

# SOM DISTILLERIES AND BREWERIES LIMITED

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**SDBL/BSE/NSE/2024-25**

**13.08.2024**

**To,**

<p>The Manager, Listing Department, <b>NATIONAL STOCK EXCHANGE OF INDIA LIMITED</b> 'Exchange Plaza' C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai-400 051. <a href="mailto:cmlist@nse.co.in">cmlist@nse.co.in</a> Security ID: SDBL</p>	<p>Dy. General Manager, Department of Corporate Services, <b>BSE LIMITED,</b>  First Floor, P.J. Towers, Dalal Street, Fort, Mumbai – 400001. <a href="mailto:corp.compliance@bseindia.com">corp.compliance@bseindia.com</a> Security ID: 507514</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 Wednesday, August 7, 2024, with regard to the Unaudited Financial Results for Q1 FY2025.

The transcript of the said Earnings Conference Call is also available on the Company's website i.e. [www.somindia.com](http://www.somindia.com).

This is for your information and records please.

Thanking You,

**For Som Distilleries & Breweries Limited**

**Om Prakash Singh**  
**Company Secretary & Compliance Officer**



“Som Distilleries & Breweries Limited  
Q1 FY25 Earnings Conference Call”

August 07, 2024



**MANAGEMENT: MR. NAKUL SETHI – DIRECTOR-FINANCE AND  
STRATEGY – SOM DISTILLERIES & BREWERIES  
LIMITED**



**Moderator:**

Ladies and gentlemen, good day, and welcome to Som Distilleries & Breweries Limited Q1 FY25 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nakul Sethi, Director, Finance and Strategy of Som Distilleries and Breweries Limited. Thank you, and over to you, Mr. Sethi.

**Nakul Sethi:**

Thank you so much. Good afternoon, everyone. On behalf of our company, I extend a warm welcome to all of you for the Q1 FY25 earnings call. Despite the challenging macroeconomic environment, we have commenced this fiscal year with a strong financial performance. During the quarter, we achieved Beer volumes of 86.8 lakh cases, and 2.5 lakh cases of IMFL, resulting in a total income of Rs. 5,137 million, reflecting a growth of 33% over Q1 FY24.

Our flagship brand, Hunter, recorded a volume of 26.6 lakh cases while Black Fort and Power Cool reported volumes of 8.2 lakh and 41 lakh cases respectively. Beer volumes increased by close to 32% over Q1 FY24, while IMFL volume increased by 14% compared to the same period last year. Our beer realization for the quarter was Rs. 550 per case compared to Rs. 559 in Q1 FY24, influenced by higher sales of Power Cool in Madhya Pradesh and Karnataka.

IMFL realization for the quarter was Rs. 974 per case, up from Rs. 760 Q1 FY24. We achieved an EBITDA of Rs. 648 million, with a margin of 12.6%, reflecting a growth of 30% over the same period last year. Our profit before tax rose by 31% year-on-year to Rs. 560 million. Our net profit for the quarter was Rs. 376 million with a margin of 7.3% compared to a net profit of Rs. 337 million over the same period last year.

We have made significant improvement in our debt position with gross debt reducing to Rs. 1,560 million and net debt improving to Rs. 1,400 million as on 30th June 2024. This reduction has strengthened our balance sheet and underscore our strong cash flow generation capabilities. We are pleased to share that we have seen outstanding market growth in various markets where we are present, further establishing our position as a leader in the beer sector.

Power Cool secured its position as the second most popular and highest-selling beer in Karnataka, while Hunter emerged as the single largest brand in the neutral market of Delhi for Q1 FY25. Our focus on staying ahead of industry trends and adapting to evolving customer demand has not only strengthened our position, but also, we pave a way for continued expansion, and we are hopeful to sustain the growth momentum.

Our focus remains on enhancing market share in our key markets and increasing our presence in high growth markets like Rajasthan, UP, Jharkhand and Delhi. Additionally, we need aim to



optimize utilization and generate strong cash flow. With that, I would now like to open the floor for Q&A. Thank you so much.

**Moderator:** Thank you very much. First question is from the line of Rahil Shah from Crown Capital. Please go ahead.

**Rahil Shah:** Good evening. So firstly, if you could explain on the overall industry situation right now? How has it been in quarter one and this last month of quarter two already. And how does it look ahead to the rest of the year? And then you could also cover some points what Som Distilleries is doing on key strategic areas for growth across all the segments and in all the geographies you are present?

**Nakul Sethi:** So, it's a pretty long question. So, the industry has changed, there has been growth in the industry as well as in the key markets where we are present. But we have grown more than the industry rate of growth. And we hope that we should be able to sustain the momentum for the remaining part of the year also. The growth, we have been able to consolidate our market share and grow in our key markets as well as we have made substantial progress in the markets like Rajasthan, Delhi and Jharkhand in the Q1.

I would also like to dwell upon the capacity utilization of the plant. So, for this quarter we have operated at an annualized capacity utilization of 100% for both MP and Odisha. While for the Woodpecker, because we had just completed the capacity expansion in April this year. So, we have about 70% of capacity utilization for Woodpecker that is the Karnataka plant.

**Rahil Shah:** Yes. So based on all you said that you have gained market share and you hope to sustain the growth momentum. So, any outlook for FY25 revenue and EBITDA margins?

**Nakul Sethi:** So, I think we should be able to achieve a top line of between Rs. 1,500 crores to Rs. 1,600 crores, net sales for this year, while our target for the EBITDA should be in the range of about 12% to 13%.

**Moderator:** Next question is from the line of Rohit Deshmukh from Vishwai Investment. Please go ahead.

**Rohit Deshmukh:** Can you provide insights into any market perception issues or external factors that might be contributing to the stock decline expressed strong Q1 results.

**Nakul Sethi:** Sorry?

**Rohit Deshmukh:** Can you provide insights into any market perception issues or external factors that might be contributing to the stock decline despite strong Q1 results?

**Nakul Sethi:** I cannot comment on the stock performance. I mean, but I think our results have been better than what the industry has reported so far.

**Rohit Deshmukh:** Can you discuss any margin pressures or cost management issues that might be affecting investor's sentiment?



- Nakul Sethi:** If you look at what the peers have reported in terms of margins, I think our margins are slightly better than the competition. And the cost pressures also have stabilized as compared to the last one year.
- Rohit Deshmukh:** Are there any macroeconomic factors or industry-specific trends that might be weighing on the stock despite the strong quarterly performance?
- Nakul Sethi:** I mean, I cannot comment on the stock price, sir.
- Rohit Deshmukh:** Okay. What is the company's current stance on stock buybacks and dividend policy and could these be influencing?
- Nakul Sethi:** We are on a growth phase currently. We have also announced in the past that we will be doing capacity expansion for our Odisha plant which should happen by early next year. And in early next year, I mean is, by quarter one of next year. So as of now, we do not have any plans of buyback or like you said, dividend or something like that.
- Moderator:** Next question is from the line of Yash Dantewadia from Dante Equities. Please go ahead.
- Yash Dantewadia:** Yes. Just wanted to understand on the raw material front, we've seen prices have been corrected this quarter, right? And this year is expected to be good in terms of harvest, right? And your main raw materials, I'm assuming is sugar, barley and rice flakes, right? So, my question is, don't you see your EBITDA margins improving further, 12%, 13% you've guided, but don't you think you going to do better than that in terms of EBITDA margins because your raw material pricing is falling?
- Nakul Sethi:** I think the main price component or the cost is of glass bottles. And the prices of glass bottles have been stable if I compare to June 2023 and June 2024. So, there may be a slightly difference in price. But our usage of new glass bottles is more than what we get back as the old bottles. So that is the reason and now we have started operating in multiple states, so we don't have operations in a single state or two states. And there are certain states where the percentage of glass bottles, which comes back are lower as compared to what we do in Madhya Pradesh or Karnataka or in Odisha. That is why I've given a broad range of the EBITDA margin of 12% to 13% for this year.
- Yash Dantewadia:** Will you be able to share what cost component is the glass bottle for you in terms of the entire cost of production for the bottle?
- Nakul Sethi:** I will not be able to share that.
- Yash Dantewadia:** Okay. Can you also give some guidance in terms of premiumization you said last concall that you are working on it actively. Has there been any movement in that front? Or are you expecting to make this year?
- Nakul Sethi:** We have certain announcements to make on this result for confidentiality reason, I cannot disclose the product launches, which we plan to do in this quarter or the next quarter, but I think definitely you will see some premium product being launched from us this financial year.



- Yash Dantewadia:** Your quarter is fine, but you're saying that we'll see a premium product launch this year, this financial year?
- Nakul Sethi:** Yes, this financial year.
- Yash Dantewadia:** And when you say premium, what do you mean?
- Nakul Sethi:** Premium means that maybe something which is more expensive than Hunter.
- Yash Dantewadia:** Can you give me a price range? Like what price range would you categorize for premium?
- Nakul Sethi:** Maybe something in the range of Ultra or something like that.
- Yash Dantewadia:** Sorry, in the range of? I couldn't hear you. I'm sorry.
- Nakul Sethi:** In the range of Kingfisher Ultra or something.
- Moderator:** Next question is from the line of Vinit Agarwal from Aditya Birla Money. Please go ahead.
- Vinit Agarwal:** So, I have a couple of questions. So one is, what is our capex plan going forward for the next couple of years? And what are the growth projections we are building in beyond FY25? And what kind of sustainable margins will be able to maintain? And another is, if you can talk about the market share in your markets? And how we are seeing tractions there?
- Nakul Sethi:** Your first part of the question was related to capex plan. We have got one capex planned like I was discussing with the previous caller in Odisha, which we should start by December of this year. And hopefully, we should be able to complete it by April of next year.
- Vinit Agarwal:** The amount, if you can like what kind of range?
- Nakul Sethi:** Could be in the range of about Rs. 30 crores to Rs. 40 crores. And we are also eyeing certain acquisition opportunities in states where we want to enter, or we might even look at a Greenfield but may be for next year.
- Vinit Agarwal:** And if you can talk on the growth projections beyond FY25?
- Nakul Sethi:** We are looking at a growth in the range of about 25% to 30% year-on-year for the next two to three years that's I think is our internal target.
- Vinit Agarwal:** And the margins will be sustainable at this current year?
- Nakul Sethi:** Yes, in that range, which I indicated earlier of between 12% to 13%.
- Moderator:** Next question is from the line of Vivek Gupta from Novus Capital. Please go ahead.
- Vivek Gupta:** I just had one query. Do you track capacity utilization? And how much is the current utilization of the plants?



- Nakul Sethi:** Like I mentioned, if I just annualize the capacity, whatever has been the production in this Q1. So, we have had about 100% in Odisha and MP and the Karnataka plant, we are at 70%. But all we see because this is our main season, the capacity utilization would slightly come down for the remaining part of the year.
- Vivek Gupta:** With the seasonality in Beer?
- Nakul Sethi:** Yes, I'm talking about Beer only.
- Vivek Gupta:** Yes. So, for Karnataka, by the next season, would the utilization reach 100%?
- Nakul Sethi:** I think it should be about 85% to 90%.
- Vivek Gupta:** By next season, and after maybe in the second year, it will be 100%.
- Nakul Sethi:** Yes, yes. And if things I mean, proved to be very good, then we could reach about 90%, 95% by next year.
- Moderator:** We have our next follow-up question from the line of Yash Dantewadia from Dante Equities.
- Yash Dantewadia:** My next question is regarding your recent expansion disclosure that you made. You said that we'll be using a mix of equity and debt. Can we know more about in terms of size and why are you diluting, if you're going to be diluting equity over, why are you doing so because you don't have a lot of debt in books anyways, right? So, I didn't understand the equity portion and the size of the capex. Could you talk some light on that?
- Nakul Sethi:** You are talking about which disclosure?
- Yash Dantewadia:** You recently made a disclosure that you'll be expanding capacity?
- Nakul Sethi:** That was, I think, in context of Odisha. So, I mean equity and debt would be that the certain warrants which need to be exercised by the promoters.
- Yash Dantewadia:** Okay, right. Not fresh dilution, you're not talking about fresh dilution.
- Nakul Sethi:** No, not fresh dilution.
- Yash Dantewadia:** And your capacity utilization in this particular plant is around 50%, right?
- Nakul Sethi:** The Odisha plant?
- Yash Dantewadia:** Yes, where you're expanding your capacity, Odisha.
- Nakul Sethi:** So, it was for, I mean, last year, and same time last year also, we had reached about 65%. And this year, we have crossed 100% for this particular Q1.
- Yash Dantewadia:** So, in Odisha, you crossed 100% capacity utilization?
- Nakul Sethi:** Yes. And that is the reason why we need additional capacity in Odisha.



- Yash Dantewadia:** Why don't you do aluminium cans instead of bottles like a follow-up question from your last answer? Is the cost of an aluminium can more than a glass bottle?
- Nakul Sethi:** It also depends upon the saliency of the can in a particular market because the demand of the consumer is very important. I mean I cannot push the consumer from a glass bottle to a can.
- Yash Dantewadia:** So, is that a trend that you've noticed till now? That consumers are more drawn towards glass bottles?
- Nakul Sethi:** Yes. So, I mean, in India, I think about if you look at the saliency about 75% to 80% of the total consumption happens in glass bottles.
- Yash Dantewadia:** And this is a follow-up question on the premiumization part that you said. Since you said it's going to be priced somewhere around the Kingfisher Ultra is what I'm assuming. My question is how do you see this scaling up, the premiumization part? What kind of demand are you seeing on ground? What is the strategy? Could you share some point on that, like how you're seeing it play out the premiumization?
- Nakul Sethi:** If you look at beer, I think about close to about 15% of the industry is towards the premium segment. That's growing very fast, but the bread and butter of all the beer manufacturers come from the 85% mass segment. To grow or to have a better perception or a brand recognition of the company, it makes sense to have a premium brand, but we are not expecting much of volume to come from the premium brand. That is just to improve the perception and image of the company.
- If you look at, I mean, I don't know how much information UB gives on the volumes of Kingfisher strong, but undoubtedly, I believe out of its portfolio, about 80% to 85% would be coming from Kingfisher Strong, or the strong beer category.
- Yash Dantewadia:** Right. Can you give us the size of the capacity expansion? How much you'll be investing?
- Nakul Sethi:** Sorry?
- Yash Dantewadia:** Size of the capacity expansion, how much money will be invested into the capacity expansion part?
- Nakul Sethi:** About Rs. 35 crores to Rs. 40 crores.
- Moderator:** Next follow-up question is from the line of Rohit Deshmukh from Vishwai Investment. Please go ahead.
- Rohit Deshmukh:** Sir, can you elaborate on the guidance for the upcoming quarters and any potential challenges that might impact future performance?
- Nakul Sethi:** I think like I have indicated that for the full year, we are giving a guidance of between Rs. 1,500 crores to Rs. 1,600 crores of net sales.





- Rohit Deshmukh:** Despite this coming quarters, September and December, where beer consumption is low compared to June and March.
- Nakul Sethi:** Yes, because we are, seeing good traction of our products all across the year.
- Rohit Deshmukh:** So, you're telling that you will maintain the current run rate in upcoming quarter also.
- Nakul Sethi:** I'm not commenting on the run rate. I'm just giving you a guidance that we should be in the range of Rs. 1,500 crores to Rs. 1,600 crores for the full financial year, the current one.
- Moderator:** Next question is from the line of Chirag Singhal from First Water Fund. Please go ahead.
- Chirag Singhal:** Sir, just wanted to understand more from a growth perspective. So, we have been growing at 20%, 25% kind of growth rate. And for this year also, based on our guidance, the growth rate comes to around 20%. So, what is the industry growth rate and how we are able to grow at a 20%, 25% growth rate. And going forward, your move towards premiumization and everything considered, what is the sustainable growth rate that we are looking at maybe from a 5 to 6 year perspective?
- Nakul Sethi:** I think we are a growing company, and we had quite an exciting team on board. We have got good products. We have a solid brand, which are recognized by the consumers. We give a good taste of liquid in our bottles. And we have been able to maintain our market shares in our key markets, where our plants are. And we continue to grow in our new markets. So, I think that's how we have been able to grow much faster than the industry.
- And on a sustainable level, I think, for the next 3 years I am pretty sure that we'll be able to maintain a growth rate in the range of 22% - 25%.
- Chirag Singhal:** Okay. And can you also share the industry growth rate like the regions that you're catering to? What is the industry growth rate?
- Nakul Sethi:** Industry should be growing by the range of 8% to 9%.
- Chirag Singhal:** Sorry?
- Nakul Sethi:** 8% to 9%.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Nakul Sethi for the closing comments.
- Nakul Sethi:** Thank you all for joining in the call. We are pretty confident that we should be able to maintain our growth rate. That's it for me. Thank you so much.
- Moderator:** Thank you. On behalf Som Distilleries & Breweries Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.



*For further information, please contact:*

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

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