



Associated Alcohols & Breweries Limited

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To,
The Department of Corporate Services
BSE Limited
PJ Tower, Dalal Street,
Mumbai - 400 001
Scrip Code: 507526

To,
The Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, G Block
Bandra Kurla Complex,
Mumbai - 400 051
NSE Symbol: ASALCBR

Sub: Transcript of Investor Conference Call held on 29th January, 2024 on Earning Presentation

Dear Sir / Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 please find attached herewith transcript of Investor call held on 29th January, 2024. A copy of the said transcript along with audio recording is also available on the website of the company www.associatedalcohols.com

This is for your information and record.

Thanking You

Yours Faithfully,
For Associated Alcohols & Breweries Limited

Sumit Jaitely
Company Secretary & Compliance Officer



“Associated Alcohols & Breweries Limited
Q3 and 9M FY24 Earnings Conference Call”

January 29, 2024



**MANAGEMENT: MR. TUSHAR BHANDARI -- WHOLE-TIME DIRECTOR --
ASSOCIATED ALCOHOLS & BREWERIES LIMITED
MR. ANKIT AGRAWAL -- CHIEF FINANCIAL OFFICER --
ASSOCIATED ALCOHOLS & BREWERIES LIMITED**

MODERATOR: MS. PRIYA SEN -- GO-INDIA ADVISORS



Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY24 Earnings Conference Call of Associated Alcohols & Breweries Limited hosted by Go India Advisors. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Priya Sen from Go India Advisors. Thank you and over to you, Ms. Sen.

Priya Sen: Thank you, Michelle. Good afternoon, everybody and welcome to Associated Alcohols & Breweries Limited Earnings Conference Call to discuss the Q3 and 9-month FY24 results. We have on the call Mr. Tushar Bhandari, Whole-Time Director and Mr. Ankit Agrawal, Chief Financial Officer.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces. May I now request Mr. Tushar Bhandari to take us through the company's business outlook and performance, subsequent to which we will open the floor for Q&A. Thank you and over to you, sir.

Tushar Bhandari: Thank you, Priya. Good afternoon, ladies and gentlemen. We are pleased to welcome you all to our Q3 and 9-month FY24 earnings concall. Before we discuss the financial performance, I would like to discuss the strategic updates for this quarter and those for the past nine months. Our investor presentation has been uploaded on the exchange and we hope you have had an opportunity to review it.

We take pride in a legacy of expertise that spans decades, originating from humble roots in molasses trading, we have become a significant force in the IMFL and IML segments, distinguishing ourselves as top-quality ENA producers. Our diversified portfolio sets us apart from in-house brands to producing renowned international brands with a particular focus on crafting premium in-house brands.

Today, AABL is one of the leading Alco-bew companies in India. We are constantly expanding our horizon, innovating our product portfolio to meet the evolving customer preferences and adding capabilities, thereby optimizing operational costs and enhancing margins. This move reflects our commitment to excellence and embrace premiumization, setting us apart in the industry.

In line with our premiumization strategy, we have introduced Central Province Rum in the premium category and handcrafted Gin Nicobar in the super premium category. We have dedicated to provide high-quality offerings that meet the evolving preferences of our customers.

Rum sales have been subdued due to the warmer than usual winter. However, we maintain an optimistic outlook due to growing demand and positive reception of stronger gin, supported by



encouraging market data. We have constantly solidified our preferences as critical players in Kerala and Madhya Pradesh. Further, we are delighted to note an increasing demand of our products in Delhi.

In line with our broader strategies to become a pan-India player, we actively target markets in Karnataka, Maharashtra and Goa. The company plans to form a subsidiary in Uttar Pradesh to expand its footprint domestically. The decision is driven by the state's favorable incentives for manufacturing. We are in the early phase of acquiring land for the Greenfield project and are actively engaged.

We are also pleased to announce that we have commenced our commercialization of 130-KLPD grain-based ethanol plants. Augmenting our energy capabilities, we have successfully implemented a versatile boiler designed to harness energy from various sources. While we anticipate some initial operational adjustments, we are confident that the plant will operate at full capacity from February 2024 onwards, the recent addition in anticipation to the yield meaningful revenue by FY25.

With the plant projected to operate at full capacity, this will optimize operational costs and enhance margins for increased profitability. Ethanol is a natural extension of our existing business and we believe this development will further strengthen our business model. The entry into the ethanol segment aligns with our focus on diversified portfolio offering. Our continuous effort to introduce new products aligns with the focus on value-added and proprietary brands emphasized marginal boosting segments.

That said, our IMFL sales continue to demonstrate strong revenue growth. Notably, a slight margin pressure has been attributable to an increase in grain price. We expect this to continue in future as well. The price of other critical material has also remained at an elevated level. The company is focusing on operational efficiency and implementing prudent cost control measures.

Furthermore, industry shift has impacted our ENA sales, particularly prohibition of sugar syrup as an ethanol feedstock. In response to these industry headlines, we have deliberately decided to retain our stock, aligned with our commitment to maximize returns. We are optimistic that the market condition will soon be as favorable as most suitable stream.

Going forward, we expect continued growth in our B2C segment with the IMFL proprietary category expected to achieve 15% to 18% year-on-year growth and the licensed IMFL segment projected to achieve 12% to 15% year-on-year growth. Our premium line of product is poised for 18% to 20% year-on-year growth, reflecting the sustained consumable interest.

In the B2B segment, we foresee steady progress aligned with inflation rates. Lastly, we are committed to strengthen partnerships with key players like Diageo and Inbrew. We have implemented proactive hedging strategies to manage raw material price fluctuations effectively. As we navigate dynamic market conditions, we remain dedicated to sustainable growth and value creation for all our stakeholder.



Now, I would like to hand over the floor to Mr. Ankit Agarwal, who will provide update on the financial highlights for the quarter. Following that, we will open the floor for questions and answers. Thank you. Over to you, Mr. Ankit.

Ankit Agrawal:

Thank you, Mr. Tusharji. Good afternoon, everyone. I will briefly touch upon the financial performance for the quarter and nine months ended December '23, as all the details are present in our new look presentation available in the exchanges and the website of the company.

First, we will talk about Q3 FY23. Net revenue from operations reached at INR191 crores versus INR185 crores. EBITDA was reported at INR20 crores, demonstrating 23% growth year-on-year, with an EBITDA margin standing at 11%, an expansion of 200 bps, even though the grain price has grown up by more than 20% on an year-on-year basis. Profit after tax for the quarter amounted to INR13 crores, reflecting a 16% year-on-year increase and a PAT margin reported was of 7%.

Now, I will talk about the segment-wide performance for the quarter. IMFL proprietary brand sales stood at INR28 crores. IMFL licensed brand revenue registered a growth of 6% on Y-o-Y basis, INR68.4 crores. IMIL revenue for Q3 stood at INR50 crores, maintaining the earlier quarter's volume level. Merchant and ENA revenue witnessed a significant surge, growing at 29% year-on-year, stood at INR36 crores.

Now, I will take you through the 9-month performance. Net revenue from operations stood at INR518 crores against INR516 crores. EBITDA reached at INR58 crores, growing by 22% year-on-year. EBITDA margin was stood at 11%, an expansion of 200 bps. Profit after tax for the period was at INR38 crores, indicating a 21% year-on-year growth and a PAT margin was reported at 7%.

On an operational front, on a 9-month basis, IMFL proprietary sales stood at INR11.86 lakhs cases, culminating to a value of INR83 crores. IMIL licensed segment brand sales revenue grew by 10% Y-o-Y basis and stood at INR12.95 lakhs cases, amounting to INR155 crores. IMIL sales volume was stood at INR28.40 lakhs due to change in the policy of MP Government. Merchant ENA sales volume experienced a surge of 27% year-on-year, totalling to 17.66 million sq.

That concludes my update on the financial performance. I request you to go through the new look presentation for more details. Also, feel free to share your feedback and suggestions on the presentation so that we can incorporate those in the future.

We can now open the floor for questions and answer. Thank you.

Moderator:

Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Rithvik Agarwal from Inertia Equities. Please go ahead.

Rithvik Agarwal:

Hello, thank you for the opportunity. Am I audible? Yes.

Moderator:

Yes, sir.

- Rithvik Agarwal:** Yes, I have a couple of questions. First one is, what would be the sustainable margin, like after ethanol production has started on the overall firm basis, what would be the margin that I can expect that would sustain?
- Ankit Agrawal:** So the margin, we are post-ethanol combined, we are targeting around double digits, lower double digits for the FY25 and for FY26, it should be a little higher than the FY24.
- Rithvik Agarwal:** Okay, and on the raw material front, like glass price which was about INR6 per unit, is it cooled down or is it higher than that?
- Ankit Agrawal:** Sorry, I didn't hear your question properly. If you can just repeat it.
- Rithvik Agarwal:** The glass prices, the raw material, which was about INR6 per unit, which was mentioned a couple of calls back. So is it cooled down or it's in the same range now?
- Ankit Agrawal:** It's in the same range. So the price is at an elevated level, but it's not increasing further, but it's keeping its peak.
- Rithvik Agarwal:** And what is the exact number now?
- Ankit Agrawal:** So it will be in the same range. 6 to 6.5 is the range in which it will be ranging right now.
- Tushar Bhandari:** Okay. But we are trying to, as it's on the elevated level and it's in the same range right now, slightly it's come down, but we are trying to mitigate that also by the increase which had happened earlier. We are trying to move certain of our products into PET, so that will give us additional margin.
- Rithvik Agarwal:** Okay, and one more last question, like what strategic consideration led to the decision to enter into ethanol production?
- Tushar Bhandari:** So the strategic decision which was taken by us, because it's completely driven by Mr. Narendra Modi, and there was an opportunity being in the same line of business with the same premises, it gives us the economies of scale to come up with the ethanol plant. So we will be much more competitive than other players in the market, being in the same line, in the same premises. So the fixed costs remaining the same, we will be able to produce extra alcohol or probably ethanol.
- So that will give us a strategic advantage over the others that may get into ethanol. And plus there is a huge opportunity also, ethanol is the, in today's central government main focus and government wants to blend at least 20% of ethanol by 2025. Right now the government is standing at 10.5%.
- Rithvik Agarwal:** Okay, and one more I have one like, what is the capacity utilization overall?
- Tushar Bhandari:** So capacity utilization overall of the ENA plant, if you say, ENA is being, capacity is being utilized almost 100%. Now ethanol plant as we've just started, it's under the stabilization mode, but we have ordered, we have already ordered book in our hand for 100% capacity of the ethanol plant, but that will take some time but we have ordered, we have already ordered book in our



hand for 100% capacity of the ethanol plant, but that will take some time to stabilize and full capacity manufacturing. But we already have orders in hand for full capacity of ethanol plant also.

Rithvik Agarwal: Okay. And the ethanol margins, which you have mentioned like EBITDA level, it was 8%, 9%. So is it including by-products or excluding by-products?

Tushar Bhandari: This is including by-products.

Rithvik Agarwal: Okay. Okay. Thank you.

Tushar Bhandari: Thank you, Rithvik.

Moderator: Thank you. The next question is from the line of Majid Hammad from Smart Sync Investment Advisors. Please go ahead.

Majid Hammad: Very good set of number, sir. I have two questions, three questions out there.

Moderator: Sir, may we request you to kindly use your handset if you're using your headphones?

Majid Hammad: So now is it fine?

Moderator: Yes, sir. Please continue.

Majid Hammad: Yes. So my first question that I have is, overall revenue has been flat. Could you provide some color? That's the first question that I have. Second question, conversely, IMIL has seen a decrease in volume, revenue, and margin. Could you provide more details on the reason behind this? And last and final question that I have is, there has been a substantial increase in excess duty expenses. Could you please provide more details on this one? Thank you.

Ankit Agrawal: Majid, what was your first question, Mr. Hammad? I couldn't hear you.

Majid Hammad: So my question is, overall revenue has been flattish. Could you provide some color? Could you provide some more explanation on this?

Ankit Agrawal: So I'll just take this question. So as far as revenue is concerned, if you see the breakup wise, so we have registered a growth in our ENA segment. We have registered a growth in our IMFL license segment. Growth of IMIL proprietary segment is on the flattish side. Like we have mentioned that due to mild and extended winters, the sales growth was not in our expected lines. But we are expecting growth in the coming quarters.

Second, as far as the IMIL is concerned, IMIL is again a tendered business. So this year, the MP government has changed the policy. So that is why if you see the IMIL volume from April onwards, it's in the same level. So there's a very limited space to grow. So IMIL volume is being maintained from April onwards. So it is not comparable to previous year, because previous year we had a lot more number of warehouses where we could have seen more IMIL. But this year we have a less number of warehouses. So volume terms, it has come down.

As far as margin is concerned, margin is in the similar range. IMIL last year's margin and current year margin, there's not much of a difference. So in the same trend of an overall company revenue and margin.

Majid Hammad: What about the substantial increase in excise duty expenses?

Tushar Bhandari: The substantial increase in the excise duty has come because we are entering into new states. And as every state has got its own policy, in certain states, we have to pay excise duty and then transfer the products. So that's why you've seen plus Kerala has imposed the excise duty. So that's why excise duty paid material. So that is the reason that the increase in excise duty.

Majid Hammad: The last and final question I want to ask you, that is, what about your plan to go to Pondicherry? What is the strategy to get there? Like you think temperature....

Tushar Bhandari: So basically, as we've already shared a success story for the Kerala market, and Kerala and Pondicherry have got a similar consumption pattern. So in the next financial year, we'll be entering Maharashtra, Goa, Pondicherry and Karnataka market. So then we will see the sales coming from there as well.

Majid Hammad: Okay. All the very best. Thank you.

Moderator: Thank you. The next question is from the line of Harsh Shah from Dimensional Securities. Please go ahead.

Harsh Shah: Hi, good afternoon, sir. My first question is on the ethanol plant. So a couple of months back, the government of India had come up with this notice of suspending sugar-based players to manufacture ethanol for a year or so. So just wanted to understand, would that benefit you in any way if it creates some vacuum? Because the preference is definitely going towards the grain-based ethanol. So just wanted to understand, have you been able to get any benefit because you have commercially started manufacturing ethanol now?

Tushar Bhandari: So ethanol price has already been decided by the government. Government has banned the manufacturing of ethanol to sugar-based or from sugar syrup. So that is the government's call. But it was not, so it is not benefited. But as we are already committed to the quantity which we have, we already have booked orders. So that much supply is less so that the demand is more in the market.

Harsh Shah: Okay, okay, got it. And for merchant ENA, we have been mentioning that the margin has been somewhere around 8%, 9%. But if we look at the presentation, it's somewhere around 6%, to 7%. So is this the rate that will be maintained going ahead for E&A?

Tushar Bhandari: So for the ENA, 8% to 9% margin would be maintainable. And just apart from that, apart from that, as Mr. Ankit said that in his speech only, that it will give us a lot of benefit because we will be producing ethanol and the ENA in the similar premises with the fixed cost remaining the same. That will give us a huge economies of scale and it will help us to increase our margins across the sector.

- Harsh Shah:** Okay. And the last, and last call you had mentioned that there was some disruption in the ENA in Punjab which led to increase in prices and there was some supply deficit. So is that situation still going on or has it normalized now?
- Tushar Bhandari:** So now that situation is still there because see as government has increased the price of ethanol substantially in the last month also, in last one and a half month back also the government increased the ethanol price by INR6.5. So right now, government is purchasing ethanol at INR72, so which is more attractive. So most of the Punjab units which were manufacturing ENA have moved towards supply of ethanol. So then the prices of the grain-based ENA has also gone up and the supply is less. So that gives an added advantage to players like us.
- Harsh Shah:** Okay. So for current quarter we saw realization jumping from 63 to 67 on sequential basis. So is it further increase after this quarter?
- Tushar Bhandari:** Yes, definitely it's going to increase.
- Ankit Agrawal:** So the prices of ENA we are expecting will be in a similar range. We will not expect of much of increase here but INR1 or INR2 here and there might be possible, not more than that.
- Harsh Shah:** Okay. Okay. And so can you provide breakup of your IMFL revenue between Kerala, West Bengal, Delhi and MP?
- Tushar Bhandari:** So that details we will definitely provide you offline. And we'll give it to Go India and through Go India we'd be able to provide you the details of that, detail-wise, product-wise.
- Harsh Shah:** Okay. Okay. Sure. And just last question on the...
- Tushar Bhandari:** But the bigger contribution comes from Kerala and MP.
- Harsh Shah:** Kerala and MP. Okay. Okay. That's helpful. And last question is on the raw material procurement since the prices are higher, do we -- are we diversifying our source of feedstock given that there is supply deficit in industry and the prices are also elevated?
- Ankit Agrawal:** So we have a multi-feedstock plan. Currently we are using maize. So we can maize, rice, sorghum or any other raw material which have a starch content. And plus we are strategically located in Indore so we can procure raw material from the neighbouring states which are either maize or rice-driven state. So that's not an issue but overall the price of all the commodities are at elevated level. So currently all the commodities are moving in tandem.
- So if there's an increase in the price of rice, so corresponding there's an increase in the price of maize. So we just contemplate between what will be the benefit for us and where we can get the more out of it. So accordingly we decide our feedstock. Currently we are using maize since we are getting more benefit as compared to rice.
- Tushar Bhandari** Plus we are able to purchase the feedstock at a competitive price. Plus we've extended ourselves and we are buying through mundi's and through factories also. And as we have surplus cash or

goods, so when the price is right, we try and stock it up or stock our goods. So that gives us an advantage over the other players in the market.

Harsh Shah: Okay. And with our ethanol plant, as you mentioned, we'll get, it's already commercialized and will ramp up to full capacity utilization probably from next month. So are we well covered in terms of raw material procurement?

Tushar Bhandari: Yes, yes. We are well covered. So we have purchased -- we have planned a raw material purchase in a way that we are very, very well covered in that.

Harsh Shah: Sure. All right. Thank you so much.

Tushar Bhandari: Thank you.

Moderator: Thank you. The next question is from the line of Hardik Shah from Taurus Mutual Fund. Please go ahead.

Hardik Shah: Hi, sir. Thank you for taking my question. So we have done a great job in shifting our mix towards IMFL. But sir, in terms of IMFL license brand, sir, realization per case from the last one and a half year is hovering around the 1200 mark sir. So how should we look at this going forward? We expect this to stabilize around the current levels or we expect it to go upwards?

Tushar Bhandari: Hi, Hardik. Thank you for your appreciation. See, realization per case has moved up to INR1200 per case. As our headwind is towards the premiumization now. So the realization in future times to come per case would increase substantially. Recently, we have also that as we had said earlier, also that we have launched a handcrafted premium gin.

So which is priced at EDP of INR8,000 as against our products, which are available at INR1200 a case. So that will give a boost to the realization. Plus, we have bought other products also in line in for next six months, which will help us to increase the realization per case in IMFL segment.

Hardik Shah: Sir, I really appreciate this. But my question was more with respect to the license brand, sir.

Tushar Bhandari: I'm talking about license brand, license brand, I'm sorry. So license brand, the realization is would be somewhere around that. And we might get a slight price increase in the Madhya Pradesh or that only will get because you cannot substantially increase the price. The license brand, which we have are six brands and we cannot innovate or put any brand on that. So in our own proprietary plan, we are doing the increase in brand realization per case realization.

Hardik Shah: Right. So, sir, in terms of license brands, the number will be around 1,200. And in terms of the proprietary brands, it will continue to go northwards. Is that correct?

Tushar Bhandari: Go northwards. Yes, yes.

Hardik Shah: Perfect, sir. That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Imran from Longbow India Capital. Please go ahead.

Imran: Hi, thanks for the opportunity. So my question, first question is on your ethanol plant. You said you're using maize for the production. I'm just trying to understand this better. I think the yields for ethanol from maize is about 350 litres a ton. Right. And if I do the math, you require about 2.85 kgs of maize to produce one litre of ethanol. Maize prices are about 24, 24 and a half right now. So the so the raw material cost is about INR66 to INR68 per litre.

The prices are 72. And then on top of it, you have about INR9, INR10 of electricity that you have to spend on or the power and fuel that you have to spend on. So how you become profitable in this? Just trying to understand.

Ankit Agrawal: Yes. Hi, Imran. Thanks for the question. So first of all, there are two things to it. So realization you said 350, we have a little higher realization in comparative to that. So we operate very efficiently. So our realization should be somewhere around 400. And you have a very important part that is byproduct, you know, which is also a substantial amount. So more so that if you use maize, there is substantial amount of byproduct which get out of it.

So if I give you a math, so it is almost to the equivalent to whatever the amount of maize you are consuming, that amount of byproduct to get in maize. So if you add all this.

Imran: I think the byproduct is about 20%. If I'm not wrong, it is slightly higher than the rice byproduct. But the realization that the same things are lower because, you know, it is considered to be a lower grade of byproduct compared to the rice one. So it kind of matches your byproduct prices. What do you get about INR10, INR11 a kg or a liter? Sorry. So I think that's the that's the number, right?

Ankit Agrawal: Yes. So the byproduct of rice and maize such as the same amount of price. There's not much major material difference. There may be a INR1 or INR2 difference, but more or less the price is same. Plus, in case of maize, you get an extra byproduct in comparison to rice. So that also adds up. So if you match all those things, we will get EBITDA numbers what we have given in our presentation.

Imran: Yes, but, you know, there's a lot of uncertainty in this, right? Sometimes governments come up and say they look now we are giving you more, we'll give you less. So in a way, your output prices are basically controlled, but your input prices are basically open. So now how do you manage this volatility?

Tushar Bhandari So Imran now the thing is that the government is aggressively trying and support the industry. So if you would have seen that the government is trying to give the price as per the price increase in the market of the commodity. So in last six months, the government has increased the price by approximately around INR15 of ethanol.

So that is because now government is also understanding that if there is an increase in the commodity price, we have to pass on the commodity price increase and we have to give that

kind of price to the industry, because it's one of the primary most objective of the government to achieve 20% blending of ethanol. And right now, they've been able to achieve only 10%. So government is being supportive all through and through.

So whenever there's a price hike, you have to give presentation representation to the government and government takes immediate action and supports the industry in this matter.

Imran: Right. Very, very helpful. And the other question I have is on your, you know, the consumer business. I'm sure that you're using broken rice for ENA manufacturing, right?

Tushar Bhandari: So right now we are using maize only.

Imran: Even for ENA you're using maize, is it?

Tushar Bhandari: Yes, because price is expensive. So the advantage to us in a multi grain feed plant is that depending on the price and the economics and the yield, we can take a call on which grain to run. Right. So right now, it's preferable to run on maize than rice.

Imran: Right. And just one last question from my side, and then I'll join back queue. I was reading your annual report. And you know, I read somewhere that you have an advantage in terms of power and fuel, right? So you use some solar powered, thing. Can you please elaborate on that side? How? What kind of advantage do you have here?

Ankit Agrawal: So see, Imran, what we have, so we have a third party, tri-party agreement with the solar power producers. So accordingly, we get a substantial lower power charges from the MPP. And they just charge the additional conveyance fee for supplying the power.

So that's the advantage we have on the this thing. Plus, as far as boiler, we have a captive power sources as well. We have a turbine through which we generate our own power. So if we purchase a power from the grid, it will be costlier than what we are producing at our own end. So that's why we have a benefit over the others. Right.

Tushar Bhandari: Plus, on the report which you have read, the new boiler which we have installed, that also we can use multiple fuels. That is, apart from coal, we can use husk also, petcoke also. So that will give us a further efficiency in the same.

Imran: And you can also use rice straw, if you will tell us?

Tushar Bhandari: Yes, yes, yes, we can. But availability is the issue. But definitely, it's on multiple fuels.

Imran: Right. I think this is super helpful. Thank you so much.

Management: Thank you.

Moderator: Thank you. The next question is from the line of Nishit Jain from SNJ Investments. Please go ahead.

- Imran:** Hi, good afternoon. Recently, the company commenced this commercial production of the 130KLPD ethanol plant. Can you give me some guidance? When do you expect it running at its peak capacity? And what revenue can be generated from this plant in FY25?
- Ankit Agrawal:** So, see, we are expecting the plant to be operated at 100% capacity from Feb onwards. And if we take the current realization level, so we are expecting somewhere around INR250 crores to INR300 crores of turnover from this plant on a year basis.
- Imran:** For FY25?
- Ankit Agrawal:** Yes, yes.
- Imran:** Okay, that will be all. Thank you.
- Moderator:** Thank you. The next question is from the line of Yogesh Bhatia from Sequent Investments. Please go ahead.
- Yogesh Bhatia:** Hi. Sir, I wanted to know with the current increase in, maize-based ethanol size and the restriction on rice and sugar, how do we anticipate this will impact the revenue and margin in that segment for us?
- Tushar Bhandari:** So, that will give us a higher margin as compared to others because the price of sugar-based ethanol or price of rice-based ethanol is slightly lesser than the price of realization of maize-based ethanol.
- Yogesh Bhatia:** Okay. And do you see any change in revenue contribution in EBITDA from IMFL, you know, an IMFL-licensed segment? What are the strategies that are in place to sell more value-added products?
- Tushar Bhandari:** So, primarily, we expect an increase in the EBITDA margin over the period of years to come in our IMFL segment because we are heading ourselves to a premiumization. On that journey, we have recently launched one premium gin by the name of Nicobar Gin. And we have also launched a premium rum by the name of Central Province Rum.
- And we have, for the next year onwards, each quarter, we have got a product, a premium product lined up. So, as the entire industry is moving towards premiumization, so the company is also looking into ride that path and increase the margins in their own IMFL products. However, in the terms of IMFL-licensed brands, so licensed brands is a limited brand where we cannot do much innovation or R&D.
- So, the margins are supposed to be the same in the licensed brand. But there also, we are trying to increase the margins. As I said earlier that as the glass prices have gone up substantially, so we are trying to, wherever we can, trying to replace the glass bottles by PET bottles. That will further increase the margins.

- Yogesh Bhatia:** So, given all this, what should be our blended margin given in FY26, maybe after a year or so when our premium brands are stabilized, the ethanol plant is stabilized?
- Tushar Bhandari:** So, basically, see, what we are doing is we are trying to move and increase our EBITDA margin over the years to come. As you can see in the past performance also, so there has been an increase of 200 bps in our EBITDA irrespective of the grain price showing an upward trend. So, that is just because of the increase in the sale of our premium products and we continue to expect the same trend over the years. And hopefully, if all things go well, that will move on a much faster pace.
- Yogesh Bhatia:** Okay, Okay. And one last question, which are the new geographies that we have entered and what is the strategy there?
- Tushar Bhandari:** So, we are planning to, so right now, we are present in five states and next year planning to enter in the next financial year, Maharashtra, Goa, Karnataka, Assam and Pondicherry. So, these are from April onwards, we will enter these states and we are also working towards entering CSB business, which is a huge volume business.
- Yogesh Bhatia:** Which state, sir? Sorry, I did not hear you.
- Tushar Bhandari:** CSB. CSB
- Yogesh Bhatia:** Okay. Thank you, sir. That should be all the best. Thank you.
- Tushar Bhandari:** Thank you.
- Moderator:** Participants, to ask questions, you may please press star and one. The next question is from the line of Yash Modi from Ashika Group. Please go ahead.
- Yash Modi:** Yes, good afternoon, sir. My first question was with respect to the subsidiary that you guys have incorporated. Could you give us some more details on when do we expect the subsidiary to be operational and what are the segments we are looking to manufacture? Some more details on the plan, if possible.
- Tushar Bhandari:** So, basically, we have made a subsidiary to enter into the UP market and from there to gather the northern market and the northern states. That's why we formed a subsidiary and moved into the UP market because a subsidiary gives you an added advantage plus a new unit has got certain subsidies of the state itself. So, we have plans to enter the setup a unit in Uttar Pradesh, 100KL plant in Uttar Pradesh with a bottlery.
- Yash Modi:** Okay. And expected capex of around?
- Tushar Bhandari:** So, that would have an expected capex of around INR150 to INR200 crores.
- Yash Modi:** Okay. Mostly from internal accruals?
- Tushar Bhandari:** Mostly from internal accruals, yes.

Yash Modi: All right. And secondly, on this IMIL, now that we have a, obviously, the government's the same, but obviously a new regime in place, do we expect, is it actually the policy is relooked every financial year? How does it go? Because there's been a substantial drop. So, is it fair to assume this kind of run rate for the foreseeable future or can there be a relook at the policies of the government in the IMIL space?

Tushar Bhandari: So, the policy is being reviewed every year and the IMIL space is, what is there is a limited space. There's not much scope of headwind and growth in that. So, it should remain the same and the industry is also on the degrowth on the segment.

So, we are just trying to be there as the largest player. So, today, over the last three decades, we are the largest player in Madhya Pradesh in IMIL segment. So, we continue to be there, but our focus right now is completely on more on the premiumization products and IMFL products. That's a complete focus.

Yash Modi: Got it. Got it. All the best, sir. Thank you so much.

Tushar Bhandari: Thank you.

Moderator: Thank you. Participants, to ask questions, you may please press star and one. The next question is from the line of Prakash, an individual investor. Please go ahead.

Prakash: Hello. Yes, my first question is regarding this new market. Actually, we have been attending this conference call for the last three quarters and we are listing that we are going to new market, but we didn't see any tangible progress to that.

So, Bhandari sir, can you please spell out that for the target because in the PPT also no target is given, just it's like generally kind of thing. So, can you please spell out that by March, which state you will visit, we will roll out, by June, which state, number one. Number two, did you already have this finalized, the porting arrangement or the appointment of the sales personnel kind of thing in the new state which we are targeting?

Tushar Bhandari: Okay. So, basically, our new target, as you rightly said, as we've been talking in the last two quarters, that our new target is to expand into other states because the maximum growth in the top line would definitely come from there. And state excise being a typical issue.

So, we've been trying to approach most of the state excise where we want to enter. So, it's a time consuming process. But now from April onwards, we will be available in Goa and Maharashtra for sure.

And then we are looking at Karnataka, Pondy and Assam this financial year.

Prakash: Okay. So...

Tushar Bhandari: We are already present in Madhya Pradesh, Chhattisgarh, West Bengal, Kerala and Delhi.



Prakash: That helps. So, it's like the remaining three states, you will be launching within March or the next financial year?

Tushar Bhandari: No, March, no, April onwards.

Prakash: April onwards okay.

Tushar Bhandari: So, our documentation process will start from March. And then whenever the document process is completed by mid-April or so, then we will enter.

Prakash: Okay.

Tushar Bhandari: [inaudible 42:00], you will start coming in.

Prakash: Yes. I have a bit personal experience in this tea garden areas like Assam and the Duwars, which is basically West Bengal. That is very mass consumption of the liquor. So, I'm surprised that like why you have put this Assam in the bottom of the list.

It's like it's a high-priced market and very mass consumption because, like there are 600 tea gardens are there in Assam. Now, maybe even more. All these like managers and everything like it's like that's the only entertainment for them to spend the time there because otherwise it's a jungle. So, I think if you can prioritize Assam, it will be more lucrative for the company.

Tushar Bhandari: So, I definitely appreciate your insight on the consumption pattern there. I agree with you that the consumption pattern is there, but there are a lot things which we have to look at because being in the liquor industry, all the states have got different policies together. So, we have to understand and study each state particularly.

So, it's not put on the last track. The only thing is that the distance from Madhya Pradesh to Assam is a lot. So, the transportation cost is huge. That's why we are reviewing and we are reviewing a bottling tire somewhere in West Bengal site. So, from there, we can cater to Assam and Northeast states.

Prakash: Yes, sorry. So, here can I just give a little insight to you? If you are trying to finalize a bottling arrangement in West Bengal, then we do it towards the New Jalpaiguri or Cooch Behar or Alipurduar district because like those districts are called Dooars area and that is also full of gardens and like it is the entire belt.

So, if you do in this Dooars area, you will feel the consumption of garden, consumption in the Dooars area of West Bengal like which is starting from Darjeeling onward all four districts plus in Assam also.

Tushar Bhandari: Okay, sir. Thank you, sir.

Prakash: Okay, number one. Number two, like regarding this, Yes, you said that Goa and Maharashtra will be launching from April. So, it means already the bottling arrangement is tied up or you will be transporting from the MP? If you transport, like the cost will be very high.

Tushar Bhandari: So, bottling arrangement in Goa is almost finalized and we are in process of finalizing Maharashtra also.

Prakash: Very good. Very good. My other question like last time you said about regarding the ethanol project, you said that you will stabilize it within two to four weeks? So, I think two weeks already gone. So, now, like what is the capacity utilization for the ethanol project?

Tushar Bhandari: So, sir, it is definitely in the process of getting stabilized because there are a lot of teething issues when you start a new plant. So, probably by another week, 10 days, the plant will get stabilized and then as far as the capacity utilization is considered, we have got 100% capacity contract signed in with OMCs. So, capacity utilization is not an issue. Stabilizing plant, as soon as we stabilize the plant, we will be able to sell the 100% goods.

Prakash: My last question regarding the Unau project, like this in your announcement, very little information given that what kind of project you are going to set up and like, Yes, in the code, you mentioned that INR150 crores to INR200 crores in the capex. So, how we are going to fund it and like what will be its adjusted period or like when you target to start the commercial production?

Tushar Bhandari: Basically, the product, the project that we have planned for Awadh area, which is UP, and as you rightly said in Unau, see the consumption is increasing substantially in UP. UP as a state has done phenomenal when it comes to the liquor trade. The UP state government excise revenue from INR20,000 crores will touch INR60,000 crores.

And there's a huge opportunity now because of tourists and everybody coming and placing UP. Plus, apart from that, we need to have presence in, we are already present in central India and Madhya Pradesh. So, now to cater to the northeastern market, which has got great potential, we have planned to set up a plant in Uttar Pradesh. In that, we have planned to put in 100KL plant with a bottling unit.

Prakash: So, it's a government related?

Tushar Bhandari: And it will be catered to the northern states.

Prakash: So, when you say bottling unit, it means like the ENA, everything you will transfer from MP or like the entire, this is?

Tushar Bhandari: 100KL ENA plant we'll do, we will set up, plus a bottling unit. So, we manufacture there and so probably in initial stages, it can be a process because it's a faster time to set up a bottling plant and it takes slightly longer to set up a ENA plant. So, initial stages, we have planned to set up the bottling plant at the earliest and buy ENA from outside and manufacture. And once our ENA plant is up and running, we'll take ENA from internally only.

Prakash: Very good, sir. You have been very elaborate. Thank you so much, Bhandari sir. Just please keep in mind the setting of something in Dooars so that you can cater to both West Bengal and the Assam and the North East.



- Tushar Bhandari:** Definitely. Thank you, sir. Really appreciate it.
- Moderator:** Thank you, sir. The next question is from the line of Aditya Sen from Robo Capital. Please go ahead.
- Aditya Sen:** Hi, thank you for the opportunity. Sir, earlier you were talking about a capex in UP of INR150 crores- INR200 crores.
- So, I missed that part. Until when is it going to commission and until when will it ramp up to a substantial capacity utilization?
- Tushar Bhandari:** So, basically in UP we have purchased land and we have applied for licenses. So, once the license is there with us, we will place – we are also – and post that we will place the order of machinery and everything. So, post license approval, probably around 12 to 24 months, around 24 -- 18 to 24 months, we can seal the plant up. Yes.
- Aditya Sen:** All right. All right. Thank you. That was my question.
- Tushar Bhandari:** Thank you.
- Moderator:** Thank you. The next question is from the line of Manoj Bhura from Adinath financial services private limited. Please go ahead.
- Manoj Bhura:** Good afternoon, Madhuri sir.
- Tushar Bhandari:** Good afternoon, sir.
- Manoj Bhura:** This is regarding your capacity. In the presentation, you have written that EMA plant license capacity is 180 MLPA, whereas installed capacity is only 45 MLPA.
- Tushar Bhandari:** Yes, sir.
- Manoj Bhura:** Is it so?
- Tushar Bhandari:** Yes, sir. Okay. That means we have sufficient license. We can increase the installed capacity as and when we like.
- Management:** Yes, sir. What happened is recently we have increased our license capacity because it's a long and lengthy procedure.
- Manoj Bhura:** Right, right. Because I remember earlier it was around 90 MLPA.
- Tushar Bhandari:** Yes. Recently we have got an increase to around 18 crores.
- Manoj Bhura:** Right, That is doubling the license capacity. And do you have any plan of increasing the installed capacity of this ENA plant also?



Tushar Bhandari: Yes, sir. We have plans to increase the ENA plant. Looking into the growth of our IMFL products and our in-house consumption of ENA increasing.

So post the stabilization of our ethanol plant, we have plans to increase our EMA plant also.

Manoj Bhura: And the internal capacity is apart from this or included in this?

Tushar Bhandari: No, it is apart from this, sir.

Manoj Bhura: Apart from this. And again, in one of the earlier conferences, it was told that your installed capacity, say it is 135 KLPA. But you can increase the production substantially over and above the installed capacity. Is it so? If so, then how much increase can be there?

Tushar Bhandari: So, sir, increase can be there around 10% to 15% from there. That comes on the basis of the efficiencies you run the plant. That comes from there.

So we have all the permissions and everything in place. So there is one installed capacity and there is one efficiency which helps to increase the capacity slightly in terms.

Manoj Bhura: My next question is regarding this profitability. This is a liquor business and in liquor, the margins normally are very, very high. The cost of manufacturing is very less.

How come we are having very small margin? It should be in high, double digits, I think. Is there something we are missing or we are on board?

Ankit Agrawal: Manoj, I'll just respond to that. So you have to look at the, if you're comparing with the other companies, you have to see their B2C business, which they are doing and their premium products which are there. So the major margin comes from your own IMFL and a premium segment, to which company has already started towards that journey.

So as and when we add our more IMFL products and more on a premium segment, our margin should increase. That's what we have been, this is there in the Tushar Sir's remarks as well. Once we add up more IMFL product or premium products, the margin should increase.

Manoj Bhura: Ankit ji, our margin used to be very high before, 1-2 years ago. Probably these prices were on the lower side. That was the reason, I think.

Ankit Agrawal: So you are correct. So margin was there earlier, but the prices of raw material, you have to see. Two years back, which you are referring, we were having higher double digit EBITDA.

From there, we have come majorly because of the price of raw material and packing material. If we adjust this raw material and packing material prices, we'll again land up to that margin.

Manoj Bhura: How much percentage is the cost of material and cost of packing material?

Ankit Agrawal: Sorry?

- Manoj Bhura:** How much percentage we incur on raw materials and on packing materials?
- Ankit Agrawal:** Cost percentage which is coming, it's all because of packing material and raw material, which is there in our financials. The cost percentage if you calculate, that is mainly on account of raw material and packing material, because there is no other material thing in that particular cost line item.
- Manoj Bhura:** Ok, Ankit ji, now the promoters are on board. Why don't you bring them to the con call?
- Ankit Agrawal:** Sorry?
- Manoj Bhura:** Young generation has come of the promoters.
- Ankit Agrawal:** Okay. Why don't you bring them to the con call.
- Ankit Agrawal:** So we have to draw a line as to who is going to do what. So promoters are more or less all into the business transaction and Tushar ji is the one who is leading the entire investor relation activity in the company. So Tushar ji will be the one who will be leading the investor relation.
- Further, whenever in the future we have some conferences or roadshow, then definitely one of the promoter will be accompanying us. But since these calls are more to guide the promoters about what company has done and all those things, Mr. Tushar Bhandari and myself is more than sufficient to help you out.
- Manoj Bhura:** No, no. It is right. But once promoters are there, it raises the confidence level of the general public and investors.
- Ankit Agrawal:** Sir, you have to understand promoters can't do everything. For that, they have to have the team. So the team for them is Tushar Bhandari and myself who are handling the promoter. If we are not, so find all the answers which you have.
- Manoj Bhura:** Yes, you are giving all the answers. No problem.
- Moderator:** Mr. Bhura, I'm sorry to interrupt.
- Manoj Bhura:** Okay.
- Moderator:** Yes. Thank you. The next question is from the line of Prakash, an individual investor. Please go ahead.
- Prakash:** Yes, I will just support Bhandari sir. What my predecessor just mentioned. Let me just vouch you here. I recently attended the conference of JK Tyre, which is about INR6,000 INR8,000 crores company. Their managing director, a young fellow, Mr. Anshuman Singhania. He was the person who was driving the entire thing. He was whole time director also there. His CEO was also there. His CFO was also there. We are also qualified chartered accountants. We understand everything. But Ankitji was a bit overboard here.

So I think in this conference call, management gets a lot of opportunity to hear from the different minds. And whosoever is putting questions, they are also well-versed in this function. So it's an opportunity. I think there should not be any justification. So I think we should take it wholeheartedly that okay, so far you didn't bring them on board.

No problem because they have just joined the board. So in the next conference call if you bring, I think they will be more like, more excellent and complex will come from them. And I'm not undermining Mr. Tulsar Bhandari. He has been fabulous. But I'm just saying, having the owner there, like it will be like, it will be like welcome to the gold.

Ankit Agrawal:

Sir, owners are all shareholders. But your point is very well taken. And we'll see what best we can do in that.

Prakash:

Okay, my next question is regarding this premiumization. So here again, like the question I'm throwing is very, very important for the shareholders, for the owners and for the mass investors also. If you see the case of for example, it's not ethical for me, but I'm just mentioning the other leading company based in UP, listed company in India.

See how it is faring, fantastically faring. Because they have gone premiumization very early. But let me again give you some insight here. I have just seen the bottling of Nikobar, or Central Points, sorry, Central Points. To start up the bottling or vapour is not at all eye-catching or not, like, because in the liquor industry, like what is inside people do not know. But like, what is the appearance that is more, like, gets sales.

Like when you go to, for example, any duty free or any, like wherever you go, we see that okay, the bottle is looking good, the bottle size is good, everything good. People try to take that plus the brand and plus the price. But here if I see the Central Province, it's not appealing at all. Some white label has been done kind of thing.

So if you could kindly just do some re-engineering on the packaging or especially the wrapper outside, it will really fetch us much high prices or much premium in terms of a product.

Tushar Bhandari:

Definitely, I take your point and feedback on the same and I look into it. But when we design a product, there are a lot of other things also which goes into it. So there is one is cost at what cost price you're launching. And at the target segment, what's the appeal in the target segment? So based on that and based on the market research, we have designed whatever we design. But definitely your point is well taken, because any feedback is good for us. So we'll definitely have a look at that.

Moderator:

Thank you. Ladies and gentlemen, due to time constraint, that was the last question for today. I would now like to hand the conference over to Mr. Tushar Bhandari for his closing remarks. Over to you, sir.

Tushar Bhandari:

We trust that we have addressed all your inquiries satisfactorily. If you have any remaining unanswered questions, please don't hesitate to contact our investor relationship agency, Go India



Associated Alcohols & Breweries Limited
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Advisors. They will be more than happy to assist you further. Thank you and thank you for your valuable time.

Ankit Agrawal: Thank you.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Go India Advisors, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.