

BCL INDUSTRIES LIMITED
(Formerly known as BCL Industries & Infrastructures Limited)

Q2 & H1 FY 2019 Earnings Conference Call

November 15, 2018

MANAGEMENT:

MR. RAJINDER MITTAL- MG. DIRECTOR- BCL INDUSTRIES LTD.
MR. SAT NARAIN GOYAL – WHOLE TIME DIRECTOR
MR. GURINDER MAKKAR- COMPANY SECRETARY & COMPLIANCE OFFICER

VALOREM ADVISORS (INVESTOR RELATIONS)

MR. ANUJ SONPAL

SVAKSHA DISTILLERY LIMITED (SUBSIDIARY)

MR. PANKAJ JHUNJHUNWALA, DIRECTOR- SVAKSHA DISTILLERY LIMITED

BCL Industries Limited
H1-Q2 FY19 Results Conference Call
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Moderator: Ladies and gentlemen, Good day and welcome to the BCL Industries Limited H1&Q2 FY19 Earnings Conference Call. 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 assistance during the conference call, please signal the operator by pressing '*' and '1' on your telephone phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Good afternoon everybody and a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of BCL Industries Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings conference call for Q2 FY2019. Before we begin, I would like to mention a short cautionary statement. Some of the statement made in today's earnings conference call maybe forward looking in nature. Such forward statements are subject to risks and uncertainties which could cause actual results to defer from those anticipated. Such statements are based on management belief as well as assumptions made by and information currently available to management. Audiences are cautioned not to place undue reliance on these forward looking statements in making any investments decision. The purpose of today's earnings conference call is purely to educate and bring awareness about the company fundamental business and financial quarter under review. I would now like to introduce you to the management participating with us in today's earnings conference call. We have with us Mr. Rajinder Mittal Managing Director, Mr. Pankaj Jhunjhunwala Directors of Svaksha Distillery a subsidiary of BCL Industries and Mr. Gulab Singh CFO of BCL Industries. Without much a due, I request Mr. Mittal to give his opening remarks. Thank you and over to you, sir.

Rajinder Mittal: Good afternoon everybody. Thank you Anuj for introducing. We would like to welcome you all to this earning con-call for the Quarter 2 ending 2019. We are a diversified agro based company and development with business spread across a variety of industries vertically namely Svarna construction plant, edible oil, distillation and real estate. We are transferred from a small oil field to one of the most modern and fully integrated rice and edible oil complex in India. With a processing capacity of 1000 metric tons per day we are the only company in India in South Asia region that has a backward and forward integration. Distillery ethanol plant looking forward we continue to build a growing base of valuable customers who are worldwide market leaders in many areas of industries. We continue to take advantage of captive suppliers for some of our key raw material, improved operational efficiency to deliver satisfactory results

and gain significant cost advantage. With me Mr. SM Goel who is a Financial Director and Gurinder Makkar who is the Company Secretary. Incidentally Mr. Gulab Singh has not been able to join he is not available in the office today.

The overall business segment.

The company's performance in the current quarter was affected on account of partial closure of these distilleries for converting parts of his capacity to ethanol. The company has already achieved an LOI for the supply of 3.04 crore liters for the period starting from 1st of December, 2018 to 30th November, 2019. The distilleries units commence supply of ethanol from 1st of December, 2018 and expected to register around 18% higher realization per liter on account of the supply of ethanol. It is because of the government of India initiative to encourage distilleries to divert the ENA production to ethanol. The company has always started earning higher realization of about 6% to 8% for the balance capacity of ENA which is likely to go further in the coming months depending upon this demand and supply, but surely there will be some constraint as to the short supply of ENA and we are hopeful that we should be able to get the same price as of ethanol.

The company is also working simultaneously in 200 KLPD plant at Kharagpur, West Bengal under subsidiary Svasha Distillery Limited and is expected to commence production by September 2019. The turnkey project has been awarded to Praj industries and the work is at the full swing at the plant. Regarding the edible oil segment the company has renamed considered in the edible oil segments in terms of sale revenue registering a hike of about 27% in PBT and half yearly results of 2017-18 which are backed by reforms introduced by the government of India in the agriculture sector. These reforms include announcement of higher MSC on vegetable oil seed and government office, government focus is on increased in the edible oil seed production and to reduce the import dependency on the vegetable oil. As India is one of the largest or is the largest importer of vegetable oil in the world and about 70% of the total vegetable oil requirement is being imported at present. In order to reduce the import dependency, the government has focused on increasing the edible oil sales production in the country which will directly benefit the edible oil segment of the company.

The company has opted part of its ethanol supply to Gujarat to reduce its logistics cost while importing vegetable oil from the Kandla port for processing it into its vegetable oil complex at Bathinda which is expected to reduce our logistics cost by at least 50% by selling a two-way tariff for the transport.

Real estate segment.

The company has completed and debt free inventory of more than about 100 crores in this year we have received remarkable sale of more than 1000 times as compared to the previous half year. The Quarter 2 sales have also boosted a small acquisition of small percent of land

from a ready to move township project Ganpati Enclave for the extension of NH60 from which the National Highway Authority of India awarded a compensation of 11.84 crore. It is a time to reduce the financial burden of the company this will be utilizing parcel revenue for its real estate sales. Our revenue for the quarter sales from the last year of 216 crores to 203 cores which is on year decrease of about 6%. On the yearly basis EBITDA has gone up from 15.5 crore for last year to 26.7 crores in the Quarter 2 an increase of 72%. EBITDA margins have jumped from 7.17% for the corresponding quarter last year to 13.1% representing an increase of 593. PAT has increased by 290% from Rs. 4.5 crore last year to 17.2 crore for the second quarter for the financial year 19.

PAT margins have increased from 2.03% last year to 8.44% with an increase of 641 this year. On yearly basis the finance cost has decreased from 7 crore to 3.8 crore for the quarter on the half yearly basis. Revenue has increased by 5% to Rs. 408 crores. EBITDA has increased to 42.7 crores for the half year representing a growth of 44.3% EBITDA margins have also improved by 284 basis point to 10.45%. PAT has increased 158% to Rs. 23 crores. Cash and cash equivalent on half yearly basis have increased from 89 lakh to 1.4 crore along with other balance sheet which has increased from 4 crores to 7.5 crores. The fall in the revenue is on account of yearly the price of international vegetables oil have come down though quantity wise we have gained in the half yearly basis of about more than 12% and the distillery revenue has come down basically that we had closed one unit of the distillery to be converted to ethanol production and we shall be able to fulfill the revenue loss during this half year in the next half year by increased margin, by increased price realization on account of ethanol and ENA. So thank you.

Moderator: Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Varinder Bansal from Pantomath. Please go ahead.

Varinder Bansal: I just wanted to check that how many days the plant was shut in second quarter for the conversion of ENA to ethanol?

Management: Around 55 days for the plant to be converted because it is a highly flammable plant we have to first de-alcohol the entire plant which takes about 5 days and start the construction work. So this was due to that effect we have to production from the month of December itself. I think the conversion is over and we shall be able to commence the production in the first week of December.

Varinder Bansal: So is the entire work of conversion over?

Management: Almost 95% of the conversion work is over only the finishing and commissioning work is pending, the Praj team is already on the site and they are working day and night and will be in schedule.

Varinder Bansal: So can we expect the quantity of one-fourth of 6.6 crore liter to be salable in third quarter?

Management: Definitely you see that our October sale in the distillery are already on the higher side because we anticipated that we were at the highest level of inventory in the month of September due to this reason we are aware of the fact that we will get the increased benefit on account of sale of ENA in October and November where there will be some shortfall in the supply and for your information the October sales alone of the distillery unit are 36 crores as compared to 83.31 crores for the quarter ending 2018 December.

Varinder Bansal: Sorry you said how much October sales are?

Management: The corresponding quarter of 2017 the total sales of this distillery was 83.31 crore whereas we have received 36 crores in the first month itself because we were carrying a high inventory anticipating that there will be increase in the prices because of the lower availability of ENA part of it is being converted into ethanol because it was this issue was with each and every distillery every distillery has shut down some part of the capacity to be converted into ethanol. So this was the added benefit that we had two plants one plant was shut down, one plant we were serving on customer. So this added benefit is not available with each and every distillery this was one of the unique benefit which we enjoyed otherwise would have been total closure for 55 days.

Varinder Bansal: Sir, last question from my side, what is the latest ENA prices as of now?

Management: As of now November selling price is around about Rs. 44 as compared to the September price of Rs. 39.25 per liter.

Moderator: The next question is from the line of Jiten Parmar from Aurum Capital. Please go ahead.

Jiten Parmar: My question is basically on the new plant you have mentioned the duration when it be I want to know whether the financial closure that is over and how are we funded that is my first question?

Management: As regard the funding there is basically no process changed between the manufacturing of ENA and ethanol only one column that is called dryer column has to be solved. The capital investment total capital outlay expenditure will be around about 4 crores that has been funded from internal accrual we did not require this, it was a very small amount. It has been funded through internal accrual only there is a small amount of Rs. 4 crore only.

Jiten Parmar: This will be operational by September 2019 right I am talking about the expansion?

Management: You are talking about the Kharagpur plant right sir.

Jiten Parmar: Yeah.

Management: You are talking about Kharagpur plant.

Jiten Parmar: Yeah the 200.

Management: There are two things yes we are at present running a 200 KLPD plant at Bathinda and we are converting 50% of our capacity into ethanol and 50% capacity will be utilized for the manufacture of ENA. So we thought of another plan of expansion through our one of the subsidiary Svaksha at Calcutta. Mr. Pankaj is already on line he will be looking after that plant so that is the 200 KLPD that will be operational in September 2019.

Jiten Parmar: My question is regarding that only what is the total cost of the project and whether there is financial closure?

Management: On that account will be 137 crores and 90 crore is to be funded from the banks and 47 by way of equity funding from BCL Industries and Svarna infrastructure the company owned by Mr. Pankaj Jhunjunwala.

Jiten Parmar: So how much would be this year stake in this?

Management: 51%.

Jiten Parmar: My last question is on debt what is the current debt on a consolidated level and what will be peak debt the company will have?

Management: Company on BCL books will not be raising any debt on account of Svaksha Distillery so whatever debt will be raised that will be only subsidiary to the extent of 90 crore for the putting of that plant and Bathinda will be able to reduce the debt because at present the total debt is about 200 crore and whatever realization is coming from the unsold inventory of the real estate which is more than 100 crore is coming to the BCL for the payment of debt.

Jiten Parmar: So this 47 crore will be funded through internal accrual or how the equity portion?

Management: We have already floated a preferential issue which has been taken by the promoters at the rate of Rs. 75 so that amount is already raised.

Moderator: The next question is from the line of Shariq Merchant from Quest Investment. Please go ahead.

Shariq Merchant: Sir my first question is on the expansion that you are doing in West Bengal, have you got environmental clearance for it already and how long does this entire process takes?

Management: I think each and every clearance including the environment clearance ELU already are in place and the stable work has already commenced. Let Pankaj reply this question.

Shariq Merchant: So we could also talk about how long does the entire process took?

Pankaj Jhunjunwala: To take all the clearances including clearances from the Central Government the MOF department and from the state government pollution board as well. At this moment we will all the requisite license in place including CLU for license, factory license and the work has already commenced on a full over there at Svaksha Distillery.

Shariq Merchant: My perspective was that the clearance itself takes a very long amount of time and most projects tend to get stuck at the level?

Pankaj Jhunjunwala: I completely agree with you takes a long time and that is one reason not many people are able to set up distillery and BCL has a track record, BCL has only done about four distillery now two are with the associate company, pioneer distillery limited with BCL started in 2006 with a plant robust 75 KLPD which was expanded to 125 then BCL did its own 100 KLPD at Bathinda in 2011. It again got added by another 100 KLPD in 2016. So BCL already had the experience of four plants and that was the reason this new plant at Kharagpur did not take much in clearances as it takes the peers in the industry to take out the clearances for a plant of this levels.

Shariq Merchant: So long did it take you?

Management: About 1.5 to 2 years to get all the clearances in place including the land buying, the land mutation, the land conversions the LUDCP certificates all the requisite clearances.

Shariq Merchant: After the government make the policy change in July this year a lot of distillery even fewer companies have announced incremental CAPEX to set up ethanol facilities, so do you think it will still take 2 years for or even on a shorter timeframe one year only for the clearances?

Management: I really do not feel that it is something which could be settle in one year because I think right from the LOI process from the excise department for which you only need to have a land and to the land buying itself is a big question in this country. We being the local partner to BCL at West Bengal we have the requisite expertise and we were able to close down the land matter in about four to five months' time and then after that you start with the process of mutation and then the conversion and then you go to the MOF the Central Government for pollution clearance. In fact, the hearing call itself take about 3 months' time. So I really see one year as a very tight time even going forward from here, but of course ease of doing business is getting prevalent in the country and I hope that new distilleries are able to make the turnaround much faster in comparison to us.

Management: I will add one thing you see that demand of ethanol is basically endless and tremendous. Last year the government floated the expression of interest for 126 crores liters of ethanol to be procured from the various sources and this year the expression of interest is for 329 crore liters it is almost same equivalent to three times and the present target of the government is to achieve 20% ethanol blending by 2030 the present blending is less than even 6%. So the target

is so ambitious even all the distillery start putting up capacity double capacity on three times the capacity the ethanol demand will still not be able to meet.

Shariq Merchant: Sir even when you had bid for the current EOI the amount that was allotted to you was much lower than what you had bid for, when do you expect the second lag of this order to come or will this be the only order that you will?

Management: At present if the first round the choice was only as regard the station where we have to supply to ethanol. It was not a price bid, it was not a transportation meet. Transportation charges are fixed on the kilometer basis so we expressed our expression of interest to be supplied at this far places of Gujarat then this first round we were allowed a LOI of 1.8 crore and the second round the balance quantity was there at present we have got a LOI of 3.044 crore litres or 30,000 KL. So current round is already been floated by the government. The government up till now has been able to achieve the expression of interest to the extent of about 250 crore litres there is another 79 crore liters pending in the government to be allocated. So I think but the third round everybody has got their desired quantity so we have got the quantity we are satisfied in the first or second round. In the first year we will be supplying only 3.04 crore liter.

Shariq Merchant: So what capacity utilization will that imply?

Management: That is the 100% capacity utilization because we have got flexibility the next part will be converted into EA. The total capacity is 6.6 crore liters out of that 3.04 crore liters will be the production of ethanol and 3.56 crore liters will be ENA. So there will be 100% capacity utilization.

Shariq Merchant: This will be broadly equally supplied across there?

Management: This LOI is starting from December 2018 to 30th November 2019.

Shariq Merchant: And also on the industry as a whole so post the announcement in July a lot of people announced the CAPEX and this was essentially on the sugar side, on the ENA side also do you see a lot of your competitors applying for new capacity and setting up new capacity?

Management: No I think we are not in this food grain sector. Grain Based Distillery I think expansion are not coming at that pace, but the sugar industry because they have got interest subvention scheme, they have got some other benefits also and that is why we see rate is down by almost Rs. 4 per liter as compared to the Grain Based. So since we presume the Grain based ENA will be finding the same rate as of that ethanol. The CAPEX will be planned by any industry after taking the experience of first to second year.

Shariq Merchant: I think people are still in a wait and watch even though the price worth 20% higher for ethanol the other ENA players still wanted to wait and watch if this policy was sustained for some time is that a fair understanding?

Management: It is the policy, policy is long-term policy. There is no fare as regard you can say this change in policy or anything else because this policy is environmental friendly, the carbon initial from this bio fuel or ethanol are almost 10% as compared to the fossil fuel of that. The second name of the government is to increase the farmer income to utilize the damage food grains for the production of ethanol. The third is to reduce the import dependency on this crude oil and break it use of this ethanol by at least 20%. So it is environmental friendly, it is a farmer friendly, it will reduce the import dependency this is a long term policy, but you say building at the capacity the clearances buying of land, planning another things takes about 1.5, 3 years to 2 years. So it is very early to say that some more capacities will be coming on some new capacity can be planned overnight.

Shariq Merchant: Sir, my last question is on the oil and real estate segment if you could just throw some light on the outlook for both how much free cash flow due to expect from real estate in the next 12 months?

Management: It is that our vegetable oil complex we have a got a huge capacity of 1000 tons and our capacity utilization at present is 65%. So the capacity utilization going up every year with the change in the government policy as regard the increasing the production of local edible oil seed and that is why you can say one of the good points that we have got integrated edible oil complex which start from the seed to the final packing. So we will be directly benefitted with the increase in the annual production in this country and we are quite bullish about this sector the fundamental will improve, logistic cost in this ethanol supplying at this Gujarat station will bring out logistic cost because at present we are importing about 60,000 tons per annum from the Kandla port to our Bathinda processing unit which is logistics cost is working out to be more than 20 crore per annum. So if we are able to reduce even the 30%, 40% of that kind of logistics cost with this cost by two way traffic so that will be giving a good edge over the other competitor as regard selling of my product in the market.

Shariq Merchant: Could you look at another 100 to 150 basis points increase in the oil segment?

Management: Definitely we are quite optimistic and hopeful that the results of this coming quarter may be January to March the fourth quarter the last quarter the real picture will be reflected and we are hopeful that there will be a substantial increase in the profitability in the vegetable oil sector also.

Shariq Merchant: And on the real estate part?

Management: Real estate part we are not doing anything that is the unsold inventory with the company which we are selling to actual reasons because we have got such a market the only actual leaders are there so we hope to monetize the entire thing between two to three years and bring back the money into the main stream by reducing our debt.

Moderator: The next question is from the line of Vandit Dharamshri from Prime Securities. Please go ahead.

Vandit Dharamshri: My question is does the company expect the EBITDA margin to sustain at around 10.45% it is going ahead?

Management: Can you repeat your question.

Vandit Dharamshri: Does the company expect the EBITDA margins to sustain at around 10.45% according to this half yearly presentation?

Management: You see that this type of margin that we got from real estate you can say this acquisition amount increase, but the margins will definitely improve with the starting of ethanol production and the reducing the logistics cost in the vegetable oil section, but I cannot say as of now that whether we will be able to keep this kind of sales, but there will be definitely a great improvement as regard the working in the distillery section and the vegetable oil section.

Vandit Dharamshri: So going ahead the EBITDA and PAT margin should either improve or be the same is that what you indicate?

Management: I think should be round about this figure only.

Vandit Dharamshri: One last question from my end going ahead how do you see the revenue growth for the company probably coming from different sectors and what is the different revenue mix that the company would be getting over the period of next two to three years?

Management: The revenue from the distillery section I think we expect a growth of about 15% to 18% by way of increased production and as well as the price going up the realization on account of ENA and ethanol. And as regard the vegetable oil section I think there will be growth at present we are getting between 10% to 15% we will be able to sustain with that and as per the previous three sectors whatever the amounts are coming from the unsold inventory which is about more than about 100 crore will be the money will be coming back and we will be utilizing for the reduction of debt.

Vandit Dharamshri: So once we get the money do we still plan for some real estate projects after two years?

Management: No these two projects are already complete and we do not have any plans to enter into the real estate these projects are totally completed and debt free and only inhabited and this is a part of a inventory about 70% is for real estate project are already sold.

Vandit Dharamshri: So going ahead company would only focus on the distillery business and the edible oil business is that you have indicate sir?

Management: On the agro processing unit as regard the vegetable oil, rice and the ethanol and the distillery.

Moderator: The next question is from the line of Rafi Mohammad who is an individual investor. Please go ahead.

Rafi Mohammad: I am taking a clue from the previous call and even conducted by Dalal Street Journal where you indicated as part of your closing comments that is being optimistic of the ethanol, you indicated apart from the existing Bathinda and the propose Kharagpur plant you are also looking for adding additional 200 KLPD in Bathinda, do you want to throw some light on what are the timelines and how do you propose to fund it?

Management: At present there is no timeline. Firstly our priority will be to complete the Khararapur project that is a West Bengal project and when we are able to streamline that project we shall plan this project and we will also watch the food grain production, the damage food grain scenario and the other thing, but that is just an idea we have not run down the ground reality as how it will be funded, but we have the got the land and other things in place in Bathinda. So there is a plenty of land available with this distillery unit that is about 65 acres with the company and only 23 acres at present utilized the 40 acres land we have an idea in mind that after the completion of the Kharagpur project we will be able to take a call on that project. There is no timeframe fixed at present.

Moderator: The next question is from the line of Ashok Agarwal who is an Individual Investor. Please go ahead.

Ashok Agarwal: I want to know of this Kharagpur plant is it a 51% subsidiary or 100% subsidiary?

Management: This is a subsidiary having a stake of 51% in the BCL Industries.

Moderator: The next question is from the line of Vineet Gala from Pantomath Asset Managers. Please go ahead.

Vineet Gala: Sir I wanted to understand what is the total ENA capacity in West Bengal by other players?

Management: West Bengal it will be 6.6 crore liters.

Vineet Gala: So not our currently existing capacity, ENA capacity and West Bengal?

Management: I can answer this question the current existing ENA capacity in Bengal is about 225 KLPD.

Vineet Gala: And we are coming up with 200 KLPD?

Management: Yes.

Vineet Gala: And what would be the demand in West Bengal?

Management: As per the last report which we got from the excise department of the state of West Bengal we understand that there is a demand of 700 KLPD which was into 2016. So we expect anyways this would have grown, but still there is a dirt of distillery in the state of West Bengal.

Vineet Gala: And what is the current selling price for ENA in West Bengal?

Management: It is about Rs. 46 per liter.

Management: It has gone up to Rs. 52 per liter with the West Bengal supplier which are taking of supplies from our plant this for November proclaim we have purchased a Rs. 44.50 paisa per liter, Rs. 6 per liter is the transportation cost and Rs. 2.5 per liter is the import prices in the State of West Bengal. So the landed cost at the plant is about Rs. 53 per liter and the cost of the x plant cost is around Rs. 52 per liter that is why we plan to manufacture ENA only in the state of West Bengal because the ethanol rate is Rs. 47 and 14 paisa per liter.

Vineet Gala: Sir what would be that number like the total ENA capacity in North India where in the Bathinda facility?

Management: Bathinda after this commissioning of this Kharagpur project taking our associate company or a group company so we will be largest manufacture of ENA in the country with the capacity of 525 KLPD per day.

Vineet Gala: The question is more about entire Northern India capacity are you understanding that?

Management: I am not aware of the North India capacity because some part is of the sugar industry I am not aware of that capacity.

Vineet Gala: Do we have any number for demand for ENA in North India?

Management: North India we supply this ENA Pan India from Punjab is a surplus state in the manufacturing of ENA and our supplies even goes to Tamil Naidu, Kerala, Goa, West Bengal, Assam, Tripura of all this people modelers are lifting the product from Punjab, Haryana and some parts of the UP. It is this two, three states are only surplus all states are deficient.

Vineet Gala: Sir in the OMC contract who are the other players who applied for the grain based ethanol?

Management: There are about 220 players who has participated in this expression of interest mostly those are from the sugar industry because there are three sources in the sugar industry. One is from the cane juice, the second is from the B Heavy molasses that is called partial cane juice and

third is from C heavy molasses. 80% of the total supply if I take on 250 crore liter or maybe 70%, 75% of the capacity of this supply are on account of sugar mills.

Vineet Gala: Okay that should grain based ethanol?

Management: Our will be grain based ethanol. Oil market and companies are buying this grain-based ethanol.

Vineet Gala: Who are the others players who also participated in this EOI for grain-based ethanol not sugar ethanol?

Management: Ours is grain based. From Punjab I can sell out but I do not know about the rest part of the country but in Punjab we can sell out. One is pioneer industry and other is CDBL Chandigarh Distilleries, Rana Sugar Om Distilleries all these four, five players in Punjab have participated.

Vineet Gala: Sir how much did we applied for in this OMC contract.

Management: We applied for 3.8 crore liter in first round, in that allotted 1.88 crore second round we again applied we got another 1.2 crore liter and third round also we can now apply but now we are sticking to only supply 3.04 crore liter. There is still pending quantity about 79 crore liter with the overseas to be asking for the third round bid which is to be which is up till 18th of this month.

Vineet Gala: Why are we not applying?

Management: We are fine with this 3.04 crore liter because the ENA price has gone up substantially high and we hope that we will be able to realize the same kind of price for manufacture of ENA as compared to ethanol. So this is a first time, so first time it will be bought 160 crore liters, Rs.160 supply to the oil marketing company, first year we will be doing this only.

Vineet Gala: Alright. Sir what would be the cost of feedstock as a percentage of total cost like per rupee if you could.

Management: I did not get your question.

Vineet Gala: Sir the cost of feedstock while you are making ethanol or ENA.

Management: Cost of production you are asking me?

Vineet Gala: The feedstock, raw material.

Management: Raw material cost is around about Rs.30 per liter and about Rs.10 to Rs.12 per liter is the processing cost including the finance cost and the overhead and the ethanol margin should be around Rs.4-Rs.5 a liter.

Vineet Gala: Sir with increase with like ethanol realization from 44 to 47 so is there any, the cost of raw material has that gone up or that remains constant.

Management: I have already accounted for that while calculating the Rs.30 per liter, whatever was the impact of the price of the damaged food grains has already been considered and this is the final. We have increased to the Rs. 6 per liter.

Vineet Gala: Sir the cost of damage food grains would that increase or the business like, how is the demand, supply scenario there like.

Management: It has already gone up, I have told you that earlier the cost of raw material was Rs.25 to Rs.26 per liter that has already gone up marginally by Rs.4 per liter against Rs.7 per liter.

Vineet Gala: Alright sir. Sir also on the real estate side sir what is the total value of unsold inventory.

Management: Unsold inventory is around about 100 crore and we hope to monetize the same within a span of two to three years.

Vineet Gala: Okay. And sir could you give me a split between Ganpati Enclave and the other project what would that be in terms of unsold inventory.

Management: So you see that we have a two projects one is Ganpati Enclave which is integrated townships spread over a 65 acre that comprising of the flat accommodations three bed room flat, the villas, 200, 300 and 400 Sq. yards and the open plots. So the total is taken together and other present is DD Mittal Tower where it is purely two bedroom flat, 555 are total flats out of that 350 are sold we have got an inventory of 200 flats so total inventory of this plot, villas, flats and shop come offices, booth taken together is more than 100 crore the realizable value. We do not have any debt on these two projects.

Vineet Gala: Sir what is the unsold inventory in Ganpati Enclave.

Management: I told you, I don't have the exact number right now in front of me but he did in the shape of plots, in the shape of villas, in the shape of flat, in the shape of booth, it is an integrated township around spread over a 65 acre.

Vineet Gala: So there is no number to it like how much is the unsold inventory in Ganpati Enclave and the towers.

Management: Percentage I can tell you, it is only 30%, 70% is sold.

Vineet Gala: Okay, 70% is sold and 30% is left.

Management: 30% is with me.

Vineet Gala: Okay.

Management: And DD Mittal Tower because out of 555 flats we have sold 355 the balance stock as on date is about 200 flats.

Vineet Gala: Okay. So what have we expensed in the DD Mittal Tower how much is the total amount that has been expensed in the P&L for this project.

Management: The capital expenditure you are talking about?

Vineet Gala: Yes, sir capital expenditure if you could give.

Management: That has already been delivered expenditure pending as on date on both the projects. Both the projects are complete and we do not have any debts inside.

Vineet Gala: No, sir previously what has been expensed in this DD Mittal Tower.

Management: About 40 crore.

Vineet Gala: Okay, has been expensed out right?

Management: Yes.

Moderator: The next question is from the line of Varinder Bansal from Pantomath. You may go ahead.

Varinder Bansal: Sir my last question is a follow up. You have associate promoter company which you mentioned I think around 100 KLPD which is there.

Management: 125 KLPD.

Varinder Bansal: 125, I think by the name of

Management: Pioneer Industry.

Varinder Bansal: Pioneer, okay. And this workshop one where BCL will hold 51% stake only not 100% stake.

Management: But in these Pioneer industries BCL has no stake maybe 1% stake in that is in the promoters hand. That is not in the hands of the company.

Varinder Bansal: I just wanted to understand your vision in terms of how you see because there is a huge opportunity which is coming up in this field so you have one entity which is promoter, which is holding a stake in one company and then BCL is holding 51% stake only in the next leg of growth which may come in BCL, do you wish to consolidate everything and get everything under BCL going ahead or not. What is your vision?

Management: There is no plan for the consolidation bringing everything in one company, because it's a Pioneer industry they have got **(Inaudible) 47:42** and this is strictly industry **(Inaudible) 47:45** is really a difficult task that we are sitting and we are able to manage this rest and all this way. So, we ought to have some local associate who looks after the day to day operations, buying of food grains, looking after the quality, supplies another day that is why we opted for Mr. Pankaj who is presently in Calcutta doing his own real estate business to be our associate and holding 51% equity so that is the reason we are not in a position to consolidate everything to BCL.

Moderator: Thank you. The next question is from the line of Rafi Mohammed who is an Individual Investor. Please go ahead.

Rafi Mohammed: Sir with 51% stake in the Kharagpur plant, how much incremental revenue do we see coming up in the books of BCL.

Management: In the books of BCL I do not think any revenue will be coming but 51% of the company revenue will be around about Rs.340-Rs.350 crore of in the year 2020 and 21.

Rafi Mohammed: So about 175 crore, 50% of that should be added to BCL.

Management: 51% should be if we have 51% so that should be around about 175 crore.

Rafi Mohammed: Okay. And this will be at it's peak production.

Management: At it's peak production, yes it will be.

Rafi Mohammed: What is the revenues for the first year of its production sir when it starts next year.

Management: I think given the effect that capacity utilization and the Bhatinda plan is almost 100% in the first year itself, see the percentage plus we expanded this capacity started the expansion, expanded capacity of 100 klpd and first year we will be able to achieve the 100% capacity and last year we achieve the 100% capacity for manufacturing of 6 by 6 crore liters of ENA. So, as regard with the capacity utilization I think no issue because the demand, the deficit supply and we are well conversant with the industry we have got the directors and the promoter and we have ample experience to run this kind of distilleries and moreover this time we have selected the most reliable machinery supply the Praj which are internationally renowned we have given a turnkey project to them for executing this one project.

Moderator: Thank you. We have the next question from the line of Ashok Agrawal who is an Individual Investor. Please go ahead.

Ashok Agrawal: I will come to the point, from January onwards for that quarter low actually, what would be the incremental sort of revenue from ethanol and ENA together and if it get stabilize.

Management: The last part from January to March we are hopeful to as 100% capacity of ethanol and ENA and incremental benefits should be around but combined both of the things should be above 12 to 18%.

Ashok Agrawal: No, in terms of rupees let us say.

Management: In rupees I think it should be around about Rs.5 to Rs.7 per liter. And we divided this 6.4 into 4 so that will be 1.654 liters and 4 is early should be 1.7 crore. 6.5 to 7.5 crore. Between 6, 7, 8 crore.

Moderator: Thank you. The next question is from the line of Amit Jawade who is an Individual Investor. Please go ahead.

Amit Jawade: Sir my first question is why the profitability of oil and Vanaspati segment has gone down.

Management: The Vanaspati section because you can say it is the prime festive commodity and this quarter the international price of vegetable wise has come down drastically. So there is always a loss for the inventory you hold and once the price start rising you realize that, so there is always up and down when there is fall in the price you lose on account as inventory and when there is a price rise you gain on account of the inventory. So there is a reason, but I think if we take the half yearly profits after tax that has not been there has been still increase.

Amit Jawade: Yes, I was just focusing on the quarter sir. And what about the next two quarters what are we expecting for example this quarter you did around 4 crore of earnings before interest in this oil and Vanaspati so what about the next two quarters.

Management: I think next two quarters we will wait because the prices have already come down to the rock bottom and there is all this festival season and the demand period winter season coming where the demand of this vegetable oil goes up with peoples food habit bit changes and other things. We hope to recover this thing and as far as the revenue and the productivity is also concerned and with the logistics cost we gave a plan that should come down, should also play vital role in this.

Amit Jawade: Okay. So profitability will improve going forward, will it be again similar to the earlier quarter is it 7-8 crore.

Management: Sorry?

Amit Jawade: Will it be closer to the first quarter, we did 7 crore of EBIT in first quarter will it be similar to that.

Management: Year wise profitability there will be certainly increase or improvement in the working of the company.

Amit Jawade: Okay. No, not in the company sir, I am particularly asking about oil and Vanaspati.

Management: I am also talking about the oil and Vanaspati section only.

Amit Jawade: Okay, understood. And sir could you share some data on the volume that we did September quarter for all order two segments, oil and Vanaspati how many time we sold and distillery and same for the same quarter last year.

Management: Almost there is a fall in the quantity as regards the distillery is concerned but as regards the vegetable oil sector tonnage wise our figures are more it spiked up by 12%.

Amit Jawade: It is a 11-12% growth. Can you share some absolute quantity sir in tonnage?

Management: I do not have that actual figure but I have calculated percentage wise the exact quantity increases 11.51% but we can take it between 11 to 12%.

Amit Jawade: Okay. And in oil and Vanaspati segment what are your key raw materials.

Management: Sorry.

Amit Jawade: What are the major raw material for oil and Vanaspati segment.

Management: Major raw materials, all the oil being material and plus the imported palm oils, soybean oil, local cottonseed oil, rice brown oil, soybean oil all this are the raw materials.

Amit Jawade: Okay. No, but amongst all this sir what are the major ones, or all are required in small-small proportions.

Management: No, you see that we measure on a, raw material is a crude palm oil, degummed soybean oil and washed cottonseed oil and rice brown oil these are the main four vegetable oils.

Amit Jawade: Could you please repeat them, crude palm oil, soybean oil.

Management: Soybean oil, cottonseed oil and rice brown oil.

Amit Jawade: Okay. These are the four key raw materials.

Management: Yes, key raw materials for us.

Management: Rice brown we have got in-house, solvent extraction plant about 40% of the total rice bran oil is crushed from our own crushing section and rest we buy from the market.

Amit Jawade: Okay. And sir in the annual report it is mention that you supply to Cargill and other big brands also, so out of the total revenue in oil and Vanaspati this quarter you did around 126 crore how

much of that was to supplied to the branded segment and how much you sold directly to retail under your own brand.

Management: Now you see the Cargill and Godrej they are buying ingredients for their cattle and poultry feed plant. So that is the residue after the extraction of vegetable oils from the plant and as the vegetables oil are branded in their packed through this market and this Mungi in this brand name of Dalda this Gagan and Sunehri Teer and Chambal. And that is around 120 crore per annum.

Amit Jawade: 120 crore per annum.

Management: This is a vegetable oil supply in their own brand and these the Cargill and another these are the ingredients for their cattle and poultry feed plant, these two totally separate community.

Amit Jawade: Sir, I wanted to understand how much segment you do under your own brand and how much you supply to other companies.

Management: 30% goes to companies.

Management: 70% is our own brand.

Amit Jawade: Okay. And would you say, how is your market positioning in retail are you premium player or commodity player or how is it?

Management: We are a premium player we have got a strong dealer that got 250 dealer network in the state of Punjab, Haryana, Himachal, Jammu Kashmir, some part of UP, some part of Rajasthan, so we have got a 250 dealers associated with us which we are selling in the market and our brand we can state it as medium brand, middle brand you can say. Middle brand or a lower brand we can place our brand as a medium. We have got a strong presence of our brand in these states.

Amit Jawade: Okay. And last question, among the big companies who are your business competitor?

Management: Competitor as regard the middle brand we do not have any competition as far as compared but the bigger brand presence in this is Munga, Cargill, Louis there are big brands multinational have come in now. Local players will be on very lower side.

Amit Jawade: Okay. And sir are there any plans to substantially reduce the debt and when can we become debt free.

Management: I cannot comment on debt free but there definitely plans to reduce the debt by selling this inventory, whatever inventory is being sold that is the money is coming out and I can just give you figure the results posted the liabilities have been reduced by 46.59 crore and whereas the

current assets have come down by 13.5 crore thereby meaning that we have been able to reduce the liability side by almost 33 crore.

Amit Jawade: Okay, understood. Sir last question. We are doing lot of capital expenditure but in the balance sheet the capital work under progress is not shown it is shown zero so what is the reason for that.

Management: No, in our balance sheet it will always be, the capital work in progress will be in the balance sheet of Sweksha.

Amit Jawade: Okay, it is not in your balance sheet.

Management: No, it is a separate company though a subsidiary but that will be reflected in the consolidated balance sheet not in this balance sheet.

Amit Jawade: How much have we spend so far.

Management: Around about 22 crore have been spend so far.

Amit Jawade: And how much is pending.

Management: The total capital outlaw including working capital margin another 37 crore.

Amit Jawade: So around 115 crore is remaining.

Management: Ordered for the machinery given the advance to them, once the machinery starts, the supplier starts the machinery because at present receiver foundation work is going on so when that is complete the machineries will come at one go and the capital expenditure will just climb.

Amit Jawade: Okay. And in the last six months sir our equity share of the company has been diluted, the reason for that and are we going to dilute it further.

Management: We have issued preferential shares of 50 lakhs share and out of that two third have been issued and only one third is pending, there will be no further addition.

Amit Jawade: Okay, one is that whatever is the current outstanding after that you won't issue any more.

Management: No.

Amit Jawade: Okay. And sir any view on increasing the dividend.

Management: Nothing as of now, first we have to reduce the debt and options are always open we will see that how the ethanol section performs and definitely as of now I cannot comment upon the dividend what percent is to be given and how it is to be given after rearranging

Moderator: Thank you. Next question is from the line of Amit Jawade who is an Individual Investor. Please go ahead.

Amit Jawade: Sir can you just elaborate on this ethanol, the basic question the difference between ENA and ethanol because some people use it interchangeably, so what is the difference and how is the business different from each other or they are the same.

Management: Okay. The basic difference between the ENA and ethanol, ENA is used for portable purposes by the bottling plants to manufacture this whisky and rums and all other brands, this is portable fit for human consumption and ENA is a product which is used for the blending into the petrol this is an industrial use and the difference between the process is the same except that we have to remove some impurities from the rectified sprits to make it ENA and the impurities are called basically industrial separate and that impurities are about 5 to 6% and the ethanol we do not have to remove the impurities except we have to remove the moisture which has to be almost at the nil level and whereas ENA will contain about 4% moisture. If you take both together the cost of product of ENA and ethanol is almost the same because the industries has more, that 6% alcohol is sold at a discount of Rs.20 per liter as compared to the ENA. So the basic process is the same only it contains zero percentage moisture and all the impurities are within that product and ENA the impurities are removed and we put about 4% moisture to make it portable.

Amit Jawade: Okay. And whose price is higher sir?

Management: Sorry?

Amit Jawade: Among ENA and ethanol which price is higher?

Management: Price of ethanol offered by the government at present is higher as compared to the ENA.

Amit Jawade: Okay, that is why we are focusing on ethanol right now.

Management: No, that is why we have converted 50% of our capacity for the manufacture of ethanol and 50% we have retained for the manufacture of ENA because now we are applying lot many bottlers and we cannot leave them high and dry as of now because we are putting up a plant at West Bengal also. Then we hope to commence those supplies from that plant and convert more of our capacity into manufacturing of ethanol. But we are hopeful that with this you can say diversion of sub quantity from ENA to ethanol the price of ENA will also be on the higher side or maybe equivalent to even ethanol.

Amit Jawade: Okay, understood. And sir this tendering which is done by the oil marketing companies, they as a tender which we have won for grain build ethanol but do they issue separate tenders for say grain based ethanol, then molasses-based ethanol a different tender is it like that or anybody can bid for the tender.

Management: The total quantity require is 329 crore liter, anybody from the four sources that one is the cane juice, then comes the B Heavy Molasses that is parcel cane juice and C Heavy Molasses that is from Molasses and fourth is the from the damaged food grain, all the categories have a different rate but the quantity is not specified, we can bid for any quantity at the given rate, at the rate fixed by the government.

Amit Jawade: Okay. And among the four process which is the cheapest cost process.

Management: For molasses Rs.43.40 per liter and the second comes the grain damage food grain Rs.47.14 per liter, third comes the partial b heavy molasses parcel cane juice that is Rs.52 and something paisa per liter and four is from the cane juice that is Rs.59 and something paisa per liter.

Amit Jawade: And subsidiary which we have Suraksha new project which I coming up do promoters have any take in the other company.

Management: BCL holds 51% equity and Mr. Pankaj Jhunjhunwala who is in Calcutta holds 49% whose associate company....

Amit Jawade: Okay. But BCL promoter do not hold anything in directly within those 49%.

Management: BCL promoters do not hold anything, only personal account. Only BCL will be holding

Amit Jawade: BCL will be only holding in the BCL company not through Pankaj Jhunjhun Wala also.

Management: BCL only, not in the subsidiary company.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Rajinder Mittal from BCL Industries Limited for closing comments.

Rajinder Mittal: Thank you everybody. It was a nice conversation and we shall be holding this kind of earning conferences in future also. Thank you enlightening us and advising us and putting so many questions. Thank you.

Moderator: Thank you very much members of the management. Ladies and gentlemen with this we conclude the conference call. Thank you for joining us and you may now disconnect your lines.