



**FRATELLI**  
• VINEYARDS •

**Date: February 18, 2025**

**To,**  
**The Listing Compliance Department**  
**BSE Limited**  
P. J. Tower, Dalal Street  
Mumbai – 400001

**To,**  
**The Secretary**  
**Calcutta Stock Exchange Limited**  
7, Lyons Range, Kolkata 700001

**Scrip Code: 541741**

**Subject : TRANSCRIPT OF INVESTORS AND EARNINGS CALL HELD ON FEBRUARY 12, 2025**

**Dear Sir/ Madam,**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in continuation to our letter dated February 11, 2025, please find attached the Transcript of investor and earnings concall, held on Wednesday, February 12, 2025.

[https://investor-relations.fratelliwines.in/uploads/media/1739808003\\_fratelli\\_vineyards\\_-\\_q3\\_fy25.pdf](https://investor-relations.fratelliwines.in/uploads/media/1739808003_fratelli_vineyards_-_q3_fy25.pdf)

This is for your information and records.

Thanking You,

**Yours Faithfully,**  
**For FRATELLI VINEYARDS LIMITED**  
**[formerly known as Tinna Trade Limited]**

**Mohit Kumar**  
**Company Secretary**  
**ACS 38142**

**FRATELLI VINEYARDS LIMITED**  
**[Formerly known as TINNA TRADE LIMITED]**  
**CIN: L11020DL2009PLC186397**  
**Regd. Off: NO.6, Sultanpur, Mandi Road, Mehrauli, New Delhi-110030**  
**Tel NO.- +91-11-49518530, Fax: +91-11-26804883**  
**E mail: [investor.ttl@tinna.in](mailto:investor.ttl@tinna.in) Website: <https://fratelliwines.in/>**



## **Fratelli Vineyards Limited**

### **Q3 & 9M FY25 Conference Call Transcript**

### **February 12, 2025**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Fratelli Vineyards Limited Q3 and 9M FY25 Earnings Conference Call.

I now hand the conference over to Mr. Siddharth Rangnekar from CDR India. Thank you and over to you.

**Siddharth Rangnekar:** Thank you, Yashashri. Good afternoon, everyone, and thank you for joining us today on Fratelli Vineyards 9M FY25 Conference Call. We are joined today by senior members of the management team, including Mr. Gaurav Sekhri, Managing Director, Mr. Rajesh Garg, Chief Financial Officer and Mr. Hemant Arora, Chief Business Officer. We shall commence with opening remarks from the management following which we will have a question-and-answer session.

Before we begin, I would like to state that some of the statements made today could be forward-looking in nature and a disclaimer to this effect has been included in the earnings presentation that has been uploaded to the stock exchange website.

With that, I would like to invite Mr. Sekhri to make his opening comments. Over to you, sir.

**Gaurav Sekhri:** Good afternoon, ladies and gentlemen. Thank you for joining our call to discuss our nine-month FY25 performance. I will commence with a brief introduction to our business and strategy and shall follow with an overview of our financial and operational performance.

At Fratelli Vineyards, we aspire to be considered among the finest winemakers. Everything that we have done to create our end-to-end presence in the business, we have accomplished with that vision. For those who are new to our company or to the wine industry, let me share a few thoughts.

The journey of a bottle of wine starts in the vineyards, and over 15 years ago, that is where we began. We grow our own grapes. We are farmers first, and introduced imported grape varietals into India. From there we built a portfolio of wines in the premium and luxury categories. Since then, we have scaled up operations and sales. Over the years, we have also commenced contract farming of our own clones and now have over 1,000 acres under contract farming. Thus, at the end of FY24, we have supplied almost 0.5 million cases of wine across the country.

Our wineries are located close to the vineyards allowing us to focus on quality. In the luxury category, which we helped create with our brands like J'Noon, Sette and Master Selection ranges, these brands have won multiple international awards underlining our commitment to the art of winemaking. We continue to invest in building our brands, business and the wine category within AlcoBev.

HoReCa remains a strong growth channel for us, which increased listings YoY across prestigious restaurants and hotels. Our premium wines are gaining momentum in metros, Tier-2 cities and beyond, reflecting a broader adoption of wine culture.

To strengthen our world-class wine making business, we are scaling up our production by adding 40 acres of vineyards by H2 FY25 with another 60 acres planned to be planted before Q2 FY26, ensuring the higher quality grape supply for our most premium wines. Additionally, we have commenced operations at our new 50,000 sq. ft. winery building. This will position us for higher volume growth in the premium category and significantly enhance our production capabilities in the coming quarters, as we ramp up from here. The new winery building and the investments made in solar energy will result in savings of over Rs. 10 million in costs annually.

As we gear up for the next phase of business expansion, we are also investing in backend processes and updating technology in sales and distribution to enhance efficiency and operational control. While making us more agile, these programs are designed to make us leaner and contribute towards better margin.

Whereas I have covered initiatives on the vineyard and manufacturing side, let me highlight to you our plans for developing facets of business beyond the sale of wine. As you may know, we are developing an exclusive vineyard resort at Akluj, Maharashtra. The work on this is in advanced stages of planning and we expect to open in FY27, as a first of its kind property in India with multiple experiences besides vineyard tourism and luxury stays are being planned.

During the quarter, we launched 'Pour Room', which is our brand for wine and coffee bars in collaboration with Blue Tokai. The very first 'Pour Room' has opened at Koramangala in Bangalore to an encouraging response. This venture is set to expand across Bangalore and other major cities, offering consumers an experiential setting to enjoy our wines.

We continue to invest in new product development and brand communication to support and grow wine consumption as a category. I am glad to share that our RTD offering, 'Shotgun', has been soft launched in the current quarter. 'Shotgun' is an accessible, all occasion wine-based drink and we see vast potential in it as category broadening initiative.

Considering the country's demographic growth, the core alcohol consuming class is expanding and with it, wine brands are gaining traction. Wine consumption is fast evolving in India with increasing adoption across diverse consumer segments. Over 70% of our sales come from premium and luxury wines, and we remain geared to sustain our position here as the category further develops within AlcoBev.

Let me turn my attention to operational and financial highlights for the YTD period.

The year thus far has seen moderated performance, owing to a few factors, including a higher number of dry days during the period coupled with transition to new RTMs in key states. The country has also encountered lower urban consumption that has had impact on our category as well. We believe we represent the best of the wine

business ecosystem, and it is therefore contingent upon us to deliver the best wine experience and to really invest in this category. Thus we maintain our focus on things that we do best:

- Making the best wines
- Operational excellence
- Driving profitable initiatives

As seen in our gross margins, we have stayed committed to our plan. This has enabled us to drive world-class initiatives in vineyards, wineries, and trade with long-term investments in category development, infrastructure, and bank salience. Our EBITDA margins include stepped up expenses on long-term initiatives. We continue to build a business that is in the mould of a leader. Our premium focus portfolio and emphasis on delivering the best wine experience are helping us sustain growth.

Strategic associations and collaborations with key events have played an integral role in our journey. During the quarter, we participated in Nykaaland, ProWine, Nagpur Fest, and Viva La Vino where consumer samples are renewed master selection base and recently introduced Pinot Noir wine. We also took TiLT - our wine in a can brand to music festivals like Bandland and Doon Music Festival, strengthening our presence in lifestyle events and driving greater sampling and discovery. We are part of the wine lifestyle which we are helping to develop and have seen greater sampling and discovery each time year-after-year.

Moving on to outlook. The coming year will see increased production capacity and a promising harvest both reinforcing our position in the premium wine segment. With a strong portfolio, distinct brand engagement and strategic initiatives, we are confident of scaling both our top-line and bottom-line performance going forward.

With that, I conclude my remarks and request the moderator to open the forum for questions. We will be happy to address any queries. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session.

We will take our first question from the line of Surya Narayan Nayak from Sunidhi Securities. Please go ahead.

**Surya Narayan Nayak:** Just to understand the business of the wines, it is related to the agricultural scenario, especially demand from vineyards. The gross margin is very low in your case. So, I mean, what kind of sustainable gross margin you are looking at and so is the operating margin going ahead because you have substantially entrenched your position looking at the past many years trend. So, close to around Rs. 300 crore to Rs. 400 crore of revenue you are doing but the operating margins are not improving. Any idea where you will be improving the current operating margins?

**Gaurav Sekhri:** A couple of feedbacks on your question. One is that I think you kindly view our numbers on a standalone basis to get a better perspective of our company and our business, because the operating company is a subsidiary of the listed entity, and the business operations in the Hold co. have been scaled down over the last 1-2 quarters, and that may be distorted the gross margin number that you are seeing. I can tell you to the best of our knowledge, our gross margins are probably the best in class amongst the winemakers in the country and we are at around 77%-80% gross margin today and that has been very stable over the last many quarters.

**Surya Narayan Nayak:** Okay, but I was looking at your presentation, Page no.#34. There, the gross margin has improved, but again, the revenue has dipped and the resultant to the EBITDA

actually squeezed, and EBITDA margin has fallen to 5% from 16%. So, that's where, the year ending, it was 13%. So, you just tell about the seasonality of the business, whether any seasonal angle is there, or in case of any sort of, because the majority of the vineyards would be falling in the Maharashtra, and your positions are in there. Any sort of drought conditions, how you would be combating?

**Gaurav Sekhri:** Sure, Just to clarify, sir, I initially answered your question was very specific to gross margin. The gross margin level we are best in class in our view and very stable the previous year. This year there is hardly any change in fact, it marginally improved. On EBITDA, our EBITDA margin has dropped from about 13.2% to about 4.88% for the current 9 months and that is largely because the company has increased its brand investments and generally expenses in line with some new product launches, new initiatives, and many of those things will only begin to show its rewards in the coming quarters. And lastly, I think you mentioned something about drought, etc. There is no such concern, just to clarify.

**Surya Narayan Nayak:** In this business, how long have you been in the business, just to understand?

**Gaurav Sekhri:** Over 15 years.

**Surya Narayan Nayak:** 15 years. And you are basically increasing the farming area where you were eyeing for 100 acres of farming from currently 60 acres to 100 acres, right sir?

**Gaurav Sekhri:** That is the addition, sir, this year. We are already farming almost 300 acres since last more than a decade. And what we are talking of this 40 and 60 acres, that is additional acres planted this year and 60 acres which we will plant going forward. We will have 400 acres.

**Surya Narayan Nayak:** What will be the sustainable EBITDA margin for your case going forward?

**Gaurav Sekhri:** We are aiming for around 10%-12% in the near future.

**Surya Narayan Nayak:** And any sort of revenue growth you are looking in?

**Gaurav Sekhri:** Definitely, sir. We are gearing up. This year is an aberration. Overall, the entire AlcoBev industry has grown only about 2%. This is as per some even newspaper article which came just day before yesterday. This year has been a flat year for more or less the entire AlcoBev industry. But we expect to get back to some sort of normalized growth of between 10%-15%, and we expect to do better than that.

**Surya Narayan Nayak:** That is value growth or volume growth you are expecting?

**Gaurav Sekhri:** Both.

**Surya Narayan Nayak:** The industry has not performed more than 4%-5% in any year. And especially wines are actually different total market. I don't think that, I mean your expectations are a little bit high. Are you in sync with the market that you'll be able to achieve 10% plus? That is a little bit on the higher side.

**Gaurav Sekhri:** Anyway, sir, we will wait and see. I think it is hard to discuss numbers and debate over them on this forum. But if you see our historical performance in FY21, our wine business falls about Rs. 92 crore. And now in FY24, we are almost Rs. 200 crore. That shows the growth of more than 20%.

**Suryanarayan Nayak:** Which are the states we are majorly present?

**Gaurav Sekhri:** We are present pan India. The only states we are not present are Chhattisgarh, the dry states like Bihar and 1-2 states in the northeast.

**Suryanarayan Nayak:** Okay. Thank you, sir.

**Moderator:** Thank you. We will take our next question from the line of Saurabh Shroff from QRC Investment Advisors LLP. Please go ahead.

**Saurabh Shroff:** Good evening. Just that to get a better understanding of your business and this is the first time we are interacting. If you could maybe help me understand how much inventory do you typically carry? What is the aging cycle that you follow? And how that sort of ranges across the spectrum of your products, right? From luxury all the way down to value, etc.

**Gaurav Sekhri:** In terms of inventory, I mean, wine as a process takes at least 90 odd days to make in tanks. You've got 3 months there just in the process of wine making. And then after that, it is carrying at least a couple of months of sale inventory. Our business inventory turnover ratio by nature of the business is fairly long, that is one part. What was the second part of your question?

**Saurabh Shroff:** When you say that 70% of our portfolio is premium and luxury, does that by its very nature means that these are wines which are aged longer or is this just a differentiation in terms of the kind of grapes that we are using?

**Gaurav Sekhri:** It is a differentiation in terms of grapes as well as price point. There is also some element of aging involved but that is on very few select wines which are sort of luxury segments you're looking at Rs. 2000 plus.

**Saurabh Shroff:** Okay, just to make sure that I've understood this correctly, typically 5 to 6 months is the inventory cycle that you would run. Is that right?

**Gaurav Sekhri:** Yes.

**Saurabh Shroff:** Okay, and you mentioned that the canned portfolio has sort of grown at about 20% odd in the first nine months. Can you maybe explain to us where you are seeing this success coming from obviously still a small part of your portfolio, but it's a very interesting innovation It's not something that we have seen anywhere else before So, there is this sort of, how is this product doing? How are you marketing this differently? What is sort of driving this? And that percentage of mix do you think this can become, one and second is given that glass is typically a big cost item at least for the alcohol beverages companies, obviously, this I'm guessing does provide you better gross margin overall. Is that a fair assumption?

**Gaurav Sekhri:** Yes, I'm glad you asked this question because we would really like for the investor community as well as our consumers to develop a better understanding on Cans. The Can business is really to make wine more approachable to consumers. We have seen in the past; there's a lot of formality around drinking wine. Do I have the right glass, etc. Our aim of putting wine in a Can was to remove that formality, make it more accessible, more approachable, where you can consume it in any setting without any of those established preconceived notions around wine. We are seeing very good response from different pockets, very diverse actually. We have seen very good growth in UP, we have seen excellent response in West Bengal, Haryana is a good market for us, Uttarakhand is a good market for us and also pockets in Bangalore etc. I think where you have mostly young people who are just coming into legal drinking age, I think who have just become of legal drinking age, those consumers tend to sample it and then kind of approach it without any preconceived

notions. That has been our experience with it. And we have grown 20% in FY24, and it continues to be a good focus area. On the cost side see aluminum cans are also more sustainable form of packaging. This whole concept is also very close to our heart that we wish to be as sustainable as possible. Aluminum is recycled N number of times and yes it's a more economical form of packaging. But in terms of gross margins, packaging is only one part. There's also the kind of liquid and the price point that you're wishing to achieve all play a role in that. So, it is comparable to our bottles business. It is, in fact, probably a few percentage points lower than our bottle business. But, we hope it will be a far larger volume business.

**Saurabh Shroff:** Understood. And can you just maybe explain to us, how are regulations? So, my understanding is that the regulations on wine are obviously significantly more benign versus alcohol, at least in the state of Maharashtra and some of the other states. Can you maybe just help us understand, is that the case across the length and breadth of the country? And what is it that sort of we are doing? You've said obviously things like category creation, and you are taking the role of the industry leader. So, maybe if you can just help us understand what is that entailing, how much money are you investing in this so that we get a better picture for what is the inherent profitability of this business and what is the investment that may not necessarily get repeated after another few quarters or a few years?

**Gaurav Sekhri:** Firstly, in regards to regulations, all states are more or less very similar. What you have observed in Maharashtra, other states are not too different. There are only some very specific, state-specific requirements which we have to follow, that is point one. And point two, I think wine, for it to be better understood and communicated, I think it will require a sustained form of investments and brand initiatives. I believe we see this at least for another 1-1.5 years.

**Saurabh Shroff:** And what is the quantum of investments that you have made?

**Gaurav Sekhri:** I can email you that number if you email this query to us. But we continue to spend about 8%-9% of our top-line on brand investment.

**Saurabh Shroff:** Okay, fine. And in terms of, again, sort of coming back to regulations, in terms of price increases, etc. do you have to go to each of the state governments or is the pricing sort of more free?

**Gaurav Sekhri:** It is absolutely like any other AlcoBev, we have to go to each state, alcohol regulations are state subjects, any price increase, etc. has to be discussed with each state individually.

**Saurabh Shroff:** Okay, got it. Thank you very much. I will jump back in the queue and looking forward to being in touch.

**Moderator:** Thank you. As there are no further questions, I now hand over the call to the management team for closing comments. Over to you, sir.

**Gaurav Sekhri:** Thank you very much, everyone who has participated today and showed interest in our company. We wish you a lovely evening ahead. Thank you.

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***Disclaimer: This is a transcription and may contain some transcription errors. The document has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to maintain a high level of accuracy.***