

SOM DISTILLERIES AND BREWERIES LIMITED

Registered Office: I-A, Zee Plaza, Arjun Nagar, Safdarjung Enclave, Kamal Cinema Road, New Delhi - 110029

Phone: +91-11-26169909, 26169712 Fax: +91-11-26195897

Corporate Office: SOM House, 23, Zone II, M.P. Nagar, Bhopal, Madhya Pradesh – 462011

Phone: +91-755-4278827, 4271271 Fax: +91-755-2557470

Email : compliance@somindia.com **Website:** www.somindia.com

CIN : L74899DL1993PLC052787

(BSE : 507514, NSE : SDBL)



SDBL/BSE/NSE/2024

6.05.2024

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>
--	---

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 Tuesday, April 30, 2024, with regard to the Audited Financial Results for Q4 FY2024.

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 Singh
Company Secretary & Compliance Officer

SOM Group of Companies



SOM Distilleries & Breweries Ltd.

Earnings Conference Call Transcript

Q4 FY2024

Management:

Mr. Nakul Sethi – Director, Finance & Strategy





Moderator:

Ladies and gentlemen, good day, and welcome to Som Distilleries and Breweries Limited Q4 and 12 Months FY2024 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. If you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

Before we begin, I would like to remind all participants that some of the statements or comments made on today's call may be forward-looking in nature. These may include but are not necessarily limited to financial projections or other statements of the company's plans, objectives, expectations or intentions. The company disclaims any obligation to update these forward-looking statements to reflect future events or developments. Kindly refer to Slide number two of the earnings presentation for a detailed disclaimer.

I now hand the conference over to Mr. Nakul Sethi, Director, Finance and Strategy of Som Distilleries and Breweries Limited. Thank you, and over to you, sir.

Nakul Sethi:

Thank you so much, ma'am. Good day, everyone and welcome to our company's Q4 FY24 Earnings Call. This past year has been a remarkable journey for us, punctuated by numerous milestones. In terms of volume, beer sales for Q4 FY24 was 63 lakh cases, up 34% over the same period last year. The mainline brands such as Hunter and Power Cool registered volume growth of 12% and 27%, respectively, as compared to Q4 FY23.

For the full year FY24, our annual beer volume surged by an impressive 43%, totalling 214 lakh cases compared to 149.6 lakh cases in FY23. Beer realization for the full year FY24 was Rs.552 per case compared to Rs.488 in FY23, mainly influenced by the mix of SKUs and price increase. Notably, our flagship brand, Hunter, recorded a 19% year-on-year increase. Black Fort grew by 50% and Power Cool saw a 42% volume increase.

Total IMFL volume for the financial year FY24 was 10 lakh cases as compared to 8.9 lakh cases in financial year FY23. The overall IMFL portfolio grew by 14%. These remarkable strides were propelled by robust demand for our products and our commitment to delivering top-notch offerings tailored to our consumers' preferences.



Turning to the financial performance for Q4 FY24, we reported a substantial increase in our total income reaching Rs.3,852 million showcasing a remarkable year-on-year growth of 52%. Our EBITDA for the quarter amounted to Rs.455 million, exhibiting a robust year-on-year growth of 59% with a margin of close to 12%. Furthermore, our net profit for the quarter stood at Rs.188 million, reflecting a commendable year-on-year growth of 19%.

For the entirety of FY24, our total income surged to Rs.12,864 million from Rs.8,080 million, indicating a notable year-on-year growth of 59%. Similarly, our EBITDA for the financial year reached Rs.1,552 million, reflecting a significant growth of 50% on a year-on-year basis with a steady margin of exceeding 12%.

The PBT for the financial year FY24 was at Rs.1,219 million as against Rs.704 million for the financial year FY23, showing a growth of 73%. The net profit reported for financial year FY24 stood at Rs.853 million as against Rs.604 million reported in FY22-23, showing growth of 41%. These impressive financial achievements for quarter four and the full year FY24 underscore the success of a growth-oriented strategy and the profound impact on our profitability.

Furthermore, after the capex completion at Hassan, our overall beer capacity has increased from 30.2 million cases to 35.2 million cases as of April 2024. Looking ahead to an upcoming peak season, we anticipate heightened capacity equalization, which will undoubtedly translate into improved sales and profitability in the forthcoming quarters. Before we proceed to the Q&A session, I would like to express my sincere gratitude due to all the stakeholders for their support and confidence in our endeavours. Thank you.

Moderator: The first question is from the line of Abneesh Roy from Nuvama.

Abneesh Roy: My first question is on the raw material side. If you could tell us on your key raw materials like glass and barley, etcetera, how do you see in the coming quarters in FY25 on the trend?

Nakul Sethi: Sir, the prices of barley have stabilized. The glass bottle prices also have stabilized, but the benefit has not been passed on to the end consumers or end users like us. But the point to note is that our dependence on new glass bottle continues to be high because we are in a growth phase, which is higher than what the industry is growing. But we expect



that we should be able to maintain our margins in the range of 12% to 13% for this current year also.

Abneesh Roy: Okay. Second is in Karnataka, last few quarters, you have done quite well. I understand the national market leader is also now coming up with price points which are quite aggressive. So, if you could tell us at the lower price points of the market leader, which I hear is even below sub Rs. 100 and then they have one more at around Rs.117, Rs.120. That kind of pricing, is it impacting your own plan from a one- or two-years' perspective because these are initial times? You may have also done well. But overall, because market leaders are also now aggressive on pricing, how do you see Karnataka market share from two, three years perspective?

Nakul Sethi: Sir, we had entered Karnataka close to about four years back and we had taken the market leader and other dominant players head on. And at all price points, the market leader as well as the other competitors also operate. So, we are pretty sure that we will be able to maintain our market share. And in fact, we are looking at increasing our market share in the next two to three years.

Abneesh Roy: Two quick follow-up. Now that you have done well in terms of the entry strategy in Karnataka, would you look at premiumization there also? And second, in other markets, would you look at replication of this strategy? And any states you have finalized further on this?

Nakul Sethi: Sir, each state has got a different strategy. We cannot just cut, copy and paste for the different states. And we are also working on some premiumization strategy. We will keep you informed about that, sir.

Moderator: The next question is from the line of Shanmugam K. an individual investor.

Shanmugam K.: This is regarding your taxation. Firstly, congratulations on a good set of numbers. As you said in interviews, you got it more than 50% of growth, both the EBITDA as well as revenue. But if you look at profit after tax, I see somewhere abnormal in terms of taxation, sir. The overall for the year, if you look at, is coming at Rs.36 crores of taxations coming from 30% of your profit before tax. And if you look at cash flow, the cash flow statement is showing Rs.16 crores or Rs.18 crores paid. And last year, there is no taxes



as well in the cash flow segment. Can you give me some translation on the taxes, sir?
What do you see?

Nakul Sethi: This is a provision which has been created, which was required to be created under the regulations. So, this amount actually will differ from the actual outgoing tax everywhere. And as for the last year, there were accumulated losses in some of our subsidiaries. So, we got the benefit of that.

Shanmugam K.: Sir, do you mean it's a deferred tax included in that?

Nakul Sethi: Yes, sir.

Shanmugam K.: How much deferred tax is included? Generally, in the financial segment, there will be split between current tax and deferred tax, sir. Sorry, if I'm missing it, can you please give me the deferred tax portion of this total Rs.36 crores for the year?

Nakul Sethi: It would be about Rs.14 crores, Rs.15 crores.

Shanmugam K.: Rs.14 crores, Rs.15 crores deferred tax.

Nakul Sethi: Yes.

Shanmugam K.: Okay. So the actual balance Rs.12 crores to Rs.13 crores would be deferred tax and remaining current tax paid. Yes, so that's what it is being shown in the cash flow statement around Rs.15 crores to Rs.17 crores, I believe. Okay.

Nakul Sethi: Yes, sir.

Shanmugam K.: So that would be deferred tax. And I see the balance sheet, there is a tax recovery incremental number, if you look at year-on-year is coming around Rs.6 crores to Rs.7 crores, sir. Am I right? So, may I know about that, what is the tax recoveries?

Nakul Sethi: Tax recoveries?

Shanmugam K.: Yes, in the asset side -- in other asset side, there is a tax recovery. I see some incremental number about by Rs.6 crores to Rs.7 crores on the balance sheet.

Nakul Sethi: I will have to check on that, sir.



- Shanmugam K.:** Okay. So that recovery, is it a direct taxation?
- Nakul Sethi:** I think it is going to be some VAT, which is payable. That is on an ongoing basis.
- Shanmugam K.:** Okay. Yes, so there is another part. So, how is the deferred tax when you say, sorry to ask again, there's Rs.15 crores in deferred tax? Any source can you mention, sir? I know the deferred taxes I know why deferred tax would arrange because of temporal differences between your tax books and your company books. But this amount seems to be abnormal. May I know which source because of differential in depreciation or differential in any provisions that you made. Specifically, can you mention some source on which that you had to take this deferred tax?
- Nakul Sethi:** I'll answer this, sir, on a one-to-one basis.
- Shanmugam K.:** Okay, That's one thing. And secondly, sir I'll move on to my second question. My second question is, this is referring to your notification that efficiency improvement, sir. Efficiency improvement, you said that on packaging cost, that there will be some productivity about 25% going forward that it commences from April onwards. So, when you say it's a 25% productivity, I believe it's regarding the packaging cost. So, what would be your packaging cost for the year, sir, in FY24 if you look at? And what is the percentage on sales as of now as of March?
- Nakul Sethi:** We cannot disclose that figure, sir.
- Shanmugam K.:** It is a cost element, sir.
- Nakul Sethi:** No, no, we cannot discuss the cost elements, sir.
- Shanmugam K.:** Okay. May I know the percentage of the sales sir, or package cost on sales?
- Nakul Sethi:** Cannot, sir.
- Shanmugam K.:** Okay. So, if you say the 25% of packaging cost is going to be, we will have some cost savings, am I right? That's what their notification when it says it's 25%. Am I right?
- Nakul Sethi:** Sir, I would request you to join the queue. It's taking too long.
- Moderator:** The next question is from the line of Darshika Khemka from AV Fincorp.



- Darshika Khemka:** Congratulations on normal set of numbers. I had a question that the last time around, you have given a guidance of around Rs.2,000 crores of revenue for the next two years. Does that guidance stay intact? Or would you want to revise your guidance upward given the kind of performance that we have had during the year?
- Nakul Sethi:** Ma'am, I think it would be more prudent that we look at how the Q1 pans out for this current year, and then maybe can have a talk on the guidance.
- Moderator:** The next question is from the line of Alisha Mahawla from Envision Capital.
- Alisha Mahawla:** Sir, in the last financial year FY24, we got approval to supply two new states. Have we started catering to any of those, which of those will be a priority in FY25? And is there any potential market share that we're targeting the same strategy around the new states specifically at entries, if you could just talk about it?
- Nakul Sethi:** So yes, ma'am. So, we have started dispatches to newer states like Rajasthan, Jharkhand and also to Uttar Pradesh. So, all these three states are priority states for us in the coming quarters.
- Alisha Mahawla:** And the increased capacity from Hassan, should be able to cater to this demand?
- Nakul Sethi:** The plant at Hassan for the full year has the capacity utilization in the range of 93%, 94%. So, there was no headway for supplying to the other states like Kerala or Puducherry from there. So, the increased capacity of close to about 50 lakh per annum would give us the much-desired capacity to supply to these states.
- Alisha Mahawla:** And Rajasthan, Jharkhand and UP would be catered from the Bhopal plant, sir?
- Nakul Sethi:** Yes, ma'am.
- Alisha Mahawla:** And are we also talking of a capacity expansion at Bhopal?
- Nakul Sethi:** Not right now ma'am. We ended the year with about close to about 70% capacity utilization at Bhopal. So, we still have scope for at least this year.
- Alisha Mahawla:** Okay. So, what is the kind of capex that we are targeting for FY25?



- Nakul Sethi:** We are working out on the exact numbers because we are keen to expand our capacity in Odisha. And we are working on the exact numbers. Maybe in the next two, three months, we'll have a concrete idea about the money we'll spend.
- Alisha Mahawla:** And any plan on acquiring any capacity in any of the newer states that we're looking at entry?
- Nakul Sethi:** That process is ongoing. We are always looking at some opportunities where we get some value.
- Alisha Mahawla:** And just one last question that I would like you were mentioned earlier that this state and the strategy that we will have to work out will be different and also because we'll be catering to it either from Bhopal or Hassan did actually, where do you think that the state mix and the product mix on consumer basis in terms of margin? What could be a sustainable number?
- Nakul Sethi:** In terms of margins?
- Alisha Mahawla:** Yes.
- Nakul Sethi:** So, like I mentioned to the previous caller, we are looking at between 12% to 13% EBITDA margin. That's our target for the short to medium term.
- Moderator:** The next question is from the line of Hiten Boricha from Sequent Investments.
- Hiten Boricha:** My first question is on the utilization level. You mentioned Karnataka plant is running at 90% and Bhopal is running at 70%. Can you also give the same for Odisha plant?
- Nakul Sethi:** Sir, Odisha is slightly lower at about 50%.
- Hiten Boricha:** 50%. And if you can answer like Odisha plant is catering to which market, sir?
- Nakul Sethi:** Right now, it is to Odisha and some of it is going to Jharkhand.
- Hiten Boricha:** Okay. Odisha and Jharkhand. Okay. Sir, my next question is on, I believe we have hired Mr. Anand Agarwal as the Chief Marketing Officer from April. So, if you can throw some light on the strategy, what are the strategy we are looking for marketing as I believe we don't follow any surrogate advertised, etcetera. If you can throw some light on that.



- Nakul Sethi:** He is industry veteran and he has got lots of experience working with Alco-beverages company, and we look forward to his guidance and the way forward in growing our brands.
- Hiten Boricha:** Understood. Sir, one last question on the volume and the prices. So, if you can give any number or guidance, what kind of growth we are looking for this year in FY25 as our Odisha running at low utilization? So, if you can through some number on that?
- Nakul Sethi:** So, I think, like I mentioned to the previous caller also that let the numbers come in for Q1. And then maybe we can give you a clear amount of idea about the growth we are anticipating for the rest of the financial year and maybe for the next year also.
- Hiten Boricha:** Any update on prices, sir? Are we looking for price hike?
- Nakul Sethi:** We are evaluating. We will find out a little later.
- Moderator:** The next question is from the line of Deepak Poddar from Sapphire Capital.
- Deepak Poddar:** Sir, just the thing that I wanted to understand, do we have any kind of data which kind of explains or give understanding that how much percentage of our revenue would be from premium mix or something on those lines? Do we have any kind of data? And how do we plan to scale this percentage over the next two, three years?
- Nakul Sethi:** What do you exactly mean by premium mix?
- Deepak Poddar:** Premium mix in terms of your, I mean, higher ASP SKUs, right? The mix of those, yes.
- Nakul Sethi:** Let me give you an industry perspective in the beer especially, about 85% to 86% is the strong beer segment. And you only have about 14%, 15% which is the premium and lager and the craft beers. So, I mean, all the industry is concentrated in the 85%, 86%. So, from that's where the volumes come in. So, similarly for us, we are maybe getting about 95% to 96% of our sales from this big chunk.
- Deepak Poddar:** But it is strong beer, right?
- Nakul Sethi:** Yes.



- Deepak Poddar:** Okay, understood. And do we have any kind of outlook on the debt side? I think currently, we are at about Rs.177 crores of debt as of FY24 right? So, how do we see that in the next one to two years?
- Nakul Sethi:** We will obviously require some debt for our working capital, but I do not anticipate that there will be much change in the term debt profile in the short to medium term.
- Deepak Poddar:** Okay, and in terms of your total debt, including the working capital that it might have some increase, right, because of your working capital requirement?
- Nakul Sethi:** Yes, because, obviously, we will need working capital if we want to grow. And most of the states, as you probably know are duty-paid states. So, obviously, there will be a need for working capital as we grow.
- Deepak Poddar:** Correct. But in the past, did we add any plan, I mean, to go debt-free or something of those sorts? Did we had any plan of that sort?
- Nakul Sethi:** So, we have a plan that we have to keep our debt-equity ratio intact. And if you could see in the last eight quarters, we have tried to reduce our debt. So, I mean, we want to have a judicious mix of our internal accruals and equity plus debt as we grow.
- Moderator:** The next question is from the line of Shubham Jain from NV Alpha Fund.
- Shubham Jain:** I just had one question, a follow-up on the previous question that was there in the working capital. So, if you look at our current liabilities, it's gone up from Rs.70-odd crores to about Rs.120 crores and change the case of financial liabilities. So, what exactly are these liabilities? Because in the last year, there was about Rs.60 crores of statutory liability. So, Just want to understand what the nature of these liabilities is.
- Nakul Sethi:** You are saying in the current liabilities?
- Shubham Jain:** Correct. So, you have about Rs.118 crores of current liabilities and Rs.120 crores of financial liabilities.
- Nakul Sethi:** So, this is some supplier financing, which we had taken during this quarter.
- Shubham Jain:** Okay. So the bulk of the increase is because of supplier financing?



- Nakul Sethi:** Yes. And there is some increase in the VAT payable also.
- Shubham Jain:** Okay. In the VAT payable. And the supplier financing comes at what rate for us?
- Nakul Sethi:** It comes at about close to 9.5% to 10%.
- Shubham Jain:** Okay. So, this is essentially debt, which is getting classified in another category?
- Nakul Sethi:** Yes, because we tend to pay it maybe in the space of about close to less than a month or 45 days.
- Moderator:** The next question is from the line of Yash Dalvi from Systematix.
- Yash Dalvi:** Congratulations on the great set of results. So, you said that you want to expand the capacity of Odisha plant, which is currently at 50% utilization. But you are not really keen on Bhopal plant which is operating at a much higher capacity. So, what would be the reason for that? Is the demand from Odisha and Jharkhand that strong?
- Nakul Sethi:** Yes, we are anticipating that the demand from Odisha, Jharkhand and the Northeast will increase in the next six months or nine months. So, that's why we want to increase our footprint in the Odisha capacity as of now.
- Yash Dalvi:** In Northeast, which states would we be targeting there?
- Nakul Sethi:** So, there is West Bengal. There are other states like Sikkim and all.
- Moderator:** The next question is from the line of Abhinav, an individual investor.
- Abhinav:** Congratulations for a good set of numbers. So, what happened to the QIP process plan before?
- Nakul Sethi:** So, as of now, there is no QIP being thought of because the intention of the QIP was to take care of the Capex and the other working capital needs of the company infact in last September. So, it's been now six months plus. And as of now, we don't anticipate any need for fund at this point of time.
- Abhinav:** Okay. Then the taxation, at Q4 you have more taxes. Can you date for the Q1 FY25. Can you mention the percentage?



- Nakul Sethi:** Sorry?
- Moderator:** I'm sorry to interrupt, Mr. Abhinav, your voice is muffled, sir. May we request you to use your handset.
- Abhinav:** So, for the Q4, you have higher taxes. And it's because of different taxes, which are there. For Q1 FY25, can you please mention the tax rate like in terms of percentage approximately?
- Nakul Sethi:** No, I can't give idea because that will depend upon how we grow and what will be the PBT at that point of time.
- Moderator:** The next question is from the line of Avinash from Kquality Investment.
- Avinash:** So, I just have a very broad question. From like a three-year or five-year perspective, can you just give us on how are you planning to expand the business? So, by that, what I mean is, is there going to be some sales, additional channels that you're going to use for distribution? And generally, to push sales, is it all point-of-sale initiatives that will give us this result? Just want to understand how we are planning to take market share.
- Nakul Sethi:** Yes, I think we have been showing consistent growth for the last eight quarters, and we have executed our plans very well in terms of growing market share, in terms of our sales volumes. And we expect that we shall do the same things, which you have done in the past in the future also.
- Avinash:** Okay. Got it. And again, just curious because in the IPL season, we see some of the competitor brands doing some pseudo-marketing and stuff like that, is that a line that we will pursue anytime soon? Or do you feel it is not very effective?
- Nakul Sethi:** I think we are happy the way, which we are doing business right now. I cannot comment on my competitors.
- Avinash:** Got it. And again, just to summarize, would that be like it is a distribution-led business primarily and that is expected to create brand? Is that like the hypothesis that we are working with?
- Nakul Sethi:** Sir, this is similar to a FMCG business. And of course, the distributors and the retailers play a very important role in getting your products across to the consumers. But the prime



thing is that the quality and the acceptance of the consumer should be there. Because distribution to a point can get product to the consumer, but it is a consumer who has to ask for the product next time around. That's the key.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Nakul Sethi for closing comments. Over to you, sir.

Nakul Sethi: Thank you all for joining the call. I trust that all your queries have been adequately addressed. Should we require any further information, please reach out to our Investor Relations advisers or to me directly. We will do our best with all the necessary detail at the earliest. Thank you so much.

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

Nakul Sethi: Thank you.

*** **



For further information, please contact:

Nakul Sethi <i>SOM Distilleries and Breweries</i>	nksethi@somindia.in +91 755 427 1271
Paresh Rohra / Rajiv Pandya <i>Churchgate Partners</i>	som@churchgatepartners.com +91 22 6169 5988

Note: This transcript has been edited to improve readability

Cautionary Statement: This document contains statements that contain “forward looking statements” including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to SOM Distilleries & Breweries’ future business developments and economic performance. While these forward looking statements indicate our assessment and future expectations concerning the development of our business, a number of risks, uncertainties and other unknown factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance. SOM Distilleries & Breweries undertakes no obligation to publicly revise any forward-looking statements to reflect future / likely events or circumstances.