



“BCL Limited
Q3 FY2022 Earnings Conference Call

January 31, 2022



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BCL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2022 Earnings Conference Call of BCL Limited, 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 “*” then “0” 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 Mr. Awasthi!

Nitin Awasthi: Before we begin I would like to thank the management for giving us this opportunity to host this concall. From the management side, we have Mr. Kushal Mittal, who is the Joint Managing Director the company.

Now I would like to read out a short cautionary statement before we begin. Some of the statements made in today's concall may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which would cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by them and the information currently available to the management. Audiences are cautioned not to place undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings phone call is purely to educate and bring awareness about the company's fundamental businesses and the financial quarter under review. That is all. Over to you Sir!

Kushal Mittal: Good afternoon everyone. Thank you, Nitin for the introduction. We would like to extend a warm welcome to everyone attending the earnings concall for the third quarter of financial years ending 2022.

Before I begin, I would like to wish you and your family a Happy New Year and I hope you and your families are keeping safe and well. For the ones who are participating for the first time, let me give you a brief background about the company. BCL Industries Limited is a diversified business house with business interests spread primarily across edible oils industry.

The company started off in 1976 with a solvent extraction plant of 40 tons per day extracting oil from rice bran. Over the years, the company has grown to become one of the largest edible oil manufacturers in North India having a total capacity of 1020 tons per day.

Furthermore, we have forayed 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 Bathinda and later doubled its capacity to 200 KLPD and added an ethanol plant. With the rise of demand in both ENA and ethanol, the company is now installing a state-of-the-art distillery of 200 KLPD and 10 megawatt co-generation power plant in Kharagpur, West Bengal. Furthermore, the company is

also expanding in the distillery capacity at Bhatinda by adding another 200k KLPD of ethanol capacity.

The company has already received the environmental clearance for the expansion and the civil work is in full swing. All the machinery orders have been placed and some machinery suppliers are also onsite working. The company aims to bring this plan to production in the second half of FY2023.

Post expansion the capacity of Bhatinda unit would be 400 KLPD and BCL Industries Limited would be one of the largest suppliers of grain-based ethanol in the nation.

Now talking about the key financial highlights for the third quarter, we have had another consistent and phenomenal performance this quarter. The total income of the quarter was 567 Crores which increased by around 40% year-on-year and 22% quarter-on-quarter.

EBITDA for the quarter was at 36 Crores which increased around 66% year-on-year and 13% quarter-on-quarter. EBITDA margins stood at 6.41% percent with an increase of 96 basis points on a year-on-year basis.

Net profit after tax was approximately 24 Crores which is an increase of 139% year-on-year and 15% quarter-on-quarter and PAT margins for the company was reported at 4.25%, an increase of 173 basis points on a year-on-year basis.

In the first nine months of the current financial year the total income has stood at 1483 Crores which increased by approximately 48% compared to the same period last year. EBITDA stood at 96 Crores an increase of 62% on year-on-year and EBITDA margins were at 6.48%, an increase of 58 basis points on the year-on-year basis.

PAT stood at around 62 Crores an increase of 114% compared to the same period last year while our PAT are at 2.17% an increase of 129 basis points year-on-year.

With regards to the edible oil segment the revenue for the edible segment for quarter three were approximately at 448 Crores and 1108 Crores for nine months. We are experiencing strong demand for our products in the segment driven by consistency and the quality of our products and the seamless supply chain that is being offered by our company despite the COVID troubles.

With the government's focus of making India, a need for the edible oil sector, the company expects to keep increasing its revenue and capacity utilization in this segment.

Thank you. I would not like to open the floor for questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi Naredi from the Ravi Naredi. Please go ahead.

- Ravi Naredi:** Sir first of all thank you very much for your fantastic result so far. Sir what is the real estate revenue likely in next few years?
- Kushal Mittal:** See the real estate revenue we have about inventory levels of around 30 Crores left to sell and we hope to monetize the entire amount in the next two years.
- Ravi Naredi:** After completing this project no further real estate is there, right?
- Kushal Mittal:** There is no further real estate projects are planned as of today.
- Ravi Naredi:** Thank you. Second how much rice production are you anticipating in current harvest year and will you get broken rice at reasonable price?
- Kushal Mittal:** See the rice production has stayed consistent on year-on-year basis but broken rice at the same time it does not seem like a problem and there are various reasons for it. See, one is many states in Eastern India are now growing three crops of paddy whereas you know Punjab and Haryana was the grain basket of the nation only growing one crop of paddy in a year where these states can do three and secondly, the second reason is with an increase in income in India and the decrease of prices of grains in India over the years. What has happened is the poor class and the labor class initially they used to eat the damaged rice. The broken right used to go in for human consumption and with an increase in the income and the increase in the standard of living in India now even the lowest class of people do not eat broken rice, they would prefer the rice. So that has increased the supply of broken rice for distillers in the nation. Another big reason is we do not see any problems with the supply of broken rice is the policy that has been initiated by the government where we can now buy rice from FCI at the subsidized rate and that is converted into ethanol and this year we have seen that all grain-based distillers have increased the amount allotted to the FCI policy and that is why have not experienced any supply side pressure from the domestic suppliers.
- Ravi Naredi:** Thank you Sir for detailed explanation. My third question was whatever target for 2024 set by Government of India for ethanol so from where we will get the capacity more from grain based or sugar based?
- Kushal Mittal:** See actually if you read the Niti Aayog report and what the government wants they do not want the supply increasing from the sugar much further. They want all of their supply increasing from grain so their forecast and their expectation is around they want around 350 Crores liters to 400 Crores liters of ethanol being supplied from the grain distillers whereas the current supply is at 52 Crores this year. The intended amount of grain based ethanol in this ethanol year is around 52 Crores which they want to take to 350 Crores to 400 Crores so that is where they want the increase coming from and to achieve that in such a short time is a challenge for all and that is why we have gone into expansion at our units.

- Ravi Naredi:** Again, thanks for a detailed explanation. When Svaksha Distillery will start and Bhatinda you said by November 2022 then what is planned for expansion for further expansion of our units?
- Kushal Mittal:** We have taken the necessary permissions to add 100 KLPD at Svaksha. So, our target right now is to you know before the end of this calendar year make Bhatinda a 400 KLPD capacity and bring Svaksha to 300 KLPD and for now our focus is on this to make a 700 KLPD company and then we can come up with other plans if needed.
- Ravi Naredi:** After that any expansion plans you have made so far?
- Kushal Mittal:** This is the expansion plan for now.
- Ravi Naredi:** So ,there will be no capex in financial year 2023 and 2024 right?
- Kushal Mittal:** Not as of now.
- Ravi Naredi:** Thank you very much for detailed explanation. Thank you so much.
- Moderator:** The next question is from the line of Deepesh Pancheti from Omni Financial Service. Please go ahead.
- Deepesh Pancheti:** First of all congratulations on a great set of results once again. Just wanted to know what is the average price realization of ethanol after the price has been revised?
- Kushal Mittal:** See the ethanol is being supplied now in two qualities. There is the ethanol that is supplied against the damaged grain, which is at Rs.52.13 paisa and then there is ethanol that is being supplied against surplus grains that are bought at Rs.20 a kg from FCI and the same ethanol is supplied to them at Rs.56.87 paisa.
- Deepesh Pancheti:** So we are doing mainly the surplus FCI, what is the revenue mix?
- Kushal Mittal:** About 30% to 35% is under the surplus scheme and the rest is under the damage.
- Deepesh Pancheti:** In future are we going to increase how are we looking forward for this Svaksha expansion also coming in place?
- Kushal Mittal:** You mean change this ratio?
- Deepesh Pancheti:** I mean the ratio since we get a higher realization at...?
- Kushal Mittal:** No. The realization is about the same in both according to our calculations and it depends for some parts of the year the damaged grain might give you a better realization and in some part of the year the surplus grain could give you a better realization but on average we calculated to be

about the same throughout the year. The ratio could be changed a little maybe we could increase the FCI supply in the next year but we have not taken a call on that yet it is usually closer to the next sugar year that will take a call on that.

Deepesh Pancheti: What is the average realization since it is almost the same for damage as well as surplus what is the average realization on this?

Kushal Mittal: See like the realization on an average, we expect per liter will get Rs.10 that is including ENA, ethanol and all the other byproducts that is mode of calculation that we follow.

Deepesh Pancheti: That is apart from the other waste whatever we are selling the other ways that is included in this?

Kushal Mittal: It is included in this. I would not call it waste. I would call it byproduct. Out of 500 Crores of revenue that our 200 KLPD plant gives, 100 Crores is DDGS. So, it would not be like calling it waste as it could be termed as a co-product if not even a by-product.

Deepesh Pancheti: Just one question about the Svaksha Distillery when is it getting commissioned because we have been waiting since this to 2020?

Kushal Mittal: See there were some delays of course due to COVID in the commissioning of the plant and then with the with the prices increasing commodity prices increasing globally there were a lot of plant suppliers were in trouble but due to our long-term relationship we kept it going and they have agreed to supply on the previous terms. So, there was some delay due to COVID and everything but we are expecting to have it commissioned on either February or in March.

Deepesh Pancheti: February or March but that will be full capacity?

Kushal Mittal: Yes, so once the commissioning begins the plant will go into commissioning at full capacity.

Deepesh Pancheti: One more question is that once we get the 700 KLPD expansion done by FY2024 so by FY2025 I am talking about long-term as I am a long-term investor by FY2025 can we reasonably assume that the profits which we are showing today from the distillery division will triple?0

Kushal Mittal: You mean the revenues?

Deepesh Pancheti: The revenues as well as the profits? If all the other things remain the same the government policies, the government, everything.

Kushal Mittal: Yes, so with the 700 KLPD expansion coming into place we expect revenues around the tune of INR. 1750 Crores are in from the distillery sector and the margins too we expect them to continue.

- Deepesh Pancheti:** Do you expect that the profits and the margins will grow according to the capacity, so basically right now we are working at 200 KLPD by FY2024 if you are having 700 KLPD so it is reasonable to assume that profits will triple, sales as well as profits will triple?
- Kushal Mittal:** Yes.
- Deepesh Pancheti:** Thank you so much. Thank you. All the very best. I will come in the line if I have any questions.
- Moderator:** Thank you. The next question is from the line of Abhishek Maheshwari from SkyRidge Wealth Management. Please go ahead.
- Abhishek Maheshwari:** Thank you for the opportunity and congratulations on good numbers. There are a couple of questions. Could you talk a little about any input cost pressures that you might be facing in edible oil and distillery division?
- Kushal Mittal:** Pressures in edible oil division is that the question?
- Abhishek Maheshwari:** I think majorly it would be edible oil but I think if you could talk about distillery also if there any input?
- Kushal Mittal:** Not to sound too positive and we are in a cycle where both the sectors that we are going through a phenomenal period and we expect this period to continue because both the industries are import substitute industries and for the edible oil sector we had been very bullish on this industry for the past few years when everyone was ignoring the industry or was very negative on it and we kept saying you know there would be a time when the government will have to go back to being indigenous in this industry because their financial model is not good for the economy and that is exactly what we are seeing happening right now with the mustard crop this year going up about 30%, 25% to 30% that was what the estimates are and the weather has been very favorable this year, a lot of barren land has come into mustard cultivation, a lot of people have shifted from wheat to mustard where we are and the crop that is in coming will serve us for the entire year so that will help us increase our capacity utilization and our revenue in the edible oil sector so we would even with the government decreasing the import duty the global skyrocketed, I mean the markets are at an all-time high when edible oils are concerned and so you know it is time for indigenous oils to come into place and that is what is happening, there is a shift happening which will take a few years but the sector is going through a very exciting period and for the ethanol and the ENA sector I need not say too much, everyone here is very, very well educated on the sector. The government for the 20% lending target their demands are high and even the ENA sector is very strong because none of the new plants that are coming across the nation have ENA licenses, the ease that has been done in the regulation for setting up a plant has only been done if you only want to manufacture ethanol and us at BCL we have the flexibility to manufacture both ENA and ethanol and ENA market is extremely strong and we expect that to also continue.

Abhishek Maheshwari: Sir, this mustard crop and all, that will depend on are you able to efficiently pass on the cost to the end customer thereby retaining your margins?

Kushal Mittal: That is done quite effectively in the industry and if you look at our margins actually our edible oil margins are better than the industry standard, if I compare our numbers to the bigger players and our EBITDA margins are we are working at better numbers so we can pass on that to the consumer and we are doing very well in this sector.

Abhishek Maheshwari: Good to know. So, my last question is regarding your energy requirements. So, do you have your own captive power plants or you depend on external forces for your power?

Kushal Mittal: We have our own captive power plants in our distillery units and so currently we have about 10 megawatts at Bhatinda and 10 at Kharagpur and Bhatinda is going to 20 after expansion and the exciting part is that the new boiler that we are installing in Bhatinda is going to be running on paddy straw. So, you know to help decrease the pollution and in the northern states new technology has come where a couple of boilers have been installed that run on paddy straw. It is a relatively new technology with a high capex cost but the Punjab Government has also launched a policy where industries have set up a Rice straw based boiler will get part of the GST back and we have registered for the same policy and we are installing that same boiler so we are expecting very good things from the new power plant.

Abhishek Maheshwari: I wanted to talk about coal prices so just think that globally coal prices are really fought up so is that somewhere impacting you also that that is impacting you also?

Kushal Mittal: That is impacting us. Fuel costs in general are higher and that that definitely plays a huge role in the margins as you know the steam and power costs involved in the process but we too have good network, we are still able to source husk at a relatively good rate but yes there is a pressure on that part.

Abhishek Maheshwari: But you do source from India and foreign coal?

Kushal Mittal: We have power plants primarily from biomass. Not as much on coal, so our supplies are local.

Abhishek Maheshwari: Thank you Sir. That is all from me. I will get back to the queue.

Moderator: Thank you. The next question is from the line of Nitin Awasthi. Please go ahead.

Nitin Awasthi: The volumes on the ENA and the ethanol front combined together the distillation volumes if I may call them seems to have shot up so have they actually what utilizations are you running at because at these levels it seems like you are either running a utilization or higher than that?

- Kushal Mittal:** See the plants can run up to 110% if they are pushed and for the last quarter due to the increase in demand and the plant had already gone into maintenance beforehand, we were able to work at full capacity utilization and slightly higher.
- Nitin Awasthi:** Okay noted it, so that explains the reasons for the higher volumes. Sir your new plant in Bengal what will be the prices of ENA that we will be able to garner, what will be the pricing in Punjab?
- Kushal Mittal:** ENA prices are very strong across the nation. In Punjab, this month our average will be around Rs.54 and in Bengal we expect this to be around Rs.57 to Rs.58.
- Nitin Awasthi:** Rs.58?
- Kushal Mittal:** Yes Rs.57 to Rs.58, yes. With the current prices but right now there is a huge shortage of ENA in the market because Brazil supplies have gone down and with the rise in COVID cases a lot of the African Nations and Middle Eastern nations have been importing spirit for the manufacturing of sanitizer, so there is a shortage of ENA in the market currently. So the prices are very good.
- Nitin Awasthi:** With Rs.57, Rs.58 and with the fungibility in capacity that you have in West Bengal Svaksha could do 18% to 20% EBITDA?
- Kushal Mittal:** Yes, we are expecting better EBITDA margin at the Svaksha unit.
- Nitin Awasthi:** Okay noted Sir. Sir what is the price tag of DDGS right now?
- Kushal Mittal:** See DDGS, EBITDA was 14% and we were getting around Rs.26 on an average.
- Nitin Awasthi:** Rs.26 on an average, okay noted. Sir and also there is this talk going on about maize getting a different pricing within the whole basket of grain distillation can you shed some light on that they are talking about Rs.55 rate from maize?
- Kushal Mittal:** In order to promote maize as a viable crop as a viable substitute for paddy in the northern region there has to be a good industrial use of maize, see the in the Indian farmer what they struggle with is the damaged maize that they are left over with. See the good quality maize is being procured by the feed manufacturers like Cargill and other companies and if there is a little bit moisture left in the maize and the aflatoxins increases they completely extract the entire lot and then the farmers struggle and so damaged maize can only be procured by the distilleries and distilleries currently it is unviable for us to make ethanol from maize and sell it at the current price because maize has relatively lower starch when compared to rice and the current market prices are around the same or higher when compared to broken rice. So the industry and the government are both interested in increasing the area under maize, the area cultivated under maize and for that there is a proposal that there will be a new price that set from maize-based ethanol. I do not know the inside news of anything but we should have a policy of such coming in the future that is beneficial for the environment also, not only the industry.

- Nitin Awasthi:** Noted Sir. The last question from my side; the tax rate volatility that we see in the company why does that seem to happen and also will Svaksha get some concession in tax rate going ahead when you start the new distillery.
- Kushal Mittal:** No. There would not be any concession at Svaksha tax rate and BCL the last quarter or two has it stabilized and it will continue the tax rate same 25%.
- Nitin Awasthi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Karan Agarwal from Tusk Investments. Please go ahead.
- Karan Agarwal:** What I was saying is that if I am correct you will be able to make 23000 liter of ethanol by FY2024 right?
- Kushal Mittal:** 23 Crores of both ethanol and ENA combined.
- Karan Agarwal:** Combined and I am assuming an average realization of 54 per liter you will be able to make close to 1200 Crores to 1250 Crores revenue from ethanol and ENA combined. You are assuming 2024 and only call if I am not wrong you had mentioned that the revenue from the distillery division will be close to 700 Crores odd right?
- Kushal Mittal:** 1700 so that is that is including the byproducts also.
- Karan Agarwal:** So I was coming to that so this 500 Crore delta will be via byproducts right you will be selling DDGS and Co2 if I am correct?
- Kushal Mittal:** Yes.
- Karan Agarwal:** The second question would be that of this 23 Crore liters, what will be the mix between ethanol and ENA because as per my understanding to be eligible for the interest rate subsidy you need to utilize 75% of the plant to produce ethanol.
- Kushal Mittal:** So that is plant wise. That is not a company wise policy so for example my Bhatinda expansion qualifies under the interest subvention scheme because I am expanding that plant by 200 KLPD and the expansion that I am doing is ethanol only, so it is only the expansion that is looked at for so then so then my entire plant will be on ethanol. So that is why I qualify for that policy and the same at Kharagpur the expansion that I am doing is ethanol only so for the 100 KLPD expansion I will qualify for the interest subvention for the current 200 KLPD i would not qualify because I do not wish to divest 75% of my quantity towards ethanol and I wish to have the flexibility in Bengal as ENA demand is good there.

- Karan Agarwal:** Whom do we sell ENA to? I am sorry I am new to the call, I might not know so which is why I am asking.
- Kushal Mittal:** No it is very...
- Karan Agarwal:** I will get back in the queue. I will try to reconnect.
- Moderator:** Thank you. The next question is from the line of Mayur Liman from Profitmart Securities. Please go ahead.
- Mayur Liman:** Yes Sir. Thank you Sir. I have one question. What is our company long term and short term goal?
- Kushal Mittal:** For the short term to keep increasing our revenues and profits from the edible oil sector and bring the yearly revenue from this sector close to 1700 Crores from the edible oil sector and keep the profit margin at an industry best and for the distillery sector it is to make a company 700 KLPD company and do that a good speed, at very good execution and at very low finance cost. For example the Svaksha distillery expansion is happening without any fund raising from the bank and the Bathinda expansion is happening with an applicable interest rate of around 4% after the inter subvention scheme so those are the targets for now and for the long term it is to remain as one of the largest grain based ethanol manufacturers in the nation and become a pioneer in the industry and also be long term debt free.
- Mayur Liman:** Okay Sir. Thank you so much Sir. Best of luck Sir.
- Moderator:** Thank you. The next question is from the line of Sneha Ghoshal from Insync Capital Partners. Please go ahead.
- Sneha Ghoshal:** Thank you for the opportunity Sir. I wanted to ask how what percentage of revenue do we foresee from edible oils and what percentage do we see from ENA and ethanol.
- Kushal Mittal:** post our expansion in the distillery sector we expect both the sectors to give us 50, 50 in their revenues so that is what we are aiming for and that is what our expectations are.
- Sneha Ghoshal:** Okay and since there has been a lot of traction in the edible oil segment especially exports where do we stand in there like exports, how do we foresee it.
- Kushal Mittal:** See we as a company are you know in this sector, we think India itself has a huge demand to cater that also it is a big challenge and we are focused on the Indian consumer and indigenous oil for the Indian consumer and with the government policy of import substitute oils coming into place and with the cultivation of the Indian oil seeds increasing in the next couple of years our focus is on that and that will be a big growth driver for the company.

- Sneha Ghoshal:** Okay and there has also been some news reports, some price increase in edible oils as well so are we going to benefit from that in the near term at least, next two to three quarters?
- Kushal Mittal:** Sorry price increase or decrease.
- Sneha Ghoshal:** Some aspects there was price increase as well.
- Kushal Mittal:** See in the last year and half edible oil prices have appreciated and that is good for the company because when the edible prices increases, the price for the oil seed increases and the farmer gladly switches to cultivating edible oil seeds as you noticed mustard this year as there is a bumper crop coming and that is beneficial for a company like us as we expertise in edible oil seed to the final duba pack so when the farmer decides to increase the edible oil cultivation we are direct beneficiaries of that.
- Sneha Ghoshal:** Yes that is it. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Jatin Kumar from Alfa Capital Management. Please go ahead.
- Jatin Kumar:** First of all congrats for a great set of numbers. One question in terms of long term risk on this ethanol government policy because there is some kind of worry also that India is a poor country, people do not have food to eat and government is allowing food to be used to convert to ethanol so any worry on that and that government, they may change this policy and all?
- Kushal Mittal:** For the educated in this sector, there is not much worry on that. Actually this morning I was reading the Hindu Business Line and there was an article on that said, see we know this and we have been talking about this for a while, but just for everyone's knowledge. It was an article on Hindu Business Line that everyone can read, which said the government intends to keep this policy of surplus rice ongoing where we are buying rice from FCI and government converting it because the stock that India needs even if there is a famine in the country is at 7 lakh meta tons of grain. The current stock that FCI is sitting on is 53 lakh metric tons, so there is huge difference between what is needed and what they have and that is being bought at a very expensive rate, so the ethanol policy is a very good solution for this. The government cannot tell the farmers to stop cultivating because now as we are experiencing more and more barren land is coming into cultivation instead of the other way. The government has to subsidize agriculture as that is the case around the world and India's grains are not exported because of the high pesticide use in the country and even if they are being exported there is not much demand across the world when it comes to the grain as the world itself is grain surplus so for those reasons we are not worried about the long term aspect of this policy.
- Jatin Kumar:** Great to know. Sir one question on very near term, next coming in few quarters because we are already running at full capacity and new capacity will take some time to come so can we expect

some kind of less growth or no growth for coming few quarters or we should be expecting growth in coming few quarters also for big capacity comes in?

Kushal Mittal: Growth as in terms of revenue?

Jatin Kumar: Both Sir revenue as well as bottomline profit and revenue?

Kushal Mittal: Yes we expect growth, so first growth driver should be Svaksha distillery which we are hoping to commission before the end of this financial year. There is a 200 KLPD plant. It is a subsidiary of BCL where BCL owns 75% of the equity so those revenues and the bottomline from that plant will be reflected on our balance sheet and secondary to another 200 KLPD expansion in Bathinda that we are expecting. The work is ongoing at a very good speed and we are saying November but the expansion will be done before that and the plant will be commissioned before that because with us bring in Bathinda and having our entire team and the weather condition being very good here work can be done at a very good speed in comparison and Brownfield project is always done at a much faster speed and another 100 KLPD we expect to add in Kharagpur before the year ends, so these all would be growth drivers for the company in terms of revenue and profit and at the same time as I have been mentioning the edible oil sector was going back to indigenous we expect to keep increasing our capacity utilization quarter on quarter as you are seeing in our numbers and that has a direct impact on our revenues and our profits.

Jatin Kumar: Sir last question would be, have we entered into some long term contracts already for the ethanol or they will be done once the capacity comes only?

Kushal Mittal: See the contracts that we have entered, is we are eligible to participate in the yearly tenders and we participate in the yearly tenders.

Jatin Kumar: Sure Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Deepesh Pancheti from Omni Financial Services. Please go ahead.

Deepesh Pancheti: How is the edible oil policy which the government has launched? Today even the president also said about. How is it going to help our company?

Kushal Mittal: We at BCL we are fully vertically integrated in the edible oil sector. So our expertise has always been converting the edible oil seeds to the final duba pack, so we have own oil mill, our own solvent extraction unit and our refinery so our expertise is always buying the edible oil seed from various arhtiyas and converting it to the final product and once the indigenous seed production increases in the nation or oil mill and our solvent comes into a greater capacity utilization which is being worked at under capacity utilization currently and that is very beneficial for the company like us.

- Deepesh Pancheti:** Also wanted to know that do we expect our margins to be better because this time the margins of edible oil were slightly low even though the sales increased drastically. Is it because of the less seeds availability? I am saying quarter-on-quarter.
- Kushal Mittal:** Quarter-on-quarter also they are about the same from what I can see. 3.45 compared to 3.4%, so I do not see much difference and there is going to be a slight difference quarter-on-quarter. It is not a fixed margin but our margins are still better in comparison to our competitors and even the bigger competitors.
- Deepesh Pancheti:** One more question about the distillery, about ethanol. Which machinery are we using and what is the life of these machines? Are we taking from Praj or are we taking from imported machinery is there a longer life for them because we are planning a bigger expansion almost three times so what will be the life of that project?
- Kushal Mittal:** Some machinery are imported, mostly are not and the life also depends on what machinery we are talking about right, so like fermenter or distillation plant they have a longer life, a power plant has a different life so it is hard to comment in general on that but I can see our Kharagpur 200 KLPD is being set up Praj but our Bathinda units we have worked with an Indian company called VAPCO Engineers in the past and we are continuing to work with them. We believe their plant is equally as good and should not cause us any problems.
- Deepesh Pancheti:** One more question, are we looking at any raising of money by preferential issue or in future by equity running such a big expansion?
- Kushal Mittal:** No plans, no plans.
- Deepesh Pancheti:** As of now nothing. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.
- Ravi Naredi:** Sir what is our capex plan for financial year 2023 and 2024?
- Kushal Mittal:** See for the next financial year we are adding 200 KLPD at Bathinda and another 100 KLPD at Kharagpur, so the capex for Bathinda is around 170 Crores out of which 120 Crores loan has been sanctioned by Canara bank and for the Kharagpur 200 KLPD, the plant is being set up on completely cash by the cash approvals of the company and no loan has been taken and for the 100 KLPD expansion we are in talks with a bank to raise about 45 Crores so total of around 60 Crores to 70 Crores.
- Ravi Naredi:** So after date there is no plan so far right.
- Kushal Mittal:** None.

- Ravi Naredi:** Okay. Thank you. Thank you.
- Moderator:** Thank you. The next question is from the line of Mukesh Kothari, an individual investor. Please go ahead.
- Mukesh Kothari:** Thanks for an opportunity and pardon me for some basic question. Because we are on the largest grain based ethanol producer what is the cost dynamics between sugar based ethanol and grain based ethanol and what volumes will the margin level between these two alternatives match considering that it is not tender based and the cost of producing ethanol as well as sugar based is lower than we might not be competitive in the market?
- Kushal Mittal:** Mr. Mukesh the sugar based ethanol depending on the source whether that is sugar cane or b heavy molasses, C heavy molasses differs and only I believe b heavy molasses is the only ethanol from the sugar industry that is cheaper than grain based ethanol and I cannot speak of the sugar industry because I am not part of it so it will not be right for me to say on it but the sugar industry is already subsidized by the government. It is a highly subsidized industry so you either subsidize something one way or subsidize it the other way where the grain based distillery industry is not subsidized, so that would add in our price of ethanol being a little Rs. 1 higher than the B heavy molasses will not make us competitive because it is the cash flow of the government and we have to subsidize that industry heavily so I do not see that as being a trouble.
- Mukesh Kothari:** Okay look considering the fact that even there is minimum price for the cane, so I am saying the cost are very different between the sugar base and grain base then we might end up uncompetitive.
- Kushal Mittal:** The main issue that is not the case. Actually most sugar based ethanol depending on sources higher than grain.
- Moderator:** Thank you. The next question is from the line of Mohsin Alam an individual investor. Please go ahead.
- Mohsin Alam:** Sir I have one question regarding the recent news that government has cut the GST rate on ethanol for blending. What will be the impact of this GST rate cut on the company bottomline?
- Kushal Mittal:** Actually I should clarify the news a little, So initially the rule was that PSUs being BPCL, IUCL, and HPCL they could buy ethanol at GST rate of 5% and if there were other oil suppliers like Reliance, private players the applicable rate was at 18% so that has been changed to 5% for the private players so initially the private players were not buying ethanol because it was not viable for them to buy but now they started buying ethanol so that in general has increased the demand of ethanol for us but that has been the impact of that.
- Moderator:** Thank you. The next question is from the line of Vinod Sakpal, individual investor. Please go ahead.

- Vinod Sakpal:** Do we have any plans for expansion in the edible oil business because we have been talking a lot about the ENA and the ethanol, any plans on the edible oil?
- Kushal Mittal:** Edible oil sector firstly our target is to increase the capacity utilization of our current unit to 100% and after that we are going to see the industry trend and I was very bullish on it and if we are to expand it would via the acquisition rate.
- Vinod Sakpal:** So the current utilization?
- Kushal Mittal:** See the utilization currently I would say it is increasing and the refinery is working at 100%, the solvent is working at very good capacity utilization, so I would say it is around 80%.
- Vinod Sakpal:** Great. Thank you.
- Kushal Mittal:** if there are no further questions we can end the call.
- Moderator:** As there are no further questions, I would now like to hand the conference over to Mr. Nitin Awasthi for closing comments.
- Nitin Awasthi:** Firstly, I like to thank the management again for giving us this opportunity and also I thank the participants for healthy conversation that we had during the concall and thank you and that is all.
- Moderator:** Thank you very much. On behalf of InCred Research that concludes this conference. Thank you for joining us. You may now disconnect your lines.