

Retail Research	IPO Note
Sector: Breweries & Distilleries	Price Band (Rs): 267 - 281
21st June 2024	Recommendation: Subscribe

Allied Blenders & Distillers Ltd.

Company Overview:

Allied Blenders & Distillers Ltd (ABDL) is the largest Indian-owned Indian-made foreign liquor (IMFL) company and the third largest IMFL company in India, in terms of sales volumes between FY14 and FY22. It is one of the only four spirits companies in India with a pan-India sales and distribution footprint and a leading exporter of IMFL. It had an estimated market share of 11.8% in terms of sales volume in the Indian whisky market for FY23. The company entered into the mass premium whisky segment by launching its flagship brand Officer's Choice in 1988. As of Dec'23, the company's product portfolio comprised of 16 major brands of IMFL across whisky, brandy, rum and vodka.

Key Highlights:

1. Among the largest IMFL companies in India with a diversified and contemporary product portfolio: ABDL is the largest Indian owned IMFL company and the third largest IMFL company in India in terms of sales volumes between FY14 and FY22. Four of its brands, namely, Officer's Choice Whisky, Sterling Reserve, Officer's Choice Blue and ICONiQ Whisky are Millionaire Brands. As of Dec'23, its product portfolio comprised of 16 major brands of IMFL with 10 brands of whisky that include the flagship Officer's Choice Whisky, Sterling Reserve Whisky and ICONiQ White International Whisky, 3 brands of rum, 3 brands of brandy and 1 brand of vodka. The company has also recently launched Zoya Special Batch Premium Gin in Jan'24. Its products are present across various price points of IMFL categories in India.

2. Strong brand recognition: The company has developed a well-recognized product portfolio and transformed from a single brand company to multi-product and multi-brand company with presence across various categories and segments of the IMFL industry in India. Officer's Choice Whisky is the market leader in the mass premium segment with a market share of 20.9% in terms of annual sales volumes in FY23. It has strategically undertaken brand-building initiatives to increase awareness and recall of its brands. The company's sales and business promotion expenses were 3.9%/3.5%/4.1%/3.7% in FY21/FY22/FY23/9MFY24 respectively.

3. Strategically located and large-scale manufacturing facilities: The company's distillery is located in Rangapur, Telangana and is spread over an area of 74.95 acres and has a built-up area of over 25,000 sq. meters. It has an in-house distillation capacity of extra neutral alcohol (ENA) of 600 lakh litres per annum. It also has an extensive bottling capability with an optimal mix of owned and third-party facilities having a pan-India presence across 22 States and Union Territories. As of Dec'23, it owned and operated 9 bottling units and had entered into arrangements with 5 third-party bottling facilities where the entire licensed capacity is utilized by ABDL. As of Dec'23, its products are bottled across 32 bottling facilities across pan-India.

Valuation: The company is valued at an annualized FY24 EV/EBITDA multiple of 31.3x based on the post-issue capital on upper price band. The company is one of the largest players in the IMFL market with its flagship brand Officer's Choice holding 20.9% market share in the mass premium segment as of FY23. The company is expected to reduce its total debt from Rs 798 cr as of Dec'23 to ~Rs 80 cr from the proceeds of the issue which will help reduce interest cost to a great extent thereby boosting profits and return ratios. We recommend investors to SUBSCRIBE to the issue for long term.

Issue Details	
Date of Opening	25 th June 2024
Date of Closing	27 th June 2024
Price Band (Rs)	267 - 281
Offer for sale (Rs cr)	500
Fresh Issue (Rs cr)	1000
Issue Size (Rs cr)	1,500
No. of shares	5,61,79,773 – 5,33,80,783
Face Value (Rs)	2
Post Issue Market Cap (Rs cr)	7,518 – 7,860
BRLMs	ICICI Securities, Nuvama Wealth Management, ITI Capital
Registrar	Link Intime India Pvt Ltd
Bid Lot	53 shares and in multiple thereof
QIB shares	50%
Retail shares	35%
NIB shares	15%

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
Prepayment or scheduled re-payment of a portion of certain outstanding borrowings	720.0
General corporate purposes*	-
Total proceeds from fresh issue	1000.0

* To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilised for general corporate purposes shall not exceed 25% of the Gross Proceeds.

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	2,44,13,665	100.0
Public & Others	-	-
Total	2,44,13,665	100.0

Post Issue @ Lower Price Band		
Post Issue @ Lower Price Band	No. of Shares	%
Promoter & Promoter Group	22,53,87,073	80.0
Public & Others	5,61,79,775	20.0
Total	28,15,66,849	100.0

Post Issue @ Upper Price Band		
Post Issue @ Upper Price Band	No. of Shares	%
Promoter & Promoter Group	22,63,20,071	80.9
Public & Others	5,33,80,783	19.1
Total	27,97,00,854	100.0

Source: RHP, SSL Research

Key Financials

Rs cr	FY21	FY22	FY23	9MFY24
Net Sales	2,348	2,686	3,147	2,560
EBITDA	194	196	185	182
Profit	3	1	2	4
EBITDA Margin (%)	8.3	7.3	5.9	7.1
Profit Margin (%)	0.1	0.1	0.1	0.2
EPS	0.1	0.1	0.1	0.2
ROE (%)	0.7	0.4	0.4	1.0*
ROCE (%)	11.5	11.5	11.6	12.3*
Total Debt / Equity	2.5	2.1	1.9	1.9

* Not Annualized

Source: RHP, SSL Research

Risk Factors

- Heavy dependence on sale of whisky products:** The company is substantially dependent on the sales of its whisky products which generated 97.6%/96.9%/95.4%/94.3% of sales in FY21/FY22/FY23/9MFY24 respectively. Production and sales of whisky can get affected due to regulatory or competitive changes, increase in excise, etc. The company's products are further heavily dependent upon its Officer's Choice brand which constituted 83.8%/82.3%/75.9%/73.0% of its total sales volume in FY21/FY22/FY23/9MFY24 respectively.
- Intense competition:** The IMFL industry is highly competitive in India. The main competitors of ABDL are United Spirits, Pernod Ricard India, Radico Khaitan, John Distilleries, Tilak Nagar Industries, Jagatjit Industries and Globus Spirits. Increasing competition in the IMFL industry may create pressure on the company's business.
- Dependence on third-party bottling facilities:** ABDL is dependent on third-party bottling facilities for its operations. As of Dec'23, the company owned & operated 9 bottling units, entered into arrangements with 5 third-party bottling facilities where the entire licensed capacity is utilized by the company and entered into 18 bottling agreements on a non-exclusive basis. Termination of agreements in relation to the bottling facilities may adversely affect its business.
- High Central & State regulations:** The company's operations are subject to extensive Central and State regulations. Changes in the regulatory environment may cause the company to incur additional costs or limit its business activities.

Growth Strategy

- To increase market share of Officer's Choice Whisky across regions.
- To introduce new products within the premium, semi-premium and deluxe segments to strengthen presence in other categories.
- To continue focus on improving operating efficiencies.
- To evaluate growth opportunities through selective acquisitions.
- To enhance brand awareness and engagement through digital marketing.

Revenue Split – Product Wise

Revenue (Rs cr)	FY21		FY22		FY23		9MFY24	
	Revenue (Rs cr)	% of Revenue	Revenue (Rs cr)	% of Revenue	Revenue (Rs cr)	% of Revenue	Revenue (Rs cr)	% of Revenue
Whisky	6,224.6	98.8	6,973.4	98.9	6,777.1	97.4	5,575.8	97.0
Brandy	41.4	0.7	41.9	0.6	102.6	1.5	123.3	2.1
Rum	22.4	0.4	27.9	0.4	66.1	1.0	43.0	0.8
Vodka	6.6	0.1	5.2	0.1	12.9	0.2	4.3	0.1
Others	4.0	0.1	5.2	0.1	2.3	0.0	4.8	0.1
Total	6,298.9	100.0	7,053.6	100.0	6,961.0	100.0	5,751.3	100.0

Source: RHP, SSL Research

Sales Volume – Product Wise

Sales Volume (mn cases)	FY21		FY22		FY23		9MFY24	
	Sales Volume (mn cases)	% of total sales volume	Sales Volume (mn cases)	% of total sales volume	Sales Volume (mn cases)	% of total sales volume	Sales Volume (mn cases)	% of total sales volume
Whisky	24.6	96.4	27.5	96.8	30.6	94.9	23.6	96.1
Brandy	0.7	2.6	0.6	1.9	0.9	2.8	0.7	2.6
Rum	0.2	0.8	0.3	1.1	0.6	1.9	0.3	1.1
Vodka	0.1	0.2	0.0	0.1	0.1	0.4	0.0	0.1
Total	25.5	100.0	28.4	100.0	32.2	100.0	24.6	100.0

Source: RHP, SSL Research

Geographical Split

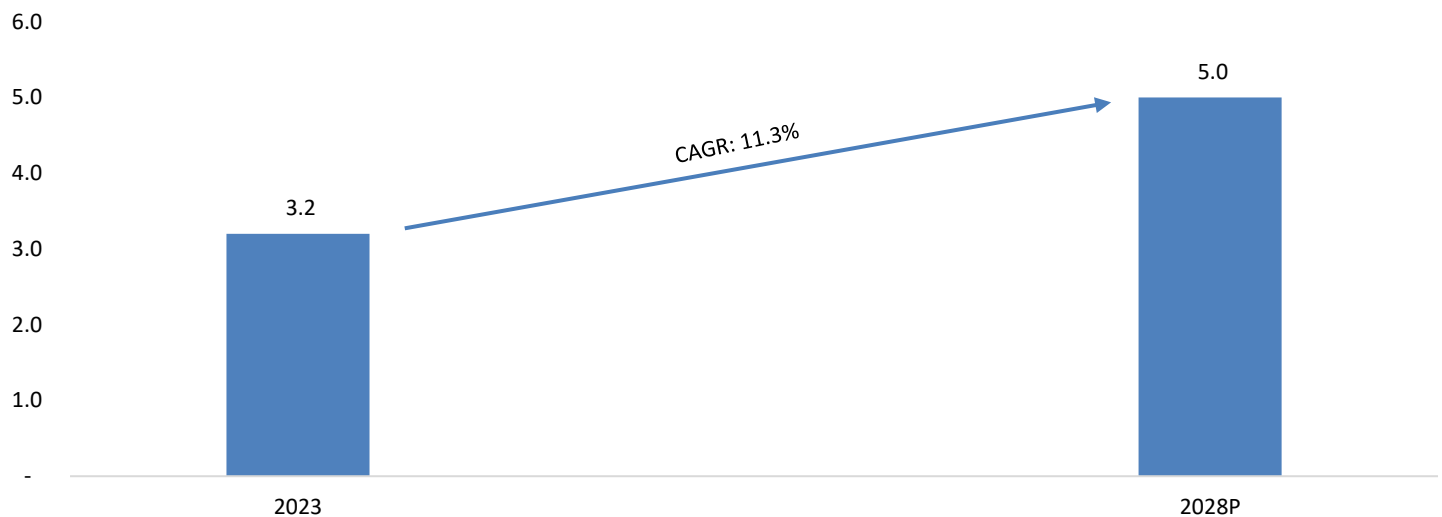
Geographical Split	FY21		FY22		FY23		9MFY24	
	Revenue (Rs cr)	% of Revenue	Revenue (Rs cr)	% of Revenue	Revenue (Rs cr)	% of Revenue	Revenue (Rs cr)	% of Revenue
Domestic	6,225.1	97.9	6,999.1	97.6	6,949.0	98.2	5,757.9	97.8
Exports	133.6	2.1	170.8	2.4	130.0	1.8	131.2	2.2
Total	6,358.7	100.0	7,169.9	100.0	7,078.9	100.0	5,889.1	100.0

Source: RHP, SSL Research

Industry Overview

The **Indian Alcoholic Beverages** market is the third largest market in the world after China and Russia and the second largest spirits market in the world. Indian alco-beverages market was valued at Rs 3.2 tn in CY2023 and is further expected to grow at a CAGR of 11.3% between CY23-CY28 to reach Rs 5.0 tn by CY28.

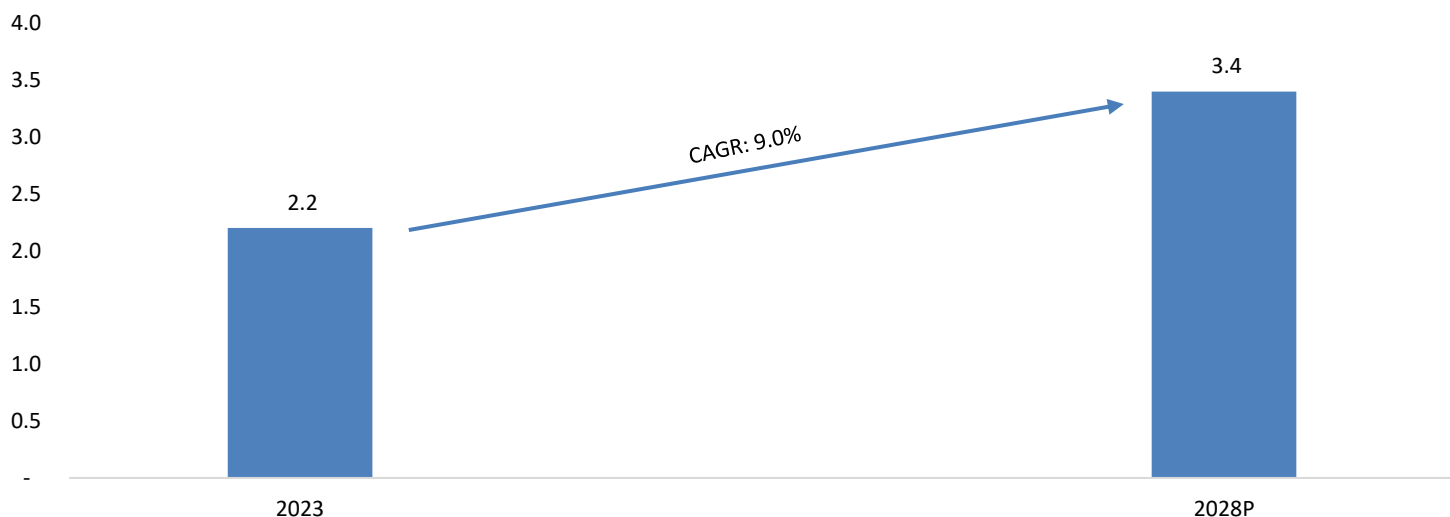
Indian Alcoholic Beverage Market (Rs tn)



Source: RHP, SSL Research

The **Indian Made Foreign Liquor (IMFL)** market was valued at Rs 2.2 tn in CY23 and is the largest segment among the Indian alco-beverage market contributing ~69% of the total market value in CY23. The IMFL market is projected to be valued at Rs 3.4 tn by CY28, growing at a CAGR of 9.0% between CY23-CY28.

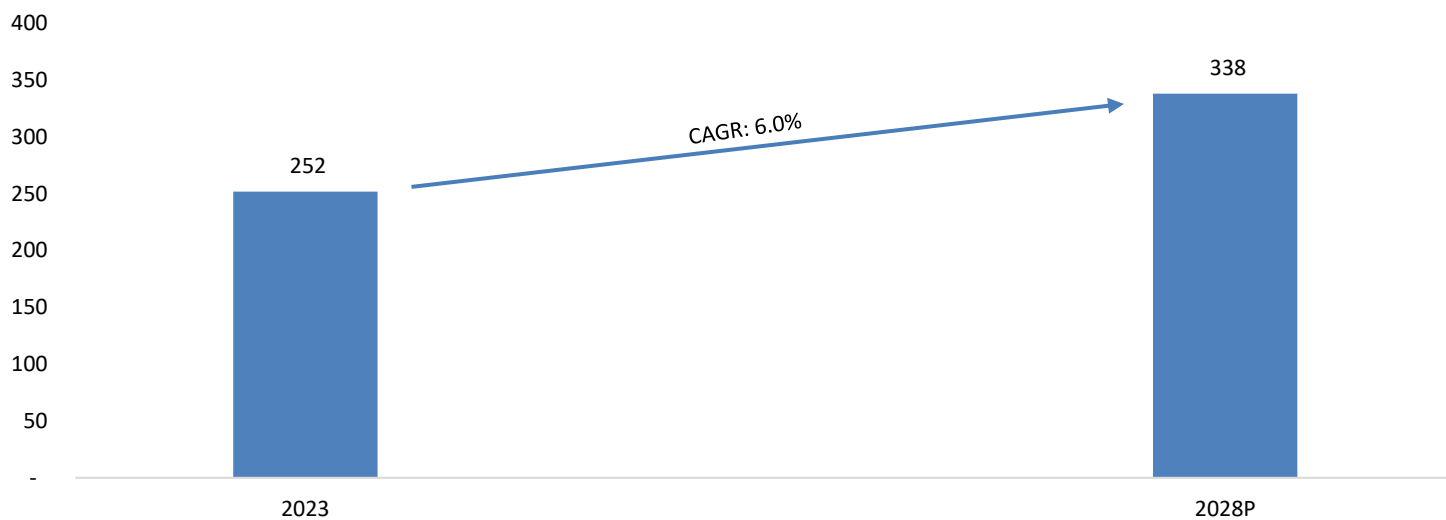
Indian Made Foreign Liquor Market (Rs tn)



Source: RHP, SSL Research

Indian Whisky sales in CY23 stood at 252 mn cases accounting for 64% of IMFL sales by volume and 68% by value. The category is expected to lead recovery of alco-beverages in India leveraging economic recovery, pent up demand, strong at home consumption trends and premiumization trends. Whisky sales are projected to grow at a CAGR of 6.0% between CY23-CY28 to reach sales volume of 338 mn cases in CY28. Future growth in Whisky consumption is likely to be driven by rising income, growing urbanization, and increasing awareness towards western tastes and trends. A shift in the purpose of consumption from being a stimulant to recreation and socializing will leverage the trend towards premiumization to drive value growth.

Indian Whisky Sales Volume (million cases)



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
(Rs cr)	FY21	FY22	FY23
Net Sales	2,348	2,686	3,147
% YoY growth	-	14.4%	17.2%
Cost Of Revenues (incl. Stock adj.)	1,421	1,629	1,974
Gross Profit	927	1,057	1,173
Gross margin (%)	39.5%	39.4%	37.3%
Employee Cost	172	193	186
Other Operating Expenses	561	667	802
EBITDA	194	196	185
EBITDA margin (%)	8.3%	7.3%	5.9%
Other Income	19	11	11
Net Interest Exp.	142	145	135
Depreciation	59	59	55
Exceptional Items	-	-	-
PBT	13	4	6
Tax	10	2	4
PAT	3	1	2
PAT margin (%)	0.1%	0.1%	0.1%
EPS	0.1	0.1	0.1

BALANCE SHEET			
(Rs cr)	FY21	FY22	FY23
Assets			
Property, Plant & Equipment	446	494	378
Right of Use Assets	136	130	130
Capital WIP	17	15	14
Goodwill	4	4	4
Intangible Assets	63	63	64
Other Non-current Assets	222	84	99
Current Assets			
Current Investment	-	-	-
Inventories	346	352	559
Trade receivables	867	954	958
Cash and Bank Balances	70	55	53
Short-term loans and advances	7	4	-
Other Current Assets	120	92	229
Total Current Assets	1,411	1,457	1,799
Current Liabilities & Provisions			
Trade payables	483	536	566
Other current liabilities	432	419	697
Short-term provisions	15	14	12
Total Current Liabilities	930	969	1,276
Net Current Assets	481	488	523
Total Assets	1,369	1,279	1,212
Liabilities			
Share Capital	54	47	49
Reserves and Surplus	328	357	357
Total Shareholders' Funds	382	404	406
Minority Interest	-	-	-
Total Debt	955	847	776
Long Term Provisions	13	12	13
Lease Liabilities	20	16	16
Other Long-Term Liabilities	-	-	-
Net Deferred Tax Liability	-	-	-
Total Liabilities	1,369	1,279	1,212

Cash Flow (Rs)	FY21	FY22	FY23
Cash flow from Operating Activities	247	179	230
Cash flow from Investing Activities	-59	32	-18
Cash flow from Financing Activities	-216	-256	-203
Free Cash Flow	211	120	210

RATIOS			
	FY21	FY22	FY23
Profitability			
Return on Assets (%)	0.1	0.1	0.1
Return on Capital (%)	11.5	11.9	11.9
Return on Equity (%)	0.7	0.4	0.4
Margin Analysis			
Gross Margin (%)	39.5	39.4	37.3
EBITDA Margin (%)	8.3	7.3	5.9
Net Income Margin (%)	0.1	0.1	0.1
Short-Term Liquidity			
Current Ratio (x)	0.8	0.9	0.9
Quick Ratio (x)	0.6	0.7	0.6
Avg. Days Sales Outstanding	135	130	111
Avg. Days Inventory Outstanding	54	48	65
Avg. Days Payables	75	73	66
Fixed asset turnover (x)	5.3	5.4	8.3
Debt-service coverage (x)	0.2	0.2	0.2
Long-Term Solvency			
Total Debt / Equity (x)	2.5	2.1	1.9
Interest Coverage Ratio (x)	1.1	1.0	1.0
Valuation Ratios			
EV/EBITDA (x)	39.9	39.0	41.0
P/E (x)	2735.1	4647.4	4281.9
P/B (x)	18.0	17.0	16.9

Source: RHP, SSL Research

Peer Comparison – FY23

	Allied Blenders & Distillers Ltd	United Spirits Ltd	Radico Khaitan Ltd	Globus Spirits Ltd
CMP	281.0	1,266.0	1,787.0	802.0
Sales (Rs cr)	3,146.6	10,612.0	3,133.0	2,109.0
EBITDA (Rs cr)	185.0	1,404.0	359.0	246.0
Net Profit (Rs cr)	1.6	1,126.0	204.0	122.0
M.Cap (Rs Cr)	7,859.6	92,050.0	23,900.0	2,313.0
Enterprise Value (Rs cr)	8,582.8	91,046.0	24,618.0	2,564.0
EBITDA Margin (%)	5.9	13.2	11.5	11.7
Net Margin (%)	0.1	10.6	6.5	5.8
PE(x)	4,906.1	81.7	117.2	19.0
EV/EBITDA	46.4	64.8	68.6	10.4
RoE (%)	0.4	21.7	11.3	14.7
RoCE (%)	11.6	28.7	13.2	15.5

For Allied Blenders & Distillers Limited, the Market cap, PE(x), and EV/EBITDA (x) are calculated on post-issue equity share capital based on the upper price band.

CMP as on 20th June, 2024.

Source: RHP, SSL Research

SBICAP Securities Limited

(CIN): U65999MH2005PLC155485 | Research Analyst Registration No INH000000602

SEBI Registration No.: Stock Broker: INZ000200032 | CDSL: IN-DP-314-2017 | NSDL: IN-DP-NSDL-369-2014 | Research Analyst: INH000000602

IRDA/RW/IR2/2015/081 | IRDA/RW/IR1/2016/041 | IRDA: CA0103

Registered & Corporate Office: Marathon Futorex, A Wing, 12th Floor, N. M. Joshi Marg, Lower Parel, Mumbai-400013.

For any information contact us:

022-6854 5555**E-mail: helpdesk@sbicapsec.com | Web: www.sbisecurities.in****DISCLOSURES & DISCLAIMERS:**

Analyst Certification: The views expressed in this research report ("Report") accurately reflect the personal views of the research analysts ("Analysts") employed by SBICAP Securities Limited (SSL) about any and all of the subject issuer(s) or company(ies) or securities. This report has been prepared based upon information available to the public and sources, believed to be reliable. I/We also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

The Analysts engaged in preparation of this Report or his/her relative:-

- (a) do not have any financial interests in the subject company mentioned in this Report; (b) do not own 1 or more of the equity securities of the subject company mentioned in the report as of the last day of the month preceding the publication of the research report; (c) do not have any material conflict of interest at the time of publication of the Report.

The Analysts engaged in preparation of this Report:-

- (a) have not received any compensation from the subject company in the past twelve months; (b) have not managed or co-managed public offering of securities for the subject company in the past twelve months; (c) have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) has not received any compensation or other benefits from the subject company or third party in connection with the Report; (f) has not served as an officer, director or employee of the subject company; (g) is not engaged in market making activity for the subject company.

Name	Qualification	Designation
Sudeep Shah	MMS-Finance	DVP- Technical & Derivative Research
Sunny Agrawal	B.E, MBA (Finance)	DVP - Fundamental Research
Rajesh Gupta	PGDBM (Finance), MA (Bus. Eco)	AVP - Fundamental Research
Monica Chauhan	C.A.	Research Analyst - Equity Fundamentals
Harsh Vasa	CA	Research Analyst - Equity Fundamentals
Sumeet Shah	B.E., CFA	Research Analyst - Equity Fundamentals
Sweta Padhi	MBA (Finance)	Research Analyst - Equity Fundamentals
Uday Chandgothia	B-Tech, MBA (Finance)	Research Associate - Equity Fundamentals
Gautam Updhyaya	MBA (Finance)	Research Analyst - Equity Derivatives
Vinayak Gangule	BE (IT)	Research Analyst - Equity Technicals
Pratik Patni	BSc (Biotech Entire)	Research Analyst- Equity Derivatives
Ghanshyam Gupta	MBA (Finance)	Research Analyst- Currency Derivative
Sagar Peswani	B.Tech (ECE)	Research Associate - Equity Technicals
Kalpesh Mangade	B.Com	MIS Analyst - Retail Research

For other Disclosures please visit: https://bit.ly/R_disclaimer02