"Globus Spirits Q4 FY-18 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Globus Spirits Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Santosh Patnaik from Globus Spirits. Thank you and over to you, sir.

Santosh Patnaik: Good morning and welcome to Q4 & full year financial year '18 earnings conference call of Globus Spirits Limited. We are joined by our senior members of the Management Team including Mr. Shekhar Swarup – Joint Managing Director, Mr. Vijay Rekhi – Executive Director, Dr. Bhaskar Roy – Director & COO and Mr. Ajay Goyal – CFO. We will commence the call with opening remarks from the management team following which we will have an interactive question-and-answer session.

Before we begin, I would like to highlight that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the results presentation shared with you earlier. I would now like to invite Mr. Shekhar Swarup to share his initial remarks.

Shekhar Swarup: Thank you, Santosh. Good morning everyone. I trust all of you would have received and gone through the earnings presentation that has been circulated earlier.

Let me begin by sharing the key developments of Globus Spirits while Mr. Rekhi will brief you on the developments in Unibev, our premium IMFL venture. Dr. Bhaskar Roy will thereafter brief you on the operational performance. Our CFO, Mr. Ajay Goyal will take you through the financial highlights for the quarter ended March 2018. The previous financial year, our topline grew at 25% while EBITDA margins remained stable. The lack of revenue from our Bihar plant has been a drain on PAT as the debt service and depreciation weighs down profitability.

Our West Bengal facility scaled up well, performing at 90% plus capacity utilization levels. We started making in-roads into West Bengal IMIL market and have seen good traction for our brand holding. At 33 million cases per year, West Bengal is one of the largest IMIL states in the country and growing rapidly. With our backward integrated highly efficient operations, we have an advantage over most of the existing players who rely on ENA procurement for IMIL. Over 75% of the market shared between companies is bottling plants only. We are expanding our footprint in the state and are focusing on profitable brand building to drive market share.

Our Rajasthan IMIL business continued to deliver good performance during the year as we increased our market share from around 29% to over 32%, becoming the largest player in Rajasthan. Currently, our captive consumption of bulk alcohol is 45% which is expected to further increase with growth in IMIL volumes and with further strengthening of our franchise bottling operations. This along with our continuous focus on productivity will aid margin improvement in the long term. Going forward, the company's greatest IMIL growth is high in West Bengal and Haryana where our market shares are currently the lowest in the company.

On the bulk business, I am happy to inform that we are starting the current financial year with some positive developments. Bihar government upon orders of the High Court has permitted manufacturing of ENA in the state implying that we can now recommence our plants and export ENA out of the states and also out of the country. The closure of the Bihar plant seriously impacted our financial performance in the year gone by and we hope that with recommencement of operations in the current year, there will be some reprieve. We are currently evaluating market opportunities available to us from the Bihar plant and will accordingly restart operations over the close of the financial year. The Biofuel Policy approved by the cabinet just earlier this month, allowed ethanol manufacturing from various grains. Hitherto, ethanol was purchased by ethanol manufactured from molasses was exclusively purchased for fuel blending. This change in policy has opened new doors for us and comes just at a time that we have received permission to restart Bihar. While it is still early days, this will present very good opportunities for grain distilleries in the future. In the last year out of a total demand of over 300 crore liters, OMCs were only able to procure around 150 crore liters of their fuel ethanol mandate.

I am also happy to announce that we have received much awaited price hike in IMIL in Rajasthan. The increase on a blended basis is Rs. 31 per case, a large part of which will percolate to profits providing the immediate profitability trigger.

Lastly, I just wanted to briefly touch upon the Unibev business. This premium IMFL venture is an integral part of our 360-degree business model and we will be 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 IMFL and ramp up as soon as there is proof of concept.

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

Vijay Rekhi: Good morning everybody. In December 2017 that is last year, we launched our first premium IMFL product from the stable of Unibev. This is a premium brandy called Laffaire which in French means business, in the state of Pondicherry. The initial response has been extremely encouraging. The product has been very well received by the customers and the channel partners. Both the blend and the packaging have been highly appreciated by consumers and trade alike. We will be launching three whiskeys in the super premium category, 2 in the first week of June starting with Karnataka and quickly extending to Telangana and Andhra Pradesh thereafter. These product launches will be followed by a third super premium whiskey brand after a gap of

3 months. These niche products and brands carry a strong differentiated value proposition to the consumers along with excellent packaging appeal.

All these products as I said are sitting on top of the pyramid at a high price point and these segments are highly profitable. Though there is a strong competition from established companies, we believe consumer choice is limited in these product categories and therefore we at Unibev bring a unique selling proposition which will enable consumers to widen their choice and hopefully we would offer a very effective alternative.

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

Dr. Bhaskar Roy: Thank you, Mr. Rekhi. Good morning and warm welcome to everyone. I will share the operational performance of Globus Spirits Limited during the quarter ending March 31, 2018. During quarter 4 FY18, consumer revenues grew by 11% while growth in manufacturing business stood at 8%. Contribution of consumer and manufacturing business came in at 41% and 59% respectively. IMIL volumes came in 3.04 million cases during the quarter, higher by 16% against the same period last year led by robust volume growth of 18% in Rajasthan combined with sales volumes in West Bengal, a market we entered just in the end of FY '16-'17. Our IMIL market share in Rajasthan stood at 32% in a growing market. Bulk alcohol revenues dipped by 5% as we undertook a shutdown in Samalkha for reasons of operational maintenance and enhancement of utilities. Franchise IMFL volume stood at 1.04 million cases in quarter 4 FY18, 34% volume growth over the corresponding quarter last year.

Moving to other segments which reported a revenue growth of 20% in quarter 4 driven by higher realizations in our high potential value added DDGS core product combined with better CO_2 recoveries. Benchmarked to soya, an uptick in soya prices translated into higher DDGS realizations. We continue to see soya prices holding up in the present quarter. Grain and ENA rates continued to remain steady in spite of the weakening of the molasses rates. Packing material and transport costs are expected to get costlier as crude oil becomes more expensive and rupee continues to depreciate.

With this, I would like to call up on our CFO, Mr. Ajay Goyal to continue the discussions on the financial performance.

Ajay Goyal: Thank you, Dr. Roy. Good morning everyone. I will take you through the key financial highlights for the quarter ended March 31st 2018.

Our quarter 4 financial year '18 gross revenues stood at Rs. 4,767 million, higher by 70% year-on-year. EBITDA came in at Rs. 186 million, growth of 77% over last years' Q4. EBITDA margins increased by 310 basis points to 8.1%. We believe that changing product mix in favor of IMIL will drive margin improvement going forward. Profit after tax during the quarter stood at Rs. 14 million compared to Rs. 24 million in Q4 FY17.

Moving to product line wise performance, in Q4 FY18 we sold 3.04 million cases of IMIL with an average net realization of Rs. 306 per case. In franchisee IMFL business, the aggregate volumes for the quarter were 1.04 million cases. Out of this, 0.28 million cases pertained to bottling done by ABD in Rajasthan; 0.39 million cases for bottling done for USL in Haryana and the remaining 0.37 million cases for bottling done for USL in West Bengal. Our bulk alcohol volumes stood at 15.5 million bulk liters compared to 16.2 million bulk liters in Q4 FY17. The total revenues from manufacturing stood at Rs. 1,365 million in the quarter. While the revenue from consumer business stood at Rs. 929 million. The total outstanding debt as on March 31, 2018 stood at Rs. 2,415 million.

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

Moderator: Sure. Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Avnish Roy from Edelweiss. Please go ahead.

Avnish Roy: My first question is on the ENA from Bihar in terms of supply. What else is left in terms of process, anymore approvals? And second in terms of the economics, how does it work because clearly there is a lot of taxation when it moves from one state to other or even exported. So how profitable can the export be? How profitable can this business be?

Shekhar Swarup: I will touch upon the economics, while Dr. Roy can tell us little bit about the procedures. Well, considering that the factory is located in an area where raw material costs are substantially lower, we are expecting that our overall contribution on ENA will stay steady even after start of Bihar, if not improve marginally. In addition, as and when ethanol is supplied for fuel blending, we believe the margins will increase further.

Dr. Bhaskar Roy: Yes. Necessary permissions etc. have already been received from the authorities. We are now planning for recruiting staff etc. because it was closed for 1 year and all the departments etc. are to be again recruited and the necessary work to restart and revamping the different machines are required. So I feel that within short time we can start the activity and production over there.

Avnish Roy: So no more government approvals needed right? Just you are on hiring?

Dr. Bhaskar Roy: Yes. No more government approval is required.

Avnish Roy: And second question is on Laffaire. So if you could just give us some details, I know it is very early days, but why you have chosen brandy and why Puducherry if you could answer that? And similarly, why go for next expansion in the super premium whisky? Why not in the slightly lower end which is much larger part of the market? Why go into super premium and not just in the premium part of the whiskey?

Shekhar Swarup: I would request Mr. Rekhi to take that on please.

Vijay Rekhi: Yes, so the strategy is very clear that we will first start with the southern markets. And southern markets have got two salient points. Brandy is pretty important in the southern region particularly in Pondicherry where we have first launched it. It is equally relevant in Karnataka, Telangana and Andhra where we are going to roll out the brandy along with the 2 whiskeys immediately and the third one to follow. The second part of your question, why we have chosen the super-premium category? Simply because the product contributions as super premium product categories are the best in the industry. They are the highest in the industry. I will give you just equivalence factor to sell approximately 10 to 15 cases of regular IMFL that equals to the product contribution of one super premium whiskey category. This is roughly the equivalence in terms of product contributions and therefore the working capital is much more efficiently deployed even though the volumes are relatively small. Overall, the industry figures estimated are 14% of the super-premium category products in IMFL segment yield about 45% to 47% of product contributions in the industry. And therefore, our strategy is well placed within the context of macroeconomics for the industry.

Avnish Roy: That’s quite helpful. Because there is super premium, could you talk about how you are going in terms of distribution and in terms of brands? So will it be very targeted distribution?

Vijay Rekhi: Yes. Now we have to be selective, we have to be discerning. We know the turf very well as to which outlets are going to give us the best throughput and we would be having a differentiated and cherry picking in terms of distribution outlets so that we get greatest velocity of the brands and therefore repeat purchases.

Avnish Roy: Sir lastly you have done around 10% revenue growth, net revenue growth this quarter and your consumption of raw material is strictly flat. So if you could talk about how the volumes have been? And in terms of the raw material scenario what’s the outlook?

Shekhar Swarup: Sure. I will take that. So raw material prices, I think there was some misunderstanding. They have not been flat but they have been steady as per expectations. And grain follows the seasonal pattern and we have seen that over the last 2-3 years, grain has more or less been following that pattern and basis that pattern we have also been able to pass on price increases to customers. Going forward, there is going to be firming up as per that pattern is expected to be firming up of grain prices in towards the end of Q1 and Q2. Q3 and Q4 is usually when the grain prices start coming off a little bit. As Dr. Roy mentioned in his opening remarks, there is firming up of some packing material prices especially PET that is expected in this year.

Avnish Roy: It will be the glass prices right?

Shekhar Swarup: PET bottles, plastic bottles.

Avnish Roy: And if you could talk about in terms of numbers when you say firming up, how much do you expect in terms of numbers inflation and second because molasses based ENA are crashed. Are you looking at some mix change from grain based to molasses based?

Shekhar Swarup: So molasses ENA has not crashed, molasses has crashed. Molasses ENA remains firm at its level of between Rs. 35 and Rs. 37 a liter which is essentially guided by the fuel ethanol prices. Fuel ethanol rates are approximately Rs. 39 for a 99% strength product. And that roughly translates to Rs. 35 – Rs. 36 for a 96% product. Going forward, our business will remain grain only considering that it is a USP of our IMIL product that we make from grain based ENA. Our customers have demand for grain ENA as they do not shift between molasses ENA and grain ENA. And finally in the states that we operate, molasses is not available, so we have to go with the raw material that is available in the state.

Avnish Roy: So one clarification. Molasses based ENA is flat on YoY basis?

Shekhar Swarup: It has come down a bit but not to the extent of molasses.

Moderator: Thank you. The next question is from Rahul Jagwani from SKS Capital. Please go ahead.

Rahul Jagwani: So my first question is with regards to the Bihar factory. Any indication of what can the peak revenue and EBITDA be from there?

Shekhar Swarup: So we are in the process of doing all of that working, but our average ENA rates for the last year are to the tune of between Rs. 40 and Rs. 42. I think it is around 41 point something. If you assume that ENA rates, but of course there are certain value-added products as well which are about 15%-20% on top of the ENA revenue. There is this capacity of about 80,000 liters per day, we run the facility for about 340 days. So if one was to run it for 12 months, then that is the kind of revenue that one can expect. But as of now, as I said, we are working out the economics of it and we are not in a position to commit any startup dates. It's difficult for me to say how much revenue EBITDA will come in this year from Bihar.

Rahul Jagwani: And will there be any additional costs? Any other additional major costs for starting it?

Shekhar Swarup: You mean capital cost or operational costs?

Rahul Jagwani: Capital cost any other?

Shekhar Swarup: Not major. There will be some CAPEX required to produce ethanol for oil. But as of now the plan is to make ENA.

Rahul Jagwani: And any indication of when do you think that it will fully ramp up? I mean like once you start it how long it will take to fully ramp up?

Shekhar Swarup: Not long. As is the testament from our work in West Bengal, last year we ran it above 90% capacity utilization on an average through the year. So these facilities can scale up very quickly.

Rahul Jagwani: And can you just help me with the current gross and net debt and the CAPEX for the next 2 years?

Shekhar Swarup: Yes, the CFO will take that.

Ajay Goyal: For the next 2 years CAPEX?

Rahul Jagwani: For the next 2 years, yes.

Shekhar Swarup: So the maintenance CAPEX is to the tune of 10-15 crores per year and that is what is scheduled. There is no project that is planned which will be significant in nature. Our current debt as in March 2018 is around 240 to 250 crores.

Rahul Jagwani: And what will be the tax rate because FY18 was about 39%, so what will be the tax rate going ahead?

Ajay Goyal: Tax rate basically we are still under the MAT of about 20%**.**

Moderator: Thank you. The next question is from Binoy Jariwala from Sunidhi Securities. Please go ahead.

Binoy Jariwala: Sorry I could not get the tax rate figure. Could you help me out on that once again?

Ajay Goyal: MAT 21%.

Binoy Jariwala: On the Bihar facility, could you help me what is the interest and depreciation amount in FY18?

Ajay Goyal: See we have taken a loan of somewhere around Rs. 150 crore for Bengal and Bihar. And if we allocate almost similar amounts 75-75, then you can say roughly Rs. 7.5 crore interest in the facility of Bihar and depreciation is somewhere around Rs. 4 crore.

Binoy Jariwala: Depreciation is 4 crores?

Ajay Goyal: Yes.

Binoy Jariwala: Now on the premium IMFL business, we talked about our plans for the coming year and did share our roadmap on the new launches coming up over the next 3 to 6 months. Could you help me with a broader roadmap, let's say a 3-year roadmap? What kind of investments are we looking at? What kind of distribution reach coverage we can look at? Which all categories would we be present in?

Shekhar Swarup: I think this is a very good question and we expecting this is strong performance, assuming a strong performance that Unibev have, significant value creation for shareholders. However, I would like to caution over here that we are at concept stage and currently we are not in a position to give projections for a longer period of time. I think it is imperative that we provide time to the Unibev team to seed their brands into the markets before further projections are given. The other thing is that from Globus investment point of view, it's going to be based on the free cash that the company generates year-on-year. So it is going to be a combination of performance of brands as well as free cash availability for funding duty and receivables in Unibev.

Binoy Jariwala: So does it mean that all of the investments that will go into scaling up Unibev will happen only from the internal free cash flow?

Shekhar Swarup: That is the current structure that is planned. However, like I said, early days hitting the market, the plan is to grow the business from free cash flows at Globus. At some point, there is also potential of taking on a debt financing especially for the duty funding portion of the business. So early days, we are going to equip Unibev with as much war chest as is possible but a lot of it will happen once there is proof of concept.

Binoy Jariwala: Absolutely. Any number that you can help it?

Shekhar Swarup: At this stage, it will be difficult for us to give projections but maybe later on in this year we shall be in a better position.

Moderator: Thank you. The next question is from the line of Divyesh Vakharia who is an Individual Investor. Please go ahead.

Divyesh Vakharia: About the Bihar facility, you said 80,000 liters per day, am I correct?

Shekhar Swarup: Correct.

Moderator: Thank you. The next question is from Yash Agarwal from Crest Capital. Please go ahead.

Yash Agarwal: Sir, is there a date that you have in mind for the Bihar facility, when you are going to start?

Shekhar Swarup: Probably sometime this year. As of now, we don't have a date that we have set.

Yash Agarwal: So this calendar year.

Shekhar Swarup: This financial year. But let's hope it will be this calendar year.

Yash Agarwal: Secondly, sir I wanted to know in the IMFL currently we have one brand Laffaire which is launched right?

Shekhar Swarup: Yes.

Yash Agarwal: And its across how many states is it, geographies is it? I mean like Pondicherry and?

Shekhar Swarup: Mr. Rekhi, would you like to provide some insights please?

Vijay Rekhi: Yes, like Mr. Swarup said at the moment we are going to be launching brandy across Pondicherry which is already launched, Karnataka, Telangana and Andhra Pradesh along with 2 whiskies which are going to be launched from 1st week of June and third super premium whisky to be followed in the next 3 months. This is stage one of the operations and once the proof of concept is established, then we would be moving on to other selected states and the states are being selected by us keeping in mind various factors particularly with regard to product profitability and contributions in different states.

Yash Agarwal: So a question on the IMIL business. So Rajasthan has taken up a Rs. 31 hike as you said. I mean we do 10 million cases there which is roughly about a crore. So we would expect that almost all of it would fall into the operating profits? Is that the right understanding?

Shekhar Swarup: Well, you are right about the price increase and you are right about the volume last year. This year like I said there will be some pressures on packing material. We are trying to work on ways to offset that by reduction in cost elsewhere. But the year has just begun and the macroeconomic position in the country is a little volatile currently. So it will be difficult for me to give a projection on how much of that will come into the bottom-line. As you are aware, we are not able to pass on cost increases most of the year. So effort is on to take as much of that as possible to the bottom-line.

Yash Agarwal: And outlook on the volume growth, so Rajasthan, West Bengal and Haryana, what sort of volume growth in IMIL can we do?

Shekhar Swarup: We have demonstrated about an 18% volume growth last year largely on the back of Rajasthan. Rajasthan market share is now at over 32%. And there is one other player with over 30% market share over there. So sustaining Rajasthan growth at those levels will not be as easy as last year.

The majority of the growth will have to come in from West Bengal and Haryana, but those are small bases as compared to Rajasthan. So we have to see whether even a large growth there will move the overall needle too much. So I think it's fair to assume around 15% kind of growth rate in country like us this year.

Yash Agarwal: So across all geographies you are saying 15% volume?

Shekhar Swarup: Yes, overall.

Yash Agarwal: And sir, how is the situation in Haryana right now in terms of competitive intensity etc.?

Shekhar Swarup: More or less status quo. The market, the consumption of IMIL has de-grown over there, the recorded volumes have de-grown over there and we are hopeful that this year we might start seeing some changes.

Yash Agarwal: Sir have you seen any reduction in our interest costs because our debt is coming down. I think it's down by 10-15 odd crores this year also. Will we see reduction in interest costs this year?

Ajay Goyal: Yes. See, more of our debt burden is coming down but if you see the interest rates per se, it is now little bit going up, almost 20 basis points. But anticipating we have low interest cost in the coming financial years.

Moderator: Thank you. The next question is from Navnit Bhaiya who is an Individual Investor. Please go ahead.

Navnit Bhaiya: I have compared to Q3 of FY18, there is a decline in the volumes of IMIL as well as realization.

Shekhar Swarup: Yes.

Navnit Bhaiya: So any particular reason for that?

Shekhar Swarup: Largely it's Haryana. Our volume in Rajasthan grew, so Rajasthan realization is little bit lower than Haryana due to the price structure in the two states. So that is the reason for decrease in the realization. But volumes de-grew largely because of a de-growth in Haryana.

Navnit Bhaiya: And continuing with the previous person's question, Haryana there has seen a significant decline in the volume. So could you speak a bit more about how do you see Haryana coming up in the next year? I have just done some numbers from your presentation. In Q3 FY17, I think you have done 0.96 million cases which has come down to 0.46 now, so it is less than half. So any comments on that? How do you see it coming up in the next year?

Dr. Bhaskar Roy: So if you see the comparison of the market, the market has come down. Our share is around 10%-11% which we are maintaining, not the overall market has fallen down. So the total volume has also come down. This is the reason of fall.

Navnit Bhaiya: What's your outlook on that?

Dr. Bhaskar Roy: It will be steady, now slightly it is picking up. If the trend remains like that, then the volume will go up. We are expecting to some extent.

Shekhar Swarup: So the other thing I would like to add on that is that over the last two years since the market, the competitive landscape has worsened, we have seen a sort of seasonality in the industry which wasn't there earlier. We found that Q1, Q2 sales, the recorded sales are much higher and the following two quarters the sales industry sort of shrinks. I think it is safe to assume that the overall market in Haryana will remain more or less the same as last year. Quarter on quarter, there may be changes due to the seasonality effect that I am talking. And our market share will remain around 10%-11% mark that is our outlook on this market.

Navnit Bhaiya: So you don't see it going down further from Q4 values?

Shekhar Swarup: No. And in fact if you look at the last 8 quarters, we find that more or less the market share has been stable; however, a) due to seasonality in the recorded industry and due to an overall decrease in industry over the last 8 quarters. In spite of the seasonality, there has been reduction in volume. But we feel that it isn't probable for the market to shrink further from where it is currently.

Moderator: Thank you. The next question is from Chanchal Khandelwal from Birla Mutual Fund. Please go ahead.

Chanchal Khandelwal: I just wanted to have some clarification and understanding on the indirect tax. How this indirect tax work on ENA and what if GST comes in, how will it impact you and the industry?

Ajay Goyal: See at present, the entire bouquet of our services or products like IMIL, IMFL, it is all out of the preview of GST. And on account of bulk alcohol ethanol, the GST is still not clear. I think some clarification is pending from the council side. Whatever information we have been able to gather, the view is GST will not be applicable on this alcohol product per se. So we don't see any impact on account of this GST part.

Shekhar Swarup: I would like to add something to that, it was clarified earlier by the GST council that status quo on ENA will remain and what you need to find in the status quo is that there will be no taxation. However, what they are not clear on is that whether it will continue to remain as such. Overall, we have done a sensitivity internally and we find that if this was to get implemented, if there was to be a GST on ENA, of course it depends on the rate but let us assume it is standard rate of 18%, we feel that there will be no significant impact on our P&L. The other aspect is that if this was to get implemented, we do see an increase, a dramatic increase in our franchise bottling business which if it was to come through would attribute to significantly higher margins in that business than what we are earning today.

Chanchal Khandelwal: Just to go a little deeper. So what's the structure today on ENA, bulk alcohol? So different states have different tax. What is the structure of the taxation today? And when you said if GST of 18% comes, it will not impact your P&L, can you explain how?

Shekhar Swarup: May I request that this discussion happen because this will require little bit of data to be shared with you. We are happy to answer this question and guide you this clarity that we have, but may I request that we do it offline?

Chanchal Khandelwal: Sure.

Shekhar Swarup: Our IR team will get in touch with you.

Chanchal Khandelwal: We will take it offline. Just quickly, do you have some taxation on ENA or today you know different states have different tax on ENA right?

Shekhar Swarup: That is VAT and CST.

Chanchal Khandelwal: Which you can set off with the taxes that you pay in IMIL and IMFL right?

Shekhar Swarup: No. There is no setoff and there is no tax, there is no GST, 0% GST on our raw materials.

Chanchal Khandelwal: I will take this offline. Can you explain why Pondicherry, Andhra, Telangana and Karnataka have been chosen for whisky and the launch of your IMFL category?

Shekhar Swarup: Sure. I will request Mr. Rekhi to take that.

Vijay Rekhi: Yes. Simply it is based on two parameters. The salience of brandy for example is very high in Pondicherry along with product contributions and high point which we are sitting at in terms of pricing. So it gives us maximum contribution from brandy in Pondicherry. Likewise, the salience of brandy in the other 3 states planned is pretty significant. In Andhra, it is the highest of the 3 states followed by Telangana and then Karnataka. Coming to whisky, Pondicherry is not very important from the whisky point of view. But Karnataka, Telangana and Andhra, the salience of whisky in the industry and the consumption pattern is pretty high and so are the product contributions. So just to summarize this strategy is based on what we can extract from deployment of capital in terms of maximum product contribution and the product categories that is the brandy and whisky being relevant.

Chanchal Khandelwal: Sure. That was useful sir. Just quickly when you say the premium segment on brandy and whisky, what is the price point you are looking at?

Vijay Rekhi: The highest point in that category is our 1st, 2nd and 3rd highest points in case of whisky and the highest price point in a particular market that is our cross-line pricing for the products.

Chanchal Khandelwal: What is the highest price point, sorry if you can just highlight?

Vijay Rekhi: See this then get you into the maximum retail price criteria as one and/or the billing of the distilleries into a particular state. The prices in different states are different. So whatever is the cross line product at the highest price point on a per case basis or the maximum retail pricing that guides our launches and that guides our pricing.

Moderator: Thank you. As there are no further questions, I would like hand the conference over to Mr. Santosh Patnaik for closing comments.

Santosh Patnaik: Thank you everyone for joining us on the call today. Hope we were able to answer all your questions. Should you need any further clarifications, or would you like to know more about the company, please feel free to contact us. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Globus Spirits, that concludes this conference. Thank you for joining us and you may now disconnect your lines.