"Globus Spirits Limited
Q4 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Globus Spirits Limited Q4 FY2022 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. Shekhar Swarup. Thank you and over to you!

Shekhar Swarup: Good morning everyone and welcome to our Q4 and full year 2022 earnings call. We hope that you had a chance to go through our results and presentation. With me, I have Mr. Paramjit Gill - Chief Executive Officer - Consumer Business. Dr. Bhaskar Roy - Chief Operating Officer, Mr. Nilanjan Sarkar - Chief Financial Officer. At Globus Spirits our strategy has always been to focus on maximizing returns from alcohol. An alcohol deficit state is one that depends on bringing its alcohol from other surplus states in India for the use of liquor and ethanol within that state. This strategy allows us to maximize capacity utilization at higher prices than other distilleries which are located in surplus states, in the very first date that the factory operation starts while investing in our consumer business in that state. This is the guiding principle since our inception and continues to be the focus for growth in the coming years.

In the year gone by the company demonstrated strong growth in the consumer and manufacturing segments despite significant headwinds especially in H2 due to impact of floods and an inflationary cost scenario. The floods at Bihar led to a closure of the unit there for 120 day of Q2 and Q3 and a major planned overhaul in the power plant of our Haryana unit made the plant unavailable for about 40 days in Q3. On the other hand, measures like the government fixed price rice from FCI, which allowed us to sell ethanol at higher prices. Lower interest rates almost 4% versus nearly 8% last year, use of alternative fuels and upstream integration for production of PET bottles were a few initiatives that took place in this year that allowed us to mitigate some effect of the cost increases that are plaguing industry in India and overseas.

We continue to generate strong cash flow with this year's net cash flow from operations at 218 Crores and healthy return ratios with the return on equity of 24% and return on capital employed at 30% in the year gone by. For the past few years we generated a total net cash flow from operations of about 495 Crores. This will help with reducing our long-term debt as well as investing in expanding capacities as well as product and market development. Our focus on high cash generation and our capabilities of executing core business at most efficient investment levels in the industry gives us the confidence to further expand our footprint of manufacturing as well as gain more markets in the consumer business. Going forward price hikes in Rajasthan and expansion of Bihar by 20% in capacity without addition of plant and machinery, addition of Jharkhand capacity, growth in consumer business as well as an intelligent purchase of fuel will further support profitability and fuel our growth. I request Paramjit to speak more about our consumer business initiative and strategy.

Paramjit Gill: Thanks, Shekhar. Good afternoon everyone and I hope you are all well. Our consumers business in FY2022 has continued to witness strong traction with volume growth of 19% year-on-year to about 14.6 million cases and value or realization growth of 11% year-on-year to about Rs.461 per case. The value plus segment continued to drive the overall growth in consumer business and clocked sales growth of almost 77% year-on-year to 4.87 million cases in FY2022. On a quarterly basis, volumes were flat for year-on-year and Q-on-Q. This is primarily due to Haryana where the current excise policy, which is ending in two years has been winding down. This is a normal procedure whenever the excise policy changes and the market will normalize and we are expecting the size opportunity as well as the growth opportunity to stay attractive for us.

Let me take you through a quick analysis and strategy for the segment. In Rajasthan, our market share has increased to almost 32% on the back of strong performance of the value plus segment. Here our market share has increased to almost 45% in Q4 of the current year versus about 30% to 35% during last year. In Q4 of this year, an additional whisky brand named Globus Green has been launched towards the end of March. We believe that this will play an anchor role to strengthen the Globus' whisky share in the state. In Haryana, we have gained marginal market share and are now at about 10%. We will continue with increased focus on the Metro Liquor, which market is expected to go in the year 2022-2023.

The new offerings, which have been planned will again play in the value plus segment and have the ability to shore up our profitability and business. In West Bengal our market share have seen some gain to a little over 2% with still having huge headroom for growth. Our recent expansion at West Bengal facility is about to give us an added impetus to not only expand our portfolio of offerings, but this will also allow us to capture certain market surges in that geography. We launched County Club in the value plus segment towards the end of April 2022 and look forward to additional volumes and positive margin in months to come. In the premium liquor segment where our focus has been the five key markets, you will be happy to note that our brands have been introduced in Uttar Pradesh and Delhi further we have re-energized and expanded our portfolio in West Bengal backed by local production thereby allowing us to expand quickly and efficiently in the entire state.

Terai, India dry gin has also been extended to the Uttar Pradesh, West Bengal, Rajasthan and Mumbai. In the pipeline we have plans to introduce Governor's Reserve, Oakton Premium Whiskey as well as Terai in the Q1 of FY2023 in Haryana followed subsequently by introduction in the state of Telangana towards the end of Q1 or early Q2. Through these ongoing initiatives in select markets we are hopeful to contribute meaningfully in the semi premium and premium segment growth. I am looking forward to a very exciting journey ahead with the support of all the stakeholders. I will request Dr. Roy now to lead the conversation. Thank you.

Bhaskar Roy: Thank you. Mr. Gill. Good afternoon everyone. Let me now take you through the operational performance of the company and updating about the upcoming activities and capacities. On the manufacturing side, we are leveraging our three decades of operational capabilities towards the emerging alcohol deficit on the back of high procurement of ethanol for fuel blending. This approach has helped us deliver consistent performance and is poised well for further growth in the coming years. Total sale in FY2022 was 116 million liters growth of 13% year-to-year and by 41% year-on-year to 40.1 million liter in quarter four of FY2022. The average realization for FY2022 was Rs.55.90 higher by 5% compared to the last year and higher by 8% year-on-year to Rs.58.6 in quarter four of FY2022.

Capacity utilization was 83% in FY2022. Bihar and Haryana plant closures, the reasons already explained by Mr. Shekhar Swarup were the main reasons behind the shortfall. Both plants are operating at normal capacity since mid of December 2021. We also added new capacity of 140 KLPD at West Bengal in mid December 2021, which operated at normal capacity in quarter four of FY2022 leading to an increase in the share in the manufacturing business to almost 59% of the total revenue in FY2022 and 67% in the fourth quarter. Short update on projects underway. Jharkhand on track to commission Greenfield capacity of 140 KLPD by end of the quarter one of FY2023. Further, we have also started work on enhancing the capacity at West Bengal and Jharkhand by 60 KLPD more at each of the locations with the total combined capital outlay of approximately Rs.600 million. This is expected to be commissioned by quarter four of FY2023. Now, Odisha new capacity of 200 KLPD for ethanol and ENA with bottling plants for which land acquisition has been already completed fully for 25 acres. We expect to start the construction later in this financial year. Next, Uttar Pradesh, new capacity of 200 KLPD for ethanol and ENA with bottling capacity for which land acquisition is under way. We expect to start construction in the next financial year. To sum it up, our capacity which currently stands at almost 665 KLPD is expected to increase to 925 KLPD by end of FY2023. I will now request Mr. Nilanjan Sarkar to continue with financial updates.

Nilanjan Sarkar: Thank you, Dr. Roy. Good afternoon, all. I will take you through the financial updates. The consolidated net revenue recorded a growth of 28.3% year-on-year to Rs.1679 Crores in FY2022 and 34% year-on-year to Rs.479 Crores in quarter four FY2022 on the back of growth in both consumer and manufacturing segments. In terms of segmental breakup, the consumer segments revenue recorded a growth of 32% year-on-year to Rs.679 Crores in FY2022 and a growth of 6% year-on-year to 160 Crores in Q4 FY2022. Manufacturing segment continue to grow strongly at 19% year-on-year to Rs.651 Crores in FY2022 up by 15% year-on-year and 90% quarter-on-quarter to Rs.235 Crores in quarter four FY2022.

Coming to the margins which were impacted due to higher cost effective second half of the fiscal. The increase in raw material, fuel cost and packing costs in the major reason behind the hit in margins. The fuel and packaging cost increased by 37% and 40% year-on-year FY2022 respectively compared to the last year. Further the plant shutdowns also impacted the margins to the tune of almost 45 Crores at EBITDA level in FY2022. The company is gradually moving towards procuring FCI rice as raw material which will help to bring sustainability to the margins as it is procured at a fixed price. Also the price of ethanol increased by Rs.1.37 per liter and the price hike in Rajasthan will aid margins.

The company has generated a net cash flow from operations of Rs.218.7 Crores in FY2022 due to growth in business and improve profitability and low finance cost due to clearing of debt and lower cost a debt. Our return ratios, ROE and ROC have remained in the same range compared to FY2021 and in FY2022 are 24% and 30% respectively. The board of directors has recommended a dividend of 30% that is Rs.3 per equity share for the FY2022 against Rs.2 per share of FY2021. This concludes my report on the financial highlight. I would now request the operator to open the forum for questions. Thank you.

Moderator: Thank you very much, Sir. We will now begin the question and answer session. The first question is from the line Anshul Verdia from Edelweiss Wealth Research. Please go ahead.

Anshul Verdia: Thank you for this opportunity, Sir. My first question is on the gross margins, gross margin has seen a fall in this quarter; however, from first quarter FY2023 I see some levers to cushion that fall like we are switching to FCI rice and there is price hike in Rajasthan, so could you able to quantify what margin expansion can come from these two activities assuming everything else stays same?

Shekhar Swarup: Thank, Anshul. So, there are two reasons for the drop in margins, one is the fact that our consumer business share in Q4 as compared to the previous quarter is lower for the reasons mentioned by PSG earlier and the other is that obviously there has been a significant inflationary trend, so on grain, we reached the level where there will be no further inflationary impact especially on the ethanol side because we will be procuring rice from FCI, it no longer makes sense to convert broken rice or damage rice into ethanol because of the price of that material. On the other hand, fuel is an area of concern and continues to be and we have to see how the initiatives on fuel costs is going to play out, initiatives of the government on helping fuel inflation is going to play out. Internally what we have already done on fuel is to increase use of alternative fuels, agri based, etc., to mitigate some of those increases, so you know we have to wait and watch and see how the rest of the quarter pans out, it is difficult for me to give a guidance.

Anshul Verdia: Got it, Sir, thank you. Second on the two expansion of the 60 KLPD each which we have announced with this result, so if I see it on the basis of investment per Crore on the KLPDwe are on the lesser side as compared to our past investments, so how confident are we that these expansion coming by the end of this year given the inflationary environment the steel cost and everything in the market, so any thoughts on that?

Shekhar Swarup: No, for the big ticket items, our project costs are completely fixed in orders and advances have been paid, so there may be some change on short of the minor materials, but on major materials such as stainless steel or large equipment, there is no impact that is expected. In terms of timing, we are very confident this is something that we do regularly you know setup plant and machinery so we are very confident about our timeline, so unless obviously there is something unexpected that happens we are quite confident.

Anshul Verdia: Thanks, last one in FY2022 if I see the byproducts sales as a percentage of the net sales, it has grown to 20% as compared to 11% last year, so what is actually driving this, 20% is a big amount of total sales in byproducts?

Shekhar Swarup: So, you know reduction in consumer business in the last quarter and an increase in the manufacturing business in this quarter will impact that number quite dramatically. In earlier part of the year we saw a rapid increase in byproduct prices, a lot of that has cooled off in Q3 and Q4, which too lead to expansion of revenue from there. This byproduct we have two major byproducts, one is used for the animal feed and the other is carbon dioxide. So animal feed portion is what saw most of this growth.

Anshul Verdia: Thanks, that is all. I will come back interest queue. Thank you.

Moderator: Thank you. The next question is from the line of Nitin Awasthi from InCred Equities. Please go ahead.

Nitin Awasthi: Thank you for the opportunity. Sir, I wanted some details on absolute numbers if you could point out, now FCI rice is going to put up because you have a stability in buying price of rice, which was not there when you were procuring from the market from distributors, they are market driven prices so if you could put the range of gross profit margin in the fuel generated for the ethanol business given that your procurement will be from FCI?

Shekhar Swarup: Like I mentioned earlier to the person who asked the question before you Nitin, fuel is the open ended thing for us. The kind of inflation we have seen on fuel across industries over the last few months has been quite unprecedented and we have to wait and watch and see how this plays out.

Nitin Awasthi: I am just asking about the raw material price, not the ancillary with fuel.

Shekhar Swarup: So, what about raw material, Nitin?

Nitin Awasthi: The price between your purchase of FCI rice and your selling price of ethanol, trying to industry that dynamics, so that dynamics of volume, so it was close to 50% has come down to 32% roughly or maybe driven on the procurement of rice from outside now you are shifting to FCI, so wanted to understand the dynamics, is there any improvement, how much improvement are you expecting will it go back to 45%?

Shekhar Swarup: No, I am not foreseeing any improvement per se. The point of FCI is that there is going to be no further erosion due to an increase in raw material prices. In the current situation the price of rice from the market or FCI, FCI route is more profitable than the market route, if the market route becomes more profitable then we will switch to that.

Nitin Awasthi: Got it, and the next question is on the power plant. You have continuously on your conversations saying that you are looking at innovation methods, you are looking at policies to reduce this cost, could you highlight some of these methods or policies that we looking at to mitigate the power cost because that has direct impact on the finance cost?

Shekhar Swarup: So, the reason we purchase fuel is to generate steam, steam is required for our process to make alcohol, in process of producing steam we also produce electricity. Electricity is the byproduct of the steam production process. Electricity is also required at our distilleries. There are three types of fuels that we use coal, husk of rice and mustard, crop as well as other waste residues of the agricultural process that is third type and waste residues could be a variety of materials such as straw, such as wood chips and there are several other such biomass, which comes under the other category. Traditionally 80% to 90% of our fuel has been rice husk or mustard husk. Over the last few months we have also added coal as an option and we have added in Haryana other fuels as an option. Going forward coal purchase we are attempting to shift our entire coal purchase directly from coal fields, reducing the sort of inefficiency in terms of the middleman and other transportation that impact should start coming in from June as soon as coal starts getting allotted to non-power plant uses. Currently government is prioritizing power plant allocation of coal and the other biomass is very profitable for us; however, the use is limited to Haryana, we are working internally on expanding technical capabilities in other units to use that fuel as well.

Nitin Awasthi: Understood, Sir. Next, wanted to ask of expansion you have stated in your opening remarks that Orissa you are looking to start construction later in this financial year whereas in UP you are looking to start construction next financial year, why the delay for the UP?

Shekhar Swarup: We have to manage with the capital that we have.

Nitin Awasthi: So, by mid next year you are expecting Orissa to come online?

Shekhar Swarup: Yes, so I mean I am not giving any guidance yet on when we expected to start, our track record is typically 12 months, I am forecasting that later this year we will start construction in Orissa, but as of now I am not able to give any expectation on when that factory will start.

Nitin Awasthi: Okay and UP like you said will be in the next financial year?

Shekhar Swarup: Yes, as of now what we have clarity about is that 995 or close to that figure is what will be the capacity by the end of this financial year.

Nitin Awasthi: Understood, last question for my side DDGS prices currently what are they trading at and what were they during the quarter?

Shekhar Swarup: So, DDGS Q4 average, Nilanjan, please correct me if I am wrong, that was around Rs.34 or Rs.32 and in the previous quarter I think it was around Rs.36, Rs.37 so about 10% to 15% correction there has happened.

Nitin Awasthi: And right now?

Shekhar Swarup: You know it varies from state to state, but let us wait for Q1 to finish before we talk about Q1.

Nitin Awasthi: And the GST you got any headwinds on the GST case on DDGS?

Shekhar Swarup: We had a couple of hearings, but the judgement is now reserved till after the summer vacation so the end of July is going to come up again hopefully that is when the judgement will come through.

Nitin Awasthi: Thank you so much for answering.

Moderator: Thank you. The next question is from the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.

Kaustubh Pawaskar: Good afternoon, Sir. Thanks for giving me this opportunity. Sir, my question is on the consumer business, so this quarter as Sir, mentioned that there were flat volumes mainly because of Haryana market there was a loss of sales because of the change in the excise policy, so when can we expect it to stabilize and when should we expect growth recovering to maitain kind of volume for our consumer business?

Shekhar Swarup: Thanks, as I said if it is a routine occurrence and since it was a two year policy obviously last year there was no change in policy so market has already stabilized, the new policy is already kicking in about two weeks time and currently the business is starting to run normal so it is a very transitionary thing, if it happens every year nobody notices, but this time since policy was extended to two years we are just able to notice that dip.

Kaustubh Pawaskar: Right, Sir. My second question is more from a margin perspective, little bit on two years' timeframe so now since our capacity is going up to around 950 KLPD and this year we ended with a mix of around 57:43 for bulk and consumer business. So over the next two years where do you expect this mix to be at around 55 to 45 considering the fact that you have a strong order booking for your ethanol business and that mix will remain at around 55 to 45 and this should result in lower kind of EBITDA margins of around 20% to 22% lesser than what it was around 24% a few quarters back?

Shekhar Swarup: If I understand your question correctly you are asking what will be the revenue breakup between consumers and manufacturing going forward?

Kaustubh Pawaskar: Right.

Shekhar Swarup: So you know this is something that has come up regularly in the earlier calls as well. The nature of the manufacturing business is that as soon as capacities come up and considering we set up capacities in deficit states plus we are good at running these capacities, the entire volume that had been added comes in on the day the factory starts pretty much, so you see a significant growth in manufacturing volumes on the day that the factory starts and then there is no further volume growth for that capacity. On the other hand the consumer business is an organic growth process, which could be low in some quarters, in some quarter it could be high. Over a longer period of time my aspiration is to see that Globus' revenues are 50:50 between manufacturing and consumer; however, it is very difficult for me to break it down into quarter basis or year basis and tell you in this year it will be so much and that year will be so much, but my aspiration and the company's vision is to create a balanced portfolio of revenues between manufacturing and consumer.

Kaustubh Pawaskar: Right, Sir. So in that context should we expect consistent kind of a improvement in your EBITDA margins provided everything is stabilized, we are saying your fuel prices correcting over a period of time, I am not talking from FY2023 perspective more from the 2024-2025 perspective where do you see your margins if everything has stabilized even from the raw material point, supply situation has normalized and you are getting a better supply of raw material, so considering that where could your EBITDA margins be?

Shekhar Swarup: See, in the previous calls I have said that Q4 of last financial year those margins is something that I believe is stable for the company, on the other hand in the last five, six months we have seen unprecedented inflation specially on an account of fuel, now this is something that we have to wait and watch and see how it pans out, it is difficult for me to give a guidance that for 2024 we will get this much of margin.

Kaustubh Pawaskar: Got, it, thanks.

Moderator: Thank you. The next question is from the line of Himanshu Shah from Dolat Capital. Please go ahead.

Himanshu Shah: Thanks for the opportunity. Sorry, Sir, harping on raw material again, but just can you provide some colour like what has been the inflation percentage on broken rice front from open market purchase, either on an absolute basis the procurement prices on Y-o-Y or sequential basis how much it has seen an increase?

Shekhar Swarup: Nilanjan, do you have that for broken rice?

Nilanjan Sarkar: Yes, we have. The broken rice price increased by 14%

Himanshu Shah: And this is on a Y-o-Y basis?

Shekhar Swarup: So, just wanted to add to what Nilanjan said, after that 14% increase we shifted to raw material procured from FCI especially for our ethanol business so whereas the increase in broken rice is much more, but we have been able to hedge that because of shifting our purchase through FCI.

Himanshu Shah: And that is largely on an account of higher realization?

Shekhar Swarup: A. Higher realization and B. Fixed price of rice from FCI. So the rice that FCI sells us is at a fixed price for the entire year, it is not open to any sort of market movements.

Himanshu Shah: Sir, can you just provide like what could be the current market prices of broken rice and what is the price at which FCI sells us?

Shekhar Swarup: So, I can tell you in Q4 I want to avoid talking about the current situation, Q4 broken rice prices were between Rs.20000 and Rs.21000 per ton and FCI was about 20000.

Himanshu Shah: And fair to assume current situation might be even slightly worse especially in backdrop of this Russia-Ukraine war and other stuff probably for the market price of broken rice?

Shekhar Swarup: Yes, we are in the middle of the quarter I want to avoid talking about this quarter, please.

Himanshu Shah: Fair enough, and secondly what would be the composition of cost between rice versus the fuel cost and what could be the fuel cost inflation that we would have seen?

Shekhar Swarup: Nilanjan mentioned that is his opening remarks I think it is about 37% or 40% the increase in the fuel.

Himanshu Shah: And what would be the composition of cost between fuel and broken rice and other materials etc.?

Shekhar Swarup: We can take that in another call, if that is okay with you, let us give opportunity to the other questions, please.

Himanshu Shah: Fair, Sir. Can we take other question, Sir?

Shekhar Swarup: Yes, go ahead.

Himanshu Shah: Sir, the 40 million volumes which we have done can you provide some colour in bulk alcohol, how much would be for captive use, how much we would have sold to OMCs under our contracts, full year number we are aware of, but is it equally spread and how much would we sell it to alcobev companies, some split can you provide?

Shekhar Swarup: I do not think the team would have that figure handy, but we can get that for you.

Himanshu Shah: Is it fair to assume the realizations from alcohol companies would be more market linked and that should be on a higher price whereas OMCs were a fixed contract?

Shekhar Swarup: So for us ENA and ethanol is fungible wherever we find there are better margins we are able to divert volumes there so in certain cases it is higher so there we shift ethanol to ENA, in certain cases it is raw in which case we make ethanol.

Himanshu Shah: Sir, just last question, animal feed prices you said currently is around Rs.36, Rs.37 for Q4 and that is down 10% to 15% on a sequential basis?

Shekhar Swarup: No, 36 is before they came down.

Himanshu Shah: So currently they are down by 10% to 15% earlier the realization?

Shekhar Swarup: In Q4.

Himanshu Shah: Fine, that is it from my side. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Rishabh Sisodia from Concept Invest Wealth. Please go ahead.

Rishabh Sisodia: Thank you for the opportunity. Sir, my first question is on the investment front you are talking about newer brands and newer product that you are looking at, so could you give some colour like how are we looking at the consumer business going ahead with all investment coming in?

Shekhar Swarup: So, PSG could you take this?

Paramjit Gill: So, from the consumer business obviously we have earlier also indicated we are pursuing growth strategy in both value, value plus segment as well as the premium segment. In the value, value plus segment we have extended our focus of going into value plus segment especially in the states of Haryana as well as West Bengal as we speak and continue to consolidate and grow the strength we have already acquired in Rajasthan. In the premium business we had a couple of calls earlier highlighted the top line of our strategy of building our run rate in the select states where we believe we have the capability to win various certain parameters and as we talk to you we are already present in three out of the five key states which are Uttar Pradesh, Delhi, as well as West Bengal and as mentioned in the earlier presentation the fourth state of Haryana, we are likely to enter towards the end of this quarter and fifth state of Telangana towards the beginning of next quarter. With this our whole focus will be to expand our business and continue to drive business growth in these five states because our initial portfolio has been our four brands and we will use organic as well as inorganic routes to grow this in the sense that we will be also adding brands and we will continue to work toward growing these brands, so the consumer premium business is expected to expand in the existing states as well as through the addition of our two new key markets out of this. The both verticals were going to continue to be focused upon and in the short-term obviously there will be a bit of a yo, yo sometimes successfully we have defended market share everywhere sometimes the success in gain market share comes in one quarter sometimes it takes a little more than a couple of quarters, so very difficult to project how the salient between these two parts of consumer business will play out, but both are being very aggressively pursued. Does that sort of give you a clarity?

Rishabh Sisodia: Thank you. Sir, my question is on the bulk side, what are the current utilization that you are having in the quarter and any aspiration for the full year?

Shekhar Swarup: Capacity utilization?

Rishabh Sisodia: What are you currently looking, are currently the plants running close to 100% and what are we aspiring for the full year?

Shekhar Swarup: We are at 100% and our aspiration is around 100%.

Rishabh Sisodia: Thank you, that is it from my side.

Moderator: Thank you. The next question is from the line of Shitij Saraf from Tusk Investments. Please go ahead.

Shitij Saraf: Thank you for taking my question, it is on for consumer business, you mentioned that the Rajasthan market share was north of 40% in this quarter, if you could throw some light on what contributed to this?

Shekhar Swarup: I will ask Param to take that, please.

Paramjit Gill: What we are indicating is that in the value plus segment of Rajasthan we are now in the last quarter in the zone of mid 40s market share. Obviously we have gained over a long period of time trying to build our route to market, strengthen the market and these shares are a culmination of many things that we are doing right from continuously reenergizing and improving the efficiency of our sales force, to continuously add improved offerings of our portfolio, trying to zoom down on geographies and segments where we see higher headroom as compared to others and also time to time within the market if you do the sub-segmentation you see certain areas and geographies and segments growing faster than some of the other areas and segments within the same state and we think we are very proactive in rearranging our strategy is to try and take advantage of these moving consumer orientation and be the first one to try and capture that, so it is a culmination of the bucket initiatives and alertness that we always demonstrate.

Shitij Saraf: Could you shed some more light on what your plan in the value plus and the premium segment could be in terms of new launches, would you continue to be selective state by state in both the segments?

Paramjit Gill: Yes, as of now as we have indicated we have added value plus segment new entry in West Bengal and it is very early days just over a month now and we are going through our motions of the routine spreading availability, visibility all the normal elements and we are intending to try and go and create this market and then be a significant player in this market, even in Haryana where this segment came into being a little earlier than West Bengal, the segment still has a lot of headroom to grow and we also as a player have been early entrance in the segment and in the new policy we are reasonably bullish that the segment will grow and offering us growth opportunities so these are the two states we are expecting the segment to grow as well as our growth, and that is how we continue to keep making efforts to reinstate our peaks that we keep on receiving from time to time. In the premium segment, because I am repeating myself our initial offering as we stand today is our portfolio of four brands. There is Governor's Reserve which is in two variants two adjoining price points in semi-premium and semi-premium plus segments, we have worked on which plays in the heart of the premium segment I mean in this two category as well as we have a super premium gin Terai as soon as these brands stabilize and we get control over our route to market basis on our internal expectations we have a product range of at least two premium brands which are lined up whether these products will get to see the light of the tunnel in the next one or two quarters we will have to push it a little further is something which I would not speculate on, the intention is we have to continuously tick all the boxes before we take the next step and to be very honest there is enough opportunity of growth within the four brands and the five keys geographies that we operate in. That suffice to say we have a portfolio which can further be expanded at the press of a button.

Shruti Saraf: That is very helpful, thank you so much.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much for the opportunity. Sir, I just wanted to understand you did mention your capacity increasing from 665 KLPD to 925 KLPD by end of FY2023, right?

Shekhar Swarup: Yes.

Deepak Poddar: So, in terms of revenue generation you expect that particular the entire capacity to get fully utilized by FY2024?

Shekhar Swarup: Yes, just very quickly before I come to that I wanted to add something to what Param was saying to the earlier question, on our premium IMFL business we are in a stage of capability creation and the key capability that we are trying to create is route to market or distribution. We selected these five key states which Param talked about and once we are confident of our ability to service retail regularly which the brands that are selected that is when we are going to launch more brands to try to take a larger revenue from the retail outlets that we are already present in, so that is really the strategy that we are running right now with capabilities and then once the distribution network is built it becomes our core asset for the future and you know we have got a very long runway in order to explore that. The question right now is about the capacity utilization. Yes, we utilize our capacities immediately right that is why we positioned them in deficit states. If in Q4 our capacities are going to be 995 within Q4 we will start utilizing that to some extent and obviously from Q1 onwards you will see the full impact of that.

Deepak Poddar: So, ideally what you are talking about it is a 40% capacity increase as compared to what we are currently at right, so ideally a revenue to capacity one to one proportion is what one can envisage?

Shekhar Swarup: No, it will be more right because you have growth from the consumer business as well.

Deepak Poddar: Right, understood, fair enough and Sir, secondly on the margin front now you did mention about the various things that we have been doing in terms of procuring rice from FCI and shifting coal and other efficiencies, so is there any kind of timeline you can just throw in terms of normalization of your EBITDA margin to 25% that you mentioned is a sustainable for long-term, right, so any sort of rough time?

Shekhar Swarup: Yes, I wish I could these are excellent questions and you know when do fuel prices come down, when does inflation go back to normal these were superb questions, but I unfortunately do not have these answers.

Deepak Poddar: Understood, that is about it from my side.

Moderator: Thank you. The next question is from the line of Shaju Louis, an Individual Investor. Please go ahead.

Shaju Louis: I am calling from Dubai and my question is again regarding the EBITDA margins because I look at the last conference call investor presentation wherein it was stated very clearly that we will be targeting around 20% to 25% and last investor call was held somewhere in mid of February two months back and on now we are in a very bad situation so any guidance going forward?

Shekhar Swarup: Thank you so much for calling from Dubai, you know our targets remain to achieve the EBITDA margins that we have indicated earlier. We believe that the business we run in terms of manufacturing business as well as consumer business and the hedge between the two which we were able to offer can certainly give those margins, there are two reasons for the change in margins in this quarter. One is a lower consumer business due to reduction in volumes in Haryana that was expected, but one off as mentioned by Param earlier and the second reason is the inflationary pressures in the Indian economy in the last two months of the quarter both of them put together have led to erosion of margins. The extent of inflation that we have seen has been unexpected so to that extent the margins have lowered it is difficult for me to give an indication on what margins are going to be considering the inflationary situation that we find ourselves.

Shaju Louis: I have one more question, when I look at your website your premium segment is not displayed in your website for quite some time, is there any reason for that all those brands?

Shekhar Swarup: Good observation. We were transiting from a separate website for our premium brands which were housed in a company called Unibev which was merged with Globus Spirits and in process of this changeover those brands were to be added I think we have delayed that quite a bit and we will add them very soon.

Shaju Louis: Alright, thank you.

Moderator: Thank you. The next question is from the line of Hardik Shah an Individual investor. Please go ahead.

Hardik Shah: Good afternoon. My first question was there was recently a news article which said that for ethanol, the center plans to hike the price by Rs.2 to Rs.3 so could you throw some light on this?

Shekhar Swarup: My information is the same as yours, I read that article as well, unfortunately at this stage I do not have further information to provide you, but considering the inflationary trends there is no doubt that the government will need to give an increasing price of ethanol, my expectation is that it is only a matter of time with that comes through.

Hardik Shah: Okay and another question is you know you mentioned your average realization is Rs.461 and a further increase of Rs.39 per case in Rajasthan so considering as and how the situation is like your current margin rate everything what could be the effect, how much do you think will it increase from 461 because Rajasthan is just a part of your business?

Shekhar Swarup: Yes, Rajasthan is the large part of our business, you are right. You know I would say at least 70% above volume comes from Rajasthan or something to that extent, so our average realization will go up by that much. Rs.39 is the increase on the value plus segment and on the value segment I think it is around Rs.20, Nilanjan can you confirm that, please?

Nilanjan Sarkar: Yes.

Hardik Shah: So from 461 this will go to around 480, 490 for us?

Shekhar Swarup: I think it depends on how volume shape up in Q1, but Rajasthan will continue to be a very large share of our total volumes.

Hardik Shah: Thank you, just one last question regarding some data on the slide. On slide 19, it is mentioned the production for per million liter is 160 million liter while the bulk volume million liters is 116 million liters so what is the difference between the two?

Shekhar Swarup: I am not sure what figure you talking about, Dr. Roy, did you have this clarity?

Hardik Shah: It is on your slide 19 presentation.

Shekhar Swarup: May I request that we take this separately?

Hardik Shah: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Aditya Mehra an Individual Investor. Please go ahead.

Aditya Mehra: Thanks for the opportunity, Sir. My question is what are you expectations on increasing the raw material prices going forward and what do you think how much realization growth would be needed to make up the increase in raw material cost and secondly actually I missed the initial comment so you can please share the volume growth for the quarter and realization growth for the quarter, thanks, Sir?

Shekhar Swarup: Thank you, the growth in realization and volume is on our presentation so if you could kindly download that from our website or the exchanges you will get that, but with regard to your first question of raw material prices, so our raw material prices are now fixed because we have shifted our procurement to FCI, there will be a small impact due to some broken rice we purchased for our ENA production, but we do not foresee that to be very significant. The main issue is fuel, which has gone up by 37% in the last quarter and fuel inflation is something that continues for all industries in India that is something that we have to watch out for. To go back to where we were I guess we just have to look at Q2, Q1 or Q4 performance of last year and all the data on that is again available on our presentation.

Aditya Mehra: Thank you.

Moderator: Thank you. The next question is from the line of Skyee Narayan, an Individual Investor. Please go ahead.

Skyee Narayan: I am from Bengaluru. As you know I am shareholder with Globus Spirits for a long. I just want to ask Shekhar actually after this capacity expansion in Jharkhand, Odisha and Uttar Pradesh including right now our capacity is 150 million liters per annum, so how far it can go that is the question?

Shekhar Swarup: So I can answer that in KLPD, it is little bit easier for me, our current capacity is 665 KL per day, by the end of this year it will be 995 KL per day, in UP and in Odisha we have proposed another 200 KLPD each, so that would take us to about 1300 or 1400, nearly 1400 KL per day once it is commissioned.

Skyee Narayan: Basically you are doubling the capacity, right in the span of the next two to three years?

Shekhar Swarup: 665 to 1400, yes, can say it is double.

Skyee Narayan: Right you said you have aspiration to balance between the consumer vertical and the manufacturing vertical so now when the capacity moves in double at this point of time, do not you see that we have a huge dependency only on the Rajasthan market for consumer vertical more than 70% or 75% of the volume and the realization are coming from Rajasthan, so now in that scenario actually going forwards do not you think that the margins whatever the estimate you give the quarter four last financial year could not be sustained and it can come down?

Shekhar Swarup: Our ambition is to grow our consumer business as well, dependency on Rajasthan is certainly one way to look at it, another way to look at it is the fantastic performance Rajasthan has given in the value and value plus segments over the last four to six quarters, so we are attempting to grow our consumer business in the other states that were mentioned by Param on this call. In terms of margin as mentioned earlier it is our attempt and our belief that we will return to our margins of 25% or so; however, in the current inflationary situation it is very difficult to say how on quarter by quarter basis, how these margins will go.

Moderator: It seems like we lost the connection for Mr. Narayan. We move to the next question from the line of Ashok Agarwal an Individual Investor. Please go ahead.

Ashok Agarwal: My question is that in last conference call it was mentioned that the Brownfield expansion in one the state is being considered, so any update on that decision?

Shekhar Swarup: A Brownfield expansion is being considered in West Bengal as well as Jharkhand of 60 KLPD each.

Ashok Agarwal: No, that is the new information in this investors presentation, but last conference call it was mentioned that it may be 140 KLPD in a Brownfield expansion in existing state, so I am wondering whether maybe Haryana or Rajasthan like that?

Shekhar Swarup: So that is Bengal and Jharkhand 60 plus 60, 120.

Ashok Agarwal: Alright, thank you very much.

Moderator: Thank you. The next question is from the line of Navneet Bhaiya, an Individual Investor. Please go ahead.

Navneet Bhaiya: Hi team. My question is first to Shekhar, how receptive or how frequent is the government or the relevant authorities in giving you price hikes considering the unprecedented inflationary situation in both your ethanol as well as IMIL segment are they giving you more frequent price hike or they expecting you to take some of the hit, you know across the industry take the hit because of the inflationary situation?

Shekhar Swarup: I would consider them fairly proactive. As mentioned already we have received price hike in Rajasthan, West Bengal and Haryana is under way, Delhi also there has been a price hike, price hike on ethanol has already been made public domain it has not been announced, but it has been discussed that there were some news article about that and discussed in this call as well, so I would consider them quite proactive. These things take time so it requires patience, but I think they are quite proactive.

Navneet Bhaiya: So quarter on quarter variants will always be there, but over a slightly longer time frame the industry should be okay with the margins as the government keeps giving timely price hikes even if the fuel keeps going up?

Shekhar Swarup: Yes.

Navneet Bhaiya: My second question is your land acquisition in Odisha, so is that going to be fully utilized for the 200 KLPD or you would have spare to consider…

Shekhar Swarup: We will have some spare.

Navneet Bhaiya: And my last question is the FCI route that you mentioned is that something you started doing in Q4 or is that a Q1 phenomenon?

Shekhar Swarup: No, we started that in Q4, so therefore the impact due to raw material hike is very small, the main impact on margins has been due to fuel.

Navneet Bhaiya: Got it, so raw material we can maybe consider Q4 to be the stabilized environment of course fuel can keep moving here and there to further impact your margins or benefits?

Shekhar Swarup: Yes.

Navneet Bhaiya: Got it, thank you so much.

Moderator: Thank you. The next question is from the line of Nitin Awasthi from InCred Equity. Please go ahead.

Nitin Awasthi: Thank you for the followup. Just wanted some details from your side, ENA price in West Bengal could you highlight in the last quarter conference call?

Shekhar Swarup: I am sorry, can you repeat the question?

Nitin Awasthi: ENA prices in West Bengal?

Shekhar Swarup: What about, Sir?

Nitin Awasthi: Could you give the absolute price in the last question?

Shekhar Swarup: I think it is about Rs.56 Nilanjan?

Nilanjan Sarkar: Yes.

Nitin Awasthi: Sorry, could you repeat that?

Shekhar Swarup: 56.

Nitin Awasthi: Okay 56, we have not seen that kind of inflation that we have seen in the raw material in the ENA prices as of now?

Shekhar Swarup: Not in West Bengal, we have seen that in Rajasthan and Haryana.

Nitin Awasthi: Haryana and Rajasthan what would be the prices?

Shekhar Swarup: 58 and 60.

Nitin Awasthi: Got it and one more last piece from my side the tax rate you were discussing in last conference call that you know there will be a reduction in the tax rate and you will come to the new regime that you start doing your tax rate is around 26%, so by when will that start?

Shekhar Swarup: So, this was discussed in the board meeting as well and most likely it is going to made effective this year, but we have up till September to decide, suffice it to say our priority on deciding tax rate is first going to be on cash outlay. In the older regime our cash outlay on account of tax was about 19% whereas our effective tax rate was 35% and the difference between the two of 16% was the MAT credit that we were able to utilize due to various incentives or benefits that we had available. There are no new incentives or benefits that are being made available, but we still have some benefits due to an accelerated depreciation considering our power plants use renewable energy sources so over the course of this year we will give you further updates on this. Like I said by September is when we have to decide most likely it is going to be the new tax regime.

Nitin Awasthi: Got it, Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Anshul Verdia from Edelweiss Wealth Research. Please go ahead.

Anshul Verdia: Thanks again for this opportunity. Sir, just one followup on the earlier participants question like we started using FCI as rice in the fourth quarter so could you give us some broad ballpark number, what percentage of that rice was used for the ethanol production?

Shekhar Swarup: I will have to look at our MIS, if it is alright for you we can provide that later.

Anshul Verdia: Sure, Sir. Thanks.

Moderator: Thank you. The next question is from the line of Rishabh Sisodia from Concept Invest Wealth. Please go ahead.

Rishabh Sisodia: Thank you for followup. Sir, just one small question as per the data provided in the presentation is it fair to assume that the difference between the production and the volume that we sell the difference is being the internal consume in the bulk?

Shekhar Swarup: Yes, I think so, is that right, Nilanjan?

Nilanjan Sarkar: Yes.

Rishabh Sisodia: And going forward we should expect this to stay at these levels right?

Shekhar Swarup: No, if you setup more capacity then your bulk sale increases.

Rishabh Sisodia: So, in the short-term there could be a scenario where for the time being the bulk revenue would be higher as compared to the bulk share?

Shekhar Swarup: Certainly will be.

Rishabh Sisodia: Sure, Sir. Thank you, that is from my side. All the best.

Moderator: Thank you. The next question is from the line of Skyee Narayan, an Individual Investor. Please go ahead.

Skyee Narayan: So for this capacity expansion actually how much of debt we are planning to incur from banks?

Shekhar Swarup: Largely financed internally, our debt levels are expected to remain the same as per this current balance sheet.

Skyee Narayan: On the premium liquor actually the strategy is to select high focus market and establish our route to market establish our distribution channel and ensure the retail participation is going to be high in accepting this brand, is that the strategy there on the premium liquor?

Shekhar Swarup: Yes, that is the strategy.

Sai Narayanan: Thanks, Shekhar.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions I now hand the conference over to Mr. Shekhar Swarup for closing comments. Over to you, Sir!

Shekhar Swarup: Thank you everyone for joining us. Is there are any further questions we remain available by e-mail, please do contact us and we will get back you. Thank you again and have a good day.

Moderator: Thank you. Ladies and gentlemen, on behalf of Globus Spirits Limited, that concludes this conference. We thank you all for joining us. You may now disconnect your lines.