Allied Blenders&Dist

Operator: Good day, and welcome to the Allied Blenders And Distillers Ltd. Q2 FY27 results conference call hosted by Antique Stock Broking Limited. 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, then zero, on your touchtone phone. I now hand the conference over to Mr. Abhijit Kundu. Thank you, and over to you, sir.

Abhijit Kundu – Antique Stock Broking: Thank you. It is our absolute pleasure to host the management of Allied Blenders And Distillers Ltd. for the Q2 FY27 results conference call. Over to Mr. Mukund, Head of Investor Relations, for further proceedings. Thank you.

Mukund – Head of Investor Relations: Thank you, Abhijit. Good evening, everyone, and thank you for joining our Q2 FY27 results conference call. I hope you have received a copy of our results presentation. I would like to urge you to go through this along with the disclaimer slides.

Today, we have with us from the management of ABD: Mr. Shekhar Ramamurthy, Executive Deputy Chairman; Mr. Alok Gupta, Managing Director; and Mr. Ramakrishna Ramaswamy, Chief Financial Officer. Now, I would like to hand over the call to our MD, Mr. Alok Gupta, who will give you a summary of the company's quarterly performance before we open up for Q&A. Over to you, Alok.

Alok Gupta – Managing Director: Thank you, Mukund. Good evening, everyone, and thank you for joining us today for ABD's Q2 and H1 FY27 earnings call.

In the first half of FY27, ABD has continued to build a stronger, sharper operating model, with a clear focus on building a future-ready spirits company. Our priorities remain consistent: premiumisation-led growth, stronger consumer engagement, disciplined execution in backward integration, and prudent capital allocation.

Q2 FY27 performance overview: on a consolidated basis, income from operations stood at 1,152 crore, reflecting growth of 15.8% year-on-year and 17.1% quarter-on-quarter. Q2 FY27 marked an important milestone for ABD, with quarterly volumes crossing 10 million cases for the first time. Total volumes stood at 10 million cases, compared to 9 million cases in Q2 FY26, representing growth of 11.1% year-on-year. The growth was broad-based across mass premium and others, and prestige and above, with all four millionaire brands also growing on a sequential basis, complemented by growth across key domestic and international markets, including the defense channel. This strong momentum was visible through the first half of FY27, during which we achieved record monthly sales on three occasions, culminating in our highest-ever monthly volume of over 3.5 million cases in September 2026.

Gross margin stood at 45.3%, an expansion of 90 basis points year-on-year, driven by a profitable brand mix across states and higher realization per case, complemented by backward integration benefits from PET bottle manufacturing, despite the impact of global supply chain disruptions.

Reported EBITDA stood at 143 crore, up 10% year-on-year and 19.2% quarter-on-quarter, with EBITDA margin at 12.4%. The margin was lower by 66 basis points year-on-year, reflecting our continued investments in core brands and the newly established super-premium to luxury portfolio.

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PAT stood at 69 crore, up 9.7% year-on-year and 52% year-on-year quarter-on-quarter.

Profitability continued to be impacted by global supply chain disruptions, with an estimated impact of 29 crores during the quarter. On a like-to-like basis, excluding this impact, gross margin would have been 47.9%, an expansion of 342 basis points on a year-on-year basis. EBITDA would have been 172 crores, higher by 32.3% on a year-on-year basis, with EBITDA margin at 14.9%, an expansion of 186 basis points on a like-to-like basis. PAT would have been 91 crore, higher by 44.3% on a year-on-year basis. This reflects the underlying strength of our operating performance, supported by premium mix improvement and disciplined execution.

For H1 FY27, income from operations stood at 2,135 crore, up 10.9% year-on-year, and EBITDA stood at 263 crore, up 5.8%. Reported PAT for the half year stood at 114 crore, compared to 119 crore in H1 FY26. Excluding the 53 crore impact of global supply chain disruptions during the half year, like-to-like EBITDA would have been 316 crore, higher by 27.1%, and like-to-like PAT would have been 154 crore, higher by 29.8% year-on-year.

Now let me discuss the performance of the mass premium and others, and prestige and above segments.

Mass premium and others: we delivered a strong quarterly performance in Q2 FY27 in the mass premium and others category. The net sales value was 468 crore, up 15.9% year-on-year and 21.1% quarter-on-quarter. Volumes grew 15.5% year-on-year and 17.7% quarter-on-quarter to 5.5 million cases. Realization per case improved to 848, up 0.4% year-on-year and 2.9% quarter-on-quarter.

The overall volume growth was driven by strong growth in the brandy category in the state of Andhra Pradesh. Following receipt of the relevant approvals in Q4 FY26, we aggressively rolled out the brand in Andhra Pradesh, which is one of the largest brandy markets in India. With a strong consumer response, we have been able to achieve near-double-digit market share in the state in the mass premium category.

We witnessed robust growth in the whisky category as well, led by a strong bounce-back of our flagship brand, Officer's Choice Whisky. The growth [inaudible] region, which was well supported by eastern regions and the export market. Officer's Choice remains a strong cash flow generator, retaining its leadership in India's mass premium whisky category and its position as India's number one exported whisky brand.

Portfolio premiumisation and brand momentum: premiumisation remains central to ABD's growth strategy. During Q2 FY27, prestige and above sales grew 13.4% year-on-year and 7.5% quarter-on-quarter to 605 crore. Volumes stood at 4.5 million cases, up 6.1% year-on-year and 3.8% quarter-on-quarter, while realization per case improved to 1,339, an increase of 6.9% year-on-year and 3.6% quarter-on-quarter.

The segment contributed 56.4% of value sales in Q2 FY27, compared to 56.9% in Q2 FY26. On a sales volume basis, the segment contributed 45% in Q2 FY27, compared to 47.1% in Q2 FY26. The P&A contribution was marginally lower due to higher growth in the mass premium and other segment, resulting in higher salience.

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Iconiq White continued to lead this momentum. The brand delivered 3.2 million cases in Q2 FY27, up 20.6% from 2.6 million cases in Q2 FY26, with average monthly volumes continuing to exceed 1 million cases. Overall, in H1 FY27, Iconiq White grew by 26.8% on a year-on-year basis to 6.2 million cases.

Iconiq White is now operating at a meaningful scale, supported by domestic market penetration, the defense channel, and an expanding international presence. It also continues to be recognized as the world's fastest-growing millionaire whisky brand for three consecutive calendar years: CY23, CY24, and CY25.

Now let me provide you with an update on our other millionaire brand, Officer's Choice Blue. As per the stated plan, we launched a refreshed identity and premium packaging for the brand from September 2026. It features a sleeker bottle, a transparent label with matte gold foiling, and an embossed “Trusted Since 1988” marker. This has been rolled out across Uttar Pradesh, Maharashtra, Haryana, and West Bengal, and has received an encouraging customer response.

Now we will be launching in more markets in phases. Additionally, we have seen a sequential improvement in Officer's Choice Blue's monthly performance, with the pace of year-on-year decline moderating progressively, resulting in quarter-on-quarter growth during Q2 FY27.

New launches: in September 2026, we launched The Indian Edit to strengthen our premium whisky portfolio. The brand blends Indian malt and grain spirits with fine Scotch malts and features packaging inspired by Indian heritage. It is available in Maharashtra, Haryana, Uttar Pradesh, Assam, Tripura, Rajasthan, and Goa, with further expansion planned, and has received an encouraging response from trade partners and consumers.

Super-premium and luxury portfolio: ABD Maestro continues to be an important platform for our super-premium to luxury ambition. In its first year of operations, FY24, we established a differentiated portfolio of 10 brands, with unique positioning across whisky, gin, vodka, and rum categories.

In the current year, the focus is on expanding the width of distribution, achieving deeper penetration in addressable markets, and driving strong consumer engagement. The super-premium to luxury portfolio is now present in about 80% of its addressable markets in India, and has expanded internationally to seven countries, namely Australia, Canada, Ivory Coast, New Zealand, Rwanda, Sierra Leone, and the UAE.

During the quarter, we continued to invest in brand-building and distribution initiatives to strengthen the visibility and positioning of the ABD Maestro portfolio, supported by our dedicated premium execution team focused on key accounts, on-premise presence, mixology-led activations, and social visibility.

The portfolio continues to receive strong recognition at international and national levels. ABD Maestro has won more than 35 global awards and recognitions since its inception in FY24. These initiatives are aligned with our broader strategy of building brand equity, increasing premium touchpoints, and these global recognitions [trails off]

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Management: ...is establishing ABD Maestro as a credible player in the super-premium and luxury segments, while creating long-term value for our brands.

International business.

Our international business remains a strategic growth opportunity. ABD has expanded its footprint to 42 countries in Q2 FY27, compared to 36 countries in Q4 FY26, with expansion in European and African markets and Australia during the year, reinforcing our position as one of India's leading spirits exporters by volume.

Exports continue to be an asset-light and high-profitability model for us, with superior working capital efficiency compared to the domestic business.

We remain focused on deepening our presence in existing markets while selectively expanding into new geographies.

In August 2026, we announced our first overseas local production arrangement for Officer's {? Choice in ?} Malaysia, through an asset-light co-bottling model with an established local partner.

This marks an important step in our expansion in Southeast Asia, enabling faster market entry with limited capital deployment while maintaining oversight of product quality and brand standards.

The company intends to evaluate the phased introduction of additional brands under this framework over time, in line with market response and route-to-market readiness.

ABD will continue to evaluate similar asset-light production partnerships across select international markets, based on market opportunities and strategic fit.

Our international growth continues to be driven by our millionaire brands, alongside the expanding presence of ABD Maestro's super-premium to luxury portfolio.

Backward integration and capex progress.

Backward integration remains an important pillar of ABD's transformation roadmap. Our capex program is focused on improving supply security, reducing structural costs, and supporting margin expansion over the medium term. We have undertaken backward integration projects in key markets of Telangana, Maharashtra, and Uttar Pradesh. Let me provide you with an update on the same.

In Telangana, the PET bottle manufacturing facility at Rangapur, commissioned in FY26, continues to be EBITDA accretive.

In October 2026, we commissioned our captive malt distillery at Rangapur with an investment of about 75 crore and an annual capacity of about 4 million bulk liters. It is integrated with our existing manufacturing complex, which also houses an ENA distillery, an IMFL bottling unit, and the PET bottle plant.

The malt distillery will support the captive malt requirements of our growing prestige and above portfolio, reduce dependence on external sourcing, be margin-accretive through in-house

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manufacturing, and support the development of our future single malt whisky portfolio.

In Maharashtra, at our subsidiary, Meenakshi Agro Industries, Aurangabad, the bottling unit project is progressing well and is expected to be operational in the next couple of months.

ENA distillery expansion: we have received environmental clearance from the authorities, and construction is currently under way. Overall, the expansion project is on track to be operational in H1 FY28.

In Uttar Pradesh, UP is one of India's fastest-growing spirits markets and is central to ABD's growth plans. The company has announced an overall investment of over 600 crores in the state.

In January 2026, we acquired non-operating assets for about 70 crore and immediately undertook the upgradation of the bottling unit for about 40 crore in Moradabad.

In October 2026, we commenced commercial operations at our bottling facility with an initial capacity of 6 million cases per annum. It strengthens our in-house bottling capability in one of our key markets and is expected to improve service efficiency while delivering cost benefits through higher in-house bottling and savings on franchise fees of rupees 27 per case.

In August 2026, the company announced the setting up of a 66 million bulk liter per year dual-mode distillery with an investment of about 293.5 crores in UP.

We also announced the expansion of bottling capacity from the existing capacity of 6 million cases per year to an aggregate capacity of 13 million cases per year by establishing a new fully automated bottling unit, refurbishing the existing 13 million bulk liter per year molasses distillery, and acquiring additional land for the proposed expansion, with an investment of about 202 crores.

Across Telangana, Maharashtra, Uttar Pradesh, and Andhra Pradesh, our strategic investments are intended to deepen in-house ENA, malt, PET, and bottling capabilities. These initiatives are expected to improve supply security, drive structural cost efficiencies, and support EBITDA margin expansion over the medium term, including an expected margin benefit of approximately 300 basis points by FY28 and a further 150 basis points in FY29.

Now, other markets: in addition to the four key markets mentioned, we continue to evaluate profitable growth opportunities in other markets as well.

Cash flow and balance sheet.

Operating cash flow generation stood at 269 crore in H1 FY27, compared to 147 crore in H1 FY26.

Net debt increased by 292 crore to 1,273 crore as of September 2026, compared to 981 crore as of March 2026. The increase in net debt was predominantly for capex projects of 351 crore during the half year.

As a result, net debt to EBITDA stood at 2.2x and net debt to equity at 0.8x, marginally above our stated framework of below 2x and 0.75x, respectively, due to milestone-based payments for certain capex projects. We expect these metrics to be within the stated framework on a full financial year basis.

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We are also pleased that India Ratings and Research has upgraded ABD's rating by two notches to IND A+ AA- with a stable outlook.

We remain focused on disciplined capital deployment. Our capex program is planned to be funded through internal accruals and debt, while maintaining leverage within our defined framework through the investment cycle.

External environment.

The external environment continues to support overall industry growth. Premiumization remains a structural trend in the Indian spirits market, supported by evolving consumer preferences and increasing acceptance of higher-quality products across categories.

The India-UK Free Trade Agreement is positive for ABD, as it supports margin improvement and improved sourcing flexibility for the higher-end portfolio over time. However, recently, some uncertainties have been raised by government authorities on the import duty of bulk Scotch under the applicable HSN codes. The industry association, CIABC, has taken up the matter with the relevant government authorities for an early resolution, as clarity on the applicable duty structure will be important for the industry to fully realize the intended benefits of the India-UK FTA.

At the same time, we remain watchful of inflationary pressures, geopolitical developments, and input cost volatility. Global supply chain disruptions continued to have an impact during H1, with an estimated impact of 53 crore, but our underlying business fundamentals remain resilient and our medium-term margin levers remain intact.

The regulatory environment also remains supportive, with most key state policy updates in place. We expect further momentum from the Telangana policy and anticipated price revisions, and we are seeing improving sentiment on the gradual clearance of outstanding dues in Telangana.

Outlook.

Looking ahead, we remain focused on driving premiumization-led growth while protecting the quality of margins. Growth will be supported by continued momentum in Iconiq White, growth in our other millionaire brands, increasing contribution from the ABD Maestro portfolio, the scale-up of The Indian Edit in premium whisky, and new opportunities in identified white spaces, including deluxe vodka.

With the festive season ahead, we expect the top-line momentum to continue.

For Officer's Choice Blue, our focus remains on a comprehensive brand reset through the packaging innovation undertaken to regain salience and strengthen competitiveness within the prestige and above segment.

For Sterling Reserve B7, our priority is to strengthen its premium positioning and rebuild brand momentum within the prestige and above segment. Marketing efforts will be directed towards deepening consumer engagement, enhancing brand salience, and improving relevance across key consumption occasions, thereby supporting a steady improvement in performance. As already stated, we are targeting a new packaging rollout in Q4 FY27.

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Overall, we expect the top line to grow in line with the stated guidance of mid-teens.

We will continue to invest behind our core brands, super-premium to luxury portfolio, and organizational capabilities, while maintaining FY27 EBITDA margins broadly in line with FY26. This will be supported by premium mix improvement, backward integration benefits, operating leverage, and disciplined cost management, even as we absorb the short-term impact of supply chain disruptions.

To summarize, our strategic priorities are clear: build on the strength of our core brands, accelerate premiumization, scale our super-premium and luxury portfolio, expand internationally, and strengthen structural margins through backward integration.

Supported by a stronger portfolio, a committed team, disciplined execution, and a future-ready operating model, ABD is well positioned to deliver sustainable and profitable growth over the medium to long term.

Thank you once again for your continued interest in ABD. With that, we will now open the floor for questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove 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 [cut off]

Operator: Wait for a moment while the question queue assembles.

The first question is from the line of Dheeraj Mistry from Jefferies. Please go ahead.

Dheeraj Mistry – Jefferies: Yes, hi. Good evening, sir. Thank you for your detailed presentation. I have only two questions. One is that if I look at Iconiq White volume on a sequential basis, in Q1 it was around 3.1 million cases and this quarter it is 3.2 million cases. So, quarter-on-quarter, the volume growth has more or less remained flat. How do we expect Iconiq White to perform going forward, or has that brand reached a mature level?

Management: [pause] Thank you for your question. If you look at the growth of Iconiq, we did 10.7 million cases in FY26. In Q2 FY26, which is last year, we did 2.6 million cases, and in the corresponding period now, we have done 3.2 million. So, there is growth of 20.6%. However, Q1 volume was 3.1 million. This is just an aberration.

The plan for Iconiq during the current year is to reach a level close to 14 million cases, which is in excess of 25% growth by year-end. I would also like to make a point here that Iconiq White has started clocking more than 1 million cases every month from the first month of the current fiscal year. So, the growth of this brand is likely to continue.

Dheeraj Mistry – Jefferies: Got it, sir. My second and last question is on capex. We have announced quite a few capex projects over the last 2 years. Do we think it is safe to assume that capex intensity, or further capex announcements, would be put on hold, or would you be looking at further capex? If so, in which segment would you be looking for that?

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Management: We have embarked upon a journey of approximately 1,600 crores of capex. Till FY26, we had spent just 25%, and over the next 3 years, we will spend the balance. In the current year, we have spent about 300 crores.

We are spending this money on supply security, building bottling capacities, enhancing ENA capacities, and having our own malt plant. The PET plant is already operational and is EBITDA accretive. So, other than maintenance capital, which is a routine matter in every liquor business, right now we do not see anything beyond the 1,600 crores being incurred.

Dheeraj Mistry – Jefferies: Got it. What would be the maintenance capex on an annualized basis, excluding this backward integration capex?

Management: With this kind of capex journey that we have undertaken and with 40 manufacturing plants all over the country, our annual maintenance capex would be in the region of 75 to 100 crores per annum.

Dheeraj Mistry – Jefferies: Thank you very much, and all the best for the future.

Management: Thank you.

Operator: Thank you. The next question is from the line of Avinash Roy from Nuvama. Please go ahead.

Avinash Roy – Nuvama: Thank you. I have 2 questions. The first is on the asset-light model, under which a pilot project is currently being undertaken in Southeast Asia. How will the revenue recognition work? [cut off] Is it for you, or will you recognize the revenue and share some cost [inaudible]?

Operator: I'm sorry to interrupt you, sir. Your voice is not clear. Can you please use a handset?

Avinash Roy – Nuvama: Yes, I am using a handset. Is it clear now?

Operator: Yes, sir. Please go ahead.

Avinash Roy – Nuvama: This is regarding the tie-up in Malaysia, Southeast Asia. How will you recognize the revenue? Is there a royalty involved, or will you be sharing some cost with them and the revenue will come to you only on the pilot?

Management: It is like a contract bottling unit. We are sending our raw material and packaging material from India, and we will get back our business surplus, which will reflect in other income.

Avinash Roy – Nuvama: Okay. In Karnataka, a lot of alcobev companies, both beer and spirits, are seeing explosive growth. If you could tell us how you [inaudible] Iconiq White?

Management: [pause] Your voice is not actually clear. Would you mind [trails off]

Avinash Roy – Nuvama: Am I audible now?

Management: Yes, could you please repeat your question?

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Avinash Roy – Nuvama: Sure. In Karnataka, how has your growth been? Other spirits companies and beer companies have reported very strong growth there. How is your growth in Karnataka, and how have the overall pricing changes been, given that regulations have changed in Karnataka for both Iconiq White and Officer's Choice? How are the growth and overall competition in those 2 segments?

Management: Just to fill you in, the Karnataka market is approximately 65 million cases per annum, which is 50 lakh cases a month. ABD is a small player there, with about 40,000 to 50,000 cases per month. Premium brands in Karnataka account for just about 10% to 12% of the market.

Brands below the premium segment have taken a price cut by reducing the alcoholic strength of the product. It is still yet to be seen how the market really evolves. As far as Iconiq is concerned, we have started seeing growth over the last 2 months. We will be able to gauge the real result over the next 6 months only.

Avinash Roy – Nuvama: Understood. Another question. It has been around six [inaudible] being in the company [cut off]

Operator: Sir, your voice is again breaking. Can you repeat your question?

Avinash Roy – Nuvama: I'm sorry for this. Am I audible now?

Operator: Yes.

Management: Yes, sir.

Avinash Roy – Nuvama: Sorry, sir. It has been 6 months since you joined the company and 4 months since you became MD. What have been the key changes that you are happy about? What are the key bottlenecks that still remain? Also, if you could talk about Tamil Nadu, because that market is opening up, what is your sense of that market over the next 2 years?

Management: Let me first tackle the question relating to Tamil Nadu. Tamil Nadu is the biggest phenomenon that is likely to affect the liquor industry. It will be a breath of fresh air. We anticipate the market to open up, and it has already started to open up, with new brands getting registered.

It is a market that is in excess of 50 lakh cases a month and one of the largest markets in the country. As the market liberalizes and opens up, we feel that, just as UP evolved as India's best alcohol market, Tamil Nadu is going to do the same. I think we are seeing value accretion and margin accretion in the times ahead. It will happen not only for us, but for all companies in the alcobev space.

I have been in the company for 6 months now, and I started taking charge from the first month, so technically it has been 4 months, but 6 months in action. My focus is totally on driving top-line growth, profitable top-line growth, and execution of the capex journey, which is going to be value- and margin-accretive in the years to come.

Now, I must tell you that ABD is undergoing a transformation journey for the next 2 years. Premiumization is going to pick up pace. There are several areas in which I feel growth will happen.

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First, I would like to say that the company is poised for value-led growth rather than just volume. I have been trying to mentally tune the entire team working with me toward profitable volumes. ABD already did 36 million cases last year, but if we have to achieve our ambition of crossing the 50 million mark by FY29, which is the goal we have set for ourselves, we have to achieve profitable growth. The premiumization journey has to pick up pace with Iconiq, which will be the growth driver.

We will move from the 14 million cases that I plan to achieve this year to 20 million cases in the next 2 years. That is the goal that we have set for ABD internally.

As you know, Officer's Choice Blue and Sterling Reserve B7 are power brands that are powerful in select states, but together they represent more than 5.5 million cases, which means huge volume. These brands need to be revived. Officer's Choice Blue, in its new form, will be distributed and built up in the months ahead. In fact, the high point was 6 million cases in 2022. We will scale up the volumes of these brands in the next 2 years.

The Indian Edit in the premium whisky and super-premium whisky segments has been launched. The brand delivers high contribution. It is now present in 7 states. The reports that we are receiving are extremely encouraging, so we see a future for this brand.

We hope to maintain the leadership position of Officer's Choice Whisky, which contributes 40% market share and has a gross margin of 45%.

The ABD Maestro luxury portfolio needs hard work. Last year was about launch and placement. We had sales volume and sales turnover of 20 crores. This year, we would end up doing 40 crores, so it is moving in the right direction. This year, we need to expand distribution, create visibility, and drive consumer engagement. With retail distribution having been merged with ABD, the portfolio will have more power.

This is as far as brands are concerned. The next area I see is capex and backward integration. We talked about it in my opening speech. We need to ensure that all backward integration is completed on time so that the projects become EBITDA accretive by FY29. It is an ambitious 1,600 crore-plus journey, which will give us 300-plus basis points in EBITDA margin by FY28 and an additional 150 basis points by FY29. We have spent 25% up to FY26, as I said, and will spend the rest over the next 3 years.

As far as brands are concerned, the sales and marketing people, as well as the manufacturing and quality people, are being completely aligned with the ambitious growth and profitable objectives of premiumization.

There are 1 or 2 other important areas that I would like to highlight, which we are working on. Travel retail creates visibility among the right target group for premium and luxury products, and that needs focus. Currently, ABD Maestro is available [cut off]

Management: ...in 5 travel {? retail ?} airports currently, which we will expand further. As far as exports are concerned, in FY26 we reached 36 countries. Now, in Q2 FY27, we have reached 42 countries. Our internal objective is to reach more than 50 countries over the next 12 months.

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There is another area, which is CSD and paramilitary. The defense and paramilitary business has huge potential. We need to harness that. We have listed 4 new products this year, and they are expected to give us good returns.

There is a huge amount of work happening. The entire ABD team is working collectively. There is a significant mindset change, and it is eventually going to benefit the company.

Avinash Roy – Nuvama: Sure, sir. Thanks a lot for the detailed answer. Thank you. That's all from me.

Operator: Thank you. The next question is from the line of Mihir Shah from Nuvama. Please go ahead.

Mihir Shah – Nuvama: Hi, sir. This is Mihir Shah from {? Nomura ?}. Thank you for taking my question. First, congratulations on the overall good performance. However, the anomaly is that if you see the Prestige & Above growth, it grew only by about 6%, while Mass Premium grew much higher, at approximately 15%. I wanted to understand what led to the slowdown in Prestige & Above growth and what led to the acceleration in Mass Premium. That is my first question.

Management: [pause] I would first say that [pause] growth in Mass Premium is 15.5% in volume terms and 16% in value terms year-on-year. Brands in whisky and brandy have been responding very well in the southern markets, which contribute more than 60% of the country's alcohol business.

You would be glad to know that we started late in Andhra Pradesh, but we have reached a 10% market share today in Andhra as far as brandy is concerned, which is the largest brandy market. In Telangana, the de-growth of Officer's Choice Whisky was arrested in the last quarter.

Officer's Choice remains the largest exported brand from India, a leader in GCC markets, and is growing fast in African markets. As I said, Officer's Choice delivers a 40% market share and a 45% gross margin, so it was important for us to concentrate on this brand and grow it from here. It is a cash generator that funds growth and premiumization.

You will see a complete brand reset with completely new packaging, look and feel, and marketing communication by Q3. So, Officer's Choice {? is set ?} to rule the market once again. We will remain focused on volume growth from this segment in the months ahead.

Now you ask me why P&A growth is lower. P&A volume growth is 6% year-on-year, but value growth is 13.4%. Obviously, because the salience of Mass Premium has improved with the revival of this segment in Q2, the salience of P&A looks smaller, but the value growth is 13.4%.

P&A growth is largely driven by Iconiq, which reached 10.7 million cases in FY26. It is also a large base. But you will realize that the best is yet to come. The season is about to begin. The seasonal ratio is 40:60. This year, we plan to sell 14 million cases, and the large volumes are going to happen in H2.

You would be aware that Iconiq has emerged as the world's fastest-growing premium brand and a millionaire brand for 3 consecutive years. OC Blue, launched with new packaging, is responding very well. De-growth has been arrested since Q2 over Q1.

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Sterling Reserve is planned for a brand reset in Q4 in the months ahead. {? Indian Edit ?} has been launched in 7 states, with good reports from the market. ABD Maestro's 9 luxury products are being focused on, along with the integration of retail sales with ABD.

Therefore, you will realize that there is a huge headroom for growth. We remain focused on taking P&A volumes to a 50%-plus salience level and a 60%-plus value salience level in the next 1 year. The brand portfolio will remain focused on delivering mid-teens to high-teens-plus growth in volume in H2.

Mihir Shah – Nuvama: Sir, which brand did you say will deliver mid-teens to high-teens growth? I think to reach 14 million cases, Iconiq will have to grow by 30%, actually.

Management: Yes. The season is yet to begin. There are huge marketing plans in the pipeline, and we do not see it as a problem.

Let me explain one thing. I have told you that every month we are clocking more than 1 million cases. If I do nothing, I will still hit 12 million cases. To reach 14 million, we have to stretch ourselves as far as activations are concerned, which we will do.

Mihir Shah – Nuvama: Understood. Is it sufficient to believe that the 20% decline in P&A excluding Iconiq will be addressed through the new launches and the refurbishment of packaging that you are undertaking? Also, is the step-up in volume growth that we have seen in Mass Premium likely to continue, given that Officer's Choice has seen a turnaround and we were also expecting a refurbishment in packaging by Q4? Would that understanding be correct, sir?

Management: Your understanding is absolutely correct. I would again like to say that Officer's Choice Blue, Sterling Reserve B7, despite not yet having achieved the packaging change, and Officer's Choice, all 3, have seen growth for the first time.

I am hoping that over the next 1 to 2 years, these brands should see a reasonable level of growth. Further, there are brands like {? Indian Edit ?}, which will add to the pace of growth. Of course, the ABD Maestro brands will also see some growth in the alcohol business.

There are a lot of things in progress. I must also tell you that the white space to make P&A more attractive is the launch of a vodka, which will happen before the year ends.

Mihir Shah – Nuvama: Understood, sir. That is clear. Secondly, I wanted to understand the competitive intensity in the mass premium whisky market, or the popular whisky market. It seems to have increased, with McDowell's also relaunching with refreshed liquid along with new packaging. Imperial Blue is also becoming aggressive. You are stepping on the pedal. How should one view this space now? What are you seeing on the ground regarding who is winning this tussle at this point? Any insight would be helpful.

Management: [sighs] I must tell you that the reality is that while premiumization is a much-discussed subject globally, the fact is that every country in the world has a market at the lower end of the pyramid. Similarly, in India, out of 440 million cases, roughly 55% comprises brands below the premium segment.

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The good thing for us is that if you go back to Q1, while the whole industry declined, ABD grew by 2.5%. In this quarter also, we have shown decent growth. With a 40% market share in the Mass Premium market, I think we are the leaders.

Despite any competition that comes in, we will continue to strengthen the brand because it already has brand equity. We only need to put in some more focus. We are not scared of competition, but we will concentrate on elevating our position in the market over the next 2 years.

Mihir Shah – Nuvama: Fair point, sir. Thank you for that. Lastly, on margins, if you look at the impact on gross margins this quarter, it was quite significant. I wanted to understand how one should think about the gross margin profile in the second half, considering the benefits of higher P&A growth, UK FTA benefits, and other factors. Should we also see some benefits from backward integration beginning to come through? Any insight into how your margin profile will shape up in the second half?

Management: I will tell you. As I said, we had a gross margin of 45.3% in Q2, and it was 46% in Q1. Roughly, I would say that the market as it evolves during the season should give margin accretion of approximately 100 basis points in H2.

I also told you that in FY28, when our backward integration starts yielding benefits, and then in FY29, we will add between {? 400 ?} and 450 basis points.

Mihir Shah – Nuvama: Got it, sir. Thank you very much, and wishing you all the best.

Management: Thank you, sir.

Operator: Thank you. The next question is from the line of Harsh Sheth from ICICI Securities. Please go ahead.

Harsh Sheth – ICICI Securities: Hi. Thanks for the opportunity, and congratulations on crossing 10 million cases in the quarter for the first time. Most of my questions have been addressed, so I have just a couple.

On Maestro, I understand that it is in the seeding phase and small relative to the overall business, but since the investment behind it is now a visible line in the margin, could you give us a broad sense of the annual spend and how the 6,000 premium touchpoints and 80% addressable market coverage are tracking against the plan? Importantly, at what point would you expect it to start contributing meaningfully to the EBITDA margin?

Management: Let me tell you, first of all, as I said, last year we did 40 crore in turnover, and this year we will do 80 crore. Another point is that at the exit of FY26, we were in 5,500 premium touchpoints. This year, from here, that will only continue to grow.

Why? Because the sales efforts of ABD Maestro have now been integrated with ABD, and that will give more power to distribution. Out of the 100,000-universe, approximately 20,000 outlets are in key accounts, off-premise, on-premise, and premium outlets. We hope that with this integration with ABD, we will be able to better handle the challenges ahead.

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Harsh Sheth – ICICI Securities: Sure. One follow-up: how should the EBITDA margin trajectory

Harsh Sheth – ICICI Securities: Yes, it looks like we will actually scale up the Maestro portfolio?

Management: If I have to give you guidance, in FY27 I have told you that we have been facing the challenges of the West Asia war crisis. If that had not happened, my EBITDA margin would have been 15%. I have lost 250 basis points of EBITDA margin because of the West Asia crisis.

Nevertheless, by the close of FY27, we hope we will be able to do as well as we did in FY26 despite the challenges. From the following year onward, there will be no looking back.

Harsh Sheth – ICICI Securities: Regarding The Indian Edit, our recent launch at a 1,550 price point in Maharashtra, it sits in the same band as some very well-established premium whiskies. How are you thinking about the H2 rollout beyond the 7 launch states? Is the consumer you are targeting here trading up from Sterling Reserve, or is it a recruit from competing brands?

Management: There are multiple brands in the premium whisky segment in India now. When a consumer walks into an outlet, they do not ask for an ABD brand; they ask for their preferred brand.

I think we will get consumers from different brands that prevail in each state, especially state-specific brands. There are many brands that I do not want to name, but you are all aware that there are multiple choices. We will attract consumers from these super-premium and premium whiskies.

Harsh Sheth – ICICI Securities: Sure, sir. That's it from my side. Thank you, and all the best.

Operator: Thank you. The next question is from the line of Abhishek Shankar from ICICI. Please go ahead.

Abhishek Shankar – ICICI: Thanks for taking my question. I hope I'm audible. I want a slight clarification on the margin aspect. We see that the conflict in West Asia continues, and there is no fixed outcome yet. What impact are you seeing early in Q3? Will the supply chain disruption impact continue for the next 2 quarters, or at least the next 1 quarter? Also, what early trends are you seeing during the festive season? I wanted to get clarity on the margin aspect and festive trends.

Management: First of all, I must tell you that inflationary pressures are still present. We are only hoping that Q4 will be much better, but right now the pressure remains.

There are several margin drivers. We have seasonality and operating leverage in H2. We are looking at improving the premium mix of the brands with launches like The Indian Edit, and a vodka is also likely to come.

Backward integration is going to give us margin accretion because we have started production in Uttar Pradesh with the bottling plant that we acquired, which is a large one. This is going to be highly margin-accretive.

Whatever we produce in that plant will receive a franchise duty waiver of almost 27 rupees per case. The capacity right now is 6 million cases, and by Q4 we are planning to expand the capacity to 13 million cases. Therefore, you can understand the margin benefit that we will gain from this

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initiative over the next 6 months.

We are also undertaking value engineering for our packaging material because, in difficult times, we need to re-examine where we can save money.

The India-UK FTA is likely to give us 70 basis points this year. Right now, there is an upheaval, which all of you are aware of, but I think it is a bigger issue. The governments of both countries are in talks, we have made a representation, and I am optimistic that it will get resolved over the next 1 month.

In any case, we have stocks that will last us until early December, so by that time we hope it will all get resolved.

Abhishek Shankar – ICICI: Thank you, sir. Thanks for the detailed outlook. That's it from my side.

Operator: Thank you. The next question is from the line of Nitin from HDFC Securities. Please go ahead.

Nitin – HDFC Securities: Hi. Thanks a lot for taking my question. My first question pertains to cannibalization risk. How are we looking to address portfolio cannibalization? Our ground checks indicate that traditional brand volumes have largely, or to some extent, been cannibalized toward Iconiq White. Now we are looking to relaunch portfolio offerings, such as OC Blue, which we have launched, and SR B7, which we will be doing. I want to understand what measures we are taking to protect volumes in the brands. That is the first question.

Management: I would very humbly like to make a small correction to your understanding. The regional brands are not being cannibalized into Iconiq White.

First of all, Iconiq White is exceeding 1 million cases every month. This has never happened in the past; it is happening now. Secondly, as I said, we will reach close to 14 million cases this year, which is in line with our guidance.

The season is about to begin, and there are many more activations and marketing communications planned for the brand. So, cannibalization will not take place as of now.

Iconiq is today viewed as a superior value-for-money product in that segment. Competition, I would say, is facing certain challenges relative to Iconiq, which I do not want to describe, but there are some opportunities that will become available to us.

Nitin – HDFC Securities: Thanks a lot for the explanation. My question was related to the volume declines we have seen in OC Blue and Sterling Reserve B7 in the past. I wanted to understand whether there was any cannibalization toward Iconiq White, or what was the missing element in the past that affected growth. With the relaunches, how confident are we about the growth journey ahead?

Management: ABD went for an IPO in July 2024. Prior to that, we were facing many challenges. The brands were not being nurtured or marketed. I think most of the brands suffered during that period.

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After 2024, following the IPO, we have only been expanding. We are bringing in more brands. We have set up ABD Maestro, we are premiumizing, and we are exploring more new opportunities and more new brands.

I think we have sufficient resources available to us now, which were not available earlier. Without being aggressive, I was not there in the past, [laughs] but I am here now with a lot of my experience, which will also benefit the company's portfolio. I will do my best.

Nitin – HDFC Securities: This is quite helpful. My last question pertains to this aggressive capex plan. This quarter also, net debt to EBITDA exceeded the 2x threshold that we had set. Going forward, how confident are we about managing the funding of capex through debt and internal accruals?

Management: Premiumization is helping us manage our profitability and working capital very well. If you see, operating cash flow in H1 FY26 was 147 crore, while operating cash flow in H1 FY27 was 269 crores. So, I am generating more cash.

We hope this company is becoming healthy. We have no doubt that the financial metrics we discuss, in line with our stated guidelines, will fall in line by the end of the year when the capex program starts yielding benefits.

Nitin – HDFC Securities: This is helpful. Thanks a lot, and all the best.

Management: Thank you.

Operator: Thank you. The next question is from the line of Karan Kamdar from Choice Institutional Research. Please go ahead.

Karan Kamdar – Choice Institutional Research: Hi, sir. Congratulations on a good set of numbers. What I wanted to know is our pricing strategy going forward, given that costs have risen, and how we see the challenge of raising prices across various states.

Management: As far as pricing strategy is concerned, you know that the liquor industry does not allow you to change prices whenever you want or whenever there are inflationary pressures.

One of the most important things is that, if you look at the history of the last 3 to 4 years, the government has been very responsive to industry pressures and has given price increases in most states of the country over the last 3 to 4 years.

We are constantly making representations about the inflationary pressures. We hope that over the next 12 months, price increases will materialize in some states. The latest one that should happen is Telangana, where dialogue is under way and the whole industry is under pressure.

Telangana is one state, and there are many other states where we are trying to obtain a price increase through the Association of Alcoholic Beverage Companies. I think something will materialize.

Karan Kamdar – Choice Institutional Research: Would this price increase be sufficient to cover the cost overruns due to the conflict? When can we see margin accretion happening? If we assume that

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this cost base continues for the next 6 months to 1 year, when can we see margin accretion?

Management: I have a simple calculation. I just told you that I have lost 250 basis points because of this West Asia crisis through inflation. But I am very sure that the capex journey and premiumization journey we have undertaken will more than offset the inflationary pressures.

First of all, this inflationary pressure is temporary. It has lasted for 6 months, and maybe it will last for another 3 months. We will be able to pull through. We do not see it as a challenge.

Karan Kamdar – Choice Institutional Research: One last question, if I may. Congratulations on the opening of the malt distillery. By when can we start selling or using the malt from the facility after maturation? How soon can we see the malt become commercial?

Management: Great question. First of all, the malt distillery that we have set up in Telangana is state-of-the-art, and it has a capacity of 4 million liters per annum. We have set up a state-of-the-art maturation hall, so we will start maturing what we produce. In 3 years' time, it will be ready to be used as malt.

However, we import or buy a lot of fresh malt to blend into our products. We will start seeing that benefit within a span of 12 to 15 months. This will all become margin-accretive.

Karan Kamdar – Choice Institutional Research: Got it, sir. Thank you so much, and all the best.

Management: Thank you.

Operator: Thank you. The next question is from the line of Ishani Kacholia from {? NV Alpha ?}. Please go ahead.

Ishani Kacholia – {? NV Alpha ?}: To increase your brand visibility, are you going to increase your spending? If so, by how much? Could you also provide some clarity on how much revenue you earn through each of your existing distribution channels, and whether you are planning to expand your distribution channels?

Management: The distribution channels in the liquor space are restricted [cut off]

Management: ...and you cannot go beyond that. If you look at retail, it covers over 100,000 outlets, and we will continue to have approximately 90% of the state handled by us in terms of presence.

Then we have CSD and paramilitary, where we have made an entry with 4 brands this year. That will be an area of growth.

Then we have exports, where we have expanded from 36 to 42 countries. We will go to 50 countries in the next 12 months.

We also have premium on-premise, which will be addressed through the premiumization journey that we have undertaken. I think we are pretty much there, and all we need is the right strategy to make it successful with so many brands.

Ishani Kacholia – {? NV Alpha ?}: All right. That's great. I'm good then, sir. All the best.

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Management: Thank you. Thank you.

Operator: Thank you. Ladies and gentlemen, as there are no further questions, I now hand the conference over to the management for closing comments. Please go ahead. Thank you, and over to you, sir.

Management: Thank you for taking time out and participating in our Q2 FY27 earnings call. We are happy to address further questions. You can reach out to me or Amar as well. Thank you again. Wish you all the best.

Operator: Thank you. On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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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