Globus Spirits

Operator: Ladies and gentlemen, good day and welcome to the Q2 and H1 FY27 earnings conference call of Globus Spirits Ltd., hosted by Antique Stock Broking. As a reminder, all participant lines will be in 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 the operator by pressing star and then zero on your touchtone phone. I now hand the conference over to Mr. Sumit Khetan from Antique. Thank you, and over to you, sir.

Operator: Thank you. Good evening, everyone. I welcome you all to the earnings conference call to discuss the Q2 and H1 FY27 results of Globus Spirits Ltd. To discuss the results, we have from management Mr. Shekhar Swarup, Joint Managing Director; Mr. Paramjit Singh Gill, CEO - Consumer Division; and Mr. Nilanjan Sarkar, CFO. They will take you through the results and the business performance, after which we will proceed to the Q&A session. Before we proceed with the call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For more details, kindly refer to the investor presentation and other filings that can be found on the company's website. With this, I now hand over the call to management for their opening remarks. Thank you, and over to you, sir.

Shekhar Swarup - Joint Managing Director: Good afternoon, everyone. Thank you for joining us for our Q2 and H1 FY27 earnings call. At the outset, I wish everyone a very happy and joyous festive season. Param and Nilanjan are with me today. I will cover the overall direction of the business, Param will then discuss the consumer business, followed by Nilanjan on the financials.

The first half has seen continued progress in our consumer business and strengthening of our financial position. The P&A business has moved close to EBITDA breakeven, benefiting from growing scale, while Regular and Others continues to grow year-on-year, supported by strong performance in Uttar Pradesh.

Manufacturing revenue in Q2 was 455 crores, with volumes of 55.26 million liters and EBITDA of 25.4 crores. EBITDA per liter came at 4.6 rupees per liter, reflecting higher grain and fuel costs. Q2 is typically a period of higher raw material and fuel costs, ahead of the new crop season, as well as scheduled plant maintenance. We therefore evaluate manufacturing performance across a 12-month period. For H1, EBITDA was 5.59 per liter, while trailing 12-month figures stood at approximately 6.6 per liter.

Our operating flexibility extends across both products and feedstocks: ENA and ethanol, and maize and rice, allowing us to optimize contribution as market conditions change.

Looking ahead to the ethanol supply year 2026-27, which is scheduled to begin later in November, the reduced availability of sugar-based ethanol is expected to create greater procurement opportunities for grain-based producers. We expect this to support higher capacity utilization at Globus and better absorption of overheads.

On feedstocks, greater FCI availability is expected to moderate pressures on both rice and maize prices. We also expect enhanced broken rice availability following the reduction in permissible broken grain content in raw rice from 25% to 10%, being implemented progressively from the kharif marketing season 2026-27.

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Together with our feedstock and product flexibility, long-term offtake agreements with OMCs, and the contribution from value-added by-products such as DDGS and corn oil, these developments support our confidence in maintaining the 5-7 rupees per liter annual EBITDA targets, while recognizing that actual allocations, offtake, and input prices will determine the outcome.

Turning to capital allocation, we completed our 200 crore rupee QIP during the quarter. We welcome our new institutional shareholders and particularly value the continued support of existing investors who participated in the fundraise. The QIP enabled us to strengthen our balance sheet further through debt reduction, providing additional room for the consumer business to grow. Nilanjan will cover the detailed financial impact.

Our focus remains unchanged: convert consumer growth now into improving profitability, manage manufacturing economics across the cycles, and deploy capital with discipline.

With that, I hand over to Param.

Paramjit Singh Gill – CEO – Consumer Division: Thank you, Shekhar, and good afternoon, everyone.

I will begin with Prestige and Above, where increasing scale is translating into improved operating economics. P&A revenue grew 54% year-on-year to 59.9 crores, while volumes increased 64% to 0.46 million cases. Sequentially, revenue grew 9% and volume grew 20%. EBITDA loss narrowed to 0.2 crore, bringing the segment very close to breakeven. For H1, P&A revenue was approximately 114.9 crores, with volumes of approximately 0.88 million cases.

Importantly, improved economies of scale helped mitigate cost pressures during the quarter. Gross margins remained broadly unchanged sequentially despite input cost inflation, while higher volumes supported better cost absorption and improved EBITDA.

We now have five profitable states across our 12-market P&A footprint, while the net sales value trend has stabilized sequentially. Our focus is to deepen established markets and expand selectively where we see a clear path to profitable scale.

Our next phase of expansion includes five additional duty-free channels and entry into two new states during FY27. Work towards CSD entry is also progressing, with entry targeted during Q3, subject to approvals.

We have also introduced {? Twar ?}, our new Indian blended luxury whisky. This has been initially launched in Haryana, Chandigarh, and Goa. We intend to build distribution, supported by consumer trials, in the initial months.

Turning to Regular and Others, revenue grew 14% year-on-year to 242.8 crores, while volumes increased 16% to 4.24 million cases. EBITDA grew 4% to 38.6 crores. For H1, revenue stood at approximately 499.2 crores and EBITDA at 82.6 crores.

Uttar Pradesh continues to expand our growth base, while Rajasthan remains a strong and foundational market. In Rajasthan, price increases have helped offset input cost inflation during the period. However, lower sequential volumes reduced contribution and fixed-cost absorption, resulting in some margin moderation compared with Q1.

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As Uttar Pradesh grows, R&O is also becoming less concentrated in Rajasthan. Each state has different realization and economics, so the blended margins will reflect this evolving contribution. We believe margins will strengthen as we continue building our business and volume scale.

Our focus remains on profitable growth within each market. We will continue to deepen markets where we have traction, invest behind brands demonstrating consumer acceptance, and keep the path to profitable scale central to our decisions.

With that, I will hand over to Nilanjan. Thank you.

Nilanjan Sarkar – CFO: Thank you. I will briefly cover the financial performance and the changes to our balance sheet following the QIP.

For Q2 FY27, revenue stood at 768 crores, registering year-on-year growth of 15%. For H1 FY27, revenue reached 1,541 crores, reflecting 11% growth over the corresponding period of the previous financial year.

On the EBITDA profitability front, EBITDA for Q2 FY27 stood at 63.8 crores, representing year-on-year growth of 2%. For H1 FY27, EBITDA increased by 17% year-on-year to 143.3 crores. While quarterly EBITDA growth was relatively moderate, the overall H1 performance reflects a healthy improvement in operating profitability.

Q2 FY27 PAT degrew versus Q2 FY26 on account of additional depreciation from UP, as well as a one-time deferred tax benefit that was taken in Q2 FY26.

Turning to cash flow generation, cash flow from operating activities for H1 FY27 stood at 139 crores, compared to 270 crores in H1 FY26. The moderation in operating cash flow was primarily attributable to an increase in trade receivables driven by higher business volumes during the period.

The principal balance sheet development this quarter was the deployment of our 200 crore QIP proceeds. By September end, 165 crore had been utilized towards repayment of long-term debt, contributing to an overall 200 crore reduction in net debt between March and September. Our reported net debt-to-EBITDA ratio improved from 2.63 times at March end to approximately 2 times at September end.

Alongside the refinancing completed earlier, the debt repayment has reduced outstanding borrowings and future financing commitments. We estimate interest savings of approximately 6 crores in H2 FY27, equivalent to 11-12 crores on an annualized pro forma basis.

The combined effect is a more comfortable debt profile, lower financing costs, and greater flexibility to meet working capital requirements and support our consumer growth plans. Our focus remains on disciplined deployment of capital, efficient working capital management, and continued strengthening of the balance sheet.

Thank you. We now open the call for questions.

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Operator: Thank you. We will now begin with the question-and-answer session. Anyone who wishes to ask a question may press star and one on your touchtone telephone. If you wish to withdraw yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Our first question comes from the line of Bhargav Buddhadev with Ambit Asset Management. Please go ahead.

Bhargav Buddhadev – Ambit Asset Management: Good evening, team, and thank you very much for the opportunity. If you look at your IMFL business, it has now been growing at a fairly strong pace. I wanted to know, in terms of a 2-3-year view, which are the key states that, in your opinion, can further accelerate growth or possibly take you towards your 450-500 crore revenue target? If you can highlight that, and then I will ask the second question.

Shekhar Swarup – Joint Managing Director: Param, would you like to take that?

Paramjit Singh Gill – CEO – Consumer Division: Thanks, Bhargav, for the encouraging performance on the call. At this point in time, obviously, in our current scenario, we are fairly dependent on West Bengal, Delhi, and UP, with West Bengal, Delhi, and Jharkhand as key states. Going forward, we are adding a few key states, with Orissa being the first one. We see at least seven to eight key states which will all support broad-based growth and reduce our dependency on three to four states. We earlier had dependency on one state, then we made it to four, and now we have about four to five state dependency. The whole plan is to make this very broad-based, Bhargav. You should expect us to have at least seven to eight fairly profitable state businesses showing broad-based growth. In addition, we expect to have three to four strong-performing brands on the brand pyramid, allowing us to support broad-based growth.

Bhargav Buddhadev – Ambit Asset Management: Great. My second question [trails off]

Bhargav Buddhadev – Ambit Asset Management: Second, there has obviously been a recent change in the prices, with prices for maize-based ethanol being reduced by 3 rupees per liter. In your opening remarks, you did mention that Globus has the flexibility to use rice as well as broken rice. Despite the 3-rupee cut, do you think you can still maintain your 5-7 rupees? If you can spend some time on that math, that would be very helpful. That would be my last question.

Management: By and large, what I have consistently found is that changes in ethanol prices directly impact raw material prices. When you look at it, we have three raw material options: FCI, broken rice, and maize. This year, the big change over last year in the raw material mix is that there is clarity on how much FCI rice is going to be allocated for ethanol, and we have that clarity right at the beginning of the year. Second, we have much greater availability of broken rice, given the change in the quality norms of FCI. Based on these two factors, I believe maize prices are going to remain lower in the new world, which is yet to start. Combined with our ENA flexibility, we are not seeing too much stress on the 5-7 rupee guidance.

Bhargav Buddhadev – Ambit Asset Management: Understood. So, you are fairly confident about that number and that, on an annualized basis, the number can be maintained? At times, we have

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also seen EBITDA per liter go down drastically, but this time around you seem to be fairly confident on that {? front ?}.

Management: For the last few quarters, I think it has now been six to eight quarters that the company has been in that zone. Of course, this quarter we are at about 4.7, 4.6. But 5-7 is the guidance, and I am quite confident about it.

Bhargav Buddhadev – Ambit Asset Management: Great, sir. Thank you very much, and all the very best.

Management: Thank you.

Operator: The next question comes from the line of Himanshu Shah with Dolat Capital. Please go ahead.

Himanshu Shah – Dolat Capital: Thanks, sir. Thanks for the opportunity. In continuation of the previous question, what has led to the sharp drop in EBITDA per liter this particular quarter? Is there any specific reason?

Management: I covered that, Himanshu, in my opening remarks as well. It is a result of quarterly changes in commodity prices. If you look at a longer trend, Q2 is usually the time when we have the greatest amount of inflation in raw material and fuel, which starts tapering off in the middle of Q3 and stays depressed for the rest of the year. It is a result of that. It is not a concern in the overall business health.

Himanshu Shah – Dolat Capital: What would have been the inflation in raw material prices, grain prices, maybe broken rice or maize, during the quarter, either on a {? sequential ?} [crosstalk]

Management: At the end of September, we should have ended at about 27-28 rupees per kilo for rice and about 23-24 rupees for maize. Of course, these are end-Q2 prices, not the average for Q2. I do not have the average figures with me at the moment.

Himanshu Shah – Dolat Capital: And by how much would this be higher on a year-on-year or quarter-on-quarter basis?

Management: Q1—April, May, and June—is the crop season in Bihar and the east. In Q1, we would have ended at about 21-22 rupees for maize and about 24-25 rupees for rice.

Himanshu Shah – Dolat Capital: Got it. My second question is, of the manufacturing volumes, which are annually around 21-22 crore liters, what would be the share of maize-based ethanol in the bulk alcohol space on an annualized basis?

Management: It varies quarter to quarter. I do not have that figure with me right now.

Himanshu Shah – Dolat Capital: A ballpark range, sir?

Management: Nilanjan, do you have the share of maize ethanol in the total sale of ethanol and the total sale of manufacturing?

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Nilanjan Sarkar – CFO: On the total sale of manufacturing for H1, maize is almost 60% of the ethanol component.

Himanshu Shah – Dolat Capital: And how much would ethanol be of total sales? Ethanol for H1?

Nilanjan Sarkar – CFO: H1 was also 60%. 60%.

Management: I think what you are trying to determine is the impact of the change in the price of maize ethanol. I am afraid that comparing historical maize volumes with what they might be in the future is not representative, because we will change the product mix from time to time depending on what is most profitable. There is a chance, a fairly good one, that maize ethanol is not going to be very profitable next year, or not as profitable as FCI and broken rice. H1 might have been 60% of total ethanol from maize. I would not be surprised if this number is 30% going forward. I do not know whether it will be 30% or 60% as of now. It depends on how the scenario develops. In either scenario, whether we sell 60% maize or 30% maize or some other combination, we believe that the combination of ENA and ethanol, and the combination of FCI, damaged grain, and maize, will give us a 5–7 rupee margin per liter.

Himanshu Shah – Dolat Capital: Got it, sir. Lastly, in our R&O volumes, what would be the share of UP in H1 of this year versus last year, on an absolute basis? How much would UP have contributed? Or is it fair to assume that the growth entirely in R&O volume is largely driven by UP?

Management: R&O in Rajasthan has been growing at the rates it was in the past, which is small single-digit, or mid-single-digit, volume growth. A lot of the balance growth, in fact, entirely the balance growth, has come from UP.

Himanshu Shah – Dolat Capital: And R&O margins have also declined year-on-year by almost 160 basis points. This would also be on account of the increase in raw material prices? Is it fair to assume that?

Management: Raw materials and packaging materials, right. The two things that have played out are as follows. The one thing that has played out this year, which is unique and was not prevalent in the last or preceding years, is packaging material inflation due to the overall oil situation in the world. A lot of our raw materials are dependent on petroleum prices. That has impacted margins to some extent. Of course, the price increase in Rajasthan helped mitigate that almost entirely. The remaining margin fluctuation that we are seeing quarter to quarter is related to raw material prices.

Himanshu Shah – Dolat Capital: Got it. Done, sir. Thank you, and all the best. That is it from my side.

Management: Thank you.

Operator: Thank you. The next question comes from the line of {? Jitendra Tatar ?} with {? Maxim ?} Capital. Please go ahead.

{? Jitendra Tatar ?} – {? Maxim ?} Capital: Good evening, sir. Most of the questions have been answered, but there are two things I wanted to know. First of all, on R&O, we have seen some margin depression, and you alluded to raw material and packaging material increases. Going forward, what sort of margins should we work with, given that the mix of UP is going to increase

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significantly in the coming years? How should we look at the overall margins in the R&O segment?

Management: We have always maintained guidance on R&O margins of between 16% and 18% at the EBITDA level. We are very much within that zone. I do not see any material change to report in that guidance. 16-18% is going to be our range for R&O margins.

{? Jitendra Tatar ?} - {? Maxim ?} Capital: Secondly, on the manufacturing segment, just to elaborate further, while we can switch, for example, from ethanol to ENA to avoid that 3-rupee cut, the other players may also want to do it, and as such there might be a glut in ENA itself. That could cause a lowering of ENA prices, for example. How confident are we, given that kind of circular-loop argument? Your end-product prices can also

Management: [crosstalk] That circular-loop argument is not a perfectly circular loop for a couple of reasons. First, we do not intend to shift in mass from ethanol to ENA. We intend to shift the raw material, or rather the product mix within ethanol, between FCI, DFG, and maize. We believe there is going to be a much higher supply of damaged grains or broken rice in the year to come because of the change in quality norms that I referred to earlier. Therefore, broken rice prices are likely to remain a little depressed. Of course, FCI supplying its raw material at a fixed price provides, in a sense, a stop-loss. Prices will not be allowed to move up further because there is this FCI rice supply option available.

It is not just a shift to ENA that gives me this confidence; it is also a shift between raw materials. The other point is the shift to ENA. While other people would be thinking along the same lines, ENA is not a product that is easy to move from state to state. There are state taxes that need to be paid, including import duties and export duties, as they are called by different terms in different states. Given the way we have strategically located our distilleries in Rajasthan, Haryana, UP, Bengal, Pathankot, and Bihar, aside from Bihar, where there is no local demand, the other states have local demand for us to rely on while shifting capacities between ethanol and ENA.

In addition to this, there is a very important aspect: we are expecting higher capacity utilization going forward because of lower sugar-ethanol demand next year. Higher capacity utilization is also going to help offset fixed costs further and therefore give us higher margins. We have been consistently between 80% and 85%, and I believe that in the year to come, that number is going to be meaningfully higher.

{? Jitendra Tatar ?} - {? Maxim ?} Capital: Finally, on this 200 crore QIP money, I understand that it has currently been used to pay down debt. At the end of the day, what is the plan for the remaining six months and next year? Exactly how are we going to use this 200 crore equity money that we have raised to further our business plan?

Management: This was part of our QIP disclosures as well. We have discussed this in the past quarters, and I am happy to go through it again. The raise was 200 crores. Approximately 150 crores has been used to pay down debt, and the balance amount is currently liquid. This debt paydown releases a fair amount of cash from operations and free cash flows, which can be used to further grow our IMFL business and grow that business further.

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The liquidity that is available today can be used for some additional bottling and malt-whisky-related expansion. All of this is intended to create some financial flexibility in the company so that we can take bets in the IMFL business.

{? Jitendra Tatar ?} - {? Maxim ?} Capital: Understood. Thank you, and all the best.

Management: Thank you. Thank you.

Operator: Participants who wish to ask a question may press star and one.

The next question comes from the line of Nitin Awasthi with InCred. Please go ahead.

Nitin Awasthi - InCred: Hello, sir. Two questions. Firstly, I wanted to understand the amount of orders we received for ethanol in the final tender of last year, ESY 2026. Have we delivered all of that quantity, or will we be delivering it in the current month with the extension from the government?

Management: [pause] I am sorry, Nitin, I do not have the final allocation numbers from last year with me. There was also a secondary allocation made in the middle of the year, which needs to be added to it. I am happy to share it with you. It is, in any case, available through the OMCs as well, so I can share that with you subsequently.

We have not completed all our orders. The understanding with the OMCs is that these orders will be completed by around November 30, by which time we are hoping that the new tender will also have been completed.

Nitin Awasthi - InCred: Fair enough, sir. Understood. My second question is particularly on the margins within the Regular and Others segment. We are expanding rapidly in Uttar Pradesh, whereas we are stable in the other markets in which we operate, namely Rajasthan. Because of that, how much is the impact on EBITDA on the consolidated front? Are we where we intended to be in Uttar Pradesh, or are we far away from that, which is why the margins one sees in consumer and Regular and Others today do not reflect the true picture of the organization?

Management: [pause] Param, do you want to take that?

Hello, is he there?

Nitin Awasthi - InCred: Hello?

Management: Yes, maybe Param's line dropped or something. I can check.

Paramjit Singh Gill - CEO - Consumer Division: No, I am here.

Management: Okay, Param.

Paramjit Singh Gill - CEO - Consumer Division: [pause] Nitin, we are overall expecting the margin to be in the same range of 15% to 18%. Obviously, as we continue to strengthen our presence in UP, it will start improving our gross margin further because, as the volumes in the base grow, many of the costs, such as logistics and other overheads, start getting neutralized. But even in the short

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term, we are holding on to our range of 15%, 16%, and 18%, regardless of how fast UP moves. It is not something that deviates us from our path. The bulk of the opportunity is huge as we continue to develop there.

Nitin Awasthi – InCred: Understood. However, with the large investments we have made, we would still be having a large differential with our mature market of Rajasthan. That would be the understanding, right?

Paramjit Singh Gill – CEO – Consumer Division: "Large" is not necessarily the right term. Obviously, as we are investing, we are investing more heavily into UP at this point in time, as is normal for a state where the business is initiated and then built upon. But that is also the natural path to growth in geographies, is it not? So, no.

Nitin Awasthi – InCred: No, I completely agree. That is what I was talking about.

Paramjit Singh Gill – CEO – Consumer Division: But the range of margin is still within the same range. The play is within the range. It is not a situation where we see ourselves really falling out of the range just to build a case. Today it can be UP, and tomorrow, as we enter West Bengal in the future, there will be more geographies. The intent is not to deviate in a meaningful way from our existing margin trends.

Nitin Awasthi – InCred: Understood, sir. Understood.

Management: Listen, Nitin, Rajasthan is definitely a little higher in that range and UP is a little lower in that range. That is the spread. There is no significant concern about UP profitability.

Nitin Awasthi – InCred: I understand that. There was never a question about whether there would be profitability or how much the profitability would be. The question was simply about the time required to reach optimal profitability. I understand. I will rethink that.

Management: [crosstalk] UP will still be on the journey to reach its optimal profitability because we see it getting better and better as we continue to prove our strength there.

Nitin Awasthi – InCred: Understood, sir. One more question, finally. We are entering a phase that is very different from where we have been operating as a company within the ethanol space. This year, and perhaps next year, sugar is not going to be allowed in the mix. That gives a very big opportunity to everybody in the grain universe.

Second, we have also seen that trade data very significantly reflects that domestic consumption of ethanol for the chemical industry is shifting to domestic players, and imports from countries such as the US have completely dropped. That is again something that you can cater to, while not everybody within the industry can cater to it.

Third is the impact of the first two things I mentioned on ENA prices. This equation has not emerged or occurred in the past. On the ground, with figures in place, can you elaborate on this?

Management: [pause] We are expecting demand of about 900 crore liters for grain-based ethanol from OMCs. There are about 100-150 crore liters that the chemical industry uses, and about

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300–400 crore liters that the beverage industry uses. There is likely to be significant growth in the beverage number in the coming year, or in the current financial year, as UP shifts more of its country liquor from molasses-based to grain-based.

That said, Nitin, there is a lot of capacity in place in India, as you have correctly identified. The opportunity for distilleries is not homogeneous. There are two groups, or perhaps three groups, of distilleries. There are players who have long-term offtake agreements with OMCs, and there are players who do not have long-term offtake agreements. The third group comprises players that have a combination of ENA and ethanol, which is a smaller number of players and a smaller amount of capacity.

Aside from our Bihar unit, Globus Spirits has long-term offtake agreements at all of its facilities. Aside from Bihar, Rajasthan, and Uttar Pradesh—which, in any case, have no ethanol capacity—all other units have long-term offtake agreements. Given that the units in Jharkhand and Haryana are involved, we are foreseeing significantly higher capacity utilization in the coming year.

In addition, Behror is largely for internal consumption. There are very, very little sales, so I am going to disregard that unit as part of this discussion. Uttar Pradesh, which is currently not operating at 100% capacity utilization or at higher capacity utilization, is going to start increasing its capacity utilization. In fact, already in the last three or four months, we have seen much higher capacity utilization than in the earlier periods, largely because of the changing policies in UP toward moving away from sugar-based, molasses-based country liquor to grain-based country liquor.

All in all, I do not believe there is a case for increasing our guidance on the {? per-liter ?} margins that we have because of the large amount of capacity that exists in India. However, I am very confident that we will be able to maintain the guidance, or achieve the guidance, that we have maintained.

Nitin Awasthi – InCred: Understood, sir. I was not looking for a change in the per-liter guidance.

Management: [crosstalk] Nitin, your line dropped—

Nitin Awasthi – InCred: Can I just complete this point, if possible?

Management: Go ahead, Nitin, please.

Nitin Awasthi – InCred: Yes. I was looking at the fact that, because of all these developments, the volume offtake of the company—

Management: [crosstalk] Volume-wise, we are going to have significant volumes.

Nitin Awasthi – InCred: Yes, that is where I was coming. Of course, EBITDA per liter is something else, but the whole thesis was whether we would see record volumes from Globus in the coming year.

Management: [crosstalk] Yes, and I am expecting much higher volumes in the next ethanol year, which starts—it is supposed to start on November 1, but I guess—

Nitin Awasthi – InCred: Tomorrow.

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Management: [crosstalk] Yes. [laughs] But I guess it will start a little later. In any case, from November to October, you can expect much higher volumes.

Nitin Awasthi – InCred: Understood, sir. Thank you.

Operator: Thank you. The next question comes from the line of Ashwika with Elixir PMS. Please go ahead.

Ashwika, your line has been unmuted. Please go ahead with your question.

Ashwika – Elixir PMS: Hello, am I audible?

Management: Yes, you are audible now. Go ahead.

Ashwika – Elixir PMS: Thank you for the opportunity. I have two questions. I wanted to know whether all the potential impact of the current maize price increase has been factored in, or whether we could see any further price inflation in the coming quarters.

Management: [pause] Q3, typically every year, from around the middle of Q3 onwards, is when the Diwali period begins and the harvest really takes effect, with the material starting to come into the markets. We see evidence of that in the worsening air quality across North India due to the stubble burning that takes place across Punjab and Haryana. We are going to start seeing that harvest coming in a few days. That is typically the trend that plays out.

Ashwika – Elixir PMS: Also, because of this {? Rs.3 per liter ?} cut that has happened, if more players shift to FCI rice and broken rice, do we see more price increases in rice?

Management: No. In fact, I believe that the price of rice is going to be subdued in the coming year because FCI rice is available and there is a change in the quality of FCI rice, which is going to release more broken rice into the market. Previously, raw rice was purchased with 25% brokens, and from this year onward, FCI is going to purchase rice with 10% brokens. Understood?

Ashwika – Elixir PMS: One last point. What would be the update on the ENA export business? How much volume did we export in Q2, and how do we see it in Q3?

Management: I do not have the exact number of how much we exported. It is not tracked as a separate business; it is part of the manufacturing basket and is one of the tools we have to improve our margins and volumes. My sense would be that in H1, approximately 5 million liters or so would have been exported, just to give some sense of the numbers. That is for H1. I do not really track it as a separate business. Nor is it housed with separate teams. It is part of the manufacturing basket.

Ashwika – Elixir PMS: That would be it from my side. Thank you so much.

Operator: Thank you.

Operator: The next question comes from the line of Ashish with {? Investec ?} PMS. Please go ahead.

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Ashish – {? Investec ?} PMS: I wanted to sum up one aspect. From the overall discussion in this call, it creates a picture that we are already past last year's 6-rupees-per-liter level, which was at the higher side of profitability for the manufacturing segment, and we have been spending on Prestige and Above. Does this mean that we have more hurdles next year, or perhaps over the next 12 months, in terms of overall profitability? I cannot see the levers for profitability improving from here that can contribute to the overall business. Does this get compensated by growth in overall revenues, or do you take the volumes overall? I wanted an overall picture of the business as you see it for the next four quarters and the next 12 months.

Shekhar Swarup – Joint Managing Director: I can answer that for the next few quarters as well as for the next few years. The manufacturing business is steady at 5–7 rupees per liter. Obviously, H1 is a little lower than that. We expect crop, maize, and rice prices to start cooling off after Diwali. We are therefore hopeful of higher realizations or higher EBITDA from this business in H2.

More importantly, from a longer-term point of view, the manufacturing business is really the base where we utilize our capacities and generate incremental cash flow. The long-term guidance for that remains at 5–7 rupees per liter. While we invest that cash flow in growing our consumer businesses, both R&O and P&A, we are at a pivotal point of breaking even in the P&A business, and that business is going to add a considerable amount of profitability in the years to come. At the same time, the incremental growth in the R&O business, along with the already high profitability of that business, will continue to grow profits for the company.

The manufacturing business is steady at that range of 5–7, with 20–25 crore liters of capacity and annual sales of that nature. That is how I see the business shaping up in the next few quarters and the next few years.

Operator: Mr. Ashish, does that answer your question?

Ashish – {? Investec ?} PMS: Hello?

Operator: Hello.

Ashish – {? Investec ?} PMS: Yes. I was trying to understand whether the profitability of the Prestige and Above segment would be perhaps 18–24 months away from achieving some sort of reasonable profitability in terms of numbers. Is that a fair understanding?

Shekhar Swarup – Joint Managing Director: This really comes down to how much we continue to invest in growth. In the consumer business, and in the P&A business, growth is a function of spending.

Ashish – {? Investec ?} PMS: Right.

Shekhar Swarup – Joint Managing Director: Currently, we are completely focused on building scale in the business in terms of new products, new geographies, and growing existing products as well, whether through advertising or any other type of activities at the retail level. It is really a function of growth. At this point, do I want more profitability or do I want more growth? I would pick growth.

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The journey is long in terms of how much headroom we have to grow in this space. I would certainly pick growth at this point, given the strength of the balance sheet and the very healthy cash flows that the company has. Let us grow the business. There is an opportunity to grow. Let us grow the brands. There are some tailwinds behind some of the brands.

When one needs to start taking chips off the table and start cashing in, we can start pulling back on some of these expenses, and profitability is a very simple thing to achieve at that point. It is growth that is coming from deploying the profits that are being generated.

Param mentioned that five of 12 states are already profitable. The other seven states are being invested in from the profits of those five states. If one were simply to chase profit, one would not go into these states, and the five or six states that we have would already be able to yield profitability. It is a conscious decision to pursue growth, given the strength of the balance sheet and the strength of our cash flows.

Ashish – {? Investec ?} PMS: Hello?

Shekhar Swarup – Joint Managing Director: Yes. So I hope— [cut off]

Ashish – {? Investec ?} PMS: Yes, thank you. Yes, yes, thank you.

Operator: Thank you. The next question comes from the line of Imran with Longbow India. Please go ahead.

Imran – Longbow India: Hi. Good evening. Thank you for the opportunity. I hope I am audible.

Shekhar Swarup – Joint Managing Director: Yes, sir. Please go ahead.

Imran – Longbow India: It is very nice to see the business growing, so congratulations on that, especially the consumer business. Before I ask the question, can I request Nilanjan to quickly look for the power and fuel cost for this quarter and the last quarter, and perhaps provide it to us during the conversation if he has it?

My question is largely on the consumer business, especially in the IMIL category. We have Rajasthan, UP, Delhi, Haryana, and West Bengal as the target markets. We are the leaders in Rajasthan. Over the last 3-4 years, has the growth in Rajasthan largely come from price increases, or has there been volume growth as well?

Shekhar Swarup – Joint Managing Director: Rajasthan has been growing at about mid-single-digit, or low- to mid-single-digit, volume growth. We then get about 4-6% price increases annually. Therefore, we get high-single-digit revenue growth from Rajasthan.

That is largely because the market is well entrenched. About 40% of the total Rajasthan R&O market is reserved for the state-owned company, Rajasthan State Ganganagar Sugar Mills Ltd. That is a competitor or market participant there. The balance 60% is also available to private entities. Within that 60%, we have about a 50% market share.

Given how entrenched we are, there is limited room to grow market share unless the state's market share reduces. That is not something we have been seeing over the years.

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Imran – Longbow India: So that is not happening, right?

Shekhar Swarup – Joint Managing Director: The growth that has been coming in over the last few quarters has been on the back of our launches in Uttar Pradesh. Uttar Pradesh has significantly higher headroom for growth compared with Rajasthan. If my memory serves me correctly, UP is more than three times the size of Rajasthan in terms of R&O market size.

Imran – Longbow India: Shekhar, sorry to interrupt you here. We will come to UP. I am trying to understand the states one by one. Rajasthan is clear. We have not seen any market-share reduction for the state company, so that remains constant; neither are they losing nor gaining, right? Regarding the other players competing with you in Rajasthan, have you seen any of them gaining or losing market share? Is there anything you want to highlight?

Shekhar Swarup – Joint Managing Director: No meaningful change in that scenario up until now.

Imran – Longbow India: And is there any risk in Rajasthan that you would like to highlight for the consumer business, or do you think it is not worth mentioning? Is there any risk that you see going forward or at present in the Rajasthan business?

Shekhar Swarup – Joint Managing Director: We need to work on strengthening our brands, which is a constant exercise. We have new brand launches that take place even in Rajasthan, and we follow consumer trends. We get exposure to emerging consumer trends based on some of our launches in P&A and the innovations we do there. We are able to bring them in or engineer them even for the R&O business.

This requires us to stay on top of new products and changing consumer preferences. Up until now, I think we have done an acceptable job with that. Beyond that, I do not really see a meaningful risk in Rajasthan.

Imran – Longbow India: What kind of capacity utilization do we enjoy at our Rajasthan plant? At some point, even though there is single-digit volume growth every year, we have to add capacity to maintain or gain market share. I think the Rajasthan government does not allow any further increase in capacity, if I am not wrong, because it is importing ENA from outside the state. Along similar lines, are you also taking advantage of that because we have plants in neighboring states and can also supply ENA? These are two questions in one.

Shekhar Swarup – Joint Managing Director: You are absolutely right. There is a ceiling that is very much prevalent. In my view, we have headroom for another 400,000-500,000 cases a month quite easily. There is some sale that we do, and if we were not to sell that, we could convert it into about 500,000 cases of finished product every month.

There is a ceiling, but there is still headroom available. It is a good problem to have when we have a larger need for alcohol than we are able to produce, because the company has a significant amount of alcohol in its system, so we simply move alcohol from one state to another.

At this stage, and for the foreseeable future, I would not even put down the possibility of expanding capacity in Rajasthan. Our capital is 100% focused on growing the consumer business.

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Imran – Longbow India: And now coming to UP, I do not know how much time we have, so perhaps I will try my luck here. You mentioned in the past call that the market is about 100 million cases, right? If you multiply that by 450 or 500 per case, the market comes to only 4,000–5,000 crore, right? You initially said you wanted to target 5% of the market. That is barely 200 crores on a base of close to 3,000 crore of overall revenue. Do you not think the ambitions are a little low, and that you could target a much higher market share or number?

Shekhar Swarup – Joint Managing Director: If you look at UP growth, we can look at those numbers. In the interest of time, I do not want to get into the numbers in too much detail. The way to look at the revenue of the company is to separate manufacturing and consumer, and look at the growth that we are able to generate in Uttar Pradesh as a share of the consumer business, not as a share of overall revenue.

The manufacturing business is best understood as a rupee-per-liter converter. The rest is largely crop revenue to the farmer that is being passed through to either the OMCs or other customers. Our net value add in that business is 5–7 rupees per liter. Even if the realization of that product were to go up by 10 rupees or go down by 10 rupees, our net realization, or net value add, would still be 5–7 rupees.

Hence, I would not look at the revenue of the company as a homogeneous number. [trails off]

Shekhar Swarup – Joint Managing Director: When it comes to the scale of UP and how much we can grow there, R&O is one piece. Whether it is 200 or 300, I do not have that figure with me, but R&O is one piece. It is about growing the consumer business as a whole, and UP is an exceedingly important part of that step.

Imran – Longbow India: I saw the latest Delhi excise numbers because they were published in July, I believe, and you received an allocation almost double what you used to have. Congratulations on that. Along similar lines, could you talk about the UP IMIL market and how large it is? My estimate is that it is anywhere between 150 and 200 crores, but can you provide some more detail on that?

Shekhar Swarup – Joint Managing Director: Are you talking about the UP market or the Delhi market?

Imran – Longbow India: The Delhi market.

Shekhar Swarup – Joint Managing Director: Delhi has been undergoing some structural shifts. Given how porous the Delhi borders are, or how many state borders Delhi has, we see a lot of product moving from one state to another. As a result, the Delhi industry has contracted.

While we have received an allocation of a larger amount, you are right about that, we are seeing that industry sales volume is much lower, significantly lower, than what had been envisaged. Given that, Delhi is currently not a meaningful or interesting business. We are therefore re-evaluating our plans for Delhi.

Imran – Longbow India: Haryana and West Bengal are also not contributing anything—

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Shekhar Swarup – Joint Managing Director: Haryana contributes. West Bengal is currently zero. We will be re-entering Bengal in the next financial year. Haryana is contributing, but it is not growing as meaningfully as UP.

Imran – Longbow India: Got it. Can you perhaps give ENA realizations or the market price, if possible? What is the—

Shekhar Swarup – Joint Managing Director: As I explained earlier, the price of the product is not very meaningful. If I sell the product at 50 rupees or at 70 rupees, my net realization and net margin will still be 5–7 rupees per liter. It is a result of raw material price movements that moves the finished price of the product. Our net value add will remain in that 5–7 rupee range.

That is why I do not want to get into too much detail on the price of ENA or the price of ethanol, because it is not really a meaningful figure to track quarter to quarter.

Imran – Longbow India: Shekhar, I have been struggling with this question for the last 3–4 years. When I look at the IMIL/IMFL business of our company, I will give you an example. You are selling Mountain Oak, perhaps at about 150 rupees per quarter, and there are alternatives available that are legacy products in the market, such as IB or McDowell's, or others, in the same category.

I have heard your argument that the quality is superior. Despite that, you can use some methods to get the consumer to try your product by, hypothetically, making your product available while other products are not being sold in the same store. But at the end of the day, the consumer has been using the other product for many years and likes the taste, the brand, and everything about it.

When you withdraw your trade incentives, the consumer switches back to the product that they used to have. How do you solve this problem?

Shekhar Swarup – Joint Managing Director: I think perhaps we are overanalyzing this problem. Just to step back for a moment, by this analogy there should never really be any new companies entering any consumer space, because once a company is established, there can be no space for anyone else. I think we are overemphasizing this issue a little.

I am happy to set up a call and discuss what we do to acquire market share and how we believe our products will become sticky. But in the interest of time, I want to move on to some of the other questions. I hope you will not mind, and we will set up a call to address this question.

Imran – Longbow India: Sure. No problem. Nilanjan, could you please provide the power and fuel cost, if available?

Nilanjan Sarkar – CFO: This quarter, it was 6.3 per kg. Compared with last quarter, that represents inflation of 10–11%.

Imran – Longbow India: The overall cost for the whole quarter, in crore rupees?

Nilanjan Sarkar – CFO: It was approximately 60 crores 43 lakhs.

Imran – Longbow India: 60 crores. Thank you.

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Nilanjan Sarkar – CFO: Thank you.

Operator: The next question comes from the line of Shivakshi Sachdeva, an individual investor. Please go ahead.

Shivakshi Sachdeva – Individual Investor: Hi, good evening. I hope I am audible.

Shekhar Swarup – Joint Managing Director: Yes, yes, ma'am.

Shivakshi Sachdeva – Individual Investor: Thanks so much. I have a question on the A&P budget. I would like to understand whether there is an A&P budget for the next half of the year, considering that, as I understand it, the times ahead are going to be favorable for our portfolio. I would like to understand the overall budget. If you can shed some light on it with examples, that would be really helpful.

Shekhar Swarup – Joint Managing Director: Roopam, can I ask you to take that, please?

Roopam: Yes, of course, ma'am. We have an A&P budget, as almost all brands are expected to have. You have rightly pointed out that the A&P budget has many elements and is spread across different geographies, different brands, and different parts of the calendar year.

As we head into the festive season, A&P is indexed higher in all the categories that have a stronger relationship with festivity and an upward movement in purchases. Without A&P, one would not really survive in a branded industry.

Shivakshi Sachdeva – Individual Investor: That is helpful. I have one more question. I will quickly set up the context for that question and then ask it, if that is all right.

Roopam: Sure. Please go ahead.

Shivakshi Sachdeva – Individual Investor: I did some ground research and found that our brands are either placed on the top shelf, which is difficult for customers to reach, or at the very bottom, where many customers do not really look. Is there some kind of metric or something that you track that tells you about the shelf space we are taking, and how it is impacting our margins?

Roopam: Yes, we definitely track our shelf presence. Having said that, we must understand that, unlike in the FMCG industry where there are millions of outlets, we have a restriction of 75,000–80,000 outlets across the country, all competing for the brands that are available.

The first and foremost question that is important for a company with our portfolio is whether our visibility is punching above our size. If it is punching above our size, then the next question is how much shelf space can be secured in the diamond zone of visibility and in walk-away outlets that are within reach.

We are not always able to secure the best spot at every outlet. The same is true for all brands, regardless of whether they are category-leading or evolving, because everyone is competing for the same space everywhere.

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When you visit an outlet, the first thing we look for in terms of visibility is whether we are punching above our weight. If our market share in that city is 3%, 4%, or 5%, are we punching above our weight in terms of how visible we are when a person glances around the shop? That is the first parameter we look for. Then, of course, we look at how many of our brands are in the diamond zone of high visibility.

Shivakshi Sachdeva – Individual Investor: That is really helpful to know. Do you conduct this analysis state-wise or outlet-wise?

Roopam: We do not—nobody is able to do it outlet-wise, although all our executives have apps that do it. Broadly, it is tracked. Every outlet is not tracked with its own history, but we have internal audit teams and customer marketing teams that continue to track all the elements that we put into and invest in the outlet, and rate visibility according to our own internal parameters.

This is done separately for category A outlets, and then it is done by team member, assessing how the team member is responding to this key responsibility expected of them.

Shivakshi Sachdeva – Individual Investor: Okay. Thank you for answering. That is helpful. That is it from my side.

Roopam: Thank you.

Operator: Thank you. Ladies and gentlemen, in the interest of time, that was the last question for today. I now hand the conference over to management for their closing comments.

Shekhar Swarup – Joint Managing Director: Thank you, everyone, for joining the call. Please feel free to reach out to us if you have any questions about the business. I wish you all a very happy Diwali and a festive season ahead.

Operator: Thank you. On behalf of Globus Spirits Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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