

Associated Alcohols & Breweries Limited
Conference Call
October 06, 2022

Moderator: Ladies and gentlemen, good day and welcome to the conference call with Associated Alcohols & Breweries Limited to discuss merger with Mount Everest Breweries Limited hosted by Valorem Advisors. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. I now hand the conference over to Mr. Chaiti Gujarati from Valorem Advisors. Thank you and over to you.

Chaiti Gujarati: Good afternoon everyone and a warm welcome to you all. My name is Chaiti Gujarati from Valorem Advisors, we represent the investor relations of Associated Alcohols & Breweries Limited. On behalf of the company, I would like to thank you all for participating in the company's conference call to discuss the merger of Associated Alcohols & Breweries Limited with Mount Everest Breweries Limited. Before we begin, I would like to mention a short cautionary statement.

Some of the statements made in today's concall may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, I would like to introduce you to the management participating in today's call and give it over to their opening remarks. We have with us Mr. Tushar Bhandari, Whole Time Director. I will hand over to Mr. Tushar Bhandari for his opening remarks.

Tushar Bhandari: Good evening everybody, it is a pleasure to welcome you to the conference call to discuss the merger of Associated Alcohols & Breweries Limited with Mount Everest Breweries Limited. Let me first start off by briefing you on the highlights of the company's major achievements in last few years, which ultimately has benefited and maximize the shareholders value. In the year

2015 we have implemented the integrated SAP ERP across all functional areas, being one of the few companies to do so in the liquid space.

In 2016, we started focusing on value added premium segments by introducing premium products and entered new markets. Further the Board of Directors has announced the bonus of 1:1 share. In 2017 to support and consolidate in the value added segment. The company has taken the series of popular range products of USL in it's kitty on franchisee basis. In 2018. We had embarked the expansion project and completed with optimum utilization within a year and we are continuously working on consolidation. Looking to the opportunities in 2021, we have embarked and diversified into ethanol project, which is expected to be operational and commercialized by Q4 FY23. Looking at the demographic challenges and opportunities, these are the continuous input time to time received from the stakeholders. The management decided to examine the synergy of merger of promoter controls beer company Mount Everest Breweries Limited with Associated Alcohols & Breweries Limited and accordingly post recommendation of exploring possibilities from the post during the November 21. And after detailed examination of various possibilities, advantages and opportunities, it was decided to go ahead with the merger.

Now let me take you through the factor of proposed amalgamation. First, let me give you some highlights of the beer industry in India. Beer is being increasingly accepted as a social drink and the urban use in particular favors it as a preferred alcohol beverage on account of low alcohol content. Increase in consumption of beer is attributed to change in lifestyle, rapid urbanization and rise in disposable income. Consumption of beer is expected to double in the next five to seven years. Introduction of draught beer has further increased the consumption as draught beer is fresh and unpasteurized. In India bottle beer is most popular but recently most of the breweries have taken up canning. Draught beer is becoming popular particularly in places where breweries are situated. The proposed amalgamation represses amalgamation of resilience Indian spirit company with one of the largest and fastest growing Indian beer company.

MEBL is the largest manufacturer of its own brand in Madhya Pradesh, and caters to more than 50% of the total market share in Madhya Pradesh, with expanding reach across other states as well. It is pertinent to mention that MEBL started with a capacity of one lakh case a month and in a decade has reached around 50 lakh case a month, making it the fastest growing beer company in the country. MEBLs potential to write the huge Indian consumption potential sector is critical decision matrix for the AABLs management, since the same would facilitate growth of both products that is spirit and beer in future years. The merger would result in creation of a unique Indian Alko grif company to refer **(Inaudible) 6:14** ENA, ethanol, beer, branded liquor and outsourcing relationship.

It would result in enhanced business upscalability through ---**6:25** off take of product. The merger would also result in progression of AABL from primary B2B company to a higher B2C

focused company, while also resulting in natural expansion of our product basket and continued thus widening access to retail consumers to cater to mass opportunity. This would allow us a portion size for enhanced cross selling synergies through a range of customer engagement programs. We believe there are levers and possibility of increasing margins due to infusion of the wider basket or branded products. The scheme involving merger of AEBL into AABL, subject to the resist of requisite approvals from statutory authority and respective stakeholders and creditors has been undertaken by the management, with a considered view to create one of the largest alcohol beverage supermarket entity, hosting both spirit from AABL and beer from MEBL under one company, which will act as an enabler for future untapped growth opportunities. The proposed amalgamation will foster a generic progression of AABL from an existing B2B company to B2C company, with the inclusion of MEBL as well established company in the beer industry, and have an installed capacity of 15 lakh hectoliters with 1.5 million cases per month.

The amalgamated entity is expected to be able to better compete with the global players on account of economies of scale. And resulting a huge amount of synergies, further the team is expected to benefit all the stakeholders including banks, financial Institute's, creditors, employees, workers over and above its shareholders, as it gives an opportunity to consolidate the business and attain higher profitability margins, and to create one of the largest Alko breviary supermarket in India. Most importantly, on the corporate governance front, a consolidated entity results in higher transparency of the promoter group business under one roof as a listed company.

Last but not the least, please note that the management have undertaken this path, which has been debated and requested over various investor calls to create a full bouquet of alcohol company which would cater to both B2B and B2C. With a brief background, I request the investor, shareholder attendees and open the call for Q&A.

Moderator: Thank you. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. You have a first question from the line of Manish Dhariwal from Fiducia Capital Advisors Private Limited. Please go ahead.

Manish Dhariwal: I would like to understand firstly, the markets that the businesses of spirits and beer is serving and what kind of synergy can emerge on the market front, on the sales front.

Tushar Bhandari: Good afternoon Manish. Manish, just to give you larger answer to your question in a brief, the markets which both beer and MEBL and AABL are so AABL presents are both are primary predominantly one of the largest companies in central part of the India and AABL is present in Madhya Pradesh, Chhattisgarh, Delhi and Kerala right now, and beer is present and the brewery is one of the fastest growing breweries in central part of the India and holds the majority stake in the market in Madhya Pradesh, and has got its presence in Chhattisgarh, in UP, recently started in Assam and Northeastern states, and has the potential to grow in other

states as well. So, majorly we at the synergy is what we are looking into is while going into other states, there are huge opportunities, there are seasonal opportunities which are available, as during summer season there's a shortage of beer. So at that point of time, beer products are huge in demand. And a retailer is looking for a person who has complete bouquet of products. So that's why we will be a one stop shop for all the liquor products to any retailer. So in during summers, if you require beer we will provide them beer which will help AABLs other products to write on the beer, this is in case of entering the new markets which we enter. And similar case is during the winter, the sale of rum is highest, and there's a shortage of rum. So with a rum portfolio of associated alcohol, we will be able to sell beer. So there'll be cross synergy in both the products and help to gain the market share in different areas. Plus apart from that, it will also give us an economies of scale while entering into any new market, because when you enter into new market, there is a fixed cost which you have to incur. So if the sale is higher as beer is a volume business, so if the sale is higher so per case overhead cost reduces substantially in both the cases. So that will synergize in both the product. And plus apart from that what is happening is that, there is an advantage in the beer is that there's a huge entry barrier in the beer because for any beer industry to supply, they have to set up an entire unit which involves huge capital investment. So there are very few beer players in the market. So that will boost the growth of AABL also to a greater extent.

Manish Dhariwal:

Okay. So if I can ask a follow up. So what kind of see these are all state subjects like your alcohol, business, the spirit business is a state subjects, you need to take the license on the state, state government to start the business, so what kind of, how does it work in the beer industry?

Tushar Bhandari:

So, beer industry we expect to grow almost we expect to double in the next five years, as the demand of beer is growing across the state. So just to give you an example of this season that is the April, May, June first quarter, so there was a shortage of beer across the state and the beer industry in the first quarter has grown almost across the country of around 20% to 30% growth we have seen and we expect the growth to be robust in the country, and there is a huge opportunity in the beer. So, in beer, what we are doing is that as I told that it is one of the fastest growing company in central part of India so beer is a continuously investment process. And from one lakh cases within a decade, this MEBL company has moved to 1.5 lakh that is almost 15 times growth. So in MEBL they have been trying to look the market and where the market is growing and keep on expanding their businesses. So we are also expecting a further expansion in MEBL businesses and there might also be an opportunity to set up a brewery in other states also.

Manish Dhariwal:

Okay. So, to start selling beer in any state do you need approval from the State governments, respective departments?

Tushar Bhandari:

So, we are contemplating and we are talking to the state government there is, we are planning to set up a brewery.

Manish Dhariwal: Okay. So do you have any insight on this plan that you have, what timelines are we looking at?

Tushar Bhandari: We will discuss it in the future timeline, but we do have plans. Whenever it's time for we will come with the **(Inaudible) 15:27**.

Moderator: Thank you. We have our next question from the line of Harsh Shah from Dimension Security. Please go ahead.

Harsh Shah: It's been share the financials of Mount Everest Breweries for last two years, mainly for FY21 and FY22, revenue and EBITDA?

Tushar Bhandari: You want me to share?

Harsh Shah: Revenue and EBITDA of Mount Everest Breweries, FY21 and FY22.

Tushar Bhandari: So, basically we've already shared the data on the exchange, you asked whenever they will provide you but what has happened in the beer specially is that over last 10 years beer has been growing continuously and MEBL has pioneers in specializing and in creating their own brand, which is one of the key aspects in the beer industry, because if you have a good brand, the volumes will start flowing in. We have seen companies in the similar industry wherein companies have bled to create a brand, I cannot name those companies. But there are companies who have bled drastically and created their own brand. But what has happened is MEBL when it started, it was rigorously of making its own brand, unfortunately in the year 2019 when they launched their craft beer and other premium beer segments. Unfortunately, in the following two years, there was COVID and the entire season was wiped off and beer is a seasonal product, primary a six months season is there on the beer industry. So it was completely wiped off in last two years and this beer was the first quarter when it saw a full sale of its product and it has done phenomenally well, and the first quarter data has also been shared which has been good.

Harsh Shah: In your presentation I went through the Q1 data, but I just wanted to compare it with FY21 and FY22, because that would give a kind of trend and better understanding of the company.

Tushar Bhandari: We will definitely provide you the FY21 and 22 data to you and I will ask MEBL people to provide you, but that would not be a realistic comparison because the main season which was there April, May, June of both the years 21 and 22 **(Inaudible) 17:58** COVID lockdown and beer is a product which has got a shelf life. So for example, then the beer and cater to the market during the shortage period. In April, May June, you will start manufacturing from December and keeps stalking it. And both the years it is going to complete wipe up because of the COVID and because of COVID also a lot of people as you are aware was not having cold drinks and cold beer and had those notions in mind. So, those are the two complete years wiped off but

irrespective of those two complete years being wiped off, the company has showed a positive return, positive bottom line.

Harsh Shah: Okay fair point, sure. And what will be the promoters holding in the merged entity?

Tushar Bhandari: The promoters holding in the merged entity would be around 82%.

Harsh Shah: Okay, and what would be the timeline to get it down to 75% because as per the SEBI regulations?

Tushar Bhandari: Yes, as per the SEBI regulations that will be done and the timeline is one year.

Harsh Shah: So, are you backed with investors or do you have any plans to offload that additional?

Tushar Bhandari: No, there is no plans as it right now, but after the approval, after all the necessary approvals there is one year, so there are no plans as of now. So, either there are only two options either become promoters would liquidate in the market or promoters would raise capital depending on the need of the business at that point of time, because both the company's continuously and has got robust future plan.

Harsh Shah: Understood sir. And if I look at annual report of Associated Alcohol, in FY22 the 2 lakh shares of Mount Everest Breweries were valued at 4.5 crores in FY21 those are valued at 2.5 crores which were revised upward at 4.5 crore. So, that gives value up to Rs.225 per share of MEBL. Now we are valuing during the merger if we are valuing MEBL at Rs.650 per share, almost Rs.650 per share, can you explain that further upward division in the valuations?

Tushar Bhandari: Basically, at that point of time it was basically for the Indian requirements it is the valuation done by the from the Associated Alcohols prospective as a investment in the minority. And when the merger proposals were worked out by the consent valuer's they have done the enterprise value basically that is same that way. So, this valuation of two lakh shares versus the valuation of entire company both are the totally different, one is the enterprise value and another is the very nominal less than 1% investment value of AABL into MEBL, both are totally different.

Moderator: Thank you. We have our next question from the line of Keshav from RakSan Investors. Please go ahead.

Keshav: Sir, is it the correct understanding that for every 1000 shares of AABL, the shareholders will be given 770 shares of MEBL?

Tushar Bhandari: Yes.

Keshav: So, is the understanding correct that the enterprise value being given to MEBL is 30% more than AABL?

Tushar Bhandari: Pardon.

Keshav: Is the enterprise value being given to MEBL is it 30% more than what is been given to AABL?

Tushar Bhandari: Yes.

Keshav: So, sir then what is the assumption for having higher value to MEBL, because the bottom line for last year, I understand that COVID was pretty bad on breweries, but it was low single digit so maybe if you can get some data of 2018 and 2019 to make sense of it.

Tushar Bhandari: Definitely we will be providing you the data, but as per the valuation is that after the examining the various possibility, and from the independent adviser and consultant looking into the prospect to create one of the most valuable company this valuation was created and was done by reputed valuator and in data terms, we will definitely provide you the data of that, and also the first quarter data of the MEBL has already been provided, the same has been provided and uploaded.

Keshav: Sure sir, we have the 2020 and 21 data, so if you can provide the 2018 and 19 it will be great help.

Tushar Bhandari: Anuj from Valorem he will be able to provide you everything.

Keshav: So, would it be if you can just give a ballpark figure of what was the net profits range bound, any range were they more than 30 crore or were they more than 40 crore, what was the bottom line?

Management: Basically, as Mr. Tushar has pointed out, one business is there both companies are unique and different, one there is the youngest company in central India we are company and able to grab the largest market share of the central India and able to create one of the finest brand valuation and even in spite of during creation of brand valuation not able to see the rate in comparison to other good similar brand created companies we are continuously in the range since beginning, that is one part. Another is the, one is very diversified and strategic company having diversified product portfolio and it is a financially very stable, but it was in the process of creation of brand valuation so both companies as far as EBITDA, EPS certainly that may not be relevant to compare with associated versus MEBL. One is totally the brand valuation perspective and effectiveness of the growth, the continuous growth of the beer industry and this positioning in the market. And another is totally on the basis of its fundamental and financials and both are unique. Going with the past figures and completing with the total EPS and EBITDA may not be appropriate to arise the fair valuation of both enterprises, that is the

way but otherwise all the finances are last five years, it will be shared and you may please **(Inaudible) 24:44** and apart from that.

Tushar Bhandari:

Both the companies are totally in a different segment. So all the segment has got its own margins and own volume. So beer is more of a volume gain business, but this much we can assure that both the companies on its own are one of the most efficient companies and one of the best margin providers in the industry. But under the process of creating brand value, and as you've seen that two companies which have been on the brand value, they've not for the **(Inaudible) 25:19** say on the figures, but MEBL has been able to sustain and MEBL has been able to continuously create in spite of creating brand value giving the positive bottom line over the years.

Keshav:

Sure sir. Just my concern is that associated is a 25% plus ROC business, is that a 4 to 5x book value compared to MEBL at least, and the margins are also at least comparable. And we've grown pretty well over the past few years and we are also expanding our capacity. So the expectation of sales and bottom line conversion is at least for an analyst is more than 15%. And, with that it is being told that the enterprise value of AABL is at a 30% discount to MEBL, whose data we don't have past two years have been very bad, we cannot base our analysis on that. And with that result, basically the minority shareholders at the end also end up being underrepresented. Because the overall shareholding percentage goes down and you have to sell also to bring it down. So, ultimately the money flows via promoters and for us the incentive is left in the hope that we are able to get the desired price. So, I'm sorry sir this is my personal point of view and as of now, it's very difficult to make sense of the swap ratio to start with and if you can provide better quality data maybe past few years and not just one presentation and whatever you shared it will be great and hope you continue doing calls also. So, all these concerns are **(Inaudible) 27:09**.

Tushar Bhandari:

Definitely we will. Going through the financials, as you rightly pointed out it is the technically you will be corrected, but here what we are saying that when we are going to have a synergy of A and B both are having opportunities and different spaces. And we are expecting the higher top line in the years to come and higher bottom line realization. Percentage of EBITDA to maybe right one in the fee having lower EBITDA margin whether it is having higher EBITDA margin that is one thing, but as for the getting increase of the margins in the years to come and what the comparison that perspective the company as a whole it is being examined, and accordingly it was done under the consultation and only thing is **(Inaudible) 28:04** arise by the independent persons as rightly pointed out, simply there are a number of enterprises in the country is being valued even having the continuous rate. So, that cannot be the reason they're not having the valuation but we are not going to justify any valuation but it was done independently in the long term perspective and which is going to create of the company as a whole, in which both minority as well as the majority should get benefit. This is our **(Inaudible) 28:32**

Moderator: Thank you. We have a next question from the line of Manoj Buram from Arihant Financial Services Limited. Please go ahead.

Manoj Buram: My question is related not to the merger, merger per se it's good for both the company, but regarding the valuation of the shares of the said ratio, which has been decided by you. Let me share some of the past financial performance of both the company's. Total revenue of AABL in 2021-22 was 528 crore versus MEBL 287 crore. In case of AABL is 33:63 versus Rs.1.96 in MEBL. Good value for associated Rs.152 whereas Rs.41 for MEBL. PAT is Rs.60 crore for associated versus Rs.4 crore for MEBL. How do we justify the said ratio. You have taken, your valuer has taken CCM methods of reservation which is not acceptable in this case, because what has happened there is only one comparable company in the listed that is United Breweries Limited, there is no other comparable company how can you take a company which is not comparable at all. Another factor is that, you have considered discounted cash flow over the future, past you have totally disregarded how can that be done, past you cannot disregard and you can show all the picture brewery this, brewery that. In all investor presentations over the last few quarters you have always stated that you have a unique company which is going to do this, that, this then ethanol expense is getting completed very soon, how do we justify that. Mr. Bhandari, don't you think the said ratio is in favor of the promoter for the promoter and you see the sequence of timing. On 8th of August as **(Inaudible) 31:07** results are announced of AABL, then posted on NSE, BSE website. Then after considering this quarterly result the **(Inaudible) 31:20** gives the report on 9th of August, --**31:24** have draft a report as is the practice to the company, company has seen the draft report, approved the draft report then it is sent to the company again it is printed and it is sent to the company, then again it is sent to the merchant banker who issue the famous opinion and then the company starts a meeting of the audit committee at 11 in the morning, 8 in the evening, three the audited results are announced for quarter one and on 9th morning by 11 everything is done. Don't you think it is predetermined and nobody has applied any brain on all of these things. This is a mechanical all things have been done mechanically and what they done is, they have just signed on the dotted lines. Mr. Bhandari, this is my question now you answer all these things.

Tushar Bhandari: The execution which was there was done by one of the most reputed and government approved valuator and by evaluating different mechanisms. So, there were a couple of mechanism which were there and as you said that there are only one beer company in the listed space. So, apart from that, and there is no company which has got both beer and spirit together. So, again AABL and as the management and Board of Directors stand on the path to create a unique company and to create unique valuation for some of the stakeholders. So, there is no company which is under listed space, which has got the entire portfolio to itself. And valuation which was there had couple of mechanisms in place, couple of calculation in place and approved government valuator and a reputed valuator and after that they were fallen under place and valuation was created. So it is not that the valuation was created, there could have been the valuation which was created. And apart from that there are companies in

the industry, which are not listed and they have been given exorbitant valuations in spite of having exorbitant rent in their balance sheet. So this was the complete thought out and complete reasonable valuation given. Keeping in mind, all the stakeholders involved and as for the procedures to be followed, the company in the November 21, announced that they are considering now a merger. And since 21, till date there were activities, and there were consideration, and there were consultancies done across and through the market across itself. And at the board meeting when it was approved. The same was done after all the due compliance of the laws and procedures, as well as the government's involved in this matter all and respectively were taken into consideration. And it was a very, after having lots of discussions with a lot of people in the industry. This call was taken sir.

Moderator: Thank you. We have our next question from the line of Manish Dhariwal from Fiducia Capital Advisors Private Limited. Please go ahead sir.

Manish Dhariwal: Thank you. See, I taking the cue from the previous investors who have shared their thoughts. See, I also notice that the EBITDA margins of associated alcohol which were at a healthy 20%, 24% have been consistently coming down and in the first quarter they have come down to abysmal 11% which we have not seen right from so many years, otherwise the average used to be about 17% to 18% and the EBITDA margin of the beer company is taken at 18.75%. Now, the numbers have been shared by the previous participant. So, we are not able to understand as to what has suddenly happened that the performance of AABL is weakening and the performance of MEBL is improving and the shareholding ratio, the swap ratio is so starkly in favor of the shareholders of MEBL that is one question. The second question is, that if the promoter a Director on MEBL today?

Management: No, that is also a professionally managed company completely.

Manish Dhariwal: Okay. So, is it that the promoters will come on the board of the listed company, which is going to be the merged company?

Management: That will be an appropriate call at that point of time we will take, but most of the key person of AABL would be there.

Manish Dhariwal: So, basically the swap ratio doesn't seem to be at all favorable to the shareholders of AABL. So, we would like to basically understand in more detail as to how this has been worked out?

Management: Mr. Dhariwal just before Mr. Tushar is going to take, one small point is as far as AABL profitability is concerned, there were two serious changes in the industry as a liquor industry as a whole, all these three companies have been affected due to serious increase in the prices which has moved from about Rs.13,000 going to cross the even 21,000 during the year in a year period. And another one biggest factor is the fuel price the coal from 7800 per tonne it costs 13,000 per tonne. These few serious challenges affected the entire liquor industry not only

AABL as a whole, so right now usual comparable with the reduction in the EBITDA, 12% is completed to earlier higher draft which is 15% to 16% plus. It is mainly due to these two serious challenges faced by the industry in the present scenario, that is one part and that is cannot be directly linked with the MEBL as far as MEBL is concerned, it was in the process of creation of brand in 2019. And the immediate after taking up the (Inaudible) 38:07 COVID has been come into the play and then after the COVID period it was able to read the market and able to get the realized, so both are totally in two different segments and two different segments cannot be exactly compared.

Coming to the creating of the valuation in particular spirit, it is dependently with the various factors which Mr. (Inaudible) 38:29 pointed out, but ultimately it is going to expect it to create the value for the merge enterprise as well which would be certainly going to be the benefit up, all the stakeholder both minority as well as minority. So, I think one critically benefited another is getting affected if the valuation is really is going to increase further in the price. Suppose when the valuation was done even AABL was having the comparatively much lower valuation as was given by the valuer on that day. You may be having independent data for that. So, this is a question what is the how and which valuation is given by the valuer, but again expected some valuation is given in the long run the (Inaudible) 39:17 is able to create the bigger and better valuation in the long run that is going to benefit all the stakeholders, whether it is be the minority or majority. Over to Tushar.

Tushar Bhandari:

Thank you sir, for this absolutely (Inaudible) 39:28 you were saying something so please complete your words.

Management:

See, as you are aware that liquor is a very controlled phenomena and across the state. So, the margin reduction was there across the industry as Mr. Dubey rightly said because the major raw material price increase and coal increase that was the major reason of that margins going down. And most of the state government did not give a price rise accordingly, as few gave and few did not gave so that was one of the major reasons. And as MEBL has marked its presence by creating a brand value, and creating a volume for itself and we are completely a volume game business and a brand business. So that it has been able to create so which will synergize and help both the companies to perform in the years to come. So, if we compare either any of the ratios or anything, both are totally different segments of all together. But I assure that both the companies in its segment, if I talk about in the country would be the best performing companies, and most efficient companies in its own segment, every segment has got its own margin and everything. So, in this segment itself they would be the best performing.

Manish Dhariwal:

Yes, --40:50 if I can just continue see, in fact the previous person from the company, he basically shared some data about the raw material cost and the cost of power, et cetera. I'm sure that the same will apply even to MEBL, it is not that AABL is able to buy at higher cost and the other company is able to buy at lower cost, because the same pressure would be faced by AABL also. Now if you look at the comparable numbers of United Breweries, the example that was offering

(Inaudible) 41:20 for a brewery company, the EBITDA margin has in the quarter come down from 15% to 11%. Now, are we saying that the EBITDA margin of the brewery company, which is MEBL was some 20% to 23% in the Q4 of 22. See, the point is that we suddenly find that the EBITDA margin of AABL has come down to 11%, please understand that the raw material cost and any other cost pressures are there and we can understand, but then you also understand that AABL is also one of the very efficient companies. So we cannot expect that the EBITDA margins will drop so fast. Secondly, now we see that the EBITDA margin of the other company, which is the beer company is at 18% plus. Now, are we saying that the EBITDA margin of the beer company was upward to 22%, 23%, because the same cost pressure that is being faced by alcohol company is also borne by the beer company. And that is also proved by the numbers of United Breweries which you noticed the EBITDA margin has come down by some 4% odd from 15% odd in Q4 to 11% in Q1.

Management:

If we compare about the, again I don't want to get into numbers and margins. But if we talk about numbers and margin, so EBITDA margin as you rightly said, for the Q1 for MEBL was around 18%. And earlier, the margins were much lesser is one is last two years were washed off and earlier the company MEBL was under the brand creation. And this was the first year when it got the full season to create a brand and sell it. And obviously once you create a brand, where MEBL has expertized in a bunch of creative brand that gives you a higher margin all together.

Manish Dhariwal:

Okay, fair enough we understand that but again.

Management:

First quarter MEBL market holds more cases than it has sold in the last entire year.

Management:

Manish, just to add. Some of the margins AABL also is operating into the chief regular segment, we are having our margins better than some of the branded players, better branded players in the country that is one part, while the credit goes to our **(Inaudible) 43:47**, similarly we were able to have operational efficiency as far as MEBL is concerned that is one part certainly. But as you rightly pointed out, is the best company in the industry has not more than 15% how you're able to sustain this 18%, that is a certainly you may be right this is the Q1 where I'm able to create substantial volume I am in the thought to get the better EBITDA margin, but if you will be able to compare for the year whole. So that may not be have the same position as a year. But certainly in this peak season with the two years waiting period, both brand creation, they're able to play well and then able to have the sizable volume and which is certainly we are able to realize EBITDA margin, but the long term certainly it would have some sustainable EBITDA, then I am with you.

Moderator:

Thank you. We have our next question from the line of Ritesh Mehta and Individual Investor. Please go ahead.

Ritesh Mehta: My saying is that, in Mount Everest you have given loan in this year which you have taken it back and you have shown uncoated investment 4,51,54,000 right?

Tushar Bhandari: Can you please speak slowly your voice is not audible.

Ritesh Mehta: Sir I wanted to say that in Mount Everest you have shown investment in Associated Alcohols balance sheet and now it's shows as loan.

Tushar Bhandari: Nominal 2 lakh shares held by Associated Alcohols at the beginning when the unit was created.

Ritesh Mehta: Is it of just one promoter?

Tushar Bhandari: Yes.

Ritesh Mehta: Is it the same promoters?

Tushar Bhandari: Yes.

Ritesh Mehta: One more thing is, Mount Everest and I saw that AB is negative and Associated is a debt free company almost and you have shared about equity ratio, the benefit is of the promoter, promoter is increasing the holding. So, I didn't understand who the valuer is and what is the name of the valuer let us know that. And we could not get any data of MEBL, there is no transparency so it's a complete loss for the investor, nor you have good dividend in Associated, in MEBL you are giving shares which is very low so what are you giving I am not getting it. And what is the future process, I Googled it that we have EBITDA and you are giving us low share only the promoter is benefiting from it. You should give benefit to the investor and in this you are talking major chunk of profit.

Tushar Bhandari: Sir, the valuator is a government approved valuator Mr. Niranjan Kumar he has done the valuation of the entire team and as you said that old comparison and I also said on the call that MEBL in last two year was under COVID, beer is a seasonal business, in April, May and June we have the maximum sale of it of approx. 50% sale is in April, May and June. The shelf life of beer is six months and I keep it more than six months then it will expire so in last two years lot of companies in beer industry, I don't want to name them so apart from creating the valuation, we created valuation, developed the brand, and still their bottom line was huge after that also, even with the touch time MEBL could not sell in the COVID period it had zero sale and that time also MEBL was positive. Then in last three years MEBL tried to create a brand, come up with premium brand, to launch a craft beer, launch in other states in with that this is the first quarter which it as got full-fledged and in this quarter MEBL performance was good and the brand which it created it got premium in that. So, if you go to a premium brand and volume the margin will be better so in first quarter MEBL was there. And if you want five years data then our team will share the data with you of complete five years of MEBL. And this is not a value creation it

is seeing both the companies and what profit it will do in future and all the stakeholders will get a listed entity which caters to the complete alcohol segment. Today, if I go to a shop keeper, I have rum, whisky, vodka, Jin, brandy, beer and everything so I will be a one stop shop for any person, I retailer will not have to talk to 10 people, he will get everything at one place and that too quality product, so we are trying to assure that and both the companies have individual segments, all the segments have a margin and if we compare one segment margin with another segment margin so we are not comparing Apple to Apple. If you will compare in the same industry then definitely bot the companies in their industry are the best and fastest growing company, it will be the objective of the management to work efficiently and with complete governance this is the objective of the management and in future as well this will be the same objective and principal of the management. And management's objective will be that all stakeholders should benefit from this value and be part of the growth of the company.

Moderator: Thank you, sir. That was the last question of the day. I now hand over the call to Mr. Tushar Bhandari for closing comments. Over to you, sir.

Tushar Bhandari: I would like to thank you personally all the people who've joined on this conference call and have taken out their precious time, in case you have any other further queries and wanted any specific data, you can please get in touch with Valorem Advisor our IR, Investor Relations team. Thank you very much.

Moderator: Thank you sir. Ladies and gentlemen, that does conclude this conference for today. Thank you for joining us and you may now disconnect your lines.