



Globus Spirits

Globus Spirits Limited

Q1 FY2018 Earnings Conference Call Transcript

August 17, 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 the conference call, please signal an operator by pressing "*" then "0" on your Touchtone Telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nishid Solanki of CDR India. Thank you and over to you, sir!

Nishid Solanki Thank you. Good Morning and welcome to Q1 FY2018 Earnings Conference Call of Globus Spirits Limited. We are joined by senior members of the management team including Mr. Shekhar Swarup - Joint Managing Director, Dr. Bhaskar Roy - Executive Director and COO and Mr. Ajay Goel - CFO. We will commence the call with opening remarks from the management team 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 Nishid. Good morning everyone and thank you once again for joining us on the call. I trust all of you would have received and gone through the earnings presentation that has been circulated earlier.

Overall, we have started the year on a positive note with strong revenue growth rate achieved despite uncertainties pertaining to Bihar License Renewal and Highway liquor ban. Growth momentum was led by significant increase in Bulk alcohol volumes coming from the recently commissioned West Bengal facility as well as higher IMIL revenues from Rajasthan. Profitability was however impacted due to lower IMIL volumes in Haryana and lower realisation in the DDGS segment.

As all of you would be aware, we commenced commercial production at one of the largest grain-based distilleries in West Bengal in H2 FY2017. Q1 FY2018 was the first quarter of full operations at West Bengal and I am happy to state that we registered robust ramp up in sales volumes resulting in our plant running near



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optimal utilization levels. I expect the utilization levels to further improve in the forthcoming quarters as a result of healthy demand-supply dynamics in the state. Q1 also saw the launch of the Company's IMIL portfolio in West Bengal. Given the favourable market environment, we brought forward our launch plans for the state. Goldee, a legacy brand of the company was re-launched in WB. I am happy to announce that the consumer response to the product has been favourable and we are ramping up the distribution of the brand rapidly. Work is on to launch more brands and variants which will be introduced in the market at regular intervals to increase our share of shelf. Overall, I am pleased to say that our investment in West Bengal is playing out as expected – Grain prices are lower than North India, while ENA prices are higher, hence the spread between grain and ENA price is far better. The spread in WB is better also because this plant is more efficient than the older ones. Whilst our IMIL business ramps up, we are able to sweat the asset by selling bulk ENA to other bottlers in the state and to our franchise partner USL for whom the West Bengal facility is undertaking bottling operations.

Our primary objective remains to convert as much of Extra Neutral Alcohol into branded IMIL as part of our integrated business model. This objective remains common across all our distilleries. We have already established a strong 360^o Alcobev business model in Rajasthan & Haryana, and we are certain of replicating the same in West Bengal. The high quality ENA produced at our facilities allows us to capture market share and grow faster than the market. The ENA produced at our distilleries was recently awarded the Grand Gold medal at the Monde Selection Awards for Beverages that took place earlier this year. This reinforces our commitment to quality and helps us to open doors for international sales.

Coming to our Bihar distillery, based on the decision of the High Court, we have applied for renewal of license with Registration, Excise and Prohibition Department, Government of Bihar. The said application is currently pending with the Department and we await their response.

Moving onto our IMFL venture 'UniBev', we plan to launch four brands in the states of Karnataka and Pondicherry over the next few months. These brands would be niche and will only target premium distributions. IMFL is a part of our 360^o business model and I am confident that under the leadership of Mr. Vijay Rekhi and a parallel team based in Bangalore, we will be able to market and distribute strong brands in the premium segment. Financing in 'UniBev' will come entirely from the Company's internal accruals.

To conclude, I would like to add that Globus Spirits is on a strong footing to deliver profitable growth for the next couple of years backed by large capacities in place.

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

Dr. Bhaskar Roy

Thank you, Mr. Shekhar Swarup. Good morning and warm welcome to everyone. I will share the operational performance of the Company during the quarter ended June 30th, 2017.

We reported healthy top-line growth in the first quarter of fiscal year 2018, owing to increase in bulk alcohol volumes led by commissioning of the West Bengal facility. Higher IMIL revenues in Rajasthan further supported the performance.



During Q1 FY2018, growth in manufacturing business stood strong at 61%, while the consumer revenues grew by 2%. Contribution of consumer and manufacturing business came in at 40% and 60% respectively.

The share of consumer revenue will now see gradual increase as West Bengal bulk capacity has stabilized and the IMIL business in Haryana, Rajasthan, and West Bengal is poised for growth.

Franchise IMFL volume stood at 0.734 million cases in quarter one FY2018 compared to 0.788 million cases in the corresponding quarter last year.

IMIL volumes stood at 3.26 million cases during the quarter. Rajasthan registered robust volume growth of 27% resulting in healthy market share gain. Globus was able to enhance its IMIL market share to 33% in the growing market of Rajasthan. IMIL volumes in Haryana declined during the quarter as a result of delay in awarding retail licenses due to shops shifting from the highways, reduced dealer and distributor discounts also impacted volumes. However, we believe that this would enhance our profitability from the state going forward. In Haryana, we are already focusing on select distributors to increase the overall off take of the products. This strategy has already improved the margins of Haryana as well as our cash cycles. We are hopeful of increasing market share gradually.

Moving to others segment, our high potential DDGS reported de-growth of 3% in quarter one due to lower realizations on account of decline in soya prices. We believe that the soya prices may remain soft in FY2018. Our work on increasing alcohol recoveries continues to bear fruit. Q1 saw a reduction of raw material consumption at all units, while maintaining budgeted productions through put.

With that, I would like to call upon our CFO - Mr. Ajay Goel to continue the discussions on the financial performance.

Ajay Goel

Thank you, Dr. Roy. Good morning everyone. I will take you through the key financial highlights for the quarter ended June 30th, 2017

For Q1 FY2018, revenue from operations stood at Rs. 3,363 million, higher by 21% year-on-year. EBITDA came in at Rs. 182 million. EBITDA performance was impacted due to lower IMIL contribution from Haryana as well as decline in DDGS realizations. Profit after tax during the quarter stood at Rs. 16 million.

In Q1 FY2018 we sold 3.26 million cases of IMIL with an average net realization of Rs. 337 per case. We witnessed flattish growth in IMIL volumes owing to the volume decline in Haryana. Rajasthan however, reported robust growth with healthy market share gain.

In the franchisee IMFL business, the aggregate volume for the quarter was 0.734 million cases. Out of this, 0.373 million cases pertains to bottling done for ABD in Rajasthan; 0.257 million cases for bottling done for USL in Haryana; and remaining 0.105 million cases for bottling done for USL in West Bengal.

Our bulk alcohol volumes stood at 21.9 million bulk liters compared to 11 million bulk liters in Q1 FY2017.



The total revenue from manufacturing stood at Rs. 1,538 million in the quarter, while the revenue from the consumer business stood at Rs. 1,027 million.

The total outstanding debt as on 30th June 2017 stood at Rs. 252 crore.

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. First question is from the line of Abneesh Roy from Edelweiss. Please go ahead.
- Abneesh Roy** Hi, sir, this is Abneesh here. My first question was on GST, what is the clarity now on the glass bottles? Are you now having full clarity on that, how the treatment will be?
- Shekhar Swarup** We have complete clarity on this, Ajay Goel will take this forward.
- Dr. Bhaskar Roy** I am explaining. With the second hand bottles, the GST is chargeable on the value addition means, whatever on the margin practically as per the clarification and circular given by the GST board that, on the difference of the cost price and the value addition which is the profit on that GST is charged.
- Ajay Goel** GST on second hand bottles - basically Government has come out with a margin scheme, what happens is the scrap dealer who is going to sell these bottles, he will charge GST on the margin amount only. However, in the circular, there is no clarification on the margin calculation. So, that way GST will not be applicable on the cost of the bottles.
- Abneesh Roy** A lot of times scrap dealer may not have GST number registration.
- Ajay Goel** No, we have to take then. Now, the question is very clear, the threshold limit is Rs. 20 lakh. The moment your total business is worth Rs. 20 lakh, you are going into get the registration under GST. And most of these scrap dealers are already registered under VAT because their turnover is in crores.
- Abneesh Roy** And, your cost will go up because of this and may be also in the ENA, I do not know if you could discuss how much will the cost go up in all the states where you are operating? And when do you see that also translating into price hike eventually from the State Government? Are you in close discussion, what is the feedback? What is the timeline do you think in terms of price increase because of these two ENA and glass? What is the quantum and when do you expect price increase?
- Ajay Goel** See, in terms of cost increase, in terms of ENA you know ours is basically grain based, our grain is tax free. Our fuel is rice-husk again it is tax free which together with grain is constituting almost 70% of my total cost of production. Now, the remaining thing is basically the chemical and petcoke which already is getting similar taxes prior to GST because the current tax rate is 18% and before that also the tax rate is almost similar, if we add on that size and the VAT amount. So, there is hardly any per se increase on account of our raw material input cost. But of course, there will be some impact on account of services because of 15% to 18% and now, we are working towards re-engineering with all our suppliers and vendors and re-negotiating with the price, so that any incremental impact on account of



GST, how to basically minimize and as of today, we are quite confident there will not be any major increase on account of GST to our operations in terms of ENA.

- Shekhar Swarup** Yes, let me add to that Ajay, on ENA whereas there is not going to be much impact in terms of costing, there is going to be some but very limited. This will be passed on to our bulk buyers and we have already seen that taking place. The other thing is that molasses ENA will gradually see an increase in price due to the increase in input GST that will be charged on molasses. This will have a positive effect on ENA prices going forward. On country liquor sales, Rajasthan is the state where we are in discussion with the Government to get price increases, so is the IMFL industry there and hopefully, we will be hearing something from them very soon. In West Bengal, we have already received the price increase post GST, this was to incorporate the West Bengal Beverage Corporation as well as to offset the impact of GST. In Haryana, the price is already quite high if you look at it has a comparison across the board and a lot of margin was passed on to the retailers and the distributors, a lot of that margin is now being scaled back. So, net-net, we are hopeful that on country liquor, there should not be an adverse impact as long as in Rajasthan we are able to get price increase.
- Abneesh Roy** So, you are saying on overall basis for Globus Spirits not a meaningful impact in terms of EBITDA margins in Q2, Q3 and beyond?
- Shekhar Swarup** Impact of GST?
- Abneesh Roy** Yes, GST.
- Shekhar Swarup** There should not be meaningful impact of GST on our EBITDA as long as Rajasthan price increase comes in quickly.
- Abneesh Roy** That was my question, what is the sense you are getting, you are saying Rajasthan quickly this will happen.
- Shekhar Swarup** Rajasthan it will happen, we will get a price increase. And most likely, it will take care of the increase in cost. However, the question really is when it happens? And we are hopeful it should happen quickly.
- Abneesh Roy** And you would not expect it to be from retrospective effect, right?
- Shekhar Swarup** Unlikely, Abneesh. But difficult to say at this time.
- Abneesh Roy** And, you said bulk buyers will in turn increase try to get increase, any sense you have because if they are squeezed in terms of margins, ultimately it can impact you also. So, any sense you are getting on bulk buyers when they will get that pricing
- Shekhar Swarup** See, fortunately Abneesh, we are operating in markets which are Spirit neutral or Spirit deficit besides Haryana. In West Bengal and Rajasthan we have seen that the GST impact we have been able to pass on to our buyers. In the case of Haryana, here you have to really compare with the price of ENA in UP and in Punjab. And like I said in the case of UP, there is ENA manufacturers are going to want to increase their prices due to the impact of GST on molasses. So, that is the slightly longer-term picture and by the end of this year, hopefully a large part of that would have got factored into our pricing.

Abneesh Roy My last question is on CSD. Recently you have seen that transparency levels are a big focus in CSD's top management scheme of things, how does that impact industry in general and on Globus also?

Shekhar Swarup Transparency is always welcome in our industry. However, it does not impact Globus very much. All our customers, all our bottling customers our franchise partners are all civil based tie-ups most of our ENA very little of it but eventually find its way to CSD. So, it does not affect us very much. It would affect players who rely on mismanagement in CSD.

Abneesh Roy What is your percentage of CSD?

Shekhar Swarup Zero.

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

Anuj Bansal I had 3 main questions. So, first of all Bihar plant is completely shut at this point in time, right?

Shekhar Swarup Yes.

Dr. Bhaskar Roy Yes.

Anuj Bansal Are you incurring any fixed cost on that plant?

Shekhar Swarup Yes, there is small fixed cost that we are incurring besides interest, there are a few staff members that have been kept to maintain the plant.

Anuj Bansal Okay. Is it a meaningful number? I mean I am just trying to figure out if Bihar starts up and running.

Shekhar Swarup No, is not a meaningful number.

Anuj Bansal Okay, all right. Second question is so if you look at your debt number and correct me if I am wrong Y-o-Y your overall debt number has not moved by much is that correct your overall debt number?

Shekhar Swarup Yes. In Q4, we were at peak level of debt.

Anuj Bansal Right. But same quarter last year also you were around at similar debt levels, right?

Shekhar Swarup Ajay, can you please share some numbers?

Ajay Goel Yes. See, the total debt basically includes the long term debt and the short-term debt. Of course, there is a decline in the long-term debt, however the working capital front there may be some increase and decrease from the peak.

Anuj Bansal Right. So, the reason I am asking this is because your finance cost has doubled but I believe that your debt is clearly nowhere close to doubling versus last year. So, any idea what is happening there?

Ajay Goel See, the point is once now plant is capitalized both West Bengal and Bihar is capitalized and previously they had interest was capitalized but now it is going to P&L that is why it is doubled.

Anuj Bansal Okay. All right. And finally, any updates on how the progress is in terms of West Bengal distribution moving towards Government control versus private players at this point in time?

Shekhar Swarup So, that has already happened it is fully implemented.

Anuj Bansal And any impact on your working capital or your payment terms or anything?

Shekhar Swarup So, that roll out took place only about a week ago, so as of now there is no impact. But there probably will be some going forward, the specifics of that is currently a bit of speculative to talk about.

Anuj Bansal And any stress getting build in any part of the supply chain because of that, like retailers being happy or unhappy or any changes that you are seeing in the trade because of this?

Shekhar Swarup See, we feel what has happened is retailers are no longer receiving credit. So, I do not think they will be very happy about that. Be that as it may, their margin has increased. So, overall, I feel that the Government of West Bengal has created a very fair policy and in the long-run it will benefit all stakeholders. In the short run, there will be a little of pain here some people might be a little happier, some people might not be as happy. But in the long run this is going to be good for all stakeholders.

Anuj Bansal Are you witnessing any significant de-stocking or up-stocking in the channel because of this?

Shekhar Swarup So, that happened a bit earlier when like I said the prices increased to West Bengal, whenever that announcement is made stocking does increase by the retail. And as of now, it is that stock which is being used out at the retail outlets. So, we are in a period of transition like I said earlier, it will be speculative to talk too much about the changes that have happened. Given another month or so it will settle down and then we have more meaningful discussion.

Moderator Thank you. Next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.

Pankaj Kumar Just wanted to understand how is this Highway ban impacting your revenue and how do you see going ahead in next two quarters, how is that notification on Highway, any comments on that?

Shekhar Swarup Sure. So, in Rajasthan we did not see much impact. In Haryana, the shops are auctioned every year and the auction is schedule for around the same time that the ban came into effect. So, we saw a very delayed lifting of shops. So, there was a time in April where there was very few shops that was selling IMIL or IMFL in Haryana and that suppressed the entire industry across the board and as a result of that our numbers have also been weak in Haryana. However, all the retail has now been lifted and the industry is back to normal in Haryana. In West Bengal, there was about 20% of outlets that were affected. However, now that Supreme

Court has clarified that as long as the Highway is de-notified there is no problem. We have seen that a lot of those shops have restarted. So, as we go forward, we do not see any significant non-performance or under performance due to this issue, it was a pain that took place in Q1 but is now behind us.

- Pankaj Kumar** Okay. So, by when you see the full impact to be over and you are saying like they are auctioning the new license towards the location?
- Shekhar Swarup** It is all done. There might a few that are left but the impact of those few will be insignificant.
- Moderator** Thank you. Next question is from the line of Navneet Bhaiya, an Individual Investor. Please go ahead.
- Navneet Bhaiya** I have 3 questions. First, in West Bengal are you manufacturing only bulk alcohol or do you plan to consumer alcohol as well, would that lead to margin expansion? Second, Haryana you mentioned the highway ban, have you lost market share as well or you have maintained market share? The third, is just a clarification, is all interest now being capitalized or there is some portion is now being charged to P&L or there is some portion which is still being capitalized? I have one more. Do you plan to deleverage the balance sheet now or are there further expansion plans that are coming?
- Shekhar Swarup** Sure. So, in West Bengal, we are largely producing bulk alcohol. We have in Q1 about 100,000 cases we did as franchise manufacturing for USL so that plus ENA converted to IMFL but not our brands, brand would be USL and in Q1, we also launched our IMIL business in West Bengal, it was a launch so we just started the distribution, the volumes are not meaningful but coming into Q2 and Q3 we are hopeful of good volumes from IMIL in West Bengal.
- Navneet Bhaiya** Okay. So, do you see some margin expansion over there due to the IMIL volumes increasing in Q2 or Q3?
- Shekhar Swarup** Yes, so margin expansion in West Bengal will take place for 2 reasons, one is we have taken the last 1 or 2 quarters to stabilize the plant and the plant is now running at good levels, the bulk alcohol margin will also be expanding up to perhaps Q2, Q3 and then afterwards it will probably stabilize. From the consumer business, yes, there will be significant margin expansion that will come, but that will depend on how quickly we are able to ramp-up IMIL.
- Ajay Goyal** Interest is totally capitalized now. There is nothing, no interest pending for capitalization, everything is capitalized.
- Navneet Bhaiya** Okay, Haryana have you lost market share?
- Shekhar Swarup** So, Haryana we have not really lost market share, industry had shrunk and therefore, our business came down as well. Towards the end of Q1 we saw reversal of that and we have now in fact started gaining some market share in Haryana.
- Navneet Bhaiya** Okay. And last was do you plan to de-leverage the balance sheet going forward or there is some new expansion plans that you have?

Shekhar Swarup Currently we are focused on de-leveraging like we have said we have expansion plans in 'Unibev' that will come from surplus cash generation after debt paid out.

Moderator Thank you. Next question is from the line of Mayur Shah, an Individual Investor. Please go ahead.

Mayur Shah I want to ask about your IMFL strategy regarding your own brands, how you want to grow it and how much you are going to invest in that?

Shekhar Swarup So, the IMFL foray through our subsidiary 'Unibev' is a niche foray, it is not going to be very capital intensive. It is not a part of our strategy to increase risk in the company currently. The business is focused on high-end products, we have created a portfolio of 6 brands, few whiskey's, brandy, vodka, rum which will be marketed in select shops in Karnataka and Pondicherry for now. Usually, seeding the market process and we are not sort of putting any growth or profitability targets on this business currently. We are only seeding the market with our brands currently.

Mayur Shah When is the launch planned?

Shekhar Swarup The launch will take place in Q2 or Q3

Mayur Shah Of the current year?

Shekhar Swarup Yes.

Mayur Shah You recently hired Mr. Rekhi from United Breweries. So is he handling the "Unibev" or he is handling the other parts of the business?

Shekhar Swarup Mr. Rekhi is Executive Chairman of 'Unibev'.

Mayur Shah Okay. So, right now you do not have any timing by which you can tell me the by when we will launching the products?

Shekhar Swarup Like I said, the launch will be Q2 or Q3 of this year.

Moderator Thank you. We take the next question from the line of Sai Narayanan, an Individual Investor. Please go ahead.

Sai Narayanan So, I got a few questions for you, so the first question is about the Haryana market. I just want to know what is the rationale behind reducing the distributor and dealer discounts in Haryana market where already we are facing a lot of competitive and regulatory pressures, so would not this decision actually evoke negative reactions from distributors? So, this is my first question and second question is related to GST. On the implication of GST, we had last conference call or something, we were foreseeing traction towards grain-based spirit manufacturers, so are we already seeing the traction towards grain-based Spirit manufacturers that is the second question. And the third question is with respect to the industrial license, we have applied for in the Bihar market, so hypothetically speaking if we get a renewal license for industrial alcohol, in terms of manufacturing is concerned, currently we have 27 million bulk liters capacity in Bihar, so can all the 27 million bulk liters capacity can be used to manufacture industrial alcohol that is the thing and if we can manufacture all these things traditionally, what is the EBITDA margin for



industrial alcohol? And last question is, in terms of West Bengal market is concerned, right now the Government has taken over the distribution, are we foreseeing any changes in the pricing policy? Currently, if you see West Bengal actually the pricing can be dictated by the manufacturers itself. So, are we seeing any changes in the pricing policies also? So, these are my questions.

Shekhar Swarup I will just answer the West Bengal question and I will request Dr. Roy to take on the rest. So, we have seen an increase in prices that has taken place in West Bengal. But the pricing policy has not really changed. The pricing policy remains the same. Dr. Roy, can you please take on the other questions?

Sai Narayanan So, the second question is related to GST.

Dr. Bhaskar Roy On GST, as already mentioned that though it has just started in July 2017, the molasses based ENA should increase the level of ENA prices which they are facing which will have increase in the overall prices of ENA and help the grain-based ENA realization also. Though it is very minimum GST impact in ENA in grain based, but we have been able to pass on the prices in West Bengal and in Rajasthan already. So, we do not have any impact on the GST on the ENA prices.

Sai Narayanan No, my question was actually since the tax structure on GST on molasses is 25% - 28%, we were foreseeing a situation where company's independent distilleries who were earlier buying ENA from molasses based manufacturers now they may opt to buy alcohol from grain-based Spirit manufacturers. So that was the trend we were foreseeing, so are we seeing any traction towards that possibility?

Dr. Bhaskar Roy Ultimately the ENA which is being manufactured by a molasses based distillery also has to sell till they can sell at the prices which they are selling may be cutting down their margin for the competition or they have to increase the margins which is gradual force. When they increase their margins, the margins in the grain based ENA also will increase, it is not the fact that they will stop production. So, either they are going on producing and selling may be at a lower margin and actually increase the margin slowly, so that overall impact of ENA all over India will be increased prices.

Sai Narayanan And with respect to the Haryana market is concerned, so we have already reduced the distributor and dealer discounts, so in terms of already there is a competitive and regulatory pressures are there. So, when I went through the quarter one financial year 2018 Investor Presentation, it was done to enhance profitability, so that was the rationale give. So, would not this evoke negative reaction from the distributors?

Dr. Bhaskar Roy No, what we have done, we have instead of giving discounts or like that throughout, in certain districts we have taken certain dealers, who are big dealers and gone through them and remaining we have not gone, so that our overall discounts level remains lower and the profitability increases, which is already happening.

Sai Narayanan May be if the volume is huge, so that we can bring in so we can bring in more sales and we can reduce the discounts, is that the strategy?

Dr. Bhaskar Roy Yes, our strategy is that the volumes overall which is there from the last year is not below that we will achieve that at least with a higher profit margin.



Sai Narayanan Okay. And in terms of Bihar market is concerned, consider hypothetically, we get a renewal of license for industrial alcohol. In terms of manufacturing is concerned, can all the 27 million bulk liters capacity be used to manufacture industrial alcohol?

Dr. Bhaskar Roy When we were manufacturing, we were manufacturing already, we have manufactured for some small period. But we have manufactured at the full capacity and we were exporting out of India. 50% of our production and 50% we were selling outside the state.

Sai Narayanan So, all the 100% capacity?

Dr. Bhaskar Roy Yes, we have already done.

Sai Narayanan And if we get the renewal license for industrial alcohol, this industrial alcohol, can it be sold inside Bihar?

Dr. Bhaskar Roy No.

Sai Narayanan Because the prohibition was only on the portable liquor.

Dr. Bhaskar Roy No, nothing is written because now when you are manufacturing ENA it is not portable, it is industrial.

Sai Narayanan Right.

Dr. Bhaskar Roy So, now ENA when we have manufactured it can be sold as such to anyways. But in Bihar, as per the act which is being challenged they have taken ENA as an intoxicant and as a potable. So, that is the difference in the law.

Sai Narayanan Right. So, that is we have challenged actually saying that Government of Bihar does not have the constitutional authority to prohibit actually industrial alcohol which is not fit for human consumption, so that has been upheld by the Supreme Court also recently. So, now if they renew the license, so in this scenario this not a portable liquor, right?

Dr. Bhaskar Roy But in Bihar, there is no chance of consumption, they are not operating any of the units or neither they are permitting units of chemical based, etc., using alcohol, etc. So, we are not depending that this will sale in Bihar. We will sell outside Bihar.

Sai Narayanan So, in that scenario the export duty may reduce the margins, right?

Dr. Bhaskar Roy The export duty is no there at this moment.

Sai Narayanan And traditionally, what is the EBITDA margin for industrial alcohol?

Dr. Bhaskar Roy The margin practically depends on the grain prices which is prevailing. So, grain prices in general is lower than the northern India. When we are running well in northern India, we are expecting we can run in there also.

Sai Narayanan So, any specific figure, 8% or 9% or 10%?



- Dr. Bhaskar Roy** It depends on the DDGS prices also, soya prices which governs at. So, it all depends on which prices of the raw material and your selling price of ENA and the DDGS prices. So, it varies in different, it varies from 8% - 9% to 12% - 13% - 14% also depends on the prices.
- Sai Narayanan** Right. So, the important point is all the 100% capacity can be used to manufacture industrial alcohol provided they renew the license?
- Dr. Bhaskar Roy** Definitely.
- Moderator** Thank you. As there are no further questions from the participants, I would now like to hand over the floor back to the management for their closing comments. Over to you, sir!
- Management** Thank you everyone for joining us on the call today. I hope we were able to answer your questions. Should you need any further clarifications or would like to know more about the company, please feel to contact us or CDR India. Thank you.
- Moderator** Thank you very much, sir. 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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