

CORPORATE RELATIONSHIP DEPARTMENT BSE LIMITED FLOOR 25, FEROEZ JEEJEEBHOY TOWERS, DALAL STREET MUMBAI- 400001	THE MANAGER, NATIONAL STOCK EXCHANGE OF INDIA LTD., EXCHANGE PLAZA, BANDRA KURLA COMPLEX, BANDRA (EAST), MUMBAI – 400051
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Date: 15/02/2024

Reg: Analyst/Investors Concall held on 13/02/2024

Dear Sir/Madam

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that the audio recording of Analyst and Investor Conference Concall on Unaudited financial result of the Company for the III Quarter ended 31st December,2023 held on 13th February 2024 has been uploaded On the Company's Website i.e. www.bcl.ind.in.

The link to access the audio call recording is given below:

<https://www.bcl.ind.in/uploads/audio/yKHouwhg6oPjhQEN1pCFGGvZWpermcehS02IqrSB.mp3>

We hereby annex the transcript of the conference call for larger dissemination amongst the public at large.

This is for your information and records.

Thanking You,

**Yours faithfully,
For BCL Industries Limited**

**Ajeet Kumar Thakur
(Company Secretary & Compliance Officer)**



“BCL Industries Limited
Q3 FY’24 Earnings Conference Call”
February 13, 2024



InCred! Equities



**MANAGEMENT: MR. KUSHAL MITTAL – JOINT MANAGING DIRECTOR
– BCL INDUSTRIES LIMITED
GO INDIA ADVISORS – IR TEAM – BCL INDUSTRIES
LIMITED**

MODERATOR: MR. NITIN AWASTHI – INCRED EQUITIES

Moderator: Ladies and gentlemen, good day, and welcome to BCL Industries Q3 FY '24 Conference Call hosted by InCred Equities. 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nitin Awasthi from InCred Equities. Thank you, and over to you, sir.

Nitin Awasthi: Thank you, Ria. We thank the management of BCL Industries for giving us the opportunity to host their call today. From the management, we have Mr. Kushal Mittal, the Joint MD of the company. And along with them, you also have their IR team, Go India Advisors represented by Priya Sen on the call.

With that, I'll hand it over to Kushalji. Over to you, Kushalji.

Kushal Mittal Thank you Mr. Nitin Awasthi. Good afternoon, everyone. I extend a warm welcome to all participants joining the Q3 and 9 months FY '24 Earnings Call Conference. Our investor presentation and results have been made available on the exchange, and I trust you've had the chance to review them. I extend my gratitude to our host, InCred Equities for facilitating today's call.

At the outset, I want to highlight that all figures discussed in the presentation and my commentary are on a consolidated basis, including contributions from Svaksha Distillery, which is a 200 KLPD plant in Kharagpur, Bengal, where BCL holds a 75% stake.

Before we discuss financials, I would like to discuss the strategic and industry updates. The company's performance in the edible oil sector remain steady for the quarter, attributed to its diligent monitoring of the international market and its conservative approach within the sector to mitigate potential losses from global volatility. The recent government initiative to offer an incentive of INR5.79 per liter for maize-based ethanol is a testament to India's commitment to energy self-sufficiency.

This move is timely, aligning our expertise in grain processing and our efforts to strengthen our ENA and Ethanol business. The company is now solely relying on maize for all of its ethanol production. This quarter, it faced a slight dip in margins due to rising raw material costs. However, we anticipate the margin improvement in the coming quarters with the adjustment of the maize ethanol prices coming in January of 2024 and the forthcoming maize harvest in Bihar, which is set to be a very bumper across.

Additionally, BCL has applied for clearances to establish 100 KLPD Biodiesel plant at Bathinda Unit. This plant will utilize maize oil extracted during ethanol production from maize, facilitating both forward and backward integration in our current ethanol process. This is moved in to streamline process, boost efficiency and further add value to the company maize ethanol manufacturing.

The recent launch of a power plant utilizing paddy straw at Bathinda unit is expected to yield significant cost savings in power and steam, further bolstering the operational efficiency of the company. Expansion initiatives for 100 KLPD ethanol-only facility at Svaksha Distillery are progressing smoothly with all necessary clearances assured and most of the work being done on site.

Additionally, we are actively working toward increasing our Distillery capacity to 850 KLPD from the current 600 KLPD. Furthermore, the company is experiencing a surge in demand for its country liquor brands in Punjab, projecting sales to exceed 1 million cases in the current financial year, which is more than double year-on-year.

In the Real Estate segment, no sales were recorded in the quarter. That said, further revenues from Real Estate assets will be directed towards debt repayment.

BCL is focused significantly on reducing debt and manage under the interest subvention scheme to maintain a robust balance sheet and creating enhanced value for our shareholders. I'm delighted to announce impressive results across all key financial parameters for Q3 and 9 months.

During the 9 months FY '24, total revenue of INR15,093 crores, reflecting a 16% increase year-on-year. EBITDA for the period stood at INR147 crores, up a staggering 79% year-on-year. During the 9 months FY '24, the company reported a net profit of INR72 crores, margin of 80% year-on-year increase. PAT margin grew by 162 basis points reaching 4.5%.

In 9 months FY '24, the ENA in the Distillery segment grew by 44%, reaching a revenue of INR197 crores. Our revenue from ethanol grew 3x to INR575 crores. This upswing can be primarily attributed to the new commissioned capacities of the company and the fast increases in the maize ethanol prices that were given from the government. During 9 months FY '24, BCL approximately sold over 9.5 lakhs boxes of Indian made Indian liquor. Volume of ENA increased 35% year-on-year to 30,578 KLs, while ethanol volumes were 90,895 KLs.

In the third quarter for the financial year, the revenue stood at INR646 crores, up 20.6% year-on-year. EBITDA for the quarter was INR57 crores. Margin up 35% year-on-year with a strong EBITDA margin of 9%. The company reported a net profit of INR33 crores with a PAT margin of 5.1%. For Q3 FY '24, revenue from the ENA and Distillery segment grew by 43% between INR68 crores, whereas the revenue from ethanol was INR254 crores.

Given the strong government support and our rich expertise, we maintain a strong outlook for the company, and we expect our margins to improve going forward with the increase in maize ethanol price coming into effect and also with a new crop coming in Bihar, which is an estimate that it would be 55 lakh metric ton crop.

Now I would like to open the floor for questions.

Moderator:

Thank you very much. First question is from the line of Dhruv Mukesh Bajaj from Smart Sync Investment Advisory Services. Please go ahead.

Dhruv Bajaj: Sir, firstly, congratulations on a decent [inaudible 07:43] result. I wanted to know that whether the benefits of higher grain-based ethanol spender price that the government has hiked to INR71 will flow in the coming quarters or the rise in maize prices have already factored in that effect, and therefore, margin expansion is not likely?

Kushal Mittal: No. The price -- the increase in the price for ethanol INR71.83 will be reflected in the Q4 numbers, not in the Q3.

Dhruv Bajaj: Okay, sir. Okay. And sir, I'm really pleased to see that company has applied for permits to establish a 100 KLPD biodiesel plant. Sir, can you please give us an overview of this opportunity in terms of, a, how complex is the production in the raw material procurement process? Who will be the target clientele for this? The margin profile of this business versus ethanol and the potential capex and funding mix that we are planning?

Kushal Mittal: See -- so thank you for asking this question. Just to give you an overview. Similar to 20% blending mandate in ethanol, there is a 5% blending mandate for biodiesel in diesel in our country. As of today, the recent report, the blending percentage is at 0.1% in the country. Buyers are the same, same ONGC, HPCL, IOCL and BPCL with Reliance as well. The current prices for biodiesel are at INR82 a liter. And this is also done through a tender system just like ethanol and since the capacity is nowhere close to demand, so we expect all tender quantity to be allotted and the price of INR82 is quite good.

Again, talking about the raw material, as I mentioned, about 40% of our total raw material requirement for this 100 KLPD units would be derived from maize oil that is being extracted in our current. I would like here again mention that I believe we're the only company that we know of that is currently extracting maize oil while producing ethanol. So that raw material is -- the value for that raw material is significantly low.

The biodiesel process is being done in many Southeast Asian countries and with us a long precedence in the refinery business, we're very confident that we will be able to succeed in this industry without any major issues as we already know the major refinery supplier in the country, and we've already had very long technical discussions with them regarding the process.

The 40% of the raw material is available to us. The rest would be bought from the market, which would be in terms of fatty acids and miti oils. And we believe that enough is available in areas around Bathinda. So that will help us run the unit. And talking about the margins, we expect the margins to be higher than the Distillery business, mainly because 40% of the raw material is available to work without any added cost.

Dhruv Bajaj: Okay. Sir, have you thought about the potential capex, the timelines for the capex and the funding mix or that is too early to ask?

Kushal Mittal: So the project cost would be around INR160 crores, of which the company has already applied for a loan of close to INR90 crores to our current bankers PNB and Canara Bank and we hope to move forward quickly in that event as well, because we have a good relationship with our bankers. And similarly, we've applied for all the environmental clearance that are required to set

up this unit, and we hope to move fast on that front as well. So we're hoping all the clearances and the financing closure to be done in a quarter's time, in 3 months' time from today.

Dhruv Bajaj:

Got it. So that is very helpful, sir. And sir, I had a fundamental questions, like since you are seeing influx of so many players in the ethanol space, even in grain-based ethanol space in the recent times, and the government's guidance of 20% will be met in the coming 1 to 2 years. So what will be the growth drivers in the ethanol space? And can there be a case going forward that the government may introduce a reverse option instead of current style of tenders where prices are pre fixed by the government?

Kushal Mittal:

See that is a possibility. I can't deny that as being a possibility sitting today. Yes, the ethanol sector is growing. But as for our forecast, 20% lending would still be hard to achieve in the next 1 or 2 years, because a lot of the investments that was coming in this field, has -- from new investors, they have shied away after the FCI's rice were stopped and a lot of various players in this industry have had to face many issues, shifting from rice to maize, procuring maize and having the plants run on maize.

So investment in the sector has slowed down and that's I believe would benefit a company like us who was ready for the shift. We were forecasting this shift. We're advocating for the shift to maize.

And we don't see -- we see ourselves the very strong in this industry, regardless of the competition and also this maize oil extraction will also benefit us. And I'm very pleased to say our company has many forward contracts for grain that will secure us up to May in terms of our maize requirement, and that is being done because we have a very good relationship with our suppliers, and they trust us and that's really helping us as of now.

Dhruv Bajaj:

Got it, sir. And sir, if I can squeeze in just another question. Sir, do we have any plan -- okay, I will join back in queue.

Moderator:

Next question is from the line of Narendra from RoboCapital.

Narendra:

Congratulations on a good set of numbers. am I audible?

Kushal Mittal:

Yes.

Narendra:

Yes. So you said that it will come into effect this quarter further maize-based ethanol. So can we expect those 15%, 16% kind of margin this quarter?

Kushal Mittal:

Yes, I would not like to put a number on it as of yet. But yes, we expect the margins to increase in the future.

Narendra:

Okay. Okay. Got it. Got it. And regarding the closure of our oil business, so when can we expect that to happen? And what's the time line on that? And how much of the business will still remain after everything is done?

Kushal Mittal:

See, we have set a time line of December of this year to shut down most of our business from our edible oil units, because it falls right in the middle of the city. And there was an increased

focus from the government of India even our honorable Prime Minister in the parliament has recently said that in the next 5 years, they wish to make India self-reliant on edible oils again.

So we don't see how the policies take shape in the next year or so. I don't want to comment whether we completely exit out of this business or not as of yet. But yes, we're shutting down our unit in the city and moving it to our distillery units where a lot of the utilities will be common and a lot of our overhead cost will be decreased to help us be more efficient.

Narendra: Got it. Got it. And I believe there's another 150 KLPD of capex coming. So would you like to throw any light on that as to when that will be completed? And what would be the cost and some light on that part?

Kushal Mittal: Yes. Thank you for asking that question. So we are awaiting the environmental clearance for that 150 KLPD. And all the formalities for the same have been done. So we are hoping to have the same in hand very soon. And once we have that, the CapEx will be around INR150 crores for that 150 KL expansion. And we will begin work soon after, which will take us about 12 months' time at least to bring that unit into production.

Narendra: Okay. And just one clarification regarding that. So that's in Bathinda, right?

Kushal Mittal: That's in Bathinda. Yes.

Narendra: And one last question regarding the biodiesel plant. So say, we get a clearance in the next quarter. So how much time will it take to complete that post clearance? And since you said that there's already enough demand. So can you expect like we do in ethanol that after we finish that, we are able to utilize 100% within a short span of time? So would that also be the case with biodiesel?

Kushal Mittal: Once permissions are in hand, it will take us about 12 months to build the unit into production. And I'll be a little safe in this sector and not say that we reach 100% capacity utilization from day 1 because, yes, it's a new industry for the company. Raw material as per the forecast shouldn't be a problem, but it's an ever-changing cycle. And we have 40% of raw materials in-house. So rest, we still need to approach the market for. So I'll be a little safe and not assured that we'll go up to 100% for capacity utilization right as we commence production. But yes, of course, that is the target for the company.

Narendra: Okay. Okay. Got it. And just one last question. So is that the INR82 price that you said, so is that also fixed by the government like it is in ethanol?

Management: Correct.

Moderator: Next question is from the line of Sanika from Sapphire Capital.

Sanika: Yes. So I just wanted to know what is the revenue contribution and margin from Svaksha plant for quarter 3 and also the revenue split for ENA and ethanol for this plant and the Sangat plant?

Kushal Mittal: See, for the revenue from Svaksha Distillery, it was close to INR150 crores for the quarter with an EBITDA margin of around 11.10%. For the division between ENA and ethanol, I'm sorry I don't have the exact details for you as of now. So Priya, who is on the line from our IR team will

note this down, and she will get back to you with an answer. And I believe this should also be in our investor presentation.

Sanika: Okay. And if you can also provide me with the working capital breakdown for Bathinda and Svaksha Distillery?

Kushal Mittal: The working capital for Svaksha is around INR45 crores. And working capital for the Bathinda edible oil and distillery is around INR200 crores.

Sanika: INR200 crores?

Kushal Mittal: Yes.

Sanika: Okay. And just one last question. What is the current status for inventory in the Real Estate business?

Kushal Mittal: See, most of the inventory is sold as I speak. Whatever is left is some plots and I'd say, 4 apartments of them that are left, and they'll sell at their own pace because by the end, you have these plots and apartments left that are not north facing or not as per Vastu, perfect condition. So we expect them to sell slowly in the coming quarters.

Moderator: Next question is from the line of Darshil Pandya from Finterest Capital.

Darshin Pandya: Sir, could you provide some key data points, such as, net debt as on 9 months and working capital requirements for 9 months FY '24?

Kushal Mittal: I'm sorry, can you repeat the question, please?

Darshin Pandya: Could you please provide some key data points such as net debt level as on 9-month FY '24 and working capital requirements for 9 months '24?

Kushal Mittal: Working capital, I had just mentioned about INR200 crores at Bathinda, both edible oil and distillery and about INR45 crores at Svaksha Distillery and for the debt, the long-term debt, there is a INR120 crores loan on the new expansion at Bathinda and there is a INR50 crores loan at Svaksha for the prior unit and another INR70 crores for the new expansion. And I'd like to clarify here that the INR120 crores at Bathinda Distillery and INR70 crores at Svaksha expansion would both fall under the interest subvention scheme, where the applicable interest rate is currently around 4.5%.

Darshin Pandya: And sir, what was the fuel and power cost for this quarter?

Kushal Mittal: Unfortunately, I wouldn't have the exact number for as of now, but Priya can provide you with the exact numbers very shortly.

Darshin Pandya: Okay. And sir, other question was, is there any consideration for entering the IMFL business in the future?

- Kushal Mittal:** See, we're not actually towards it as of now. We'll await new excise policy that Punjab launches and then make a decision.
- Darshin Pandya:** Got it. And sir, who are the major customers for our ENA business?
- Kushal Mittal:** ENA, we have a very good relationship with Pernod. ABD is also significant buyer, then we have local bottlers. We also have Amrut, that's a good buyer and Mohan Meakin. So bottlers, I think, from a wide range of bottlers.
- Darshin Pandya:** And any -- if you have any realization per liter number for ENA and ethanol? And any -- if you see any changes in the future?
- Kushal Mittal:** See, for last quarter, it was quite volatile because the raw material prices were increasing. So I wouldn't be able to give you an exact number, I think, but in the coming quarters, we expect our margins to improve with the raw material coming in from Bihar and also increase in ethanol prices. And so that should improve in the future.
- Darshin Pandya:** Okay. So just one last question, if I can ask. Sir, we procure our maize from one is Punjab and the other one you're trying to say is we have been procure from Bihar. There are 2 states that we're procuring, sir.
- Kushal Mittal:** No. Maize has been secured throughout India. Wherever there is availability, we have a very, very wide network of dealers, brokers, and our team also we have 4 or 5 people, who are on tour most of the time. So maize has been procured from MP, from Rajasthan, from UP, from Punjab, from Bihar, from Jharkhand. So wherever there is maize, we are there.
- Darshin Pandya:** And if you any realization, what is the procurement price that we paid for this quarter as the margins have been -- we have got a hit on the margins?
- Kushal Mittal:** For the last quarter, I'd say an average procurement price would be INR24.30.
- Darshin Pandya:** So earlier, it was around INR21, INR22, if I'm not wrong?
- Kushal Mittal:** Yes. Correct.
- Darshin Pandya:** So we expect these numbers to get back in the real levels?
- Kushal Mittal:** Yes.
- Moderator:** Next question is from the line of Deepesh Sancheti from Maanya Finance.
- Kushal Mittal:** Yes.
- Deepesh Sancheti:** Kushalji, congratulations on fantastic set of numbers, and it really reinstate the confidence of short first line investors in your company. A couple of questions from my side. Do you think in the election season, there will be a huge demand for country liquor, do we anticipate it? And are we looking at supply to other states also?

Kushal Mittal: Thank you, Deepesh ji. No. We will stick to working in Punjab and demand has been good throughout actually. So we expect steady increase, not a significant increase over the elections.

Deepesh Sancheti: Okay. And if you can bifurcate -- sorry.

Kushal Mittal: Sorry to interrupt, but due to the elections, we saw that there was a huge increase of ENA from the Rajasthan state government and company won a tender of around 35 lakh liters at a very good price of ENA. That will give us pretty good realization of close to INR73 a liter moving forward.

Deepesh Sancheti: So we won an ENA order of INR73, right?

Kushal Mittal: Yes.

Deepesh Sancheti: Fantastic. So during the election season, we would, I mean, concentrate more on ENA. Is that what is going forward?

Kushal Mittal: I think our production will stay in fact of what it was before.

Deepesh Sancheti: Sir, how much Bathinda is ENA and how much is ethanol?

Kushal Mittal: So Bathinda, currently, I'd say, out of 400, 110 KL is ENA.

Deepesh Sancheti: Okay. And we won't be increasing just for this election season?

Kushal Mittal: No, because this was an old plant, the 200 KLPD. So this would require significant changes to the plant so that we can produce very good quality of 200 KLPD. As I had mentioned, an order of machinery was placed for the same and the machinery is with us, but it requires a 2- to 3-month shutdown for us to make those changes. And with the current demand of ENA and ethanol, we're just delaying that shutdown for as long as possible. So we need to upgrade our machinery to be able to produce very good quality of 200 KLPD ENA, which the market requires now.

Deepesh Sancheti: Right, but the demand is there?

Kushal Mittal: Demand is good.

Deepesh Sancheti: Okay. And a question on what do you think is the likelihood that the government will be resuming FCI rice supply in the next 1 or 2 years, maybe after elections? And how do you see that impacting maize based to rice based?

Kushal Mittal: I'm not the right person to answer that question. I -- any prediction I make is worthless, because the decision is not in my hand, and I don't have a proper information to guide you. But I would like to clarify that our company will advocating that maize is the primary raw material for ethanol production, and we were ready for it. And now we see what has happened now with the current price of ethanol from maize, it is viable for a company to secure maize on MSP and produce ethanol from the same.

So this is beneficial for the farmer, for the government that they don't have get involved in the procurement process of grain. The farmer is getting MSP. The industry has a requirement for it. And government does not need to get involved in it. So this is a very long-term policy in our opinion, and we're focused towards this.

Deepesh Sancheti:

Okay. And we do not see any issues with the farmers protest for a higher MSP?

Kushal Mittal:

That is not linked to. I think that has more to do with paddy and wheat, the farmers protest, and not also the maize. If a farmer is to get -- so the current maize size is INR20.90, the MSP price and for farmer, in India, to yield about 250 quantiles to 300 quantiles per acre. The global standard is above 400 and in wheat and paddy, India has reached the global standard.

So the maize, since it is not a very popular crop, India has yet to innovate and reach the global standard. But even with the current yields, the farmer makes about 25% to 30% more per acre as opposed to paddy if they were to get an MSP from maize. The problem was earlier they were not getting in the MSP for maize. So they weren't -- the cultivation of maize wasn't going up.

And now with the farmer getting the MSP from maize, their realization per acre has increased, and we believe that the Indian farmer and our research institute and our agriculture institutes will now work towards bringing India to the global standard in maize yields, and that is the next target. So this will overall increase the farmer's income. This is a very good crop for the farmer as well.

Deepesh Sancheti:

Okay. Great. And just one last question. 100 KLPD biodiesel project, which we are planning to do, that will be Bathinda and what will be the cost of production of biodiesel. Will it be same as ethanol? I mean, I just want to know whether there will be an incremental INR10, which will be coming to our books?

Kushal Mittal:

See, that will be at Bathinda. See, cost of production, we expect the processing cost to be around INR15 to INR16 per liter for biodiesel and the rest will be in raw material costs. But as I mentioned, 40% of the raw material is freely available to us. So we expect some very good margins from this business.

Deepesh Sancheti:

And the power advantage, which you are getting from our -- from Perali which we buy, that will be the same, right, for even for biodiesel?

Kushal Mittal:

That would be the same. And for this, biodiesel 150 KLPD expansion in our environmental clearance, we've already sought for an approval to add another paddy straw-based power plant.

Deepesh Sancheti:

Okay, good. Just one more question from my side, if you allow me. The debt which we are planning to take for this biodiesel and for the 150 KLPD, are they also in the interest subvention scheme? And if that, what is the interest?

Kushal Mittal:

[Inaudible 30:37]

Deepesh Sancheti:

Sorry, I couldn't get that.

Kushal Mittal:

They will not fall under the interest subvention schemes.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question of the day. On behalf of InCred Equities, that concludes the conference of BCL Industries. Thank you for joining us, and you may now disconnect your lines.