



Globus Spirits Limited

(Corporate Identity Number: L74899DL1993PLC052177)

F-0, Ground Floor, The Mira Corporate Suites, Plot No. 1 & 2,
Ishwar Nagar, Mathura Road, New Delhi - 110065. **Tel.:** +011-66424400,
E-mail: corporateoffice@globusgroup.in, **Web:** www.globusspirits.com

Dated : 17th August 2024

The National Stock Exchange of India Limited
Exchange Plaza, C-1, Block-G
BandraKurla Complex,
Bandra (E),
Mumbai – 400 051

The BSE Limited
PhirozeJeejeebhoy Towers
Dalal Street, Fort
Mumbai – 400 001

Subject: Conference call Transcript– Q1 FY25 held on 13th Aug 2024

Dear Sir,

This is with reference to the above captioned subject and in compliance with Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, attached herewith the conference call transcript w.r.t. conference call held with Investors on 13th August 2024 to discuss the financial performance of the company for the 1st quarter ended on June 30, 2024.

Kindly take the aforesaid information on record and acknowledge

Thanking You
Yours faithfully
for Globus Spirits Ltd.

Santosh Kumar Pattanayak
Company Secretary
ACS-18721

DŌAAB

TERAI

SNOSKI

OAKTON

**BROTHERS
& CO**





“Globus Spirits Limited Q1 FY25 Earnings Conference Call”

August 13, 2024



**MANAGEMENT: MR. SHEKHAR SWARUP – JOINT MANAGING
DIRECTOR, GLOBUS SPIRITS LIMITED
MR. PARAMJIT SINGH GILL – CEO (CONSUMER
DIVISION), GLOBUS SPIRITS LIMITED
DR. BHASKAR ROY – COO, GLOBUS SPIRITS LIMITED
MR. NILANJAN SARKAR – CFO, GLOBUS SPIRITS
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Globus Spirits Limited Q1 FY '25 Earnings Conference Call.

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 “*” and then “0” on your touch-tone phone. Please note that this conference is being recorded.

We have with us today on the call from the Management Team of Globus Spirits Limited, Mr. Shekhar Swarup – Joint MD; Mr. Paramjit Gill – CEO, Consumer Division; Mr. Bhaskar Roy – COO; Mr. Nilanjan Sarkar – CFO; along with Stellar IR Advisors.

The Management will be sharing “Key Updates” and “Financial Highlights” for the quarter ended June 30, 2024, which will be followed by a question-and-answer session.

Please note, this call may contain some of the forward-looking statements, which are completely based upon the Company's beliefs, opinions and expectations as of today. These statements are not a guarantee of future performance and involve unforeseen risks and uncertainties. The Company also undertakes no obligation to update any forward-looking statement to reflect developments that occur after a statement is made. Documents relating to the Company's financial performance are available on the Website of the Stock Exchanges and the Company's Investors Section. Trust you have been able to go through the same.

I now hand the conference over to Shekhar Swarup for his “Opening Remarks”. Thank you, and over to you, sir.

Shekhar Swarup: Thank you. Good afternoon, everyone. Welcome to our Q1 FY '25 Earnings Call. Our “Presentation” has been uploaded on the Exchange, and I hope you had a chance to go through it.

In Q1 FY '25, we saw a margin improvement compared to Q4 due to a change in raw material mix away from rice and to maize, and due to a good Rabi crop in East India. In this period, we also managed to procure additional inventory of maize, which is helping us keep RM costs under some control in the East. However, a more promising recovery in margin is expected towards the end of Q3 with good monsoons, expectations of a normal paddy crop and a significant increase in maize cultivation across the country.

I was talking about a significant increase in maize cultivation in the Kharif crop this year. As mentioned previously, our average commodity cycle margins is in the range of Rs. 7 per liter with periods of volatility in margins during the course of the cycle. This offers us opportunities to hedge our positions. We are actively working with traders and stockists to help reduce volatility in raw material costs. These opportunities were not present when we were largely using rice and we are pretty excited about these hedging opportunities in the future. By and large, the change to maize has been very successful. However, there continues to be headroom

improvement in operations with maize. We hope to improve our profitability and productivity, which should increase our profitability by about 15% to 20% in the next 2 quarters.

Coming to our Brands business:

Our regular and other brands continue to operate as per expectations. In the first of a few, we launched GR8 Times brand in UP. The state has the largest salience of Regular & Others category in India, and we're excited about the prospects of the state, backed by our own production premises in Lakhimpur, Central UP. The unit is currently bottling our entire range of brands for the state, and we have started construction of a distillery here. The facility is being created with a focus on consistent and quality supplies to our consumer business for the state. The CAPEX of this facility is expected to be around Rs. 120 crores. Our high-value, high-growth Prestige & Above brands continue to perform in line with our expectations. We launched Brothers & Co., an exciting whisky brand in Q1 in the state of UP. It is a unique product that is a blend of scotch, American bourbon and Indian single malts.

I now request Param to take us through the performance of this business.

Paramjit Gill:

Thank you, Shekhar. Good afternoon, everyone.

Coming to our high-growth Prestige & Above segment:

The performance has been robust and encouraging. For the quarter gone by, we witnessed a sales volume of 0.19 million cases with a growth of 292% year-on-year and 50% quarter-on-quarter. We expect profitability to improve with volume growth on the back of same-state growth and new state growth. We have recently also ventured into the Goa market, which takes the total number of states to 7. We have gained good traction in Mountain Oak whisky as well as Snoski Vodka and flavors and are working to replicate this success in our new launches as well. We are focusing on innovative brands to be added in our offerings and have more exciting launches planned in FY '25.

Coming to Regular & Others segment:

This segment continues to perform well for the Company with a total volume of 3.95 million and a growth of 13% year-on-year and 15% quarter-on-quarter. And total EBITDA profitability of Rs. 430 million, followed with a growth of 47% quarter-on-quarter.

The Regular & Others is an entrenched mature business with high market shares in Rajasthan. We have entered UP in this segment, as mentioned by Shekhar. This state is a sizable opportunity, and we are very excited about the possibilities that this will create for us as the UP-market size is almost 65 million cases per annum.

Our recent brand launches of Mountain Oak and Snoski Vodka in the Prestige & Above segment have been very well received across markets. These 2 brands are going to get expanded into the balanced markets as we start getting approvals from excise in the new policies.

Our latest offering of RTD, which is ready-to-drink, is named NOT OUT, has just been launched in Delhi and the initial prospects are encouraging. We will see through its further expansion into Uttar Pradesh in the coming quarter. As you will note, the green shoots of our strategy to strengthen our market capability first state by state and then riding on it with the array of brands to succeed is now beginning to yield initial results. I am very happy to share that 3 out of the first choice of 5 states are in a good position to start benefiting from this strategy as we have entered our third year of business.

I would now like to hand it over to Nilanjan. Thank you.

Nilanjan Sarkar:

Thank you. Good afternoon, everyone.

As illustrated in the “Investor Presentation”, the margins have improved on the back of a strategic shift in the raw material as we have moved to maize and also our Consumer business performing well. Our net revenue in Q1 FY '25 was Rs. 642 crores, up by 13% year-on-year and 6% quarter-on-quarter. The revenue increase has been mainly on account of higher revenue in the Consumer division whose salience has increased by 5% quarter-on-quarter and 3% year-on-year. Manufacturing in Q1 FY '25 has been better due to the change of mix and the units have done well to divert to the new raw material, which is maize. There is headroom for improving performance as we get better using these raw materials through better purchasing and better processes.

Regular & Others segment, the quarter-on-quarter revenue increase has been 20% and performing as per expectation, with some packing costs pressures in Q1, and with bottle costs reducing by Rs. 0.17 per bottle effective August '24, the same will be mitigated. Prestige & Above performing well, with loss coming down and revenues multiplying. The quarter-on-quarter revenue increase has been 88% and the brands have been showing good traction. As a result of the above, the EBITDA margin is at 8%, which for Q4 was at 4%. Our net debt levels, net of cash and cash equivalents is at Rs. 331 crores, a change of 35% quarter-on-quarter and 31% year-on-year.

With this, I request the moderator to open the call for 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 Nitya Shah from KamayaKya Wealth Management. Please go ahead.

Nitya Shah:

Congratulations on good margin recovery quarter-on-quarter. So, my first question would be on, I want to understand what the distribution strategy is going forward for the Prestige & Above segment. Now you mentioned you've entered 7 states. So, I am from Maharashtra, for example, sir, Mumbai and Pune, when I asked at a few shops for Terai gin, they said it was unavailable.

So, I just want to understand how do you plan to increase the distribution going forward? What is the thought process here?

Shekhar Swarup:

Param, could you take that, please?

Paramjit Gill:

Yes. Thank you, Mr. Shah. So, the distribution strategy is 2-pronged. One is where our mainstream bouquet of brands, including the luxury brands, Terai and the forthcoming luxury offerings will all collectively go in a sequence, because this particular state will depend on the route to market strengthening by us and then building up the brand portfolio on it. The second string of states which is going to get ahead of this is the states where we will only have our luxury portfolio, and this segment is planned to expand further. Because our national footprint will be much slower than the luxury footprint, and Goa is an example of this, where we have only introduced Terai and we'll be introducing our future coming luxury brand ranges. The main stream of brands will follow a lot later. Whereas states like UP, Delhi and West Bengal have a full bouquet of range, and this will get added to it with the new excise policy coming which allows the additional bouquet of new brands to come through. I hope I have clarified the distribution strategy.

I would just like to add that at this point of time, this year, we are expecting that we will more or less remain with these 7 states. And towards the end of the financial year, we will start speeding work on a couple of states which will go through their initial phases in the coming years. Because in these 7 states, there is still some work to be done to start strengthening our route to market, in the balance 4 states out of 7, with 3 starting to get cemented.

Nitya Shah:

And my second question was now I've been reading multiple articles where there's a big growth in single-malt whisky in India, especially with your competitors also launching new products. So, even I saw that product launch planned in this year for single-malt whisky for Globus, too. So, I just wanted to understand what would be the unique selling point for your Company when there's already so many players who've already established themselves over the last few years? So, how do we plan on penetrating this segment?

Paramjit Gill:

So, I think the unique strategy of the new offerings, which are planned for, we will obviously divulge at the time when the brand is in the market, which you will appreciate purely for confidential purposes. However, I am very confident to state that even the brands which has started building up traction and in a very strong momentum, like Mountain Oak, Snoski, they have been able to carve out their own unique place in heavily crowded markets, which shows the uniqueness of our offerings not only in terms of liquid, in terms of blend, but also in terms of packaging.

And the way we are robustly using our route to market, we have been able to successfully do it. This gives us sufficient confidence that the emerging segments, which include single malt because this segment is nowhere close to getting saturated yet, will allow us even more healthier opportunities to use our differentiated brand offering and brand packaging strategies to allow a

consumer to not only experience our offerings, but to start offering us his loyalty measures as well.

Shekhar Swarup: So, I would like to just add 1 or 2 things here. Whereas in the big cities of, say, Bombay or Delhi and a few others, things may appear to be a little more saturated. But there is a vast market in the country, and many cities do not get the service that the big cities do. I think our distribution model, as explained by Param earlier, is to focus on opportunities that exist in those 7 states that we are present in. Some of those states have a strategy, which is led by our sort of nonluxury brands or Prestige brands, and some states now are going to be led by luxury brands.

There is, by no means, the saturation of alcohol beverage opportunities in the country today. There is a significant opportunity. And the evidence of that is what Mountain Oak and Snoski have created in such a short period of time. We hope to see our new whisky offerings, single-malt whisky offering, as well as Terai take more space in the market going forward.

Nitya Shah: And sir, my last question was say in the next 2, 3 years, what are the internal targets or aspirations for the Company? Let's say, Prestige & Above will make up how much percentage as a pie of your revenue going forward?

Shekhar Swarup: So, Param, if you don't mind, can I take that?

Paramjit Gill: Yes, yes, please.

Shekhar Swarup: So, currently, we are at a stage where the level of growth that we've shown in Q1, we would like to sustain for some quarters. Our Regular & Others business too is growing at a pretty good rate. Maybe about a year or so, I have said that our target is 20% of our consumer business should come from Prestige & Above. But frankly, with the growth that's happening even in the Regular & Others category, it's very difficult for me to give you a number or a date by which we'll reach the 20%. But with the current levels of growth in both businesses, we are pretty happy to sustain this for a few quarters, and those are our targets right now.

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

Nitin Awasthi: Sir, 2 questions. One on the accounting front of the subsidiary. I believe the subsidiary has only 1 brand, an RTD brand, which is NOT OUT. Is that correct?

Shekhar Swarup: Yes, it's just a single product. There was another brand in this subsidiary, but after we invested, we have taken a decision to scale down that brand and focus only on NOT OUT.

Nitin Awasthi: So, the question regarding the subsidiary is that there seems to be a significant amount of loss. If I compare the stand-alone balance sheet to the consolidated balance sheet, there is loss compared to the size of the Company, which is a subsidiary as of now, I think roughly Rs. 5 crores is loss, which is booked.

- Shekhar Swarup:** Yes. Nilanjan, can you explain that, please?
- Nilanjan Sarkar:** Nitin, actually, the loss is Rs. 54 lakhs, not Rs. 5 crores, and it's a onetime write-off that we had to do. We are chasing for the money, it's a debtor's write-off that we had to do of around about Rs. 45 lakhs. So, it's onetime. We are pursuing that money, but it's not a significant loss because it's a onetime write-off that we had to do.
- Nitin Awasthi:** So, these subsidiaries numbers are not included in the Prestige & Above category EBITDA. Is that correct?
- Nilanjan Sarkar:** No, it will not be included because for separate legal entity, so it will not be included.
- Nitin Awasthi:** So, that's why this number is smaller than that number. Got it. Sir, next, I wanted to understand about the UP market. We have a Rs. 120 crore CAPEX planned out. So, the time line is ready with us. We have received all the approvals. I think that is already in hand. So, is the time line with us, by when we have the plant up and running and what will be the capacity?
- Shekhar Swarup:** So, the capacity is going to be 80 KL. It's not a multi-feed, but well, it will have the option of using molasses as well as grain. It can run on either or not both together. So, 80 KL is the capacity. And because of the nature of having 2 raw materials, the CAPEX is a little bit higher than our typical average. The construction will start straight after monsoons. Engineering is in progress. I believe it will take about 12 months, so maybe 14 to 16 months from today.
- Nitin Awasthi:** And the size of the market alluded repeatedly, UP market size was mentioned. However, it was mentioned sometimes along with the whole, all the segment, sometimes it was mentioned separately state. I just want to know the Regular & Others segment in UP, how big is that?
- Shekhar Swarup:** Param, do you have that breakup?
- Paramjit Gill:** Yes. Yes. So, very, very broadly, I can tell you, see, if I answer you, UP, the IMFL industry in UP is about, give or take, between 250 lakh to 300 lakh cases a year. Out of this, the Regular segment and Others segment is about anywhere between 60 million to 80 million cases. Then there is, in parallel, the country liquor industry in UP and that country liquor industry I am seeking in the zone should be around 10 crore cases per annum.
- Nitin Awasthi:** So, you say IMIL in UP is 10 crores, Regular segment is 50 to 80 crores cases? No, sorry, it was a mistake so everything else you mentioned was in million, country liquor is in crores, correct?
- Paramjit Gill:** Country liquor is in crores versus millions, yes. Country liquor is 100 million, yes, 10 crores.
- Nitin Awasthi:** So, that was the confusion. So, 100 million is country liquor. Basically, it's roughly almost 200 crores Regular & Others are actually growing in that direction?
- Paramjit Gill:** Yes, yes. It's a huge market. It's a huge market.

- Nitin Awasthi:** Okay. So, I think this is comparatively all the other states put together for you, in which you were in Regular & Others?
- Paramjit Gill:** Let's just hold that saying that UP is a sizable opportunity because for all purposes, it is a huge, huge market for anybody including us.
- Moderator:** The next question is from the line of Tarang from Old Bridge. Please go ahead.
- Tarang Agrawal:** Just following back on the previous participant's question, the size of the UP market is about 200 million cases, about 100 million cases would be IMIL and about 50 million to 80 million cases would be Regular and Above. Is that accurate?
- Paramjit Gill:** So, the IMFL market in UP is between 250 million to 300 million cases, which includes the Regular range. The Regular range, regular price point across various flavors, should be 65 million to 75 million cases. And the rest is Prestige & Above segment. Sorry, in Regular, I have missed out the rum. There will be some element of rum also. I pointed out on the whiskey ones. There will be an element of rum also in Regular. Yes.
- Tarang Agrawal:** And typically, when you say P&A realization, there would be, what, Rs. 1,200, Rs. 1,300 a case?
- Paramjit Gill:** It starts from there. It starts from there and then it keeps going up. That's the sort of range where the base segment of P&A starts from.
- Tarang Agrawal:** Second question. I mean, in your P&A business, can we see FY '25 with about 1 million cases?
- Paramjit Gill:** So, let's keep our fingers crossed. At this point of time, we have a strike range of about 2 lakh cases last quarter. We are planning in the existing quarter to top that up. And as we keep evolving, we are obviously going to keep striving for growth. I would resist putting a number in the framework at this point of time. But let's stop by saying that the strategy where there is a determining data point that shows that we did make the right choice of picking up the correct state, as well as building the route-to-market capability first. That strategy is playing off. I would refrain from putting a number of the year-end.
- Tarang Agrawal:** For the quarter, we saw stark reduction in losses in this business, to about Rs. 3.5 crores versus your yearly average of about Rs. 20 crores, Rs. 25 crores. So, in the next 9 months, how should we look at it for the P&A business?
- Paramjit Gill:** My take would be while it's good to read the absolute number, but the absolute number has 2 components in it. One is the existing states which have started building up on their current base of portfolio of brands. And those states, if they are profitable, then obviously, racing towards improving on profitability or moving towards reducing losses and coming into the profitable zone. And then every time we launch a new state, the new state, obviously, it is a feeding capital and you have to invest money in that state for a couple of years.

So, as the existing 5 states, the first 5 which I have started out, our intention is that all these 5 states will start yielding positive results in the fourth year sometime, if not before that. And at this point of time, we would try to say that we are already in the first state which has broken even. And we are very confident that more states will follow as time will keep moving on. So, our losses will keep on reducing. By what margin, it's a little bit difficult for me to say because when we will introduce a new state, our feeding could be a little more than anticipated or is less than anticipated. But yes, the trajectory of that Rs. 25-odd crores loss was the peak, and the numbers will keep on tapering from there. That was the peak investments because that was a strategic decision taken by our Board that we will invest to that tune maximum.

Shekhar Swarup: My sense is that this year, it will be less than Rs. 15 crores loss. And I think, next year, we have to recalibrate towards the end of this year, depending on what are the growth opportunities in existing and in new states.

Tarang Agrawal: Just on the bulk business, I mean, my sense is that the volumes for the bulk business were about 48 million to 50 million liters, would that be the right number?

Shekhar Swarup: I am sorry, can you repeat that?

Tarang Agrawal: The bulk sales for Q1 of FY '25, was the number in the ballpark of 48 million to 50 million liters?

Nilanjan Sarkar: 52 million.

Shekhar Swarup: Around 52 million.

Tarang Agrawal: So, the question is that between the Prestige, the consumer business, my sense is that the overall volumes were in the ballpark of about 60 million to 64 million liters, you've got a capacity of north of 75 million liters on a quarterly basis. So, was there a shutdown?

Shekhar Swarup: So, a couple of things happened there. One is that in Bengal, we had a closure for some time. But largely, the reduction in production versus capacity is due to a lower throughput on maize in Bengal and Jharkhand as compared to rice. I alluded to this in my opening remarks that as we are getting better at using maize, we will see productivity gains coming in as well. So, I intend to bridge that gap by about 50% in the next quarter and then the balance amount in the quarter after that.

Tarang Agrawal: So, essentially, from my vantage it's yield improvement, right? And therefore, to that extent, the absorption of fixed costs must have been limited in Q1.

Shekhar Swarup: It's not technically yield improvement; your yield is pretty good. Yield is defined as alcohol per unit of maize. The issue is on how much maize you can consume per day. So, we're looking at ways of increasing that, which is going to come from debottlenecking of certain equipment.

Tarang Agrawal: Got it. Last question, at Rs. 2.2 a liter versus historical averages, I mean, the profitability in the business continues to be suppressed. I mean how should we look at it? There isn't a strong case for raw material prices to come down now in so far as maize is concerned. Rice is a completely different story, hopefully. So, how are you looking at it? And how should we probably build on these unit margins for the rest of the year?

Shekhar Swarup: Right. So, there are 2 or 3 things on that. One is that the reason why we have had suppressed margins is due to an abrupt change in FCI policy for allocating rice to the ethanol industry. This took place around July and August of last year. The alternative raw material, which is maize, needs time for enough supply to be created. We are seeing in the current year, almost close to 20% increase in area under cultivation for maize. We expect this area under cultivation to grow further. By the time the new policies on maize came out last year, it was too late for those policies to impact the Rabi crop.

This is the first crop coming up in Kharif season where the policies are impacting cultivation and seeing a significant growth. I believe that it will take 2 Kharif crops and 2 Rabi crops, so about 24 months from now for there to be sufficient supply of maize in the country. So, that's one. The second is, this year, unlike last year, we are expecting a rather normal crop of paddy. Last year's crop of paddy was down by, if I am not mistaken, around 4%. This normal crop of paddy will also lead to a higher production of rice and broken rice, which will help keep costs down.

I don't foresee a return to the high margins this year. I do foresee, however, over this 24-month period, a lot of this pain to subside. Maize offers a very interesting opportunity for Globus Spirits where we can hedge our raw material costs. We did a sort of a proof-of-concept in the Rabi crop, which turned out to be quite successful. And we are hoping to increase the size of hedge to more meaningful sums in the next Kharif as well as Rabi seasons.

Moderator: Next question is from the line of Aashish Uppanlawar from InvesQ PMS. Please go ahead.

Aashish Uppanlawar: Yes. So, sir, I am a bit new to your Company, but I wanted to understand the volatility in margins that we've seen over the years. I understand last call, you gave the explanations around the maize inputs that the plant that are using. So, should one expect the margins to go higher this year? Because if I see for the last so many years, it's been fluctuating between 7%, 8% to even 20%, when you touch 20% margin. So, what should be the expectation and what are the drivers for this expectation that you would say?

Shekhar Swarup: Yes. So, as you would have seen on our investor deck, we've said our average of commodity cycle margin is around Rs. 7 a liter. We have seen periods of as high as Rs. 15, and we saw periods of as low as Rs. 2 to Rs. 3 in Q4 and Q1. I believe that as I was mentioning to Tarang on the previous question, for H1, we do not see significant margin recovery. Margin recovery is going to start coming in Q3 and afterwards. I've explained the reasons just a short while back. But once this cycle sort of plays out, I feel our average margins will very much stay at around

Rs. 7. In this line of business, the ethanol business, there is going to be volatility in margins. That is part of our business. Our focus is to operate our plants, generate free cash from the ethanol business and deploy that in growing our consumer business.

Aashish Uppanlawar: Okay. Okay. So, we are at the bottom of the margin cycle and that's what you suggest, probably. And as time goes, maybe another 6, 8 months, we should see maybe Rs. 6, Rs. 7 a liter..

Shekhar Swarup: Aashish, it's not possible for raw material prices to go any higher than this. There is a sort of ceiling that's been created because of price fixation by the OMCs. So, the raw material prices aren't going higher. Historically, the monsoon period, summer going into monsoon is a bad time for raw material prices. Q1, Q2 have had that historic disadvantage. And Q3, Q4 are better because of the Kharif crop being the major crop in India.

Aashish Uppanlawar: Right. So, sir, what I could read is that because of supplies from the government side being lesser, your margins took a hit last year. So, is that situation somewhere improving for us? Should we expect it to improve maybe?

Shekhar Swarup: It will improve. It will take time for maize cultivation to increase. In the meantime, margins will trend upwards from where they are today. But for complete recovery, it will take a little longer until maize cultivation grows.

Moderator: Next question is from the line of Nikhil Chandak from JM Financial Family Office. Please go ahead.

Nikhil Chandak: My follow-up question on this maize sourcing. Now the issue is that this has become an industry-wide problem on rice and sugar, as in molasses. And if everybody starts moving to maize over the next 2, 3 years or not fully, but even to hedge out the other raw material sourcing, then this pricing issue can be a fairly longer-term problem. So, what really is the solution to this? How feasible it is to get a price hike from the OMCs on the final sales price? Because this this is an issue which doesn't seem to be resolving for the last many months and doesn't look like in the future as well because everybody is struggling with this raw material and everybody is going to source the same raw material all over the country.

Shekhar Swarup: So, supply of raw material needs to increase. That is the solution. OMCs revised prices in line with MSPs. So, there's been a change in MSP for next year, for the next Kharif crop. And to that extent, we have received indication that prices will be increased. I believe they will be. But until such time as maize supply increases, a full recovery in margins will not happen. It will be higher than today. This is very much the lowest point in margins for us. But complete recovery to, say, Rs. 10 or beyond will take longer. The other thing that we are working on is improving our byproduct recovery through producing corn oil and biodiesel. And we are hopeful that towards the end of this year, that project completes as well.

Moderator: So, the next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Yes. So, on this margin recovery thing, what I understand is that maybe it will take up to 24 months for these 4 crop cycles that you alluded to for you to be able to reach around either the average or beyond average sort of margins, which is Rs. 7. And in the near term, maybe we should move from the current Rs. 2.2 towards maybe Rs. 4, Rs. 5, Rs. 6, whatever, depending on the situation. Is that the right understanding, sir?

Shekhar Swarup: Yes, it's difficult for me to directing a number on to what will be the margin in the couple of quarters. But yes, this is the lowest margin period, and margins are going to move up starting from the Kharif crop that comes in towards the end of Q3. As I've mentioned before as well, these margins are for our manufacturing business. Our consumer business continues to grow in revenue as well as profitability and has limited impacts on that business.

Sarvesh Gupta: And at the industry level, sir, given the situation of low margins, are there some representations being made for these margins to be improved for you guys? Because I guess now, given this sort of a scenario, I don't think anybody would want to increase their manufacturing capacity, which would probably put a question mark on this ethanol blending program itself, right? So, are there any efforts made to increase since the maize prices are not in our control, but at least on the final product price that we are getting, are there any efforts to sort of take care of that? Because this would be, as I said, now given the situation, no one would want to do manufacturing or increase the manufacturing capacities going forward.

Shekhar Swarup: Yes, there are efforts being made with the government, with the oil companies to find ways to ease the situation. Be that as it may, there is a significant growth in maize cultivation and let's see how that shapes up towards Q3.

Sarvesh Gupta: Now on your Prestige & Above segment, now we had this intermediate target of reaching 20% of our consumer revenue. But I think, at least in this quarter, we have seen very good traction. So, should that continue? Is there a possibility of us achieving this target maybe by end of next financial year?

Shekhar Swarup: So, I mentioned this earlier to someone else who asked a similar question. Our Regular & Others business is growing quite well, too. And with our new entrance into UP, it's difficult to project exactly when we will reach 20% because the entire consumer pie is also growing. So, I am not sure if that is very relevant anymore. The numbers that we are tracking are growth in Regular & Others and profitability in Regular & Others as well as the growth in Prestige & Above and the profitability in Prestige & Above. And we are quite happy with the current levels of growth in both these businesses. And I foresee that these levels should continue for some time.

Sarvesh Gupta: So, the earlier target what we used to mention that since Regular & Others is sort of a highly penetrated business, and there we were probably hoping for a high single-digit growth. So, that stands revised now because of entry into UP?

Shekhar Swarup: Yes, it could. I am not saying that our target is currently revised. Let us see how the launch in UP plays out. And then I will be in a better position to give a target on what should be the Regular

& Others growth. But even without UP, this quarter we have seen a good growth coming in, in Regular & Others. We're pretty happy with this current performance.

Sarvesh Gupta: And on margins, now we have gotten to 20% odd levels in the Regular & Others business. So, is there an aspiration to reach a higher number?

Shekhar Swarup: No. I think Regular & Others 20% is a pretty optimum situation. We had some packaging material price movements; those will go up and down. But 20% level is a very good level for Regular & Others. In fact, I believe it is the most profitable portfolio of Regular & Others brands across any other player in the country today.

Sarvesh Gupta: And would there be any guidance that you would want to give in terms of the overall growth in Regular & Others for this financial year?

Shekhar Swarup: Not at present. The Q1 growth is good. Let us see how UP plays out. We'll need 1 or 2 quarters to complete our launches over there. Once that is done, I'll be in a better position to give a growth indication.

Moderator: The next question is from the line of Sunil Jain from Nirmal Bang Securities Private Limited. Please go ahead.

Sunil Jain: Sir, my question relates more to rice. A few years back, we were in a position where a lot of rice was available, and we were not able to consume and FCI has to buy in all. So, now what is the situation, like how the economy works for rice?

Shekhar Swarup: I am sorry, sir, what is the question?

Sunil Jain: See, I would like to understand since rice was the major raw material which we were consuming earlier, and a lot of rice was available in the country. All of sudden, there is scarcity of rice. And what I understand that we are very much surplus producer of rice. So, is that all excess rice has already gone into ethanol, and we are short of that.

Shekhar Swarup: No. See, if you look at the disclosures made by FCI, the Agricultural Ministry, there is absolutely no shortage of rice as per those disclosures. In fact, FCI is around 3x higher in stock than what is the FCI norm for stock. Be that as it may, the government has now created a policy, well, not now, but last year, where the FCI rice surplus stock will not be given to distilleries. Why that was created is difficult for me to answer, but it is a fact that they have created it. As of now, they have not chosen to change that policy.

So, that is the stand of the Government of India, that FCI must buy more rice for some reason. What perplexes me is coming into the Kharif crop this year, where FCI is going to store this rice. I believe that they have no longer any more space or capitals to procure this rice. But a lot of these are decisions taken by the government, it may not be perfect marketplace decisions, but they are still taken by government and policymakers. So, let's see how this Kharif year plays out.

There is a very good crop of paddy in India this year. There is an extremely good crop of maize this year. Things should be better than what they are right now.

Sunil Jain: So, in this current quarter, what was the rice average price you procured? Broken rice?

Shekhar Swarup: It's in the range of Rs. 26 to Rs. 27 per kilo.

Sunil Jain: What about maize?

Shekhar Swarup: So, maize is about Rs. 22, Rs. 23 because we had Rabi crop this year in East India.

Moderator: The next question is from the line of Imran from Longbow India Capital. Please go ahead.

Imran Khan: My first question is on UP. I was trying to understand the UP market a little better and got to know that there are about 25,000 wine shops. Is it correct? Or my numbers are totally off the chart?

Shekhar Swarup: 25,000?

Imran Khan: Yes.

Shekhar Swarup: No. There's something wrong. I think there are about 70,000 shops in India. Param?

Paramjit Gill: UP should be between 6,500 and 7,000 is my take without banking on exact number, somewhere around there should be the total number of outlets.

Imran Khan: Right. So, 7,000.

Paramjit Gill: Yes, maybe a little shy of that.

Imran Khan: Let's say, 6,000, right? So, if I look at your volumes, that's like about 2,000 cases per day in the 6, 7 states that you are present, right? I was wondering why not focus on UP more and expand your reach in UP itself before moving to other states, right? Because I think some of the brands like Mountain Oak are doing really, really well in UP. So, I wanted to know your thoughts on this, why not focus on this and grow your presence in UP first?

Paramjit Gill: So, it is a good thought. So, the way we are approaching it is, we definitely have, in line of our site, further expansion in UP. Having said that, every town which we enter, we have to build capabilities, that's why expanding into all the towns overnight, each town will need its own investment, it will need its journey. And then from that journey, once a couple of brands succeed, it will need a bouquet of brands to start performing in that town. So, this spread in UP is happening slowly but surely. And with every passing 6 months, we will continue entrenching ourselves more and more in UP.

Having said that, we don't want to become a one-state business. We don't want to put our eggs in 1 basket. We know the alcohol industry. We are spreading ourselves, because other states are also very important. So, we are doing both. Your thought is taken onboard and UP we will continue to drive depth as well as width of penetration. But it will take time. It cannot happen overnight. Just by doubling our sales force and management team there, it is not going to overnight yield results in UP. Because each town will take its journey. I hope I have clarified it. Both will happen. UP is continuing and as well as other states.

Imran Khan: So, just a first-hand experience I am sharing with you. I have been going to a lot of these wine shops in at least, Lucknow, and what I found is there are new shops where, let's say, Mountain Oak is present, but the constant feedback that I get is that nobody from the Company comes to meet them so that they can increase the volumes. So, I think UP needs a lot of work from your side to expand rapidly rather than focusing on new states. Anyway, I'll leave this thing to you because you are a better judge of this.

My second question is on Rajasthan, which is I think you're not sharing the market share from the last many quarters. And particularly last quarter. Can you call out that numbers, last quarter, what was the market share?

Paramjit Gill: Yes. We will. Our CL market share in the last quarter has been 29% and the RML market share has been 68%, with a collective market share of 35.5%.

Imran Khan: So, Paramjit ji, I think last year and last to last year when you were sharing these numbers, the market share was about 33%, 34%, and it is still hovering about 34%, 35%. I am wondering even the government has actually cut down 10% of the overall market share from this Ganganagar sugar mill and still you are not able to gain market share here. So, what is the reason for this? I mean, I thought you would get 6%, 7% market share. Last 2 con calls, you mentioned, we'll have 6 to 7 cases out of 10. Now you have not gained any market share here.

Paramjit Gill: So, let me rephrase your information. The Government has released the control on RML. And on RML, our market share has grown from 57% to 68%. On CL, this hasn't happened. So, CL is still a fight and we've gained 1% share. So, we have actually delivered more than what we had projected at that point in time.

Imran Khan: I got it.

Paramjit Gill: Yes. So, having collectively, we are inching up. And it is a matter of time, eventually, we still believe that the business of the government is to manage the business, not to run the business, and let's hope those days come sooner than later.

Imran Khan: Right. Operator, can I ask one more question, very quick?

Moderator: Sure, sir, please go ahead, sir.

- Imran Khan:** Okay. This one is a follow-up to one of the questions that somebody asked you on the manufacturing side. You mentioned there is certainly a problem with your manufacturing because you're using maize now. I was wondering, Shekhar, if you do everything well, you do bottlenecking correct and things like that, how much more you can produce? Can you go to 90%, 95% capacity utilization? Or this is the new norm?
- Shekhar Swarup:** No. The target is to go to 90-plus with maize and 95-plus with rice.
- Moderator:** The next question is from the line of Ankit Manocha from Adezi Ventures. Please go ahead.
- Ankit Manocha:** My question is with regard to the bulk business. So, I just wanted to understand when we are saying that Rs. 2.2 EBITDA per liter could be the bottom margin, what is the certainty level on that? Because if I look at maize prices and maize prices over July and August are again considerably higher than Q1. So, do we feel that this is the bottom for the bulk business in terms of Rs. 2.2 per liter? Or could it go down further in Q2?
- Shekhar Swarup:** I feel that Q4, Q1 levels are the bottom. I don't see further degradation in margins taking place. And yes, maize prices are high. But like I mentioned, we have been able to do some intelligent sourcing of maize in the season for use in off season, and that is helping us currently. Going forward, we will be taking advantage of this opportunity for maize to have less volatility in margins.
- Ankit Manocha:** And my second question is with regard to capacity fungibility. So, I mean, in terms of, firstly, what is the current breakup between maize and rice in the bulk production as raw material usage? And within this, if in case there is a reversal of the government policy, which was not favorable to us, how quickly can we transition from, say, maize-based production to rice-based production if in case a reversal of the policy may start, more beneficial?
- Shekhar Swarup:** Fungibility is a matter of just running out the stocks. There's no other problem. So, it depends on the inventory you keep. But theoretically speaking, you could change in the same day that you take a decision as long as you have inventory. And in Q1, pretty much all of the ethanol we made was from maize and all of the ENA we made was from rice. So, about 50-50 is my estimate of usage in Q1.
- Ankit Manocha:** So, then in that case, if the policy gets reversed for any reason, and then that case, could we see reversal back to significantly higher margins if in case price of rice rationalizes?
- Shekhar Swarup:** Yes. I mean, theoretically, if you were to get rice from FCI at similar prices and ethanol pricing were to remain the same, it would go back to what it was.
- Moderator:** The next question is from the line of Sudhanshu from Avant Holding. Please go ahead.
- Sudhanshu:** My question is on the manufacturing side, and that is the continuation of the questions that have already been asked. So, earlier, the management mentioned that there was a lower throughput. I

want to understand was that lower throughput due to the lower availability of maize? Or was it because of the bottleneck of your plant? And if it's because of the bottleneck, you mentioned that you will need to do certain debottlenecking of equipment. So, what would be the cost and time line associated with that process?

Shekhar Swarup: Largely it was due to bottlenecks in the process. Maize has a lower yield per ton as compared to rice, so the equipment needs to handle a larger mass of raw material to produce the same amount of alcohol. Debottlenecking is not an expensive process, Rs. 5 crores, Rs. 7 crores for our Bengal and Jharkhand plants. But the equipment has a lead time, and that's why it takes a little bit of time. We expect this entire process to be completed by another 2 quarters.

Sudhanshu: And I think in the previous call, the guidance that was given was that Q2 would be significantly better than Q1. And now the guidance is being given that H1 will be relatively weak, and improvement is expected from Q4. So, can we understand why there has been this slight change in guidance? What has changed compared to the last call, basically?

Shekhar Swarup: Well, I don't recall the statement about Q1 being significantly better than Q4.

Sudhanshu: Q2 being better than Q1.

Shekhar Swarup: In terms of our bulk business. I think in terms of our consumer business, we are very excited about the prospects. In every quarter, we will see good growth coming in this year. In terms of the bulk business, the commodity situation in India, given that FCI is not releasing its rice stocks and that they are the largest buyer of rice in India by far, has created an artificial shortage of raw materials, which is leading to high prices. It is in my view; it is irrational policymaking. But I don't they have the vision that the policymakers do in terms of how this policy impacts the economy and the nation. But for our industry or consumers of starch, it is leading to low margins across any starch industry.

Moderator: The next question is from the line of Siddharth Purohit from InvesQ Investment Advisors Private Limited. Please go ahead.

Siddharth Purohit: Sir, does the conversion cost or the energy costs differ in case of using corn and rice?

Shekhar Swarup: There are differences, yes. But there are also differences in the selling price, which compensates for the higher cost. Rice ethanol sells at Rs. 64. Maize ethanol sells at Rs. 72. And so there are differences, yes.

Siddharth Purohit: Okay. And sir, I understand the landed cost of imported maize is higher because of the import duty. But some industries have demanded a kind of relaxation. But currently, what is the average difference between like imported price and domestic price?

Shekhar Swarup: So, for ethanol, imports are not permitted. It is possible that the poultry industry and the other starch producers import, which will lead to a general softening in maize prices. Currently, I

believe the difference is almost Rs. 2 a kilo. But because the international price is not something that I track because our focus is on finding efficient ways of getting maize and rice in India.

Siddharth Purohit: Sir, 1 more clarification. There's a bit change in the excise duty, right, and we operate in multiple states. There has been some changes in some states. And I believe it's a complete pass-through, right?

Shekhar Swarup: Excise duty is passed through to consumers, yes.

Moderator: The next question is from the line of Abhishek from Padmaja Investments. Please go ahead.

Abhishek: Yes. So, recently I have read news that Andhra Pradesh is actually changing their excise policy. Do you plan to get into that state?

Shekhar Swarup: Currently, the 7 states that we have are the ones that we are focusing on. For this year, there are no further states planned. For future periods, we can talk about it towards the end of this year.

Abhishek: And another thing is in the Prestige & Above category, you have mentioned in the presentation that Mountain Oak is actually showing good traction. So, which state is it actually focused? Is it having good traction?

Shekhar Swarup: Uttar Pradesh and Delhi.

Abhishek: And this 0.2 million cases that you are saying, majority of that comes from Uttar Pradesh and Delhi? Like what percentage do these 2 states contribute in the total point in the business?

Shekhar Swarup: About 60% of our Prestige & Above volumes come from Uttar Pradesh and Delhi.

Moderator: The next question is a follow-up question from the line of Ankit Manocha from Adezi Ventures. Please go ahead.

Ankit Manocha: My question is with regard to the distribution for the consumer business and the sales team. So, currently, what would be the strength of the sales team? And are there any plans in terms of addition?

Paramjit Gill: Yes. Our current strength should be about 100 all direct people and a little more than that indirect people who are helping sell out, that is the current strength, yes. The sales team will gradually keep on increasing as our penetration in existing states and the new states which we have opened up continue to expand, it is likely to keep stepping up. But it will step up at a far more slower pace now because no further state is envisaged to be opened up. There is a surge when we open up a state, if it is in the main state. And then when people get added in a state, it is 1, 1; 2, 2 at a time as we keep opening new geographies. No major change in this number is likely to happen this year.

Moderator: The next question is from the line of Tushar from KamayaKya Wealth Management. Please go ahead.

Tushar: Sir, I just wanted to know, my question is in regards to raw material terms. So, from last year Q2, the problem started in terms of raw material. So, from this year, you shifted to maize as the raw material. So, just wanted to know the trajectory of margins going forward compared to last year. We see the improvement on a Y-o-Y basis for this year compared to the last margins.

Shekhar Swarup: Sir, we spend considerable time on this topic, on this call, the transcript will be posted in case you missed the answer. But just in a nutshell, this is the lowest margin level that we envisaged. For a complete recovery, we would need maize cultivation to increase. We will see after Q3 realizations increase as prices come down based on Kharif crop.

Tushar: Sir, my next question is on the consumer business. So, we have seen report that tequila is gaining good traction. Any plans for interim for coming up in tequila brand going forward?

Shekhar Swarup: We have innovations planned across various product categories. Due to confidentiality reasons, we are not in a position to divulge the initiatives taken by the innovations team. As and when products are ready for launch, we do make public the plans of launch, for example, the next is a single-malt whisky and we have a few others that are indicated on our corporate presentation. But not in a position to talk about any other initiatives of the innovations team.

Moderator: Next question is far from line of Imran from Longbow India Capital. Please go ahead.

Imran Khan: Yes, I forgot to ask power and fuel costs. Can you please give me that?

Shekhar Swarup: Nilanjan, do you have that?

Nilanjan Sarkar: Yes, the power and fuel cost for Q1 FY '25 was Rs. 48 crores.

Imran Khan: Rs. 48 crores. Okay. So, it looks like there is another saving on the power and fuel cost?

Nilanjan Sarkar: Yes.

Moderator: The next question comes from the line of Sai Narayan, who's an individual investor. Please go ahead.

Sai Narayan: I just want to know, actually, what is the typical cash conversion cycle of Globus Spirits? And how much we are spending on maintenance CAPEX every year?

Shekhar Swarup: Nilanjan, can you take that?

Nilanjan Sarkar: Yes. The cash conversion cycle as far as debtor is concerned, anything in the average of 45 days. And we have different segments of different credit cycles, but I've told you, on an average, 45

days. And on maintenance CAPEX every year, it's anything in the range of Rs. 22 crores to Rs. 28 crores.

Sai Narayan: Rs. 22 crores to Rs. 28 crores. Okay. So, the next question is with respect to the Prestige & Above segment, as Param was mentioning, this is the products' fourth year, and we were present in 5 states actually. So, any idea, how many states will break even in the coming year or any time line for it?

Shekhar Swarup: Param, are you there? Maybe his line dropped off. So, 1 state is close to breakeven currently, we are hoping for 2 states to break even by the end of the year.

Paramjit Gill: Yes. So, the second state, we are reasonably confident that either by the end of this year or hopefully in the first half of next year, the second state will start coming into the green. And we also are very sure that at least the third state sometime in the first half of the next year should come into this zone. And we will see if we can try and turn around the next fourth and the fifth state also in the second half of next year.

Shekhar Swarup: Yes. I think that was it.

Moderator: That was the last question for the day, sir.

Shekhar Swarup: All right. Thank you very much, everybody, for joining the call. Please do have a look at our releases as well as the details of our team which are available on our releases. Please get in touch if there are any further questions. Thank you.

Moderator: On behalf of Globus Spirits Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines..