



Globus Spirits Limited

Q1 FY17 Earnings Conference Call Transcript

August 12, 2016

Nishid Solanki

Good morning everyone and welcome to Q1 FY17 earnings conference call of Globus Spirits Limited. Today, we have with us senior members of the management team including Mr. Ajay Kumar Swarup – Managing Director, Mr. Shekhar Swarup – Executive Director, Dr. Bhaskar Roy – Executive Director & COO and Mr. Ajay Goyal – CFO. We will begin the call with opening remarks from the management following which we will have an interactive Question-&-Answer session.

Before we begin, I would like to highlight that certain statements made in today's call may be forward looking in nature and a disclaimer to this effect has been included in the results presentation shared with you earlier.

I would now like to invite Mr. Ajay Swarup to make his initial remarks. Thank you and over to you, sir.

Ajay Kumar Swarup

Good morning everyone. Thank you for taking time out to join us today on Globus Spirits' Q1 FY17 earnings conference call. I will begin by taking you through our business model and key corporate developments, while Dr. Bhaskar Roy, COO will brief you on the operational performance followed by Mr. Ajay Goyal, CFO who will share the financial highlights.

Globus Spirits is a 360° alcoholic beverage player present across all the segments of the spirits industry. As a result, we are able to straddle opportunities across segments, thereby allowing us to capture margins across the value chain and providing us a hedge from risks within any one segment. At the heart of our business are our state-of-the-art grain distilleries that operate at better than industry parameters with higher alcohol recovery, lower energy consumption due to greater heat integration, lower water consumption due to better recycling and higher profitability due to complete conversion of raw material into value added products.

Our ultimate goal is to convert as much of our extra neutral alcohol into bottled liquor. The ENA produced at our plants gives us assurance of quality products



which allows us to capture market share and grow faster than the market. In the interim we continue to sell bulk alcohol in the open market and to our franchise partner in order to operate our distilleries at full capacity.

I would like to mention here the recent success of Globus ProRice a high protein co-product of our distillation process. Globus ProRice our branded rice DDGS has been accepted by leading animal feed manufacturers as a sustainable replacement to soya meal and other de-oiled cakes. All our units are now manufacturing and selling Globus ProRice to full capacity.

With respect to our performance we have carried forward the financial and operational momentum from the previous quarter and are pleased to have started FY17 on a strong note. Our IMIL brands Ghoomar, Heer Ranjha, Shahi and Nimboo continue to consolidate the company's market share in Haryana and Rajasthan. The B2B segments have contributed to performance as well which was further aided by higher capacity utilization during the quarter. I am delighted to inform you that we have recently commissioned our Greenfield distillery project in Bihar. This project will significantly drive our financial and operational performance going forward. Full scale production would start sometime by the end of the current month. Till such time as the Bihar prohibition remains, ENA manufactured here will be exported to the neighboring alcohol deficit states.

We also expect to announce commercial production of our second Greenfield distillery in West Bengal soon along with launch of IMIL brands in that state. As operations stabilize, locational advantages like lower raw material costs, higher realizations and logistical benefits should enable us to further drive overall profitability.

All our initiatives to improve technology as well as to improve distribution of our brands have started delivering results. And I am confident that this would continue throughout the year.

With that, I request Dr. Bhaskar Roy to share the operational performance of the Company.

Dr. Bhaskar Roy

Thank you Mr. Swarup. Good morning everyone and welcome once again on our call. I hope you had the chance to go through our result documents which were shared earlier. I will briefly take you through the operational performance of the company.

During the quarter under review, growth in consumer business stood at 18% year-on-year, while the manufacturing revenues grew by 32% year-on-year. Contribution of consumer and manufacturing business came in at 51% & 49% respectively. Higher alcohol production at 20 million BL and better capacity utilization of 88% resulted in improved overall performance. IMIL volumes improved by 14% year-on-year to 3.3 mn cases driven by strong traction in Haryana, which reported solid volume growth of 95%. Volume growth in Rajasthan stood at 21%. I expect this traction to continue in both Haryana and Rajasthan on the back of higher demand as well as other strategic initiatives undertaken by the Company.

Franchise IMFL revenues improved by 17% year-on-year driven by 24% volume growth in Rajasthan. As you would be aware, we have started franchisee bottling



for USL in Rajasthan. Going forward, as we move towards value-added branded IMIL products, we anticipate contribution from this business to moderate. Our high-potential co-product DDGS registered healthy volume growth of 24% with higher realisations of 18%.

I would now like to hand over to Mr. Ajay Goyal for update on the financial performance of Globus Spirits.

Ajay Goyal

Thank you Dr. Roy. Good morning to all of you. I will take you through the key financial highlights for the quarter ended June 30, 2016.

For Q1 FY17, revenue from operations stood at Rs. 1,964 million, an increase of 25% year-on-year, EBITDA was higher by 22% to Rs. 193 million translating to EBITDA margin at 9.8%. Profit After Tax came in at Rs. 63 million, higher by 82% compared to Rs. 35 million in Q1 FY16.

Let me also share the product line wise performance break-up. In Q1 FY17, we sold 3.2 million cases of IMIL with average net realization of Rs. 311 per case. IMIL volumes improved by 14% year-on-year, while IMIL revenues increased by 19% driven by higher off take in Haryana.

In Franchisee IMFL business, the aggregate volume for the quarter was 0.79 million cases. Out of this, 0.44 million cases pertain to bottling done for ABD and USL in Rajasthan and the remaining 0.35 million cases for bottling done for USL and ABD in Haryana. Our bulk alcohol revenues increased by 35% year-on-year, while volumes stood at 11.4 million bulk liters compared to 8.2 million bulk liters in Q1 FY16. The total revenues from manufacturing stood at Rs. 955 million in the quarter, while the revenue from consumer business stood at Rs. 1,001 million.

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, sir. Ladies and gentlemen, we will now begin the question-and-answer session.

We have the first question from the line of Abneesh Roy from Edelweiss Securities Limited. Please go ahead.

Abneesh Roy

Sir, my first question is on Bihar. If I see some of the other players are saying that it is unviable and they are even contemplating closure and exit from that state. So I wanted to understand how you are finding it still viable to export or send to other states while they are not finding it viable?

Shekhar Swarup

Abneesh, what other players are referring to closing down on production is focused on production of bottled liquor, whereas we are talking about production of extra neutral alcohol. So to produce bottled liquor, you need to at the moment import ENA from outside the state, bottle it and then export as IMFL outside the state. That of course presents logistical issues and costing related issues. Globus Spirits will be manufacturing its ENA within Bihar, here the raw material cost compared to our current costs in North India are slightly lower as well as our cost of conversion will be slightly lower as well due to better technology. Therefore we believe it will be accretive to profit.



Abneesh Roy But is there because if you see now the policies in Bihar are become extremely draconian so is there any legal issue in terms of the transport is everything clear could there may be any ramifications in terms of the transport of the ENA?

Shekhar Swarup Not at all. In fact Bihar excise has waived off export duty on extra neutral alcohol. They are very happy to promote industry in the state - be it alcohol or any other kind of manufacturing. So there is going to be no problem on logistics at all.

Abneesh Roy And what kind of capacity?

Shekhar Swarup In fact we have already made our first sale and the product has been dispatched as well. So there is absolutely no issue.

Abneesh Roy And any sense on how much margins you will be making in there and what is the capacity utilization you expect from a one year, two year perspective in the current scenario taking assumption that the prohibition will continue for two years?

Shekhar Swarup Yes certainly. When we look at the capacity utilization there are two sides to it. One is our ability to operate this facility and the other is our ability to sell the product that we manufacture. So we are just starting up the unit, the Managing Director said that towards the end of this month we will be reaching full scale production. In the beginning our ability to operate this at high levels of over 80% will probably take a little bit of time to reach. On the other hand the selling part of it there is a huge deficit of ENA in that region within say 300 to 400 kilometer radius especially towards the eastern part of the country, there is a huge shortage of alcohol. So we see no problem in selling as much product as we make. It is just how quickly we are able to ramp up to 80%, 90% production.

Abneesh Roy My second question is a follow up on the ENA. Now the recent development if you see Government has made a statement that they will align ethanol price to the global market. So in your case and for the industry do you see the ENA prices coming down because of this as they will now be aligning the prices to a benchmark with the international and other factors?

Shekhar Swarup See the exact policy on this is still awaited. So one will have to see how it works. These are as it may theoretically speaking. Our core business is to make alcohol and convert that into IMIL or IMFL. In most of our states we are in a situation where there is deficit of alcohol in the states. Therefore to bring in alcohol from somewhat alcohol rich states such as perhaps Uttar Pradesh. There are significant duties imposed on exporting alcohol as well as importing. So dynamic pricing whereas it can go it can be in favor of a sugar based distillery or against when come to supplying fuel ethanol, when it comes to extra neutral alcohol and as long as you are in areas which are alcohol deficit you are converting this into value added products it will have limited impact.

Abneesh Roy But sir, could there be supply issues for the liquor companies because now versus the current 3% mixing which is happening to the petrol companies it can go up. So could there be supply issues and therefore the pricing benefits may not really translate to the desired extent to the liquor companies?

Shekhar Swarup By liquor companies I assume you mean people who purchase extra neutral alcohol?



Abneesh Roy Yes, sir.

Shekhar Swarup So currently the situation is that most molasses based products is not all of it is going to the fuel companies. And they are in many regions already blending at about 10% whereas in some regions they are not blending at all. An average national figure comes to around 5%. In the current situation though IMFL players are getting sufficient extra neutral alcohol to bottle their plants. However, if the quantity of blending is to increase then the further quantity has to be addressed from new capacity.

Abneesh Roy Sir, my last question is on your Rajasthan business. You mentioned that for USL you are doing some franchising for some brands. So could you give us more color which brands are there and how are the profit metrics and what is the scale up from a two, three years' perspective?

Shekhar Swarup Right, so franchising I realize that this could be misunderstood but franchising in our case, we would not franchise manufacturing this is a pure contract manufacturing operation it is not a sales franchise operations. We have been doing this for a very long time since decades for various brands and we continue to have relationships with the leading brands in every state and basis their performance in their state we get more volume or the otherwise. But till now we have seen fairly stable volumes coming in from both ABD and USL.

Moderator Thank you. The next question is from the line of Yash Jhaveri from Alder Capital. Please go ahead.

Yash Jhaveri I have a couple of questions. One is what are your plans for the distillery that you have in Hisar? The second one is could you just give some comments on what is the impact of GST is likely to be on us?

Shekhar Swarup Hisar distillery currently we are manufacturing IMIL over there. The distillation operations are currently not in use, it is only the bottling operations. Haryana is one of the states which is now become a spirit surplus state and we are waiting for possible permission to be given to grain distilleries especially distilleries that are using non-food grains such as ourselves to supply product for fuel ethanol before we start that facility. So as of now, that unit is focused on bottling IMIL only. When it comes to GST, as you are aware, our brands IMIL and IMFL will be outside the ambit of GST and therefore the inputs, specially packing material GST will be charged on it.

When it comes to our raw alcohol, being grain based alcohol distilleries, our raw material is not currently taxed under excise duty and we believe that will continue to be the case. We are going to be manufacturing IMIL in house and therefore the sale of ENA or rather the transfer of ENA to our bottling facilities will also not attract the excise duty. So to the limited extent of packing materials being charged excise duty there will be an extra cost which we will go to the State Governments and hopefully they will allow us to take price increases on that. But majority of the cost it should be alcohol because it is in house we will not be charged GST on that.

That is currently what is expected however as and when the final papers are made available to us we will channelize them further and be able to give you an accurate picture on this.



Yash Jhaveri Just one housekeeping question. Can you give me the gross debt, the rate of interest that you currently pay and any debt repayment that may be due on this year?

Ajay Goyal The interest rate which we are paying is around 11% to 11.5% on an average. And the debt repayment will be around Rs. 20 crore over the year.

Yash Jhaveri And the gross debt currently?

Ajay Goyal Rs. 177 crore is the long term and Rs. 56 crore is the short term.

Moderator Thank you. The next question is from the line of Rahul Maheshwary from IDBI Asset Management. Please go ahead.

Rahul Maheshwary I have three questions. First is, what is the industry growth rate in Indian Made Indian Liquor and definitely you have made a good growth rate in those sector? Second thing I wanted to ask what is your alcohol recovery unit per grain because as you have said that the realizations are moving further. So what is over there? And the third thing, the bottling the franchise manufacture or the contract manufacturing you are doing so what kind of excise duties being levied on production of bottling on packaging?

Shekhar Swarup IMIL growth rates is a matter that like IMFL needs to be addressed state-by-state. In Rajasthan we have seen very good growth rates over the last three years there has been a CAGR of well over 15%. In Haryana, we fact saw two years of de-growing market but year-on-year there has been almost a doubling of the industry.

In West Bengal currently we do not have IMIL operations but we are aspiring to have them very soon. Again the three year CAGR is around 15% mark. In the state of Delhi where we operate as well the industry is flat.

Rahul Maheshwary Currently you are expecting it would be concentrated only towards the North India like Rajasthan, Haryana and Delhi or it going to apart from West Bengal wherever your distillery is there going to states like MP, Chhattisgarh and Orissa kind of states?

Shekhar Swarup See it is our belief in Globus Spirits that to sustainably market IMIL brands and to get a serious size of the market one needs to have their own distilleries to market the brand. Many states even mandate that. Some states do not mandate it but many do. We are focused on getting into states where (a) there is an alcohol deficit and (b) that there is a growing IMIL market. And that is why we chose states of West Bengal and Bihar. Of course the way Bihar is spanned out is unfortunate but in the long term we remain quite certain about the prospects of the Bihar IMIL market.

Your next question was on excise duty rates for franchise operations. So the packing material that we use for our franchise operation is not something that we procure, this is procured by the respective IMFL brands.

So the excise duty rates on that would be the same. So we do not actually pay excise duty on.



Rahul Maheshwary No, but on packaging you might not be paying but on the bottling which you are making for the IMFL brands on that what is the excise duty you might be paying?

Shekhar Swarup You mean state excise or central excise?

Rahul Maheshwary Both of them.

Shekhar Swarup So our revenue share let us say the ex-distillery price of IMFL is about Rs. 600, our share of revenue on that is about Rs. 40 for the contract job work and about Rs. 160 to Rs. 200 depending on the price of extra neutral alcohol in that month is our revenue share for ENA. The rest is all sort of inputs that come in from the bottler. Now the brand owner then sells this to distributors in every state and therefore they pay the excise duty. However, in the case of Rajasthan the excise laws are such that the brand must be sold by the bottler. So in the state of Rajasthan whereas the funding is done by ABD the billing takes place from our books and if I am not mistaken roughly the excise duty value is about Rs. 2,000 including VAT.

Rahul Maheshwary The last question was on the alcohol recovery unit per grain because as you said that you are being efficient?

Shekhar Swarup So this is a data point which is very close to our business model and I am not able to get into the precise calculations. But that said it is well over 44 liters of alcohol per 100 kg of rice.

Rahul Maheshwary So going forward any guidance that it would be recovering more from your own or it has been peaked out? On the recovery unit for the alcohol recovery?

Shekhar Swarup There are two aspects to this again. One is the quantity of starch in that 100 kg of rice and the other is our ability to convert that. So we have at all points fair amount of attention being given to conversion. Now our conversion is based on a certain assumption of starch. If the starch content of rice is to increase in any given season due to possibly monsoon condition or soil conditions then or decrease for the matter then that would affect our recovery. However, I feel that our current recovery levels are quite high and quite slender. They have been at that level for the last year or so. Starch content in rice is also something which I feel is quite standard and I do not feel there will be too much improvement on our recovery right now.

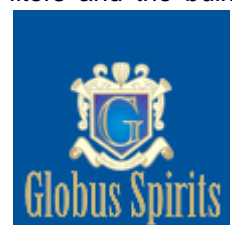
Moderator Thank you. The next question is from the line of Tushar Sarda from Athena Divitie Investment Services. Please go ahead.

Tushar Sarda I have a housekeeping question. I am just trying to reconcile the numbers of your bulk alcohol and IMIL bottling. So what I see is that IMIL you have increased by almost a million case for the quarter and the bulk alcohol used in IMIL has gone up by only a million liter. So can you just help me with the numbers?

Tushar Sarda Is it that you buy bulk alcohol from outside also?

Dr. Bhaskar Roy Can I ask you from where you got this number bulk alcohol definitely increased by what bulk alcohol we consumed....

Tushar Sarda I will just take you through the number. On slide 9, the production has gone up from 16 million to 20 million liters that is an increase of 4 million liters and the bulk



alcohol sale has gone up from 8 million liters to 11 million liters. So which means the bulk alcohol used for bottling is 8 million liters and it has gone up to 9 million liters in this Q1?

- Dr. Bhaskar Roy** Sir, we have used in the franchise bottling also. Franchise bottling also it has gone up.
- Tushar Sarda** Franchise bottling is almost similar number, right 0.79 and 0.78?
- Dr. Bhaskar Roy** No, it is 0.35 to 0.44.
- Tushar Sarda** So total is 0.79 and 0.78?
- Dr. Bhaskar Roy** So what happens is in franchise bottling for the Rajasthan part that bulk alcohol number does not get reported separately that is already included in the Rajasthan franchise volumes. So that is why the bulk alcohol you see pertains to third party customers and franchise bottling customers only in Haryana. Franchise bottling in Rajasthan is not included in the bulk alcohol volumes you see out here.
- Shekhar Swarup** So suffice to say there is no purchase of bulk alcohol that is taken place. We can give you a separately Q-o-Q allocation of alcohol statement. But all the products that is made at our units all the bottle liquors that is made at our units is made from alcohol produced at our units. There is zero liters of that is from outside.
- Tushar Sarda** So there is no outside purchase, right?
- Dr. Bhaskar Roy** No, zero.
- Tushar Sarda** My second question was when do we expect Bengal to start and when would it start reflecting in our numbers?
- Shekhar Swarup** The Bengal and Bihar plants, the construction of both facilities were started pretty much together. And the Bihar facility has commissioned now. We are hopeful very soon even Bengal will commission.
- Tushar Sarda** So it will be this quarter or next quarter?
- Shekhar Swarup** The commissioning will be this quarter. However, coming to seeing the impact of numbers say impact of operations on numbers that we should give both units at least one month after commissioning for that to be visible.
- Moderator** Thank you. The next question is from the line of Ankit Panchmatia from ICICI Securities Limited. Please go ahead.
- Ankit Panchmatia** I just wanted to understand that regarding our contract manufacturing which kind of brands do we bottle for these companies for ABD and USL?
- Shekhar Swarup** It is pretty much the entire portfolio of USL brands in Haryana starting from there the lowest rung which is Bagpiper, Green Label, McDowell's No. 1, Royal Challenge whisky, Signature whisky; the entire portfolio is bottled with us. In the State of Haryana majority of our business is with ABD. ABD is largely Officer's



Choice Whisky, the standard Officer's Choice Whisky which is majority of the volume in Rajasthan. There is some bottling that happens for their Vodka and the variants of Officer's Choice but mainly it is Officer's Choice. In USL Rajasthan it is a new relationship like Dr. Roy mentioned earlier. So we have just started with a few brands of whisky, rum and gin.

Ankit Panchmatia Actually where I was coming from is that USL popular brands are kind of experiencing a de-growth in their volumes and simultaneously Officer's Choice Whisky is gaining traction into the market. So is there a shift between these two players wherein we are getting higher volumes from ABD and lower volumes from USL? Am I right in my assumption?

Shekhar Swarup I am not sure if discussing this is violation of any non-disclosures that we have. But suffice to say that Officer's Choice and USL are companies with leadership positions. Between the two companies we focus on utilization of our capacities and we are quite happy with our relationships.

Ankit Panchmatia Actually I just wanted to know that in this do we have the pricing dynamics for both these companies would be same or there would be difference? So if I am producing a unit for USL and if I am producing a unit of ABD?

Shekhar Swarup Yes, our revenue is the same. Our revenue and our contribution is the same.

Moderator Thank you. The next question is from the line of Aditya Solanki from Dalal & Broacha. Please go ahead.

Aditya Solanki I wanted to ask that is there any outlook on the margins on IMIL and IMFL and bulk because we have with this West Bengal and Bihar coming in we could get better margins, right?

Shekhar Swarup Yes, that is correct. So I think your question is how will that affect our overall margins?

Aditya Solanki Yes true.

Shekhar Swarup Like I mentioned earlier the cost of raw materials in the east is a bit lower than what we are currently purchasing and it would be lower. Of course this figure would change based on different season but it will be lower either between by 5% to 10%. This applies also for fuel cost. The technology is that we are adopting they will be more efficient by around 8% to 10%. And the deficit states or rather that region being a deficit region we are able to sell our product at higher rates than we are selling from Haryana. Just to give you an idea on how much higher. This quarter's average realization between Haryana and Rajasthan was around Rs. 41 to Rs. 42 a litre. This includes supply made to West Bengal.

Aditya Solanki And is there any specific IMIL, IMFL or bulk breakup you could give or?

Shekhar Swarup Right, so 51% of our revenue in the last quarter came from IMIL and the balance came from bulk. From rather B2B businesses.

Moderator Thank you. The next question is from the line of Amit Sinha from Macquarie Capital Securities (India) Pvt. Ltd. Please go ahead.



Amit Sinha My first question is over the next two years what kind of volume assumptions or volume you are foreseeing in your West Bengal business?

Shekhar Swarup Well, like Mr. Swarup mentioned in his opening remarks our objective is to convert as much bulk as we can to bottled liquor. West Bengal is a great opportunity for IMIL as well as IMFL. Already in Q1 IMFL has grown by well over 35% year-on-year and country liquor is seeing good growth rates above 10% year-on-year. We are hopeful that with our franchise relationship with USL in West Bengal we will be able to cater to a large part in that market. Of course the brand will be USL. So ours will be a franchise manufacturing player.

Gradually our own business of IMIL as when it is launched will also start catching up and we have a certain outlook when we enter a market for IMIL which is based on our current market shares in Haryana and Rajasthan. So we have the vision to get to those kind of numbers as our operations stabilize and our sales and distribution network builds up. Till such time we will continue to market bulk alcohol. The great news is like I have been saying time and again, West Bengal is a deficit state for alcohol they are buying all of their alcohol from Haryana or Punjab. So we will be able to substitute imports and thereby getting a much higher rate than what the Haryana players and the Punjab players are getting today. So our capacity is still our IMIL business builds up our capacities will be fully utilized.

Amit Sinha My second question is on your Haryana business and we are seeing sustained recovery in that business this quarter was phenomenon. Just wanted to understand as you mentioned in your opening remarks that there has been some strategic plan in the state. Just wanted to understand I mean what has been working very well for us in the state of Haryana?

Shekhar Swarup So there are two aspects to good performance. One is performance of our brands to attract market share and the other is the performance of the industry. So the Haryana market has grown dramatically year-on-year. We have seen nearly doubling of the industry. We believe that the current Government in Haryana has taken steps to bring back this growth into the Haryana market. So that has very limited credit to our organization. These are as it may our brands are established brands they are well distributed and therefore when the growth comes back, our brands are able to get greater than industry growth in the state of Haryana.

We have spoken time and again about how our extra neutral alcohol has given the consumers a very good product in IMIL, the same extra neutral alcohol that is used for IMFL is being used for IMIL. This was first by Globus Spirits many years ago. And thus the product that then had a first mover advantage it is continued to enjoy franchise with the consumers.

So that is about Haryana. In Rajasthan, there has been sustained growth over the last four years. Stable Governments, visionary outlook on this industry because they recognize the importance of revenue to the exchequer has been able to sustain this growth over several years.

Here we have got a great distribution network in Rajasthan, of course distribution here is a far greater challenge than it is in Haryana considering the size and the population density in some remote locations.



Here we have been able to do so by creating a mini manufacturing centers which are basically franchise bottling outfits near areas of consumption, so that we are able to make use of logistical advantages. Of course, we have supplied extra neutral alcohol, we were the first in the industry to do so, Ghoomar and Heer Ranjha products which the consumers really identified with.

Third launch of Shahi which is a recent launch also demonstrates our belief in further developing the quality of products and the type of products the consumers in IMIL get. We believe that these consumers appreciate quality of blend, they would like to procure to purchase and consume products which are superior then the markets and therefore the launch of Shahi and the success of Shahi has demonstrated for us.

Amit Sinha Am I right in my assumption that you have gained market share in Haryana mainly from the unorganized segment and maybe some down trading in the IMFL segment as well? I mean the overall category?

Shekhar Swarup See the overall category yes, it has gained due to weakening of unorganized and that is why a complimented Government. There is some amount of down trading that happens as well but it is very difficult to quantify how much it was.

Amit Sinha Okay sir, my last question is on your bottling segment, wherein you manufacture bottles for other players. Now with the advent of GST and the segment that is out of GST the input credit for all these players I mean they will not be able to avail the input credit. Do you see that affecting your negotiations, your rate over these companies? Will they come for renegotiation because their margins otherwise will get affected.

Shekhar Swarup That is an interesting point. Actually we believe that we are having advantage over standalone bottlers because the reason is that we are not supplying an unfinished product for further packaging. If a brand owner wants to buy extra neutral alcohol from us take it to another bottling plant it is an intermediary product and on ENA there would be GST that will be charged. But when we are bottling and we are manufacturing IMFL then we are buying grain and we are producing IMFL. It is one activity and therefore GST will not be charged on the interim products. That is currently in line with the CST/VAT regimes. CST is or VAT is not applicable essentially VAT; VAT is not applicable on just the ENA portion, if you are doing the end-to-end manufacturing.

So we actually stand to gain we are able to provide the service to our clients and we should stand to gain, there were still be GST on packing material and for that they will not make input credits. So to that extent we are hopeful that the State Governments will take a favorable stand and give us price increases.

Moderator As there are no response we move to next question that is from the line of Yash Jhaveri from Alder Capital. Please go ahead.

Yash Jhaveri Just a quick follow up. Are we capitalizing any interest and if so by when should we be expensing it entirely?

Dr. Bhaskar Roy We are capitalizing up to the state of commercial production. The money which has been taken for the new projects means the projects of Eastern Region where Bihar



and West Bengal are coming up. As soon as commercial production starts, the interest will be in the revenue.

- Yash Jhaveri** So by Q3 can we expect it to be expensed fully?
- Dr. Bhaskar Roy** Yes.
- Moderator** Thank you. The next question is from the line of LK Mohta, an individual investor. Please go ahead.
- LK Mohta** My question is about the Globus Pro Rice. You have mentioned that you have got a good market on this animal feed product. Going ahead in the future how much of this particular thing would contribute and how would the profitability be from these products?
- Dr. Bhaskar Roy** Globus ProRice is actually the DDGS which we are manufacturing in house and it is being after stabilizing the driers for the last one year, we have stabilized the quality of DDGS and it is being now taken by all the proper feed manufacturers and replacing the soya.
- LK Mohta** I just wanted like to know if the date has been decided for the AGM?
- Dr. Bhaskar Roy** It is September 26.
- Moderator** Thank you. The next question is from the line of Aditya Solanki from Dalal & Broacha. Please go ahead.
- Aditya Solanki** So we are going to have a new market that is West Bengal market. So are we coming up with any new IMIL brands or are we going to continue with the old ones?
- Shekhar Swarup** Whereas it is our ambition to market products under the same brand name as much as possible but as you understand, India is a very diverse country and especially at this consumption point diversity is very large. Therefore we must be sensitive to each market's cultural requirements. One brand that we are launching in West Bengal the first one is a brand that actually we have discontinued in the Haryana market and believe it can get some traction there. But as of now all brands are going to be new brands.
- Aditya Solanki** All of them are going to be new brands?
- Shekhar Swarup** Yes. As our distribution scales up we will look at introducing our products from our current range. So the main reason is that the brands which are established in Rajasthan and Haryana, only have traction in Haryana and Rajasthan. They do not have any traction in West Bengal. So if you ask a West Bengali consumer if they have consumed Shahi or Heer Ranjha or Ghoomer, he would not have. So that is why it is there is nothing that we lose by not putting our current brands in to that market.



Moderator Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand over the floor to the management for their closing comments. Over to you.

Management Thank you very much for your time, ladies and gentlemen. And we hope we have been able to address your questions. We are happy to have you come over and visit our facilities, if you have further questions and meet us. Thank you again and wish you all the best.

Moderator Thank you very much, sir. Ladies and gentlemen, on behalf of Globus Spirits Limited that concludes this conference call. Thank you for joining us.

This is a transcription and may contain transcription errors. The Company or sender takes no responsibility for such errors, although an effort has been made to ensure high level of accuracy.

