



“Globus Spirits Limited
Q4 FY2019 Earnings Conference Call”

May 09, 2019



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Globus Spirits Limited
May 09, 2019

Moderator:

Good morning ladies and gentlemen, welcome to the Globus Spirits Limited Q4 FY2019 Earnings 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 the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shekhar Swarup - Joint Managing Director - Globus Spirits Limited. Thank you and over to you Sir!

Shekhar Swarup:

Good morning. Thank you everyone for joining us on the financial year ending March 2019 earning conference call. Along with me we have on the call Dr. Bhaskar Roy, Chief Operating Officer, Mr. Ajay Goyal, Chief Financial Officer and our investor relations team. To start with I would briefly take you through the journey during the last financial year and the growth strategy of the company. I am happy to share that in FY2019, we experienced a buoyant performance on an account of strategic initiatives taken by the company. Our focus last year was to maintain a good financial discipline while creating and capitalizing on opportunities to capturing higher value in our strategically positioned operating units. Thus creating for stronger balance sheet and providing dry powder for our futuristic high-value IMFL play. Unibev Limited. At the onset of the year, we received a price hike in our IMIL segment in Rajasthan one of our key states for country liquor segment, which had a positive impact on our profitability and despite increase in our competition in the state, our business position consolidated further. Later in the year, the company received a milestone judgment for Bihar High Court basis which we will be able to restart our distillery in the State of Bihar, which increases our overall capacity by about 20%. The facility subsequently restarted in Q3 and produced around 50 lakhs bulk liters in the last fiscal year.

Government of India focus on increasing ethanol production in the country to reduce dependability on crude imports, which was another major development in the year gone by. Subsequently, the company secured supplies of 35 million liters of fuel ethanol to OMCs this year. We have this tender over 2000 million liters of capacity exited the ENA market driving up the value of ENA for all ENA manufactures in India including grain ENA manufacturers. In this year, we reduced our debt by around Rs.14 Crores and we continue to support Unibev, which has enabled the company to further drive its initiatives in the premium IMFL segment. The team at Unibev has had a very active year with two launches in the whiskey segment and one launch in the brandy segment.

Two launches took place in the States of Andhra Pradesh, Telangana and West Bengal while positions the consolidated further in Karnataka and Pondicherry. The New Year will



Globus Spirits Limited
May 09, 2019

see more states opening up along with exciting new products being launched. Change in India's consumer preferences and acceptability of alcohol shows great potential to Unibev and its branch going forward. I now request Dr. Bhaskar Roy to share our operational performance for Globus Spirits.

Bhaskar Roy:

Thank you Mr. Swarup good morning and warm welcome to everyone. I will share the operational performance of the company during the quarter ended March 31, 2019. The company was operational at its best efficiencies with an average utilization at 92.3% in Q4 FY2019 compared to 83% Q4 FY2018. IMIL volumes for the quarter stood at 2.81 million cases in Q4 FY2019 compared to 3.04 million cases in Q4 FY2018, average realization of Rs.423 per case in Q4 FY2019. IMIL volumes for the year we are at 11.87 million cases in FY2019 compared to 12.82 million cases in FY2018.

Company continues to command market share of 30% at Rajasthan and 8% at Haryana respectively. Franchisee bottling volumes were flattish at 1.2 million cases in Q4 FY2019 compared to 1.15 million cases in Q4 FY2018. Out of these, 0.35 million cases pertaining bottling done by ABD in Rajasthan, 0.24 million cases for bottling in Haryana and remaining 0.60 million cases for bottling done in West Bengal, where as in FY2019, the bottling volumes were at 4.54 million cases against 3.48 million cases in FY2018 a robust growth of 31% supported by increased volumes at West Bengal.

Bulk alcohol volumes for Q4 FY2019 stood at 26.46 million liters compared to 17.54 million liters in Q4 FY2018, a strong growth of 51% that by recommencement of Bihar facility and improved capacity utilization during FY2019. The bulk alcohol volumes were at 92.92 million liters as against 79.85 million liters in FY2018. During Q4 FY2019, company leveraged on the opportunity of ethanol and mounting realizations of the unit result in higher segmental contribution from the bulk alcohol segment at 47.5% in Q4 FY2019 compared to 38.9% in Q4 FY2018. Our prompt action and operation of facility towards changing market dynamics aided improved operational profitability during the quarter ended March 2019.

Contribution of consumer and manufacturing business during the quarter stood at 37% and 63% compared to 47% and 53% in Q4 FY2018 respectively. Optimal utilization of the capacities and improved cost efficiency enhanced our operational margins they are approximately 140 bps to bring them to 10.8% in Q4 FY2019 against 9.4% in Q4 FY2018. We envisage continuing to operate at optimal efficiency is going forward. With that I would like to call up on our CFO, Mr. Ajay Goyal to continue the discussions on the financial performance.



Globus Spirits Limited
May 09, 2019

Ajay Goyal:

Thank you Dr. Roy. Good morning everyone. I will take you through the key financial highlights on the quarter ended March 31, 2019. For Q4 2019, gross revenue stood at Rs.2878 million a growth of 30% year-on-year basis. During Q4 FY2019, the total income net of excise duty was reported at Rs.2728.1 million against Rs.1972.7 million in Q4 FY2018, a growth of 38% year-on-year basis. Total income stood at Rs.9922.7 million in FY2019 against Rs.8604.7 million in FY2018 reflecting a growth of 15% year-on-year. Increased bulk alcohol volumes and realizations brought the growth during the quarter ended March 2019.

EBITDA stood at Rs.294 million in Q4 FY2019 against Rs.186.4 million in Q4 FY2018, a strong growth of 58% with EBITDA margins at 10.8% in Q4 FY2019 against 9.4% in Q4 FY2018, Improved operational efficiencies enhanced operational profitability during the quarter. During FY2019, EBITDA was at Rs.1021.7 million compared to Rs.748.7 million in FY2018. EBITDA margins improved by 160 basis points to 10.3% in FY2019 against 8.7% in FY2018. Profit before tax saw a growth of four times at Rs.145.7 million compared to 28.1 million in Q4 FY2018 and Rs.397.6 million in FY2019 against Rs.115.4 million in FY2018. Profit after tax during the quarter stood at Rs.143.8 million in Q4 FY2019 compared to Rs.13.7 million in Q4 2018, Rs.30.57 million in FY2019 against Rs.70.2 million in FY2018 illustrating robust growth of 3.35 times driven by improved efficiencies and reduction in finance costs. The total outstanding debt as on March 31, 2019 stood at Rs.2279 million. We have repaid Rs.140 million this fiscal. 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. We will now begin the question and answer session. The first question is from the line of Hrudhyam Verma from Augmen Catalyst. Please go ahead.

Hrudhyam Verma:

Good morning. Sir, you mentioned that we received Rs.3.5 Crores liter orders from the OMC Company this year, so how much tenders were opened in the market and how much did we apply for?

Shekhar Swarup:

The total tender was for about over Rs.300 Crores liters. The total awarded as per my information at end of round 1 was about Rs.200 Crores. We applied for about 3.7 and 3.8 and we received 3.5.

Hrudhyam Verma:

So, the remaining Rs.100 Crores liters will like the tenders will open this year, right?



Globus Spirits Limited
May 09, 2019

Shekhar Swarup: Yes, there was a second round that opened in March. I do not have the data available for the quantity that will open after the second round, but I believe it is around 20% or so that was allocated after the second round.

Hrudhyam Verma: So, have we applied for more?

Shekhar Swarup: We have not, we have received our quantity that we wanted to supply. We did not participate in the second round.

Hrudhyam Verma: Sir, my next question was on the lines of cash that we have invested in Unibev this year, on the P&L statement like we generated about Rs.65 Crores to Rs.67 Crores cash is that correct from the numbers that I can see here, PAT in my depreciation?

Shekhar Swarup: EBITDA was Rs. 2 Crores against that there was repayment and interest and after removing interest and repayments because repayment is around Rs.30 Crores and interest 26 Crores and then tax Rs.10 Crores, we will have Rs.35 Crores cash.

Hrudhyam Verma: So, that we have invested in Unibev this year, is that correct?

Shekhar Swarup: No, we have not invested entire money in the Unibev.

Hrudhyam Verma: How much have been invested in Unibev this year?

Shekhar Swarup: So, that is a figure that we sort of take a call on from time to time depending on the cash requirement at Unibev right, so I mean it would be to the tune of about one-third of that cash that we generated.

Hrudhyam Verma: So, like the amount that we generated, so one-third of that would be?

Shekhar Swarup: Around that, that is the amount.

Hrudhyam Verma: Just the last question, on the balance sheet side, our long-term borrowings have increased year-on-year, but we have reduced, so how should we look at that?

Shekhar Swarup: See, this is basically the adjustment, what we have done is, we have basically repaid our short-term borrowings and quarterly converted through the long-term borrowings to improve our current ratio.

Hrudhyam Verma: We have converted the short-term into long-term?



Globus Spirits Limited
May 09, 2019

- Shekhar Swarup:** Yes, correct.
- Hrudhyam Verma:** Thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Abhishek Agarwal from Prithvi Finmart. Please go ahead.
- Abhishek Agarwal:** Sir, good morning. My question on the average contribution side, if you look at in presentation it is mentioned that ENA average contribution is around Rs.8 and last year also it was Rs.8, but though our average realization for the ENA has increased significantly by Rs. 5 from 43 around 48, so why average contribution is still at Rs.8?
- Shekhar Swarup:** So, there are two parts to this, one is that the increase in realization only started coming well into Q4 because that is when our ethanol supplies are about to start and not our ethanol supplies, but for the industry for the tender December onwards is when the ethanol supply started, our supply started in March, so January onwards we started seeing an increase in ENA rates and by the end of the year, the realizations moved up by whatever Rs.5 or Rs.6 a liter, so on an annual basis the impact on realization on the spread is going to be a little bit lower. The second reason is that during this Q3-Q4 period, we have also seen an increase in raw material prices, which usually in the first quarter of the year rather remains a little bit lower, Q2-Q3 is the peak, so this year hopefully we will start seeing a little more increase in that contribution.
- Abhishek Agarwal:** Sir, last quarter if I remember there were price of the paddy increased because of MSP, so we have absorbed that hike in the price or still we have to absorb this price in our realization?
- Shekhar Swarup:** So, our ENA realizations we have absorbed that price. Our country liquor realizations prices are increased once a year, sometimes one in two years, so to that extent the country liquor business extent we having to absorb the difference, but in our ENA business we have of course been able to increase our ENA rates by the extent of increase.
- Abhishek Agarwal:** Sir, we can say that next quarter we will see better profitability with the CM average realization because we will have more ENA projects and raw material prices will also be absorbed, so we can see that profitability will increase next quarter?
- Shekhar Swarup:** It is difficult for me to say that considering grain prices are something, which are out of our control. There has been a significant change in the raw material scenario due to the huge increase in MSP all grain. As a results many industries that were dependant on one grain



Globus Spirits Limited
May 09, 2019

having to shift to another grain and that is a cascading effect on multiple industries because of this, so it is difficult for me to comment on future margins at this stage.

Abhishek Agarwal: Sir, one thing in West Bengal our volume has decreased for IMFL, where we are very optimistic to increase our volume in the IMIL, so what your outlook for the next quarter and what has impacted this volume?

Shekhar Swarup: IMIL in West Bengal and other states are very key markets for us to be able to enjoy higher margin as compared to our ENA. Now, in West Bengal there has been some change in route market and due to the new beverage corporation in West Bengal, the profitability of supplying liquor is hugely depleted and we are finding that our ENA business is far more profitable, so quarter-on-quarter I do not see too much growth coming in right now, but from a long-term point of view, we are working with the policy makers there hoping for reform to take place, till such time in order to secure our profitability of our West Bengal unit, we are limiting our country liquor business in West Bengal.

Abhishek Agarwal: Sir, last thing where our Bihar plant utilization reached?

Shekhar Swarup: As I mentioned in the last fiscal after starting towards the end of Q3, we produced about 50 lakh liters, which is not very high capacity utilizations. So this year since we are going to get a good run rate with healthy order of ENA and also ethanol going forward, we should be able to reach our optimal utilizations that we have demonstrated in other factories.

Abhishek Agarwal: That is all. Thanks a lot. All the best.

Moderator: Thank you. The next question is from the line of Himanshu Shah from HDFC Securities. Please go ahead.

Himanshu Shah: Thank you, Sir. Thanks for the opportunity and congrats for good set of numbers. Sir, just a couple of questions, if you can help identify what are the factors that are driving this increase in ENA prices one and secondly how are our contracts with the customers, basically is it on a cost plus fixed margin basis or we get to keep the upside and they are of like what duration means like one- month contract, three months, how the pricing reset take place?

Shekhar Swarup: Himanshu, I am happy to talk about that. ENA prices are going up for two reasons, one is that approximately 200 Crores liters of annualized ENA capacity is exiting the ENA market and is going to be manufacturing ethanol. There has been in the last few years a surplus of ENA capacity and as a result it has been a buy side market, there has been a plenty of



Globus Spirits Limited
May 09, 2019

options for customers. As soon as this 200 Crores liters is being lifted this year in strategic states such as West Bengal and Rajasthan wherein any case there is shortage of spirits. It is creating significant upward pressure on ENA prices. Then there are states such as Haryana or Bihar where there is surplus ENA capacity where there is no local market or a limited local market. There, we are able to drive up our realizations by supplying ethanol to OMCs. So that is the reason for the prices going up. The other reason of course is that raw material prices had gone up and that too is putting upward pressure on ENA prices. Our contracts for with the fuel companies is the fixed price full year contract, which started in December 1, 2018 and will survive till November 30, 2019 and subsequently towards the end of this procurement year there will be another tender. Our ENA contracts are typically month to month contracts. We did have cost plus kind of models, but those have been put aside for the time being since there has been a significant increase in prices, so currently the contracts are all spot price contracts that last for one month.

Himanshu Shah:

Sir, just a couple of followups, I try to show on the margins on even ethanol supply would be at par with ENA supply because the capacities are getting diverted in that side, or they should be on a lower side with respect to AMC?

Shekhar Swarup:

It is difficult to say that because in Rajasthan, for example, the margins on ENA are very handsome similarly in West Bengal, but in those states we do not operate any ethanol. In Bihar we operate both ENA and ethanol and we see the margins currently a similar. Similarly in Haryana we have a very small amount of ENA largely ethanol and in-house consumption. For the small amount of ENA we are able to get similar realizations, but if we did have a lot more ENA, I am not sure we will get the same realization, so I am not entirely sure we are able to compare ENA margins to ethanol margins because of the state by state kind of policies we have in the country.

Himanshu Shah:

Sir, a couple of more questions, just on the ENA pricing part, I am just noticing that our ENA prices are slightly lower than the Pan India average for a couple of other players or at the prices at which the liquor companies report their ENA cost, which is more in Q4 it has been hovering around Rs.52 to rs.53, so what would be the reason for that?

Shekhar Swarup:

The interstate duties on moving ENA and transportation cost of ENA.

Himanshu Shah:

Thank you, Sir. That was on the ENA side, just on the IMIL side that is a very, very sharp increase in realization on a Y-o-Y basis at almost around 23%, so is this entirely attributable to the price increase that we have got in the state?



Globus Spirits Limited
May 09, 2019

Shekhar Swarup: Largely due to the price increase, Rajasthan is our largest volume driver as well, so most of that delta is due to the Rajasthan price increase.

Himanshu Shah: Sir, despite country liquor has been seeing a very good growth in Rajasthan State for last three, four, five years versus IMFL and still we are able to get such kind of a price increase, so is it like state government is looking more to increase the volumes of IMFL and where there is no price increase that has been provided and such kind of price increase that has been provided in IMIL, which is beneficial for us from an overall perspective and the volumes are getting impacted?

Shekhar Swarup: Just to put it into perspective about Rs.20 price increase that a distiller gets, translates to a very small percentage for the consumer because the retail value of this would be at least 5 times the excise duty price, so Rs.20 increase for us significant; however, for the consumer it is a very insignificant amount and does not affect the volumes at all. Secondly, IMFL and IMIL for the northern states are parallel segments the governments do not want to increase one at the cost of the other because there would be risking the tax collections, the government certainly wants to grow both in order to increase tax collections. The case study for all states has been Uttar Pradesh that has grown their revenue from country liquor, IMFL and beer from Rs.17000 Crores in FY2018 to Rs.28000 Crores in FY2019 and that is the kind of targets that these governments have, of course each state is different based on population, etc., but that is the kind of potential that exists for states from the alcohol business.

Himanshu Shah: Sure, Sir. Thanks, that was very, very helpful and all the best.

Moderator: Thank you. The next question is from the line of Amitabh Chakraborty from Kitara Capital. Please go ahead.

Amitabh Chakraborty: Good morning. What is the excise duty on an average that we pay because I see it is about 5% from your numbers in Q4 and it is about 8% for the full year, whereas in other companies I see much higher excise duty, what exactly the excise duty that we pay?

Shekhar Swarup: Actually, we book excise duty not on the wholesale, only on the country liquor portion of Haryana. There the excise duty is included. In Rajasthan, which is our main or in Delhi, the excise duty is owned by the wholesaler, so we do not have to put it in our books, so that is why the percentage if you compare as again on ENA sales, which our bulk sales and which is our bulk volume, there is no excise duty, so as the other portion of the segment moves up,



Globus Spirits Limited
May 09, 2019

if you see the excise duty percentage is coming down or is varying, so that is not comparable.

Amitabh Chakraborty: Good, thank you for clarifying this. My second question, I have only two question, how the outlook, for example, we are grain based, and the other case is molasses based and all those thing, so how our raw material outlook though I heard that you have explained a little bit, but if you can just throw some light, so that we understand going forward, what we can expect?

Shekhar Swarup: We are grain based, basically our all distilleries are grain based and we are mainly consuming book in rice as a main raw material, etc., though we can use others also, but our 90% to 95% of the consumption is broken rice and it depends on the cycle because the broken rice availability also is depending on the rice availability, etc., so we have seen that in the recent times in December, January there is a price hike, etc., in the broken rice market, etc., which is stabilized after that at the same level, but it is very difficult to predict that what will be the prices, etc., in the coming times to come.

Amitabh Chakraborty: Understood, but because you have also, again one question come, that after Kharif harvesting normally price should go down, so is it right assumption?

Shekhar Swarup: It depends on the running of the rice mills at the full swing in West Bengal for an example, for the last one year all the rice mills are not being able to run fully because the export to Bangladesh one of the main sources is band because there is a levy in Bangladesh and the export is not happening that is why the rice mills are running in the state at the half of the capacity or at the lower of the capacity, so if the rice mills had run in the full capacity then the prices and the availability of the raw material would have increased and the prices would have come down as you are telling after Kharif, but as the exports in Bangladesh were not happening, so the rice mills were not running in the full capacity.

Amitabh Chakraborty: So, what is the situation now?

Shekhar Swarup: Still continues in that same situation.

Amitabh Chakraborty: Good enough and in IMIL we are not able to increase price why because is it so sensitive that even Rs.1, Rs.2 also we cannot increase?

Shekhar Swarup: In IMIL, the price is being increased by the government. Last year in Rajasthan there was an increase, this year there is an increase in Haryana, so it happens once in a year or twice



Globus Spirits Limited
May 09, 2019

in a year depending on the government policy on the excise in between the year it does not happen.

Amitabh Chakraborty: So, it is always fixed by the government?

Shekhar Swarup: It is always fixed by the government.

Amitabh Chakraborty: So, if the raw material goes up we have to absorb, we cannot do anything?

Shekhar Swarup: Between the year, you have to absorb and then the government considers it at the time of the policy and then they take a decision accordingly.

Amitabh Chakraborty: In case ENA, it is not a problem, we can increase the price is it like that?

Shekhar Swarup: Repeat please.

Amitabh Chakraborty: In case ENA, this is not the problem we can increase?

Shekhar Swarup: ENA, we generally try to pass on the prices.

Amitabh Chakraborty: That is accepted by the government?

Shekhar Swarup: Yes.

Amitabh Chakraborty: And in case of IMFL because of the branding of course it would be possible?

Shekhar Swarup: IMFL also the prices are once fixed in the range, it is not increased in between the year.

Amitabh Chakraborty: Thank you so much for clarifying.

Moderator: Thank you. The next question is from the line of Nayan Lodaya from Neha Financial Services. Please go ahead.

Nayan Lodaya: Good morning and congratulations on good set of results for Q4. I have two questions, one around the future outlook from the capital expenditure perspective and what is our plan from the debt reduction and second is around the outlook on the Unibev perspective that do we still continue to like you impart the additional support in that particular company?



Globus Spirits Limited
May 09, 2019

Shekhar Swarup:

So, Unibev is a very interesting business for us. The segments that have been chosen are approximately 15% of the country's volume of IMFL, but over 70% of the countries gross profit, so it is a low volume, but in an extremely higher return business of course when it reaches certain scale, we launched our business in Unibev in December 2017, which one brand in Pondicherry. The big states were launched in the last financial year Karnataka, Andhra, Telangana, West Bengal we launched in the last financial year and another two more whiskies. This year we are looking at launching in about 7 or 8 more states and we will reach our first phase distribution spread by the end of this financial year. The support that Unibev requires in order to achieve this is of course number one, teams have to be built far ahead of volumes and therefore they are operating inefficiencies in the business and the other is of course funding for working capital as you are aware in our industry excise duty is a very large portion of revenue, excise duty has to be financed at the time of production in some cases and in some case the time of dispatch from the manufacturing facility and this is typically returned back to the company anywhere between 90 and 120 days after depositing it, so that is the funding required and the other is funding behind marketing and the losses that I have mentioned earlier.

Nayan Lodaya:

To my first question right, what is the outlook from the capital expenditure perspective for Globus Spirits and what is the outlook from the debt reduction perspective?

Shekhar Swarup:

So, on the capital perspective Globus Spirits is undertaking capex that would have a very high return on investment, so our standard sort of a policy we have set in the company is anything which has around 50% ROI would be the investment we are taking up, so this is typically debottlenecking type of investment or incremental capacity that we are able to create by a little bit of debottlenecking, so there is not going to be too much capex in the company across our 4 units we are expecting somewhere around Rs.20 Crores to Rs.30 Crores in this year and this will allow us to also finance Unibev from our surplus cash that we hope to generate this year. As far as debt reduction goes well this is something, which I have mentioned earlier is our focus to, of course service our debt obligation and try to prepay as much as possible without affecting Unibev prospects. We remain committed to that. At this stage in the beginning of the year, it is difficult for me to give you a number on how much debt reduction will be, but that is our focus.

Nayan Lodaya:

Okay. Thank you.

Moderator:

Thank you. The next question is from the line of Chirag Lodaya from ValueQuest Investment Advisors. Please go ahead.



Globus Spirits Limited
May 09, 2019

Chirag Lodaya:

Good morning. Thank you for the opportunity. Sir my first question is on overall ethanol capacity, so you mentioned there has been around 200 liter, which is being converted from ENA to ethanol, but at the same time we are hearing a lot of other sugar companies are planning to put up new ethanol capacity and over and above that the government is also planning to give soft loans to setup ethanol capacity, so wanted to understand what kind of capacities one should expect in the next 12 to 18 months and how scenario may change post that?

Shekhar Swarup:

It is a very good question Sir. 200 Crores liters has exited the market. Sugar mills are setting up capacities. These are absolutely correct facts. Sugar mill capacities will probably start coming up. The people who started their work beginning of last year their capacities will probably be ready to come into the market by the start of the next ethanol tender in November or December and there is no more ENA capacity coming up. It is only sugar mills that are converting on their surplus molasses into ethanol. The Ministry of Petroleum has also announced a target of procuring 1000 Crores liters of ethanol going forward. They have not put a date to this year, but they have said that our demand is 1000 Crores liters and they have encouraged the industry association to spread this message and encourage entrepreneurs existing and new to setup capacity. Considering the kind of demand India has for ethanol for fuel blending, I think our position in this market is quite secure. It was a monumental decision by the government last year to allow grain ethanol to be purchased as well. We already have found that the dependence, the link between molasses prices and grain ENA prices was abolished quarters ago because molasses ethanol was being taken exclusively for fuel and grain ENA was being taken exclusively for beverages, but as soon as the grain ethanol is being permitted manufactures like us in states like Bihar and Haryana where there is no or low market demand for ENA, we have an option to divert some of our surplus capacity as well, so all in all I find that our current footprint in two ENA defect states of Bengal and Rajasthan and two surplus states, but in states where there is enough rice available for cheap production of ethanol, I think we have a very good and strategic sort of a map over here and I do not see any risk because of new capacities coming up in Uttar Pradesh.

Chirag Lodaya:

Sir is it a fair assumption till the time ethanol procurement from OMC will remain at an elevated level, we may see this ENA prices also sustaining in line with the ethanol procurement prices and this prices should sustain at a higher level?

Shekhar Swarup:

So there is a delta because every state has a slightly different cost structure. There is a delta. The grain ENA supplies, which could have happened and led to a pressure on ENA prices



Globus Spirits Limited
May 09, 2019

those ENA capacities have gone to ethanol thereby creating a better environment for sellers of ENA.

Chirag Lodaya: What is the cost of converting an ENA distillery to an ethanol distillery onetime cost would be?

Shekhar Swarup: Very little. They are not meaningful amounts. If your facility has been granted PESO license, petroleum and explosives safety license. Thereafter the cost are very little. There are one time expense in order to get your facility PESO compliant in order to meet petroleum standards, so those could be to the tune of Rs.7 Crores to Rs.10 Crores per 100 KL kind of capacity, but thereafter the incremental to add on more capacities is very small.

Chirag Lodaya: Cost of manufacturing of the ENA or ethanol would be the same for us per liter cost of manufacturing?

Shekhar Swarup: More or less. There is a slight difference due to the strength of ENA and difference in the strength of the ENA and ethanol, but it is more or less similar.

Chirag Lodaya: Coming to our company capacity so what is the current split between the ENA and the ethanol and what is the utilization level at the end of the year?

Ajay Goyal: We have in Rajasthan and in West Bengal. Rajasthan is 140 KLPD kiloliter per day, 140000 and West Bengal is 1 lakh liters per day means 240000 liters is fully deputed for ENA. Now comes to the State of Haryana where in Samalkha, we have two plants. One plant we have dedicated to ethanol and the other is dedicated for ENA, so our capacity there is 140000 liters per day to 70000 for ENA and 70000 for ethanol and Bihar it is 80000 liters per day, so it is ethanol. There we will do ethanol, so for ethanol it is 80000 plus 70000. The rest is ENA, so about 20% is ethanol and 80% is ENA including captive consumption.

Chirag Lodaya: Now Sir given the better predictability and higher realization are we planning to convert more of our existing ENA into ethanol?

Shekhar Swarup: Not at the moment. West Bengal and Rajasthan we are quite happy with our ENA prices. We do not want to convert to ethanol for this year. Bihar we do not really have too much more capacity left to convert. Haryana there may be an opportunity, but currently we are quite satisfied.

Chirag Lodaya: What is the current utilization level for full year?



Globus Spirits Limited
May 09, 2019

- Shekhar Swarup:** Current utilization meaning for the past year?
- Chirag Lodaya:** On a full year basis what would be our average utilization just to understand?
- Shekhar Swarup:** In the last financial year besides Bihar our utilization was over 92%.
- Chirag Lodaya:** Sir in order to get a better growth, you need to add capacity or convert ENA into ethanol to get a better realization, so how one should look at it?
- Shekhar Swarup:** Bihar facility is new. It is starting up. That will add to 20% capacity, so once that is fully stabilized and once it is fully utilized we will get that growth.
- Chirag Lodaya:** Just one last question. Sir what was our ENA and ethanol realization for Q4 and what it stands at currently? Sir you have mentioned 48.6. I assume it is ENA realization?
- Shekhar Swarup:** Average realization for ENA.
- Chirag Lodaya:** ENA includes ethanol as well?
- Ajay Goyal:** Ethanol is also Rs.47 and the ENA is around Rs.48.
- Chirag Lodaya:** What would be the current prices Sir?
- Shekhar Swarup:** Current price is also the same.
- Chirag Lodaya:** There has been no increase on a month-on-month basis? Got it Sir. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.
- Giriraj Daga:** One question on the volume for the next year, so this year we sold about like 9.2 Crore liters on a bulk alcohol what is your estimate? Next year how much growth we should be able to get?
- Shekhar Swarup:** We will get 3% straight because of Bihar and we have a few more initiatives in West Bengal and Rajasthan that should add about 10% to each plant. Our Haryana capacity was suboptimally utilized in the last year and we were hopeful to get some more gains over there, so well over 20% is our expectation.



Globus Spirits Limited
May 09, 2019

- Giriraj Daga:** On the margin side you mentioned that obviously the grain is a bit difficult part, but is there any risk to the contribution of Rs.8 or we are still confident let us say minimum Rs.8 and upside can be there also?
- Shekhar Swarup:** In my experience grain prices when they go up we are able to pass on the difference to the ENA buyers so I do not see that as significant risk. To the extent of ethanol yes if grain prices continue to go up, it will start impacting the margins there.
- Giriraj Daga:** What is the grain prices as of now compared to last quarter average?
- Shekhar Swarup:** It is marginally higher as compared to last quarter average.
- Giriraj Daga:** So as of now, your math is on track for this, but if it further goes up then math might get some disturbed there is that the right thought process?
- Shekhar Swarup:** If it further goes up we will further increase ENA prices, so one has to see how it plays out. It is very difficult for me to give guidance on this at this stage.
- Giriraj Daga:** My second question is on the Unibev like last time when you had an analyst meet you spoke about decent visibility have thought any numbers from that okay with revenue to grow our market share? Have you thought of 50 or we should be able to have this kind of a performance? Any thought would you like to share?
- Shekhar Swarup:** Unibev market share and revenues is dependent on a couple of factors. One is the amount of financing Globus is able to provide for Unibev. The other is financing that Unibev is able to raise for itself from other sources and next is of course the acceptability of its brands. Considering that financing we are only able to project a certain level of financing and we have our plans. The team is working on plans for that and we are hopeful that over the next 18 to 24 months in the states that we are present in, we are able to get around the 3% market share.
- Giriraj Daga:** I am not very well versed in the overall market there, but what is the revenue number would you have that at 3%?
- Shekhar Swarup:** I am not able to comment on that because revenues are dependent on excise duties, so I do not really have a guidance on that.
- Giriraj Daga:** What is the market size as of now the market, which you are operating?



Globus Spirits Limited
May 09, 2019

Shekhar Swarup: Again this is something that Unibev team will have to give answers on. Unfortunately, Mr. Rekhi is not on the call today. If you like I can arrange some more information on this to the extent Unibev is comfortable sharing subsequently.

Giriraj Daga: My last question is a clarification. There was some CPCB document, which says that our Bihar facility was closed in the last quarter and which we got the approval to start in the month of April? We are speaking that we are able to run the facility very well so is this a different facility in the name of Globus Spirit or...?

Shekhar Swarup: You are absolutely right. Bihar facility was closed for a short period and we have subsequently restarted. We did not see any material impact of that on our performance as order books were still sort of coming in during this period, so we produced about Rs.50 lakhs in the last fiscal year since the plant restarted in Q3 and this year is when we will see better run rates of capacity utilization.

Giriraj Daga: Thank you.

Moderator: Thank you. The next question is from the line of Himanshu Shah from HDFC Securities. Please go ahead.

Himanshu Shah: Thank you Sir. Thanks a lot for providing the opportunity again. Sir just can you provide some outlook on the overall from our standalone operations perspective? Like what would be the growth drivers going forward especially in FY2020?

Shekhar Swarup: FY2020 growth drivers are going to be higher capacity utilization in Bihar. Growth of capacity in West Bengal and Rajasthan by about 10% in each facility. As you are aware Bengal and Rajasthan are extremely profitable states for ENA and the operation team with certain debottlenecking and limited amount of capex has been able to increase capacities there, which should come into effect in Q2 of this year and finally of course it is the addition of the Bihar facility and seeing very high capacity utilizations there. The other growth driver will be conversion of ENA capacities into country liquor bottling, which is something that we have been gradually demonstrating over the last few years.

Himanshu Shah: Sir is it that we are seeing a higher demand on the country liquor side because of which we are converting this capacity because volume growth numbers are not able to show that particular kind of a traction one is that?

Shekhar Swarup: If you look at a slightly longer timeline for volume growth, you will find that there has been sustained conversion of ENA capacity into country liquor capacity. Sometimes quarter-on-



Globus Spirits Limited
May 09, 2019

quarter, we might lose track of the long-term trend whereas I do not see any dramatic conversion, but there is gradual conversion that is taking place.

Himanshu Shah: Sir you just mentioned that even Haryana capacity last year was at suboptimal level so any specific reason for that and what would lead to the improvement over there?

Shekhar Swarup: It was a combination of order book as well certain unreliable equipments that we have over there, so some equipment is being changed this year and of course the order book has become far stronger because of ethanol.

Himanshu Shah: Thanks a lot. That is it from my side.

Moderator: Thank you. The next question is from the line of Ram Baranwal from Individual Investor. Please go ahead.

Ram Baranwal: Good morning Sir. This is Ram Baranwal an individual investor. I have a question regarding the loans given to subsidiaries amounting to around Rs.17 Crores, so which subsidiaries the loans are given and for what purpose?

Ajay Goyal: It is subsidiary Unibev, it is IMFL and we are giving the support from Globus wholly on subsidiary and that loan is purely for the business purpose, which is extended to the Unibev.

Ram Baranwal: Thank you Sir. Another question is about this employee cost, so what we have seen is the revenue has gone up, but the employee cost has gone down any significant reason for that?

Shekhar Swarup: In our industry, addition of capacity does not entail addition of manpower, so the same employee base is able to handle a larger capacity network, so that is the reason.

Ajay Goyal: You feel down, but in terms of absolute numbers you will see little growth that is which highlights basically.

Ram Baranwal: On annual basis it is fine and quarterly basis it was slightly less than last quarter?

Shekhar Swarup: Was that a question I missed that. Was that a statement or a question? I was not able to gather.

Ram Baranwal: The question was on quarterly basis it was slightly reduced so I was just wondering there is such a good result why the employee cost has gone down?



Globus Spirits Limited
May 09, 2019

- Shekhar Swarup:** It is a very miniscule amount to judge that. It is about Rs.2 million for the quarter.
- Ram Baranwal:** That is fine.
- Shekhar Swarup:** I am not able to give a reason for this at the moment. We will have to look at further details, but it is a very small amount, so I do not see....
- Ram Baranwal:** Thank you. Thanks for taking the question.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Shekhar Swarup for his closing comments.
- Shekhar Swarup:** Thank you everyone for taking out time to join us on this call. As always we are very happy to get your questions. In case we have not been able to answer anything, please do reach out to us and our IR team and we will forthright get back to you. Thank you again and have a good week.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Globus Spirits Limited that concludes this conference call. Thank you for joining us. You may now disconnect your line.