November 7, 2024

To,

BSE Limited	National Stock Exchange of India Limited
Phiroze Jeejeebhoy Towers	Exchange Plaza, C-1, Block G,
Dalal Street	Bandra Kurla Complex,
Mumbai - 400 001	Bandra (E), Mumbai - 400 051
Scrip Code (BSE): 544203	**Symbol: ABDL**

Sub.: Transcript of the Conference Call on Financial Performance of the Company for the quarter ended September 30, 2024, held on October 30, 2024, Disclosure under Regulation 46(2) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("Listing Regulations 2015")

Dear Sir/Ma'am,

Pursuant to Regulation 46(2) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith the Transcripts of the Conference Call on Financial Performance of the Company for the quarter ended September 30, 2024, held on October 30, 2024.

The aforesaid transcript is also available on https://www.abdindia.com/

The above is for your information and record.

Thanking you,

Yours sincerely,
For **Allied Blenders and Distillers Limited**

RITESH RAMNIKLAL SHAH

Digitally signed by RITESH RAMNIKLAL SHAH

Ritesh Shah
Company Secretary and Compliance Officer
Membership no. ACS 14037

"Allied Blenders and Distillers Limited

Q2 FY-25 Results Conference Call"

October 30, 2024

MANAGEMENT: **MR. SHEKHAR RAMAMURTHY –EXECUTIVE DEPUTY CHAIRMAN,**
MR. ALOK GUPTA – MANAGING DIRECTOR,
MR. ANIL SOMANI – CHIEF FINANCIAL OFFICER,
MR. JAYATHIRTHA MUKUND – HEAD INVESTOR RELATIONS AND CHIEF RISK OFFICER

MODERATOR: **MR. ABHIJEET KUNDU – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Allied Blenders and Distillers Limited Q2 FY-25 Results Conference Call hosted by Antique Stock Broking. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhijeet Kundu from Antique Stock Broking Limited. Thank you and over to you, sir.

Abhijeet Kundu: Yes, thanks Luke. Hi everyone, it's our absolute pleasure to host the management of Allied Blenders and Distillers Limited for their results call for Q2 FY-25. Over to Mukund, Head of Investor Relations, Chief Risk Officer for further proceedings. Thank you.

Jayathirtha Mukund: Thank you, Abhijit. Good evening and thank you everyone for joining for our Q2 FY-25 results conference call. I hope you have received a copy of our results presentation. I would like to urge you to go through this along with the disclaimer slides. Today, we have from our management of Allied Blenders and Distillers Limited, Mr. Shekhar Ramamurthy, Executive Deputy Chairman, Mr. Alok Gupta, Managing Director and Mr. Anil Somani, Chief Financial Officer.

I would like to hand over the call to our Managing Director, Mr. Alok Gupta, who will give you the summary of the company's quarterly performance before we open up a Q&A. Over to you, Alok.

Alok Gupta: Thank you, Mukund. Good evening, everyone. First of all, taking this opportunity to wish all of you a very Happy Diwali. Thanks for taking your time in this evening on the eve of a very busy, festive schedule and participating in our earnings call. Much appreciated.

This is our first result post our IPO listing on 2nd July. So, indeed, important from that perspective.

A little bit about how we see the Indian economy. During July to September '24, the Indian economy demonstrated resilience despite global uncertainties. While there have been improved investment trends, however, the consumer sector in particular saw a mixed performance. Urban areas experienced stable demand due to resilient income while rural areas were subdued, impacted by inflation.

Moving to our sector, some of the key highlights of the Indian spirits industry during the quarter. The quarter was overall subdued due to a lower than anticipated demand environment.

In the mass premium category, where our flagship brand, Officer's Choice Whiskey, has a dominant market share, witnessed lower single-digit year-on-year de-growth at the backdrop of softening of consumption growth. In the P&A category, the industry witnessed slight de-growth despite the ongoing trend of premiumization in which there is a consumer preference for high quality and innovative offering, rising income level and heightened consciousness of international trends.

However, at ABD, we witnessed a strong growth in the category leading to an increase in the market share at a pan-India level led by a strong growth of ICONiQ White, which as you all know is the fastest growing spirits brand in the world in calendar year 2023as per Drinks International Millionaires Club Report 2024.

Now coming to our performance during the quarter Q2 FY '25, this has been a quarter of overall strong operational performance and key strategic initiatives that were undertaken and implemented. Let me share about our consolidated financial performance for Q2 FY '25.

Total income at INR2,031 crores was higher by 14.8% versus INR1769 crores in Q1 FY '25 and was also higher by 5.3% over Q2 FY '24. Income from operation at INR870 crores is higher by 14.5% versus INR759 crores in Q1 FY '25 and also higher by 2.1% as compared to Q2 of last financial year. EBITDA at INR105 crores is higher by 38.8% versus INR76 crores in Q1 FY '25 and higher by 46.6% versus INR72 crores in Q2 of the last financial year.

PAT at INR48 crores is higher by 325% versus INR11.2 crores in Q1 FY '25 and higher by 319% versus INR11.3 crores in Q2 of the last financial year. So, across total income, income from operation, EBITDA and PAT, there has been a growth versus theQ1 of FY '25 and Q2 of last financial year.

Moving a bit about our top line, from a volume perspective, overall, we delivered 8.3 million cases in Q2 FY '25, a growth of 14.8% versus 7.3 million in Q1 FY '25 and in line with 8.3 million cases in Q2 last financial year. While the consumer sentiment was subdued during the quarter following the strengthening of our balance sheet with IPO proceeds, our ability to service demand improved during the quarter and also enhanced our operational capability.

In Q2 of FY '25, our revenue saw a quarter-on-quarter growth of 14.5% compared to INR759 crores in Q1 FY '25, driven by robust growth in all the four millionaire brands which is Officer's Choice, Officer's Choice Blue, ICONiQ White and Sterling Reserve B7, which operate both across mass premium and the P&A categories.

On year-to-year basis, our revenue was 2.1% higher than INR852 crores in Q2 last financial year, primarily due to growth of our millionaire brands and especially led by ICONiQ White, which is now growing across all markets. The growth was led by premiumization of the portfolio with continued increase in P&A volume salience to 39.7% in Q2 FY '25 as compared to 36.9% in Q1 FY '25.

The Q2 P&A volumes at 39.7% were also higher compared to the Q2 FY '24 where the P&A salience was only 36.5%. The P&A value salience also increased to 49% in Q2 FY '25 as compared to 46.1% in Q1 of this financial year and 45% in Q2 of the last financial year. Additionally, our overall realisation per case improved by 4% to INR998 per case led by state brand optimization and premiumization efforts. These strategic initiatives have not only increased our market share in P&A category but also reinforced our commitment to deliver high quality products.

Now coming to our EBITDA performance, we delivered strong EBITDA growth led by strong improvement in gross margins. The gross margin improved to 42.9% in quarter 2 of FY '25 as compared to 38.7% in Q1 of FY '25 and 39.2% in Q2 FY '24. So, there is overall an improvement of roughly 300 basis points or more in our gross margin. While the ENA prices have been at a higher level as compared to H1 and Q2 of last year, we benefited at gross margin level through a combination of multiple factors. First, our continued focus on profitable state brand mix.

Second, strong growth in P&A category which was nearly 2x of the mass premium growth on quarter-on-quarter basis. Third, continued benefits from various packaging material cost initiatives undertaken in FY '24. Other packaging material savings include continued improvement in market bottle utilisation which has gone up from 13% in FY '24 to 18% in Q2 FY '25 and lower pricing of various packaging materials especially in PET which we use for our Officer's Choice Whisky and others.

Fourth, post-listing, we have renegotiated our terms with the vendor and we have also been able to realise some price benefits on back of that. And finally, the routine price increase in various states during the course of the last 12 months. As a result of the above factors, we were able to deliver better gross profit with better gross margin as compared to both Q1 of FY '25 and Q2 of FY '24.

At the opex front, the total operating expenses as a percentage of income from operation is at 30.9% in Q2 FY '25 which is broadly in line with Q2 of FY '24 which was at 30.8%. Now, coming down to our interest cost. During the quarter with the receipt of IPO proceeds in the first week of July 2024, we repaid all our existing high-cost debt. We also paid all existing statutory overdues with a repayment of the above and availing working capital facilities for growth capital at a lower interest cost.

Our interest cost was lower at INR25 crores as compared to INR44 crores in Q1 of FY '25 and INR43 crores in Q2 of FY '24. So, just at the cost of being repetitive, our interest cost in Q2 FY '25 is at INR25 crores versus INR44 crores in the previous quarter. Overall, we were able to deliver a net profit of INR48 crores in Q2 FY '25 which is a growth of 325% versus INR11.2 crores in Q1 FY '25 and similar growth versus the Q2 FY '24 largely driven by both expansion in EBITDA and reduction in interest cost.

Moving on to working capital and net debt position. The receivable at INR1,569 crores as on 30th September 2024 was higher as compared to INR1,244 crores as on 31st March 2024. This is mainly on account of ongoing delay in payment by one of the key southern states. While there have been regular representations by the industry bodies to the authorities, the payment to the ongoing supplier is being given on time, however, the outstanding is expected to be cleared over the course of the next two or three quarters.

The inventory at INR573 crores as on 30th September 2024 was higher as compared to INR419 crores as on 31st March 2024. This short-term increase is broadly on account of inventory build-up for the upcoming festive season in the third quarter and also to capitalise the opportunity which we see in the state of Andhra Pradesh.

Overall, the current liability is reduced to INR1,055 crores in September 2024 as compared to INR1,374 crores in March 2024. This reduction is largely on account of repayment of all statutory overdues and vendor overdues from our IPO proceeds.

Moving on to our net debt position. Our net debt as on 31st March 2024 was INR749 crores and as on 30th June 2024 was INR711 crores. We received net proceeds of the IPO in the first week of July 24 and repaid the entire high-cost borrowing where the average cost of debt was roughly 11.4% and higher cost of interest on our statutory overdues. During the course of the quarter, we re-raised short-term debt including working capital facilities for our growth capital resulting in our net debt position at INR606 crores which is lower as compared to March '24 and June '24 level.

The average cost of debt is now down to 9.3% as on 30th September 2024 representing nearly 2% or 200 basis point reduction in the interest cost. Additionally, I am happy to share that recently in the month of October 2024, we have received credit rating upgrade to ‘Ind A’ from ‘Ind BBB+’, with a positive outlook by India Rating and Research.

Now let me update you about our new brand, Zoya. Post the successful launch in Haryana and Maharashtra, ABDL has expanded Zoya's presence in Goa and Rajasthan. Additionally, key markets and two new flavours are planned for launch in Q3 FY '25. The expansion aims to meet the growing demand for premium gin in major urban markets.

We will also be expanding Zoya overseas and it is currently in the process of being launched in UAE in the current quarter. To achieve the success of this launch, the specialized key account team which has been created has taken multiple initiatives. Our comprehensive digital and on-ground strategy features community engagement under the banner #ZoyaTales, targeting the right audience to generate strong word of mouth. Additionally, we are enhancing brand visibility through on-premise investment, social media campaigns, impactful signages and in-market events.

Moving on to ICONiQ White, the world's fastest growing spirits brand of 2023 ICONiQ White has been launched in five new states and the Union Territories of Rajasthan, Himachal Pradesh, Goa, Diu and Delhi, expanding its presence to a total of 22 states and Union Territories. Also, we have expanded its presence in the international market and ICONiQ is now available in four countries beyond India and we plan to expand its footprint further.

The growth momentum has been strong as it has helped us in increasing the market share in the P&A category across India, predominantly in North, West and South states. Tech-led consumer initiatives, impactful branding and influencer engagement have significantly increased ICONiQ White's market share. Our initiative including storefront branding, on-premise activation and community engagement have successfully driven consumer loyalty and word of mouth promotion.

ICONiQ White will enter the key market of Karnataka and Andhra Pradesh in Q3 of FY25. Currently the annual run rate is between 4 to 5 million cases which means that the brand is expected to double from its last year volume of 2.3 million cases. Moving on to some key strategic initiatives that have been undertaken post-listing.

We are creating a new business venture to offer premium to luxury portfolio and for this we have partnered with Bollywood superstar and pop culture icon Ranveer Singh in which he will be our business and creative partner. The creation of this would mark a strategic move for ABD allowing the new venture to focus on exciting world of luxury spirit while retaining the existing core brand in ABD itself. The business venture with Ranveer Singh in partnership will ensure quicker decision making, nimble adaptation to market trends and specialized marketing expertise for the luxury segment.

In doing so ABD separates its mass market product from its luxury offering elevating the value of each. With Indian drinking better and trending to luxury product this business is set to make a significant impact. The entity will launch its own brands, partner with promising Indian startups, work with majority international brands and use a strong ABD sales and manufacturing network with clear go-to market strategies.

ABD and Rouse Corporation one of the largest vodka producers in the world announced the launch of world's number one Russian premium vodka in India. The new strategic distribution agreement underscores ABD's commitment to offering premium and luxury products to the Indian consumers. By exploring the global markets ABD aims to expand its product portfolio and cater to the growing demand for unique and exceptional experiences in the domestic market.

We'll be launching Rouse premium portfolio namely Russian Standard Original, Russian Standard Gold and Russian Standard Platinum. Just to share from a pricing perspective in the state of Maharashtra Russian standard original is expected to be priced at INR2,200, Russian Standard Gold at INR2,600 and Russian standard platinum at INR5,000. So, the product offers us a variant right from Absolut all the way to Grey Goose vodka.

Expanding horizons in the global market by increasing our export footprint to 22 countries from 14 countries in FY24 is mainly by increasing our presence in high growth markets of Africa. We have launched ICONiQ White, our latest millionaire brand in four countries and are about to launch Zoya brand in UAE in quarter 3 of FY25. Now coming to the initiative undertaken for supply chain security as already stated to ensure the supply chain security of critical raw material and packing material and improve profitability by enhancing backward integration capability.

Our board has approved the following key strategic proposals. To secure our ENA requirement in the state of Maharashtra which is among the top four states for us in terms of sales salience we'll be acquiring an existing ENA plant with 11 million litres per annum capacity in the strategic location of Aurangabad. Total consideration for the acquisition is INR72 crores.

Post acquisition and related procedure that the acquiring company Minakshi Agro Industries Limited liability partnership will become a subsidiary of ABD. Post acquisition we'll be expanding the capacity of the unit to about 63 million litres per annum for which we'll be incurring a capex of INR240 crores which is spread over a period of three years. The current ENA plant in Telangana takes care of roughly one-third of our captive requirement.

With commissioning of this project which will go live three years from now our overall captive consumption would be two-thirds of our requirement. So, this moves us in the direction of having control on our supply chain on a critical raw material of ENA. Secondly to enhance backward integration facilities in Rangapur, Telangana where we already have the ENA facility we'll be doing the following projects.

To cater to new products in the premium to luxury market in addition to ENA, malt spirit is a critical raw material. To secure its supply chain we'll be setting up a 4 million litres per annum capacity for the capex of INR75 crores which will again be done over a period of three years. To cater to the increased demand in southern states of PET bottles in our flagship brand officer's choice whiskey we'll be setting up a 615 million bottle per annum capacity plant.

We'll be investing about INR115 crores over the next 9 to 12 months and expect the plant to be fully operational in about a year's time. Other capex includes supporting and enabling infrastructure related capex of about INR20 to INR25 crores. So overall we will be investing about INR525 crores of capex over a period of three years which will be funded through a combination of internal accruals and debt.

In current year FY25 we'll be incurring about what we expect a 300 basis point improvement in the EBITDA margins over the same period and would be ROCE accretive. Now on the fifth initiative to enhance our overall corporate governance framework we've appointed Deloitte to further strengthen our enterprise risk management framework. This will help us in aligning to global industry standards of risk management.

Also to have a central compliance and regulatory framework in place we are deploying a platform called Komrisk, a cutting-edge regulatory compliance management software which will streamline the compliances across all manufacturing locations and improve risk mitigation with better reporting and analytics. Overall, these initiatives have been built around our future ready framework which is to develop a world-class organization with process excellence delivering shareholder value creation through a sustainable profitable growth model along with a robust corporate governance framework in place.

The key elements of our sustainable profitable growth models are: top-line growth is ahead of the industry driven by premium to luxury portfolio build-up, growing market shares of existing four millionaire brands and expansion in selective export markets. Profitability and industry parity through continuous operating efficiencies and supply chain backward integration. Maintain a prudent capital allocation improving free cash flow and overall enhancing our return on capital employed that is ROCE.

Now coming to the near-term outlook for the second half of the current year.

First a little bit about the industry as we move into the festive season, we anticipate a positive shift in consumer sentiment which is expected to drive market growth. The reopening of the Andhra Pradesh market is a particularly beneficial for established pan-India players like ourselves providing a new growth opportunity. The trend towards experience-driven consumption is significantly boosting the premium and P&A category with high demand propelling sustainable growth.

However, we foresee an inflationary trend in place for ENA while the cost of glass and PET are expected to remain stable. ABD outlook looking ahead to the second half of FY25 we are confident in maintaining our profitable growth momentum. We project more than doubling our volume in AP state from FY24 level of 1.7 million cases on an annualized basis. Our focus of introducing unique product proposition in the premium to luxury category aims to delight our customers and drive growth. We are committed to sustaining profitability through gross margin improvement driven by premiumization, a profitable state brand mix and packaging material initiatives. While at the same time we will be investing in new brands to foster category growth.

We are also increasing our A&P spend to leverage the festive season demand. Additionally with the completion of one-time working capital reset our vendor payable cycle has normalized. Our overdue payments through key service state continue to impact the industry though and we expect normalcy by end of Q4 FY25.

We are also optimizing our working capital cycle by enhancing supply chain efficiency. Finally, I would reiterate that post successful IPO in July 24 and delivering a strong overall quarterly performance coupled with taking strategic initiative under the ABD future ready framework we are increasingly confident in our capacity to achieve sustained growth and shareholder value creation. With this I end this note and we will open the floor for any questions.

Moderator: Thank you. We will now begin the question and answer session. The first question comes from the line of Harsh Sheth from DAM Capital. Please go ahead.

Harsh Sheth: Hi, thanks for the opportunity and congratulations on good turnaround. A couple of questions. So firstly, the volume growth is healthy on sequential basis but kind of flat on Y-o-Y basis. Now I understand the slowdown in March segment but I wanted to check if there is more dirt. So, if you could share how Telangana is shaping up for us in terms of payment related issues and are we sort of limiting our exposure to Telangana which I believe is roughly around 25%-30% of our sales just to manage our capital more efficiently?

Alok Gupta: Right, thank you very much for this question. Telangana as we all know is the largest market in India. We also have a 60 million litre capacity distillery there so it becomes of strategic importance both in terms of the market share that we hold across segments and also in the capacity utilization of the distillery which also makes it a very profitable state. So that's point one.

Point two is that the industry had a meeting with the ministers, with the required administrators and we were given a clear guidance that starting October, which is this month, we should start expecting regular payments and they will also create a schedule of payment for the overdues. What we have seen in the last 15 days is that payments are coming now on a daily basis.

So, fingers crossed. We are hopeful that the promise that was made to us when we met with the required officials will come through. So, I think right now we are waiting and watching patiently and if the current payment trend continues, I think by the time we end this quarter, the current quarter three, I think we will be in a better shape.

So, for now we have a hold position in Telangana given the fact that we have our distillery there and we have significant shares across all segments and the fact that we have started to see some green shoots on the payment.

Harsh Sheth: Understood. And secondly, in the presentation, you mentioned about scope for 2x volume growth in Andhra, because of decent policy actions. So, could you throw more light on this? What was the number in around FY19? I just wanted to understand what could be the actual potential here? And secondly, how does the profitability here compare to other states?

Alok Gupta: Right. So first of all, on the profitability bit, as of now, the EDP, the existing price at which you are currently billing is the same that you are billing as per the current policy. So there is no change in EDP.

Therefore, there is no impact on profitability. It is a profitable state and it continues to have the same per case profitability. As you are aware, the Government of Andhra along with E&Y have set up a committee to understand the pricing model.

That committee is currently understanding the pricing model across various southern states and non-southern states. The good news here is that they have engaged the industry and have invited participation in terms of suggestions and how should Andhra be doing the pricing. The dialogue in our experience so far has been open and progressive. So we only expect a positive outcome.

The new pricing is likely to be announced by end of quarter 3 and only then we will get to know if there is any impact. But so far, the process, as we have experienced, is highly engaging and progressive. So we hope that they will come up with a win-win pricing formula. As regards the volume, did you say that what was the volume in FY19 and where we are today? Did I get your question right?

Harsh Sheth: So I actually wanted to understand what was the actual potential here?

Alok Gupta: So last year we did roughly 1.7 million cases in the state of Andhra Pradesh. What we have seen in the last 2-3 months after the new government has taken over as the operation, we are currently running at about, I would say, an ARR of about 3 million cases, right? So which is nearly double from last year's actual of 1.7 million cases. And coming into a lot more policy clarity because the retail trade is just about coming in, our feeling is that we should be looking at doubling our volumes in Andhra Pradesh versus last year, which is FY25 over FY24, we should be looking at a 2x over the base of 1.7 million cases.

Harsh Sheth: On this one, how does the long-term potential hold here? I mean, if I'm not wrong, it's 33 million case market.

Alok Gupta: You're right. So our volume would translate to about a double-digit share, right? And this double-digit share is without ICONiQ, which will get launched in the month of November. It's a significantly large segment there, as we've seen in the recent past. So on back of ICONiQ, we should see market share improvement in the state of Andhra Pradesh.

Harsh Sheth: Understood and lastly, if you could share the outlook on ENA prices. I mean, you did mention in your opening remarks that prices are high on a YoY basis, but what is our outlook for the same?

Alok Gupta: Well, we had sort of anticipated the H1 ENA prices to be equal to the exit price of last financial year. And by and large, we are range-bound on that. We are expecting the H2 ENA prices to be about 2%-2.5%. I mean, this is just a broad estimate at this point of time, but we expect it to be higher between 2%-3% in H2 versus H1. So that's our current sense of what's happening. Having said that, the silver lining is that, there are positive news around FCI releasing rice for milling, and that will improve the availability of broken rice. So it's a wait-and-watch, but that's how we have projected our H2 in terms of ENA costs.

Harsh Sheth: Understood. Assuming FCI rise comes down to, say, from 28 to 25 , while it could possibly result in, say, INR36 crores to INR40 crores going through EBITDA, ceteris paribus at 6 crores ENA capacity, would it also result in volume growth for mass segment because it may improve your contribution margin by quite a bit? Is that understanding, correct?

Alok Gupta: So as far as consumer is concerned, consumer is buying a product at a certain price, and therefore in the consumer's mind, there's a certain price-value equation. What happens in the backend in terms of ENA prices which impact profitability really does not impact the customer. So, I do not see any uptick as a result of customer preference. Having said that, there will be some selective opportunities in high-margin state for us to take up, if the costs were to indeed go down, to try and take better shares in those markets.

Harsh Sheth: Understood. Thanks for that, and I'll rejoin the queue for the follow-up questions.

Moderator: Thank you. The next question is from the line of Sunny from MK Ventures. Please go ahead.

Sunny: Yes, thanks for taking my question, and congratulations on a fantastic set of performance for the quarter. My first question is related to your margin performance. So in this quarter, we have delivered very strong gross margin and EBITDA margin. However, in one of the media interviews, we have said that we will meet the INR350 crores EBITDA guidance for FY25 against our already achieved number of close to INR180 crores in H1. So what I wanted to understand is, is there any kind of one-off in the Q2 gross margin or EBITDA margin? Because like simple math with second half being seasonally very strong, it suggests that your FY25 numbers should be far better than what you have guided.

Alok Gupta: Sure. So I think the question in the morning from the media was, will we meet INR350 crores, to which the response was, we meet or exceed. And if you go back to that interview, I did talk about the fact that our Q2 EBITDA is 105 Crs and that will also play a role in terms of what the final EBITDA is. So, I will just keep it at there. You might want to see my response that is meet or exceed.

Sunny: Sure, that's very helpful. And would it be fair to assume that you achieve double digit EBITDA margin of almost 12% in the quarter? Would it be fair to assume that with Andhra Pradesh kicking in, operating leverage kicking in, and any further benefits from your vendor renegotiations also kicking in, this kind of becomes the base going forward, unless obviously any unforeseen raw material movements. But does this become the base and we work towards improving on this? Or are there any cost elements which could negatively surprise us in the coming quarters?

Alok Gupta: I think as of now, it's a fair assumption.

Sunny: Got it. That's very helpful. My second question is related to the debt and the working capital. So, like you had guided during the IPO that you had to do one-time readjustments with all the vendors in terms of your stretched payable cycle, which largely seems to be behind in H1. Going forward, do you see net debt gradually coming down or with the capex and the incremental growth in volumes, this level of working capital and capex will keep the net debt at the current level of INR600 crores, which was reported in September 24?

Alok Gupta: We are hopeful that the Telangana situation would resolve significantly by Q4 of the current financial year. And if that was to happen, we will see an improvement in our net debt position and it should come down.

Sunny: Sure. Got it. I'll come back in the queue. Thanks for the detailed responses.

Moderator: Thank you. Thank you. Next question is from the line of Darshika Khemka from AV Fincorp. Please go ahead.

Darshika Khemka: Thank you for the opportunity and congratulations. So I would like to delve on the Telangana topic a little deeper. In the first Q1 con call, you had given us a number of the receivables from Telangana, which was around INR384 crores, if I'm not wrong. What is the current number? And what is the kind of reduction that we are expecting by the end of Q3 and by the end of Q4?

Alok Gupta: So at the end of Q2, the overview are by and large in the same range, about INR350 odd crores. So there has been some change, but not significant. And again, if we were to go by the guidance that we received from Telangana, we do expect a significant reduction. I am not in a position to give you a number at this point of time, because all that we were advised that we will reduce your overdraft instalment over the next few months. So, I don't want to read too much into it, but we should see a significant reduction in our receivable position from Telangana.

Darshika Khemka: Also, could you please help me with a breakdown of the receivables of INR1,500 crores by state, if possible, or probably by the entity? Like, basically a broad breakdown of the entire receivable.

Alok Gupta: You are looking at the breakdown of the overdue receivables, right? Did I get it right?

Darshika Khemka: Yes, that's correct.

Alok Gupta: Yeah, so there are only three states. The first state is Telangana, where I've given you the number of INR350 crores. There is the state of Delhi, which has a number of about INR14 crores-INR15 crores, but that was largely on account of the portal challenge they were facing. It's been regularized, and there was a small number on account of Andhra Pradesh, which also we've been paying. So really, as far as the receivable overdue are concerned, largely it's a Telangana challenge.

Darshika Khemka: All right, thank you for that. And I sort of missed out on the breakdown of the capex number. Please sort of reiterate that, it'll be great. I think acquisition of INR75 crores, we're doing a capex of INR240 crores there. The bottling unit for INR110 crores, I think there's another INR100 crores that's missing in this calculation.

Alok Gupta: So, the total capex is about INR525 crores, which is spread across three years. In year one, we need to provide for INR185 crores only. So, of the INR527 crores, year one is INR185 crores. Year two will need about INR220 crores, and year three will need about the balance INR120 crores. So that is a spread of 525, 185, 220, and about 120.

Darshika Khemka: Okay, and where will this be spent? Could you please reiterate that?

Alok Gupta: So, there are five key projects, and I will briefly touch upon them. The first set of projects are in Rangapur, our distillery in the state of Telangana. First is our single malt distillery there. This should be India's first single malt distillery, which is designed keeping a product that we would launch three to five years after the distillery is ready. Plus, it will also provide us sufficient malt, which we are currently buying from third parties. So it gives us supply chain security.

It also gives us margin security, because we'll be producing our own malt. And today, as far as malt is concerned, there are shortages of aged malt available. So, the first project is Telangana malt, which will need a total of INR75 crores. It will be commissioned by the end of 2027, and we'll start producing sometime in the financial year 2027-28.

The second project is the PET project. It has a capacity of 615 million bottles. We are currently consuming about 590 million bottles a year. So the plant will run at near 100% capacity utilization. The Telangana project will take INR114 crores as capex. It's got a fairly short cycle. It will take about nine months for us to commission the plant. And the payback period is also very short at about three and a half years. So this is a project that will start creating, will be cash and EBITDA accretive in FY26 itself.

The other investment is in the state of Maharashtra, where we have a sizable volume and also is our export hub. So our bottling here is a combination of what we sell in the state of Maharashtra, some of it that we export to Daman, and also what we export to across the world to 22 countries. This project, we are starting with a current ENA plant, which has a capacity of about 10 million litres annualized, which of course is captive to us because our current requirement is not so bad.

And we will be commissioning an additional distillery of 150 KLPD, taking to a total capacity of about 63 million litres. And that is, it would mean roughly 50% of this 63 million litres will be captive and the balance will be sold to third parties who are looking at buying high quality ENA. The total investment here is about INR325 crores. This will take us all of 26, 27 to commission the project.

And we'll finally see the results of the 63 million litres, 10 million litres is ready production that we will start consuming from the month of November itself. The incremental 53 million litres will take about -- will take us about 26, 27. So 63 million litres will be available to us from financial year 27, 28.

Darshika Khemka: This is really helpful. Thank you so much. Thank you.

Moderator: Thank you. The next question is from the line of Manoj Menon from ICICI Securities. Please go ahead.

Manoj Menon: Hi, team. I've got a few questions or clarifications rather. The first is actually on the comment about the macros impacting Officer's Choice volumes specifically. Is this something which you started noticing off late or it's been there for a while and then it kind of, let's say, exacerbated recently?

Alok Gupta: So there are two drivers as far as OC volume is concerned. One is a macro driver which is around premiumization, therefore sluggish growth on the mass premium segment. In the H1 of this financial year, we have seen low single digit degrowth. And the second thing on OC volume is we have taken a very clear position to exit from states or SKUs, which do not meet our gross margin criteria.

As you know, this brand is currently at a 40% gross margin. So essentially, some bit of volume we have by design, we are not servicing because it does not meet the gross margin criteria and overall, the segment in H1 has been sluggish. To your question that whether this trend is evident only in this year, I would say this trend has been evident over the last 2 3 years where the growth in the segment is lower than the growth in the P&A segment. So fewer customers are coming in this segment versus the number of customers that are coming in the P&A segment. So that's really where the macro position is and macro position is that we are picking and choosing markets that meet our gross margin criteria.

Manoj Menon: Loud and clear. Thank you. And just on the - if I can use the word restructuring of the portfolio or let's say exiting businesses or segments or SKUs, which doesn't meet threshold, that's a smart thing to do. Where have we in that journey? Is it like 30%, 50%, 80% just from a time series model?

Alok Gupta: So at the end of H1, we have implemented a model across all our markets. Therefore, we are at 100% of the journey.

Manoj Menon: Okay. So but that said which means there are, let's say, three more quarters in which this will be there in the base and this just need to LAP right. Three more quarters to go?

Alok Gupta: What we will see now is that what will be good for us to see is quarter-on-quarter growth on OCW, whereas it may show some lag versus last year.

Manoj Menon: Understood. Thank you. And secondly any commentary on pricing, given that FY24, you know was a pretty decent year over the last decade. How do you see pricing, let's say, over the rolling 12 months from now?

Alok Gupta: And by pricing, you mean EDPs.

Manoj Menon: The price growth which you get, essentially the increases which you will be able to take in pre-market or the ones you likely get granted. So let's take a volume, mix and price. I'm just trying to understand how are you looking at the price growth for the rolling 12 months?

Alok Gupta: So I think there are some positive trends as far as pricing is concerned. We know in the state of Telangana, again, a big market for us. We do more than 10 million cases there. We know that a price committee has already been put in place which is looking at the price increase that needs to be given to the industry. So that's the good news indeed. In the state of Maharashtra, after a gap of 2 - 2.5 years, we are seeing that the industry itself has taken price increase.

So that's a good sign for the industry and for us. So for now as we see things, I think even for the coming financial year, we expect price increases to be no different than what we have seen in the current financial year. There could be an odd state that could behave differently, but overall at a mixed level, we see the trend to continue.

Manoj Menon: That's great to hear. Lastly, on the capex top process and thanks for the detailed presentation slides on that. Just one clarification would be super helpful. Essentially, in a make or buy decision, let's say you have chosen for make option versus the buy option. I completely get the supply security part, but quantitatively speaking up after all these investments, let's say three years out, do you expect the current mid-teens ROCE overall for the company would be a tad lower than 15 or higher than 15 or remaining at 15 or put it differently, what sort of economic value add in terms of spreads, which you think the capex will quantitatively generate?

Alok Gupta: So we have a distillery in Telangana which has been operating for a fairly long period of time. And if you look, what we did was do an analysis of - we consume about 40 million litres of alcohol for our own brands and we sell the balance to the local manufacturer including likes of Radico and Pernod and many others in the state. So we have a very clear view of what is the spread between the price we realize from third-party sale and the price at which we produce.

And when we run a statistical analysis, it gives us a figure of arb which is per litre arb between a INR10 to INR16 rupees. So we basically picked up INR12 is what we believe statistically is an arb that we can make a INR12 a litre is an arb that we can make from an ENA plant over a long period of time. So it can go high, it can come low, but over a period of time, from a model perspective it has 12 arb rupees a litre.

If you look at a 150 KLPD plant, for example, the one that we want to set up in Maharashtra, that's roughly 50 million litres of alcohol. And if you multiply that by 12, you'll get a INR60 crores cash margin from an investment that we are planning to make in Maharashtra.

Manoj Menon: Just sorry, I'll probably take it offline. Just one last bit. What I'm just trying to understand is does these businesses or these investments rather, does it have the potential to generate 300, 400, to spread or put it differently, 15% threshold ROCE on its own?

Alok Gupta: Yes. So I think the ROCE basis on this calculation, our ROCE is about 15% plus.

Manoj Menon: Okay. Thank you so much and good luck.

Alok Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Swechha from Whitestone Financial Advisors. Please go ahead.

Swechha: Thank you, sir, for giving this opportunity. Sir, I had a few questions. My first one was I wanted to understand some more details about the venture that we've started with Ranveer. I just wanted to understand specifically what kind of arrangement it is. Are we going to give some equity to him in this new venture and is this going to be a part of ABDL or is it going to be a separate entity? So just wanted to understand that, sir, first?

Alok Gupta: Absolutely. So it's a separate entity. It has, it will be - the name of the entity is ABD Maestro. Essentially, this entity will focus on the luxury portfolio and in terms of the infrastructure that we are building, the people skills that we are building, the focus is on our luxury portfolio. So that's about the entity. As we have made - as we provided declarations I think this is Ranveer will hold 20% equity in this venture. ABD will hold 80%, it will be a subsidiary of ABD. So that's the sort of high-level structure and the purpose of this venture. Any follow-up on this?

Swechha: Yes so just wanted to understand, so there is no endorsement fees that will be giving to him, under this entity. It is just only equity is what we are giving him?

Alok Gupta: So Ranveer comes in as a business and creative partner which means his involvement in terms of the entire portfolio of brands that will be sold under the ABD Maestro umbrella. So it is not an endorsement deal where he stands in for a brand over a period of time. The whole, the entire genesis is about a long-term engagement from a superstar like Ranveer and he continues to provide both his creative inputs and also the fact that he has global reach.

He has 47 million Instagram subscribers and growing. So it's not like a typical endorsement deal. It is pretty much he's part of the business, actively involved in curating the portfolio and how they're positioned and how they're sold and also a social media influencer for the entire portfolio of brands.

Swechha: So my second question was just wanting to understand out of the INR525 crores of capex, how much of it would be funded through debt and how much would be through internal accrual?

Alok Gupta: Just give me like 30 seconds on this. So, like I said earlier the INR525 crores of debt is spread across three years. INR185 crores in year 1, INR220 crores in year 2 and about 100 balanced debt in year 3. This will be funded out of internal accrual and on debt and we believe from our planning perspective, I think our peak debt for this project will be about INR200 crores. So balance will be funded out of internal accrual and also out from the margins that some of the projects like PET project will start running up in the next nine months.

Swechha: Right, right. So just to follow up on this now, we've just refinanced our high-cost debt. And now we plan to again do further capex and obviously we'll be taking debt for it. So just wanted to understand on a steady state basis, what kind of interest cost run rate can we see? Because in this quarter, the interest cost has obviously come down significantly. But now as we subsequently again take the debt, how much the interest cost can go up from here on a quarterly basis?

Alok Gupta: So the interest cost should actually come down and I'll tell you why. If you look at the peak debt that is required for our project financing is out of INR200 crores and we roughly have INR350 crores of overdue from Telangana. As the overdue gets paid out, the amount of debt that we pay off versus the debt that we need to take in. So I see our overall debt to come down and therefore interest will also come down.

So we don't see the interest going up. I mean, we see over the next two, three years the interest will only come down.

Swechha: And so similarly, even our employee cost has gone down. So just wanted to understand, is this one off for this quarter and or we are expecting some more reduction in the employee cost?

Alok Gupta: So I think we are through with the restructuring that we had to do. So we do not expect any further reduction in employee cost.

Swechha: And so just I have two more follow-ups if I can ask you right now.

Alok Gupta: Okay.

Swechha: So on EBITDA guidance, in the presentation we have mentioned that EBITDA will increase by 300 basis points over three years. But just wanted to understand with all the new initiatives and the acquisitions and launch of new products that we are doing, obviously the cost is also going to come down. So what kind of incremental EBITDA, how do we see this EBITDA going up on a quarter on quarter basis? How do you see this panning out?

Alok Gupta: So just to sort of put a simple framework to it, if you see our Q2 EBITDA is roughly 12%. And if you look at the economic value that the capex project will add over the next two or three years, so they hopefully live about two and a half years from now. So the incremental EBITDA that this project will deliver is roughly 300 basis points.

So if you look at the Q2 exit EBITDA and you look at the value that this project will bring in, we'll get us to that 15% EBITDA. That's what we have benchmarked as an industry parity EBITDA. So that's sort of a simple way of looking at it. As far as, and we're talking percentage terms, right? So overall EBITDA as an absolute amount will be higher. So that's part one.

Part two on the new brand launches, as you know that the new brands will require investments ahead of the curve. And therefore, they will be what we call a cap neutral, which means contribution after A&P. But they may not necessarily contribute to EBITDA in the short run. Right. And as they start becoming cap positive, that's where they will also start contributing to EBITDA.

The cycle could be between 18 months to three years.

And therefore, it is better to stay conservative that from our luxury portfolio brand and our premium brand edition, this will be EBITDA neutral, right? But you know, if things turn out like it has turned out for ICONiQ, which has gone from 1 million to 2.2 million to hopefully 5 million this year, you know, we could start seeing them to be EBITDA accretive in 18 months. But it's better to stay conservative.

But back off our current EBITDA Q2 and 300 basis point expansion from this project. We believe that we are in the strike range.

Swetha: Right, right. Okay. So just last question, would you be able to give me the volume breakup, you know, category wise, for H1 for Officers Choice, Officers Choice Blue, Sterling Reserve, ICONiQ White, Chiron and Zoya, sir?

Alok Gupta: Most certainly, but is it okay if we provide the sheet to you after the call?

Swetha: Yes, sir. Yes, sir. Yes, sir. Thank you. Thank you, sir. Thank you so much. I really appreciate this.

Alok Gupta: Thank you so much. Thank you. Thank you for your questions.

Moderator: Thank you. The next question comes from the line of Kunal Shah from Jefferies India. Please go ahead.

Kunal Shah: Thank you for the opportunity. My first question is on this mention in the PPT of better outlook for demand in second half led by Festives. So I mean, one month has passed in the October. Do you see any change in sentiment versus what was the case last quarter?

Alok Gupta: Industry data typically comes out by 15 in the next month. So at an industry level, I'm unable to provide you with what's it looking like for others. For us, we are seeing a positive outcome as far as October is concerned.

Kunal Shah: Understood. Understood. And the second question was on the two newer brands. So how is the Sterling Reserve brand doing in general? I mean, in the last one year or so, is that also delivering good growth?

Alok Gupta: So Sterling Reserve, we have launched the all new Sterling Reserve about two months back. It is currently getting rolled out nationally. It is backed by a very unique go-to-market in terms of recapturing the customer imagination. So the brand is north of 4 million cases, has been sluggish on growth. But we are hopeful on back of the all new SRB7 relaunch. We are expecting to trigger growth back in the brand.

Kunal Shah: Understood. And the last bit was on ICONiQ White. So can you give us some sense of the distribution opportunity in this brand? I know you are present in 22 states and entering two more. But in terms of, let's say, outlet reach, is there a material headroom for you to get into more outlets?

Alok Gupta: I think from a distribution perspective, the growth will come from two levers. One is addition of new markets. So, we are in quarter three, launching Karnataka and Andhra, which are, again, large volume markets for us. So that really is one lever of growth. The second lever of growth is going to be what I call distribution width and not distribution depth. Because in markets where brand is already there for the last 12 months, it has reached the optimal width.

But what we are seeing now is distribution depth, which means it's able to get newer customers to come back and experience. And then some of those customers keep coming back as permanent. They like the brand and they keep coming back. One point that I think I covered in the last call also is that ICONiQ White is positioned between an Imperial Blue and a Royal Stag. And our thesis was that both the Imperial Blue and McDowell's number one customer, should provide a source of upgrade to ICONiQ. And also, consumers of Royal Challenge and Royal Stag could see ICONiQ as a new contemporary option to try.

So one of the things that we track when there is a retail market is where the customer, where ICONiQ White is getting customers from each of our brands. It's very heartening for us to know that it is getting customers both from the deluxe segment and the semi-premium segment. Of course, it gets more consumers from the deluxe. So I think it is positioned very intelligently to be able to get share of growth from two segments. And also, of course, on the back of new geography and newer customers, we see this brand continue to grow.

Kunal Shah: Understood. Thank you so much. That's all for my side.

Moderator: Thank you. The next question comes from the line of Amansingh Sahajsinghani, please go ahead.

Amansingh S.: Hi, sir. Congrats on good set of numbers and thank you for the opportunity. I wanted to understand further about the venture with Ranveer Singh that we are doing. So we have given away 20% of the equity to Ranveer Singh. So, I wanted to understand further on what value add does Ranveer Singh bring in and how is it different from appointing Ranveer Singh as the brand ambassador for the company? Because the business we will do in this venture would be the luxury segment, which could have been the value add or the growth driver for the standalone ABDL entity. So, this is the first question I want to understand.

Alok Gupta: Right. So I think the key difference between a brand ambassador versus a shareholder is quite evident that in the first, it's transient. It could last a year, two years, three years. It's a transient relationship. But when you're a shareholder, the tenure of the relationship is in theory, in perpetuity. And I think that really is the big power idea here that with a superstar like Ranveer, who as you know does even Gucci as a brand.

So he brings in consumers from very diverse ethnicities, from very diverse demographics, both in India and overseas. So, the social, the reach is able to influence consumers across ethnicities, across geography. It's something that will be extremely powerful. In addition, I think he has a very keen, creative mind. And therefore, not only are existing brands, they're also working on a brand that we will create, especially within this new venture. I think the creative inputs will be extremely valuable.

So, these are the three or four things that we believe is a unique way of engaging a celebrity versus a sort of I mean, there's no harm in a commercial model where there is an endorsement fee, but this is more a partnership arrangement, which should deliver value for both Ranveer and us.

Amansingh S.: Okay, got it. So, one clarification here. So will we do the luxury segment in the company with Ranveer Singh only, or it can coexist in ABDL and the joint entity in both the companies?

Alok Gupta: We would like to consolidate our luxury portfolio in the new entity so that the infra that we're building, whether it is people infra, distribution infra, which is premium horeca, there is a very focused and a concentrated approach on the luxury portfolio.

Amansingh S.: Got it. The second question would be on the gross margin side. So we have increased gross margins by around 400 basis points. So it could be very helpful if you can break down the improvement in gross margins into the benefit that we have derived from lower packaging cost, better P&A mix, and there would be obviously some drag from the higher ENA cost, which would be on gross margin. So if you can break that down.

Alok Gupta: So, what I'll do is I'll give you a very high-level response and then maybe we can share the numbers offline if that's okay with you. On the ENA, the Q2 cost of ENA is higher than the Q2 cost last year. So, ENA cost does not have a role to play in our gross margin expansion. Gross margin expansion has happened on back of better state mix. It has happened on back of product mix. And also I think a point that I covered earlier is that post IPO, we have repaid all the overdues to our vendor.

And as part of that entire exercise, we've also done a rate reset that, what we call as timely payment. We will do timely payment and we've been able to get, you know, a reduction in our buying rate. So these are the three levers. If it's okay, we can publish a waterfall on this later.

Amansingh S.: So, sir, we can take this offline. Just two small clarifications from what you said earlier. Can you state the A&P spend as a percentage of sales or absolute number for this quarter?

Alok Gupta: For this quarter?

Amansingh S.: Advertising, yes.

Alok Gupta: About, it's about between 4% and 5%. But you keep on in mind that Office's Choice is a brand that does not dazzle a lot of A&P and our entire A&P goes into the P&A segment and all our luxury brands. So my request would be to read the numbers with respect.

Amansingh S.: Sir, can you please repeat the number?

Alok Gupta: I'm sorry?

Amansingh S.: Sir, can you please repeat the number?

Alok Gupta: I'm saying the A&P spend is between 4% to 5% of our net sales value. But the important point to note is that Office's Choice does not guzzle a large A&P. So this entire A&P is behind our P&A portfolio and our luxury portfolio.

Amansingh S.: A small question. After the capex that we have planned, so after 3 years, so we will have the 100% capacity of P&A that we will be utilizing or I guess in your opening remarks you said we will have two-thirds of the capacity.

Alok Gupta: With the facility that we are putting in Maharashtra, we will get to about two-thirds. We will need to at some point of time also need to invest in another 150 KLPD plant to get to 100%.

Amansingh S.: Got it. Thank you so much.

Moderator: Thank you. The next question comes from the line of Abhijeet Kundu from Antique Stock Broking. Please go ahead.

Abhijeet Kundu: Yeah, hi. Congrats on a great set of numbers. The margin expansion has been quite substantial and we believe that this margin expansion will sustain and, in fact, improve going ahead. My question was on the brand part. You said that Sterling Reserve B7 would be relaunched and that has been a successful brand earlier as well. But what happens to, what are plans with Srishti, X&O Barrel? Where are we in terms of marketing them and driving their volumes? Where are we in that journey? Because these are the brands which will improve your overall standing in P&A.

Alok Gupta: So, as you know, all brands do not necessarily succeed. So, what we did was we launched three whisky brands, which is ICONiQ White, Srishti and X&O at the same point of time. Of course, ICONiQ White has gone on to take a pole position in terms of growth. On Srishti, we are currently selling in three markets. We sell it in the state of UP, we sell it in the state of West Bengal and we sell it in the state of Haryana.

We are quite happy with the playbook that we are building on Srishti and we believe that in the quarter or two, we will be ready to take Srishti on in a few more markets. In our industry, it can take anything between 12 to 18 months for us to get national rollout, like was the case with ICONiQ as well. So, with Srishti, I think now that we are happy with the playbook, we will take it forward. On X&O, still more work is required before we have a playbook that will allow us and give us the confidence to invest more money and expand the distribution.

Abhijeet Kundu: And in case of Zoya, the initial response has been good, what I believe, from our chances as well. So, what are the plans with ramping up across states? Where and how much time will it take?

Alok Gupta: So, by quarter three, we should be in about eight top-Gin markets. By end of quarter four, we will be in the 12 top-Gin markets. And in addition, the focus is also on exporting Zoya to relevant markets. We have already done that for Dubai. We believe that the Zoya footprint across India, could be between five to ten more markets in the next two quarters. In addition, we are also trying to lift this brand in duty-free.

So, the focus on Zoya and our entire luxury portfolio would be across four channels. One is domestic, second is duty-free, third is export, and also get into the defense sector with approvals both for paramilitary and CSD. So, a lot of work is currently happening to make sure that we get all our approvals and go to market in place.

Abhijeet Kundu: This could be a potentially strong million cases market over a period of time, 3 years. I know the segment is, I mean, the category is smaller when compared to a whisky. But this could be also a millionaire brand over 3, 4 year periods.

Alok Gupta: We're talking about Zoya,

Abhijeet Kundu: right?

Alok Gupta: Zoya unlikely will be a millionaire case brand. It will be smaller. But as we've always maintained that the good thing about Zoya, we are operating at a gross margin of more than 70%. Therefore, we believe it can short, it can, at a very quick pace, from being cap-neutral, start becoming an EBITDA accretive brand.

Abhijeet Kundu: Okay. And also your Russian, tie-up with Russian leader, Roust, that will also start kicking in, right? I mean, that plan will also be there to scale it up?

Alok Gupta: So, I think yes. The answer is yes. But more importantly, when we are talking about premium Vodka, given the rage that any bar today carries, I think our ability to offer multiple choices to the premium Vodka, starting with Zoya to Russian Standard. As we speak today on 5th of November, we are also launching our Blended Scotch malt. Therefore, the portfolio is getting better. And our ability to therefore offer to both premium customers and offline and to premium Vodka will be significantly enhanced.

And also, as you understand, the cost of sales will also come down. So, this portfolio will expand every quarter. We're looking at adding at least one new luxury brand. So, we've done Zoya, we've added Russian Standard, and we have now added, in the month of November, we are adding ArtHaus, which is our Blended Scotch malt. And hopefully, in quarter four of this financial year, we'll add one more brand to our portfolio.

Abhijeet Kundu: Great to hear that. Actually, the 2200 average pricing of Vodka is quite enticing because that segment is seeing good amount of traction. So, all the best to you.

Moderator: Thank you. The next question is from the line of Sunny from MK Ventures. Please go ahead.

Sunny: Thanks for the follow-up question. My question is related to the tie-up that we have done with Russian Standard Vodka. It will be helpful to get a perspective on what's the category size, who are the relevant peers at that price point, and what is our aspirational market share in the next 2 to 3 years from this brand?

Alok Gupta: So, the portfolio spreads across from Absolut to Grey Goose. It allows us to operate across various price points and therefore take shares from all the three price points, which are operating in the market. The aspiration of the market share, we're hopeful that we should get quickly to double digit and we'll grow from there.

Sunny: What would be the underlying? So, Vodka as a category is about 14, 15 million cases, but the price points that you mentioned, what proportion of Vodka, would be these price points in terms of the underlying size?

Alok Gupta: Well, you're absolutely right. This price point will be less than 10%.

Sunny: So, like 1.5 million cases, you mean, is the underlying market potential?

Alok Gupta: Yeah, just give me 10 seconds, I'll give you actual numbers, but yeah, it's not more than a million cases at this point of time.

Sunny: Okay. So, basically, do we have aspirations to then maybe move one price point lower, which is say the magic moments verve Vodka or similar price category, which will have a larger addressable market? And then basically in that perspective, capture the whole P&A category of Vodka, which is, as one of your peers mentioned, also growing at high double digit growth rate. So, is there any thought process around that?

Alok Gupta: I think these are two independent initiatives. I want to share one data point with you that of the 412 million cases that were sold last year, right at the top, there is about 12, 15 million cases that account for more than 30% of the industry profits. And the Russian standard portfolio plays in that category, right?

So, we'll have to keep in back of our mind that there will be two kinds of opportunity. One is scale opportunities, like you mentioned, in terms of magic moment, which does about 7, 8 million cases. And second opportunity is going to be in high gross margin, high per case profit, where for every case you make maybe five or six times what you make on a normal product, but the volumes are small. So, I think this will require the two independent approaches, not one common approach.

Sunny: Got it. One related question to this, in case of brands where we do licensing agreements with global brand owners, how should we look at the margin profile? Is it better than the company average currently? Maybe at a stable state, I understand initially there will be significant investments which will go into A&P.

And till you attain a reasonable size, these may not contribute to that extent in the EBITDA, but at a stable state with reasonable scale, will these be low double digit, mid double? So, how should we look at margin of these licensed brands or the BIO brands that you will look to introduce over a period of time?

Alok Gupta: I think we've already stated that over the next couple of years, we want to get to industry parity EBITDA. Any business initiative or any partnership or any new brand that we introduce has to fit into that framework. So, for now, I would say that partner brands like Russian Standard will actually help us get there faster.

Sunny: Got it. That's very helpful. Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management of Allied Blenders & Distillers for closing comments.

Alok Gupta: Thank you once again for your time and for your questions, much appreciated. We look forward to this quarterly interaction even though it is virtual. Thank you for your time and let me take this opportunity to wish you and your family a Happy Diwali and the very best for the festive season. Thanks once again.

Moderator: Thank you, sir. Thank you, everyone. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.