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TO CORPORATE RELATIONSHIP DEPARTMENT BSE LIMITED FLOOR 25, FEROZE JEEJEEBHOY TOWERS, DALAL STREET MUMBAI- 400001	TO 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: 23.11.2022

REG: Transcript of Earnings Conference Call on Q2 results of the Company

Dear Sir/Madam

This is further to our intimation dated 14.11.2022 regarding Conference Call for Analysts/Investors with respect to the Un-Audited Financial Results of the Company for the II Quarter ended 30th September, 2022.

The transcript of the conference call held on 17.11.2022 with investors/analysts is enclosed herewith.

Thanking You,
Yours faithfully,

For BCL Industries Limited

RAJINDER MITTAL
Digitally signed by RAJINDER MITTAL
Date: 2022.11.23 15:47:57 +05'30'

Rajinder Mittal
Managing Director
(DIN: 00033082)

"BCL Industries Limited Q2 FY2023 Earnings Conference Call"

November 17, 2022

ANALYST: **MR. PRASHANT SHARMA - QUANTUM SECURITIES PRIVATE LIMITED**

MANAGEMENT: **MR. RAJINDER MITTAL – MANAGING DIRECTOR - BCL INDUSTRIES LIMITED**

Moderator: Good day, ladies and Gentlemen, and welcome to the Q2 FY2023 Earnings Conference Call of BCL Industries Limited hosted by Quantum Securities 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 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. Prashant Sharma from Quantum Securities. Thank you and over to you, Sir.

Prashant Sharma: Thank you Michelle. On behalf of Quantum Securities, we welcome you all to the quarter II FY2023 Results Con Call of BCL Industries Limited. We thank the management for giving us the opportunity to host this call. The management is represented by Mr. Rajinder Mittal –Managing Director. I now hand over the call to Mr. Rajinder Mittal. Over to you, Sir.

Rajinder Mittal: Thank you. Good afternoon everyone and welcome to BCL Industries earnings call for the second quarter of the financial year 2023.

Let me start by giving the key financial highlights of the quarter two FY2023. The total income for the quarter was around 455 Crores, which declined by approximately 2% year-on-year, EBITDA for the quarter was around 8.6 Crores, which declined by approximately 73% year-on-year. EBITDA margins were 1.89% and we reported a net loss of 80 lakhs.

Coming to the operational highlights for the second quarter of financial year 2022-2023 with regards to the distillery segment. There is a significant increase in the price of fuel, which led to the decrease in EBITDA margins year-to-year. The company is hedging against the global increase in the energy cost by having a power plant, which will run on multi-fuel, mainly the rice and mustard straw and wood stick of cotton straws, and we have already procured around about 55000 tons of this kind of fuel to be used in this year starting from the last quarter of this financial year, which will significantly reduce the cost of the fuel in the next financial year and somewhat will be reflected in the last quarter of this financial year.

The power plant is likely to be commissioned in the fourth quarter of this financial year, which will help the company to reduce the fuel cost in the long run, and they will be hedging as regard this kind of a situation does not arise in the future. So, we will be running our boilers on multi-fuel basis.

There has also been an increase in the prices of damaged food grains in the market, but we were able to hedge against the price increase by milling some of our requirements in our own rice mill. Svaksha distillery experienced some unexpected problems during the commissioning, though the order was executed by one of the Asia's best companies, Praj and there cannot be a better supplier than Praj in the present scenario, but this is a 1 in 1000 cases where there is a defect in the RC Column which the company has agreed to replace and the replacement will go by middle of the January and from thereafter we will be able to achieve the full capacity utilization.

At present we are only utilizing 70% of the capacity that too for ethanol only, we have not been able to utilize or have the opportunity of producing the ENA which is at higher price as compared to the ethanol prices. So that was our main contention that we will be putting our 50% capacity on ethanol and 50% capacity on ENA. So that is the main reason that in structure we were not able to operate the unit at the full capacity. In this distillery segment, one thing has to be noted that almost all the processing costs are fixed. The variable cost is very minimal that is about 15% to 20% is the variable cost and 80% is almost fixed cost by way of finance cost by way of salary wages, by way of power and fuel, because the power and fuel requirement is being met from the captive power plant and captive power plant operating on some less capacity does not have the fuel expenses. The fuel expenses we thought to be about 80% plus we are getting about 72%. So, when we are able to operate at 100% capacity this processing cost will automatically come down and have a positive impact on the results.

The work for the expansion of 200 KLPD ethanol plant in Bhatinda is in full swing and the company has availed a term loan of about INR 100 Crores from Canara Bank which qualifies for interest subvention scheme effectively we will be paying about 4.25% of the interest at present to the bank, and we hope to commission this plant as per schedule and we should be having one or two months working for the last quarter in this financial year itself.

In the edible oil segment, there has been more than 50% decline in the global edible oil prices, and the second big thing is that the government was worried about the inflation of this day-to-day consumption items, mainly edible oil. The government reduced the import duty to almost nil, which was at very higher rate. So that impacted the inventory loss of the holding, though we were quite cautious and we were not bothered about achieving the sales target as compared to the last financial year but still we did 50% reduction and we also had to bail out our distributors because they do not have the deep pocket to bear this kind of loss to the extent of 50% in the inventory. So, the total booking which was done at a higher rate with the dealers, we had to come up to bail them out, and those were again priced at the market price which resulted in the heavy inventory loss. For example we are having about 300 Crores per quarter and and over 100 Crores per month is the sale of the edible oil and we just had inventory of not even for 15 days but the loss on account of INR 50 Crores if you reduce this just by 50% that comes to 25 Crores so this is the way of tranches that we have ever seen in the industry. Now the prices have bottomed out and in the month of October there has been some recovery in the prices and the inventory loss has been reduced and now we have some gains in this quarter and hopefully we are quite hopeful that if this present situation continues we shall be again having the comparable third quarter as compared to the last year, and we should be able to make up some part of the losses incurred in this quarter in coming two quarters.

In the real estate segment, we continue to utilize revenue for the sale to liquidity gap, which his visible in the results. Lastly to discuss about the half yearly performance of the financial year 2023. The total income was around INR 833 Crores, which declined approximately by 9% year-to-year here I just like to mention that this drop is only in the edible oil segment. There has not been any drop in the distillery segment. The distillery segment there has been in the half yearly if we talk about this there has been some increase also and quarter wise there has also been some increase in the volumes. The total income was around INR 833 Crores which is approximately 9% less as compared to the last year EBITDA stood at approximately 40 Cr which declined by about approximately 33%, EBITDA margins reported at 4.83% while the net profit was INR 17 Crores down by approximately 55% year-on-year. With this now I would like to open the floor for any questions. Thank you.

Moderator: Thank you very much sir. We will now begin the question and answer session. The first question is from the line of Simran Singh from Omkara Capital. Please go ahead.

Simran Singh: See I want to understand what is your Bhatinda distillery refinery capacity utilization right now I want to understand it, and secondly your Svaksha distillery plant which it is going to commission, what is the status right now in the ethanol segment as well as in the ENA segment.

Rajinder Mittal: Let me answer your question one-by-one. The Bhatinda capacity utilization of ethanol and ENA is more than 100%. So, we are utilizing more than 100% capacity and for your information this quarter particularly this second quarter so as compared to last quarter, we have been able to achieve 18.60% more capacity in this particular quarter and the utilization is more than 100% at Bhatinda plant. Regarding Svaksha, as I mentioned in this presentation that there is some technical defect in the rectifier column, that makes the quality for ENA oblique for alcohol. Since that column, there is some defects and we are not receiving the desired capacity and the quality. The entire quantity which we are manufacturing which is to the extent of about 70% of the total installed capacity is being converted into ethanol. So there in West Bengal the prices of the ethanol or the India wide prices of ethanol are a bit lower as compared to the realization on account of ENA. So that column, the company has identified the fault, that complete column has to be replaced, and the column is under fabrication in their workshop at Pune so that column will be dispatched, they have assured us that they will be able to dispatch by 15th of December and that to reach the site by 25th of December and another 5 to 10 days in taking out the old column and replacing it with new we will have a production loss of even 70% in that 7 to 10 days period and we are hopeful that from February, March we will have two months of a 100% capacity. The rest of the things are stabilized. There is not even a single problem as regards the quality acceptance of the DDGS, we have supplied to Godrej for this aquafeed with a plant which is very near to about 8 kilometer from us all the qualities and other things, the grain procurement, the fuel efficiency all things are stabilized expect there is a defect in the rectifier column and this is the second time we have witnessed this kind of defect in their history of supplying 500 columns. So, we went to Pune but all things said and done, the effect is there and we have suffered on account of that.

Simran Singh: So, sir, we can say that from the next February or in the March onwards we can have the 100% capacity utilization from the Svaksha distillery.

Rajinder Mittal: Yes, I think we should get a good too month working with 100% capacity at Svaksha Distillery because all ethanol supply tie ups, logistics arrangements, grain allotments from FCI and other allocations have now been stabilized. Moreover, I will just make a reference that the delay in commissioning of Svaksha Distillery has certainly put a dent on the company's performance as regards this particular quarter. We were hoping that this quarter we would have achieved full capacity because of good output was experienced in the field and the most experienced technical teams from Bathinda plant have been stationed at Svaksha Distillery. We posted had posted them there to ensure the speedy stabilization of the plant but due to this technical defect this could not be achieved in this quarter. Now with the assurance of Praj Industries and they are quite serious about these things because this has given a bad name to them also in spite of the huge loss to us they will be also losing about 3 to 4 Crores as the cost of the column is about 4 Crores and apart from that the freight and the erection charges, the dismantling charges are these all these things which Praj Industries will be bearing. I think we should be able to commission the plant by 15th of Jan 2023 without fail and have 2.5 months good working for 100% capacity utilization.

Simran Singh: Sir my last question is in terms of the expenses I was going through your annual reports and quarterly presentations also I did not find a breakup of the expenses operating expenses in the P&L statement so can you at least share this how can you at least explain what is the major constituent in the expenses you have in the total expenses.

Rajinder Mittal: I will just give you the thumb rule of the industry to convert grain base to ethanol or ENA. There are four major expenditures in this. The first is the power and fuel, which at present is about Rs.14 per liter at Svaksha, wherein it should have been less than Rs.10 per liter because of the lower capacity utilization. Rs.2 per liter in the salary wages, finance cost Rs.2 per liter, Rs.1.75 per liter in the processing chemical cost and about Rs.0.70 per liter is the repair and maintenance cost. This is the total thumb rule bifurcation.

Simran Singh: Thank you and all the best.

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

Dipesh Sancheti: Firstly, what is your take or feeling about the Q2 results. Are you disappointed is this a one off or you think it was better than what could have happened?

Rajinder Mittal: You see, we are not disappointed with the Companies performance and let me be very frank with you because the management with their experience has been able to reduce the loss to a great extent. You see that we did not even care about achieving the revenue target as we were afraid of this market going skyrocketing at these levels which has never happened in the edible oil history that prices in just about three months has doubled, maybe the funds were playing with the cost. In the first quarter we have lost our low price contracts with the higher price prevailing at that time, and out of the INR 9 Crores earning in the first quarter in this edible segment INR 8.2 Crores was the profit received from settling of those contracts so we were lucky enough to wash out those contracts at the import level itself and have the earning from that account. Otherwise would have been much, much higher so we consider that we have got a best inventory management and the best portfolio management so we are highly satisfied with the results and we are not disappointed and now onwards as I mentioned that from October we believe that the market has bottomed out and that also proved to be quite in line with the management thoughts and we will be able recover some part of our loss from this quarter or not recover at least maintain the margins as in the previous two quarters of the corresponding year.

Second thing I was just mentioning that regarding distillery segment in spite of the fact that there has been an increase of about 9 Crores in the fuel cost, 9 Crores of increase in the fuel cost alone in this quarter we have been able to curtail that hit by increasing the production by 18.60% and apart from that we did increase the production but the fuel percentage the fuel quantity wise we were able to reduce 5.67% so as regards the management part and my team they have done their best and I congratulate them for this and we are highly satisfied that we have been able to bail out in these difficult times.

Dipesh Sancheti: So this 9 Crores of fuel cost which was the increase in this quarter was in Bhatinda or in Svaksha.

Rajinder Mittal: No, it is in Bhatinda, we have not calculated Svaksha fuel cost because we are running on 70% capacity and this will give a skewed result. Once we resume the full capacity of the plant, we will have the combined analysis of all expenses together specially the fuel cost. I was referring to Bhatinda plant where we have faced Rs. 9 Crores increase in the fuel cost.

Dipesh Sancheti: What is the major reason of this high increase in fuel cost was it due to the increase in power cost from Punjab government what is the major reason.

Rajinder Mittal: No, you see that we are producing the captive power with that we are not affected by the Punjab government tariffs and other things. But it is the fuel cost, the fuel cost which I mentioned is mainly the fuel cost is at rice husk at present. So to take care of that the company last year took the decision that we should have the second power plant which is being installed for the coming expansion of 10 megawatt at present we have got 10 megawatt captive power plant and the basic fuel is husk or we can convert that into coal but coal was also not available the coal was even much higher as compared to the husk so all the industries in Punjab now instead of using coal or furnace oil or maybe any other fuel everything was on the higher side. So, they prefer to use the local and that is the scarcity of the product and that took the price higher by 71%. So now the second power plant will be a multi-fuel boiler that we will be able to utilize the rice straw from which we have now accumulated for almost 7 to 8 months 60000 tons we have accumulated now that is a Rs.2.5 kg as against Rs.9 per kg you will just imagine and expenses just down by 15% to 20% and we will be able to use the mustard straw. Though the Capex cost on that is on the higher side but the Punjab government have come out with an incentive on these kind of power plants by giving us a share of 2.5% for the full amount spent on this power plant. So, in 5 years, we will be able to get the investment back by way of IGST refund of the state government share.

Dipesh Sancheti: So, this IGST refund will be also on whatever the products which are sold because of that plant or only on the plant cost.

Rajinder Mittal: Whatever the company has to paid as GST. If the company is paying GST to the extent of Rs.5 Crores per annum. So, we will be getting the SGST share of Rs.5 Crores up to the maximum to the extent my Capex cost on this power plant which is around a 45 Crores.

Dipesh Sancheti: That is for five years right.

Rajinder Mittal: That is for five years.

Dipesh Sancheti: Sir just wanted to have an update from Svaksha what you said that from Svaksha we supply to Godrej, right.

Rajinder Mittal: No, I was just mentioning that the rest of the things have stabilized. We generally produce three things. One is the DDGS which goes as a poultry and cattle feed and aquafeed, and the second is the portable alcohol that we call it ENA and third is ethanol. So, in our plant we manufacture portable alcohol. Ethanol plant we just kept standby such as new market we may not be able to sell about 200 KLPD per day of portable ethanol in that segment because we could see that there could be some marketing issues. But what we did that 50% we put up an ethanol plant so that 50% capacity is a total 50% we can sell about at own rate or we would have took a pressure on this ENA prices. So that was the plan there so now about only ethanol plant is running because we are not getting the quality parameters required for the purpose of portable alcohol due to the defect in the rectifier column which is to be replaced by Praj industry.

Dipesh Sancheti: Will we be paying anything for this replacement.

Rajinder Mittal: No, we will not be paying anything. So that its their duty to achieve all the required parameters which has been duly notified and there is a proper agreement for that so we do not have to pay anything to them. Apart from that we cannot ask them the recurring losses only the machinery has they have to achieve the parameters. The second option was with the company that you could have taken a 5% penalty of the total contract value say the contract value of around about 50 crores. So we could have taken just 2.5 Crores from them and got the column replaced from other suppliers maybe get it rectified from other companies but we did not choose that because the column cost is around more than 5 Crores there could have been another expenditure and that would have been again a great experiment to realign the entire process so we opted for them and you see that there is a very, very heavy order book with Praj. Otherwise it cannot be sole job there is the difficulty in getting the special kind of copper required in these columns to have this better quality and Praj is considered to be one of the best suppliers and we chose that they should replace the column at a zero cost.

Dipesh Sancheti: I think that is a good decision for long-term also.

Rajinder Mittal: We just wanted to maintain relationship with them instead of parting with them because we are here from a long-term basis not on short-term basis in this ethanol plant.

Moderator: We move on to the next participant and the question is from the line of Anirudh Singhi from Dalal & Brocha Portfolio Managers. Please go ahead.

Anirudh Singhi: Sir my question was in Q1 and first half both our oil revenue was down about 15% so could you just break that up into volume and pricing.

Rajinder Mittal: You see that in Q2 over half yearly our revenue is down that is mainly on account of the edible oil production only. There has not been any decline in the distillery segment. This first quarter the quantity we produced was 23586 tons of total edible oil and the last quarter the figure was 14480 because we settled all the low price bargain at the time it was not you can say commercial viable to bring that high priced product here and processing and sell in the market because this is a very, very sensitive commodity higher the price lower the consumption lower the price higher the consumption. So, quantity wise we took a big hit we took a big decision and got Rs.8.2 Crores as our profit by selling the total vessel upload in the foreign country itself and in this quarter the second quarter the quantity which we produce is approximately 20876 tons against 27762 tons. Otherwise there would have been a huge inventory loss for me because my retailers they were running away because they did have the deep pockets. So we have to take a decision that we will move slow to reduce the losses otherwise it would have been much higher because see that the quantity wise production is much, much higher but the prices are so high and the government asked the industry they put up the stock waivers other things and there was so much of checking because they were quite worried about the increase in the day-to-day consumption. We kept a low profile we did not care for the revenue and that lower capacity utilization of the plant also resulted is also one of the factors to have this loss in these quarters.

Anirudh Singhi: I understand, 15% overall decline, 10% was volume, 5% was pricing right.

Rajinder Mittal: Yes. It was mainly because of the volume because you can say the prices are so high during this period. quantity wise you can say volumes was 45% down.

Anirudh Singhi: This is for Q2.

Rajinder Mittal: No this is for both these quarters it is about half yearly. Half yearly my quantity is down by almost 40% to 45%.

Anirudh Singhi: Our revenue is down only 15% so there is a 13% improvement in realization.

Rajinder Mittal: No. This is because it is a very high price. Unaffordable for the people so that is why government came up with so many steps to reduce the import duty almost to a zero level. The second one, putting stock limits, you see that there were so many factors this within these two quarters. There was you can say foreign exchange losses also on that account. This was limited because we washed out the contracts all in the first quarter and had a profit margins of 8.2 Crores. So there was no sense in bringing the product to India and then again incurring an inventory loss or you could manage but that is why I mentioned in the last question that we are highly satisfied with the results and we have been able to avoid the large portion of the losses this would have been a difficult time to the company.

Anirudh Singhi: Could you just help me recalibrate our capacity. So right now, we have 200 KLPD distillery at Bhatinda. Another 200 KLPD which is coming up which was in Bengal another 200 KLPD come up in Bhatinda by end of this year.

Rajinder Mittal: Yes. So at present we are operating 200 KLPD distillery at Bhatinda, which is running more than 100% capacity the second distillery 200 KLPD is also in operation with a capacity of 70% another 200 KLPD is under erection at Bhatinda which we hope to commission by end of January the next year and we could have about two months of working in this financial year, and another 100 KLPD expansion is also planned at Svaksha that got some setback with this unfold circumstances which prevails. So first we wanted to have utilized the 100% capacity that is 200 KLPD at Svaksha and then start the work for 100 KLPD for which we have received all these sanctions are in place. The orders finally all negotiated but we did not release in advance because we were fixed at whether to go with Praj or go with our old suppliers, which we had proven record. We paid an extra amount as compared to the other suppliers which we have paid at Bhatinda seeing that it is a more reputed and more reliable and more efficient company at Praj but you can say experience was bad for us. So, we have now again decided to take this 100 KLPD expansion of Svaksha from the old suppliers and we will release them the advance and the orders once the Bhatinda plant is commissioned and we achieve the 100% capacity utilization in Svaksha after the due rectifications.

Anirudh Singhi: So, the start of FY2025 we will have 600 KLPD capacity.

Rajinder Mittal: No, we will have 700 KLPD capacity. Next year so our capacity 200 KLPD Bhatinda running 200 KLPD Svaksha another 200 expansion will come into operation within this financial year itself and 100 KLPD expansion plant which will not take them more than 4-5 months because all these things the civil work and other the modalities the permissions logistics have already been created and we had started this power plant which is the main time consuming sector, taking a view of our 100 KLPD expansion so as far as everything goes on well the present circumstances we should be able to commission even the 100 KLPD expanded capacity at Svaksha by third quarter of the next financial year. So next financial year we should be having a 700 KLPD total capacity in our hand.

Anirudh Singhi: Could you break that up into ENA and ethanol.

Rajinder Mittal: Sorry.

Anirudh Singhi: Of the 700 how much would be ENA how much would be ethanol.

Rajinder Mittal: That is a very valid question because in Bhatinda we will be utilizing about 200 KLPD in previous plants, purely for portable purposes and 200 KLPD will be for ethanol purposes. In Svaksha we will be utilizing about 50% of the capacity for ethanol and 50% capacity for the ENA thereby gaining 150 to the ENA and we just want to make it big because the prices of ethanol fixed by the government with the sugar year which starts from 1st of December. This year is up to 30th October they have made it for 11 months, and from the next year they will be starting from 1st of November to 30th of October. I think the sugar industry might have made some representation regarding the sugar year. So we just wanted 50% of our portfolio towards the ethanol and 50% towards the ENA because some kind of a few changes few minus points by increase in the ethanol prices there will be some increase in the grain prices the ENA prices or the portable alcohol prices are governed purely by the market forces like now at present can say that Rs.58.50 price is the price of ethanol and whereas the ENA which we are selling is by about Rs.62 liter. So Rs.3.5 liter means a lot in your expenditure.

Anirudh Singhi: Lastly how much is the unsold inventory in the real estate business.

Rajinder Mittal: Real estate inventory is just left-over inventory, maybe around about 20-25 Crores which will be monetized in about a year or so, maybe next year we will be able to monetize. I think we should be able to realize the entire inventories by the next financial year.

Anirudh Singhi: Thank you that is it from me.

Moderator: Thank you. We have the next question from the line of Varinder Bansal from Omkara Capital. Please go ahead.

Varinder Bansal: Sir thank you so much for this opportunity. There are too many things which are going on. If I have to put distillery segment first. Now in distillery segment the capacity for the company will be 700 KLPD as you mentioned to our earlier analyst right.

Rajinder Mittal: Yes.

Varinder Bansal: That will be the next year, we are talking about 2023-2024.

Rajinder Mittal: This year 2022-2023, 600 KLPD will be operational by end of this financial year 200 already in operation at Bhatinda, 200 KLPD already in operation at Svaksha though that is running at 70% capacity, but that is already commissioned. 200 KLPD at Bhatinda is under erection and our time line for commissioning this project is by end of January so by end of this financial year we will be having a 600 KLPD capacity. So, another 100 KLPD by the next financial year.

Varinder Bansal: The economics what you explained is that you save around Rs.10 per liter on EBITDA level right.

Rajinder Mittal: I think this is a thumb rule margin, which we calculate during our day-to-day operation that we should be able to get Rs.10 per liter from this ethanol and you can say the ENA business. This does not include the depreciation part of it. This is the cash accrual which we get the cash profit. We do not include this depreciation part in this calculation. So by this year and next financial year 2023-2024 so if it does not even include the 100 KLPD which we hope to commission in the third quarter of the next financial year.

Varinder Bansal: So you are saying that only from the distillery part company can do an EBITDA of nearly 200 Crores.

Rajinder Mittal: That depreciation will be deducted from this so 200 as well and just you can submit that 200 approximately will be the cash available with the company this includes all the expenditure even the finance cost, but excluding depreciation and taxes.

Varinder Bansal: Can you explain the conversion cost economics you told once please.

Rajinder Mittal: So the conversion cost if I take everything normal we are not taking anything abnormal like this quarter is happened that the increase in the fuel cost by 71% though we have taken all these steps that next time we do not face this problem by putting up this multi-fuel boiler so that we can have a choice of so many fuel with the company like we can use coal, we can use mustard saw, rice saw, wooden sticks or maybe. So, the approximate the processing conversion cost is Rs.80 per liter on rice, broken rice, damaged rice or the surplus rice derive from this Food Corporation of India Rs.18 per liter.

Varinder Bansal: This is the conversion cost.

Rajinder Mittal: This is the conversion cost. This takes care of the repair and maintenance takes care of the finance cost, take cares of the salary and wages and take care of your power and fuel of the normal. Abnormal conditions it does not have this formula working so basically would 65% to 70% of the cost is on account of fuel only.

Varinder Bansal: What is the price of broken rice right now sir.

Rajinder Mittal: Broken rice is around in Bengal it is around about Rs.19.50 per kg in Punjab it is Rs.20.50 per kg.

Varinder Bansal: And how much we take from FCI and non-FCI.

Rajinder Mittal: FCI this year used to be all the ethanol quantity which will be supplying to them has been based on the FCI rice because the market price is higher as compared to the FCI rice. FCI supplies at Rs.20 per kg and the market price at present is Rs.20.50 per kg and the ethanol price derived from this damaged food grain is Rs.55 per liter whereas direct from the FCI rice is 58.5 so I think entire India or where we would have access to this surplus rice you see that you will get different kind of results altogether in this year in the financial year 2023-2024 for the two quarters of this financial year from the standalone because they do not have the flexibility of having the surplus rice. We are sitting at the rice belt and the godowns are full with rice so there is no problem in getting the rice. FCI will not transfer the rice to some south states when there is a demand in the Punjab state itself without incurring any transportation cost so Punjab plant should have over and above the ethanol plant which are coming in the rest part of the country and I do not think that the grain prices cooling down in near future so the Rs.20.50 which grain we are utilizing only for the ENA manufacturing that is portable alcohol manufacturing the ethanol we are based entirely on FCI rice.

Varinder Bansal: So sir I understand that you are saying that the broken rice is 20.5 to 20.70 conversion cost is Rs.18 per liter right.

Rajinder Mittal: Yes.

Varinder Bansal: Can you educate us on the husk stock is the husk rate right now because that is another big component of yours which has increased by 70% as you mentioned.

Rajinder Mittal: The fuel cost.

Varinder Bansal: But, you have not seen increase in the rice cost right.

Rajinder Mittal: Our company is basically a grain based agro food processing entity and we have a rice processing unit also. In this quarter we are able to procure damaged paddy from Madhya Pradesh by way of an open tender to the extent of about 40000 tons and we have converted this into this damaged paddy in our mill and it gave us good value addition. Procurement of rice is not a problem for us and as regards the fuel cost, the fuel cost we are in the process or the boiler is under installation which can handle multi-fuel. At present we have two boilers in the power plant which can run only on coal or rice husk whose prices went up badly. The fuel is mainly the rice straw and you must have read in the newspaper that Punjab is being blamed from this stubble burning by Delhi and Haryana and there has been lot of hue and cry by NGT and the Delhi government and even in the public at large that the farm fire which happens is Punjab is main cause of poor air quality in Delhi NCR region.

Rice straw is the toughest fuel for the power generation and we are working towards utilizing this as our fuel source and we have already procured 60000 tons of rice straw.

Varinder Bansal: I understand. But you are saying that this boiler will start only in fourth quarter right January onwards.

Rajinder Mittal: Yes, fourth quarter but you see that this is totally new technology and though we have taken every precaution to get the best results. But you see that is the new technology so there could be some delay in commissioning of this plant but that technology it is a proven technology but the suppliers is afraid of 10-15 days plus or minus.

Varinder Bansal: So I just wanted to check one thing on the rice side. If I just take the rice the prices of the broken rice. I think it also depends on maize. The price of maize has been coming down in the last quarter have you seen prices of broken rice coming down or not.

Rajinder Mittal: Yes. you see that the maize prices went up to about Rs.25 to Rs.26 per kg and the broken rice and the damaged rice touched even a high of Rs.22.50 per kg. But now it has come down to Rs.20.50 per kg here and Rs.20 per kg at West Bengal because West Bengal will be about 2-3 crops. Unprecedentedly you see that when we started our West Bengal plant the price of husk there was Rs.5 per kg we contracted with the company for the full year and now the price is Rs.11.50 per kg you see the kind of the inflation in the fuel prices went up.

Varinder Bansal: Sir I understand. I am just asking what is the latest now, like rice you are saying there is some drop in terms of the rice broken rice cost.

Rajinder Mittal: You see, this year mainly you can say everybody has shifted the focus from a fixed revenue instead of playing with the damaged food grain the maximum quantity the grain mill plant are on the base of this rice. That is the same rate throughout the year. So whenever the demand comes down by 30%, 40% so naturally it will have a positive impact as regards the reduction of prices in the grain and there is a reason the maize prices has also come down, millet prices are also come down and consequently the broken rice or the damage rice also come down.

Moderator: Thank you. We have the next question from the line of Pankaj from Affluent Assets. Please go ahead.

Pankaj: Thanks for taking my question. I again wanted to understand the economics of the grain-based ethanol. If whatever I understood your cost of the procuring rice is around Rs.20 to Rs.20.5 per kg conversion cost is Rs.18 to Rs.19 and the price you received for ethanol is around Rs.52.9 and you also mentioned that fuel cost constitute 60% to 70% of the conversion cost. Am I on the right track and if that is so, then the total EBITDA level cost, cost of conversion plus cost of procuring would be around Rs.20 plus Rs.18, Rs.39 and you mentioned that you are having a spread of around Rs.10 per liter.

Rajinder Mittal: Let me go one-by-one. See that the cost of raw material is not calculated on per liter. Cost of raw material will be whatever it is, maybe Rs.30 per liter or maybe Rs.28 per liter. The cost of raw material has not been calculated in this formula only the processing cost and my cash margin because the company is working on reverse calculations basis like this the Ministry of Petroleum or the Ministry of Food have taken Rs.20 per kg and this rice to be supplied rates fixed is to be supplied to the distillery for converting into ethanol. So that raw material price is fixed we spend about Rs.18 per liter on the processing cost. That leaves us with a cash margin of Rs.10 per liter. So that is without depreciation and the taxes. So this is the scenario and the rate is not Rs.52 it is Rs.58.5 per liter and Rs.62 per liter is the rate of portable alcohol or ENA which we are manufacturing from the grains which is procure from the market.

Pankaj: And sir what is the input output ratio how much rice is required for making one liter of ethanol.

Rajinder Mittal: Say by about 45% is recovery so in 1 ton of rice about 450 liters of ethanol is being produced.

Pankaj: Sure, thank you sir.

Moderator: Thank you. We have the next question from the line of Niraj Jain an Individual Investor. Please go ahead.

Niraj Jain: Thank you for taking my question. My first question is related to Svaksha distillery. So if I understand correctly right now only it is producing ethanol not ENA and the capacity utilization is around 70% for the current quarter. So the previous quarter the revenue was around 27 Crores. So can I get an like ballpark figure high level estimate on how much revenue can this distillery do in quarter three and quarter four.

Rajinder Mittal: You are right that this we are operating of about 70% capacity in only manufacturing ethanol so this quarter as only September was the working month we did not get any revenue in this the September was only working month which we operated around 70% full capacity so that revenue was about INR 28 Crores so this three months we will be getting average revenue of INR 20 to INR 29 Crores per month. So, if I take this 28 x 3 the revenue would be about INR 84 to INR 88 Crores in the current quarter.

Niraj Jain: And what about quarter four.

Rajinder Mittal: Quarter four as I mentioned that if everything goes well and if Praj is able to replace the column by 15 of Jan as the timeline and we will be pleased to inform you that we are at about one week ahead of the schedule because by team is constantly present at the workshop and we are monitoring day-to-day that how far is the fabrication work. So that we have already saved about one week so we should be able to start the production of 100% by 15th of Jan and good two months for 100% capacity utilization so that will take our revenue to about INR.38 Crores for the last two months of this fourth quarter of this financial year.

Niraj Jain: If I understand correctly your plan is to have like 50% ENA, 50% ethanol from Svaksha right. Right now it is 70% ethanol because we cannot produce ENA.

Rajinder Mittal: Yes, but you see that 50% this year will not be doing it will be doing less as the ENA prices are much higher as compared to the ethanol. So this 50% I mentioned is that once we are able to commission the next phase of expansion at Svaksha by adding another 100 KLPD so we propose that we will be converting 50% of ethanol and 50% of ENA. But right now this year we have intent to produce by the time that expansion become operational we intent to have at least 60% to 65% of the portable alcohol and 30% to 35% only of ethanol.

Niraj Jain: And if I understand correctly the new distillery is made such that the capacity is fungible right. So if you feel that ENA prices are more lucrative so you can do 80% capacity for ENA and 20% for ethanol right or maybe even 100% if you think that, that is more lucrative.

Rajinder Mittal: No, you see that at Svaksha we will be able to produce maximum 67% of ENA and 33% of ethanol once the expanded capacity comes into operation. Otherwise we can do 100% ENA at Svaksha and about 5% to 10% only of ethanol. At Bhatinda when this expansion is fully operational so we will be doing 50-50. We cannot do more than 50% because we have got permissions for 200 KLPD of portable alcohol and 400KLPD of ethanol.

Niraj Jain: My last question this is related to the edible oil segment so may I know what was the capacity utilization for quarter two and do you think that there would be higher capacity utilization in the current quarter and the next.

Rajinder Mittal: Yes, surely. I compare the last year figure that the previous two quarters and these two quarters in quantity wise. We hope to achieve the previous level in coming two quarters if things remain stable. I think the worst is over so we should be able to achieve these at least match the previous corresponding quarter results, achieve the same in the current financial year also.

Niraj Jain: Thanks a lot that is it from my end. Thank you.

Moderator: Thank you. We have the next question from the line of Nitin Awasthi from InCred Equities. Please go ahead.

Nitin Awasthi: What is the prevailing rate of ENA in Kolkata.

Rajinder Mittal: Kolkata the rate of ENA is about 61.5 to Rs.62 per liter in West Bengal. Throughout the India it is almost the same. In Punjab also is about Rs.61.5 to

Rs.62 there are also in the same. But there we have got advantage. The damage rice and the broken rice is little less as compared to Punjab. That was the reason that we went to West Bengal where you can see the grain prices are lower and the ENA prices are high and fuel prices are lower and the processing costs will come down, but unluckily it landed in trouble. Still you can see that we were able to operate on coal otherwise the husk would have been a disaster. So we are using at present 80% to 85% of coal as a fuel at Svaksha because the coal supply they are much cheaper as compared to the Punjab location.

Nitin Awasthi: Sir next thing I want to ask you more broader question on the whole ethanol policy with the current rate that have come do you see a slowdown in investments in the ethanol specifically the grain ethanol segment because you have ENA because of which you are doing superior margins. But the whole industry does not have that.

Rajinder Mittal: So you see that there is certainly a sense of insecurity amongst the standalone ethanol plants I certainly agree with you but our plants are flexible in production capacities wherein out of the 700 KLPD when both these expansions are complete we have got the flexibility to manufacture 400 KLPD ENA and 300 KLPD of ethanol or we can go up to 500 KLPD ethanol and 200 KLPD of ENA. So we have a leverage on that one and you see that this demand of ENA is going to remain. Whatever maybe the price is because the spirit prices does not make much of a difference as regards the bottling of branded alcohol is concerned. It is just as per my assessment it is less than 15% of the cost of their selling price the main cost is on account of the caramel and other branding marketing maybe the packing cost or other cost the spirit cost the ENA cost is just like 15% of the total price. So this will remain and the demand going up there is a bright future for the ENA but you said to there is a license control industry the ENA plant license is very difficult and the second thing is that procedure to have the ENA plant is very, very lengthy as compared to the ethanol plant ENA plant you want to have a public sharing you want to have the entire go through the system. To put up the ethanol plant it takes about one and a half years, put up a ENA plant it takes about three years because six months is the environmental study and then public hearing then it goes to the central government then they frame the terms of reference then it again comes to here then again the public objections are invited then again it goes to the central government for giving the environmental clearance then it comes to the State Pollution Board which gives the consent to establish and then again we have to this all consent to establish from the starting till end takes about one and a half years to two years.

Moderator: Thank you. We have the next question from the line of Dilip Agarwal an Individual Investor. Please go ahead.

Dilip Agarwal: Sir, you have mentioned like that you have experienced some unexpected problem during the commissioning which led to very high consumption of and some commissioning loss. What does it mean?

Rajinder Mittal: You see that if the plant has some technical problems. We have to start the plant again shutdown, start the plant again shutdown for rectification. To replacement of a column, this column has got a height of 120 feet and diameter of around about 20 feet and the weight of this column is around about 50 tons and it comes in four, five pieces and from the workshop and assemble at this site. So it is a huge column so before coming to a conclusion that it requires a replacement there are always the frequent shutdowns. Sometimes they have team from the scanning came, commissioning team came and when the production is down some tripping are also there so all these things the commissioning losses if the column was okay the commissioning losses would have been divided in just a month commissioning would have been completed in 15 days so identify the problem some shutdowns are required some local modifications at the site modifications was done some scanning was done then some scanography was done so all this they were not able to identify the problem. So when you have the team is to inspect and identified problem the plant has to put down and shutdown to an extent and then they say start the plant we have to start the plant so we are shutting down and you see that there was no revenue practically in the month of August and the fuel cost was around about 8 Crores in this from July, August and we ended up with almost revenue earning of about 7 to 8 Crores it was only in September we decided that we will not hold any further trails we will operate on 70% capacity and you will have to replace the columns we will not allow any experiment any further you just replace the column so you can say that we have got a standing in the industry and they are agreed to it. So now we are not doing any trial because we know that that column is not going to work and that needs replacement.

Dilip Agarwal: So in quarter three also this very high consumption of fuel will be there or it will be mitigated.

Rajinder Mittal: No it is still there in this quarter definitely this we have cost because you see the fuel cost is almost fixed whether you produce 210 KLPD whether you produce 150 KLPD. This is a very, very marginal difference the expansion of the power plant up to 83% whereas this low capacity it is 73% so the extra energy or demand will be met by increasing the extent of the power plant. So we will be ending up with a zero energy cost as compared to the Rs.14 per liter. So 70 KLPD that cost Rs.14 so there will be a Rs.980000 per day is the extra cost we are incurring there will be I think losses would not be there but the profit part we are far away until unless we achieve the 100% capacity because we are regularly operating at 70% without any problem and these supplies are also going towards the ethanol that State of West Bengal is very much deficit in ethanol, the do not have ethanol at all.

Dilip Agarwal: In last con call you said like in quarter two also the structure needs to be in the breakeven so can we expect that in quarter three our structure distillery will be breakeven therefore there will be no further loses as we have incurred like 2 Crores some lakhs in quarter two or it will be some set benefit.

Rajinder Mittal: I think you are right I think as far as my estimate we should not have any losses except profit I cannot say but which cost has to be and then I think we should be able to have a breakeven point for not incurring any losses in this current quarter for the third quarter.

Dilip Agarwal: Edible oil at least we will again regain our EBITDA level like we have reported in quarter one.

Rajinder Mittal: Definitely if not quarter one we should be able to match the corresponding quarter because it is a seasonal type of a thing so every quarter has its own merits and demerits. So we do not actually see the previous quarter we only have the corresponding quarter because there is a product mix change every quarter. So we should be able to match or we should be able to achieve the corresponding quarter results in this current quarter.

Dilip Agarwal: Thank you sir best of luck.

Moderator: Thank you. We have the next question, there is a follow up question from the line of Dipesh Sancheti from Manya Finance. Please go ahead.

Dipesh Sancheti: I was disconnected in-between. Most of the questions were answered, but I just wanted to know what is the debt level right now.

Rajinder Mittal: Debt level of company I think that we have got a fresh debt for this 120 Crores sanction from Canara Bank for this expansion at Bhatinda previous debt is just about 8 Crores on 200 KLPD that is already paid only about 8.5 Crores and rest is working capital.

Dipesh Sancheti: So I believe last time it was around 170 Crores for working capital and 180 Crores is term loan right is that the same.

Rajinder Mittal: No, that the 180 was not for the term loan we did not have any, including the license variance that everything you are talking about I think total about so we will be having a debt of about 385 Crores including the Svaksha one including the expanded portion and including the working capital facilities all you can say term loans taken together whether it is against this rent discounting or whatever maybe the total debt would be around about 385 Crores.

Dipesh Sancheti: You have mentioned 4.5% of the interest cost on the new term loan what is the average total interest cost.

Rajinder Mittal: At this Bhatinda facility there is 7.35% and the Svaksha loan is at 8.5%. Svaksha loan is at 8.5% and one thing I also mentioned that the 100 KLPD expansion which we are undertaking now at Svaksha which will be undertaken after the receiving the 100% capacity utilization at Svaksha that also qualifies for the interest subvention scheme. For that we have already received the in-principle sanction of 70 Crores from Canara Bank and that will be qualifying for this interest subvention scheme for 50% of the interest cost or 6% whichever is lower.

Dipesh Sancheti: Are you planning to increase our stake because our promoter shareholding is around 61% are you planning to infuse capital by preferential like we did a few years back or nothing of that is there to reduce the debt basically.

Rajinder Mittal: No, the debt will come down little bit with the cash accruals. Next year we are expecting a cash flow of about 200 Crores from the distillery segment itself. So all the expansions all the Capex cost is complete. So company does not need any capital infusion at present. So we will be not issuing and we are not going to be public for this maybe issue of public equity or some capital being infused by the promoters. So that remain the same. At present we do not have any plans.

Dipesh Sancheti: You do not have any plans of increasing our stake from 61%.

Rajinder Mittal: No at present we do not have.

Dipesh Sancheti: You mentioned about the global edible prices which we should monitor for our product in the global edible prices.

Rajinder Mittal: See global edible you can say that mainly the import is from the Indonesia and Malaysia and the second is the basket is of soybean oil third is sunflower oil, and fourth is vegetable oil but you see that the total import about 80% or 82% of the import market comes from this soybean oil and palm oil majority palm oil and second will be soybean oil. So you in the must have read in the newspaper that Indonesia at one point of time with the rising prices ban the export of Malaysian palm oil to the world. But the tax are full because they are also got panic, that the local public is being burdened by high price of this vegetable oil as being an essential commodity so they also took that decision. Ultimately that led into the increase very high increase in the prices the scarcity of the material of the product and when they lifted the ban it went down so that was the kind of maybe a fun playing and maybe cannot comment upon these things that is to do but never seen in my life that the prices is going up by $1000 per ton and coming again coming back to $1000 per ton the prices which we settled in the first quarter we sold our entire contracted quantity at &1970 per metric ton and when the prices are moving at 2050, 2070 we took the benefit of that, and later on it came to $1000 even at one point of time it was touch $900. This is a short span of six months price going up like this and coming down is unprecedented and never seen before so that was the reason that it is not only my company every vegetable oil company you must see that all these results are being affected by this kind of things.

Dipesh Sancheti: In the price rise or the price in the last 45 days of Q3 from what it ended in Q2.

Rajinder Mittal: It was a free fall in the market. So there has been some recovery that is about $900 so about $1200. So just there has been a recovery of $100 per ton which is normal and which was expected and now the things to normal things we have resumed the operation because such a high fluctuation here as you can say free from our mind so we can work now because the dealers are also not buying. The import came down heavily and apart from that these was a currency fluctuation also in this period everything happening together.

Dipesh Sancheti: Thank you so much sir I think I am done with all my questions thank you.

Moderator: Thank you. As that was the last question for today that the management could answer, I would now like to hand the conference over the management for closing comments.

Rajinder Mittal: Thank you everybody. Thanks so much and you are anxious regarding the working of the company, I think we are on the right step and right footing. We should have a good improvement in the coming two quarters. Thank you everybody. Thank you, my investors.

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