BCL Industries Limited

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

DATED: 16/08/2023

Dear Sir/Madam

Reg: Analyst/ Investor concall held on 14/08/2023

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirement) Regulation, 2015. We wish to inform you that the audio recording of Analyst and Investor Conference Call on Unaudited Financial Results of the Company for the I Quarter ended 30th June,2023, held on 14th August 2023, has been uploaded On the Company's Website i.e., www.bcl.co.in

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

https://www.bcl.ind.in/wp-content/uploads/2023/08/call-recording-q.e.30.06.2023.mp3

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

This is for your information and records.

Thanking You,
For BCL Industries Limited

AJEET KUMAR THAKUR
Digitally signed by AJEET KUMAR THAKUR
Date: 2023.08.16 13:01:14 +05'30'

AJEET KUMAR THAKUR

COMPANY SECRETARY & COMPLIANCE OFFICER

"BCL Industries Limited
Q1 FY 2024 Earnings Conference Call"
August 14, 2023

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

MODERATOR: **MR. VATSAL VINCHHI – CHOICE EQUITY BROKING**

Moderator: Ladies and gentlemen, good day and welcome to BCL Industries Limited Q1 FY24 Earnings Conference Call. As a reminder, all participant lines will be in 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. Vatsal Vinchhi from Choice Equity Broking Private Limited. Thank you and over to you, sir.

Vatsal Vinchhi: Yes, thank you, Rishi. Good afternoon, everyone. On behalf of Choice Equity Broking, welcome to the Q1 FY24 post-results conference call of BCL Industries Limited. I also take this opportunity to welcome the senior management team. On today's call, we have with us Mr. Kushal Mittal, the Joint Managing Director.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this course. These statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict. I will now invite Mr. Kushal Mittal for the opening remarks to be followed by Q&A. Thank you and over to you, sir.

Kushal Mittal: Thank you. Good afternoon, everyone. A warm welcome to the earnings call for the first quarter of the financial year 2024. Firstly, I would like to thank our host, Choice Broking, for hosting this earnings day call today. Let me start by giving you the key financial highlights for the quarter. Total income for the quarter was around INR430 crores which grew by approx 14% on a year-on-year basis. EBITDA for the quarter was around INR41 crores which increased by 31% year-on-year with EBITDA margin at 9.59%.

The net profit was around INR20 crores which increased by 12% year on year with a PAT margin standing at 4.6%. Let me clarify that out of the total income mentioned above, Svaksha Distillery, our subsidiary, generated a total income for the quarter of around INR96 crores and EBITDA was around INR16 crores which is an improvement from the previous quarter. Now coming on to the operational highlights starting with the distillery segment in Q1'24 the distillery revenue grew by over 100% to INR197 crores with volume growth of around 94% to 32,808 KL. The EBITDA for this segment has grown by 113% to INR37 crores with EBITDA margins at 15.13%.

The year-on-year growth was primarily driven by the sales from the newly commissioned Svaksha Distillery facility. The company also commissioned its 200-KLPD ethanol-dedicated plant in July at Bathinda. The total cost of the project was around INR205 crores and should give the company revenues of around INR550 crores per annum moving forward. The company is experiencing increasing demand for its country liquor brands in Punjab and is forecasted to sell over a million cases in this financial year, which is more than double that compared to the previous year.

On the capex front, the work for 100KLPD ethanol only plant at Svaksha distillery is ongoing. The company has received the necessary clearances for expansion and has placed all major machinery orders. Also, to hedge against the rising fuel cost, the company commissioned a boiler fired on Paddy Straw along with its 200KLPD distillery in Bhatinda. This will help the company in diversifying its fuel needs as Paddy straw is one of the toughest biomass to utilize and hence very few buyers are in market for Paddy straw.

This boiler qualifies for state government scheme and SGST on the capex of the boiler will be refunded. The capex on the boiler was around INR40 crores. In the edible oil segment, there was a sharp drop in edible oil prices globally, which has led to a decrease in sales and profitability from the edible oil this quarter. The company managed its inventory to avoid any losses, as many of its peers suffered losses during this quarter. Lastly, in the real estate segment, the company was able to liquidate a piece of land in the previous quarter and regular sales are ongoing. The funds from the real estate sector will be utilized to decrease the debt of the company moving forward. With that said, I would now like to open the floor for any questions.

Moderator: Thank you. We'll now begin the question and answer session. We have a first question from the line of Bala Murali of Oman Investment Advisors. Please go ahead, sir.

Bala Murali: Good morning. Regarding the distillery, so in the standalone entity, we have seen a drop in margins. So what is the reason for that one? Could you please clarify that?

Kushal Mittal: What is the reason for?

Bala Murali: Drop in margins of the standalone distillery, like the Bhatinda unit in distillery segment.

Kushal Mittal: Yes, see, one reason as I mentioned, this financial year we are increasing our country liquor sales and we're moving aggressively in this sector to gain a portfolio in the market. So for that we have to price our product very competitively. So one of the reasons is due to an increase in the PML, where profit margins are slightly lower at start as compared to bulk sales.

But we're hoping that in the coming time, we'll be able to gain a stronger foothold in the market and we'll be able to take advantage of that consumer business as well. So one reason is that. And the second reason is due to an increase in the prices of grain. So if you look on year on year, I don't see there is a decline, but yes quarter on quarter there is a decline and these two are the reasons for that.

Bala Murali: Okay. And regarding this FCA surplus price restrictions, so maybe we are going for maize and only damaged food grains. And there is an announcement from the government also, there is a five to six rupees increment in ethanol price, purchase price. So how this is going to impact our business, whether that five to six rupees, we can, that can contribute directly to the bottom line or we have any pressure on the raw material procurement also because of this surplus size procurement shortage?

Kushal Mittal: The surplus size procurement supply being stopped has come as a shock to the entire industry and you know everyone has had their supplies halted due to this. And we too had our supplies impacted due to this. But now with an increase in the prices, we are able to shift our ethanol towards maize. And we as a company have always been saying that the future lies within maize and we had good technology to be able to process Maize.

So when compared to our peers, I think we'll fare off better because of our expertise with Maize processing and our ability to shift towards Maize very quickly. But overall, I don't see our margins getting any better with this price increase because the prices of Maize in the market have also increased. our margins getting any better with this price increase because the prices of maize in the market have also increased. So the EBITDA margins won't improve any further. And the next crop is not until October, November. So it has become a little unpredictable on where the maize prices will go until then.

Bala Murali: And just to follow up on that, even though there is no chance of improvement in margins, but because of this changeover and there is no impact on margins, there is no chance of decrease in margins of the distillery. And one more thing on the...

Kushal Mittal: I think what I said, let me correct you here, is that you know, margins of the distillery business, I don't see them going up much further than 18% but for the decrease also I haven't made a statement yet. I think it's a situation that's changing on a daily basis so I wouldn't want to comment on it as of now.

Bala Murali: Okay, and lastly on this boiler which we have commissioned, so earlier we were expecting that there is a saving of around INR2 per litre, so I think we are on track of that so we can have an advantage of that in the bottom line from this quarter amount?

Kushal Mittal: Yes of course, see the things, you know, the things like the paddy straw boiler and being able to process maize will help us be more efficient as compared to our peers, have better margins as compared to our peers. So that will help because the supply of SPIs, right being stopped as some of the shock to the industry. But you know, once, now we actually have, the way I look at it is now it's an open playing field that you know you have to pick your from the market. And this is where our company's expertise in the green sector will be of advantage to us.

Bala Murali: Okay, and lastlyin Svaksha, is there any chance of improvement in the volume for revenue from the other, also this quarter we have the INR95 crores. Usually it will be 200 KLPD, we can do around INR150 crores.

Kushal Mittal: In Svaksha, what currently we're experiencing that due to the new excise policy in Bengal, you know, ENA demand is not as robust as it used to be. There are two reasons for that. One, the prices of country liquor have been increased significantly in Bengal, which has led to a decline in sale of country liquor in the state.

And secondly, the government has imposed an export fee for ENA going out of state. So that has decreased the demand from states out of Bengal. But we expect this to get better in the coming months. We're in talks to have this export fee waived off. And once the temperature starts decreasing the consumption of spirit goes up.

So we expect this to improve but for now there is – the demand for ENA is not as robust as we would have liked. But moving forward keeping that in mind we are installing additional ethanol capacity so when there is not much demand for ENA, we'd be able to produce 100% ethanol if needed. And there is very good demand for ethanol in the state.

Bala Murali: And lastly, on edible oil, so the inventory which we have is of a reasonable price or it still will have high cost inventory. See, markets have improved significantly since my last call and since the last quarter. So I think the pricing of the inventory we are much more comfortable now than we were before.

Moderator: Thank you. The next question comes from the line of Narendra from Robo Capital. Please go ahead.

Narendra: Yes, thanks for the opportunity and congratulations on a strong set of numbers. So, can you give us a number of, I mean, what was the sale from bottling revenue in FY '23? Your country liquors? No, no, FY '23.

Kushal Mittal: FY '23 for the entire of last year?

Narendra: Yes.

Kushal Mittal: So I think for the entirety of last year, our bottling revenues were around, let's say, INR50 to INR60 crores. I don't have the exact figure with me right now, but for the first quarter of this financial year, we were able to do about INR23 crores in our country liquor segment. So we are seeing our country liquor demand more than doubling as opposed to last year, so that is a big positive for us.

Narendra: So we could see around INR100 crores, INR120 crores from this segment this year, right?

Kushal Mittal: Yes, we are aiming for around INR100 crores.

Narendra: Okay, okay. And any goal to go outside of Punjab or will it be limited inside Punjab?

Kushal Mittal: No, see, with state excise, moving out of one state, it's like moving to a brand new country with a whole new policy and everything. So for now, our concentration is in Punjab itself. And there's a huge scope of growth in just Punjab. So right now, I think we capture about 10% to12% of Punjab's country liquor market. So first we need to increase this percentage and only then we will look to, if needed, we will look to go out of state. But not for now.

Narendra: Okay, okay. So my second question would be regarding the capacity utilization for the new 200 KLPD capacity that you have set up. So what was it? I mean, two months have passed since that, one and a half months have passed since you commissioned that facility. So any number you would like to share?

Kushal Mittal: So, you know, unfortunately when we came into commissioning the FCI policy changed. So we had a raw material shortage briefly. So the plant went into a shutdown for some time. But with, the main site being revised and us being able to procure maize, now the capacity utilization currently as you speak is around 70% to 80% and by you know in a week's time we expect it to go to 100%.

Narendra: Okay and that's Svaksha capex, when do we expect it to come you know to be commissioned?

Kushal Mittal: So our target is to commission it in December of this year.

Narendra: So what would be the utilization then?

Kushal Mittal: Ideally, post commissioning we expect 100% capacity utilization. If we don't run into any troubles which I don't foresee us running into.

Narendra: And in the Svaksha plant, you know, we had good margins this quarter, I believe 16%, 17% I guess. So is that sustainable or, because in the last call you had guided a 15% margin. So is this margin sustainable?

Kushal Mittal: Yes, I think 15% to 18% is a good range that we can strive for from the distillery sector. So I think we did 16.33 last quarter, so I think we are trying to sustain that.

Narendra: Okay, and the Bhatinda margin, so when could we see the normalization going towards 15%-16%? You said that your liquor sales are, country liquor sales have kind of put pressure on the margin. So when could we see that going up?

Kushal Mittal: See, we had an EBITDA margin of 14.13% last quarter, which you know is not that bad. So for the country liquor, for this year, the entirety of this year, we'll be pricing our product very very aggressively to gain a stronger foothold in the market. But overall, I do expect this margin to improve slightly with the new power plant coming into play.

Narendra: Okay, so the FY '24 margins could be around 15%-16% is it? Is it fair to assume that? Overall, overall…

Kushal Mittal: Yes. In the range of 15%-18% it could improve also.

Narendra: Okay, okay, thank you. I'll follow you.

Kushal Mittal: If the new crop is coming in, November, the prices of raw material could decrease. So, you know, it would be hard for me to give you like one or two percentage points I think 15 to 18 is a decent range

Narendra: And just a clarification regarding the maize you know maize being used in the distillery so it gives us a higher yield ability for DTGS. Am I right?

Kushal Mittal: Yes, it does.

Narendra: So that could offset the increased cost a bit, right?

Kushal Mittal: No, not exactly because although the yield is higher, the protein percentage in Maize DDGS is a lot lower. So the selling price per kg is much lower. And another issue with Indian maize is that, you know, since India as an economy doesn't have the best grain handling facilities available to farmers, so what we see is, you know, when a farmer harvests the maize, the moisture content is usually quite high.

And if there is no facility for the farmer or, you know the trader to dry this maize soon after the aflatoxin increases in the crop which results in an higher increase of aflatoxin in DDGS. So for maize DDGS everyone in the country does have a problem that the aflatoxin increases so that decreases the demand for export of DDGS you know, our Bengal unit, we used to have a good demand for export out of country for rice DDGS, which is not the case for maize DDGS due to this reason.

As the cultivation of maize increases in the country, as the farmers get a better price for maize, we expect these problems to be solved, but that's not until a year or two from now. That's a long-term process.

Moderator: Thank you. The next question is from the line of Deepesh Sancheti of Maanya Finance. Please go ahead, sir.

Deepesh Sancheti: Hello, Kushalji. Congratulations on good refinery numbers and again thank you for doing this. As the company has done before also. A few of the questions. One, what was the capacity utilization in Svaksha plant and going forward when will we get it to 100% capacity?

Kushal Mittal: See, the capacity utilization was between 90% to 95%. As I said, the demand for ENA is not the best in the state at the moment, but we expect it to increase October onwards. In the colder months, the sale increases of country liquor in the state. And also, in our expansion, we are expanding our ethanol capacity so that when there is not enough ENA demand in the state then the entirety of the production can be used towards manufacturing ethanol as there is good demand for that. So we're striving towards bringing that unit to 100% capacity utilization.

Deepesh Sancheti: Yes. What is the percentage of ENA and ethanol sales in Bhatinda and Svaksha?

Kushal Mittal: Bhatinda for last quarter would be around 50-50. For Svaksha, ethanol sales would be around 70%-75%.

Deepesh Sancheti: Ethanol sales are 75%?

Kushal Mittal: Right.

Deepesh Sancheti: And going ahead, maybe October onwards, that will come down to 50-50 or maybe higher up for ENA?

Kushal Mittal: 50-50.

Deepesh Sancheti: 50-50 okay and with this price increase after the FCI ban, will our margins be intact?

Kushal Mittal: We are striving to have similar margins continue. But as I mentioned, it is a situation that is changing on a daily basis. Right now we don't know whether FCI will resume their rice supply or not. So even if there is a rumor in the market that the FCI will start resuming their rice supplies to distilleries, we see that prices start to decrease a little for maize. Because now traders have started holding on to a stock, forecasting that there will be a further increase in the price for maize in the market.

So let's see how the grain prices play out in the market. We are to benefit as opposed to appear due to our good experience in grain purchase and handling and processing of maize. So we're quite optimistic on that front. But yes, it is a huge shock to the system that a sudden decision was made overnight when the next crop is not to arrive until November. So let's see. But we are hoping to sustain our margins.

Deepesh Sancheti: And what are the current prices of maize and rice which we are procuring at?

Kushal Mittal: So currently we are only operating on maize. So our procurement prices are around INR20 to INR21 a kg.

Deepesh Sancheti: That's good. Okay. And we expect this price to come down as hair resumes?

Kushal Mittal: If the FCI has to resume their supply, we expect this price to decrease because, you know, then the distillers across the country have an alternate raw material source.

Deepesh Sancheti: Yes, sorry, I missed that last line.

Kushal Mittal: So if you know if FCI is to resume supply to distilleries then we expect the maize price to decrease slightly because then the buyers have an alternate raw material.

Deepesh Sancheti: Right and for this year the paddy prices are which we will be procuring for the entire year for the boiler?

Kushal Mittal: Paddy will arrive, because of early monsoon, paddy crop will arrive by October, November, late October or November this year.

Deepesh Sancheti: Okay, so when we will be buying for the boiler, we will be buying...

Kushal Mittal: That's paddy straw. That's Paddy's straw. We've done the contract for the entire year. So like for example this year our purchase was at INR2.51 paisa for the entire year. So the next year I've done a contract for INR2.63 paisa for the entire year. So not much of an increase in the price.

Deepesh Sancheti: Right and this and the same quantity or is there any hike in the quantity?

Kushal Mittal: Increased quantity because for this year you know we didn't have full working months. So next year we'll be consuming about 1 lakh 10 thousand tons of paddy straw for the entire year.

Deepesh Sancheti: Okay great and one question about the debt situation. How much is the debt right now, the gross debt?

Kushal Mittal: The debt, so for working capital, if you include Svaksha, it is around INR205 crores for the edible oil unit at Bathinda, the distillery at Bathinda and Svaksha Distillery Limited. And if we are to talk about the term loans, we have about INR3.5 crores outstanding on our existing 200 klpd distillery at Bathinda, rest has all been paid. We have taken INR120 crores loans for the expansion from Canara Bank, for which the applicable interest rate would be around 4% after the interest subvention scheme. And there are two total loans in Svaksha Distillery of about INR80 crores, out of which INR35 crores is under the interest subvention scheme and the rest are small vehicle loans and everything else.

Deepesh Sancheti: Right, great, great. And what about the edible oil prices? Going ahead…

Moderator: Mr. Sancheti, your voice is breaking. If you want, you can come back in the queue.

Deepesh Sancheti: Okay, I'll come back in the queue. I'll try and get back in the queue. Thank you, thank you, Kushalji.

Kushal Mittal: Thank you.

Moderator: Thank you. The next question is from the line of Shikha Kapur of Omkara Capital.

Shikha Kapur: Thanks for taking my question. Kushal, two questions. One, can you explain the economics of the recovery of ethanol from maize? I understand from rice it was about 450 liters per ton. So one is, if you can explain that economics of maize and how much it has deducted?

Kushal Mittal: It's around, ethanol is around 380 liters to 385 liters for a ton of maize. And the recovery of DDGS is around 21% to 22% for a ton.

Shikha Kapur: In value terms, for example, if you procure maize for INR20 a kg, DDGS would be what, like INR5 per kg?

Kushal Mittal: No. DDGS is currently selling at INR20 to INR21 a kg. Okay.

Shikha Kapur: And what's your procurement price of maize?

Kushal Mittal: Procurement price, I'd say around INR20 average.

Shikha Kapur: Okay. Secondly, also, are your facilities at Svaksha fungible? For example, you mentioned that demand for ENA is down because of ex-ICE. So, is it, how flexible is it to shift from ENA to ethanol?

Kushal Mittal: See, for ethanol, we are currently producing about 160 kl to 165 kl per day. And the rest of the capacity is towards ENA. We can't produce more than 160 to 165 of ethanol a day. So we're trying to bring that to 200%, which will be done with the expansion.

Shikha Kapur: Sure. And the capacity, I just wanted to reconfirm, Svaksha, right now is 200 klpd, which would be increased to 300 by December. That's what you said.

Kushal Mittal: Yes.

Shikha Kapur: And for Bathinda, it's currently at 400, which would remain at 400 for the entire year.

Kushal Mittal: Yes.

Shikha Kapur: Thank you.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta of Maximal Capital. Please go ahead, sir.

Sarvesh Gupta: Hi, Kushal. Thanks for taking my question. So first is, so, just from my understanding, when we are procuring for maize, do we see any impact on our overall volumes because of, I understand the teething issues, but once we have now started using maize, so do we see any impact on the volumes that we produce because of non-availability of maize or availability of some maize at a very high price, which we may not like, things like that?

Kushal Mittal: For now, I think we are sitting in a better position and we don't forecast that big of a problem because when the FCI stopped their rice supply, I think we were able to realize that now maize would be their target. And we ended up doing a lot of forward contracts as much as possible. Because at that time, there were not many buyers for the damaged maize in the market. So that has worked out to our benefit. So for now, it's working well for us.

Sarvesh Gupta: No, I mean, one time is fine, but on a sustainable basis and for your 700 klpd, now everyone would want to go for maize, a lot of other players as well. So is it a problem to procure for the entire 700 klpd by end of this year? Let's say FCI does not resume, then do we see an impact on the...

Kushal Mittal: We are probably forecasting a good paddy crop this year as well and the price that the farmers have got for their maize crop this year we expect even the cultivation of maize to also increase. The thing that has happened in India is a lot of this rice and maize both have been allowed to be exported freely. It wasn't that India had a deficit. It was just that a lot of this rice was exported, a lot of maize was exported. And now, as we've seen, the raw rice export has been banned. And similarly, if farmers and traders get a good price for maize domestically, then they won't have no, then there's no need to export. So with an increase in the maize price, with an export ban on raw rice, we expect with the new crop, we expect, raw material to be available.

And also for put in this in perspective, currently the FCI also, if you look at FCI, they're not sitting on a deficit stock in any terms. They have a stock of 243 lakh tons of rice against their buffer norms of 135. So they do have excess stock. And the grain-based distillery were only, they were allocated for 34 lakh tons, out of which I think about 14 lakh tons was given. So about 20 lakh tons was left to be given. So the quantity required by the ethanol sector in the -- from grains is not that big for a country like India. But yes, for you to shift from one raw material to another, and the entire ecosystem needs to be changed. So that does take some time, and there might be some teething issues along the way, but we don't expect this to be a problem in the long run.

Sarvesh Gupta: Understood. And on the margin side now, assuming that, again, this FCI does not resume, I understand that you said that your target is to 15% to 18% but then maze itself will be having a widely fluctuating price as opposed to FCI rise which was not so much of volatility we had seen in that price. So how do you see that? Because then at one point of time, my maize price could be very high or low. I'm not just talking about this season, which might be good, but in the long run, this can have a lot of volatility in your margins also, right?

Kushal Mittal: Yes, it could. There is no doubt about that. But we are quite hopeful that when there is a significant increase in the raw material prices, the OMCs in the past have reacted accordingly and increased the price of ethanol. So, if there was to be another huge increase in the price of maize, let's say, we do expect the price of ethanol to be revised accordingly.

And secondly, we are in a much, much better position than our competitors. I can say that with full confidence. And this will be shown in our numbers moving forward, I'm sure.

Sarvesh Gupta: Understood. And this boiler margin impact, which was, I think INR2 or INR4 per litre, INR2 per litre I guess. So that hasn't shown yet, right? So that would be an additional over this 15% that we have got this month.

Kushal Mittal: Yes, that hasn't come into the numbers. From quarter 2 onwards, it will start showing but not to the full effect because initially we did run into some trouble commissioning it. As I speak, we're working that boiler at 100 capacity utilization now but there were times in this quarter when it didn't operate to its capacity.

Sarvesh Gupta: So that's only for the 400 klpd right, out of so Svaksha will not benefit anyways?

Kushal Mittal: No, Svaksha will not benefit and also not the entire 400 klpd about 60% of the capacity of the 400 klpd.

Sarvesh Gupta: On the 240 klpd you can get a benefit.

Kushal Mittal: Yes.

Sarvesh Gupta: And you also had a plan of further expansion in Bhatinda of I think 150 klpd next year or something like that. So is that going on or is that...

Kushal Mittal: See, the file has been moved for environmental clearance. We are not fast tracking it, to be completely honest with you. We want to see how the ethno policy plays out in the next six months or so before making a final decision on that expansion.

Sarvesh Gupta: Understood. So total debt just to understand this it's INR120 crores-plus INR85 crores, so around INR200 crores of term loan is there apart from the working capital debt, right?

Kushal Mittal: Right. And then there are some vehicle loans for tankers. And we have two lease-rent discounting for rented out buildings, which amounts to about INR20 crores.

Sarvesh Gupta: Okay. Do we have any non-core assets right now, like in real estate or somewhere, where we can sell something in one shot to sort of decrease that? And also the preferential amount which is left. So net of these two optionalities, how much would it get reduced to?

Kushal Mittal: The target for the company is to, the term loans that are on the books that are not under the interest subvention scheme. We wish to pay them off as soon as possible. So yes, the money that will be coming from the preferential, some of it would be utilized towards modernizing our 200 klpd plant at Bhatinda, the existing plant because, ENA norms, ENA quality norms have changed since the plant was set up in 2011 and it needs a revamp so some of that would go towards that and the rest go towards paying off the debt on the book that is not under the interest subvention scheme.

Sarvesh Gupta: And any non-core assets that we have?

Moderator: I'm sorry to interrupt.

Sarvesh Gupta: Yes, sorry. I'll get into the queue.

Moderator: Yes, there are other people also waiting in the queue. Thank you. Thank you. We have the next question from the line of Imran from Longbow India Limited. Please go ahead.

Imran: Hi, thank you. So my question is on your, the expansion that you are doing at Svaksha Distillery. You are putting about 100 kl, capacity specifically for ethanol. And given the environment, in West Bengal, how do you think about it and how do you mitigate the risk of availability of raw material?

Kushal Mittal: Raw material availability in Bengal is very good. It is the highest producer of paddy in the country. And for that reason we chose to expand in the state. What happened was a lot of the grain was exported out of Bengal, which caused a lack of availability of rice. To put it clearly, broken rice was mostly gone to China and they bought a huge amount.

So moving forward, the demand for ethanol in Bengal is good. I expect in the coming times that export will be less out of the state and more raw material will be available for companies like us.

Imran: Right, and this seems like a long term trend but in the short term, maybe in the immediate term, I have been at least calling the dealers and the mills in West Bengal and I got to know that there is basically no broken rice available for sale. Is it the same thing that you see in West Bengal or I am reading too much?

Kushal Mittal: There is not much availability of broken rice and we are operating 100% on maize. And that is, we don't mind that as BCL. We have the ability to work 100% on maize and we are doing so. But I can't say that for all the competitors.

Imran: And Maize availability is fairly decent in West Bengal right now?

Kushal Mittal: Yes, we don't have any issues as of now.

Imran: All right. My -- the second question is on, it's a very broad question basically. What kind of pressure do you think the ethanol blending program is putting on the broken rice and FCI rice availability in the country? If you can just share your thoughts on this.

Kushal Mittal: FCI rights availability, I would say, no question at all. As I mentioned earlier, FCI is sitting on 243 lakhs tons of stock against their buffer norms of 135 lakhs. And the entire year allocation towards the ethanol industry was around 34 lakhs. So I don't see that, I don't see ethanol being any reason that FCI will be a deficit of stock. Firstly, I would like to make that statement very clear.

Secondly, I think it's a very good thing that because of ethanol that there is an increased demand for broken rice in the country. As you know, that trickles down to the farmer. When a rice miller gets a very good price for his husk or his broken rice, he's more likely to procure the paddy at a higher cost from the local market, which directly benefits the farmers.

So, the ethanol industry has worked very well in the sense that, in increasing the farmer's income, you see rice mills have come back into being profitable and that's mainly because the by-product prices have increased significantly due to an increased demand, which directly benefits the farmer. If 70% of the population is indirectly or directly linked to the agriculture sector and the price of the commodity increases because of increase in demand, I see that as a very good thing for the country as a whole.

Imran: Right, I appreciate that. My point was on more of the supply volumes rather than the prices. I know the prices, farmers will get good price, we will have some hit on the margins, but that is okay. But the more important point is the availability. You know what percentage of the broken rice...

Management: There will be an availability as I'm trying to say. India is a huge country and the demand for grain from the ethanol sector isn't as huge. If today the if let's say the government we move towards the 500 crores litres target that the government has set from the grain-based ethanol sector, the requirement is about 14 million metric tons of maize, which is not that big for the country. Once the farmers start getting a good price for their maize then the cultivation will increase. So as I said, there might be some issues down the line, but one or two years, it is not that big of a demand.

Imran: Last thing, can you share the prices for broken rice in West Bengal, if that information is available?

Management: We are not in the market, so I can't talk.

Imran: All right, thank you so much, thanks.

Moderator: Thank you. We have the next question from the line of Anirban Manna from, he's an individual investor.

Anirban Manna: Yes, thank you for the opportunity. The last time, we have guided for FY '24, INR100 crores of revenue from oil sector and INR150 crores of revenue from distillery. So are you on track according to the current scenario?

Management: That would be too low for a company like us. I think the edible oil sector has gone through a hiccup but still we are hoping to do about a INR1,000 crores to INR1,200 crores of revenue and about the same of that from the distillery sector. I am revising the edible oil sector number downwards, but still we're hoping to achieve at least a INR1,000 crores per se.

Anirban Manna: Okay, distillery would be INR1,000 crores means it has been reduced from 1INR1,500 crores to INR1,000 crores, right?

Management: That has also been decreased because one month ethanol production was stopped because of the FCI issue and secondly, we'd also be taking a shutdown for revamping the 200 klpd plant at Bathinda.

Anirban Manna: All right. Got it. Yes, that was my question only. Thanks. All the best.

Management: Thank you.

Moderator: Thank you. We have the question from the line of Bala Murali from Oman Investment Advisors.

Bala Murali: Yes, thanks for the opportunity again. Could you please explain the unit of economics of this maize raw material as maize and what is the mix of the raw material, which you are using? Earlier you further told that, the conversion cost will be around INR8 per litre for broken rice as per [FPR]. So how it will be for Maize and is there any impact on the output also?

Management: We are working 100% on maize. As I mentioned, you can expect about 380 to 385 recovery per ton from maize and about 20% in DDGX recovery. Further, talking about the processing costs and everything, I would not like to go into too much depth as of now as we are, I'd say, we are producing it very efficiently and I wouldn't want to bring out too many numbers out in the public. But I'd still say that, with the current market scenario, we're fine.

Bala Murali: Okay, and one more thing on capex side, so you have that Bathinda expansion plans and also some Green Energy expansion plans that you told earlier. So if you are delaying this Bathinda expansion, then any other segment you're looking for on capex to get that?

Management: See, there are a couple of things that the company is looking at to further expand if we don't do the 150 expansion at Bathinda right now. It's too early for me to say anything right now. With the changing environment, our target is to operate our plants as efficiently as possible given the current disturbances with the FCI and everything and secondly to bring the 700 into production.

Bala Murali: Okay and lastly on this, Bathinda old plant is shut down. So when it will be and how many days it will be? And at that time, the new plant will come as is.

Management: It's not under shut down, we will be taking the shutdown. Still figuring that out will probably be in the month of October for about a month.

Bala Murali: So at that time both plants will be under shutdown?

Management: No. During that time, the new ethanol plant will still be operating, the old 200-klpd plant will be on the shutdown.

Bala Murali: Perfect. Thank you. Thanks a lot.

Moderator: Thank you. We have the question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead, sir.

Sarvesh Gupta: Sir, just on this shutdown and this revision of the guidance, we have already done 200, almost INR180 crores this quarter without the benefit of 200 from Bathinda and the Svaksha, which will come in maybe in the last quarter. So maybe last quarter, what is the sort of the top-line guidance, sir?

Management: For Bathinda, we did INR146 crores and for Svaksha, we've done INR95 crores.

Sarvesh Gupta: Yes so for this last quarter, quarter 4, what should be the top-line guidance from distillery, sir?

Management: For the last quarter?

Sarvesh Gupta: Quarter 4 of this financial year because that time you will have Svaskha plus, we won't have any shutdown and hopefully not any FCI issues also?

Management: That is too forward of a statement for me to make right now because that all depends on if we're able to commission the 100 klpd by December, which is a aggressive target to be honest. We're working towards it. So God willing everything works out. Then I'd say you, we can aim for about INR400 crores. But, it all depends on a lot of situations. So really, I can't predict that much right now.

Sarvesh Gupta: So either last quarter or let's say quarter one of next year, we can reach this sort of...

Management: I'd rather make a statement for the entire financial year than quarter wise because there's a lot of things that can happen in a quarter and it's too short term of a period in our industry to make a prediction for. So for the entirety of next year, we can aim for about INR1,300 crores of revenue, INR1,300 crores, INR1,400 crores.

Sarvesh Gupta: Understood. And sir, just to follow up on my previous question was this. Do we have any non-core real estate, etcetera, which we can sell to bring down the debt in one shot?

Management: There is nothing else of that sort.

Sarvesh Gupta: Okay and on the distillery side now, there has been a lot of negative volatility. So now from here, what do we sort of expect going forward in the coming quarters in terms of both top line and EBITDA?

Management: Yes, as I mentioned, we are aiming to do 15%-18% of EBITDA from our distillery sector. We are trying to sustain these numbers given the current market scenario.

Sarvesh Gupta: Sir, I am talking about the edible oil business?

Management: Edible oil business, I'd say, aiming for 4%, 4.5% of EBITDA margin.

Sarvesh Gupta: Okay. Understood, thank you, sir.

Moderator: Thank you. Participants, Participants, if you have a question, please press star and one on your phone. As there are no further questions, I would now like to hand the conference over to Mr. Kushal Mittal for closing comments. Please go ahead, sir.

Kushal Mittal: Thank you, everyone, for participating in this earnings call. I hope, I was able to answer your questions satisfactorily and at the same time offer insights into our business. If you have any further questions or would you like to know more about the company, please feel free to reach out to our investment relation managers at Valorem Advisors. Thank you.

Moderator: Thank you. On behalf of Choice Equity Broking Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.