August 22, 2024

To,

BSE Limited	National Stock Exchange of India Limited
Phiroze Jeejeebhoy Towers	Exchange Plaza, C-1, Block G,
Dalal Street	Bandra Kurla Complex,
Mumbai - 400 001	Bandra (E), Mumbai - 400 051
Scrip Code (BSE): 544203	**Symbol: ABDL**

Sub.: Transcript of the Conference Call on Financial Performance of the Company for the quarter ended June 30, 2024, held on August 14, 2024 - Disclosure under Regulation 46(2) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("Listing Regulations 2015")

Dear Sir/Ma'am,

Pursuant to Regulation 46(2) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith the Transcripts of the Conference Call on Financial Performance of the Company for the quarter ended June 30, 2024, held on August 14, 2024.

The aforesaid transcript is also available on https://www.abdindia.com/

The above is for your information and record.

Thanking you,

Yours sincerely,
For **Allied Blenders and Distillers Limited**

RITESH RAMNIKLAL SHAH
Digitally signed by RITESH RAMNIKLAL SHAH
Date: 2024.08.22 18:27:53 +05'30'

Ritesh Shah
Company Secretary and Compliance Officer
Membership no. ACS 14037

“Allied Blenders and Distillers Limited
Q1 FY25 Earnings Conference Call”

August 14, 2024

MANAGEMENT:	**MR. SHEKHAR RAMAMURTHY – EXECUTIVE DEPUTY CHAIRMAN**
	MR. ALOK GUPTA – MANAGING DIRECTOR
	MR. RAMAKRISHNAN RAMASWAMY – CHIEF FINANCIAL OFFICER
	MR. JAYATHIRTHA MUKUND – HEAD, INVESTOR RELATIONS & CHIEF RISK OFFICER
MODERATOR:	**MR. ABHIJEET KUNDU– ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen good evening and welcome to the Allied Blenders and Distillers Limited Q1 FY25 Results Conference Call hosted by Antique Stock Broking Limited.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhijeet Kundu from Antique Stock Broking Limited. Thank you and over to you sir.

Abhijeet Kundu: Thanks. Hi everyone. It's our absolute pleasure to host the Management of Allied Blenders & Distillers Limited which had a recent IPO and this is their First Quarterly Results Call post listing.

Over to Mr. Mukund – Head of Investor Relations and Chief Risk Officer for further proceedings. Thank you.

Jayathirtha Mukund: Thank you, Abhijeet. Good evening, everyone and thank you for joining our Q1 FY25 Results Conference Call. I hope you have received a copy of our Q1 FY25 Results Presentation.

I would like to urge you to go through this along with the disclaimer slides.

Today we have with us from the management of Allied Blenders and Distillers Ltd, Mr. Shekhar Ramamurthy – Executive Deputy Chairman, Mr. Alok Gupta – Managing Director, Mr. Ramakrishnan Ramaswamy – Chief Financial Officer.

Now I would like to hand over the call to our Managing Director – Mr. Alok Gupta, who will give you the Summary of the Company's Quarterly Performance before we open up a Q&A.

Over to you Alok.

Alok Gupta: Thank you Mukund. Good evening, everyone. Thanks for taking the time out today and participating in our first ever Quarterly Earning Call for Quarter 1 Financial Year '25.

A little bit on the economy, essentially the overall macroeconomic environment as we are seeing is that there are pretty much mixed signals while consumption growth remains soft due to persistent food inflation, along with higher interest costs. However, we are seeing some positive signs, especially in the rural areas, and consumption has begun to recover. Also, we are seeing a monsoon which was a normal monsoon, so hopefully that will bring some good news. The rural resurgence provides hope for a broader consumption arrival in the coming months.

As far as the AlcoBev sector is concerned in the Q1 '25, here are some of the highlights:

In the Mass Premium category where our flagship brand Officer's Choice Whiskey has a dominant share witnessed, a lower single digit degrowth at the backdrop of softening of consumption growth. However, in the P&A segment the industry witnessed a low single digit growth and the ongoing trend of premiumization continue on the back of growing consumer preference for high quality and innovative offering. Election and policy changes in the key states especially in the Q1 had a slowdown impact. However, we stay optimistic on the recovery in the coming quarters and there are some early trends that we are able to see.

Now let me first update you on our two new brands that expanded during the quarter and related initiatives before discussing the overall Quarter Financial Performance:

The first brand I would like to cover is Zoya. We successfully launched Zoya ABD's first luxury gin and the inaugural product in our Prem brand portfolio which focuses only on the premium and the luxury portfolio in the state of Maharashtra. In just five months after its initial launch in Haryana post a successful introduction Zoya is now accessible in Mumbai, Thane, Pune, Nasik and Nagpur. This expansion aims to meet the growing need of the premium gin in the Maharashtra major urban market, particularly in Pune and the bustling metropolis in Mumbai. As we speak, brand is under rollout across all key gin markets. To ensure the success of this launch, we have established a dedicated key accounts team under the Prem brand division. Our robust digital and on ground strategy includes community engagement which runs under the banner of #ZoyaTales with the right target group to foster strong word of mouth. We are also investing in on-premise and social media to boost brand awareness along with impactful signages and in market events.

ICONiQ White; we are excited to share that ICONiQ White continued its steady expansion, now available in three new states and union territories of Madhya Pradesh, Meghalaya and Chandigarh. Additionally, we have successfully launched in paramilitary services channel. This expansion reflects brand commitment to quality and its ability to cater to evolving consumer preferences. We also launched a very innovative ICONiQ Hippy pack which is a 180 ml PET packaging format catering to the young friendly mobile customers. This new format is now available in the states of Uttar Pradesh, Maharashtra and Daman.

The key to success of ICONiQ White, which also achieved a milestone of the fastest growing spirits brand in the world is in addition to the blend, its attractive packaging. They have also implemented now a tech-led consumer activation to build loyalty and record reference for ICONiQ White.

Our show from branding and high impact visibility in retail outlets ensures our key brands stand out in relevant markets, retail influencers in browsable retail outlets are engaging and converting premium customers. Furthermore, activation in on-premise channels, key account tie-ups and blogger engagement are driving brand awareness. House parties and community engagement initiatives are fostering trials and word of mouth promotion for our brand. Currently the annual run rate for ICONiQ White is between 4 to 5 million cases and is expected to double its volume from last year's base of 2.3 million cases. We expect the brand to be available pan India by Q3 FY25. So, this was about our two brands.

On our consolidated performance, here are the key highlights:

Income from operation was 759 crores in Q1 FY25. It is lowered by 1.4% over 770 crores in Q4 FY24 and lower by 6.8% versus 815 crores in Q1 FY24. However, the EBITDA is at Rs. 76 crores, it grew by 22% as compared to 62 crores in Q4 of last Financial Year and it grew by 44% versus Q1 FY24 where the EBITDA was 53 crores. We also delivered a double-digit EBITDA margin at 10% in Q1 FY25 as compared to 6.5% EBITDA margin in Q1 of FY24. The PAT for the quarter stood at 11 crores.

Moving on to the top line, from volume perspective overall, we delivered 7.3 million cases in Q1 of FY25, a growth of 2.7% over 7.1 million cases in Q4 of FY24. However, it was lower by 11.8% versus 8.2 million in Q1 of the last Financial Year of FY24.

From ABD's perspective, we look at the performance through two perspectives. First is that despite strong demand for our product, persistent delays in receivables from a key market since H2 of last Financial Year which has impacted the industry as well. It continued to affect our overall servicing needs and short-term volume growth in Q1 of FY25. However, we have continued to focus on quality of revenue and focus on optimal state brand mix while this has resulted in slightly lower volume as compared to Q1 FY25. However, on quarter-on-quarter basis we have delivered a volume growth of 2.7% versus Q4 of FY24, with improved profitability which I will cover in a bit.

Second, despite the above challenges the momentum on premiumization, the focus on P&A segment and on the premium and luxury segment continues. Our P&A volume salience has increased to 36.9% in Q1 of FY25 as compared to 33.5% in Q1 of FY24. That is an increase of roughly 3.5% and the value salience has increased to 46.1% in Q1 of FY25 as compared to 43.2% in Q1 of FY24. So, on the P&A side we continue to grow both on volume and the value side.

Now coming to our EBITDA performance:

We delivered a strong growth in EBITDA through a combination of strong improvement in gross margin and OPEX savings. The gross margin improved to 38.7% in Q1 of FY25 as compared to 34.5% in Q1 of FY24 and broadly in line with 39% delivered in Q4 for FY24. This improvement is mainly on account of the packaging material, cost saving initiative which progressively expanded in phased manner identified markets over FY24 as well as in Q1 of FY25. Some of these initiatives are removal of mono carton being extended to Officer's Choice Blue, Sterling Reserve B7 and also our new millionaire brand ICONiQ White in state where it has completed 12 months of presence is now an established and a growing brand. The PET conversion Officer's Choice Whisky which was initiated in May '23 has now expanded in six states in a phased manner. In Q1 FY25 we got the full quarter benefit of the same. On other packaging materials saving, it includes continued improvement in market bottle utilization, lower prices of various packaging materials and other items. Also, the gross margin improvement is on account of routine price increases in different states during the course of the previous years.

Along with the above initiative with the right strategy of state brand mix even with lower volume we were able to deliver a better gross profit with a better gross margin as compared to Q1 of FY24. Overall, despite the increase in ENA prices as compared to Q1 FY24, the overall gross margin improvement is driven on account of the above initiative. At the OPEX front, the savings were led by broad restructuring undertaken in Quarter 2 of FY24 and controlled advertising and marketing A&P spend which was largely offset by increased employee cost on account of new hiring mainly on account of setting up the vertical catering to our premium brand, focused on premium and luxury portfolio and in general increase in the overheads which is in line with the market.

Moving on to the interest cost:

The overall interest cost for the quarter was Rs. 44 crores as compared to Rs. 45 crores in Q4 of FY24 and Rs. 39 crores in Q1 FY24. The interest cost includes interest in certain government over dues in addition to the interest on debt including working capital facilities. As already stated, we have paid all VAT outstanding in a phased manner to ensure adequate capital is available to service the consumer demand.

Moving on to the outlook; with the successful completion of the IPO process in July '24 in line with the main purpose of use of the IPO proceed being repayment of debt amounting to Rs. 720 crores. Accordingly, all the bank debt has been repaid. Also, we have cleared all the VAT overdues. Subsequently with the strengthening of our balance sheet our ability to meet demand and cater to the customer servicing need has significantly improved. Now we are in the process of raising low cost working capital facilities required as growth capital.

Now we are more confident in our ability to deliver sustained growth and well positioned to capture tailwind in the IMFL and the overall spirit industry through a combination of leveraging strength in the Mass Premium segment and launch of new products in the premium and luxury category. In the whisky segment we are targeting to grow market share through our 3 millionaire brands and sustained profitable growth in Officer's Choice, which is our flagship brand. In the premium and luxury segment we strengthened our presence in high margin segments both in whisky and non-whisky categories. We are evaluating expanding the portfolio by launching a BII and a BIO scotch, expand category offerings and develop products in whiskey, rum and gin and white spirits. These initiatives would be done through our own brand and through our partnership model.

Along with the top line growth there is a continued focus on improving profitability through optimization of state brand mix, continued cost saving initiative, input costs and building process efficiency, driving automation and optimizing working capital cycle by improving supply chain efficiency. From a CAPEX perspective in addition to the regular maintenance, replacement and regulatory related capital expenditure for our pan India manufacturing plant, we are evaluating growth CAPEX option on improving backward integration capability through a combination of building or acquiring facilities with the objective of limiting supply constraint, securing ENA which is our primary raw material and a driver for margin improvement.

Finally, I would reiterate that with the successful IPO in July '24 behind us, we are more confident in our ability to deliver sustained growth and enhance shareholder value creation. We remain dedicated to advancing excellence and achieving new accomplishments.

Now we can open the floor to the Q&A please. Thank you for your time.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Hiten Boricha from Sequent Investments.

Hiten Boricha: I have a couple of questions. First is on the revenue side, just a small clarification. We have a revenue of around Rs. 760 crores, and we have a breakup into P&A and Mass Premium revenues. So, when you add this P&A revenue and Mass Premium revenues, Rs. 322 crores and Rs. 376 crores, it comes anywhere between Rs. 698 crores. So, there's a difference of Rs. 60 crores in this quarter and what is the difference if you can explain me on that?

Alok Gupta: Can I request Ramki to just look at these numbers and respond please?

R. Ramaswamy: So, what we have captured there is only the P&A what do you call the Prestige and Above and the Mass Premium segment. We have other categories in the breakup on sale which includes ENA sale, byproduct sales, export entitlement, scrap and others. So, all these together aggregate for the balance.

Hiten Boricha: Other question is on the gross debt. What is our current gross debt and what will be the finance cost in FY25 as you mentioned we have repaid all our debt in this year from the IPO proceeds?

R. Ramaswamy: We repaid around Rs. 800 crores of gross debt which was there from the IPO proceeds. As on date we have around Rs. 325 crores of working capital debt which is a fresh debt after repayment of all the debt. And this debt has been raised at a lower cost which is at around 8.5% as compared to the earlier cost of around 10%-10.5%.

Hiten Boricha: So, this Rs. 325 crores include long term debt as well, right?

R. Ramaswamy: No. It's only working capital debt.

Hiten Boricha: We don't have any long-term debt now.

R. Ramaswamy: No.

Hiten Boricha: My question is on the receivable. So, your slide #6 mentioned we have delayed in our receivables from some of our key markets, so just wanted to understand what is the update on that and if you can quantify that number?

Alok Gupta: The delayed receivable is largely from one of the government markets which is the state of Telangana which is impacting the entire industry. We have seen some improvement in the payment cycle, but our view is that it takes maybe another quarter before we can see the receivables to fall in line with the agreed numbers.

Hiten Boricha: But can you quantify the number?

Alok Gupta: Number in terms of total receivable?

Hiten Boricha: Yes.

Alok Gupta: Or in terms of number of sales?

R. Ramaswamy: Alok, in case you want I can reply. The total receivables from Telangana outstanding as on 30th June is around Rs. 384 crores which is overdue.

Alok Gupta: Does that answer your question, the overdue amount is roughly 380 crores as shared by Ramki?

Hiten Boricha: Yes.

Moderator: The next question is from the line of Dhiraj Mistry from Antique Stock Broking Limited.

Dhiraj Mistry: First question is on volume that if there had been no working capital issue from the state from Telangana State Government, what could have been the volume growth trajectory in this quarter? And is it safe to say that our aspiration of double-digit volume growth on overall basis both in regular segment and in P&A segment for FY25 should be maintained, would remain there?

Alok Gupta: First of all, thank you for your compliments. And yes, our outlook for a double-digit growth for the Financial Year FY25, we are of the view that we are on the right track.

Dhiraj Mistry: And had it been no working capital issue in this quarter, what could have been the volume growth in this quarter?

Alok Gupta: So, if you look at the volume growth in Q1 FY25 over Q4 FY24 it's about 2.7%. I would like to believe that if you have the right working capital access in Q1 which of course has been resolved post the IPO, we should have been in a double-digit growth. We should have been able to post a double-digit growth. A larger challenge has been demand servicing which is what we are from Q2 that is getting addressed.

Dhiraj Mistry: I was looking at your volume performance, the volume decline which is there in Mass Premium segment and in P&A segment, there's a stark difference in that. Is it that you have preferred the growth or working capital funding was much more skewed toward P&A brand rather than Mass Premium end, is my understanding correct for this quarter?

Alok Gupta: The way we look at our working capital deployment is to have a both, short term and a long-term view of the market in terms of what is our eventual market share aspiration and clearly in line of the premiumization agenda, the P&A segment in the right markets need to have the full access to working capital. So, I think it's a balance between short term and long term. But I think the objective of premiumizing continues to be one important facet of what we are doing.

Dhiraj Mistry: In your opening commentary you highlighted that there was a price hike which you have got in select states. Can you mention that state and what kind of price hike you have received at a portfolio level and at a state level as well?

Alok Gupta: There are multiple states from where price increases have been received and the total aggregate price increase on an annualized basis, Ramki can I leave on you if my number is off, but I think it's just about Rs. 40 crores on an annualized basis. Ramki can you just reconfirm this number?

R. Ramaswamy: Sure. If we compare the price increase benefit quarter to quarter, the price increase benefit has been around Rs. 18 to Rs. 20 crores in the first quarter as compared to the corresponding quarter.

Dhiraj Mistry: And is there any state which is likely to give price hike in this Financial Year?

Alok Gupta: As we speak there are a few states where price increases are yet to come through. We are all reading newspapers about possibility of Telangana, West Bengal hopefully and Himachal. So, there are only a few states from where we are expecting a decision this year but yet to have a confirmed price increase from these states.

Dhiraj Mistry: Lastly on gross margin, there's a good improvement in gross margin but can you split your gross margin expansion or benefit in two parts, on pricing front and also on the raw material front that what is the gross margin expansion because of your raw material price or packaging revamp because of the saving from packaging revamp and for the full year as well as for the next year basis what kind of saving we can expect from the packaging material?

R. Ramaswamy: It's around 3.1% on the price and around (+1%) on the overall COGS after netting off the incremental cost.

Dhiraj Mistry: This is all for the current quarter, right?

R. Ramaswamy: That's correct, Quarter 1 of the previous year.

Dhiraj Mistry: And if I say that in the state which we are yet to implement mono carton discontinuation or PET bottle, what kind of benefit we can witness in gross margin going ahead?

Alok Gupta: I think the process of mono carton removal has pretty much been completed on brands like Sterling B7 and on Officer's Choice Blue. Only on ICONiQ for an agreed period of let's say a year or an agreed market share in that market we do keep mono cartons otherwise mono cartons thereafter discontinued. And as the brand is getting nationally rolled out, this phasing will also happen. But on the bigger brands like SRB 7 and OCB, the entire mono carton exercise is complete.

Dhiraj Mistry: But would you like to quantify what kind of saving we can have from ICONiQ White discontinuation or large part is already been realized?

Alok Gupta: Your question is that on ICONiQ what is the incremental saving that will accrue towards this year on account of removal of the mono carton, is that your question?

Dhiraj Mistry: Yes.

Alok Gupta: Ramki do we have a ready number on this?

R. Ramaswamy: Alok, it should be a range. I would put a range of anything between Rs. 6 to Rs. 8 crores.

Moderator: The next question is from the line of Bhaskar, who's an individual investor.

Bhaskar: I want to ask how much interest cost we will save on yearly basis after paying as you mentioned Rs. 800 crores from IPO proceeding you have paid? Second one, is effect of interest cost in a Quarter 2 we can see in our P&L side and how much?

R. Ramaswamy: For annual basis the interest cost from what was earlier to what would be in the current year would be lower by around 50%. So, that is one thing. And on a quarterly basis the same trend would continue because in the first quarter we had to pay then the loans were paid in the month of July. And the current cost of borrowing what we are having is around 8.5% as compared to around 10% plus as earlier for the bank borrowings. So, proportionately the interest cost will come down in this current quarter.

Bhaskar: And second one is a working capital as you say that we have, it's before IPO or it's after IPO working capital loan?

R. Ramaswamy: Working capital what we repaid has been after the IPO. We got into zero debt position for about some days maybe a week or a fortnight. After that we sourced additional working capital to the extent of Rs. 325 crores.

Moderator: Next is a follow up question from the line of Hiten Boricha from Sequent Investments.

Hiten Boricha: My question is again on the volume side. As you mentioned we are looking for the double-digit kind of volume in this year. So, if you can give a breakup of it between P&A and Mass Premium because I believe our mass segment has hit a lot. We have so like 15% kind of de-growth in volume in this year. So, maybe you can give some breakup, are we looking for growth in P&A in high teens or Mass Premiumization?

Alok Gupta: So, our current outlook is that the Mass Premium segment will grow at a single digit and the P&A segment for us will grow at mid double digit. That's our output for the balance three quarters.

Hiten Boricha: So, Mass Premium at high single digit?

Alok Gupta: Mass premium at a single digit, mid to high single digit. And the P&A segment will grow at mid double digits.

Hiten Boricha: What will be our tax rate this year?

R. Ramaswamy: We have opted for the new regime of taxation which is 25%. So, the first year of shift there will be some deferred tax. So, it could be marginally higher by a percent. But after that from March '26 onwards it will be 25%.

Hiten Boricha: My last question is on, you mentioned substantial cost saving initiative you have taken in packaging side. So, if you can throw some more light, what exactly we are doing here what measures we have taken etc.?

Alok Gupta: So, there are four or five critical initiatives. One is Officer's Choice which is a Mass Premium brand to move from glass bottle to PET and as things stand roughly 10% of volume is in glass, about 80% in PET.

Hiten Boricha: Sorry to interrupt sir I lost you in between. From glass bottle to what?

Alok Gupta: Glass bottle to PET and as things stand, about 10% of our volume is in glass bottles, about 80% is in PET and we have also successfully transitioned to Tetra the state of Karnataka and UP. So, that's been one significant packaging initiative. Secondly, as you already covered, is removal of mono cartons on the P&A segment brand, which is Sterling B7, Officer's Choice Blue. And now we have started to do that on ICONiQ as well. Third is in terms of our market bottle utilization. We are this year planning our market bottle utilization at about 20% which was about 12%-13% last year. So, that's about a 7% increase in our market bottle utilization. Third is in terms of re-engineering of our glass bottle and PET bottle weights in terms of grammage. So, these are three or four critical initiatives which has helped us bring down our cost.

Hiten Boricha: So, considering all this cost which is especially the bottling cost, the utilization is going up. So, can we consider margin, which is at 10% level in Q1, it is going to remain at this level anywhere between 10% to 12% for this year?

Alok Gupta: Our outlook is that we should exit the year better than the Q1 EBITDA, maybe early double digits.

Moderator: The next question is from the line of Karan Bhuwania from ICICI Securities.

Karan Bhuwania: Firstly, I just wanted to ask about the demand environment. You mentioned that demand environment continues to be soft, given that a lot of FMCG companies have highlighted that there is some recovery happening especially in rural. So, how do you see the demand environment because I think I assume that will be critical for your growth trajectory for the Mass Premium segment? And secondly a follow-up on that would be, you mentioned about the market share gains in the Mass Premium segment. So, what are the steps we are taking towards that? And also, if you could talk about the profitability of the Mass Premium segment, how you are going to improve the profitability going forward?

Alok Gupta: So, the Q1 for current Financial Year was a bit disturbed, largely on account of restricted movement on back of elections and various new policy initiatives. So, we had a sluggish Q1. The overall industry growth was about 2% or 3%. We are seeing some sign of recovery in early July. So, that's a good sign for us. We are seeing demand growth coming from all markets. So, to that extent that's good news again. From a premiumization perspective, adoption of brands that operate in P&A and premium luxury brand is something that we track. There are clearly some green shoots and that over a period of time should create another sort of a growth driver for the P&A segment and the premium segment. As far as the Mass Premium segment is concerned for us it's the Officer's Choice. Officer's Choice operates about 40%.

Karan Bhuwania: Secondly regarding you mentioned in your opening remarks about the backward integration towards production of ENA, if you could talk a bit about it what would be the CAPEX requirement and what kind of savings we can see through that flowing into the gross margins?

Alok Gupta: So, currently for every 100 liters of ENA that we need about 30% of captive that comes out from our distillery in Telangana where we produce 60 million liters of ENA, both for captive consumption and some bit third party sales. And we run that distillery at 100% capacity. We need another 300 KLPD worth of capacity which will get us to a near 100% captive ENA. And that should have an impact of about 450 basis point on gross margin and therefore on EBITDA as well. The capital required for this is we believe that what we need are two distillers of 150 KLPD each and the capital required for this will be roughly Rs. 450 crores.

Karan Bhuwania: Lastly on ICONiQ White, you mentioned that this quarter also the growth was good. If you could highlight, what kind of growth did you witness this quarter and how do you see what the growth would have been if you didn't have the servicing challenge for this particular brand? And also, if you could give some idea about what are the kind of targets looking in terms of volume growth by FY26?

Alok Gupta: In the Q1 FY25 the brand is operating at about a 4 million ARR, (+4) million ARR. Since it's a growing brand, growth number for quarter-on-quarter is high. But the important thing is that we exited the last year at 2.2 million, Q4 of last Financial Year the ARR was 3 million cases and Q1 FY24 the ARR currency is nearly 4 million cases. So, that's really the growth trajectory on the brand. We are looking at the brand to more than double its last year volume of 2.3 million cases.

Moderator: The next question is from the line of Himanshu Shah from Dolat Capital.

Himanshu Shah: So, there's a couple of questions, one is the AP policy change. If it happens, can you help understand, how will it benefit us as a Company and what is the salience of EP in our volumes and revenue?

Alok Gupta: You are talking about the state of Andhra Pradesh, am I right?

Himanshu Shah: Yes.

Alok Gupta: Andhra Pradesh policies yet to be out. As and when it is announced it will be effective 1st October. But from what we understand there are three important elements of the policy. The first element is privatization of retail which is a positive for a Company like ABD. The second is the fact that it will be opened up for national brand. Currently we do not sell ICONiQ in the state of Andhra. Therefore, that's good news for ABD again because we will be able to also introduce ICONiQ in the state of Andhra. So, overall the contours of the policy are favorable for the industry and for ABD, particularly the fact that retail is getting privatized which means you know brands needs to be sold on merit. And secondly the ability to sell national brand which is an opportunity for ICONiQ to participate in the state of Andhra. We currently do about, last year we did about 1.9 million cases in Andhra. We already seen some positive signs and therefore hopefully we should be able to see significant growth to come out of Andhra at the back of the policy, however we will have to wait for the policy to be announced.

Himanshu Shah: Secondly what would be our CAPEX in Q1 and guidance for FY25 excluding the new distillery that we are planning for?

Alok Gupta: Our CAPEX guidance is largely in form of our strategy CAPEX for our distillery in the state of Telangana which is about 15 crores on annualized basis.

Himanshu Shah: So, more like maintenance CAPEX for the distillery of around Rs. 15-20 crores on an average basis.

Alok Gupta: That's correct.

Himanshu Shah: So, thirdly there has been a media article where we are looking for tie ups with global companies. I forgot the name but one of the Russian and one of the Thai companies for distribution of their brands in India. If we are looking for any such thing, I would like to understand the rationale and why get only into distribution business instead of focusing on our own brands or launching our own brands and how can it benefit us? Just trying to understand the rationale. Are we planning for any such thing?

Alok Gupta: Just to clarify as regards the specific article, do not want to comment on any speculative news about these two companies. Moving on, we have maintained a position that we are looking for a partnership model and not a distribution model. In the partnership model we are looking at global companies which have serious intent about India as a territory. They are looking for a partner who can give access to pan India distribution and who are willing to participate in the investment that a brand requires. So, we will continue to focus on the premium and luxury segment through a combination of our own brand and through brands that will partner in India.

Himanshu Shah: And the partnership model still the profitability because the investments might be limited from our companies and it may accelerate the go to market or time to market from a product's and distribution perspective, try to assume the ROE, ROCE should be similar or even better compared to an organic launch of a brand?

Alok Gupta: I think one of the benefits of a partnership model is that the brands are globally proven. They come with excellent heritage, they come with a proven track in terms of the blend, the packaging, the consumer acceptance. So, it allows us to participate in the luxury segment more effectively. And like I said the key difference between a distribution model and a partnership model is that we expect the brand owners, the principal owner of the brand to also participate in the market building and brand development exercise. To that extent it is a little, (a) you are looking for the right partner and (b) you are looking for a ready brand and third you are looking for (a) and (b) contributions to come in. So, in a way it accelerates the entry into the premium and luxury segment.

Himanshu Shah: Any particular update on India-UK FTA, any further progress or anything that you can help us out?

Alok Gupta: India-UK FTA is still at a discussion stage. Of course, the new prime minister of UK has made a positive statement about the FTA but timelines are not yet formed. So, I think we are as eager to hear about the closure of FTA because as India's largest user of bulk scotch other than Pernod and Diageo of course on consumption basis, it has a massive impact on our overall cost of goods. So, we are also hopeful that this will get announced soon. But as of now there are no firm time.

Himanshu Shah: And a color on ENA, what has been the ENA inflation both on a QOQ and YOY basis in Q1 FY25?

Alok Gupta: As we shared earlier, our outlook was that the ENA prices for FY25 would be range bound. This is the exit price of Q4 of FY24 which is the last Financial Year and so far, the prices are holding on to that level, maybe marginally lower.

Himanshu Shah: And lastly, we are guiding for a double-digit volume growth, and I believe the receivables challenge still continues in Telangana which is one of our larger markets and it may continue for a quarter or so as outlined by you. In this backdrop are we confident on delivering our guided or stated intent of double-digit growth?

Alok Gupta: Yes, we are confident, as regard to Telangana, we have already seen directional improvement in the payables in Q1. Also, the industry bodies are very actively engaged with the government of Telangana, both at the policy level and at the ministry level. I think the assurance from the government is that we will start seeing improvement from September onwards month-on-month. So, I would say this is a temporary sort of situation which is impacting the entire industry including ABD. But Quarter 1 has been better than what we experienced in second half of the last Financial Year and this is the assurance being given to us by the government. We expect this issue to resolve over the next quarter or so.

Himanshu Shah: Just last follow up in this backdrop, how has been the current quarter going on July-August quarter to date, maybe some color? Are the trends better than Q1 on a at a Company level or at an industry level on a pan India basis?

Alok Gupta: Yes, I think on back of the IPO and addressing the issue of working capital, we are already seeing double digit volume growth and more when we sort of talk about the quarter once we have actual quarter end numbers with us. But yes, the volumes and the performance is certainly better than Q1.

Moderator: The next question is from the line of Harit Kapoor from Investec.

Harit Kapoor: I just had two questions. One was you know how do you think about realization improvements going forward? This quarter P&A has been kind of flattish, Mass Premium has grown a little bit. But in an industry where pricing is 1% to 2% average at best, do we expect mix improvement even within P&A to give us higher than 100% realization? My question is not from a near term perspective more from a 1 to 2 year perspective.

Alok Gupta: I missed the last two sentences that you said. If you can be a little louder and slower, there's a little bit of lag in volume.

Harit Kapoor: My question was on realization growth, both in P&A and Mass Premium. I just wanted your view on how do we kind of think about this from a 1 to 2 year perspective. Pricing is typically 1% to 2% only on an annualized basis mostly in the industry. So, do we expect kind of mix and improvement in both Mass Premium and P&A going forward to drive some of this realization improvement or how do we kind of think of this?

Alok Gupta: So. for us Mass Premium which is Officer's Choice is operating at a gross margin of 40%, our outlook and our focus would be to maintain that gross margin through a combination of picking up the right state brand mix, the right SKU mix and continuously working towards lower cost of sales. So, as far as the P&A segment is concerned, we see headroom for us which would come on account of (a) high level of market bottle utilization, this year we have targeted about 20% market bottle utilization which is up from about 13%-14% last year. And going forward we would like to get this number to about 25%. Second is in terms of maybe lower cost of sales over the next 2 or 3 years on back of better A&P investment. And thirdly once we are able to get to 100% ENA, we see another 2.5% gross margin improvement on back of our own captive

ENA. Of course, both Mass Premium and P&A segment both regain from that. So, headroom in the Mass Premium is largely on back of captive consumption, captive capability on the supply chain side. But in the P&A segment we see there is headroom both on account of our own captive ENA and on account of lower cost sales and lower cost of goods.

Harit Kapoor: Just to follow up on the returnable bottled side, is this 20% number that you mentioned, is there set industry average to what returnable bottle mix is or is it very in terms of every Company? I just wanted to understand that is 20% in line with industry average, is it better, is it lower?

Alok Gupta: No, I think it is in line with the industry. But could it be 25%, the answer is yes.

Harit Kapoor: The other thing was on Karnataka, I just wanted to get a sense on you know with MRPs coming down for the P&A segment, your early thoughts on how this market could shape up especially for your P&A and industry P&A side. And if you could just have some view from your end on this one?

Alok Gupta: So, certainly, MRP coming down in the P&A segment is very welcome news. However, the gap between the P&A brands in Karnataka and the Mass Premium and the medium segment which is the largest segment there in Karnataka is still very large. It will definitely encourage some upgrades. Our view for now is that, it will not materially impact the structure of the market.

Moderator: The next question is on the line of Krutika from Sharekhan by BNP Paribas.

Kruttika: For 'FY25 CAPEX, we guided for a maintenance CAPEX of around Rs. 15 crores, is that correct?

Alok Gupta: That is right.

Kruttika: The growth CAPEX for the backward integration, do we have any timelines for that as in when that will come in and how that will be exactly deployed, any guidance on that?

Alok Gupta: Well, currently it's a very important initiative for us at ABD. So, a lot of work is going on. We have identified the states. In both the states we have also looked at the geographic location, what would make sense in terms of both raw material availability and in terms of logistics cost. We have also in discussion with the EPC partner. So, a lot of progress. So, for now I would say a lot of work is being done. Can I provide you a timeline, well I would see benefits of this coming largely in FY27 but we are also looking at the possibility of acquiring subject to a right plant being available, a ready plant being available. If that happens then maybe we can accelerate the savings that we are projecting on account of strategy. But for now, it looks like maybe 18 months to 2 years from today.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Alok Gupta: Thank you. Thank you everybody for your time and for your questions. Much appreciate the interest that reflects on the quality and the questions being asked. So, thank you again and hopefully we will see all of you again at the end of the Quarter 2.

Jayathirtha Mukund: Thanks everyone for participating in this call. Now we can close this call. Thank you.

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