

SOM DISTILLERIES AND BREWERIES LIMITED

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To,

<p>The Manager, Listing Department, NATIONAL STOCK EXCHANGE OF INDIA LIMITED 'Exchange Plaza' C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai-400 051. cmlist@nse.co.in <u>Security ID: SDBL</u></p>	<p>Dy. General Manager, Department of Corporate Services, BSE LIMITED, First Floor, P.J. Towers, Dalal Street, Fort, Mumbai – 400001. corp.compliance@bseindia.com <u>Security ID: 507514</u></p>
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SUB : INTIMATION UNDER REGULATION 30 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 - EARNINGS CONFERENCE CALL TRANSCRIPT

Dear Sir/ Madam,

Pursuant to Regulation 30 of Listing Regulations, please find attached Earnings Conference Call transcript of Friday, 22nd July, 2022 with regard to the financial results for Q1 FY2023.

The transcript of the said Earnings Conference Call is also available on the Company's website i.e. www.somindia.com.

This is for your information and records please.

Thanking You,

For Som Distilleries & Breweries Limited


Om Prakash
Company Secretary & Compliance Officer



SOM Group of Companies



SOM Distilleries & Breweries Ltd.

Earnings Conference Call Transcript

Q1 FY2023

Management:

Mr. Nakul Sethi – Director, Finance & Strategy





Moderator: Ladies and gentlemen, good day and welcome to the Som Distilleries & Breweries Limited Q1 FY2023 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 is Mr. Nakul Sethi, Director of Finance & 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 considerations, please refer to the earnings presentation. I would now like hand over the call to Mr. Sethi for initial comments and then we will start with an interactive question-and-answer session. Thank you and over to you Sir!

Nakul Sethi: Thank you so much. Good Afternoon everyone. I would like to welcome you all on behalf of our company for our Q1 FY2023 earnings call. Hope you are all keeping safe and healthy. Our performance during the quarter recorded many best-ever achievements in the history of our company. We recorded best-ever quarter in volumes, revenue, EBITDA and PAT to name a few. Since the completion of our capex plans, this was the first season quarter that we were able to operate without any restrictions. We recorded beer volumes of 47.3 lakh cases during the quarter resulting in total income of Rs.256 Crores. All our main line brands recorded a stellar performance and it was best ever volume sales for Hunter and Power Cool Brands. Our recently launched Woodpecker brand sold around 60,000 cases in Q1, which is close to about 50% of the last year full year sales and altogether, Hunter recorded a volume of 20 lakh cases, Black Fort and Power Cool recorded 7.2 and 19.4 lakh cases respectively during the quarter. The realization for the quarter was Rs.506 per case compared to Rs.462 in FY2022 primarily driven by higher mix of Hunter in the total volumes and the price hikes which we have taken across brands. IMFL volumes during the quarter was 1.9 lakh cases, an increase over 160% compared to the same period last year. While the IMFL realization for the quarter was Rs.791 compared to Rs.775 Crores in FY2022. The strong performance across our brands is a testament to the quality of our products. We have been successfully capturing new market share across all our markets, which indicate strong preference for our products by the consumers. The performance and market share gained



are also a testament to our team execution capabilities. During the quarter, we recorded an EBITDA of Rs.35.9 Crores with a margin of 14% which is in line with our historical averages. This margin was achieved despite the prevailing inflationary conditions. During the quarter, we took price hike across all our key markets. In addition, our focus on operational efficiencies supported by near-peak utilization of our plants was the primary drivers for the margin enhancements. Our Karnataka plant operated at peak capacity level during the quarter on an annualized basis. Both Bhopal and Odisha plants operated at annualized capacity utilization of around 70%. Our PAT for the quarter was Rs.25.7 Crores with a margin of 10%. The overall improvement in operating performance was the primary drivers for this improvement.

Our gross debt as on June 30, 2022 stood at Rs.180.3 Crores compared to Rs.197.3 Crores as on March 31, 2022. Compared to March 2022, our net debt improved by around Rs.16 Crores as on June 30, 2022. As a result of our deduction in our debt, our total debt to equity ratio at the end of June quarter was 0.6x compared to 0.7x in March 2022. Our net debt to LTM EBITDA ratio improved significantly to 2.9x in June 2022 compared to over 10x as on March 2022. This improvement is a clear indicator of our balance sheet strength and robust cash generation capability.

In addition to the favorable demand scenario, the change in excise policy and increase in the sale points particularly in the MP benefited our overall performance. The sales touch points in MP has increased by over 3x due to sales of IMFL to through IMIL stores. It would be too early to predict the exact impact on the change as it has been just a quarter. We continue to track the development and pattern closely and will obtain once we have got a clarity in terms of benefit from the increase in the touch points. Going ahead, we expect to continue the growth momentum. In the last one year, we have been successful in enhancing our market share in all key markets and we will continue to gain further to drive our volume growth. Furthermore, we also intend to increase our presence in the states of Uttar Pradesh and Delhi, which are high growth and profitable markets. We remain focused on enhancing our utilization levels to ensure better returns on our assets and strong cash flow generation. With this, we would now like 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. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first



question is from the line of Pritesh Chheda from Lucky Investment Managers Private Limited. Please go ahead.

Pritesh Chheda: Congratulations for a first-clear season and good numbers. I was trying to compare the number versus a quarter which was clearer pre-COVID which was June 2019 quarter for comparison purpose. Just wanted to understand on the beer side, would we be plus some 7% to 8% in volume versus June 2019 is that reference proper and how would have the industry been versus the June 2019 base quarter and my second question is, we are still trailing in terms of gross margin versus the June 2019 quarter based on whatever cost increased that would have happened. If you could just help us understand to what extent are we still trailing in terms of the cost increase and on the pricing increase that we have got?

Nakul Sethi: First answering your question on the gross margins, the gross margins continued to be under pressure because for example we have seen that since March there has been considerable increase in the price of barley as well as glass bottles and CP boxes.

Pritesh Chheda: Can you quantify the price increase barley is I think about 30%?

Nakul Sethi: Just to give you a figure in terms of latest prices are, yes you can say which has risen from December it was 30%. Now it is about 39%.

Pritesh Chheda: So 30% is barley increase and glass price?

Nakul Sethi: Glass price from say about Rs.13 a bottle in March it has risen to about Rs.14.53 in June.

Pritesh Chheda: 11%?

Nakul Sethi: In about December or January it was close to about Rs. 12.5. Similarly, if you look at sugar has risen from about Rs.35.14 per kg to about Rs.37.7. The inflationary trend in the prices of the raw materials and packing materials continues.

Pritesh Chheda: Can I assume that there is 12 to 15% increase in the cost, if I take barley, glass, sugar whatever you have mentioned and correspondingly what is the increase in pricing?



- Nakul Sethi:** For the full year we were at Rs. 445 or so FY2022 and right now quarter one is about Rs. 505. You can say that 10% blended increase. Obviously, it will also depend upon the sales mix going forward, but assuming that we sell more of Hunter we can say 10%.
- Pritesh Chheda:** Then why is the gross margin still trailing.
- Nakul Sethi:** Because the costs are obviously higher than the price increase also.
- Pritesh Chheda:** Then how much is the trail left. How much more price increase it was.
- Nakul Sethi:** Assuming 15 to 20% cost hike, 10% is the increase in price and 8 to 10% is still there.
- Pritesh Chheda:** What is the performance in beer volumes on June 19 base if could give that. Is it a flat volume?
- Nakul Sethi:** We have not done better than this ever in our history, so it is not a flat volume at all.
- Pritesh Chheda:** Can you give the volume growth number? I think in June 19 you would not be there in Orissa or you were there in Orissa?
- Nakul Sethi:** We were there in Orissa as well as in Karnataka, Both these states we were there. We had done about 37.8 lakh cases then.
- Pritesh Chheda:** So we are up by plus 20% and industry would have been what?
- Nakul Sethi:** Industry per se is growing and the point is that we have gained market share, so if you look at 2019-2020, we were close to about 3.5% in Karnataka. For whole 2019-2020 think, we were close to about 11.5%. We ended the year 2021-2022 at 6.9% and for Q1 we ended the quarter at 11.7%. If you look at Orissa 2019-2020 we were at full year at 8.1% of the industry; 2021-2022, we were at 10.9%. Q1 we are at 12.7%
- Pritesh Chheda:** Okay understood, and lastly this price increase when should you get it to offset the residual impact of the RF?
- Nakul Sethi:** I mean this price increase we just got in April.
- Pritesh Chheda:** You need some more right, so that will now come next year straight.



- Nakul Sethi:** Normally, it comes in next year only.
- Pritesh Chheda:** Okay thank you very much.
- Moderator:** The next question is from the line of Keshav Garag from CCIPL. Please go ahead.
- Keshav Garag:** I wanted to understand; have we got the liquor retailing license for the whole of MP.
- Nakul Sethi:** No, we are not into retailing business.
- Keshav Garag:** Okay, going ahead you think that on a quarterly basis, we can sustain the same number because your presentation says that there is some seasonality and I also understand that may be in summer beer sells more.
- Nakul Sethi:** The Q1 is supposed to be the best quarter for beer as a industry. Obviously, this kind of margins or volumes cannot be sustained for the rest of the year.
- Keshav Garag:** Any idea you would like to give us going forward from second quarter onwards what kind of top line we should expect? Let us say 200 Crores for quarter is that a reasonable expectation?
- Nakul Sethi:** We would not like to give any guidance about how we are going to end the year or what the quarter growth is going to be, but we are very much confident of a good performance in the remaining nine months of the current financial year.
- Keshav Garag:** Also what are your capex plan going forward?
- Nakul Sethi:** Right now, we do not have any capex plans, but we will review the same maybe by January of next year.
- Keshav Garag:** Okay Sir. Thank you very much. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital Partners. Please go ahead.



- Deepak Poddar:** Thank you very much for the opportunity. I just wanted to understand do we have any kind of vision for three years in terms of growth and margin how do we see that over next three years?
- Nakul Sethi:** Our expectation would be that we should be closer to historical margins in the next three years or so. In terms of top line, we would like to give this question a pass.
- Deepak Poddar:** Okay in terms of margin, you mentioned historical margin that means 17% right.
- Nakul Sethi:** No, I will be more comfortable within the range of 14 to 15%.
- Deepak Poddar:** 14 to 15% historic, and that is on the annual basis you are talking about right.
- Nakul Sethi:** Yes.
- Deepak Poddar:** Okay fair enough and can you throw some light on what sort of product or any new product offering we are looking at that will drive growth maybe in FY2024 or anything on our expansion side, any kind of colour that you can provide in these lines?
- Nakul Sethi:** All three brands, which we sell are Millionaire brands and they are very well recognized in the market and are doing very well and are available at the various price points, so we do not think that there is a need for a new brand to be introduced anytime soon.
- Deepak Poddar:** Are we looking to expand their reach in the next 1 to 2 years.
- Nakul Sethi:** I had mentioned in my statement earlier that we are looking at markets like UP, Delhi, Kerala and canteen stores to drive our further growth in the next 2 to 3 years.
- Deepak Poddar:** Understood. That is quite helpful. That is it from my side. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Kalpesh Parekh from JSN Advisors. Please go ahead.
- Kalpesh Parekh:** Heartiest congratulations on good set of numbers. I was just going through the presentation and as you mentioned that our focus will be on these three products Hunter, Black Fort and Power Cool and we are quite strong in only three states as on today Madhya Pradesh,



Karnataka, Orissa, which you are saying that we plan to expand to UP and Delhi and other parts, don't you think we will be needing some capex for the same?

Nakul Sethi: Currently where we stand, we have got enough capacity in our Bhopal to reach out to UP and to Delhi.

Kalpesh Parekh: Current utilization will be much, 75 to 80%?

Nakul Sethi: Utilization is 70% for Q1, but there is still enough scope for us to produce more.

Kalpesh Parekh: At least we will have to take this call probably a year down the line type of thing,

Nakul Sethi: Like I previously mentioned that maybe we will give a thought in January of next year because UP per se is a can market, if we want to sell more in UP, we will have to maybe think of increasing our canning capacity here in Bhopal, but that is something which is not in our radar right now, maybe after about eight, nine months we will take a call on that.

Speaker: We also have this IMFL facility, so slowly steadily should we expect more focus only on beer, I mean already it is 95%, so should we expect 100% beer only happening in coming times?

Nakul Sethi: No, so because, normally we are seeing that in the summer month beer sales more that is why we share our IMFL has gone down, but I think about we should expect in the long-term or the medium-term that we should be selling about 88% to 89% of beer and about 10% - 11% of IMFL.

Speaker: My last question is on your preferential allotment what the management has decided as on today at Rs.72, so any specific in that since we have identified so whom we are giving or it is like we are still evaluating.

Nakul Sethi: No, the money from the preferential allotment will be basically used for furthering the working capital requirement of the company because most of the states where we operate are currently our duty pays to it, so the company has to invest in the excise duty before the dispatch of the goods from the factories, so that money basically will be used for that purpose.



- Speaker:** The contribution will be by promoters and from the trade circle as on today.
- Nakul Sethi:** Yes.
- Speaker:** Okay, wish you all the best Sir and let us catch-up when you are in Bombay next time.
- Nakul Sethi:** Yes sure we will do.
- Moderator:** Thank you. The next question is from the line of Tanay Shah from Dolat Capital. Please go ahead.
- Tanay Shah:** Thank you for the opportunity. Just one question from my end. Could you just throw some light on the healthy volume recovery compared to last year, how much of the growth is driven by the core MP market and how much from the newer markets, where is the growth come from?
- Nakul Sethi:** I will just give you an idea about 54% of our volumes had come from MP, close to 26% has come from Karnataka and 15% has come from Orissa, so that mix it all together is close to about I think 95% and 5% would be from the remaining states like Delhi, Kerala, UP and CSD.
- Tanay Shah:** Fair enough. That is it from my side thank you.
- Moderator:** Thank you. The next question is from the line of Mr. Aman Vij from Astute Investment Managers. Please go ahead.
- Aman Vij:** My first question is, can you talk about the MP market like you had explained in Orissa and Karnataka, how we have increased our market share that we spent on the same for MP market.
- Nakul Sethi:** The MP market we are the market leader. For the June quarter, we had a market share of 35% and opening of the outlets where the Excise Department has increased the point of sales and included the country liquor shops also for distribution of IMFL, will help the growth of the industry per se also.
- Aman Vij:** How the industry grew in Q1 in MP?



Nakul Sethi: The industry per se has grown by about 10% and we have taken a share more than 10% because our market share was slightly less last year.

Aman Vij: Can you briefly talk about the opportunities going forward and say UP, Delhi and Kerala market, what is the current market and in next three years what kind of market share are we targeting?

Nakul Sethi: Well, it is very difficult for me to give specific as to what market share we will be targeting or what we want to achieve there, but they are growth markets where we want to be, and they are big markets like for example UP is about 4.5 to 5 Crores case market, Delhi is about 1.5 Crores case market, so these are markets where we want to have a considerable or significant presence going forward.

Aman Vij: For next one or two years among the three, four geographies where do you think the growth will be past this?

Nakul Sethi: Yes these two markets are very important for the growth of the company.

Aman Vij: What kind of growth do you expect in say?

Nakul Sethi: We want to increase our market share in states where we are already doing well like Orissa and Karnataka and MP.

Aman Vij: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Krishna, an Individual Investor. Please go ahead.

Krishna: Can you share the revenue mix for the last year state wise, as you have just motioned for the June quarter.

Nakul Sethi: Sorry.

Krishna: Can you share the revenue mix for the beer segment state wise as you have shared for the June.

Nakul Sethi: We normally do not share the revenue mix.



Krishna: Okay no issue. That is it from my side. Thank you.

Moderator: Thank you. As there are no further questions, I now hand the conference to the management for closing comments.

Nakul Sethi: I would thank you all for sparing your time and joining this call. We are very confident of the future going forward and hopefully we should do very well in the coming short to medium-term. Thank you so much.

Moderator: Thank you very much. On behalf of Som Distilleries & Breweries Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines.

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Note: This transcript has been edited to improve readability

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