



**“Associated Alcohols & Breweries Limited
Q2 FY '26 Earnings Conference Call”
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MANAGEMENT: **MR. ANSHUMAN KEDIA – WHOLE-TIME DIRECTOR
AND CHIEF EXECUTIVE OFFICER – ASSOCIATED
ALCOHOLS & BREWERIES LIMITED**
**MR. TUSHAR BHANDARI – WHOLE-TIME DIRECTOR –
ASSOCIATED ALCOHOLS & BREWERIES LIMITED**
**MR. ANKIT NAGORI – DEPUTY GENERAL MANAGER –
ASSOCIATED ALCOHOLS & BREWERIES LIMITED**
**MR. DILIP KUMAR INANI – CHIEF FINANCIAL OFFICER
– ASSOCIATED ALCOHOLS & BREWERIES LIMITED**

MODERATOR: **MR. RAHUL DANI – GO-INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to Associated Alcohols & Breweries Limited Q2 and H1FY '26 Earnings Conference Call. This call is hosted by Monarch Network Capital. This conference call may contain certain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not guarantees of future performance and involves risks and uncertainties that are difficult to predict.

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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Dani from Monarch Network Capital. Thank you, and over to you, sir.

Rahul Dani: Yes. Thank you, Hamshad. Good afternoon, everyone. On behalf of Monarch Network Capital Limited, it's our pleasure to host the senior management of Associated Alcohol & Breweries Limited. We have with us Mr. Anshuman Kedia, Whole-Time Director & CEO; Mr. Tushar Bhandari, Whole-Time Director; and Mr. Ankit Nagori, Deputy General Manager. We also have Go India Advisors, the IR Advisors for the company.

Without wasting much time, I will hand over the call to the management for opening remarks. Thank you, and over to you, sir.

Anshuman Kedia: Thank you, Rahul. Good afternoon, everyone, and thank you for joining us on the Q2 and H1 FY '26 Earnings Conference Call of Associated Alcohols & Breweries Limited. Our financial results and investor presentation have been uploaded to the exchanges, and I hope you've had the opportunity to go through them.

Before discussing the Q2 and H1 FY '26 performance, I would like to make an important announcement. We are pleased to welcome Mr. Dilip Kumar Inani, who has joined as our Chief Financial Officer. A chartered accountant with over 30 years of finance leadership experience, he brings strong expertise in financial control and strategic planning to strengthen AABL's growth journey. Mr. Dilip Kumar Inani.

Dilip Kumar Inani: Yes. Thank you. Thank you, Anshuman, and thank you for the warm welcome. A truly great to be part of this great team. I'm sure that my varied experience will further add to the growth of this organization. I will look forward to collaborating across the team to build strong foundation and drive sustainable growth with highest financial discipline.

With that, I will hand it over to Mr. Anshuman again, who would be apprised about the Q2 and H1 FY '26 performance. Over to you, Anshuman. Thank you.

Anshuman Kedia: Thank you, Mr. Inani. As we close the first half of FY '26, we have continued to execute our strategy with consistent discipline and focus on proprietary IMFL segment with increase of

market share in existing segment, as well increasing new geographical area to become a leading player in coming years in premium segments with new brands in pipeline.

The company delivered strong growth in its proprietary IMFL segment. This underscores the sustained strength of our brands in key markets like Madhya Pradesh and Kerala, along with encouraging traction across the premium portfolio in the recently entered markets of Maharashtra and Uttar Pradesh.

AABL today stands as one of the fastest emerging integrated players in India's alcobev industry. The broader sector continues to witness strong momentum with premium spirits leading category growth, supported by evolving consumer preference, rising disposable incomes and increasing brand consciousness.

For the quarter and first half, we delivered strong growth in both volume and value terms. Y on Y at 37% growth in IMFL Proprietary brands and H1-on-H1 35% in volume terms, and 35% and 33% growth in value terms respectively supported by an improved product mix and an expanding distribution network within our IMFL Proprietary portfolio.

The IMFL Proprietary segment remains the cornerstone of our growth strategy. We've been deliberate in building a strong premium brand portfolio. Our Prestige & Above launches that include Hillfort Blended Whisky and Nicobar Gin are seeing sustained growth in our core market of Madhya Pradesh and are beginning to find their footing in new geographies, including Maharashtra and Uttar Pradesh.

Since our foray into Kerala in 2018, we have steadily strengthened our market presence ranking among the top 4 liquor companies in the state. The strong foundation we've established in Kerala stands as a benchmark for the growth we aspire to achieve in other high-potential markets.

In addition to Kerala and Madhya Pradesh, we have established a footprint in Chhattisgarh, Delhi, UP, Maharashtra and will gradually strengthen our sales with right and established distribution channel.

During the first half of FY '26, we successfully entered Maharashtra, UP, marking a significant step in our geographic expansion. Building on this momentum, we are now gearing up to launch Pondicherry, Goa, Odisha and Jharkhand, further advancing our road map to become a pan-India IMFL player.

The recently launched Central Province Orange Vodka delivered strong volume and value growth during the quarter, capturing around 15% market shares in the MP market. Offered in 3 distinct variants, Ultra, Luscious Orange and Refreshing Green Apple, this brand has seen a strong initial response from consumers. The Green Apple variant in particular, has stood out with robust demand, reflecting the brand's growing appeal among young and experimental audiences.

Our core value brands such as Bombay Special Whisky, Superman Fine Whisky and Titanium Vodka has maintained healthy traction and strong brand loyalty across key categories. Looking ahead, we are set to enter the ready-to-drink segment with the launch of Kultur in the second

half of FY '26, introduced in five vibrant variants. This line is crafted to capture the growing demand among younger urban consumers aligned with shifting consumer consumption trends.

I'm pleased to share that our malt plant in Barwaha has been commissioned, and we have commenced the processing and maturation of malt spirits. This facility with a capacity of 6,000 liters per day represents a major milestone in our backward integration journey, ensuring consistent quality and cost optimization.

A capex of INR55 crores has been incurred for the malt plant with an additional capex of INR55 crores to INR60 crores expected to be invested in casks over the next 2 to 3 years. The plant will be utilized for our internal requirements and will play a key role in supporting our premium whisky portfolio. It aligns with our long-term vision of launching AABL's own single malt, thereby completing a full spectrum of portfolio across price points.

Our ethanol plant operated at around 85% capacity utilization during the first half of FY '26. We are proud to announce that the Associated Kedia Group, the parent group of AABL has been honored with the 2025 Barclays Private Clients Hurun India Legacy Builder of India's Distilling Industry award. This recognition reflects group's rich legacy leadership and long-standing contribution to India's evolving alcobev landscape.

With that, I will hand over to Mr. Tushar Bhandari, our Whole-Time Director, to take you through the financial and operational highlights.

Tushar Bhandari:

Thank you, Anshuman, and good afternoon, everybody. Building on Anshuman's comment, I will focus on the operational and the financial performance for the quarter, along with the key business update.

Let me begin by giving an overview of the operational highlights for Q2 and H1 FY '26. IMFL Proprietary volumes stood at 5.66 lakh cases, registered a very strong growth of 37% year-on-year. We are seeing a good traction in our premium and above brands. License IMFL volume stood at 2.41 lakh cases impacted due to change in business pattern with Inbrew from license to contract manufacturing. Merchant ENA volume was 5.4 million liters and ethanol volume stood at 10 million liters.

Moving to the financial performance for Q2 FY '26. Net revenue from operations stood at INR253 crores, remaining broadly flat year-on-year. The marginal decline was primarily due to shift in Inbrew business model from license to contract manufacturing.

Gross margin stood at 36% lower compared to last year, primarily due to lower realization of byproduct because of increase in number of ethanol plants and price of byproduct is again improving, and also due to change in raw material mix.

EBITDA for the quarter stood at INR240 million, down 4% year-on-year, translating to the EBITDA margin of 9%, which is marginally reduced from 10% EBITDA in corresponding period of last year. Profit after tax stood at INR140 million with a PAT margin of 6%.

In terms of segment performance for the quarter, IMFL Proprietary revenue stood at INR41 crores, reflecting a year-on-year increase of 35%. IMIL revenue stood at INR56 crores, growing by 8%. Merchant ENA contributed INR37 crores and ethanol revenue for the quarter was around INR71 crores.

Going forward, our focus remains on strengthening our proprietary IMFL portfolio and expanding our presence in the premium and above segment. With the new products to be launched in the subsequent quarter and entry into the additional geography, we are confident of achieving around 30% to 35% and above revenue growth in our proprietary IMFL brands.

We continue to remain a healthy balance sheet with disciplined working capital management and focus on delivering superior shareholder returns.

With that, I open the floor for question and answers.

Moderator: The first question is from the line of Hrushikesh Shah from Alchemy Capital.

Hrushikesh Shah: So, my question was on IMFL Proprietary. This quarter, our growth in IMFL Proprietary was good. So, do we see the momentum continuing like the 35% growth or will it come down to a sustainable 15% to 18% guidance?

Tushar Bhandari: See, as we had informed earlier also, the company's entire focus has been on its own IMFL Proprietary brands, which can clearly be seen in the Q2 performances and the half yearly performance also, so which is up around 30% to 35%. And we would expect it to be at the same growth in the coming year as well. With the addition in number of states also which we are entering into, it'll be in the range of 30% to 35% growth.

Hrushikesh Shah: And I wanted to ask a question on realization. When you compare this H1 to last year H1, our realizations are down 2%. So, what is the reason for that? Our premium segment is growing at a higher rate than our overall IMFL Proprietary. So, can you help me understand this?

Tushar Bhandari: So basically, the contribution which comes from is primarily 2 markets, which is, say, Madhya Pradesh and Kerala and the other markets have been gaining transaction. The realization has been down by 2% because of certain pricing policy change in Madhya Pradesh, that is the reason, primarily. That is you are talking about the purchase realization. But with the added and increase in the sale of our premium products, over the time we would expect it to go higher.

Hrushikesh Shah: Okay. So what would be the steady state kind of margins for FY '26 as a whole, if you can give us ballpark figure or something --

Tushar Bhandari: That is a futuristic thing which we're talking about. But as we talk about the EBITDA margin contribution, we are primarily focusing on our contribution, which is coming from IMFL business. So we would expect anywhere in the range of 13% to 16% EBITDA margin contribution from IMFL.

Hrushikesh Shah: IMFL, this is proprietary, right?



- Tushar Bhandari:** Proprietary, proprietary. The company is only focusing primarily on the proprietary brands now over the years and would continue to do that.
- Hrushikesh Shah:** And base margins are down as compared to last year. Is that because of marketing -- more marketing expenses in the new geographies?
- Tushar Bhandari:** There's been increase in the marketing expenses as we enter into new states -- we are entering into newer states. As we enter into the new states, initial entry cost is higher.
- Hrushikesh Shah:** Right. Understood. Okay. So in the IMFL licensed segment, I understand that because of the shift to contract manufacturing, that our revenue growth is lower. So going forward, what kind of growth are we looking at? And what are the margins that we see going forward?
- Tushar Bhandari:** See, going forward -- see, out of this, the entire business, there were the two primary products which were there, one was the Bagpiper and the second is [Inaudible16:03]. So for certain reasons, inbrew wanted the turnover on their books in the Bagpiper from franchisee model to a job work model, wherein we are a doing job work for them and we are getting marginal contribution on the bottom line from those job work.
- Whereas the top line is not there. So that's why it was down. But post this quarter, we would see a steady growth if we talk about the only other product which is left is the CLR and DSP black of USL, we would see an increase in growth in that.
- Hrushikesh Shah:** Right. So, if -- see, what I wanted to understand is, in license now directly if we do contract manufacturing that will result in your net sales will be your profit, right? We won't be recognizing the whole revenue.
- Tushar Bhandari:** Yes.
- Hrushikesh Shah:** Margins should technically be higher, instead of 14% last year it should technically be higher, right, because of this -- we are recognizing on net basis?
- Tushar Bhandari:** No, no. But the Inbrew business, which would be there on job work, that will not come into IMFL licensed brand. It will go into job work manufacturing. So which we are doing also for Diageo So license manufacturing is the pure products which we've taken on pure risk and reward ratio basis from other players, so which we had earlier five products like Bagpiper, White Mischief and other products. So now we have -- out of that, we have only CLR and DSP Black. And IMFL licensed brand, only sale and realization of CLR and DSP Black would come, in the months to come.
- Hrushikesh Shah:** This contract manufacturing, it is recognized in what segments?
- Tushar Bhandari:** others.
- Anshuman Kedia:** Yes. In job work income.
- Tushar Bhandari:** Job work income.

- Hrushikesh Shah:** Okay. Okay. And on the malt plant, I wanted to ask you, see, we have invested INR50 crores to INR60 crores. Last time you had told us that you will also be doing some kind of merchant sales. And now we are talking about doing entirely captive, right?
- Tushar Bhandari:** Yes. See, I would repeat what I said earlier only. The company's pure focus is to develop, manufacture and sell its own brands, okay? So, we are in the process of building brands. We have brands in pipeline as well. But in our existing products, say, Central Province Whisky and Hill fort, we are buying malt from outside and consuming it, okay? So, the objective would be to utilize as much as we can in our own products. So, we are working on that.
- So, we are putting everything on maturity, because we are quite confident that over the period of time, it will get mature. That is 1.5 years, one product, and 3 years the other product. We will be available in most of the states in the country and we'll be a pan-India company. And our requirement itself would be of the malt which we will be manufacturing. So that's our focus. And if we are not able to sell our IMFL brand, which is unlikely, then we will sell it in the open markets also. The open market demand is there, that's not an issue.
- Hrushikesh Shah:** Right. So, what kind of margin --
- Moderator:** Sorry to interrupt, sir, but I may request to rejoin the queue.
- Hrushikesh Shah:** One last question. Yes. So, it's relating to the earlier question. So, what kind of margin benefit will we see over here?
- Tushar Bhandari:** They'll be completely premium products and these premium products would attract a 20-plus margin.
- Moderator:** The next question is from the line of Daljeet Singh Kohli from Roha Asset Managers LLP.
- Daljeet Singh Kohli:** I wanted -- it was not clear in the previous answer, where do you account this job work activity?
- Anshuman Kedia:** It comes as job work income.
- Daljeet Singh Kohli:** So in the line item, where do I see in the income statement?
- Anshuman Kedia:** Revenue from operations.
- Daljeet Singh Kohli:** It's part of gross revenue, right?
- Anshuman Kedia:** Yes.
- Daljeet Singh Kohli:** So these segments, which you have 4 segments, and besides this is the fifth one in a way. Correct?
- Anshuman Kedia:** Yes.
- Daljeet Singh Kohli:** Earlier, it was not the case, right? But Diageo, we have been doing job work for quite some time, but that was not the case earlier, right?

Tushar Bhandari: No, it was coming there only. Diageo was coming and now Inbrew is added there.

Daljeet Singh Kohli: No, I mean to say you were not classifying this as a job work separately, right?

Tushar Bhandari: Yes.

Daljeet Singh Kohli: It was part of - IMFL license part, right? Is there a change in reporting style? That's what I'm trying to understand.

Tushar Bhandari: No, there's no change in reporting style.

Daljeet Singh Kohli: Okay. Now second is -- sorry, yes, go ahead, please.

Anshuman Kedia: No change in the reporting style.

Daljeet Singh Kohli: No, I -- confusion is about where this job work revenue is booked. You are saying it is part of gross revenue. But when we add all these 4 subsegments, will it be beyond this? That is what you're trying to say, correct?

Tushar Bhandari: Yes.

Daljeet Singh Kohli: Yes. So that is what my query was. Anyways. Now the question is, okay, if you change this style from license to job work, that should not impact the margins, no? why are the margins down in this way, total margins are down and segment division margins are also down, why?

Tushar Bhandari: The margins are down, you're talking about the licensed brand margins are down, right?

Daljeet Singh Kohli: Correct.

Tushar Bhandari: Yes. The licensed brand margins are down because there were 2 products primarily, which is involved is -- one is the Bagpiper and the second is CLR. So both had different types of margin, that is down. And plus the ENA price is slightly higher, that's why the margins are down. These are the two primary reasons of margin being down of IMFL licensed brand. And IMFL owned proprietary brand margins are down because of the expansion in other states, the initial cost is involved there.

Daljeet Singh Kohli: Okay. But you should be beneficiary of the fall in the maize price these and other things, rice and all? So why it is not showing numbers?

Tushar Bhandari: So, the marketing expenses has increased, that is the primary reason. And second reason, the margins being down is, as the price of ENA has gone up that is primarily because of the byproduct sale price realization has gone drastically down because of number of ethanol plants expanding drastically. So, these are the two major reasons.

Daljeet Singh Kohli: So, on consolidated basis, what would be your guidance for the margin?

Tushar Bhandari: On a consolidated basis, the guidance for the EBITDA margin should be around anywhere between 8% to 11%.

- Daljeet Singh Kohli:** 8% to 11%? That's too large range know?
- Tushar Bhandari:** That will be somewhere around 9% to 11%. So, we would be maintaining the existing margin, which is there, definitely, and we will be trying to improve on that. Because as -- the major impact on the margin has come from the realization of byproduct sale, the price of byproducts had gone down drastically because of the number of ethanol plants coming up. So that was the primary reason. And now we are seeing an upward movement in the prices, which is there in byproduct.
- Daljeet Singh Kohli:** So, reversal is expected from there?
- Tushar Bhandari:** Yes. So, if you compare last year quarter-on-quarter, so the EBITDA margin last year was 10% and this year, it was 9%.
- Daljeet Singh Kohli:** I'm comparing with previous quarter.
- Tushar Bhandari:** So previous quarter, anyway, Q1 is the best quarter of the year.
- Moderator:** The next question is from the line of Sucrit D. Patil from Eyesight Fintrade Private Limited.
- Sucrit D. Patil:** My name is Sucrit Patil. I have two forward-looking questions. First is, I just want to understand what is the long-term plan for AABL beyond ethanol and premium IMFL? Is there something you are building that gives the company a lasting edge over the time, maybe a way of working or a platform or a mindset that helps you grow smarter -- not just bigger, but more smarter also as the industry also grows?
- Tushar Bhandari:** So basically, long-term vision of the company is to increase the sale of its own IMFL brands, and the company is purely working on those platforms. So, for that one of the key ingredients of being a part there is that one is you need to have a good product, good liquid you need to have. You need to offer the quality at a reasonable price to the customers.
- Second is you need to have good distribution channel and a distributing partner, which company is aggressively investing on. And fifth, which is the most important part out of the all segment for the company is to have the best talent in the industry. So that's what we are doing. We are in the process of aggressively recruiting also the talent from the industry.
- So whichever states we are entering, we are looking at the best distributor or the best sales person who would guide our sales there. Next target, which we are keeping the states is Rajasthan, Jharkhand, Goa, Mahe, Assam and Odisha. These are the 6 states.
- Second is, AABL is strategizing and making products which will be available across the portfolio category and across the value chain. So basically, if I would say in simple terms, if the customer wants to go, say, INR50 up in the purchase point or INR50 down in the price point, our products should be available.
- So it gives an added advantage for us to move and meet the distributor also. So we want to become a one-stop shop for the alcobev industry in the years to come. So for that, we have

invested in single malt also, as Indian single malt is gaining traction across the world. So we have invested in the single malt as well.

And we have seen that the focus is realizing by a strong growth in our own IMFL Proprietary brands, which is around 30% to 38%, which we have seen. So that's the momentum we want to keep it up and we want to increase the sale of our own products. So that's what we are aiming for.

Sucrit D. Patil: My second question is to Mr. Bhandari. I believe he's also on the call today.

Tushar Bhandari: Yes, yes. I am Mr. Bhandari, yes.

Sucrit D. Patil: Sorry, I missed it. I joined a bit late. Okay. So, my second question is, again, regards to margins and cost planning. When costs go up like ENA or packaging, how do you make sure the margins stay steady without cutting any corners?

Just want to know if there is anything in your system like sourcing, pricing discipline or plant design, something that is helping you stay efficient even when things get a bit -- when you can't predict things in the future. Just want to understand how are you planning or thinking about this over the next few quarters?

Tushar Bhandari: See, basically, in this, you can be more efficient, that is what give you an edge over the competition and that will help you take care of the increase in the cost, if any. So one is that there is no compromise on efficiency.

Second is the procurement of raw materials. You should have -- we are doing a multiple level procurement of raw material. That is we are procuring it through directly through mandis, so that we have the hands-on rate what is happening in the market. Second is through brokers. And third is to direct through big institutions. So multiple level of sourcing you should have. So that's where you can contribute.

And second is also once the brand is established, for example, a brand is a million case brand, then we are also working on value engineering. So we have already started working on value engineering of the brands, which are aggressively growing of our own in the market, how to do value engineering, how to use market bottle, how to reduce the bottle weight. So that's where we can increase the margins or we can maintain the margins with the increase in cost.

And third and foremost, which is most critical and which has been our focus, is to increase the sale of our premium brands. So that's what we are targeting.

Moderator: The next question is from the line of Rajveer Tandon from Ventura Securities.

Rajveer Tandon: I just wanted to ask. So there's a decline this quarter in the revenue from your licensed brands. And basically, you said that is because of a switch to the new business model that is the job work income. And even the total revenue that has come in from the other income section, which is where this should fall has not been very high comparatively. So how long do you think this

decline is expected to continue in revenue? And how do you see yourself meeting the revenue guidance which you had given on a blended basis?

Tushar Bhandari: So see, there has been a downfall in the revenue, as I primarily said, is first and foremost, because of the reduce in the byproduct price. And then second is the Inbrew business. okay? These are the 2 primary reasons, because Inbrew earlier, we used to get the entire revenue in our books. But now we are just getting the job work revenue on our books.

But however, in other cases, what our guidance and the focus has been is to rapidly increase the sale of our own IMFL Proprietary brands and we are working on that. So we've been able to achieve 30-plus growth in our own IMFL Proprietary brands and we would continue to grow that, because that's the future goal of the company.

Rajveer Tandon: So basically, for the licensed, I wanted to ask, how long is this decline supposed to continue? So that should be there for a few more quarters, right?

Tushar Bhandari: Yes, a couple of quarters, because first quarter we had already shown. So this entire year, it will be there, because last year the proprietary brands were there, entire year was there in our top line and this year out of that Bagpiper has been moved. So you will see in IMFL licensed brand that kind of decline. But we will try and do our best in IMFL owned brands where we'll try to catch up as much as we can, which we've done in the past as well.

Moderator: The next question is from the line of Manoj Bhura from Adinath Financial Services Private Limited.

Manoj Bhura: My question was regarding this proprietary brand. We are doing fantastically all over. And all new markets where we will be entering, we will be coming with only proprietary brands?

Tushar Bhandari: Yes.

Manoj Bhura: It means wherever we enter, we are entering with proprietary brand and growth will be substantial. So can we maintain a growth of around 40% quarter-on-quarter? And how long will it take to reach a turnover of almost INR1 billion per quarter for the proprietary brand.

Tushar Bhandari: So we have given a guidance of 30% growth quarter-on-quarter on our proprietary brands and that's what we are targeting and achieving on that. Because whichever states you enter, sir, at least 2 quarters minimum you need to stabilize. Because see, problem in our business, particularly is that every state is a different country altogether. So every digging up policies, entering into the state, looking for the distributors. So that's the cumbersome.

And the primary focus is not only about the sales. We can achieve our sales as much as we can but we have to secure the funds also. In our industry, securing funds is the most important thing. You can increase the top line and increase the debtors, that is not the way of doing business. So we being [inaudible 34:12] we are targeting a growth of 30-plus percent in our own IMFL Proprietary brands.

- Manoj Bhura:** Sir, what was the hit on our top line due to this Inbrew? In value terms, what was our hit quarterly or annually?
- Tushar Bhandari:** So in value terms, if you can see, sir, IMFL licensed brand is almost INR100 crores minus. So last year, it was -- in this quarter, it was INR483 crores vis-a-vis to INR287 crores.
- Manoj Bhura:** Okay. So annually, it is almost INR100 crores?
- Tushar Bhandari:** Yes. But we'll be able to match up -- we are trying to match up with our own and then that's the focus.
- Manoj Bhura:** Yes. And regarding this RTD, how much is the market and how much we want to take out of that slice?
- Tushar Bhandari:** So the market is quite small, but we expect and all the data which are in the industry is showing an upward increase in the consumption of RTD, that's why we are targeting primarily on RTD. And we are planning to take at least 4% to 5% market share in the initial period. So that is one thing.
- Second is that sir, I would also like to inform on this forum is that, in last con call we had said that we have delayed our launch of tequila because we were not getting approval from Mexico. And recently, we have received an approval from Mexico. And we've been working aggressively on launching that at the earliest. So we'll be the only Indian manufacturer who would have its own brand and would be able to call tequila.
- Manoj Bhura:** Fantastic. Regarding the SDF Industries, which you will be -- you are bidding for SDF Industries --
- Moderator:** Sorry to interrupt, sir, but I may request you to rejoin --
- Manoj Bhura:** This is my last question. SDF Industries in Palakkad, which you are bidding, so how much
- Tushar Bhandari:** Yes. So basically...
- Manoj Bhura:** How much benefit we will get out of that? How much benefit we will be getting out of that and what will be the capex?
- Tushar Bhandari:** Sir, there will be a substantial benefit which we'll receive -- which will be received to the company. Apart from the benefit, it's about the increase in the sale for the company. So company has -- right now, we have at least 3 tie-ups manufacturing agreement. So we are dependent on 3 bottlers for manufacturing our sales, which is there.
- But as the company grows and as the company want to grow, still there is a huge gap. So the number 1 company, which is there is doing 8 lakh cases per month and number 3, which is AABL is doing around 1.8 lakh cases per month. So there's still a huge gap between number 1 and number 3. So we are targeting to get into number 1, so for that, we need to have our own manufacturing unit and we need to have the entire manufacturing process under our control. So that is the primary reason of acquiring that SDF unit.

- Moderator:** The next question is from the line of Pawan Kataria from Bullseye Equity Research.
- Pawan Katariya:** So I would just like to understand could you share the initial sales trend and consumer reception for the proprietary brands in Maharashtra and Uttar Pradesh for the last quarter?
- Tushar Bhandari:** Your voice was not clear. Can you please repeat the question?
- Pawan Katariya:** I would like to understand -- could you share the initial sales trends and consumer reception for our proprietary brands in Maharashtra and Uttar Pradesh for the last quarter?
- Tushar Bhandari:** So initial -- I believe you're asking about the status of Maharashtra and Uttar Pradesh. So initial trends which we have seen is positive, very positive consumer feedback. both these states are very critical to us in terms of growth also and in terms of expansion also, so we are taking it as the market demands and slowly in these states. Because Maharashtra primarily requires huge capital -- huge investment for entering into the shops. So we have registered ourselves in right now in Thane, in Mumbai and in Pune region.
- Because in Maharashtra to enter the shops sale, you have to give a substantial amount of scheme. And we would be concentrating because this is the major consuming area. We'll be concentrating on these 3 regions, establishing our own product portfolio in these regions and then moving further to Nagpur and other regions.
- Second is UP. UP, the response is good. We are going on monthly but the volumes are not setting in right now, because we are working on with the distributors. Their primary objective of the company is to increase the long-term sale of the company and to get -- and secure the money as well, because that's a very tricky market in terms of getting the sale proceeds. So we are working on both and it will be a combination of both.
- So probably in next, I think, 1 quarter or so, both the markets would stabilize and we'll see aggressive growth. And in both the states, we are setting up our own team also. In Maharashtra, we have already appointed one of the most senior person from Diageo, he is heading our Maharashtra operations and which is in line with our expectation.
- Pawan Katariya:** So sir, could you quantify the number of cases we were able to sold in Maharashtra and Uttar Pradesh?
- Tushar Bhandari:** So right now, in Maharashtra and Uttar Pradesh, last quarter, we would have sold in Maharashtra around 3,000 cases and Uttar Pradesh, only 1,000 cases.
- Pawan Katariya:** Okay, sir. And I would also like to ask, what is the TAM for the ready-to-drink which we are looking to enter?
- Tushar Bhandari:** Where is the?
- Pawan Katariya:** TAM, total addressable market for the RTD?
- Tushar Bhandari:** See, the total addressable market in RTD is right now quite small as compared to whiskeys and other products if we talk about. But this market is expected to grow like anything. So there has

been trend which has been there in west and has been exactly replicated by India, so which was earlier trend of say gin, if we talk about and now trend of, say, tequila. And then the next trend or wave which we expected is of RTD.

Moderator: The next question is from the line of Aman from InCred.

Aman: So my first question is on IMFL license business. So in regards to Inbrew, so now that we have lost some business there. What's our revenue run rate that we are targeting in this space?

Tushar Bhandari: So the revenue run rate, which will primarily come from, in this space, if I talk about on annual basis, it's somewhere around, say, INR120 crores to INR150 crores.

Aman: Okay. Got it. And are we in talks with other brands to take some licensing work to recover these volumes?

Tushar Bhandari: No, no. We will recover this dues on the basis of our long-term objective and focus which is there. Company wants to purely focus on its own brand and building its own brand portfolio. So you would have seen in this quarter also, there has been drastic increase in the IMFL owned brands, that is around 30% to 35% increase. So that's what we are focusing on.

Aman: So I think we are clear that Hillfort has been doing some volumes in other states. So my question was on our gin product, Nicobar Gin. What's our plan there?

Tushar Bhandari: So see, now Nicobar Gin is mostly available in metros, major cities where the volume is there. So we are working on bar takeovers there and educating the customers. So that's the go-to strategy for the company. So we would be taking -- we have already in the process of taking one of the senior bartenders on board. So we would do bar takeovers and would educate the customers on the product, how the product has been developed, what is the way to have the product, the different kind of cocktails that can be made with the product. Like tomorrow, we have an event in Nagpur, okay, and plus apart from that, educating the bartending community. So this has been our core strategy.

Aman: Okay. And thirdly, on our tequila product. So what's the update there? Where have we reached with the Mexican company?

Tushar Bhandari: So as I already said in this con call is that it's been long awaited. But finally, we are the only Indian company, which has got an approval to call tequila. So that we received around 2 to 3 days back itself. So, we have received an approval from Mexico and we've been given the unique identification number. So, we will import the tequila. We will bottle here and sell it on our name. So now we are expediting the entire process of importing it and we are targeting to launch it in the month of January or at the earliest.

Aman: Okay. And one last question, if I can squeeze in. So, our margin guidance --

Moderator: I may rejoin the question queue for follow-up question. Sir, I will request you to rejoin the question queue. The next question is from the line of Gautam Gupta, an Individual Investor.

- Gautam Gupta:** Yes. So, if I may quote you again, you said we want to be a one-stop solution by providing all the products in the alcobev industry. So, the same thing you mentioned 3 years back when we acquired Mount Everest Breweries. So I want to ask about it that what was the acquisition cost and where did the finances come from?
- Tushar Bhandari:** No. So basically, we did not acquire Mount Everest Breweries. Mount Everest Breweries is the wholly owned by the promoter. We had given an approval for the merger of both the companies but we are not acquired by -- we did not acquire Mount Everest Breweries. And that merger, also, we had put a note that we had called off that merger because there was a delay in time by the SEBI.
- Moderator:** The next question is from the line of Karishma Nahar, an Individual Investor.
- Karishma Nahar:** My first question is regarding selling and distribution expense, which forms a relatively lower share of the sales. So with upcoming launches in brandy, tequila and ready-to-drink products, do you see this ratio rising meaningfully near term and will this impact our margins?
- Tushar Bhandari:** So basically, see, as you rightly pointed out that the selling and distribution expenses would increase in the initial period of time. So we are targeting around 5% of our top line, which is coming from IMFL products, coming into selling and distribution expenses. But we would not let it impact drastically our margins. Definitely, it will slightly impact our margin but not drastically, because that we have maintained by selling our other products in our established markets.
- Karishma Nahar:** Okay. My second question is regarding the Maharashtra's MML policy that has been recently launched. What is the impact of that policy?
- Tushar Bhandari:** So, the impact of that policy is to the entire alcobev industry. So there was a category, there was a price range between INR100 to INR200, wherein our CP, Central Province Whiskey was available with other peers, big players, other products as well. So now that the minimum price point has come to around INR200 so any product, which will be launched outside MML would be minimum price of INR200. So there has been a INR50 increase in per-nip price. So there has been a huge impact.
- But as we are the early entrant and we had focused not on Central Province Whiskey in Maharashtra, we had focused on Hillfort, which is the premium product for which the price was already above INR200. So there has not been much impact to us.
- Karishma Nahar:** Okay. And my last question will be regarding what cask do you use for making whiskeys?
- Tushar Bhandari:** What?
- Karishma Nahar:** Cask do you use for making whiskeys?
- Tushar Bhandari:** Cask do we use?
- Karishma Nahar:** Yes.

- Tushar Bhandari:** So, cask, which we are using are from different -- are all of different nature. Primarily, what we are using is the single-use bourbon cask, that is the major component of it. But apart from that, the malt, single malt, which we'll be making, as in our earlier products also, we do not compromise on quality. We give value for money to our customers.
- So, we have taken a consultant on board from Scotland who was the master distiller for Diageo worldwide. So, he would be guiding us on our whiskeys and it will be a combination of multiple casks. And depending on the mass appeal of the taste profile, we are choosing the cask.
- Karishma Nahar:** Okay. And what is your overall revenue guidance for --
- Moderator:** Sorry to interrupt, ma'am, but I may request you to rejoin the question queue for follow-up questions.
- Karishma Nahar:** This was the last question if you'll allow?
- Moderator:** Ma'am I would request you to rejoin the question queue. The next question is from the line of Piyush Jain, an individual investor.
- Piyush Jain:** Sir, I just want to understand we are focusing on the single malt whiskeys and premiumization --
- Tushar Bhandari:** Mr. Jain, you're not audible.
- Piyush Jain:** Am I audible now?
- Tushar Bhandari:** Yes, better.
- Piyush Jain:** Am I audible now?
- Tushar Bhandari:** Can you just remove the handsfree if possible, I cannot hear you.
- Piyush Jain:** So my question is [inaudible 0:50:19] whisky brand import and we are focusing on premiumization product and [inaudible 0:50:25] is around INR1,000 and above category, which you mentioned. Just want to understand since India is predominantly a whisky market, which other brands in whisky we are focusing, like premiumization
- Tushar Bhandari:** Sorry.
- Moderator:** Sorry, to interrupt sir, but I may request you to rejoin. Your audio is not clear.
- Piyush Jain:** Yes. Am I audible now?
- Tushar Bhandari:** Yes, better.
- Piyush Jain:** Sir, my question is, since India is predominantly a whiskey market, I don't know a number, but 70%, 80% is India is whiskey. And right now, we have come with our IMFL product, which is Hillfort, which is priced around INR1,000 per bottle or something. So, what I'm trying to understand on whiskey front, what are the other plans other than Hillfort we are focusing right

now, maybe not this year, maybe 2, 3 quarters beyond. Are we developing any other product on the higher value terms in the whiskey segment only?

Tushar Bhandari:

So in whiskey segment, we have primarily Central Province whiskey, which is on the popular grades category. Hillfort is on the super-premium category. Second is we are launching a product in the range in between Hillfort and Central Province whiskey, which is in the premium category.

And in future, we have plans to launch a single malt also, which is in the whiskey category, which will be on the super-premium side. two single malts, which we'll launch, which will be - one would be an entry-level single malt and the second would be a super-premium single malt. So that's the portfolio which we are going to develop in the whiskey category.

In whiskey category, an individual for a nip over the next 6 months, if I talk about, if an individual in the nip category wants to go INR50 up or INR50 low, our product would be available in that range.

Piyush Jain:

Okay. And can you give growth registered by Nicobar Gin and any future pipeline with respect to another brand in gin or what type of growth Nicobar Gin can grow in the going forward?

Tushar Bhandari:

So see, growth in Nicobar Gin is around about 15-odd percent but the volume is low because the industry of gin is slightly stable, and there is a huge competition. across India, 100-odd gins which are there. It is highly price competitive. So, the brand -- so we are looking at developing a brand. So, when you're looking at developing a brand and not primarily concentrating on [inaudible 0:53:09] based sales, so that's taking time. So that's what we are focusing on, one is that.

Second is the next category, which is fast growing and which is almost doubling year-on-year in terms of growth is tequila where the company has already started focusing on 1 year back, but we were sure that we want to give quality product to the customers and we want to give authentic tequila experience to our customers for which you have to get the Mexico registration, so which we have received now. So, we'll be aggressively moving in launching our tequila brand.

Piyush Jain:

Okay. And last question from my side. Sir, I want to understand -- because why we are moving to so many categories like we are gin, we have a whiskey, we are also coming with tequila and brandy. Because what I understand brandy and all these are the low TAM market.

Why we are not focusing on only whiskey where we have a category of premiumization, super premiumization and brands which suits in different price ranges, maybe below INR1,000, maybe INR2,000 per bottle, maybe INR2,500 per bottle or something? What is our thought process on this? This is from my input side.

Tushar Bhandari:

Yes. So the thought process of the company has been to be a one-stop shop in the alcobev industry. Because see, what happens is that when you go to other markets, okay, it's one is you are competing with the world number 1 and number 2 companies, okay? So to compete with world number two companies, it would be very difficult.

So you need to have the full product range portfolio and have a packaged offering for the distributor or for the retailer. okay? And you will have to do a cross-brand BTL for the products. So in premium products, you will have to give less money. In less premium products, you might have to give more money to push it where the competition is highest. So the entire portfolio helps to do that.

And second is for us alcobev industry, every state is a different economy altogether. So in a popular range category, if I talk about Central Province category, which is doing phenomenally well in the state of Madhya Pradesh and in the state of Delhi. So for that, we have developed the Central Province brand as a brand and we have developed a range of products.

So we have now Central Province Vodka, Central Province Orange Vodka, Central Province Green Apple Vodka, Central Province Whiskey and Central Province Rum. So we want to make it a million case brand.

But as we move outside the state of Madhya Pradesh, so it's become difficult for us to compete because the transport charges, import duties and others are higher. So we are looking at local manufacturing setup for developing this brand. And see, when the company is on the growing state, it needs to carry the entire portfolio. And out of the entire portfolio, one would be the hero product.

So if you see any company, say, Officer Choice or say, Radico, they have one hero product, which has come down. And on the basis of hero product, other premium products and other products sell. So we are trying to achieve that. So for that initial stage, you'll have to have the entire portfolio.

Second, the market has also become dynamic as what it was earlier. so you have to be with the market and you need to change with the market. Because, for example, if you had to stay earlier into the whiskey category per se itself but now most of the whiskey drinkers in the elite class, say, I would say, not a major number but still 5% is moving towards tequila.

So if someone would have been in whiskey and thinking that I would cater to only whiskey market customers, they might have lost that 5% customer from their books. So we don't want to lose any customer because for a company which is on the growing stage is spending a lot and working very hard to acquire a customer. So he needs to be loyal to the brand associated. So to be loyal to brand associated, we need to have a good package of product and portfolio to offer.

Piyush Jain:

Okay. Just last thing from my side. Since we are entering UP, Maharashtra and all, so why -- since the new territory is being added to our basket, why our sales growth is on the lower side? Even for the guidance wise also, our sales growth is not growing. Because, let's say, earlier, you were operating in 3 states or 4, 5 states, now your spectrum is increasing, and UP and Maharashtra is a very big market. So then why we are not getting incremental growth from the entry into the new state or when we can see this?

Tushar Bhandari:

So see, whichever states you enter new state, at least minimum it takes 1 year to stabilize and to work in the business in that state. So just for an example, if I give you the state of Maharashtra. So Maharashtra, the shops are owned by private. There is a private association to enter or to

place your product initially in one store, you have to give 4 cases free for every 10 case of the lifting what they do. So that's a huge cost on the initial stage.

So if I launch entire Maharashtra at one go, there will be a huge investment on the company's books and plus that investment would not materialize also. So for example, we launched in Thane region, we made our product available in almost all the shops in Thane region. We saw that at least we are getting 30% repeat customers from those shops, then we launched in Mumbai region. Then we are launching in Pune region.

So for us to launch and get that momentum, it takes time. Second, if I talk about UP, UP is a very big state, but there is UP -- the main market is controlled by 1 or 2 players for which you need to have consistence and you need to have confidence to supply to those players for the recovery of your money, because it's not about only sales, it's about having healthy balance sheet as well.

So, we are concentrating on that and we are developing the relationship with that. So that would require at least 6 months to 1 year for the sudden boost in sales to come. So we are working on those lines.

Piyush Jain: Okay. Just to squeeze last question. Sir, we -- I know the quarter wise the margins are...

Moderator: I may request you to rejoin the question queue for follow-up questions. The next question is from the line of Hrushikesh Shah from Alchemy Capital.

Hrushikesh Shah: Yes. So again, coming back to the margins. So, you have guided for 9% to 11%. So why are we guiding such a low margin when our premium segment will be growing 35% proprietary. So what is the reason for -- how much increase would be the marketing that will result in such low margins?

Tushar Bhandari: So primarily in the initial period of time, in my earlier question I said that there will be a huge marketing and establishment cost involved, which is there. As I gave you an example of Maharashtra, there is a similar kind of cost involved in a few other states also. So in initial period, the amount of money which will go in would be higher because as I said earlier, we are investing huge in developing the team also.

So that will also be a greater outflow because in whichever states, like, for example, UP we enter, it's a very huge state, you need to have a huge team of 50, 60 people, which would be established over the period of time. So the initial cost would come from there. And once the team is established, market is stabilized, then the substantial amount of volume growth will come and the margin improvement would also come.

Because in initial stage, you have to do tasting of your products, you need to give free products for the customers to experience it, because again, you are competing with the biggest players of the world, which is number 2 and number 1 player of the world you are competing against.

Hrushikesh Shah: Right. Okay. Understood. And this quarter, as compared to last quarter, we are -- our EBITDA margins are down by 500 basis points. So if you can bifurcate that between marketing, how

much was byproduct realizations going down, if you can do that, what will be the contribution of each of the these

Tushar Bhandari: Mr. Inani will share the detail working on that. But the primary contribution, which has come down is because of the sale of the byproducts only.

Hrushikesh Shah: Okay. So what was the change? How much did the realization go down? What were they before this and at present, what are the margins...

Dilip Kumar Inani: This is Dilip Inani. Actually, the impact from byproduct was INR6 crores around in the profitability because the price of cattle feed has drastically reduced by around 37% from last quarter. Reason behind this, as Mr. Anshuman said, that many of ethanol plants come in the market and there is plenty of supply of cattle feed is available.

And also, as you know, it's very general in monsoon, grass is also available. demand is also lower and we cannot hold this cattle feed for long. So we have to sell at the current prevailing prices, which is improving. That is the first impact

And second impact is INR2 crores to INR3 crores is around reducing marketing margin of Inbrew contract manufacturing, shifting of business better from license to Inbrew. So that is the 2.

And third one is basically change of material mix. So, in Q2, we use the rice, which is giving the high yield. And since the availability is constrained in Q2, so we use more maize, which is giving the low yield, so it gives around INR3 crores to INR4 crores margin impact. So there are around INR12 crores, INR13 crores is margin impact due to the all 3 reasons.

Hrushikesh Shah: And I didn't understand

Moderator: Sorry to interrupt sir, but I may request you to rejoin the question queue for follow-up questions. The next question is from the line of Balaji Naik, an Individual Investor.

Balaji Naik: My question is regarding IMIL brand in Madhya Pradesh, there is any expansion in district...

Anshuman Kedia: You're not audible, your voice is breaking.

Balaji Naik: Sir, in IMIL brand, sir mostly [inaudible 1:04:37] so is there any expansion in districts -- in number of districts we are selling?

Tushar Bhandari: Your voice is not audible. Sir, your voice is breaking. I'm not able to hear your question. I could just hear some IMIL brands you are talking about. Can you repeat your question, please?

Balaji Naik: Sir, now am I audible?

Tushar Bhandari: Yes.

Balaji Naik: Sorry, regarding the IMIL brand in MP, is there any increase in the number of districts we are selling?

- Tushar Bhandari:** No, there has not been a substantial increase in the number of districts which we are selling. So primarily, as we told in the earlier conference call also, the IMIL is the per annum tender-based pattern. So, whatever is the maximum limit approved in the tender, we try to achieve that. So we have achieved already the maximum number of allowance limit in Madhya Pradesh and we are on stable growth on that.
- Balaji Naik:** So, regarding this --
- Moderator:** Sorry, to interrupt. I may request to rejoin the question queue follow up questions.
- Balaji Naik:** Sir, this is my second question, sir, please allow me.
- Moderator:** Sir, it was announced that you can only ask question per person.
- Balaji Naik:** Sir, if you could kindly consider.
- Moderator:** Sir, I may request you to rejoin the question queue. The next question is from the line of Komal Iyer from NBG Invts.
- Komal Iyer:** Sir, if you could please share your revenue guidance and also let us know by when do you expect your EBITDA margins to come back to historic levels?
- Tushar Bhandari:** So as we said, the revenue guidance earlier is primarily the major revenue which will come from -- is the growth of our own IMFL Proprietary brands, so -- which we are targeting on that. And whatever the loss we have been -- which we've got is because of the move in the structure of Inbrew brand, we'll be able to achieve that.
- And in terms of the margin, it will take at least two quarters or odd for us to come to the initial levels of the margin contribution. And right now, we are expecting the margin contribution, EBITDA margin to be anywhere between 9% to 11%.
- Komal Iyer:** Can you give a figure on the revenue guidance side?
- Anshuman Kedia:** So, revenue guidance side, we would be seeing a growth of around 10% we are targeting.
- Moderator:** Ladies and gentlemen, due to time constraints, this would be our last question for today. I would now like to hand the conference over to the management for closing comments.
- Anshuman Kedia:** To conclude, our strategic focus on expanding the proprietary IMFL portfolio, strengthening premium offerings and maintaining financial discipline places us on a strong growth trajectory. We look forward to building on this momentum in the coming quarters. Thank you all for joining us.
- Moderator:** Thank you. On behalf of Monarch Network Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.