

# Globus Spirits Limited

Corporate Presentation

February 2012



Globus Spirits

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**Industry Overview**

**Company Overview**

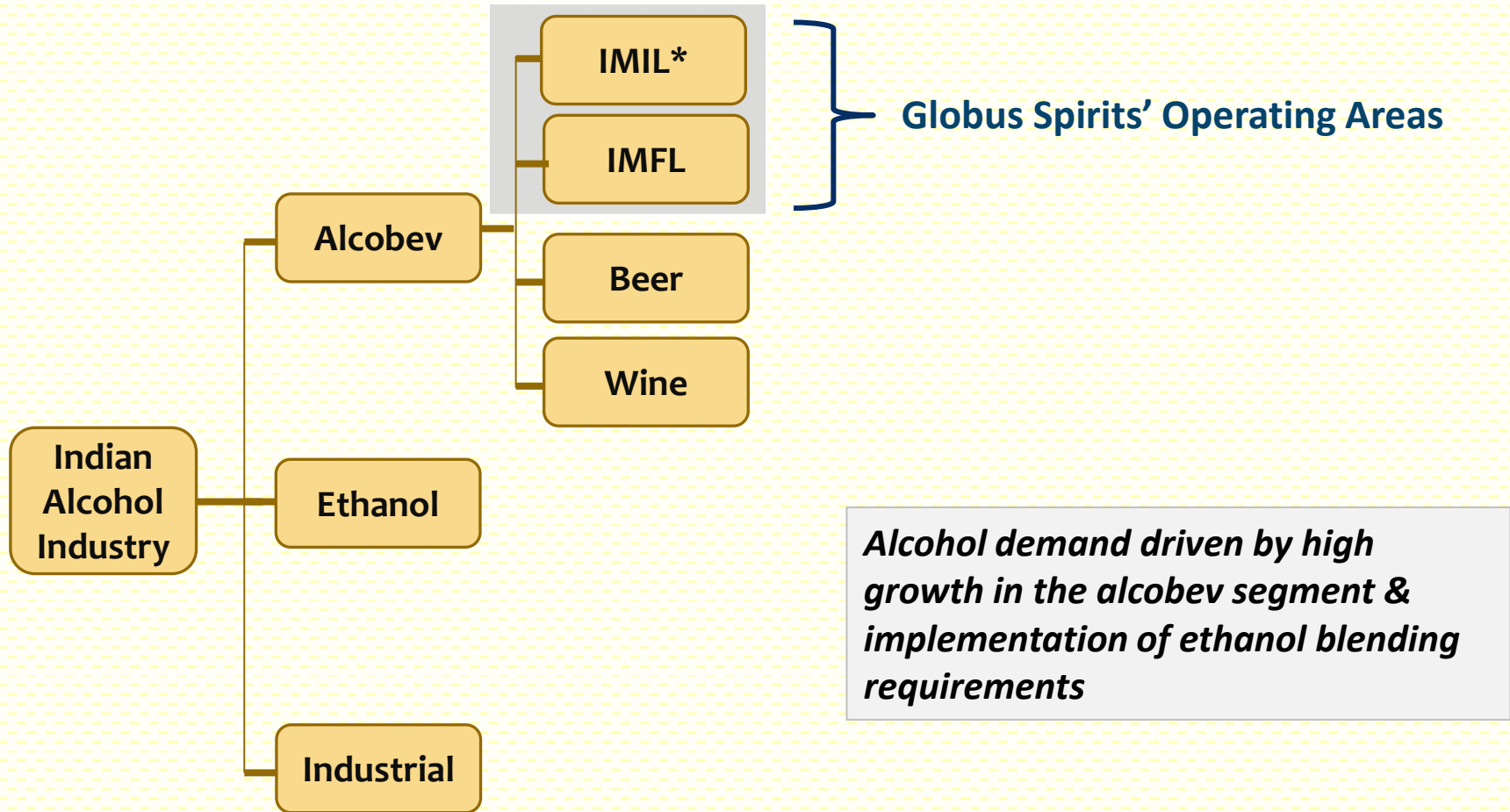
**360° Business Strategy**

**Segmental Operations**

**Financials**

**Key Focus Area**

# Overview of Alcohol Industry

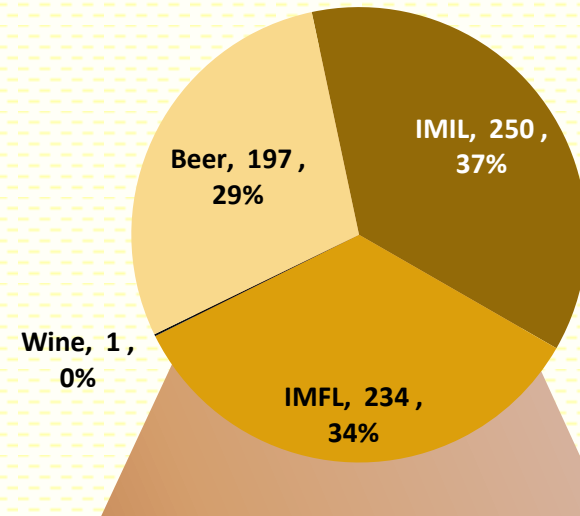


\*IMIL is Indian Made Indian Liquor, widely known as Country Liquor

# Alcobev Industry

- ◆ Research suggests that ~ 50% of liquor consumption in India is unrecorded, however, with state & central governments cracking down on illicit liquor, this is expected to decrease significantly
- ◆ IMIL is the largest segment, though it is growing at a much lower rate (~8%) as compared to IMFL (~16%)<sup>1</sup>
- ◆ Clear bifurcation in the target segments of IMIL and IMFL; IMIL serves the lower-income group while IMFL caters to the affluent class
- ◆ The IMFL market is highly concentrated with companies having a pan-India presence. Top 5 companies account for ~70% of the market
- ◆ In contrast, IMIL market is regionalized and fragmented due to high state entry barriers requiring presence of a distillery in the state

Industry Breakup Mn Cases (2010)



Segment	Volume (Mn cases)	% of IMFL
Whisky	137.5	59
Brandy	43.4	19
Rum	43.8	19
Gin	2.2	1
Vodka	7.3	3
Others	0.2	0

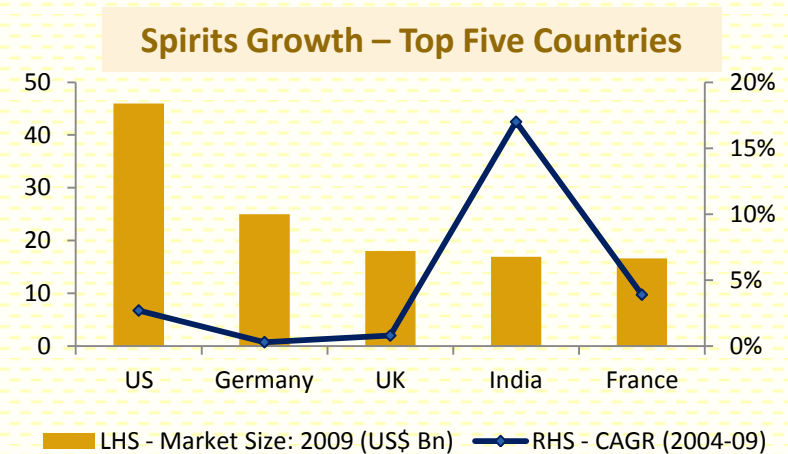
Source: IWSR, Industry & Company Estimates

<sup>1</sup>IWSR for IMFL (2010), Company & Industry Estimates for IMIL

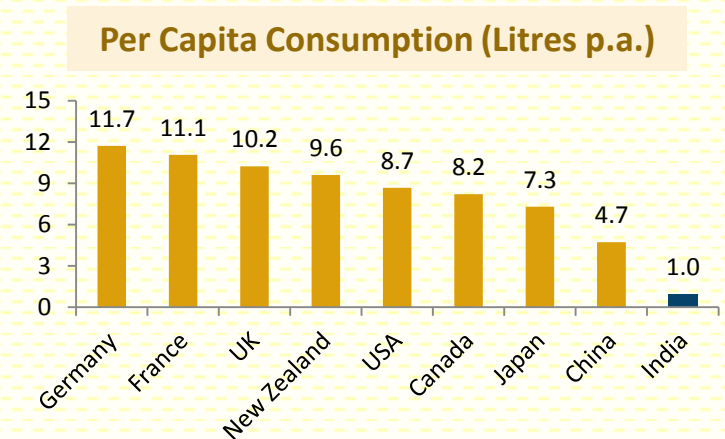
# Alcobev Growth Drivers

- ◆ India ranked 4<sup>th</sup> in the global spirits<sup>1</sup> market in 2009, with a 6.1% market share<sup>2</sup>
- ◆ Indian spirits market size was US\$19.2 Bn in 2010, growing at CAGR of 18.9% between 2006 to 2010<sup>2</sup>
- ◆ Strong volume growth in India has been driven by:
  - Rapid population growth – CAGR 2% (2004-09)
  - Favorable societal perception
  - Increase in purchasing power and higher spend on liquor
  - Low penetration levels – per capita consumption of only 0.97 litres
  - Improving regulatory regime
  - Opening up of trade channels

<sup>1</sup>Only IMFL; <sup>2</sup>Source: Datamonitor



Source: Datamonitor



Source: WHO, Global Health Observatory Data Repository, Latest Data available for each country (varies between 2007 to 2010)

# Alcobev Industry Structure

## Industry Value Chain



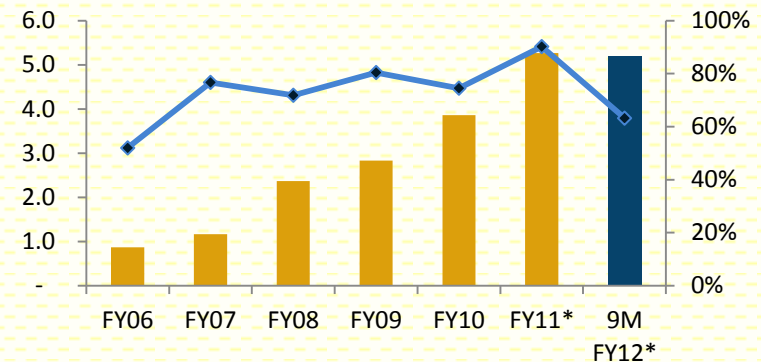
- ◆ Spirits industry in India is peculiarly structured with each state operating as an ‘independent country’ as each state has the power to frame laws governing alcohol consumption independently
- ◆ Consequently, liquor companies are forced to outsource their production activities to specialized regional players to remain competitive in that state
- ◆ Mandatory blending of 5% Ethanol Blended Petrol is creating scarcity of alcohol supply, consequently causing prices of Extra Neutral Alcohol to increase
- ◆ Traditionally, molasses has been the base raw material used for alcohol production, now moving towards grain, due to cyclicity in molasses availability, restriction on ethanol production from molasses and increasing preference of grain based ENA by liquor companies

# Globus Spirits Ltd – Company Overview



- ◆ Promoted by Business Family having over 60 years of industry experience in sugar, edible oils and alcohol
- ◆ Only company to have a 360° presence, offering products across the value chain
- ◆ Strong consumer business portfolio comprising of IMIL and IMFL contributing to ~60% of revenues
  - Market leader in IMIL in North Indian states of Haryana, Rajasthan and Delhi
  - First launched IMFL brands in 2007-08
- ◆ State-of-the-art plants at Rajasthan (Behror) & Haryana (Samalkha & Hisar) with aggregate annual distillation capacity of 84.4 Mn bulk litres having multi-feedstock capability
- ◆ Experienced management team, led by the promoter Mr. Ajay Swarup

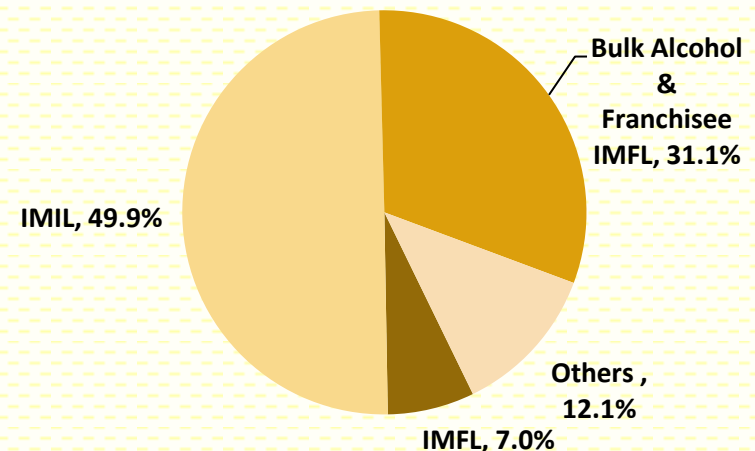
## Sales & Capacity Utilization



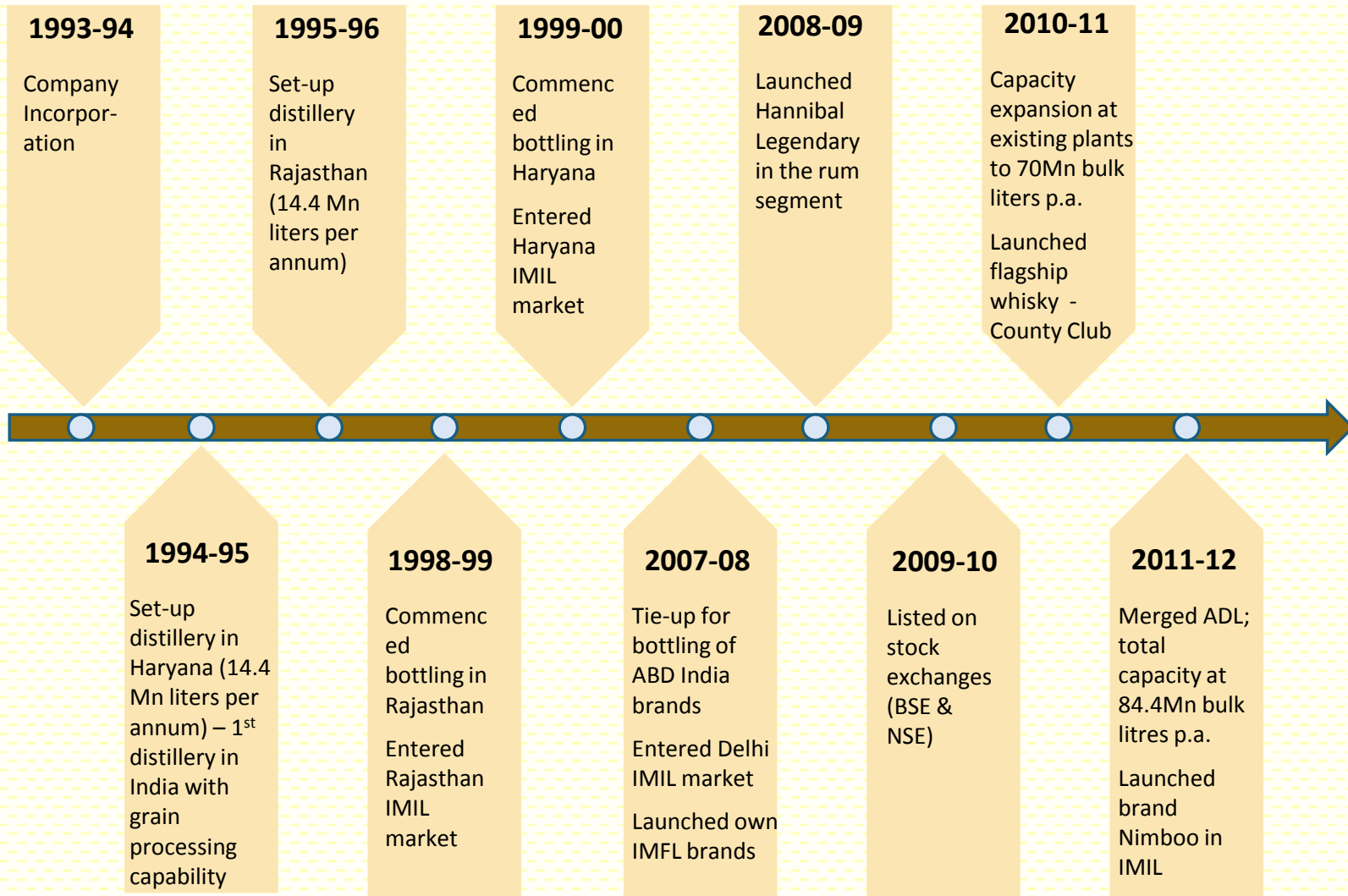
■ LHS - Gross Sales (Rs. Bn) ◆ RHS - Capacity Utilization (%)

\*FY11 Capacities at 46.6 mn litres and 9M FY12 capacities at 63.29 mn litres

## Sales Break-Up by Segment: 9M FY12



# Journey Till Date



# Board of Directors

Person	Particulars
<b>Mr. Gautam Premnath Khandelwal</b> Non-Executive Chairman	Over 23 years of experience in senior managerial positions, Mr. Khandelwal is on the Board of many companies such as Nagpur Power & Industries Ltd., Motwane Mfg. Co. Pvt. Ltd., Krohm Solutions Pvt. Ltd., Punjab National Bank etc.
<b>Mr. Ajay Kumar Swarup</b> Promoter & Managing Director	Over 24 years of experience in the liquor industry. Mr. Swarup promoted GSL in 1993 and prior to that co-promoted Associated Distilleries in 1983. Mr. Swarup completed his schooling from Doon School, Dehradun; graduated in Economics from St. Stephens College, Delhi University, and is a PGDBM from IIM Kolkatta. He was President of All India Distillers' Association during the years 1992 – 95.
<b>Mr. Manik Lal Dutta</b> Executive Director	Over 36 years of experience in alcohol industry. Mr. Dutta was earlier with UB Group as production head for North India & Nepal operation.
<b>Dr. Bhaskar Roy</b> Director Finance & CFO	Over 21 years of experience in finance and general management with companies such as Dhampur Sugar Mills Ltd and Saraya Industries Ltd.
<b>Mr. Joginder Singh Damija</b> Independent Director	Over 46 years of experience in various industries including liquor. Served with major spirit companies including UB Group in multiple positions and as Director and Vice chairman of SAB India.
<b>Mr. Santosh Kumar Bishwal</b> Independent Director	Extensive experience with companies such Union Carbide, UB Group in senior positions. Mr. Bishwal is a faculty at XLRI.
<b>Mr. Rajesh Kumar Malik</b> Whole-Time Director	Over 29 years of experience in liquor industry with firms such as Tilaknagar industries, Associated Distilleries, etc.
<b>Mr. Rameshwar Dayal Aggarwal</b> Whole-Time Director	Over 25 years of experience in liquor industry with firms such as Royal Distilleries, Som Distilleries, Oasis Distilleries, etc.

# Key Managerial Personnel

Person	Particulars
<b>Sudhir Chopra</b> COO - IMFL	Over 25 years of experience, Mr. Chopra joined GSL in 2005. Prior to that, he has worked with several companies in the liquor industry, such as John Distilleries, ABD India, USL. Mr. Chopra has a PG – Advance Marketing, PGDBA from University of Bath, United Kingdom.
<b>Shekhar Swarup</b> VP - IMFL	Over 3 years of experience, Mr. Swarup joined GSL in 2008. Mr. Swarup has graduated in Business and Management from University of Bradford, United Kingdom.
<b>Paritosh Bhandari</b> Marketing Head	Over 14 years of experience in the field of marketing, branding and launching new products. Prior to joining GSL in 2011, Mr. Bhandari has worked with Modi Illva India, SAB Miller India, Levi Strauss India & Sony Electronics India. Mr. Bhandari has been honored with coveted awards such as India Spirits Award, SAB Miller Asia Pac Award, Levi's Saddle Man Trophy and many others. Mr. Bhandari is a commerce and management graduate.
<b>Deepak Saroha</b> Works Manager, Behror	Over 10 years of experience in the liquor industry in the areas of Plant Operations, ETP Operations, etc. Prior to joining GSL in 2007, Mr. Saroha has worked with Oasis Distillers and Radico Khaitan. Mr. Saroha is B.Sc and D.I.F.A.T from VSI,Pune.
<b>Kapil Verma</b> GM – Works, Samalkha	Over 17 years of experience in the liquor industry, Mr. Verma started his career with GSL in 1994. Mr. Verma is Bachelor of Arts and has completed Post Graduate Diploma in Industrial Relations & Personnel Management.
<b>Jeevan Das</b> Manager (Materials)	Over 20 years of experience in the areas of Materials Management and project/capital procurement. Mr. Das joined GSL in 2005, prior to that he has worked with Bharat Explosive, Triveni Engineering Works and Alpa Engineers . Mr. Das is B.Sc (Physics), Diploma in Materials Management from the NIIRD, Chennai and Diploma in Mech. Engg from AIES, Kolkata.
<b>Santosh Pattanayak</b> Company Secretary	Over 6 years of experience in the areas of secretarial and corporate law matters. Prior to joining GSL in 2005, Mr. Pattanayak has worked with Magnum Strips and Tubes and Phoenix Overseas . Mr. Pattanayak is B.Com, LLB, ACS, and Diploma in Computer Software from Aptech.

# The 360° Way



***A Unique Model Perfected by Globus  
– Straddles the entire value chain in  
alcohol***

- ◆ Enables Globus to capture margins across the value chain
- ◆ Allows the company to secure economies of scale in production
- ◆ Insulates the Company from any risk in the movement of prices, important in current scenario where ENA prices are expected to sustain at higher levels

\* Multi-feedstock capability for manufacturing bulk alcohol – Molasses, Broken Rice/ Bajra

# Brands Business

*IMIL is the largest contributor to the company revenues – having more than a decade experience, Globus has been a pioneer in branding in this industry*



*After having launched our own IMFL brands in 2007-08, we have grown rapidly in this segment and built a distribution presence across 9 states*

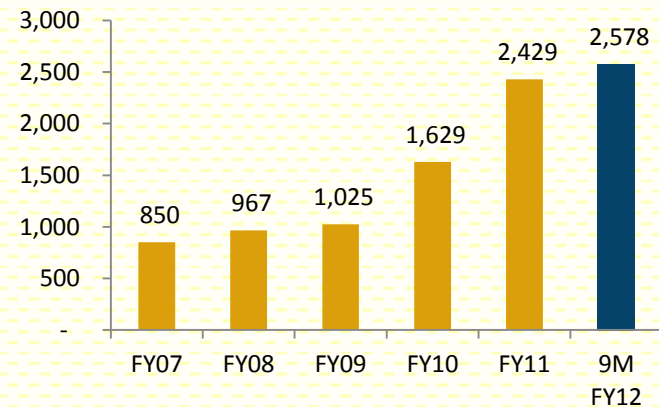
- ◆ Currently, IMIL is marketed in the North Indian states of Haryana, Rajasthan and Delhi
- ◆ Enjoys market leadership position in all three states
- ◆ Strong brand equity which has been reinforced by the successful brand launch of *Nimboo* in the Haryana market (market share increased by 7% within 7 months following launch of Nimboo)
- ◆ The North Indian market is growing at 15-20%, unlike the rest of the country where growth is in the single digit range<sup>2</sup>
- ◆ Segment expected to ride the rural consumption story in India

***Focus on consolidating position by introducing innovative products, building strong brands in existing markets***

<sup>1</sup> North India data based on Rajasthan and Haryana sourced from Excise Deptt, pan-India based on estimates

<sup>2</sup> Volumes and market shares are based on the current monthly run rate

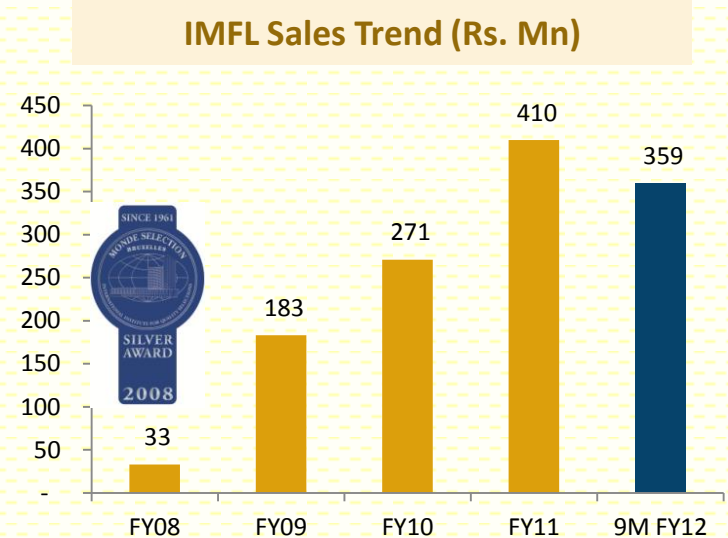
**IMIL Sales Trend (Rs. Mn)**



**Market Share in IMIL<sup>2</sup>**

State	Annualized Sales (Mn Cases)	Market Share
Haryana	8.4	30%
Rajasthan	4.2	24%
Delhi	1.4	25%

- ◆ Entered this segment in 2007-08
- ◆ Built a strong distribution presence, now present in 9 states - Haryana, Rajasthan, Chandigarh, Punjab, Himachal Pradesh, Uttar Pradesh, Kerala, Andhra Pradesh and Delhi
- ◆ Launched brands in the regular category: have 3 core brands and over 10 filler brands with their variants
- ◆ Brand-building largely centered on 'Below-the-line' activities



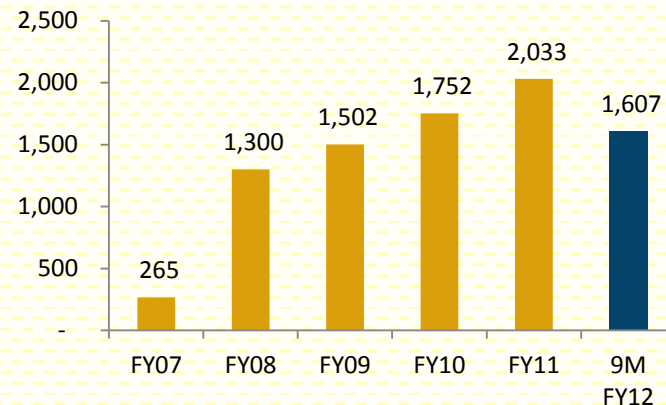
***Focus on sustained brand-building, will soon launch products in the higher value-added category to leverage its distribution presence in existing states while increasing the distribution width with addition of new states and the CSD segment***

# Bulk Alcohol & IMFL Franchisee

- ◆ Dominance in alcohol manufacturing and IMFL bottling built through continuous focus on improving quality and reducing costs
- ◆ Recently enhanced capacity from 28.8Mn liters to 84.4Mn liters, following capacity expansion at existing units & merger of ADL
- ◆ Has established relationships with leading liquor companies, such as United Spirits, Jagatjit Industries and ABD Ltd for supply of high-quality bulk alcohol
- ◆ Tie-up with ABD Ltd for IMFL bottling in Rajasthan & Haryana for supplying 1.5mn cases p.a.

***Segment ensures higher capacity utilization and is a 'Cash Cow' for supporting Branded IMFL growth. Going forward, GSL plans to capitalize on opportunities in the international markets as well as strengthen existing relationships***

**Bulk Alcohol & IMFL Franchisee Sales Trend (Rs. Mn)**



**Annual Capacity: Bottling & Distillation**

Unit	Bulk Litres (Mn)	Bottling (Mn Cases)
Samalkha, Haryana	35.0	9.6
Hisar, Haryana	14.4	4.2
Behror, Rajasthan	35.0	4.8

# Growth Strategy

***Focus on growth in all segments, truly offering investors an opportunity to participate in growth of the liquor industry, which has huge potential across the value chain***

## IMIL

- Consolidate existing market leadership position
- Focus on brand-building and launch of innovative products



## IMFL

- Focus on distribution presence through volume growth & entry in new states and CSD
- Leverage existing distribution through launch of higher value-added brands

## Bulk Alcohol & IMFL Bottling

- Enhance capacity utilization and build an exports presence
- Strengthen existing alliances

# Financial Performance

(Amount in Rs. Million, unless otherwise mentioned)

Year ended March 31,	2007	2008	2009	2010	2011	9M 2012
Gross Sales	1,166.7	2,352.6	2,814.0	3,842.9	5,215.8	5,169.6
Net Sales	1,120.0	1,569.2	1,971.3	2,650.0	3,813.5	3,988.4
Other Income	4.9	27.6	26.6	33.1	58.9	22.8
Total Income	1,124.9	1,596.9	1,997.9	2,683.1	3,872.4	4,011.2
EBITDA	155.2	245.3	286.3	400.2	651.8	561.1
Profit Before Tax	122.5	195.2	199.4	458.8	554.0	436.0
Profit After Tax	86.6	126.4	129.3	289.2	399.3	330.0
Net Worth	255.0	468.4	597.7	1,613.8	2,085.5	2,415.0
Loan Funds	85.5	147.0	173.1	137.1	484.1	850.0
Fixed Assets (Net)*	245.5	399.7	567.3	1,362.9	2,323.7	2,406.2
Net Working Capital	121.8	260.3	279.4	571.5	504.9	682.4
Capital Employed	350.4	622.0	842.7	1,465.2	2,699.9	3,037.4
Turnover Growth % (Annualised)	29.3%	42.0%	25.1%	34.3%	44.3%	38.1%
EBITDA Growth % (Annualised)	79.4%	58.1%	16.7%	39.7%	62.9%	16.0%
EBITDA Margin %	13.8%	15.4%	14.3%	14.9%	16.8%	14.0%
Profit After Tax Margin %	7.7%	7.9%	6.5%	10.8%	10.3%	8.2%
Return on Net Worth % (PAT/ Average Net Worth)	40.9%	34.9%	24.3%	26.2%	21.6%	19.6%
Return on Capital Employed % (EBIT/ Average Capital Employed)**	45.9%	42.3%	31.3%	41.0%	28.0%	21.8%
Debt/ Equity Ratio (x)	0.3x	0.3x	0.3x	0.1x	0.2x	0.4x
Earnings per Share (in Rs.)	11.3	10.3	10.5	14.6	17.4	14.3
Book Value per Share (in Rs.)	33.2	38.2	48.8	81.7	90.7	105.0
No of Outstanding Shares	76,88,494	1,22,57,741	1,22,57,741	1,97,57,741	2,29,97,741	2,29,97,741

\*Includes capital work-in-progress

\*\* Capital Employed = Net Fixed Assets excl. Capital Work-in-Progress + Net Current Assets

Note: FY 2010, there was a depreciation write-back due to change in accounting policy

Note: FY 2011 onwards, results include financials of ADL, which was merged in GSL effective April 1, 2010

# Thank You

For more information about us, please visit [www.globusspirits.com](http://www.globusspirits.com) OR contact:

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