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**REG: Transcript of Earnings Conference Call for Audited Financial Results for  
Quarter/ Year ended 31<sup>st</sup> march, 2019.**

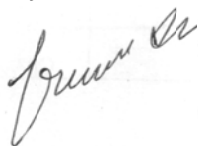
**DEAR SIR,**

This is further to our intimation regarding Conference Call for Analyst/Investor with respect to the Audited Financial Results of the Company for the Quarter / Year ended 31<sup>st</sup> March, 2019.

The transcript of the conference call held on Wednesday, the 29<sup>th</sup> day of May, 2019 with investors/analysts to discuss the financial performance of the Company for Quarter/ Year ended 31<sup>st</sup> March, 2019 is enclosed herewith .

**Thanking You,  
Yours faithfully,**

**For BCL Industries Limited**  
(Formerly known as BCL Industries & Infrastructures Ltd.)



**Gurinder Makkar**  
**Company Secretary**





## “BCL Industries Limited Q4 FY19 Earnings Conference Call”

**May 29, 2019**



**MANAGEMENT: MR. RAJINDER MITTAL – MANAGING DIRECTOR, BCL  
INDUSTRIES LTD**

**MR. PANKAJ JHUNJHUNWALA – DIRECTOR, SVAKSHA  
DISTILLERY LTD (SUBSIDIARY)**

**MR. GULAB SINGH – CHIEF FINANCIAL OFFICER, BCL  
INDUSTRIES LTD**

**MODERATOR: MR. VIKRAM SURYAVANSHI – PHILLIPCAPITAL  
(INDIA) PRIVATE LIMITED**

**Moderator:** Ladies & gentlemen, good day. And welcome to the BCL Industries Limited Q4 FY19 Earnings Conference Call, hosted by PhillipCapital (India) Private Limited. 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 this conference call, please signal an operator by pressing “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

**Vikram Suryavanshi:** Good afternoon. And a very warm welcome to everyone. Thank you for being on the call of BCL Industries Limited. We are happy to have management with us for Q&A session with the investment community. Management is represented by Mr. Rajinder Mittal – Managing Director, Pankaj Jhunjhunwala – Director, Svaksha Distillery, which is a subsidiary of BCL; and Mr. Gulab Singh – CFO.

Before we start with the Q&A session, we will have some opening remarks from the management. Over to you, sir.

**Rajinder Mittal:** Good afternoon. Thank you, Vikram. I would like to welcome everyone to the Earnings Call of the Fourth Quarter and the Financial Year 2018-2019. Let me first give a brief background about our company for the benefit of those who are new to the company.

We are a diversified business house having business verticals of edible oil, distillery and real-estate. We started off in 1976 with a solvent extraction plant of 14 TPD, extracting all from rice bran. Going forward, the company has grown to become one of the largest edible oil integrated plant in North India having a capacity of 120 metric tons per day. Furthermore, we fared 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, Punjab. And later we doubled its capacity to 200 KLPD as the business grew. In order to grow in the distillation business, the company is now starting a state-of-art distillery of 200 KLPD with 8 megawatts cogeneration power plant in Kharagpur, West Bengal. This new client is expected to be commissioned in the next financial year and this should make our company the largest grain based ENA ethanol manufacturing in the country from the grains.

Now, let me give you the key financial highlights:

The standalone revenue for the fourth quarter was Rs. 249.7 crores, which increased 7% year-on-year basis. EBITDA for the quarter has grown by 31.3% to Rs. 17.2 crores from Rs. 13.1 crores in the financial year 2018. EBITDA margins have improved from 5.63% for the corresponding quarter last year to 6.89%. Net profit has increased by 48.9% to Rs. 7 crores. PAT margins have increased from 2.02% for the corresponding quarter last year to 2.80%.

The consolidator revenue for the financial area ended 2018-19 increased by 5.4% on year-on-year basis to Rs. 903.7 crores. EBITDA increased by 51.5% to Rs. 81.2 crores. EBITDA

margins have improved 8.9% versus 6.25% in the financial year 2018. Net profit increased by 132% year-over-year to Rs. 41.3 crores. PAT margins have grown to 4.5% from 2.08% last financial year.

Now coming to the operational highlight:

Our company has an outstanding performance in the financial year 2018-2019, with the tailwind of the National Biofuel Policy. The policy changed the dynamics of the industry and we were benefited too. BCL distillery segment bagged a tender of around Rs. 150 crores to supply ethanol to the tune of 3.2 crores liters for the period starting from 1st December to 30th December 2019. The company's performance in the current quarter was further boosted with the approach by OMC, purchased 25 tankers in the fourth quarter to provide timely delivery of the ethanol to OMC. This move reduced the logistic cost of the company. Going forward, the tankers on the return carry crude vegetable oils import by the company for further processing at edible oil plant at Bhatinda. The company has started earning better realization from its balance capacity of ENA production of 3.6 crores, which is evident from the quarterly results. The capacity utilization this year has come down by 15%, we were able to only employ 75% of the capacity for the reason that the 1.5 month was taken for converting one of the plants from ENA to ethanol, which is visible in this quarter. The civil work for its new set of distillery plant at Kharagpur, West Bengal, under subsidiary Svaksha Distillery Limited is in full swing and is expected to commence production by quarter four of the financial year 2019-2020.

The edible oil segment, the quarter was boosted by the government focus on increasing edible oil seed production in the country by announcing higher MSP. The edible oil segment remained constant in terms of sales revenue regarding the sales of Rs. 148 crores in the quarter four, and EBITDA increased significantly.

Lastly, talking about the real-estate segment. We at, BCL had an incredible year in sales for this segment.

Thank you. Now I would like to open the floor for questions.

**Moderator:** Thank you very much, sir Ladies & gentlemen, we will now begin the question-and-answer session. The first question is from Shariq Merchant from Duro Capital. Please go ahead.

**Shariq Merchant:** Sir, I have two or three questions. The first one is on, what kind of volumes did you see in the distillery segment this quarter? And what is the normal run-rate that we can expect? You mentioned that it was not operating at full capacity because of the conversion, but there you also have a guarantee to the government in terms of supply. So, how do you manage the off-take that you have guaranteed to the government and what will be the normal run-rate of off-take going forward?

**Rajinder Mittal:** You see that when I mentioned about the capacity utilization, and it is for the full year, not for this particular quarter I was asking. So, the capacity was before this quarter and not in this

quarter. And I am referring to the full year capacity utilization as compared to the last year, last year we were able to produce almost 6.64 crores liter of ENA, and this year we just produced about 1 crore little less because the plant was closed for converting from ENA to ethanol. This was prior to this starting of supplies from this.

**Shariq Merchant:** Sir, for the current quarter what would be the capacity utilization?

**Rajinder Mittal:** I think we will be able to utilize the 100% percent capacity in this current quarter.

**Shariq Merchant:** No, I meant for Q4.

**Rajinder Mittal:** Q4, we have 100% capacity.

**Shariq Merchant:** So, the current revenue run-rate that you reported...

**Rajinder Mittal:** We have 100% capacity utilization.

**Shariq Merchant:** Okay. So, then it is fair to say that the current run-rate of revenue that you reported in Q4 will be the run rate that you will maintain for the next four quarters as well?

**Rajinder Mittal:** Should be better than that, because you see that this supplies in the first quarter, the ethanol supplies were on the lesser quantity, because we just wanted the time for the stabilization of the quality of supply and the working with the logistics, because at Bhatinda we are at a remote station, we don't get the transport facility on the call. So, everything has to be arranged. We will have much more better years in the coming financial year, i.e. 2019-2020.

**Shariq Merchant:** So, just for our understanding so that we get a better assessment of what a normal run-rate could be like, can you quantify it for us, please?

**Rajinder Mittal:** Quantify what?

**Shariq Merchant:** In terms of quarterly run-rate of revenues, or even volumes is fine.

**Rajinder Mittal:** Volume we will be able to do 100%, there is no question of having this capacity until and unless the reinforcing circumstances, I can't predict as of now. But I think we should be able to achieve the 100% capacity utilization by way of producing 3.2 crores liters of ethanol under rest 3.44 liters of ENA in the financial year 2019-2020.

**Shariq Merchant:** Okay, got it. And the second question is on the real-estate segment, you saw a loss in the segment despite having revenue booked, so why would that be?

**Rajinder Mittal:** See, the company has got a ready-to-move, you can say, this totally completed inventory of real-estate from the two projects. We have only developed two projects in this company and we don't mean to be a real-estate company. These two projects by default were developed by the

company, which are developed in all the sects, so that the sales have started picking up in these two units. And we were able to realize a quite large amount of fund from this real-estate project. And I think within three, four years we would be able to have the entire, about Rs. 100 crores, of the inventory monetized in the coming years.

**Shariq Merchant:** Sir, my question was different. My question was, there was a loss during the quarter despite having revenue booked.

**Rajinder Mittal:** No, actually there is no loss. There was one land parcel with the company, which the company was to take possession of, there was legal battle for about six, seven years of fighting this legal battle. That 6.5 acres was not coming through the inventory part, so that land is being developed in this year and we have kept the provisions for the feast of the development charges we paid to the government and the development to be carried on that path. So, that provisioning has been kept in this financial year. So, with that provisioning in place the loss is reflected in the balance sheet, actually there is no loss.

**Shariq Merchant:** Okay. And sir in FY20 what would be the cash flow you would expect from real-estate?

**Rajinder Mittal:** I think we should be able to get about Rs. 20 crores, Rs. 25 crores with the present kind of sales going on. We are quite bullish about the same with some of the major developments coming in Bhatinda, mainly the starting of the operation of the All India Medical Institute, which is just about 3 kilometers from our this project. And the starting of the Central University with a campus is about 500 acres that is also to be commissioned in this August 2019. So, we are quite hopeful with the fresh population coming in Bhatinda, we should be able to monetize again about Rs. 20 crores, Rs. 25 crores, not less than Rs. 25 crores and this financial year.

**Shariq Merchant:** Great. And sir lastly on the edible segment, now that you are looking at efficiencies in transportation, what is a fair margin that we can look at for full years FY20?

**Rajinder Mittal:** I think logistics should help us to a great extent. And we should be able to at least improve the EBITDA margins by 0.5% in the edible oil segment.

**Shariq Merchant:** Sir, one last thing, please. Your capital contribution in new distillery is complete from BCL industries or you will have to still infuse more capital?

**Rajinder Mittal:** No, that is already conveyed. The preferential issue which was taken up by the promoters of 50 lakh shares, the contribution is now complete. The last contribution was in the month of April, that money has been pumped in.

**Shariq Merchant:** So, all incremental cash flow going forward will be used to reduce debt?

**Rajinder Mittal:** Yes, reduce debt and reap funding of our contribution towards Svaksha distillery.

- Shariq Merchant:** Yes, so that was my question. So, how much more funding will you need into Svaksha?
- Rajinder Mittal:** No, but that amount is already raised further.
- Moderator:** Thank you. The next question is from the line of Vijay Singh from First Global. Please go ahead.
- Vijay Singh:** My question is, could you classify the capacity of ethanol and ENA and what realization we are getting on ethanol? And what would be the capacity for that?
- Rajinder Mittal:** The total capacity of the unit is to produce 6.6 crores liters. Out of that we have converted about 50% of our capacity for the manufacturing of ethanol. And this year, we have been able to bag an order of 3.2 crores liter starting from this December to November 2019. So, with this, you can say, Biofuel Policy, the incremental benefit or the jump in the race for ENA is around Rs. 10 a liter. Correspondingly, some parts have been attributed towards the increase in the price of the grain also with increase in MSP and other things. But the margins have improved and we hope that the farmer will be quite encouraged with getting better rates and they will be able to produce more. And when the production goes up, naturally everybody is benefitted.
- Vijay Singh:** What realization we get on ethanol, average realization?
- Rajinder Mittal:** Ethanol, the price is fixed, Rs. 47.13 per liter full year, 3.2 crores liter, the price is fixed, Rs. 47.13 per liter.
- Vijay Singh:** Okay. Sir, one more question here, what EBITDA we get on this price?
- Rajinder Mittal:** I think EBITDA on this ethanol price should be 17%.
- Vijay Singh:** 17% on Rs. 47.30, whatever it is average, right?
- Rajinder Mittal:** Yes. Actually, the price of ENA are also governed by the price of ethanol. Whatever is the price of ethanol, the price of ENA or round about is almost the same, maybe Rs. 1 here or there. But this year we are expecting the price of the ENA to be even more, because everybody has converted some part of their capacity from ENA to ethanol. So, that should have some scarcity in the market for ENA, and we should be able to realize better prices for ENA.
- Vijay Singh:** Sir, 17% EBITDA margin on ethanol, right?
- Rajinder Mittal:** Right, ethanol and ENA both you can say, it is one and the same thing.
- Vijay Singh:** Come up again please?

- Rajinder Mittal:** The ENA and ethanol, this is distillery plant we are talking about. Whether we manufacture ENA, whether we manufacture ethanol, the EBITDA margins are almost the same.
- Vijay Singh:** And what capacity we are bringing for the ethanol?
- Rajinder Mittal:** Capacity, I told you, we have converted 50% of our capacity.
- Vijay Singh:** No, our subsidiary, I think our subsidiary is coming up with a new capacity.
- Rajinder Mittal:** That is only ENA, we will not be manufacturing ethanol, because the price of ENA is much more as compared to ethanol. The ethanol pan-India price is Rs. 47.13 per liter, but this is not the case in the ENA, ENA price in Punjab are selling at Rs. 48 per liter, the landed cost of the bottlers in the state of West Bengal is more than Rs. 54 per liter. So, they will be able to have much, much better price of ENA as compared to ethanol. So, there we don't have any proposal as of now to produce ethanol.
- Moderator:** Thank you. The next question is from the line of Vinay Nagori from India Equity Wealth Management. Please go ahead.
- Vinay Nagori:** Sir, we had a loan sanctioned from PNB of Rs. 90 crores. So, have they started disbursing that loan?
- Rajinder Mittal:** As I have been telling earlier, there is a problem with PNB. Now we are not taking this term loan from PNB, rather we have moved to Bank of Baroda. And in principle, they have approved the project and we are quite hopeful that in another about a month or so, or maybe two months, the loan should be disbursed by Bank of Baroda.
- Vinay Nagori:** And sir, what is the current status of the Svaksha Distillery plant?
- Rajinder Mittal:** The civil work and the other things, we have already given the advance for the machinery. And we have spent from the promoter side about Rs. 28 crores up till now. The civil work is going on. And I think if the things remain the same and we are able to get the loan from this Bank of Baroda in two months' time, the project will be commissioned as per schedule.
- Vinay Nagori:** And say if the project gets completed by the last quarter of this year, then how much time does it take to reach 100% capacity utilization for the plant?
- Rajinder Mittal:** About six months will take. The capacity is not an issue but we have to have the buyer, get the sample approved and the buyer reaching over to our supply takes about two to three months. But the production can be stabilized within two months.
- Vinay Nagori:** Okay. And last question, last time we were talking there was this Diageo that has approached you, so what's the status of that bottling plant?



- Rajinder Mittal:** The communication is still on. But we want to first complete this project. And until unless the fund for this distillery unit are tied-up we can't move further, because that is another investment about Rs. 25 crores to be put in that plant. So, we have approached them that if we are able to fund the part of the investment, then we can go ahead. So, still that things are under negotiation, those things are going on.
- Vinay Nagori:** Thanks a lot sir. Sir, there was one good gesture you did, that you gave dividend but you didn't take it, that's a really good gesture.
- Rajinder Mittal:** Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Ritika Agarwal from Quest Investments. Please go ahead.
- Ritika Agarwal:** Sir, my first question is, what was the CAPEX for 200 KLPD distillery that we are setting up?
- Rajinder Mittal:** CAPEX is Rs. 147 crores, Rs. 90 crores to be funded from any commercial bank and rest part Rs. 57 crores, including working capital margin will be funded by the two partners, BCL 51% and 49% by Pankaj Jhunjhunwala and their associates.
- Ritika Agarwal:** Okay. Sir, second question is, for how many days do we operate our distillery?
- Rajinder Mittal:** 330 days.
- Ritika Agarwal:** And secondly, out of the 237 crores liters of ethanol tendered by the OMCs, around Rs. 16 crores, 17 crores has been kept for the grain based ethanol. So, in your sense, will this be completely tendered by the companies, do we have so much capacity currently present?
- Rajinder Mittal:** There is no reservation for any of the sectors regarding this particular, whether it's a grain based. The total requirement by the OMC this year was 329 crores liters, the total capacity, the total requirement as projected by them is 329 crores liters. But they were only able to get about 240 crores liters. So, there is no classification whether they will be taking this much quantity from grain and this much from molasses or this much from the cane juice. So, any variety can be built. There are different prices for the source of the ethanol, but to the no quantity is fixed.
- Ritika Agarwal:** Sir, so, is government raising the grain-based ethanol price? You see the ENA prices also rising up. And with most of the people shifting to the ethanol segment now, grain based ethanol, do we see a shortage of ENA production capacities currently?
- Rajinder Mittal:** Yes, naturally. The ethanol capacity of ENA has been absorbed by converting the ENA capacity to ethanol. Some of the ENA requirement was also being met by the molasses manufacturers, the sugar mills, the ENA manufacture of molasses. But now the price of ethanol by molasses and others is so remunerative that they are not going for ENA manufacturing. So, that has already taken, as compared to the last year if I am talking about

three quarters of this 2018-2019, the average price realization was about Rs. 38 to Rs. 39 per liter. And for the last quarter we have been able to realize about Rs. 48 to Rs. 50 per liter. So, the prices have already improved. Prices of ENA are mostly governed by the price of ethanol.

**Ritika Agarwal:** So, with this some shortage in capacity, do we see more capacity of ENA base kind of coming up?

**Rajinder Mittal:** There is a huge space for further capacity. Because see, this ethanol demand, still about 70 crores liters is untendered, they have not been able to have that kind of a quantity. So, gap between the demand and supply of ethanol and ENA

**Ritika Agarwal:** So, are we seeing that capacity being put up in the grain based segment also, like we are seeing with the sugar mills?

**Rajinder Mittal:** Yes.

**Ritika Agarwal:** I was just asking, we seeing the capacity being building up in the grain based segment as well, we are seeing the capacities coming up.

**Rajinder Mittal:** Yes, that's coming up.

**Moderator:** Thank you. The next question is from the line of Vijay Singh from First Global Please go ahead.

**Vijay Singh:** Sir, my question is, your ENA price per liter is Rs. 48 and average ethanol price is Rs. 47, so what drives us to build up the capacity for ethanol? Because I think margins are same for both.

**Rajinder Mittal:** Margin is same, you can say that this ethanol price I told you, the ENA prices are mostly governed by the prices of ethanol. The base price of ethanol has been fixed for Rs. 47.13 per liter. And the ethanol price I think we is between Rs. 48 to Rs. 50 per liter. So, the ethanol quantity we get a recovery of 4% less, because ENA has a moisture content of about 4% and ethanol moisture content is almost 0%. But while manufacturing ENA, 6% is in spirit, which has to be sold at a discount of Rs. 15 per liter as compared to the price of ENA. So, the logistics and other costs, there is some energy saving also while producing ethanol. So, the cost of production and the realization from both the things is almost the same, if there is an extraordinary shortage of ENA in that particular month, we get extra price there. Otherwise it is almost the same throughout the year.

**Vijay Singh:** This year prices has increased; the prices of ethanol has been increased by the government. As per your experience, what are the key determinant for driving these ethanol prices? It could be that government can change the prices, it could come down and government can change the prices. So, do you see any kind of the risk or what is your outlook or what does your experience say about it?

**Rajinder Mittal:** As per the blending program for ethanol for the Government of India is to achieve a target of 20% by 2030, the Biofuel Policy says so. So, for the last financial year, it means they are taking their year from December to November. So, if we talk about December to November this last year 2018, their target was just 3.5%, and this year they will be able to achieve a target of less than 5% or near about 5%. And whereas the target was to meet the blending target of 6.5% by tendering for 329 crores liters, and they were only able to contract for the supplies of 260 crores liters. So, still untendered quantity is 69 crores liter, which is equivalent to 10 distilleries of my size of 200 KLPD. You can imagine the gap between that. And if the target of 20% is achieved, that is endless, beyond imagination. And this Biofuel Policy have been a long-term policy to increase the farmer income, to utilize the barren land for producing, and this is eco friendly also, the carbon emissions by using of ethanol are just 10% as compared to the fossil fuels. And the other part is to save the foreign exchange that will happen creating the trade balance. And third is to reduce the fuel dependency. This is only not one target to get achieved by the government, there are four, five forces behind this policy. And I think there cannot be any reversal on account of environment, on account of reducing coal dependency, to increase the farmer income, there are lot many things. so I think the policy would continue and the industry has a great future.

**Vijay Singh:** Okay. Sir, one more question here. As a told industry has great future, obviously, it's from 3.35% to 10% and 20% blending ratio, definitely. So, I think currently India has a capacity of 2.4 billion, so who are the key players or who could be potential key players in the industry?

**Rajinder Mittal:** There are two segments, one is the basic where the main supplier of ethanol is the sugar industry. And in the long-term, you can say in other parts of the world there is a grain based ENA, that about Rs. 15 to Rs. 20 per liter extra as compared to the molasses based ENA, but India that policy was not in place. Now these policies in place, now all the major players manufacturing ENA from molasses have moved towards manufacturing of ethanol, because they're sugar subsidy, the sugar cashback is linked with the supply of ethanol. So, that's why the grain based ethanol industry and this molasses based industry have a great future. So, we don't see any competition where there will be huge gap between the demand and supply. We don't see a competition among everybody. And the prices of this molasses based are separate and then the grain based are separate, then the partial cane juice are different and cane juice are altogether different. Rather, the industry is hopeful that next year our grain based ethanol will be put at par with the B-heavy molasses giving us a jump of over Rs. 7 per liter.

**Vijay Singh:** Okay. I think, I am not sure about the data, I think India has a capacity of 4.4 billion running at almost 50%, 2.4 billion, and the requirement is around 4.4 billion. So, the somehow the industry will improve on our utilization ratio, but in next target it could be a 10%. So, doubling the capacity and improving...that's why my question is, who could be, these sugar companies or any other key players out there?

**Rajinder Mittal:** No, we will be manufacturing only ENA at that place in West Bengal, in West Bengal there is scarcity of this ENA, the import from the other states. At present their per day consumption is

about 1,000 KL per day and they are only able to produce about 300 KL per day at present capacity. So, they have got scarce capacity in West Bengal for ENA. So, we are doubling the capacity in the state of West Bengal, not in the location of Punjab.

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

**Santosh Biradar:** In the last concall, with the outcome of the concall you had assured that this quarter is going to be much, much better compared to quarter three. But if look into EBITDA front, from quarter two, quarter three and quarter four, EBITDA has come down. Any specific reason? One. Second, if you look into the raw material consumption, the top-line has increased by hardly Rs. 18 crores whereas raw material consumption has gone up by Rs. 57 crores, is there any specific reason for it?

**Rajinder Mittal:** There is improvement in the EBITDA margin, I don't see how you say the EBITDA margins have come down.

**Santosh Biradar:** I am not talking about the margins, in terms of EBITDA, total in terms of rupee value in crores.

**Rajinder Mittal:** Are you comparing any corresponding quarter or the previous quarter?

**Rajinder Mittal:** Previous quarter, quarter two, quarter three and quarter four.

**Rajinder Mittal:** See, the workings of every quarter is separate, because we are into an industry of vegetable oil where the demand and supply varies from the period to period. So, you have to compare the things with the corresponding quarter. If you compare with the corresponding quarter the EBITDA margins have gone up from 5.63% to 6.89%.

**Santosh Biradar:** But material consumption has significantly has gone up, consumption of raw materials in this quarter?

**Rajinder Mittal:** Naturally, the consumption of raw material depends upon your revenue realization.

**Santosh Biradar:** Okay. You mean to say that the procurement was at the highest rate in this quarter of the raw material?

**Rajinder Mittal:** Ethanol has gone up by 25% to 30%, corresponding the cost of raw material will also go up. The margins have gone up, but not 100%, if we say that we are procuring the raw materials at the previous rate and turning it at now rate, actually the aim of the government was to increase the farmers' income also, not only the industry part.

**Santosh Biradar:** Okay. So, do you see that as a challenge going forward, because MSPs are going up?

- Rajinder Mittal:** I don't see any challenge, you can say with this encouragement the production of agri produce will go up. Rather, we are hopeful that the price may cool down next year when the production goes up, this agri production of this maize and millets and rice goes up, with these kind of policies boosting the sentiments of the farmers, increasing their income.
- Santosh Biradar:** And the last question, in the last concall you had told that the Bengal plant will start in quarter three of this year, but now it is being shifted to quarter four. So, is there any specific reason for that?
- Rajinder Mittal:** Yes, that I already explained in the last question that first the loan was approved by the Punjab National Bank, but everybody knows that Punjab National Bank was under crises and their management was not in a position to take further risk due to that Nirav Modi issue. So, that's why we had to move these things from Punjab National Bank to Bank of Baroda, and that's why we expect a delay of about one quarter delay late commissioning in the plant.
- Moderator:** Thank you. The next question is from the line of Suresh Agarwal, an individual investor. Please go ahead.
- Suresh Agarwal:** Sir, your turnover in the distillery has come down from Rs. 103 crores to Rs. 96 crores. But in last concall you have said that in December quarter your distillery has run only for one month because of the conversion from ENA to ethanol. So, in this March quarter why around 10% pull is there, from Rs. 103 crores to Rs. 96 crores in distillery segment?
- Rajinder Mittal:** You are talking about the sales?
- Suresh Agarwal:** Yes.
- Rajinder Mittal:** Last year the corresponding quarter was at full capacity, and this year also at full capacity.
- Suresh Agarwal:** No, I am talking about last December quarter your revenue was around Rs. 103.61 crores and revenue and this quarter when we are running at the full capacity, 100% capacity, our distillery revenue has come down to Rs. 96.69 crores.
- Rajinder Mittal:** I think in that quarter I just mentioned, in the second quarter we just did not sell this ENA, whatever was produced in the second quarter, the large quantity was sold by us to have a better price because this tender for ethanol was just coming. As I mentioned, the price of ENA are mostly governed ethanol, so that's why we kept a large quantity of production to be sold in the third quarter. So, that was the reason. Otherwise the production in the third quarter was much below. But the sales were up because we shifted the second quarter sales to third quarter to have better benefit.
- Suresh Agarwal:** Sir, one more thing. Actually, in comparison to your EBITDA in the December quarter what the company has got, but the EBITDA in this quarter, March quarter, is less.

- Rajinder Mittal:** I told you earlier that the total EBITDA has to be compared with the corresponding quarter, because the prices of the grain... ours is a agro based industry, the price of the grain depends upon that particular quarter, cannot be compared with the previous quarter, it has to be compared with the corresponding quarter.
- Suresh Agarwal:** Sir, one more thing.Can you just tell us how much is the cost increase in your raw material?
- Rajinder Mittal:** The increase in the ethanol prices is around about 25%. And the increase in the cost of the grain is around about 20%.So, we have about a 5% margin in that.
- Suresh Agarwal:** Okay, and one more thing, like in real-estate you have shown turnover of around Rs. 4.35 crore and loss of 32 lakhs.
- Rajinder Mittal:** So, as I explained in the previous question also, this is not a loss, we had a parcel of about 6.5 acres which was in litigation for 10 years. So, adjoining to that parcel was a part and parcel of our Ganpati Enclave, this colony which was under the possession of the state electricity board. So, we were able to get that land vacated from them and we started developing that. The provisioning was for the government CLU charges, EDC charges, the development charges. So, that has been taken part of the inventory, and we have some provisions for the development of that project. So, taking that provision into account actually there is no loss, but with that provisioning to be develop, the elementary level is almost the same as of last year, in spite of the fact that we sold about Rs. 32 crores of inventory of real-estate.
- Suresh Agarwal:** Sir, if you have invested Rs. 4.35 crore in that land, then why we are taking Rs. 32 lakhs as a loss?
- Rajinder Mittal:** Sorry?
- Suresh Agarwal:** If we have invested Rs. 4.35 crore in that land...
- Rajinder Mittal:** No, we have not invested anything in that land.
- Suresh Agarwal:** You have invested anything on that land?
- Rajinder Mittal:** Land was under litigation;the possession was with the PSEB. And now we have taken back the possession, we won the case in the High Court and we took the possession of that 6.5 acres, we didn't pay anything for that.
- Suresh Agarwal:** Then this Rs. 4.35 crores you have taken provision for that?
- Rajinder Mittal:** Rs. 4.35 crores is the provision for developing that 6.5 acres of land.
- Suresh Agarwal:** Okay. And this loss of Rs. 32 lakhs?

- Rajinder Mittal:** When that inventory gets sold it will be resulting in the profit. The inventory has gone up with this provisioning.
- Suresh Agarwal:** Why I am asking this; you have shown that in real-estate you have loss of Rs. 32 lakhs, so why that loss?
- Rajinder Mittal:** So, it is not a loss, it is provisioning of the land parcel which the company got without any cost, these are the development charges for that 6.5 acres to be paid by the company in the company year. So, that we have to provide once we have applied for the license, that provision has to be there for development charges and other things.
- Suresh Agarwal:** Thank you. The next question is from the line off Vinisha Rai, an individual investor. Please go ahead.
- Vinisha Rai:** Sir, I have a question on the industry. Sir, just wanted to know outlook of the edible industry, edible oil industry.
- Rajinder Mittal:** Yes, the edible oil industry we see a great future in the coming times, because now with this change in the government policy, the MSP for edible oils has increased to a large extent. And for the last so many years the important percentage has come down. the country is importing about 70% of its total requirement, with this increased MSP and other things, the local production is going up. And as the production goes up, we will be able to utilize our capacity which is lying idle. Because the edible oil segment we are just utilizing our capacity utilization up to 55% only. And with the capacity utilization going up the EBITDA margins and other things are going to improve.
- Moderator:** Thank you. The next question is on the line of Vijay Singh from First Global. Please go ahead.
- Vijay Singh:** Sir, one more question here from my side. Actually, we are investing Rs. 147 crores for this West Bengal capacity. So, how much we are contributing for that?
- Rajinder Mittal:** So, Rs. 90 crores I the debt part, and Rs. 57 crores is contribution from the promoters.
- Vijay Singh:** Sir, as per my basic calculations, the peak level the revenue can be generated around Rs. 350 or Rs. 360 crores at 330 days.
- Rajinder Mittal:** Right, absolutely. About Rs. 400 crores.
- Vijay Singh:** Okay, around Rs. 400 crores. So, I think I am looking for that it is giving ROE pretty much, 60%, 70% ROE on that, if I am taking a 17% EBITDA margin on that, is it?
- Management:** Yes, we are looking at a ROCE of about 20% on the distillery from the Kharagpur front.
- Vijay Singh:** And ROE is much higher, it is around 60%.

- Rajinder Mittal:** Yes.
- Moderator:** Thank you. The next question is from the line of Aditya Yadav from Transcend Capital. Please go ahead.
- Aditya Yadav:** Sir, my question is a continuation to the previous participant's question that if could please state... regarding again the edible oil industry, for ethanol you have been very patient and you have been very comprehensive about the industry dynamics, and thank you for that. So, for edible oil industry also if we can provide some details, so what are the oil seeds we are crushing, and what are the competitive dynamics we see there? Can we see a realization improvement and all those things if you can give a picture.
- Rajinder Mittal:** Yes, definitely. You see the edible oil segment, at present India is importing about 70% of its total vegetable oil requirement, in the 2000 India importing just 3% of its total requirement. So, in this 19 years the import dependency has gone up from 3% to 70%. Now, with this last year or maybe two years, the government has taken many steps to reduce the import dependency. One basic reason is that about 1.5 years back the import duty on vegetable oils was just about 4% to 5%, now they have taken it to maximum 40%. The MSP on the edible oil seeds has been increased by the government to the extent of 35% to 40%, even in some cases 45%, which has encouraged the farmers... See, the farmers will grow only the things which are salable and fetches better price. For one example, only this financial year 2019-2020 we have been able to operate our idle oil mill for crushing of mustard seed. At present company is engaged in the crushing of cotton seed, mustard seed, soybean, extracting oil from rice bran, further processing into refining and packing in the small packs for direct consumption. So, with this change in the policy I think in the times to come there will be huge increase in the edible oil seed production in the country and we should be again nearing the self sufficiency level in about five or six years. And whatever level goes up, the company without spending any extra capital on that account will be benefited to a great extent. At present the plant which has a capacity of 1,020 tons per day its capacity utilization is even less than 50%. So, if that capacity utilization goes up you can very well imagine the EBITDA margin and other things. And even you can say more bullish about the edible oil sector in comparison to the ethanol, in another five, six years if this type of policy continues.
- Vijay Singh:** And sir if I talk about BCL specific industry, I understood and got the point that the industry's utilization as a whole will improve because import dependence will come down because of the duties and everything. But if I talk about BCL specific, so what is our plan? I mean, where will we focus our edible business on? Where we are seeing better margins? Is it a B2B business?
- Rajinder Mittal:** The question is not about better margins.
- Vijay Singh:** So, you want to increase the capacity utilization mainly?
- Rajinder Mittal:** See, the main core business of the company is to buy oil seeds, crush them in our own plant and further put them under refining from seed to the final packing, the consumer pack. But



now we are not able to do that because the edible oil seed production came drastically down with the flooding of the cheap imported oils. Now with the government taking that action and taking the risk of this not caring about the inflation on part of the vegetable oils, because this vegetable oil is very price sensitive commodity, it catches the political attention at once. But last year the government took bold step by increasing the duty from 5% to 40%, the maximum which they can do, and announcing higher MSP for the farmers. I think the result will come within two, three years, because overnight things cannot happen. So, with the increase in the edible oil seed production we will be benefited. And the latest example is that we have operated our oil mill, section of the company after seven years this year, which will be reflected in this June result. So, the quantum of edible oil revenue will drastically improve in this quarter, first quarter of this year. This is after seven years we have been able to... So, the mustard seed production which was segment about the 57 lakh tons to 61 lakh tons in the previous 10 years, this year it has got up to 85 lakh tons. You can just see the kind of jump in the production with this kind of initiative.

**Vijay Singh:** So, for the year as a whole let's say FY20 and FY21 can we see a good revenue jump here?

**Rajinder Mittal:** Yes, we are expecting a big revenue jump in the edible oil sector. But you see, the margins in this kind of industry, bulk industry, are on the low side. But definitely the profitability, the EBITDA margins will be improved because we don't have to spend anything extra, nor the manpower, nor the CAPEX for anything.

**Vijay Singh:** So, can you say 30%, 40% kind of growth in edible oil revenue?

**Rajinder Mittal:** I cannot quantify as of now, but we should be able to get 15% to 20% growth in the revenue this year against 5% last year.

**Vijay Singh:** But in the longer-term you stay bullish?

**Rajinder Mittal:** See, in longer-term I am quite hopeful and quite bullish about this industry. Because we are sitting in a belt which is an oil producing belt, oil seed producing belt. And with this imported oil we have not benefitted, it was just to run the unit. Now with this change in the policy of the government this is going to last for a longer period, because the ultimate aim of the government is to increase the farmers income and to reducing the import dependency.

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

**Vinisha Rai:** Sir, I have a question on edible oil again. So, have we entered into new deals with any the companies? Something like Cargill, Godrej and Balaji which we already have?

**Rajinder Mittal:** See, we are not having any deal with companies, but they get processed from time to time from us. We have our own dealer network of 250 dealers and our sales are in our own brand. So, we would like to promote our own brand to a greater extent, not for outsourcing.

- Vinisha Rai:** What is the tenure of the contracts with the existing companies like Cargill, Godrej?
- Rajinder Mittal:** There is no particular contract, they buy from us as and when required under their brand name. Okay.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint, this was the last question. I now hand the conference call over to Vikram Suryavanshi for his closing comments. Over to you sir.
- Vikram Suryavanshi:** We thank the management of BCL Industries Limited for giving us an opportunity to host the call and taking time out for interacting with the stakeholders. Thank you all for being on the call.
- Rajinder Mittal:** Thank you, everyone.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.