



“Globus Spirits Limited  
Q2FY21 Results Conference Call”

November 11, 2020



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*Globus Spirits Limited*  
*November 11, 2020*

**Moderator:**

Ladies and gentlemen, good day and welcome to the Globus Spirits Limited Q2FY21 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 this conference is being recorded. I now hand the conference over to Mr. Shekhar Swarup, Joint Managing Director – Globus Spirits Limited. Thank you and over to you Sir!

**Shekhar Swarup:**

Good morning everyone. Thank you for joining us on the call to discuss our performance in the quarter and half-year ending September 30, 2020. Our team is on the call today, Mr. Vijay Rekhi, Chairman Unibev, Dr. Bhaskar Roy, Chief Operating Officer, Globus Spirits along with our Investor Relations team.

I trust that everyone on this call is safe and healthy. With lockdown easing and largely the thing of the past in our markets we are encouraged by the recovery of consumptions especially in rural and semi-urban areas and at products of low-price points. We have also achieved near normal levels of operations across all of our states and our factories. As a result, we have been able to deliver a good set of numbers in this quarter and I would now like to take you through each of our business segments.

**Bulk Alcohol**, the Government continues to push towards ethanol blending, ENA manufacturers have continued to demonstrate due to reduction of excess supply of ENA in the market. For the quarter ended September 30, 2020, we sold 28.3 million bulk liters as compared to 25.6 million bulk liters in the same period last year and 20.6 million bulk liters in Q1FY21.

Bulk alcohol realizations continued to be stronger Rs. 53 per liter as against Rs 50 per liter in Q2FY20, up by about 6% y-o-y. Soft raw material prices and low fuel costs coupled with improvement in our consumer business has led to significant improvement in margins in this period. We believe that the structural change due to a significant ethanol offtake has increased our margins for a long period of time.

Our free cash flow generation too received a fillip due to aforementioned reasons and we believe our operational powers for operating factories for longer days compared to competitors and recovering higher amount of alcohol for each consummated raw material will help us to deliver good performance in future.



*Globus Spirits Limited*  
*November 11, 2020*

**Consumer segment**, country liquor or IMIL segments, the emergence of an hour glass shaped market that we alluded to in the previous calls continues to be playing out and our strong presence in IMIL segment as well as the nascent and upcoming position at the top end of the spectrum through Unibev will be extremely beneficial for Globus Spirits in the short run as well as in the long run.

In the country liquor segments, Haryana and Rajasthan have posted strong recovery on the back of opening up of the states, economy post COVID-19 restrictions. In Rajasthan our market share continues to remain strong and our volume grew as market has grown in the last quarter. The key performing states has been Haryana with tighter controls on regulation of alcohol and clamp down illicit alcohol. We have seen industry come back to its actual level and our market share gaining as well resulting in a double increase in volumes. In Haryana we have increased our volume from 0.35 million cases in Q2FY20 to 2.68 million cases in Q2FY21 which is 127% y-o-y growth.

I would like to talk a little bit about on other updates. We continue to focus as always on cost rationalization, debt reduction, and increasing the strength of our balance sheet. We are confident that the recent strides we have made both in terms of operation as well as financial performance augurs well for forthcoming quarters and we are well poised to take advantage of the changes happening in the IMFL and IMIL market and an hour glass shaped business.

We are also in process of merging Unibev with Globus. This is a process that is on, we have received certain clearances and a few other clearances in NCLT are pending and we expect this to be completed towards the end of this year.

At this point, I request Mr. Rekhi to talk a little more Unibev. Thank you.

**Vijay Rekhi:**

Thank you Shekar. Good morning to everyone and welcome to the earnings call. As we have updated you, Unibev has established its presence in Pondicherry, Karnataka, Telangana in the South, West Bengal in the East, Andhra Pradesh also in the south, Chhattisgarh in the East, Odisha in the East, Maharashtra in the West, Goa in the West; however on account of COVID-19 pandemic, our plans to expand presence in 5 more states are being rescheduled as our volume at the top of the product pyramid are yet to recover.

For now, we are working towards launching products in one more state in the next 2 - 3 weeks in fact the deliveries are about to take off. On the trading side, Unibev's primary sales for Q1FY21 stood at 91% the same quarter in the previous year despite retail point of



*Globus Spirits Limited*  
*November 11, 2020*

sale not operating fully and considering disturbed trading conditions due to increase in excise duties by most of the states. We have continued this trajectory of growth and have posted a growth of almost 36% y-o-y for H1FY21 in primary sales.

It is also heartening to note for Unibev that its secondary sales have grown about over 26% in the same period indicating an increase in on ground consumption. Our existing brands Oakton and L'Affaire have demonstrated strong growth in H1FY21 over the same period last year. In the wake of challenging trading environment, we have had to ensure that we are prudent with all investments on expansion. Our product launch of Seven Heaven blended with up to 21-year-old scotch is on track and this will be introduced in premium outlets in selected states based on profit salience.

At Unibev, our focus is to ensure longevity of operations and we believe that our patient approach and deliberate approach in these markets will help us in the long run and also help our entry to the new markets to get attention of the consumer the products deserve.

We will continue working with philosophy and placing ourselves in terms of new launches. I now request Dr. Bhaskar Roy to share operations performance for Globus Spirits. Thank you.

**Bhaskar Roy:**

Thank you Mr. Rekhi. Good morning everyone. I will now share operational and financial performance of the company. During Q2FY21 the capacity utilization increased to 95% as against 83% in Q2FY20 and 59% in Q1FY21. We are pleased to report that we are not only improved on a sequential basis but have also surpassed on utilization rate in comparison to the previous year.

IMIL volumes stood at 3.35 million cases in Q2FY21 compared to 2.71 million cases in Q2FY20 and 2.02 million cases in the previous quarter. The average realizations increased for the quarter stood at Rs.410 per case as against Rs. 381 per case comparatively in Q2FY20.

**Shekhar Swarup:**

The franchisee volume in Q2FY21 stood at 1.04 million cases as compared to 0.98 million cases in Q2FY20. Bulk alcohol volumes sold for Q2FY21 stood at 28.34 million liters as compared to 25.64 million liters in Q2FY20.

The revenue mix between manufacturing segment and consumer segment on y-o-y basis so change with consumer segment increasing from 38% to 42% in Q2FY21 on the back of growth in both volumes and realization.



*Globus Spirits Limited*  
*November 11, 2020*

Some key financials for half year ended and quarter and then September 30. During Q2 FY21 standalone total income between of excise duty was reported at Rs 3,298 million as against Rs.2,728 million in Q2FY20 a growth 20% on y-o-y. For H1FY21 revenue was Rs 5,600 million, a marginal fall of 1.7% y-o-y despite the lockdowns that took place in April and May. As explained earlier, we were aided by several tailwinds in the industry and as a result our EBITDA almost doubled Rs. 659 million in Q2FY21 as against to be Rs. 327 million in the same period last year.

EBITDA margin expanded by 800 bps from 12% in Q2FY20 to 20% in Q2FY21. This is primarily attributable to higher bulk realizations due to the structural change spoken about earlier and softer raw material prices and saving on fuel.

In H1FY21 EBITDA stood at Rs 1,075 million accounting for margin of 19.2%. The significantly expanded EBITDA translated into a strong growth in our PAT that came in at Rs. 357 million for Q2FY21 as compared to Rs 137 million in Q2FY20, which is a growth of 162% y-o-y for H1FY21 PAT was Rs 558 million a PAT margin of 10%.

With enhanced free cash flow generation, our debt reduction drive is ongoing and we have done well, and we are on course to repay debt as scheduled for the current fiscal. This will aid our reduction in finance cost as well.

This concludes financial highlights and request the moderator to open the forum for questions. Thank you.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Nitin Awasthi from East India Securities. Please go ahead.

**Nitin Awasthi:**

Firstly, congratulations on a great set of numbers and the amazing performance of the company has delivered. Just had a few questions on few various topics actually, I will just go through them separately one by one. Firstly, with this election in Bihar there has been a lot of talk of removing the prohibition executed by the stated by government out there because of a various reasons, you know financially it is affecting the state badly and it is not actually working, there is a lot of illicit liquor that is coming in and you would have a closer ear to the ground so just your thought on the same. Is there anything positive or any signs of reversal sir?



*Globus Spirits Limited*  
*November 11, 2020*

**Shekhar Swarup:**

So, you know anything that I may say is near speculation, political government will be formed they will then decide what is best for the state, all those facts mentioned by you are reported in the press and we see these as well and over the long-term we remain very so that the ambition will be reversed to Bihar it needs to be for the good of the states. Whether it is going to happen with new government being formed now is something that I cannot say.

**Nitin Awasthi:**

Secondly a lot of players in West Bengal are looking at moving and expanding their operations to Jharkhand so it is not a very talked about market so if you could shed some light upon is it a very strong IMIL market and is that the reason many peers are looking at it, is it underpenetrated, what is the opportunity, what is the size of the market, what is the company's focus on Jharkhand?

**Shekhar Swarup:**

The company, you know does not classify Jharkhand as a priority state for setting up alcohol capacity. It is not a spirit deficit state. There is surplus spirit alcohol in Jharkhand. Of course, if you add up to Jharkhand ethanol requirement, then it is not surplus, but from portable alcohol standpoint there is sufficient capacity in Jharkhand. In terms of IMIL, IMFL it a small market and it is not a priority states for Globus currently. I cannot comment on other people in West Bengal wanting to look at it.

**Nitin Awasthi:**

The government has taken out very good policies for all the ethanol manufactures and what they have said particular is that they will not just rely on sugarcane and ethanol made from sugarcane. They will also be looking at everybody in parity who will making ethanol from even grain so that would include you, which is very good move from that side now they have also stated that they are ready to give soft loans to company to set up fresh capacity to expand the capacity to meet this huge ethanol blending requirement. So, your views on Globus looking at expansion given this opportunity from the government and this pushed on the government coming your way?

**Shekhar Swarup:**

For Globus Spirits setting up capacity has always been a way of getting access to the low priced consumer business of the states whether it is Rajasthan, Haryana or West Bengal, the real reason for setting up capacity is to capture the low end consumer business, which is typically not serviceable of without local capacities, without capacity within the state and whilst we creates and grow a distribution it is good to have a profitable bulk alcohol business that pay the bills and we find that spirit deficit states are ones that give us the largest margin on alcohol whilst we are building our consumer business. So, there are some low hanging fruits. We are expanding our capacity in West Bengal to some extent, but you know further Greenfield projects at that moment have not still evaluated at by the company.



*Globus Spirits Limited*  
*November 11, 2020*

**Nitin Awasthi:** Sir lastly just on the raw material side, if you could just highlight how was the pricing be and how would you foresee it in the future?

**Shekhar Swarup:** Before I answer that I would so want to highlight that I speak of structural change in the alcohol business due to high ethanol lifting especially from green based raw material. What that has done is given us control on the margins. It is not only expanded our margins, but it is given us control on margins. So, any change in raw material prices upwards or downwards, we believe that now the margins that we are enjoying will remain stable. The caveat to this is the extent of our ethanol business, which is a single priced for the entire year as well as our consumer business, which is also single price for the entire year, but having a flexible price ENA business on the side allows us to pass on cost increases that come and go over the year. So now specifically about how our raw material is looking, we believe that basis all the advanced data that Government of India has released rice cultivation is at its peak. We believe that raw material prices will remain soft for the next year.

**Nitin Awasthi:** Thank you so much for patiently answering all the questions that I had. That is all from side.

**Moderator:** Thank you. The next question is from the line of Vivek Shah an Individual Investor. Please go ahead.

**Vivek Shah:** Sir could you guide us, the effective Tax rate going forward because we see that you know on q-o-q there has been a quite a bit of change?

**Shekhar Swarup:** We expect our tax rates to be around 28% to 30% going forward largely due to benefit that we are getting from our power section that allows us to keep a tax little bit lower than others. I hope that answers your question.

**Vivek Shah:** My second question is Sir this quarter's growth if you have to attribute the growth and split it between volume versus higher ENA relation was the softer raw material prices and the fuel prices. What will be the rough split between volume in the lower RM price?

**Shekhar Swarup:** I am sorry your line broke up this time at the end could you please repeat?

**Vivek Shah:** We have seen growth this quarter right on y-o-y basis if you have to split the growth between volume growth, pricing growth and the growth due to the lower softer raw material fuel prices. What will be the rough split?



*Globus Spirits Limited*  
*November 11, 2020*

**Shekhar Swarup:** So, it is difficult to give you this split into that way because lower raw material prices helps margin whereas volume in higher realization helps revenue and margin and unfortunately that is a number that I have handy; however, our ENA prices y-o-y have grown by about 8%; however, our raw material prices have come down by about 25% in the same period. We have also seen about 25% increase in overall volumes.

**Vivek Shah:** That is all from my side.

**Moderator:** Thank you. The next question is from the line of Sai Narayanan, an individual investor. Please go ahead.

**Sai Narayanan:** Mr. Shekhar first of all congratulations for the good set of numbers. I got one or two questions the first question is during the last call we were discussing on the hour glass structural change where people are migrating towards either the IMIL liquor or they are moving towards the premium liquor. How is the trend actually evolving questions from a strategy point of view, how do you see the trend evolving because I remember one year back or something, we were discussing the primary vision is to move towards the consumer plan, so how do you see the trend evolving?

**Shekhar Swarup:** The hour glass shape market is something that we are seeing in all of us states where the low priced IMFL, which is driving the middle between IMIL and premium IMFL. The low priced IMFL volumes are really shrinking and they are shrinking because the value proposition, the quality of products at the bottom segment or the IMIL segment as really become very attractive for the consumer and the consumer is also shifting up towards premium products. Global Spirit's model to play in both these categories premium IMFL categories through Unibev and of course Globus's own slew of IMIL brands in the cheaper categories we are well poised to take advantage of this trend in the market and you know we remain focused on this for further growth in the year to come.

**Sai Narayanan:** The next thing is the capital expenditures, typically, the capital expenditure will be around Rs 15 Crores to Rs 20 Crores for the company for the assets whatever we have invested? So, will there be any change in the capital expenditure as we have invested in the power plant sometime back?

**Shekhar Swarup:** The maintenance capex of the company remains in that range; however, now the Board of Directors as proved project for expansion in West Bengal and that will add to some capex in the next 2 to 3 quarters. That project is to the tune of about Rs 95 Crores and it will add 156





*Globus Spirits Limited*  
*November 11, 2020*

kilo liters of capacity so with a project cost of around Rs 65 lakhs per kiloliter which is really 40% lower the enables in the market.

**Sai Narayanan:** So, what will be the annual maintenance capex incurred for this plant?

**Shekhar Swarup:** Total maintenance capex will remain around Rs 15 crores.

**Sai Narayanan:** Thanks, Shekhar. I will wait in the queue.

**Moderator:** Thank you. The next question is from the line of Ashok Agarwal an individual investor. Please go ahead.

**Ashok Agarwal:** Thank you for taking question. One of them recently there was announcement that ethanol prices are likely to be increased by 3% as per the government notification from 5th December,2020 so would be see beneficial to the company?

**Shekhar Swarup:** Yes, certainly it is now the company has happened prices for green based ethanol have increased by about Rs.1.5 at nearly 3% starting 1st December,2020 that will go straight bottomline for the company.

**Ashok Agarwal:** Another question in the last conference call there were mentioned that in Rajasthan we have launched a high alcohol grade IMIL called ABB 42.8% and that was tremendous success in the last quarter so how is that segment performing now.

**Shekhar Swarup:** It continues to perform very well. It is the business that is going to be the future of our Rajasthan growth. We have a market share of 38% - 40% in that segment and with that segment of the industry gaining volumes it is really going to be sort of surely adding the growth in Rajasthan.

**Ashok Agarwal:** Thank you and I would also like to know that what is the outlook of Delhi markets we are having we have recently made entry there?

**Shekhar Swarup:** The Delhi market is completely different market as compared to others. It is fixed volume market. It is almost like a tender market where the State of Delhi comes out with a tender and for last year we did not participate because of expected realization being very low this year I think the realizations are good so we have reentered the market so if the Delhi market is more on the opportunistic market, when then the realizations are good we participate and when they are not good then we will not participate, and also the size of the business is



*Globus Spirits Limited*  
*November 11, 2020*

small. We do about 50,000 cases a month of there. So, it does not really move the needle for us. Rajasthan, Haryana currently are of focused markets for IMIL.

**Ashok Agarwal:** Thank you and one more question if time permits, in Rajasthan, we talked last time that there was about 35% market share in Rajasthan last quarter so what is this market share in this time?

**Shekhar Swarup:** 35% is from the medium liquor which is now close to 40% for the country liquor for IMIL, the traditional country liquor segment lowest and country liquor segment our market share is flat at about 27% - 28%.

**Ashok Agarwal:** Okay, so cumulatively we can be considered that is around 35%.

**Shekhar Swarup:** I will have to get out the weighted averages. I do not have that figure readily, but I have explained you the market shares in the 2 different segments.

**Ashok Agarwal:** Thank you very much.

**Moderator:** Thank you. The next question is from the line of Navneet Bhaiya an individual investor. Please go ahead.

**Navneet Bhaiya:** Sir congratulations for a wonderful set of numbers not just over the last quarter, but I think over the last 8 to 10 quarters. I have two questions one is on Unibev so we have been operating Unibev for about 3 years odd now, so do you see this company or this IMFL story of ours progressing over the next 3 years and what is our capital deployment plan over here. Do we see we making profits in the next year? We are I think doing about Rs 50 lakhs to Rs 60 lakhs monthly run rate of revenue over there so I wanted the revenue on how you see it now over the next 2 or 3 years?

**Shekhar Swarup:** So, I can speak about the strategic direction of Unibev I will request Mr. Rekhi to talk about run rate of revenues. Unibev is a very important part of Globus's consumer foray or rather a consumer business. It is a foray into premium IMFL so to the top of the hour that we speak about. Over here we find that about 20% of the volumes of industry account for 60% of the profits of the industry and we would very much like to take a share that profit pie. Unibev was got into the market 2 years ago and we now have presence in 10 states going forward it is now about you know using these 10 states to grow this business profitably and the current COVID-19 situation has put a dent to volumes at the premium IMFL segment as reported by all other companies and that has impacted the growth of Unibev despite the company



*Globus Spirits Limited*  
*November 11, 2020*

actually registered your growth y o y. Mr. Rekhi could you please talk a little bit about run rate?

**Vijay Rekhi:**

For the quarter ending September 30,2020, excluding excise, our turnover was Rs 316 lakhs so that was the specific revenue for Q2FY21 notwithstanding that for 2.5 months we are not in a position to make any dispatches and therefore it is slightly lower than H1FY20. Just to add on to what Shekhar has said and I am conjoining what our Globus' presence in IMIL the medium segment in Rajasthan and in another states. There is a relationship between greater volume at sort of reasonably good margins and as you climb the pyramid in premium products, the volume shrinks that a contribution per case like Shekhar has alluded to is disproportionate as compared to the middle pricing which is known in the industry parlance as regular IMFL. So, the pressure on regular IMFL in the terms of margin and retention is much more than it is on the premium products and like Shekhar has said because of COVID-19 we had to cautiously and gingerly move forward as the market looks good going forward our portfolio is getting increasing acceptance. That is why Oakton and L'Affaire and Governor Reserve are in the growth mode in double digits notwithstanding the dampener in terms of overall premium products being taken off the shelves. So, without repeating myself prospects are very good for premium products category and this is value add to the entire margin line going forward for Globus because the margins on premium products are always robust and it is not volume gain is basically margin gain when we are in selective in going to the states which gives you maximum gross contribution.

**Navneet Bhaiya:**

Shekhar if you could probably just add as to how much capital outlay would you plan in Unibev and you have done about Rs 40 Crores as per your note of accounts till March 20, over the next three years if you can give a broad idea?

**Sanjay Swarup:**

So, you know there is an organizational restructuring that is underway Unibev will be merged into this and that is going to throw up synergies in operations as well as savings in terms of tax, is that and we are currently sort of preparing our 3-year business plans for Unibev as well as for Globus' consumer business and we will be cautiously investing in Unibev brands as well as Globus IMIL brands and also taking use of some opportunities on bulk alcohol and ethanol side. Currently I am not in the position to give you a number on how much we will be invested here, but we will last 3 years managing at about Rs 10 Crores per year of capital location to reach this level of revenue, so once our plans are formed up for the next 3 years you might be in the better position to use longer term capital outlay for Unibev.



*Globus Spirits Limited*  
*November 11, 2020*

- Navneet Bhaiya:** Okay, understand I am just leading to one of your previous consults so Rs 95 Crores repeatedly doing in West Bengal when is bad likely to be ready and what is revenue of 65 kiloliters that you mentioned what revenue would that be approximately?
- Sanjay Swarup:** It is 156 kiloliters which will give us about Rs 5 Crore liters of alcohol in a year and our current selling prices in West Bengal are about Rs.54 - Rs.55 so that is the math on revenue. The West Bengal unit is giving up higher margins on bulk as compared to our other plants and we expect to higher margins to continue there. We expect these plants to be completed in Q2 of the next financial year.
- Navneet Bhaiya:** Lastly on you GST dispute, any other further update and if this would be taken adversely would you be able to pass this on to the customers in terms of the price hike? How it would it work?
- Sanjay Swarup:** There are two parts to this. One is the historical amount of the GST and other is ongoing from an ongoing part the amount has already been passed through. The GST rate that this comes under is 5% it is not a problem in passing this on, but retrospectively there is a voluntary deposit at that company has made. Currently, there is no claim or notice served to the company or to anyone in the industry. So, you know for the legal action is awaited as far the current advise you got are still such time that there is notice that is served to any company in the industry.
- Navneet Bhaiya:** So, just a clarification last quarter, I think this amount was Rs 9 Crores now it is Rs 18 Crores of the total liability for the past periods.
- Sanjay Swarup:** The total liability is Rs 18 Crores till date, from July 1, 2017 when a GST Act came in, I think some to sometime in Q1FY21 that is the total liability.
- Navneet Bhaiya:** Thank you Shekhar and all the best.
- Moderator:** Thank you. The next question is from the line of Deepak Lalwani from Unifi Capital. Please go ahead.
- Deepak Lalwani:** Sir my question was on the growth rates for country liquor, as we are seeing that that trend of downtrading is happening from economy IMFL to country liquor, is this trend in growth rate process sustainable for us going forward?



*Globus Spirits Limited*  
*November 11, 2020*

**Shekhar Swarup:** Yes, we have seen this trend play out in all of our states. Of course, there will be a point-in-time hitch of downtrading and uptrading kind of rests and markets continue to operate in a new fashion, but we are not seeing that there is no growth in all of our states that to no end as well as beside this COVID-19 period whether or no growth in the top end and a lot of growth in the bottom end. We believe that over the long period of time the top end of the hour glass will continue to see growth.

**Deepak Lalwani:** My second question was on the ethanol price hike, how is it easy for us to pass on this price hike to our end consumers?

**Shekhar Swarup:** We have three types of customers. Number one alcohol beverage companies, they buy extra neutral alcohol from us every month and there is a new price contract every month so there, there is a 30-day delay in any pricing changes. Second type of customer is the OMCs which is the fixed price contract every year, 1<sup>st</sup> December is when the new contract comes into effect for 12 months. Third type of customer is our consumer business really and as you are aware in alcohol for one year finished product price is more or less fixed and as a result for that year, you are not able to pass on any increases. So really because of our alcohol sales to other beverage companies we get a perfect hedge on any increases on realization at a possible on extra neutral alcohol.

**Deepak Lalwani:** Sir cumulatively what would be the number of months and number of quarters that we did this you know we have the lag to increase the price hike?

**Shekhar Swarup:** For the beverage segment?

**Deepak Lalwani:** For all the segments cumulatively what will be number of months you know we take that lag to increase the price hike?

**Shekhar Swarup:** Honestly, I have never done that. I have never look at it from that point of view because these are different businesses for us in the sense, so you know but I guess you could compute this is, our share of consumer business and bulk business, which is about 60% bulk and 40% consumer.

**Deepak Lalwani:** Lastly on the product quality. What is that Unibev is doing differently compared to say USL or the Pernod?

**Shekhar Swarup:** I think product quality is really well Unibev shines outside competition and refers Mr. Rekhi to talk a little bit about that?



*Globus Spirits Limited*  
*November 11, 2020*

- Vijay Rekhi:** Can the gentleman repeat his question because I could not get the comparison of our quality with what?
- Shekhar Swarup:** The question how is our product quality compared with competing brands.
- Vijay Rekhi:** That is the one line answer. No competing brand is able to make a trend that it is blended with up to certain age of scotch. So that is the great USP Unibev's selling point and also is recall in the minds of the consumers. People who are aware that the quality of Indian IMFL which is generally blended with scotch, but Indian manufactures are not able to state that they have blended it with a certain age of scotch, which actually adds a lot of palate experience and smoothens the entire product and therefore based the USP and the feedback and the claim which we again we confidentially make, our products are blended with 12 year old, 18-year old, and 21-year-old scotch with no other competition can make first of all give as a laggard and number two the proof of the pudding we are making, we are growing premium brands to double-digit close and we have not received any negative feedback at all, which only talks about positive feedback both in terms of what is inside the bottle and the entire overall presentation as compared to the competition.
- Shekhar Swarup:** Thank you so much.
- Moderator:** The next question is from the line of Ankit Merchant from Reliance Securities. Please go ahead.
- Ankit Merchant:** Very good morning. Sir my first question is that our receivable has been increased from around Rs 33 Crores in March 2020 around Rs 100 Crores in September 20 and because of that forever operating cash flow had to increase from Rs 34 Crores to Rs 44 Crores and that the same time our advertise increased from around Rs 30 Crores to around Rs 60 Crores. So, can you show some light on that.
- Shekhar Swarup:** It is really a simple way to look at that our entire you know the new category in Rajasthan that I speak about that entire category has a higher excise duty as compared to country liquor so if you look at up P&L account and you see the increase on excise duty in our P&L account is exactly the same as the increase in the receivables. So, it is essentially higher amount of excise duty that we are having to keep as you know deposited with the government.
- Ankit Merchant:** My second question is that Sir, our volume growth has been in double-digit so it is partly due to pandemic and what kind of volume growth that you expect going forward?



*Globus Spirits Limited*  
*November 11, 2020*

**Shekhar Swarup:** Perhaps there is some pent up, but I would be very surprised if it is more than couple of percent and really whatever pent up demand was there in July and August while September has been very normalized. Because real reason for growth in the medium liquor category in Rajasthan are the highest strength IMIL category in Rajasthan which is taking market share from the IMFL market 1, also it is a dramatic in drop in illicit alcohol in Haryana and therefore a huge increased in organized market. Our sales in Haryana are up over 125% y-o-y.

**Ankit Merchant:** Sir I do not think that our 20% EBITDA margin is going forward would be a sustainable one, what kind of EBITDA margin would be sustainable?

**Shekhar Swarup:** In the last couple of calls I have maintained we are in the process of margin expansion largely in our bulk business to margin expansion is happening due to the structural change in the alcohol business based upon lot of surplus alcohol capacity going into ethanol and therefore giving us a lot of pricing control on ENA in our states and other side margin expansion is happening because of growth in volumes of consumer so as consumer business continues to grow, there will be further increase in EBITDA margins and bulk business there will be a point where margins sort of stabilize. We have again been expanding margins so at a point where bulk margins stabilize from there onwards on that side there will be no further margin growth and margin growth only come from consumer business, but currently we have not sort of really maxed it out and nearly towards the end of the year probably look at maxing that up.

**Ankit Merchant:** Thank you and all the best Sir.

**Moderator:** Thank you. The next question is from the line of Kishor Shah from Aamara Capital. Please go ahead.

**Kishor Shah:** Shekhar my question is who are suppliers of plant and machinery for your 156 kilo liters per day distillery in West Bengal? Second what are the plans to participate, how much quantity you want to be participating in oil marketing compete tender in the next future?

**Shekhar Swarup:** Plant and machinery suppliers we have got variety and this is really how would core strength as mentioned earlier, how would capex in this facility is over 40% less then what others are spending on setting up capacity similar size capacities and we do slightly differently and we have done for several years now and that of course is our core strength. I am not able to get into the details of who are our plant and machinery suppliers at this stage, but suffice it to say that is really our core strength and we will choose plant and machinery



*Globus Spirits Limited*  
*November 11, 2020*

suppliers that can give us capacity and reliable capacity. As regards to share of ethanol, I think last year our supplies were happening only from Bihar and Haryana. Towards the end of the last supply year which actually ends in 30th November entire Bihar capacity was allocated to ethanol and 50% of Haryana. Going forward, we feel that similar quantities will continue; however, we will take a decision quarterly basis there we are getting higher margins even in these facility that is compared to ENA or ethanol, but the right way to look our bulk business is an average realization on our entire spirit capacity which is currently Rs.53 to Rs.54 for the last quarter and we believe this will go up a little bit with the new pricing from ethanol and then sustain at that level for entire company.

**Kishor Shah:**

Thanks.

**Moderator:**

Thank You. The next question is from the line of Vivek Shah, an individual investor. Please go ahead.

**Vivek Shah:**

Sir you mentioned about the overall revenue potential for West Bengal project, which I just missed. Can you just explain it again?

**Shekhar Swarup:**

We will produce about 5 Crores liters in project and our current sales realization on ENA is about Rs.53-Rs.54 from West Bengal and then we look add another Rs.7 per liter from our byproducts so say about Rs.60 a liter.

**Vivek Shah:**

5 Crores liter on a yearly basis.

**Shekhar Swarup:**

Correct.

**Vivek Shah:**

Thank you.

**Moderator:**

Thank you. The next question is from the line of Sai Narayanan, an individual investor. Please go ahead.

**Sai Narayanan:**

You were telling about the cost of setting up a distillery is substantially less than the competitors. Hypothetically, take for example if I have to set up of 1 Crores bulk liter of grain alcohol how much tentatively it will cost according to the market currently?

**Shekhar Swarup:**

The same capacity as we are setting up in West Bengal will cost competitors about Rs 130 Crores to Rs 140 Crores whereas its costing us about Rs 95 Crores.





*Globus Spirits Limited*  
*November 11, 2020*

**Sai Narayanan:** For 5 Crores of grain alcohol cost Rs 130 Crores to Rs 140 crores that's what you are saying right?

**Shekhar Swarup:** Yes.

**Sai Narayanan:** Shekhar when you resumed the office in 2013, one of the objectives, is that you initiated a lot of trends actually in ensuring that the share of the consumer business grows up, so you were involved in packaging the brands attractively and you involved Unibev and all this thing. Now if you see actually the objective still holds and lot of recent changes these happening and also Haryana market as you rightly pointed out government is taking up on illicit liquor. So, 2 or 3 years down the line, how do you see that trend so what are the major challenges you. In fact, you introduced a new set of brands the middle ABB brand which is 42% IMIF liquor that is doing very good. So how do you see the trend actually because we cannot rely only on the structural changes in the bulk business right? So how do you see the consumer share?

**Shekhar Swarup:** Our consumer business remains the focus for long-term growth in the company. You know whether it is at the bottom of the hour glass or at the top we are going to grow our consumer business in our states where we have facilities as well as in states where we do not have facilities and those states we only look at higher price point market and states we are access to the entire market. Whereas over the last few years share of revenue of consumer has not grown because our bulk business share has grown at a much faster rate, but if you see the overall revenue of the consumer business over the last 5 years it has grown tremendously and we believe that the level of growth we have seen in the last 24 months in the consumer business that is kind of growth which should be able to get going forward as well.

**Sai Narayanan:** But if you see the last 5 years, I think the share of the revenue from Rajasthan IML market has grown considerably whereas from Haryana it has come down and going forward do you expect the revenue from Haryana?

**Shekhar Swarup:** You also already pointed that out your when your question was asked that Haryana has cracked on illicit liquor and that is growing volume so Haryana has already grown y-o-y as I mentioned over 125%.

**Sai Narayanan:** The dividend policy because last year we have announced a dividend of Rs.1 per share. So, can we assume we come up with the dividend policy where you are going to continue with the dividend the coming year also?



*Globus Spirits Limited*  
*November 11, 2020*

- Shekhar Swarup:** Yes. we will attempt to continue dividend. I am unable to comment on quantum of dividend going forward, but we will aim to continue paying dividends.
- Sai Narayanan:** What is the total capacity right now it is 15 Crores ENA I think so and now 5 Crores we are adding so by FY22 is going to be 20 Crores of alcohol capacity?
- Shekhar Swarup:** Yes.
- Sai Narayanan:** Wishing you all the best to Shekhar.
- Moderator:** Thank you. As there are no further questions. I now hand the conference over the Mr. Shekhar Swarup from Globus Spirits for closing comments.
- Shekhar Swarup:** Thank you everyone for joining us. Please feel free to reach out to our investor relations team or to us directly in case you any questions in future. Wish you all the best. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Globus Spirits Limited that concludes this conference. Thank you all for joining and you may now disconnect your lines.