



“Globus Spirits Q2-H1 FY19 Earnings Conference Call”

November 05, 2018



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Moderator: Ladies and gentlemen, good day and welcome to the Globus Spirits Limited Q2 & H1 FY19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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 '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Shekhar Swarup – Joint Managing Director, Globus Spirits. Thank you and over to you, sir.

Shekhar Swarup: Thank you. Good afternoon, everyone. On behalf of the entire team at Globus Spirits, I would like to wish everyone a very Happy Diwali in advance. And thank you for joining our earnings conference call today.

Along with me we have on the call Mr. Vijay Rekhi – Chairman, UNIBEV, who will brief you on the operations at our premium IMFL brand subsidiary UNIBEV. Dr. Bhaskar Roy – Chief Operating Officer at Globus Spirits, Mr. Ajay Goyal – Chief Financial Officer, Globus Spirits. And also joining us are the entire IR team.

To begin with, I would like to share key highlights and developments at Globus Spirits. Our performance for the last quarter saw a steady growth of 11% in revenues whereas operating margins were under pressure due to increased input costs, overheads of the recently recommenced Bihar facility, whilst waiting for revenues there. And change in revenue mix at all other units. The same will be elaborated later in this commentary.

I would like to highlight key developments in the quarter gone by and the strategic initiatives in place which will help enhance performance of the company in the future. We recently participated in the tender for ethanol purchase floated by the oil companies in India, and we have been allocated a supply of 26 million liters of ethanol at the end of the first tender cycle. This quantity will be supplied during the period March 2019 to November 2019.

As the rounds go by, there are two further cycles that are left in the tender and we are hopeful of getting a little more allocation during the balance cycles. We will be supplying ethanol from our facilities in Bihar and Haryana, which are surplus alcohol states. The purchase price of ethanol is Rs. 47.13, ex-distillery, whereas current ENA realizations in these states are at an average of Rs. 40 a liter. This supply of ethanol will have a positive impact on ENA prices as well as lifting commences.

Further, I am happy to share with all of you that we have recommenced operations of Bihar facility. Other than ENA, manufacturing of ethanol will be a major growth driver for this facility. And we envisage the facility to run at optimal capacity levels in the next few months.



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Coming to our IMIL segment, we are facing headwinds from increased competition in both Rajasthan and Haryana. To counter this, we continue to focus on innovation, product development and furthering our distribution

I trust I had completed by commentary on the ethanol business and I was talking about our Bihar which plant which we have started and we are hopeful of reaching optimal capacity levels in the coming months. In our IMIL business we have been facing some headwinds from increased competition, in both Rajasthan and Haryana. And to counter this, we continue to focus on innovation, product development and growing our distribution.

West Bengal market performance has been promising, although on a small base we have recorded a healthy growth of 22% in the quarter, new brands and new districts are both experiencing further traction in the market.

Finally, a little bit about UNIBEV. This premium IMFL venture is an integral part of our business model and we are adopting a phased approach in this business for both launch of brands and for geographic expansion. The strategy is to allocate free-cash-flow from Globus, IMIL and distillery operations into this business, which will further strengthen our long-term prospects, creating shareholder value.

I would like to conclude by saying that while the current headwinds have affected our performance in Q2, we are geared to deliver healthy profitable growth driven by our robust 360 degree business model comprising of a strong manufacturing base and a consumer facing business.

I would now like to request Mr. Rekhi to give an update on UNIBEV's operations in the quarter gone by.

Vijay Rekhi:

Thank you, Shekhar. Good afternoon to everyone. And a very Happy Diwali from my side as well. I am happy to share with all of you that UNIBEV has recently been awarded Start-up Business of the Year, by Spiritz 2018, a leading magazine of the industry. This award is a recognition of team UNIBEV's commitment and hard work which is paving the company towards the path of success. The acceptance of all our products is overwhelming.

All our products are niche and carry a strong differentiated value proposition to the consumers along with excellent packaging appeal. We successfully expanded our footprint in Telangana during Q2 FY19 and West Bengal in the second half of October 2018. We are in the process of registering our brands in other states in south and east in the next six to nine months. We expect our brands to be available in Andhra, Assam and Orissa. In Pondicherry also we will be expanding our brand presence from Laffaire brandy alone to Oakton and Governor's Reserves whiskey as well. We also intend to launch 7th Heaven, a super premium whisky in line with



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Antiquity, which is blended with 21-year-old scotch by the end of this financial year. All our products are sitting on top of the pyramid at a high price point. And these segments are highly profitable.

Though there is strong competition from established companies, we believe consumer choice is currently limited in these product categories. And therefore we, at UNIBEV, bring unique selling propositions which will enable the consumers to widen their choice, and hopefully, we would offer a very effective alternative to the aspirations of the consumers.

I now request Dr. Bhaskar Roy to share operational performance of the Globus Spirits.

Bhaskar Roy:

Thank you, Mr. Rekhi. Good afternoon and warm welcome to everyone. I will share the operational performance of the company. During the quarter ended September 30, 2018, as highlighted earlier, our performance during this quarter was subdued on account of higher input cost and haulage combined with lower contribution from consumer facing IMIL business in overall revenues.

Manufacturing business, which primary comprises bulk alcohol supported 11% top-line growth during Q2 FY19. Growth in manufacturing business stood at 30%, while the consumer revenue de-grew by 6%. Contribution of consumer and manufacturing business during the quarter stood at 44% and 56% respectively. Capacity utilization during the quarter is 91%. Growth in bulk alcohol revenue stood at 31% and 34%. Growth in volumes, driven by higher utilization of capacities.

Franchise IMFL's volumes stood at 1.07 million cases in Q2 FY19 compared to 0.72 million cases in the corresponding quarter of last year, lead by strong growth in volumes in West Bengal.

IMIL volume stood at 2.78 million cases during the quarter, reduced by 16% against the same period last year, impacted by lower volumes in both Rajasthan and Haryana, which in-turn was lead by stiff competition in both these states.

On the back of several initiatives undertaken by the management in the past two quarters, we were able to deliver healthy growth in IMIL business. Volumes in West Bengal at 22% year-on-year and envisaged this momentum to grow throughout the year.

With that, I will like to call upon our CFO Mr. Ajay Goyal to continue the discussions on the financial performance.

Ajay Goyal:

Thank you, Dr. Roy. Good afternoon, everyone. I will take you through the key financial highlights for the quarter ended September 30th, 2018. For Q2 FY19 gross revenue stood at



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Rs. 2,492 million, a growth of 12% year-on-year basis. EBITDA came in at Rs. 206 million, flattish year-on-year. EBITDA margins stood at 9.1%.

The input cost, particularly power and fuel cost increased by 28% year-on-year. Overheads to recommence Bihar facility to put pressure on the operational margins as revenue generation started only in the current quarter. Also, subdued ENA realization and lower IMIL volumes impacted our performance for Q2 FY19.

Our Q2 FY19 performance compared to Q1 FY19 saw a marginal decline of 2.75% in revenue from operations. Whereas, operational expenses and change in revenue composition impacted operational margins. The revenues from manufacturing business stood at 56% in Q2 FY19 compared to 53% in Q1 FY19. The share of high contributing consumer business stood at 44% compared to 47% in Q1 FY19. This was a result of lower IMIL volumes, in both Rajasthan and Haryana. Profit after tax during the quarter stood at Rs. 28 million in Q2 FY19.

Moving to product line wise performance. In Q2 FY19 we sold 2.78 million cases of IMIL with an average net realization of Rs. 354 per case. In franchise IMFL business, the aggregate volume for the quarter was 1.075 million cases. Out of this 0.300 million cases pertained to bottling done by ABD in Rajasthan, 0.276 million cases for bottling done for sales in Haryana, and the remaining 0.499 million cases for bottling done for sales in West Bengal. Our bulk alcohol volumes stood at 21.8 million bulk liters compared to 16.3 million bulk liters in Q2 FY18.

The total revenues from manufacturing stood at Rs. 1,266 million in the quarter, while the revenue from consumer business stood at Rs. 955 million.

The total outstanding debt as on September 30, 2018 stood at Rs. 235 crores.

This concludes by remarks on the financial highlights. I would now request the moderator to open the forum for questions. Thank you.

Modertor: Thank you. We will now begin the question-and-answer session. Our first question is from the line of Chirag Lodhaya from Value Quest Research. Please go ahead.

Chirag Lodhaya: Sir, I have a question on ENA prices. So, if you can just help me with what are the current prices of ENA in Rajasthan and Haryana for us?

Shekhar Swarup: In the quarter gone by our ENA prices averaged around Rs. 41 to Rs. 42 across the company. In Haryana the price was about 5% lower, in West Bengal and Rajasthan the price was about 5% higher.



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- Chirag Lodhaya:** And how it has moved YoY?
- Shekhar Swarup:** I unfortunately do not have the data with me right now. However, YoY these prices are more or less stable. You asked me the current ENA prices, in October we have seen already close to 10% increase in ENA prices, partially due to raw material cost, impact of pass through effect of raw material cost, as well as improvement in the ENA scenario as ethanol deliveries for the new tender are about to start, there has been an anticipatory increases in prices as well.
- Chirag Lodhaya:** Which particular products you are seeing RM inflation? Because when we look at molasses, so there is abundant supply of molasses. I mean, I know you are a grain based ENA player, but still, where you are seeing the RM inflation?
- Shekhar Swarup:** Grain and raw material and fuel, both of have had inflation.
- Chirag Lodhaya:** Any particular reason for the same, sir?
- Shekhar Swarup:** It is seasonality, every year we see that during this time the raw material and fuel prices are at their peak due to the old crop coming to an end, the stock from the old crop coming to an end, and we are waiting for the new crop.
- Chirag Lodhaya:** So, this inflation will stabilize over next quarter or so, we may see prices moving back to Rs. 41, Rs. 42 levels?
- Shekhar Swarup:** Yes, we are expecting similar movement in raw material and fuel as compared to last year. This year fuel surprised us a little bit, but broadly the cycle will remain the same as last year.
- Chirag Lodhaya:** And any update on GST, I mean, ENA coming under GST?
- Shekhar Swarup:** No updates on that currently.
- Chirag Lodhaya:** And sir just lastly, how are contracts done with customers in terms of supply of ENA to them? Are they fixed for a year or how they are?
- Shekhar Swarup:** These are monthly contracts, we are able to pass through cost pushes on a monthly basis. However, country liquor, our IMIL business is fixed price for the year. And in that business we are not able to pass through cost increases during the year.
- Chirag Lodhaya:** And how you are seeing overall demand environment in IMFL, IMIL and ENA?
- Shekhar Swarup:** So, in terms of bulk, as I mentioned earlier, the bulk alcohol the demand environment is very conducive for our company. Since OMCs will be taking grain-based ethanol starting from 1st



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December. We see absolutely no issues over there. In country liquor, markets are growing at about 6% to 8% on a pan-India basis in certain market more, in certain markets a little bit less. IMFL, overall as an industry, the volumes are flattish. However, in premium IMFL segments there is very healthy growth. However, in the regular IMFL business or the cheap IMFL business, there is de-growth in favor of country liquor as well as IMFL.

Chirag Lodhaya: And are you seeing any price increase in the market you operate or expect to get some price increase in IMFL segment, per say?

Shekhar Swarup: In every state we are in a different cycle, both in terms of country liquor and IMFL. But history suggests that every two years one gets sufficient price increase to set off the inflation for that two year period.

Chirag Lodhaya: And lastly, some update on UNIBEV would be helpful, in how many states we are operating now, what is the full year target and next year how we are looking?

Shekhar Swarup: Mr. Rekhi had covered a lot of this in his opening statement. But I would request him to reiterate that.

Modertor: Mr. Rekhi's line is disconnected. We are reconnecting the lines, sir.

Shekhar Swarup: No problem. UNIBEV is currently available in the following south Indian states: Andhra Pradesh, Telangana, Karnataka and Pondicherry. We have also launched in West Bengal. There is a plan for launch in Orissa as well as Assam. And following years some other north Indian states as well.

Chirag Lodhaya: And what volumes we are expecting at the year end, this year?

Shekhar Swarup: The company is a start-up, so the volume targets that I do give, we may grossly outperform them or underperform them. Currently the business is a start-up, and what is more pertinent to crack is the distribution that we are able to establish and the repeat buying. We are building our distribution, so it is very difficult period to forecast volumes right now.

Modertor: Thank you. Our next question is from the line of Abhishek Agarwal from Prithvi Finmart. Please go ahead.

Abhishek Agarwal: Sir, what is our total debt as on September end, including current maturity?

Ajay Goyal: It is Rs. 235 crores, including the current mixture of the sale value.



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- Abhishek Agarwal:** Sir, why long-term debt has increased substantially? Because of cash shortfall or what was the reason that long-term debt has increased? Because if there is any working capital requirement, short-term debt could have increased. So, why long-term debt has increased?
- Ajay Goyal:** We have done some rebalancing in the short-term and long-term debt, basically what we have done is we have repaid the short-term debt and increased the long-term debt.
- Shekhar Swarup:** Our total debt has not increased, it is a reclassification effectively of debt between short-term and long-term.
- Abhishek Agarwal:** And sir my question on Haryana facility, we are seeing that quarter-on-quarter they drop in volume for IMIL. So, can you tell me the revenue, how much revenue we generate from the Haryana facility and contribution of IMIL?
- Shekhar Swarup:** It is difficult to give you the revenue of just the IMIL segment. Whereas, we report this on an overall basis in terms of capacity utilization for bottled products and capacity utilization for bulk products. Our consumer business was at 44% of capacity utilization, and our bulk business was at 56%. Dr. Roy, maybe you can talk a little bit about what the plans are going forward in Haryana.
- Bhaskar Roy:** In Haryana, actually the market has shrunk. Though we are trying to maintain a position on the sales of around 10% of the market, but the monthly market which was around 20 lakh cases has fallen to 13 lakh, 14 lakh cases. So, the overall volume has also de-grown.
- Modertor:** Thank you. Our next question is from the line of Rupanjana Sur from Oldbridge Capital. Please go ahead.
- Rupanjana Sur:** Sir, I just have one question. What is the current utilization in Bihar?
- Shekhar Swarup:** The facilities started up in the beginning of this month, October. And over the next few months we will scale this up to our levels of 90%. But start-up does take time, so it will take two months to stabilize and start increasing capacities.
- Rupanjana Sur:** So we will be able to reach 90% in another six months or something?
- Shekhar Swarup:** At the outset, hopefully a lot sooner.
- Modertor:** Thank you. Our next question is from the line of Kushal Shah from Mehta Equities. Please go ahead.



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Kushal Shah: My question is regarding the headwinds that you are facing in Rajasthan and Haryana. So, sir, you have been facing competition in the IMIL segment, and there were low volumes in the last quarter. How are you planning to cope up going ahead?

Shekhar Swarup: So, for the balance period of this year we feel that we will be able to maintain our current volumes. Be that as it may, as I mentioned earlier, innovations on products that we are working on and we have put into the market some of them, which we are confident that they will give us dividends, there are unique product differentiators that we have been able to put into the IMIL business in the market in Haryana, Rajasthan as well as West Bengal. The initial response is good, however, let us wait and see how well these brands do when distribution scales up.

Modertor: Thank you. Our next question is from the line of Abhishek Agarwal from Prithvi Finmart. Please go ahead.

Abhishek Agarwal: My line had been disconnected. I was asking regarding your Haryana plant. We have plan to convert our bulk alcohol to ethanol, so what is the revenue contribution from the IMIL and bulk alcohol in the Haryana facility? If you can give it will be helpful.

Shekhar Swarup: So, a part of the capacity would be utilized for ethanol, not the entire capacity. And even then it is very easy for us to switch over between ENA and ethanol. But in terms of capacity utilization for consumer and bulk, so it is about a quarter of the capacity, it is our largest facility by the way, we make about 150,000 liters a day as compared to an average of about 110,000 – 120,000 at our other factories. So, over here about 25% to 30% is consumer and the balance is bulk. These are, of course, back of the envelope numbers, we do not have this data readily available with us.

Abhishek Agarwal: Sir, we are seeing quarter-on-quarter drop in volumes in the Haryana facility. We are facing intense competition in this Haryana state, how it is panning out?

Shekhar Swarup: So, like Dr. Roy mentioned, there are two aspects, one is the reduction in the market size, and the other is, of course, a smaller market being made available for the same number of players. So what we are working on is maintaining market share in a falling market. Growing market share in this kind of a falling market is, honestly, something very-very difficult. And for the next few quarters we believe we will be able to sustain the current level of volumes.

Abhishek Agarwal: And in Bihar facility, which recently recommenced, will we be able to breakeven at the PAT level? Because as per my understanding our interest and depreciation cost is around Rs. 7.5 crores each, so total Rs. 15 crores. And we are targeting around Rs. 100 crores revenue from this Bihar facility and EBITDA margin will be in the range of 7% to 8%. So, how we will break even here?



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- Shekhar Swarup:** I would request the CFO to answer that in detail, but I just want to say that the interest and repayment is in any case a burden on the company, whether the factory operates or not. And we have been servicing this for the last couple of years since the CAPEX started. But could you comment on the margins, please?
- Ajay Goyal:** See, margins, the entire facility we will dedicate eventually to ethanol. And the price for ethanol is Rs. 47.13 for the tender. Because we are anticipating a good margin as compared to the prevailing year margins, there will be hopefully mostly on first year basis itself from next financial year, because ethanol will start maybe in the last quarter. From the next financial year it will be profitable venture from day one.
- Abhishek Agarwal:** So, sir in this case I have two questions. One, we are planning to sell this facility's entire ethanol? And secondly, there is gap in ENA and ethanol around Rs. 6 to Rs.7. So, entire Rs. 6 to Rs. 7 will reflect in our PAT or there will be some cost, or what will be the contribution in the PAT?
- Shekhar Swarup:** I think if you assume that ENA prices are Rs. 40 today, I think it is safe to take a Rs. 5 delta on profitability.
- Abhishek Agarwal:** And my last question, how the molasses demand for ethanol will have an impact on the input cost in UNIBEV? Though it is asset light model, but as we are doing bottling from other outsiders, so how that input cost will increase in UNIBEV? And we are currently new in this segment, how we will compete in the market?
- Shekhar Swarup:** So, you rightly identified that ENA is one of the important raw material for UNIBEV. But on a percent of realization it is a very small number. And there are very sizable gross profit figures in the cost cut for us to sustain any increases. So, ENA in general in India is going to become more expensive. There will be about 300+ crores liters of alcohol capacity which will go towards ethanol, which was at around 200 crores to 250 crores liters of capacity that was going into ethanol for the previous year. This approximately 50 plus crores liters is an additional capacity that will be utilized for ethanol, will drive up ENA prices in India. Whereas, UNIBEV has the backing of globus spirits in terms of ENA supplies, they have the confidence of receiving supplies as and when they want, and of the current quality. But yes, if the ENA market goes up the ENA price for UNIBEV will go up as well.
- Abhishek Agarwal:** So, on a positive note can we say that when the ENA prices will increase, because most of our revenue is coming from bulk alcohol, so it will positively impact our margins in the future?
- Shekhar Swarup:** Yes, we can certainly say that.



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Modertor: Thank you. Our next question is from the line of Vikram Kotak from Quest Capital. Please go ahead.

Vikram Kotak: I have one question, Shekhar. The grain based ethanol you said prices are around Rs. 47 a liter, and the molasses based ethanol prices are around Rs. 55 or so, right. So why is the gap so much between the molasses and the grain based?

Shekhar Swarup: So, there are four categories of ethanol, for the first time the oil companies are purchasing ethanol in this way. First category is ethanol made from sugar trees, the second category is ethanol made from B heavy molasses. Third is ethanol made from C heavy molasses. And the fourth is from the non-food grains, damaged grains. In the case of sugar juice, essentially what the sugar mills will be doing is that they will not manufacture sugar at all and they will convert more of the sugarcane into ethanol. As a result, in order to incentivize the sugar mills to do that, the oil companies must pay for the loss in sugar or the loss to the cost cut because of not producing sugar, as well as the cost of ethanol. Similarly in the case of B heavy, there is some sugar production, unlike in juice where there is no sugar production, in the case of B heavy there is some sugar production. And the prices are a little bit lower, I believe it is Rs. 49 or Rs. 52 for B heavy. And for sugar juice it is Rs. 55. In case of C heavy, which is the traditional molasses that is used in India by all distilleries, this is the molasses where all the sugar that is possible to convert from the juice has been converted. The price for this is, I believe, Rs. 42 or Rs. 41, I am forgetting what the price is, it is lower price than that was damaged grains. And finally, it is damaged grains and essentially this structure was done to get as much ethanol into the OMCs as they could possibly get.

Vikram Kotak: So, you say the price will remain, the gap between the molasses based and the juice based, grain will always remain like this or it will compress further?

Shekhar Swarup: So, from tender to tender it might change, depending on what is the sugar position in India, currently everyone is expecting that there will not be a need to produce too much sugar, at least for the one or two quarters of the sugar year. But perhaps, if we are to look at different scenario, but again, this is speculation. If we are to look at a different scenario where sugar is required from the very first day of the sugar year, in that scenario there may be a completely different situation, you might actually have sugar juice becoming more expensive in case the oil companies need that kind of ethanol.

Vikram Kotak: Sir, my second question is, since this opportunity is quite lucrative, and we all know the opportunity for ethanol is quite big in this country. And you moving from bulk to the grain based ethanol can benefit you, you said the delta of Rs. 5 in a profit. Where do we see ourselves in say next two years, maybe FY20 end or the start of FY21, what will be mix in our sales, how much will be ethanol according to you, how much you want to achieve maybe over



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two to three years ethanol as a percentage of your sales? Because then there is a good amount of gap between bulk to the ethanol. So I just want to understand long-term what is your own target.

Shekhar Swarup:

Firstly, we are converting bulk capacities to ethanol in the states where we have surplus alcohol. So, Haryana and Bihar where there is low, there is enough production capacity to take care of demand, in case of Bihar there is no demand. So, where there is surplus of alcohol, those of the states we are converting. And in these states we have found that our prices are typically 15% lower as compared to West Bengal and Rajasthan. And at these ethanol price levels we are pretty much at the same average price of our bulk across all states. Be that as it may, we believe that I have also said that ENA prices will also start going up. There is a distinct possibility that despite the change in Haryana and Bihar, there is a distinct possibility that in West Bengal and Rajasthan the ENA prices continue to be 10% to 15% higher than Haryana and Bihar. In which scenario, I feel that FY20, 2021, the current levels of ethanol, the current levels meaning what we will do in the tenders starting December and our dispatches will start in March, this will probably remain the same going forward. Even if the Rajasthan and West Bengal rates do not go up further, even then I do not see more capacity going to ethanol, because we will always have a growing need for capacity for our country liquor business, for our franchise business. And of course, as UNIBEV volumes begin to grow they too will need ENA.

Modertor:

Thank you. Our next question is from the line of Vijay Ramchandani from Pragya Equities. Please go ahead.

Vijay Ramchandani:

I just have a couple of questions regarding the ethanol tender. You said that we have been allocated around 26 million liter, which we will be supplying from March to November. So, did we actually bid for the same or we bid for higher?

Shekhar Swarup:

We received about 70% to 75% of our bids in cycle one, for all tenderer's that number was at about 30%, 30% was allotted for every 100 liters that all tenderer's bid for, only 30 liters was allotted and we have got 75% allocation. So, it is a normal course that during cycle one and cycle two there is some amount that is left as un-allotted, so we will now proceed for cycle two and get more quantity. Cycle two has already opened and I think by the end of November we will know exactly how much we have got the supply.

Vijay Ramchandani:

And the second question which I have, you mentioned that the expenses were higher due to ramping up of Bihar plant. So, can you tell me how much quantum was?

Shekhar Swarup:

How much was the expense?

Vijay Ramchandani:

Yes.



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- Shekhar Swarup:** Maybe we can arrange to have that sent across to you, we do not have that ready as of now.
- Modertor:** Thank you. Our next question is from the line of Hrudhyam Verma from Augmen Catalyst Private Limited. Please go ahead.
- Hrudhyam Verma:** Actually, I wanted to know what is our operational capacity right now? You have mentioned that you have 150 million bulk liters, and Bihar capacity has just started. So, in total it is 150 million liters or it is exclusive of Bihar?
- Shekhar Swarup:** The question is, what is our capacity with Bihar and without Bihar?
- Hrudhyam Verma:** Yes.
- Shekhar Swarup:** 150 million liters with Bihar and 123 million liters without Bihar.
- Hrudhyam Verma:** And do we have to do some CAPEX to convert ethanol capacity to ENA?
- Shekhar Swarup:** We will have to incur some CAPEX, it is at about Rs. 6 crores to Rs. 7 crores.
- Hrudhyam Verma:** So, what is the capacity breakup, if you can just share, between ethanol and ENA that we have right now?
- Shekhar Swarup:** So, ethanol capacity is not exclusive of ENA capacity. The 150 million liters is our total capacity. And we will be converting a portion of this into ethanol. We believe, as of now, our allotment for ethanol is 26 million liters, we believe this will go to maybe 40 million liters by the end of November. So, out of 150, 40 million liters will be converted into ethanol.
- Modertor:** Thank you. Our next question is from the line of Lohit Bhambe from Dalmia Securities. Please go ahead.
- Lohit Bhambe:** Sir, my question is, as we have started Bihar facility, we are catering this facility from March 2019. So, till March 2019 we are going to cater this facility for bulk alcohol within the state or outside the state?
- Shekhar Swarup:** There is prohibition in Bihar which prevents the sale of ENA within the state, all capacities will be used for ENA sale outside the state till March. Thereafter, a very large part of the capacity in Bihar will be used for ethanol. And the balance will still be used for ENA for sale outside of state.
- Modertor:** Thank you. Our next question is from the line of Gaurav Arora from Arora Investments. Please go ahead.



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- Gaurav Arora:** Sir, how will be our H2 FY19?
- Shekhar Swarup:** I don't know, I mean, hopefully very good.
- Gaurav Arora:** Sir, I mean, because our H1 was not that great, that is why I asked. Secondly, is the Bihar facility is up, so is it 100% towards ethanol or what will be the percentage in ENA and ethanol?
- Shekhar Swarup:** Let's see, once the ethanol tender is complete, by the end of this month we will know. But we are anticipating well over 70% as ethanol.
- Gaurav Arora:** And how much are we expecting PAT in terms of ethanol in this year?
- Shekhar Swarup:** This year very little, our supplies will start in March.
- Gaurav Arora:** And last question, what will be the situation of Haryana and Bihar plant and the revival of the same?
- Shekhar Swarup:** I just want to spend a little bit more time on your last question. So, ethanol revenues will be very little. However, from December onwards we feel that the impact of ethanol will start telling on the ENA market as well, and the ENA prices will start going up. So, to that extent we will start getting some impact. But ethanol revenues will only start in March.
- Gaurav Arora:** And how do you see utilization level going up for our Haryana and Bihar plant?
- Shekhar Swarup:** Our utilization in Haryana is around 90% level, so that it can go up by maybe 5% or so in the quarters to come. Bihar, will probably take a few months to stabilize at 90% and then once ethanol starts, perhaps go on further to 95%.
- Gaurav Arora:** I am asking this question again in some different way, what will be FY19 look like in terms of margins?
- Shekhar Swarup:** For Bihar?
- Gaurav Arora:** For the entire company as such.
- Shekhar Swarup:** Over 90%, hopefully. You are asking capacity utilization, right?
- Gaurav Arora:** Capacity utilization in terms of margins as well on the FY19 on company level.



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Shekhar Swarup: It is difficult for me to give you expectation of margin for the full year. However, all the various initiatives that we are working on we have discussed, and we are hopeful that margins will continue to increase.

Gaurav Arora: And West Bengal, how will be market in West Bengal for Globus Spirit?

Shekhar Swarup: You will have to be a little more specific, what is the question?

Gaurav Arora: In the sense, how are we seeing West Bengal as our market to cater our products in terms of IMIL to be precise?

Shekhar Swarup: So, we have recorded a growth of 22% in this quarter, and we are hopeful that this growth will continue. We have a small base currently, at the current price of ENA in West Bengal it doesn't make any real difference to be in the state whether we make country liquor or we make ENA. So, it is a strategic business for us which we are seeding. And over time it will grow. But there isn't any loss or profit by growing this slowly.

Gaurav Arora: Sir, last question, are we targeting any other markets in India?

Shekhar Swarup: For?

Gaurav Arora: For IMIL?

Shekhar Swarup: As of now we are marketing IMIL only in the states that we have distilleries. There is a potential to do this in states where there is shortage of capacity. As ENA prices become firm, we believe that smaller bottlers who are dependent on distilleries will start going out of the market, making way for opportunities for people who are backward integrated to bring in material from outside the state. As of now there are no plans in place, however, it is an opportunity that we are keeping an eye on.

Modertor: Thank you. As there are no further questions, I now hand the conference over to Mr. Shekhar Swarup for closing comments.

Shekhar Swarup: Thank you very much for joining us. Please do reach out in case we have not been able to answer any query to our IR team. And they will be happy to facilitate any information that you require. Thank you, again, and good bye.

Modertor: Thank you. On behalf of Globus Spirits Limited, we conclude this conference. Thank you for joining us. And you may now disconnect your liens.