

**SOM Group of Companies**



## SOM Distilleries & Breweries Ltd.

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Earnings Conference Call Transcript

Q4 and Full Year FY2020

### **Management:**

Mr. Deepak Arora - CEO

Mr. Nakul Sethi – Director, Finance & Strategy





**Moderator:**

Ladies and gentlemen, good day and welcome to the SOM Distilleries and Breweries' Q4 and Full Year FY2020 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

Joining us today on this call are Mr. Deepak Arora – CEO and Mr. Nakul Sethi – Director, Finance and Strategy.

Before we begin, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For a list of such consideration, please refer to the earnings presentation.

I would now like to hand the conference over to Mr. Deepak Arora for initial comments. Thank you and over to you, sir.

**Deepak Arora:**

Thank you. Good afternoon everyone. I would like to welcome you all to SOM Distilleries & Breweries Limited's Q4 and Full Year FY2020 earnings call. These are unprecedented times and I hope you all are keeping safe and healthy.

During today's call, I will discuss the performance highlights, industry environment and outlook for the company. I will then handover the call to Mr. Nakul Sethi - Finance & Strategy Director for a detailed discussion on the performance. Post which we will open the call for an interactive Q&A.

Our results for the first nine month ended December 2019 were encouraging. The outbreak of pandemic of COVID severely impacted fourth quarter performance. The impact was predominantly felt in the month of March which is the start of the peak season for the beer industry. During the year we recorded a total income of Rs. 4,635 million, an increase of 16.8% compared to the same period last year.

The revenue increase was driven by volumes growth. Beer volume grew by 12.6% to 85.5 million cases and IMFL recorded a growth of 22.7% to 11.9 million cases. EBITDA



for the year was Rs. 479 million, a decline of 9.2% compared to FY2020. And PAT declined by 239% to Rs. 150 million. The impact on profitability was primarily attributable to loss on sales on account of the outbreak of Covid-19 coupled with inventory write off to the tune of Rs. 80 million. As you are all aware that beer has a limited shelf life and as there was no sales during the lockdown, we had to take this write-off.

As you are already aware that our peak demand season was dominated by lockdown and other related restrictions, we expect this to reflect on our Q1 FY2021 financials. For the month of April we had zero sales. However, we experienced some momentum in the month of May and June. We believe that the remaining part of the fiscal year we will be able to record year-on-year growth. However, first quarter being the peak season accounts for a majority of our annual revenue.

We expect FY2021 topline to see a decline compared to this year. At this stage it would be difficult to ascertain the quantum and we will update once we have more clarity.

To ensure profitable operations during FY2021, we have decided to primarily focus on profitable markets and not on relatively newer markets. In addition, we are undertaking various other measures to ensure operational efficiency.

We would also like to inform you that despite the challenging environment the initial response to our recently launched 'Woodpecker' beer has been very encouraging in a very limited period. It has crossed sales volume of 2 lakhs cases. We plan to expand the reach of the product in the coming months.

The pandemic has created short term challenges for the broader market, but we are confident of restoring normalcy in the medium to long term. May and June 2020 sales have given us some good initial hope and we expect that the situation should improve further as more relaxations are allowed at retail and the wholesale operations.

Thank you. With this I would like to handover the call to Nakul Sethi.



**Nakul Sethi:**

Good afternoon, everybody and welcome to our Q4 and Full year FY2020 earnings call. Our consolidated total income for the year was Rs. 4,635 million representing an increase of 16.8% compared to last year. Our beer revenue increased by 17% to Rs. 3,807 million. IMFL revenue stood at Rs. 788 million representing an increase of 26.7%.

In FY2020 realizations per case for beer was Rs. 445 compared to Rs. 429 last year. IMFL realization stood at Rs. 659 per case compared to Rs. 369 per case in FY2019. Consolidated EBITDA for the period declined by 9.2% to Rs. 479 million. EBITDA margin for the period was 10.3%. Our profitability was impacted by lower sales in March coupled with higher cost due to the write-off of inventory. The loss on account of this write off was approximately Rs. 80 million which is equivalent to margin loss of over 200 basis points. Consolidated PAT for the period was Rs. 150 million, a decline of 23.9% compared to FY 2019. Both of Karnataka and Orissa subsidiaries generated operating profit during the year.

As of 31st March 2020, total debt stood at Rs. 2,202 million and cash and cash equivalent were Rs. 219 million representing a net debt of Rs. 1,983 million. Gross debt to equity was 0.69x and gross debt to EBITDA was 4.59x. The increase in debt was attributable to the last tranche of ~Rs. 350 million for our Bhopal expansion and higher working capital on account of lockdown.

Our flagship brand Hunter recorded a volume growth of 10.4% to reach 35.9 lakhs cases compared to the same period last year. Black Fort recorded volume of 14.4 lakhs cases, a decline of 23.9% compared to the same period. Our mass brand Power Cool recorded a growth of 41.4% to 31.6 lakhs cases in FY2020. IMFL business recorded a volume growth of 22.7% to 11.9 lakhs cases.

Due to the challenges posted by the pandemic the board has decided to preserve cash and not to announce any dividends. The company has also decided to not give any annual increments to the senior management during the year. We continue to evaluate the situation on a regular basis and we will take necessary steps to overcome the challenges.

With this we would like now to open the floor for Q&A. Thank you so much for your patience.



- Moderator:** Thank you very much. We will now begin the question-and-answer session.
- The first question is from the line of Vijay Ramchandani from Pragya Equities. Please go ahead.
- Vijay Ramchandani:** I have few questions. If you can just quantify the impact lockdown had in our sales for the quarter on our sales as well as profitability?
- Nakul Sethi:** For example, Woodpecker started having effect from maybe about 10<sup>th</sup> or 11<sup>th</sup> of March on the dispatches. Bhopal unit, we had effect starting from 16<sup>th</sup> of March. Orissa also happened the same time.
- Vijay Ramchandani:** Okay, because I was just trying to understand, because the lockdown was for just 10, 15 days of March, what would have been the impact of the same one on the numbers?
- Nakul Sethi:** See, I mean if you look at, we did about Rs. 115 crores of sales in last year in the March quarter and I think we could have easily done another Rs. 35 - Rs. 40 crores of sales under normal market conditions.
- Deepak Arora:** So Vijay, what happens is the last 15 days you are actually stocking up for the season, because there are lot of renewals at the retail level as well. So, when you are stocking you actually start stocking up from November, December. And that is when you are supposed to realize the sales in March, April, May. The stocking which you do from November onwards. So, while you book and quantify a case-on-case sales, but impact is much larger. It is because of we have a built-up inventory.
- Vijay Ramchandani:** Okay, have you witnessed re-stocking post ease of lockdown from month of May, I mean have you witnessed that?
- Deepak Arora:** No, because we have not witnessed that because these industries in some of the markets are down by more than 60% on a pan-India basis. Beer sales in total are down by over 50% - 60% pan India. So there is no question of restocking. It is in fact the other way around where stocks are stuck in the depot levels at the wholesale levels because the sales have not picked up.



**Vijay Ramchandani:** Okay. So, what would be our plant utilization as on today?

**Deepak Arora:** Plant utilization on a consolidated basis is less than 30% right now.

**Vijay Ramchandani:** So regarding our Bhopal expansion, are we still going to go ahead with that because of the current scenario?

**Deepak Arora:** Yes, I mean, like any other industry we were geared up for growth to deliver on the season this year. And while that has been as I said in my briefing that it is a short setback, but it is not a long term setback. And we will definitely be looking at getting back to normal capacity utilization levels and the expansion was done keeping in mind that of realizing more shares from our organic markets such as Delhi, MP, Chhattisgarh.

**Vijay Ramchandani:** So we are going to target and still complete the expansion of Bhopal this year itself?

**Nakul Sethi:** Yes, the Bhopal plant is, the expansion is about 95% - 96%. Most of the money has been given. So, there is not much to be incurred there.

**Vijay Ramchandani:** Okay, so also you mentioned that you will be focusing on only profitable markets from here on to control costs. Just want to understand which are the markets that we are going to let it go and what are the sales that will be, that we have to let it go, on those markets?

**Deepak Arora:** So, it is not about a question of letting it go. It is a question of scalability of operations. While we are always planning to be a pan India brand and we have already started working towards that, there is no question of going back on that. But at the same time, where we have to deliver, markets which do not have an organic brewery in place we would just be scaling down the operations for the short term so that once the demand recovers we can come back.

**Vijay Ramchandani:** Okay and do we have margin guidance for FY2021, any target or something?

**Deepak Arora:** I think it is too early to comment on that given the circumstances right now and how far does the COVID actually gets relaxed and the impact on the industry for the same.



**Vijay Ramchandani:** If you can provide brand-wise sales for Q4 FY2020 because the presentation only had for 12 months?

**Nakul Sethi:** Yes, we will provide it to you.

**Vijay Ramchandani:** One last question, sir. Can you explain the rationale behind sub-division of shares? I mean I do not understand our share prices have already come down by 75% from its peak it was two years back. What is the rationale exactly?

**Nakul Sethi:** We are going to take approval in the AGM in September and then we will have one year to do it.

**Moderator:** The next question is from the line of Abhishek Agarwal from Quest Capital. Please go ahead.

**Abhishek Agarwal:** Since last two quarters you have said that we are bullish on exports and we also had plans for US markets. You said there and I guess we also launched our product in Singapore and Malaysia, if I am not wrong. So, how have we done in those markets and what are our plans basically?

**Deepak Arora:** We are very clear on the exports strategy. See, when the product gets accepted worldwide from an Indian company, it is a big thing because it is a testament to the Company's quality at the world stage. And as far as that goes, we have been constantly supplying through a distributor network in places like New Zealand, the USA, Scandinavian countries and the Middle East as well as Africa. While these markets have consistent demand, it is at the same time little volatile right now. So, if you take an example of Singapore, for example, Singapore came out of the lockdown then went back in lockdown then came back and then went again in lockdown. So, it really depends on the country's position right now. While the countries outside India are open as they do not consider beer to be a bad thing to consume during cold seasons. Although there might be medical restrictions on it but at the same time it is widely available.

So there is no hampering on the distribution. So, we would see consistent demand if there are no spikes and it depends purely on the country to country basis. We have already



started exporting. This Quarter also we have exported in the fag end of the Quarter when the ports opened up in India. So, we are very much focused on that.

**Abhishek Agarwal:** Okay sir, one last question. How much of export did we do in Q4 and also going ahead how much of sales as a percentage of our total revenue do we see in terms of exports, obviously, when the situation normalizes?

**Nakul Sethi:** I think for the full year we did about close to 2.5% - 3% of our sales through exports.

**Abhishek Agarwal:** And sir, do we have any plans, I mean what kind of exports do we look at going ahead in terms of a percentage of sales?

**Deepak Arora:** This would be better than last year in terms of value as we are also exporting a lot of IMFL, but as I said it completely depends from country to country how they look at it and if they are open for 12 months, we are very confident of doing better.

**Moderator:** Thank you. The next question is from the line of Runjhun Jain from Nirmal Bang Securities. Please go ahead.

**Runjhun Jain:** I just have two, three questions. First is about the interest cost prices. So how is our bottle prices and the barley prices have been shaping up and our barley contract was given in March. So what is the status of it?

**Deepak Arora:** So, the impact has been on two accounts. One, it is a demand, peak demand is gone so we would see on a medium term the same prices being driven for this year. But at the same time if at the back end it has not been procured then we will see a spike. It is very difficult to state right now what will be the prices. And the same thing with the glass bottle, the cost entirely depends on the returnable glass proportion which is directly linked to the volume of sales. So again at the same time where our volume markets are there we are not seeing any difference in our returnable glass bottles (RGB) utilization, but for the new markets it will be a challenge because the sales on a volume basis has gone down. So we might just see a product cost impact.



**Runjhun Jain:** Sir, we were doing some marginal CAPEX on our Orissa plant also. So is it done or are we going with that or put on hold? What is the status of that?

**Nakul Sethi:** So we have added a canning line in Odisha and that has been done. So I think that we have a better product mix this year onwards in Odisha.

**Runjhun Jain:** Other than that there is no CAPEX at Odisha?

**Nakul Sethi:** No. Other than that, there is no CAPEX in Odisha.

**Runjhun Jain:** And also last question, we have seen that many states have increased the excise prices which would definitely have impacted the MRP of the product. So, are we able to pass on the whole increase or we are absorbing it ourselves also?

**Deepak Arora:** So most of the states Runjhun, have tax at the consumer level. So what has happened is there was an MRP and then they taxed on the MRP. So most of the impact has gone to the consumer, but that has reflected in the consumption. So, as I stated, 50%-60% is down because of lockdown as well as, as you mentioned, that the MRPs have really shot up. So, these are the two reasons and the governments are realizing that slowly, that they cannot have revenue in a way that, where you just keep on increasing the MRP and you will keep getting more revenue. Prime example of that is Delhi where they increased the prices and then reduced it. Similar rationale will be adopted by the states in future. So, I do not see this as a permanent phenomena. I would say that once the consumption starts tailing off and the state revenue starts falling there will be governments which will be reconsidering the adhoc COVID tax which they have put on. So I mean, the same way if we look at it, even Karnataka, some of the mature markets like Karnataka, they have not placed 50% -60% type of a tax. They have only placed a 10% tax. So that has not affected the consumption to that level. While states like Andhra, Delhi and West Bengal, who had put a 50%-60% tax, COVID tax, those are the ones who are really suffering right now on account of consumption as well state revenue. I am sure there will be corrections there.

**Runjhun Jain:** Hopefully sir. Sir, we have seen, you are saying that May and June has seen some momentum coming back. So, even if I have to take June as a whole month because May



so initially where we have started in a phased manner. So how was June in terms of year-on-year growth has been, or in terms of how much lower it was than the last year? I mean, how close it is to the normalization in a different way?

**Deepak Arora:**

So I mean Runjhun, we can always discuss that separately on how it would be done but prima facie is, as I said the consumption is down by 50%- 60%. So, when I say not 90%, there are some states like Orissa where consumption is down by more than 90%. But the reason I am saying is, it is 50%-60% is because some of the states like Karnataka, some of the states like Delhi who have rolled back the COVID tax, there you are seeing some positive momentum in terms of sales, but they are also less than last year only.

So it is basically, we are discussing the gravity of the loss of consumption. So for us, right now it is important that we see which all markets are less down compared to some of the other markets which are totally down. So, that is how we are approaching it. So, when I mean there is some hope in terms of momentum, I mean that these markets such as Karnataka and Delhi, have shown signs of revival in because they have rationalized the tax regime.

So they are actually working on a broad based tax model where they are keeping the prices a little constant so that they can encourage a little of more consumption in terms of spendability of the consumer. So, that is how it is working out right now.

**Moderator:**

Thank you. The next question is from the line of Sunil Jain from Nirmal Bang. Please go ahead.

**Sunil Jain:**

Sir, my question relates to more on this inventory write off which you had taken. Is this over or we can have something more in even in Q1 also?

**Nakul Sethi:**

I think Sunil Ji, we will assess the situation once we close June, basically.

**Sunil Jain:**

So now the situation must be under your control you know like how much is you are selling so you will be producing that much only.



- Nakul Sethi:** Yes, now we are more cautious because considering the lockdown and we are also aware that our natural MP market is also not opened up properly so we are taking care of the things.
- Sunil Jain:** So this collection from your debtors and all, that is also increased a bit, but how is the situation now, means whether you are able to collect the money or they can be some write off in that also?
- Nakul Sethi:** No, so on a positive note, all our debtors are mostly government operations. So about 95%-96% are corporation markets only where we operate in. We are not going to see any write offs but we will see some delays but no write offs on that front.
- Sunil Jain:** Fine. And, if suppose there is, we see a lot of variability in your expenditures when we see the turnover of different Quarters, so how much scope is there to reduce the expenses looking at the conditions of the market and all? How much your fixed cost or how much you can reduce it your expenses?
- Deepak Arora:** So, it is a function of consumption, where you see the consumption going down so obviously your factory cost and your establishment cost need to come down. So we are working on that to bring that down. Simultaneously we are also working at optimizing our sales channels. So, when I said a little bit about how we are going to approach the market, what I meant was that any channel which is in a very dormant state or very early stage, some of the markets, we would try to optimize our volume there rather than go for the distribution. While where organically we are growing, that is where we would be optimizing our sales. So it is a function of looking at it one apple at a time and customizing your approach state to state, market to market. So, that is how we will be approaching that in terms of market to market and in terms of state to state. So if we see that this market is required for the overall health and visibility of the brand we will continue to invest on those markets. But as far as profitability goes, we would be a little cautious in terms of driving volume but also keeping our costs in check. So that is what how fundamentally we will be approaching the year.
- Sunil Jain:** Yes, that is true, I agree with you. Only thing I was looking at, see in the near term, because of the lower sales there could be some constraint on cash flow and all, so on that



account I was speaking how much more we can reduce on the cost side also. Because sales is down but cost how much we can reduce?

**Deepak Arora:** So, obviously the cost will come down when the demand goes down, so the raw material, packing material cost should tend to come down because of the demand. But at the same time, the fixed cost component is something which you have to maintain. I mean, we are not microbreweries. We have set ups which are scalable. So we have to maintain the minimum fixed costs to run those set ups.

**Sunil Jain:** Okay, and last question about debt. How much is the repayment of the debt in the current year?

**Nakul Sethi:** I think on a consolidated basis we repay about Rs. 18 -19 crores of debt per year. But we have taken a moratorium till September. So, I think we will pay about Rs. 10 crores of debt.

**Moderator:** Thank you. The next question is from the line of Nitin Awasthi from East India Securities. Please go ahead.

**Nitin Awasthi:** Hello sir. Just wanted to understand something. So, over the years in this whole industry there was always this play of premiumization that was talked about. And during those years, you have built an array of mass market products in your IMFL segment, if I am not wrong, because a lot of brand shave been put by you, ones existing or some have been revamped. Now the stories which is going around is there is a lot of down-trading happening because of the taxes, etc. There is a lot of down-trading happening in this segment, so are you seeing anything of that sort of thing play out, whereas you are seeing that the brands created by you in the past, mass market brands are now getting more and more traction?

**Deepak Arora:** So that is very true in terms of some of our brands. That is why categorically, if you look at the Power Cool sales, they have gone up substantially over the last year primarily because of this reason that when the lockdown ended we had sales of Power Cool going from 22.3 million to 31.6 million in FY2020. Therefore, we registered a 41% growth. But at the same time, if you look at Hunter, we registered a 10% growth, which is the



premium segment as well. So that is a typical portfolio strategy where you might have toppling effect that the premium consumer might come down to a lower segment. And the same thing happens in IMFL as well.

So, someone who is on a premium will come to semi-premium, a semi premium guy will come to a deluxe and things like that happen depending upon the state. So when you add a lot of migrant labor working across different states, that consumption footprint was very different of that city or of that state versus today where some of the states had allowed online and some of the states had opened the shops on an e-token system. So again it is a very state to state call depending on how they plan to open the market up. So accordingly it will move. For example, Karnataka has, although there is a dip in consumption, you see that the premium and the mass brands, both have continued to remain robust in terms of the saliency. While, if you compare a Delhi, which had high prices from Rs. 100 to Rs. 200, you have seen a substantial increase in the mass products versus your premium products. So, again it is a state to state call depending on the kind of taxation they want to levy. Same thing happened in Bengal. Actually there was an IMFL spike in Bengal, country liquor spike in Bengal comparatively where you saw a dip in beer sales. So that is why it is our strength actually. We have seen a little growth in our IMFL operations in Karnataka as well because of that.

**Nitin Awasthi:** Okay, and going ahead, you think, at least on the percentage mix IMFL could be growing at a much faster range than beer not only this year but at least for few years down the line because of this whole downplay thing going on?

**Deepak Arora:** Not really because IMFL also has a peak limit. You cannot keep taxing both continuously where your consumption has tapered off. So you have to actually take some corrective actions to get the consumption back and then you can probably start taxing again. So, while the down-play is a temporary phenomenon because of the restrictions to the market. Once you do not have those restrictions, things will pretty much even out because they, State Governments, measure their revenue both, in terms of beer as well as IMFL sales. So, they would see this very, very clearly that spike in IMFL sales is not enough to cover the whole pile. So they would have to take those steps to ensure that both of them put together give you a volume plus in terms of taxes.



- Moderator:** Thank you. The next question is from the line of Justin Anthony, individual investor. Please go ahead.
- Justin Anthony:** So, you said that if there were no pandemic like we would have registered a Rs. 30 crores to Rs. 35 crores more revenues. So I want to understand that if we were in a position where we clock like Rs. 35 crores more sales, which means that from a standalone we might have sold Rs. 20 crores more right? Currently the standalone sales excluding tax is Rs. 65 crores. In last year it was Rs. 85 crores. Since the capacity is running almost at 100% therefore you would have sold Rs. 20 crores plus, am I right?
- Nakul Sethi:** Yes, so if you look at not the expanded capacity, we are running at 90% exactly.
- Justin Anthony:** Yes, currently you have sold it for Rs. 65 crores in this current Quarter. Last year you sold it for Rs. 85 crores. So overall there was a down of around Rs. 20 crores in the standalone, correct? If there were no pandemic, are you saying that you might have sold Rs. 20 crores in the standalone more?
- Nakul Sethi:** Yes, that would have been possible.
- Justin Anthony:** No basically what I am understanding is that other companies have told that even, assume that there is no pandemic, the volume has come down by 6%.
- Nakul Sethi:** We had a very good start in Quarter 1 of FY2020, so we continued the trend and it is very specific when you try to get more market share, you are a new entrant, of course your growth trajectory will be slightly higher than others.
- Justin Anthony:** Okay, so I am assuming that in standalone we might have sold Rs. 20 crores more, but not more than Rs. 20 crores, right?
- Nakul Sethi:** I had estimated Rs. 35 -40 crores, it could have been Rs. 50 crores also.
- Justin Anthony:** Sir, basically, I am trying to understand based on your past estimate, and if there were no pandemic, where we would have landed and what is the possibility in future? That is what I am trying to derive.



**Nakul Sethi:** What if you would have, in Quarter 3 we had projected we will end up at between Rs. 475-500 crores.

**Justin Anthony:** Yes, so that is what I am trying to understand.

**Nakul Sethi:** For this current year, like our CEO sir has mentioned, we are currently evaluating the situation and we are not in a position, or I think for that matter nobody will be to give a projection that where we will stand at the end of this year.

**Justin Anthony:** No sir, I am just trying to understand the product accessibility and how people like it. Currently if you look at it, last year the same Quarter you have sold it for Rs. 25 crores and this year you have sold it for Rs. 30 crores. If there were no pandemic, how much you must have sold it? That is what I am trying to understand. See, at least this is unexpected situation, which is something everyone has to understand, but if the situation was not there, how you would have grown is what I am trying to understand. Based on that I can evaluate how it can go in future.

**Nakul Sethi:** Well let us say you may have done about another Rs. 25-30 crores.

**Justin Anthony:** Yes so from subsidiaries you might have sold maybe Rs. 10 crores more, like last year Rs. 25 crores, this year you might have sold Rs. 40 crores or Rs. 35 crores. So the growth is coming from Bangalore or is it coming from, you know in between there was an update from the company stating that the new capacity which you have opened in Bengal is doing well and the draft beer is very well perceived. I did not understand how much growth.

So I am just trying to understand, from standalone, if you have sold it for Rs. 35 crores, instead of Rs. 30 crores or Rs. 40 crores, do you think that out of the Rs. 15 crores, maybe Rs. 5 crores might have come from Bengal and Rs. 10 crores might have come from Karnataka?

**Nakul Sethi:** Yes, sir.



- Justin Anthony:** Okay, sir with this projection, I am not trying to understand anything for FY2021, FY2022, what you have lost because of this pandemic is not something you are going to lose it and business is going to perform well. So what do you think will happen in FY2022?
- Nakul Sethi:** I mean FY2022 is a long way off. I do not think that we would like to give any forward looking statement.
- Justin Anthony:** No, I am not asking you to give any ball-park estimate. What I am trying to understand from you is that a new capacity which is coming up in Bhopal which will add depreciation and there will be more interest. So what I am trying to understand is that how much the depreciation would be for FY2021. We know that it is not going to be good but FY2022 what would be the depreciation and what would be the, not sales perspective, but what do you visualize, what is that you are looking for in FY2022 with the current capacity?
- Nakul Sethi:** So if you look at the depreciation right now, I am at about Rs. 4.75 crores in a year, so on the expanded plant it would be close to about Rs. 10 crores.
- Justin Anthony:** Yeah, so total if you look at it, depreciation plus tax comes to Rs. 32 crores, right? So whatever EBIDTA you lost, like Rs. 32 crores goes, will be vanished in depreciation and interest. So, we need to make profit out of, after this Rs. 32 crores. So that is what I am trying to understand that do you have a clear cut plan for FY2022 to get more capacity and grow at 30%-40% because the kind of capacity which you have will enforce you to grow at 30%-40% to have a proper bottom line, right?
- Nakul Sethi:** The capacity has been set up considering that we want to grow. Otherwise there was no sense in putting up the capacity, right sir?
- Justin Anthony:** Yes, which I agree.
- Nakul Sethi:** The management and the execution team is well aware that we need to improve our ROCE and we will keep you updated sir, on how things develop.



- Justin Anthony:** There is some capacity expansion has been done in Bhopal or are we going to do much more or is it pending?
- Nakul Sethi:** We have already done for the Bhopal about 95%-96% as I mentioned in the call earlier. The bulk of the money is already spent, and we are already providing for the debt interest coming to the P&L.
- Justin Anthony:** Okay. Sir, so for FY'21, one side of the revenue has already gone. That is how I am looking at it. If you look at it, you could have done Rs. 500 crores for FY2020, if there is no pandemic. So I am taking out Rs. 150 crores out, and Rs. 350 crores. On top of it let us say if we are going to grow at 25%, so Rs. 430 crores, Rs. 440 crores sale, do you think you would be able to achieve by FY2021? I am not asking you that it has to be appropriate, but do you have the growth plans, let us say, if there is no more lockdown, if there is not much of things happening, do you foresee that you would be able to get 25% growth of revenue?
- Nakul Sethi:** At this point in time it is very difficult to any kind of guidance on the projections or the numbers we plan to achieve.
- Justin Anthony:** Okay, that is perfect. So, do you see, at least we will get back to the old capacity? I am not asking in terms of number. Getting at least back to the last year's sales itself is going to be difficult because lot of bars, so many social activities are not happening. That is where the beer sales would go up, but you said that we are expecting we will get back to, the further years, we may be clocking year on year growth. Do you think it is feasible?
- Nakul Sethi:** I think it is feasible sir. I think it is achievable.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.
- Deepak Arora:** While this year has been tough on account of our sales, I would like to firstly thank everyone for patiently listening in and I would just like to state to all our investors and well-wishers that although the going is tough for this year, but the outlook on a mid-term perspective will be great because we have invested in the assets, we have invested in the



distribution. So going forward, we look forward to all your support and thank you for listening to this call.

**Moderator:** Thank you. On behalf of SOM Distilleries & Breweries, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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*Note: This transcript has been edited to improve readability*

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