



Associated Alcohols & Breweries Limited

30th October, 2024

To,
The Department of Corporate Services
BSE Limited
PJ Tower, Dalal Street,
Mumbai – 400 001
Scrip Code: 507526

To,
The Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, G Block
Bandra Kurla Complex,
Mumbai – 400 051
NSE Symbol: ASALCBR

Sub: Transcript of Investor Conference Call held on 25th October, 2024 on Earning Presentation

Dear Sir / Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 please find attached herewith transcript of Investor call held on 25th October, 2024. A copy of the said transcript along with audio recording is also available on the website of the company www.associatedalcohols.com

This is for your information and record.

Thanking You

Yours Faithfully,
For Associated Alcohols & Breweries Limited

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Company Secretary & Compliance Officer

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Associated Alcohols & Breweries Limited

“Associated Alcohols & Breweries Limited
Q2 and H1 FY25 Earnings Conference Call”

October 25, 2024



MANAGEMENT: **MR. ANSHUMAN KEDIA – WHOLE TIME DIRECTOR
AND CHIEF EXECUTIVE OFFICER**
**MR. TUSHAR BHANDARI – WHOLE-TIME DIRECTOR &
CFO**
MR. ANKIT AGRAWAL – GROUP CFO

MODERATOR: **MS. PRIYA SEN – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Associated Alcohols & Breweries Limited Q2 and H1 FY'25 Earnings Conference call hosted by Go India Advisors. 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Priya Sen from Go India Advisors. Thank you and over to you, Ms. Sen.

Priya Sen: Thank you, Ranjeev. Good afternoon, everybody and welcome to Associated Alcohols & Breweries Limited Earnings Conference Call to discuss the Q2 and H1 FY'25 results. We have on the call Mr. Anshuman Kedia, Whole Time Director and CEO, Mr. Tushar Bhandari, Whole Time Director and Mr. Ankit Agrawal, Group Chief Financial Officer.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces. May I now request Mr. Anshuman Kedia to take us through the company's business outlook and performance, subsequent to which we will open the floor for Q&A. Thank you and over to you, sir.

Anshuman Kedia: Thank you, Priya, and a warm welcome to everyone attending the Q2 FY25 Earnings Conference Call of Associated Alcohols & Breweries Limited. The financial results for the quarter ending September 2024 along with the investor presentation, have been made available on the exchange and I trust you had the opportunity to review them. I am pleased to report that we have made significant progress this quarter, particularly in our strategic focus on premiumization.

Our journey towards enhancing our premium product portfolio has been going as planned, and it's already yielding strong results. We are moving steadfastly to launch new high-quality products that resonates with the evolving consumer preferences, especially in the premium category. This quarter, our flagship premium whisky Hillfort received an overwhelmingly positive response in key markets.

Following the success of our handcrafted gin, Nicobar in previous quarters we are seeing similar demand for Hillfort, which is further solidifying our position in the premium segment. Our premium products are not just expanding our portfolio, but also contributing to both volume and revenue growth, signalling the success of our premiumization journey. Additionally, Nicobar gin recently earned a bronze medal at the prestigious San Francisco World Spirits competition, a recognition that elevates its market standing and highlights our commitment to quality and innovation.

This win opens new doors for distribution and consumer engagement, strengthening our position in the premium spirits category. We are confident that the premium segment will remain a key road driver for us in the future. As consumers increasingly gravitate towards high-quality craft and premium spirits, with this focus we are not only meeting demand but also setting new benchmarks in innovation, taste and brand experience.

At the same time, I am pleased to report that our entire product portfolio has seen growth this quarter. Even in the face of rising input costs, while rice prices surged to INR28,000 per metric ton and maize peaked at INR26,000. Despite such an unprecedented increase, we have successfully maintained our gross margins. We have started seeing some relief as grain prices are now showing signs of stabilizing.

This stabilization, combined with our focus on operational efficiencies and prudent cost management, has helped us maintain profitability. Looking ahead, we will continue to focus on expanding our premium offerings while driving operational excellence across all areas of the business. We remain committed to innovation, brand building and strengthening our presence in both existing and new markets.

With that, I would like to invite Mr. Tushar Bhandari to provide more insights into our market expansion and the performance of our latest product launches including Volume Growth.

Tushar Bhandari:

Thank you Anshuman and good afternoon, everyone. This quarter has been significant in terms of both our market expansion and product performance. We have made substantial progress in entering new markets and I am pleased to report that our volumes growth has been impressive across the board.

Our total sales volume in the IMFL proprietary brand increased by 5% this quarter compared to the same period last year. Driven largely by the strong performance of our premium products, our recently launched premium whisky Hillfort has performed exceptionally well with initial sales volume exceeding expectations in key states. Similarly, Nicobar, our handcrafted gin, has continued to show robust volume growth and we expand its availability in new regions including Delhi and Chhattisgarh.

Looking ahead, we are excited to announce our plans to enter new markets in the coming quarter. Our products are expected to become available in Maharashtra, Goa and Karnataka which are the key trend markets for us. We believe that these regions with a robust consumer demand for premium spirits will contribute significantly to the growth trajectory. The expansion is a critical part of our strategy to broaden our geographical footprint and increase market penetration.

Overall, our proprietary IMFL brands have contributed significantly to the company's volume growth. The success reflects that increasing consumer preference for premium and craft privileges and trends we believe will continue to accelerate and we strengthen our geographic footprint.

We remain focused on driving further volumes growth through both our existing product portfolio and new launches which will further solidify our position in the market. Now I will

pass the floor to Mr. Ankit Agrawal, our group CFO to walk you through the financial performance.

Ankit Agrawal:

Thank you Tusharji and good afternoon, everyone. I would like to take you through our financial performance for Q2 FY25, highlighting key metrics that show the company's resilience and growth trajectory in the face of challenging microeconomics conditions. In Q2 FY25, we recorded a 50% increase in net revenue, reaching INR255 crores compared to INR170 crores in the same period last year. This growth was achieved despite inflationary pressure on our input costs, particularly for grain and backing materials.

Operational efficiency and disciplined cost management helped us maintain a healthy gross margin of 40% in spite of the rice peaking at INR28,000 per metric ton and maize at INR26,000. However, we are beginning to see some green shoots and the price has started to stabilise which should provide relief in coming quarters.

Our EBITDA stood at INR25 crores with a margin of 10%. PAT for the quarter grew by 14% year-on-year, totalling to INR15 crores with a PAT margin of 6%. In terms of segment, our proprietary IMFL brand generated INR31 crores of sales, growing 13% over year-on-year basis. And licensed brands also saw a 13% increase, reaching INR48 crores. The IMIL segment posted INR52 crores of revenue and our merchant ENA sales was around INR33 crores.

Ethanol revenue for the quarter was INR69 crores. Operationally, we saw a strong volume contribution with IMFL proprietary volume sales at 413,000 cases. IMFL licensed volume reached at 387,000 cases. Merchant ENA at 5 million litres and ethanol at 10 million litres. Looking at H1-FY25, net revenue rose 55% to INR506 crores from INR327 crores in H1-FY24. EBITDA for half year was INR53 crores with a 10% margin. PAT grew by INR28 crores year-on-year basis, reaching INR33 crores with a PAT margin of 7%.

Segment sales for the half year included proprietary IMFL brand at INR62 crores, a year-on-year growth of 14%. IMFL licensed brand at INR97 crores, up by 11%. IMIL at INR114 crores, merchant ENA at INR59 crores and ethanol revenue totalling to INR131 crores. Operationally, IMFL proprietary volume sales for H1-FY25 were around 840,000 cases. IMFL licensed volume was around 774,000 cases. Merchant ENA was 9 million litres and ethanol was 18 million litres. This concludes update on the Q2-FY25 financial performance. We can now open the floor for questions. Thank you.

Moderator:

Thank you. We will now begin the question-and-answer session. The first question comes from the line of Ayush with Shravas Capital. Please go ahead.

Ayush:

As you have guided for double-digit growth expectations, what are the factors that will help us achieve that? Could you elaborate a bit on that?

Tushar Bhandari:

So, primarily, the factors which will lead to the double-digit growth is the premium products which we have launched and which are in pipeline. So, in this quarter, we have planned to launch our ready-to-drink. In Q4, we are planning to launch our tequila. So the major states which we are entering in this quarter is Maharashtra, Goa, and Karnataka. So, these would be the major factors which will help us to increase our growth volumes.

- Ayush:** Alright. Thank you. Also, could you just give me the current utilization of the ethanol plant and what would be the peak revenue potential if you reach full utilization?
- Tushar Bhandari:** So, the current utilization of ethanol plant is 100%. And the peak revenue would be around about INR300 crores.
- Ayush:** Alright. That will be it from my end. Thank you.
- Moderator:** Thank you. Thank you. The next question comes from the line of Chetan with Systematix. Please go ahead.
- Chetan:** Hi. Good evening, sir. I have two questions. First question is on our premium portfolio. So, we have super-premium products such as Nicobar and Hillfort. And we have been seeing the premium category in Alco-Bev doing well despite there being pressure in the discretionary spending. So, can you highlight what kind of a growth we have seen in our premium segment compared to our popular economy segment? Any numbers if we can share on this?
- Tushar Bhandari:** See, as it's a newly entered product in the market, the positive part is we are seeing month-on-month growth in the volumes. And as making a brand, especially in the premium category, would be a long-term procedure. So, the positive part is we are seeing month-on-month growth and we are having positive feedback from the market. So, that is what is driving us to achieve our achievable target. And we expect it to grow at a faster pace in the coming years.
- Chetan:** Okay. And my next question is on our margins. We have seen some pressure on our margins this quarter. So, what shall we attribute this to? One, we know is the rise in the grain prices. Any other reasons such as any change in our product or state mix?
- Ankit Agrawal:** If you see current quarter results, the grain has not impacted due to our cost efficiency and operational measures. So, we have maintained a similar gross margin what it was in the Q1. The dip in the margin is majorly because we are opening up the new states and we have done some additional spending on our brand building and retail activity like in Delhi and Chhattisgarh. So, due to that there is some increase in the advertisement and sales promotion cost which will lead to the lower margin than the quarter one.
- Chetan:** Okay. That was helpful, sir. Thank you.
- Moderator:** Thank you. The next question comes from the line of Imran with Longbow India Capital. Please go ahead.
- Imran:** Hi. Thanks for the opportunity. Sir, I have just one question on the ethanol division. I see that you have uploaded a document today on the exchanges with the volumes for the next ethanol year. Wondering if you can share the latest price for the next year. Has there been any change in the prices? Just wanted to know that.
- Tushar Bhandari:** At present, the price is the same as for the last year which is 71.8. Okay.
- Imran:** So, no price changes?

- Tushar Bhandari:** Yes, no price changes as of now.
- Imran:** Okay. Got it. Thank you so much.
- Tushar Bhandari:** And corn-based ethanol which is touching the maximum prices.
- Imran:** Right. Thank you, sir. Thanks.
- Moderator:** Thank you. The next question comes from the line of Naman Shah with Monarch Network Capital. Please go ahead.
- Naman Shah:** Hi, sir. Just a few questions on my side. Just wanted to know about the UP plant that we are expanding into. What is the acre and install capacity in the UP plant expected?
- Tushar Bhandari:** So basically, right now we are in the process of we have acquired the land. And now we have applied to the government for the licenses. So, the expected volume would be initially around 100 to 120 KL plant. So we will start with the bottling unit which will be followed by because it's faster to make a bottling unit and then get ENA from somewhere and start bottling. And then it will be followed by a ENA plant of 100 to 120 KL.
- Naman Shah:** Okay. So, one more question. What was the ethanol realization for this quarter?
- Ankit Agrawal:** Ethanol realization is the same 71.8.
- Naman Shah:** Okay. And could you give the exact number for the merchant ENA volume?
- Tushar Bhandari:** Exact number you want in litres?
- Naman Shah:** Yes, in litres.
- Tushar Bhandari:** For the quarter?
- Ankit Agrawal:** Are you talking about sales or the production?
- Naman Shah:** Volume.
- Ankit Agrawal:** So, this quarter we have done 5 million litres.
- Naman Shah:** Okay. And one last question from my side. Just wanted to know what is the status for our expansion plans? Like we are entering Maharashtra, Goa and Karnataka this quarter. What about the rest of the states? And also if you can provide a revenue split for the existing states that we are in. Like how much of the revenue comes from Delhi? How much comes from Madhya Pradesh? And how much comes from Chhattisgarh?
- Tushar Bhandari:** If I answer your second question first. So, primarily major revenue split comes from Madhya Pradesh and Kerala. Then it is followed by Delhi and Chhattisgarh. So, Delhi and Chhattisgarh are in the growth phase. We have seen a great jump in the volumes in both the states. That is including Delhi and Chhattisgarh.

Chhattisgarh, we have seen a great achievement in terms of Nicobar gin. So, Nicobar gin right now is I think one of the maximum selling gins in Chhattisgarh. So, month on month it is growing the volume and it is scaling the traction. So, that is where the value creation is also coming. And plus our central province whisky is also doing good. That is to answer your second question.

The first question is how do we strategize to enter into other states? So, basically, for Goa we have done a manufacturing dia. Third party dia who will be manufacturing for us. It is similar in the lines of Kerala what we have done. We will be sending ENA from here and the packaging material we will buy. And that person will manufacture for us. And from Goa we will try and cater to our Pondicherry, Mahe and Goa market. And certain bit of premium brands which we plan to launch in Kerala would come from Goa.

Initially in the first phase Karnataka and Maharashtra, we will send the packed product from our Madhya Pradesh unit. And then as the volume grows, we are already in talks with tie up with a few people. So, as the volume grows we will tie up in those markets.

And as you said that what about the other states? We are still evaluating and working on the other states. As you are aware that we are strictly governed by the excise department. So, the process of registration and everything is very lengthy. So, other states also we are working on. So, we are working on like for example like Odisha is the next market what we are working for Karnataka, I have already told you we are working for. So, that is the strategy.

Naman Shah: Okay. And could you tell us the revenue for ethanol this quarter?

Ankit Agrawal: Ethanol this quarter you want or you want the 9 months?

Naman Shah: Both sir.

Ankit Agrawal: So, quarter ethanol revenue for this quarter was around INR70 crores. And if you talk about 6 months it is around INR130 crores.

Naman Shah: And, I think we recently did a presidential issue for malt plant expansion and UP plant expansion. So, can we talk about malt plant? When is it expected to launch the malt plant?

Ankit Agrawal: So we have already started the excavation work of the malt plant. We are expecting it to complete by December. And then post that for malt we have to do the maturation as well. So, that will take some time. Once that is done then we will be launching our own products around malt.

Tushar Bhandari: So, malt plant would be up and running somewhere around February this year. And then whatever the malt would be generated or manufactured would go in for maturation. And minimum maturation which we look for in the Indian market is around 1 year to 1.5 years. And post that we will come up with our own single malt.

Naman Shah: Okay. And one last question. Just wanted to know about tequila. How do you see tequila doing in India? And when is the expected launch for our tequila?

- Tushar Bhandari:** So, tequila is the next big thing in the industry. We see a lot of people move towards tequila. And in this family what we are doing is that we are branding our own tequila. We will come up with our own tequila. And the expected launch time is Q1 of FY26.
- Naman Shah:** Okay, that's it from my side. Thank you.
- Moderator:** Next question comes from the line of Harsh Jhanwar with Aventus PMS. Please go ahead.
- Harsh Jhanwar:** Thank you for the opportunity. Sir, just wanted to know on this new state expansion, when do we expect to get licenses in Maharashtra, Karnataka and Goa? Timeline, expectation?
- Tushar Bhandari:** It's very difficult to pinpoint timeline expectation because it's the excise matter. So, first initial time when you enter into any state, it's a lengthy procedure. So, just to update you, in Goa we have already received the manufacturing license in the DIAP unit and we've got an approval from the excise. Now, we'll be applying for the label registration and the price, that's for Maharashtra. Karnataka, we've already applied for label registration and the price. So, we are expected to get that within a month, month and a half.
- Harsh Jhanwar:** I'm saying Goa, from Goa, Karnataka, from which quarters are we planning to start getting revenues?
- Tushar Bhandari:** So, say Maharashtra would start this quarter. Q3, itself. And around Q3 towards the end or Q4, we'll see operations start in Goa and Karnataka.
- Harsh Jhanwar:** Okay. So, by the end of Q3, we'll start in all these new geographies. And Q4 onwards, we'll start contributing to our revenues.
- Tushar Bhandari:** Yes
- Harsh Jhanwar:** Okay. And sir, also wanted to understand, as we enter this newer market, what will be our marketing plans here? How do we go about making our products popular and what will be the plan here?
- Tushar Bhandari:** But if I got you right, you're asking about what are the marketing plans?
- Harsh Jhanwar:** Correct. Yes.
- Tushar Bhandari:** So, marketing plans, as we said earlier, is that we take bottoms-up approach. We try to influence at the shop level. So, we are planning our sales accordingly. And we have kept on board All India Sales from Mr. SR Dubey, who has had 40 years of experience in Pernod Ricard and USL. And we will be working on on-trades and off-trades both. So, as we have a premium brand, so we'll be working on on-trades both, and everything will be taken care, sampling, and everything there.
- And plus, we'll be concentrating primarily on increase in availability and width of distribution. Our concentration would be primarily on width of distribution because we are confident about the quality of the product. So, the maximum number of shops it is able to reach and maximum

number of clients are able to taste our product, then you'll see an increase in the growth of our products.

Harsh Jhanwar: Understood. So, this is a long-run process where you launch a product and slowly you'll see the acceptance in your markets. And probably after a year or two, you'll see the major pickup or it happens quickly because we are not allowed to advertise much. There are a lot of restrictions on advertising per se. So, how is this journey of new product launching and picking up?

Tushar Bhandari: The new product launches is totally different in different states. Primarily, we believe in reaching maximum customers as we can. And that is the way of sampling or advising and educating the customers. So, that's how we go on it. That's how we concentrate on width of distribution. So, if we are available in maximum number of shops, the maximum number of customers will be able to try our product in diverse areas, in all the areas, and then the demand will come in from there on.

Harsh Jhanwar: Understood. So, as we are able to quickly enter distribution, faster will be the pickup for the new products. And sir, my last question is about the Diageo portfolio. For Diageo, exactly do we just contract manufacture their products or do we also distribute it, market it, and sell it?

Tushar Bhandari: So, certain brands of Diageo we manufacture, distribute, and sell both. In that, those products which we've taken is on franchisee basis completely. So, we have the rights of selling those products. And those products are McDowell's No.1 Celebration Rum and Director's Special Whiskey and Director's Special Black. So, this is on the sales and distribution front, the products which we've taken from Diageo.

And on the other side, we are doing a job work for Diageo. So, the Diageo sales is also increasing regularly. So, we see a great scope of increase in the volumes of the job work portfolio as well.

Harsh Jhanwar: Understood. And do we also envisage entering any other states or so with the Diageo products or it will be primarily for customers?

Tushar Bhandari: So, primarily for sales and distribution, we are looking only at MP. Other states, we will be entering with our products because entering with Diageo's products attracts a huge amount of costs from the day one itself. Because I have to commit a certain amount of royalty. So, if I am not able to sell that, there is a huge impact on the revenue of the company. So, we will be concentrating on our products only and increasing the sale of our value-added products only in other states.

Harsh Jhanwar: Sorry, this is my last question. So, when you are entering these markets of Maharashtra, Goa, Karnataka, will be entering with entire set of portfolio or only these premium products like Nicobar and Whiskey and Tequila which we are launching now? Or the affordable categories and all these products also?

Tushar Bhandari: So, we are entering only with our premium product ranges in other states because on the lower end ranges, it becomes difficult to enter other states as the transport costs and other costs are higher. So, we will be entering only with our premium product portfolio.

- Harsh Jhanwar:** Understood. Thank you, sir.
- Moderator:** Thank you. Next question comes on the line of Deepesh Sancheti from Mania Finance. Please go ahead.
- Deepesh Sancheti:** What is the percentage of revenues from a proprietary IMFL? What is the target of the company and by when do you envisage to reach that target?
- Tushar Bhandari:** We look at our IMFL as a whole segment. So, currently our IMFL segment contributes around 23% which includes both proprietary and the licensed products, both together. And over the years, post removal of ethanol, we are targeting it to be 50% of our turnover.
- Deepesh Sancheti:** 50% of your turnover, the proprietary products, right?
- Tushar Bhandari:** Yes.
- Deepesh Sancheti:** Okay. And I heard that you are entering Maharashtra. Have you already entered or you are going to enter after the elections?
- Tushar Bhandari:** No, we put our file for label registration. Because of the code of conduct, the file is put on hold. So, just after the election, we will get the approvals. We have already got the license for sale and distribution in Maharashtra. We are just awaiting the label registration process.
- Deepesh Sancheti:** So, you will be missing out on all the spike of election sales?
- Tushar Bhandari:** Yes.
- Deepesh Sancheti:** Okay. And now, coming to your ethanol, how much from your distillery is ENA? I mean, I just want to know that whether all your alcohol is made from your own ENA or do you get ENA from outside?
- Tushar Bhandari:** No, we manufacture the entire thing from our own ENA plus whatever the surplus of ENA is there, we sell it in the market. Our objective is to utilize the entire ENA in our own value-added products. That's what we are targeting it for.
- Deepesh Sancheti:** So, what is the realization from ENA you are getting? INR65?
- Tushar Bhandari:** So, right now, we are getting around INR66-INR67.
- Deepesh Sancheti:** INR66, INR67 compared to ethanol which is around INR71, INR72.
- Tushar Bhandari:** INR71.8.
- Deepesh Sancheti:** INR71.8. And the new UP project which you are putting that is completely ENA or it will be a mixture?
- Tushar Bhandari:** It will be ENA.
- Deepesh Sancheti:** Completely ENA?

- Tushar Bhandari:** Yes. So, currently, we plan for complete ENA project in UP as of now.
- Deepesh Sancheti:** Okay because you are going to start IMFL and the product manufacturing the bottling also, is that the reason that you are doing complete ENA?
- Tushar Bhandari:** Yes, we will be doing ENA only. We are not going into ethanol. See, our core is basically ENA manufacturing and making brands. So, that's what we will concentrate into. We will not divert much into ethanol at this point of time.
- Deepesh Sancheti:** Okay. And this ENA you are making from rice or from maize?
- Tushar Bhandari:** So, we have got a multi-feed plant. Depending on the cost viability, we can switch from any grain which has got starch. So, it can be rice also, it can be maize also, it can be sorghum also. So, depending on the price availability. So, right now we are buying corn and rice both.
- Deepesh Sancheti:** Corn and rice because the reason I am asking is because FCI, the ban which was there on rice now it has been removed. It has been relaxed. So, I mean, what works better for you? I am talking up for ENA because ethanol, obviously, you get a higher price from maize, but for ENA, what are we using?
- Tushar Bhandari:** So for ENA we are using right now maize itself because ours is a maize-dominated belt, Madhya Pradesh. And right now, the fresh crop of maize has also come. So, the price we see is stabilizing or slightly going towards down. So, that's why we are taking primarily maize. Ours is not primarily a rice belt.
- Deepesh Sancheti:** Okay. Just one last question on the maize. What is the price of the maize which you are buying right now and where do you see it in this quarter?
- Tushar Bhandari:** So, right now, it's somewhere around INR24,500.
- Deepesh Sancheti:** INR24,500. It has dropped down from INR26,000?
- Tushar Bhandari:** It has reached to almost INR26,000, INR27,000. So, as the season is approaching, it's showing a downward trend.
- Deepesh Sancheti:** Okay. And availability is not a problem, right?
- Tushar Bhandari:** Availability was a problem in between, but now it's not anymore a problem because now all the fresh crops have started coming in.
- Deepesh Sancheti:** If I can just squeeze in one more question. What is your power production and what is your power cost because, I mean, you have your own captive power or you are buying power from the grid?
- Tushar Bhandari:** We have got our own captive power. We have got an 8-megawatt turbine. So, primarily that turbine suffice our entire consumption.
- Ankit Agrawal:** And to add what Tusharji said our power cost is around 6% to 7% of our revenue.

- Deepesh Sancheti:** If you can give me a per unit cost for the ethanol part?
- Ankit Agrawal:** Per unit we cannot, but overall, I can give you the numbers. The overall power cost for us is around 7% of revenue. And it will be almost similar for both the ENA and the ethanol.
- Deepesh Sancheti:** 7% of the total revenue or the revenue of ENA and ethanol?
- Ankit Agrawal:** Total revenue.
- Deepesh Sancheti:** Total revenue. Perfect. I will work it out. If there are any other questions, I will call in line. Take care.
- Ankit Agrawal:** Thank you.
- Moderator:** Thank you. Next question comes from the line of Rahil Shah with Crown Capital. Please go ahead.
- Rahil Shah:** The question is regarding the growth guidance. You said double digit. Is it for the volume or for the revenue for FY25? I believe last time you had said 12% to 14%. So, does that still stand and additional from ethanol INR300 crores, can you just reaffirm for me?
- Ankit Agrawal:** Yes, it still stands that.
- Rahil Shah:** And the EBITDA margins between 11% to 13% also is something you expect this year?
- Ankit Agrawal:** Yes. We stand with that number.
- Rahil Shah:** Okay. Thank you. All the best.
- Moderator:** Thank you. Next question comes from the line of Rohan Patel with Turtle Capital. Please go ahead.
- Rohan Patel:** Hi. As I am new to this company, I just want to understand that over the last three years, we have seen a significant decline in our operating margin. In FY21, it was somewhere around 21%.
- Tushar Bhandari:** Rohan, your voice is not clear.
- Rohan Patel:** Is it clear?
- Tushar Bhandari:** Rohan, your voice is not clear. We cannot hear what you are saying. Can you please repeat your question.
- Rohan Patel:** I am new to this company and I just want to understand the trajectory of our operating margin. In last three years, we have seen that our margins have fallen down substantially. So, can you explain what has happened?
- Ankit Agrawal:** So see I will tell you. The primary reason is the raw material cost and the packing material cost. If you compare the raw material cost for last three years, it has gone almost more than 50% around escalation in the raw material prices whether it is rice or maize you talk about. And

similar is the side of the packing material. So, that is the major reason why there is a fall in the operating margin.

But as we speak, we have tried to increase the price wherever it is possible. So, that is why we have been able to somewhat mitigate the rise of the raw material and the packing material cost.

Rohan Patel: Okay, And second thing that I want to ask is one of the participants asked regarding our contribution of IMFL in our overall revenue that you said was around 23%. Can you just reaffirm that your target is to take IMFL to 50% of our total sales or only proprietary to the 50% of total sales?

Ankit Agrawal: See, I will just add to what we discussed just before. So, our IMFL own and IMFL license, both put together it is around 31%. Out of that, our IMFL own product is around 12%. So, we are targeting to take this 31% to 50%. And the contribution of our own IMFL product should be more in that.

Rohan Patel: Okay. And considering that our IMFL percentage going forward will be increased, considering our own as well. So, can we expect a EBITDA margin to the historical level of 15%, 16% if prices are under control?

Ankit Agrawal: Yes, I think one year. So, we are expecting somewhere in FY26 we should be able to do that.

Rohan Patel: FY26, our margins should be back to our long-term average.

Ankit Agrawal: Yes, it should be.

Rohan Patel: Okay, And can you give us your long-term, any targets that you have for your top line like from currently as of FY24, we are at INR760 crores. So, where would we be by FY27 like any growth projects if you are having?

Tushar Bhandari: Basically, slightly higher double digit we are looking at a growth on that. So, we will continue to grow somewhere around 15% to 20% year-on-year. That's what our target is.

Rohan Patel: Yes for next 3 years or over next 3 years, 4 years?

Ankit Agrawal: So, the average CAGR should be around 15% for next 3 years.

Rohan Patel: Okay. That was from my side. Thank you.

Moderator: Thank you. Next question comes from the line of Naman shah with Monarch Network Capital. Please go ahead.

Naman Shah: Hi. Just one question, one follow-up actually. You said that raw material and packing material costs affected the operating margin. Could you give us the number, what is the packing material cost that we have?

Ankit Agrawal: So, see our total if we dissect our cost, so it will be around 75% to 80% will be our grain and the remaining will be considered of packing materials and other cost. So, majorly it will be around 80% will be grain cost and the remaining is the packing materials cost.

Tushar Bhandari: So, this was regards to what Ankitji has said and that is the question was that over the years, how come your margins have come down? So, over the years, the margin has come down primarily due to increase, substantial increase in the raw material price. So, the grain which was available at INR12,000, INR14,000 earlier is now at INR25,000.

So, that is the primary contributor and post-COVID the price of glass and other packaging material have post-COVID and post-Ukraine war packaging material prices have also shot up. So, it was just an answer to the over the years question.

Naman Shah: So, what is the price of glass that we can buy?

Ankit Agrawal: Currently, the average glass we are getting at bottle cost is around INR7 to INR8.

Naman Shah: And few more questions from my side. So, I just wanted to know what margin profile do you expect for our super premium and premium product lines? And second, talking about premium, just wanted to know how Nicobar and Hillfort have performed in terms of volume?

Tushar Bhandari: So, basically the margin what we are expecting in the premium product is around 20 plus percentage. That is what we are targeting over the years. Because right now, a lot of spend is also going in promotion and increasing. Nicobar, Hillfort, we have just launched it last month itself and we sold primarily and we registered primarily right now in Madhya Pradesh. And we are seeing a volume of roundabout say, we are trying to capture the market of round about 1% right now.

We are targeting to capture this financial year around 4% of the market share in Madhya Pradesh. Because in this category, there are big players also available of the top biggest two biggest companies of the world. We are fighting against that. And as soon as it is registered in other states, the volume will increase substantially. In terms of Nicobar being a premium brand, in Madhya Pradesh we are right now, we have been able to achieve the third position in terms of month-on-month sales.

So, that is a good achievement defeating the sales of few top players also. So, that is a good achievement, but as it is a very small industry, so we have done roundabout say 3000 cases odds in Madhya Pradesh. And other states, we are right now fighting for placements. And as soon as we get that, we will see a growth in volume. So, we will have to give these products, these are premium products, we will have to give these products one year at least to reach the width which we are targeting. And post the reach, we will see the volume growth.

The best part is both the products are growing, the sale is growing or volume is growing month-on-month and we have not received a negative feedback about the product till date.

Naman Shah: Okay. And what growth do you foresee in overall IMFL proprietary and premium and super premium segment volumes?

- Tushar Bhandari:** So, we see around 15% to 20% growth rate. This year already we have grown roundabout say around 10% to 12% we have already grown. And we see around 15% growth rate in our proprietary brand.
- Naman Shah:** And for premium and super premium?
- Tushar Bhandari:** So, premium and super premium growth rate, see there is no point comparing growth rate because see premium and super premium the base is pretty less. So, obviously the growth rate would be higher, but we believe that very soon we will be able to achieve good volumes and we are targeting market share of the buyer because see there will be no new market created. We will have to take the share from the existing big players who are already existing. So, we are targeting on that front.
- Naman Shah:** Okay. And any specific revenue and EBITDA contribution revenue evolving across segment, any specific targets across segment for revenue and EBITDA?
- Tushar Bhandari:** Target across segments?
- Naman Shah:** Yes.
- Ankit Agrawal:** From premium segment you are talking about?
- Naman Shah:** No, across segment as in from IMFL proprietary, IMFL license?
- Tushar Bhandari:** Basically, at present the IMFL proprietary EBITDA is around about 16%. Okay. And for IMFL license brand EBITDA is around about 14%.
- Naman Shah:** Okay, sir. Okay, that's it from my side.
- Moderator:** Thank you. Next question comes from the line of Manoj Bhura with Adinath Financial Services Private Limited. Please go ahead. Mr. Bhura please go ahead with your question.
- Manoj Bhura:** Good afternoon to all. First is regarding capital work base. We have around INR85 crores of capital work in progress as on 30th September 2024. Can you throw some light on this? What this is for and where those capital work will be able to be realized?
- Ankit Agrawal:** So, in this majorly INR50 crores around will be our new bottling hall which will be getting capitalized in the next quarter. It's almost in the verge of completion. So, this bottling hall we have dedicatedly made for the USL products and which will be coming up. So, that INR50 crores is for that. And then there are few additional expansions like storage tanks and **[inaudible 45:29]** which are also lined up. So, those are there. So, out of 80 majorly will be bottling and the remaining two, three small projects which are going in plant.
- Manoj Bhura:** My next question regarding ethanol margin. I can see that total sale of ethanol in the quarter was around INR83.50 crores. Whereas, revenue is around INR1.85 lakh. It means we are earning roughly INR1.50 per litre from our ethanol sales almost 2%. Don't you think this is too low margin and what are the reasons for that?

- Ankit Agrawal:** Sir, we are targeting EBITDA which we are expecting out of ethanol business in the long term will be somewhere around 7% to 8%. Ethanol itself is a low margin product. This quarter it is majorly hit because of the high raw material prices. We are expecting that raw material prices will get softened in the coming quarter and then again we will be able to gain our targeted margin. So, anyway ethanol is always a low margin product. So, it should not go beyond 7% to 8% sort of EBITDA. Currently in the quarter it is around 4%. So, we expect to reach 7% to 8% when the prices of raw material softened in the coming quarters.
- Manoj Bhura:** And regarding the other expenses, this has gone up substantially from the sequential quarter last year, year-on-year quarter around INR10 crores increase was there. What is this?
- Ankit Agrawal:** Sir, you are talking about year-on-year or you are talking about quarter-on-quarter?
- Manoj Bhura:** No, year-on-year. Around INR10 crores other expenses year-on-year?
- Ankit Agrawal:** Other expenses, you are talking about year-on-year?
- Manoj Bhura:** Yes. Last year INR42 crores [inaudible 47:16] INR43 crores?
- Ankit Agrawal:** There are two, three reasons. First is the freight, one of the major reasons. Since we have started ethanol, so the freight cost has increased substantially because ethanol freight is at our end. Then there is an increase in the sales promotion and advertisement expenses. We are entering into new stage, we are coming up with the new premium brands. So, there is slightly increase because of that.
- And plus there are some increase because we have to pay a lot of license fees for the brand registration and all. And since we are entering into new stage, so those license and branding fees are also coming in the other expenses.
- Manoj Bhura:** Regarding UP plant, I can see that you have already acquired the land?
- Ankit Agrawal:** Sorry sir.
- Tushar Bhandari:** Yes, we already acquired the land.
- Manoj Bhura:** You have already acquired the land for UP plant, right?
- Ankit Agrawal:** So, partly land we have acquired, partly we are in the process and we are expecting to close the land acquisition in next one or two months. We are already inching towards the required desired land parcel. So, we will be closing that in next one month.
- Manoj Bhura:** The total land area which we are acquiring area of land?
- Ankit Agrawal:** Sorry?
- Manoj Bhura:** No, total area of land which we are acquiring for UP plant?

- Ankit Agrawal:** So, I am getting somewhere around 25 to 30 acres of land for the project with both bottling and slurry.
- Moderator:** Mr. Bhura please rejoin the queue once again because I think we are not able to hear you. Thank you. Next question comes from the line of Tushar Agarwal, an Individual Investor. Please go ahead.
- Tushar Agarwal:** Hi, I just wanted to understand why have we issued new fetch warrants and price ration behind it? And also, why not do a rights issue or something?
- Ankit Agrawal:** So, see there are two things to it. As of now, we need the fund for the expansion plan which we have in our mind, whether it is coming to the new mould plant or the new bottling plant which we have done or the new plant in UP. So, looking at those requirements, we have done the warrant issue. Plus, since the requirement will be on a, it will not be on a once, it will be over the period.
- So, that's why we have given the warrant. So, whenever we need the fund we will approach to these existing investor and request for that further money to complete this exercise. And we don't want to get into the debt because as a company we have a philosophy to always keep our debt low. So, that's the reason we have done this.
- Tushar Agarwal:** Right. So, I mean, could you just give us a sense of the price ration because there is a huge discount between the current market price and the warrant issue price. And also, if such a discount is to be given for warrants, so we can issue right issues to your public investors also?
- Ankit Agrawal:** So sir, the price has been derived as per the SEBI, ICDR requirements. So, when the warrant issue was done, accordingly the price has been calculated. This has been backed by the corresponding independent value of goods under valuation. So, there is no excess discount. It has been derived as per the SEBI formula.
- Tushar Agarwal:** Alright. In future, can we expect some right issue for capital raise instead of professional warrant issue?
- Ankit Agrawal:** So, sir, as of now, looking at the current plan, we are having the enough capital which we need. In case any future capital requirement may come, then we may think about whether to go with the right issue or the warrant.
- Tushar Agarwal:** Alright. Thank you so much.
- Moderator:** Thank you. Thank you. Next question comes from the line of Deepesh Sancheti from Manya Finance. Please go ahead.
- Deepesh Sancheti:** Yeah. Just a follow up question with the new products which we will be introducing, how do we see our margin profile going?
- Tushar Bhandari:** How do we see our...
- Deepesh Sancheti:** Hello.

- Tushar Bhandari:** Deepesh your voice is cracking, yes.
- Deepesh Sancheti:** How do we see the improved realization as segment?
- Tushar Bhandari:** Sir, improved realization will increase substantially. For example, till now our realization was under INR1000. And now, as we've launched the Nicobar gin with an ADP of around about say INR8,000. And Hillfort Whisky basically which we have launched is in the range of INR3,000 a case. So, as the sale of these products increase, the realization will grow substantially.
- Deepesh Sancheti:** So, what is the current realization and you expect this realization to increase to INR2000 a case?
- Tushar Bhandari:** Yes, the current realization is around about say INR800.
- Deepesh Sancheti:** INR800. Okay. And what are the current sales volumes of Hillfort Whiskey and Nicobar gin?
- Tushar Bhandari:** So, I've already answered this question earlier. Current sales volume of Hillfort gin is pretty less right now both the products as these are newly launched products. And we are concentrating on increasing the width of distribution. The only positive thing in this is that we are seeing a month-on-month increase in the volume of these products.
- Deepesh Sancheti:** And just a follow-up question on the person who had asked about your margins on ethanol. I mean, if you're doing such low margins on ethanol, what are your margins on ENA?
- Ankit Agrawal:** Sorry?
- Deepesh Sancheti:** What are your margins on ENA?
- Ankit Agrawal:** ENA, we have current EBITDA is around 7% to 8% currently.
- Deepesh Sancheti:** And on ethanol, it is so low, I mean, in spite of having a higher realization?
- Ankit Agrawal:** Yes, so see, ethanol, it's a more I'll say purest form of the liquor. So, the cost of making ethanol is higher than the cost of making ENA.
- Tushar Bhandari:** Because it's more concentrated. ENA is 96% alcohol and ethanol is 99.5% alcohol.
- Deepesh Sancheti:** I understand, sir. The point is the reason I'm asking this is because I have been invested in pure ethanol companies also, namely BCL or Gulshan Polyols. But the point is they're not having these low margins. I mean, there's something is missing. I mean, that is what I feel because we work on quite higher margins?
- Tushar Bhandari:** So, low margin is there only in this quarter because of the increase, sudden increase in the raw material prices. Otherwise, our average margin was around about say 7%.
- Deepesh Sancheti:** Can you quantify it in per litre?
- Ankit Agrawal:** So, see at a normal price, we should be making somewhere around INR3 on a PAT basis. And if you talk about EBITDA, it should be somewhere around INR5 to INR6.

- Deepesh Sancheti:** INR5 to INR6 still, I think it's very low. I mean, I'm sure that you can have advisors look at the model which other companies are doing. You can definitely increase this to much more than, I mean INR3 and INR5. Is that a suggestion as an investor?
- Tushar Bhandari:** I will look at the same.
- Deepesh Sancheti:** Please do. I mean you can look at the model of BCL Industries. I think that will be a very good, I mean, reference point for you. Anyways, thank you.
- Tushar Bhandari:** Definitely.
- Deepesh Sancheti:** Thank you for your attention.
- Tushar Bhandari:** Thank you for your feedback.
- Moderator:** Thank you. As there are no further questions, we have reached the end of the question and answer session. I would now like to hand the conference over to the management for closing comments.
- Ankit Agrawal:** And I would like to thank you all for taking out time and attending our conference call. In case you have any further query, you can contact Go India for any further questions and we'll be happy to answer them. Thank you.
- Moderator:** Thank you. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us. You may now disconnect your lines.