



Globus Spirits

Globus Spirits Limited

Q4 & FY17 Earnings Conference Call Transcript May 26, 2017

Moderator Ladies and gentlemen, good day and welcome to Globus Spirits' earnings conference call. As a reminder, all participants' 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 this conference call, you may signal an operator by pressing "*" then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nishid Solanki from CDR India. Thank you and over to you, Mr. Solanki.

Nishid Solanki Thank you. Good afternoon everyone and welcome to Q4 & FY17 Earnings Conference Call of Globus Spirits Limited. Today, we are joined by senior members of the management team including Mr. Shekhar Swarup – Joint Managing Director; Dr. Bhaskar Roy – Executive Director & COO and Mr. Ajay Goyal – CFO. We will commence the call with opening remarks from the management following which we will have an interactive question-and-answer session.

Before we begin, I would like to highlight that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the results presentation shared with you earlier.

I would now like to invite Mr. Shekhar Swarup to share his initial remarks. Thank you and over to you, sir.

Shekhar Swarup Thank you and Good Afternoon to everybody. Ms. Ruchika Bansal – Director also joins us on the call. I trust all of you have received and gone through the earnings presentation that has been circulated earlier. I will start by taking you through the key corporate developments while Dr. Bhaskar Roy – COO will brief you on the operational performance and then Mr. Ajay Goyal – CFO will share the financial highlights.

Q4 FY17 has been a challenging quarter for the company from primarily owing to the external market environment and the adverse policy decisions which impacted our Bihar distillery. Despite this, I am happy to state that the Company reported a steady performance and more importantly we began the new financial year on a positive note.



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To begin with, we have stabilized our West Bengal distillery and are operating at around 80% capacity utilization. We are confident that we will operate the facility at 90% plus levels soon. This is the only second distillery in the State of West Bengal catering to a spirit deficit in the state of 7 crore liters. While we have already started manufacturing bulk alcohol and franchise IMFL for our partner 'Diageo' of United Spirits, I am glad to share that we have now launched our IMIL brand 'Goldee' in the state and the initial off take has been very encouraging. Given the huge IMIL opportunity available for fully integrated players like Globus, we consciously accelerated our brand launch and plan to launch more variants and brands of 'Goldee' in the upcoming quarters. We remain convinced in our ability to gain serious market share in the state over the next two to three years.

Our investment argument in West Bengal has started unfolding as envisaged earlier. Grain prices are lower than North India, while ENA prices in the state are higher thereby significantly improving the spread between grain and ENA price. The plant is able to produce ENA at lower costs due to the advancements in process engineering done by the company. We anticipate the spread to remain at these levels resulting in healthy operating margins for the company. All in all, West Bengal distillery is favorably positioned and we remain fully confident of demonstrating a strong 360° Alcobev business model in the state.

I wish to reiterate here that our primary objective is to convert as such of extra neutral alcohol produced into branded IMIL which is a consumer facing business and also support higher margins. While we already have a solid presence in Rajasthan and Haryana, we would like to replicate the same business model in West Bengal as well. The ENA produced at our captive units gives us assurance of product quality which allows us to capture market share and grow faster than the market. Meanwhile, we continue to sell bulk alcohol in the open market and to our franchise partners with an objective of fully utilizing our capacities.

The Bihar distillery as you may be aware was closed down some time ago due to a change in regulation pertaining to license renewal. The Honorable High Court at Patna has given a favorable judgment against this law for filing renewal of distillery license application and has also directed the Bihar State Government to consider our renewal as well as renewal of other distilleries in accordance with the requirement of law. We await renewal of our license currently and considering how the Government works the facility should take one or two quarters to start up and stabilize.

Coming to an update on our exciting new IMFL venture, we have always believed that IMFL is an integral part of our 360° business model. In the past, we have gone through a learning curve in this segment. So, while we continue to have the core competencies required to manufacture world class IMFL within Globus, we also recognized that we did not have the proficiency to market and distribute these products. Keeping this in mind, we established 'Unibev' under the leadership of Mr. Vijay Rekhi who has over four decades of experience in IMFL space and has played an instrumental role in premiumization of various IMFL brands across segments. Mr. Rekhi has brought on board competencies in marketing, sales and distribution, brand building and creation of blends besides having comprehensive business plan in place. Financing in 'Unibev' for the coming fiscal will come entirely from the company's internal accruals without any debt funding. We are looking to launch four brands in the coming quarters in the state of Karnataka and Pondicherry and we plan to keep these brands niche only and target premium distribution outlets to roll out these IMFL brands.

I would also like to add that board of directors has appointed Mr. Vijay Rekhi as Additional Director (Executive Director) of the company. We are sure that Mr. Rekhi will bring in tremendous value for the company.

I would like to end this overview by sharing my views on GST. Overall, we welcomed the transformational change in India's tax structure through the implementation of GST. I am sure this will further boost consumption and will benefit all of us in one way or another. While, we are still awaiting more details on the implication of GST on the alcohol industry, from primary reading, ENA has been kept out of GST. ENA for potable application has been kept out of GST. We believe this to be a positive for integrated Grain-based distilleries such as ours; however we would need more clarity to comment further on this.

Overall, we are on track to demonstrate a robust financial and operational performance during the year on the back of multiple positive indicators. This is despite no contribution from the Bihar distillery. Moreover, we are in a comfortable financial position to service our debt as well as generate significant cash flow.

With that, I request Dr. Bhaskar Roy to share the operational performance of the company.

Dr. Bhaskar Roy

Thank you, Mr. Shekhar Swarup. Good afternoon and a warm welcome to everyone. I will briefly share the operational performance of the company during the quarter.

Our performance during the quarter was guided by strong increase in the bulk alcohol volumes; this was further supported by franchise IMFL and IMIL revenues from West Bengal facility which commenced commercial production in Q3 of FY17.

During Q4 of FY17, growth in manufacturing business stood at 29% year-on-year while the consumer revenues de-grew by 9% due to lower off take of branded IMIL products as well as zero IMIL revenues from Bihar. Contribution of consumer and manufacturing business came in at 40% and 60% respectively.

Franchise IMFL volume stood at 0.78 million cases in Q4 FY17 compared to 0.96 million cases in the corresponding quarter last year. IMIL volumes declined to 2.62 million cases during the quarter on account of zero IMIL revenues from Bihar vis-à-vis last year as well as subdued volume growth in Haryana due to competitive pressures. On a positive note, the State Government of Haryana has notably reduced export duty in the alcohol surplus state and it is now relatively easy to export ENA to other states. IMIL volumes in Haryana declined during the quarter because we consciously reduced discounts given to the distributors as we were focused to improve our collection in a challenging environment. We are now concentrating on niche distributors to increase the off take while maintaining strong collections. We are already witnessing positive momentum in volumes in Q1 and hope to register solid growth in FY18.

Rajasthan on the flip side has demonstrated solid volume growth of 18%. Moving to the others segment, our high potential DDGS reported de-growth of 23% in Q4 due to lower realizations on account of decline in soya prices as well as higher alcohol recovery during the quarter. Alcohol recovery increased from 47.5 to 49 in Q4. We expect the soya prices to remain subdued in FY18 as well.

With that, I would like to call upon our CFO, Mr. Ajay Goyal to continue the discussion with his views on the financial performance during the period under review.

Ajay Goyal

Thank you, Dr. Roy. Good afternoon everyone. I will take you through the key financial highlights for the quarter and full year ended March 31, 2017.

Our Q4 FY17, revenue from operations stood at Rs. 2,107 million, higher by 10% year-on-year. EBITDA came in at Rs. 91 million; EBITDA performance was impacted due to change in product mix and lower realizations in DDGS. This was further hampered by decline in IMIL revenues. Low capacity utilizations in Bihar facility further impacted the operational performance. Profit after tax during the quarter stood at Rs. 6 million.

For the fiscal year 2017, revenue from operations stood at Rs. 7,891 million, higher by 12% year-on-year basis. EBITDA stood at Rs. 562 million, whereas EBITDA margins came in at 7.1%. Profit after tax stood at Rs. 90 million as compared to Rs. 125 million in the previous year.

Let me now share the product line wise performance breakup. In Q4 FY17, we sold 2.62 million cases of IMIL with an average net realization of Rs. 319 per case. IMIL volumes declined during the quarter due to a sharp volume dip in Haryana as a result of stiff competition. This was partly compensated by healthy volume growth in Rajasthan. In Franchise IMFL business, the aggregate volume for the quarter was 0.78 million cases, out of this 0.33 million cases pertains to bottling done for ABD and USL in Rajasthan; 0.38 million cases for bottling done for USL in Haryana and the remaining 0.06 million cases for bottling done for USL for West Bengal.

Our bulk alcohol volumes stood at 16.3 million bulk liters compared to 11.3 million bulk liters in Q4 FY16. The total revenue from manufacturing stood at Rs. 1,267 million in the quarter, while the revenue from consumer business stood at Rs. 840 million. The total outstanding debt as on March 31, 2017 is Rs. 2,703 million including the amount repayable within the next one year.

This concludes my remarks on the financial highlights. I would now request the 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 Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy

My first question is based on current understanding of GST. In your three, four markets what kind of impact you envisage and when do you see the State Governments compensating you?

Shekhar Swarup

Abneesh, could you repeat your question please?

Abneesh Roy

Yes, the impact of GST in your four, five states and based on current understanding, I understand that full clarity may not be there and when do you see the State Governments compensating you for any margin erosions?

Ajay Goyal

See GST primarily as per our initial working it will be positive for the company because earlier we are not taking the input credit on various services which now we will be able to take it. And also there will be some sort of output liability which



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we will be able to set off against the input liability. So it will be a positive impact overall GST positive impact on the company.

- Shekhar Swarup** In addition, I would like to just add a couple of points to that. In addition, our raw material will not be taxed on GST and our finished product which is ENA will also not be taxed on GST. Our inputs on packing material for country liquor will be taxed in GST and our output there will not be taxed. So there will be some amount of price increase that we would be requesting the various state governments to pass on and this most states have already been sensitized to this impact and they are quite open for giving price increases.
- Abneesh Roy** Two follow ups here. So is it 100% clear that ENA there will not be any issue and regarding glass what kind of impact if you could take us through that?
- Shekhar Swarup** So we do not have much glass purchase. We have only pet purchase. So on glass there is not so much of an impact. As of now, it is abundantly clear that ENA for potable applications will not be taxed. But again, I repeat it is as of now.
- Abneesh Roy** And initially the answer was some offset which will be available. So how will the offset be available?
- Shekhar Swarup** On the by-product, there is a GST charge so there will be some amount of offset that we are able to get.
- Abneesh Roy** Which by-product?
- Shekhar Swarup** DDGS.
- Ajay Goyal** DDGS and CO2 also.
- Abneesh Roy** And regarding the highway ban, how do you see that impacting your business?
- Shekhar Swarup** So, there was a lot of uncertainty during the change of year that took place. Consumption has not seemed to be very much impacted at all. We needed to re-align some of our distribution network as well as to reduce our outstanding in the market in the last quarter considering this change of retail outlet that will be taking place. So that sort of pain has passed. What is the good news is well, it depends which way you look at it. But from our side the good news is that the consumption has not been affected in any of our states.
- Abneesh Roy** So number of shops would have reduced, right that is not impacting?
- Shekhar Swarup** So, shops have been relocated. Most shops have relocated. And there was a fear that the relocation will lead to drop in consumption but that fear has not panned out in reality.
- Abneesh Roy** And those have been shifted inside, so is it that the consumption has shifted to other shops or is it that in that area only the consumption has shifted from the closed shop to the new shop?
- Shekhar Swarup** Yeah, the consumption has shifted from the closed shop to the open shop.

Abneesh Roy Yes, why I am asking this is because now that shop will be inside and then it might be a residential area, some shops would not have opened at all. So you are saying the entire thing has shifted?

Shekhar Swarup Consumption has remained the same, the shops have shifted.

Moderator Thank you. The next question is from the line of Avi Mehta from India Infoline. Please go ahead.

Avi Mehta Just wanted to clarify one thing. On molasses, would you be able to kind of highlight how does the current regime work in the indirect taxation? And how would that change in the GST and how does that kind of weigh for us?

Shekhar Swarup So there is a 28% GST on molasses ENA which is up from Rs. 75 excise duty on molasses. The Rs. 75 is as per around 12.5% excise duty. Most molasses distilleries are currently manufacturing fuel ethanol. On fuel ethanol, there is a 18% GST which is exactly the same as 28% on molasses. On ENA, there is expected to be more GST as of now.

Avi Mehta Okay, so for grain there is nothing, right?

Shekhar Swarup Yes, on grain input on raw material as well as finished products there is no GST.

Avi Mehta Perfect so that kind of is a positive for us. Just on this molasses split, the Rs. 75 is whatever I mean is around Rs. 750 to Rs. 1,000 per ton. Is there an additional excise duty of 12.5% over and above that or is this all inclusive?

Shekhar Swarup This is the total excise duty liability.

Avi Mehta So that is one buck per kg which is on a molasses cost of about what Rs. 13 to Rs. 14 a kg, right so it is lower than Rs. 12.5, would that be fair?

Shekhar Swarup Molasses in UP is currently between Rs. 600 to Rs. 700 per quintal. And Rs. 75 is the excise duty if the molasses rate is just Rs. 600.

Moderator Thank you. The next question is from the line of Ankit Panchmatia from ICICI Securities. Please go ahead.

Ankit Panchmatia I just wanted to understand how are we going ahead with the new launches in West Bengal which is the 'Goldee' you said that initial offtake was very good so an update on the same that are we planning for other new launches as well? And a bit more clarity required on the new venture which we have started to increase our presence in to the IMFL category? So just update on these two things required.

Shekhar Swarup So 'Goldee' was launched in West Bengal in the month of March, end of March is when we launched the product. Currently, we have launched only one SKU from a total of 7 SKUs. We are launching five more SKUs on Monday in fact which are within the 'Goldee' brand variants of different pack sizes and variants of 'Goldee'. The final seventh SKU will be launched sometime in mid of June. There are about 4,500 to 5,000 stores in West Bengal which sells IMIL. And as of now the route to market is direct from the bottling plant to the retail.

There are no distributors in place. So, as of now it is direct selling to retailers. The pricing structure in West Bengal is completely left to each brand owner, there is complete price freedom over there, we are free to pass on any amount of price increase or whatever that we chose we need no consent from the Government. So, there it is very similar to FMCG, pure FMCG kind of model. However, there are excise duties and those duty rates are defined by the Government.

Ankit Panchmatia So just an update on the same. So I am sure there would be a brand which would be already established in to this market. What would be the size of that brand?

Shekhar Swarup So, the market currently has a very unique structure. Since the route to market is direct to retail, we have a situation where in each district you have one or may be two strong brands which are not really distributed in the adjoining district. So, as a result you have a situation where a brand is strong in a district but it does not have strength across the other district. Either as it may, currently our strategy has been to consolidate the market share of not the leader but the other two or three or four players in the market in that district.

Overall, in West Bengal there are over 30 bottling plants each marketing their own products. The main competitors in West Bengal are IFB Agro and Pincon Spirits which together have a lion's share of the market. And they have been able to do so by establishing bottling plants in multiple districts. Our strategy is to distribute products from our one sort of mother facility and not have multiple bottling plants in West Bengal and this is sort of helped further by the States incorporating a corporation to do the distribution in the state of West Bengal.

This corporation should be rolled out in phases through the course of this year. And that will help our logistics costs dramatically and also allow access to certain districts which currently we are not operating in.

Ankit Panchmatia And an update on the recent new IMFL venture?

Shekhar Swarup So 'Unibev' is a very interesting venture for us created under the leadership of Mr. Rekhi and there are about six brands over there. The team has been working hard over the last year, year-and-a-half to create these products. The blends, packaging all of that is currently ready and the brands are sort of waiting to be launched.

The first set of launches are coming in Karnataka and Pondicherry, where we are putting in four brands, one brandy and three whiskeys. All of these six products are in premium price points. So Prestige and above in each state as you are aware there is different pricing. We have identified these markets due to their high profitability and ability to market a niche product in these segments and yet remain profitable at the gross and EBITDA levels. The strategy in terms of financing this business is like I said is niche. We are allocating free cash flows after pay down of debt and other liabilities in Globus, free cash flows are being allotted to 'Unibev' on a rolling basis as per the response that we get in the market place.

Ankit Panchmatia So this 'Unibev' would be completely owned by us, right?

Shekhar Swarup Yes, it is a wholly owned subsidiary of Globus Spirits.

Ankit Panchmatia So how are we approaching the market, is it the push strategy that we are adopting or we are benchmarking our competitors' MRP or competitors' pricing, how are we approaching the pricing part of these new launches?

Shekhar Swarup Sure, so most of the industry is segmented into various price points. First we picked the price point and then we created a product to fit in that price point. The price points were picked based on like I said profitability and the ability to market a niche product. So that is how we have gone about it rather than create the brand and then pick the price point we picked the price point and then created the brand.

Ankit Panchmatia So would it be safe to understand in the near term the margins would remain suppressed given the marketing efforts or given the new launches planned in H1 and then may be slowly and gradually we will go ahead?

Shekhar Swarup You must understand that this is a very long term and a futuristic rally. The impact of 'Unibev' on Globus Spirits will be quite limited in the near term. The margins in 'Unibev' will be strong, however there will be reinvestment of the cash flow that is generated, the positive cash flow that is generated will be reinvested. Over a one year period, we are expecting a zero kind of a cash flow position in 'Unibev'. But that of course is over full year of operation.

Ankit Panchmatia Any internal target for this in terms of revenues or something like that?

Shekhar Swarup It is very early like I said we have picked these two states, we are going to seed these markets with a few thousand cases of stock and see really how it pans out from there. We have adopted a low risk kind of approach currently. Our focus remains operations in Globus Spirits and to milk the assets that we have created in the last few years and meanwhile creating a platform for future investment as and when 'Unibev' is ready and as and when Globus Spirits is ready.

Moderator Thank you. The next question is from the line of Anuj Bansal from Ambit Capital. Please go ahead.

Anuj Bansal I just want to understand how the pricing differential between grain-based and molasses-based ENA will change, now that molasses has a 28% tax rate under GST whereas grain is largely tax free. So what is the current economics between grain-based and molasses-based ENA and how that is going to change post GST?

Shekhar Swarup Sure, I would like to answer that slightly differently. We have to compare the landed price of ENA manufactured from molasses in the states where we are selling our grain ENA. In the states where we manufacture grain ENA, there is no production of molasses ENA. So if molasses ENA is to be sold in say the State of West Bengal or in the state of Haryana or in the state of Rajasthan, it has to be imported from either from Maharashtra or a UP.

And if we look at the last let us say three year imports of this product into these states, we will find that in Rajasthan there is no import of molasses ENA. In Haryana, there is no import of molasses ENA but in West Bengal there has been import of molasses ENA considering West Bengal is a deficit state. Now, again let us just look at the delta between non-GST environment and GST environment and how that delta impacts molasses-ENA.

As I said, there is a 28% GST on molasses and there is currently no offset available on ENA. In the past, there was a 12.5% or so excise duty on molasses and no excise duty on ENA. So therefore there is possibly going to be a cost push for the molasses ENA manufacturers. That said, this cost push will possibly result in more molasses distillation capacity being sucked in towards fuel ethanol. As in fuel ethanol there is output set off available for molasses distilleries. So given this

the macro picture is that grain ENA prices should certainly be upwards after GST comes in.

Anuj Bansal

And you are saying they should move upwards because we expect molasses based ENA prices to move up and so to maintain that parity or that gap you are expecting grain based molasses also?

Shekhar Swarup

That is one way to say but I would like to say differently. More molasses distillation capacity will go towards fuel and less molasses capacity will be available for beverage applications.

Anuj Bansal

What will be the split right now between fuel ENA and beverage ENA?

Shekhar Swarup

For molasses distilleries, I am afraid that that data is not very readily available but the supply of molasses distilleries to fuel is in the region of 120 crore liters per annum. In addition to that, most beverage products in UP and Maharashtra use molasses ENA and some importing states up to about 20% of their import; 20% to 30% of import would be molasses ENA as well.

Moderator

Thank you. The next question is from the line of Arnav Mitra from Credit Suisse. Please go ahead.

Arnav Mitra

So just on your quarterly numbers, I was seeing that there is a year-on-year increase in the realization per liter of the Grain ENA that you sell. So is that driven by cost push of the input itself or there has actually been a movement up there?

Ajay Goyal

You see basically the prices of grain have gone up in the last year. That is why consequently the prices of the end product which is ENA it has been increased.

Arnav Mitra

Okay sure. Secondly, just continuing from the previous question that you have answered. Is there now a possibility with this molasses rates going the tax that it becomes viable to move grain ENA from the states that you manufacture into the states where normally grain ENA is not used much?

Shekhar Swarup

Yes, I think that is a fair assessment.

Arnav Mitra

So you would basically expect therefore that grain ENA prices or your output prices should actually be favorable to that from both these angles?

Shekhar Swarup

It should be, yes.

Arnav Mitra

And, I mean out of the total input that goes into potable alcohol, any ballpark sense of how much is now grain versus molasses and how big are you in that segment?

Shekhar Swarup

Okay so that question was asked earlier as well. Unfortunately accurate data is not available on this. But let me hazard a back of the envelope estimation. About 6,000 million liters is the production of alcohol or rather the demand of alcohol in India, of which about 4,000 million is beverage and about 2,000 million is fuel. Fuel including chemicals is about 2,000 million. In the last year or rather in the current sugar year, we are expecting about 1,100 million liters to 1,200 million liters being supplied by molasses distilleries for fuel.

The balance fuel and chemical demand will probably remain un-serviced in the year. The potable demand which is 4,000 or so is fully met by molasses and by grain players. Now within that, the share of molasses versus grain is something which is very difficult for me to estimate. But the share of Globus within that 4,000, Ajay would be how much at about 500 KL capacity?

- Ajay Goyal** Our total share is roughly 2% here.
- Shekhar Swarup** Yeah, it will be around 5% is the Globus' share in the potable segment.
- Arnav Mitra** Sure. I understand that it is very difficult to assess it but would molasses based be clearly much larger than grain based in the potable segment?
- Shekhar Swarup** You are again pressing me to give a number which I cannot credibly back up but it should be around the 50% range is possible in molasses.
- Arnav Mitra** And just lastly, the change in West Bengal that is happening with the Government corporation coming in, how do you see that because your one of your main markets is going to be that, will it mean pricing control is also versus the free market going ahead?
- Shekhar Swarup** That is a very good question. I do not know how it will pan out. But one has to wait for the policies of the corporation to come in. Either as it may, Globus Spirits has a successful sort of track record in corporation markets. Rajasthan is a classic example where we are currently looking at around 30% market share with 8.5 to 9 lakhs cases of sale per month. We believe that this will certainly help our distribution in West Bengal market.
- Moderator** Thank you. The next question is from the line of Prasad Padala from Investec. Please go ahead.
- Prasad Padala** I joined the call a little late so excuse me if it is a repeat question. So on the taxation on ENA, so is it a part of GST, I think ethyl alcohol is included but is it only for industrial alcohol or even our ENA used in spirits is also included?
- Shekhar Swarup** The text on the schedule of charges quotes something to the tune of ethyl alcohol, denatured will be taxed at 18%. It is our understanding therefore that undenatured alcohol therefore will not be taxed.
- Prasad Padala** But I think molasses is taxed, right so does that mean your molasses based ENA prices should also increase, right to that extent?
- Shekhar Swarup** Currently, there is a 12.5% excise duty on molasses, just going up to 28% GST. So yeah, that is increasing.
- Prasad Padala** So should I assume that even grain-based ENA also should proportionally increase because I mean since both of them are substitute should the prices for grain-based also at least not to that extent but to some extent increase?
- Shekhar Swarup** Yes, we are very much with you, and we hope for the same.
- Moderator** Thank you. The next question is from the line of Nitin Gupta from Axis Capital. Please go ahead.

Nitin Gupta I just wanted to get an update on Hisar and Bihar plant like what is our strategy and is there any expenses being incurred on those plants?

Shekhar Swarup Yes, Dr. Roy will take that question.

Dr. Bhaskar Roy Bihar as in the introduction which we have told, there was a notification from the Government in January by which they have told that the grain-based distillery for potable, we are manufacturing potable ENA their license will not be renewed. So it was challenged in the High Court and High Court has given favorable directions in favor of the company and it was clearly mentioned that the State they have wrongly issued the notification and they have directed the State Government to renew the license as per the law. Now at the present status, we have made the applications for renewal, but as the government works, they have not taken steps but we are hopeful that within some period of time the license will be renewed and we can start the operations. This is with respect to Bihar.

Regarding Hisar, at present we will continue to do with the bottling activities which we are doing means bottling of country liquor for Delhi and bottling country liquor for Haryana. We do not have immediate plans to start any manufacturing activity there.

Nitin Gupta So we will continue doing the bottling part?

Dr. Bhaskar Roy Yes, and ENA is sourced from our neighboring facility in Panipat.

Moderator Thank you. The next question is from the line of Anuj Bansal from Ambit Capital. Please go ahead.

Anuj Bansal Just a follow up on this whole molasses GST thing. So just correct me if I am wrong. Is not most of the molasses based ENA manufactured by entities which are fully backward integrated, so my sense is that this 28% or 12.5% tax would matter only if you are purchasing molasses and then using it to manufacture ENA. But if you are completely backward integrated and molasses is just an output of your sugar manufacturing and then you are directly using it to manufacture ENA because all internal still does it make a difference if tax rate has gone up from 12.5% to 28%?

Shekhar Swarup Most of the sugar mills which are integrated with distilleries are making molasses for fuel ethanol. So most of the distilleries which are purchasing molasses are well, there the share of supply to ENA for potable is much higher. So those guys will increase their supply towards fuel.

Anuj Bansal Okay so basically you are saying integrated ones generally anyways supply to fuel so there this point might be relevant but the independent distilleries largely supply for beverages and there the impact will be there because they buy molasses?

Shekhar Swarup No, I am not saying largely, I am saying their share of supply to potable is larger than that of integrated. It is very, very difficult for me to say what is the exact share but that is the trend that is that we observed in the market.

Anuj Bansal And most of the ENA capacity whether it is of fuel or beverages, is so what would be the share for independent distilleries versus integrated distilleries overall I do not want the split between fuel and beverages but overall what would be the split? Any idea on that?



- Shekhar Swarup** We can get that for you from the sugar mill association and the distilleries association. I have unfortunately do not have that data.
- Anuj Bansal** But would you think bulk of them are integrated or bulk of them are actually independent?
- Shekhar Swarup** I think bulk would be independent but again we will have to get that data so it is impossible for me to perhaps give a number.
- Moderator** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for their closing comments.
- Management** Thank you very much everyone for taking out the time to join us. If there are any further questions, we will be happy to answer all of them. Please do get in touch with our investor relations firm, Citigate Dewe Rogerson or with us directly. We look forward to interacting with you again. Thank you.
- Moderator** Thank you very much, members of the management. Ladies and gentlemen, on behalf of Globus Spirits, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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