InvestorZone

Business Overview of Aegis Vopak Terminals Limited

Aegis Vopak Terminals Limited is India's largest third-party owner and operator of tank storage terminals for liquefied petroleum gas (LPG) and liquid products in terms of storage capacity as of December 31, 2024. The company operates as a joint venture between Aegis Logistics Limited (India's largest third-party LPG handler) and Vopak India BV (part of Royal Vopak, a global tank storage leader based in the Netherlands).

Core Business Segments:

1. **Gas Terminal Division**:
   - Specializes in the storage and handling of LPG, including propane and butane.
   - Operates cryogenic terminals and associated infrastructure.
2. **Liquid Terminal Division**:
   - Focuses on storage and handling of liquid products such as petroleum, chemicals, and vegetable oils.
   - Handles over 30 types of chemicals and more than 10 edible and non-edible oil products.

Infrastructure & Reach:

- Operates 2 LPG storage terminals and 18 liquid storage terminals across 6 key Indian ports.
- Terminals are strategically spread on both east and west coasts of India, forming a "necklace of terminals" that facilitate pan-India reach.
- Facilities include storage tanks, firefighting systems, pipelines, jetty connectivity, and multimodal evacuation infrastructure (rail, road, pipeline, ship).

Market Position:

- Holds approximately 11.5% of India's total static LPG tank capacity.
- Accounts for about 25.53% of the third-party liquid storage capacity in the country.
- Ports operated by the company handle around 61% of India's LPG and 23% of its liquid import volumes.

This integrated infrastructure allows Aegis Vopak to serve oil marketing companies (OMCs), multinational corporations, chemical firms, and commodity traders with high efficiency, safety, and scalability.

Industry Analysis:

Aegis Vopak Terminals Limited operates in the energy logistics infrastructure sector, focused on LPG and liquid bulk storage terminals. It is well-positioned to benefit from India's rising fuel demand, growing chemical trade, and shift towards third-party logistics infrastructure at ports.

LPG terminal capacity in India is expected to grow at **~7% CAGR** till FY30.

Liquid bulk cargo handling at ports is expected to increase due to rising chemical and edible oil trade.

Third-party tank storage is gaining traction as companies focus on asset-light models and operational flexibility.

IPO details:

IPO Size: ₹2,800 crore (entirely a fresh issue of equity shares)

Price Band: ₹223 – ₹235 per share

Issue Period: May 26 – May 28, 2025

Lot Size: 63 shares

Listing Exchanges: BSE and NSE

Pre IPO promoters Holding: 97.41%

Post IPO promoters Holding: 87.93%

Objects of the Issue:

1. Repayment or Prepayment of Borrowings

- **Amount**: ₹2,015.95 crore
- **Purpose**: To reduce leverage and improve the balance sheet strength by repaying existing loans

2. Capital Expenditure for Acquiring Cryogenic LPG Terminal at Mangalore

- **Amount**: ₹671.30 crore
- **Purpose**: To acquire a cryogenic LPG terminal at Mangalore from Sea Lord Containers Limited, which will enhance the company's LPG storage and throughput capacity.

3. General Corporate Purposes

✅ Pros and ❌ Cons of Investing in Aegis Vopak Terminals Limited IPO

✅ Pros (Strengths)

1. Market Leadership in Terminal Infrastructure

- Aegis Vopak is India's largest third-party terminal operator for LPG and among the largest for liquid bulk storage.
- Operates ~25.5% of India's third-party liquid tank capacity and ~11.5% of static LPG tank capacity.

2. Strong Promoter Backing

- Joint venture between Aegis Logistics (India's leading LPG logistics player) and Royal Vopak (a 400+ year-old Dutch multinational, global leader in tank terminals).
- Offers credibility, technical know-how, and operational expertise.

3. Diversified Revenue Streams

- Earns from both LPG and liquid storage, along with value-added services like blending, heating, and bonded warehousing.
- Long-term take-or-pay contracts reduce volatility in earnings.

4. Strategic Port Locations

- Terminals are spread across both the east and west coasts of India: Mumbai, Kochi, Pipavav, Haldia, Kandla, and Mangalore.
- Ensures efficient access to key industrial belts and trade routes.

5. Strong Growth Outlook

- Government push towards LPG and gas-based economy supports demand tailwinds.
- Expansion of terminal capacity, especially through the Mangalore LPG terminal acquisition, positions it for volume-led growth.

6. Healthy Financial Profile

- IPO proceeds will be used to repay ₹2,000+ crore in debt, improving leverage ratios and interest coverage.
- High EBITDA margins due to annuity-like terminal rental income.

❌ Cons (Risks & Concerns)

1. Regulatory and Environmental Risks

- Operates in a highly regulated industry. Changes in environmental clearances, safety norms, or port regulations can impact operations.

2. Capital-Intensive Business

- Requires continuous investment in infrastructure upgrades, capacity expansions, and maintenance.
- Return on capital employed (ROCE) is vulnerable to underutilization during capacity build-up phases.

3. Customer Concentration Risk

- A significant portion of revenue is derived from large Oil Marketing Companies (OMCs). Any change in sourcing strategy by OMCs can affect business.

4. **Foreign Exchange Exposure**

- Equipment procurement and some borrowings are FX-denominated. Depreciation of INR can increase costs and interest burden.

5. Execution Risk

- Acquisition and integration of new assets (like the Mangalore terminal) and new terminal development projects carry execution risk and project delays.

Conclusion:

Aegis Vopak Terminals Limited presents an investment opportunity in India's growing energy and chemical logistics sector. Backed by reputed promoters—Aegis Logistics and Royal Vopak—the company enjoys a leadership position in LPG and liquid storage infrastructure with strategically located terminals across key Indian ports. Its annuity-like income model, long-term customer contracts, and upcoming expansion through the Mangalore LPG terminal acquisition offer visibility into future cash flows and operational scale.

The IPO proceeds are being effectively deployed for debt reduction and capacity enhancement, strengthening both the balance sheet and growth pipeline.