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BCL Industries Limited
Q4 FY21 Earnings Conference Call
11 June 2021

Moderator: Good day and welcome to the BCL Industries Limited Q4 FY21 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 need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone.

I now hand the conference over to Mr. Mahavir Jain from Aditya Birla Money. Thank you and over to you, sir.

Mahavir Jain: Good morning, everyone. We welcome you to Q4 FY21 earnings conference call for BCL Industries. On the call, we have with us Mr. Kushal Mittal – Joint MD of BCL Industries, and Mr. Pankaj Jhunjhunwala - Director of Svaksha Distillery.

To start with the call, we will have a brief update from Mr. Kushal on the results, after which we will open the floor for question-and-answer session. Over to you, sir.

Kushal Mittal: Thank you for the introduction. And thank you all for joining us. Good morning. And welcome to the earnings call for Quarter 4 and the year ending of the Financial Year 2020-21. Firstly, let me start by saying that I hope everyone is keeping safe and well. 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 interests 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 fully vertigated edible oil manufacturers in all of North India, having a total capacity of 1,020 metric tons per day. Furthermore, we foray into the business of distillation by setting up our own grain based distillery of extra neutral alcohol of 100 KLPD along with the bottling plant in Bhatinda. The capacity of the same was later doubled to 200 KLPD as the business grew. In order to further grow the distillation business the company is now installing a state of art distillery of 200 KLPD with a 10 megawatt cogeneration power plant in Kharagpur, West Bengal.

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As you are well aware of the impact due to resurgence of COVID-19, our top priority at this moment is the safety and well being of our employees, customers, vendors and all stakeholders. We have implemented various preventive measures in line with the guidelines issued by the government health care departments to ensure the set that safety comes first. Now to go on about financial highlights for the fourth quarter ended of financial year 2021. The total income of the quarter was at Rs. 431 crores with an increase of 91% year-on-year.

EBITDA for the quarter was at Rs. 27 crores with an increase of 98% year-on-year. And EBITDA margins hover at 6.31%. Net profit was at Rs. 13 crores, which is increased by a staggering 280% year-on-year and PAT margins were reported at 3.08%. For the full year of financial ending 2021, total income was at Rs. 14 36 crores, which was an increase of 55% year-on-year. EBITDA stood at Rs. 86 crores, which is a 37% increase year-on-year and EBITDA margins at 6.43%. PAT for the year was at Rs. 42 crores, which is a 63% increase year-on-year and PAT margins were almost 3%.

Coming on to the operational highlights for the financial year, I would like to start with the distillery segment BCL Industries Limited continues to be one of the largest suppliers of grain based ethanol in the nation with a tender to supply 4.5 crores liters for the sugar year 2020-21. Since we are also experiencing great demand for ethanol, BCL has continued to supply our tendered quantities during the second wave of COVID-19 as well without any hindrance. With a target set by the government to blend 20% ethanol by 2023, the company forecast greater quantity of ethanol being tendered by all distilleries resulting in greater margin for ENA moving forward.

The civil work for the new state of art distillery is ongoing, but due to the continuous lockdowns in the states like West Bengal and Maharashtra where a lot of the machinery suppliers are, the cyclonic conditions in Bengal and due to the oxygen shortage and bit of labor trouble, the project is experiencing some delays but we are slowly and steadily moving forward to ensure that the project comes into commissioning for the second half of the current financial year. The revenue from the distilleries segments stood at Rs. 467 crores for the year.

With regard to the edible oil segment, the company has experienced an exponential increase in its revenue from the edible oil due to an increase in demand for the company's own brands, and the increase in edible oil prices globally. The company has received positive feedback from distributors for its homogeneous brands, and we expect to build on this positive momentum in the coming quarters as well. Due to an increase in the edible oil prices globally, farmers in India were able to get a very remunerative price for their oil seed

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cultivation as in the mustard seed that just came into the market, which has led to an increase in availability of oil seeds.

This has made even more oil seeds available for processing, which is our company's expertise, leading to an increase in revenues and profitability in this segment. The revenue of the edible oil segment for the full year was at Rs. 979 crores. Lastly, the real estate segment went through a temporary slowdown for the lockdown period, but the company expects the sales to pick up in the coming quarters.

This year the company recorded revenue of around Rs. 22 crores. In its attempt to reduce the financial burden of the companies BCL continues to utilize the revenues from real estate to liquidate that. With that I would now like to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dipesh Sancheti from Manya Finance. Please go ahead.

Dipesh Sancheti: From the entire investor community, I would like to thank and show my gratitude towards the management of giving Rs. 5 dividend to the public shareholders. An excellent move and it will really increase our confidence for the investment. Now, I just wanted to ask about the increase in the capacity at Bhatinda. What is the CAPEX, approximately CAPEX we are planning and how much is the loan we are taking and what is the cost of capital?

Kushal Mittal: Yes, firstly, thank you for your positive remarks. So, for the Bhatinda expansion, the project cost for the same will be around Rs. 150 crores to set up a new 200 KLPD biofuel plants in the same premises. Out of that our file has been approved, the interest of invention scheme for funding of Rs. 120 crores.

So, we have applied for the same at a couple of banks, and we expect positive results very soon because the government is very encouraging in this matter and we have to give in biweekly updates to asking about how we are going to raise the finances. And we have gone very positive responses from the banks as well regarding this project.

Dipesh Sancheti: And what is the subvention approximate?

Kushal Mittal: So, that is 6% or half of your finance costs, whichever is higher.

Dipesh Sancheti: So, we can expect that we would get this loan at around 3% net?

Kushal Mittal: Whichever is lower.

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- Dipesh Sancheti:** So, approximately 4.5%, 5% we should get this done, right?
- Kushal Mittal:** Yes.
- Dipesh Sancheti:** Okay, and are we using the entire or what are we planning to do? Are using this entire capacity for ethanol or are we going to use it for ENA also?
- Kushal Mittal:** Just ethanol.
- Dipesh Sancheti:** And what is the approximate realization we are expecting?
- Kushal Mittal:** The approximate realization that depends on the ethanol prices set by the government in the coming two years. So, it is a little hard to comment on that as of now.
- Dipesh Sancheti:** Right now, the ethanol prices are somewhere around Rs. 51, Rs. 52, right?
- Kushal Mittal:** Rs. 51.55.
- Dipesh Sancheti:** Okay, why is there a difference between ethanol prices what sugar companies get and what we get?
- Kushal Mittal:** That depends on the cost of production and the raw material costs. So, there is a formula that is used and I do not think I am the right person to comment on the sugar prices. So, there is a formula being used.
- Dipesh Sancheti:** Actually I understand is there a difference between the ethanol what we produce, the quality of ethanol which we produce and what the sugar companies produce?
- Kushal Mittal:** No, the quality is the same.
- Dipesh Sancheti:** So, it will be more viable for the government to buy from us rather than sugar companies?
- Kushal Mittal:** Yes, it will, but they also have to support the sugar industry so that is why. But for the future, the government is focusing more on grains so currency the grain and grains industry supplying close to 40 crores liters of ethanol in one year. And the government wants to take this to 400 crores liters. And whereas they want to keep the ethanol coming from sugar around the same. So, there is a big focus on ethanol coming from damaged grains from the government side.
- Dipesh Sancheti:** I also read in your press release that we are the biggest manufacturers in ethanol right now?

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- Kushal Mittal:** Yes, so we are the single largest for the last two years as well.
- Dipesh Sancheti:** Is there any other competitive capacity coming around in India at the same time around one year or two?
- Kushal Mittal:** There are people expanding, but I do not want to comment on that. I would rather to speak about my company.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.
- Giriraj Daga:** Couple of questions from my side. So, first a clarification. If I come to slide 9 of the presentation where you had mentioned the volume and the revenue from the distillery segment, what I want to understand is that when I calculate the realization of ENA that is fallen from Rs. 55 to Rs. 41 while the ethanol realization has gone up from Rs. 43 to Rs. 50. So, can you just explain this bit of analogy, like why this is even like this?
- Kushal Mittal:** So, you are saying so ENA prices have softened in the past year. I do not know where you are getting the Rs. 41 from, so they were around Rs. 55 to Rs. 57 a year ago, or in the last financial year before this, and they have come down to around Rs. 48. And that is due to the raw material prices coming down in the past two years. I am not sure.
- Giriraj Daga:** Sir, you had mentioned above Rs. 117 crores of revenue from ENA in this FY21, against our volume is 28,634KL?
- Kushal Mittal:** You are talking about?
- Giriraj Daga:** I am talking about Rs. 116.9 crores of revenue?
- Kushal Mittal:** It is a Rs. 200 crores?
- Giriraj Daga:** Against Rs. 28,634 Kilo Liters of volume?
- Kushal Mittal:** Okay, right. This seems to be, I will have to recheck this figure.
- Management:** Just to add to it primarily the prices of ENA has been down in the last one year, because the demand has also been less in formal consumption, I would say because of the various lockdowns which has happened. And that is the reason the company has focused to continue with ethanol.

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Giriraj Daga: Okay, so given the choice, can we divert 100% to ethanol? Is there a possibility or no, we have some long term contracts where we still be fulfilling that ENA requirement?

Kushal Mittal: So, it is not about contracts. Our factory designed in such a way that currently we cannot divert more than 60% of our quantity to ethanol. And we also want to keep it this way, we do not want to divert our entire quantity to ethanol on such a short notice, because we do not want to lose our ENA customers who come to us because they get a constant supply of good quality ENA. We do not want to lose them firstly, and secondly, the cost of production of ENA is slightly lower than ethanol. So, we do not want to make that switch completely.

Giriraj Daga: Okay, so this year ENA and ethanol looks optical at 28,634KL of ENA and 400 almost 40,000 kilo liter of ethanol?

Kushal Mittal: Yes, around 4 crores liters of ethanol.

Giriraj Daga: Okay, so my next question is what is the FY 22 target in terms of volume? So, how much ENA and ethanol combined that what you are targeting compared to FY21?

Kushal Mittal: In total quantity will not change, it will be around 7 crores liters or slightly lower of both ENA and ethanol produced. So, for this year we are targeting 4.5 crores liters of ethanol and the rest of ENA.

Giriraj Daga: But actually you mentioned this **(Inaudible 15:35)** also, so this would be running from December to November. But that will be broadly the same target for FY22 also?

Kushal Mittal: So, FY22 you mean up until 31st March, right?

Giriraj Daga: March 20, yes.

Kushal Mittal: Yes, in that there is about four months. So, we will probably centered around the same amount of quantity next year also, depending on the crisis, it is hard to predict now. We should stay around that.

Giriraj Daga: And you will get benefit from our West Bengal unit?

Kushal Mittal: So, Pankaj Ji, can you speak on that?

Pankaj Jhunjunwala: Yes, definitely we are going to have benefit from the West Bengal unit for two reasons primarily. One West Bengal is an ENA deficit state. And there is an import duty which has been levied by the West Bengal Government for the bottling plant inside the state that when

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they are importing, they have to pay about Rs. 3 a liter more. So, we are going to have locational advantage with respect to the same. So, that is going to increase the margin by a good percentage.

And, second of course, West Bengal is also going to open the gate for the Northeastern India where we can supply to the bottlers. At this moment, we have not really decided that we will go for a completely in our ethanol. But the plant has been devised in such a way that we can produce even 200 KLPD of ethanol completely. But the final decision is yet to be taken.

Giriraj Daga: Actually I was looking to when we will start this unit commissioning schedule will be as of now?

Pankaj Jhunjunwala: It should be done within this financial year positively. We were targeting December and of course because of the second wave of COVID and as Kushal said because of the continuous cyclone and weather movement out here there has been a bit of delay, but the plant is in full swing. I will say more than 60% of the work has already been completed. And barring the monsoons which are going to be at peak for the next two months, we definitely hope by December we should be able to commence production at the plant.

Giriraj Daga: So, will we get one quarter of production or it is a bit more like a ramp up so you should only begin from FY23?

Pankaj Jhunjunwala: I positively feel we will get one quarter of production comfortably. I positively feel that.

Giriraj Daga: Okay, and my second question is on like next sort of question is on the other segment which is oil. So, this year we saw good revenues comfort, while also a bit margin saw some decline. So, should it be fair to assume that we are working on an EBIT per kg rather than the percentage margins? Means if that is the case, like what kind of EBIT growth we are assuming in our Vanaspati segment for FY22?

Kushal Mittal: See for this edible all segment to explain the segment, let me first start off by saying that our company has various segments within this edible oil industry. So, we also have an oil mill, a solvent extraction unit and a refinery. So, the EBITDA margins improve slightly when the company is able to utilize each and every segment of the industry, which means when we have edible oil seeds to process. So, for that there is some value addition in the oil mills, there is some further value addition in the solvent extraction units. And there is some further value addition in the refinery segment of the industries.

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And that is where our company's expertise is. Since India is going back to the Atmanirbhar Bharat move when it comes to edible oil seeds and the government is pushing towards cultivation of edible oil seeds and the farmers have been getting a good price, we saw a bumper crop of mustard come into this quarter. And that I would say has led to some increase in the EBITDA margin for the quarter that was just passed and we expect the EBITDA margins to stay around that. It might improve a little but not by too much. And it just all depends on how much edible oil seeds are available for processing in the coming years.

Giriraj Daga: Okay, so like can we do, this year we did about 29 crores so can you admit that about 20%, 25% growth possible since you are guiding also this kind of a revenue growth possible in our edible oil segment? So, can EBIT also move by 20%, 25% in next year or it can be higher also?

Kushal Mittal: We are hoping for a 20% growth. We expect a 20% growth. I do not think it will be much higher than that.

Moderator: Thank you. The next question is from the line of Rakesh Laroia from Old Pine Advisors. Please go ahead.

Rakesh Laroia: Sir, I have a very simple question like in the new plant in West Bengal, so we are getting that 5% extra benefit in the terms of?

Pankaj Jhunjunwala: Yes, you can say that. I will not say exactly 5%. But yes, we are getting benefit in the State of West Bengal in the new plant.

Kushal Mittal: Are you talking about the interest subvention, what are you by 5%?

Rakesh Laroia: Yes.

Kushal Mittal: So, our file for the interest subvention has been approved for the Bengal plant. But there is a condition in the application that only if we divert 75% of our quantities towards ethanol, and only then we will be qualify. So, I do not think that, as of now, we wish to do that, because the Bengal has good margins when it comes to ENA. So, although our files stands approved, and it is a very positive document, when it comes for all the approvals, we do not think we will be taking full advantage of that the subvention for that project.

Rakesh Laroia: Right, and so post this expansion, so where will be our total capacity has come like that is ethanol and ENA?

Kushal Mittal: So, our total capacity would be of 400KLPD in total, when we count both ethanol and ENA and around 60% of that capacity we expect to be diverted to ethanol and the rest for ENA.

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Rakesh Laroia: Right, so you have done roughly around Rs. 1,400 crores this year, closing FY21. So, if you are guiding for 20% growth conservatively for FY22, so we can assume that you can do roughly Rs. 1,600 crores to Rs. 1,700 crores top line?

Pankaj Jhunjunwala: We are hoping and working towards 20% growth in our edible oil segment. For any further growth in our distillery segment, we will have to increase our capacity because we are currently working at 100% capacity utilization. So, that all depends on how many months of working we can get from Svaksha. Currently, we are expecting one quarter of working to be added from Svaksha Distillery. So, it all depends, the distillery growth depends on that.

Rakesh Laroia: Okay, and finally, like 80% of the edible oil is presently imported in India. So, where BCL as a company stands, and how are your brands that you have dwelled over the years, how they are facing in the market and what changes you are seeing in the last one year being locked down also? Are you seeing substantial growth vis-à-vis that the volumes due to price hikes or the susceptibility in the market? So, what is your take on that?

Kushal Mittal: So, I have explained this earlier also. What we experienced during the first lockdown was that since India is heavily an import based economy when it comes to edible oil, there were these big refineries that were set up, the import based refineries. And during the first wave of COVID-19, when the lockdown was quite strict, most of these units were not able to resume production very soon, that it took them a while. Whereas we started our plants at a record time, within a week of the lockdown, we were able to come into full production at our both distillery unit and our edible oil unit.

So, during that time, what happened was that our product in our own homogeneous brand was able to reach because there is a lot of customers who would not because there was a shortage of these other brands. And they really appreciated our brand, the product, because we have a big history, we have a long history in our brands Homecook and Murli. And once it reaches the kitchen initially and the consumer accepts the product, then it is very easy to get to that customer again, where it is hard to get a customer for the first time.

So, since then, we have seen a good increase for our own brand and we are working towards marketing aggressively working along with our distributors to keep increasing our homogeneous sales.

Rakesh Laroia: Right and considering FY22 and how we closed last quarter so, considering and more production coming up by Q2 and Q3 and but you have taken any steps to improve your EBITDA margins in the times to come? Because we are getting the top line but if EBITDA margins improved then the whole game changes?

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Kushal Mittal: See we have to be realistic with the business that we are in. I think we are quite good when compared to the industry standards. But we are working towards increasing our capacity utilization which might help for improving our EBITDA margins. But let us not be too unrealistic whatever the industry norms are we will be working in the same constraints as well.

Moderator: Thank you. The next question is from the line of Balamurali, an individual investor. Please go ahead.

Balamurali: Could you please throw some light on the existing capacity of distilleries and after that expansion what could be the capacity of the distilleries?

Kushal Mittal: Right. So, currently, we have one grain based distillery in Bhatinda, which is of 200 KLPD. And the work for our Svaksha Distillery, which is a subsidiary of BCL also another 200 KLPD distillery in West Bengal is under full swing. And we expect and hope to commission the plant by December of this year. And with that being added there will be a total capacity of 400 KLPD. And we have also started the work for to double the capacity at our Bhatinda unit by adding another 200 KLPD of only ethanol plant.

So, for that project we have got the CMU. Our file has been submitted to MOES for the processing of the environmental clearance and it is moving quite swiftly and our project has been approved by DSPD for the interest subvention scheme to expand capacity of ethanol in the country. And we hope to add that capacity in by December of next year. And with that added there will be a total capacity of 600 KLPD.

Moderator: Thank you. The next question is from the line of Abhishek Kapoor, an individual investor. Please go ahead.

Abhishek Kapoor: Sir, I have few questions. If you look at the trade receivables with respect to last year March, we have gone up by Rs. 100 crores. So, is it possible for you to provide the breakup with respect to edible oil and distillery segments?

Kushal Mittal: I would not be able to provide you with the exact breakup right now, but the receivables have increased because we have increased the quantity of ethanol being supplied. So, that is not on cash basis. So, one is that and because of the increase in the capacity utilization of our edible oil segment, some parts are on credit like the rice industry so a bit of that from that.

Abhishek Kapoor: So, is it that we will be maintaining these kind of receivables going forward next year as well Rs. 100 crores or we can endeavor to reduce them?

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Kushal Mittal: See we will try to bring it down but with the increase in the business it might stay around that.

Abhishek Kapoor: Okay, because if you see the revenue wise increase it is more substantially on the edible oil segment not in the distillery I guess. So, that trade receivables are on the higher side of the edible oil segment. Can we say that?

Kushal Mittal: Yes, you could say that they will be more from the edible oil segment but also from the distillery segment due to an increase in the quantity supplied of ethanol.

Abhishek Kapoor: Okay. And what is the inventory level of real estate we have finished?

Kushal Mittal: So, for both of our projects, I think we sold over 75% so another I think the realizable value for the remainder stands around Rs. 30 crores to Rs. 35 crores.

Abhishek Kapoor: Rs. 30 crores to Rs. 35 crores, sir?

Kushal Mittal: Yes.

Moderator: Thank you. The next question is from the line of Mohammed Rafique, an individual investor. Please go ahead.

Mohammed Rafique: Sir, few questions I have. With the impetus from the edible oil segment, do you foresee any CAPEX in the near future? That is the first one. And how do you see that debt panning out with a couple of expansions in place over a period of a year or two?

Kushal Mittal: Yes, so there are no CAPEX plans in the edible oil segment for the near future. All the CAPEXes are in the distillery segment. When it comes to the debt, the company is mostly funding the Svaksha Distillery by internal accruals. So, with that plant coming into commissioning, we do not expect it to increase our debt by a lot, but for the CAPEX at the Bhatinda Distillery the company wishes to raise Rs. 120 crores which has been approved by in the interest subvention scheme. So, that will increase the long term debt by that in the coming two years.

Mohammed Rafique: And sir, the edible segment again has sub-categories within it. Are you able to share the capacity utilization within edible oil segments because the ethanol part looks 100% occupied, right?

Kushal Mittal: So, the exact capacity utilization I think that might have been included in the presentation.

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Mohammed Rafique: I apologize if missed that.

Kushal Mittal: So, the solvent and the refinery are working close to 100% whereas the oil mill is currently at around 25% to 30% capacity utilization. And the rice segment is currently around 60%.

Mohammed Rafique: My last question. Now, with the ethanol looks from the governmentside have view the policies fully supported the edible also kicking in and all that, what is the vision for the management with regard to three years or five years? I am not looking for numbers or anything but what is the direction they are headed to because these are probably complementing but two different segments?

Kushal Mittal: Do you mean edible oil and distillery, two different segments?

Mohammed Rafique: Yes, overall what is the vision with regard to the company? Where do you see yourself in the next five years? You have two things which are doing fine. Is there something new you want to ventured, do you want to build on this or do you have some number that you want to hit? What is the vision for the management?

Kushal Mittal: So, the vision for the management is to continue to be the largest supplier of grain based ethanol the nation and be part of this biofuel policy and play a big role in it. So, for the next two years, the company hopes and expects to have a total capacity of 600 KLPD, when it comes to the distillery segment. Besides that, we are also working on something but there it is still in initial. So, for example, GAIL had introduced a tender to join a JV along with them to establish a 500 KLPD biofuel distillery. Our company has submitted our tender for the same, but very initial to talk about. But we do expect to increase our distillery capacity in the coming years whereas with the edible oil segment comes into play, our current facility, we want to utilize the capacity to 100% with the increase in the oil seed cultivation in the nation. And from there, we will decide how to take the segment forward.

Mohammed Rafique: I am not sure if you are in a position to comment with that GAIL venture that you are talking about? Would that be on the higher side of the EBITDA margin?

Kushal Mittal: See it is in very initial stages to make any comments on that.

Moderator: Thank you. The next question is from the line of Sagarika Mukherjee from Elara Capital. Please go ahead.

Sagarika Mukherjee: Sir, one big question that I have is that your extraction capacity utilization that you mentioned in edible oil, 20, 60, 100 kinds of things. Can you just explain what is the interrelation between the three? In terms of like, let us say growing your edible oil business

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while you say there is no CAPEX required, but one of the capacities is actually at 100 while the others are 20 and 60, so if you could just explain this?

Kushal Mittal:

Right. So, I will explain this to you. So, there are three different processes in this segment. So, first you buy an oil seed from the market, right. You take it to the oil mill where you crush it, and what is left over is your what you can call virgin oil. And on the other side, you have cakes that is left. So, the cake still has some residue of oil in it. So, we further take the cake to the solvent extraction plant where further oil is extracted from the cake. But the oil extracted from the solvent extraction plant requires refining to be set for human consumption.

So, what we are currently experiencing is that although our refinery is working at full capacity utilization, we have to buy a lot of the crude oil from the market or we have to import it to further refine it. But if our oil mill comes into full capacity utilization due to availability of oil seeds in the market, then with the amount of crude that we have to buy from the market to keep our refinery running to 100% will decrease quite a lot, which add value addition to each and every process. Am I am clear when I explain it?

Sagarika Mukherjee:

Sure. So, the margins and let us say an oil mill, if we just get the oil seed and just crush it in your oil mill the margins are higher in that segment, or is it higher in the extraction and the refining process?

Kushal Mittal:

See if my entire process in my factory is working, and I am getting value addition at each and every step, then of course, my EBITDA margins will be a little higher. So, we benefit when there is more and more oilseeds available in the market. And with the policies that are in place today and the encouragement from the government, we expect this to do in the next two years. It is a long term policy so it will take its time.

Sagarika Mukherjee:

Sur. Sir, if structurally the MSE for oil seeds and the import duties on crude oil etcetera, of graded forms keeps on increasing. And if along with that it leads to general inflation in oil seeds also, does it really increase our margins permanently till the point this is happening or it does not affect the margins at all for us?

Kushal Mittal:

It affects our margins slightly, yes.

Sagarika Mukherjee:

It improves the margins slightly?

Kushal Mittal:

It will improve our margins slightly, but not too drastic.

Sagarika Mukherjee:

Okay. Sir, secondly, as an ENA or ethanol blending capacity, which one do you think is a better business proposition between the two?

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- Kushal Mittal:** I think they are both good business when mixed together. I would not say which one is better or which one is worse. There is good demand for both the products. But with the ethanol push in the nation and the government wanting to increase this supply of ethanol from **(Inaudible 37:26)** by tenfold, that is very attractive for now.
- Sagarika Mukherjee:** Right, and what is the realization of ENA today in the market?
- Kushal Mittal:** So, ENA is around Rs. 48 a liter.
- Sagarika Mukherjee:** Okay, so both of them are roughly around the same prices?
- Kushal Mittal:** Yes.
- Sagarika Mukherjee:** And you are saying the margin also is not very different between the two and even the capacities are quite fungible between the two?
- Kushal Mittal:** Yes.
- Moderator:** Thank you. The next question is from the line of Keerthi Shah, an individual investor. Please go ahead.
- Keerthi Shah:** So, my question to start with is, in the edible oils business, the revenue growth has been good. But is it temporarily driven by better realizations or has there also been volume growth? And if you could quantify the same?
- Kushal Mittal:** Yes. So, the increase has been due to both. Of course there has been an increase in the edible oil prices globally. But also, at the same time, we have seen that there has been good volume growth by our company as well. So, if I were to quantify the increase to volume growth, and to the increase in prices, I would say 40% of the increase in the revenue is due to the prices in the global market increasing and about 60% is driven by our increase in quantity supplied.
- Keerthi Shah:** And the next question would be that in the real estate business, how much inventory is left in terms of apartments? And when do you anticipate that this will be sold?
- Kushal Mittal:** So, we think it is another year-and-a-half process to sell real estate. We did not have the best year last year. But we expect the number in year-and-a-half to be done with the inventory.
- Keerthi Shah:** And lastly, I would want to ask is what is the growth outlook in terms of revenues for FY23, with the West Bengal being commissioned?

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- Kushal Mittal:** To FY22-23?
- Keerthi Shah:** Yes, sir?
- Kushal Mittal:** So, by FY22-23, we expect to get full revenue from the Bengal unit. We expect a full year of the Bengal unit running at full capacity utilizations, and by then we are also hopeful that by the second half of that financial year, we are hopeful that we will be able to commission our Bhatinda capacity as well. So, that might add to the revenue as well.
- Moderator:** Thank you. The next question is from the line of Janak Kotecha from Prithvi Broking. Please go ahead.
- Janak Kotecha:** Sir, in terms of the inventory on the real estate sir, what is the value of the inventory?
- Kushal Mittal:** Around Rs. 30 crores to Rs. 35 crores realizable value.
- Janak Kotecha:** Okay. Sir, and on the working capital side, there has been a huge increase on the receivable side. I mean, what will be the reason for the same?
- Kushal Mittal:** Yes, I already mentioned one being that we have increased the supply of our ethanol, which is not on a cash and carry. Then and also because of the increase in the revenues from the edible oil segment, there was an increase in the trade receivable as well.
- Janak Kotecha:** Okay. And what is the cycle, receivable cycle days on the edible oil and on the ethanol?
- Kushal Mittal:** For the ethanol, it is 21 days from the day it is received at their depot. So, it takes about five days for us to transport because we are spending most of our ethanol to the drug. So, on an average around 25 days, 26 days. And on the edible oil segment, this depends. A lot is on cash and carry and some is on credit, rice is on a longer term of credit. So, it depends.
- Moderator:** Thank you. The next question is from the line of Abhishek Kapoor, an individual investor. Please go ahead.
- Abhishek Kapoor:** This question is with respect to West Bengal distillery. If I understood correctly, we are looking towards ENA side rather than ethanol, am I correct, sir?
- Kushal Mittal:** I think Pankaj Ji, if you could take this one?
- Pankaj Jhunjunwala:** So, as I said earlier as well we have not yet fixed on which exactly string we are going to pursue, ENA or ethanol because the production is only going to commence by December. We

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will be looking at the rates then and then take a call. ENA fetches a much better realization in the State of West Bengal and ethanol prices are absolutely perfect for the country. So, that decision will be taken eventually once the plant commences. But yes, we have the capacity to produce both of them.

Abhishek Kapoor: In that case, the subvention scheme which you talked about, that if we go towards ethanol rather than ENA, then we can avail that subvention. So, what would be the time limit? Is it that once the project is completed, till that time we can take the decision?

Pankaj Jhunjunwala: Okay, so, the interest subvention scheme as Kushal said is only once we produce 75% of ethanol but at the same time, this plant has been pursued with promoter accruals and internal reserves and surplus so far. We have not taken any loan so far on this project. So, at this moment, only towards the end if we feel there is a shortage of funds, then we may be taking the scheme though our planet is already approved for the subvention scheme by the government.

Abhishek Kapoor: In case we are going for ENA, do we have any tie-up with any of the brands for marketing of that?

Pankaj Jhunjunwala: Yes, DCN has been in this line for over 10 years, so there are a lot of tie-ups for ENA. All the major bottlers including UB or Seagram, they are all buying ENA from us. So, we do not see any dearth of market out there.

Moderator: Thank you. The next question is from the line of Dinesh Kotecha from KRIC Capital. Please go ahead.

Dinesh Kotecha: I had only one question. In the year con calls, you had given assurance that we will become debt free by 2023. Is that on or it will be delayed?

Kushal Mittal: Yes, so our assurance was that we will be long term debt free. And currently, there is not much long term debt on the company. The working capital debt will remain as we are growing. But now with the aggressive expansion plans we expect to raise funding for the Bhatinda capacity. So, we expect to be debt free in the terms of our existing long term loans but that will be an added debt.

Dinesh Kotecha: And sir secondly, I just wanted to know the Q4 results were really better because the bottom line growth were more than the top line growth. Will this scenario continue further or how can we look at it?

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Kushal Mittal: See, a lot of things works our way in the last couple of quarters. One being more edible oil seeds being available in the market, which is good for the margins, and also the grain prices being soft in the market for the distillery segment, we are expecting this to continue for the near future. So, we hope to sustain this.

Dinesh Kotecha: And sir, last question. I think the real estate gives us inventories between Rs. 30 crores to Rs. 35 crores and it will be completed by at the end of the next year March 2022. So, after that the real estate segment will stop, am I right? And then that money will be utilized for repaying of loans?

Kushal Mittal: Yes, that is correct.

Moderator: Thank you. The next question is from the line of Dipesh Sancheti from Manya Finance. Please go ahead.

Dipesh Sancheti: So, many of my questions have been already answered. Just a couple of them. First that the new expansion which you are planning in Bhatinda of 200 KLPD, is the cost of land also included in the Rs. 150 crores or the land already exists for us?

Kushal Mittal: The land has been included in the cost.

Dipesh Sancheti: So, we have already acquired the land or we are going to acquire?

Kushal Mittal: Yes, we have already acquired the land.

Dipesh Sancheti: And right now what is the debt situation, what is the long term and what is the working capital debt?

Kushal Mittal: So, the debt situation as of now is around Rs. 170 crores in working capital and we have about Rs. 22 crores left in term loan, which is on our Bhatinda Distillery, which was the loan that we are taken on the Bhatinda distillery and we are ahead of the repayment schedule and Rs. 28.71 crores is currently in terms of lease and discounting for the company owns building in Gurgaon which has been leased out to HUL and we also own a cinema in Bhatinda and the rent from both is sufficient to serve both the loans.

And also we have around I think a little over Rs. 13 crores in terms of transportation loan that we had taken on about 33 tankers that the company had purchased in the help of transportation of ethanol and edible oil.

Dipesh Sancheti: Okay, so this Rs. 28 crores which we are getting from HUL, right?

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Kushal Mittal: Yes.

Dipesh Sancheti: So, that is subject to I mean, it is a long term contract, how is it? I mean every three years are we going to get 10% increase, is that?

Kushal Mittal: It is a sixyear long lease.

Dipesh Sancheti: Any increase in any of the years or it is going to be a standard one?

Kushal Mittal: I think it is around 12% increase after three years. We will just resign the lease with them.

Dipesh Sancheti: And is there any CAPEX also required for Svaksha Distillery?

Kushal Mittal: Yes Pankaj Ji, if you can answer on the updates regarding that?

Pankaj Jhunjunwala: At present, the CAPEX for Svaksha is already sorted, as we said, and we have already invested more than 30% of it in the plant, 60% of the construction has already been completed. Yes, we should be commissioning it by the second half of this financial year.

Dipesh Sancheti: So, there would not be any additional CAPEX required for Svaksha?

Pankaj Jhunjunwala: No, at this moment it looks absolutely sorted with the current accruals and internal reserves and surplus we have.

Dipesh Sancheti: Okay, so only the working capital whatever will be required?

Pankaj Jhunjunwala: Yes, absolutely.

Dipesh Sancheti: So, going ahead how are we going to I mean, are we going to get the entire Rs. 150 crores spending in this financial year or are we going to distribute it over a period of time?

Pankaj Jhunjunwala: So, Rs. 150 crores include the working capital margin of Rs. 15 crores as well. So, the plant CAPEX is only about Rs. 135 crores and a part of which was already spent in the financial year 2019-20. And yes, a balance will be spent within this financial year because the plant has to commence.

Dipesh Sancheti: No, I am talking about the Bhatinda expansion?

Pankaj Jhunjunwala: Okay, Bhatinda expansion Kushal will be able to answer.

Kushal Mittal: So, the Bhatinda expansion what exactly is the question, I am sorry?

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Dipesh Sancheti: We are planning to do an expansion with about Rs. 150 crores and we are going to take Rs. 120 crores as debt. And since you are going to commission in by December 2021, how is this CAPEX going to be distributed?

Kushal Mittal: December 2022?

Dipesh Sancheti: 2022, I am sorry.

Kushal Mittal: Yes. So, the CAPEX will, I think it will start from I think November, December onwards of this year, and it will be distributed as we go ahead. So, the first priority is Svaksha. And once that plant comes into commissioning, we will move on to the CAPEX for the Bhatinda company.

Dipesh Sancheti: Okay. And just one last question about the GAIL venture. Now, I do not want any I mean, I know that it is too preliminary. But have we applied for the entire 500KLPD or is it less?

Kushal Mittal: So, they want to set up a 500KLPD plants along with a private partner. And we have submitted our documents to show interest for the same. I think the deadline for everyone to submit this document is still going on. I mean, it is too early to comment.

Dipesh Sancheti: Is there any timeline given by GAIL as in by this date they will be able to announce?

Kushal Mittal: No, there is no timeline has been given by them.

Moderator: Thank you. The next question is from the line of Mohammed Rafique, an individual investor. Please go ahead.

Mohammed Rafique: I was under the impression that the Bhatinda expansion is on the current land. But you indicated to the previous gentleman that this is a newly acquired land. So, is that correct?

Kushal Mittal: This is not newly acquired, the land was already acquired.

Mohammed Rafique: Mr. Mittal in his previous concall had kindly explained the whole process of new facility being set up for the acquisition to the land conversion and so on and so forth. It is a very extensive process. So, will that reduce any kind of time gap with regard for the commercialization where the conversion and acquisition time is already captured so that reduce the commercialization time?

Kushal Mittal: Yes, that is correct. So, because the acquisition of land and getting the CLU done it takes its time so we thankfully have done the same already. So, now the next step is to get the environmental clearance and get the excise permit for the same, which is moving on quite a

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good speed because the government has brought in relaxation for people looking to expand capacity. For existing units we are looking to expand capacity in the ethanol industry, some MUEF rules have been realized.

So, yes, you are very correct, once we receive all the approvals, and our current focus is on Svaksha bringing that into commercialization. And as soon as that is done, the orders will be placed and we expect to bring the plant into commissioning by 10 months after the orders are placed.

Mohammed Rafique: Any thoughts on any inorganic acquisition, I understand the capacity itself is insufficient, but any thoughts?

Kushal Mittal: No.

Moderator: Thank you. The next question is from the line of Dipesh Sancheti from Manya Finance. Please go ahead.

Dipesh Sancheti: Just one correction. It is Dipesh Sancheti. Just one last question, one clarified question that the amount that you are getting from HUL is per annum, right, or is it over a period of six years?

Kushal Mittal: It is monthly rents that we receive over six years that we will receive.

Dipesh Sancheti: What is the monthly rent?

Kushal Mittal: I think it is around Rs. 22 lakhs around that.

Dipesh Sancheti: I actually heard Rs. 22 crores, that is why.

Kushal Mittal: No, there is a Rs. 28 crores of loans taken in terms of essentially lease discounting for two buildings. One is that and the other one is a cinema that has been leased to Cinapolis. So, that gives a separate rent.

Dipesh Sancheti: So, how much is the total rent which we get?

Kushal Mittal: I think it is around Rs. 42 lakhs per month.

Dipesh Sancheti: So, that takes care of the entire interest as well as the repayment also, right?

Kushal Mittal: Yes.

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- Moderator:** Thank you. The next question is from the line of Dinesh Kotecha from KRIC. Please go ahead.
- Dinesh Kotecha:** Sir, a joint question was, I heard in the notes to your accounts that the management inspite of holding 62% stake you have raised the dividends for your part. You have said that we will give our own dividend. Now that was a good gesture of good management on your part but any specific reason for giving your dividends?
- Kushal Mittal:** Yes, because we are expanding our capacities quite aggressively, which requires a lot of CAPEX so that is why we decided to hold it.
- Dinesh Kotecha:** But I really appreciate that you have taken this initiative on your own for the betterment of the company.
- Moderator:** Thank you. That was the last question. I would now like to hand the conference over to Mr. Kushal Mittal for closing comments.
- Kushal Mittal:** Yes. Thank you, everyone for joining us. Hope we were able to answer your questions to the best of our ability and we just like to assure that your company is doing well. We are growing. The business is doing very well despite all the turbulences caused by the pandemic in the last year. We were able to have our best year and we expect to improve in the coming years as well with all your support. And thank you again for joining us.
- Moderator:** Thank you. On behalf of BCL Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.