



Globus Spirits Limited

Q2 FY'14

Investor Presentation



This presentation contains statements that contain “forward looking statements” including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Globus Spirits’ 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.

Globus Spirits Limited undertakes no obligation to publicly revise any forward looking statements to reflect future / likely events or circumstances .



Agenda

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Q2'FY14 highlights:

360° strategy yields resilient performance

▶ Bulk revenues up 95%YoY driven by higher utilization, improved realizations and thrust in exports

- Bulk production for the quarter up 34% YoY to reach 17mnBL with capacity utilization of 76% compared to 60% in Q2'FY13
- Bulk sale volumes up 83% YoY in Q2'FY14 boosted by export sales compared to nil exports in Q2'FY13
- Improvement in grain recoveries partially compensating for grain-price increase

▶ Consumer segments continue consolidation, net realizations improve

- IMIL net realizations up 10% YoY in Q2'FY14 with price hikes

▶ Bottling operations maintain steady growth

- Bottling volumes up 2% YoY to reach 424,000 cases. . Contract with USL for bottling in Haryana being further scaled up

▶ Maintains robust balance-sheet

- Lean working capital cycle of -7days and D/E* at 0.2x, one of the lowest in industry

▶ Bihar expansion to drive future growth




- Work on upcoming 20mnBL distillery in Bihar is going as per schedule

▶ Deloitte Haskins & Shell appointed as the new statutory auditors



Q2'FY14: Steady growth in revenues

Figures in Rs Million

	Net Revenues	EBITDA	PAT
Q2'FY14	1,211	94	12
			
Q2'FY13	1,128	204	107

- Net sales and other operating income up 7.4% YoY to reach Rs 1,211mn in Q2'FY14 driven by strong growth in revenues from bulk alcohol and higher net realizations across all segments
- EBITDA for the quarter at Rs 94 mn with EBITDA margin at 7.7%
 - Decline in EBITDA margin mainly due to increase in Raw Material and Other Expenses as % of sales with changed revenue mix – share of bulk alcohol in net revenues up to 38% in Q2FY'14 from 21% in Q2'FY13
 - Increase in grain prices partially off-set by increase in grain recovery
- PAT at Rs 12mn, with margin of 1.0%
 - Impacted by decline in EBITDA margin and exceptional depreciation charge of Rs 60mn on account of change from shift basis to continuous process plant for certain plant and machinery
 - MAT Credit of Rs 67mn represents credit taken in respect of FY13

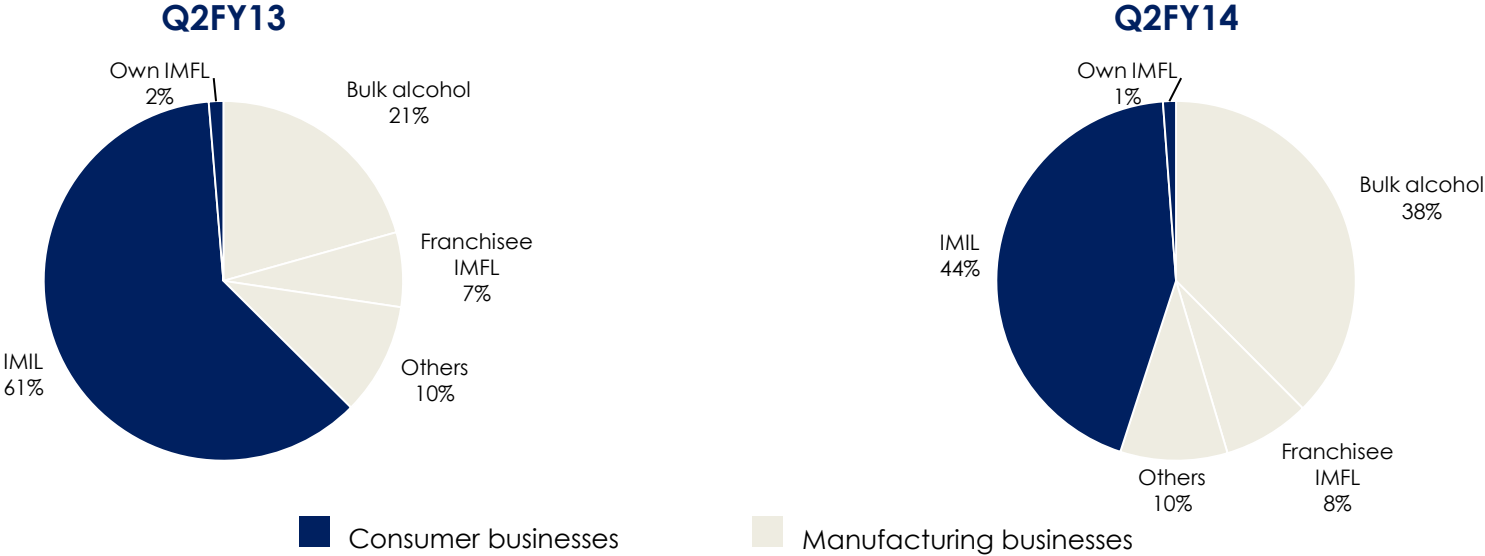


Bulk alcohol and bottling increase share in revenues



Figures in Rs Million

Net revenue break-up



- Revenues from manufacturing businesses grew 58% YoY to reach Rs 666mn in Q2'FY14 driven by increased sales of bulk alcohol with high utilization of new capacities, thrust in exports and increase in realization in both bulk alcohol and bottling
- Share from Manufacturing Business in net revenues increases to 55% from 37% in Q2'FY13
- Revenues from Consumer Business at Rs 545mn, decline of 23% YoY due to transient de-growth in Haryana; Increase in net realizations in both IMIL and IMFL by 10%YoY and 19%YoY, respectively

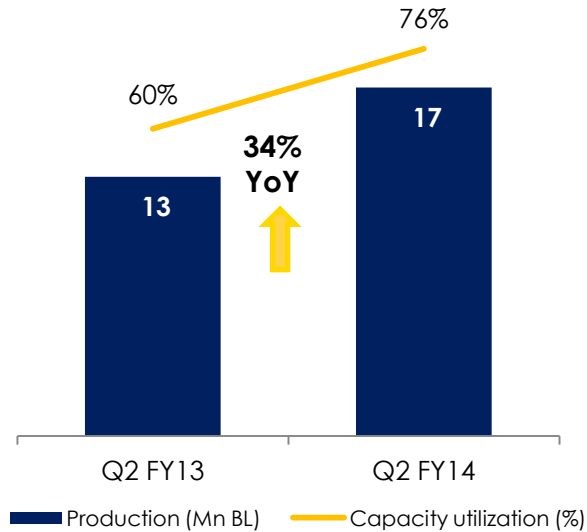


Higher utilization and realizations drive manufacturing

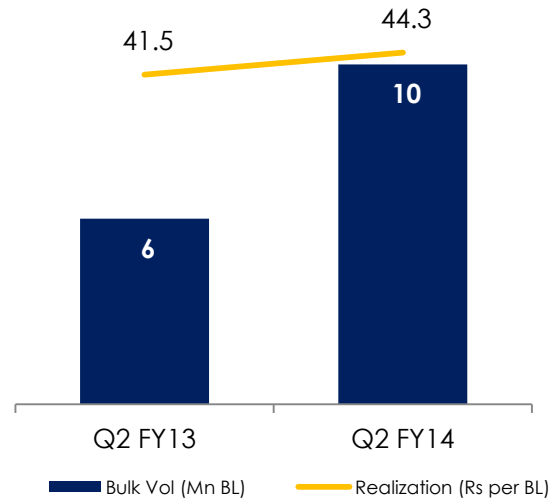


Figures in Rs Million

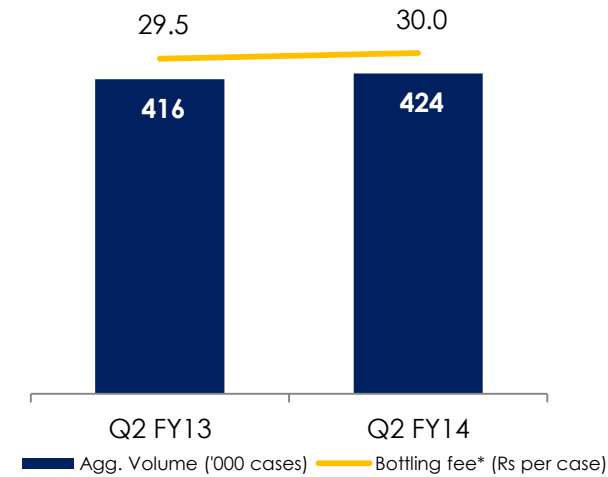
Production & capacity utilization



Bulk Alcohol Sales



Franchisee Bottling



- Operating capacity up to 90mn BL p.a. in Q2'FY14 from 84mnBLp.a. in Q2'FY13 and utilization up to 76% from 60% in Q2'FY13 with improved grain recoveries resulting in 34%YoY increase in production to 17.0mnBL
- 95%YoY increase in Bulk alcohol revenues: 83%YoY increase in volumes and 6.7% increase in net realization per Bulk Litre
 - Bulk exports gain traction in Q2'FY14 compared to nil in Q2'FY13
 - High volume growth reflects resilience of 360° model delivering overall top line growth despite difficult market conditions in key market of Haryana
- 3.5% YoY increase in franchisee bottling income with 2% YoY increase in aggregate volumes and 1.7% increase in fee per case

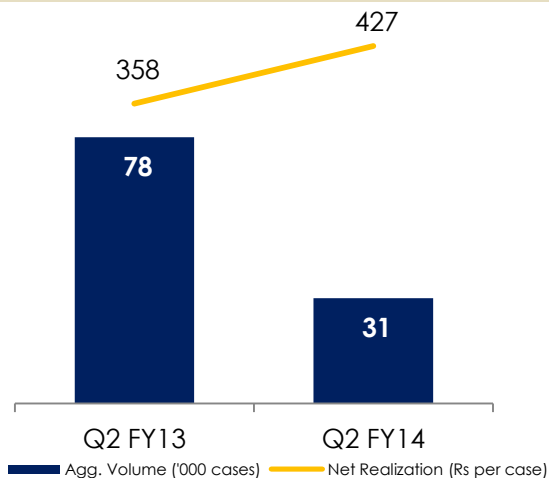


Realizations increase in both IMFL and IMIL segments

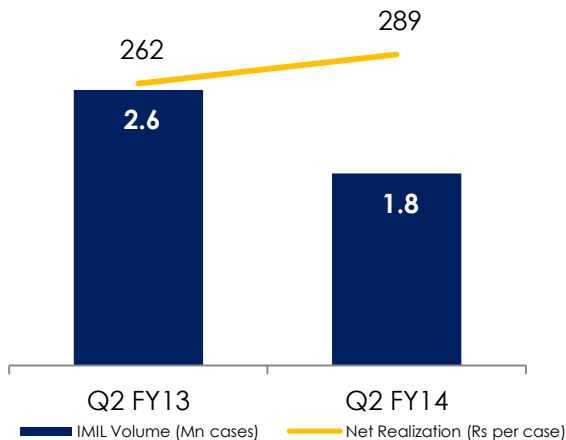


Volumes in Mn Cases, Net Realisations in Rs

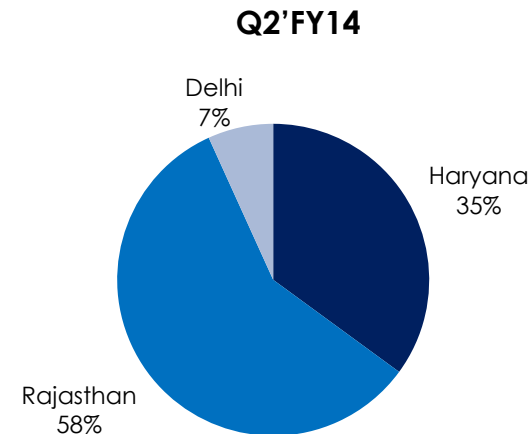
IMFL



IMIL



IMIL State-wise break-up



- IMFL realizations increase by 19% YoY with aggregate sales of ~31,000 cases. Most of the cheap brands getting discontinued and focus is on 3 core brands only
 - CSD, paramilitary sales of Hannibal Rum commenced in Q2'FY14 with ~5,000 cases
- IMIL realizations up 10% YoY in Q2'FY14, net revenues at Rs 531mn
 - 1.4% YoY volume growth in Rajasthan market, largest private and 2nd largest player overall with market share maintained at 24%
 - Brand-pull helps retain 2nd position in Haryana



Brand showcase

Whisky product targeted towards young professionals



First GSL brand to get **approved for CSD** Rum market in CSD of over 5 mn cases



3rd largest selling gin in its category in Rajasthan



1st IMIL brand in India positioned as awesome mix of natural lemon flavor with strong yet smooth blend profile



1st mixed fruits blend in IMIL Latest launch from GSL
Smooth palette with an enjoyable aftertaste



Tribute to Rajasthani folk dance ; blend popular in the harsh winter months of the desert region



Tribute to the most popular romantic tales of the region. Smooth blend to enjoy straight up.






Popular dark spirits' brand Positioned as refreshing and juicy as Orange



H1'FY14: EBITDA margins sustained in double-digits

Figures in Rs Million

	Net Revenues	EBITDA	PAT
H1'FY14	2,512	292	104
			
H1'FY13	2,380	391	202

- Net sales and other operating income up 5.5% YoY to reach Rs 2,512mn in H1'FY14 driven by strong growth in revenues from bulk alcohol and higher net realizations across all segments
- EBITDA for the period at Rs 292 mn with EBITDA margin at 11.6%
 - Decline in EBITDA margin mainly due to changed revenue mix – share of bulk alcohol in net revenues up to 34% in H1FY'14 from 24% in H1'FY13
 - Improved grain-recovery partially off-set increase in grain prices and increased packaging costs due to changes in IMIL regulations
- PAT at Rs 104mn, with margin of 4.1%
 - Impacted by decline in EBITDA margin and exceptional depreciation charge of Rs 60mn on account of change from shift basis to continuous process plant for certain plant and machinery
 - MAT Credit of Rs 67mn represents credit taken in respect of FY13



Management review of results

“We are pleased to report steady growth in revenues reflecting resilience of our 360° model. Our manufacturing businesses witnessed robust growth along with improvement in net realizations across all segments which more than compensated for the temporary blip in the Haryana IMIL market. However, with Rajasthan seeing continued growth and the decline in Haryana bottoming out, we see the beginning of a better growth phase.

In fact, Haryana is set to gain from an increase in franchisee volumes that will lead to better utilizations of our facilities. The quarter also saw significant developments with commencement of sales to CSD and rapid growth in exports, de-risking our dependence on domestic markets. Further, in line with our commitment to put in place best-in-class accounting practices, we have appointed one of the Big 4 audit firms as statutory auditors .

We are confident that our unique and proven 360° business model, established portfolio of IMIL and IMFL brands and continued R&D initiatives in manufacturing will deliver good value to all our stakeholders as overall economic environment improves.”

Mr. Ajay Kumar Swarup
Managing Director



Strategic outlook

Near Term Strategy

Present

- One of the largest grain based distilleries with highest recovery
- Leader in North Indian IMIL market, made entry into Maharashtra
- Bottling operations for India's largest brands of top IMFL players
- Established mainstream IMFL brands
- Secured funding from Templeton for manufacturing expansion

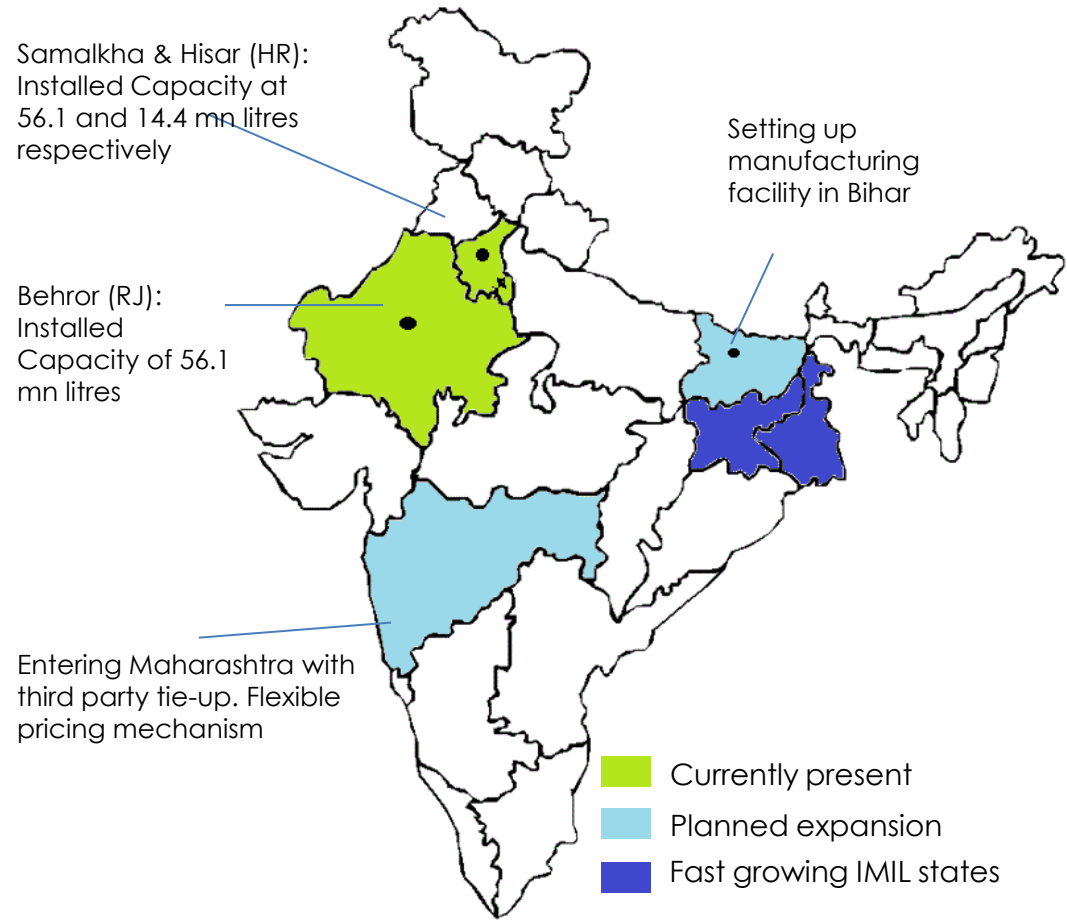
- Enter fast growing IMIL markets in Eastern India, starting with Bihar
- Grow presence in other IMIL markets like Maharashtra
- Focus on building profitable IMFL brands in Premium Segment
- Bring cost of ENA production at par with molasses based distillery

Future

- Maintain unique 360° model of diversified business straddling the entire value chain
- Develop a portfolio of high value IMIL and IMFL brands
- Market leadership in all-India IMIL market



GSL manufacturing presence



- Manufacturing plants are equipped with the latest multi-pressure-distillation technology which converts grains to ENA directly leading to cost and time efficiencies



Unique competitive strengths

360° business model

- Only company present across full alcobev value chain
- Helps capture IMFL growth via franchisee bottling for top IMFL companies
- High utilization with assured captive off-take
- De-risked growth
- High quality maintained with control on entire value chain

Strong Consumer portfolio

- ~50% share in revenues
- Leadership in key states of Rajasthan, Delhi and Haryana
- Achieved sterling success in IMIL branding with *Nimboo*
- 5 IMIL brands including latest mixed-fruit 'Goldee'
- 3 mainstream IMFL brands with one CSD approved brand

Efficient Operations

- State-of-the-art plants across three locations using latest distillation technology, zero discharge and highest grain-recovery in industry
- Supplying to premium brands
- High Net Fixed Asset turnover ratio at 1.5x
- Leadership - mix of experience and young talent

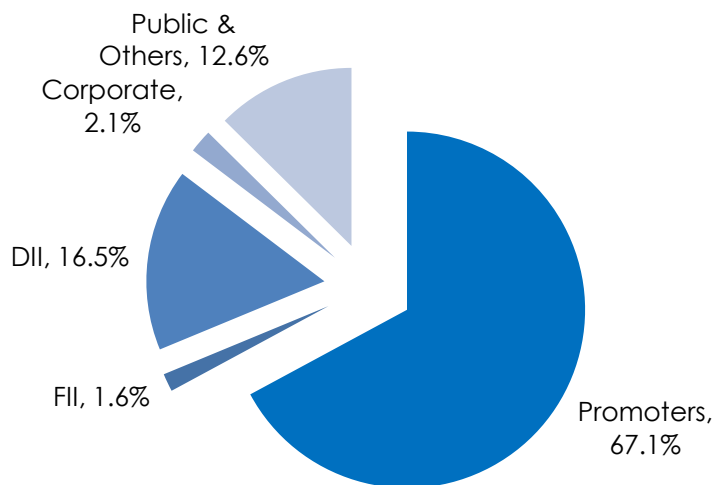
Healthy balance-sheet

- Funding for greenfield expansion at Bihar secured via equity
- Debt reduced to Rs 665mn in H1FY14
- D/E down to 0.2x
- Adjusted D/E (for Preference equity) at 0.5x
- Cash efficient operations with WC of – 7 days



Shareholding Pattern

As on 30th September, 2013*
Outstanding shares – 23.0 mn



Major Non-Promoter Shareholders*	% shareholding
SBI Emerging Business Fund	8.33%
IDFC Premier Equity Fund	7.91%

Note: *Templeton Strategic Emerging Markets Fund IV holds 5.04mn cumulative compulsorily convertible preference shares (par value of Rs 140 per CCCPS) which will be converted to equity by FY15



Q2'FY14: Profit and loss statement

Particulars (In ₹ Mn)	Q2 FY14	Q2 FY13	YoY (%)	Q1 FY14	QoQ (%)	H1 FY14	H1 FY13	YoY (%)	FY13
Gross Sales	1,521	1,476	3%	1,686	-10%	3,206	3,117	3%	6,412
Less- Excise duty & Discounts	321	353	-9%	395	-19%	716	743	-4%	1,423
Net Sales	1,200	1,124	7%	1,291	-7%	2,490	2,374	5%	4,988
Other Operating Income	12	4	173%	9	24%	21	6	276%	49
Net Sales & Other operating income	1,211	1,128	7%	1,300	-7%	2,512	2,380	6%	5,038
Total Expenditure	1,118	925	21%	1,102	1%	2,220	1,988	12%	4,297
Consumption of materials	739	648	14%	767	-4%	1,506	1,427	6%	3,016
Employee Cost	31	23	34%	27	13%	58	47	24%	103
Other Expenditure	348	253	37%	308	13%	656	514	28%	1,178
EBITDA	94	204	-54%	198	-53%	292	391	-26%	741
Depreciation & Amortisation	64	38	66%	54	18%	117	76	54%	165
EBIT	30	165	-82%	144	-79%	174	315	-45%	576
Finance Charges	25	17	48%	18	36%	43	32	33%	63
Other Income	16	4	321%	6	176%	21	5	305%	11
PBT before exceptional items	21	153	-86%	132	-84%	153	289	-47%	523
Exceptional items*	60	-	NA	-	NA	60	-	NA	1
PBT	(38)	153	NA	132	NA	93	289	-68%	522
Provision for Tax	17	46	NA	39	NA	57	87	NA	180
MAT Credit **	(67)	-	NA	-	NA	(67)	-	NA	-
PAT (From ordinary activities and before minority interest)	12	107	-89%	92	-87%	104	202	-49%	342
Minority interests/ share of profit or loss of associates	-	-	NA	-	NA	-	-	NA	-
PAT	12	107	-89%	92	-87%	104	202	-49%	342

Key Ratios as a % of Total Revenue	Q2 FY14	Q2 FY13	Q1 FY14	H1 FY14	H1 FY13	FY13
EBIDTA	7.7%	18.0%	15.2%	11.6%	16.5%	14.7%
PAT	1.0%	9.5%	7.1%	4.1%	8.5%	6.8%
Total Expenditure	92.3%	82.0%	84.8%	88.4%	83.5%	85.3%
Consumption of materials	61.0%	57.5%	59.0%	60.0%	60.0%	59.9%
Employee Cost	2.5%	2.0%	2.1%	2.3%	2.0%	2.0%
Other Expenditure	28.7%	22.4%	23.7%	26.1%	21.6%	23.4%

*Exceptional item represents additional depreciation charge on account of change from shift basis to continuous process plant for certain plant & machinery.

**MAT Credit availed represents credit taken in respect of year ended 31/03/2013.

Note: During the period ending 30/09/2013, Preference Dividend of Rs.16.75mn @ 4.75% p.a. on the CCCPS has been paid on half yearly basis as per the terms of issue.



Interim Balance-sheet

Figures in Rs Million

Particulars (in ₹ Mn)	30-Sep-13	31-Mar-13
Liabilities		
Shareholders' Funds	3,587	3,512
Non-Current Liabilities		
Long Term Borrowings	256	330
Deferred tax liabilities	421	384
Other Long Term Liabilities/ provisions	26	42
Current Liabilities		
Short Term Borrowings	409	354
Trade Payables	814	776
Other current liabilities	343	643
Total Liabilities	5,856	6,041
Assets		
Net Fixed Assets	4,222	4,360
Other non-current assets	1	1
Long-term Loans and advances	93	71
Current Assets		
Inventories	410	356
Trade Receivables	741	621
Cash & Equivalents	99	312
Short-terms loans and advances/other current assets	290	320
Total Assets	5,856	6,041

Key Ratios	30-Sep-13	31-Mar-13
Debt-Equity Ratio	0.19	0.19
Adjusted D/E*	0.48	0.49
Net Fixed Assets Turnover (x)	1.52	1.45
Inventory turnover (days)	33	37
Debtor turnover (days)	48	42

*Adjusted for preference equity



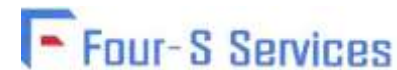
About Us



Established in 1992, Globus Spirits Limited (BSE code: 533104, NSE Id: GLOBUSSPR, ISIN Id:INE615101010) is engaged in manufacturing, marketing and sale of Indian Made Indian Liquor(IMIL), Indian Made Foreign Liquor (IMFL), Bulk Alcohol and contract bottling for established IMFL brands. The Company has a well established presence in the IMIL segment and is making its mark in the IMFL segment apart from taking up contract bottling to cater to renowned Indian players.

GSL currently operates three modern and fully integrated distilleries at Behror, Rajasthan and Samalkha and Hisar, Haryana. It is one of the largest and most efficient grain based distilleries in India with highest alcohol recovery per unit of grain.

For more information about us, please visit www.globusspirits.com or contact:



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