



## Globus Spirits Limited

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Dated : 07<sup>th</sup> June 2024

The National Stock Exchange of India Limited  
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BandraKurla Complex,  
Bandra (E),  
Mumbai – 400 051

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

**Subject: Submission of Revised Conference call Transcript– Q4 FY24 held on 30<sup>th</sup> May 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 and in addition to our submission of concall transcript on 05<sup>th</sup> June 2024, attached herewith the Revised conference call transcript w.r.t. conference call held with Investors on 30<sup>th</sup> May 2024 to discuss the financial performance of the company for the 4<sup>th</sup> quarter and year ended on March 31, 2024. The typo error on our earlier concall transcript submission has been modified. The changes made in Page-4 (Paragraph-4) is cited below :-

Page 4, paragraph no. 4

Change strikethrough: "For the balance amount, the company has deposited ~~INR255.11~~ INR25.11 crores in protest and has gone for appeal."

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  
Q4 & FY'24 Earnings Conference Call”  
May 30, 2024



**MANAGEMENT: MR. SHEKHAR SWARUP – JOINT MANAGING  
DIRECTOR – GLOBUS SPIRITS LIMITED  
MR. PARAMJIT GILL – CHIEF EXECUTIVE OFFICER,  
CONSUMER DIVISION – GLOBUS SPIRITS LIMITED  
MR. NILANJAN SARKAR – CHIEF FINANCIAL OFFICER  
– GLOBUS SPIRITS LIMITED**



*Globus Spirits Limited  
May 30, 2024*

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Globus Spirits Limited Q4 and FY'24 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shekhar Swarup, Joint Managing Director from Globus Spirits Limited. Thank you, and over to you, sir.

**Shekhar Swarup:**

Thanks. Good afternoon, everyone. Welcome to our Q4 and FY'24 Earnings Call. Our presentation has been uploaded on the exchange, and I hope you had a chance to go through it. There's been some technical difficulties with the network and the servers to upload the results. I'm informed that that's happening right now. And I apologize for the inconvenience caused. Meanwhile, I will go ahead with the opening remarks to this call.

In this quarter onwards, we now are analyzing our performance separately for our brands as well as manufacturing business. In the presentation that was uploaded, you would have found a different way of analyzing the performance and I hope you will continue to find it useful in the quarters to come.

In Q4 FY'24, we saw unprecedented low margin due to a change in the raw material mix as FCI discontinued rice supplies for manufacturing of bulk alcohol. If you recall, the stop had taken place in August of 2023. And in this period, we have bridged the gap in raw material supplies largely with rice purchased from the open market and the margin for this product was very low in this quarter gone by.

We are, however, now very excited about the prospects of using maize for ethanol with a higher realization for final product, which is ethanol, better by-products yield and a better environmental footprint. Maize is quite possibly the correct crop for ethanol production in India.

With maize, the company can also reduce dependence on intermediaries such as rice mills. And we hope that in the next 1 or 2 years, we will be able to secure long-term pricing for maize, in line with ethanol orders and hope to eliminate volatility in margins altogether.

Going forward, we believe that the bulk business, which is a combination of ENA and ethanol, our EBITDA margins in this business will be at around INR7 a liter. We will see periods of high margins as well as periods of low margins. But as an average of cycle, INR7 per liter of EBITDA margin is something I believe the company will achieve. In fact, we are already seeing a positive change towards this direction in Q1 on the back of maize, as I explained earlier.

After certain pending regulatory approvals were complete in Q4, our total installed capacity pending regulatory approvals for Jharkhand and West Bengal expansion that is, our total installed capacity now stands at 300 million liters per year. And more recently, in Q1, we have



*Globus Spirits Limited  
May 30, 2024*

commenced the commercial production of our bottling unit at Lakhimpur, UP, and we're very excited about the prospects of launching our entire range of brands in Uttar Pradesh.

We also recently announced a joint venture partnership with ANSA McAL, a diverse conglomerate with rich Caribbean history. The objective of this venture is to engage in the distribution, marketing and manufacturing of Carib Beer in India. Carib Beer is a trademark owned by ANSA McAL and is a very popular beer in parts of the world. We plan to contract manufacture the beer in India to start with, and we expect launch in Q1 of FY'26.

I request Param to provide an update on the consumer business.

**Paramjit Gill:**

Thank you, Shekhar. Good afternoon, everyone. Coming to our high-growth Prestige & Above segment, for the quarter gone by, we witnessed a sales volume of 0.13 million cases with a growth of 170%. For the full year, also the performance has been robust. Our full year volumes stood at 0.38 million cases with a growth of 84% year-on-year. We continue to expect strong growth even in the current financial year on this account, and we expect profitability to improve further as the volume growth continue to come in and the route-to-market efficiencies start kicking in through some of the early states.

In the next couple of quarters, we obviously want to plan to launch a few new and innovative brands across some exciting categories as well. These brands will ride on the route-to-market strength that we have created in the first few states and the partnerships set us by us successfully so far. We are also going to be expanding our distribution presence, which currently stands at 6 states to another 2 states during the coming quarters.

Coming to Regular & Others segment. We continue to perform well for the company with a total volume of 3.43 million and a growth of 8% year-on-year and total profitability of INR292 million, with a growth of 21% year-on-year. For the full year, this number of volume stands at 14.16 million and profitability at INR1,404 million with 22% year-on-year growth. The Regular & Others is an entrenched mature business with high market shares in Rajasthan.

We are planning to enter this segment in UP in the coming quarter. And this state is a sizable opportunity, and we are very excited about the possibilities that this will create for us. 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 named Not Out has just been launched in Delhi and the initial prospects are encouraging. And we will see through its further expansion in the coming quarters to the second and the third states. As you will note that the green shoots of our strategy to strengthen our market capability first state by state and then riding on it with an array of brands to succeed is now you'd seem to be yielding results. And I'm 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 will now request Nilanjan to take the lead.

**Nilanjan Sarkar:**

Thank you. Good afternoon, everyone. As illustrated in the investor presentation, the fall in the margin and outlook going forward has been explained by Shekhar and I will be touching upon certain specific highlights of our business. The net revenue from operations for FY'24 was at INR2,415 crores, up by 15% year-on-year with EBITDA margin at 7.6%. Even though margins have been impacted, we have strong visibility for it to improve going forward.

The company will have further incremental revenue in FY'24 for additional INR230 crores as the full year benefit of the 2 additional 60 KLPD plant of Bengal and Jharkhand will be available for FY'25. In Q4, the company had capitalized 60 KLPD plants of both Bengal and Jharkhand. In April, company has all gone live and capitalized the UP bottling operation. The capitalization of bottling plant in UP is a positive step to cater to the growing demand of consumer business in the state.

Our net debt of cash -- net of cash and cash equivalents at the end of FY'25 stands at INR241 crores, a slight increase versus FY'23, which stood at INR194 crores. The increase in account of increased operations with new units and geographies opening up. Subsequent to the year-end, the company has received assessment orders of income tax. The amount of tax demand is INR40.93 crores out of which INR5.3 crores was deposited in Q3.

For the balance amount, the company has deposited INR25.11 crores in protest and has gone for appeal. The company has evaluated the demand and based on external advice supporting documents for the expenses and other available information, the management is of the view that no provision is required at this stage as it is probable, the company's position will be accepted upon ultimate resolution. To conclude, we are hopeful of about upcoming quarters because of the initiatives that have been mentioned.

With this, I request the moderator to open the call for questions. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Madhur Rathi from Counter Cyclical investments.

**Madhur Rathi:**

So when I come to our Prestige & Above segment, sir, our losses have been exceeding what our revenue growth has been. So we grew at 38% for year but our losses have exceeded 50%. So why is that and when can we see the segment to be profitable as you have highlighted earlier as these are high gross margin segment. So if you could highlight on that?

**Paramjit Gill:**

Yes. Thanks for the question. So our losses are obviously we have our initial 5 states, and then we are expanding our presence. So we had entered 3 plus 2. So as we keep on feeding new markets, the original markets will start reducing their losses tremendously and starts heading towards profitability. And we have a strategic choice to make the first 5 markets totally profitable and then start the journey on the 6th and 7th market or as the first 2 markets start improving and start their journey towards profitability, and we see shoots of success of our strategy to start feeding the following markets.

Having said that, we are still maintaining a view that annually, our investment in this business will be Circa INR25 crores or less. And that is what we are aiming for. And you will see going forward, these numbers will start improving significantly northwards because the initial states will start kicking into performance and new state additions will start slowing down. So that's the rationale for it.

**Madhur Rathi:**

Sir, do we have some kind of timeline in our mind that like these states to be profitable in a year or two, whatever timeline we have?

**Paramjit Gill:**

So the way we have intended going about is that every state between the third and the fourth year should start contributing to the bottom line. And we obviously see that our third year will end at the end of this financial year and the fourth year will begin. So we are expecting the initial states, to all of them, to start moving into the green zone between this year and next. And overall, this will start making the consumer business journey profitable. When we -- overall, as the bottom line starts becoming profitable, I think it's probably a couple of years far from here as we see it because we also want to stay aggressive and improve our turnover and bottom lines aggressively rather than being very, very small and then trying to immediately make profit.

So the losses in the current year are in line with our plans. As volumes are now scaling up to certain meaningful numbers, we'll see the losses reduce over the course of this year. Hopefully, sometime next year, we will be in a breakeven position.

**Madhur Rathi:**

Okay, sir. so that's very encouraging. Sir, my next question would be, sir, when you look at other ethanol as well as ENA manufacturers, sir, most of them are trying to establish their gin brand, IMFL brand, whatever spirit brand they are trying to establish. Sir, how are you differentiating ourselves? And how are you placing our product in the market because one of our competitors has done this very well and got the valuation, we know how much. So how are we trying to get that gap reduced? And what are our strategies in this segment, if you could help me understand?

**Paramjit Gill:**

So thanks for that. So we also have certain advantages for being later entrant because we have the advantage of being more innovative. We have the advantage of giving better offerings than what are existing in the marketplace. So we are leaning on a combination of innovation, both in liquid as well as packaging. And a couple of brands which are already in the marketplace have demonstrated it and that is on the back of this only you are seeing this robust growth coming through.

And we will continue to see ourselves use innovation, both in blends space where we are operating as well as packaging to be a very strong factor for us as we move forward on that journey. Obviously, these -- the new brands that we are entering now will have a much sharper benefit because they will be able to ride on the route to market, which is already stabilizing as compared to earlier brands, the initial brands had to also parallelly create a route-to-market while they were planning to get distributed and sell-outs to take place. Does that answer your question?

- Madhur Rathi:** Yes, sir. Sir, just the final question. Sir, what is the outlook for FY'25 in terms of top line and bottom line that you can give right now?
- Shekhar Swarup:** So we haven't given any outlook for top line or bottom line for the next financial year. Be that as it may, we have given an expectation of segmental or category-wise performance. And a lot of that is part of the deck, which has been uploaded today.
- Moderator:** The next question is from the line of Parteek from Kotak Bank.
- Parteek:** Sir, my first question is like our margins are in the range of 8% to 9%. So do we expect further drop in the margins?
- Shekhar Swarup:** No, we don't expect further drop in margins. We are, in fact, expecting a growth in margins on the back of maize being the new maize crop and the success of maize for production of ethanol. Also our Regular & Others segment has been growing in profitability at 20% year-on-year, even though volumes are flat, we expect further growth in profitability as well as some growth in volumes in Regular & Others segment this year. In case of Prestige & Above, which is growing at a very interesting rates, we expect our loss to reduce this year overall, adding to profitability of the company.
- Parteek:** And one more question. Like in the last few transcripts, we used to have a breakup of manufacturing revenue in form of bulk alcohol, franchise bottling and -- the sanitizer and other segments. So can I get the figures for these 3 things for this quarter?
- Shekhar Swarup:** The sanitizer is practically 0. It has been for many quarters. Franchise revenue is a small part of our bulk revenue. So we are not anymore reporting it separately, but the same proportion that existed last quarter will continue in Q4, we are no longer separating franchise bottling revenue from bulk revenue. It is part of bulk business. And the bulk business performance has been separated from the consumer business performance very clearly in the deck.
- Moderator:** The next question is from the line of Nitin Awasthi from InCred Equities.
- Nitin Awasthi:** A few questions from my side. Firstly, on the operations front. Our plant in Uttar Pradesh, the bottling plant. So it was ready and commissioned in April. Is that correct?
- Shekhar Swarup:** Yes. We started bottling in April.
- Nitin Awasthi:** Okay. And from the UP bottling facility, we're going to cater to both the IMFL and the IMIL, is that understanding correct?
- Shekhar Swarup:** Yes, we are now separating these into 2 categories. Regular & Others and Prestige & Above, all the entire portfolio of the company will be -- well, not the entire portfolio, but brands in regular and others will be launched in UP as well as brands in Prestige & Above, which are already available in UP.



*Globus Spirits Limited  
May 30, 2024*

- Nitin Awasthi:** Okay. So as of now, this quarter, we have already launched all our regular and other brands in Uttar Pradesh.
- Shekhar Swarup:** Not yet, we will be launching it in this year.
- Nitin Awasthi:** Okay. So by when do we expect the consumer in UP to have our brands of Regular & Others manufactured in UP and ready to cater to them.
- Shekhar Swarup:** I think Q2, Q3 is when you will have the launch of Regular & Others, sometime towards the end of Q2, maybe beginning of Q3.
- Nitin Awasthi:** Understood, sir. And also within this facility, will we be importing our own ENA from our plants outside the state? Or will it be open to purchase of ENA from other manufacturers within the state?
- Shekhar Swarup:** It's a combination, it's based on quality and price. So it would be a combination of the two.
- Nitin Awasthi:** Understood, sir. So your RTD product, what is the current tax structure in the market that it is introduced? Is it similar to beer?
- Shekhar Swarup:** Yes. Param, can I ask you to take that, please?
- Paramjit Gill:** Yes. No, no, it is so our RTD offering, which we have initiated our entry into the business with, it is a much stronger RTD. It has a strength, which is higher than that of a strong beer, and this is a category that has been emerging, and we have -- on the back of our research, we have entered this category. So it is stronger than the normal strong beer.
- Nitin Awasthi:** Understood, sir. Sir, all I wanted to understand was the tax structure because I believe many players...
- Paramjit Gill:** It is different. So it is a third category, let's call it -- say that's a good way to put it. No, RTD category, it is a different tax structure, totally different tax structure.
- Nitin Awasthi:** Understood. Understood. And cost structure is similar to beer or even that is very different.
- Paramjit Gill:** No, cost structure is also different.
- Shekhar Swarup:** I can shed some light on the cost structure. So currently, this is a smaller scale production for us. We are contract producing this in Himachal Pradesh at a winery under a winery license. So it's a completely different product. It's a unique and innovative product that is being offered, UP is the largest state for this category in India.
- Nitin Awasthi:** Understood, sir. Sir, lastly, on the JV within the beer segment, in the presentation, we have stated that we'll be starting sales via our introduction of product via outsourcing of manufacturing in Q1 of a FY'26.



**Shekhar Swarup:** That's correct.

**Nitin Awasthi:** Okay so once we have our products in the market, we'd be probably the whole of FY'26 would be testing around. Is that correct? And that would result in us taking the strategic decision of making investments in brick-and-mortar, production houses and manufacturing facilities?

**Shekhar Swarup:** So I don't foresee an investment in a brewery in a hurry. When we get to a certain scale, and I believe that scale is somewhere around 1 million to 2 million cases per annum of beer. That is when a brewery investment starts making sense. So for a couple of years at least, we're going to stay as a contract brewed operation.

**Nitin Awasthi:** Understood, sir. Sir, last question on the financial front. All segments as reported within the deck have performed in line with expectations, except the Manufacturing segment because of the headwind faced on the raw material side. If you could just highlight roughly what the spreads were on the gross level during the quarter? And what has it improved to?

**Shekhar Swarup:** Frankly, there were no spreads. That's why you saw the kind of performance that you see. In the middle of the year, there was a complete sea change in raw material policy, which was completely unexpected. Perhaps it was to do with the elections or some other reason, I'm not sure, but it was an unprecedented decision.

As a result, it also happened at a time when the rice crop was coming in. So it led to a Q4 of very low raw material supplies available in the marketplace, which resulted in obviously price increases for commodities. What has happened coming into April and May is that the maize crop due to the efforts of the company as well as others in the industry there was a huge amount of focus given to increasing maize cultivation in parts of North and East India. And a lot of that crop is now coming -- is now available.

The harvest is happening now in May and in June. As a result, the industry has shifted its focus from rice to maize, which is a more sustainable crop, I believe, for the future of ethanol in India. So as this change is playing out in May and June, we are seeing recovery of margins, and we hope, like I said in my opening remarks that this will continue. In fact, I believe that -- by the end of this year, we will be back to our average level of margins that we have seen in the last few years, which is around INR7 per liter.

**Nitin Awasthi:** Understood, sir. So right now, we are at 100% maize for ENA and ethanol.

**Shekhar Swarup:** Not for ENA. For ethanol, we are using maize. For ENA, we continue to use rice.

**Nitin Awasthi:** Okay. But I think then there will be a renegotiation which would have happened with the consumers for absorbing the price rise on rice?

**Shekhar Swarup:** Yes. So ENA business is great in that sense, right, because you were able to pass on your costs. So ENA business has remained in that manner. On the other hand, ethanol is a fixed price business. So we need to secure raw material suppliers. And that's why FCI made so much sense

because it was a single -- it was a fixed price input and a fixed price output, but of course, that policy changed completely. And now we are pivoting to maize and over some time, we will be able to even secure long-term pricing of maize because there are no intermediaries involved.

**Moderator:** The next question is from the line of Imran from Longbow India Capital.

**Imran:** My first question is on the manufacturing business. I think this time, you have not provided the number of liters that you produced, right? Can you please mention that?

**Shekhar Swarup:** Sure, Nilanjan, do you have that ready.

**Imran:** Let me go to the other question while Nilanjan is looking for it. The second question is on the consumer business. I think the realizations have dropped in this quarter. Is it fair to assume that the Value Plus segment has not performed as per the expectation and this is the reason of this drop in the realization?

**Shekhar Swarup:** So realization for Regular & others has been good. I think you might mean the realization drop in Prestige & Above.

**Imran:** Well, there is an overall average realization, if I just simply divide the consumer business by the lakh cases, right?

**Shekhar Swarup:** So are you combining both the categories of Prestige & Regular?

**Imran:** Everything combined.

**Shekhar Swarup:** Yes. So fine. Okay. So the right way to look at this is to separate the 2 businesses, Regular & Others and Prestige & Above. Prestige & Above, and the reason we are separating these 2 is because there's different stages of business that these 2 categories are at, Regular & Others is a more entrenched business with very high market shares, lower growth and good profitability, in fact, increasing every year at a pretty good hit.

On the other hand, Prestige & Above is a new business, but I mentioned, it's 2 or 3 years at the most for our oldest markets and loss-making because we are investing money, but on the other hand, a very high-growth business. Now Prestige & Above realization per case has been changing from quarter to quarter.

**Imran:** Realizations, it's not the profitability. Anyway, I think I understand what you're saying. Let me move to the other things because I think we are short of time here. I will just quickly ask you a couple of more questions on the -- first on the manufacturing side. At this time, you have also not provided power and fuel cost, if you can do that, Nilanjan. And then the other question is, which is the bigger question, this time, I think from the last quarter, there has been a INR70 crores, INR80 crores drop in the manufacturing business. So can you share the capacity utilization and the reason for this drop?

- Shekhar Swarup:** We can share the capacity utilization and the production figures, no problem. The reason for drop is largely due to rice prices, as I mentioned earlier, we are now changing all of our ethanol production to maize and we will see a change in margins coming in on the bulk side as well.
- Imran:** Right. And I think even in the last quarter, in last to last quarter, the broken rice prices were somewhere INR26 plus per kg, right? And if I just recollect, what my contacts have told me 10, 15 days back, that the rice prices are actually down about 10% in North India and about 15% in the East, specifically in West Bengal. Is it this information correct? And if so how do you...
- Shekhar Swarup:** I think the problem is the time periods you're looking at. You're absolutely right. The prices are down 10% to 15% today. In Q4, prices were up even more, we were looking at about INR29 to INR30 per kg of rice in most parts of the country.
- Imran:** But as we speak, I think it has cooled down to in West Bengal at least INR22, INR23 and in Rajasthan...
- Shekhar Swarup:** Yes. And I mentioned that in my opening remarks as well, that there has been softening of raw material prices in Q1.
- Imran:** Right. And Shekhar, with this softening, I think it's a decent softening if we look at the impact, I think INR4, INR5 on a minimum basis, right, on a per liter basis. So that will largely, I think it will help you to gain more profitability in the consumer business, right? Because you will have INR4, INR5 incremental price increase from April. And then on top of it, you will have this another INR4, INR5 per liter benefit of this raw material softening, right? So net-net, about INR8, 10 on a liter basis and maybe INR40 on a chase basis.
- Shekhar Swarup:** Multiplied by about 3.5, not 4. But yes, you're right that there is a double impact of raw material price softening. It also improves profitability of our consumer business as well as improving profitability of our manufacturing business.
- Imran:** And sorry, I forgot to thank you for giving this detailed, I think, breakup of consumer margins and manufacturing margin. So very, very thankful for you to do this. I'll wait for Nilanjan to mention...
- Nilanjan Sarkar:** I'll tell you, the production in Q4 has been 64.8 million liters. Our power and fuel cost for the entire year has been INR245 crores.
- Moderator:** The next question is from the line of Tushar Raghatate from Kamayakya Wealth Management Private Limited.
- Tushar Raghatate:** Just wanted to know, like FY'24, what was our base as a percentage of the raw material market. In FY'25, how will you see that going forward?



- Shekhar Swarup:** Negligible. Last year, maize's usage was negligible. We started trials and change in processes in Q4, but it was negligible, the amount of maize that was used. In this financial year, for ethanol, we expect over 2/3 of our ethanol production to come from maize?
- Tushar Raghatate:** Fair enough. So what sort of margin -- EBITDA margin gains are you looking for?
- Shekhar Swarup:** We are targeting an average EBITDA margin of INR7 a liter. There will be periods of even higher margins, and there will be periods of even lower margins than INR7. However, an average of INR7 is what our target is.
- Tushar Raghatate:** Fair enough, sir. So the consumer business probably 19% EBITDA margin. Just wanted to know what was the FY'23 number for that? And how do you see that for FY'25, I mean the country liquor business.
- Shekhar Swarup:** Yes. So Regular & Others, EBITDA has grown by 22% year-on-year.
- Tushar Raghatate:** Sir, how do you see that for FY'25?
- Shekhar Swarup:** We expect further growth because we have got price increases in Rajasthan as well as the -- as was being discussed earlier on this call with softening raw material prices, that impacts profitability in our consumer business as well.
- Tushar Raghatate:** Okay. So are you seeing 200 basis point near to growth on that.
- Shekhar Swarup:** It's difficult to say right now, but we've demonstrated 18% to 20% kind of growth in profitability last 2, 3 years in Our Regular & Others brands. I hope to continue this momentum.
- Tushar Raghatate:** And sir, your new business, Not Out and the beer business, what sort of target revenue are you seeing for the next 2 years?
- Shekhar Swarup:** We are not breaking up revenue targets within our Prestige business into different brands. We have a target -- we have very aggressive targets. We have delivered, 85% year-on-year growth and in Q4, over 150% growth. We hope to have very aggressive growth continuing this year. And then let's see how where we end up at the end of this year -- this is a small base, right? So you're going to get 3-digit type of growth right now. Once the base becomes larger, this number will reduce.
- Tushar Raghatate:** Fair enough. So then my last question, the recent capex which we did, what sort of incremental revenue will be seen in FY'25?
- Shekhar Swarup:** Yes, I don't have that number. But Nilanjan, do you have that number of basis Bengal be Jharkhand, what will be the...
- Nilanjan Sarkar:** Yes, Bengal and Jharkhand, 60 KLPD will give you an additional revenue of anything between INR215 crores to INR230 crores.

- Tushar Raghatate:** Fair enough. And sir, the bottling will be over and above this, sir?
- Shekhar Swarup:** Bottling what, bottling in UP, you mean?
- Tushar Raghatate:** Yes, yes, UP.
- Shekhar Swarup:** So that has already been accounted for when we spoke about volume growth of Prestige & Above as well as volume growth of Regular & Others. We are not going to be bottling brands of other people. We are only going to bottle our own brands, yes.
- Moderator:** The next question is from the line of Darshil Jhaveri from Crown Capital.
- Darshil Jhaveri:** Sir, some of my questions have already been answered. So just wanted to ask regarding our Prestige & Other business. So our volumes are growing higher than our sales. So could you just elaborate or give some more color on how is the price mix and product mix going out there?
- Shekhar Swarup:** So that is a stabilizing of our product mix that's taking place. It's a new business. Some brands are growing faster than others. As you can see, there's been 170% volume growth in this period. So certain brands have outperformed other brands in this quarter. In the previous period, a higher value brands were outperforming. So this a little bit of change in sales mix is going to happen. It will only be another year, year and a half before our average NSV, net sales value per case sort of settles down to a more reasonable number. For a year or 2, this number is going to be fluctuating.
- Nilanjan Sarkar:** Further to add to Shekhar, the state mix also makes a difference to the revenue per case -- so both the combination of brands outperforming each other and the states outperforming each other makes this thing.
- Shekhar Swarup:** Suffice it to say that the number to track for Prestige & Above is EBITDA growth as well as volume growth.
- Darshil Jhaveri:** Sir, we said EBITDA growth. So we said we are going to invest INR25 crores per year in Prestige. So could we just see the losses reduced to that an EBITDA level? Or how would it function in this current year, sir?
- Shekhar Swarup:** So I think what's going to happen in this year is that a large part of this loss is sales and distribution expenses as well as advertising and promotion. A lot of the sales and distribution infrastructure was created in advance before the volumes went up. So in some of the states where volumes are now becoming quite interesting, we are seeing sales and distribution costs dropped dramatically because sales and distribution is not entirely a variable cost, most of it is fixed. Similarly, advertising promotion is not a variable cost. Most of it is fixed. So as volumes go up, your profitability in state improves. So this year, we're going to start seeing a lot of this playing out. Be that as it may, we'd also like to keep investing in growing new states and new states will continue to bear losses. So over the next 12 to 24 months, we expect to be at a breakeven position net of all of this playing out.

- Darshil Jhaveri:** Sorry, that breakeven would be at EBITDA level or PAT level, sir?
- Shekhar Swarup:** At EBITDA level, so interest cost will be more than this.
- Darshil Jhaveri:** Okay. So sir, if it's that 24 months at PBIT level, so we can assume maybe operating breakeven this year at Q4 level, may be at least the run rate, would that be a fair assumption, sir?
- Shekhar Swarup:** Operating level meaning gross level or what are you...
- Darshil Jhaveri:** We report EBITDA, sir, so currently, we think we have...
- Shekhar Swarup:** Yes. So EBITDA level 12 to 24 months, that's what I said.
- Moderator:** The next question is from the line of Sunny Gosar from MK Ventures.
- Sunny Gosar:** And thank you for the improved disclosure. So I had a couple of questions. The first one is the -- bulk alcohol production that you mentioned of 64.8 million cases, that would be including what is used for country liquor, basically your Value and Value Plus product segment, right?
- Shekhar Swarup:** 64 million liters, not cases.
- Nilanjan Sarkar:** Yes, liters.
- Sunny Gosar:** 64 million liters is including what is internally consumed for IMFL and country liquor.
- Shekhar Swarup:** Yes.
- Nilanjan Sarkar:** Yes.
- Sunny Gosar:** What would be the bulk alcohol sales, say, in the form of ethanol or ENA?
- Shekhar Swarup:** Sales has been for Q4, 48 million liters -- 48.7 million liters.
- Sunny Gosar:** Okay, okay. Got it. Got it. And my second question is on the profitability of the Bulk Alcohol segment, so you have reported manufacturing EBITDA of about INR3.6 crores. And if I divide that by, say, 48.7 million liters, that comes to less than INR1 per liter of EBITDA. So is there any one-off cost in this quarter, which is taking the EBITDA per liter so low? Or how should we read into this?
- Shekhar Swarup:** If you're asking if there's an exceptional item or anything like that, there is no such thing. It is a result of raw material prices, the way they have moved in Q4 results -- the reason they have moved the way they have is because there was supply of rice coming from FCI, which got stopped abruptly. So all of the demand, which was with FCI then came into the open market in addition to the regular open market demand of rice and that is what drove our prices of rice.

Going forward, we are now substituting rice with maize. The reason we could not substitute rice with maize earlier is because the crop of maize is a summer crop for North and East India. So crop has come now for the first time after the FCI banned supply of rice for ethanol products.

**Sunny Gosar:** So just 1 more question related to this. So in the last quarter, which is Q3 FY'24, you sold about 61 million liters of bulk alcohol, which has dropped to 48.7%. And is this because of demand side challenges? Or is this because of our inability to supply because of lack of availability of rice in the market?

**Shekhar Swarup:** So there's been some fluctuation during this period, which is largely to do with the changeover from rice to maize. So that could also be playing a role in reduction of bulk sale. Nilanjan, do you have an analysis ready for that?

**Nilanjan Sarkar:** No, what you said is correct. And to some extent, some lower capacity utilization in 2 of our plants. So that has come back to normal now, but lower capacity in 2 of our plants.

**Sunny Gosar:** Got it. Going forward, basically adjusted for the internal consumption for your IMFL and IMIL segment, how much volume of bulk alcohol can we sell on a quarterly basis with all the full capacity with Jharkhand and all the capacity having come...

**Shekhar Swarup:** We can sell all of our surplus.

**Sunny Gosar:** But That would be about 55 million liters or 60 million liters...

**Shekhar Swarup:** I haven't computed the surplus. But on the demand side, there is no concern, really, especially because of ethanol. Even if there is fluctuation, seasonal fluctuation that happens from time to time in our consumer business, where bulk alcohol sale increases a little bit. There is no problem on the demand side for ethanol.

**Sunny Gosar:** Got it. And 1 last question. On the IMIL side, basically, while we have seen so much pressure of the raw material on the Bulk Alcohol segment, we have been able to increase our EBITDA per case on a Y-o-Y basis from INR75 to INR85 in Q4 FY'24 in spite of a drop in realization. I believe the raw material pressure would be equally there on the IMIL segment or, right? So in that segment, how have we been able to improve our EBITDA margin in such a...

**Shekhar Swarup:** So there has been better purchasing that was done, improved costing in terms of specifications of materials, in terms of better purchasing decisions, which has helped ease of or rather improve margins in Regular & Others. And since the company has such a scale, we are able to really do some intelligent purchasing of packing material now.

**Sunny Gosar:** But sir, on a Y-o-Y basis, we have seen moderation in realization per case, but -- and we would have seen a significant jump in your raw material cost per case, right, because of the increase in rice prices.

**Shekhar Swarup:** No. So I don't follow what you're saying. There has been an increase...



- Sunny Gosar:** EBITDA per liter on the Bulk Alcohol segment has gone from INR12.5 in Q4 FY'23 to INR0.74 per liter.
- Shekhar Swarup:** Yes.
- Sunny Gosar:** Based on whatever reported -- segmental reported numbers that you've given...
- Shekhar Swarup:** Yes, yes.
- Sunny Gosar:** But on the contrary, our IMIL EBITDA per case has increased from INR75 per case to INR85 per case. And I believe the raw material cost pressure, mainly the rice related pressure will be similar on both the segments.
- Shekhar Swarup:** Sir, there are 3 components to the consumer business: one is selling price; second is packing material costs; and third is raw material cost. Raw material costs went up. Packing material prices came down because of better purchasing and selling price went up.
- Sunny Gosar:** Maybe I can take it offline because your realization per case has dropped. So I was wondering that if the selling prices have gone up, how would your realization per case -- maybe we can discuss this offline.
- Nilanjan Sarkar:** The realization per case has not dropped.
- Shekhar Swarup:** It has gone up. That's what I'm saying. I don't know what number you're looking at.
- Sunny Gosar:** I just divided the country Value Plus revenue divided by the Value Plus number of cases that's coming to INR513 for this quarter versus INR528 for the previous quarter.
- Nilanjan Sarkar:** We'll have to get back to the calculation. But the realization per case has not dropped.
- Sunny Gosar:** Sure.
- Shekhar Swarup:** Let's take this offline. Yes, I'm not so sure what you're looking at there.
- Moderator:** The next question is from the line of Nirav Seksaria from Living Root Analytics.
- Nirav Seksaria:** So sir, What kind of brands are we looking forward to add in Prestige & Above because going forward, that's going to drive us a better revenue and gross margin in the future?
- Shekhar Swarup:** So on our deck, we have a slide where we have shown the different categories of brands that are being launched, please do refer to that. It has a lot of detail in terms of price point and flavor segment.
- Nirav Seksaria:** I'm referring to that. But to follow up on that question, so we are adding 3 new brands when it comes to Prestige & Above whereas we added 4 to 5 new brands in Regular & Others, which is



relatively a lower margin business for us with relatively less pricing power. Sir, any specific reason why

**Shekhar Swarup:** There are 2 brands in Regular & Others and 5 brands in Prestige & Above.

**Nirav Seksaria:** Sir, are we adding new SKUs in each particular segments?

**Shekhar Swarup:** No, these are new brands.

**Paramjit Gill:** So SKUs adding is not counted here. These are new brands, not SKUs.

**Nirav Seksaria:** Okay, sure. And what kind of initiatives are we taking to increase our brand awareness in such markets?

**Paramjit Gill:** So we have already started. I mean, we can't get into too many details. But in addition to whatever efforts we make at the marketplace knowing the limitations, obviously, within the limitations of that, digital marketing is also happening on in relevant categories and relevant geographies. But as I said, there are limitations to what one can do. And within the framework, we are, as of now, slowly expanding into the 360 for the brand should get supported by in addition to its presence at the shelf.

**Nirav Seksaria:** And going forward, any -- could you name out the next states that you are, guys, planning to enter into?

**Paramjit Gill:** We, as a principle, do not share in advance. As soon as the state happens, we do share. So I have called out that we are planning to expand in 2 more states in this financial year, and we would very keenly share with the details with you as soon as it happens, knowing that we are operating in a certain environment.

**Moderator:** The next question is from the line of Dhruv Kashyap, who is an individual investor.

**Dhruv Kashyap:** So this is a slightly more philosophical than a sort of 32,000-feet above sea level question and Shekhar, addressed to you. So see, if you look at the landscape around you. And if you leave aside the sort of large multinational players, so in the more sort of the challenger player, you would see that the guys who have really built consumer brands are the guys who are commanding sort of value, right? So if you look at Radico Khaitan or you now look at what Piccadilly has done with Indri, right?

So I always wanted to understand this to you that for a INR2,000 crores, INR3,000 crores business, we have amazing amount of complexity, right? And generally, the smaller the business, the lesser the complexity, the more focused on the target of sort of getting entrenched into the consumer space and really sort of commanding that value. So I'm just trying to understand from you that we do this ENA, we do sort of ethanol, we do IMIL, we do IMFL and when times go bad, like we are going through a vicious cycle and not a virtuous cycle in the last 2, 3 years, all the 4 sort of pillars come collapsing down.

So I mean, what's your thought in terms of are we really looking at becoming a 100% consumer franchise someday? Or we always remain part of contract manufacturing; part sort of manufacturing; part consumer; part IMFL; part IMIL because I don't see how value will come to such complexities. Mostly value has been created by very single-minded focus on building brands in this alcobev space in India.

**Shekhar Swarup:**

So firstly, thanks for the question. I do not agree that all 4 pillars, like you said, have come crashing down. I think the Regular & Others business has been growing very well in terms of profitability and volumes. Even though it is a high-volume business now with low growth, I'm pretty happy the way it is shaping up. The Prestige & Above business is a new business, the -- all the state, we entered just over 2 years ago coming in on 3 years. That 2 brands over there have done exceedingly well currently, and we are hoping to increase our portfolio in this year.

You're right about the margin erosion that has taken place in the Bulk business, but that is something that is, how do I say, part of the gain. I have always maintained that margins in that business will go up and down. But our average of around INR7 a liter EBITDA margin is something that we have been maintaining and we will continue to maintain. You have periods where the number is closer to INR15, and you'll have periods where the number is closer to INR2 or INR1.

But you will have an average of INR7, the combination of our Bulk business as well as our Regular & Others business gives us the cash to be able to invest in the Prestige & Above business. the objective of Globus Spirits, of the management here is to be able to build an even bigger consumer franchise without diluting any equity without raising any funds for that journey. I hope I've been able to put my philosophy clearly.

**Dhruv Kashyap:**

So I'm just trying to summarize what you said. You're saying that, one kind of gives you the funds to sort of really build the other? I'm just trying to simplify what you said. Yes So philosophically, then we are not very different where you are saying that ultimately, the objective is to fuel growth in the consumer business by funding it.

**Shekhar Swarup:**

Yes.

**Dhruv Kashyap:**

Right. So the manufacturing business is not a means to an end. So ultimately, you would also be happy if you're sitting on a couple of INR1,000 crores, INR2,000 crores brands.

**Shekhar Swarup:**

Yes.

**Dhruv Kashyap:**

Yes. So that way you're just talking about this -- so you're just talking about the means to the end being slightly different, but the endpoint is pretty much same in what both of us are talking. And hence, the time lines and all might be different. But bottom line is you are not in a very different space from what I just said.

**Shekhar Swarup:** Yes. Yes. I mean our focus is building a consumer business. The cash for building that consumer business comes from Regular & Others and comes from the Bulk business.

**Dhruv Kashyap:** And you don't think there's too much of complexity in the end points. You're trying to build IMIL, regular, Value Plus, IMFL then the Craft segment, the craft whiskey, craft gin. Is that not too complex to build us, I mean...

**Shekhar Swarup:** No, we don't think it's too complicated.

**Dhruv Kashyap:** That's not the way most other guys are going, right? The other guys are trying to get wins in 1 or 2 big categories?

**Shekhar Swarup:** So okay, let's just talk about the other guys for a minute, okay? The other guys have achieved certain wins. So they talk about those wins. They do not talk about the journey. In case of Globus Spirits, we are on that journey, and we are talking to you about how we are on that journey. Our wins have been in setting up a solid Regular & Other franchise. Our wins has been in setting up really good assets cheaply and being able to operate really well. Those are our wins -- those are our wins currently.

When it comes to Prestige & Above, we are very much on the journey right now. And for me to talk about just SNOSKI, for example, is insufficient because SNOSKI is one part of our journey right now. Maybe 2 or 3 years down, when we've got 8 to 10 brands, we are not launching any more brands, out of these 8 to 10 brands, you've got 3 brands that are more successful than the others, then we just talk about those successes.

**Dhruv Kashyap:** So you're saying that ultimately, a good presence in sort of that craft or -- sort of Indian made sort of nice whiskeys and gins and all then there would be something in the sort of regular IMFL space, there will be something in the IMIL. But ultimately, you also see that a few years down the line, there will be 1, 2, 3 big wins, which will be our big business drivers. I'm talking about consumer brands, sorry, just to be clear.

**Shekhar Swarup:** Absolutely.

**Dhruv Kashyap:** So that's what I just want to understand that are we sort of aligned because I've been invested for a long time, but I wasn't sure whether you're aligned on the philosophy. So that's great. So that's one piece of clarity. The second one was on the manufacturing...

**Moderator:** Sorry to interrupt you, sir. May I request you to please follow the queue?

**Dhruv Kashyap:** I just asked one question. Yes. So the second question was that on the manufacturing side. And I'm just trying to understand this. So if it's been covered or if it's irritating, you can stop me, but most of my understanding, you have a significant presence in the East, right? And you've been expanding capacities there as well. And then you have a presence in the north. Now what I understand from you is that very soon, we'll be moving all of ethanol to corn or maize, right?

Now is that predominantly East? Or would you -- or do we not manufacture any ethanol at all in the north?

**Shekhar Swarup:** North manufacturing of ethanol is very small. It's only about 70,000 or 80,000 liters per day in Haryana. So yes, I mean, if we were manufacturing more ethanol in the north, we would have looked at maize in the north as well. But we are able to get enough rice at a decent cost for that small capacity. So I'm not shifting to maize in the north.

**Dhruv Kashyap:** So it would be fair to say that your ethanol is -- maybe 70%, 80% plus is coming from the East.

**Shekhar Swarup:** Yes.

**Dhruv Kashyap:** Maybe even more, right?

**Shekhar Swarup:** Maybe even more.

**Dhruv Kashyap:** So in which case, you are saying that whole thing will move over to maize, and there should be a more sort of sustained supply as well given the government initiatives, and I'm told IIT is trying to get some new seeds, et cetera, which gives you a better yield. So with all that focus, and all the politicians have been going around saying that they are growing oil crops and not food crops anymore. I'm told there's a lot of effort. Now with all of that, wouldn't the cost of ENA come down significantly from where we are today?

**Shekhar Swarup:** Cost of ENA or ethanol?

**Dhruv Kashyap:** Sorry, cost of manufacturing ethanol, sorry, my mistake.

**Shekhar Swarup:** Yes, that is what we are seeing. You're absolutely right. There is a lot of focus on maize. Maize because there are no intermediaries, there's no rice mills, we are able to contract long term for maize supplies. It's not -- we're not fully there yet on maize. This is the first Season of maize -- or the first -- rather sustained period of maize ethanol supplies in India, it will take maybe 1 or 2 maize crop seasons for us to complete that whole journey. But yes, the journey is very exciting.

**Dhruv Kashyap:** So just to understand this with an example, I mean just given -- you might not want to share exact figures, but ballpark, what was the maize procurement price before and what is it now? Ballpark. I mean, don't need to be exact.

**Shekhar Swarup:** So the procurement price is not as relevant as the margin per liter because the price has gone up year-on-year but so has the ethanol price year-on-year.

**Dhruv Kashyap:** Yes. So that's also gone up from 56% to almost 72% now. So I just want to understand the margin, sorry, not the...

**Shekhar Swarup:** So in the past, it was not whatever it was 58% or whatever the old number was. It was not viable to make ethanol from maize at all. But at the INR71.8 or INR72 level that we are at today, a

INR7 per liter average margin is very much possible. We've seen periods already in Q1, and I'm talking about very short periods, obviously, where the margins are even greater than INR10 a liter. Okay. So that's why I keep coming back to this, that the average margins with maize, I believe, now are very much possible to be at around INR7 a liter.

**Dhruv Kashyap:** And just a quick follow-up on that, that maize procurement would be what now, about INR21, INR22 a kg? Or is it more, is it less?

**Shekhar Swarup:** It's between INR22 and INR24.

**Dhruv Kashyap:** Okay. So that means it hasn't come down at all because wasn't it about INR24 last quarter as well?

**Shekhar Swarup:** No, it was INR26, INR25.

**Dhruv Kashyap:** So it has come down. Okay. And hence, my last -- so you're saying it's between INR22 to INR24 now. And irrespective of that, given the INR72 a liter given the throughput, et cetera, and Globus always has a better throughput than the rest of the industry in terms of conversion. My guess is that, that INR7 a liter should be doable, maybe even more or less at times. That's what you're saying.

**Shekhar Swarup:** INR7 Is an average that we are shooting for, yes.

**Dhruv Kashyap:** And you said that there are sometimes in Q1, you got INR10 also, sometimes you'll get below, but INR7-plus shouldn't be a big challenge in the medium term is what you're saying, yes?

**Shekhar Swarup:** Yes.

**Dhruv Kashyap:** And my last question was, sir, on the rice part. What is the rice procurement price now versus earlier?

**Shekhar Swarup:** Rice has become much cheaper now as compared to Q4. So at the current level of rice and maize, it's equal profitability. But we are supporting maize cultivation, et cetera, because maize is a much better crop for ethanol going forward.

**Dhruv Kashyap:** So if I've understood you correctly, at INR64 a liter at which the OMCs buy from you, and at whatever price you're buying rice versus INR72 a liter they procure from you and at INR22 to INR24 that you're buying maize, the profitability is almost the same?

**Shekhar Swarup:** Yes. Rice much cheaper to convert.

**Dhruv Kashyap:** Yes. Because I think the throughput is there are about 440 to 460 liters versus, I think maize is about 385, 390 or thereabout, right? So there's almost a 15% or 20% extra throughput that you get from your rice conversion.

**Shekhar Swarup:** Yes.

- Dhruv Kashyap:** So would you be able to help me with the rice price earlier versus now that you're procuring it?
- Shekhar Swarup:** So in the East, we're not really buying too much rice. It's around INR24, INR25 right in the East.
- Nilanjan Sarkar:** Yes, yes. Yes.
- Dhruv Kashyap:** And is it any different in the North or is it the same?
- Shekhar Swarup:** INR23, INR24, north is a little bit cheaper right now.
- Dhruv Kashyap:** So ballpark INR23 to INR25, if I talk about the whole country average versus it was about INR27, INR28, INR29 earlier, right?
- Shekhar Swarup:** INR29, INR28 in Q4.
- Dhruv Kashyap:** So that's almost a 15%, 20% cooling off of the prices.
- Shekhar Swarup:** Yes.
- Moderator:** The next question is from the line of Munjal Shah, who is an individual investor.
- Munjal Shah:** Shekhar, it might be a repetitive question. I just wanted to understand when you mentioned that you were excited about maize being the raw material for ethanol than rice. Can you just throw some light on why -- like what was the difference? So I understand the conversion of rice is much faster than maize. But why maize would be better going forward. If you can just help me understand?
- Shekhar Swarup:** So there are 2 reasons. One is that in terms of maize cultivation and rice cultivation, maize uses far less water as compared to rice and from an environmental standpoint, it's obviously much better for the country. Second is that we use broken rice, which is about 7% of the total rice production. Rice production itself is only about 67% of the total paddy harvest, so in effect, we use maybe, what, 5% of the total crop by weight. So if you look at the yield of ethanol per acre, in terms of maize and rice, maize is far superior.
- As a result, the number of farmers, the amount of land area required for cultivation is -- for ethanol -- for our ethanol capacity is much lower. But the most interesting thing, frankly, is that maize is a crop that is not purchased by the Government of India. It is not purchased by -- it is not produced by intermediaries such as rice mills. And as a result, it can be a direct farmer to factory kind of model. And for that reason, we are very excited about it.
- Moderator:** Ladies and gentlemen, we will take that as a last question. I'd now like to hand the conference over to Mr. Shekhar Swarup for closing comments.
- Shekhar Swarup:** Thank you very much for your time and your questions. In case there are questions we are not able to answer, please reach out to us, to Nilanjan or to the Investor Relations team, and we'll do our best to get back to you. Thank you very much.



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