

SOM DISTILLERIES AND BREWERIES LIMITED

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(BSE : 507514, NSE : SDBL)



SDBL/BSE/NSE/2023

02.02.2023

To,

<p>The Manager, Listing Department, NATIONAL STOCK EXCHANGE OF INDIA LIMITED 'Exchange Plaza' C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai-400 051. cmlist@nse.co.in <u>Security ID: SDBL</u></p>	<p>Dy. General Manager, Department of Corporate Services, BSE LIMITED, First Floor, P.J. Towers, Dalal Street, Fort, Mumbai – 400001. corp.compliance@bseindia.com <u>Security ID: 507514</u></p>
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SUB: INTIMATION UNDER REGULATION 30 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 - EARNINGS CONFERENCE CALL TRANSCRIPT

Dear Sir/ Madam,

Pursuant to Regulation 30 of Listing Regulations, please find attached Earnings Conference Call transcript of Friday, 27th January, 2023 with regard to the financial results for Q3 FY2023.

The transcript of the said Earnings Conference Call is also available on the Company's website i.e. www.somindia.com.

This is for your information and records please.

Thanking You,

For Som Distilleries & Breweries Limited

**Om Prakash
Company Secretary & Compliance Officer**

SOM Group of Companies



SOM Distilleries & Breweries Ltd.

Earnings Conference Call Transcript

Q3 FY2023

Management:

Mr. Nakul Sethi – Director, Finance & Strategy





Moderator: Ladies and gentlemen, good day, and welcome to SOM Distilleries & Breweries Limited Q3 FY23 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nakul Sethi – Director – Finance & Strategy. Thank you, and over to you, sir.

Nakul Sethi: Thank you. Good afternoon, ladies and gentlemen. We welcome you all to the SOM Distilleries & Breweries Limited Q3 FY23 Earnings Call. During the quarter, we sold a total number of 26 lakh cases of beer and 3 lakh cases of IMFL resulting in an income of 1,510 million.

Our flagship brand Hunter, Black Fort, and Power Cool saw strong sales volume. The expansion of the company's customer base and overall volume was a result of both an increase in sales in markets where the company already had a presence, as well as the company's success in increasing sales from new markets. This was achieved by leveraging the company's existing strengths and utilizing new strategies to reach new customers in the relatively untapped markets.

The key business highlights are as under: Our company has shown significant growth in sales with over 100 lakh cases of beer being sold in the past nine months. This demonstrates a strong demand for products and firmly establishes our position within the industry. We held 14% of Karnataka's whole bear market share in October '22 demonstrating our resilience and popularity in a competitive market. IMFL volumes in the same quarter over 3 lakh cases as compared to 1.6 lakh cases in the previous quarter. The expansion project is planned to be completed by Q1 FY24

Coming to our financial performance for the quarter: We are pleased to announce a sales revenue of Rs. 1,510 million with a growth of 66.7% year-on-year. During the same period, our EBITDA stood at Rs. 195 million, and PAT stood at Rs. 105 million with a margin of



12.9% and 7% respectively. The company's strategies have led to a growth in important markets resulting in an increase in market share.

During the nine-month period ending FY23, the company recorded the sales revenue Rs. 5,550 million representing a growth of 152.8% compared to the same period in the previous year. Additionally, the company reported an EBITDA of Rs. 740 million and a PAT to Rs. 444 million.

These results show a strong rebound from the previous two financial years where COVID had a major impact on the operation of the company. The company's outstanding results are a testament to the confidence in the excellence of our products and proficiency of our team in implementing the plan. The favorable reception of our products by consumers is a clear indication of the company's potential to expand the market share across all product lines.

We would also take this opportunity to address the concerns of the investors on the cancellation of EGM for approval of 65 lakh warrants to the promoters. It was said that there was a lesser need of funds towards CAPEX in the company, and as such, the preferential issue was deferred. Instead, it was decided that we continue with the right issue to give the existing minority investors the opportunity to be a part of the growth story of the company. The promoters are also willing to take up any unsubscribed portion of the right issue.

This step will also lead to lesser dilution of equity, which was a cause of concern for some investors. Post expansion, if there is a need for further capital, then needs are evaluated. And if needed, we do another preferential issue.

Going forward, we believe that our growth trajectory will continue to be positive, and we anticipate delivering robust volume and revenue growth. This is based on a strong foundation, the effectiveness of our strategies and our ability to adapt to the ever-changing market conditions.

With this, we would like now to open the floor for Q&A. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.



- Darshil Jhaveri: So, I just wanted to congratulate you on your good set of results. And now I would just like to ask in terms of our vision for next year now seeing everything is normalized, so what kind of revenue are we expecting for next year?
- Nakul Sethi: I think, we should be ideally placed to answer that question after we declare our Q4 results. But I expect that we should grow by about 20% to 25% in terms of revenue for next year.
- Darshil Jhaveri: Thank you so much. And so on a higher base, on a higher revenue, so we would get some kind of operating leverage. So, we could expect a similar increase in our profit margins, like something that we did in, you know, Q1 or something, around the 13%, 14% range. So, will that be a fair assumption?
- Nakul Sethi: Yes, we could look at those kind of margins. Because obviously, when you have economies of scale coming in, obviously, we tend to have higher margins in Q1.
- Darshil Jhaveri: So, we have more seasonality towards Q1, right?
- Nakul Sethi: Yes, because that's the peak consumption season for beer.
- Darshil Jhaveri: And if I can just ask, squeeze in one more question, what is the current capacity utilization level?
- Nakul Sethi: So, I mean, the Woodpecker plant, the Hassan plant is running at above 100% currently. Bhopal for the whole year would be close to about 55%, and the plant at Orissa would be close to 40%.
- Darshil Jhaveri: So, with our existing facilities, so what kind of peak revenue could these facilities, you know, make us? And further, our new CAPEX, what kind of additional revenue would that come in if that could, you know, that could help me a lot? Thank you so much.
- Nakul Sethi: So, the existing capacity can give us a turnover of about 1,100 crores of beer only I am saying, and the additional capacity which we are putting up can give us another maybe 150 to 200 crores.
- Darshil Jhaveri: Yes. I think that helps me a lot. Thank you so much for answering, and all the best. Looking forward to good numbers. Thank you.



- Moderator: Thank you. The next question is from the line of Nitin Awasthi from InCred Equities. Please go ahead.
- Nitin Awasthi: Few questions from my side. Firstly, you have mentioned in the presentation that you have a 100-crore expansion plan between the two plants, one in Bhopal, one in the Karnataka plant, Hassan plant, sorry, in Karnataka. So, could you divide this CAPEX number? How much is going in for the Bhopal plant? How much is going in for the Hassan plant? And by when will this work in progress completely featured?
- Nakul Sethi: So, I think the Bhopal plant will cost us about 58 odd crores, and the Hassan plant would be about close to Rs.43-44 crores.
- Nitin Awasthi: Got it. And work on this expansion has started already?
- Nakul Sethi: Yes. So, we have, I think, done about, in terms of payment, we have done about, close to about 65% to 70% of the payment.
- Nitin Awasthi: So, by the when do you expect this to do the trial production will be up and running, these two capacities expansion?
- Nakul Sethi: By Q1.
- Nitin Awasthi: Beginning of Q1 or mid of Q1? The reason I asked this question is, sir, because you said Karnataka we are running at 100%. So, unless and until we do an expansion, our revenue will stagnate.
- Nakul Sethi: Yes. So, we obviously will take advantage of the expanded capacity in Karnataka for the season.
- Nitin Awasthi: So, beginning of the season. That's the hope right now.
- Nakul Sethi: Yes.
- Nitin Awasthi: Noted, sir. And Orissa, if you could shed some light upon that Orissa facility, what percentage of utilization are we running there?
- Nakul Sethi: So, it's currently close to about 40% for the nine months.



- Nitin Awasthi: Okay. And this is only beer or beer and IMFL combined?
- Nakul Sethi: No, this is only beer.
- Nitin Awasthi: And how is the scale shaping up, sir, competition wise and other ways, you know, growth? Because both the other states that you are in, you are doing pretty well. And if Orissa starts to kick in, you will do even far more better. That's why I want to understand this.
- Nakul Sethi: We are doing pretty well in Orissa. I was just looking at the market share number. We are close to about 12% in Orissa currently for the nine months. So, we are doing pretty okay, I think. So, I think, going forward, maybe next year, we will do even better in Orissa.
- Nitin Awasthi: And the main competition in Orissa is coming from the usual guys you are competing with in the other states or there are some homegrown brands there?
- Nakul Sethi: No. So, the main brand who's got the main market share is UB there. It's the biggest out there. So, yes.
- Moderator: Thank you. The next question is from the line of Kuber Chauhan from IDBI Capital. Please go ahead.
- Kuber Chauhan: A few questions are there. Just like to know that the 100-crore capacity, which is going to be on stream from, as you said, from FY 24, so what would be the utilization for first year? And how much we are targeting for a couple of, I mean for peak utilization, how much years it will be passed on for that?
- Nakul Sethi: So, I mean, I just cannot answer what would be the utilization of that facility, but we are hopeful that, see, the facility which is being put up in the Bhopal plant is a canning line, right. So, that will be within the overall capacity of the Bhopal plant, but it will be subdivided into a canning facility. So, obviously, there is a need for bigger canning facility as we look at Q1 and as we look at entering new states like UP, which we want to target next year.
- Woodpecker we are already running short of capacity. We are still 100% considering that we are in the lean season. So, obviously, I think, going forward, we will have good capacity utilization coming out of the Karnataka plant also on an expanded capacity level.



- Kuber Chauhan: And the second question is on why, I mean, what was the purpose for right issue and not raising, you know, or raising debt more? So, we could have done it easily by raising through amount of debt and not going for, what was the route for going for right issue?
- Nakul Sethi: We per se are a little averse to raising more debt currently and because we still have got about, I think 150 crores of net debt sitting on our books. So, that was the reason for taking more, I mean, going through the equity route. We might take some debt because as most of the states are moving towards a duty paid model, we will take some working capital limits maybe towards the end of this financial year or in the early part of the next financial year.
- Kuber Chauhan: Sir, what would be the working capital there for this quarter?
- Nakul Sethi: Sorry?
- Kuber Chauhan: Working capital?
- Nakul Sethi: Working capital, yes.
- Kuber Chauhan: So, the days which if you can just highlight on that?
- Nakul Sethi: So, I think the debtors on an average will be realized in writing about close to about 60, 65 days.
- Kuber Chauhan: And sir, I mean, from the last three quarters, we are maintaining double-digit EBITDA margins. So, how we are looking at that in the future? And are we going to maintain it? And if we are maintaining it, then what could be the drivers for it?
- Nakul Sethi: I am sorry. I am not able to listen to you properly.
- Kuber Chauhan: I was saying that from the last consecutive three quarters, we are maintaining double-digit margins, the EBITDA margins. So, are we going to maintain it in future? And if we are going to maintain it, then what could be the drivers for that, like from the cost per se or from the price hike per se?



- Nakul Sethi: See, the cost pressures are still there. So, it will be very difficult to predict or to give you guidance about the kind of EBITDA margins we expect in the future. But it will be our endeavor to maximize the margins.
- Kuber Chauhan: And sir, last question. The Genius Prestige brand, which is gaining a kind of a 46% share in Karnataka, so are we going to expand it in other states as well?
- Nakul Sethi: So, yes, we expect that we will start operations in IMFL in Orissa also pretty soon. So, let's see how the response comes in Orissa going forward.
- Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors Private Limited. Please go ahead.
- Dixit Doshi: A couple of questions. Firstly, can you give some broad overview on how the UP and Delhi Market are performing where we are, you know, new into the business? And if you can give volume detail?
- Nakul Sethi: Sorry. Please come again. I lost you.
- Dixit Doshi: So, I was asking about how the performance is in UP and Delhi market where we have entered last year, and if you can mention the volumes for UP, Delhi, it will be helpful.
- Nakul Sethi: So, see, these, I mean, Delhi and UP are new markets for us. So, I think, it will be the real indicator of the market share which we have garnered or taken would be for the next financial year. This year our main concentration has been on our home markets, that is MP, Karnataka, Kerala and Orissa for that matter.
- Dixit Doshi: And so, sir, in 9M FY23, we have, let's say, in terms of growth, we have got the two advantage. One is obviously the FY22 had a low base because of the COVID and also because of the change in the MP (Madhya Pradesh) excise policy. But now we have a larger base in terms of volumes for FY23. So, now you are mentioning that 20% to 25% growth. So, is it fair to understand that most of this growth will come from the new market like UP, Delhi? Or you feel that there is still high growth potential in Bhopal and Orissa, on Karnataka market as well?



- Nakul Sethi: Yes. So, we still, I mean, are very hopeful that we will grow further in our existing markets of MP, Orissa, Karnataka and Kerala, though we are also looking at, like you rightly said, at Uttar Pradesh and Delhi to fuel our growth further.
- Dixit Doshi: Ok, and in terms of this 100 crore CAPEX, do we required any debt for that CAPEX?
- Nakul Sethi: No. As of now we do not anticipate that we will require any debt.
- Dixit Doshi: And how you are planning to use this 50 crore of rights issue?
- Nakul Sethi: That will be mainly for our working capital.
- Dixit Doshi: Okay, mainly for a working capital. And last question from my side. On this 100 crore CAPEX, will there be any capacity expansion or it's just a canning capacity?
- Nakul Sethi: No, so we are actually doubling the capacity in Karnataka, so from 45 lakh cases going up to 90 lakh cases.
- Dixit Doshi: And in Bhopal?
- Nakul Sethi: So, Bhopal, the capacity will remain the same, except that we will have another canning facility coming up.
- Dixit Doshi: And one last question. You mentioned about the capacity utilization, say, Bhopal was 55%, Orissa 40%. So, this is for nine months, right?
- Nakul Sethi: Right.
- Dixit Doshi: So, since our business is seasonal where, you know, Q1 would be having, let's say, 80%, 90% utilization, and then other three quarters would be having a lesser utilization, so in an annualized basis, what could be the peak utilization we can go?
- Nakul Sethi: It goes to about 80%, 85%.
- Moderator: Thank you. The next question is from the line of Manan Shah from Moneybee Investment Advisors. Please go ahead.



- Manan Shah: The CAPEX for 100 crore, so you mentioned that we have ordered. So, I mean, when do we expect the delivery of these machineries?
- Nakul Sethi: They are in the process of being delivered. So, I think everything should be done by Q1.
- Manan Shah: Ok, Because we are just now two months away from, you know, for the quarter one. So, to utilize these capacity for the new season, I believe there would be a fair amount of time required to install these plant and machineries as well.
- Nakul Sethi: No, we are working on it.
- Manan Shah: And my second question was, if we look at the mix between our three brands Hunter, Black Fort, and Power Cool, so there has been a substantial increase in the mix. So, Power Cool's mix has gone up substantially to almost 64%. So, if you can just throw some light why is this happening? Is it because we are entering newer geographies and using this brand to enter those geographies? Or there's some other reasons? There's more pull for the Power Cool in our existing geographies, if you can just highlight over there?
- Nakul Sethi: So, Power Cool, in fact, has been doing exceedingly well in Karnataka where we are gaining market share. That is one of the reasons why the contribution of Power Cool is increasing.
- Manan Shah: So, this increase is not because of our entry into UP and Bihar market.
- Nakul Sethi: No. So, it's doing very well in Karnataka as of now.
- Manan Shah: Okay, but we are not seeing the traction towards our more premium brand of Hunter and Woodpecker that we had launched.
- Nakul Sethi: In which market?
- Manan Shah: In Karnataka.
- Nakul Sethi: So, the maximum traction which happens is between Black Fort and Power Cool. Hunter, unfortunately, is taking it some time to pick up. But we expect that Hunter also would do well in the next financial year.



- Manan Shah: And Woodpecker, I believe, we had launched, we were planning to launch in a big way. So, if you can just throw some light over there?
- Nakul Sethi: So, this summer we will launch Woodpecker in a big way, and we are doing exceedingly well in the draught beer space through Woodpecker in Bangalore and around.
- Manan Shah: So, are we planning to launch this in other states as well? Or it will be currently in Karnataka only?
- Nakul Sethi: We will first start with Karnataka.
- Manan Shah: And on the IMFL volumes as well, now there has been a decent growth over there as well. So, can we expect this run rate to continue or to improve going forward or there was some impact of our contract manufacturing with Radico, because of which its volume went up?
- Nakul Sethi: No. This sales is not comprised anything of Radico sale because we have got a different arrangement with them. So, this is all our sales and we are hopeful that we will do well in IMFL also going forward in Karnataka.
- Manan Shah: So, I mean, these volumes we can expect these to continue.
- Nakul Sethi: Yes. Very well.
- Manan Shah: So, that's what I understand this would be due to success of our Genius brand.
- Nakul Sethi: Yes. And we also have now got a dedicated team, which is concentrating on IMFL sales.
- Manan Shah: Understood. Sir, earlier, we were of the view that this pref that we were doing, those funds would be utilized for doing this CAPEX of 100 crores. But now since we have canceled that, how will we manage to fund this CAPEX?
- Nakul Sethi: So, we have already out of say 100 crores, we have already spent close to about 70 crores. So, there is not much gap left as such.
- Manan Shah: Understood. And when are we expecting the deliveries of these machineries? I mean, is it in the next month should we expect the deliveries or it will be by March when we receive the delivery of these machineries?



- Nakul Sethi: It's ongoing. It's ongoing.
- Moderator: Thank you. The next question is from the line of Darshika Khemka from AV Fincorp. Please go ahead.
- Darshika Khemka: So, a couple of questions, sir. Firstly, congratulations on a good set of numbers. Firstly, I wanted to know the split between our own brand revenues and the contract manufacturing revenue. Basically, wanted to know what would Radico's arrangement be contributing to our revenue currently. And the second question is that I actually sort of missed the opening remark that you had on the rights issue. If you could please repeat that, it would be very helpful.
- Nakul Sethi: So, I think about the sales which we have posted is about 99.5% or 99% is our own sales.
- Darshika Khemka: So, the contribution from Radico is negligible so to say.
- Nakul Sethi: Negligible. This is all our sales or you can say 99.5%. I hope that answers your first question. Second question was?
- Darshika Khemka: Can you please repeat your opening remark on the Rights issue part? I actually sort of missed that.
- Nakul Sethi: So, the rights issue is being done for the working capital needs of the company. That's it. So, anything specifically you wanted me to address on that?
- Darshika Khemka: The amount if you can....
- Nakul Sethi: It will be up to 50 crores.
- Darshika Khemka: Up to 50 crores.
- Nakul Sethi: Yes.
- Moderator: Thank you. The next question is from the line of Ayush Agarwal from MAPL Value Investing Fund. Please go ahead.



- Ayush Agarwal: Sir, congratulations on a good set of results. Two questions, sir. One is on the CAPEX. You mentioned that Karnataka facility will almost double from 45 lakh cases to 90, but Bhopal capacity will not go up. So, how will it add to our revenues in the canning facility?
- Nakul Sethi: So, the canning facility realization is much higher than per case pieces of a bottle, and there are certain markets which have got a higher saliency towards cans. That is one state is UP, which we want to target next year. So, therefore, the need for an enhanced canning facility.
- Ayush Agarwal: So, what would be the difference between bottles and cans per case?
- Nakul Sethi: For 20% increase.
- Ayush Agarwal: 40%?
- Nakul Sethi: 20%.
- Ayush Agarwal: 20%. Okay. So, this 100 crore CAPEX is supposed to bring around 150, 200 crores of additional revenues.
- Nakul Sethi: Yes.
- Ayush Agarwal: And you mentioned that the existing facility can do 1,100 crores of revenue. So, in total, after this CAPEX, we will be in a state to do 1,300 crores of annual sales.
- Nakul Sethi: Yes.
- Ayush Agarwal: So, assuming that, you know, we will grow 20%, 25% in FY24, we will reach optimal levels very soon. So, what are our future CAPEX plans if we have thought about any?
- Nakul Sethi: Not right now. Maybe in subsequent calls after three months, we can address that question again.
- Ayush Agarwal: All right. Also in the presentation, I noticed that I see that, you know, our annual sale realization has fallen. What can be the reason for that?
- Nakul Sethi: Because we are selling more of, you know, that brand in Karnataka which has got a lower realization.



Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference back to Mr. Nakul Sethi for closing comments.

Nakul Sethi: I would like to thank you all for joining us on the Q3 FY23 Conference Call. Trust all your queries have been adequately addressed. Should you require any further information, please reach out to our Investor Relations team. We will revert to you with all necessary details at the earliest. Thank you so much.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of SOM Distilleries & Breweries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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Note: This transcript has been edited to improve readability

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