“Globus Spirits Limited
Q3 & 9M FY2022 Earnings Conference Call”

February 11, 2022

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Moderator: Ladies and gentlemen, good day and welcome to the Globus Spirits Limited Q3 FY2022 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. Due to time constraint this call will be for 45 minutes. I now like to hand the conference over to Mr. Shekhar Swarup, Joint Managing Director – Globus Spirits. Thank you and over to you Sir!

Shekhar Swarup: Good evening, everyone and thank you for joining us today. Unfortunately, we are a little bit constraint on time today as a result we have limited this call to about 45 minutes. I hope you have been able to see the results even though we have published a short while ago and let me now take you through what has happened in the quarter gone by.

Our consistent focus at the company remains to grow both arms of our two-pronged business model in the past few quarters as you would have seen we have concentrated our efforts at growing our capability in our consumer business to serve as a platform for future growth while leveraging over three decades of operational capabilities towards the emerging alcohol deficit on the back of high procurement of ethanol for fuel blending. This two-pronged approach has helped us deliver consistent performance and is poised well for further growth in the coming years. In Q3 the consumer segment continued to perform as per expectations and our volumes were 37.3 lakhs cases, flat Q-O-Q due to seasonal variations and 13% growth year-on-year with value plus segment continue to drive growth. In a short while Param will take you through more details of the consumer businesses performance.

In our distillery segments, low capacity utilization in Q3 has been seen with our Haryana plant being closed for nearly 40 days due to major planned overhaul in our power plant and our Bihar plant continued to be impacted with floods in the region for 72 days in the last quarter. Put together the company saw an opportunity loss of 25 Crores in our EBITDA in the quarter gone by. Those plants are now running at full capacity since around mid December. Q3 also saw the completion of our West Bengal capacity expansion, which since then has been running at 100% capacity utilization. Fuel cost inflation is also significant concern in Q3 something that affected all industries in India. We saw inflation of fuel cost as high as 18% at its peak in the last quarter. This rapid increase in cost could not entirely be passed on to ENA customers in Q3; however, the increase in ethanol rates from Rs.51.55 per liter to nearly Rs.53 per liter has helped cover up some of this cost increase. Going forward the company has decided to increase supply of ethanol made from surplus rice which has secured margins to large extent as raw material is purchased at fixed prices from the Food Corporation of India. Between December 1, 2021 and November 30, 2022 we will see 36% of total current capacity supply to OMCs as ethanol of which 18%, so half of the total ethanol supply will be made from surplus rice. OMCs are also evaluating a process of allowing companies to transfer quantities between the two types of ethanol, damaged grain and surplus rice and we are remaining watchful of inflation in grain cost and will shift to surplus rice ethanol if cost consumes less.

A little bit of an update on our expansion plans now, as you are aware the ethanol blending program is doing well with E10 being available in almost all petrol pumps in the country. The next milestone for this program is E20 which OMCs have been mandated to transition to by the year 2025. To that end Globus Spirits has plans to further leverage its capabilities in setting up low-cost plants that operated higher than industry efficiencies. With the recently commissioned project in West Bengal our total capacities for the ENA plus ethanol are now at 670 KL per day which was earlier 530 KL per day. Work at the Jharkhand factory is underway and Odisha land acquisition is also underway. Today I am also pleased to inform you that the Board of Directors have approved the setting up of two new facilities of 140 KL each one in Uttar Pradesh that is being built for ENA, ethanol and consumer business within the state for which land acquisition is underway and we will keep you informed the progress. The second project is another 140 KL plant which will be a Brownfield expansion at one of our existing locations, this expansion will be dedicated for that. With these planned expansion project in process, we expect Jharkhand which is 140 KL to be commissioned in Q1 of the coming year, a new Brownfield to be commissioned in Q1 of the next year and UP and Odisha will come up later in 2023-24 and early 2024-25. Thereafter our total capacity will go up from 670 KL per day currently to 1230 KL per day. Financing of these projects will be planned from internal accruals and some debt which is approved under the interest subvention scheme of the Government of India under which our net interest rate is 3.85% per year. We expect each 140 KLPD project to cost us Rs.120 Crores as compared to about Rs.200 Crores which is the cost for most other companies. As mentioned earlier we will continue to keep you informed of progress and capital allocations being made in the subsequent quarterly updates. I now request Param to take you through the performance of the consumer business in the quarter gone by.

Paramjit Singh Gill: Thanks, Shekhar. Good evening, ladies and gentlemen and I hope you and your families are keeping safe. As Shekhar explained the consumer business has been seeing continued strong traction with growth in volumes by 12% year-on-year with the value plus segment showing a healthy 58% growth. On nine month basis the volumes grew by a healthy 32%

while revenues by 41% on account of higher realization and increased value plus sales. We are well on our path of strong growth trajectory for the forth coming quarters as well with our product mix continuing to improve with higher share coming through the premiumization from the value segment.

A quick analysis and strategy for the segment. For our value and value plus segments the key markets are Rajasthan, Haryana, and West Bengal continued to show growth. In Rajasthan our market share has increased to almost 32.5% on the back of strong performance of the value plus segment where our market share has increased to almost 45% in the Q3 of the current year, this was in the range of about 30% to 35% during last year. The Black Lace Rum that has been in the works was launched in Q3 FY2022 and has been well received. We are on track to launch an additional whiskey brand as well that is now being scheduled for first quarter of FY2023. We continue to expand whiskey and vodka offerings via tetra packs as well. Tetra pack as you know is an interesting mode in offering which is not only putting forward efficiently transportable option to the market but it is also the most preferable packaging around in the consumer business. It also offers significant advantages to the traveling and mobile consumer. This move also in a way establishes our ability to move forward to try and capture new model trends hoping that we have the right to early wins in some of these consumer behaviors.

In Haryana, we have maintained the market share in the range of about 9% and have launched two brands in the value plus segment which is called Metro Liquor earlier this year. This has seen a positive initial response from the market. The new offerings which have been planned will again play into the accretion of our margins as well as build our overall market share. Both offerings are in the whiskey flavor which is the most dominant flavor in that market. Investments on where there is huge headroom for growth because our current market share is only about 2%. Our upcoming expansion at the West Bengal facility gives us a huge opportunity to capture this and the front end of the business. Our reintroduction of the original Goldie brand in the market initial feedback has been very positive, we expect to grow our portfolio there as well through an introduction of an additional value plus category which has been introduced a quarter ago and this should lead us to additional volumes as well as accretive margins in the months to come. We have also successfully started our current portfolio across the chain by not only improving its overall delivery to the consumer but also expanding and upgrading the range of our offerings to continue creating for evolving taste and preferences of the evolving consumer. Global Spirits will continue to participate as a meaningful business in the premium and core segment as well given the potential of the industry and the economic benefits that accrue to the players in this segment. In the IMFL business as earlier mentioned our philosophy of playing where we have a right to win depending on the ease of entry, cost of doing business, better contributions and business environment is progressing well. We are about to go in for local production of our brands in West Bengal as we speak to you. This will allow us to expand quickly and efficiently in the whole state and in the future also pave the way for expanding into other eastern markets. Currently we have only been servicing the greater Kolkata area because we did not have local servicing available.

Key markets of Delhi, UP, and Haryana will see our brands enter between Q3 of this year and Q4 of the current year through in-house sourcing, which is just around the corner and will be a very meaningful phase in our journey. In the IMFL segment we are also working hard to increase our offerings so that we can also improve our participation in the larger spread of the markets. In semi-premium segment we are ready to put our offering on the table in these markets where we are entering in these quarters. We are also very confident of heading to our portfolio, other segments as soon as the runway for these markets is established. I will request Dr. Roy to now lead the conversation. Dr. Roy please!

Bhaskar Roy: Thank you Sir. Good evening, everyone. Let me now take you through the operational and financial performance of the company. Before we discuss our performance in the third quarter please note that the reported financials for Q3 FY2022 and nine months FY2022 include the effects of the merger of Unibev Limited with Globus Spirits Limited and accordingly the financials for previous comparative periods have also been restated to ensure like-to-like comparison. Share of consumer business increased by 500 bps year-to-year from 45% in Q3 of FY2021 to 50% in Q3 of FY2022. In the consumer segment we have seen a volume growth of almost 12% year-to-year to 3.7 million cases and realization growth of 10% year-to-year to Rs.463 per case. The manufacturing business on the other hand, growing on year-to-date basis was impacted in Q3 FY2022 due to shutdown of Bihar plant on account of flood situation which was restarted on December 12, 2021 and also intermittent stoppages majorly in October 2021 in the Haryana plant on account of plant maintenance, which led to a combined contribution loss of around 25 Crores; however, both the plants are running as per normal capacity in the current quarter from January 2022 with no stoppages. Despite this the overall capacity utilization stood at almost 87% in Q3 FY2022 which will be in full capacity in Q4 coupled with the fact that Bengal will be operating on the additional capacity of 140 KLPD. Within the manufacturing segment bulk alcohol revenue came in at Rs.124 Crores for Q3 FY2022 as against Rs.135 Crores in Q3 FY2021 and Rs.416 Crores in nine months 2022 versus Rs.396 Crores nine months 2021 thereby representing a growth of 5% on a nine-month period.

In terms of volume the consumer segment saw sales of 3.73 million cases in Q3 of FY2022 a growth of 12% year-to-year and almost flat quarter-to-quarter. Of this value plus segment sales stood at 1.2 million cases in Q3 FY2022 which was 0.76 million cases in Q3 of FY2021 a growth of 58% year-on-year. For nine months 2022 the overall consumer segment volume stood at 10.9 million cases, growth of 32% year-to-year and of this value plus segment sales were 3.67 million cases, growth of over 90% year-on-year.

Our cash flow generation in FY2021 was strong and we generated between Rs.148 Crores of net cash flow from operations whereas for nine months ended FY2022 the cash flow generation was Rs.156 Crores. Our finance costs are reduced by 41% year-on-year from Rs.14.7 Crores in nine months FY2022 to Rs.8.7 Crores in nine months FY2022 on the back of reduced debt as mentioned above and reduced average cost of debt to 4.7% in 9 month FY2022. Our interest cost of the last quarter is 4.7% on long-term loan as a result of improvement in the financial risk profile of the company marked by healthy operation margins and comfortable capital structure and date coverage indicators. The credit rating of long-term and short-term bank facility stands reaffirmed that is stable with a positive outlook.

We saw our EBITDA margins improve by almost 300 bps year-on-year to 23% in nine months FY2022 despite lower margins in Q3 FY2022. As mentioned earlier the inflationary input cost scenario coupled with unavailability of part of our capacity leading to lower absorption of fixed cost impacted our profit margin in Q3 FY2022, higher contribution from consumer segment and better bulk alcohol realization did offset the inflationary process to some extent. Going forward with both Haryana and Bihar plants back in action at an additional capacity of 140 KLPD in West Bengal, we believe that the enhanced scale of operations should be able to absorb the impact of rising input cost. Our effective tax rate which is on the basis of cash outflow of tax paid is at 21.7% due to available MAT credit. Management is contemplating to shift to the new regime of computation of tax under Section 115 where the tax rate will be 25.60%.

Now coming to the working capital cycle, our overall working capital cycle has seen an improvement in nine months FY2022; however, there is an increase in accounts receivable on account of strong growth in higher price of consumer value segment of which the duty paid is funded by the company. The net working capital days are 15 days as of now despite this increase in working capital. Our return ratios have significant expansion, ROE has gone up from single digit in FY2019 to 19% in nine months ended FY2022. We have calibrated our operations to ensure that any disruptions are not only temporary but can also resume quickly as a result we believe we are in a strong position. This concludes my reports on the operational and financial highlights. I would now request moderator to open the forum for questions. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Prithvi Raj from Unifi Capital. Please go ahead.

Prithvi Raj: First question on your ENA sales given that Bihar plant is fully operating and Haryana plant back to operations and you have West Bengal new capex so what kind of volume run rates can we look at say from Q4 onwards in the ENA sales?

Shekhar Swarup: It is difficult for me to talk only about ENA sales I will however attempt to answer that from production of ENA plus ethanol point of view. We are now running at 670 KL per day of capacity which is our installed capacity we are running at 100% so on a 90-day kind of basis one should resume over 95% of our installed capacity as our capacity utilization.

Prithvi Raj: Shekhar my question is how much of this will be used internally and how much is for external sales?

Shekhar Swarup: So internally will be around I will have to do the numbers and get back to you, but around 40% will be internal is approximate figure that I can give you right now.

Prithvi Raj: Second coming to your margins you have got few price hikes in Rajasthan, but given that inflations like this how much of the cost increase you have passed on to the customers and how do you see your margin going forward?

Shekhar Swarup: As you are aware ethanol is fixed price business our consumer business is also fixed price business for the year. ENA is where we have some room to change our prices from time to time. As mentioned in my opening remarks the inflation we saw in Q3 was very, very quick and the increase in selling prices was gradual, a lot of that increase has now happened. There has also been increase in ethanol rates starting December 1, 2021, so all of that put together our targeted EBITDA margins which I have always shared should be around Q4 of last year we are in line with that.

Prithvi Raj: So from Q4 of this year you will be at 24% to 25% of EBITDA margin am I correct?

Shekhar Swarup: I think Q4 of last year I do not know what the number was but Q4 of last year is what we expect our sustainable EBITDA margins.

Prithvi Raj: Just one final question from my side, you announced again two more capex in UP and one Brownfield expansion what is that driving you because you already have Odisha, Jharkhand in line and now another two more capex what kind of opportunities are you looking in the industry, what is driving you to announce such a huge capex?

Shekhar Swarup: Well what drives me is growth. We see opportunities for profitable growth and that is what is driving us, plus the company is generating free cash and we would like to deploy the free cash into our consumer business as well as our manufacturing business. Our consumer business currently does not require the kind of cash that is available and as a result the balance is being put to use in the manufacturing business.

Moderator: Thank you. The next question is from the line of Kaustubh Pawaskar from Sharekhan By BNP Paribas. Please go ahead.

Kaustubh Pawaskar: Sir I just have one question because of this closure of Bihar plant and Haryana plant in this quarter what was the revenue and volume loss for your bulk alcohol business?

Shekhar Swarup: I do not have a calculation on the revenue as we have given the number of days of loss Bihar was 72 and Haryana was about 40 and Haryana our capacity is about 150 KL per day and in Bihar our capacity is around 85 KL per day so the rest will be computed accordingly.

Kaustubh Pawaskar: Now West Bengal facility coming up so as you said that from Q4 you will see normalization in terms of EBITDA margin, but your contribution from ethanol is expected to increase in the coming years so considering that will this margin trajectory would improve on year-on-year basis or do you expect it to remain at around 24% to 25%?

Shekhar Swarup: How we will maintain this it is a commodity dependent business and inflation can play a significant role. One hedge that we have on that is increasing our allocation of ethanol that we make from surplus rice that we get from FCI that is obviously at a fixed price, we are also working on linkages with coal companies in India for captive power plant projects and hopefully later this year that will come through and we will be able to save some fuel cost there. Q4 of last year is something that I expect to sustain for the short to medium term for our industry I think it is also very encouraging to see price increase from the OMCs for the current ethanol supplier acknowledging the fact that there has been cost pushes in the industry.

Kaustubh Pawaskar: Last one is just wanted to understand whether is there any concern to our sourcing for example the broken rice or full grains for manufacturing of our….

Shekhar Swarup: There are plenty of raw materials available in India, but of course it is an agri commodity so every year it is dependent on the crop cycles. There are plenty of raw materials available with FCI, there are plenty of raw materials available in the open market between maize, millets, broken rice and that is another reason why the company believes in setting up small to mid size capacity in multiple states rather than have a very large capacity in few areas. We get good hedge in terms of geographical spread and availability of raw material as well.

Kaustubh Pawaskar: Why I was coming to this question is because a lot of distilleries are now trying to become a fungible kind of distilleries where they can shift to grain-based manufacturing as well, so over the period of time this would be some kind of risk for us I was just trying to understand from that?

Shekhar Swarup: I think you are talking about very long period of time up to 20% ethanol I do not see this to be a major issue, we have to see if there are plans to go to E30, E40 or E50s and perhaps these things will also come into consideration.

Kaustubh Pawaskar: Thanks for the understanding and all the best for your future.

Moderator: Thank you. The next question is from the line of Vivek Gautam from GS Investments. Please go ahead.

Vivek Gautam: Sir this quarter to be honest it has been bit of a dampener so in terms of margins and losses can you just throw some light on what was the tax expenses which led to this, and is this one-off sort of thing or structural downward trend?

Shekhar Swarup: There are two types of events that have taken place in the quarter one is unavailability of our capacities in Haryana and Bihar, which led to EBITDA loss of 25 Crores, the other is increase in cost especially in Haryana due to our entire consumer business in Q3 in Haryana for about 50% of the time had to shift to purchased ENA and that impacted margins dramatically obviously and third is an increase in fuel cost, which is I think known to everybody that took place in Q3 due to huge fuel shortages in India in the month of I think it was October, November and continued till early December, so these are the factors that affected our performance in Q3. Fundamentally speaking these are not changing our business fundamentals they are obviously a blip. We have demonstrated several quarters of one way trajectory it is obviously a blip in the trajectory but it does not impact our business fundamentals.

Vivek Gautam: How is the situation now is much better?

Shekhar Swarup: The increase in costs on fuel has stopped and the fuel costs have sustained at a certain level. We have received price increases in ethanol which have compensated for that. On packaging cost, there was some inflation but that has been arrested there is no further inflation so I believe all of these inflations has been factored into our business where price increases could happen they have and I maintain that Q4 of last financial year level of profitability is sustainable and we have been sustaining it for all of this year except obviously Q3 for the reasons mentioned before.

Vivek Gautam: My second question is about our capex plan so our company had suffered in the past due to the aggressive capex plan we remember and having learnt the lessons from it are we going in a measured manner and our ROCE would still remain at a respectable number?

Shekhar Swarup: According to our conservative projection which is below the level that I have said to you, our paybacks in these projects is around three years and considering that we have debt available at the rates we do, the return on equity is very, very attractive plus the offtake of our product is assured from the OMCs, we have long-term purchase contract in some states that the OMCs have given us 10 year it is 8 or 10 year long-term purchase contracts so risk reward is very much on our side.

Vivek Gautam: UP the land has been finalized for the capex plan.

Shekhar Swarup: We have identified land and we are working on acquisition.

Vivek Gautam: Near to our Muzaffarnagar area only?

Shekhar Swarup: Central UP.

Vivek Gautam: Thank you Sir. Keep up the good work.

Moderator: Thank you. The next question is from the line of Anshul Verdia with Edelweiss Wealth Research. Please go ahead.

Anshul Verdia: Thank you Shekhar for taking the question. Just couple of it. First the PPT says that we have been taking a price hike the government is doing a price hike in IML and RML so largely if I do a rough math it would be Rs.4 per liter and Rs.2 per liter on the value plus segment, so how do you see this contributing to the margins next year because this if on the face looks a big number when your realization per liter is Rs.40 and Rs.4 price hike you are seeing?

Shekhar Swarup: Rs.40 is the price increase per case for value plus and 19 is for the value segment. There are four liters of alcohol that go into a case of value plus that is Rs.10 a liter and in case of value 3 liters of alcohol that is about a shy of Rs.7 per liter.

Anshul Verdia: My followup is that so this price hike would be more than enough to offset the raw material cost inflation?

Shekhar Swarup: This will lead to profit growth and that is what we are expecting.

Anshul Verdia: Your thoughts on animal feed we see have these prices normalized and these directly impact your manufacturing margins is it possible to tell us what was the average realization in this quarter in DDGS?

Shekhar Swarup: Also in the last quarter update I had mentioned that AFS prices have gone up dramatically in the quarter and I had said that levels were not sustainable and as per expectation this quarter they have cooled off a bit so currently the prices are around Rs.30 to 32 a kilo versus about Rs.45 which was the average for Q2. This level is in my view very sustainable going forward.

Anshul Verdia: That is helpful. Sir just last question from my side. The volume was flat in this quarter and if you compared to last quarter in your initial remark you said there are some seasonal trends so could you elaborate on that and also in Rajasthan we have garnered a large chunk of the market so from where the consumer segment can see the growth in the coming years?

Paramjit Singh Gill: First thing is as we have said we are expecting value segment to open up in Haryana, to open up in West Bengal, both these markets are going to add to the growth from our point of view. In addition obviously as we are also expecting our IMFL business to start kicking in from February and while initially it will be significantly small in terms of bringing in revenue growth, but it is the basis on which acceleration will happen. So from that point of view we are as of now fairly comfortable that we can continue on our upward growth trajectory as we keep going forward.

Anshul Verdia: Thank you. That is it Sir.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nitin Awasthi from Incred Equities. Please go ahead.

Nitin Awasthi: The first question would be on UP expansion you always have stated that the way you select states to expand in to if you look at the right to win but this seems very, very crowded we have all the sugar mills who are now into the Indian made, Indian liquor segment so hence just could you elaborate why UP?

Shekhar Swarup: UP according to us is going to be undergoing a significant shift in the consumer business. We believe that in a few years the entire industry of UP both value, value plus and IMFL, all three segments are going to move from molasses based ENA to grain based ENA. As the sugar mills are converting the sugar into ethanol molasses availability in the market is reducing dramatically as a result standalone distilleries will no longer have raw material available therefore the entire state is going to move towards grain based alcohol for consumer business. You are also right that sugar mills are moving to consumer business but frankly they have not had much success on this. Our brands do have some recall in UP whereas we are not operating in UP we are operating in border areas of UP, so we believe we can create a good consumer business in the state. Moreover UP is the largest state for the consumer business in India if you look at all three segments put together and for Globus it is imperative to find a way to succeed in this state and for that reason setting up a capacity at a strategically good location such as Central UP, which has grain, it has availability of sugarcane whereas we do not have any plants for sugarcane as of now but it will form a very solid foundation for the company to create growth in the times to come.

Nitin Awasthi: Noted and understood Sir. The second question would simply be what would be the ENA prices prevailing roughly in the state of West Bengal as of now?

Shekhar Swarup: West Bengal ENA prices are prevailing around Rs.53 to Rs.54.

Nitin Awasthi: Okay Sir thank you that is all from my side.

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

Sunil Jain: Thank you very much for taking my question. Sir my question relate to more of the rice which you procure waste rice and broken rice so you had commented a bit in your opening remark so how is the availability is there any change in that availability or there is some inflation which is going on?

Shekhar Swarup: No there is inflation going on and as of now we have the increases in price that we have received from OMCs as well as what we have been able to sort of offset in the ENA market have taken care of the cost pushes. As mentioned in Q3 the increase has happened and also very quick and we could not pass them through entirely, but now to a large extent they have been passed through; however, we remain watchful of inflation and if required we will shift more of our capacity to surplus rice from damaged rice in order to create a hedge on this inflation in damaged rice.

Sunil Jain: So this surplus rice which you may be procuring from Food Corporation so there the economics or profitability or whatever your EBITDA margin will be similar or it can vary?

Shekhar Swarup: No that depends on the damaged grain prices right so currently it is slightly more profitable to make ethanol from damaged grain, but if the inflation continues then that will get wiped out so it really depends on inflation and that is why there is a hedge.

Sunil Jain: So that was my question like if suppose you have to shift to say surplus rice then how much impact from your Q4 which you are guiding EBITDA margin can come?

Shekhar Swarup: Like I mentioned Q4 of last year what we expect will sustain regardless of which raw material we use because inflation in grain also means inflation in animal feed supplement DDGS or animal feed supplement.

Sunil Jain: Second question relate to again the availability of raw material. Lot of capacities is being announced so from here maybe three year after all the capacity will be in place so in that time we have so much surplus rice or whatever?

Shekhar Swarup: I do not see any issue in availability of raw material we have continued to export a lot of raw material, there is also very, very large amounts of stock of FCI plus the availability to make ethanol from corn or from millets all of these plants are multigrain plants so I do not see any issue in the next three to four years.

Sunil Jain: Great Sir. Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Thank you very much Shekhar. Shekhar you have answered most of the questions in quite a bit detail. Sir I have just two questions on the non-grain inflation part so on the fuel and power cost you mentioned that you may be going for a captive power plant in the future so can you just take us through the inflation?

Shekhar Swarup: No we actually do have captive power plants in all of our facilities, we are evaluating going in for linkages with coal companies to procure coal which will sort of insulate us from fluctuations in fuel cost.

Agastya Dave: Sir as of now what you are seeing, how much have you seen y-o-y inflation in your power and fuel cost?

Shekhar Swarup: Last quarter the inflation was as high went up to close to 20% I think 18% is what I said in the opening remarks. It did not sustain at that level but 15% also is the sustained level even today.

Agastya Dave: Is that the reason why we see a spike in other expenses or are there any one-off items there?

Shekhar Swarup: There are no one-off items there are two or three reasons for that one is of course this is a very large chunk of that, the second is our franchised bottling business saw a significant growth last quarter and there are some expenses related to that business which gets classified in other expenses. Third for Haryana business we were short on extra neutral alcohol because our facility was closed, so for our brands we needed to purchase extra neutral alcohol which resulted in erosion of margins and increase in other expenses.

Agastya Dave: So that is not really included in the 25 Crores EBITDA level that you have taken?

Shekhar Swarup: That is not there.

Agastya Dave: Second question is on this current base of 670 KLPD and then subsequently when you expand to the full 1230 KLPD what would be the depreciation rates for the new plants so currently you guys are doing 10 Crores a quarter?

Shekhar Swarup: In interest of time is it possible for us to get back to you on this later.

Agastya Dave: Sure Sir, I will take it later. Thank you very much Sir and all the best.

Moderator: Thank you. We have last question from the line of Riken Gopani from Capri Global. Please go ahead.

Riken Gopani: Thank you so much for taking my question. I just have one question, which is if you could elaborate more on the RML segment and how it is evolving in other markets and in terms of regulations what do you see as opportunity in the next year?

Paramjit Singh Gill: Thanks Mr. Riken. You know as you are noticing state after state they are seeing an opportunity to increase their revenue alongside an opportunity to offer the consumer a much more evolved and a better brand in terms of liquid and delivery so earlier obviously excise and various states have been struggling how to increase their revenue on the value segment so this is offering a pathway and we are seeing a lot of positivity from states to start exploring this. State like Rajasthan has obviously done the trick and they are already in a stable state and states like Haryana, UP, and West Bengal are on the early journey and I see this process only accelerating because the base of the pyramid which is the value segment is still a huge multiples of the volume, volume plus segment is restruck now so I see a lot of positivity in terms of opportunity as well as the state's intent to accelerate the journey because it is good for the consumers as well as beneficial for the state.

Riken Gopani: Thank you Sir. That was very helpful.

Shekhar Swarup: Thank you everybody for joining us today. Again I apologize for being very quick and hurried today it is due to other engagements of the management team. If there are further questions that we have not taken on, please do reach out to us and our investor relations team as well as our investor relations agency Stellar and we will be happy to give you the answers. Thank you again and wish you a good weekend.

Moderator: Thank you very much Sir. Ladies and gentlemen, on behalf of Globus Spirits Limited that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.