

CORPORATE RELATIONSHIP DEPARTMENT BSE LIMITED FLOOR 25, FEROUZEE JEEJEEBHAY TOWERS, DALAL STREET MUMBAI- 400001	THE MANAGER, NATIONAL STOCK EXCHANGE OF INDIA LTD., EXCHANGE PLAZA, BANDRA KURLA COMPLEX, BANDRA (EAST), MUMBAI – 400051
<b>BSE Code: 524332</b>	<b>NSE SCRIP CODE: BCLIND</b>

**Date: 13/11/2023**

**Reg: Analyst/Investors Concall held on 10/11/2023**

Dear Sir/Madam

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby annex the transcript of the Analyst and Investors conference call held on 10<sup>th</sup> November 2023 to discuss un-audited financial results of the Company for the II Quarter ended on 30<sup>th</sup> September, 2023.

Submitted for the larger dissemination amongst the public at large.

Thanking You,

**Yours faithfully,  
For BCL Industries Limited**

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



“BCL Industries Limited  
Q2 FY 2024 Earnings Conference Call”  
November 10, 2023



**MANAGEMENT: MR. KUSHAL MITTAL – JOINT MANAGING DIRECTOR  
– BCL INDUSTRIES LIMITED**

**MODERATOR: MR. NITIN AWASTHI -- INCRED EQUITIES**

**Moderator:** Good day, and welcome to BCL Industries Q2 FY '24 Earnings Call hosted by InCred Equities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

**Nitin Awasthi:** Thank you. We thank the management of BCL Industries for giving us the opportunity to host their call today. From the management, we have Mr. Kushal Mittal, the Joint Managing Director and apart from that, we also have their IR team, Go India Advisors, represented by Priya Sen online. Over to you, Kushal sir.

**Kushal Mittal:** Thank you, Mr. Nitin Awasthi. Good afternoon, ladies and gentlemen. I welcome you all to the earnings conference call of BCL Industries Limited for quarter 2 financial year '24 and first half of financial year '24, where we will discuss the financial performance and strategic decisions made by the company. Our investor presentation has been uploaded on the exchange, and I hope you've had the opportunity to review it. I would also like to thank our host InCred Equities for hosting our earnings con call today.

It gives me immense pleasure to announce that we have been able to deliver yet another profitable quarter, and before I discuss the same, I would like to inform that all numbers being discussed in the presentation and in my commentary are on a consolidated basis, and include the contribution of Svaksha Distillery in Kharagpur, where the company holds 75% of shares.

I will now discuss our performance for the quarter. The sales during the quarter have been robust and grew by 12.1%, in line with our growth trajectory. In this quarter, the management has decided to undertake 3 essential strategic decisions geared towards driving our company's growth and enhancing our shareholder value.

First and foremost, the management is committed to strengthening its ENA and ethanol business. As part of this initiative, we will be relocating a portion of our edible oil production unit from our Bhatinda facility to our Bhatinda Distillery complex. This will enable BCL to improve its working capital cycle, maintain strong margins and give better returns to the shareholders. The time line of this will be decided in the coming quarters, and you will be updated on this accordingly.

In July, the company successfully commissioned its dedicated 200 KLPD ethanol plant in Bhatinda, with the project's total cost amounting to around INR205 crores. However, the newly commissioned power plant encountered initial challenges, primarily because it was employing innovative technology to process paddy straw resulting in the ethanol plant not operating at full capacity during the quarter. To address this issue, the company has implemented several modifications to ensure the efficient functioning of the boiler in the future.

As of today, the boiler is operating at capacity and both our distillery units are operating at full 100% capacity utilization. The newly commissioned power plant utilizing paddy straw is

expected to yield significant cost savings for the company in terms of power and steam, especially since the company has already secured the necessary fuel supply until November 2024 at an average cost of INR2.7 per kg.

Despite facing inflationary pressures in the grain market, the company managed to maintain stable revenue and margins in both of its distilleries. This success can be attributed to the company's extensive experience in the grain market and strong demand for both ENA and ethanol.

Simultaneously, there has been a remarkable surge in the demand of our country liquor brands in Punjab region, and our projections indicate that we are on track to surpass the previous year's sales with over 1 million cases expected to be sold. In the parallel, progress is steadily advancing for our 100 KLPD expansion at Svaksha Distillery.

The company has successfully obtained the necessary approvals for this expansion and has initiated -- and the work is ongoing on site. We expect the plant -- the expanded portion to come into production by quarter 4 of this financial year. Moreover, in line with our growth strategies, we're actively pursuing the expansion of ENA and ethanol.

Our immediate goal is to enhance our production to 700 KLPD by the end of this financial year. Looking ahead, we have ambitious plans to elevate our distillery capacity to 850 KLPD by the end of financial year 2026.

These expansions underscore our commitment to meeting the rising demand of our products and strengthening our position in the market. As we implement these strategic changes, we are committed to maintaining our existing brands and distribution channels in the edible oil sector.

This quarter, we faced an increased volatility in the global edible oil prices, resulting in lower sales and profitability. However, our prudent financial management allowed us to minimize losses while supporting domestically sourced oilseeds.

In our real estate business, we have limited remaining inventory and no significant new investments. We will gradually sell the remaining inventory and utilize the proceeds to reduce debt and strengthen our financial position.

Our management is dedicated to significantly reducing our debt and managing it under the interest subvention scheme. This approach aims to maintain a strong balance sheet and create enhanced value for our shareholders.

Moving on to the financial performance. I am pleased to inform you that we were able to deliver strong performance across all key financial parameters for the quarter 2 and first half of financial year '24. During the first half of financial year '24, total revenue amounted to INR913 crores, reflecting a 9.6% increase year-on-year. EBITDA during the period was at INR90 crores, which is up a staggering 123.6% year-on-year.

The company reported a net profit of INR39 crores, signifying an increase of 130% year-on-year. The PAT margins grew by 230 basis points and stood at 4.3%. As of first half, the company

boast a robust balance sheet with minimal debt load amounting to INR543 crores. This reflects the company's strong financial position and prudent debt management.

During quarter 2 of financial year '24, the revenue stood at INR483 crores, up 6% year-on-year. EBITDA during the quarter was at INR48.9 crores, up 468% year-on-year with a strong EBITDA margin of 10.1% on average. The company reported a net profit of INR19.7 crores and PAT margin stood at 4.1%.

The Distillery segment's revenue from ENA grew by 45.6%, reaching to INR67 crores, and revenue from ethanol grew at 204%, reaching INR286 crores. The upswing can be primarily attributed to the heightened demand and by our newly commissioned capacities.

During this quarter, BCL sold approximately 3,35,000 boxes of IMIL. In the Distillery segment, volume for ENA increased by 38% year-on-year, amounting to INR10,480 KL, while volume of ethanol grew to 176% amounting to 29,395 KL.

Lastly, I would like to say the company's expertise in grain market, along with favorable industry conditions, position BCL for promising prospects, and the company is excited about the opportunities the industry has to offer. I would now like to open the floor for any questions. Thank you.

**Moderator:** Your first question comes from Dhruv Bajaj with Smart Sync Investment Advisory Services.

**Dhruv Bajaj:** Sir, firstly, congratulations on an amazing set of results. So my first question is regarding the edible oil segment. So I understand that despite lower revenues, there is a strong improvement in the margins to 2%. So what led to this improvement? And when can we expect to achieve our earlier guidance numbers of 4.5% to 5% margins in edible oil segment?

**Kushal Mittal:** Firstly, I think 2.26% EBITDA margin is not very strong in our opinion. I think the company has done 3% to 3.5%. And see, we had at one point said that 4% is achievable or a little more than that, if the country shifts towards indigenous oils again, which at the time seemed like the case would be. But what we have seen in the recent quarters is that due to elections, the government has again brought down the duty for imported oils to 0, resulting in the prices of edible oils dropping nationally.

And with the global market being very volatile, I think even the farmer was not to gain in the past few months because the prices for indigenous oil dropped locally. And when this happens, the farmer is not incentivized to grow the same crop in the coming cycle. So when that is the case, the local produce will not increase. So with that in mind and not consistent policy from the government in terms of the duty structure, we're not sure if that number will be achievable or not.

**Dhruv Bajaj:** Got it. Sir, that is very helpful, sir. And sir, my second question is that is there some integration of synergies in the edible oil business in the distillery business in terms of maybe technology or raw materials? And since you have transferred a certain portion of the edible oil business to distillery, the capacity that is...

- Kushal Mittal:** Let me clarify, please. We haven't transferred anything as of yet. The plan is that in the coming time, a portion of the edible oil units where the distillery unit is. And we're yet to decide on what portion will shift, what part of the edible oil business we wish to retain, which part of the edible business we wish to exit from. And yes, there is synergies between the two in terms of raw materials, which I can't disclose what exactly that is, as that is our trade secret.
- Dhruv Bajaj:** No worries, sir. That is very helpful. And sir, my second question or third question rather is, I observed that our cash flow from operations for FY '24 and even H1 FY '23 and even H1 FY '24, has lagged that profit by a long mile owing to higher receivables and some loans and advances in the current H1. So firstly, can you expect improvement by the year-end? And what is the nature of these loans and advances of INR38 crores that we have included in CFO? And why was it not included in financing activities?
- Kushal Mittal:** For the receivables, see, mostly the increase is attributed to more ethanol being supplied as that is done on a credit basis. For the other entry, let me confirm from our CFO, and I can get back to you on that.
- Dhruv Bajaj:** Got it, sir. And sir, what is the margin profile of a distillery business. So like do we expect to maintain this 15% operating margins going forward? Or there is some volatility aspect as well since this is a newer segment for us. So...
- Kushal Mittal:** I wouldn't say this is a newer segment because we've been operating in this business since 2001, so it's been over a decade since we've entered this business. But yes, I would say 15% is a sustainable margin. But of course, there will be volatility here and there. It might be more, it might be less. So -- but otherwise, it could be sustainable.
- Moderator:** Your next question comes from Bala Murali Krishna with Oman Investment Advisors.
- Bala Murali Krishna:** Congratulations on great set of numbers, especially on the level and segment of our industry, industry peers were in loss and we are able to manage the profitability, very helpful to the shareholders also. And my question is regarding this Distillery segment. We are not disclosing this West Bengal volumes, I think so. Earlier, we were told that volumes also will be available on presentation. And one more thing -- is there any headroom for the West Bengal revenue to grow further in the upcoming quarters, sir?
- Kushal Mittal:** I'm sorry, I didn't understand the first question. So second question is, is there any headroom for the revenue to grow in Svaksha. What was the first question?
- Bala Murali Krishna:** Yes, that is the second question. First question is regarding the volumes, which we were published on the presentation. I think it's only from the Bhatinda unit, is it right, or West Bengal volumes also included?
- Kushal Mittal:** Those are consolidated volumes.
- Bala Murali Krishna:** Consolidated volumes, okay. Go ahead with the question.

- Kushal Mittal:** For the revenue, it might -- with the 200 KLPD capacity that is operating at, it might increase a little, but not significantly. So on an average, if we operate the unit at 100% capacity utilization for the entire year, we expect around INR500 crores to INR525 crores in revenue from the unit for the entire year.
- Bala Murali Krishna:** Okay. And just a follow-up on that. So we are holding only 75% stake in Svaksha, so we are recognizing only 75% of the revenue or everything is -- because INR114 crores is I think...
- Kushal Mittal:** That is the full revenue. So that is not 75%.
- Bala Murali Krishna:** Full revenue, okay. And secondly, on the Bhatinda Distillery, so what is the utilization level as of now? I think we are still has a room for that...
- Kushal Mittal:** No. For this quarter that the results are out that was not at 100% capacity utilization, as I mentioned that the new unit ran into some trouble. So it was on and off. And currently, as of today, we are operating at 100% capacity utilization at both our units. But during this quarter, the expanded portion was not at 100% capacity.
- Bala Murali Krishna:** That's helpful. And just a follow-up on that. I think we had a plan to have some shutdown of the old 200 KLPD in the October month. Is it finished or it is differed?
- Kushal Mittal:** No, that we're still deciding when to do that because currently, the ENA demand is strong. So we don't wish to miss out on that. So we're still -- although the order was placed, machinery is pretty much ready. All we need to do is take a shutdown for a couple of months and finish the work -- the work to take about 2, 3 months. But with the ENA demand being so strong currently, we don't want to do it right now, maybe in the summers when we see a slight drop in the demand of ENA.
- Bala Murali Krishna:** Okay. If that shutdown was the non-taken then maybe we can expect around INR250 crores revenue from this Bhatinda this quarter, right?
- Kushal Mittal:** I don't wish to comment on that.
- Bala Murali Krishna:** Yes, sure. Lastly, on the power saving boiler which we have installed, that saving is reflecting in the margins or it is yet to reflect fully on our margins? And whether it is applicable to 400 KLPD or only 200 KLPD?
- Kushal Mittal:** No, it will -- I think most of the savings will be reflected in the future as -- for this quarter, the boiler wasn't working as well. And so the boiler is there for about -- I'd say about 60% of our steam requirements for the entire plant would be met by the paddy straw-based boiler.
- Bala Murali Krishna:** And if it is operational by 100%, maybe we can get to that previous 17% margin in the Distillery segment?
- Kushal Mittal:** See, there are a lot of variables that go into it. Raw material prices are increasing significantly. So that is also an issue. DDGS prices are always fluctuating. So it's hard to comment today what my future EBITDA margins will be. But yes, the new added boiler will help us reduce our cost and will help us be more efficient than our competitors.

- Bala Murali Krishna:** Okay. And lastly, on the guidance, so after these changes in the management, edible oil and distillery, so what could be the guidance for the FY '24 and FY '25?
- Kushal Mittal:** Guidance in terms of?
- Bala Murali Krishna:** Revenue or margins.
- Kushal Mittal:** See, the distillery sector, once our entire capacity has come into play, we expect about INR1,700 crores to INR1,800 crores of revenue from this sector for the next financial year and the year after. For the edible oil, it's very hard for me to make a statement as of today what revenues will we forecast because the sector has become immensely volatile. And you have correctly said, most of the people who are operating in this business were at loss. And with the policy not being clear, it's really hard for me to comment on that right now. It's a work in progress.
- Moderator:** Your next question comes from Imran with Longbow India Capital.
- Imran:** Kushal, can you please throw some light on your grain mix for the last quarter? And how it is shaping up in the current quarter?
- Kushal Mittal:** See, we have been operating at 100% maize since June.
- Imran:** Right. And what would be the average cost per tonne, let's say, for last quarter and the current quarter?
- Kushal Mittal:** I'd say, for last quarter and current quarter both, I would say, around -- between -- last quarter might have been around INR20 and for current quarter around INR21, INR22.
- Imran:** Right. And is this expected to go down as we move forward into the year? Or you think the prices will remain around this range. I mean what's your sense?
- Kushal Mittal:** I don't think that the prices for maize will decrease now. They might decrease by INR1 or INR2, but there won't be much of a decrease because this is in line with what the government wants to do. They set the ethanol price at a rate where the farmers can sell their produce in the open market at MSP or a price that is very close to the MSP.
- The same time last year, maize was available in the market at like INR13 -- INR13, INR12, INR14, and the same maize is now available at INR22 INR23. So the farmer is to gain, and the government wants to promote crop diversification and the petroleum ministry has made it very clear that they want to incentivize both the industry and the farmer to produce ethanol from maize. So we don't expect that these prices will decrease significantly. What we do expect is with the new crop of price coming in the market that the price of rice might decrease. So we'll see how that plays out in the next quarter.
- Imran:** Right. Exactly, this is where I was coming to. So you would pick whether rice or maize given what is more profitable, right? You will not only stick to 1 thing.
- Kushal Mittal:** Yes, of course. I think that's our specialty, since -- if anyone has been following us, I think I've been saying it for the past 2, 3 years, that maize in the future, and that's where we specialize in



terms of -- we can easily shift between raw materials. Even millet if available, we can do that. Jowar we can do. So we have that flexibility. And that's what is paying dividends today. And depending on the raw material prices, we will always make the shift when needed.

**Imran:** Right. And I think in Punjab, you must be getting new crop of rice, right? And it should have been started by now. So from that...

**Kushal Mittal:** Crop has arrived, but milling hasn't started. So it will take about another 20 days for milling to begin.

**Moderator:** Your next question comes from Darshil Pandya with Finterest Capital.

**Darshil Pandya:** How have things progressed through the paddy straw power plant following -- we have some initial troubles in the last quarter. Have you successfully adapted to the new technology? How is it?

**Kushal Mittal:** See, if I were to say up until last month, yes, there were some issues. But we -- there was a lot of work being done on the boiler. But I think we took a shutdown -- about a week-long shutdown last month to resolve a lot of the major issues, and we are very happy with the results we're seeing on site. A couple more things need to be done, post which we think we will be comfortable.

**Darshil Pandya:** And when can this -- when can we expect it?

**Kushal Mittal:** Currently, it's working well, the paddy straw-based boiler. There are a few things that needs to be added to the boiler, which can be done by just giving a 1- or 2-day shutdown. We're just waiting on the bought-out items. So that might take about a month to arrive, since the items are all quite specialized. But currently, we are quite happy with the results.

**Darshil Pandya:** And sir, do we have any plans to deploy similar kind of a power plant in Svaksha Distillery in future?

**Kushal Mittal:** No. See, in Bengal paddy straw is not being burned by the farmers like Punjab. In Bengal, paddy straw is being utilized either for cattle feed or the farmers utilizes it to make room for their huts or anything because the quality standards are much lower there than they are as opposed to Punjab. So Punjab it's readily available, farmers are burning it. Now boiler infrastructure is there. So it made sense for us to install this paddy straw-based boiler in Punjab. It won't be -- we won't have the necessary fuel available in Bengal.

**Darshil Pandya:** Got it. And sir, what is the revenue contribution from the Svaksha plant for this quarter and if you can...

**Kushal Mittal:** For this quarter, revenue contribution from Svaksha was around INR114 crores.

**Darshil Pandya:** INR114 crores. Okay. And any -- have you got any orders placed for ethanol from any oil marketing companies?

- Kushal Mittal:** See, we are currently supplying ethanol on a continued basis. The new tender was filled by us. And from what we know, all the quantity that was filled by us will be allocated to our companies. So we filled about, I think, around a little close to 10 crore liters from the Bhatinda unit. And I think about 7 crores -- 8 crores from the Svaksha unit. And in addition to that, the Reliance remains a continued buyer especially from the Bengal unit.
- Darshil Pandya:** Okay. And one last question, sir. How does we differentiate from maize processing? Can you hear me, sir?
- Kushal Mittal:** Yes, I can hear you now.
- Darshil Pandya:** How does the company differentiate itself in terms of maize processing for ethanol?
- Kushal Mittal:** See, we have done a few things in place that really help us with maize. I don't wish to disclose everything we are doing currently. But we had this in mind that maize will be the future and how to extract all value from that crop which many competitors are not much -- no one else is doing. So we have taken a few things in mind, and that's why we are benefiting from the shift towards maize.
- Darshil Pandya:** Last question, are the other players who are using maize as a feedstock for ethanol?
- Kushal Mittal:** Yes. There are others, but people are struggling with maize as it has a lower quantity of starch in it and a higher quantity of fiber, higher quantity of oil. So it does cause problems in the system. So I don't know if anyone who has utilized as much maize as I have. A lot of people who I know of are mixing some rice with maize or -- but we are 100% on maize.
- Darshil Pandya:** Okay, got it. And do you anticipate maize gaining popularity just like sugarcane as a feedstock?
- Kushal Mittal:** Yes. See, if the farmers continue to get the price they are getting for it right now, the produce will increase. And that will be a huge saving factor for our future generations also. For example, someone living in North India, where water table has gone much lower where you -- every year, you struggle with this problem of paddy straw. I think our future generations will thank us if as an industry and as a government and as an ethanol policy, we can shift some part of our land from paddy to maize.
- Moderator:** Your next question comes from Mayur Liman with Profitmart Securities.
- Mayur Liman:** Sir, my first question is how many major oil marketing companies placed order for ethanol in this quarter?
- Kushal Mittal:** See, our -- this is a yearly thing. So our last contract had expired on October 30, but because there was an FCI problem for 1 month where a lot of the distilleries were shut down. There was some quantity that was left from the last year's tender to be allotted. And currently, we are fulfilling that. And for the new tender, we have submitted our -- everyone has submitted their bid. And from what we hear, everything that everyone has submitted will be accepted and allocated. So we're just, I think, in a couple of days' time, that will also be done.

**Mayur Liman:** Okay. What is the revenue contribution from this Svaksha plant for this quarter? And could you please provide margin guidance for this fiscal year.

**Kushal Mittal:** Yes. I think I've answered both the questions already, but the Svaksha revenue contribution was around INR114 crores. This year, we hope to sustain these margins. They might move up and down a little. But on an average, we hope to sustain these margins. For edible oil, I really can't comment. The market has become too volatile. The policies are not clear. A year ago, we thought that the government was focused towards increasing edible oil seed cultivation in India. Today, we're not so sure about it. So we really can't comment on that. I can't give you a long-term projection on that.

**Mayur Liman:** Okay. No problem, sir. Sir, my last question is how does the company differentiate itself in terms of maize processing for the ENA or ethanol? Are there other players using maize as a feedstock for ethanol? And do you anticipate maize gaining popularity like a sugarcane as a feedstock?

**Kushal Mittal:** It this also -- of course, I mentioned this last question was, yes, we expect maize cultivation to increase because farmers are getting a higher price for their produce. We differentiate ourselves because we are -- I'd say we are very efficient in our production. Yes, there are other competitors utilizing maize, but they might be blending some rice with it. And also our procurement network is very, very strong. I was able to procure maize from all nearby mandi, dry it on my own, utilize it. So we're doing a lot of things that will differentiate us.

**Moderator:** Your next question comes from Dipesh Sancheti with Manya Finance.

**Dipesh Sancheti:** I just wanted to know what is the capex we are expecting in the next 2 to 3 years?

**Kushal Mittal:** See the first capex this year we're expecting is once the 100 KLPD Svaksha is over, the next that we have in line is 150 KLPD expansion at Bhatinda. I think that should cost us around INR70 crores to INR80 crores in terms of capex. And besides that the management early next year, depending, first, we are gauging how the industry is going and what we look at whether crop diversification is happening towards maize. Then we -- early next year, I think we'll start looking at another greenfield distillery for ethanol production, but we're not set on that as of now. Exactly, we're still gauging the market.

**Dipesh Sancheti:** Okay. And the location will be Bhatinda or Svaksha or will it be a separate location?

**Kushal Mittal:** No, this will be a separate location, 2 states that we have shortlisted upon are Rajasthan, and MP. We have a couple of locations in mind in the states. We'll just that -- all that -- will look start looking at next year once we have commissioned 700 KLPD. Our first focus is to commission 700 KLPD.

**Dipesh Sancheti:** 700 KLPD, and then later on 150 KLPD will be additional at Bhatinda?

**Kushal Mittal:** Yes. See, the permissions for the 150 KLPD we have applied, the files are moving. So that work is ongoing side by side.

**Dipesh Sancheti:** Okay. And can we have a revenue and a margin guidance for maybe FY '25, '26?

- Kushal Mittal:** See, Dipesh, for distillery sector, as I mentioned, we expect INR1,700 crores to INR1,800 crores of revenue, and EBITDA margins, we hope to sustain these 15%. And I think we will be able to looking at the current market scenario. For the edible oil sector, it's really hard for me to comment. As of now, market is extremely volatile. We do not want to take any big risks in the sector. So -- my interest is not increasing my revenue from this sector just for the sake of it. My interest is, during these volatile times, not to book any losses. So we are conservative in this sector now. And so it's really hard for me to comment.
- Dipesh Sancheti:** I just wanted to know about the distillery only. And what about the problems of the FCI rice, is that resolved? And what are the prices right now of FCI rice to the damaged grain and the maize prices? If you can just throw some light.
- Kushal Mittal:** FCI rice is not available to the industry, and we don't expect the availability to happen before any time soon, actually. So now the -- the ethanol derived from DFG is at INR64 a liter. And the ethanol derived from maize is at INR66 a liter as opposed to FCI ethanol used to be at INR58.5 a liter.
- Dipesh Sancheti:** Okay. What is 64 per liter, if you can just...
- Kushal Mittal:** That is if you want to use any damaged food grain, for example, broken rice, also that would be at INR64.
- Dipesh Sancheti:** Okay. They had -- I mean the government had increased the prices. Have they sustained -- I mean, in November, generally, they come up with a new pricing. Has the new pricing come in?
- Kushal Mittal:** Yes. For the grain, since we just had an increase a couple of months ago, and the increase was substantial about INR8 a liter. So for the new year, the government has not increased the prices of ethanol from grains any further.
- Dipesh Sancheti:** Okay. But this price will be sustainable for the entire year?
- Kushal Mittal:** Yes.
- Dipesh Sancheti:** Okay. And have we bought the entire stock for our paddy straw? Or will it be -- and what is the price?
- Kushal Mittal:** Paddy straw we have bought until November of next year at INR2.7 a kg.
- Dipesh Sancheti:** INR2.7 a kg. And quantity, I mean, compared to last year?
- Kushal Mittal:** To last year, we procured about 60,000 metric tonnes. This year, we have more than doubled that to 1.25 lakh metric tonnes.
- Dipesh Sancheti:** Okay. And so that will increase our power saving to what -- I mean if you can quantify. You mentioned that it is maybe anywhere from INR3 to INR5 in the costing. But if you can quantify in terms of numbers?

- Kushal Mittal:** See, that all depends on what the husk prices are in the market. From last time, our husk prices have decreased. So the saving has gone down to INR2 to INR3. But if husk prices are to go up again, if coal is to go up again, which is looking like the case that coal is slightly increasing again. Then it's -- then the saving increases further because our prices of paddy straw are fixed. So that all depends.
- Dipesh Sancheti:** Okay. So even if the prices go, let's say, paddy straw, the prices go down, may we shift to paddy -- I mean, sorry, if husk prices -- the prices go down, can we shift to husk or coal or we will use paddy straw?
- Kushal Mittal:** No, no, we can easily shift to husk, but we honestly don't foresee that husk becoming as cheap that it will be -- that the viability will be the same as paddy straw. I don't think that will happen in this year.
- Dipesh Sancheti:** Our dividend policy for small shareholders has been always great. I mean it's been a benchmark.
- Moderator:** Your next question comes from Bala Murali Krishna with Oman Investment Advisors.
- Bala Murali Krishna:** So regarding the Svaksha margins from the last quarter, our margins were decreased by maybe 1.7%, 1.8%. So what could be the reason for this?
- Kushal Mittal:** See, 1% to 2% is normal that will happen in any business, raw material prices fluctuate, prices of DDGS fluctuates, price to ENA fluctuates, price of energy fluctuates. So that's very normal. I don't see anything substantial in that.
- Bala Murali Krishna:** Okay, fine. And regarding this 150 KLPD at Bhatinda, is it a brownfield or it would be a greenfield expansion?
- Kushal Mittal:** No, that will be a brownfield expansion.
- Bala Murali Krishna:** Brownfield. So then do we have any plan to install any 1 more boiler to cater all these capacities. So we are having only now 60% -- catering to 60% of the distillery capacity...
- Kushal Mittal:** The current boilers that are in place are enough to cater to 550 KLPD production because we have more capacity than required in terms of our boiler and our power plant. But keeping that in mind, one of our old boilers is now about 12 years old. And the life of a boiler if we want to efficiently keep it running, is not longer than this. So we might look to upgrade one of the boilers so that it becomes more efficient. But we don't need any further capacity for 550 KLPD.
- Bala Murali Krishna:** Okay. That's very helpful. And lastly, on the boilers, I think we have some subsidies from the government and central government. So whether that was recognized or still yet to be recognized sir?
- Kushal Mittal:** So for the -- there are 2 -- for the boilers, there is only a state subsidy. Our application is with Invest Punjab. We're waiting for an approval from their end. For the interest subvention, for the quarter that the results are there, the -- it hasn't been reflected, but the following quarter, we were able to get our interest subvention amount. So that will be reflected in the coming quarters.

- Bala Murali Krishna:** Could you please quantify both the state and central government's amount?
- Kushal Mittal:** See, for the state, we invested about INR40 crores in this boiler. So the SGST portion of that is to be refunded from the state once our file is approved. For the distillery -- for the ethanol unit, we took a loan of INR120 crores at an interest rate of 8.1%. And after the interest subvention, the applicable interest rate for us would be 4.05%.
- Moderator:** Next question comes from Niraj, an individual investor.
- Niraj:** Congratulations on great set of numbers. At the start, I would like to commend the management for 2 things. The first is how you have managed the edible segment, while all your competitors, most of them at least have been making losses, you have managed to leak out profit? So that's great.
- And number two is that how you foresaw that the industry will move towards maize and you made your plants to be maize ready while your competitors faced an issue when FCI rice wasn't available. So a great job on that. So my question is that what was our revenue impact one, because of the boiler issue? And number two, because of the FCI issue in this quarter?
- Kushal Mittal:** See, the -- thank you, firstly, for your kind words. I think overall, we could have -- once this capacity runs at 100% capacity utilization, which it is running right now, we can achieve about INR240 to INR250-odd crores from the distillery business, which we were able to do around INR184 crores in this quarter, so around let's say, INR60 crores.
- Niraj:** Okay. So around INR250 crores from the new 200 KLPD unit.
- Kushal Mittal:** No, 250 is the entire Bhatinda unit. The 400 KL.
- Niraj:** Okay. Okay. And my next question is related to the 150 KLPD expansion in Bhatinda unit. So during the last call, you had mentioned that for now, you have placed that process in the slow lane. So -- are you taking that up? Or first, you want to stabilize the 700 KLPD and then you will take up 150 KLPD expansion in the right earnest and then put that in to fast lane again.
- Kushal Mittal:** For the 150 KLPD, it's moving at its own pace, the permissions, the environmental clearance usually does take some time. And we're just -- I think that is 80% work has been completed on that front. And once that is received, we'll move at a faster pace. And yes, currently, our focus is towards bringing our company to 700 KLPD and stabilizing the capacity.
- Niraj:** Okay. And my last question is related to Svaksha -- sorry, yes, please continue, you're saying something.
- Kushal Mittal:** Yes. So what I was saying, with the FCI policy being stopped, the company's focus has now become very much so to improve our -- the entire team at commodity purchase, recruiting more professional staff on that front because as of now, I have to procure about 1,500 metric tonne of grain a day and I have to procure it at a very efficient level. So my network should be pan India.
- So we've spent a lot of time on that, and I think that is also a big priority for the company. We first had to set up a team for paddy straw. It was a colossal task. You have about a month's time,

either the farmer burns 1 lakh paddy straw that you want to buy or you do forward contracts with them and ensure that they don't burn and you get that paddy straw. So a lot of this has taken a lot of our time and energy, and we -- our focus is to be more efficient in terms of our raw material procurement.

**Niraj:** Okay. And related to Svaksha Distillery expansion. So is that going on track? Or do you foresee any delay in that? Will that be completed this financial year?

**Kushal Mittal:** Yes, that is on track, and we are hoping and expecting that the plant will come into production for -- in quarter 4.

**Niraj:** Okay. Great. And I hope the investor community gives you all the credits that you deserve for the great job you and your team is doing.

**Moderator:** Your next question comes from Imran with Longbow India Capital.

**Imran:** Kushal, do you track your power and fuel cost for the distillery business separately?

**Kushal Mittal:** Yes. Fuel costs yes, of course, we're tracking.

**Imran:** Can you share if it is possible, otherwise, just you can skip this.

**Kushal Mittal:** See, I can share industry metrics with you if that is okay?

**Imran:** I mean I have a fair idea of about INR10 a liter. I think...

**Kushal Mittal:** No, that see, I can share the industry metrics with you, and I think you'll be able to calculate. So if I were to take the industry averages, a liter of ethanol -- producing a liter of ethanol requires about 5 kg of steam. So if I were to utilize husk, a kg of husk should give me around 3.8 to 4 kg steam.

A kg of paddy straw should give me around 2.8 to 3.2 kgs of steam. It varies, we've yet to see on average, I think it will take us a few months to come up with that. And a kg of coal, depending on the GCV can give us around 4.5 to even 5 kg steam. So you can very well see what the per liter cost can be from there on.

**Imran:** Right. No, this is very helpful. And on the ENA side, what was the average realization for ENA last quarter?

**Kushal Mittal:** See last quarter, I...

**Imran:** It's okay. It's okay. I mean I understand. And what -- I mean, is it higher this quarter or lower this quarter. Can you give us a sense? I mean, the current quarter that we are living in?

**Kushal Mittal:** I'd say it has reduced a little, but at the same time, the price of DDGS have appreciated a little. So I can't really give you an exact figure, but it hasn't increased.

- Imran:** Right, right. And lastly, on the yields of the alcohol or maybe the bulk alcohol from maize and broken rice. I think maize gives you about 380 liters of alcohol, bulk alcohol, and the broken rice gives you about 450. I mean this is the industry norm, right?
- Kushal Mittal:** Yes, that is the industry norm, yes.
- Imran:** 380 and 450.
- Moderator:** Your next question comes from Dhruv Bajaj with Smart Sync Investment Advisory Services.
- Dhruv Bajaj:** So I had two questions. First is that how do we look at the cash flow and balance sheet position given we have annual debt payment obligations of INR40 crores. So do you believe there will be the enough cash flow from operations for an ambitious CapEx kind or there can be a chance of further equity fund raise given our balance sheet is already pretty nimble.
- Kushal Mittal:** No, I think the cash flows will be more than sufficient to -- for debt repayment and for the current CapEx that we have in mind.
- Dhruv Bajaj:** That is helpful, sir. And my second question is that given the volatility of the edible oil segment, sir, do we have any plans of a potential demerger of these 2 segments in the future so that value creation can happen, or given the synergy benefits and potential transfer of some edible oil capacity to ethanol, the demerger doesn't make much sense.
- Kushal Mittal:** Yes. We won't be doing any demergers. As you know, a few raw materials are linked. Instead, I think if we were to move this unit to our distillery units where we already have our own power plant, we'll be able to reduce a lot of overhead significantly, and make the edible oil sector even more efficient for us. So I think that would be the right choice to do. We won't be -- we're not looking at any demergers.
- Moderator:** That is all the questions that we have today. I will now hand back to management for closing remarks.
- Kushal Mittal:** Thank you all. We trust that we've addressed all your inquiries to your satisfaction. If you have any remaining unanswered questions, please don't hesitate to contact our Investor Relations Agency, Go India Advisors. They will be more than happy to assist. And thank you again for joining me today.
- Moderator:** On behalf of InCred Equities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.