BCL Industries Limited

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13.08.2021

TO **CORPORATE RELATIONSHIP DEPARTMENT** **BSE LIMITED .** **FLOOR 25, FEROZE JEEJEEBHOY TOWERS,** **DALAL STREET ,** **MUMBAI- 400001** **(PH: 022- 22721233-34 FAX:22722082, 22722037**	**TO** **THE MANAGER,** **NATIONAL STOCK EXCHANGE OF INDIA LTD.,** **EXCHANGE PLAZA,** **BANDRA KURLA COMPLEX, BANDRA (EAST),** **MUMBAI – 400051**
BSE Code: 524332	**NSE SCRIP CODE: BCLIND**

REG: Transcript of Earnings Conference Call for Unaudited Financial Results for the Quarter ended 30th June, 2021

DEAR SIR,

This is further to our intimation regarding Conference Call for Analysts/Investors with respect to the Unaudited Financial Results of the Company for the quarter ended 30th June, 2021.

The transcript of the conference call held on 11.08.2021 with investors/analysts to discuss the financial performance of the Company for abovesaid period is enclosed herewith .

Thanking You,
Yours faithfully,

For BCL Industries Limited

BCL Industries Limited Bathinda

Gurinder Makkar
Company Secretary & Compliance Officer
M. NO. F5124

"BCL Industries Limited Q1 FY22 Earnings Conference Call hosted by PhillipCapital (India) Private Limited"

August 11, 2021

MANAGEMENT:	**MR. KUSHAL MITTAL – JOINT MANAGING DIRECTOR, BCL INDUSTRIES LIMITED**
	MR. PANKAJ JHUNJHUNWALA – DIRECTOR OF SVAKSHA DISTILLERY, BCL INDUSTRIES LIMITED
MODERATORS:	**MR. VIKRAM SURYAVANSHI FROM PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and Gentlemen, Good day and welcome to the Q1 FY22 Earnings Conference Call of BCL Industries Limited hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Vikram Suryavanshi: Thank you Rutuja. Good afternoon and very warm welcome to everyone. Thank you for being on the call of BCL Industries Limited. We are happy to have the management of BCL with us here today for question & answer session with the investment community. The management is represented by Mr. Kushal Mittal – Joint Managing Director and Mr. Pankaj Jhunjhunwala – Director of Svaksha Distillery.

Before we start with question & answer session we will have some opening comments from the management. Over to you Kushal.

Kushal Mittal: Good afternoon everyone and thank you for the introduction Mr. Suryavanshi. We would like to welcome everyone to the earnings concall for the first quarter of the financial year 2021-22. For the ones who are participating for the first time let me give you a brief background about the company. BCL Industries Limited is a diversified business house in manufacturing and development with business interest spread across variety of industry verticals namely edible oil and vanaspati, distillery and real estate. The company started off in 1976 with a solvent extraction plant of 40 tons per day, extracting oil from rice bran.

Over the years the company has grown to become one of the largest edible oil manufactures in North India having a capacity of 1,020 tons per day. Furthermore, we forayed into the business of distillation by setting up our own based grain-based distillery of extra neutral alcohol of 100 KLPD in the year 2011 along with the bottling plant in Bhatinda Punjab and later doubled the capacity to 200 KLPD as the business grew. In order to grow in the distillation business, the company is now installing a new state-of-art distillery of 200 KLPD with 10 megawatts cogeneration power plant in Kharagpur, West Bengal which is expected to be commission in December 2021.

Now, talking about the key financial highlights for the first quarter, the total income for the quarter was at 452 crores which is an increase of around 63% year-on-year and 4.8% quarter-on-quarter. EBITDA for the quarter was at 28 crores which is an increase by around 63% year-on-year and 2.2% quarter-on-quarter. EBITDA margins were at 6.15%, net profit was at 17 crores which is an increase of 141% year-on-year and 27% quarter-on-quarter and PAT margins for the company were reported at 3.74%. The improvement in profitability was part on account of significant reduction in finance cost on a quarter-on-quarter and year-on-year basis.

This was due to the higher cash flow generation from the company and better utilization of inventory from operations resulting in lower working capital requirements.

Coming on the operational highlight for the first quarter of financial year 2021-22 I would like to start with the distillery segment. The revenues from the distillery segment for Quarter 1 stood at 136.5 crores. BCL Industries continues to be one of the largest suppliers of grain-based Ethanol in the nation with a tender to supply 4.5 crore liters of Ethanol in the sugar year 2020-21. The company is experiencing great demand for both ENA and Ethanol for both industry and portable purposes. With the advancement in the target date of 20% blending in petrol the company is working towards expanding its Ethanol capacity in both West Bengal and Punjab. The company is also experiencing higher realizations from its balanced capacity of ENA and from Ethanol supplier which are visible in the quarterly results.

In terms of sales revenue, we registered a hike of about 29% in sales compared to the previous quarter. The work of Svaksha Distillery is in full swing and all machinery suppliers along with BCL team are working tirelessly to ensure that commissioning of the unit can be achieved by December 2021. The company has also got an approval to add another additional 100 KLPD of Ethanol plant in Kharagpur, West Bengal by the DFPD and work to add another 100 KLPD will begin soon after the first 200 KLPD of the Kharagpur plant is commissioned.

With regards to the edible oil segment, the revenue of the edible oil segment for Quarter 1 Financial year 22 were at 312 crores due to an increase in the edible oil prices globally farmers in India were able to get a remunerated price for their oil seeds cultivation which has led to an increase in a availability of oil seeds for processing which is the companies expertise leading to an increase in revenues and profitability and with the government focus to Make in India for the edible oil sector the company expects to increase its revenue and capacity utilization from the edible oil units in the coming quarters and years.

Lastly, in the real estate segment the company recorded a revenue of 4 crores for the quarter. The company went through a temporary slowdown for the period of lockdown in terms of real estate, but the company expects the sales to pick up in the coming quarters. Thank you. I would now like to open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Anshul Verdia from Edelweiss Wealth Research. Please go ahead.

Anshul Verdia: I have couple of queries on the distillery segment so first one is the distillery segment reported a flat sales and volumes, but the margin has expanded by 450 bps, so could you just elaborate what were the drivers of the margin expansion, was it the raw material or some cost benefit which will sustain for the upcoming quarters?

Kushal Mittal: I think the margins when we look at quarter-on-quarter when we compare it to last year they are about the same with a slight increase which I think this time the prices of soya worldwide are quite high as I am sure many of you are aware who are tracking the commodity industry which has led to an increase in the prices for DDGS as well. Since they are both used as protein and animal feed and we are seeing the prices at an all time high which has contributed to the margins.

Anshul Verdia: And just one more like we have been hearing from your other competitors that ENA prices are increasing because there has been a diversion of capacity from ENA to ethanol, so I see a number this year the ENA realization has been down 8% year-on-year, so is there any specific region, is it the fixed price, contracting price are there is a lag in the pricing could you please help me with this?

Kushal Mittal: I think the ENA prices have stabilized for the past year and they have not been increasing a lot. So, I do not know where you got that data from, but for us the ENA prices have been quite stable for the past years.

Moderator: Thank you. The next question is from the line of Dhwanil Ketan Shah from I-Wealth Management Private Limited. Please go ahead.

Dhwanil Ketan Shah: Sir couple of questions first was on our distillery so next two, three years down the line just wanted to understand what are our plans here and in our presentation you had written that the new capacity should be commissioned by December of this year, so sir just wanted to understand next two, three years what is the game plan?

Kushal Mittal: Yes for now by December 2021 it is our targets to commission the 200 KLPD ENA and Ethanol plant in Kharagpur, West Bengal. The plant is designed to produce either full ENA or go up to 60% in terms of manufacturing Ethanol. Around 80% of the machinery has already reached on site and all our vendors are currently placed on site and we are working to ensure that the timeline is met. As we know the monsoons in Bengal are quite difficult to work in so we are working day and night to ensure that the plant has commissioned in December 2021, but could be one or two weeks before or after depending on how kind the weather is towards us. So, that is a 200 KLPD of additional capacity coming within this calendar year and also at the same time we are working towards adding another 200 KLPD of Ethanol only capacity in our Bhatinda unit. So, our current capacity in the Bhatinda unit is 200 KLPD of ENA and Ethanol. We wish to add another 200 KL in Bhatinda. The interest subvention file for the same has been approved, the file is moving very well in terms of the environment and clearance and we expect that to come in hand very soon and most of the machinery orders we are continuing the talks with the machinery suppliers and the orders will be finalized within a month and we expect the plant to commission before the end of next calendar year. Our targets for now is next October or November and we can think with the speed that is moving we aim to do it before that and also as I mentioned in my speech we were able to get our file approved to add another KL of just Ethanol plant in the Svaksha Distillery. So, our interest subvention trial has now been approved for 300 KL and once the 200 KL of ENA and Ethanol is commissioned in Svaksha we will start work to add another 100 KL. We have already started working towards our file in the MoEF for the EC for another 100 KL and are in talks with the machinery suppliers to start work there. So, before the end of next year also there is a target to bring that plant to 300 KL. So, in the next two to three years we expect that our total capacity would be around 700 KP I crores to distillation.

Dhwanil Ketan Shah: So, from 200 KLPD our plan is to reach to 700 KLPD?

Kushal Mittal: Yes.

Dhwanil Ketan Shah: And sir incrementally how much CAPEX we will be incurring for it?

Kushal Mittal: Around 140 is being 200 KL and addition 70 to 80 crores would be done to add another 100 KL at Kharagpur and about 180 crores would be done at the Bhatinda plant.

Dhwanil Ketan Shah: Around 480 crores to 500 crores of total CAPEX?

Kushal Mittal: Yes.

Dhwanil Ketan Shah: Sir just to understand in terms of margins in our distillery segment so we are giving a breakup of three segments Ethanol, ENA and the last one is DDGS which you were seeing about it, so sir just wanted to understand on this what would be our rough EBITDA margins year as of now and how are you seeing those planning out going ahead?

Kushal Mittal: Our EBITDA margins are currently around I think 12% to 13% in the distillery segment and this will fluctuate a little, but we are very confident that they will stay around the same level for the next foreseeable future. We do not expect a significant increase or decrease in the margin in this segment.

Dhwanil Ketan Shah: So, sir we have three segment so ENA also we are having similar margins or that would be having higher margins and ENA Ethanol and DDGS what is the rough estimate on that?

Kushal Mittal: ENA and Ethanol are now usually similarly priced in the market. So, the margins are about the same there is a higher production past in terms of manufacturing Ethanol and the price for the Ethanol in the market it compensates us for the high cost in production. So, for Punjab ENA prices are around the same price, but for Bengal we expect ENA to give a slightly better margin as Bengal is a deficit states when it comes to ENA and over there we might see higher margins from ENA when compared to Ethanol.

Dhwanil Ketan Shah: Because when I see few of our competitors who are in similar space there margins are inching upwards from 18 odd to 23%, 24% odd percent and we are also in the similar space we are doing 13.5%, 14%, so why this difference is there?

Kushal Mittal: So, I think it might account for bottling as we are not much into bottling.

Dhwanil Ketan Shah: Bottling means our own brands you are saying in IMIL?

Kushal Mittal: In both Indian made foreign liquor and Indian made Indian liquor.

Dhwanil Ketan Shah: So, there the margins will be much higher?

Kushal Mittal: Yes.

Dhwanil Ketan Shah: Sir last in terms of raw material what is the current prices and how do you think that will plan out in next year for the next 6 months, 8 months?

Kushal Mittal: See the prices for raw material fluctuate depending on the raw material itself, but for broken rice currently the raw material prices around Rs. 17 to Rs. 18 kg and we expect this to continue with not much increase for the coming quarters.

Dhwanil Ketan Shah: What was the broken rice price three, four months before?

Kushal Mittal: It was similar.

Dhwanil Ketan Shah: Similar only so it is not increased as such?

Kushal Mittal: Yes.

Moderator: Thank you. The next question is from the line of Mehul from Quant Mutual Fund. Please go ahead.

Mehul: So, my first question is regarding the capacity utilization that you have right now in terms of Ethanol and what is the kind of capacity utilization we are looking from the Kolkata plant for the West Bengal plant going forward in first year?

Kushal Mittal: Yes so our distillery sector is currently working at 100% capacity utilization and we expect the same from our Kolkata plant once it comes to full operation.

Mehul: What kind of payback period is expected from the West Bengal plant?

Kushal Mittal: A payback period is expected around 4 years to 5 years.

Mehul: So, I was asking that share of revenue are you expecting from the distillery business maybe say next two years, four years when it comes to your edible oil business front in terms of revenue why are you looking at?

Kushal Mittal: Your voice is little trouble so are you asking my shares our share I expect from distillery business.

Mehul: The revenues that you are expecting?

Kushal Mittal: The share of revenues.

Mehul: Yes.

Kushal Mittal: So, in terms of revenue, I expect my distillery segment to give me around 1,700 crores in the next two to three years and around 1,500 we are aiming from our edible oil segment. So, about same but with the distillery segment taking over a little more.

Mehul: So, I was asking what kind of margins are you seeing for the company looking ahead?

Kushal Mittal: The margins as I already mentioned would not increase significantly. We are expecting margins to improve overall as a distillery segment takes more of a revenue share as it is a higher margin business when compared to edible oil and also we expect slightly higher margins from our Kolkata units as the state is deficit in terms of ENA and we expect ENA to sell at a higher value. So, we expect the consolidated margins to improve with the distillery segment giving us more in terms of revenue and we expect distillery margins to also improve slightly where the Bengal unit coming into commissioning and edible oil margins we expect to stay around the same or improve slightly, but it would not improve significantly.

Mehul: And what about your borrowing plan you expect to borrow in future for any kind of CAPEX or would it be completely from the internal accrual?

Kushal Mittal: No as such expansion of course we will need to borrow. So, for our Kharagpur plant we were borrowing around 45 crores for an entire investment of close to 150 crores for our Bhatinda expansion we were looking to borrow 120 crores, so around that.

Moderator: Thank you. The next question is from the line of Karan Aggarwal from Tusk Investment. Please go ahead.

Karan Aggarwal: So, my question is around your sourcing of raw material so where are you currently sourcing your broken rice from is it through FCI or through Mandi?

Kushal Mittal: No so FCI does not sell either actually nor does the mandi doing any broken rice from the mandis or FCI, FCI does not have any broken rice we get surplus rice which is under a different policy from FCI and so broken rice is a byproduct from the rice mills. So, either we get our broken rice from various places that are close to us or we have a trading network throughout the nation that collect broken rice various rice in consolidated and sell it to us.

Karan Aggarwal: So, considering that we are taking a capacity from 200 KLPD to 700 KLPD in the next two to three years, so will there be any issues with regard to the availability of broken rice near our distillery?

Kushal Mittal: We do not expect there to be any shortage as the land under cultivation when it comes to food grain is increasing every year in India and already we are sitting on a food grain glut that is quite high and FCI has come up with a good policy in terms of surplus rise conversion to Ethanol and FCI itself procures close to 2 lakh metric tons of grains a day which is a very high amount and also we have noticed that the broken rice or the shorter rices that were available for the labor to reach before and the poor population now even they moved on to a better quality of rice because of the grain glut in the country and price of rice and other grains decreasing and that has resulted in a higher availability of raw material for distilleries like us so we do not expect any shortage of raw material with the capacity expansion and also in the roadmap for the Ethanol industry that was created by media they have forecasted they have actually forecasted a requirement of close to 466 crores liters of Ethanol from food grains compared to close to 40 crore liters right now so that is 10 fold increase and they have looked at the raw material availability as well and would be increase and with the current stock there is no issues in terms of food grain availability for distilleries.

Karan Aggarwal: And going forward we can expect the prices to be around 17, 18 per kg?

Kushal Mittal: See that is very hard to predict in long term.

Karan Aggarwal: So, another question since you earlier mentioned that the price at which you are selling Ethanol and ENA per liter is similar?

Kushal Mittal: Yes.

Karan Aggarwal: So, since you are selling ENA and Ethanol at the same price how are we seeing this as in who is purchasing ENA from us?

Kushal Mittal: See ENA is being purchased by the potable industry which were the original buyers and now you also see an increase very high increase and the demand coming from the pharmaceutical and the industrial companies so for example the pharmaceutical companies and the perfumery companies have started buying ENA from us and there have also been other industry like Indian Glycol has become a buyer a big buyer in the recent time. So, the demand for ENA is coming from both potable alcohol industry and for various industrial uses as well.

Karan Aggarwal: And for Ethanol you have already tied up with the government they were flat for tender so from that segment we are covered?

Kushal Mittal: Yes.

Moderator: Thank you. The next question is from the line of Rusmik Oza from Kotak Securities. Please go ahead.

Rusmik Oza: My question was what are the current realizations of Ethanol and ENA as of now?

Kushal Mittal: So, Ethanol is at Rs. 51.55 paisa and ENA is hovering around Rs. 48.

Rusmik Oza: Sir second question is since your cost of broken rice is less than 17, 18 and if you are getting realizations of between 48 and 51 then why are we portraying margins to be at 12%, 13% for the distillery should it be higher actually?

Kushal Mittal: No the margins are where they are and they are not higher, there are other cost involved in the industry with a significant fuel cost which is there which has increased. So, I mean it is not that easy to calculate the margins and they are what they are.

Rusmik Oza: So, you are saying whatever 200 to 700 KLPD Ethanol and ENA capacity will go up will have the same 12%, 13% EBITDA margins on the expanded capacity also right?

Kushal Mittal: I mean for the Bengal we expect higher margins and with the current industry scenario we do not expect a significant increase in the margins, but in the next one or two years Yes it should stay around 13%, 14% might increase a little, but it is hard to comment on it now.

Rusmik Oza: And last question sir what will be cost of interest for this borrowings we will be doing like 45 crores for West Bengal we are doing and almost 120 crores of Bhatinda what will be the average cost of borrowings for us?

Kushal Mittal: See for the Kharagpur unit they project currently does not qualify for interest subvention because you do not have to make 75% of our capacity for Ethanol. So, currently the cost of borrowing would be around 9% to 10%, but once the 200KLPD is added we will qualify for the interest subvention and the cost of borrowing will decrease significantly by half to be precise and our Bhatinda units we expect the cost of borrowing after interest subvention to be around 4.5%.

Moderator: Thank you. The next question is from the line of Levin Shah from ValueQuest Investment Advisors. Please go ahead.

Levin Shah: Sir my question again is on the margins so if we see the realization at around Rs. 50 and the broken rice cost at Rs. 17, Rs. 18, so for our competitors as well this is like the similar kind of realization as well as costing when their margins are quite healthy as compared to what we do, so if you can help us breakdown this margins like on the EBIT level we are doing only Rs. 5 per liter, so what kind of cost are involved over here?

Kushal Mittal: See I said I cannot comment on my competitors as they might be doing more bottling than me in terms of they might have their own brands and where margins will differ, but there are other factors that contribute as well. One I said is fuel cost and that depends on where you are sitting currently fuel cost where we are quite high because of the industries have now started operating and there is too higher, and imported coal also has become quite expensive and then there are other various chemicals that are used in water treatment or in fermentation or other processes in the industry. So, that also we have seen an increase in the price from our suppliers which also affect the margin.

Levin Shah: I mean what is the kind of broken rice required for one liter of ENA or Ethanol?

Kushal Mittal: What is the broken rice required.

Levin Shah: Volume quantity Yes.

Kushal Mittal: Yes one ton of rice can give us close to 400 liters of spirit.

Levin Shah: So, broadly around 2.5 Kg per liter is what the conversion comes to?

Kushal Mittal: Yes.

Levin Shah: And then there would be some conversion cost?

Kushal Mittal: Yes and then there is a power and steam cost which is quite significant.

Levin Shah: Sir my second question is on this CAPEX front so overall we are doing a 500 crore kind of CAPEX ballpark number and with the current increase in the metal prices especially the steel and other metals as well, what kind of impact this will have on our CAPEX and in our negotiations with the suppliers what kind of price increase have they taken and what impact it will have on overall CAPEX that we will spent?

Kushal Mittal: Yes so the CAPEX that I am currently dictating is keeping in mind with the current steel prices and the escalation that we have seen in the past year and once negotiating with all the vendors there is a flexible quality in terms of the steel prices that we are putting into account. So, up to a certain amount both us or the supplier are willing to take the hit in the fluctuation of steel prices that is beyond a point after initial stages of the project that we see a very significant increase or decrease either us or the supplier will take a hit and that is how we are signing most of our contracts, but the current steel prices has been looked into and get into account when I give you CAPEX plans so that has been taken care of.

Levin Shah: Sir if you can just give a sense about what is the kind of increase that has happened let us say a year and half maybe if you were putting up the same capacity what kind of CAPEX would be have incurred and now what is the numbers?

Kushal Mittal: In the past we are not buying exactly the same plant there are always changes in the plant. So, for example at our Bhatinda capacity the expansion if we are going with a standard fluidized boiler which uses risk husk and coal as its fuel, the CAPEX involved would be a significantly lower, but now this time we are going for a paddy straw boilers as I mentioned fuel cost have increased significantly and we wish to use alternate fuels and also with the straw burning being a big problem in the state of Punjab. We wish to utilize this straw for our own industrial purpose then we notice that there is a 2.5 times increase when you are buying a rice straw boiler as it is a newer technology the boiler size is a lot bigger so lot more steel is required, but the current Bhatinda capacity expansion that is currently we are looking at a project cost of 180 crores I think with the regular fluidized bed boiler and with the old prices I think the same could have been done for 120 crores to 130 crores.

Moderator: Thank you. The next question is from the line of Karan Aggarwal from Tusk Investment. Please go ahead.

Karan Aggarwal: So, could you please tell us from whom we are ordering the distillery our vendor?

Kushal Mittal: That is yet to be finalized and the negotiations are still going on, but we are looking at the couple of vendors some we have worked with before and it will be finalized during this month.

Karan Aggarwal: So, whom did we order who have given orders earlier?

Kushal Mittal: See we have worked with various vendors in Bhatinda we worked with vendor called Rudra, we worked with vendor called Bosco **(Inaudible35:26)** both based out of Maharashtra and the Kharagpur plant is being worked on by Praj.

Moderator: Thank you. The next question is from the line of Rusmik Oza from Kotak Securities. Please go ahead.

Rusmik Oza: My question was related to the real estate so just want to understand till what time you want to keep this real estate as part of your company and at what point will there be any consideration for any demerger of this business going forward?

Kushal Mittal: No, there is no consideration for any demerger both of our real estate projects are in ready to move in condition and the inventory is selling at its own pace. So, once we are done with selling the inventory the real estate will no longer be a part of BCL business as we have no plans to expand further in the segment, but there are no plans for demerger as in now and we are hoping to sell the entire inventory in the next year or two it is a slow it is a ready to move in condition so there is no CAPEX involved in the sector.

Rusmik Oza: And if you can just help us understand what could be the inventory as of now and maybe as on today’s price if we have to liquidate this inventory over the next one to two years what could be the realization or revenue that you can book in this business?

Kushal Mittal: So, I think with the current market price we expect around 30 crores of revenue from this segment. The residential market is doing quite well so we expect further appreciation, but it had to come.

Rusmik Oza: And since it is inventory as given there will be no expenses on this and most of this 30 crores could slow into the EBIT on the PBT levels right?

Kushal Mittal: Yes.

Rusmik Oza: And this 30 crores is spread across FY22 and 23 you are saying?

Kushal Mittal: 22 and 23 correct.

Moderator: Thank you. The next question is from the line of Meera Naik an Individual Investor Please go ahead.

Meera Naik: So, my first question is why did the finance cost come down significantly in Quarter 1 and is this trend expected to continue with lower finance cost for the rest of FY22?

Kushal Mittal: Yes so as I mentioned the finance cost has come down because last year the companies had higher cash flow generation which is being utilized in the business and also the inventory levels are quite low because we were utilizing our inventory very well so that led to is not using our working capital as much. We expect this momentum to continue, it could increase a little depending on the season if it mustard season or paddy season where we have to stock up on the raw material, it could go up slightly, but we expect the finance cost we are trying our best to keep it as low as possible.

Meera Naik: And sir you mentioned about the CAPEX for Bhatinda so could you just tell us something about the date portion of the CAPEX towards them?

Kushal Mittal: So, we are targeting commissioning date of November 2022 for that unit.

Meera Naik: And sir how will the reduced duty structure in edible oil impact the industry and also revenue / margins for this segment?

Kushal Mittal: So, the duties have been revised little, but what we have noticed is every time the government brings down the duty the global market prices increase and they compensate for the decrease in the duty this has been a trend for the past 6 to 8 months and the same has happened now. So, we notice that soon after the government revise their duty structure the global prices increased to make it for it and with the prices now still being very high and just today there was a report that globally we are sitting on a low edible oil stock which has led to a very bullish run in the past day or two. So, we expect the prices to remain strong in the edible oil sector and the demand to be made strong with the festival season coming up so we expect this sector to do well in the future as well.

Moderator: Thank you. The next question is from the line of Rusmik Oza from Kotak Securities. Please go ahead.

Rusmik Oza: Sir I wanted to understand what will be your growth are you all looking at in the edible oil business going forward for the next two to three years and what are the real estate our existing margins, EBITDA margin in edible oil business and what could be the path going forward, what kind of margins you have foreseeing in the future?

Kushal Mittal: See we are hoping in the next two years to bring our revenue from the edible oil segment to close to 1,500 crores at least with our capacity utilization of a current unit increasing that are you current unit can you give us revenues of 1,500 crores or slightly also and we are targeting for the same, we are targeting to come up to 100% capacity utilization at a current unit and as of the EBITDA margin oil unit I believe they are close to 3.5% with an increase in the cultivation of edible oil seeds and the availability of edible oil seeds we expect this to improve in the future as well.

Moderator: Thank you. The next question is from the line of Anshul Verdia from Edelweiss Wealth Research. Please go ahead.

Anshul Verdia: Sir one question on the pricing of Ethanol so I know that it has been decided by government each year so can you share what is your outlook for the prices, is there any risk of downside from the current level or what is your expectation?

Kushal Mittal: It is very hard to comment on that I think it is a little soon to comment on that.

Anshul Verdia: Can you just throw some light on the contracted by supplier of Ethanol like is it for the long term five years or you have contracted till this Ethanol year 2021?

Kushal Mittal: No it is just been for this year the quantity has just been for this year, but we have participated I mean we would not have to get an approval to participate in a tender earlier as it has been approved for the next five years, but the contracted amount of quantity has only been decided for one year.

Moderator: Thank you. The next question is from the line of Levin Shah from ValueQuest Investment Advisors. Please go ahead.

Levin Shah: Sir just correct me my understanding I mean what you said earlier is that on the distillery segment we were looking at a 1,700 crore turnover over the next two to three years is the numbers right?

Kushal Mittal: Yes.

Levin Shah: Sir we will have around 700 KLPD capacity and if I do the Math then our capacity in terms of liters should be around 23 crore, 24 crore liters right so then at the realization of close to Rs. 52 our overall revenue from this should be close to like 1,200 crore?

Kushal Mittal: But then there is also DDGS which contributes to the revenue. So, my 200 KLPD plant current gives me a revenue of close to 460 crores to 470 crores a year and if you do the calculation like that I think it will come to 1,700 because we have only taken the spirit, but the by- products are CO_2 is also a by-product and DDGS is also a bye product in this industry.

Levin Shah: So, that contributes to like around 30% of Ethanol realization ENA realization?

Kushal Mittal: 30% I guess.

Levin Shah: Because if you do a 1,200 crores comes from the Ethanol ENA and then there is balance 500 crores so in fact more than 30%, 35%, 40% of total realization?

Kushal Mittal: Around 30% from my calculation.

Levin Shah: Sir after adding DDGS and the other by- products our margins would still continue to be at the current range is what we are guiding?

Kushal Mittal: Yes around that.

Moderator: Thank you. The next question is from the line of Vikram Suryavanshi from PhillipCapital. Please go ahead.

Vikram Suryavanshi: So, basically, if you can highlight this availability of maize as a alternative raw material concerned to broken rice and how is that working for us or will that will not be much profitable?

Kushal Mittal: See maize is a cost that has been increasing in cultivations in our country and we expect this increasing trend to continue as ground water level and states like Punjab and Haryana are at a severe level in our opinion and maize is a very good alternate crop. So, we expect this to continue, but in this year we have seen very high increase poultry feed prices throughout the nation that has led to the price of maize increasing in the market through the past 10 months which has made it unviable for us to utilize maize in a process currently, but with the increase in the cultivation continuing and the farmer getting a good price for its maize cultivation in the country we expect it to actually increase and become a very good alternate to a broken rice for us.

Vikram Suryavanshi: What would be current prices for maize per kg basis broadly if you can?

Kushal Mittal: Yes I think maize blended in our unit currently would also be around I think Rs. 17 to Rs. 18 if I am correct and which is the same price as broken rice, but it gives us less in terms of alcohol when it compared to broken rice.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to Mr. Vikram Suryavanshi for closing comments.

Vikram Suryavanshi: Thank you Rituja. We thank the management of BCL Industries for giving us an opportunity to host the call and taking time out for interacting with the stakeholders. Thank you all for being on the call.

Moderator: On behalf of PhillipCapital (India) Private Limited that concludes the conference call. Thank you for joining us and you may now disconnect your lines.