"Globus Spirits Limited Q3 FY 2019 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Globus Spirit Limited Q3 FY 2019 Earnings 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 that this conference is being recorded.

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 and good morning everyone. On behalf of the entire team at Globus Spirit and UNIBEV I would like to wish everyone a very Happy New Year. Thank you for joining us today at our Earnings Conference call for Q3 FY2019. Along with me we have on the call Mr. Vijay Kumar Rekhi Chairman UNIBEV, Dr. Bhaskar Roy COO at Globus Sprit, Mr. Ajay Goyal CFO at Globus Spirits and our investor relations team.

In the quarter gone by the company continue to deliver healthy performance in Q3 and through 9 months of FY19. Today we will take you through the key drivers of our performance. As you are aware the company was able to secure a 35 million liters of ethanol supply at price of Rs. 47.13 per liter for 9-month period commencing first of March. There was total of 204 million liter of grain-based ethanol that was committed from all grain distilleries in India for the same period. This was a milestone for the grain-based distilleries in the country as a lot of capacity has now found a pressure release. This has already started impacting prices of ENA positively. The government continues to drive the agenda of ethanol blending in fuel which provides fiscal relief to the country as well as helps in achieving green energy targets of the country.

During the quarter gone by we have also seen some pressure crop up on raw material prices. We believe the reason for this is mainly the unprecedented increase in MSP of paddy by 13% this year vis-à-vis a compounded growth in MSP of 3.2% between 2014 and 2018. In the interim budgets that was announced there are clear reason the expected growth in disposable income for the middle class as well as the rural sector. We believe this to be positive for our industry as will drive up volume for IMFL and IMIL business nation wide. With respect to updates in Bihar facility we are happy to announce that it has commenced operations in October 2018 for manufacturing of ENA and has stabilize well towards the end of the quarter. Our IMIL business saw progressive performance with all major states performing in line with our market share. With our continuous innovative approach, we continue to grow our brand presence in IMIL and focus on profitable and sustainable growth here.

Finally a little about UNIBEV Globus Spirits is an integral part of our business model and growth strategy. Here we are adopting a market-by-market approach of scaling up to business. The strategy is to allocate free cash flow from Globus into UNIBEV and now I would like to request Mr. Vijay Kumar Rekhi to please share an update on UNIBEV performance in the quarter gone by.

Vijay Kumar Rekhi: Thank you Shekhar. Good morning and Happy New Year to all. At UNIBEV our presence is in premium IMFL segment where we focus to build portfolio of premium niche brands in price segments which contributes maximum profits and currently only have two or three dominant brands. Premium IMFL is highly attractive segment accounting for over 45% of the total contribution of the industry with just 13% of the total volumes approximately 40 million cases and Rs. 2,425 crores gross profit. Indian premium alcohol market is growing at a steady CAGR of 8% in the last three years compared to a flattish performance of overall IMFL industry. Commenting on our footprint we have successfully expanded our footprints into Telangana and West Bengal during the quarter and we have experienced overwhelming response from both distributors and customers in both the states. We are in the process of registering our brand in other states in South and East.

In the next 6 to 9 months we expect our brands to be available in Andhra, Assam, Orissa. In Pondicherry also, we will be expanding our brand presence from premium brandy alone with our whisky Oakton and Governor's Reserves. We also intend to launch a super-premium whisky by the end of this financial year. We have so far clocked a sales of 12,128 cases in 9 months FY19 which is as per our internal expectations. The industry is experiencing tremendous opportunity in the premium segment and we at UNIBEV are preparing ourselves to be a part of this growth journey. With our strong brand acceptance industry experience in continues innovation we strongly believe UNIBEV is poised to march towards the path of success. I now request Dr. Bhaskar Roy to share operational performance of Globus Spirit.

Bhaskar Roy: Thank you Mr. Rekhi good morning and warm welcome to everyone. I will share the operational performance of the company. During the quarter ended December 31st, 2018 as highlighted earlier our performance was buoyant on account of improved realizations, steady growth in the consumer business. Globus Spirit standalone reported a healthy growth of 16% year-on-year in the top line at Rs. 261 crores during Quarter 3 FY19. Along with significant growth in operating profit which was backed by reduction in other expenditure and better operating efficiency.

In addition to this, we have further strengthened our balance sheet by repayment of Rs. 34 crores during the quarter. Manufacturing business which primary comprises of bulk alcohol grew at 19% top line growth during Quarter 3 FY19. Contribution of consumer and manufacturing business during the quarter stood at 41% and 59% respectively. Capacity utilization during the quarter was 88% inclusive of Bihar facility which commenced in operation in October 2018. Growth in alcohol revenue stood at 19% year-on-year and 22% quarter-on-quarter for Q3 FY19. Growth in volumes has driven by higher utilization of capacities. Franchise IMFL volume stood at 1.26 million cases in Q3 FY19 compared to 0.87 million cases in the corresponding quarter of last year led by strong growth in volumes in West Bengal.

IMIL volumes stood at 3.08 million cases during the quarter reduced by 4% against the same period last year impacted by lower volumes in Haryana which in turn was led by steep competition and presence of dominating unorganized market. 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 grew at 11% year-on-year and we envisage this growth momentum to continue 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 morning everyone. I will take you through the key financial highlights for the quarter ended December 31st 2018. For Q3 FY19 gross revenue stood at Rs. 2783 million a growth of 14% year-on-year. EBITDA came in at Rs. 250 million with EBITDA margin at 9.6%. We witnessed a sharp increase in our other income business this quarter which consists of Rs.35 million EFCG refund. The company has approximately Rs. 97.5 million in EPCG refund and subsidies that remain receivable. Our Q3 FY19 performance as compared to Q2 FY19 grew by 14% in revenue from operations. The revenues from manufacturing business stood at 59% in Q3 FY19 compared to 56% in Q2 FY19. The share of high contributing consumer business stood at 41% compared to 44% in Q2 FY19. Profit after tax during the quarter stood at Rs. 58 million in Q3 FY19.

Moving to product line wise performance in Q3 FY19 we sold 3.08 million cases of IMIL with an average realization of Rs. 341 per case in franchise IMFL business the aggregate volume for the quarter was 1.26 million cases out of this 0.37 million cases pertain to bottling done by ABD in Rajasthan 0.33 million bottling done for sales in Haryana and the remaining 0.55 million cases bottling done for sales investment. Our bulk sale call volumes stood at 25.2 million bulk liter in Q3 FY19 compared to 21.5 million bulk liter in Q3 FY 18. The total revenue from manufacturing stood at Rs. 1518 million in the quarter while the revenue from consumer business stood at Rs.105 million. The total outstanding debts as on December 31st 2018 stood at Rs. 2080 million. We have repaid Rs. 285 million till 31st December which includes rupees 67.5 million towards the prepayment of our existing term loans. This concludes my remarks on the financial highlights I would now request the moderator to open the forum for questions. Thank you

Moderator: Thank you very much. The first question is from the line of Abneesh Roy from Edelweiss Capital Services Private Limited. Please go ahead.

Abneesh Roy: My first question is on the Bihar facility you have said that 50% of the ethanol we produce from there, so which states essentially the neighboring Bengal and Jharkhand those markets will be targeted for this?

Management: So ethanol supplies from Bihar will go into mainly it is within Bihar honestly Patna and few other locations and some to West Bengal and some to Jharkhand.

Abneesh Roy: And how would the margins would be because within Bihar obviously it will be not for liquor so how do the margins compare when you supply to liquor and when you supply for non liquor are the margins similar?

Management: Currently the margins in neutral alcohol for portable applications or the margins are little bit higher than that of ethanol, but we believe over the course of the year it will be pretty much average out to be about the same.

Abneesh Roy: And on UNIBEV expansion into Bengal so in Bengal what we are hearing the taxation and distribution challenges are there, so in that context how do you see the volume growth for your current business at UNIBEV?

Management: I am sorry are you asking about volume growth for UNIBEV or for the neutral alcohol business in West Bengal?

Abneesh Roy: For both because what we are hearing challenges are increasing in that market?

Management: So let me take the question on neutral alcohol and then pass on to Mr. Rekhi to answer for. So even today there are two distilleries operating in West Bengal it is combined capacity of about 7 crores liters per year. Despite that there is import of ENA from neighboring states to the tune of about 6 crores liter per year. So when it comes to neutral alcohol the market is quite large the market remains a deficit market for neutral alcohol and as a result we have not opted to supply ethanol from a West Bengal facility we are focusing on ENA. So I do not see any challenges on that front at all. Coming to country liquor in West Bengal the challenges there are largely growing distribution, growing brand awareness which is slightly longer term play and we remain committed to that and as the brand sort of is exposed to consumer and distribution grows we will start seeing success there too. With regard to the IMFL launch in West Bengal Mr. Vijay Kumar Rekhi could you please share some light on that.

Vijay Kumar Rekhi: First of all an overall statement as far as liquor products in general will be bear or IMFL or any other type of liquor including country liquor there are always challenges because each state has its own policies with regard to excise, pricing and the pattern of distribution, but coming specifically to West Bengal as far as UNIBEV is concerned it has met with no surprises specifically with regard to excise policy. We have been able to register our brands, we have been able to distribute the brands to the government corporation centrally as well as in the various depos approximately I think 28 of them spread all over the state. Our products have been well received and we are in the process of expanding our distributions on premises and off premises and also geographically going from most volume-oriented depos to the peripheral ones which also hold some volume potential for us. Overall premium products are well accepted in West Bengal and there are no particular challenges which I can identify at this point of time.

Abneesh Roy: My last question is on the Q4, Q1 getting impacted by the elections. So other companies have said there can dry days and there can be disruptions in the trade based on the election activity so in your case because you are more at the lower end are things bit different especially given now that next 2, 3 months Rs. 4,000 as proposed in the budget two tranches of that will come to the farmers, so does that benefit in terms of consumption?

Management: Certainly consumption of IMIL and IMFL specially price points up to Rs. 800, 900 bottle may be may be Rs. 600, 700 a bottle for Delhi and Haryana terms. Our markets that see huge volume increase in the years that disposable income is increased for the relevant [19:46]. We believe that this year will be a very good volume growth here for the industry. As for the question on elections Abneesh it does pose logistical challenges, there will be dry days, there will be scrutiny at various border crossings and the street crossing, but beyond that from a business point we do not see this as a threat of any sort.

Moderator: The next question is from the line of Vikram Kotak from Crest Capital. Please go ahead.

Vikram Kotak: I just have question on the IMFL strategy when Shekhar you mentioned in the call that you are going state by state by taking approach Mr. Rekhi can you tell in next two and half years how many products you are planning to launch and how many state you want to cover and what is the big rational behind the strategy?

Management: Of course Mr. Rekhi will shed more light on this, but I just want to set a preamble perhaps UNIBEV is a very important business for Globus Spirits. We have been invested considerable amount of time, effort and also this year onwards some part of our free cash flows well into the business. We are equipped with a good team in UNIBEV experience teams that has the ability to identify opportunities basis analytics that are conducted, has the ability to set up distribution relationship in more states basis their contacts and relationship and the brands are really gaining traction based on of course their own merit the quality of the brand and the quality of packaging as well as this relationship. Mr. Rekhi could you please perhaps talk a little bit about the launch and distribution strategy that Vikram was asking about.

Vijay Kumar Rekhi: First of all, we believe there are ample opportunity for new brand to come in because the two multinational who got lot of brand in the marketplace you know there are always distribution gaps available, but that apart the premium segment of these two multinational companies are growing in the same proportion as I mentioned in my note. We have identified out of 28 states and 7, 8 union territories. The states and territories which are contributing 80% plus minus of the total profitability or the contribution cake of the industry and being a startup being a new entrant we have to go straight by straight for two reasons. One is to ensure consistent quality second is to back up production. So as a matter of strategy we have decided only to be sourced out of one production unit so that we can control all the variables of production and quality remains consistent going forward and as far as distributing in various states is concerned because of the fact that each states has its own procedure to be registered as IMFL or brand supplier formalities have to be coterminous either with the excise or based on our own ability to service a market. Distribution of premium products is laborious in the sense that we have to first arrange for placement in the outlets where these products have got traction and secondly to overcome the challenges posed by the completion, but we also believe the upside is that only two companies with two, three brands in the price segments we are playing along cannot remain indefinitely leaders or dominant players in that price segment and there is an opportunity for us to build not only volumes, but to contribution as well.

As far as product variety is concerned, we will have three to four premium IMFL whisky and one or two brandies and then maybe we would look at other categories like Rum which is about very small premium markets mostly through the presence of Bacardi in that price segment and vodka. So we have plans to be indeed majors "flavors" of IMFL in the 15 or 16 states we have chosen out of 28 nationally available for distribution and 7 union territories.

Vikram Kotak: So Mr. Rekhi in two, three years' time you will be able to cover all the 15 regions which you decided extensively right in next two to three years right?

Management: No sir we will be out in the 16 states by the middle of this year itself.

Vikram Kotak: And all the products which you mentioned will take what a year or so to kind of get into all the markets?

Vijay Kumar Rekhi: See it is a slow burn in the sense we are not already present like a various other companies in the distribution chain. Though we have experience executives and field force the shear fact of distributing physically the products is a process of time. So even though we would be able to open all the 16 states out of which I think professional 5 or 6 are already operational. It is a process of time by the end or by the start of the festival season which starts with Ganesh Chaturthi we should be present in 50% to 60% of the relevant outlet so that is a good sign.

Vikarm Kotak: And Shekhar I must congratulate on the strategy of using free cash flow to expand UNIBEV and also prudently reaping the debt so I think it is very commendable.

Moderator: The next question is from the line of Abhishek Agarwal from Prithvi Finrmart Private Limited. Please go ahead.

Abhishek Agarwal: My question is what is the capacity utilization in Bihar?

Management: Our facility in Bihar started operation in October and we were able to stabilize the facility the supply chain as well as the sales towards the end of the quarter and our overall capacity utilization is about 88% including all the other factors. So going forward into the next few quarter I think we would be seeing over 90% capacity utilization. In Q3 the capacity utilization certainly was not at that level.

Abhishek Agarwal: Sir you are saying 90% utilization for the Bihar capacity or overall?

Management: For all our facilities that is our sort of optimum levels and a level that we have sort of shown that we can operate these capacities.

Abhishek Agarwal: Sir why I am asking this Bihar capacity utilization particularly because I want to understand whether Bihar has breakeven at current capacity or if not breakeven at what capacity it will breakeven at EBITDA level?

Management: It is difficult for me to give that number with precision right now, but as a thumb rule above 60% capacity is profitable and Bihar was at that level in Q3, but optimum utilization is done over 80% and in the quarters that are coming now with the ethanol tender coming into effect in Q4 we would certainly be able to maintain 90% in that.

Abhishek Agarwal: And sir Bihar facility breakeven at the EBITDA level in this quarter?

Ajay Goyal: Bihar this quarter basically you know the utilization is quite less the way we have told the overall capacity utilization was low because we just started a plant and we are in the process of streamlining the various channels so the capacity utilization was quite low in Quarter 3, but now everything is in place and from Q4 onwards Bihar utilization as Shekher told we have overall target of more than 90% capacity utilization across all the plants.

Abhishek Agarwal: My specific question is whether we have touched Bihar breakeven at the EBITDA level or not?

Management: Not yet in Q3.

Abhishek Agarwal: So it is possible to breakeven at Quarter 4?

Management: Yes with the enhanced capacity utilization it will be EBITDA per se.

Abhishek Agarwal: What is the ethanol realization as you said that 47.13 paisa something so what is the ENA realization in Bihar it is around 40 if I am not wrong so there is a gap of 7.

Management: ENA realization in Bihar in Q3 was about Rs. 48. Currently it is at about Rs. 50, Rs.51 and we believe the current levels will sustain in the next few quarters.

Abhishek Agarwal: So then we will get benefit from when we start selling ethanol from the Bihar capacity because already we are getting Rs. 47 how we will get the increment benefit in the Bihar capacity then?

Management: The incremental benefit will come in form of capacity utilization.

Abhishek Agarwal: Not from the realization.

Management: At the same realization you would be selling your entire capacity if we did not have ethanol at this realization, we would not be able to sell our entire capacity.

Abhishek Agarwal: Last thing if you look at our overall performance at the EBITDA level is not even half compared to the first quarter and it is at the same level of Quarter 2 so what is the reason for subdued performance in this quarter?

Management: I think there is some misunderstanding Ajay ji could you please go through the numbers.

Ajay Goyal: See numbers basically this quarter there is no subdue growth in the revenue compared to the Quarter 2 and there is an improvement in the EBITDA margin.

Management: I have figure so like definitely there is a growth in the revenue around 12%, but if I exclude your other operating income of around 35 million as you said, so our EBITDA is coming around 20 crores compared to EBITDA of 19 crores.

Ajay Goyal: 22 crores EBITDA if you exclude the other non-operating income 22 crores.

Abhishek Agarwal: And our EBITDA margin is around 7.6, 7.7 so is the same range of the Quarter 2 our Bihar capacity started and thing is going well and think of Quarter 2 always is a subdued quarter for us. So I think Quarter three should be the improved quarter for us, but still we are seeing that it is small level of the Quarter 2 that is my question that why performance is not better than the Quarter 2?

Management: It is definitely better than the Quarter 2 because in the Quarter 2 the EBITDA was around 17 crores which is 25 crores if you minus 3 crores also the non-operating income then also it will be 22 crores and if you see the quarter etcetera with the Bihar thing we have started only and it was stabilized in the month of December properly which is now running at a proper facility from January onwards. So with the things happening definitely in Quarter 4 you will see much better with a percentage and realization.

Abhishek: One last thing can we see more off take for the ethanol this year.

Moderator: The next question is from the line of Ravinder Singh who is an Individual Investor. Please go ahead.

Ravinder Singh: I am just looking forward to the expectation in terms of EBITDA margin in FY20 with ethanol supply coming in and also Bihar capacity increasing up?

Management: It is difficult for us to give a projection for our EBITDA margins, but let me put it this way that our Q4 is going to be the first quarter where we will see high capacity utilization at Bihar earlier today we have already mentioned that Bihar started in Q3 however capacity utilizations were low and the facility adding breakeven at the EBITDA level. So considering that there is going to be improvement certainly in the margins, but we are not in a position to give any indication on what our margins will be in Q4 or in the next financial year.

Ravinder Singh: Actually, post June quarter I came to know I read some of the articles where you were confident to achieve EBITDA of 12%, but because of certain reasons that was not done, but I am hopeful that companies get back on track so thank you for attending my question. My last question is regarding the debt management so how company is planning in terms of quantum of debt to reduce in coming FY20?

Management: In terms debt management in our presentation we have already given that indication that we have already repaid Rs. 6.75 crores which were due in Q4 and part of in Q1. Now the repayment in the coming financial year is Rs. 287.5 million which is we are quite sure which will be paid in due course of time.

Management: Our current debt to EBITDA levels are about 2.3 to 2.4 times EBITDA which have come down over the last few years from 4.5 times debt to EBITDA so I think we are at a very manageable level. The other point that you raised about the company's margin being on track well the company is performing quite well if I may say so. There are margins pressures that come up from time-to-time especially when you have a facility that has not been operating and manpower and the team had to be in place. We are also hopeful as you are of reaching high EBITDA margins, but the company is very much on track and performing as per expectations.

Moderator: The next question is from the line of Chinmaya Garg from Dron Capital Private Limited. Please go ahead.

Chinmaya Garg: I had two questions. First is I mean I have seen there have been a lot of discussion around Bihar but what is the ideal revenue that you can get at 90% capacity utilization from Bihar in any sample it does not need to know when it will be achieved?

Management: That is a pretty straight forward calculation the capacity at Bihar is 80,000 liters per day and we will run this capacity about 340 days in a year. We have ENA or ethanol which is most of the revenue will fetch us between Rs. 47 and Rs. 50 a liter plus DDGS yet but there will be co2 coming in Bihar. Ajay ji what is the DDGS in co2 revenue expected from an 80 kl plant?

Ajay: It will be somewhere around Rs. 15 crores at 90% capacity utilization 15 crores for DDGS and C02 and 125 crores basically for the split ENA, ethanol etcetera. So overall basically revenue target would be 140 crores from Bihar at 90%.

Chinmaya Garg: And add that capacity ad at Rs. 50 of price it is just mathematical what margin would you make I am giving you the price the mathematic will take away the price later?

Management: It really depends on the grain price.

Chinmaya Garg: So what does this typically vary between at full capacity?

Management: The margins.

Chinmaya Garg: Yes.

Management: It will vary between Rs. 4 and Rs.6 a liter.

Chinmaya Garg: Second question is on UNIBEV now that the business is looking like gaining some traction why would you choose to only fund it from Globus Spirit cash flow why would you not choose to maybe somehow raise external capital to hasten some marketing spent it is a startup I am sure there is lot of startup funding available in this country, do you have thoughts around that line the taking external money may be diluting a bit of stake at UNIBEV level and seeing to it that the growth gets hassle rated.

Management: These discussions have been on our mind and to be honest we are to put it very simply we are not opposed to all forms of capital raise options, but we have to sort of walk to find line between A UNIBEV ability to deploy capital raise rapidly B maintain a enough shareholding in UNIBEV so that shareholders of UNIBEV namely 90% of it is Globus Spirits and 10% is the management at UNIBEV they also get their growth in value. We are not opposed to opportunities, but we need to work that balance between when capital is raised and we funded from internal accruals.

Chinmaya Garg: My final question is do you think the growth in Haryana is bottomed out the volume is Haryana or it can still get go down IMIL volume?

Management: The market share in there has remained pretty flat the problem there has been de growth in the industry and we believe that it has bottomed out, there is a very small market that is there which is available for organized players such as ourselves to play in. I think it will only go up from here. The question remains when.

Moderator: The next question is from the line of Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: So this OMC contract of 35 million liters so you are already at a 88% utilization so this a lot of the supplier will have to come from you are diverting your existing suppliers to OMCs, so is the contract they are enumerative enough for you to kind of shift the earlier supplies to this contract?

Management: So 50% of our Haryana capacity will go into ethanol 45% to 50% and about 70% to 80% of our Bihar capacity will go on to ethanol. The Bihar capacity utilization in the last quarter was very little as we have mentioned already. So most of that ethanol supply that is coming from Bihar will be additional capacity. In Samalkha in Haryana 50% is going to get diverted and that extent it is quite fairly remunerative.

Arnab Mitra: Is there any input cost pressure that you see foresee or you are seeing now which could put a near term pressure on margins or are the grains prices reasonable steady as we speak?

Management: As I had highlighted in my opening remarks that an increase in MSP of paddy as well as of some other grains and this has driven up cost. We are able to offset our cost on ENA sales as well as to some extent in country liquor. Ethanol is a place where we will not be able to offset our cost increases. So to that extent the margins will probably come a little bit under pressure, but on an overall sort of consolidated level I do not see it affecting too much of the margins as now.

Moderator: The next question is from the line of Avi Mehta from India Infoline. Please go ahead.

Avi Mehta: Just a follow up I joined a little late I just wanted to understand this ENA price movement the average realization you have mentioned has been around 45 bugs or so how is it trended in this Jan period if you could share that?

Management: We have seen towards the end of last quarter and coming into the next quarter ENA prices have been going up. So it has gone up by around 10% to 12% since then and some of that are increased has also been off-setted by the increase in raw material prices.

Avi Mehta: I mean if I look at it, it is like 10% to 12% would it fair to say ENA prices probably are exceeding what you make from ethanol?

Management: Currently ENA prices are higher than that of ethanol.

Avi Mehta: And do you think that situation that will correct which is why from an ethanol kind of diversion point of view?

Management: The thing is it is sort of chicken and egg kind of situation if it has not been for ethanol even alcohol being diverted to ethanol we would not have seen this 12% increase and now that we have seen this 12% increase ENA is more remunerative than ethanol, but if we do choose to divert ethanol into ENA again the prices of ENA will come down. So the right way to look at this is a basket play and not a play which is completely sort of fungible.

Avi Mehta: The last bit for my end is on UNIBEV you have gone ahead and meet new launches in Telangana and West Bengal from the existing that you had done, just wanted to understand how is the competitor pressure playing out because I hear a lot of other players also trying to get into the prestige category by doing new launches although they are doing it in some select states like you are how do you think this will kind of expand do you think you are looking at regional monopoly kind of happening in the prestige segment how should I look at this?

Vijay Kumar Rekhi: Well let me put it this way that there will be competition and we have to make sure that we have a unique selling proposition which attracts the consumers to franchise our product, but that is only one of the pillars. Apart from that adequate distribution, exposure of the product on various media, selected media for the consumer to be knowledgeable about our product and product comparing no less and in fact better than what the competition offers. So we are one of the candidates amongst let us say various types of brand to be franchise and therefore the biggest factor would be going in our favor would be the USP been able to create.

Avi Mehta: No sir my question is not that you know what I am trying to understand is see you have a very strong back end support in West Bengal and you are kind of doing very well your performance is kind of doing great in the other state as well. My question is that you see some other players, your other competitors doing a similar kind of expansion into one state like you trying to go into the prestige category now does that mean that each region will have let us say one particular region has prestige very strong in that player or do you think these are we would be able to kind of still get over these initial gains that other players might have made in some other states?

Management: Let me flip your question we would like to be present in the 16 most profitable states by having selective distribution and having a USP of our own we would experience sales force that is what sets us apart from what other regional players maybe wanting to do, but the fact of the life is that in some states you will become a favorite product for some in explicable reasons consumer just takes fancy and this word of mouth in a particular state you might have a better reception vis-à-vis the others, but our endeavor would be that we would like to penetrate in all the states with equal force and with all the variables in the basket so that we get the preference over the existing products available in the market will there be from market leader or from regional competitors.

Management: I just want to add something to what Mr. Rekhi said the UNIBEV business model unlike some of the other business models of other startups in other industries that we have seen is not one where the company needs to be number one player in every state in order to be profitable. There is 2420 crores of gross profit available in the premium IMFL business. If we are able to attract

10% of that share it is 242 crores of gross profit granted that it is gross profit and not EBITDA, but yet even at 10% levels the company would be quite profitable at the EBITDA level. When a market is growing when a newer market such as premium IMFL has started to grow on the last three years or four years and there are new brands coming in. In the lifecycle of the brand you might have certain pockets where the market share is very high in some pockets of the market share are very feeble, but as the life cycle of the brand sort of gets more mature that sort of start getting ironed out.

Avi Mehta: Where I was coming from Shekhar I mean I was not talking about our existing prestige player it is an existing national player who is trying to make strides into the prestige segment and I was just trying to kind of see distribution as one strength, manufacturing as another strength product is another strength as you highlighted. I just thought I just wanted to kind of understand that how we will penetrate other regions wherein there is entrenched player that is where I was coming from but thanks this helps it.

Management: The market is quite large there is place for everybody we welcome competition because it migrates more consumers from other segment into our segment. I do not see this as a threat to UNIBEV at all.

Avi Mehta: Sorry just a clarification this ENA price that highlighted 10% up is that a seasonal thing no that is the case I just wanted to kind of clear about that as well?

Management: This 10% hike we have seen largely because of very sizable quantities of grain ethanol 204 million liters have been committed into fuel ethanol over the course of this quarter Q4 as well as next year and capacities have started drying up because of that lot of the IMFL players who depend on grain distilleries for their supplies are look to shore up their contract and as a result we have seen this price increase.

Moderator: The next question is from the line of Krati from Perpetuity Funds. Please go ahead.

Participant: I have a question on a IMIL business a market share in Rajasthan has reduced from 32% to almost 29% in the last three quarters, so is there any new competition or what are the challenges which the company is facing there?

Management: The challenge in Rajasthan was that the state-owned distiller was able to secure some quite cheap spirit during this last quarter and as a result their competitive pressure increased with the state bottle Rajasthan state Ganganagar sugar mills do not produce their own neutral alcohol they have to purchase it from elsewhere. So there was a period in the last quarter with some distilleries in Haryana and Punjab who were holding stocks of ENA and had to clear their inventories in order to get ready for ethanol. We were able to sort of dispose of this in Rajasthan at very low prices. Coming into this quarter where prices of ENA have gone up in all states we have already seen that pressure change. So it was we believe our one off episode in fact our Jan exit market share is well above 32% again.

Moderator: As there are no further questions, I would like to hand the conference over to Mr. Shekhar Swarup for closing comments.

Shekhar Swarup: Thank you so much for attending our conference call today. Please do feel free to reach to us in case we have not been able to address your query either directly to us or to our investor relation team Stellar Advisors. Thank you so much.

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