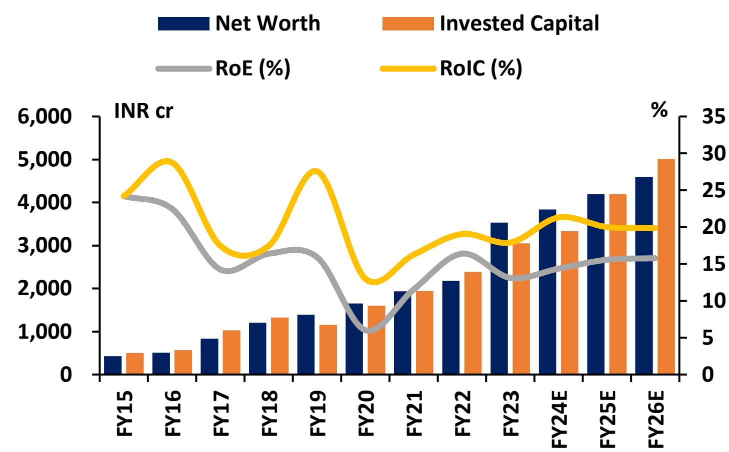
Revenue mix: Gas segment to sustain its dominance in revenue



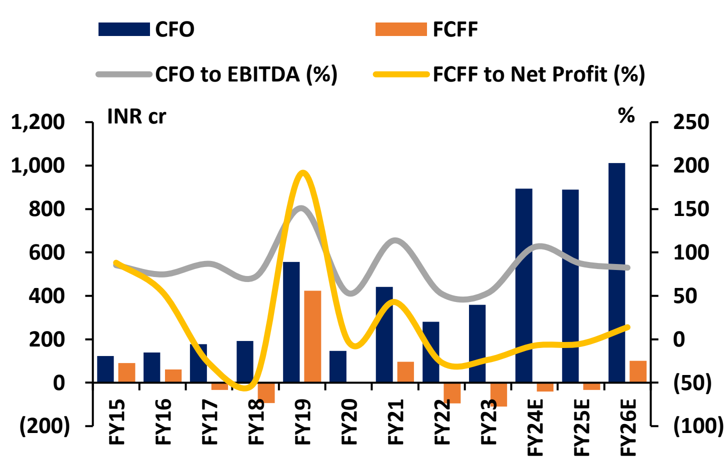
Profits could improve due to fixed EBITDA margins in LPG & liquid, which negates price risk



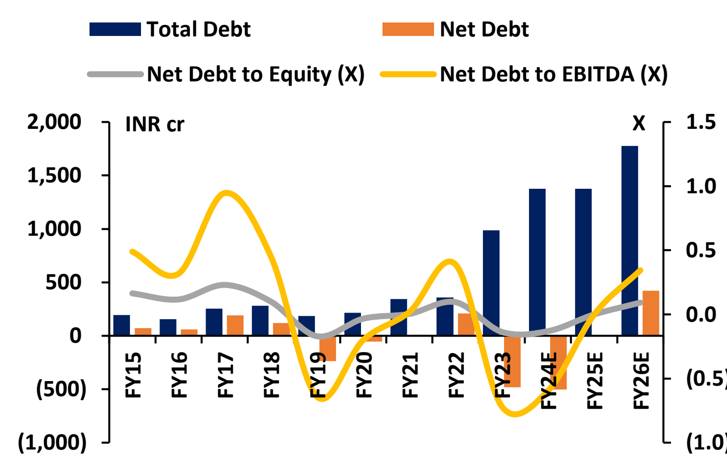
Strong profitability and healthy balance sheet ensures strong return ratios



Strong business growth and stable profitability ensures strong cash flow generation



Debt could increase to fund the ongoing capex. However, debt to EBITDA will remain stable



Source: ACE Equity, Company Reports & Ventura Research

Understanding AEGIS's business and growth opportunities

AEGIS is an integrated logistics services company, providing import, export, storage, and logistics services for chemicals and energy products.

- **Gas storage, logistics and retailing:** The company has a presence across the entire value chain starting from sourcing, terminalling, to distributing LPG to industrial and commercial clients. The total LPG static capacity is 1,15,000 MT with annual throughput of 96,00,000 MT. The company has 5 gas terminals (4 operational and 1 under construction) across Indian coastline.

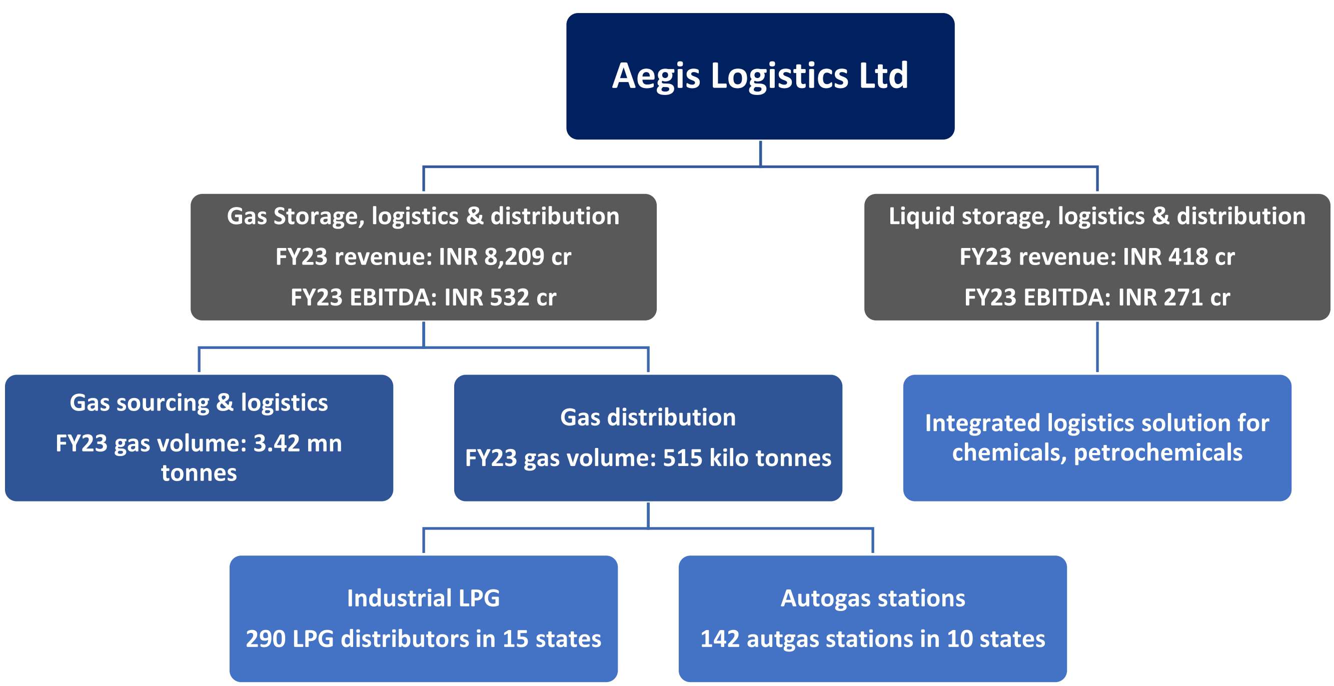
  Moreover, the company operates 142 Autogas stations in 10 states and has a network of 290 LPG distributors across 140 cities in 15 states. Aegis also operates 37 LPG bottling plants through their supply to both commercial and domestic LPG markets.

  LPG sourcing remains a major contributor of revenues, and the profit margins are fixed - INR 1,000 per tonne on logistics & sourcing and INR 3,500 per tonne on distribution and retailing.

- **Liquid logistics:** AEGIS provides import, export, logistics, and storage services for all types of liquid chemicals, petroleum products, and vegetable oils. The company has terminals in six ports (Mumbai, Kandla, Pipavav, Mangalore, Haldia, Kochi) with total operational capacity of 1,603,000 KL. The company has also started construction of a 110,000 KL liquids terminal at JNPT port, expected to be commissioned in FY25.

This integrated infrastructure makes AEGIS a strategic logistics partner for Indian oil & gas and chemical companies.

AEGIS's business structure



Source: Company Reports & Ventura Research

Necklace of terminals across coastal line of India

Gas terminal capacities and expansion plans

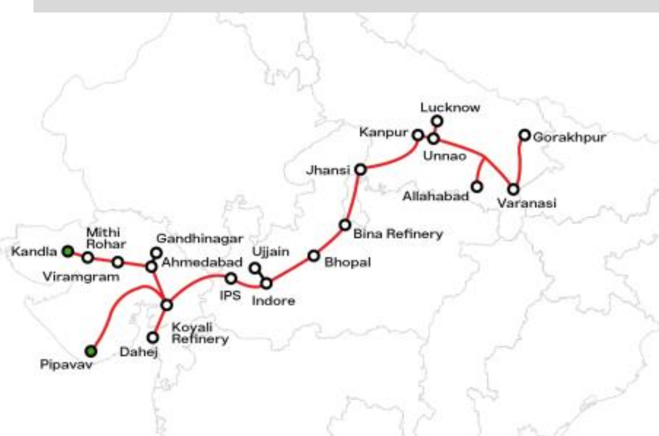
AEGIS owns and operates a network of gas terminals across the coastal line of India, which allows it to seamlessly import gas from Middle East and Africa. The consolidated static capacity is 1,15,000 tonnes, which has an annual through capacity of 9.6 mn tonnes. The company is incurring a capex of ~INR 3,500 cr to expand the static and throughput capacities to 2,46,000 tonnes and 20.55 mn tonnes over the next 3-5 years.

AEGIS's gas terminals and capacities

	Static Capacity (MTPA)			Throughput Capacity (MTPA)			
AGIS's Gas Terminals	Current capacity	Ongoing expansion	New capacity	Current capacity	Ongoing expansion	New capacity	Completion year
Kandla	48,000		48,000	4,000,000		4,000,000	
Pipavav	21,000	51,000	72,000	1,750,000	4,250,000	6,000,000	FY25
Mumbai	21,000		21,000	1,750,000		1,750,000	
Haldia	25,000		25,000	2,100,000		2,100,000	
Mangalore		80,000	80,000	0	6,700,000	6,700,000	FY27
TOTAL	115,000	131,000	246,000	9,600,000	10,950,000	20,550,000	

Kandla Gorakhpur LPG pipeline: Game changer for AEGIS's Kandla and Pipavav Ports

The 2,805 km long Kandla-Gorakhpur LPG pipeline project, Longest LPG pipeline in the world conceived so far, [Gujarat - 1,076 km, MP - 621 km, UP - 1,108 km] is being implemented through a JV of IOCL, BPCL and HPCL. The pipeline is under construction and expected to be completed in H2CY2024. Once completed, the pipeline will significantly enhance the throughput from AEGIS's Kandla and Pipavav terminals.



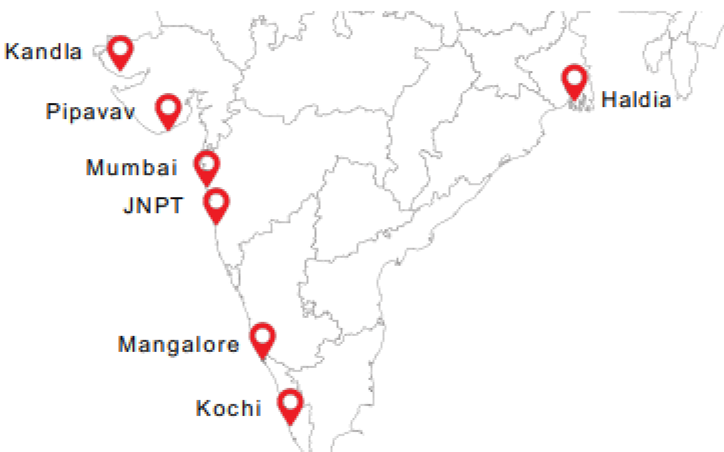
Source: Company Reports & Ventura Research

Liquid terminal capacities and expansion plans

The company also import/export chemicals and petrochemicals and has an infrastructure of terminals across Indian coastline. The company is incurring a capex of ~INR 1,500 cr to expand the static and throughput capacities to 839 mn liters and 1,536 mn liters over the next 3-5 years.

AEGIS's liquid terminals and capacities

	Static Capacity (KL)			Throughput Capacity (KLPA)			
AEGIS's Gas Terminals	Current capacity	Ongoing expansion	New capacity	Current capacity	Ongoing expansion	New capacity	Completion year
Kandla	140,000	550,000	690,000	11,666,200	45,831,500	57,497,700	FY28
Pipavav	120,000		120,000	9,999,600		9,999,600	
Mumbai	275,000		275,000	22,915,750		22,915,750	
Haldia	177,000	12,000	189,000	14,749,410	999,960	15,749,370	FY28
Mangalore	75,800	25,000	100,800	6,316,414	2,083,250	8,399,664	FY27
Kochi	51,000		51,000	4,249,830		4,249,830	
JNPT		110,000	110,000		9,166,300	9,166,300	FY28
TOTAL	838,800	697,000	1,535,800	69,897,204	58,081,010	127,978,214	



AEGIS has terminals at all the strategic ports

Export and import of chemicals and oil products is improving at Indian ports due growing manufacturing activities and merchandise trades in India.

AEGIS has terminals and liquid storage capacities at most of the strategic ports and the ongoing expansion in chemical and oil products merchandise is enhancing business prospects of the company.

Source: Company Reports & Ventura Research

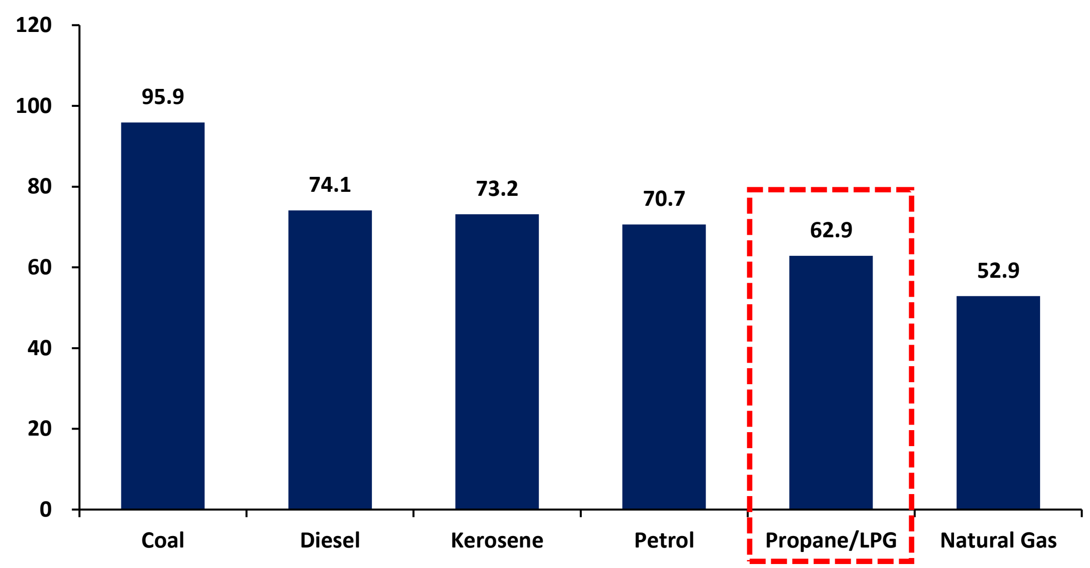
Additionally, AEGIS is advancing its capabilities by constructing a tank and terminal in Odisha, boasting an impressive 80,000-tonne capacity for green ammonia storage. This strategic move marks the company's foray into the burgeoning green hydrogen/ammonia sector. This diversification could significantly bolster the company's growth potential, especially given India's concerted efforts to transition from coal and diesel to green hydrogen in the forthcoming years.

Key growth drivers

Growing usage of LPG as a cleaner fuel over coal & diesel in the manufacturing sector provides multi-year growth visibility

Unlike coal and diesel which emit 211.5 and 163.5 pounds of CO_2, respectively, per mmbtu upon combustion, LPG emits only 138.6 pounds of CO_2 per mmbtu, making it a much cleaner fuel for industrial applications.

CO_2 emission in kg per MMBtu



Source: CMIE & Ventura Research

Following the stringent directives from the National Green Tribunal (NGT) in Gujarat and Delhi/NCR to prohibit the use of coal and diesel in industrial and commercial sectors, there has been a notable surge in the demand for LPG. This trend is likely to continue as similar measures are anticipated in other industrial regions across India, further boosting LPG demand.

This action will considerably increase the proportion of gas in India's overall energy mix. At present, gas accounts for 6.3% of India's total energy composition, a figure that is substantially lower compared to 8.7% in China, 12.1% in the Asia Pacific region, and 24.4% on a global scale.

Global energy mix and India's position

Particulars	Oil	Gas	Coal	Nuclear	Hydro	RE
World	31.0	24.4	26.9	4.3	6.7	6.7
Asia Pacific	26.0	12.1	46.9	2.4	6.4	6.2
China	19.4	8.7	54.7	2.3	7.8	7.1
India	26.6	6.3	56.7	1.1	4.3	5.0

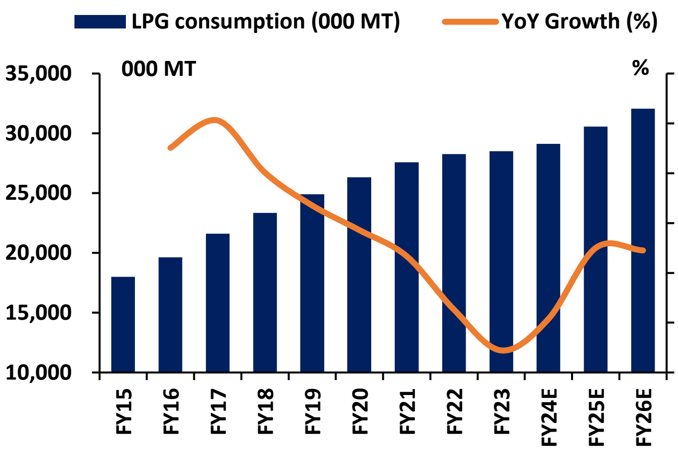
Source: Industry Reports

A substantial portion of India's LPG requirements is fulfilled through imports, as the country experiences a widening disparity between LPG production and consumption. AEGIS, with its extensive network of terminals situated at key ports along the Indian coastline, plays a crucial role in meeting these import needs.

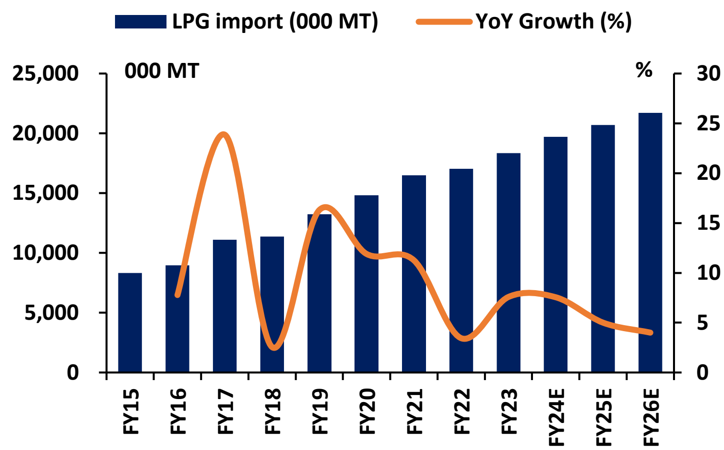
Presently, AEGIS holds a market share of over 25% in India's LPG import sector and it is likely to improve in the coming years due to AEGIS's expansion plans, strong B2B relations with PSU gas marketing companies and increasing demand for LPG from industrial sector.

India's LPG production & import and AEGIS's contribution in LPG

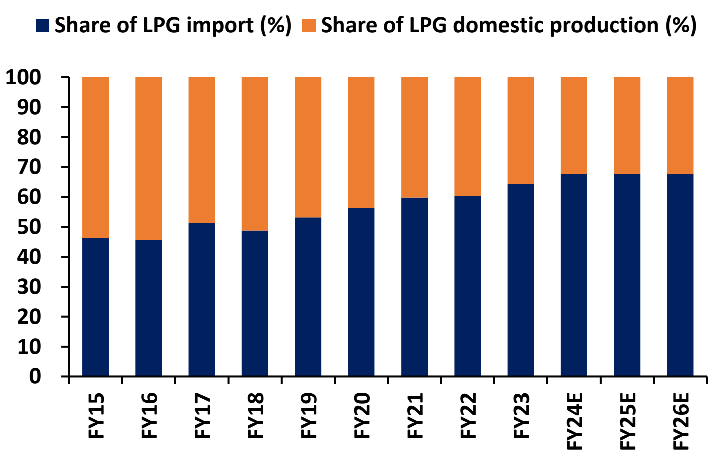
India's LPG consumption has sharply recovered in FY24 due to industrial demand



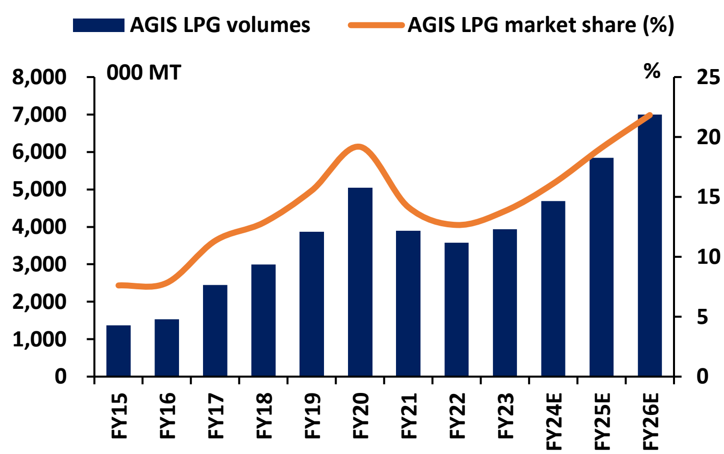
Rising gap between production and consumption has increased LPG import volume



Share of LPG import in the total consumption has been on rise in India



AEGIS's market share is recovering after a sharp fall during the COVID period



Source: Company Reports & Ventura Research

During FY23-26E, we are expecting a strong volume growth of 21.1% in AEGIS gas volumes to 7.0 mn tonnes and the company's market share is expected to improve to ~22% by FY26E.

LPG commands better economics and higher calorific value than natural gas in the industrial segment

The Kelkar Committee report states that domestically produced natural gas is mainly used for PNG in homes and CNG in vehicles, whereas industrial sectors mostly rely on imported LNG, which costs INR 45.6 per scm. This price is higher than that of propane LPG, which is INR 42.2 per scm.

Additionally, natural gas offers a heat content of 10,000 Kcal/scm, compared to propane's 12,467 Kcal/scm. Due to its higher calorific value and energy density, propane requires a smaller quantity to produce the same amount of heat/energy. As a result, the cost of propane is INR 3.38 per mn calories, whereas NG is INR 4.56 per mn calories, indicating that propane is a more economical and feasible option.

Propane vs Natural Gas analysis

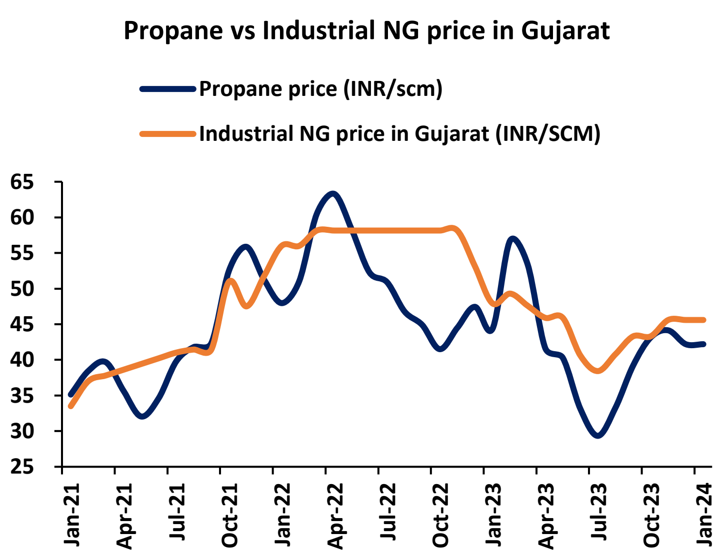
Particulars	Propane	Natural Gas
Price (INR per scm)	42.2	45.6
Energy (Kcal per scm)	12,467	10,000
Price per mn calories (INR)	3.4	4.6
CO2 emmission (kg per mmbtu)	62.9	52.9

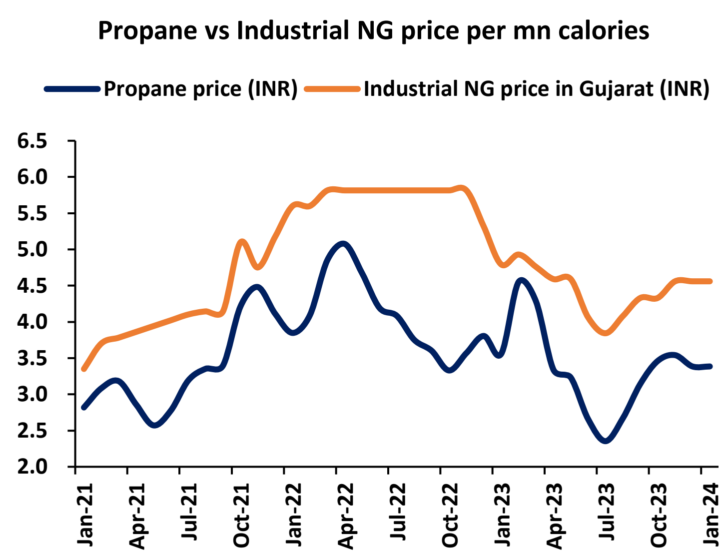
Carbon emissions of Propane and Natural Gas are significantly lower than that of Coal (95.9 kg per mmbtu) and Diesel (74.1 kg per mmbtu).

Source: EIA & Ventura Research

Over the past three years – CY21-23 - Propane, despite its price fluctuations, has proven to be a cost-efficient choice for industrial purposes compared to NG.

Propane, despite its price fluctuations, has proven to be a cost-effective for industrial purposes





Source: Company Reports & Ventura Research

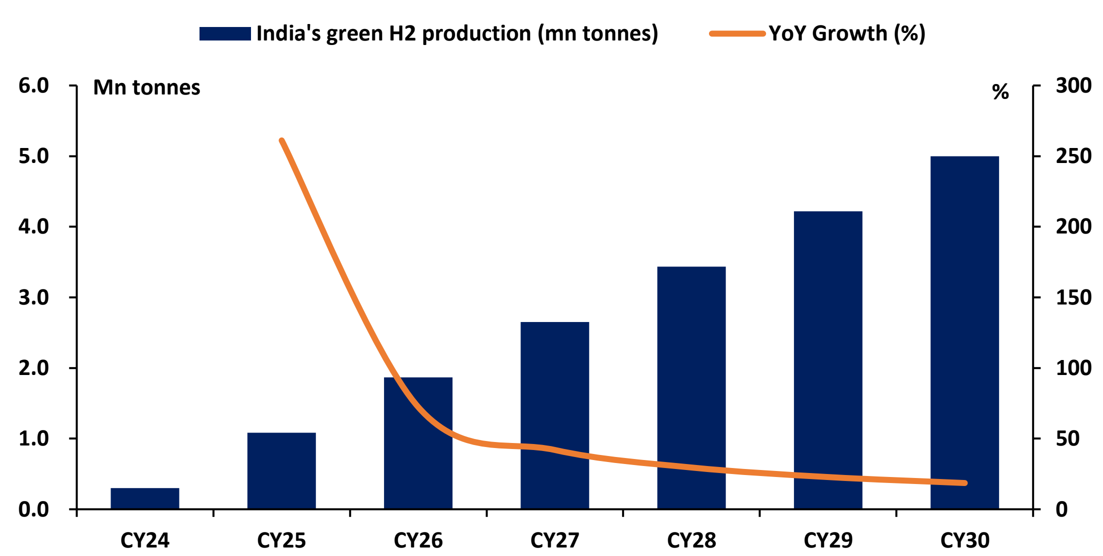
AEGIS has a JV with Itochu Corporation, a Japanese MNC, for LPG gas sourcing where Itochu helps AEGIS source LPG at a cheaper price, which makes AEGIS's propane LPG rates more competitive in the domestic industrial gas market and provides an edge over its peers.

New storage facilities for green ammonia will diversify business and provide strong growth visibility

AEGIS has formed a JV - Aegis Vopak Terminals Ltd (AVTL) - with Royal Vopak NV, a Dutch multinational specializing in storing and managing a variety of products like chemicals, oil, gases, biofuels, and vegoils. AEGIS holds a 51% stake while Vopaj has the remaining 49% stake in AVTL. This JV manages 11 terminals across five key Indian ports on the east and west coasts. With a total capacity of about 960,000 cubic meters, AVTL is emerging as a major player in India's independent tank storage sector for LPG and chemicals. The next stage of its expansion includes developing a facility in Odisha for storing 80,000 tonnes of green ammonia, with an investment of INR 1,000 cr. This initiative aligns with India's National Green Hydrogen Mission (NGHM), which has allocated INR 19,744 cr (USD 2.4 bn) to achieve a production target of 5 mn tonnes of green hydrogen annually by 2030.

Green ammonia, a derivative of green hydrogen, will also be produced under NGHM and it will be especially relevant for the fertilizer industry. Currently, Indian fertilizer companies primarily derive ammonia from imported LNG, leading to higher production costs. Over the past three years, the government's subsidy for the fertilizer sector has been significant, reaching INR 1.3 trillion in FY23, INR 1.4 trillion in FY22, and INR 1.1 trillion in FY21.

India is targeting 5 mn tonnes of annual green H2 production by 2030



Source: CMIE & Ventura Research

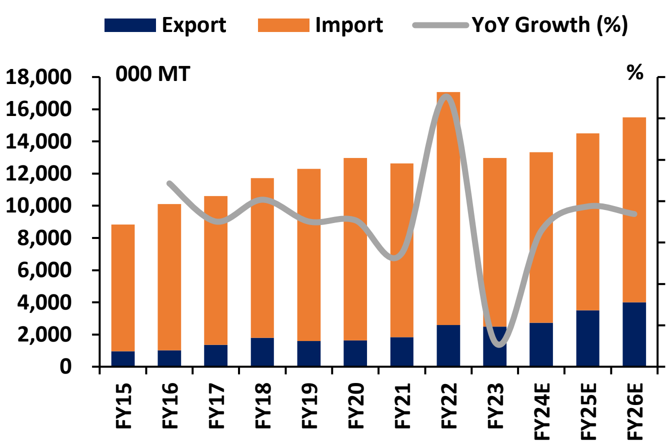
With the anticipated growth in fertilizer demand in India, the need for ammonia is also set to rise. The government's strategy to shift from imported LNG to a cleaner and domestically produced feedstocks is expected to increase the demand for green ammonia and its related transportation/storage infrastructure. AVTL's upcoming green ammonia storage facility is poised to be a key strategic asset, potentially benefiting from the NGHM.

Rising trade of chemicals and petrochemicals is expected to benefit AEGIS's liquid segment

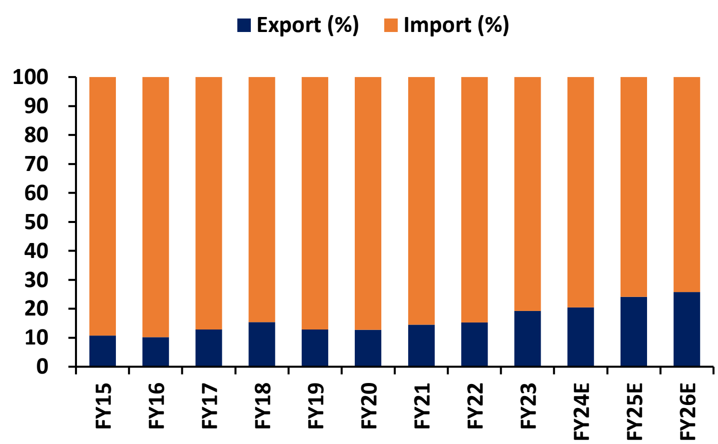
The consumption of chemicals in India is expected to rise by 9-10% annually over the next few years. This growth is largely attributed to the diversification of the global supply chain, with MNCs relocating their manufacturing bases from China to India. This shift is boosting the demand for essential chemicals used in manufacturing various end products. There will be an increase in the production and importation of bulk chemicals, alongside a surge in the export of specialty chemicals. With its necklace of terminals across Indian coastline AEGIS is likely to benefit from the increase in chemical merchandize trade in India.

Chemicals merchandize trade in India is growing

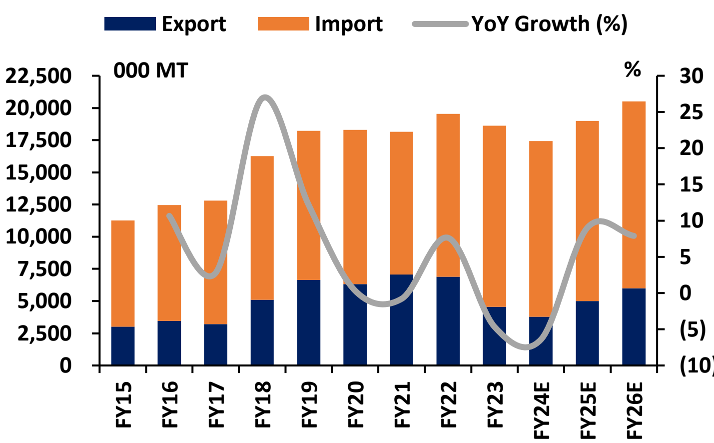
Inorganic chemical merchandize trade in India (000 tonnes)



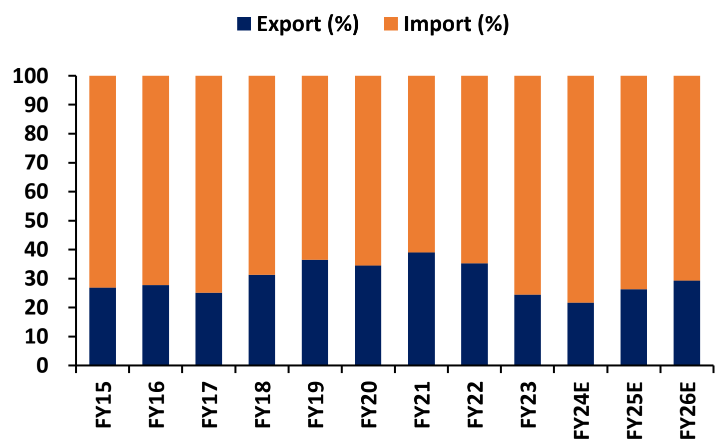
Export & import share of inorganic chemical merchandize trade in India



Organic chemical merchandize trade in India (000 tonnes)



Export & import share of organic chemical merchandize trade in India

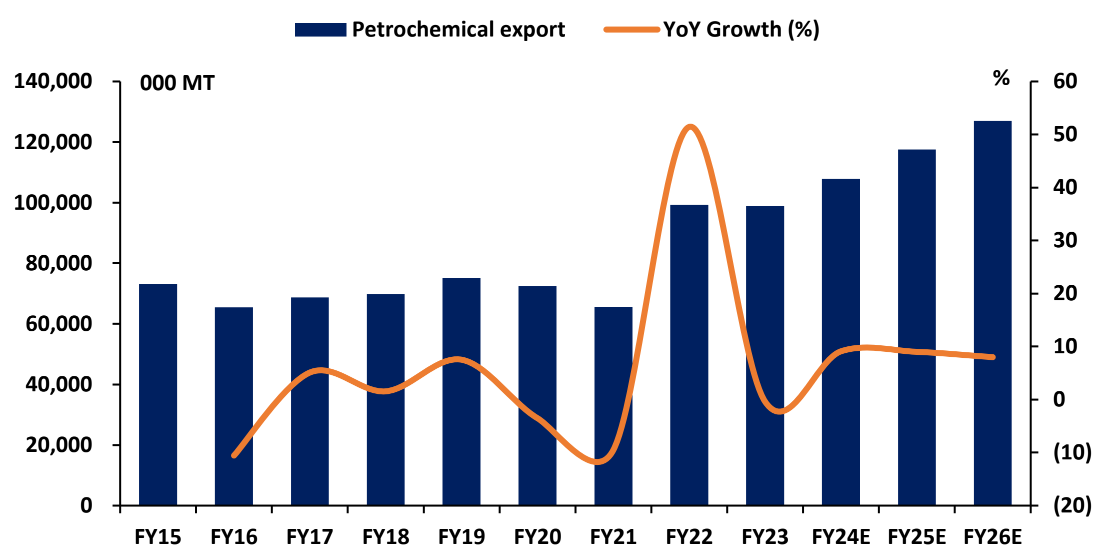


Source: Company Reports & Ventura Research

To reduce the dependency on cheap Chinese imports and to improve in-house sourcing of APIs, the government has given its approval for three API parks, one each to Himachal Pradesh, Gujarat and Andhra Pradesh in Sept 2022 with a financial outlay of INR 3,000 cr notified in 2020. It provides financial assistance to these states for establishing bulk drug parks and aims to bring down the cost of manufacturing bulk drugs by creating common infrastructure facilities and thereby increasing the competitiveness of the domestic API industry.

Additionally, India is experiencing a growth in the export of petrochemicals and refined crude oil derivatives. Unlike global refiners who are either not investing in new capacities or are closing down older ones, India is expanding its capacities to meet both the incremental and existing demand. This expansion is leading to a rise in petrochemical exports from India.

Petrochemicals export from India has been on the rise



Source: CMIE & Ventura Research

The growing trade in chemicals and petrochemicals is enhancing the volumes and service income from the liquid segment for companies, resulting in a robust EBITDA margin of approximately 65%.

Integrated logistics and necklace of terminals across Indian coastline making AEGIS a preferred partner to oil, gas and petrochemical companies

AEGIS is an integrated logistics services company, providing import, export, storage, and logistics services for chemicals and energy products. This integrated infrastructure makes AEGIS a strategic logistics partner for Indian oil & gas and chemical companies.

The company has a strong client base, which mainly includes Shell, Reliance, IOCL, HPCL, BPCL, ONGC, HUL, Bombay Dyeing, etc. The company has pipeline connectivity with its major customers like IOCL, HPCL and BPCL which has helped the company in the distribution of LPG.

Petrochemicals export from India has been on rise

IndianOil | HP | Bharat Petroleum | PIAGGIO | thyssenkrupp | Shell | Reliance Industries Limited | TOTAL | Godrej Consumer Products | Jupiter Dyechem | Jindal Steel & Power | SPL | vinmar | Nayara Energy | Hindustan Unilever Limited | SHV | Phillips Carbon Black Limited

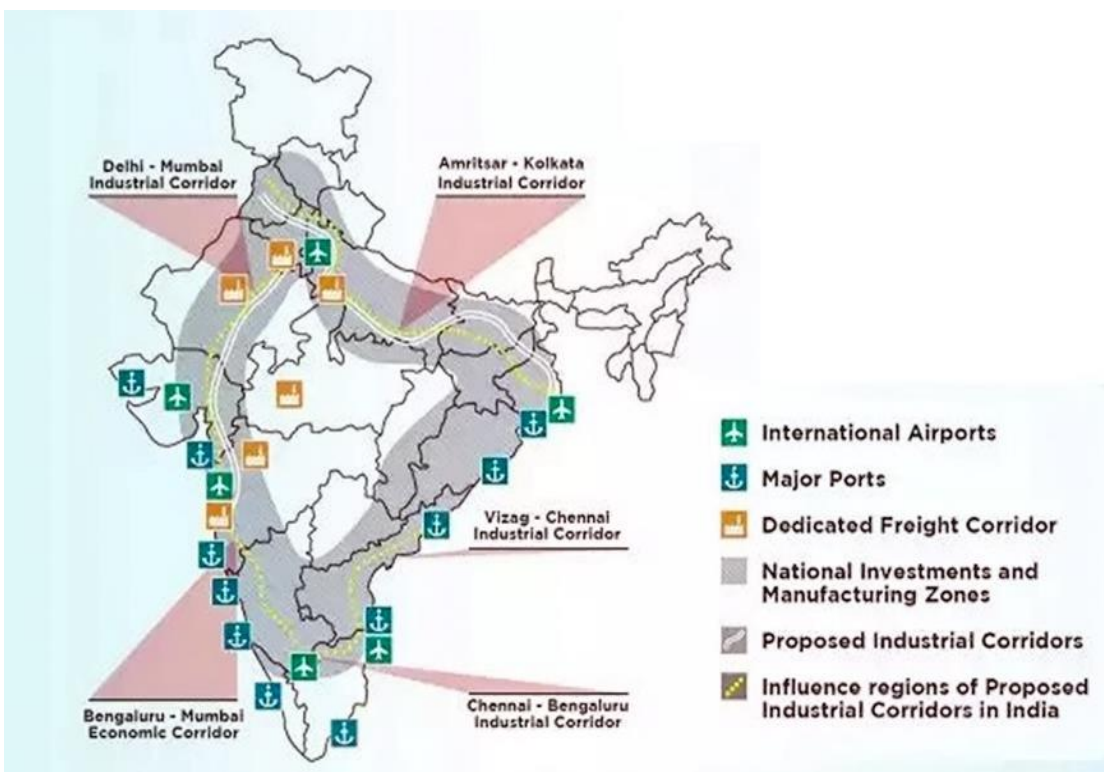
Source: CMIE & Ventura Research

New industrial corridors will accelerate the demand for green hydrogen/ammonia and chemicals

The Indian government has approved the development of eleven Industrial Corridors with 32 Projects to be developed in four phases in the country as part of the National Industrial Corridor Programme (NICP) which is under various stages of conceptualization/ development / implementation.

These industrial corridors are aimed at the development of futuristic industrial cities in India which can compete with the best manufacturing and investment destinations in the world.

Existing and upcoming industrial corridors in India



Source: Ministry of Commerce & Industry & Ventura Research

These new industrial corridors will accelerate the demand for green LPG/propane, hydrogen/ammonia, chemicals, which will in turn create a greater demand for efficient infrastructure for their procurement, storage, and transportation. AEGIS, as a leading entity in the procurement, storage, and logistics of LPG/propane, hydrogen/ammonia, and chemicals, stands to gain significantly from this emerging opportunity.

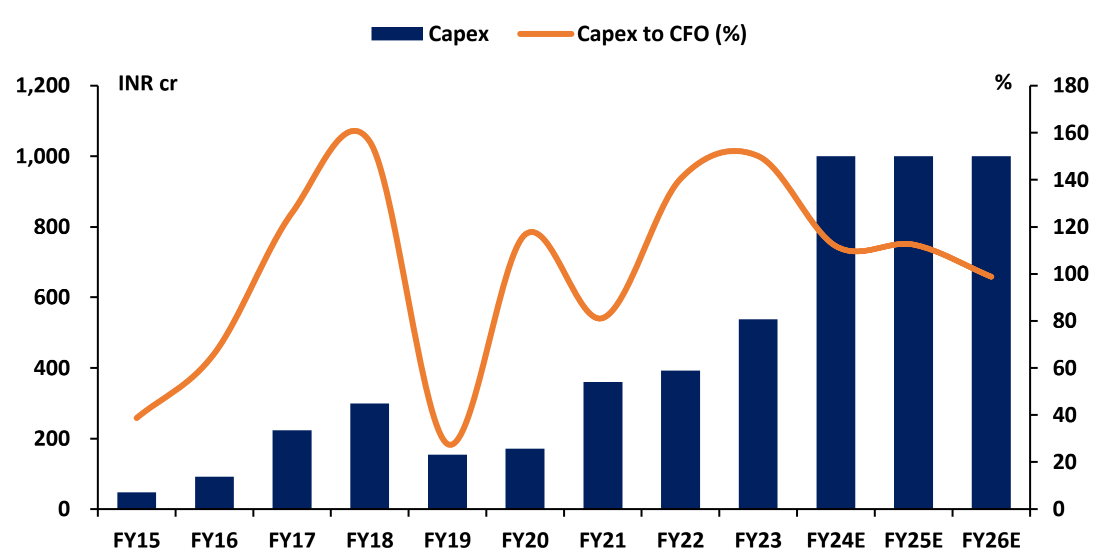
Ongoing capex and industry tailwinds ensures strong business growth prospects

AEGIS has initiated an investment strategy, allocating INR 4500-5000 crore for the fiscal years 2022 to 2027. This plan is aimed at expanding its capacities, enabling the company to capitalize on forthcoming growth prospects in both the LPG and liquid segments:

- Increase in LPG static capacity of 131,000 MT and increase in liquids capacity of 170,000 KL in Pipavav, Mangalore and Haldia ports.
- Construction of a new LPG terminal at Mangalore has started which will be India's largest cryogenic LPG terminal with a capacity of 80,000 metric tons.
- Started construction of a 110,000 KL liquids terminal at JNPT port, expected to be commissioned in mid-2024.
- An additional capacity of 3,000 metric tons of spheres at Pipavav is expected to be commissioned in mid FY24. Construction of a new cryogenic LPG terminal at Pipavav with a capacity of 48,000 metric tons is underway.
- Expansion at Kochi of 50,000 kl will be commissioned by next year.

~75% of the capex will be towards gas division while the rest ~25% will be for the liquid division of the company

AEGIS capex plan for business expansion



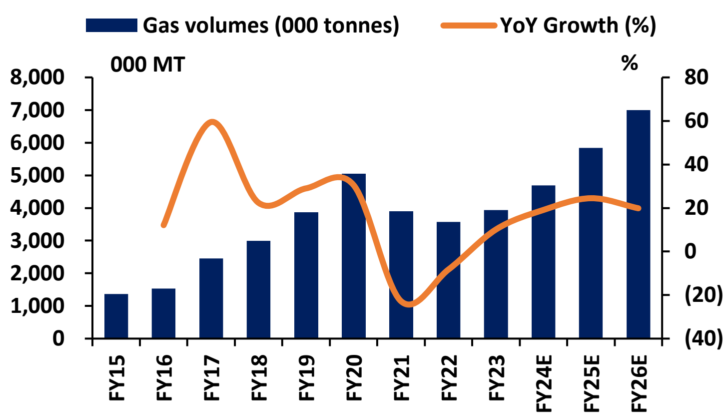
Source: Company Reports & Ventura Research

Over the period of FY23-26E, we are expecting AEGIS's revenues to marginally decline at a CAGR of 1.3% to INR 8,287 cr, which is expected to be driven by

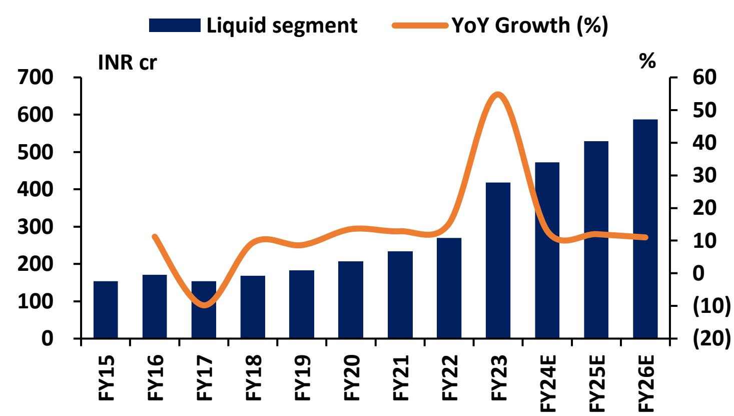
- 2.1% CAGR decline in gas segment revenue to INR 7,700 cr due to weak outlook for LPG prices. However, gas volumes are expected to remain strong. We are expecting gas volumes to grow at a CAGR of 21.1% to 7.0 mn tonnes:
    - Gas logistics & sourcing volumes are expected to grow at a CAGR of 21.2% to 6.1 mn tonnes due to increasing demand for LPG from oil marketing companies.
    - Gas distribution volumes are expected to grow at a CAGR of 20.5% to 900 kilo tonnes due to increasing demand for LPG from industrial and commercial customers.
- 12.0% CAGR growth in liquid segment revenue to INR 587 cr on account of increasing demand for chemicals and petrochemicals in India from manufacturing sector. Various factors such as Make-in-India, Atmanirbhar Bharat and China+1 have improved the manufacturing activities in India, which is enhancing the demand for chemicals in India.

Business growth and profitability in AEGIS gas and liquid segments

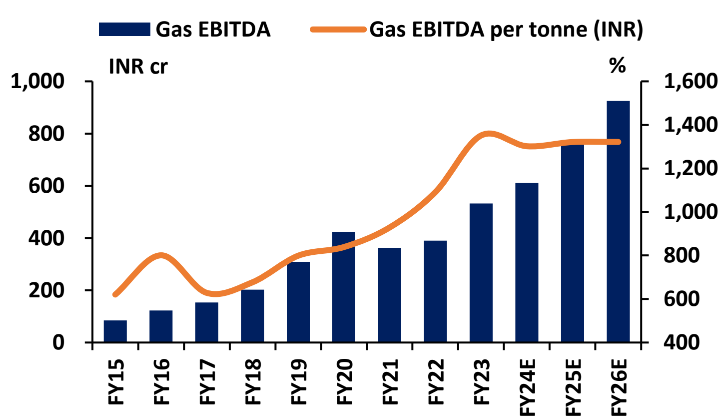
Industrial demand for LPG to accelerate AEGIS's gas volumes



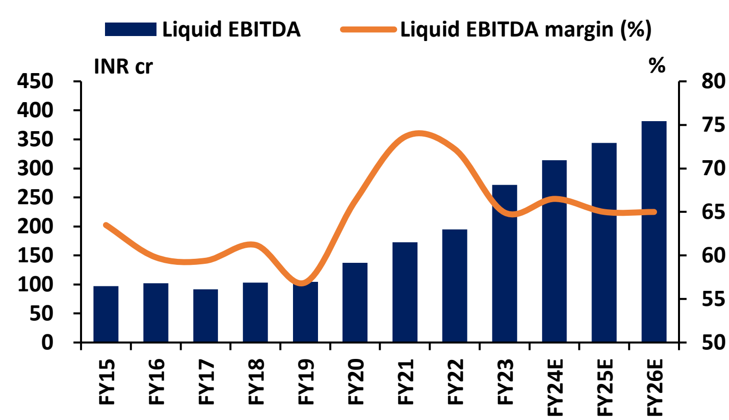
Rising chemicals & petrochemical merchandize to accelerate liquid segment business



Fixed profitability and higher volumes of industrial gas to improve gas EBITDA



Fixed margin in liquid segment to enhance segment's EBITDA



Source: Company Reports & Ventura Research

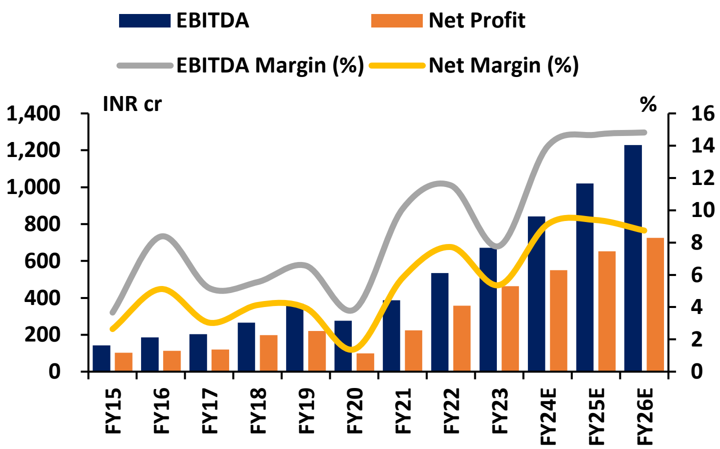
AEGIS's EBITDA is expected to grow at a CAGR of 22.3% to INR 1,228 cr, which will be driven by:

- 20.2% CAGR growth in gas segment EBITDA to INR 925 cr by FY26E and segment's EBITDA margin is expected to remain flat at INR 1,321 per tonne.
- 12.0% CAGR growth in liquid segment EBITDA to INR 382 cr by FY26E and segment's EBITDA margin is expected to remain stable at 65%.

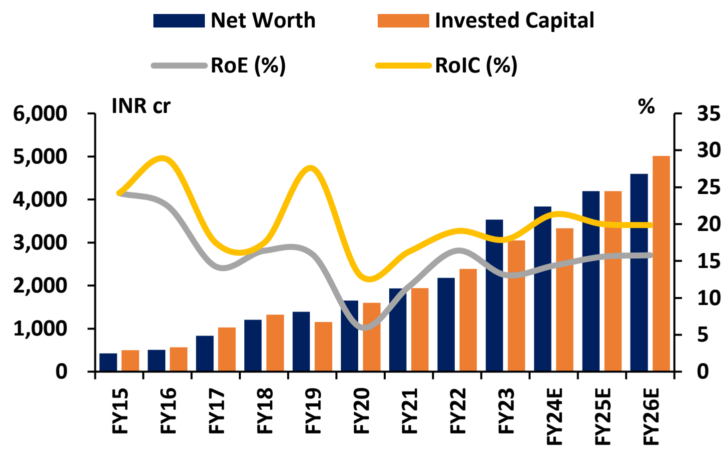
Net earnings are expected to grow at a CAGR of 16.1% to INR725 cr, while net margins are expected to improve by 338bps to 8.7% by FY26E. Strong business volumes along with stable profitability is expected to improve key metrics. As a result, the return ratios – RoE and RoIC – are expected to improve by 267bps to 15.8% and 197bps to 19.9% respectively by FY26E.

Improvement in profitability and healthy balance sheet to deliver stable return ratios and FCF

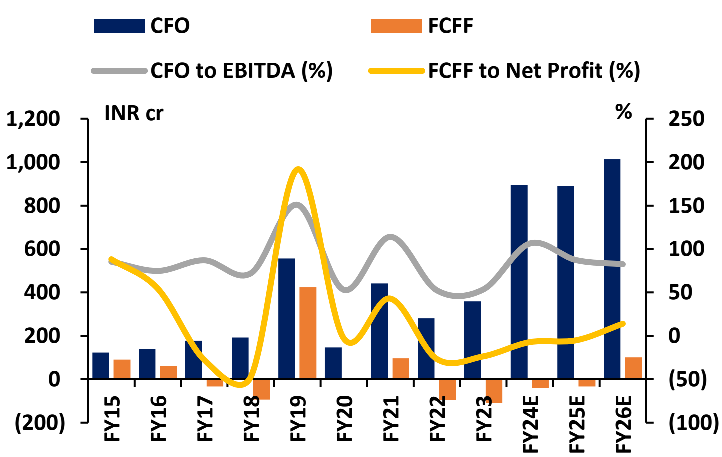
Profits could improve due to fixed EBITDA margins in LPG & liquid, which negates price risk



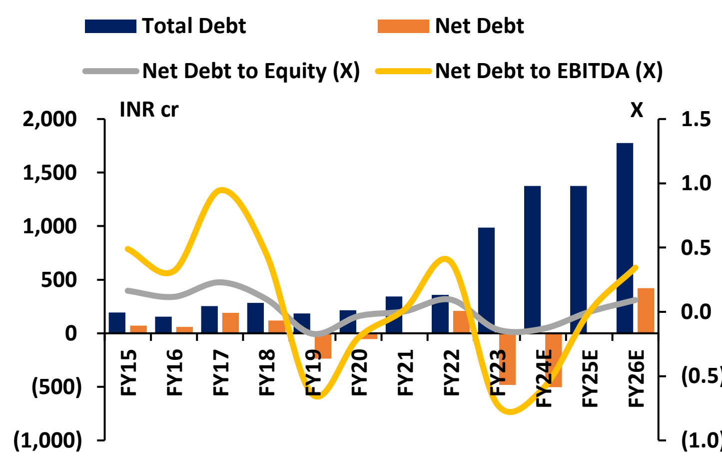
Strong profitability and healthy balance sheet ensures strong return ratios



Strong business growth and stable profitability ensures strong cash flow generation



Debt could increase to fund the ongoing capex. However, debt to EBITDA will remain stable



Source: Company Reports & Ventura Research

FY23 annual report analysis

We analyzed the FY23 annual report of AEGIS and our key observations are:

Key Takeaways for AEGIS

Formed Aegis-Vopak joint venture

AEGIS has formed a 51:49 JV with Royal Vopak - Aegis Vopak Terminals Ltd. (AVTL). This JV manages 11 terminals across five key Indian ports on the east and west coasts. With a total capacity of about 960,000 cubic meters, AVTL is emerging as a major player in India's independent tank storage sector for LPG and chemicals. The next stage of its expansion includes developing a facility in Odisha for storing 80,000 tonnes of green ammonia, with an investment of INR 1,000 cr.

Capacity expansion

The company has kick started major capex plans to expand its capacities:

- Expansion of liquid terminal of 70,000 kilolitres (KL) will be commissioned towards end on FY24. The construction of a new LPG terminal at Mangalore has started, which, when completed will be India's largest cryogenic LPG terminal with a capacity of 80,000 tonnes.
- Expansion at Kochi of 50,000 KL has started, which will be commissioned by FY25. A new liquids terminal expansion with 110,000 KL Liquids Terminal at JNPT is expected to be commissioned in mid-2024.
- The new LPG terminal at Kandla is fully operational.
- An additional capacity of 3,000 tonnes of spheres at Pipavav is progressing well and expected to be commissioned in mid-FY24. The construction of a new cryogenic LPG terminal at Pipavav with a capacity of 48,000 tonnes is underway.
- Pipavav LPG bottling plant is completed.
- Liquid terminals expansion of 50,000 KL at Haldia is also completed and commissioned. A new LPG jetty pipeline was commissioned.

Energy conservation

In gas facilities, the firm implemented a vapor absorption system, anticipated to cut monthly power usage by approximately 10,000 units. Additionally, the company is establishing a chilled water pipeline to cool the styrene monomer chiller, leading to the compressor being unnecessary and a projected reduction in monthly power consumption of around 35,000 units.

Auditor comments and opinions

C N K & Associates LLP was the auditor and there was no significant or impactful qualifications/emphasis of matters highlighted by them in the FY23 Annual Report.

Board Members

Board Members				
Particulars	FY20	FY21	FY22	FY23
Raj K Chandaria	Chairman & MD	Chairman & MD	Chairman & MD	Chairman & MD
Anish K Chandaria	Vice Chairman & MD			
Jaideep D Khimasia	Non Exec Ind Dir	Non Exec Ind Dir	Non Exec Ind Dir	Non Exec Ind Dir
Kanwaljit S Nagpal	Non Exec Ind Dir	Non Exec Ind Dir	Non Exec Ind Dir	Non Exec Ind Dir
Lars Johansson	Non Exec Ind Dir	Non Exec Ind Dir	Non Exec Ind Dir	Non Exec Ind Dir
Rahul Asthana	Non Exec Ind Dir	Non Exec Ind Dir	Non Exec Ind Dir	Non Exec Ind Dir
Anil M Chandaria	Non Exec Ind Dir	Non Exec Ind Dir	Non Exec Ind Dir	Non Exec Ind Dir
Raj Kishore Singh	Non Exec Ind Dir	Non Exec Ind Dir	Non Exec Ind Dir	Non Exec Ind Dir
Tasneem Ali	Non Exec Ind Dir	Non Exec Ind Dir	Non Exec Ind Dir	Non Exec Ind Dir
Amal R Chandaria		Non Exec Ind Dir	Non Exec Ind Dir	Non Exec Ind Dir

Source: Company Reports

Contingent Liabilities

Till FY22, AEGIS's contingent liabilities were on the higher side in FY21. However, the company reduced it significantly in FY23 to 6.3%.

Contingent liabilities				
Particulars	FY20	FY21	FY22	FY23
Income tax	1.1	0.9	0.9	0.9
Sales tax	3.0	5.0	3.8	2.9
Claims other than debt	0.8	0.8	0.9	1.7
Air pollution matters pending in court	5.3	142.2	142.2	142.2
Contracts remaining to be executed	93.4	72.4	30.6	73.7
Total contingent liabilities	103.6	221.3	178.5	221.3
Contingent liabilities to sales growth	*6.3*	*11.4*	*8.2*	*6.3*

Source: Company Reports

For any further query, please email us on research@venturasecurities.com

Ventura Business Quality Score

Key Criteria	Score	Risk	Comments
Management & Leadership			
Management Quality	8	Low	The management is of high quality. It has been able to deliver on its guidance; investor-friendly with timely updates on developments
Promoters Holding Pledge	8	Low	The promoter holding in the company is 58.1% (controlling stake) and there is no pledge against the holdings.
Board of Directors Profile	8	Low	The average experience of directors is >30 years with significant experience in their respective sectors and expert areas
Industry Consideration			
Industry Growth	8	Low	LPG is gaining acceptance as a clean fuel for the manufacturing sector and replacing coal and diesel. In addition, trade volumes of chemicals is increasing in India due to the shift in global supply chain from China to India. Make-in-India, Atmanirbhar Bharat and China+1 will accelerate manufacturing activities in India, which will further improve the demand for LPG.
Regulatory Environment or Risk	8	Low	There is no direct regulatory or environmental risk on any of the verticals of AEGIS
Entry Barriers / Competition	8	Low	AEGIS has develped a strategic infrastructure of terminals and storage capacities for gas and chemicals which is capital intensive and difficult to construct. Moreover, the company has also developed strong B2B relations with its clients, which are long term.
Business Prospects			
New Business / Client Potential	8	Low	The company is developing an 80,000 tons of green ammonia storage and would also explore more products in the liquid storage segment.
Business Diversification	8	Low	Diversification into green ammonia and expansion in the liquid segment will diversify the overall business and open new growth prospects for the company.
Market Share Potential	8	Low	AEGIS has strong market share in domestic LPG space and it is growing YoY due to its strategic infrastructure and long term relations with its existing clients.
Margin Expansion Potential	8	Low	AEGIS generates fixed EBITDA margins in both of its businesses – gas & liquid segment. Change in mix is expected to improve margins.
Earnings Growth	8	Low	Both the business of AEGIS have the potential to deliver exponential growth, which is expected to accelerate earnings.
Valuation and Risk			
Balance Sheet Strength	8	Low	AEGIS has a strong balance sheet and is able to finance its future capex largely through internal accruals.
Debt Profile	8	Low	AEGIS has a negative net debt of INR 359 cr, which is expected to increase marginally due to ongoing capex.
FCF Generation	8	Low	Strong operating cash flow is expected to offset the effects of ongoing capex on FCFF.
Dividend Policy	8	High	Despite ongoing capex, AEGIS has maintained a dividend payout ratio in the range of 30-40%.
Total Score **Ventura Score (%)**	120 80%	Low	The overall risk profile of the company is good and we consider it a LOW-risk company for investments

Source: Company Reports & Ventura Research

Management Team

Key Person	Designation	Details
Mr Raj K Chandaria	Chairman & MD	He has been associated with AGIS since 1982. He has 24 years of experience in the international business arena. He served as Director of Konkan Storage Systems (Kochi) Pvt.Ltd and Eastern India LPG Co. Pvt. Ltd. He holds a BSc (Economics) from the London School of Economics and an MBA from Boston University.
Mr Sudhir O Malhotra	CEO	He has been associated with AGIS since 1990. His long standing association with the company and diverse roles contributes to his comprehensive understanding of both the technical and commercial aspects of the logistics industry. He is qualified as Chemical Engineer and holds Diploma in Marketing Management. He has also completed Post Graduate Diploma in Shipping and Export Management.
Mr Murad Moledina	CFO	He has been associated with AGIS since 2002. He is a CA from ICAI and has over 30 years of work experience. He oversee the company's financial operations, budgeting, financial planning and analysis and risk management

Source: Company Reports

Key Risks & Concerns

- PSU refineries are also building LPG and chemicals storage and logistics facilities, which could restrict the market share gain of AEGIS and reduce its business growth in the coming years.
- 9th, 10th and 11th CGD auctions conducted by PNGRB are expected to improve PNG availability across India, which could be used as a cleaner fuel in place of coal and diesel. It could also reduce the usage of LPG. However, LPG has economic and operational advantages over PNG.
- Commercial production of green H2 is expected over the next couple of years and it could be used by the industries as a clean fuel in place of LPG. However, green H2 is an evolving technology, and its pricing is still uncertain.

AEGIS's quarterly and annual performance

Fig in INR Cr (unless specified)	FY20	FY21	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23	Q1FY24	Q2FY24	FY24E	FY25E	FY26E
Gas volume (000 tonnes)	5,050.0	3,898.0	3,576.0	745.0	970.3	1,164.7	1,058.2	3,938.2	1,062.6	1,168.4	4,691.0	5,840.0	7,000.0
YoY Growth (%)	*30.6*	*(22.8)*	*(8.3)*	*6.6*	*16.3*	*26.5*	*(5.7)*	*10.1*	*42.6*	*20.4*	*19.1*	*24.5*	*19.9*
Gas logistics & sourcing vol (000 tonnes)	*4,886.0*	*3,783.0*	*3,416.0*	*660.0*	*854.8*	*1,008.0*	*900.7*	*3,423.5*	*903.6*	*1,037.4*	*4,081.0*	*5,090.0*	*6,100.0*
YoY Growth (%)	*30.2*	*(22.6)*	*(9.7)*	*(1.2)*	*7.1*	*14.7*	*(15.9)*	*0.2*	*36.9*	*21.4*	*19.2*	*24.7*	*19.8*
Share in gas volume (%)	*96.8*	*97.0*	*95.5*	*88.6*	*88.1*	*86.5*	*85.1*	*86.9*	*85.0*	*88.8*	*87.0*	*87.2*	*87.1*
Gas distribution vol (000 tonnes)	*164.0*	*115.0*	*160.0*	*85.0*	*115.5*	*156.7*	*157.5*	*514.7*	*159.0*	*131.0*	*610.0*	*750.0*	*900.0*
YoY Growth (%)	*42.6*	*(29.9)*	*39.1*	*174.3*	*220.8*	*273.1*	*208.8*	*221.7*	*87.0*	*13.4*	*18.5*	*23.0*	*20.0*
Share in gas volume (%)	*3.2*	*3.0*	*4.5*	*11.4*	*11.9*	*13.5*	*14.9*	*13.1*	*15.0*	*11.2*	*13.0*	*12.8*	*12.9*
Gas segment revenue	6,975.7	3,609.2	4,361.0	2,154.6	2,043.8	1,972.7	2,038.2	8,209.3	1,985.5	1,117.7	5,563.2	6,424.0	7,700.0
YoY Growth (%)	*28.4*	*(48.3)*	*20.8*	*252.0*	*258.0*	*72.1*	*0.3*	*88.2*	*(7.8)*	*(45.3)*	*(32.2)*	*15.5*	*19.9*
Share in total revenue (%)	*97.1*	*93.9*	*94.2*	*96.4*	*95.0*	*94.5*	*94.6*	*95.2*	*94.5*	*90.5*	*92.2*	*92.4*	*92.9*
Liquid segment revenue	207.6	234.3	270.0	80.9	106.8	114.0	116.3	418.0	115.0	117.2	472.2	528.9	587.0
YoY Growth (%)	*13.5*	*12.9*	*15.3*	*22.5*	*66.0*	*68.4*	*61.6*	*54.8*	*42.2*	*9.7*	*13.0*	*12.0*	*11.0*
Share in total revenue (%)	*2.9*	*6.1*	*5.8*	*3.6*	*5.0*	*5.5*	*5.4*	*4.8*	*5.5*	*9.5*	*7.8*	*7.6*	*7.1*
Revenue from operations	7,183.3	3,843.5	4,631.0	2,235.5	2,150.5	2,086.7	2,154.5	8,627.2	2,100.5	1,234.9	6,035.4	6,952.9	8,287.0
YoY Growth (%)	*27.9*	*(46.5)*	*20.5*	*229.7*	*238.5*	*71.9*	*2.4*	*86.3*	*(6.0)*	*(42.6)*	*(30.0)*	*15.2*	*19.2*
Raw Material Cost	6,471.9	3,166.3	3,882.0	2,022.4	1,899.2	1,781.5	1,878.1	7,581.3	1,825.6	936.8	4,828.3	5,562.3	6,629.6
RM Cost to Sales (%)	*90.1*	*82.4*	*83.8*	*90.5*	*88.3*	*85.4*	*87.2*	*87.9*	*86.9*	*75.9*	*80.0*	*80.0*	*80.0*
Employee Cost	290.0	144.7	66.2	22.2	22.7	22.6	15.0	82.5	23.2	26.7	100.0	100.0	109.9
Employee Cost to Sales (%)	*4.0*	*3.8*	*1.4*	*1.0*	*1.1*	*1.1*	*0.7*	*1.0*	*1.1*	*2.2*	*1.7*	*1.4*	*1.3*
Other Expenses	144.8	144.8	148.4	106.4	60.0	66.5	58.8	291.6	55.8	63.0	264.9	269.7	319.5
Other Expenses to Sales (%)	*2.0*	*3.8*	*3.2*	*4.8*	*2.8*	*3.2*	*2.7*	*3.4*	*2.7*	*5.1*	*4.4*	*3.9*	*3.9*
EBITDA	276.6	387.6	534.4	84.5	168.6	216.1	202.6	671.8	195.9	208.3	842.1	1,020.9	1,228.0
EBITDA Margin (%)	*3.8*	*10.1*	*11.5*	*3.8*	*7.8*	*10.4*	*9.4*	*7.8*	*9.3*	*16.9*	*14.0*	*14.7*	*14.8*
PAT	134.0	249.2	384.9	107.5	101.1	142.8	159.3	510.7	132.7	150.0	630.9	745.3	834.5
PAT Margin (%)	*1.9*	*6.5*	*8.3*	*4.8*	*4.7*	*6.8*	*7.4*	*5.9*	*6.3*	*12.1*	*10.5*	*10.7*	*10.1*
Net Profit	99.6	223.4	357.5	103.4	93.4	125.3	140.9	463.0	115.8	127.0	550.9	653.1	724.6
Net Margin (%)	*1.4*	*5.8*	*7.7*	*4.6*	*4.3*	*6.0*	*6.5*	*5.4*	*5.5*	*10.3*	*9.1*	*9.4*	*8.7*
Adjusted EPS	2.8	6.4	10.2					13.2			15.7	18.6	20.6
P/E (X)	*123.0*	*54.8*	*34.3*					*26.5*			*22.2*	*18.8*	*16.9*
Adjusted BVPS	47.1	55.2	62.1					100.6			109.3	119.5	130.9
P/BV (X)	*7.4*	*6.3*	*5.6*					*3.5*			*3.2*	*2.9*	*2.7*
Enterprise Value	12,194.7	12,257.3	12,457.6					11,768.4			11,747.7	12,248.4	12,672.5
EV/EBITDA (X)	*44.1*	*31.6*	*23.3*					*17.5*			*14.0*	*12.0*	*10.3*
Net Worth	1,654.6	1,936.5	2,179.8					3,532.3			3,835.4	4,194.6	4,593.1
Return on Equity (%)	*6.0*	*11.5*	*16.4*					*13.1*			*14.4*	*15.6*	*15.8*
Capital Employed	1,870.2	2,279.5	2,537.7					4,520.3			5,210.4	5,569.6	6,368.1
Return on Capital Employed (%)	*7.2*	*10.3*	*14.6*					*9.6*			*10.8*	*12.1*	*12.5*
Invested Capital	1,599.4	1,943.9	2,387.5					3,050.8			3,333.2	4,193.1	5,015.7
Return on Invested Capital (%)	*13.0*	*16.3*	*19.1*					*17.9*			*21.3*	*20.0*	*19.9*
Cash Flow from Operations	146.3	441.6	280.1					358.4			894.4	889.4	1,012.3
Cash Flow from Investing	(151.4)	(428.0)	(179.1)					(931.0)			(110.5)	(1,031.1)	(1,045.2)
Cash Flow from Financing	(125.8)	60.8	(303.6)					1,310.9			56.5	(390.1)	(36.3)
Net Cash Flow	(130.9)	74.4	(202.6)					738.3			840.3	(531.8)	(69.2)
Free Cash Flow	(3.1)	95.7	(95.4)					(109.6)			(40.2)	(33.6)	100.5
FCF to Revenue (%)	*(0.0)*	*2.5*	*(2.1)*					*(1.3)*			*(0.7)*	*(0.5)*	*1.2*
FCF to EBITDA (%)	*(1.1)*	*24.7*	*(17.8)*					*(16.3)*			*(4.8)*	*(3.3)*	*8.2*
FCF to Net Profit (%)	*(3.1)*	*42.8*	*(26.7)*					*(23.7)*			*(7.3)*	*(5.1)*	*13.9*
FCF to Net Worth (%)	*(0.2)*	*4.9*	*(4.4)*					*(3.1)*			*(1.0)*	*(0.8)*	*2.2*
Total Debt	216	343	358					988			1,375	1,375	1,775
Net Debt	(55)	7	208					(482)			(502)	(1)	423
Net Debt to Equity (X)	*(0.0)*	*0.0*	*0.1*					*(0.1)*			*(0.1)*	*(0.0)*	*0.1*
Net Debt to EBITDA (X)	*(0.2)*	*0.0*	*0.4*					*(0.7)*			*(0.6)*	*(0.0)*	*0.3*
Interest Coverage Ratio (X)	*6.3*	*18.3*	*20.9*					*6.2*			*8.6*	*8.7*	*9.0*
Fundamental scores													
Altman Z Score	3.1	2.4	2.0					2.8			3.6	3.7	3.4
Piotroski F-score	5.0	6.0	3.0					5.0			6.0	5.0	4.0
Beneish M-score	(1.4)	(3.7)	2.9					(1.8)			(2.9)	(2.1)	(2.2)

Source: ACE Equity, Company Reports & Ventura Research

Summary of management commentary and quarterly performance over the last few quarters

Key Criteria	Risk	Comments
Q3FY23		
Business Performance	**Positive**	Gas segment volumes grew at a YoY rate of 26.5% to 1165 kilo tonnes, while gas segment EBITDA increased at a YoY rate of 44.2% to INR 163 cr and gas segment EBITDA margins improved from INR 1,225 in Q3FY22 to INR 1,399 in Q3FY23. Liquid segment revenue grew at a YoY rate of 68.4% to INR 114 cr, while liquid segment EBITDA grew at a YoY rate of 67.4% to INR 77 cr and liquid segment EBITDA margins declined by 41bps to 67.5%. Consolidated net earnings grew at a YoY rate of 23.2% to INR 125 cr, while net margins declined by 238bps to 6.0% due to higher interest cost.
Outlook & Strategy	**Positive**	The company is planning to develop a facility for the storage and transportation of green energy products like hydrogen and ammonia. Pipapvav port completed its work on making the LPG jetty compliant for handling VLGCs. Both Kandla and Pipavav ports will be connected with IHB pipeline
Q4FY23		
Business Performance	**Positive**	Gas segment volumes declined at a YoY rate of 5.7% to 1058 kilo tonnes, while gas segment EBITDA increased at a YoY rate of 31.5% to INR 146 cr and gas segment EBITDA margins improved from INR 989 in Q4FY22 to INR 1,380 in Q4FY23. Liquid segment revenue grew at a YoY rate of 61.6% to INR 116 cr, while liquid segment EBITDA grew at a YoY rate of 29.6% to INR 70 cr and liquid segment EBITDA margins declined by 1486bps to 60.2%. Consolidated net earnings grew at a YoY rate of 48.7% to INR 141 cr, while net margins improved by 203bps to 6.5%.
Outlook & Strategy	**Positive**	The LPG rail gantry at Pipavav continues to perform well and is delivering considerable cost savings to our customers, which is driving improved volumes. Mumbai continues to operate at full capacity with IOC, BPCL and HPCL, bringing imports. Kandla LPG terminal is also fully operational. LPG terminal at Pipavav with a capacity of 48,000 metric tons is underway. The construction work for 80,000 metric tons of new capacity at Mangalore is started. Haldia port expansion of 50,000 KL liquid capacity is ready and the company also acquired additional tank of 550000 KL from Friends Group. The company is currently building a new capacity of 110000 KL at JNPT.

Q1FY24		
Business Performance	**Positive**	Gas segment volumes grew at a YoY rate of 42.6% to 1063 kilo tonnes, while gas segment EBITDA increased at a YoY rate of 22.9% to INR 134 cr and gas segment EBITDA margins declined from INR 1,458 in Q1FY23 to INR 1,256 in Q1FY24. Liquid segment revenue grew at a YoY rate of 42.2% to INR 115 cr, while liquid segment EBITDA grew at a YoY rate of 42.7% to INR 79 cr and liquid segment EBITDA margins improved by 24bps to 68.3%. Consolidated net earnings grew at a YoY rate of 12.0% to INR 116 cr, while net margins improved by 89bps to 5.5%.
Outlook & Strategy	**Positive**	Liquid capacity at Mangalore and Kochi are expected to be operational by FY24. LPG capacity expansion at Pipavav and Mangalore are also progressing well and the same would be operational in FY25. The company also started the construction of a LPG bottling plant at Kandla.
Q2FY24		
Business Performance	**Positive**	Gas segment volumes grew at a YoY rate of 20.4% to 1168 kilo tonnes, while gas segment EBITDA increased at a YoY rate of 32.2% to INR 151 cr and gas segment EBITDA margins increased from INR 1,179 in Q2FY23 to INR 1,294 in Q2FY24. Liquid segment revenue grew at a YoY rate of 9.7% to INR 117 cr, while liquid segment EBITDA grew at a YoY rate of 14.6% to INR 80 cr and liquid segment EBITDA margins improved by 284bps to 67.8%. Consolidated net earnings grew at a YoY rate of 36.0% to INR 127 cr, while net margins improved by 594bps to 10.3%.
Outlook & Strategy	**Positive**	The LPG bottling plant at Kandla has been completed this quarter. The new liquids 110,000 kiloliter terminal at JNPT is progressing well and expected to be operational by the end of FY24. New liquids capacity expansion at Mangalore and Kochi is well underway and also expected to be operational by the end of FY24. Two major cryogenic LPG projects at Pipavav and Mangalore of 45,000 metric tons and 85,000 metric tons respectively are also on time.

Source: Company Reports & Ventura Research

AEGIS's financial analysis & projections

Fig in INR Cr (unless specified)	FY22	FY23	FY24E	FY25E	FY26E
Income Statement					
Revenue	4,631.0	8,627.2	6,035.4	6,952.9	8,287.0
YoY Growth (%)	*20.5*	*86.3*	*(30.0)*	*15.2*	*19.2*
Raw Material Cost	3,882.0	7,581.3	4,828.3	5,562.3	6,629.6
RM Cost to Sales (%)	*83.8*	*87.9*	*80.0*	*80.0*	*80.0*
Employee Cost	66.2	82.5	100.0	100.0	109.9
Employee Cost to Sales (%)	*1.4*	*1.0*	*1.7*	*1.4*	*1.3*
Other Expenses	148.4	291.6	264.9	269.7	319.5
Other Exp to Sales (%)	*3.2*	*3.4*	*4.4*	*3.9*	*3.9*
EBITDA	534.4	671.8	842.1	1,020.9	1,228.0
Margin (%)	*11.5*	*7.8*	*14.0*	*14.7*	*14.8*
YoY Growth (%)	*37.8*	*25.7*	*25.4*	*21.2*	*20.3*
Depreciation & Amortization	79.4	125.8	131.8	181.8	231.8
EBIT	455.0	546.0	710.3	839.1	996.2
Margin (%)	*9.8*	*6.3*	*11.8*	*12.1*	*12.0*
YoY Growth (%)	*44.0*	*20.0*	*30.1*	*18.1*	*18.7*
Other Income	38.7	187.0	169.9	188.7	157.1
Finance Cost	21.7	88.2	82.7	96.3	110.3
Interest Coverage (X)	20.9	6.2	8.6	8.7	9.0
Exceptional Item	0.0	0.0	0.0	0.0	0.0
PBT	472.0	644.8	797.5	931.6	1,043.1
Margin (%)	*10.2*	*7.5*	*13.2*	*13.4*	*12.6*
YoY Growth (%)	*40.6*	*36.6*	*23.7*	*16.8*	*12.0*
Tax Expense	87.0	134.1	166.6	186.3	208.6
Tax Rate (%)	*18.4*	*20.8*	*20.9*	*20.0*	*20.0*
PAT	384.9	510.7	630.9	745.3	834.5
Margin (%)	*8.3*	*5.9*	*10.5*	*10.7*	*10.1*
YoY Growth (%)	*54.5*	*32.7*	*23.5*	*18.1*	*12.0*
Min Int/Sh of Assoc	(27.4)	(47.7)	(80.0)	(92.2)	(109.8)
Net Profit	357.5	463.0	550.9	653.1	724.6
Margin (%)	*7.7*	*5.4*	*9.1*	*9.4*	*8.7*
YoY Growth (%)	*60.0*	*29.5*	*19.0*	*18.5*	*11.0*
Balance Sheet					
Share Capital	35.1	35.1	35.1	35.1	35.1
Total Reserves	2,227.3	4,011.7	4,314.7	4,673.9	5,072.5
Shareholders Fund	2,262.4	4,046.8	4,349.8	4,709.0	5,107.6
Long Term Borrowings	64.3	978.4	1,300.0	1,300.0	1,700.0
Deferred Tax Assets / Liabilities	(2.5)	(80.9)	(80.9)	(80.9)	(80.9)
Other Long Term Liabilities	39.9	46.2	32.3	37.2	44.3
Long Term Trade Payables	0.0	0.0	0.0	0.0	0.0
Long Term Provisions	14.9	11.4	13.8	13.8	15.1
Total Liabilities	2,379.0	5,001.9	5,615.0	5,979.1	6,786.2
Net Block	2,040.9	3,561.8	4,430.0	5,248.2	6,016.4
Capital Work in Progress	252.5	411.7	0.0	0.0	0.0
Intangible assets under developme	0.0	0.0	0.0	0.0	0.0
Non Current Investments	0.0	0.0	0.0	0.0	0.0
Long Term Loans & Advances	146.8	154.0	107.7	124.1	147.9
Other Non Current Assets	0.1	2.8	2.0	2.3	2.7
Net Current Assets	(61.4)	871.6	1,075.3	604.6	619.2
Total Assets	2,379.0	5,001.9	5,615.0	5,979.1	6,786.2

Fig in INR Cr (unless specified)	FY22	FY23	FY24E	FY25E	FY26E
Per share data & Yields					
Adjusted EPS (INR)	10.2	13.2	15.7	18.6	20.6
Adjusted Cash EPS (INR)	12.4	16.8	19.5	23.8	27.2
Adjusted BVPS (INR)	64.5	115.3	123.9	134.2	145.5
Adjusted CFO per share (INR)	8.0	10.2	25.5	25.3	28.8
CFO Yield (%)	2.3	2.9	7.3	7.3	8.3
Adjusted FCF per share (INR)	(2.7)	(3.1)	(1.1)	(1.0)	2.9
FCF Yield (%)	(0.8)	(0.9)	(0.3)	(0.3)	0.8
Solvency Ratio (X)					
Total Debt to Equity	0.2	0.2	0.3	0.3	0.3
Net Debt to Equity	0.1	(0.1)	(0.1)	(0.0)	0.1
Net Debt to EBITDA	0.4	(0.7)	(0.6)	(0.0)	0.3
Return Ratios (%)					
Return on Equity	16.4	13.1	14.4	15.6	15.8
Return on Capital Employed	14.6	9.6	10.8	12.1	12.5
Return on Invested Capital	19.1	17.9	21.3	20.0	19.9
Working Capital Ratios					
Payable Days (Nos)	53	37	37	37	37
Inventory Days (Nos)	7	6	6	6	6
Receivable Days (Nos)	58	35	35	35	35
Net Working Capital Days (Nos)	12	5	5	5	5
Net Working Capital to Sales (%)	3.3	1.3	1.3	1.3	1.3
Valuation (X)					
P/E	34.3	26.5	22.2	18.8	16.9
P/BV	5.4	3.0	2.8	2.6	2.4
EV/EBITDA	23.3	17.5	14.0	12.0	10.3
EV/Sales	2.7	1.4	1.9	1.8	1.5
Cash Flow Statement					
PBT	472.0	644.8	797.5	931.6	1,043.1
Adjustments	(22.5)	(191.9)	229.0	156.4	195.6
Change in Working Capital	(82.4)	39.6	34.5	(12.2)	(17.7)
Less: Tax Paid	(87.0)	(134.1)	(166.6)	(186.3)	(208.6)
Cash Flow from Operations	280.1	358.4	894.4	889.4	1,012.3
Net Capital Expenditure	(393.2)	(537.9)	(1,000.0)	(1,000.0)	(1,000.0)
Change in Investments	214.0	(393.1)	889.5	(31.1)	(45.2)
Cash Flow from Investing	(179.1)	(931.0)	(110.5)	(1,031.1)	(1,045.2)
Change in Borrowings	(60.7)	515.3	387.1	0.0	400.0
Less: Finance Cost	(21.7)	(88.2)	(82.7)	(96.3)	(110.3)
Proceeds from Equity	0.0	1,098.3	0.0	0.0	0.0
Buyback of Shares	0.0	0.0	0.0	0.0	0.0
Dividend Paid	(221.1)	(214.5)	(247.9)	(293.9)	(326.1)
Cash flow from Financing	(303.6)	1,310.9	56.5	(390.1)	(36.3)
Net Cash Flow	(202.6)	738.3	840.3	(531.8)	(69.2)
Forex Effect	0.0	0.0	0.0	0.0	0.0
Opening Balance of Cash	296.8	94.2	832.5	1,672.9	1,141.1
Closing Balance of Cash	94.2	832.5	1,672.9	1,141.1	1,071.8

Source: Company Reports & Ventura Research

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