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20<sup>th</sup> February, 2023

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 14<sup>th</sup> February, 2023 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 14<sup>th</sup> February, 2023.

A copy of the said transcript along with audio recording is also available on the website of the company [www.associatedalcohols.com](http://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 FY 2023 Earnings Conference Call,**  
**February 14, 2023**

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**Moderator:** Ladies and gentlemen, good day, and welcome to Associated Alcohols And Breweries Limited Q3 FY'23 Earnings Conference Call hosted by Valorem 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 “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Chaiti Gujarati from Valorem Advisors. Thank you, and over to you.

**Chaiti Gujarati:** Thank you. Good afternoon, everyone, and a very warm welcome to you all. My name is Chaiti Gujarati from Valorem Advisors. We represent Investor Relations for Associated Alcohols And Breweries Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the third quarter and 9 months ended of financial year 2023. Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's concall may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, I would like to introduce you to the management participating in today's conference call and give it over to their opening remarks. We have with us Mr. Tushar Bhandari, Whole Time Director and Mr. Ankit Agarwal, Chief Financial Officer. Without any further delay, I will hand over to Mr. Tushar Bhandari, Whole Time Director for his opening remarks..

**Tushar Bhandari:** Good afternoon, everybody, it is a pleasure to welcome you to our earnings conference call for the third quarter and nine months of the financial year ending 2023. It is always been a pleasure to interact with all of you. I would first like to give an update on the macro scenario around the industry and then will take you through the operational performance and then we'll hand over the call to Mr. Ankit Agarwal, CFO of the company for discussions on financial performance, which we reported yesterday, and then we will open the floor for Q&A. The

consumption and the growth story of India continued during the quarter supported by the festival mood across the country. During the third quarter the company deployed an aggressive strategy to push sales in quest for higher market share resulting in lower sales realization. This move will help us to maintain our leadership position in Madhya Pradesh, and consolidate our brand positioning in the market. Unfortunately, inflationary pressure continued to be severe during the quarter for critical inputs like rice, PET resin and coal. This was partially mitigated by the ongoing operational improvement measures taken by the company. EBITDA margins were lower, due to lower sales realizations and inflationary pressure on the input materials. Operational headwinds are also expected to remain in the fourth quarter of the financial year. With rice, glass prices expected to remain at an elevated level. We are pursuing price increase and continued with our operational improvement measures to minimize the impact. We are delighted with the announcement of the new tax plan announced by the Honorable Finance Minister of the country in the recent budget and hopeful that the increase in disposable income in the hands of taxpayers will help the business of the company in the long run. Further on the progress of Ethanol Capex Project, the same is in full swing, and the upcoming plant with a capacity of 40 million litres per annum is expected to start commercial production by May 2023. Lastly, the Stock Exchange has given the NOC to SEBI on the merger with Mount Everest Breweries Limited and we are awaiting their approval. With that now I hand over the call to Mr. Ankit Agarwal to take us through the financial performance of the company.

**Ankit Agarwal:**

Thank you Tusharji. Good afternoon everybody. Let me take you through the financial highlights of the third quarter and nine months ended financial year 23. For third quarter the net revenue from operation was around 185 crores which increased by approximately 13% on year on year basis EBITDA was reported at 17 crores with an EBITDA margin of 9%. Profit After Tax for the quarter stood at around 11 crores, with a PAT margin of 6%. Our segmental sales volumes or IMFL volume was around 15.6 lakhs cases with a growth of 62% year-on-year basis. IMFL proprietary was around 3.9 lakhs cases representing a growth of 51% year-on-year basis. IMFL license brand was around 5.46 lakhs cases, representing a growth of 31% on year-on-year. Our merchant ENA sale was down by about 47% and stood at around 45.9 lakh case liter. This decline was primarily due to higher internal consumption of ENA for our own IMIL and IMFL. For nine months of the financial year 2023 our operating revenues stood at 517 crores, which is an increase of around 41% on year-on-year basis. EBITDA stood at around 48 crores with EBITDA margin of 9%. Profit after tax was reported at around 32 crores with a PAT margin of 6%. Now, with this brief overview, I would like to open the session for question and answer.

**Moderator:**

Thank you very much sir. We will now begin the question and answer session. Ladies and gentleman we will wait for a moment. We have the first question from the line of Saket Kapoor from Kapoor Company. Please go ahead.

**Saket Kapoor:**

Sir as you mentioned about the inflationary trend in the raw material basket, if you could give us some more color, how the current prices are trending in terms of coal and the rice part. What do you foresee in the coming future? I think the coal prices have corrected significantly. So, when are we going to reap the benefit of the same and how are the margins. What steps are you taking to improve your margins you spoke about penetrating the market with increased sales.

**Tushar Bhandari:**

Good afternoon Saketji, Saketji there is an inflationary pressure primarily in terms of the grain which is a major grain and packaging material and as you rightly said that coal has supported and is on the slightly on the downward trend. So, in the rice and grains, we see an upward trend in the market and with the more number of ethanol plants coming up. So the demand for the grain will increase and that might lead to an increase in the price and how we are mitigating that is we are trying like see next year the price approval, we will have to take in the April. So we will try and take an increase in the price in whichever states we can and to a certain extent almost 30% of our business of our top line constitutes of sale of ENA. So, the price increase in the grain has already been taken care in the sale of ENA and we have increased the price of the ENA but wherever the IMFL and IMIL is concerned, we will try and take the price increase like something in the mid of the year we have done in Kerala and we have spoken to the Kerala Government and foregone the turnover tax. So which has given the additional margin to the company. So, like that we are talking to various states for price increase. But apart from that on the packaging material side though the packaging material of the corrugated boxes and others have reduced however the price of glass has increased substantially and PET is also slightly on the increasing trend which will support us and which will go down. So that is happening on the front plus apart from that we are also trying to get into innovative packaging and trying to see how we can help and reduce the cost by either decreasing the weight of the bottle or introducing PET wherever we can. So that is the mitigation strategy which we have taken and plus on the on the purchase side also of the grain, we started buying directly from the mills to avoid the brokers so that the broker margin also comes to the company. So, these are the few steps which we are taking to mitigate these pressures with in line with the focus of increasing sales substantially. So, as you have seen that the sale of all our products have seen a substantial increase from last year compared to this year.

**Saket Kapoor:**

Sir if we take it is not part of the story going there. So, we have the details that the sales realization had at higher prices and there has been a long time, also an upward revision so factoring that and the current grain prices how are your margins shaped up for the sales participation to the ethanol lending program and what portion of your sales are directed towards it?

**Tushar Bhandari:**

The margins would be almost similar to the margins, which we have in terms of which we discussed around 8 to 10% and that the new thing in the ethanol plant would be completely on the sale of the ethanol side and government is also considering with an increase in price of

coal and grain, the government is also considering an increase in the price of ethanol and the government is also considering an increase in the price of transportation of ethanol. The government is also taking care because these questions have been raised in our All India Distillers' Association meeting and we discuss with the government and now the priority of the government is to increase the ethanol blending from 10% to 20%. So, they are trying to mitigate the increase in the price by increasing the price of ethanol.

**Saket Kapoor:** Thank you. On the coal part sir, of the total power and I think the power and fuel mix only the coal is affected. 22.57 crore is the power & fuel number. So how will this line item shape up sir with the current coal prices what kind of reduction are we expecting going ahead?

**Tushar Bhandari:** Coal is on a downward trend slightly. So, what we have seen a slightly downward trend around 5% from the peak. So we might see a further slight decline in the coal price.

**Saket Kapoor:** Are we sourcing it domestically only.

**Tushar Bhandari:** yeah we are purchasing domestically

**Saket Kapoor:** That is e-auction route and how is the pricing then money, 5% is what we are going to gain going ahead.

**Tushar Bhandari:** Five percent is a slight correction that has already happened and further we are expecting around 1 to 2% decrease in the price and plus apart from that the procurement is either through brokers or through direct government allotment. So we have both models. We have got government quota also, direct allotment from the mines and plus buy through brokers also.

**Saket Kapoor:** Can you quantify the numbers in terms of the total coal requirements on a quarterly basis by value terms?

**Tushar Bhandari:** By value terms I can get back to you on that.

**Saket Kapoor:** Right sir. I will join the queue again thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Manish Dhariwal from Fiducia capital Advisors Private Limited, please go ahead.

**Manish Dhariwal:** Thank you for this opportunity . Tusharji request your thoughts and perspective on how the products are failing you mentioned that the market share is improving and you spoke about Madhya Pradesh, but I thought that Madhya Pradesh was already a leadership position for your company and despite the inflationary scenario, you have kind of gone about reducing selling prices. So what has been the benefit out of that? So maybe in quantitative terms if you could explain as to how the IMFL positioning has changed. How the proprietary trends have

changed? How in which stage what has happened? You at least share some details on the sales side.

**Tushar Bhandari:** Okay, Manishji we have uploaded the presentation also on the same and I will just brief you on that also. So as you rightly said Madhya Pradesh, we have been on the leadership position always okay. The main thing is that if we have to increase our sales from here on, we have to penetrate in the other states which is slightly tough position which we are trying to achieve. So as per the sales, the number of cases we have almost there have increased overall almost 90% in the sale of IMFL numbers of cases. So as compared to nine months of 24 lakh cases last year, we have already done 46 lakh cases this year. In terms of IMFL proprietary brands six months if I compare. So, as compared to six lakh cases last year, I already had 11 lakh cases, that is an increase of around 87% and IMFL licensed brand from around 7.5 lakh cases, we have done around 11.76 lakh cases. So, that has been an increase of 55%. So, we have seen an increase in sales in Madhya Pradesh substantially out of all this, and now we are trying to penetrate into other states.

**Manish Dhariwal:** So, all sales that you shared about the details that you shared is all Madhya Pradesh. What about the other states?

**Tushar Bhandari:** Primarily and IMFL proprietary brands versus other states. So, IMFL proprietary brand's major contribution is from Madhya Pradesh and from Kerala.

**Manish Dhariwal:** So, we will be happy if you would color in terms of the breakups and okay, how much is MP contributing? How much is Kerala contributing? Then in the previous calls, we have shared that you are looking at markets like UP, You're looking at markets like Delhi, then I think also you have joining markets to Madhya Pradesh on the eastern side. So, what has been the outcome of all those efforts that have been made and how many customers present in touch point are you present in like ultimately product is the retail products which are available in shops. So, how many shops are you available at. See we would like to basically get a deeper dive on this because I explained to you where we are coming from a company which used to do fantastic operating margins has suddenly completely kind of dipped, and this is element of concern that how a very robust business leadership profile across products in at least the Madhya Pradesh region is kind of not resulting in the margins that were already being achieved. So, actually, if you notice this time you increase the prices of ENA. So the commodity business is giving you a better margin than the retail product, the branded product, because there you have actually reduced prices. So we are wanting to basically get a better understanding.

**Tushar Bhandari:** Definitely I'll give you the segment wise breakup also. So as already I have given the segment wise breakup and state wise breakup, we can provide you but apart from that just to inform you that we have been able to achieve good numbers in Madhya Pradesh and Kerala. For other states, as we had discussed that in terms of UP, in terms of Delhi, in terms of West

Bengal. West Bengal we are in line with starting right now. So we have not been able to get the breakthrough yet, because there is severe competition also coming in from a lot of people. So we are just trying to break through in other states so once we break through in other states, then the volume growth will happen substantially and as you said that margins have dropped, definitely the margins have dropped that is primarily because of the pricing increase in the commodity price and the liquor is a much regulated industry. So in every state, the price increase is completely dependent on the excise commissioner level whether he wants to give the price increase or not. So we have been trying to convince lot of the excise authorities to give us a price increase because the grain price has increased exorbitantly they have increased by 50%, coal prices have increased by more than 50%. So that's why the margin has dropped irrespective of sales realization, sales increase, the margin has dropped that is a major reason. So if you would have seen that the top line is growing substantially is in line with our expectation the top line growth, but the margin pressure is definitely there, which we have to agree.

**Ankit Agarwal:**

So to add up to Tusharji, if we adjust the inflationary pressure and the commodity prices, more or less, we will end up the same margin profile which we used to have. So, the ultimately it boils down to how much price escalation we can get from the government authorities regulated authorities where we are operating.

**Manish Dhariwal:**

Ankitji I think this is the first time that we are getting the opportunity of interacting with you. So that is very nice, because otherwise I think Tusharji was the only one who was representing the organization on these calls. So see Ankitji the point is that you are having a distillery where your core competencies and bringing production efficiencies in making the best ENA available right. Now to improve the margins you decided to get into the retail side of things, but that is not happening. So, basically the whole thing is kind of getting a little confusing, that is one and secondly, see, you have continually made attempts to get into these various states. So, maybe, obviously, there is competition, right, because the competition also wants to sell the product. So, is it so would you think it will be a better strategy just to be a regional player, a strong regional player where we just kind of control the state that we are mean how beneficial is it to make attention and like what kind of being able to make breakthroughs.

**Tushar Bhandari:**

See what is happening is that that was happening is that we have been able to, we are definitely a strong regional player on that plus apart from that, see whenever you enter a particular state, you have to see a lot of things you need take a lot of things into consideration. So we have been able to have a significant breakthrough in say Kerala market. So Kerala market within three years of operation, we have achieved a 7% we are almost the fifth largest suppliers there after the big like USL and Radico and all. So we have been able to do a substantial big breakthrough there, but apart from that, the other states like which I said Delhi UP and all. So what happens is that when the cost price increases substantially, and you do not get that increase in the price by the government, then it becomes difficult for a player

who is coming from outside to enter into that state. Okay, though, we are trying and pushing our product and trying to see what we can do best. So, what we have also done is now we are also getting into within next two to three months, we will launch a super-premium brand also so that the margins are good and for us, it's become viable to enter any other markets. So these are the major factors, why the breakthrough is not happening, otherwise it would have happened.

**Ankit Agrawal:** Like we are also moving towards the premiumization. So that we can increase our margin profile and go back to what we used to have and we should be able to see the results in next one or two quarters going forward.

**Manish Dhariwal:** So we are not aware about this super premiumization? Would you like to share some news with us?

**Tushar Bhandari:** Yes, we are launching a premium, a super-premium gin. Okay, in the price range, its depends on the market, we enter. So it will be on a premium side and then we are launching we are going to launch a whiskey which is in the range of slightly lesser than 100 Piper range, which will be a blend of Malt and the Spirit. So these are the two premium products which we are targeting to be launched in the first quarter of next year.

**Manish Dhariwal:** Okay. Fantastic and sir now on the element on the matter of this merger and all that you have got the stock exchange NOC, so what kind of timeline can we expect for this merger to come through?

**Ankit Agrawal:** So, so, on the merger parts stock exchanges have given their NOC to the SEBI, now, the final approval from the SEBI is pending which we are expecting by first week of March. So, once we get that, we are hopeful that we will be through with the NCLT and all other operational regulatory clearance in next four to five months post the approval from SEBI which we are expecting by first week of March and as you brought the question of the merger also. So, that is also one of the major reasons because the Beer company which is doing frankly well as one of the fastest growing company in the country, so, they have been able to create the brand so, that will post the merger that will help associated brands also to just ride on those brands and make breakthroughs so are able to ride the wave of beer and make breakthroughs in the states which we are planning.

**Manish Dhariwal:** Okay. Can you share the details about how the other company has performed in the last quarter?

**Ankit Agrawal:** The performance we will share this separately but it is as per expectation and what the projection has been done for the purpose of valuation of the merger so it's in line with that.



**Manish Dhariwal:** Okay, okay. Because see because the exchange ratio and everything has been already finalized. So, then I don't see as to why the financial performance of the company should not be shared. Shareholders are already getting the see the prices has come down from some very good levels to capturing the merger ratio. So, that we anyways bearing. So how is the other company sharing is something that you would like to understand,

**Tushar Bhandari:** Financial performance has already been uploaded and shared and further.

**Ankit Agrawal:** We are waiting for the approval of the SEBI. So once we get the nod from the SEBI, we will be happy to share all the performance of the company so that is the regulatory requirements. So once we go through the SEBI approval process and then we will start with sharing the performance of the company. We can give you the heads up it is in line with the projection which we have done.

**Moderator:** Mr. Dhariwal may we request you to kindly rejoin the queue, please. We have the next question from the line of Paras Bothra from Ashika Group. Please go ahead.

**Paras Bothra:** Yeah, thanks for the opportunity. So now, I also wanted to understand Mount Everest only. Probably you won't be able to disclose much, but at the same time directionally if I wanted to understand like we are in quarter one, you projected that 190 crore was the revenue and the margins were way higher than what Associated Alcohol was at 18.45%. So how is it sharing as far as margin is concerned it is going to be margin accretive for Associated Alcohol when the combined entity comes in and is the run maintained what it was, for the first quarter, right? If you can directionally share something about Mount Everest will be great.

**Tushar Bhandari:** For the first quarter Mount Everest details which we had given, okay, and as per the projection of the years, which we have expected, so, it is absolutely in line with the projections and the performance is absolutely in line, but obviously, the first quarter and the second quarter cannot be the same, because we are seeing a seasonal business. So, the first quarter is the summer season. So, that is the best performing quarter and the maximum sales happens in the first quarter and the second quarter what happens is that the post the rainy, the sales starts to decline slightly in the beer industry per se, but the numbers the sales and everything is in line

**Ankit Agrawal :** and plus as far as margin is concerned definitely this will be a margin accretive for a consolidated entity and we are very hopeful that this will be beneficial for the entire shareholders.

**Paras Bothra:** Okay and the second question and the last one is with regard to associated alcohol itself, when you say that you are willing to do price revision at the same time, if you can highlight how much time it takes for the price revision to happen, what is the general procedure like.

**Tushar Bhandari:** Bothraji every financial year you have to you can give your price to the excise authority and then they give the approval of that price. So, coming April, we will try for a price increase in almost all the segments in almost all the states we are operating into, but we cannot exactly say what is the price increase which we are going to get, but definitely we are expecting a price increase because everybody has given not only us, all the industry players have given representation to the states that the price of raw material has increased substantially. So, the cost constraint that we think that we might get a price increase in most of the states, but to what tune we will get it is not clear yet, so from April onwards, we have to submit price in each and every state. So post April only we will come to know.

**Paras Bothra:** Okay fine. So that's all from my side. Thank you so much and all the best.

**Moderator:** Thank you. We have the next question from the line of Muthu Kumar from Fidelity Ventures. Please go ahead.

**Muthu Kumar:** Thanks for the opportunity sir. What is the integrated capex planned for the financial year 2024?

**Tushar Bhandari:** So, basically the capex plan for the company has already been in place and as for the 24 like the major capex plan which was there is setting up an ethanol plant and setting up for bottling unit. So, total around 150 crore is the outflow for both these two. So, certain part of the capex which is already pending to be paid which might overflow in the next financial year. So, these are the two major projects which is coming for which the total outflow is around about 150 crore.

**Muthu Kumar:** And any idea to have a footprint in untapped markets in states.

**Tushar Bhandari:** So, basically, as said earlier also that we are trying to enter other states other states also. So, we were hoping that we will be able to get a breakthrough like we have got in one or two states in terms of sale, but we have not been able to breakthrough those regions because of certain reasons, which already said earlier, but definitely we are trying to encash on the untapped market aggressively.

**Muthu Kumar:** So where do you see margins that are in license brand or in contract manufacturing or in proprietary products.

**Tushar Bhandari:** So, basically the margins are much better in a proprietary brands obviously, because in licensed brand we have to pay a certain amount of royalty to the person who owns the brand. So, the margins get diluted there and in terms of job work, it's just a simple job work which we are doing. So, we just get a per case basis. So margin are better in our own brands and as said earlier during our earlier concalls also in terms of increase in the sale of our own proprietary brands, so company has been able to fulfill and is on track with the achievement

of increase the sale of their own proprietary brands and our objective which was there earlier to consume as much ENA as we produced in house. So out of which we have been able to majorly achieve that. So that we can also see from the decline of the sale of ENA because ENA has gone more into manufacturing our own brands so we don't have any ENA left to sell, whatever ENA is balance we sell that. So companies always since last three four years have been trying to increase the sale of its own brands

**Muthu Kumar:** Okay sir. Thank you sir. That is it sir.

**Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

**Saket Kapoor:** Regarding this Mount Everest merger issue, what could be the impact on the shareholding of promoter and how the shareholding is going to change and what is the status you have confirmed sir I missed your point today.

**Ankit Agrawal:** So, see we have got the approved so, the stock exchanges has given their NOC to the SEBI, now the proposal is pending with the SEBI and once we get the approval from the SEBI, we can go ahead with the NCL to process and all. So, we are expecting the SEBI NOC somewhere in first week of March. As far as the promoter shareholding is concerned post merger the shareholding of the promoter and the promoter group will be somewhere around 82%.

**Saket Kapoor:** will be 82%.

**Tushar Bhandari:** Yeah 82%.

**Saket Kapoor:** And currently the shareholding is 58.45?

**Tushar Bhandari:** Yeah.

**Saket Kapoor:** So, there will be a significant increase in the promoter's holding.

**Tushar Bhandari:** Yes, so, this is majorly the reverse merger because the other entity is 100% owned by the promoter groups you have proposed the ratio based on the valuation of independent value and based on that we are doing this so this revised shareholding is based on the swap ratio which we have confirmed earlier to the stakeholders.

**Saket Kapoor:** Just for the sake of repetition what's the swap ratio and what is the resultant capital?

**Tushar Bhandari:** 0.77 share of the new company

**Saket Kapoor:** No, I didn't get you sir

**Tushar Bhandari:** 100 shares of the current associated alcohol for that the merged entity would be around 77 shares.

**Saket Kapoor:** Okay, then going ahead in order to comply with the SEBI listing norms, we need to dilute our holdings from 82% to 75%. Correct.

**Tushar Bhandari:** Definitely.

**Ankit Agrawal:** So as per the SEBI norms, we will have a one-year time to comply with that and then based on the business requirement and all those things, we will look into it how that needs to be done.

**Saket Kapoor:** But 7% equity dilution is there on card once this reverse merger is done.

**Ankit Agarwal:** That will be clear 1 year down the line, I would say 1.5 years because five months will take for the merger process from the date of approval one year.

**Saket Kapoor:** And for the revenue part and the profitability part of the merged entity. Did you mention any figures that I missed that comment?

**Tushar Bhandari:** We have already we have already uploaded the presentation and for the consolidated entity for the Q1..

**Saket Kapoor:** For Q1 or H1?

**Tushar Bhandari:** Q1.

**Saket Kapoor:** For the nine months, we need the entity numbers of Mount Everest, how has the performance been do you have the numbers in hand with you? So as revenue and EBITDA up for Mount Everest.

**Ankit Agrawal:** So as mentioned in the call earlier, once we get the approval from the SEBI, we are able to disclose all the required numbers so we are just awaiting the approval from the SEBI because of some regulatory issues we cannot do that. So once we get approval from the SEBI, which is somewhere in the first week of March, we are expecting once we get that we will give all the numbers of Mount.

**Saket Kapoor:** Sir as you mentioned very well that is going to be a EPS accretive or investor, but as these structure, the majority of the benefit is skewed towards the promoter because of that entity being 100% owned by the promoters so over the longer term minority shareholders may benefit out of it. But in the near term, immediate term, it is the promoter entities who are going to gain out of. This understanding is correct sir.

**Ankit Agrawal:** No, no, it's not, so see the entire so I'll tell you, so the AABL or associated historically, it's a more a B2B company, if you see the 70% of our revenue come from the B2B operation and 30% come from B2C operation whereas the other entity mount, which is it is 70% of revenue come from B2C and 30% come from B2B Now, you know, it says it is prudent or established fact that you know, any B2C company will always have upper hand because you have control over your end revenue you have control over your profit. So, historically we have tried AABL through increasing our proprietary products, but for whatever reason, we have not been able to do that the scale which we want. So, this merger will help the AABL products also to move from more B2B to B2C. So, this merger will help and change the DNA of the entire group entire consolidated entity from a B2B prospect to B2C. So, ultimately, this will benefit all the stakeholders who are involved in the process and the company management is always concerned about all the public shareholders and all the decisions are being taken based on that and this has been done with the proper valuation and independent valuer.

**Saket Kapoor:** Okay, and lastly, then what is the current market share for Mount Everest that is a B2C? What is their current market share and what is the brand name if you could mention, which are under house in the Mount Everest breweries?

**Tushar Bhandari:** The market share of Mount Everest breweries right now is almost 60% in Madhya Pradesh and they are expanding it to other states like Delhi, Chhattisgarh, UP, Assam and other states also like West Bengal and apart from that to name the few brands they have got beers in the category of Lemount, Mount 6000, Dabang and recently they have launched a premium brand by the name of Stok, which is on the premium and a Craft beer sector in that we provide lager, strong and weak beer and we are also into premium business which is a draught business so in that we provide fresh beers to all the pubs and all so we have direct connection to the customers in that.

**Saket Kapoor:** So this will be mainly beer company oriented company.

**Tushar Bhandari:** Yes definitely. One of the fastest growing beer company in the country.

**Saket Kapoor:** Okay, so they have the entire revenue skewed towards the beer segment itself. Yeah only beer and out of our total portfolio, what is the beer contribution currently associated alcohol as of now, without the merger.

**Tushar Bhandari:** So alcohol we don't have beer. No, we don't have beer.

**Saket Kapoor:** So, this would be a new segment added all together and on a blended basis, going ahead sir how the proportion will look like revenue proportion going ahead.

**Tushar Bhandari:** So always will be 50-50%. Apart from that we have a complete conglomerate. So it will be the only company in the industry legit entity, which has both beer and IMFL in its portfolio so it

becomes easier for the customers also. For customers it becomes a one-point shop for the purchase of any liquor product.

**Saket Kapoor:** Now sir online sales for beer are also permitted. So these beer cans and all would be sold on through the online platform also.

**Tushar Bhandari:** So that is only a state subject in one or two states it has been permitted, but that's completely dependent on the state excise policies of that particular state.

**Saket Kapoor:** Lastly, coming to the state excise parts that are in the IMIL business what constitutes the taxes part, total revenue, Indian made liquor sir, country liquor.

**Tushar Bhandari:** Country liquor the total revenue is around out of that excise duty portion is almost around four to five times of a price, but as revenue it's not there. Our revenue is post the excise parts generally we are functioning in the in the areas wherever you are functioning, the excise duty is not applicable, excise to the manufacturer, it's applicable to the retailer.

**Saket Kapoor:** Sir, suppose the price of the product is 100 rupees how much what contributes the taxes part on a blended basis.

**Tushar Bhandari:** Geography wise, yeah, completely depends on state to state.

**Saket Kapoor:** State to state. Okay.

**Tushar Bhandari:** Goa, it's quite less if we consider for example, if I give Madhya Pradesh for example so, if one product I give to the government at 100 rupees till the customer it reaches at 500 rupees.

**Saket Kapoor:** And you have your presence in the state of West Bengal also.

**Tushar Bhandari:** We are just starting it.

**Saket Kapoor:** So we are setting up our plant here or we will be only doing job workmen how are we what is our preparation here?

**Tushar Bhandari:** So, as per our earlier conversation also in concall also we take every state as a step by step process. So, we are a zero debt company and we believe in taking conservative debt. So, instead of taking over a factory or buying over and doing a CAPEX, what we do is initial stages we are planning to supply it from our existing plant, which is Madhya Pradesh and after we see our traction and after we see a sales improvement in that particular state, we do a bottling tie up with some bottling license holder. So, they do job work for us and if we achieve a certain scale, and we see that post that instead of getting a job work done, it is viable to acquire or get a license for manufacturing, then so we look into that aspects. So it is a step by step process. So, for example, if we are starting in West Bengal right now, so right

now, we will be supplying it from the Madhya Pradesh itself and after we achieve a certain level of volume, we will tie up and after we achieve a certain level of volume, we might look at acquisition or taking a license there.

**Saket Kapoor:** So here the taxes in part is higher than the state averages as you mentioned. For the state of West Bengal for the country liquor aspect are the taxes significantly higher than the other states put together. So we were seeing that 25% of the state's revenue in the form of taxation is from the alcohol business. So just wanted to make them that differentiation of the per taxes per case or per pouch if you could give.

**Tushar Bhandari:** See in liquor industry every state had got thier own taxes and duties and its own policies. For example, in West Bengal the taxes and duties are I can say that are lesser than Madhya Pradesh, in Karnataka it is highest, in Goa is quite less negligible almost. So depends on state to state but as as you rightly said that excise constitutes of a major revenue contributor to each state's economy.

**Saket Kapoor:** Correct sir and last is only bottling part, I think so, we mentioned in our presentation that contract manufacturing constitute at 2% for the b2b business. Sir that in your presentation, it is mentioned that your contract manufacturing constitute 2% so these 2% is what the bottling that we are doing for the port brands of companies like United Spirits.

**Tushar Bhandari:** These are basically only contract manufacturing. These are the brands which we are doing for Diageo. So, we are doing the Black & White VAT 69 Smirnoff Vodka then Black Dog all the brand made McDowell number one Antiquity, so we are just bottling manufacturer for that so, that constitute only 2% of our top line because that straight away comes to our top line because we are just getting a per kg basis per case basis revenue in that

**Saket Kapoor:** Okay, that means that they have the formulation and we are doing the bottling, packaging and sending the finished product to them.

**Tushar Bhandari:** Sending over the finished product to them

**Saket Kapoor:** Okay, and what are our prospects are in this segment going ahead, how are we going, it should be a very profitable segment with better visibility of revenue and?

**Tushar Bhandari:** it is definitely profitable, but it does not contribute much to the top line and definitely contributes to the bottom line. But, we are seeing an increase in the contract manufacturing business as we are seeing an increase in a stronger partnership with Diageo.

**Saket Kapoor:** Okay. Sir as we see your utilization levels reaching an optimum level and so, whatever now benefit with percolate to the bottom line will be only on the efficiency front.

**Tushar Bhandari:** Efficiency and sale of premium brands.

**Saket Kapoor:** Sale of premium brands. So, going ahead what should be the realistic understanding in terms of the improvement in the margins and hence the bottom line, because top line part I think so, we are done even when now the new capacity when it comes up about I think today it's not one will also will take some more time to be commissioned.

**Tushar Bhandari:** So, again, the ethanol potion is just a commodity business. So it will not definitely give that attractive bottom line then as per the sale of our own brand. So, that is the whole strategy the whole strategy is to increase the sale of our own brand, introduce more premium brands, enter different states with the premium brands and take a higher margin of realization there and once the merger happens right on the brands of beer and take an increase in the sale. So, once the sale increases of the premium brands and our own brands, which gives us the maximum margin, the margin will increase substantially and plus taking a price increase. So for example, if the price increase of commodity would not happen substantially as which has happened in last one year, then we would have had a decent margin as compared to the earlier margins, we will be in line with the earlier margins.

**Ankit Agrawal:** So adding Tusharji we want our Merchant ENA to move towards our own proprietary product. So that will add up to our revenue.

**Tushar Bhandari:** So that's how you would have seen that the sale of merchant ENA has reduced that is reduced because that amount of merchant ENA which is reduced has been consumed in our own value-added products.

**Moderator:** Thank you sir. So the next question is from the line of the Darshit Vora from Robo Capital. Please go ahead.

**Darshit Vora:** I just actually missed it when you said the capex of 150 crores that will be for ethanol and something you said.

**Tushar Bhandari:** So we are setting up a bottling state of the art bottling plant which as per the increase in the manufacturing contract manufacturing business we are seeing in future, the sale and the contract manufacturing business increase. So we are setting up a state-of-the-art bottling plant also for that there is an additional capex.

**Darshit Vora:** Okay, thank you so much.

**Moderator:** Thank you. We have the next question from the line of Carlene Iyengar, an individual investor, please go ahead.

**Carlene Iyengar:** Post the merger of the two companies are we looking at a stock split of any kind because the liquidity not normally for your stock is quite low?



**Ankit Agrawal:** That decision we will take post the merger happens and then we have to know as per SEBI regulation we have to dilute certain stake post that at that time, then we'll decide. As of now there is no such plans

**Moderator:** Thank you. As that was the last question for today, I would now like to hand the conference over to the management for closing comments. Over to you sir.

**Tushar Bhandari:** Thank you all for participating in this earning concall. I hope we were able to answer your question satisfactorily, and at the same time, offer insight into our business. If you have any further questions or would like to know more about the company, please reach out to us investor relations managers at Valorem Advisors. Thank you stay safe and healthy. Thank you. Thank you very much.

**Moderator:** On behalf of Valorem Advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines.