Allied Blenders

Operator: Ladies and gentlemen, good day and welcome to the Allied Blenders and Distillers Q3 and 9M FY26 post-earnings conference call hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhijit Kundu. Thank you, and over to you, Mr. Kundu.

Abhijit Kundu - Antique Stock Broking: Thanks. It is an absolute pleasure to host the management of Allied Blenders and Distillers Limited for the third quarter of FY26. I now hand over to Mr. Mukund, Head of Investor Relations and Chief Risk Officer, for further proceedings. Thank you.

Management: Thank you, Abhijit. Good evening everyone and thank you for joining our Q3 FY26 results conference call. I hope you have received the 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. Jayant Banwarkar, Chief Financial Officer. I would like to hand over the call to our MD, Alok Gupta, who will give a summary of the company's quarterly performance before we open up for Q&A.; Over to you, Alok.

Management: Right, Mukund. Good evening, ladies and gentlemen. Thank you all for joining us today for the Q3 and the nine-month FY26 earnings call of Allied Blenders and Distillers. I will also take this opportunity to wish each one of you the very best for the new year. I am pleased to share that this quarter marks our sixth consecutive quarter of strong performance post-listing with further improvement in the premiumization of our portfolio, margins, and cash flow. The sustained performance over the last several quarters underscores the effectiveness of our strategy, which remains firmly centered around driving profitable growth, strengthening our premium portfolio, and investing in backward integration to enhance margins and ensure supply chain security.

During Q3 FY26, our consolidated income from operations stood at 1,004 crores, representing a 2.8% increase over Q3 FY25. EBITDA for the quarter was 137 crores, reflecting a 14.1% year-on-year growth with an EBITDA margin improvement to 13.6%. This improvement was driven by better product mix, operating leverage, and benefits from backward integration, while we continue to invest behind our brands and premiumize our legacy portfolio.

On the profitability front, PAT grew by 10.9% year-on-year to 64 crores during the quarter. For the nine-month period, our consolidated income from operations stood at 2,929 crores, representing a 12.4% increase over 9M FY25. EBITDA for the period was 386 crores, reflecting a 23.1% year-on-year growth with EBITDA margin improving to 13.2% and PAT at 182 crores, reflecting a 57% year-on-year growth. Our nine-month performance is a reflection of strong fundamentals, steady revenue growth, improving margins, and strong operating cash flow generation, reinforcing the scalability of our business model and the structural benefits of premiumization.

In terms of volume, we sold 9 million cases in Q3 FY26, marking a 1.3% year-on-year increase supported by a 0.7% improvement in realization per case driven by an improved product mix and selected price increases. At the industry level, the mass whiskey segment softened during Q3 FY26. As already discussed during the Q2 FY26 earnings call, stocking norms in Telangana were impacted due to the retail license auction process, which led to temporary moderation in the trade inventory levels. We are expecting normalization during Q3 FY26 itself, and normalization is also visible in January 2026. In Maharashtra, price changes driven by bulk rates affected affordability and buying behavior, resulting in lower consumer uptake. Together, these region-specific factors contributed to subdued demand conditions across the industry for the quarter.

Within our portfolio, Officer's Choice continues to play a pivotal role in the business. The brand maintains its leadership position in the mass segment in India and remains the country's top exported whiskey brand. Despite category-level headwinds, Officer's Choice gained incremental market share during 9M FY26 and also in Q3 FY26, reflecting sustained brand strength and distribution reach. Importantly, the brand continues to deliver improving gross margins, now at about 45%, making it a critical driver of profitability and cash flow for the company.

Our premium portfolio continued to demonstrate strong momentum. Volume grew 60.9% on a year-on-year basis, resulting in an improvement in the share of the premium segment to 48.5% in Q3 FY26 compared to 42% in Q3 FY25. This sharp improvement reflects the continued success of our premiumization strategy and our focus on building scale with value.

Iconic White continues to be an outperformer and remains one of the strongest pillars of our premiumization journey. Iconic White has also emerged as a brand of choice for new consumers reaching the legal drinking age, further driving its long-term growth trajectory. The brand continues to expand its presence both domestically and internationally, reinforcing its role as a key growth engine within our premium portfolio. For the nine-month period, it has delivered 7.7 million cases compared to 5.7 million cases delivered in the entire previous financial year, FY25. It is well on track to touch the 10 million cases mark in this financial year.

Coming to our next premium brand, Sterling Reserve is also showing strong growth. In Q2 FY26, we introduced a Sterling Reserve blend with enhanced smoothness and taste supported by a visualized campaign, "So smooth, must be magic," and a differentiated digital collaboration. These initiatives have strengthened consumer engagement and growth traction across select priority markets. This underscores our continued focus on product improvement and consumer-centric brand building. Building on this momentum, we are progressing toward further market share expansion by Q1 FY27, appealing to new-age consumers.

Officer's Choice Blue, a million-case brand in the prestige segment, continues to be a strong regional power brand supported by the equity and recall of the Officer's Choice franchise. Currently, our focus on refreshing the brand through attractive fresh packaging is well on track, and we expect to roll it out in Q1 FY27.

Regarding the CSD market, CSD is one of the most profitable sales channels for the industry with an annual volume of 10-12 million cases and is strategically important. We are pleased to share that four of our new brands have now been approved within the CSD market: Jolly Roger Rum, Sterling Reserve B7, Kyron, and Iconic White. Some of these brands have also started bidding. This approval in CSD will become yet another growth track for our brands, especially for Sterling Reserve B7 and Iconic White Whiskey.

ABD Maestro made strong progress during the quarter. We launched three new brands: Rangeela Vodka, Yellow Designer Whiskey, and AU Whiskey. This further strengthens our premium portfolio offering. These launches are aligned with ABD Maestro's focus on building differentiated design-led brands, anchoring quality and craftsmanship, and positioning us well to participate in the fast-evolving premium consumption landscape. We now have a nine-brand portfolio in the premium flavor segment through a partner model.

Alongside new brands, ABD Maestro continues to expand its presence across key consumption channels. During the quarter, we introduced our premium portfolio at Mumbai International Airport, adding to the existing duty-free presence at Delhi and Bengaluru Airports and enhancing brand visibility among international travelers and premium consumers.

Our international expansion strategy continues to deliver strong results. Over the last 21 months, ABD has expanded its footprint from 14 countries to 21 countries, highlighting the effectiveness of our asset-light, high-margin export model. This model delivers higher profitability than the domestic business and operates with significantly lower working capital per case. Iconic White is now present in nine countries. ABD Maestro brands, Zoya and Randhawa, are now available in three countries: UAE, Ivory Coast, and Uzbekistan. By Q4 FY26, we are targeting to expand our international presence to 35 countries.

Moving to our backward integration progress, the program has been designed to be EBITDA accretive and continues to be executed in a phased and disciplined manner. The focus is on the cost to build, time to build, and delivering margins, aligned with our long-term objectives of growth, margin expansion, and balance sheet strength. Phase one, outlined in previous quarters, included a 525 crores investment program. This included a PET bottling manufacturing facility which is fully commissioned, running to capacity, and adding to the margin. Our two other projects, a distillery in Telangana and an ethanol distillery in Maharashtra, are on track. Together, these strategic initiatives are expected to enhance our gross margin by 250 basis points by Q4 FY28.

Phase two comprises incremental growth capex announced in January 2026, focusing on expanding owned capacity across critical nodes of the value chain. This includes an investment of approximately 110 crores in Uttar Pradesh, which is a large market for us. The investment includes around 40 crores towards the upgradation and commissioning of a fully automated bottling facility, enabling meaningful owned versus outsourcing arbitrage with the optionality of future ENA distillation expansion on the site. This bottling unit is expected to be operational by Q3 FY27 and will also save us a franchise fee of 27 per case which is currently payable.

In addition, the company has approved a further investment of approximately 54 crores in our subsidiary, Meenakshi, in Maharashtra, towards the expansion of bottling capacity at the Aurangabad facility. This investment will support growing demand in the Western region and international markets while improving operational efficiency, optimizing logistics costs, and enhancing margins through higher utilization of owned bottling infrastructure. The expansion is expected to be operational by Q4 FY27 and will add to our EBITDA margin.

Overall, our capex strategy remains centered on disciplined capital deployment, deeper backward integration, and building scalable, margin-accretive capacity while maintaining balance sheet strength. Our performance continues to reflect strong operating cash flow generation supported by robust profitability and disciplined working capital management. During Q3 FY26, we generated operating cash flow of 173 crores. Our net debt position stood at 785 crores as of December 31, 2025, compared to 893 crores as of September 30, 2025. This reduction in net debt occurred during our capex phase and continued investment in our luxury portfolio, with leverage metrics remaining well within our stated framework.

During Q3 FY26, some of the long-pending overdues from our dealer in the Telangana market were cleared for the industry participants, including ABD. Overall, the industry outlook remains positive with respect to the progressive clearance of remaining dues in addition to the collection of regular dues. Looking ahead, the Indian AlcoBev industry continues to witness growth driven by premiumization, portfolio expansion, and evolving consumer preferences. The premium segment remains the key growth driver supported by innovation and an improving route-to-market framework. Regulatory reforms in select states have supported volume recovery, and a stable raw material environment continues to aid margin stability. While state-level regulatory changes and the emergence of local brands in certain markets such as Maharashtra remain areas to monitor, we remain confident in our ability to navigate these dynamics through portfolio strength, execution discipline, and deep market understanding.

Overall, we expect strong top-line growth in Q4 underpinned by our focus on consumer-centric growth. As we move forward, our focus remains on improving unit economics, driving value-added volume growth, keeping our portfolio consumer-centric, and deploying capital with discipline. With a strong brand portfolio, expanding international presence, and a robust manufacturing backbone, ABD is well-poised to play a leading role in India's growing premium consumption market and continue delivering long-term value to all our stakeholders. Thank you once again for your continued interest and support. We will now open the floor for questions.

Operator: Thank you. We will now begin the question and answer session. The first question comes from the line of Nitin with NKK Squared.

Nitin – NKK Squared: Yes, thanks for the opportunity. My first question pertains to the Telangana market. Could you shed some light on what really affected our volumes in Telangana in terms of the route-to-market changes? It would be great if you can highlight the split of P&A; and mass premium in the Telangana market. Lastly, as the restocking is progressing in Telangana, can we expect an equally good Q4 compared to the weaker Q3?

Management: Thank you, Nitin. As far as Telangana is concerned, it has been an interesting quarter. In Q3, what really happened was that the P&A; segment actually grew by 17%. The ABD portfolio also grew by 17.5%, so marginally ahead of the market. It was the mass premium segment that de-grew by about 7.4%, and we also de-grew by about 7%. Overall, the industry grew by about 9%. What happened was that the licenses came up for renewal. The rule is that whatever stock is held by a current licensee needs to be sold off because the government does not take back the stock. Essentially, the buying by the current licensees comes down dramatically. They stop buying because they have to finish all the stock they are holding, and it is only when the new licensees come into play that they start buying again. This creates a disruption of about 6-8 weeks, which is what we saw in Q3. Keeping in mind that they also look at the rotation of stock, the margins they make on P&A; continue to get support, but stocking gets decelerated on mass premium. That is why it reflects as continued growth in the P&A; segment and a de-growth of 7% in the mass premium segment. From January, we have already seen that the stocking patterns are getting back to normal. So, Q4 hopefully will be on track. Your second question was about our outlook on Q4.

Nitin – NKK Squared: Yes, that is correct.

Management: If you were to look at our growth without Telangana and Maharashtra, you would find that we have actually grown significantly faster. Now that the environment in Q3 seems reasonably settled in Telangana and Maharashtra, we are back on our growth track. As we said earlier, we are targeting double-digit growth in Q4.

Nitin – NKK Squared: Thank you. Regarding the mass premium decline, since we have the largest share in this market, the impact is more visible for us compared to the competition. Would that be a fair assessment?

Management: In Telangana specifically, the mass premium segment comprises the price points where we operate, and we are virtually 100% of that market. However, there is also a growing price point below the Officer's Choice price point. The 7% de-growth you are seeing in the segment is across our price points, which are around 160 and 130.

Nitin – NKK Squared: Okay, thanks. My second question pertains to Meenakshi, where we are looking to spend 54 crores on capex. This is an additional capex for the bottling unit. I wanted to know why we did not budget for this when we initially planned the distillation capacity. Also, is this related to state-made liquor participation in Maharashtra?

Management: Most certainly. Currently, given the size of the business in Maharashtra and the fact that we also export ex-Maharashtra across the globe, we are bottling our brands across four different units. For these, ENA has to be moved by tanker to all units. The immediate efficiency we see from having bottling on the same premises as ENA distillation is that we will move ENA through a pipeline. This is extremely value-additive, cutting down transportation costs and working capital because we will no longer need to stock ENA at four different locations or deal with ENA in transit. There is clear business merit for bottling to coexist with the ENA facility. We announced this now because we needed to secure approvals first. Once we had the approvals in hand, we announced the facility in January. As far as state-made liquor is concerned, there has been a recent development where the High Court advised manufacturers to file applications to participate. Meenakshi has indeed filed its applications as it qualifies. If those applications are approved, this bottling facility will also come in handy to serve that market. But standalone, there is significant merit in having the bottling plant within the ENA premises.

Nitin – NKK Squared: Thanks, that is really helpful. Lastly, regarding realization, we have seen a decline in realization for both P&A; and mass premium. Does this pertain to state mix or or something else?

Management: It is due to the state mix, nothing else.

Nitin – NKK Squared: Sure, got it. Thanks a lot and all the very best.

Operator: Thank you. Next question comes from the line of Avnish Roy with Nuvama Equities.

Avnish Roy – Nuvama Equities: Thanks. My first question is on the FTAs. What is your take on the UK FTA delay? Since the UK parliament is yet to approve it, do you think Q2 is a realistic date? Second, regarding the EU deal, it suggests a gradual reduction in imported spirits from the EU. Would you see this as a non-event or a mild positive or negative?

Management: Regarding the India-UK FTA, the feedback we have is that Q2 looks like the period in which the FTA should come into place. For now, we are holding on to that Q2 guidance. We are hopeful that the changes in the world order will accelerate the implementation. As for the India-EU FTA, from an Indian business perspective, it is not a major event because what we import from the EU represents a very small part of AlcoBev consumption in India. We feel a very interesting opportunity is for us to participate in the EU market. For example, we are considering setting up a hub in Europe to feed multiple countries within the EU. This could be a very interesting opportunity for our luxury and mainstream portfolios. We are already shipping to Spain and Italy. As our single malt comes on stream in 2029, this route could become very effective for driving growth. I would say it is an interesting opportunity on outbound trade and a negligible impact on inbound trade.

Avnish Roy – Nuvama Equities: Sure. You mentioned that for Q4, you are targeting double-digit sales growth because stability is returning to the two key states. Regarding Maharashtra, will there be an additional impact from the decline since Q4 will have three months of impact? Is it too early to say stability is coming to Maharashtra?

Management: When I mentioned stability, I meant that we believe significant consumer movement has already happened in terms of those opting for alternatives versus those staying. We have modeled what volume we can get out of Maharashtra. Therefore, our target for double-digit growth in Q4 already factors in the current state of that market. Stability means we now know what the stable state of the market looks like, not that the market is back to its original track.

Avnish Roy – Nuvama Equities: I see. In Q3, the Maharashtra industry saw a volume decline. In Q4, it will likely see a decline year-on-year as well. How will that not impact your numbers?

Management: We have the Q3 numbers for FY26. We used those to model the likely size of the industry in Q4 FY26 in Maharashtra. When we speak of overall double-digit growth, we have factored in that Maharashtra will continue to operate at significantly lower levels. We are not comparing Q4 FY26 only to Q4 FY25; we have modeled based on the current market being down by high double digits.

Avnish Roy – Nuvama Equities: So, that means Telangana and the rest of India must compensate for the double-digit decline in Maharashtra to make double-digit overall growth possible. Is that correct?

Management: That is correct.

Avnish Roy – Nuvama Equities: Understood. That is all from my side. Thanks.

Operator: Thank you. Next question comes from the line of Mehul Girish Desai from JM Financial.

Mehul Girish Desai – JM Financial: Good evening, sir. Thanks for the opportunity. You gave guidance for double-digit growth in Q4. For the mass premium segment, it looks like your assumption is for a low single-digit decline or flat performance year-on-year. Is that correct? Also, how do you look at FY27? You will be lapping a high base. What is your guidance for P&A; and mass premium for FY27?

Management: There is one more factor to consider for our value growth: the ABD Maestro portfolio is now complete. We have beautiful brands out there. We are already seeing about 40% distribution in premium on-premise. We have opened up duty-free and started shipping to international markets. We previously said we were running at about a 40 crore rate; we should double that in Q4 and double it again next year. A significant driver of our value growth will be the revenue flowing from our luxury portfolio. This is on top of our mainstream legacy portfolio. As for FY27, we are planning three main things. First, the accelerated growth of ABD Maestro, where we look to double the revenue run rate. Second, we are looking at two launches in the P&A; non-whiskey segment, specifically prestige vodka in Delhi, where we aim to garner a profitable share. Third, in the southern market, we have received approvals for long-pending brand introductions. This will allow us to participate in high-volume, profitable segments. In Q4, we expect these approvals to finalize, creating a growth pipeline for the next financial year.

Mehul Girish Desai - JM Financial: Secondly, on the margin front, your gross margin progression is faster than your guidance of 45% plus by FY28. You are already at 46%. With more backward integration projects coming in FY27 and FY28, how do you see the gross margin trajectory? Do you think the 18% margin guidance for FY28 could be achieved in FY27 instead?

Management: We revised our FY28 margin guidance last quarter to 18%, largely because we are seeing faster gross margin progress on our current portfolio. The capex program will add 300 basis points. In Q3, we have captured only about 0.7 percentage points of that. There is another 2.30 percentage points to flow in from our capex projects. Additionally, if the India-UK FTA is operational by Q2, that could add another 200 basis points. We expect to be at the 18% margin by FY28.

Mehul Girish Desai - JM Financial: That is helpful. Lastly, could you quantify the total capex for FY27 and FY28?

Management: The capex we have announced through Q3 FY27 is about 575 crores. The two new capex programs bring us to roughly an additional 150 crores. So, the total committed capex is currently just over 700 crores. From a guidance perspective, we want to get ENA capacity equal to our consumption. We would need three ENA units. We have one in Telangana, one we are building in Maharashtra, and we will need one more in a large market like UP or Andhra Pradesh. We are currently figuring that out.

Mehul Girish Desai - JM Financial: Got it, sir. Thank you.

Operator: Thank you. Next question comes from the line of Kaustubh Pawaskar with ICICI Direct.

Kaustubh Pawaskar - ICICI Direct: Good evening, sir. Congratulations on the margin performance. Just a clarification on the margin guidance: you mentioned 230 basis points will flow from the capex projects. Does this include the phase two capex or just phase one?

Management: This is from phase one. The first phase of investment was roughly 550 crores. We expected 300 basis points from that, of which 0.7 percentage points were realized from our PET project. The balance of 230 basis points will come from phase one. The second phase will become value accretive in the second half of the next financial year.

Kaustubh Pawaskar – ICICI Direct: So there is scope for further margin expansion from the second phase.

Management: That is right. In UP alone, once the bottling unit is up and running and we no longer pay the 27 franchise fee on a base of six million cases, that will significantly boost our realization.

Kaustubh Pawaskar – ICICI Direct: And regarding the funding of the capex, including the additional 150 crores, will this be largely funded through internal accruals? Improved cash flows and expected payments from Telangana should help fund this.

Management: All our investment decisions are guided by the financial KPIs we committed to regarding net debt to equity and other key ratios. We are working with two scenarios: one where Telangana payments come through as expected, and another where they are slow. Because these capex programs have merit on a standalone basis, we do not want to link their implementation to Telangana receivables. Even if those payments do not reach expected levels, we will proceed because phase two becomes value accretive within six months.

Kaustubh Pawaskar – ICICI Direct: How will having a bottling unit in Uttar Pradesh help you expand your share in that market?

Management: There are two aspects. One is the saving on the franchise fee of 27 per case. Secondly, UP is a very large state. In addition to our own six million unit capacity, we are exploring maintaining a second unit for manufacturing because there are significant savings in logistics for both inbound and outbound costs. We should be looking at running more than one bottling unit, but the key driver for this specific unit is the 27 per case franchise fee saving.

Kaustubh Pawaskar – ICICI Direct: Thank you, sir.

Operator: Thank you. Next question comes from the line of Ali Asghar Shakir with Motilal Oswal Financial.

Ali Asghar Shakir – Motilal Oswal Financial: Good evening, sir. My first question is on volumes. P&A; has done very well this year due to the success of Iconic White. How much of the future P&A; growth will come from Iconic White versus the newer brands in ABD Maestro? Second, you increased your margin guidance to 18%. Will the investment needed for new brand launches and the initial sub-optimal scaling of backward integration projects have a dilutive impact?

Management: Let me take the capex question first. At the heart of our capex strategy are three principles: cost to build, time to build, and targeted margin. For example, in UP, we are targeting the asset to turn around in the next 6-9 months. We are putting in a six million case fully automated plant. Our current volumes are enough to support full capacity utilization. We will not invest in capex that takes an inordinate amount of time to reach capacity. Even for the single malt distillery in Telangana, 50-55% of our volume will replace malt we currently buy from third parties. Regarding the 18% margin guidance, all these factors are already built into our model.

On the growth front, we have to start focusing on value growth because volume growth may not be a perfect indicator of consumer behavior. We are looking at mid-double-digit value growth. This will come from ABD Maestro, where we are looking at accelerated run rates. We are also launching two new brands in the P&A; brandy and vodka segments. In the mass premium segment, there is a profitable brandy price point in Andhra Pradesh which is now roughly 12 million cases where we did not have a presence. We have received our clearances and hope to start participating in that market this quarter. Even with a reasonable market share, that could be another million-case brand in the making. Our growth will come from mass premium, P&A;, and new brands, while value growth will come from both our core portfolio and the ABD Maestro portfolio.

Ali Asghar Shakir – Motilal Oswal Financial: That is very useful. Are the investments for these new brands built into your 17–18% margin guidance?

Management: Yes, that investment is already accounted for in the 17–18% guidance.

Ali Asghar Shakir – Motilal Oswal Financial: Regarding Telangana, now that the market is stabilizing, should the revenue lost in Q3 be mostly recovered in Q4? And what about Maharashtra?

Management: For Telangana, we believe Q4 is back to normal. For Maharashtra, we have taken the Q3 exit base as the likely market size for Q4. We assume the market size will be similar to Q3. We are hopeful it will not materially alter.

Ali Asghar Shakir – Motilal Oswal Financial: How has the trend been in Maharashtra post-Q3?

Management: We will know more once we get February data. So far, from what we are seeing, it seems to be okay.

Ali Asghar Shakir – Motilal Oswal Financial: Thank you. All the best.

Operator: Thank you. Next question comes from the line of Sanjeev Manyal with DAM Capital.

Sanjeev Manyal – DAM Capital: Good evening, sir. Regarding Iconic White, you have seen brilliant growth. Much of that likely came from gaining share from competitors like Imperial Blue. Have you seen renewed competition from that brand given the change in its ownership?

Management: We were mentally prepared that the new owner of Imperial Blue would do whatever it takes. We have proactively strengthened our programs in terms of trade and consumer engagement and below-the-line activities. We are reasonably well prepared to ensure the growth trajectory of Iconic White is not compromised. Iconic White is currently running at about a million cases a month, which gives us a 12 million case annual run rate. Additionally, we have received approval for Iconic White in CSD, which opens a new growth opportunity. It is also being shipped to nine countries. We stay optimistic about its momentum.

Sanjeev Manyal – DAM Capital: On ABD Maestro, can you highlight any recent successes or reach a benchmark volume number?

Management: We started the luxury journey in January 2024. Zoya Gin was our first launch and the brand has grown almost 300% since then. We launched two new flavors: Zoya Watermelon and Zoya Espresso Martini Gin. Our thesis was that since post-COVID consumption moved in-home, making cocktails should be easier for consumers. 30% of Zoya sales now come from flavors, and 95% of sales happen off-premise, indicating consumers are enjoying these at home. We now have a portfolio of nine brands across scotch, Irish whiskey, bourbon, and vodka. Zoya is an interesting case because, as a whiskey-forward company, success in gin flavors is very important.

Sanjeev Manyal – DAM Capital: What is your ENA requirement currently, and what percentage will be sourced internally by the end of FY27 once the new distillery is online?

Management: Requirement is about 200 million liters of ENA for 50 million cases. We currently produce about 70 million liters in-house. With the expansion, we should reach about 120 million liters by FY27. We will need one more plant to reach the 200 million liter target by the end of FY28.

Sanjeev Manyal – DAM Capital: Thank you.

Operator: Thank you. Next question comes from the line of Dheeraj Mistry with ICICI Securities.

Dheeraj Mistry – ICICI Securities: Congratulations on the margin surprise. Could you summarize the volume growth traction for the non-Iconic part of the portfolio, such as Sterling Reserve B7, B10, and Officer's Choice Blue?

Management: In the prestige whiskey segment, which is about 120 million cases, our approach is to profitably carve out market share. Currently, we have about a 15% market share between Officer's Choice Blue, Iconic White, and Sterling Reserve B7. We look at market share at an aggregate level. Officer's Choice Blue and Iconic White operate at the same price point; we look at Officer's Choice Blue as a regional brand in four pockets of strength. Regarding Sterling Reserve B7, we are experiencing a bit of de-growth. We have introduced a new blend that has seen success, and we are launching a new pack in Q1 of the next financial year to bring back growth.

Dheeraj Mistry – ICICI Securities: Is it correct to assume B7 is more gross margin accretive than Iconic White?

Management: In terms of percentage, B7 might be about 150-200 basis points ahead of Iconic White, but they are in the same range.

Dheeraj Mistry – ICICI Securities: Which are the five key states for Iconic White and Officer's Choice?

Management: The top states for Iconic White are UP, Telangana, Andhra Pradesh, MP, and Haryana. For Officer's Choice, Telangana and UP are the top two markets.

Operator: Thank you. Next question from Karan Kamdar with Choice Institutional Equities.

Karan Kamdar – Choice Institutional Equities: Sir, how do you view your playbook for distribution? What are you doing differently from the competition?

Management: I will divide this into two parts. For our ABD portfolio at the 1,500 price point, the focus is on off-premise distribution, where our reach is 93%. We use permanent journey plan discipline and automation for sales calls to retail outlets. We use a tech platform to monitor incentives for counter salesmen, allowing us to communicate with them directly via an app. This has significantly improved engagement.

For the ABD Maestro portfolio, the focus is on key accounts. We have built a team skilled in managing key accounts and travel retail. We have secured listings in major hotel chains like ITC and Marriott. We are also digitizing our entire training program for the sales team, ensuring every salesperson, regardless of location, can access brand information and FAQs to answer retailer or consumer queries. A combination of the right manpower, technology, and data is how we maintain our distribution edge.

Karan Kamdar – Choice Institutional Equities: What is your current premium on-premise distribution as a percentage of sales?

Management: Premium on-premise distribution for ABD Maestro is at about 40%. We aim for a 5-7% increase quarter-on-quarter, targeting 65-70% reach by the end of next year. For the ABD Maestro portfolio, we expect about 25% of revenue to come from on-premise and 75% from retail.

Operator: Thank you. Next question from Sanmay Gupta with Bank of India Mutual Fund.

Sanmay Gupta – Bank of India Mutual Fund: Regarding the mass premium segment, you mentioned a 7% impact from Telangana, but we have seen consistent de-growth over the last two quarters. How do we restrict this?

Management: We expect Q4 to be back to normal in Telangana. Also, the entry into the mass premium brandy segment in Andhra Pradesh, which is a 12-million-case market where we were not present, is a big opportunity. We have approvals in place and hope to start billing in Q4. This could add about two million cases. Furthermore, we have applied to participate in the state-made liquor category in Maharashtra via our subsidiary, Meenakshi. If we qualify, that would be an additional growth opportunity not currently factored into our guidance.

Sanmay Gupta – Bank of India Mutual Fund: So, for Q4, can we expect a normalized quarter and mid-single-digit volume growth for this segment?

Management: In the mass premium segment specifically, we should look for low single-digit growth. P&A; will continue growing at double digits. Overall, we expect mid-double-digit growth in value and early double-digit growth in volume.

Sanmay Gupta – Bank of India Mutual Fund: How should we track the success of the luxury ABDM portfolio?

Management: That segment is about 12 million cases and is growing. Our approach is to carve out a single-digit market share of this portfolio, which will significantly impact value and EBITDA. Additionally, post-UK FTA, there is an opportunity to participate in the value scotch segment. Currently, we do not play there because there is no money to be made. Once the FTA is implemented, we will be brand-ready for that segment.

Operator: Thank you. Next question from Vaibhav Gupta with Go Head India Fund.

Vaibhav Gupta – Go Head India Fund: Regarding your brand launch pipeline, you plan to launch three brandy brands. What are the price points?

Management: We are looking at a brandy launch in the mass premium segment. In the prestige segment, we already have Kyron, which has a 25% market share in Telangana and Andhra Pradesh. We have received CSD approval for Kyron, which opens a large opportunity. So we will have a brandy in the mass premium segment, one in the prestige segment, and one in the premium segment.

Vaibhav Gupta – Go Head India Fund: How is Kyron priced?

Management: Kyron is roughly 1,400.

Vaibhav Gupta – Go Head India Fund: What about the P&A; vodka brand launch and price point?

Management: We have already launched Golden Mist in Telangana. We are looking at a further P&A; vodka brand launch in Q1 of the next financial year. We are quite excited about that.

Vaibhav Gupta – Go Head India Fund: So the ABDM portfolio exit run rate is around 40 crores, and you aim to double it for the next two years to reach 150-200 crores?

Management: That is what we are targeting.

Operator: Thank you. Next question from Chetan with Systematics Group.

Chetan – Systematics Group: Higher A&P; spending partially offset gross margins this quarter due to luxury brands. How should we look at A&P; spending moving forward? Is the 18% margin guidance inclusive of these elevated spends?

Management: Yes, the 17-18% guidance takes into account the increased A&P; investment across both the ABD and ABDM portfolios.

Operator: Thank you. Next question from Avnish Tiwari with Bitkarya Change LLC.

Avnish Tiwari – Bitkarya Change LLC: Since you are investing in UP, can you compare the state policy environment and competitive landscape there?

Management: The UP government has been fairly progressive. We have seen policies that drive premiumization and healthy margins. Last year, the excise duty payment was moved from the manufacturer to the wholesaler, which improved working capital efficiency. We also hear that state-made liquor might move from molasses-based to grain-based ENA, which is good news as we are setting up a grain-based distillery there. The state has made itself very attractive for investment. Regarding the competitive landscape, having a large owned manufacturing asset base in UP gives us a definite edge.

Operator: Thank you. Next question from Abhijit Kundu with Antique Stock Broking.

Abhijit Kundu – Antique Stock Broking: Regarding Iconic White, it has scaled very fast in four states. Do you see more scaling opportunities in other states like West Bengal?

Management: I agree. Apart from the five large markets, there is significant opportunity across many states. We are crossing 10 million cases because the brand is growing strongly everywhere. It is currently at a 12 million case annual run rate. Iconic White is successful because it captures a larger share of new consumers reaching legal drinking age; it is seen as a fresher, younger brand. CSD approval and international expansion to 35 countries by year-end will also provide long-term growth. We stay hungry and recognize the competitive landscape.

Abhijit Kundu – Antique Stock Broking: How do you see Zoya evolving over the next two years?

Management: By design, our first luxury brand was a spirit other than whiskey to test our brand-building capabilities. We are happy with Zoya, which has 70% gross margins. We have launched two new flavors and shipped to three countries. However, Zoya operates in a segment that is not the largest. Other brands in our portfolio, like our Irish whiskey, which is in a fast-growing category, and our craft Indian whiskeys like Woodburns and Yellow, will be bigger volume drivers. We look at ABDM at a portfolio level, which reduces our cost of sales in premium on-premise.

Operator: Thank you. I will now hand the conference over to the management for closing comments.

Management: Thank you for taking the time to listen and for all your questions. We are excited about Q4 and look forward to connecting again in April or early May.

Operator: Thank you. On behalf of Allied Blenders and Distillers, that concludes this conference. Thank you for joining us. You may now disconnect your lines.