



“Globus Spirits Q2 FY-16 Earnings Conference Call”

November 17, 2015



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MODERATOR: **MS. NANDINI AGARWAL – FOUR-S SERVICES**



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Moderator: Ladies and gentlemen good day and welcome to the Globus Spirits Q2 FY16 Earnings Conference Call hosted by Four-S Services. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Nandini Agarwal from Four-S Services. Thank you and over to you Ms. Agarwal.

Nandini Agarwal: Good afternoon everyone and welcome to Q2 Financial Year 2016 Earnings Conference Call of Globus Spirits Limited. We have with us today Mr. Ajay Kumar Swarup – Managing Director, Mr. Shekhar Swarup – Executive Director, Dr. Bhaskar Roy – Executive Director & COO and Mr. Ajay Goel – CFO. We will start the conference with opening remarks from the management after which we will have the floor open for Q&A session. I will now hand over the call to Mr. Ajay Swarup.

Ajay Swarup: Good afternoon everyone and a warm welcome to the call. I will begin with an overview of the business and then hand over to Dr. Roy – COO for a briefing on operations followed by Mr. Ajay Goel – CFO for a briefing on financial results.

We are happy to report a healthy performance of the quarter with steady growth in both revenue and operating profits. Revenue from operations was up 19% year-on-year, EBITDA up 17% year-on-year and EBITDA margin at 8.2%. After couple of difficult years marked by weak industry growth, heightened competitive intensity and rising raw material costs the strategic initiatives undertaken by us have started yielding results, reflected in improved financial performance in the current year. In the last couple of years we have reoriented our strategy to focus on sustainable growth and higher profitability from existing operations. One of the key initiatives has been launch of DDGS, a value added byproducts having high potential in the animal feed industry as a replacement to soya oil cake and other expensive protein sources. Other initiatives like opening up of new markets within India and overseas, IMIL brand building and focus on higher productivity has strengthened our position and reduced our exposure to certain lagging segments/geographies. Our focus on relationship development with franchise partners has been rewarding; we are now bottling for USL and ABD in Haryana and Rajasthan and expect these relationships to extend to our East India plants as well when they are commissioned which is expected quite soon.

Going forward we see growth in profitability enhancement coming from three main avenues – expansion to the East, higher margins on bulk alcohol in short to medium term and building a presence in the premium IMFL market via the wholly owned subsidiary Unibev Limited in the long term. The planned expansion to Bihar and West Bengal and the setting up of Greenfield facilities in these states will usher in the next significance phase of growth for us. As you



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already know, the company is replicating its 360° Strategy in these states. Both states are presently highly alcohol deficit and are net importers of bulk alcohol from the surplus states of India. The alcohol deficit in these states will allow us to fully utilize our capacities as soon as they are commissioned and stabilized. These states are also large in fast-growing markets for IMIL. In Bihar, the company has won a tender for exclusive marketing rights in Patna municipality which began operations in January 2015. For West Bengal, the company is working on extending some of its successful North India products as well as creating new ones with a local flavor. We expect margins on bulk alcohol to receive a major boost from implementation of the fuel ethanol blending mandate by the Government of India which will change the industry landscape by driving up demand by almost 80% for bulk alcohol. The OMCs recently launched a tender and have received expression of interest for approximately 200 crore liters. This will drive our bulk alcohol prices and translate into higher margins for us.

Overall we believe there are interesting times ahead for us and Globus is well positioned to grow across all four verticals forming the pillars of our 360° model.

I would now like to hand over to Dr. Roy for the overview on our operations.

Dr. Bhaskar Roy:

Good afternoon everyone. I will briefly share with you an update on our operational performance. Our 360° business model has once again proved its mettle with the manufacturing and consumer verticals complementing each other to deliver steady growth. Favorable industry growth combined with our aggressive focus on IMIL brands and distribution contributed to a solid 32% year-on-year volume growth in Rajasthan. Rajasthan has in fact been the main driver for performance with IMIL revenues from the state growing at five year CAGR of 20%. Haryana our second largest state faced pressures over the past two years. However we now feel the market has bottomed out and will only grow from here on. Launched in January 2015 Bihar IMIL accounted for 17% of total to 2.9 million IMIL cases sold in Q2 FY16 with exclusive five-year marketing rights in Patna municipality - the largest district in Bihar. We are well placed to capitalize on the IMIL growth opportunity in the state. This five-year exclusive rights gives the company a great platform to seize vans in the new market. Due to higher IMIL sales, captive consumption of bulk alcohol decreased during the quarter reducing surplus capacity available for external sales. This was despite higher production of bulk alcohol up from 17.8 BL bulk liter in Q2 FY15 to 18.1 BL bulk liter in Q2 FY16. As a result of lower bulk alcohol sales, the manufacturing vertical which led revenue growth over past several quarters witnessed a more subdued performance in this quarter. This was also partly driven by slowdown in the franchisee business in Rajasthan caused by transitory challenges faced by the franchisee customers. In a positive development, we have recently started franchisee business for USL in Rajasthan which once again reinforces strength of our relationship with the leading IMFL companies. The manufacturing vertical received a boost from increased byproducts sales which grew 46% YOY largely led by DDGS. GSL is



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one of the first distillery in India to produce and sell DDGS a high protein product with a good shelf life. DDGS has improved realization as well as profitability of this segment. I would now like to hand over to Mr. Ajay Goel for the overview on our financial performance.

Ajay Goel:

Good afternoon, I will be running you through the key financial highlights after which will open the floor for questions. For Q2 FY16 total operating income was Rs. 1618 million an increase of 19% YOY, EBITDA was Rs. 133 million, an increase of 17% YOY with EBITDA margin at 8.2%. PAT was at Rs. 13 million up only by 2% YOY compared with Rs. 12 million in Q2 FY15 driven by increased interest and depreciation cost. For H1 FY16, total operating income was Rs.3196 million an increase of 15% YOY, EBITDA was Rs. 292 million, an increase of 23% YOY with EBITDA margin at 9.1% versus 8.6% in H1 FY15. PAT was at Rs. 47 million up 40% YOY compared with Rs. 34 million in H1 FY15.

I will now share the segment wise details, this quarter we sold 2.9 million cases of IMIL with average net realization of Rs. 296 per case. Overall IMIL business volume witnessed a 55% YOY growth on a proforma basis that is excluding Bihar as it was not operational in Q2 FY15. Revenue increased 36% YOY driven by 29% increase in volumes and 5% increase in realizations.

In the franchisee IMFL business, the aggregate volume for quarter was 0.66 million cases. Out of this, 0.29 million cases pertains to bottling done for ABD and JIL in Rajasthan and the remaining 0.37 million cases for bottling done for USL and ABD in Haryana. Our bulk alcohol revenues decreased by 9% YOY while volumes came in at 9.9 million bulk liters approximately same as Q2 FY15. The realizations were down by 9% impacting the revenues. The total revenue from manufacturing was Rs. 744 million in the quarter accounting for 46% of the total revenue from operations while the consumer business contributed the remaining 54%.

This concludes my update thank you once again for joining us on the conference call we will be happy to answer any questions that you may have now.

Moderator:

Thank you. We will now begin with the question and answer session. The first question is from the line of Harsh Mittal from Dimensional Securities. Please go ahead.

Harsh Mittal:

My question is quarter-on-quarter we have seen a reduction in gross sales. Any particular reason for that?

Ajay Goel:

Q2 sales is not reduction as compared to Q1; it is up as compared to sales in Q2.

Dr. Bhaskar Roy:

Actually if you see Q2 FY16 versus Q2 FY15, in Q2 FY15 it was 1365 million and in Q2 FY16 will have done 1618 million. If you see Q2 versus Q1 FY16 there also revenues have



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gone up, from Q1 FY16 the revenue was Rs. 1578 million and in Q2 FY16 it is 1618 million. If you exactly can say where is the down, because the revenues are up during this period?

Harsh Mittal:

There has also been increase in other expenses, what segment has seen an increase in other expenses?

Dr. Bhaskar Roy:

In other expenses actually there are 2-3 things for which it has increased. One is that the franchisee volumes has also contributed because we pass on the surplus which is shown is the brand owner surplus which we booked in other expenses that is why also it has gone up, number one. Number two I am just telling you because what happened was export sales which has gone up in the quarter is by almost 10 lakh liters which actually contributed to higher freight charges and also the higher packing expenses because in exports will have to pack it in drums and sell it. These actually has contributed to the increase in the expenses.

Vishal:

If you look at the last quarter June quarter to this quarter your top line has come down even your excise duty also has come down, so I believe the franchisee business has come down, so why would you pass through number increase in this quarter?

Dr. Bhaskar Roy:

In other expenses, we give the business surplus. So in the first quarter actually we had operations with Jagatjit Industries Ltd so they had a loss in the books so the business surplus was less. This quarter there was no Jagatjit Industries, the sale was much less and ABD was there so the difference was higher that is why the expenses was higher. Actually if you see in the EBITDA, there will not be change because this does not affect the EBITDA because whatever is coming above we are passing on in the down line.

Vishal:

But if I look at your Q-on-Q basically, if I compare to June quarter even your EBITDA has come down.

Dr. Bhaskar Roy:

From the June quarter EBITDA is definitely down but if you see from the quarter of last year EBITDA is up.

Vishal:

That is because your DDGS was not there last year.

Dr. Bhaskar Roy:

If you see Q1 of FY16 and Q2 of FY16, Q1 of FY16 was 16.68 crores versus Rs. 14.44 crores this quarter. So there is a difference of almost 2 crores which is what has happened how it has happened I am just explaining that. We had to give rebate on country liquor in Haryana, in Haryana the competition is increased so we have allowed a rebate of almost 125 lakhs which is booked in other expenses on the sale prices of the Haryana country liquor. So that is one impact. Another impact was of 90 lakhs to 100 lakhs which is the freight and packing expenses relating to bulk alcohol, so if you total these two expenses this will give the difference in the EBITDA.



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- Vishal:** I had also one question on your balance sheet, why your debtors have gone up so much?
- Dr. Bhaskar Roy:** Debtors have gone up because we are actually now doing the eastern region project as was already explained earlier. The total project cost of the eastern region in West Bengal and Bihar including is total of Rs. 240 crores. Out of 240 crores, 150 crores is out of debt and the balance is from the internal accruals, so debt portion as the project is going on we have to withdraw the debt so the debt portion is increasing. We are anticipating to start the new operations of the Greenfield in Q1 of the next financial year so the progress of the project is in full swing.
- Vishal:** Second question was on your total trade receivables, even that has gone up from March numbers, March was 38 crores now it is 53 crores can you also give some more color on this on why it has gone up?
- Ajay Goel:** As we have mentioned, this is a larger share in the country liquor operation IMIL. In IMIL there is a credit period ranging from 30-45 days. If you see , in the earlier quarter there was a more component of bulk alcohol which is more less a commodity we realize the money within 15-20 days but in this country liquor operations there is a credit.
- Dr. Bhaskar Roy:** This is number one. And number two is that when we do exports we get payments after the shipment is done but we book the sale once the invoices, it has left the factory. From the factory to the shipping it takes also a period of 15-20 days. We are doing exports of around 15-16 lakh liters every month so this has also increased so it is temporarily blocked in the exports which is being also to be realized.
- Vishal:** How much export sales you had in this quarter?
- Ajay Goel:** 29 lakh BL. Approximately Rs. 12 crores.
- Moderator:** Thank you. The next question is from the line of Pratik Singhania from Param Capital. Please go ahead.
- Pratik Singhania:** My question is related to the country liquor business. Can you give me some indication on the raw material rectified spirit prices, the trend that is happening in October and November, and also how this ethanol blending because of which the realization price of ethanol has gone up, how this will affect the prices of rectified spirits?
- Shekhar Swarup:** We have, as you are aware, in-house production of extra neutral alcohol rectified spirit. Most of the products that we produce, IMIL that we produce is made from extra neutral alcohol and that is the better quality product we are able to offer our consumers and hence enjoy a certain reputation in the market with our consumers. When it comes to pricing of extra neutral alcohol we need to talk about this state by state. As you are aware, there is an import and export duties



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that various states levy while transferring alcohol from one state to another. So in states where import duty is high the ethanol or the ENA price is high as well. So in the case of Haryana there is a surplus of alcohol visible and the price of extra neutral alcohol available within Haryana ranges between Rs. 38 to Rs. 40, whereas in the case of Rajasthan our average over the last quarter has been about Rs. 44 to Rs. 45 per liter. This delta between Haryana and Rajasthan is pretty much what stays constant, the delta, and the price moves up or down in sync. Whereas if you look at states such as West Bengal and Bihar where our capacities will be running in the next financial year, the prices there are significantly higher than those of even Rajasthan. Prices there would be around the range of Rs. 50 per liter during the last quarter.

Pratik Singhania:

In Q1, Q2, and post Q2 how this pricing trend in each state has been?

Shekhar Swarup:

Historically once the sugar season starts, the new molasses that is available, the production of alcohol increases in the country and historically after the start of the sugar season the prices come off a little bit. Be that as it may as you are aware and you raised this question about fuel ethanol the entire demand pool of alcohol has been changed. There is another 200 crore liters been added in the demand pool. In the past the average demand of alcohol every year has been around about 300 crores which is now over 400 crore liters. This of course will change the entire dynamics of the alcohol industry and I am not sure if we are going to see any low prices that what we are today. If anything we are looking forward to healthy price increases in both our running states.

Pratik Singhania:

Because the country liquor especially being a very price sensitive market do you see if government is targeting, say currently we are at 3% blending. Government is trying that the next three years we will become a 10% ethanol blending so the prices can move in such a rapid way that we would not be able to pass it on to our customers.

Shekhar Swarup:

The good news is we have security of alcohol. We produce more alcohol than we are able to convert into IMIL. And we welcome the day that 10% fuel blending takes place. It will have a significant positive impact on our EBITDA.

Pratik Singhania:

Currently suppose if we consider Haryana, so Haryana if you can say that in Q1 and Q2 what was the price of ENA?

Shekhar Swarup:

Like I mentioned there has been in the average, the range of Rs. 38 to Rs. 40 per liter across our various markets. Like Bhaskar Roy mentioned some time back we are exporting 10-15 lakh liters per month out of the country and a lot of it we are selling within the country so across various markets our price has been between Rs. 38 and Rs. 40 through this year.



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- Pratik Singhania:** Like I was speaking to a couple of sugar mills so they were saying that Q2 their ethanol realization was around Rs. 40 and Q3 they are expecting realization to be around Rs. 44-45, so in terms of our ENA pricing has that increased by around 10-12% over Q2?
- Shekhar Swarup:** We are expecting the same thing that the sugar mills are.
- Pratik Singhania:** The prices of the raw material can go up by 12%.
- Shekhar Swarup:** Our raw material is grain. So our raw material prices have been pretty stable this year. We expect the price of our finished product which is bulk alcohol to go up in Q3.
- Moderator:** Thank you. The next question is from the line of V. Swaminathan from Indradhanush Consultants. Please go ahead.
- V. Swaminathan:** I would like to know more about your byproducts business DDGS. You said it's very high margin and its protein. I would like to know more about it and what kind of revenue contribution do you see today and in future because you are planning to do it in all your plants?
- Shekhar Swarup:** Globus Spirits over the last couple of years has spent fair amount of time in trying to increase the realization that we get from our byproducts. We have two types of byproducts, one is carbon dioxide and the other is distillers dried grains with soluble, DDGS. CO2 we are at present utilizing most of CO2 that we get during the fermentation process. This product is sold to beverage companies such as Coca-Cola and Pepsi their bottling plants, as well are some of the industrial gas buyers. We have also recently started the sale of dry ice from one of our plants this is a new CO2 venture for us. When it comes to DDGS this is really the most exciting byproduct. This essentially from rice which is our raw material which contains 70% starch and about 8-9% protein, we extract the starch to produce alcohol. The product that is left over along with the yeast which we add during the process has very high rice protein content which is considered very healthy for animals and in fact even elsewhere in the world rice protein is being used for human consumption. So this product is then dried through a process and we sell it as a replacement to Soya DOC in the market.
- V. Swaminathan:** What kind of revenue that you are realizing currently on this product on a quarter or a per annum basis?
- Ajay Goel:** It was 137.
- V. Swaminathan:** 137 lakhs in the quarter or in the year?
- Shekhar Swarup:** Rs. 137 million in the quarter.



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- V. Swaminathan:** What is margin, approximately you'd say about 7-8% of the sales?
- Shekhar Swarup:** Yes.
- V. Swaminathan:** The margins here would be very high if I can make it out since otherwise you would have discarded this...?
- Shekhar Swarup:** It's not a discard. Actually earlier we were selling this as DWGS, Distiller's Wet Grains. We don't discard any product that comes out of our plant. Grains were sold at Rs. 3 to 4 a kg which had 25% solids. DDGS is being sold at about Rs. 20-22 and it has about 90% solids. In order to convert this to a solid form there is an energy cost and there is some capital cost as well, so one has to consider that. Be that as it may, the entire cost of raw material has already being factored in the alcohol cost cut.
- Moderator:** Thank you. The next question is from the line of Shashank Gupta from Sunidhi Capital. Please go ahead.
- Shashank Gupta:** My question is regarding the IMFL business that you are targeting as of now. So as we understand it is more profitable business in comparison to IMIL can you throw some light as to what your plan going forward in the IMFL segment?
- Shekhar Swarup:** IMFL we have recently incorporated wholly owned subsidiary by the name of Unibev Limited. The plans here essentially are more longer term in nature, we have started work on building some brands. The vision here is to look at the premium segments of the industry as we are all aware that premiumization in the IMFL business is really the flavor of the day and this business rather than look at premiumization which implies moving from regular to premium is the business that will focus only on the premium products for the consumers in the future. As of now the plans are limited to creating the brands and to seeding them in one or two markets, see what the success is, learn from our mistakes and wrap it up further. I am unfortunately not in a position to talk too much about targets and expected revenues in this business side now; however, I can say that the team building is well underway, Mr. Rekhi who is the stalwart of the IMFL industry has agreed to join this venture and lead it himself, he is working on creating these brands and putting together the rest of the team as well.
- Shashank Gupta:** When you are saying you will be competing or you will be entering the premium segment so which brands will be the key competitors and if you can just mention which are the regions that you will initially target to enter into four this premium brand that you are talking about?
- Shekhar Swarup:** I'm sorry like I mentioned I'm not in a position to be able to give too much more information on this at this stage. Like I said the plans have been formed out and hopefully by the next quarter review I will be able to give you more concrete information. As of now the brands have



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been created and the teams have been formed and we are looking at putting these brands into the premium space of the market, initially for one or two years it will remain low investment and seeding the market.

Moderator: Thank you. The next question is from the line of Chirag Lodaya from Value Quest. Please go ahead.

Chirag Lodaya: My question is pertaining to gross margins, gross margin in this quarter has been 42% versus 38% last year YOY, so what has led to improvement in gross margins and do we think this gross margins are sustainable?

Shekhar Swarup: Very broadly speaking the gross margin up because of a better byproduct realization and secondly better revenue mix which is due to an increase in Rajasthan IMIL produce.

Chirag Lodaya: When we say this byproduct that means that is DDGS?

Shekhar Swarup: Correct. Most of it is DDGS and some of it is CO2 as well.

Chirag Lodaya: Do we think this trend to continue or what sustainable gross margin we have foreseen in our business in next one or two years?

Shekhar Swarup: I will not speak about any additional gross margin coming in from West Bengal and Bihar and only Haryana and Rajasthan, the current levels of gross margins are very sustainable considering the mix of byproduct, IMIL and bulk sales. These are just the main as you are aware our business focuses on first allocating our alcohol production to the highest value added business which is IMIL. It is our constant attempt to increase IMIL sales as much as possible and then look at diverting product to the other avenues such as franchise bottling as well as bulk sales. So if the IMIL volumes grow further so will the gross margin. Any addition of gross margin due to DDGS will not happen because we are utilizing our capacities to close to 100% and we are selling all the DDGS that we are producing.

Chirag Lodaya: Lastly on this Bihar and West Bengal distillery once it is operational in Q1 FY17 what kind of optimum sales we can see from this 240 crore CAPEX say in next 2 to 3 years?

Shekhar Swarup: The way we are looking at it is that these plants will first produce extra neutral alcohol. Once the extra neutral alcohol is produced we will then look at whether to use it for IMIL or to use it for franchise or to use it for bulk sales, in that order of preference. So in Bihar at the moment we have already started country liquor business so some out of it may be allocated there. In the case of West Bengal we are yet to start the country liquor business. It will possibly start alongside the distillery and will take some time to scale up. In Bihar we have tied up with an IMFL player for bottling their brands that will add at least a lakh, lakh and half cases of



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business that is about six lakh liters of spirit per month which will be a minor value added. Similarly in West Bengal there is another manufacturer who is another brand owner who is tied up with us to manufacture their brands. So let us assume for a second that all of the products is sold as only extra neutral alcohol and none of it comes as any value added sales. In that case 80,000 liters per day is the capacity in Bihar and 100,000 liters per day is the capacity in West Bengal. Let us now say that it takes us one quarter to stabilize and the rest of the year we run at 75%. Basis that and our expectation of ENA prices which are over Rs. 45 per liter we can easily draw out for revenue targets for next year from these plants.

- Chirag Lodaya:** In terms of overall margins in East will it be same as company average or bit less or more, any sense on that?
- Shekhar Swarup:** Our current average selling price of extra neutral alcohol, Haryana is Rs. 38, in Rajasthan is Rs. 44. That is on our bulk alcohol however there is a large value added business that we have in both these States. The value added business, the back of the envelop calculation that I offered is non-existent. So in terms of bulk our gross margins will be significantly higher however let us wait and see how the value added business pans out.
- Chirag Lodaya:** Lastly on CAPEX plan apart from this 240 crores CAPEX what will be our maintenance CAPEX say for this year as well as next year?
- Dr. Bhaskar Roy:** Maintenance capex will not be more than Rs. 10-15 crores.
- Chirag Lodaya:** Next year there will only be 10-15 crores CAPEX.
- Dr. Bhaskar Roy:** Not more than that.
- Chirag Lodaya:** This whole 240 crores capitalization will be done in this financial year?
- Dr. Bhaskar Roy:** Next financial year when the production starts.
- Shekhar Swarup:** One point I just wanted to add to the back of the envelope calculation that I have offered, the purpose of setting up the plants is to convert as much alcohol to IMIL, it is not to sell bulk however as a conservative exercise I have suggested that we do the revenue calculation.
- Chirag Lodaya:** So currently in Bihar how we are sourcing...?
- Shekhar Swarup:** We are purchasing it, we are sending some from our plants as well.
- Chirag Lodaya:** So it is whole third-party at this point of time?



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- Shekhar Swarup:** Correct.
- Moderator:** Thank you. The next question is from the line of Neha Shah from Star Capital. Please go ahead.
- Neha Shah:** My question was related to the Haryana market. As you mentioned that it has bottomed out and it is growing good now, so just wanted to know do you see this kind of growth sustainable and what is the growth you are expecting in the rest of the year?
- Dr. Bhaskar Roy:** Actually the industry two years back was around 22-23 lakhs cases per month but due to some problem it came down to 15-16 lakhs cases per month. We have seen that it is again going back with the corrective actions taken by the government etc. It is going back, the industry is again going back to the market of 22-23 lakhs cases. Once it is fully going back to the capacity which is expected and there, then automatically the volumes of everybody in Haryana will grow up. So we are also expecting that volumes to go up and we are seeing that volumes will go up in this quarter itself.
- Neha Shah:** So it will be back to 22-23 lakhs you're saying?
- Dr. Bhaskar Roy:** Yes in the industry in Haryana.
- Shekhar Swarup:** We are hopeful of maintaining 10 to 15% kind of market share.
- Neha Shah:** I also wanted to understand about the Bihar market so as you have said that it is a deficit state and we have entered with a good volumes there, so like what kind of growth you are seeing in that market?
- Dr. Bhaskar Roy:** Actually if you see that in Bihar the material is coming from outside the state similarly in Bengal because in Bihar the mills which are there practically are from the sugar mills and distillery attached to the sugar mills which is nonoperational for 3 to 4 months and due to the molasses. Number two, with the ethanol story coming those distilleries are hopeful to go to the ethanol, the potable alcohol will be available with us and only another player, so it will be difficult for the existing players to sustain that.
- Neha Shah:** Anything you can give on the market share in Bihar like what kind of market share we are expecting by end of the year?
- Dr. Bhaskar Roy:** Actually told in the IMIL we have already got certain market share which is not going to change in next five years. Once you are in the spirit production it depends then what spirit production, how much you can have inner use by franchise bottling and rest how much you can sell as bulk. So we want that whatever is the franchise volumes were getting we have



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offers from, we have tied up with one company which will bottle with us but we are expecting may be it increases after we start the operation there so it will be more appropriate once we start the operations to give proper figure that these are doing accordingly.

Shekhar Swarup:

Just to come in over here and offer some statistics in Bihar across all the alcohol consumers which means country liquor and IMFL, it includes industrial applications as well but it does not include fuel ethanol. Across all these applications, the demand for alcohol in Bihar is close to 9 crore liters. The production of alcohol in Bihar is 3 crore liters which leads a deficit of 6 crore liters. Our alcohol production capacity in Bihar will be approximately 2.5 crore liters per year. In the case of West Bengal the total demand of alcohol excluding fuel including industrial country liquor and IMFL is 10 crore liters the total production in West Bengal is 2 crore liters which leads a deficit of nearly 8 crore liters per year in Bengal. However manufacturing capacity in West Bengal produce about around 3.5 crore liters per year.

Neha Shah:

When will this plant in West Bengal be commissioned?

Shekhar Swarup:

We are hopeful for both plants to be commissioned in the next financial year, certainly in the first half we are hopeful for Q1.

Neha Shah:

My last question is about our IMIL brand Nimboo just wanted to know how is it doing?

Shekhar Swarup:

Our IMIL business has done very well in this year. Rajasthan business the volumes are up very handsomely. This is on the back of couple of new brand launches we have had in Rajasthan namely, Nimboo was launched in Rajasthan late last. Of course the stars in Rajasthan remained our flagship Heer Ranjha and Ghoomar, these brands have really ruled in Rajasthan. In the case of Haryana, our Nimboo which was the first white spirit country liquor in the state of Haryana continues to enjoy dominant position in the white spirits segment in Haryana. The white spirits country liquor segment in Haryana like other white spirits is slightly seasonal and in the winter months the colored segment does better which of course we have products by the name of Narangi and Goldee. In the case of West Bengal, we are still in the process of firming up which brands will go there. Certainly a few of our North Indian brands will go there, flavors that we have worked on here are very interesting for that market. We are also looking at some lower strength products for West Bengal which are made specifically for the state. In case of Bihar, Dr. Roy would you like to update?

Dr. Bhaskar Roy:

In Bihar, there are two SKUs which have been allowed which is 200 ML and another is 400 ML bottle.

Moderator:

Thank you. The next question is follow up from the line of Harsh Mittal from Dimensional Securities. Please go ahead.



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- Harsh Mittal:** Can I get the breakup of IMIL sales in Rajasthan, Haryana, and Delhi markets in volumes?
- Dr. Bhaskar Roy:** For the half year volumes sold in Haryana is 11.41 lakhs, in Rajasthan it is 33.33 lakhs and in Delhi it is 3.63 lakhs and in Bihar 9.44 lakhs.
- Harsh Mittal:** Can I get the contribution margin for bulk alcohol?
- Dr. Bhaskar Roy:** Actually it is very difficult. I don't want to give any ballpark figure because we do not keep a record because the topline is there then we are segregating etc. in the downline we do not keep segmental records like that.
- Vishal:** Just to understand as you mentioned also on the call earlier that this move by the government to do the blending will increase bulk alcohol prices and all that. So can you give some kind of broad tentative or ballpark number what would be the change in the margins for the company?
- Shekhar Swarup:** Let me try to address that in a slightly different way, the price of alcohol offered by fuel companies works out to about Rs. 44-45 per liter for the distilleries producing from the molasses. Previously the same distilleries would sell this product at about Rs. 38. Therefore our average price has been Rs. 38 as well and in future we expect it to go closer to Rs. 43-44 thereby increasing our realizations by about 15-20% per liter. That is the kind of potential we see in increasing the price of alcohol. We are yet to see the beginning of that hopefully in the current quarter we should start seeing some increase in price. How that translates to EBITDA margin unfortunately we are unable to give you a precise calculation on that in this call.
- Vishal:** Can you help me with some more numbers, you mentioned bulk alcohol right now we are selling at roughly Rs. 40, so how much would be the grain cost involved in that how much would be the cost to convert grain into alcohol if you can help me with that number?
- Shekhar Swarup:** May I request that we possibly take on some other question because it may take some time and we could requests our IR agency to set up a call and give you some of these answers.
- Moderator:** Thank you. Ladies and gentlemen that was the last question I would now like to hand the floor over to the management for closing comments.
- Shekhar Swarup:** Thank you very much everyone for attending this call. We are looking forward to an exciting few quarters with our new projects and a good utilization of our existing facilities. Please be free to reach out to us directly or to our IR agency in case you have any questions. Thank you again and wish you all the best.
- Moderator:** Thank you on behalf of Four-S Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.