“Business Update Call of Aegis Logistics Limited”

July 14, 2021

MANAGEMENT: **MR. RAJ CHANDARIA – CHAIRMAN, AEGIS LOGISTICS LIMITED**
MR. ANISH CHANDARIA -- VICE CHAIRMAN AND MANAGING DIRECTOR, AEGIS LOGISTICS LIMITED
MR. MURAD MOLEDINA -- CHIEF FINANCIAL OFFICER, AEGIS LOGISTICS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Business Update Call of Aegis Logistics Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. The statements are not the guarantees of future performance, and involve risks and uncertainties that are difficult to predict. 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anish Chandaria -- Vice Chairman and Managing Director of Aegis Logistics Limited. Thank you and over to you, sir.

Anish Chandaria: Thank you, everyone for joining this call. I'm very pleased to be presenting today this "Major Deal as well as Further Growth Plans of Aegis Beyond, the Terminals Business Deal with Vopak." And of course, I'm joined by Raj Chandaria -- Chairman of Aegis and Murad Moledina -- our CFO.

I have about 20 slides to go through and I am going to go through them carefully one-by-one, because each slide has content in it which I need to explain. And I hope most of you have already seen this presentation or have downloaded it, it's on the Aegis website if you have not done that. And of course, we'll take questions at the end of my presentation.

So, let us start with Slide #3, as per our announcement couple of days ago, we are announcing a major joint venture for LPG and Chemical Terminals business in India with Royal Vopak of the Netherlands, and we have decided to join forces in India with the aim to grow together in this business over the next few years.

Going to Slide #4, really this explains who is who. Aegis, as you know, is India's market leader in the Liquid and LPG Tank Terminal business and Vopak is from the Netherlands, is the world's leading independent tank storage company, storing oil, chemicals, gases, biofuels, edible oils. So, basically we are coming together. The Indian market leader, Aegis with the world leader, Vopak in forming a joint venture to take advantage of the substantial growth opportunities in the oil, gas and chemical logistics field in India specifically terminals and tank storage.

The joint venture company will be called Aegis Vopak Terminals Limited (AVTL). It will be 51% owned by Aegis and 49% owned by Vopak.

And we think like all good joint ventures this really is a win-win for both companies and both company shareholders, because it obviously brings Aegis' market leadership in India with all the key customers that we have, our excellent execution capabilities and existing portfolio of very profitable terminals around the coastline of India. And it combines that capability with Vopak's global expertise, world-class standards, and of course, they bring also new product capabilities that Aegis does not know at the moment, but they know on how to store and handle new products.

And they bring their global customers, global multinationals, many of whom are expressing an interest to follow Vopak into India. India looks like a major manufacturing hub in the business of oil, gas and chemicals going forward in the future. So, I think with the key customer relationships that Vopak has that they will be bringing those key customer relationships to the joint venture.

Now going to the next slide, which shows a little bit of Vopak's global network on the map, you can see on the map that they are very strong in all regions of the world, starting with their headquarters in Europe, they're headquartered in Rotterdam, but they have terminals in Western Europe, they have terminals in the Middle East, they have significant presence in Southeast Asia, in Australia, in China, in United States, North America in South America as you can see in the map, and in South Africa as well. They have one terminal at the moment in India in Kandla, which I will talk a little bit about, but clearly India was a region, an area that they wanted to grow further, and as a result, we started talking to them, how we could both grow faster in India, but this will clearly for Vopak, India will become a major growth center for them allied with Aegis. And Aegis, as you know, we talked about this for years, has already a network of terminals or "Necklace of Terminals" as we like to call it around the coastline of India. And in fact, we will be extending that network in this joint venture as I explained.

Let me talk a little bit more about the profile of Royal Vopak which some of you will not be familiar with. This is straight from their website, but it really explains their kind of spread of terminals and the business. Apart from LPG and Liquefied Natural Gas terminals which they've got significant presence in, they are also running what they call "Industrial Terminals", which are really dedicated terminals for petrochemical clients, for example, where the terminals are dedicated and constructed on behalf of those customers and run an outsource to Vopak. So, that is an important business segment for them. And in fact, we've got plans to do similar types of industrial terminals in the joint venture company. Obviously, chemical terminals, which is handling chemicals, storing chemicals and petrochemicals and oil terminals, extremely important bulk business for storing petroleum products in places like Rotterdam, Fujairah, Singapore, etc. and now in India, they will be with us as well. This you can imagine and I'll explain more is still a very important part of the business, the storage of petroleum.

And what is also interesting, and I will speak a little bit more about this when we come to our joint venture slide. They've got a new business line which is going into storage of hydrogen and carbon dioxide and also battery storage as well, electric in other words, batteries for storing electricity. These are what we might call New Energy and Renewables which they are already taking a lead in the world in terms of the storage part of it. Again, excellent know-how that they have started to build up over the last few years and which we at Aegis will definitely benefit from them in terms of them bring their know-how to India.

What about the financial figures? These are figures from year-end 2020 calendar year. Their market cap is approx. €5 billion. They are listed on the Euronext Stock Exchange in Amsterdam.

Their EBITDA for FY'20 was €792 million, so almost a billion dollars. They have 70 terminals worldwide which is a big number. And now of course with our joint venture with Aegis they will add to that list. They're present in 23 countries around the world which I mentioned and they have a total storage capacity of 35.6 million cubic meters around the world or we use kilo liters in India which is huge and again they will be adding to that with a joint venture with Aegis.

Now, let me talk next on Slide #7 about the way we thought about the terminals business unit in Aegis and how we thought about expanding this business in Aegis. So, this is really Aegis specific strategic thinking. So, as most of you know who have been following company, Aegis has been executing necklace of terminal strategy around the coastline of India since 2010, not only for liquid terminals, meaning petroleum and chemical storage, but also for LPG. So, we've been actually getting that over the last 11-years since 2010. From a single location in Mumbai, we, Aegis is now present in all the major ports of western India, we have a heavy presence in Gujarat, in Maharashtra, obviously, in Kochi, etc., and in Mangalore as well, and one port in East which is Haldia. So, that is the necklace of terminals that Aegis has.

But now what about the future? So, we really been doing some thinking at Aegis that how do we grow further and accelerate the growth. That's really, really crucial, because it's only by accelerating the growth that we can really deliver the kind of profits growth that we all want to see. And as the company grows bigger, actually to move the needle, as they say for profits growth, we need to do faster and bigger projects. So, the size, scale and complexity of the projects in order to maintain the last 10-years' worth of growth has to increase. And I think we recognized that to deliver the next phase of growth, we also need to look at new opportunities, we can't simply do exactly what we've been doing in the last 11 years, but we've got to look at new product storage is very crucial that we can't just continue to only handle those products, we need to look at new products. We need to think of larger terminals. Maybe about five years ago putting up a 50,000, 60,000 cubic meter or kiloliter terminal, liquid terminal is okay, but now, in order to kind of really grow faster, we need to put larger scale terminals. We definitely need to deliver lower costs and better services to the customer. As time goes on key customers including NOCs like IOC, HPCL, BPCL, as well as big, big clients like Reliance and Nayara Energy and various chemical companies and new multinationals who are coming into India. They're all looking for low cost; they're looking for better services. So, we have a challenge to keep up with those things. There are also customers looking for better inland logistics. As we've seen, it's no longer just the port-based terminals, but also how do we ensure that the deliveries of products are to the final end user, the customers wherever they may be, which will be inland to make sure that just in time, fast, integrated supply chains. And obviously that's a very crucial part of our future.

And then new ports and inland locations. New ports, look, we are in Kandla, we are in Pipavav, we're in Mumbai, we're in Mangalore, we're in Kochi, we're in Haldia, but there are some new ports that we are not present in… new ports as well as older ports. And I think we need to finish that necklace of terminals so that every major gateway into India those customers want to access, we will be present, but this is very important, inland locations. I mentioned that the businesses shifting now no longer just port-based locations, terminals, but actually inland terminals as well or inland depots as we might call it, even the national oil companies IOC, HPCL, BPCL and other customers if we can offer them that look, not only we can handle your products when they're imported or exported through the port-based terminals, but we can even handle your inland logistics in various hubs, inland, this is something that is the new direction in which the logistics and terminals business is going in. So, these are all very important indicators of where the strategic direction of this terminals business is going. And needless to say, there are always increasing competitive threats. Aegis is a clear market leader, there's no doubt about it, but there are a number of customers. And we need to stay ahead of the game in terms of our brand position that we are the quality player in the market, yes, with competitive rates, but competing with all sorts of players, some of who are, shall we say, unorganized, and cowboys, some of whom are more significant. And we need to keep that market leadership position not only for the next five years, but the next 20, 30, 40 years; this is a very crucial thing. So, we actually did this strategic thinking as to what is next for this terminals business that we have, to do new things, to accelerate the growth and to take advantage of these growth opportunities.

And therefore, we began a search for international partners two years ago, 2019, we started looking for international partners who could enhance the Aegis position in this terminals business, both LPG, liquid chemicals, petroleum, but also diversifying into new areas of tank storage as well to keep the growth going for the next 10, 20, 30 years plus. And we felt that we could look for an international partner who could bring that kind of know-how, who could bring the kind of brand presence and who could bring the capabilities that we did not have but who could add to the abilities that we have.

So, let me talk Slide #8 about the Background of the Deal. As I said, Aegis management initiated discussions with a number of strategic and financial partners from 2019. As a result of that process two years ago, Royal Vopak emerged as the preferred partner. As I explained earlier, they are a strategic investor; they are the world's number one, the leading company in this business of tank storage. And therefore, obviously, once they showed a lot of interest in this, they became the preferred partner for financial as well as even more important strategic reasons that they were the best partner we thought out of all the potential partners that have been shortlisted.

And as we announced on Monday night through the press release in Amsterdam, as well as over here in Mumbai, the transaction was approved by both the Aegis Board of Directors on Monday night and the Vopak board as well. So, the transaction has been approved by both boards at long last. I can just mention if I may doing a negotiation virtually through WebEx meetings and Google Meet and all that, while the Indian teams of Vopak and the Aegis management team in India have been able to meet face-to-face several times through all the COVID restrictions and due diligence took place in terms of site visits and all that from the Vopak teams, but at least shall we say, the chairman and CEO levels, etc., we have to do all our discussions and negotiations virtually, which was challenging and increased the time to close the deal. We thought this deal might be closed earlier, perhaps even as early as March but finally we're able to approve it by July. So, we had challenges, but I think an excellent relationship has been built up over many months in terms of this negotiation not only by the management teams in Vopak India but also the Aegis management team in India, but also at Raj and my level, meaning, Chairman level with the equivalent or equivalent counterparts in Vopak in Singapore and in Rotterdam.

Now, let me go through the transaction highlights and this is where it is now going to start getting. Although, as I said, I'm sure most of you read this, but now let me go through carefully because it is a complex transaction. So, I already mentioned on the left hand side the proposed name of the joint venture company will be Aegis Vopak Terminals Limited (AVTL) which will be a 51% subsidiary of Aegis Logistics Limited and 49% owned by Vopak India B.V. which is the Dutch company for investing in India. So, they will own 49% and 51% of this joint venture company Aegis Vopak Terminals Limited will be owned by Aegis Logistics Limited, the publicly listed company. And we are proposing as I talked about to combine our existing tank terminals business in India into this joint venture company, the combined business will initially have have a storage capacity of 960,000 cubic meters or kiloliters. This includes not only the liquid terminals, but also the LPG terminals converted all into cubic meters. So, that is the figure of 960,000, just shy of a million cubic meters will be this joint venture company.

Now, the highlights of this. This is very, very crucial; AVTL will acquire 100% of the business and assets of the following units from Aegis. So, these are the units that we are transferring into the joint venture company. The first unit is the Kandla and Pipavav LPG terminals. Kandla LPG terminal is still to be commissioned, that's the one under construction, Pipavav LPG terminal. So, the Kandla LPG terminal, and the Pipavav LPG terminal will be transferred by Aegis into this joint venture company. The Kandla liquid terminal and the Pipavav liquid terminal will also be transferred into this joint venture company. So, that was the liquid terminals in Kandla and Pipavav. In other words, the Gujarat terminals both gas and liquid of Aegis will be transferred into the joint venture company and I'll come to the financial details in a little while. The Mangalore and Haldia liquid terminals will also be transferred into the joint venture company. So, these are all the terminals that we are currently going to be transferring into the joint venture with Vopak. I repeat the LPG terminal in Kandla, the Pipavav LPG terminal, Kandla liquid terminal, Pipavav liquid terminal, the Mangalore liquid terminal and the Haldia liquid terminal will be transferred into the joint venture company. In addition, the Kochi terminal which is owned by a subsidiary called Konkan Storage, that was an earlier acquisition that Aegis has done. So, therefore, it's a 100% subsidiary currently of Aegis. The joint venture company, AVTL will acquire 100% of the shares of that. Although we're not transferring the assets, the joint venture company will own 100% of the shares of the Kochi terminal. So, that will also be part of the joint venture.

And in addition, we have agreed that Vopak will acquire 24% of the Share Capital of Hindustan Aegis LPG, which is the Haldia LPG terminal. Now, most of you will remember that we already have an existing joint venture with Itochu Corporation of Japan through their Singapore subsidiary, where they have 25% already and Aegis through its subsidiary own 75% of the Haldia terminal (HALPG). We went into three party discussions between Itochu, Vopak and us Aegis, that look Vopak also wanted to come into this terminal and what was agreed was that between the three partners that Vopak will acquire 24%, Aegis will then dilute down from 75% to 51% and 25% will remain with Itochu. Obviously, we received consent from Itochu as per our shareholders agreement for this transfer to a third-party.

By the way I can just mention without going into too many details. After several discussions with Itochu explaining this transaction in full, including what we want to do with Vopak in India as well is in Northeast India in Haldia, Itochu was quite excited about the prospects, they know Vopak very well, and any energy trading company will know Vopak because they obviously use Vopak worldwide. So, they were excited to hear about this transaction. And once we were able to go through the details, we organized a virtual meeting between Itochu, Vopak and Aegis to explain the deal and also to talk about the various opportunities. And Itochu rightly in our view so great scope for the potential of this Aegis Vopak joint venture and indeed Hindustan Aegis LPG where we have the tripartite joint venture now once this transaction closes. They saw great advances and opportunities of the three companies working together in many different areas, specifically, first in the Northeast India region with HALPG, we've agreed to talk about many other opportunities going forward between Aegis Vopak and Itochu. So, that is a very powerful combination for the future, starting as I said in HALPG, Haldia with the LPG business, but that we are not only the power of Aegis in India, but the power of Vopak, but also potentially the Japan's leading trading company, Itochu.

So, a very, very crucial thing which I would say now, to clarify is, it was part of the deal that Aegis will continue to 100% own and operate all the terminals in Mumbai that Aegis has, that means the Mumbai two liquid terminals, the Sealord Containers as well as the Mahul Terminal as well as the Mumbai LPG terminal. That was part of the negotiation and we basically said that we would like to retain the 100% ownership of these Mumbai terminals, which shall we say the core and initial starting point of the Aegis Terminals business. So, the joint venture company, Aegis Vopak will not be in Mumbai, that will remain 100% own Aegis, but all other ports, including the current ports that we are talking about, is available for Aegis Vopak Terminals Limited to expand into with the exception of Mumbai which will remain 100% owned Aegis business.

And finally, Vopak themselves have a terminal in Kandla, which they have been operating for a number of years. This is a company called CRL Terminals with a capacity of 250,000 kilo litres. Remember that Aegis already has a capacity of 140,000 kilo liters in Kandla for our liquid terminal. So, we've agreed as part of the deal that the joint venture company Aegis Vopak will acquire 100% of the share capital of CRL Terminals from Vopak India and that will ultimately be 51% through the joint venture company, will ultimately be owned by Aegis of CRL Terminals and 49% by Vopak, because that's the shareholding structure of AVTL.

Okay, so that's part of the whole financial transaction as well that the joint venture company will also be purchasing from Vopak just like the joint venture company will be acquiring assets from Aegis, the one that I mentioned, there will also be a purchase of the CRL Terminals and that was a negotiation.

I can just tell you that just a couple of things about Kandla. As most of you know, Kandla is the number one petroleum, oil and lubricant port in India. It is the busiest port in India for handling petroleum, oil and lubricants. So, it is a very crucial thing. So, we will now have two terminals at the moment. The Aegis in the joint venture company with Vopak not only the Aegis existing 140,000 but an additional 250,000 and I can indicate that we want to grow further in Kandla, as I said, the busiest port, very, very crucial gateway for North India. And this this was an important consideration for us as well as Vopak that, look, how can we jointly Aegis Vopak do more in Kandla, will be a very powerful presence in Kandla Aegis Vopak together. Of course, the LPG massive LPG terminal is also coming up which Aegis Vopak will own, but also the liquid terminals that we just talked about. I think this is essentially the highlights of the transaction really concentrating at the current time on the liquid and LPG terminals with the exception of Mumbai between the two companies.

Now, the next Slide #10 really shows the boxes in terms of the corporate structure. You can see Aegis Logistics Limited there in 'red', it will continue on the left to own 100% of the Mumbai LPG terminal, the Mumbai liquid terminal, the retail LPG distribution business, which I'm going to be talking also more about in this presentation and the marine fuels in Singapore business. These will all remain within Aegis and will be growing those 100%-owned businesses within Aegis outside the scope of the joint venture with Vopak, but we will be growing, that's a major part of the growth story for Aegis Logistics Limited as a whole. But, as I said, Aegis Logistics Limited will also own 51% of the Haldia LPG terminal that is HALPG and Itochu will own 25% and Vopak will own 24%. So, that will be another unit of Aegis Logistics Limited which is 51% of the Haldia terminal.

As we've just discussed, Aegis Logistics Limited will have a 51% stake in Aegis Vopak joint venture company with all those terminals, this will become a major joint venture with Vopak, which in turn as I've already explained will have Two 100% subsidiaries; one is the Kochi subsidiary and the other is the Kandla CRL Liquid Terminal which will both be 100% subsidiaries of Aegis Vopak joint venture company. Aegis Vopak Terminal Limited, of which obviously Aegis own 51%.

And we will continue with the sourcing subsidiary in Singapore (AGI) Aegis Group International where Aegis Logistics own 60% and Itochu Singapore will continue to own 40%. So, what you can see here very clearly defined is that Aegis Vopak Terminals will be concentrating on certain businesses which are related to terminals and tank storage. Vopak is not interested in the distribution business, the retailing business, they are not interested in trading and sourcing, that is the Itochu business. But basically anything to do with terminals, I'll say more about it in coming slides, outside of Mumbai, this joint venture with Aegis Vopak, that will be the vehicle for growth and tremendous growth that we're planning in that vehicle with Vopak, as I'll explain, that will be the vehicle for growth.

But what I really want to emphasize at this stage is Aegis will continue to grow its Mumbai terminals, particularly the LPG which we think there's scope for that, and most of all, Aegis is going to continue to grow the retail LPG where we will be 100%, a very high margin business where we've got a long way to go to scale up that business. And when I say, long way to go, I'm talking the next 10, 20 years of growth plus in terms of the retailing particularly the Aegis Autogas station, and the cylinder business both for the domestic Cylinder segment as well as the Aegis Pure Gas Commercial segment where we are going national. In fact, this is going to become a major part of the Aegis Logistics Limited growth story, the retail LPG business over the next 10, 20 years as we scale up, and we will have not only the financial resources but more important, the management resources to really grow this retail business, which we think is going to create significant value for the Aegis shareholders. Nothing to do with Vopak, That's a different joint venture but this is to do with this business.

Okay, then we go into the next slide, which is what will the Aegis business structure look like post transaction? The earlier slide is the corporate structure. I think it's very clear to see that Aegis, you might call it four legs actually: One will be the LPG retailing business where we will have 100%, that's one leg of the business. Second business will be the Mumbai Terminals business, which is not only the liquid terminals, what we call M1 and M2 model, but the Mumbai LPG terminal as well. And the third leg is the LPG Sourcing business that we have in Singapore with Itochu where we are purchasing and selling gas into India with Itochu. Fourth and finally, this new joint venture for the Tank Terminals business in current ports of Kandla, Pipavav, Haldia, Mangalore, Kochi, current but not the only ports but for now with the joint venture company in tank terminals with Aegis Vopak Terminals Limited. So, these will essentially be the four business lines of Aegis LPG Retailing, Mumbai Terminals, Aegis Vopak Terminals, and then the LPG Sourcing business. Maybe yes, I can say the in the terminal service, the joint venture for Haldia LPG as well. Either we can call it fifth business or we can say is part of the terminals business.

Okay, now I intend to go through the Financial Details of the Deal. Now, what we have declared, and I'm going to spend maybe a little bit of time on the valuations as well to see how we negotiated these payments to Aegis, the cash amount that Aegis will receive pre-tax on the conclusion of this deal with Vopak. And bear with me because I think a lot of people would want to know the details of how we came up with these numbers. I'll come back to this slide in one minute. But let me start and the figures that are not on the slides, I'm going to say it verbally. Please write it down for those who are interested. As I said, the units that are being carved out of Aegis and put into the joint venture with Vopak are the following. This is the list that I'm reading out from my iPad. These are the eight units that we are carving out of Aegis and transferring into the joint venture with Vopak. One is the LPG Kandla Terminal. Number two is the Liquid Terminal in Kandla. Number three is the Liquid Terminal in Haldia. Number four is the Liquid Terminal at Mangalore. Number five is the Liquid Terminal at Pipavav. Number six is the LPG Terminal at Pipavav. Number seven is the 24% stake in LPG, the Haldia LPG Terminal. Number eight is 100% of the shares of the Kochi Liquid Terminal. I hope that's all clear. I've repeated the same list before in the previous slides.

So, I think what would be very helpful to participants is what does that represent in terms of valuation that we really agreed with Vopak in terms of enterprise values. What we've done is we've added up the forecast EBITDA for FY'22. So, this is a prospective EBITDA, not historic, because obviously, there are some expansions going on which are coming in the revenues of Mangalore Liquid, etc., So, when we negotiated with Vopak, we looked at the obviously future cash flows, but for purpose of this call, let us look at the forecast for EBITDA for all these units together, the eight units that I mentioned. So, what we have done is the forecast EBITDA of FY'22 for the gas unit that we are transferring, that means Kandla, Pipavav and Haldia Gas Terminal, the prospective EBITDA for FY'22 we have forecasted Rs.176 crores of the gas units that we are transferring in that list of eight, the gas businesses that we are transferring into this joint venture. Similarly, the Liquid Unit that we are transferring of that list of eight, we forecast the EBITDA for FY'22 of those units being transferred as Rs.72 crores. So, 176 crores of EBITDA for the gas unit, Rs.72 crores of Liquid EBITDA that that we are transferring. So, if I add up 176 crores plus Rs.72 crores, a total forecast of EBITDA of Rs. 248 crores, that means Rs.176 crores plus Rs.72 crores equals Rs.248 crores of EBITDA that we are transferring into this joint venture company.

We have basically negotiated a 23 multiple of EBITDA with Vopak. That's the implied multiple that we have agreed in terms of the negotiation. The enterprise value for all these units that I mentioned is Rs. 5,704 crores, that means 248 crores of EBITDA times 23 multiple comes to Rs. 5,704 crores, that is what we negotiated with Vopak, the implied multiple was 23, which I think most will agree is a significant multiple 23x forecast EBITDA, not historic, remember, but forecast of 23x multiple. Now Rs.5,704 crores, if we subtract the Haldia enterprise value of Rs.1,308 crores… why do I say Haldia enterprise value because when we look at the 24% that Vopak is buying of Haldia LPG, (HALPG), it translates to a enterprise value for the whole company of Rs. 1,308 crores. By the way, that is the same value that Itochu negotiated just now literally in April, I think it was. Itochu acquired an extra 5.3% in HALPG, Haldia around Rs. 69 crores. So, that means around the same kind of valuation that Itochu did Rs. 1,300 crores and that is reasonably the same valuation that Vopak did pretty much in terms of the same value that Itochu did literally in April, now, this is in July. This is of course is based on the discounted cash flows, future cash flows of HALPG, Haldia, which has been running for three years, but basically taking into account what are the kind of forecast sales volumes from HPCL. It was an issue with both Vopak as well as in the negotiations as well as Itochu that now BPCL has gone out because they as you all know, they commissioned their terminal in December 2020. So, looking at that, what was a reasonable valuation. And I think both of them independently came with a similar kind of figure and we finally agree that.

So, coming back to our transaction, I said that the enterprise value of the units that we are transferring was Rs. 5,704 crores, which Includes Haldia, which represented a 23x implied multiple of EBITDA. But if we subtract from that the Haldia enterprise value of Rs.1,308 crores, the remaining units, which means the Kandla units and the Pipavav units and the Mangalore, and Kochi, remaining units the enterprise value is Rs. 5,704 crores minus the Haldia Rs.1,308 crores, that implies that the remaining enterprise value for those units was Rs. 4,396 crores, was basically the enterprise value that we negotiated with Vopak for those remaining units excluding Haldia which we already talked about Rs.1,308 crores. If you take 49% of that enterprise value of Rs. 4,396 crores, which is what Vopak is acquiring all the units that we are transferring into the joint venture company. 49% of Rs. 4,396 crores comes to Rs.2,154 crores. So, Rs.2,154 crores is what essentially Vopak is valuing its 49% stake and then you have to add the HALPG stake which they are paying Rs. 314 crores on top of that for 24%, in other words 24% of Rs.1,308 crores of Haldia that represents Rs. 314 crores. So, if I do Rs. 2,154 crores, which is the 49% of all those units that are being transferred plus the Rs. 314 crores that they are paying for the 24% stake in HALPG that comes to Rs. 2,468 crores is what they are supposed to pay. And actually that is really the kind of way that it was done, but actually it ends up that we're getting a little higher amount of Rs. 2,766 scores. So, a little higher amount of then Rs.2,468 cores, if certain performance incentives are achieved by year three. So, what we did was we were not happy with just Rs. 2,468 crores. Our team actually negotiated some additional payments up to Rs. 198 crores basically by year three if the business achieved cumulative revenue goals in the next three years, Aegis Vopak Terminals Limited, then Vopak would pay additional amount of up to Rs.198 crores in year three to Aegis, so, Vopak paying directly to Aegis. Therefore, now going back to our slide over here this really is how we generate this figure of the payment to Aegis will be Rs. 2,568 crores of cash plus potentially an additional Rs. 198 crores by year three on achievement of revenue projections up to, there will be a little less than Rs.198 crores if we achieve only certain part of those milestones of revenue but if we achieve 100% of those milestones and by the way, we are actually reasonably confident we will achieve those revenue milestones, then we will get the full Rs. 198 crores addition cash from Vopak euro equivalent which is I think €40 million equivalent to Rs. 198 crores. So, therefore, we can now say that the total pre-tax cash consideration to Aegis from this transaction will be in the range of Rs. 2,568 crores to Rs. 2,766 crores from transferring these eight units that I mentioned plus the 24% stake in Haldia. That's a substantial amount of cash which will be sitting in the balance sheet of Aegis Logistics Limited. And I'm going to explain in coming slides what we're going to do with the utilization of this cash because we do not expect Aegis and you do not expect me to say that we're just going to sit and put that in the bank this Rs. 2,766 crores, I hope not, because I think all of you as we are excited by the growth opportunities that we can deploy this cash.

This is essentially the transaction details I've gone through in the last 10, 15 minutes how the justification of the valuation of the units being transferred to Vopak and how we came up with those valuation figures. Obviously, it was the negotiation based on future cash flows of each unit and then the present values and all that. But also, I've explained how the amount of EBITDA that will be carved out of Aegis, for example, in this current FY'22 of around Rs. 248 crores of EBITDA will be carved out of Aegis Logistics transferred into the joint venture company, 51% of that of course will continue to be owned, those EBITDAs in equity accounting terms be owned by Aegis, 49% by Vopak, but I think you will agree with me and I hope you do that, we've achieved a full price, 23x EBITDA multiple for that EBITDA of Rs. 248 crores.

Now, before I go forward, some of you will be interested that okay, can we understand the rest of the valuation of Aegis, what is remaining in Aegis and what is the kind of value of the businesses remaining in Aegis and what are the kinds of EBITDA that will remain with Aegis. So, let me go through that, because this is an Aegis presentation, not only the presentation of the joint venture company. So, what I can tell you is that what will remain in Aegis, the Mumbai gas terminal plus the retail LPG distribution and sourcing business. That is all the gas businesses of Mumbai plus the sourcing and the retail distribution business, the EBITDA, we expect in FY'22 the forecast is Rs. 236 crores of that will remain the Mumbai gas terminal, the LPG retailing business and the sourcing business, our share will be about Rs. 236 crores in FY'22. That EBITDA will remain in Aegis. In addition, the two Mumbai liquid terminals, we forecast around Rs. 110 crores of EBITDA for FY'22. So, a total EBITDA of Rs. 236 crores for the gas business and Rs. 110 crores for the liquid business, totally EBITDA of Rs. 346 crores will remain in Aegis. So, we are transferring Rs. 248 crores into the joint venture company, but we are retaining Rs. 346 crores of EBITDA for this financial year. And if I take the same multiple of 23 that we have arrived to the valuation that we did with Vopak to these businesses and why not, if we are able that is through Vopak transaction, we validated that 23x multiple, if I do Rs. 346 crores of EBITDA of the businesses retained by Aegis, multiple of 23, I have come up with Rs. 7,958 crores of valuation retained by Aegis Logistics Limited. So, the business is 100% retained by Aegis which is Mumbai, still represents almost 8,000 crores, Rs. 7,958 crores retained by Aegis Logistics Limited. On top of that, we retain 51% of the 1,300 crores enterprise value of Haldia and on top of that, we retain 51% going forward of the Aegis Vopak Terminals Limited business which will be growing in value over time, but I've already explained what we and Vopak ascribe the valuation of that business which I said was Rs. 4,396 crores So, that will represent the Aegis, shall we say, total valuation, the break-up value of Aegis, we will break it up into parts that we come up with Rs. 7,968 crores of value from the businesses retained by Aegis including the Mumbai liquid and gas terminals and the retail distribution business, our share of the sourcing business and Rs. 4,396 crores currently that is our 51% of that and the 51% of the Haldia enterprise value of Rs. 1,310 crores that I mentioned, that will represent the so-called market cap of Aegis going forward. The idea is clearly we will be growing all three parts of Aegis going forward and I will explain how the enhancement of Aegis shareholder wealth will take place because we intend at Aegis to now significantly grow over the next years. The businesses retained by Aegis that means the LPG retailing business, the distribution business, we significantly see extra growth coming from that, we see growth coming particularly in the Mumbai LPG business, which I'm not going to explain today, but we have got plans in that, these are Aegis plans alone.

We have got growth plans in Haldia with Itochu and Vopak agreed and I will not go through all the specifics, but we will give you a flavor and of course I will be explaining more about the huge growth plans that the Aegis Vopak Terminals. Entity, the joint venture company has over the next five years and beyond over the next 10, 20 years, which will significantly enhance when you add up all three parts of Aegis, the business is retained by Aegis, the Aegis Vopak Terminals Limited 51% stake and the 51% stake in HALPG. All three of these businesses, we are going to be expanding and the total of all those will be the kind of stock market wealth of Aegis going forward, all going up..

Just before I move on, and I hope that is helpful, of course, in Q&A, we're happy to answer further questions on those valuations and the cash reconciliation, etc., But the figure to really understand is that we have two things I want to get across. I hope I have been able to do that. We are transferring a certain amount of EBITDA into the joint venture company, but retaining quite a bit of more of EBITDA in Aegis through Mumbai in the LPG retailing. But we have got a full value, 23x EBITDA multiple from Vopak for the businesses that we are transferring.

And second thing I'd like to really people to understand is how that actually realizes into a potential payment of Rs. 2,766 crores into Aegis, this is an actual cash amount which pre-tax which will be received by Aegis into its balance sheet available for future CAPEX and growth which I'll explain.

I would just like to say a couple more things before I move on, which is we expect on closing of this transaction which will take place in a few months' time and I'll explain that in the next slide, we expect on closing of this transaction that out of this Rs.2,766 crores, around 75% of that cash will come into Aegis at the time of closing from Vopak and this whole transaction, in other words, Rs.2,074 crores, 75% roughly of that Rs. 2,766 crores, Rs. 2,074 crores cash will be in the Aegis balance sheet by the time we close this transaction and about 25% additional payments after three years or so, which means around Rs. 692 crores. These are the extra payments that Vopak will make directly to Aegis, etc., that I already explained. So, that's how we come with a total of Rs. 2,766 crores. 75% bulk of the Rs. 2,074 crores will be coming on closing.

Now, I said pre-tax, clearly, there will be taxes to be paid by Aegis as applicable on the transaction. Aegis have to pay taxes as sellers of those units. We will have to pay a certain amount of tax which will come out of this cash pile of Rs. 2,766 crores. Those are complicated calculations. But obviously we've been advised by our tax advisors on shall we say the best way to handle those taxes. But there will be a very large after tax cash amount after these taxes are paid.

And I would like to also explain to you that Aegis Vopak Terminals Limited will assume certain amount of external bank debt. So, what we discussed with Vopak was what is an appropriate capital structure for the new joint venture company, Aegis Vopak Terminals Limited, they have certain financial policies that they follow, Aegis has certain financial policies that they follow. So, what is an appropriate capital structure for this terminals business, generating heavy cash cow. We agreed that it was not appropriate to have zero debt in this joint venture company. But we thought especially vis-à-vis the huge CAPEX program that I will be explaining soon, where we agreed that a certain amount of external debt following conservative leverage debt-to-equity ratios and debt-service ratios, which we have agreed between Vopak and Aegis which are written into the shareholders agreement. So, with a certain conservative leverage in debt ratios that there will be certain amount of external debt in Aegis Vopak Terminals Limited. And future capital expenditure of Aegis Vopak which I'm going to explain in some detail will be funded by a mix of free cash flows of the joint venture company, obviously, it's going to be generating throwing off lots of cash from these terminal businesses that are there, including the CRL business in Kandla and some project that will take on some debt as I explained, but also both parent shareholders Vopak and Aegis as required will need to inject further cash injections into this joint venture company, that gives you one answer that what is this cash of Rs. 2,766 crores minus tax in the balance sheet of Aegis. Some of that quite a bit of it will be recycled into the investment program that we have over there which I will explain in a little bit.

So, we have now gone to the transaction timetable Slide #13. I'm conscious of time. We have to finish this presentation. The transaction timetable on Slide #13 is board approval by both the Vopak supervisory board and the Aegis board has been received as I mentioned. So, both boards have approved the deal transaction in full including all the legal agreements necessary. We will at Aegis require a special resolution by the Aegis shareholders because obviously, there is a sale of substantial assets, not only the board approval, but a shareholder approval is required. And we'll be doing that through a postal ballot. Probably it will take 45 to 60 days to conduct that postal ballot. Assuming that the Aegis shareholders approve this transaction, there will be a number of regulatory approvals and transfer of licenses and permits that need to be done for each entity, for example, transfer of exclusive licenses to Aegis Vopak Terminals limited from Aegis Logistics Limited, certain port permissions, all those kinds of things, which will take a few months we expect because each one will have to go through, it's a laborious process, but we have to go through. So, we expect to complete this deal before March 31, 2022. In other words, although we're announcing this deal in July, it will take probably six to nine months in total of getting all the permits before this transaction completes, there are several conditions precedent, etc., including these transfers that we need to do. And only at that stage on closing does Aegis receive the cash and Vopak pay its amounts and all the rest of it.

Okay, now I'm going to talk a little bit about the management and the board because this is important. I won't spend too long on it. But I think some people would like to know how we are going to manage this that 51% at Aegis and 49% is Vopak. So, what we have agreed is that there will be a board of six members, three of which will be nominated by Aegis, three which will be nominated by Vopak, the chairman of this joint ratio will be Aegis chairman, it will be probably Raj Chandaria, Aegis, will be the Chairman of this joint venture company and he will have a casting vote. In other words, where there's a disagreement, he will have the casting vote as a 51% shareholder. Of course, that is subject to standard minority rights that Vopak has requested in the shareholders' agreement. These are very standard minority rights. And there'll be two other board members along with Raj, one of which will be me and we will nominate one more board member. So, three of us will be on the board of the joint venture company and Vopak will in turn nominate three board members. So, six members in total.

Now the management organization, very crucial. Obviously, the board of directors I mentioned, but there will be a management committee running the business on a day-to-day basis. This will be a president nominated by Aegis, president of this joint venture company, there'll be a joint president nominated by Vopak, and there will also be a Chief Operating Officer, (COO) and a Chief Financial Officer (CFO). This will constitute the Management Committee. In fact, we as well as Vopak have requested that at every board meeting, the management committee, these four people should be invitees to the board meeting so that the board of directors can be briefed on the actual business going on. And this management committee will supervise the various operations of the joint venture company, including the liquid commercial team, the gas LPG commercial team, the finance department, the CFO, the (HR) Human Resources department, and then there will be a COO, as I mentioned, the Chief Operating Officer who is underneath the joint president for day-to-day operations, and the CTO, which is Chief Technology Officer, both of which will be nominated by Vopak. We fully expect that obviously the existing terminal operations they all have, these are the Aegis units and the CRL unit of Vopak, they have their own terminal managers already, and all that structure they will be there transferred into the Aegis Vopak Terminals Limited as employees of that, but we fully expect that the full access to the Vopak global management team for help, particularly from their Singapore office, which is the Asia Pacific office of Vopak, full support from Vopak Singapore, Vopak Asia in terms of terminal operations and standards and all that. That's a big advantage that while each site has its own terminal managers and operations people, there will also be a lot of coordination required with the Vopak team in Singapore as well. But overall, the joint venture company will be run by a management committee and a joint management committee.

Okay, now we are coming to Slide #16. I'm almost coming to the end. So, why did I say this is a win-win partnership for Aegis and Vopak. Listen, there are nine reasons we put here. Co-branded terminals we've agreed that the Aegis Vopak will become the new brand name, Aegis logo as well as Vopak logo. Aegis Vopak will become the brand name for terminals with the exception of Mumbai in India. And I think the customers know Aegis, a lot of people in India and worldwide know Vopak, but I think it'll be a very strong and number one brand name in India for the terminals business, Aegis Vopak. We will also be together servicing the customers of both companies including the national oil companies, multinational companies, specialty chemical companies, that means Aegis Logistics existing customers will now become Aegis Vopak customers, Vopak customers who are coming into India, including national companies, multinationals will also become customers of the joint venture, Aegis Vopak. There will be pan India footprint. Clearly, Aegis is already present in most areas of India with the necklace of terminals, but we will have a complete footprint with Vopak. We will have access as I said to the global best practices for environmental standards, sustainability, safety that Vopak has. Aegis already has very high standards but we can go even further with access to Vopak's best practices that was extensively discussed by us with the Vopak team and is an important part of the consideration that going forward all the Aegis Vopak Terminals will really be world-class in terms of the environmental and safety standards. There is a great potential for consolidation in the Indian market and increase market share by Aegis Vopak. Not going to say too much about it, but this combined Aegis Vopak Terminals will be a very powerful presence in the Indian market, and there will be opportunities. I know that for a fact there will be opportunities for acquisitions and consolidation to take over weaker terminals and really add that to the portfolio of Aegis Vopak. There will be further diversification of the customer base for both companies. Obviously, Aegis customer base will get access to the Vopak customer base, access to global know-how for handling all sorts of new products which I'll go through. And of course, ally to the proven execution capability of Aegis in India for new projects, I think we've demonstrated over the last so many years, particularly the last 10, 15 years, proven capability of executing on-time projects. And I think that's very important. And then potential diversification which I will go through.

Next slide is Slide #17, here, this is a slide of what will be the Aegis controlled liquid terminal capacity increase as a result of this deal. Now, this is not the Aegis Vopak terminal, but what we call the Aegis controlled liquid terminal capacity as a result of this deal. So, in FY'21, that is year ending March '21, Aegis controlled 729,000 kilo liters of liquid capacity, I am not talking about LPG, only liquid capacity. In FY'22 post expansion, even if we did not do this joint venture, we would have gone up to 853,000 because of the various projects that we have been undertaking in Mangalore and in Haldia, etc., we would have gone up to 853,000. But actually in FY'22, assuming we close this joint venture with Vopak, because of the acquisition of the CRL terminal in Kandla, the green one 250,000 kilo liters, we will actually go to above a million, Aegis will control through the joint venture as well as its own terminals in Mumbai over 1,103,000 kilo liters, and you can see on the right that 273,000 of that will be retained by Aegis in Mumbai, but the rest Kochi, Haldia, Pipavav, Kandla, Mangalore will be a part of the joint venture. So, we are breaking through the 1 million kilo liter barrier for the first time. And I will explain there is more to go in terms of that capacity increase. In fact, we've got extremely large plans.

Now, let me go through those next two slides, are very, very important, what are the business plans of Aegis Vopak Terminals Limited. Now, first slide is just on page #18, which is just the industry background and the macro trends for the sector that are going on. Most of this you know and it should not be news to you that India's energy demand is likely to increase by more than those of any major economy over the next 20-years. India has still a very low energy use per capita; 1.4 billion people. So, it is widely known in the industry that India's energy demand will very likely increase by more than any other major economy over the next two decades. So, obviously, the growth in energy demand will be higher than in China, which is more developed in India, will be higher than United States, will be higher than European Union or Japan or anywhere else. But that's really why most companies in this business are very excited about India. And specifically India's fossil fuel imports, which is a very important part of the business for us are expected to triple over the next 20-years due to the higher energy demand plus the decommissioning of all Indian refineries. It's quite amazing how many old Indian refineries there are, some of which date back to 1953, those cannot continue into the 21st century forever, they will be decommissioned, That means that domestic production capacity will come out, more imports will happen. So, as a result of that decommissioning of old capacity, plus the increased energy demand, the forecasts by the International Energy World are that India's fossil fuel imports are expected to triple over the next two decades due to these two factors. As far as LPG specifically is concerned, that was more to do with fossil fuel imports in total. We have a population of 1.4 billion, but half, 666 million, little less than half Indian still rely on solid biomass such as firewood for cooking fuel instead of LPG as an efficient clean or alternative fuels, the source of that was the Financial Times newspaper. We know that despite LPG penetrating into most villages and most areas of the country, the reality is that only half of Indians are actually using clean cooking fuels like LPG gas, 660 million Indians still rely primarily on burning firewood and cow dung and other things like kerosene for cooking fuel, dirty fuels instead of LPG. So, LPG imports will massively increase over the next 20 years in India. And therefore, along with more petroleum and chemicals terminal capacity to handle all those fossil fuel imports, we will need more LPG import terminals, we will need more capacity and throughput will be required for the next 20-years. That's the basic attraction of both Aegis and Vopak in this business, a massive amount of extra import which requires all that kind of import capacity and Aegis Vopak Terminals will definitely be leading this push in India as the number one player in the market.

What does that actually translate to? As Aegis Vopak, we will be executing a number of key strategic connectivity projects over the next three to five years to produce the step change in throughput volumes of all the LPG terminals towards full capacity utilization. Many of you in our earnings calls have noted the figures of LPG volumes, actually volumes handled, whether 3 million tons or whatever the figure is, or even on a quarterly basis, we're building up a lot of LPG capacity already, we'll be building more with Vopak LPG capacity. One of the key focuses for the joint venture partner is in Vopak will be executing a number of key strategic connectivity projects, which I'm going to go through in the next slide over the next three to five years so that we can reach full capacity utilization in the LPG terminals. And we're going to identify together with Vopak number of key projects. That is really crucial because building capacity but not reaching the full capacity utilization does not mean profits. What all of us interests in management as well as shareholders, is it how do we get full capacity utilization? And we have answers with Aegis and Vopak of how we're going to do that, which I'll explain a little bit in the next slide.

And very important thing is that we want to accelerate the timetable for rollout of these and other new projects in the next five years from FY'23, when the transaction closes at the end of FY'22, the five years following FY'23 to FY'27 using the combined managerial and financial resources of both Aegis and Vopak to really accelerate the timetable for these projects.

Now, what are those projects? The next slide. This is probably one of the most crucial slides in the whole presentation. So, again, I am sorry, it's taking a long time, but I have to explain this in full. We have sat down with Vopak and really identified a number of very, very key projects in the joint business plan of Aegis Vopak Terminals that we're going to be implementing over the next five years and then after going through what those projects are, I'm going to give you at least a range of figures for the CAPEX program. First, investing in VLGC compliant jetties. We have noticed over the last few years that if we want to improve the throughput of LPG in our terminals, whether they're in Pipavav or whether they're in other terminals, we need to have jetties which can allow very large gas carriers which carry 44,000 tons. So, it is actually important that we just do not sit back and say, “Okay, sorry, we can only bring midsize gas carriers.” Today, that's the case in Pipavav. And actually, it's a shortage of ships in the world for only midsize gas carriers. But there are many, many VLGC. So, this is an important way of increasing the throughput that we can actually bring larger cargo sizes for the customers. Today, they would like to and we have to say no, sorry, the jetty cannot take it in certain cases. That's not going to work out in the future. So, Aegis and Vopak have identified a number of jetties, a number of ports where we are going to co-invest with the port operator, or we will do it on our own, the Aegis Vopak to actually build and operate these jetties. Sometimes build, sometimes operate, sometimes together, sometimes not together, depending on the circumstance. So, this is going to be an important part of increasing the throughput investing in VLGC compliant jetties.

Secondly, comes as no surprise, a further expansion of LPG and liquid tank capacity in existing terminals. So, that is already familiar to most of you that we have existing terminals in Haldia, obviously, in Mumbai, it goes on, with this not part of the joint venture, but in Pipavav, etc., that we think we can expand capacity further in those existing jetties. And actually, we've got specific plans agreed with Vopak in this business plan for where and when we are going to expand capacity. And we will announce that when the time comes, but this is again part of the next five years. But what will be very interesting is what about liquid capacity. We can expand, we have more land bank in these terminals, where we can expand liquid tank capacity at existing terminals as well. Again, we'll come forward with more plans on that in future.

Third, very-very crucial, Multi-Modal Transport Infrastructure for LPG including railway connectivity, barges and pipeline interconnectivity projects. Number of projects that we have identified in various ports to do with Aegis Vopak, again with a view to reducing the delivered cost of imported LPG to the customer. You invest in these projects for a reason and the reason is it to significantly reduce the cost of delivered import LPG to the customer, primarily Indian Oil, HPCL, and BPCL. So, number of projects have been identified by Aegis Vopak which is why they will be using the terminals more, the competitive branches, the tunnels and we can increase the throughput.

Now fourth also very important, for the first time we are now discussing and we have discussed with Vopak, construction of inland depots for LPG to improve the logistics for the national oil companies. I am not going to say more on that right now, but we have discussed with Vopak that, look, connecting the port terminals with inland terminals through the connectivity projects that I mentioned including rail or pipeline connectivity or even barges could transfer importing LPG into inland LPG terminals, which can then be moved from there to where the customers, IOC, HPCL, BPCL wanted.

New LPG terminal(s) in the south. Clearly, that is also part of the plan of the joint venture company outside of Mumbai. And Aegis Vopak will come forward with announcements on that in future.

Storage of other types of gases. I'll come back to that in a little while, but it includes that why should Aegis Vopak only do LPG but there are other types of gases including ammonia, including butadiene, including propylene, all sorts of things where again Vopak has no half and that could be interesting for customers.

And then finally, Greenfield liquid terminals to serve dedicated industrial clients which is what we talked about that industrial terminals.

Now, I did say that what this business plan is for CAPEX that we have agreed with Vopak. I'm going to give a range. It's going to be depending on which projects happen and which may not happen or which if they will happen. Rs. 2,500 crores to Rs. 4,500 crores is a CAPEX plan, that is the range of investment over the next five years from FY'23 by the joint venture company. Clearly, that will be financed by a mix of internally generated cash flows of the joint venture company, there will be some debt, but it will require some cash injection by both shareholders that is Aegis and Vopak as required because if we go from Rs. 2,500 crores to Rs. 4,500 crores clearly the joint venture company on its own will not have sufficient funds. So, that is one major answer to okay, if Aegis is sitting on pre-tax Rs. 2,766 crores, some of it will be at the appropriate time… it will remain in Aegis, but at the appropriate time as required both Aegis will be recycling some of those funds into the joint venture company as with Vopak as required, so that we can do this massive CAPEX program of Rs. 2,500 to Rs. 4,500 crores. I hope that answers the queries already that what are we going to do with all this cash, not clearly to sit in the bank account, but it is there to actually finance and implement this massive program of plan of Rs. 2,500 to Rs. 4,500 crores of investment in the seven areas that we talked about, but very specific plans have been agreed by Aegis Vopak as far as this CAPEX plan is concerned. So, I hope that answers that.

Future Co-operation. So, just coming to the last two slides and then we can take Q&A, future co-operation with Vopak, now, this is also very important. We have agreed with Vopak to co-operate not only on the terminals business for LPG and chemicals and petroleum, but we have also fully discussed with Vopak that look, we would like to diversify as far as the Aegis is concerned through this joint venture company into storage of other gases. I already mentioned butadiene, I already mentioned propylene, but there could be a possibility of expanding into storage of ammonia gas and there could be possibility of storing (LNG) liquefied natural gas. These are all products which Vopak is familiar with storing and Aegis has not been involved in that. But customers are coming to Aegis all the time and exploring whether we could store Butadiene for them, whether we could store propylene for them, whether we could store ammonia gas for them, major customers. Now with Aegis Vopak together, we will be able to go diversify. These are CAPEX plans, these are projects which will be beyond that Rs.4,500 crores as and when they come up. And again, utilization of some of the funds that Aegis is realizing that cash pile of Rs.2,766 crores.

In addition, we have discussed extensively with Vopak about exploring renewable energy projects. All of the stuff that we've talked about is storing chemicals, and fossil fuels and LPG and LNG and ammonia and all those kinds of things. But what about renewables? Clearly, the world is moving. In the next 10 20, 30 years there will be renewables. As I explained right at the beginning, Vopak is already taking a lead in certain areas like hydrogen storage, which could be a very, very important business in the future. They're already exploring battery storage, electricity storage through batteries, they're already doing co2 storage as part of carbon capture. So, these are all projects that we can discuss with Vopak as far as India is concerned. Again, we don't have the know-how, but subject to commercial viability, and the same thing with LNG, the same thing everything has to be commercially viable project-by-project we will be in a position to discuss with our joint venture partner, Vopak. And, of course, we will also be exploring new Greenfield liquid terminals in other ports. I did mention that we are in ports of Kandla and Mangalore and Haldia and Mumbai, Pipavav, of course in Aegis and etc., But there are a number of new Greenfield liquid projects. Given that huge expansion of import capacity they will need, we will need to go and get land and start building massive new Greenfield liquid terminals in other ports. We'll do that together with Aegis Vopak.

FOCUS?

In terms of financing for these new projects, both companies will finance these larger projects using a mixture of project finance, parent company equity injection, Vopak will inject money into those, Aegis can now with that cash pile of Rs. 2,766 crores, I mentioned has the financial firepower and and/or induction of other consortium partners. I mentioned Itochu could be interested. Others could be interested in certain things. For example, LNG could be a billion dollar project; Rs. 7,500 crores project, that's the current ticket size. Clearly, we might need consortium partners and we might need some debt. But now with the scale of what we can do with Aegis and Vopak together, we will be able to do those kinds of projects in the future. So, it represents a future diversification of Aegis beyond simply LPG and chemicals into, other renewables hydrogen, in the next 20, 30 years, hydrogen and, battery storage, solar power. Also, FOCUS ?

I should have mentioned solar power is something that, we are exploring with them. So, everything subject to commercial viability, but we can now explore, Aegis will be big enough, after this joint venture deal is through with the realization Aegis will be big enough, not only with the cash pile that we have, but also the huge cash flows that we retain in the retail business and the Mumbai, LPG and of course the dividend flow from Haldia Aegis will be big enough to actually, co-invest with, our partners, Vopak and other consortium into these types of projects in the future and drive growth.

The final two slides, what does it mean in terms of shareholder value stakeholder value as far as Aegis shareholder concerned? Clearly, we will be, able to scale up on an unimaginable scale, the liquid and LPG terminals business on an accelerated basis. I do not think any of you would expect Aegis alone to be able to plan Rs. 4,500 cores of investment in the next five years in the liquid and LPG business. We have never done that in the past with Vopak together we can plan for Rs. 2,500 crores to Rs. 4,500 crores in the next five years. So, we can do that together. We will obviously be pooling our financial management and technical resources for diversification into other types of gas storage, and other types of, product storage combining with the global leader Vopak in a way that Aegis could not do on its own.

And we will be exploring new growth opportunities in renewables as sustainable energy with knowhow from Vopak that we do not have. We will combine this with the existing business of Aegis, which means the cash flows from the Mumbai liquid and LPG terminals, the high profits from the 100% owned retail distribution business and dividend flows from each LPG from the joint venture with Itochu and Vopak and of course, future dividend income from Aegis Vopak Terminals Limited.

The way forward as ever will be for Aegis to have, a very strong balance sheet, superbly strong balance sheet, and free cash flows really a cash generating company Aegis will have cash flows from our Mumbai terminals, from the retail business, dividend flows from Itochu LPG, dividend flows from Aegis Vopak Terminals Limited. And we will really be focusing a lot on scaling up our retail business that is going to become a major part of the growth story of Aegis beyond the growth of the Aegis Vopak Terminals business. It is going to be a major part of the growth of Aegis, the focusing and growing the Aegis LPG retailing business.

And based on the forecast that we have made, we believe this joint venture transaction will significantly, this joint venture with Aegis Vopak will significantly enhance the forecast earnings per share growth post deal due to the accelerated growth plans of the terminals business with the joint venture Aegis Vopak and potential growth opportunities beyond LPG, including renewables one day and other opportunities.

We have made our own calculations that okay, if we retain the profits, earnings of Mumbai terminals, and we significantly grow the LPG retail business in Aegis, which will be 100% owned and we grow with the plan of Rs. 4,500 crores CAPEX in all those projects we significantly grow the Aegis Vopak Terminals Limited's profits 51% of those will come to Aegis, and 51% of the profits, the growth of the Haldia joint venture we think this will be significantly enhance forecast earnings per share compared to if we did this on our own with no deal because of the massive investments that we are able to do with Vopak together with the diversification.

So, finally, at long last I can close by saying, the new Aegis will have three legs. One will be fuel retailing, which we talked about, focus with a lot of it will be on the brand building of Chhota Cikander Aegis Pure Gas and Aegis Autogas, the consumer facing business.

This will become a major part of Aegis, the consumer facing business of fuel retailing. We will have the joint venture on tank terminals, will be another part of the business, and we will have new business in the future looking at renewables and other types of infrastructure that we are not currently in. I think that basically concludes my presentation. I apologize I had to get through a lot 23, 22 slides. I can now take questions along with our CFO, Mr. Moledina and Raj Chandaria who has joined in from New York. Thank you for listening patiently.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jiten Doshi from Enam Asset Management Company. Please go ahead.

Jiten Doshi: This entire deal was a very big surprise to all of us and wishing you the very best to you and Raj for the successful execution of the joint venture and to move ahead, and demonstrate a dramatic growth compared to the last five years. My first question is basically on the entire joint venture. Is there a call or a put option on either of the sites?

Anish Chandaria: No, there is not. There is no such clause in the shareholders agreement on either side. There are standard shareholder agreement things that if they want to sell, but there is no defined call or put option.

Jiten Doshi: So, basically do they have a right of first refusal if you wish to sell?

Anish Chandaria: Yes, there are standard, I think, Murad, do you want to just comment on that last part about right of first refusal?

Murad Moledina: Well, yes, absolutely. Those are standard ones that if we want to exit or if they want to exit. The first right of refusal will always be there to the other partner.

Jiten Doshi: Sure. The second question basically is more related to what is the size of earnings growth that we can visualize in five years, Anish, because it has been quite a challenging three year period where, because of the SOPs given and because of the pandemic and whatever we saw, I think we are in a build-out phase so shareholders have not seen good earnings growth, but when you talk of substantial earnings growth, would you believe that this entire EPS growth could be at least compounding at 30%, 35% over the next five years?

Anish Chandaria: Well, I do not like to give specific numbers.

Jiten Doshi: No, I think this is just a broad, I am saying a very broad guidance that.

Anish Chandaria: I appreciate it. Let me give you, because obviously we have our own internal numbers, etcetera, but let me give you a flavor of what. You are right about the last three years. I mean, all sorts of things have happened and all that, but with this deal, we really think that we are putting our foot on the accelerator pedal because with Vopak we think we can do this kind of major CAPEX plan, but it is not CAPEX for the sake of it. Those particular eight, nine areas, which I mentioned specific areas is all the way to actually accelerate the growth in terms of profits.

Obviously we will have 51% of that, but we think even 51% of a bigger pie, with Vopak will become a bigger for Aegis shareholders in principle. Number two, we are going to, and this is very much a discussion that I have had with the Aegis management now that we are, shall we say, hiving off this terminals business into the joint venture management we will actually at top management level be focusing much more in Aegis on the LPG retailing business, which I cannot emphasize enough. It can be so massively scaled up in terms of the growth potential, and of course, post COVID and all that. We really think that we will be redoubling our efforts and we will have the management resources to focus on that. Of course, financial resources will not be a problem.

But quite frankly, I think it is the management bandwidth issue that we will really be able to, and we can invest more in marketing. It is not in this business consumer facing business it is not only going to be, oh, we need to put bottling plants and we need to put assets, physical assets, like in the terminals business but this business requires actually brand building and marketing expenditures, in the modern way of marketing today, which will require an investment, and those investments, now of course we will be able to afford in building up the Aegis branding. So, I think those two are there, and last but not least, I think, what is very exciting beyond even the next five years in terms of earnings per share growth that I think will be driven a lot, the earnings growth of the Aegis Vopak Terminals Limited, the earnings growth coming from the fuel retailing, LPG retelling, but ability to look at diversifying into new types of gases, beyond LPG and chemicals and petroleum.

I mentioned ammonia, I mentioned butadiene, I mentioned propylene. There are very specific projects in our business plans. In other words, these are not theoretical. These are very specific projects that we are not in, that we can actually do and that is part of our discussions, very specific customer requirements that we can now do with Aegis Vopak confidently as part of that investment plan. So, I think and then of course in the future that may beyond five years, looking at renewables and all that. So, I think I have often discussed with many of you, including you, Jiten, that look, the answer to where does Aegis go from here.

I think this deal really answers it, as much as I have spent the last two hours explaining that, or one and a half hours that, it really answered the question that Aegis is going to go further in the terminals business. Aegis is going to go further in the LPG retailing business and Aegis is going to go beyond LPG and chemicals. I hope that answers. In terms of specifically earnings per share, no question in our mind, this size of investment that we are envisaging Rs. 2,500 crores to Rs. 4,500 crores of investment is a far more bigger plan than we would ever have envisaged in Aegis alone. And that means that we are, yes, with the joint venture partner sharing the risk with us and sharing the profits but also sharing the investments with us we are significantly trying to accelerate the earnings per share growth.

I would certainly, and this I am going to say publicly, I would certainly be looking for 25% to 40% earnings per share growth compounding. That would be our target for Aegis Logistics Limited over the next five years. In other words, somewhere between, there will be ups and downs, but 25% to 40% earnings per share growth is what will be targeting for Aegis Logistics Limited as a whole, when you consolidate everything into the thing. This would be faster than the growth that we average growth that we have had over the last three years, but that is what we would be targeting.

Jiten Doshi: Sure. You have spelled out some plans for your retail business prior to this joint venture, where you talked about the number of gas stations going to about 200 over the next three to four years, now that will definitely change, right because you are getting the liquidity and you have the band width?

Anish Chandaria: Yes. I do think so, I am not yet prepared to say on this call, how we are going to upgrade those plants, but we will be, we are already in discussions with our retail team, virtually these days. But we are already saying that now that we have got more resources, both management as well as financial resources, and we will be investing more in marketing we want to upgrade that plan from what we had before. No question about it. And as soon as we are ready with upgrading that plant, we will be reporting, but you are right those plants which will be music to your ears I am sure those plants are already out of date and I think we need to accelerate beyond that, just like we are doing on the terminals.

Jiten Doshi: So, firstly, I think, thank you so much for this very detailed explanation, and that was very valuable, very useful, very insightful. Just to further elaborate on that 25% to 40% you are talking about your consolidated profits before minority interest. Am I correct?

Anish Chandaria: I am talking about, after minority interests, all profits available to Aegis shareholders only. So, after subtracting from Vopak 49% and Itochu etcetera, earnings per share available to Aegis shareholders earnings per share after minority interests, earnings per share. That is what we will be targeting at the Aegis Logistics Limited levels.

Jiten Doshi: Sure. So, you are talking about 25% to 40% of that actually growing over the next five years, which you have outlined from FY22 to FY27, am I correct?

Anish Chandaria: In FY20 this deal will close in FY22 so FY23 to FY27 is what we are planning. Of course, it goes through the health warning that everything depends on us, executing well, not only completing this deal on time and getting all shareholders support for this deal, which I hope you will also be supporting, but also executing the projects on the ground well, which we have shown a good track record. Now with the help of Vopak we hope to go even better.

Nothing is guaranteed, but if we execute this business plan that we have jointly agreed with Vopak together, if we upscale our growth plans in the retail business, that I mentioned, then I think that kind of 25% to 40% earnings per share growth for Aegis shareholders. I repeat after all minority interests, that is certainly something that we are targeting.

Jiten Doshi: So, my very last question to you Anish is that your balance sheet size today is about Rs. 2,000 crores and you are talking about another Rs. 4,000 crores, Rs. 5,000 crores of investment only with Vopak and then you are talking about in retailing yourself and many new ventures. So, when I consolidate all of this in the future, I will see a Rs. 7,000 crores, Rs. 8,000 crores, Rs. 9,000 crores kind of balance sheet. What sort of return on capital employed would you be looking at or what would keep you happy and going, in your business?

Anish Chandaria: I think it is a good question. I think in the current circumstances, obviously different businesses have different capital returns. For example, the retailing business is extremely high returns. The liquid terminals is a little lower than the LPG terminals and other gases may not be as high, but I think a reasonable return on capital would be 20% to 25%. That would be a reasonable return to target with the mix of businesses that we have.

Jiten Doshi: So, you are already doing 20%, 25% if I exclude the one-time ESOPs you are already doing about 20%, 25% basically in your overall gas business and if you utilize the capacity from, as you said, from 3 million to 12 million, then basically you should be actually looking at a much higher ROCE, right?

Anish Chandaria: Yes. But I think I would still be leave it at 20% to 25% because the mix of business will change. LPG is a super profitable business, but if we have other types of, terminals we are not be quite as high. So, I think 20% to 25%, but the key thing is here, which I hope you got across in my presentation is that with Vopak, with the brand that we have, we actually aim to improve the throughput levels of all our terminals. The actual logistics in LPG for example, with the projects that we need to do and there are various things that we have discussed with them in detail, in the management teams. And that actually will result in potentially even higher returns on capital in the LPG business that we have today.

So, I am just saying that some things will improve, in fact even competitively, but if you look at the mix of businesses that we will have in the future, not all projects will be as high returns, but I think 20% to 25% is a reasonable thing that I would be happy with. Look, if we do better than that, you will be happy, I will be happy and everyone will be happy, but I think 20% to 25% is a figure that we can live with, and we will be happy with. If we can do better than that definitely. For example, if our fuel retailing, LPG, retelling business grows much faster in terms of sales volumes, then that figure will creep up. No question about it.

Jiten Doshi: I think this is a very good, and we wish you all the very best and we hope your transaction actually gets consummated by March 22 so the balance sheet that we will see as on 31st March 22 should reflect the entire transaction, right?

Anish Chandaria: Yes, that is what we are aiming for. Murad, I think that is fair, is not it that by March 22?

Jiten Doshi: Or is it effective April 22?

Anish Chandaria: Murad, do you want to comment on that? What is realistic March 22 or?

Murad Moledina: We are aiming and trying for March 22 and Mr. Anish said 75% of the deals would be realized by then so that would definitely be reflected in the balance sheet subject to tax deductions yes.

Jiten Doshi: Sure. So, Murad, we have you after many years on the call. So, can you tell us the approximate tax rate?

Murad Moledina: This is a very complex transaction.

Jiten Doshi: So, it cannot be more than 25%, right? It cannot be more than 20%?

Murad Moledina: Absolutely.

Jiten Doshi: Right so what is the base? I mean, it cannot be less than 10 or maybe we have seen many companies, unique companies in India they pay no tax at all.

Murad Moledina: No, we will not be of that.

Jiten Doshi: So, can I say it is a 10% to 15% range to be very fair?

Murad Moledina: No, I think 15% to 20% is a much better number or much conservative number.

Jiten Doshi: On the gross sale proceeds?

Murad Moledina: Yes.

Jiten Doshi: That was very useful. I wish all of you the very best once again congratulations and we look forward to riding this journey and being a part of this very solid growth story. All the very best to Raj, to you Anish and to the rest of the team all the very best.

Raj Chandaria: And Jiten, if I can just interject here. I know you are always keen to make sure that the entire management team is on the call. Murad is always on the call, and I am always on the call, but we have a great spokesman in Anish, so we are there to back him up as and when required.

Anish Chandaria: Raj is calling in from New York, I am calling in from London and Murad is in Mumbai.

Jiten Doshi: We will make sure that Raj is on every call from next time so that will be great.

Anish Chandaria: He is there in every call. He is just silent, but he is there on every call.

Jiten Doshi: Right because the company is getting bigger we need more people to provide us that confidence so great thank you so much.

Anish Chandaria: It is a little early in the morning, but anyway, that is okay.

Moderator: Thank you. The next question is from the line of Rajesh Kothari from Alfaccurate Advisors. Please go ahead.

Rajesh Kothari: I have a few observations. The first thing might be you might say the greedy shareholder, but when we are doing this deal at the enterprise when you have 23x EBITDA of March 22 number, we have done significant CAPEX over the last 3, 4 years, but due to of course the COVID in such situations the utilization was actually supposed to start and like accelerate further in FY22 and then FY23 and FY24. So, typically, when we do such kind of transactions particularly strategic in nature, normally they do three years forward, four year forward because the CAPEX has been already done whereas the EBITDA number is not showing up in that, it is too premature because probably in FY23 would have been Rs. 90 crores EBITDA whatever Rs. 570 crores or Rs. 590 crores number of FY22.

So, how do you see that? That is my first question. My second question is, from the joint venture perspective, where did the joint venture, how much debt basically will go out from Aegis Logistic balance sheet to the joint venture? And whether the joint venture, as on the date of transfer would have any other debt apart from the debt, which gets transferred, I am saying as on the date of transfer, I am not talking about the future? Of course, in future, it might have its own project finance bid, but it is absolutely fine but otherwise apart from some debt transfer from Aegis Logistics is there any other debt the joint venture will take?

Anish Chandaria: Yes. Okay good question. Now, on the first question on valuations, now I did mention that the way it was negotiated, like all these valuations is not only one-year FY22, and just take a figure and then just multiply 23. Actually, what was done was we forecast, and they forecast, future cash flows for next 10 years, for each unit, which would take into account, when CAPEX was done and then when things are being commissioned and etcetera, taking into account all the growth things, and then obviously use the discount rate, weighted average cost of capital, and then come with valuation, then add it all up and all that. So, that was all done and in fact, there was a lot of haggling and negotiation, which took months.

They also did, Vopak did a lot of due diligence, visiting all the sites, looking at asset integrity, looking at whether they need to be some maintenance CAPEX, which obviously is a deduction to the price, because if that has to be done, etcetera, although actually they found that there was not a huge amount because Aegis terminals are in very good shape. So, all that was done through the normal way of future cash flows and discounting. Now, the reason that I reported the prospective EBITDA of FY22 and then translating that into an implied multiple of 23 is just a metric to explain what the result of those enterprise values that I gave you that was agreed with, Vopak for those units being transferred, what that implied in terms of multiple of EBITDA of FY22.

They did not in other words, they did not, say, oh, let us look at FY22 EBITDA forecast, and then just multiply 23 and let us pick a number 23, 22. No that is not the way it works. Clearly the whole thing was done on the basis of detailed negotiations, line-by-line on spreadsheets on every units forecast, future cash flows and all that. And I think, obviously the discount rate then takes them to come the riskiness of some of those cash flows, including for example, new projects like Kandla, which has not even started, which is today just a spreadsheet, right. It has not earned a damn penny. So, obviously that is the normal way that has been done.

But I think for shareholders and investors it was a useful way of explaining that what is the implied, that enterprise value that the figures that I quoted, what is the implied EBITDA multiple on, and I think 23 multiple for FY22 is a very good value and, kind of shows that we negotiated a good value from Vopak for this strategic opportunity that they are buying into in Aegis.

We are very confident on that and hence how that figure of Rs. 2,766 crores comes was resulting from all those negotiations over the many months on that. So, I hope that answers your question regarding that it is not just looking at forecast FY22, but it is the way of explaining to all of you that look when you translate those enterprise values, which came out of the discounted cashflow analysis what it actually means in terms of multiples 23x by any stretch of the imagination is. By the way I was having a dinner with a friend of mine. This is just a complete aside who runs a business in the UK, and I was explaining to him, and I said 23x, and he almost choked on his hamburger because it is like we do not get that in the UK. So, I explained to him that, India is a little different that we have high growth.

Murad, I think, on the question of debt in the joint venture company and how we intend to run that, maybe Murad, you can respond to that, the leverage and what we have agreed with Vopak in terms of the debt profile for the company.

Murad Moledina: So, to explain the debt profile, what explained is that the new joint venture will be, conservatively leveraged and there are two control metrics, which we have applied for having debt in the JV, because it is an infrastructure company and there are lots and lots of infrastructure lined up to be taken up in the company. So, the company will be controlled by two control metrics. One is the debt gearing, which kept at 0.6. It should be the region of 0.6 and not more than that as well as cannot exceed EBITDA five. So, that is the control set up by the partners and both the partners believe it is sufficiently leveraged but conservatively from day one, how it will operate during its lifetime.

Rajesh Kothari: So, how much of the debt will be transferred from Aegis to the joint venture?

Murad Moledina: No transfer of fresh debt. It is all fresh, nothing it does not have debt on its books. So, it is net debt zero.

Rajesh Kothari: That I know I know. I was thinking from the okay SPV perspective. Okay, fine understood. So, basically that the asset which will be transferred to the joint venture, whether the joint venture need to take any debt to fund this thing, or I am just trying to understand the structuring perspective?

Murad Moledina: Yes, that is what I said. The structure has been explained, and it depends when, how and in what manner the partners will decide, and it will happen.

Moderator: Thank you. The next question is from the line of Shaleen Kumar from UBS. Please go ahead.

Shaleen Kumar: I would like to again go through that EBITDA calculation with you. So, just one clarification. When you said Rs. 176 crores of cash assets, are you taking 100% of Haldia here or only 24%?

Anish Chandaria: Murad, I think 100%.

Murad Moledina: No, 100% of whatever business that is going in only then we can do 24%.

Anish Chandaria: Yes, because we were calculating enterprise value for the whole unit.

Shaleen Kumar: But Haldia LPG is not going, right it is only 24%, which is going so it is not going to the JV, right? So, ideally so effectively okay so?

Anish Chandaria: It is in the deal, Shaleen, that is why.

Shaleen Kumar: The way I am coming here, that Vopak is paying Rs. 2,700 crores, right or Rs. 2,760 crores, now what share of EBITDA are we giving them? So, I believe Rs. 176 crores you said of Haldia of the three assets. Out of the three assets, two assets are completely going in there and 24% is going of Haldia, right?

Anish Chandaria: But Shaleen, if I can just interrupt, that is why then I subtract from that enterprise value from Haldia…..

Shaleen Kumar: But Anish, that Rs. 1,300 crores is what Vopak thing, right. But market things are on higher side, right. So, let us say Haldia is generating Rs. 100 crores of EBITDA and if we put a same multiple of 23 here then Haldia is actually much more valuable than what we are expecting from here?

So, I am just trying to ascertain few things. So, actually, that Rs. 176 crores is not Rs. 176 crores it should be less net net much less? And second thing so Rs. 176 crores and also CRL EBITDA. We have not talked about CRL, RIGHT. I believe it is an operational unit. So, there is some EBITDA coming from that also, which we will be getting it?

Murad Moledina: Can I answer that. Because Shaleen, CRL EBITDA will come, but we will have to buy and pay for that also. So, it is not in built in to Rs. 2766 crores that is only related to our units of the CRL come once we invest and take over 100% in the JV Co of CRL.

Shaleen Kumar: But how much are we paying for that? Is it that Rs. 236 crores?

Murad Moledina: No, we are paying Rs. 186 crores.

Shaleen Kumar: Rs. 186 crores?

Murad Moledina: Yes.

Shaleen Kumar: And do we know the EBITDA of that CRL if you can disclose that around FY21 EBITDA of CRL?

Murad Moledina: FY22 EBITDA.

Shaleen Kumar: FY21 is fine.

Murad Moledina: For them also there are certain things in CAPEX, which they are doing. So, FY22 is what, one should be taking. So, it is, I think somewhere around, could be somewhere around Rs. 25 crores or so.

Shaleen Kumar: Rs. 25 crores EBITDA of FY22?

Murad Moledina: Around Rs. 20 crores to Rs. 25 crores yes.

Shaleen Kumar: Of the 100% CRL?

Murad Moledina: Yes, of the 100% share. Yes absolutely.

Shaleen Kumar: So, we will be getting 51% of that, so Rs. 12 crores roughly? Rs. 186 crores for that?

Murad Moledina: Right. So, that translates to 15x.

Shaleen Kumar: So, there is an arbitrage over there as well?

Murad Moledina: Absolutely.

Shaleen Kumar: If I do a rough math of calculation so basically the deal is not at 23x of the EBITDA, as per my calculation and I can be completely wrong I think it is around FY22 numbers you are kind of deal somewhere in the range of 26x to 28x of your EBITDA?

Murad Moledina: Shaleen, we agree with you then.

Anish Chandaria: That is fine. Which you show us you are working but that will be better.

Murad Moledina: We will be happy to look at it. And anyway Shaleen, we can discuss all of these detailing offline also because I think we have given a broad picture for the general shareholders.

Shaleen Kumar: I want to discuss this on the call for the better understanding, right? Because Haldia is a major contributor of that Rs. 176 crores and only 24% should come in that in the EBITDA calculation?

Murad Moledina: You are right.

Shaleen Kumar: So, actually if I take 24% of that and both Kandla and Pipavav your EBITDA contribution should not be more than Rs. 100 crores or may be somewhere there. So, Rs. 100 crores plus Rs. 72 crores is Rs. 172 crores is what you are giving, right? So, whatever so that is where it is. The previous participant said that in FY22 EBITDA of 23 is lower, but actually on FY22 if we do a ballpark calculation our EBITDA would be much higher than what and it is the premium that what we are trading right now.

Okay so that is one thing. The second bit, sorry in terms of, yes. Why there is a mismatch in terms of the filings? So, the consistent rate, so Rs. 1,486 crores, Rs. 314 crores, Rs. 236 crores the three filings which you have done and Rs. 27 crores there is a mismatch?

Murad Moledina: If I can answer that, that is because if you look at it, it is based consideration because that is how as per the agreement, we have to file with the stock exchange. And it does talk about adjustments, which we have worked out and then given to the shareholders, what would be the final figure. But it has to come when the closing happens the exact number will evolve.

Shaleen Kumar: There is some premium to it of whatever the base?

Murad Moledina: Yes, there are adjustments.

Shaleen Kumar: So, Murad, just the way to look at is that the gap, is that something like a premium, it is a part of the deal only, it is just a more of a premium kind of thing?

Murad Moledina: Yes, also Shaleen, there are payments which we have explained will happen over a period or after a period of three years. So, those are not upfront, so they will not, APL plus the adjustment and plus the final amounts, which will evolve on closing.

Moderator: Thank you. The next question is from the line of Alok Ranjan from IIFL Asset Management Company. Please go ahead.

Alok Ranjan: Just one clarification and a question post that. So, Vopak has also released a notice on this deal. And what we see is that the interface value for the Vopak shareholding in the JV will be €185 million plus €15 million. So, that comes to €200 million. And they say that the net consideration will be €115 million only. But the amount that we are talking about, the consideration that we will be getting is Rs. 2,766 crores. So, if I adjust with exchange rate, I do not get the number which we are talking about. So, can you just clarify what the difference in the number quoted by Vopak and Aegis?

Anish Chandaria: Certainly. I think I am going to hand this over to Murad who will explain about the adjustments, because of the structuring of the deal. Murad, you can take this.

Murad Moledina: Yes. If you notice in their filing, they have put in three numbers, which is 115, as well as 40 million, the three-year payout and 153 million, deleveraging amount. So, if you add up all those three and you multiply by 90, you will get this amount which we are talking about.

Alok Ranjan: Okay. So, €153 million, the financing thing you are saying that will get added in to it?

Murad Moledina: That will flow to us. Yes. So, that is the exact amount of 2766.

Alok Ranjan: Second question is related to the new businesses, which is quite exciting it is on the hydrogen and the renewal storage that we are talking about. So, is it like in the deal, is there anything mentioned that whenever such kind of new opportunity will come into India, which they are not doing right now. It has to first come through the JV. That means is there any right up to future that will come with the JV and then only they can take it separately or how is it?

Anish Chandaria: Let me cover that. First of all, it may not come through the JV company because this JV company will be for LPG and chemicals, etcetera, and other types of gases. But other types of projects, for example, renewables that we talked about there may be, so they will, what has been agreed with them is that they will, Vopak will talk to us, quite frankly, it could be us talking to them and we will then look at the project viability, on a case-by-case specific basis.

Then we will see whether it is viable. Then we will discuss whether we want to have consortium partners. What is the capital structure? This is, this is, so basically it is an agreement to cooperate anything to do with these types of things that we put here, will be with Aegis to discuss.

So, but it finally Aegis refuses that, no, thank you we do not want to do that. Then of course they will go, they can go and talk to somebody else, but the first right of refusal should we say is with Aegis, yes.

Alok Ranjan: Got it. Sir, just a last one if I can squeeze. These assets are pick and choose by Vopak or like Mumbai LPG and liquid? Obviously they are very profitable. We have kept with us, so is this like a pick and choose of asset which is done by Vopak and is there any strategy related to that?

Anish Chandaria: No, actually I can respond to it. And I am going to ask Raj to comment on this, who has been in Aegis longest, and he will have response. Raj, can you just respond to this question of, why you and I discussed it, but why did we decide to retain the Mumbai terminals in Aegis?

Raj Chandaria: Yes, I think there is a number of reasons. It is a good question. Number of reasons, when and Murad, perhaps you can also intervene here if necessary. When the discussions were going on with Vopak, of course their preference was to do a complete venture, in the entire terminal business, including the Mumbai terminals, because really that captures the spirit of what we are trying to do here in the entire terminal space and Mumbai is an extremely important gateway for India. However, we were reluctant to part with the Mumbai terminals because we feel that there still more work that we have to do, number one. But to truly capture the value that they would have been willing to pay and we still feel that there is more value there.

Secondly, I think there is a feeling that some sentimentality perhaps if you can call it that, this is where the entire the heart of Aegis where we started everything and so on. So, I think for the moment we declined to put Mumbai into this venture. That does not mean that it will be off the table forever. But at the moment, that is ours. So, when you say pick and choose, I think the rest of the terminal assets of India are in the joint venture. So, to a certain extent, we picked what we wanted to go in and what we did not want to go in. I do not know whether that captures the essence of where.

Anish Chandaria: I would just add one more comment to that when we were discussing only one more comment, which I think is important for Aegis investors as well, apart from the two points that Raj made about why we retain the Mumbai terminals. It was our choice rather than Vopak for now, is that, look they provide a very substantial cashflow to Aegis Logistics Limited, the public and parent company.

And we felt that look, it while cash flows are in the joint venture company and cash flows are in the Haldia accompany and of course we will get dividend income out of them. It is good to have a certain amount of free cashflow in Aegis Logistics Limited to pay for daily expenses, dividends and for Aegis shareholders and anything else. And that is a substantial cashflow along with the retail business I calculated that FY22 we project Rs. 346 crores of EBITDA of the retail LPG business and the Mumbai terminals. So, that is useful to have in our system. And I think that was one of the reasons that look, we still control 100% of those cash flows within Aegis. And I think that is also another reason.

Raj Chandaria: Yes. With no claims, we have no claims against those cash flows, no debt and no other claims on those cash flows, other than reporting shareholders.

Anish Chandaria: Correct.

Moderator: Thank you. The next question is from the line of Nimish Desai from Kitara Capital. Please go ahead.

Nimish Desai: Actually, most of my questions are answered. So, I wanted to just wish you guys good luck. Only one thing is that on our Haldia HAL, I just wanted to know that even after three years, why did we part of on the same valuation of old Itochu valuation? I know you answered that it is based on DCF and Itochu also in the month of April that the same valuation, but still why would we give out on the same valuation to a new partner?

Anish Chandaria: It is still a good question. Obviously in worthwhile asking, so let me answer it like this. Look, three years later after we commissioned everyone had a fresh look at Haldia LPG terminal including Itochu when they were buying an extra 5.3% stake, in April of this year and Vopak independently.

Obviously they did not discuss and then everyone can make certain projections going forward. Now a very significant factor for everybody was that look BPCL has gone out as I mentioned. So, now the terminal's value is related to throughput volumes from one customer at the moment only, which is HPCL. So, I think one customer is not as good as two and therefore I think probably it was felt independently by both Itochu as well as Vopak and we discussed with them.

We negotiated independently and both came up with reasonably similar valuations. So, it is not an arithmetical law that, oh just because it is three years later the value will go up. Things have changed. One customer has gone out. Some things will happen this that and I think both companies Vopak as well as Itochu independently came up with I think but with similar kind of figures and we ended up negotiating what we felt was a reasonable value of around Rs. 1,300 crores, which we felt was reasonable.

And as you all know who follow the quarterly volumes of although I do not break it out exactly for every terminal, but definitely the volumes have fallen in Haldia since BPCL has gone out in the last two quarters.

So, that all is all reflected in this valuation. Now, going forward with the Vopak and with Itochu we have got plans to do further things in this entity. And it is only fair that when we do those plans together with them and I am talking about the interconnectivity projects, I am talking about barge projects and talking about all those things that they share in the any extra value created with that. But right now, those are not facts on the ground. Right now, they are not there. So, I think all of this takes all of this is reflected in the valuations, that were agreed to finally between the various parties.

I am just going to just add, finally I really do think we do see Vopak adding value and so did Itochu by the way. Their own value coming into things I would not go into the details, otherwise I will bore you to death, but they have got various ideas on how we can improve let us say throughput volumes in Haldia compared to what they are today etcetera. So, I think quite rightly they should also when they bring those ideas and add value, they should also share in that wealth creation, shall we say.

Moderator: Thank you. The line for the current participant is disconnected. The next question is from the line of Priyankar Biswas from Nomura. Please go ahead.

Priyankar Biswas: My question is, when I am looking at the Vopak press release, of course they are doing at a valuation, they are suggesting a valuation of 11 times EBITDA, I mean on a calendar, CY22 and eight times CY26 probably. So, and they are speaking of a somewhat lower revenue growth also. So, is there some way we can reconcile the numbers that you have given what they are suggesting I mean, where is the gap I Am trying to understand?

Anish Chandaria: Murad, do you want to take that one?

Murad Moledina: You see, they probably are not looking at any growth investments and we are not privy to their workings, but we have tried and explained to you or to the investor that this is the way we see it. Now, I think that is about it because, probably in their workings they might be having some costs, which they appropriate probably.

Priyankar Biswas: Sir, so adding on to that just one small question here. So, can you give me, probably I missed this, maybe you would have told it, what will be the Haldia EBITDA overall?

Murad Moledina: No, we give for all LPG, Kandla, Pipavav and Haldia together, which we have said, I think Rs. 176 crores. Yes. And then Rs. 72 crores of liquid terminals and then there will be around Rs. 20 crores, Rs. 25 crores CRL.

Priyankar Biswas: No, the reason I was asking, because since Haldia had a different calculation of this Rs. 1,300 crores, so wanted to know that what was the implied deal value for that? I mean that specific asset?

Murad Moledina: We are not giving those numbers, split between terminals.

Moderator: Thank you. The last question is from the line of Sarfraz Bhimani from Motilal Oswal Financial Services. Please go ahead.

Sarfraz Bhimani: I just had one question. Sir, you said that we are yet to receive this Rs. 198 crores, which is based on say, revenue targets over the next three years. And when you gave this split of say the cash that will be coming to Aegis, you said 75%, which is Rs. 2,074 crores will come on Aegis balance sheet and remaining 25%, which is Rs. 692 crores will be paid directly by Vopak. So, can you just give me the maths of Rs. 692 crores please because I assume it to be Rs. 198 crores only, which is the revenue recognition so?

Murad Moledina: Yes, I think I will do that. So, Sarfaraz, this Rs. 198 crores is contingent on revenue. So, out of this Rs. 692 crores, Rs. 198 crores is dependent on achieving revenue projections, which we have said. Balance we will surely get it at the end of three years.

Sarfraz Bhimani: So, balance, you mean around Rs. 400 odd crores will come, Rs. 500 odd crores will come at the end of transaction period only?

Murad Moledina: Rs. 400 odd crores, yes. No, at the end of three years.

Sarfraz Bhimani: Okay and any particular reason for the same that why are we not getting that Rs. 2,400 odd crores together at once?

Murad Moledina: This is the way transaction has been negotiated and structured. It is all negotiation.

Moderator: Thank you. Ladies and gentlemen, due to time constraint we would like to end this call now. I would now like to hand the conference over to Mr. Anish Chandaria for closing comments.

Anish Chandaria: Okay. Thank you very much. I apologize. It was a lot to get through, but I hope we have answered bulk of the questions. Orient Capital through Payal, we will be organizing more detailed discussions for those major investors and the brokers who would like to get in touch with her. But basically, I just want to summarize this major deal allows us to one massively increase our growth plan, in the existing business, existing terminals business, LPG and liquids. As I said, a range of Rs. 2,500 crores to Rs. 4,500 crores over the next five years. We would not have been able to do this on our own. Aegis to that extent, Rs. 2,500 crores to Rs. 4,500 crores, but we are able to do it allied with Vopak.

And as I said, we have agreed a joint list of specific projects, strategic initiatives, and acquisitions, that is in the business plan. And as part of that Aegis will be reinvesting that Rs. 2,766 crores of cash into the various projects as required. The second thing is that I mentioned is that it allows Aegis to diversify into storage of other gases, which we are not currently handling beyond LPG and chemicals and petroleum such as LNG, possibly ammonia, butadiene, propylene, etcetera.

It also allows Aegis over the next 5, 10, 20 years, 30 years to explore renewable projects such as potentially hydrogen storage, electricity storage through batteries and other mega projects, which we will now have the financial firepower to do in a way which we could not do alone. This also is part of the deal with Vopak.

And finally, something I have mentioned in passing, but let me just reiterate. This joint venture with a global brand leader Aegis Vopak will help us attract new multinational clients and a more powerful brand, Aegis Vopak, including with national oil companies, including Middle Eastern NOCs, as well as Indian Oil, HPCL, BPCL the Aegis Vopak brand name will be a very powerful force in this market for years to come. So, I hope you all support this deal. We have tried our best, complex deal, and we have tried our best to explain it, but I think the main message that I gave is it is a massive growth shot in the arm for Aegis Logistics Limited, not only because of the growth in the terminals business, but also we will be focusing on the retail business.

And we hope therefore that this will be significantly earnings enhancing in the years to come, not only for the next five years, but 5, 10, 20 years. We have answered a lot of questions of where Aegis goes next. Thank you very much for attending. Goodbye.

Moderator: Thank you. On behalf of Aegis Logistics Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.