

SOM DISTILLERIES AND BREWERIES LIMITED

(Formerly Known As Som Distilleries Breweries & Wineries Limited)

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(BSE : 507514, NSE : SDBL)



SDBL/BSE/NSE/2024-25

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To,

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>	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>
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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 Monday, 18th day of November, 2024 with regard to the unaudited financial results for Q2 FY2025.

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 Singh
Company Secretary & Compliance Officer



“Som Distilleries & Breweries Limited
Q2 FY '25 Earnings Conference Call”
November 18, 2024



**MANAGEMENT: MR. DEEPAK ARORA – CHIEF EXECUTIVE OFFICER –
SOM GROUP OF COMPANIES
MR. NAKUL SETHI – DIRECTOR-FINANCE AND
STRATEGY – SOM DISTILLERIES & BREWERIES
LIMITED**



Moderator:

Ladies and gentlemen, good day, and welcome to Som Distilleries & Breweries Limited Q2 FY '25 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 touch-tone phone. Please note that this conference call is being recorded.

I now hand the conference over to Mr. Deepak Arora, CEO of Som Group of Companies. Thank you, and over to you, sir.

Deepak Arora:

Thank you. Good afternoon, everybody, and thank you for joining our Q2 FY '25 earnings call. It is our privilege and honor to connect with all of you to discuss our performance for this quarter. Let me start by saying the second quarter was typically subdued due to the monsoon and the festivals, which kind of hindered consumption.

However, we delivered our consolidated income of INR291 crores, representing a 17.3% year-over-year growth. Our sales for the quarter were also impacted categorically by the excise portals in Delhi and Rajasthan, which were not functioning for about a fortnight. And in spite of this, we have delivered a 17.3% year-over-year growth. It reflects our strong resilience towards our brands and the continuing penetration as well as our strong operational focus on costs and convenience.

Our total volumes reached 4.6 million cases with beer volumes at 4.4 million cases growing by about 9% year-on-year, and IMFL being stable at 2.5 lakh cases. Our key brands such as Hunter, Black Fort and Power Cool continue to perform well, with Power Cool solidifying its position as the second most popular beer in Karnataka.

We have also recently launched 2 brands, namely Legend and Woodpecker, where Legend also has contributed significant volumes for the quarter as well as the half year. I would also like to mention that we have had a fantastic response to our beer named Woodpecker in the state of Karnataka, where we are experiencing positive tertiary from the consumer, which is a first step in premiumization of our portfolio, and we are very, very confident about the initial response.

To add to that, significant highlights was, as I said, the launch of Woodpecker premium beer in the state of Karnataka. It is India's first twist-cap beer in Karnataka as well as in India. The innovated product is crafted with premium ingredients such as cross malt and comes in 2 variants, mainly the Woodpecker Glide, representing the lager; and the Woodpecker Crest representing the strong beer category.

Operationally, we have commissioned a couple of equipments across our units and wraparound packaging equipment at our Bhopal plant, which has improved efficiency in the can production by 25%. And also, we have commissioned the enhanced capacity at our Karnataka plant, Hassan plant.



The Q2 was characterized by stable raw material impacting material prices and higher usage of old bottles in our overall bottle mix led to an improved gross margin of 40% for the quarter. Our focus on market share remains steadfast. Hunter, which is our premium offering emerged as a single largest beer brand in the neutral market of Delhi during the first half of FY '25, which underscores our leadership in the territories. We are also progressing on our strategic entry into high-volume markets such as Rajasthan, UP, Jharkhand and Northeast.

Sustainability is also one of our core factors to our strategy. We are implementing various initiatives based on rate reductions, water conservation and renewable energy, ensuring that our growth is both responsible and sustainable in the long term. Looking ahead, we are optimistic about the festive season as well as the coming season preparation for the summer. And we thank you for your trust and confidence in our journey.

I will now hand over the call to Mr. Nakul Sethi, who will take you through the numbers of financial and strategic highlights for the quarter. Over to you, Nakul.

Nakul Sethi:

Thank you, sir, and good afternoon, everyone. Q2 FY '25 has been another encouraging quarter for us. Our continued focus on operational efficiency and financial discipline has yielded strong results. We posted a consolidated income of INR291 crores, representing a 17.3% year-on-year growth.

We achieved an EBITDA of INR35.2 crores to 28% increase year-on-year with an EBITDA margin of 12.1%, underscoring our ability to manage costs effectively. Our net profit increased by 10% to INR16.4 crores, demonstrating our resilience in navigating seasonal challenges.

Our HY 25 total income stood at INR804.69 crores as compared to INR634.6 crores at the half year '23-'24, showing a growth of 26.8%. Our EBITDA stood at to be INR100.6 crores at a margin of 12.43% for the HY 24-'25 as compared to an EBITDA of INR77.59 crores at a margin of 12.23% for the same period last year having a growth of 29%. Our PBT grew 32.5% to INR82.05 crores for the HY 24-'25 from INR61.91 crores reported last year. Our PAT also grew to INR59.25 crores for HY '24-'25 compared to INR48.51 crores for the same period last year, showing the growth in excess of 22%.

On the balance sheet, we reduced our gross debt by INR30 crores and a net debt by INR35 crores over last quarter, strengthening our financial position. This also brought down our debt equity ratio from 0.29x to 0.23x. Recently, our credit rating upgrade from BBB+ plus to A- is an indicator of improved financial strength and prudent risk management practices. Looking ahead, we aim to capitalize in the upcoming festive season to drive stronger sales and profitability. Thank you. And with that, we'll now open the floor for questions.

Moderator:

Thank you very much sir. Our first question is from the line of Nitin Awasthi from InCred Equities. Please go ahead.

Nitin Awasthi:

My question was regarding the launch of Legend. And right now, is it launched in all the markets where you are present or only in Karnataka?



- Deepak Arora:** This year, actually, we have launched it in a couple of markets, mainly Pondicherry, Kerala and Karnataka. It's a Southern-based brand. And it has been on for a couple of years, but now it is gaining a lot of traction recently.
- Nitin Awasthi:** Understood. But going by the numbers, this could overtake Power Cool, kind of -- the traction - - it's kind of getting in the Karnataka market, specifically in the Southern market, this could become your highest selling beer, right?
- Deepak Arora:** Yes. But Power Cool has also not just taken a consumer approach but it has also taken a couple of price increases, where we started selling this at an MRP of INR100, which is now currently retailing at INR130. There has been a price increase of over 30% on the Power Pool. And still, it remains the second most popular beer in Karnataka, even after a price increase of 30% on the MRP. It still remains the second most preferred beer, showing a strong strength of the consumer liking the product.
- Nitin Awasthi:** Understood. Hopefully, out of the top 3 in Karnataka, 2 beers are yours.
- Deepak Arora:** Yes, we look to add a couple more states by end of next year. So hopefully, we are working on that. So yes, it should be good.
- Moderator:** Our next question is from the line of Sidharth S. from Vittae Money.
- Sidharth S:** My doubt was that beer is the main part of your business. And what would be the outlook for you on the raw materials front on the future prospects? That is my first question. And the second is that, you have 3 brands under the beer category. So can you just brief us on the segment-wise where the brand is with margins of each beer product on your portfolio?
- Deepak Arora:** I am sorry, sir, but you are not audible. Your voice is echoing. So can you just repeat the question, please?
- Sidharth S:** So my 2 main doubts were that sir, the raw materials, you know, your raw materials prices is shooting up in the sugar prices and the other is the glass bottle that you used to manufacture. So what would be your outlook on the potential risk that you're exposed to on the raw materials front? And the other doubt is that you have 3 beer products in our portfolio and the new one, which is Woodpecker, which is being launched in Karnataka market. Can you let us know the brand-wise margins of the beer products on your portfolio?
- Deepak Arora:** Let me answer your first question regarding sugar and bottle prices. As I briefly covered in my address, the raw material and bottle prices continue to remain stable. Also, there are a couple of more new glass manufacturing units opening up in the country. This is again to offset the growing demand in the country.
- And sugar prices are cyclical in nature. So if you notice every 3 to 5 years, there is a spike and then it comes down. On an average basis, thanks to the ethanol story, actually, there is a surplus of sugar in the market. And we expect the mid-term prices to be pretty stable going forward. Because anyway, they are trading above the minimum prices which the government has set. So we don't see any problem in prices there.



Your second question was regarding brand-wise margins. We do not disclose our brand-wise margins. So we disclose it as a consolidated number. So that's the answer to your second question.

Sidharth S:

Okay. Yes. Sure, sir. Got it. And one more last question would be, is there any possibility for you to give us a picture on what the growth story can be for SDBL as a whole, sir?

Deepak Arora:

So SDBL, I don't know if you've been tracking the company for the past couple of quarters, but we have been posting a lot of growth on a quarter-on-quarter basis. The reason is very simple, that these products are accepted by the consumers. And once the products get accepted by the consumer at one state, then it kind of has an above effect into its neighboring states.

So we don't see on a midterm level any problem with our growth story. What we see is as we are growing bigger, we need to focus on our financial prudence as well as cash flow, which Nakul also mentioned, based on our upgrade in financial ratings as well as a reduction in debt. So we look forward to achieving this financial prudence in a couple of quarters riding on the growth story.

Also, the other important thing is the industry itself is also growing at a CAGR of 9%-odd. And we are growing at 29%. So it's roughly 3x the industry. And the base is also getting bigger. So we look forward to this growth because we look at also activating other levers which are like more visibility about our products, more products from our shelves, a couple of more liquor products, some ready-to-drink products.

We've got a lot of things lined up for these markets to sustain the growth story. And it is all centered around the consumer because we believe that we understand what the consumer wants, at what price they want. So we are going to continue that growth story coupled with visibility actions as well as product actions.

Sidharth S:

All right, sir. I'll just sum this conversion with my final doubt. So on the previous year, same quarter-to-quarter comparison, the company has -- did really well, sir. On this, we are seeing quarter-on-quarter dip in the revenue asset. So can you just give your views on that, sir?

Deepak Arora:

So if you see Q2, generally is the most leanest quarter every year for all the companies in terms of value. To deliver growth in Q2 versus Q2 is extremely tough because every time you have Navaratra and then you have Shraddh and everything, it's followed up every year, the dates change. So kind of a lean month it is. And going on the quarter-on-quarter story, we have done an 18% growth over last year Q2. That's the first part of the answer to your question.

The second is, if you look at last year HY versus this year HY, we have actually grown around 26.8%. So this is a testament that while the industry is not growing at 26%, the industry is only growing at 8%, 9%. It shows that the excess growth is coming from the existing competition, where consumers are switching from the competition choice of brands to our choice of brands. That gives us a lot of confidence going forward.

Moderator:

Our next question is from the line of Prabhu Vyapam, who is an Individual Investor.



Prabhu Vyapam: Congrats on the rating upgrade and the good results. Sir, this question is regarding the plant in Hassan. Sir, all sites are almost surrounded by other buildings now. Do you see there's enough land for a possible capacity expansion if required in future, sir?

Deepak Arora: Prabhu ji, the Hassan plant was not designed as a fixed capacity. It had a blueprint of capacity, which is much higher than the existing capacity. So yes, there is space there for future capacity expansion because we have constructed it in a way that we have sufficient space for future expansion.

Prabhu Vyapam: Okay. Understand, sir. I was asking because the growth you are having, you will not be able to supply Pondicherry or Kerala in future, the growth you are having in Karnataka. And sir, my second question was regarding the capex. Almost all the capex, except Bhopal plant -- sorry, Bhubaneswar was concluded. And then I see INR114 crores new capex on this Q2. Can you throw some light on that, sir?

Nakul Sethi: Sir, so all the capex, including the Hassan one, we haven't capitalized as of now. But we have also incurred additional amounts at the Bhopal plant. So I think towards the end of this financial year, we're going to capitalize almost 90% of the amount, which is there in the period.

Prabhu Vyapam: Okay, sir. One last question, sir. On the letter from the MD, Arora sir, there was one indication that we may be doing a greenfield or an acquisition in West Bengal or UP. Anything we moved on that direction, sir?

Deepak Arora: Yes, we are continuously looking at new opportunities. And these opportunities are of greenfield, brownfield, whitefield, all three in nature. So as and when it matures, I mean, we will notify the required exchanges. But looking at our consumption story and looking at our capacity utilization, it's prudent that we look at a new state to set up manufacturing.

Moderator: Next is a follow-up question from the line of Sidharth S. from Vittae Money.

Sidharth S: I just wanted to check with you on the other part, sir. So the thing is you're mainly concentrated on Madhya Pradesh and then Karnataka, Odisha assets. So do you have any expansion plans with the South front as a whole, sir?

Deepak Arora: So you are right, while our units are there in these three states, we cater to the roughly 18 states in the country where we are in various levels of our journey. Some places, we have just launched, some places we are maturing enough on the scale front. So based on those factors, we do business. We don't just do business in the states where we have brewery units.

We also operate on the canteen store department front which is an all Indian supplies for the military. So we do supply all India, and it is just about where we have enough scale to set up the unit. Therefore, we have to look at multiple opportunities every year.

So from that perspective, our revenues coming from Madhya Pradesh have been reducing and other states are sitting in with more. I think a couple of years back, we were roughly -- 70% of our revenues were from MP, which has drastically come down to 30% to 40% now. So therefore, that's why the need for setting up another unit, and we look forward to bringing this down further



by having other units in other states, so that there is an equal distribution of state, revenue and profitability. And we are not dependent on just one unit or one market.

Moderator: Our next question is from the line of Ajinkya Nikam from Sage Investments.

Ajinkya Nikam: Sir, I was referring to the slide number 18 on investor presentation. When I'm comparing the volume for Q2 FY '25 and Q2 FY '24 for all the beer, the volume is muted, sir. May I know the reason?

Deepak Arora: The volume is -- sorry, I missed the last part.

Ajinkya Nikam: Yes, sir?

Deepak Arora: You were referring to which slide, sir? Slide number, sir, sorry?

Ajinkya Nikam: Slide number 18.

Deepak Arora: Can you just repeat the question, sir?

Ajinkya Nikam: Yes. So the volume for Q2 FY '25 and Q2 FY '24 for all the beers, like for Hunter beer, it is 11.2 million cases, whereas for this quarter, it was 11.1 million cases. So is it the seasonality impact? Or we are seeing the slowdown in the consumption?

Deepak Arora: It's basically a seasonality effect where a couple of price increases have been taken. So while we look at numbers on a brand portfolio on a quarter-on-quarter basis, we have to adjust our strategies according to how the states play out the tax regime also. Sometimes -- that's why we have launched Woodpecker to actually insulate the company from all these tax and price variations. So you see that the brand mix changes according to the MRP, which tend to fluctuate. Like Karnataka came up with a recent tax increase on the beer. Therefore, the sale also moves across the ladder.

So we see that effect in Q2 because Q2 is not exactly the season for beer per se. And Q3 is festive and then Q4 is again when the sales start picking up. So that's the general trend. And Q2 generally seasonality, you see this, that there is a slowdown in terms of beer consumption. So it's nothing to worry about, I think.

Ajinkya Nikam: Yes, sir, got it. And the second question would be, sir, regarding the tax rate for the year. What would be the tax rate going forward?

Nakul Sethi: The tax rate would be in the range of about 28% going forward.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. Deepak Arora for closing comments.

Deepak Arora: Thank you, and thank you all for joining this call. I trust your queries have been adequately addressed, and we look forward to your continued trust in the company. If you require any further information, please reach out to our Investor Relations team or to me. We'll do our best with all the necessary details at the earliest. Thank you so much, and thank you for joining us.



Moderator:

Thank you. On behalf of Som Distilleries & Breweries Limited, that concludes this conference.
We thank you for joining us, and you may now disconnect your lines.

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings
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