Date: August 26, 2024

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

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

Scrip Code: 541741

Subject : TRANSCRIPT OF INVESTORS AND EARNINGS CALL HELD ON AUG 20, 2024

Dear Sir/ Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in continuation to our letter dated August 20, 2024, please find attached the Transcript of investor and earnings concall, held on August 20, 2024.

https://www.tinnatrade.in/investor_zone.php?name=Financial%20Year%202024%20-%2025&id=20&child_id=20

This is for your information and records.

Thanking You,

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

Mohit Kumar

Digitally signed by Mohit Kumar
DN: c=IN, o=Personal, postalCode=201010, l=Ghaziabad, st=Uttar Pradesh, street=Flat No 102, Plot No 10B, Vaishali, I.E.Sahibabad, Uttar Pradesh India- 201010-, title=4029, 2.5.4.20=a4d9d5f575bf6dc9dbc68104d1608870b160549b64b6328ef68afe371a4822b9, serialNumber=9f57fa61ac08898444f4e4e37e0a5823c919a5ae8eba3de9ba69edc699b3587b, email=mohitbhardwajcs@gmail.com, cn=Mohit Kumar
Date: 2024.08.26 11:40:02 +05'30'

Mohit Kumar
Company Secretary
ACS 38142

Fratelli Vineyards Limited

Q1 FY25 Earnings Conference Call Transcript
August 20, 2024

Moderator: Ladies and gentlemen, good day and welcome to Earnings Conference Call of Fratelli Vineyards Limited.

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

Siddharth Rangnekar: Good afternoon, everyone and thank you for joining us today on Fratelli Vineyards' Q1 FY25 Webinar and question-and-answer session. We are joined today by senior members of the Management Team including Mr. Gaurav Sekhri, Managing Director; Mr. Aditya Sekhri, Executive Director; Pooja Sekhri, Executive Director; Mr. Rajesh Garg, CFO and Mr. Hemant Arora, GM Strategy, Finance and Analysis. We shall commence with views from Mr. Sekhri on the strategic performance of the business and Aditya on the financial highlights. This shall be followed by an interactive question and answer session.

Before we begin, I would like to state that some of the statements made on today's call could be forward-looking in nature and a disclaimer to this effect has been included in the results presentation that was shared with you earlier and is also available on the stock exchange website.

I would now like to invite Mr. Sekhri to make his "Opening Remarks." Over to you, sir.

Gaurav Sekhri: Good afternoon, everyone. On behalf of the entire Management Team, I would like to extend a very warm welcome to all public shareholders of Fratelli Vineyards to our Q1 Earnings Call. We join you today as one of India's finest wine makers and the second largest Indian wine business. Our journey commenced in the year 2007 in Akluj in Solapur District of Maharashtra with the coming together of seven brothers from three families and two countries.

The venture was conceived and led passionately by my younger brother Kapil. Very early on, he made a commitment to make the finest Indian wine that can put India on the world wine map. Very tragically, we lost him in 2020. We continue to be inspired by his passion and build on the strong foundation he made for Fratelli. We are a family driven business that is professionally managed. We are the only wine business in India, which is undertaking active farming of land, as we firmly believe that good wine is made in the vineyards and not in the cellar.

Our public journey began as we completed the share stock with Tinna Trade earlier during the year. Tinna Trade, which is the holding company of Fratelli Wines, has now been renamed as Fratelli Vineyards Limited. Tinna Trade was in the business of trading agricultural commodities. As per a shareholder backed plan, we are winding down the trading activities and shall singularly focus on the business of wine, wine making and vineyard tourism. While in Q1, the trading business of the listed entity contributed approximately Rs. 100 crore in revenue, this will reduce dramatically in Q2 and will completely shut down in Q3.

Before I share my perspective, I would like to introduce members of my leadership team who are joining us today. I have Aditya Sekhri who drives Business Development for Fratelli and its brands; Pooja Sekhri, who manages Brand, Communication and Marketing; Rajesh Garg, our CFO; Hemant Arora, our Head of Strategy and Analytics. For those of you who would like to refer to slides, we have an earnings presentation uploaded on the website and the same is also available on the stock exchanges. We would now like the opportunity to talk you through our presentation.

May I request the moderator to please have the presentation ready. The intent of our presentation is to give you an introduction about us, our growth strategy, how we are ready to scale up, a quarterly review of the numbers and our journey of growth. The unique part about our business is how we have complete ownership of grapes to bottle value chain. This is a very unique model and approach that we have deployed in India by undertaking active farming. We firmly believe, as I mentioned earlier, that the best wines are made at the vineyards and not in the cellar and that is why we are very clear on our investments into the vineyards. We are building wine consumption lifestyle. That is our focus, and we believe that India is at a very early stage of its journey of wine consumption. So, a lot of work and effort needs to be done in this space.

This shows a little bit of our history, how we started, how we planted our first vineyards, when our first bottles of wine was out on the market in 2010, and we kept adding to our portfolios. Marquee event for us was the launch of Sette, our best-selling wine brand which one of the famous wine makers in the world commented that Sette to India will be what Opus One was to Napa Valley. This comment was made by Steven Spurrier, and along with that, we kept improving and expanding various wines to our portfolio, expanding capacity and in 2020, we also entered into the Wine-in-Can category.

The wine business, I would like to share is a business which has a very strong moat in the form of entry barrier. This is a business which takes a long time to do well because one has to be in control of vineyards and then once you have a handle on how to cultivate grapes effectively, one starts producing wine and then starts building a brand, the entry barrier to this business very clearly is time and it is relevant to mention how we are now the second largest brand in the country and about 4 times the size of the number 3. Certainly, our complete control of grapes to wine enables us to make the highest quality of wine. We have now over 15 years developed a skill to build good, powerful brands and become a pan India business. Our deep relationships in the HoReCa segment are our key advantage that we have on our side and that has now resulted in us having 22,000 touch points pan India including the Army Canteen and leadership in certain states like Delhi etc.

I would like to now pass on to Aditya who will talk you through our portfolio and the remaining part of the Presentation. Over to you, Aditya.

Aditya Sekhri: Good afternoon, everyone, and thank you for taking the time out and being with us on this interaction. I will now walk you through our "Portfolio, Growth Plans and our Financial and Operating Progress." Given that we are doing this for the first time, I would like to step back and set some context through some slides.

In our portfolio, we enjoy a strong presence in all segments with a major focus on Premium and Luxury segments. A quick run through of our prominent offerings is included through Slide #11 – Slide #16. At this moment, we have the most diversified portfolio in the Indian wine market, with offerings available at all relevant price points to consumers. We have 5 ranges in our portfolio, first being the luxury range which is presented here on this slide, which is above Rs. 2,000, we are the market leaders as well. Super Premium is between Rs. 1200 – Rs. 2000, it is a growing category, and we are looking to renovate and introduce new brands every year in this segment. Premium, which is the largest, is between Rs. 600 – Rs. 1200 and then we have the value segment for bottles, which is essentially between Rs. 250 – Rs. 550. We also have a very innovative segment in our portfolio, which is the Can segment. It is our newest segment as well and that is roughly between the range of Rs. 150 - Rs. 200 depending upon the state. In this financial year, we have renovated our Master Selection range and launched it in Q1. That is the development which I would like to share, and this gives us a much needed and refreshed look to this range along with the story that connects to us very closely. We have also launched Pinot Noir and this adds a much sought after varietal in our premium range. We are also working on a range of launches and renovations in the upcoming quarters, which are all poised to cater to various cohorts of consumers.

On the HoReCa business now, our brands are present in some of the most exclusive F&B brands in India and in select locations outside. We have created exclusive brands, some of these including Svara for the Taj Group of hotels, Ghungroo for the ITC hotels and Amaris from Living Liquidz, which is a leading premium retailer, all of with whom we enjoy very strong relationships. Within select states, we have leading market shares in the HoReCa channel as well. This includes markets of Delhi, West Bengal, Karnataka, and Odisha. This is, of course, where we have the excise data readily available to us. At an overall level, we have derived significant contribution from the HoReCa channel, and this share will continue to grow as of course, new outlets keep opening year-on-year.

Now, a little bit on our growth and distribution and our penetration. The headroom to grow sales volume is extremely large. That is what we believe. At the close of the last financial year, we recorded sales of half a million cases on the revenue of approximately Rs. 217 crore. Since FY21, our volumes have increased at a CAGR of approximately 25%, 30% on a gross revenue basis and 100% in terms of EBITDA. Our distribution capabilities have kept pace and have been developed to suit the underlying requirement of the market. Also, we have consistently invested in tech and digital capabilities to drive a very efficient and productive sales and distribution operation with real time tracking of key actionable**.**

Furthermore, there is a major traction consumption across Tier-2 and Tier-3 towns for hospitality and modern retail or what we call MTO brands. As these brands cater to the next set of patrons, we will be ready with our distribution reach. Having an edge in the HoReCa and the MTO channel will allow us to seamlessly extend our strengths into newer markets as these new outlets get inaugurated in new towns and cities.

Another major focus for us going ahead will be building vineyard tourism. I would like to cover this in the following way. We at the moment have a small scale already going on with respect to vineyard tourism, but of course we are looking to expand this dramatically. Going forward, we are investing to open a 40 key multiuse property which will be spread over 170 acres at Akluj. This expansion will help us strengthen our brand visibility, enhance B2C selling and add a supplementary profitability stream to our business.

Now, on our growth strategy, this strategy has five key pointers to it, firstly, being an integrated wine maker, our investments foremost are being channeled into development of vineyard acreages. We are continually introducing and adapting select imported varietals into the country. Given the initiatives already underway, we expect to add incremental acreages to our ambit in the second half of the fiscal year. Correspondingly, we are ramping up winery operations with a view to further extend our lead and presence in the premium segments. Our planned capacities are expected to pick up in H2 of this financial year.

As shared earlier, in order to support the business of producing and selling a higher value, high quality portfolio of wines, we are continually investing in technology both at the manufacturing end and also across the sales functions. This advanced real time tracking analysis and solution capability we are creating, shall of course support us with incremental sales.

I touched upon investments already in a new vineyard tourism property at Akluj. Phase-2 of this project will see an expanded base of operations as we created a dedicated avenue to offer the most premium selection to patrons. We have been conducting wine tastings across the country and this will continue on a larger scale as our vineyard and bottling capacities expand. We are also on track to unveil investments in city-based outlets to promote wine tasting and D2C selling. By the time we address you for our H1 outcomes, we should be in a position to share more details around this.

Lastly, our focus remains on maintaining a steady stream of brands in the premium and above range backed by homegrown imported varietals. This will help us sustain the leadership momentum that we have in the segment. We are also looking at bringing to market innovative brands that will help us expand the appeal of the wine in newer audiences and also increase the TAM.

A little bit on our awards, we have lifetime awards which have crossed a very good number of more than 200 now. Just some recent updates in this financial year itself, we were the first Indian winery to win “Gold and Double Gold Awards” at the Gilbert Awards, which were recently conducted and we got them for our Super Premium wines, J’Noon, Sette and Master Selection**,** the only Indian winery to do so. Last financial year, we were the first Indian winery also wining gold for liquid and packaging in the canned wine competition which we got for TiLT, which was remarkable achievement. We got this last year, but I thought I should highlight.

Over the next slide, of course, there are some other accomplishments which have been mentioned.

Now, I would like to talk a little bit about our operating performance, both in the past and also about our Q1 results, with complete control over our value chain, we have consistently strengthened the value share of the premium and above segment. If you look at our numbers for FY21, we had 70% contribution from the premium and super premium segments, and this has risen to 73% in FY24 on an expanded operating base. This growth is the result of continued development and the introduction of new brands as well.

Now, to the highlights of our quarterly performance, during the 1st Quarter, we have delivered revenues of approximately Rs. 45 crore relative to Rs. 46 crore for the same quarter last financial year. This follows challenges in availing permits, owing to the disruption due to the general elections and of course that aspect has been resolved now in Q2. Q1 is also seasonally off quarter, and we are already seeing the other trends as well reverting to the norm. Our revenue guidance for the year though still remains at north of 15%. I am also pleased to share that even with the adverse conditions that we had due to the elections, we have maintained strong margin momentum with respect to our gross margins. We are continuously investing towards brand development and augmenting middle management, and this is getting reflected in our EBITDA margins at the moment. As these investments take root, we expect a positive multiplier effect to add to the underlying business momentum.

Now, a little bit on our listing timeline. I think the slide is pretty self-explanatory and I think our MD has already mentioned a bit on this. I will go to the next slide. Now a little bit on our journey of growth and us fostering our natural moats in business that we have at the moment. Our integrated model gives us unique advantages to doing business. Since inception over 15 years ago, we have come to command 30% market share in our industry today where time is a very powerful moat as mentioned previously as well. There are a few additional moats in the business that I will briefly like to touch upon today. We have imported now and adapted approximately 12 varietals from the best wine growing regions in the world and have successfully cloned them as well. The process of identifying and incorporating new varietals is still ongoing. Our ability to maintain the tempo of agronomical research and development is a clear asset, supplementing our drive to produce exquisite wines that cannot be replicated over the next several years. As we look to the next level of growth, the benefit we have is that we have over 400 acres of active farming and approximately 1,400 acres overall, which are under cultivation. This along with favorable agroclimatic around our vineyards works in our favor at the moment. These natural moats in business distinguish us and give us a strong lead in terms of operating excellence in business.

Now, in terms of getting the future ready, our existing capacity at the moment is roughly 4.5 million liters. This year we are looking to expand that by approximately 25% and that will be north of 5.6 million liters by end of this financial year. Of course, a lot of those things will be happening in H2 of this year. We have a manufacturing presence at the moment, both in the states of Maharashtra and Karnataka. A little bit on how we have worked in Akluj where our mother unit is, as well in terms of manufacturing and how we have kind of converted a barren land into a proper area for vineyards and their development. And also, along with that we have created a very strong ecosystem now for people in Akluj which largely supports local farmers and creates large scale employment, which is mentioned in this slide as well. 95% of all our packaging material at the moment is procured domestically and that has been an improving trend for the last few financial years, and we have now been consistently rated in the top 100 vineyards in the world for the last two years as well.

Now, on a record of operating performance over the last 3-4 financial years, our net revenue as you can see has grown at a CAGR of ~25%, our gross profit at a CAGR of 26%, our EBITDA at a CAGR of 100% and PAT which is almost 300% and these are some of the underlying levers which have been mentioned in the presentation as well.

Now, a little bit again on the future, I would like to conclude by reiterating our story. We have a robust operating model that has been driving a consistent financial performance. Being a family backed business, it is an asset in our industry and with the help of an integrated presence, we will continue to have attractive portfolio brands. Having focused on investing in core capabilities including the right talent has been a strong lever of growth. We are moving forward as we optimize and expand our reach to match the outline growth and production capabilities as well. Hospitality and F&B chains are continuing to expand nationally as I mentioned previously as well. This will be a tailwind for us given our product mix, tilts in favor of premium and above categories. We are laying the foundation of the next tier of performance through directed investments.

Plans have been outlined and are underway to augment capacities in vineyard tourism and partners have been identified as well for the same, which we will of course disclose in the upcoming earning calls. We are looking at introducing some new formats to explore in-city opportunities for vineyard tourism as well. Fratelli now is one of the finest wine makers and we are eager to be at our best.

With that I would request the moderator to open the forum for Q&A and all of us here today will be happy to adress queries from participants. The last slide which is mentioned of course gives a view of our 7 core pillars of our strategy which are pretty self-explanatory as well. And now, we will be happy to answer any questions. Thank you.

Moderator: Thank you, sir. We are now beginning the question-and-answer session. We will take a text question from Kamal Jeswani, You first Capital. The question is, "Is grape growing business is consolidated in the company or not?"

Gaurav Sekhri: I don't fully understand the question. I think the industry is kind of consolidated is the only answer I can think of. Otherwise, I didn't fully understand the question. Maybe he can please ask the question again.

Moderator: We will take a question from Amruta Deherkar from Wealth Managers India Private Limited. Please go ahead.

Amruta Deherkar: Could you please explain the term for Fratelli owned clones and how different are these from the rest of the peer brand and the wineries in India?

Gaurav Sekhri: I believe you are asking about the Fratelli owned clones, right?

Amruta Deherkar: Yes.

Gaurav Sekhri: Essentially, what we mean by that is that we had begun initially by importing saplings from various established wine regions like Italy and Spain. And over the last decade or so, we have made our own clones which are better suited for Indian conditions. That is what we mean by Fratelli owned clones.

Amruta Deherkar: Sir, what I am trying to understand is, the product that we have, in the wine that we make, they are better suited for the Indian customers only, for consumption in India only?

Gaurav Sekhri: No, I think the way to interpret this is in the following manner, that the clones that we have made are better suited for cultivation in India.

Amruta Deherkar: And like, how is it different from the grapes that other peer brands use?

Gaurav Sekhri: See, we cannot comment on what other companies use, but there are many indigenous Indian grape varietals as well, which are used for making wine. For some of our premium and higher end wines, we believe we are unable to make such high quality with those Indian varieties. Therefore we work with imported saplings which have been cloned and made to adapt to Indian conditions.

Amruta Deherkar: My next question is regarding things like what is the sales volume in million liters and how has the growth being from FY21 to FY24?

Aditya Sekhri: I will take this. Our sales in million liters for last year was approximately 4.2 million liters. And our sales approximately as I mentioned earlier, have grown at about 30% at a CAGR level over the last three odd financial years. So, that has been the run rate.

Amruta Deherkar: My last question is, what is Fratelli currently doing which is different related to marketing and related to the kind of products that we have compared to the leader in the industry?

Gaurav Sekhri: We have done various things which are first, for example the Sangiovese grape that we grow and we sell wines as Fratelli Sangiovese, Sangiovese Bianco. This is a grape which is grown in Chianti. All the Chianti wines from Italy are made with this grape now. We are the first ones in India to have brought it and grown this grape varietal here. So, those are the kind of innovations that we have done which has brought us to the current position and we continue to do that. We just launched a new Pinot Noir grape varietal. We have recently imported some new grape varietals, which are yet to be planted. They have only just arrived. This will further expand our portfolio and bring some of these new wines to India, grown in India, which have in the past not been attempted here.

Amruta Deherkar: And my last question again, are we the beneficiaries of the Maharashtra, WIPS scheme and what kind of benefit do we get?

Gaurav Sekhri: Yes, ma'am, we are. We operate in Maharashtra. Maharashtra offers a wine promotion scheme and we are beneficiaries of it just like any other winery in Maharashtra.

Amruta Deherkar: My last question, which is our biggest market and like what is kind of the market share that we have?

Aditya Sekhri: Our revenue split by region I think is and that is a big advantage to our mix as well or our geographical spread, I would like to say is that we don't have a high dependence on any one region. The South, the West and the North regions contribute handsomely of course to our overall topline. And they are all within the range of 25%-30%. And then of course, that is followed by the East region in number 4. That is the rough split.

Moderator: Thank you. We will take a text question from Rachna Kukreja an individual investor. “Basically, now we are in the range of 10%-12% EBITDA margins, can you just help us understand what going forward would be the steady state of EBITDA margins once the pace of brand investments slows down?”

Aditya Sekhri: Our EBITDA for the last financial year was ~13.5% and like I said earlier, it has been an improving trend from the last 3 years. Every year, we have seen a decent jump YoY if you see it at a percentage level. I think we are at a stage now where our major objective at a brand level, of course, is to grow the category, of course and with that do necessary investments that are needed as well at a brand or a business level. I think our of course business is well poised for growth, both at a topline level and at an EBITDA level. I would not like to give a proper guidance as on today, but I think an improving trend is what we should expect YoY for the next 3 odd financial years. That is what we are looking at.

Moderator: Thank you. We will take our next question from the line of Tushar Vasuja from Yogya Capital. Please go ahead.

Tushar Vasuja: Sir, I have a couple of questions. The first one is, what are your competitors across all your verticals like Luxury, Premium and Value and what sort of sustainable EBITDA margins can you do? And will we be able to reach a margin similar to our market leader at this point?

Aditya Sekhri: I think in terms of each segment, the share varies like you rightly mentioned as well, I wouldn't like to comment too much about the competition or what they are doing, but from our standpoint and that is what the industry data tells us as well is that in the Super Premium or the Luxury segment rather, which is north of Rs. 2000, we are very well poised and our market leaders comfortably in that segment. We had the first mover advantage. We saw that the trend is moving towards premiumization about 6-7 years ago and therefore have continued to innovate and add new brands in that segment. So, that remains the major focus for us and we look to continue to invest in that category. the Premium and the Super Premium ranges are inherently if you look at the wine history in India, have been the largest contributors at segments. And we are well poised to grow in each of those segments as well. With respect to margins, the Premium, the Super Premium and the Luxury brands contribute more to our EBITDA naturally and I think like I mentioned in the last question as well that we are looking for a sustained EBITDA expansion in the next 2-3 years across the Premium, Super Premium and the Luxury segments with an improvement at a gross margin level as well.

Tushar Vasuja: Sir, how does your quality compare to some other international brands at a similar price range?

Gaurav Sekhri: We would like to think that the quality we are delivering and offering at the price point we are offering is far superior to some of the imported wines that by the time they come to India and you add the duties and the tariffs and everything to it, I think we are punching way above our weight in terms of price. But the wine is so unique. Every one has to try and form their own opinion and kind of what you like is what you like, but in our view our wine certainly sit at a much higher level of quality when it comes to some of these imported wines landing on Indian shores, even up to Rs. 3,000 - Rs. 4,000 MRP.

Moderator: We have our next text question from Kivah Advisors, Rakshak Jain. “The question is what is the future growth and how are we different from other companies?”

Gaurav Sekhri: In terms of future growth, the wine industry, as per all industry data available to us is expected to grow at about 15%. We have grown about 25% CAGR over the last 3 years. We are doing a bunch of CAPEX now to get future ready and to further strengthen our moats. So, we do expect to grow steadily over next few years as we have done in the past few years, and I think that is very reasonable to expect. We won't comment so much on the margins etc., at this stage.

Moderator: We have a text question from Rachna Kukreja. “Please help me understand a little bit about our export markets, what kind of traction we are observing and what plans we have for the export market to navigate competitive intensity from other international brands?”

Aditya Sekhri: Export at the moment is a very small contributor to our overall topline. It is less than 3% as an overall number. And I think our major focus for the last, I would say, probably 5 financial years has been largely to build the domestic market in India. And we have been successful in doing so and our major focus even for the next couple of years is primarily going to be in the domestic market itself since there is still a lot of penetration to do just here itself. But in saying that, that doesn't mean that our focus is not on exports. We are exporting to roughly 10 countries out of which 6 are very consistent in their demand as well, and we are looking to grow that base every year and we will expect a 20% odd jump in our exports this year for sure over the previous year. So, it is a small base, but it is something that is expanding YoY for us and we are going to be looking to keep investing in this category as well and keep participating in some of the major global exports as well to grow our brands.

Moderator: We have a follow up text question from Rachna Kukreja. "On one side of the spectrum for wines is a company like Sula which continues to have a strong brand recognition. On the other end of the spectrum is Grover Zampa, which lacks operational efficiency. Now, Fratelli is somebody which will be making large brand development investments and also is focused to generate consistent profits even during a weak demand season. What are your plans to balance or navigate this?"

Gaurav Sekhri: See, again, we wouldn't want to comment on our competition. We can only speak for ourselves. We are very focused on building a business which is profitable on a sustainable basis. And that is where our investments will be focused on. We are very focused on building strong brands. We are a young wine business. We only got into the business 15 years ago and we have come a long way. It is a validation that our actions have yielded results. We will just keep doing more of the same.

Moderator: We will take our next question from the line of Kavita from Archer Advisor. Please go ahead.

Kavita: Sir, Kavita here. Sir, just two questions. One is, what is the typical S&D spends you do as percentage of your revenue on your wine business?

Gaurav Sekhri: We are, ma'am, at around 30%.

Kavita: And how it has been the trend like in the last 3-4 years and what you are seeing that this is likely to stay here and or otherwise you now with scaling the business, this should come down in the future?

Gaurav Sekhri: I am going to ask my colleague Hemant Arora, who heads Strategy and Analytics to answer.

Hemant Arora: Basically we are at below 30% in the S&D trends and basically if you see from last 3-4 financial years, we are between 28% and 30%.

Kavita: Any outlook for the future, sir?

Hemant Arora: We continue to do efforts regarding the reduction of S&D spend and we will follow the same and employ different strategies to reduce our S&D expenses.

Kavita: Last one question is, which are your top three brands, sir, and what is the contribution of these brands to the overall revenue?

Aditya Sekhri: Top three brands in our portfolio would be the two Reds, which is firstly Reds as you probably would know, is the highest contributing segment in our wine business and in the wine industry as well. And therefore, we have two very strong brands in the Red Wine segment, one with Cabernet Sauvignon and the other being Cabernet Franc-Shiraz both contribute roughly 8%-8.5% to our overall business. And then we have a bunch of other brands which are also contributing roughly 5%-6%, one being, for example, our Sparkling brand Noi, which is approximately number 3, which is also contributing about 5.5%-6% for us. So, the whole thing about our portfolio is that we have a lot of hero brands which are contributing between 5%-7% of our topline and that consists of roughly 7 to 8 major brands.

Moderator: We will take the next text question from Rajesh Swaminathan, an Individual Investor. "How are we managing crop failure risk arising due to natural calamities?"

Gaurav Sekhri: See, natural calamities when you are in a business which is dependent on agriculture, some of those risks are we are exposed to them. Something we have done recently and we will continue to do more of is that we have recently taken a new parcel of 150 acres of land under active farming which is approximately 200 kilometers away from our winery. Now, what that does is that it slightly derisks us from an agro-climate risk perspective, so those are the initiatives that one can deploy to reduce any risk, which is nature related.

Moderator: We have a text question from Darshil Jhaveri from Crown Capital. "Why are our margins lower than our peer? What kind of EBITDA margin guidance we have for FY25? What is the revenue guidance for next 3 years?"

Aditya Sekhri: On the margins I have already commented and I think we will be consistent with that view is that our current base is growing. I think we have geared for that progress for the next 2-3 financial years, and I wouldn't want to comment too much on the EBITDA margins or the future outlook of that. Like I said, it should be an improving trend as it has been for the 3 preceding financial years already. On the revenue level, we have given a guidance already of north of 15%, which of course is for the following reasons. The main aspect is that we are going to be doing a major capacity expansion as I mentioned earlier as well, which is going to give us a 25% increase in our overall installed capacity over the previous financial year. That will obviously help us supplement our current volumes. We are also creating a large civil framework and when we need to add capacity, we will obviously have that ready as well.

Moderator: We have a text question from Ayasha Jain from Alchemy. "Which are the top five states in terms of sales? How much do they contribute as percentage of sales in FY24? What is your portfolio mix split between Luxury, Premium and economy split in FY24? Above what price point does the company classify as premium?"

Aditya Sekhri: I will answer all of them one by one. So, firstly, I think you asked about what are our top markets. I already spoke about what are our top regions. Our top markets, which we identify is our big 6-7 and they would be Maharashtra, Karnataka, Delhi, Telangana, West Bengal, and Goa, I think would be our top six roughly. And in terms of our contribution through segments, roughly like I said earlier as well, 70% plus has been coming from our Premium and Luxury segments now for the last couple of years. We are happy with this product mix. We in fact want to maintain this product mix in the years to come because as the middle class is rising in the country and they are getting more and more familiar with the wines, the value consumption of wines will also go up. In terms of our own classification, like I said, Rs. 600 above is what we classify as Premium in our portfolio. I hope that answers your question.

Moderator: We will take our next question from the line of Tushar Vasuja from Yogya Capital. Please go ahead.

Tushar Vasuja: Can you please explain the unit economics of your vineyard tourism business in terms of construction and maintenance expenses and the revenue and what sort of occupancy rate are you expecting for the first year of operations?

Gaurav Sekhri: We are expecting to build a 40 key property in Phase-1 at our location. We expect our ARRs to be around Rs. 20,000 - Rs. 25,000 per room night. In terms of occupancy rates, I think first maybe up to 3 years, it may be around 40% odd, but after 3 years it will pick up to about 60%-70% is our expectation.

Tushar Vasuja: And sir, what would be the construction cost of this and the maintenance expenses?

Gaurav Sekhri: It is hard for me to predict and tell you the maintenance expenses today, but in terms of construction cost, we are expecting to keep the entire project within Rs. 50 crore.

Tushar Vasuja: And sir, you have two more projects going up ahead, increasing your active farmland and adding some winery space also, so what will be the CAPEX for each of those projects?

Gaurav Sekhri: In our CAPEX outlay for the next 2 years, all of it will get committed in this financial year, but some will get spend this year and some in the year after. But we expect to spend about Rs. 30 odd crore in capacity expansion and brand building. We are expecting to spend ~Rs. 5 odd crore in expanding area under cultivation. I mentioned already about Rs. 45 crore - Rs. 50 crore in building the hospitality business. These are some of the broad areas where we are committing our CAPEX.

Tushar Vasuja: I have one follow up on the previous participants question. You mentioned that you are increasing your capacity by 20%-25%, your overall installed capacity. What is the utilization right now?

Gaurav Sekhri: Our utilization right now is disproportionately high. Normally, in a wine business about 80%-85% capacity utilization is considered very healthy. We are actually operating at higher than that, which is not ideal and we are adding capacity so that we do not feel the capacity constraint that we are feeling today. This has actually held us back in growing our business at least in the last 6-9 months.

Tushar Vasuja: When do you expect the capacity addition to be commercialized?

Gaurav Sekhri: By December 2024. The work is already underway.

Moderator: We have a text question from Darshil Jhaveri from Crown Capital. “What is the debt position of the company to fund new initiatives? Will company plan for some fundraising?”

Gaurav Sekhri: At this point of time, we have roughly Rs. 90 crore of debt in our balance sheet. About Rs. 15 crore is long term debt, and the balance is working capital. We may take an additional Rs. 10 crore - Rs. 15 crore of long-term debt going forward to complete all the CAPEX that we have planned over this year and the next year.

Moderator: We have a live question from the line of Shantanu Naik from HCMR India. Please go ahead.

Shantanu Naik: Sir, I wanted to ask you about revenue share in your Super Premium plus Luxury brands, which are placed above Rs. 1,200. So, what would be the share?

Aditya Sekhri: We are looking at roughly about 14%-15% revenue contribution coming from these two segments.

Shantanu Naik: 14%-15% from Super Premium and Luxury, which are placed about Rs. 1,200, right?

Aditya Sekhri: Exactly, you got that absolutely right. About the Rs. 1,200 price segment, all the brands that we have put together, they are contributing roughly about 15% to our topline and that number is going up every financial year as we are looking to premiumize.

Shantanu Naik: And your value and premium segment would be how much?

Aditya Sekhri: Roughly, our Value contributes between 20%-25% looking at market specific trends. That has been the trend roughly for the last 3-4 years. Premium as a category, roughly all put together like I said is contributing almost 75%. Like I said, the Super Premium and Luxury is contributing about 15%, Premium is contributing anything between 55%-60%. And Cans, on the other hand contributes roughly 5%, that is our product mix.

Shantanu Naik: And your revenue share from D2C and HoReCa business, if you can put some color on it?

Aditya Sekhri: I think we are very well poised in this area and that is a split which for us for the last 3 financial years has been increasing in favor of HoReCa. Currently as of last year, the split is roughly 75-25 with 75% coming from retail and 25% coming from HoReCa.

Shantanu Naik: And my next question would be, what could be the CAPEX cost per 1 million liter?

Aditya Sekhri: Our CAPEX cost roughly per liter is what we try to calculate. Ee range roughly between Rs. 55 and Rs. 60.

Shantanu Naik: And how much time would it take to add such capacities?

Aditya Sekhri: Roughly 6 months, I think we should be ready by December of this year.

Moderator: We have a follow up text question from Rachna Kukreja. "The Wine-in-Can segment seems to be a growing segment driven by its convenience and ease of use. But it currently makes a small contribution to overall sales. Are there any plans to increase the share of this segment? Additionally, how do the profit margins for Wine-in-Can business compared to those wines of the value segment? How much comes from off-trade versus on-trade channels?"

Aditya Sekhri: On the Cans currently, if we look at our business model, firstly we are very happy with our Can performance in quarter 1 of this year as we recorded a 30% growth over Q1 of last year. It was a record Q1 for us in terms of Cans. And we see that momentum is carrying on throughout this financial year due to various tailwinds that we have. On a gross margin level, it is fairly consistent with bottles as well, slightly better. You can say a couple of percentage points due to the lower packaging cost which is there in Cans. And as a segment, we are investing heavily both in terms of increasing our overall distribution in terms of sales and in terms of brand building. It is a major point for our future growth. We believe the RTD segment is here to stay and India is picking up from a lot of the global trends that we see.

Moderator: I will read the follow up question. "Additionally, how do the profit margins for Wine-in-Can business compared to those wines of the value segment? How much comes from off-trade v/s on-trade channels?"

Aditya Sekhri: Cans primarily is a retail driven product. So, retail contributes the majority of the sales. I would say more than 90% of that segment and we see this trend going forward as well. It was primarily launched for that reason as well. And this contribution we see like I said already will grow YoY and on the gross margins are already commented as well saying that they are fairly similar to our bottle gross margins, maybe a few percentage points better.

Moderator: We have our next text question from Yash Visharia from Dolat Capital. "Can a lower ARR rate not be more feasible to get higher occupancies from year one itself?"

Gaurav Sekhri: I think this question is in relation to the wine tourism project that we have planned. Yes, of course, if one was to lower the ARR, occupancy rate could go up. These are some of the things which are dynamic in nature, and I think as we get the project started, we will be able to adjust to the prevailing condition at that time. We are not adverse to it, but we have a certain brand positioning in mind of the property and particular experience that we wish to deliver to our customers. When we think it along those lines, for us an ARR of Rs. 25,000 seems achievable.

Moderator: We have a text question from Ayasha Jain from Alchemy. “What is your portfolio mix split between Luxury, Premium, economy split in FY24? Above what price point does the company classify as premium?”

Aditya Sekhri: Like already mentioned, premium segment for us is Rs. 600 and above, up to Rs. 1200.

Moderator: We also have a follow up text question from Rachna Kukreja, “With our current market share at 30%, where do you see potential for further growth?”

Aditya Sekhri: In terms of market share expansion, that has been happening in both retail and in the HoReCa categories for the last 3-4 years. We see that trend continuing as we look to innovate and always launch new brands and increase some penetration across the country as well. I wouldn't like to give a guidance so far on our market share numbers that we are looking because our main area is to grow the category and to grow as a brand. So, with that, of course, with those efforts we have been gaining markets over the last 3-4 years and I believe we will keep looking to do so. And like I mentioned already, some of the key market share markets we have held our position for some years now in them and we are going to adding new markets in that list always. Our main effort is to grow our profits sustainably.

Moderator: We have a text question from Naman Shah from Monarch Networth capital. “Are you availing the WIPS benefit in Maharashtra and if you are, what is the amount received from WIPS and what is the amount outstanding?”

Rajesh Garg: Myself, Rajesh Garg. Yes, we are availing WIPS scheme in Maharashtra like other wineries are and last year we received around Rs. 14 crore in FY24.

Moderator: That was the last question. I now hand over the Conference Call to the Management Team for closing comments. Over to you, sir.

Gaurav Sekhri: Thank you everyone who participated today and spared their valuable time to listen to our presentation and to the earnings call. We look forward to more interactions with you. Thank you again for your time. Be safe, be healthy. Thank you.

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