COMPANY OVERVIEW

Allied Blenders & Distillers is the largest Indian-owned Indian-made foreign liquor ("IMFL") company and the third largest IMFL company in India, in terms of annual sales volumes between Fiscal 2014 and Fiscal 2022. They are one of the only four spirits companies in India with a pan-India sales and distribution footprint, and a leading exporter of IMFL, and had an estimated market share (in terms of sales volume) of 11.8% in the Indian whisky market for Fiscal 2023. In addition, they sell packaged drinking water under the Officer's Choice, Officer's Choice Blue, and Sterling Reserve brands.

Company's flagship brand, Officer's Choice Whisky was launched in 1988 with their entry into the mass premium whisky segment. As of December 31, 2023, their product portfolio comprised 16 major brands of IMFL across whisky, brandy, rum and vodka. Certain of their brands, such as, Officer's Choice Whisky, Sterling Reserve, Officer's Choice Blue and ICONiQ Whisky, are 'Millionaire Brands' or brands that have sold over a million 9-litre cases in one year.

As of December 31, 2023, they have developed an extensive pan-India sales footprint across 30 States and Union Territories and exported products to 14 international markets, including countries in the Middle East, North America, Africa, Asia and Europe. The company owns and operate their distillery located in Rangapur, Telangana. Their manufacturing network includes 1 owned distillery, 9 owned bottling units and 23 non-owned manufacturing units.

HIGHLIGHTS

1. Among the largest IMFL companies in India with a diversified and contemporary product portfolio
2. Strong brand recognition
3. Strategically located, large scale and advanced manufacturing facilities
4. Access to extensive pan-India distribution network with ability to scale
5. Well-positioned to capture tailwinds in the Indian IMFL industry

OBJECTS OF THE ISSUE

1. Prepayment or scheduled re-payment of a portion of certain outstanding borrowings availed by the Company (720 Cr.)
2. General corporate purposes

Offer for sale of equity shares aggregating up-to 500 Cr. The company will not receive any proceeds from the Offer for sale.

OUR VIEW

Incorporated in 2008, Allied Blenders and Distillers is the largest Indian-owned Indian-made foreign liquor ("IMFL") company and the 3rd largest IMFL company in India, in terms of annual sales volumes between FY2014 and FY2022. It offers four Indian-made foreign liquor categories: whisky, brandy, rum, and vodka.

They entered the premium and semi-premium whisky segments and going forward they intend to continue to introduce products in the premium, semi-premium and deluxe segments with an intent to provide higher margins and greater profitability over time. To improve the backward integration capabilities, they intend to acquire or build additional distilleries across India that will improve and expand the production capacity.

However, more than 90%+ of the revenue comes from whisky products. There are some established players in the market thus making the environment competitive. Any changes in the government policies, regulatory reforms in regard to alcohol markets may affect the operations of the company.

The revenue CAGR for the period FY21-23 stood at about 5.5%. The company operated on an EBITDA margin of 6.23% and PAT margin of 0.05% for year ended FY23. The number was 7.27% and 0.17% respectively for 9MFY24. Generating ROE and ROCE of 0.39% and 25.87% respectively for FY23. The company is asking for a PE multiple of 4,014x on the upper end of the price band and using diluted EPS for FY 23 (0.07) and a PE of 1,239.5x annualizing diluted EPS for 9MFY24 (0.17). The P/BV is at 16.77x as at 9MFY24. Looking at all the factors, risks, opportunities and a high valuation, we issue a neutral view for the company.