“Globus Spirits Limited
Q4 FY2020 Earnings Conference Call”

June 18, 2020

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Ladies and gentlemen, good morning and welcome to the Globus Spirits Limited Q4 FY2020 earnings conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shekhar Swarup - Joint Managing Director, Globus Spirits Limited. Thank you and over to you Sir!

Good morning and thank you everyone for joining us on this call to discuss the performance of the quarter and financial year ended 31st March 2020. Along with me, we have on the call, Mr. Vijay Rekhi, Chairman, Unibev; Dr. Bhaskar Roy, Chief Operating Officer, Globus Spirits; Mr. Ajay Goyal, Chief Financial Officer, Globus Spirits and our Investor Relations’ team. Firstly, we hope that everyone on the call and their families are safe. Also, on behalf of the entire team of Globus Spirits, we would like to take this opportunity to thank all those people who are fighting the Coronavirus at the forefront. This virus has affected so many lives in India and overseas and we hope things will come back to normal soon.

Let me start by sharing some of the key business and financial highlights of the year gone by, coupled with a brief outline of the steps taken by the company to ensure continuity of our operations during this challenging period.

We are experiencing a new growth phase for Globus Spirits and in the segments the company operates, it is emerging as a very strong player. We like to call it perhaps Globus Spirits 2.0. There were several headwinds in this arduous journey, but the hard work and determination of the entire team at Globus Spirits has made it possible for us to get up till here.

Some of the key focus areas for the company, during the past fiscal year, were debt reduction, capacity enhancement, foray into a new country liquor segment in Rajasthan, which we will talk about in some time, capex and some more capex to improve efficiencies at our plants and make a little more ROI at each factory. We are happy to report that these efforts have borne fruit and the Board of Directors of the company has recommended a dividend of 10% on the face value of every share and we shall endeavor to repeat this going forward. In order to create greater synergies between the businesses of Globus Spirits and Unibev and to enable Unibev to get better access to financial resources and better managerial bandwidth, the company has approved a merger between Globus Spirits and
Unibev subject to applicable approvals. Post this merger, Globus Spirits will operate in all segments of alcohol beverages like IMIL and IMFL, within one entity. To strengthen our balance sheet, during this fiscal, we have focused towards systematic debt reduction. Consequently, the debt equity ratio of the company has improved from 0.73 times in 2017 to 0.38 times in FY2020 and debt to EBITDA has improved from 4.48 times in FY2017 to just 1.26 times in FY2020. Further on the back of efficient working capital management, the current ratio has improved to 0.89 in FY2020 against 0.53 in FY2019. All these measures coupled with an improvement in profitability had led to significant improvement in the company’s various profitability or return ratios. For example, the return on equity increased to almost 12% in FY2020 which was around 2% in FY2017 and the return on capital employed has almost doubled to 22% in the last year from 11% in FY2017. We hope to be able to continue these trends and show better returns in the future.

To capitalize on the changing market dynamics in terms of increasing demand, the company has enhanced its capacity in Rajasthan which we were able to do at a very limited capex and debottlenecking to get some more capacity from the existing facility and thereby to get more alcohol from the existing facility. To further strengthen our position and market share in Rajasthan, we launched a few new brands within our country liquor segment and forayed into new segment of liquor called Rajasthan Medium Liquor, which essentially sits between IMIL and IMFL in the state of Rajasthan. This was a new launch last year and based on certain changes in pricing and policy in the current financial year, that is FY2021, the company is seeing significant volumes coming from this segment. Further in the wake of ongoing global pandemic, manufacturing of sanitizers is a new business opportunity that the company is capitalizing on at 100% capacity utilization. The sanitizer industry is expected to have a requirement to 8 to 10 million liters per month. ENA is a raw material to manufacture sanitizers and Globus Spirits being one of the largest grain-based distillers in India, is benefitting from this opportunity. We have initiated manufacturing of sanitizers under our own brand as well as undertaking contract bottling for major FMCG and OTC brands in some of our facilities. We see this to be an important business going forward to add to our overall profit pie.

Coming to our financial performance, we continue to deliver a good performance during the past financial year. The structural changes in the industry provided a thrust to our bulk alcohol segments by the way of more off-take of alcohol for ethanol and for beverages and as a result, increased prices for the entire alcohol basket. Enhanced operational efficiencies and favorable input costs have also enriched the operational profitability during the year. The company delivered a healthy operating margin of 14% during the quarter. A noteworthy improvement in finance cost have also accelerated bottom line during the year.
Short note on how the pandemic has affected our business: Our revenue in the last 10 days of the previous financial was impacted by the lockdown. In fact, we started seeing disturbances as early as around March 15, 2020, but dramatic impact was seen in the last 10 days. As you are aware liquor stores across the country were closed and this led to absolutely zero sales of liquor for all companies which included IMIL and IMFL. This also resulted in sale of ENA to beverage companies come to a standstill. We were however able to execute some of our pending orders for ethanol and of course like I mentioned earlier, the team did exceedingly well in capitalizing on a new business opportunity, which is sanitizer.

Outlook from here: While there is uncertainty on the economic recovery for the country, there is also uncertainty whether there will be continued containment areas or lockdowns of different nature in parts of the country. We expect that the bounce back in alcohol demand to happen very quickly as we have already seen in the current quarter. This will be true for ethanol as with cars starting to move, petrol starts getting consumed, ethanol off-take has resumed as well. At Global Spirits, as you are aware, we have significant competencies in ENA and ethanol which will help us glide through the rest of this year. Our brands of Rajasthan medium liquor, IMIL in Rajasthan and West Bengal will also add to volumes in profitability this year. The other trend that we have seen during this period is an increase of taxation on brands. Covid taxation, as some states have decided to call it, has led to an increase in volume at lower price points which we call downshifting in crisis by consumers. The Globus Spirits is very well poised to reap benefits of this due to our strength and specialization over the last few years in the low-price categories.

Lastly, the merger of Unibev with Globus will uncork some synergies in terms of cost savings as well as manufacturing efficiencies, which will help Unibev not only require less cash burn but also allow the company to enter some states which we have not been able to access as yet due to the manufacturing challenges that I spoke about. At this point, I would request Mr. Vijay Rekhi to talk a little more about Unibev. Thank you.

Vijay Rekhi:

Thank you Shekhar. Very good morning everyone and welcome to the earnings call. Summarizing the performance of Unibev during the previous fiscal year FY2020, we have expanded to ten states as at the end of the financial year. Unibev has established its presence in Pondicherry, Karnataka, Telangana, West Bengal, Andhra Pradesh, Chhattisgarh, Orissa, Maharashtra, Goa and Assam. During FY2020 we have managed to sell 31,972 cases of nine liters each which could have been slightly better but was impacted on account of COVID-19 in the last 10 days of the fiscal.
In the wake of COVID-19 and to ensure optimum utilization of our cash, we are being very prudent about our expenditure such as marketing and various other expenses. We are focusing on expanding our reach to newer geographies and our target is to expand our presence in six new states subject to on-ground situation emerging out of COVID-19. We continue to develop new products; however, the launch of our latest new product in the super premium whiskey category has been delayed on account of current market conditions and other launches are also cautiously being deliberated. As we are all aware, the liquor industry faced severe challenges on account of closure of liquor shops and exorbitant taxes levied by authorities. However, the pandemic has also opened-up new avenues like online delivery in the industry that was hitherto not widely available. We have started witnessing a gradual demand revival of liquor products post uplifting of the lockdown in phases.

At Unibev our focus is to strengthen our roots which will aid us to withstand the storm in the future. This is what we believe in and we will continue to work towards that. I now request Dr. Bhaskar Roy to share the operational performance details for Globus Spirits. Thank you once again.

Bhaskar Roy:

Thank you, Mr. Rekhi. Good morning everyone. I will share the operational performance of the company. During the past fiscal, we have implemented various measures towards enhancing our operating efficiencies. The initiative towards modernizing power plant at Haryana plant, Samalkha, is at its final stage and we are already doing the trials and started the commencement. The work was slightly delayed due to the COVID situation and lockdown situation. This initiative will aid towards the reducing the fuel cost. During Q4 FY2020 the utilization was at 88.8% compared to 92.3%; utilization levels were impacted on account of halt in operations due to lockdown. IMIL volumes for the quarter stood at 2.50 million cases in Q4 FY2020 compared to 2.81 million cases in Q4 FY2019. Average realization for the quarter stood at Rs.372.9 per case against Rs.354.4 per case during Q4 FY2019.

Franchise bottling volumes in Q4 FY2020 stood at 0.91 million cases compared to 1.20 million cases in Q4 FY2019. Bulk alcohol volumes for Q4 FY2020 stood at 26.2 million liters compared to 26.4 million liters in Q4 FY2019, also impacted on account of lockdown. The bulk realization stood at Rs.51.4 for Q4 FY2020. The average alcohol recovery also improved compared to the previous quarter and the previous year. On account of higher ENA and higher DDGS realization, the revenue mix tilted a bit towards manufacturing segment at 65% compared to 63% in Q4 FY2019. With that I would like to call upon our CFO, Mr. Ajay Goyal to continue the discussions on the financial performance.
Ajay Goyal: Thank you, Dr. Roy. Good morning everyone. I will take you through the key financial highlights for the quarter and year ended March 31, 2020. During Q4 FY2020, the standalone total income net of excise duty was reported at Rs.2695 million against Rs.2709 million in Q4 FY2019, impacted amidst COVID-19. For the full year FY2020, the net revenue stood at Rs.11630 million against Rs.9923 million. EBITDA stood at Rs.319 million in Q4 FY2020 against Rs.294 million in Q4 FY2019, a growth of 32% with EBITDA margins at 14.4% in Q4 FY2020 against 10.8% in Q4 FY2019, part benefit of softened raw material cost and lower fuel cost. EBITDA for FY2020 stood at Rs.1379 million against Rs.1022 million, a growth of 35% and margins stood at 11.8% against 10.3% in FY2019.

Profit after tax during the quarter stood at Rs.216 million compared to Rs.144 million in Q4 FY2019. Reduction in finance cost and overall improvement in performance enabled a robust growth of 50% year-on-year. For the full year FY2020, the reported net profit after tax stood at Rs.593 million against Rs.306 million, a growth of 94%. During the year, the total debt which includes long-term debt, short-term debt and current liability has been brought down from Rs.2371 million to Rs.1825 million as on March 2020. The debt repayment for the current fiscal is expected at around Rs.397 million, which will further strengthen our balance sheet. The cash and bank balances as on 31st March 2020 stand at Rs.197 million against Rs.25 million on 31st March 2019.

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. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Avi Mehta from IIFL. Please go ahead.

Avi Mehta: I just wanted to dwell more on the first quarter 1Q, how exactly things are panning out? If you could share how the bulk prices or ENA prices are trending currently and second on the demand-supply situation given that this year we are seeing an impact because of the lockdown; how should we look at sanitizer demand and expected growth rate?

Shekhar Swarup: For this quarter, that is, Q1 FY2021, April month has been a complete washout. There was some sanitizers revenue and very little ethanol revenue, but we were able to make enough margin to be able to take care of our fixed cost for a month. In the months two and three so far, volumes have come back to a significant degree though I do see that they are not back to what they should have been. As per our budget, we would have had little bit higher volumes but this is due to industry not opening up fully as even now there are some shops
that continue to remain closed in different parts of the country. Sanitizer is interesting for us from multiple angles. It is certainly not at a level where I can say it is 10% or 15% of revenue, but it is interesting from the following points - one is that the margins on this are higher so as a result, it pushes up our average price for the ENA basket quite considerably; second, it is a business which is not regulated by state excise so it gives us a very good hedge on state excise policies in some states. Also by the way, volumes for the company are growing and I do see in time this will become a substantial chunk, but I am not at this position able to say how long that will take, but due to its profitable nature and hedge on excise policies I feel this business is a strategic business for the company.

Avi Mehta: And the ENA prices, how exactly it is trending right now?

Shekhar Swarup: In our surplus states of Haryana and Bihar which has extra alcohol than they need in the state, so we need to export and we are seeing pricing about the same as Q4 but in our deficit states of Rajasthan and West Bengal, they need to import alcohol and so local capacities are at premium in these deficit states and we have actually seen pricing move up during the last couple of months.

Avi Mehta: Okay perfect. On the Unibev merger, in this current situation in which states levying super normal taxes which are unheard of taxes is what we can say, how does the working capital or how you look at this business in the near term in terms of expansion? How would you look at our capital allocation? I understand the reason to support it but in the near term, I know we were actually having a aggressive roll out plan, how do we look at this now and if you could kind of give us some sense on that?

Shekhar Swarup: Yes, so I want to give another point of view on the current taxation. See, few things have been, how do I say, very favorable outcome of this increase in taxation. Of course, you understand the challenges that increase taxation has increased capital and certain prices; even volumes reduce in certain product categories. But, as a silver lining, I would like to offer a couple of points of view, one is that the low-priced products become very much involved again with consumers and we are seeing that volume over there has increased as I mentioned in my opening comments, in Rajasthan for example, which is our most important state, volumes have gone up over March as compared to even May and June, so that is a very interesting fallout. Similarly, in West Bengal, our company was able to get a significantly higher market share as things started opening as compared to the previous quarters. The other interesting silver lining here is that the discussion or murmurs around prohibition has completely been put to rest when states realized the dependence of tax collection on liquor consumption and specially the lower priced liquor consumption being
very, very important for tax collection. States across the country have recognized the importance of this as a part of their arsenal. Coming to the specific question you asked about Unibev, we are fully aware that adhoc excise duty policies are very much excise departments and state governments ammo and they have done it before, of course I do not think we have ever seen this kind of taxation before but adhoc changes in excise policies are very much powerful across in the IMFL business. So that goes both ways - adhoc negative and adhoc positive. It does add a little bit of uncertainty and unpredictability. But you know, we are aware of that and the people we have in the company have weathered these storms over several cycles and we have full faith in the team to be able to perform even in these difficult times. As far as our commitments to Unibev is concerned, we do not see any change in the long-term price that is over here. I have always maintained in all my interactions that it is very difficult to predict short-term gains, but the long-term price in Unibev, there is absolutely full commitment on that.

Avi Mehta: No, but Shekhar what I meant is that the working capital intensity would probably expand in that business and I am not sure if it does in the IMIL segment as well; so that is where I was coming from, so how do you think on that?

Shekhar Swarup: Yes of course, you are right, it does increase but the business is small right now for us and in absolute numbers it does not impact us that much as of now.

Avi Mehta: Okay perfect. That is all I will come back in the queue.

Moderator: Thank you. The next question is from the line of Nitin Avasthi from East India Securities. Please go ahead.

Nitin Avasthi: Sir firstly congratulations on the good set of numbers. I just had two questions from my side; firstly on the ENA front, so being the complex product that this is, the market is saying that the dynamics are not favoring the product manufacturers going ahead is that true or while you did see where the prices are, but where do you see the prices moving for the rest of the year?

Shekhar Swarup: Well, if you ask net buyer of alcohol, they will of course hope for prices to come down, if you ask a net seller, they will hope for prices to go up, that is just the type of dynamic we have in the industry. So, you know, I am very much in the seller camp and I will say to you that the prices will go up and the reasons are as follows. There is shortage of capacity in the country. There is an increased demand for alcohol in the country, especially now, there is a significant amount of sanitizer production that is happening in India and all over the world.
which is creating a significant demand for alcohol. Whereas earlier I mentioned that Globus’s own sanitizer business is small but there is a considerable amount of alcohol that Globus Spirit is selling to sanitizer manufacturers in the countries. So, I do not see these prices come off really. On the other hand, raw material prices are going to be weak this year and so for that reason we do see margins to remain fairly consistent for this year.

Nitin Avasthi: Okay Sir got it, the second question would be, there has been a very good performance in the last entry that you made in the state of Kolkata; in country liquor performance has been phenomenal and if I look at the segment of Kolkata country liquor, this was already dominated by a very few strong players within the state. Now this market share gain is the market itself growing so phenomenally in Kolkata, or you have been able to take share from the big boys?

Shekhar Swarup: Yes, whereas performance in West Bengal has been very good, we are still short of our targets over there. The country liquor business needs to perform better, volume growth has to be better over there and we are working on various avenues on that and I would request Dr. Roy to help you with that just in a bit but in West Bengal the market dynamics are there are about 25 to 30 bottlers of country liquor in West Bengal. We have four major players between them who control may be ~75% of the market share. We are trying to become the fifth player, that is our current objective. We see no reason for there to be so many bottlers, it is very unorganized, their costs are found to be higher than ours and that is why we want to sort of consolidate the market over there. Dr. Roy can you talk about what our plans are for this year?

Bhaskar Roy: Sure. Out of almost 24 players, we were ranking around 12-13 in the previous year and we are wanting to be on the fifth or sixth level and as per the records in the month of May, when we started, we are leading to that position. Basically, now the demand of our product, is holding up well in the market as per the indications coming from people in the Kolkata region and in around Kolkata region also. We are also wanting to open up new phases in North Bengal, which is near to the factory so that we can cater within 24 hours or maximum 36 hours, thereby trying to serve this market better and the volume can increase.

Nitin Avasthi: Got it Sir. Thank you so much for answering the question Sir and best luck for all your objectives.

Moderator: Thank you. The next question is from the line of Vijay Ramchandani from Pragya Equities. Please go ahead.
Vijay Ramchandani: Hi Sir. Good morning. Good set of numbers. I just have two questions. The first one is on the line item of changes in inventory, which is significantly higher this quarter at around Rs 18 Crores and almost 6.5% of EBITDA margin. So, can you explain about the nature of this and whether the margins are sustainable?

Shekhar Swarup: CFO, may I request you to take this please.

Ajay Goyal: Basically, in terms of inventory, during the lockdown period, dispatches all of a sudden halted and there remained a certain portion of supply under pipeline; raw material came as per the schedule but there were no dispatch of our bulk alcohol and country liquor as all lines were held up at various stages and therefore the inventory as on March had gone up drastically.

Vijay Ramchandani: Okay so this is expected to come down next quarter once we sell the inventory. So what should be the sustainable margins because this quarter is around 14.4%?

Ajay Goyal: Sustainable margins, we are trying to maintain the same margin level, it all depends basically on the capacity utilization and the prices of the raw material.

Shekhar Swarup: So let me take this Ajay, please. We have margins from two activities chiefly, one is the bulk alcohol business and the other is bottle product of the country liquor business. On the country liquor business, there is a fair amount of certainty of margin for say one year or maybe up to two years. The movement in packing material cost is usually not that drastic and over a period of time, it averages out, but in terms of bulk alcohol, there is uncertainty of raw material prices, we buy broken rice, which is an agricultural product. Agricultural products, broken rice like any other agricultural product will dependent on sowing pattern and monsoon and things like that. We do have options of other raw material, so in case there are times where broken rice becomes very expensive we can change. We do have visibility of this year as being a decent year for raw material prices, prices should remain soft, so for this year, I think these margins should be all right is what I can say right now.

Vijay Ramchandani: Okay. Sir coming to capacity utilization, can you tell me at what level our plants are operating in the month of May or may be as on today?

Shekhar Swarup: I can say that as of today, all plants are operating at 100%. But average for the month, average for quarter, will be lower than the same quarter last year, obviously because April was completely closed and we only started operations in May but let us wait and watch and see how the rest of the quarter unfolds.
Vijay Ramchandani: Are we not facing any challenges with respect to the supply chain or something and because of the lockdown?

Shekhar Swarup: Well there are lot of challenges, I must admit. It is not easy to operate in this environment but full credit to the operations team led by Bhaskar Roy and by our CFO, who are able to achieve the current level of operations.

Vijay Ramchandani: Okay and a couple of questions on Unibev. Firstly, I want to know what was our EBITDA loss in Unibev for FY2020?

Shekhar Swarup: CFO could you please take up the numbers.

Ajay Goyal: Loss in Unibev was somewhere around Rs.7 to Rs.8 Crores in FY2020.

Vijay Ramchandani: Okay. Coming back to our strategy, you mentioned that you have seen some downshifting of products by consumer because of various taxes particularly COVID tax, so has there been any change in strategy for Unibev because of this because that is in the super premium category, can you throw some light, if there will be any change in strategy?

Shekhar Swarup: Mr. Rekhi, could you take up that strategic question, please.

Vijay Rekhi: This is a good question. We have anticipated during the COVID lockdown that there would be pressure on premium products as the taxes are being imposed by various states on an adhoc basis and like Shekhar said that some states even prefer to call it adhoc taxation, particularly Delhi. Now we have analyzed the market and we already have some brands lined up to selectively introduce in states which make lot of economic sense while using the same distribution and manufacturing infrastructure. So apart from the premium products which will see some turbulence, we are about to launch products which will be contribution positive and use the same infrastructure and at a lower price point than the existing super premium products.

Vijay Ramchandani: Okay Sir. Thank you so much. That is it from my side.

Moderator: Thank you. The next question is from the line of Krathi Rathi from Perpetuity Ventures. Please go ahead.
Krati Rathi: Thanks for taking my questions. The debt reduction has been quite encouraging. Could you please highlight the debt reduction plan for the current year and also if we can see any further reduction in the interest cost for the year?

Ajay Goyal: Debt reduction has been as per planned during the last financial year and for the current financial year too; the total repayment in FY2021 would be in the range of Rs.40 Crores, which will be repaid as per the schedule. Regarding the interest cost, yes there are changes in the NCLR and we are taking it up with the banks and definitely we will try to further improve on the interest cost in this financial year.

Krati Rathi: All right. Thank you.

Moderator: Thank you. The next question is from the line of Shoumik, an Investor. Please go ahead.

Shoumik: Hi. Good morning. Good set of numbers. I had a slightly different question on the industry. So, for most of the part, the prices for ethanol, I think have been bolstered by the fact that there has been blending from the government and the government has continued to pursue this. But given the COVID situation and the fact that most of our vehicles are at home and there is an overall reduction in the demand for petroleum products, do you see ethanol demand for blending going down in the near future and how will that impact prices?

Shekhar Swarup: That is a very good question. So, let me answer it in two ways. One is, I also want to address the issue of ethanol being linked to crude prices which is also sort of links to these issues. So, in India, there are two main raw materials which are used for ethanol production. One is sugarcane-based product which is the molasses and the other is broken rice. Both of these products are grown in abundance in India, of course broken rice has not grown, it is a byproduct, but sugarcane and paddy are grown in fairly large quantities in India and there is a very significant dependence that the Indian population has to the purchase prices of these products. As a result, Government of India and various states, the trend has been over the last several years to try to increase the prices of these products, increase the price to farmers for these products in order to increase income in the hands of the farmers. Now as a result, the Indian price of cane and Indian price of paddy is completely out of whack from the global context. Our paddy and sugarcane are not competitive in the global context. As a result, the paddy and sugarcane cultivation keeps going up because farmer gets more income, they have surety of that, but the country does not know what to do with so much of this product and that is where the government is using ethanol to plug this and to allow farmers to get off-take for the final product as well because if there is no off-take then the MRP or the support price has absolutely no meaning. As a result, I believe that the ethanol
price is not linked to the price of crude. Ethanol is a way of giving more money to farmers and ethanol is a way to reduce our dependence on imports, so it is a strategic venture by the Government of India. The next issue on how this is affecting, how off-takes are affected in current times; Yes, in April and most of May, there was hardly any off-take so a lot of the orders had to be completely cancelled for that period but in the month of June, the Globus Spirits has commitments to suppliers. You have seen volumes return now in the month of June in fact I think June dispatches will be equal to our committed quantity and the reason is that the OMCs have capacity to blend up to 10% ethanol but they are only sourcing about 3% or 4% so even if we add only 33% of petrol consumption we will be meeting our targets of blending. So as a result, little bit of reduction in petrol consumption does not impact ethanol volumes.

Shoumik: Thank you so much, that is very well explained. May I take the liberty of asking one more question?

Shekhar Swarup: Sure please.

Soumic: So I had a question on Unibev; given the fact that, as it has been explained even in your opening remarks and now because of the COVID related disruptions, alcohol consumption patterns I think have changed and with the huge migrant population moving back home and unlikely to have lot of money, what do you see, how do you see country liquor, and for Unibev, how do you see premium liquor, we have heard that you put some of your product launches on hold and you are doing it in a calibrated manner, so I was just wondering what is your view on that and do you see that demand returning in this fiscal or may be the next?

Shekhar Swarup: So I will quickly take that up, we have discussed it at length earlier today some other question were asked on this issue. So in the states where we have country liquor operational, that is, Rajasthan, Haryana and West Bengal, we have seen a significant increase in volumes, West Bengal industry has not grown as much as our market share has but in Haryana and Rajasthan in both states there has been a significant increase in the industry. On the matter of premium products, yes because of COVID tax implications, there is a pause to the countries premiumization. In the last two or three years was very clear that consumers are going to premiumize and I do not see any change in that in the long term but there is certainly a pause because jobs are affected during this period, so disposable income is affected and these premium products have become even more premium. So, there is a double impact of the virus. So there is a pause and as Mr. Rekhi mentioned that we are re-calibrating our plans for short run; I mentioned earlier that in the long run the company is
completely committed, there is no change in our long term price, but yes there are headwinds in the short run for premium products.

**Soumic:** All right. Thank you so much. All the very best.

**Moderator:** Thank you. The next question is from the line of Dhwani Mehta from Sanghvi Investments investment. Please go ahead.

**Dhwani Mehta:** Good morning Sir. Thank you for the opportunity. Sir I wanted to know on the visibility on sanitizer market? Do you believe that this market is to sustain if the demand and growth after COVID-19 settles?

**Shekhar Swarup:** Yes, thanks for the question. Something I often say to our team in the company that on January 1, 2020, sanitizer demand was x and on June 1, 2020, say it is 1000x, I do not know what that number is, but let us say it is 1000x for a second, then on June 1, 2021, it will be somewhere between x and 1000x. So I do not expect the current level demand to sustain after there is a vaccine for Corona virus and all this will be behind us but I do see that even once all of this is behind us, the demand for alcohol for sanitizer and the demand for sanitizers will be higher than before all of this started. For that reason we believe that for Globus Spirits, this is a strategic segment because volumes are good but more importantly it is a segment that gives us a hedge from excise policies, we are not controlled by state excise departments, and thirdly the EBITDA or the contribution from the business is higher than that of the country liquor business today. So, it is in good fix to our 360 degree model that we talked about.

**Dhwani Mehta:** Also, Sir just a followup on that, how do we plan to expand this going forward?

**Shekhar Swarup:** That opens up the need for a very detailed discussion, which we are happy to have, but suffice to say currently there is tailwind in volumes, so we are enjoying the tailwinds very bluntly, we have been opportunistic and I do not see any harm in that. Once things start settling down a bit then we will get into more details of exactly how we are differentiating ourselves in the market and planning to grow.

**Dhwani Mehta:** Okay Sir. Thanks.

**Moderator:** Thank you. The next question is from the line of Shruthi Sharma, an individual investor. Please go ahead.
Shruthi Sharma: Good morning Sir. Thank you for taking my questions. I had two small questions. First, I wanted to know if you can elaborate on the country liquor segment at Rajasthan, with the current scenario how things are panning out over there?

Shekhar Swarup: Country liquor, Rajasthan, the market size over there is about 25-26 lakh cases a month. We have about 30% market share which is up from the previous quarter by a few percentage points. There is a new segment there which is called Rajasthan Medium Liquor which comes in between Country Liquor and IMFL and essentially the product at RML is an IMFL product at a subsidized duty rate to be sold in country liquor shops. At one point we were concerned that this might cannibalize the country liquor business but in the current time what we are seeing is that it is adding to the revenue at the country liquor shop and therefore to our volumes as well. Currently, the RML market is about lakh and a quarter cases a month, but it is growing, very very fast, I do not know where it is going to stabilize, and we have about 40% market share in RML.

Shruthi Sharma: Okay Sir. So, any percentage you can give us like at what rate it is growing?

Shekhar Swarup: It is infinite right now because it is brand new. All of this is only about a month and a half old.

Shruthi Sharma: Okay Sir.

Shekhar Swarup: We are taking volume from IMFL so IMFL volume at IMFL shops are shifting to country liquor shops which is really very good news for us because that is where we excel in those country liquor shops.

Shruthi Sharma: Okay. Sir second question, I wanted to know is that if it is possible you are downtrading in liquor segment and do you think country liquor will be the beneficiary of this?

Shekhar Swarup: In the current situation as I said earlier few times, downtrading is taking place, and country liquor is being able to benefit from that. So, I have already said that is happened.

Shruthi Sharma: Will it be sustainable like going forward, how do you see it?

Shekhar Swarup: Government policy is a major determinator of that issue, so we have to see how policy pans out, this year is very clear, it will be pretty strong growth and at low price points. I also mentioned earlier that the government is very important stakeholder, they have understood
the importance of low priced alcohol for their tax collections and I do strongly hope and believe that favorable policies for our segments will now continue to happen.

Shruthi Sharma: Okay Sir that is all I wanted to ask. Thank you so much Sir.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Shekhar Swarup for his closing comments.

Shekhar Swarup: Thank you everyone for joining us today and we hope to speak to you again very soon with our Q1 numbers. If you have any further questions or if you want to discuss anything, please do reach out to us directly or through our IR agency. Thank you again and wish you all the best.

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