

IPO Report

Choice

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Allied Blenders and Distillers Ltd.

Anticipating better profitability going forward



Salient features of the IPO:

- **Allied Blenders and Distillers Ltd. (ABD)**, the maker of Officer's Choice whisky is coming up with an IPO to raise around Rs. 1,500cr, which opens on 25th Jun. and closes on 27th Jun. 2024. The price band is Rs. 267 - 281 per share.
- The IPO is a combination of fresh issue (Rs. 1,000cr) and OFS portion (Rs. 500cr). The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, the company will be utilizing Rs. 720cr for the re-payment/pre-payment of certain outstanding borrowings. Residual proceeds will be used for general corporate purposes.
- The company has filed its first DRHP on 27th Jun. 2022, with an intent to raise Rs. 2,000cr (fresh issue: Rs. 1,000cr and OFS: Rs. 1,000cr) from listing. Despite getting clearance from the SEBI in Dec. 2022, the company did not proceed with the issue. However, while re-filing its DRHP on 15th Jan. 2024, ABD has reduced the OFS portion by half, while maintaining the fresh issue size.
- Few of the promoter & promoter group (P&PG) entities are participating in the OFS and offloading 1.779cr shares (at higher price band). Consequently, post-IPO, the P&PG shareholding will decline from 100% (pre-issue) to 80.92%. While public shareholder's stake will be 19.08% in the company.

Key competitive strengths:

- Among the largest IMFL companies in India with a diversified and contemporary product portfolio
- Strong brand recognition
- Strategically located, large scale and advanced manufacturing facilities with a sophisticated research and development center
- Access to extensive pan-India distribution network with ability to scale
- Well-positioned to capture tailwinds in the Indian IMFL market
- Experienced board & senior management team and supported by a committed employee base

Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Changing consumer tastes and preferences
- Continued subdued operating profitability
- Competition

Below are the key highlights of the company:

- Indian-made foreign liquor (IMFL) is the largest segment of Indian alcoholic beverage (alcoholic beverages) market both in volume and value terms. In terms of volume, the IMFL segment recorded sales of 395mn cases in FY23, representing a 2.5% CAGR growth over FY15-23. Further it is projected to grow by 5.7% CAGR over FY23-28E to 520mn cases. In terms of value, the IMFL business is expected to grow by 8.9% CAGR to a size of Rs. 3.4lakh cr. (Source: RHP)
- India is the largest whisky market in the world with almost one out of every second bottle of whisky sold in India. Sales of whisky accounted for 64% and 68% of the IMFL sales by volume and value, respectively, in FY23. The domestic whisky sales volume expanded by 3.6% CAGR over FY15-23, compared to 2.5% CAGR growth in the overall IMFL sales volume. The Popular segment (also known as mass-premium segment) of the whisky market contributed around 35% to the total whisky sales volume. The Prestige segment (also known as deluxe segment) continued to be the largest segment for whisky market, contributing around 50% of the total whisky sales volume in FY23.

Issue details

Price band	Rs. 267 - 281 per share
Face value	Rs. 2
Shares for fresh issue	3.559 - 3.745cr shares
Shares for OFS	1.779 - 1.873cr shares
Fresh issue size	Rs. 1,000cr
OFS issue size	Rs. 500cr
Total issue size	5.338 - 5.618cr shares (Rs. 1,500cr)
Reserved for employees	0.011 - 0.011cr shares (Rs. 3cr)
Net issue size	5.327 - 5.607cr shares (Rs. 1,497cr)
Bidding date	25 th Jun. - 27 th Jun. 2024
Implied MCAP at higher price band	Rs. 7,860cr
Implied enterprise value at higher price band	Rs. 7,791cr
Book running lead manager	ICICI Securities Ltd., Nuvama Wealth Management Ltd. and ITI Capital Ltd.
Registrar	Link Intime India Pvt. Ltd.
Sector	Breweries & Distilleries

Promoters	Mr. Kishore Rajaram Chhabria, Mrs. Bina Kishore Chhabria, Mrs. Resham Chhabria Jeetendra Hemdev, Bina Chhabria Enterprises Pvt. Ltd., BKC Enterprises Pvt. Ltd., Oriental Radios Pvt. Ltd. Officer's Choice Spirits Pvt. Ltd.
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Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	50%	2.664 - 2.803cr shares
Non institutional portion (Big)	10%	0.533 - 0.561cr shares
Non institutional portion (Small)	5%	0.266 - 0.280cr shares
Retail portion	35%	1.865 - 1.962cr shares

Indicative IPO process time line

Finalization of basis of allotment	28 th Jun. 2024
Unblocking of ASBA account	1 st Jul. 2024
Credit to demat accounts	1 st Jul. 2024
Commencement of trading	2 nd Jul. 2024

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	100.00%	80.92%
Public	0.00%	19.08%
Non-promoter & Non-public	0.00%	0.00%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot

Number of shares per lot	53
Employee discount	Rs. 26 per share
Application money	Rs. 14,893 per lot

Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				Total operating revenue (Rs. cr)	EBITDA (Rs. cr)	Adjusted PAT (Rs. cr)	Gross margin	EBITDA margin	Adjusted PAT margin
					1 M	3 M	6 M	1 Y						
Allied Blenders and Distillers Ltd.	2	281	7,860	7,791					3,331	232	8	36.4%	7.0%	0.2%
United Spirits Ltd.	2	1,272	92,512	91,373	7.7%	16.9%	17.1%	41.5%	11,040	1,902	1,268	46.6%	17.2%	11.5%
Radico Khaitan Ltd.	2	1,777	23,755	24,278	3.1%	9.3%	15.4%	48.5%	3,872	462	251	42.6%	11.9%	6.5%
Globus Spirits Ltd.	10	773	2,229	2,426	0.8%	6.9%	-10.1%	-37.4%	2,366	223	132	35.2%	9.4%	5.6%
Tilaknagar Industries Ltd.	10	267	5,148	5,135	10.1%	41.1%	8.8%	87.9%	1,393	181	166	48.2%	13.0%	11.9%
Som Distilleries Breweries & Wineries Ltd.	2	116	2,260	2,467	-5.3%	18.4%	-0.7%	12.2%	1,152	136	83	35.6%	11.8%	7.2%
GM Breweries Ltd.	10	630	1,151	1,137	-0.4%	24.7%	11.5%	36.1%	611	114	100	25.9%	18.6%	16.4%
Associated Alcohols & Breweries Ltd.	10.0	695.9	1,258	1,265	16.4%	45.8%	45.8%	71.6%	702	73	48	46.4%	10.4%	6.9%
Average												40.1%	13.2%	9.4%

Company name	5Y ARPU growth (CAGR)	5Y revenue growth (CAGR)	5Y EBITDA growth (CAGR)	5Y PAT growth (CAGR)	5Y average EBITDA margin	5Y average PAT margin	5Y capital employed growth (CAGR)	5Y CFO growth (CAGR)	5Y average working capital cycle (Days)	5Y average CFO / Capital employed	5Y average fixed asset turnover	5Y average total asset turnover (x)	5Y average RoE	5Y average RoIC
United Spirits Ltd.	4.3%	3.1%	12.4%	14.8%	7.7%	11.4%	-7.9%	116.2	79.5%	26.0%	5.0	1.0	17.1%	29.3%
Radico Khaitan Ltd.	11.5%	5.7%	12.2%	14.8%	9.3%	15.4%	-5.5%	131.7	63.7%	13.3%	2.9	0.9	13.6%	15.2%
Globus Spirits Ltd.	19.8%	29.2%	84.0%	14.6%	7.1%	12.9%	18.1%	14.6	64.1%	17.0%	2.0	1.3	15.8%	14.7%
Tilaknagar Industries Ltd.	15.0%	116.3%		7.3%	5.8%		-16.4%	72.0	3.4%	8.2%	1.5	0.7		4.2%
Som Distilleries Breweries & Wineries Ltd.	18.1%	11.8%	19.1%	7.3%	0.0%	21.4%	-29.4%	114.4	-16.2%	4.1%	1.1	0.6	2.0%	3.8%
GM Breweries Ltd.	7.5%	-1.7%	13.0%	8.9%	9.1%	17.0%	-0.7%	7.5	67.0%	11.7%	5.8	1.6	16.1%	32.7%
Associated Alcohols & Breweries Ltd.	16.7%	3.6%	10.5%	14.7%	9.6%	23.2%	-29.4%	40.8	61.0%	23.0%	3.7	1.4	19.9%	18.7%
Average	13.3%	24.0%	25.2%	11.8%	6.9%	16.9%	-10.2%	71.0	46.1%	14.8%	3.1	1.1	14.1%	16.9%

Company name	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	Fixed asset turnover ratio (x)	Total asset turnover ratio (x)	RoE	RoCE	P / E (x)	P / B (x)	EV / Sales (x)	EV / EBITDA (x)	MCAP / Sales (x)	Earning yield
United Spirits Ltd.	17.4	82.5	0.0	0.0	6.8	1.1	21.1%	33.7%	72.9	15.4	8.3	48.0	8.4	1.4%
Radico Khaitan Ltd.	18.8	165.1	3.0	0.3	2.5	1.0	11.4%	14.4%	94.7	10.8	6.3	52.5	6.1	1.1%
Globus Spirits Ltd.	45.9	307.6	3.0	0.3	2.6	1.5	14.9%	14.5%	16.9	2.5	1.0	10.9	0.9	5.9%
Tilaknagar Industries Ltd.	8.6	25.1	0.1	0.1	3.3	1.4	34.3%	29.1%	31.1	10.7	3.7	28.4	3.7	3.2%
Som Distilleries Breweries & Wineries Ltd.	4.2	19.3	0.1	0.6	2.4	1.3	22.0%	19.9%	27.4	6.0	2.1	18.2	2.0	3.7%
GM Breweries Ltd.	54.7	449.9	6.0	0.0	2.5	0.7	12.2%	13.3%	11.5	1.4	1.9	10.0	1.9	8.7%
Associated Alcohols & Breweries Ltd.	26.7	201.0	1.0	0.2	3.2	1.3	13.3%	16.5%	26.1	3.5	1.8	17.3	1.8	3.8%
Average			1.9	0.2	3.3	1.2	18.4%	20.2%	40.1	7.2	3.6	26.5	3.5	4.0%

Note: Considered annual financials for the period during FY19-23; TTM financial data as on 31st Dec. 2023; Source: Choice Broking Research

- During FY23, the top-3 IMFL players controlled more than 50% of the market volume. Incorporated in 2008, ABD is among the top-3 IMFL players between FY14-23. With an IMFL volume share of 8.2% in FY23, the company is the largest and independent company in the alco-beverage market in India. Further, in the whisky market, it had a share of 11.8% in FY23. (Source: RHP)
- Officer's Choice Whisky, ABD's flagship brand in the mass-premium whisky market was launched in 1988. Officer's Choice Whisky has been among the top selling whisky brands globally in terms of annual sales volumes between CY16-19. Officers' Choice franchise includes brands like Officer's Choice Whisky (which is the market leader in the popular segment, with a volume share of 20.9% in FY23) and Officer's Choice Blue (launched in 2011 is among the leading Prestige whisky brand with a volume market share of 4.3% in FY23). With the launch of Sterling Reserve in 2017, the company entered into the Premium category of the whisky market.

Key highlights of the company (Contd...):

- Over the years, ABD has expanded and introduced products across various categories and segments. As of 31st Dec. 2023, its product portfolio comprised of 16 major brands of IMFL across whisky, brandy, rum and vodka, across various price points of the IMFL market. The company had four brands (Officer's Choice Whisky, Sterling Reserve, Officer's Choice Blue and ICONiQ Whisky), under the "Millionaire Brands" portfolio.
- As of 31st Dec. 2023, ABD generated sales from 30 States and Union Territories in India. It is one of only four alco-beverage companies in India with a pan-India sales and distribution footprint. The company's sales footprint is supported by 12 sales support offices and around 80,000 retail outlets across the country. Additionally, ABD is also the leading exporter of IMFL. The company exported its products to 14 international markets like Middle East, North America, Africa, Asia and Europe.
- Its operation is supported by 60mn liters per day distillery, located in Telangana. The company also has extensive bottling capabilities with an optimal mix of 32 owned and third-party facilities with a pan-India presence across 22 States and Union Territories. As of 31st Dec. 2023, ABD owned and operated nine bottling units and also has entered into arrangements with five third-party bottling facilities. The company also has 18 bottling agreements on a non-exclusive basis.
- Despite being among the top-3 players in the domestic IMFL player, ABD's operating and financial performances are not encouraging. Business growth and profitability are poor as compared to its peers. On the back of 12.4% CAGR growth in the sales volume, the company has reported a 5.1% CAGR higher business from the sales of IMFLs, which contributed an average 98.2% to the total gross revenue during FY21-23. Blended realization declined by 6.5% CAGR during the period. However, with around 7.5ppts lower effective excise duty, net revenue from operations increased by 15.8% CAGR to Rs. 3,146.6cr in FY23. Net cost of material consumed increased by 17.9% CAGR (a rate higher than top-line growth), thereby resulting to a 222bps contraction in the gross profit margin. Further, EBITDA margin contracted by 238bps to 5.9% in FY23. Consequently, EBITDA declined by 2.3% CAGR to Rs. 185cr in FY23. Depreciation and finance cost declined by 3.1% and 2.3%, respectively, which was partially offset by 23.7% CAGR fall in other income. Thus adjusted PAT declined by 20.1% CAGR to Rs. 1.6cr in FY23. The company reported positive operating cash flows during the period, with an average operating cash flow stood at Rs. 218.4cr. Total consolidated financial liabilities declined by 8.8% CAGR, resulting to a debt-to-equity ratio of 2.4x in FY23, compared to 3.1x in FY21. Pre-issue average RoIC and RoE stood at 6.9% and 0.5%, respectively, during FY21-23.
- ABD has spent around Rs. 92.8cr towards Chairman's office and other operating overhead in FY23. To rationalize these certain business related expenses, ABD has reconstituted its Board and senior management team with effect from 1st Jul. 2023. As a result of this reconstitution, it is likely to have certain cost reduction going forward. This coupled with other initiatives like brand premiumization, continued focus on mass-premium whisky category and deleveraging exercise are likely to abridge the profitability gaps between the company and its peers.
- With better realizations across the product categories, ABD reported consolidated revenue of Rs. 2,560.3cr, representing a growth of 7.8% Y-o-Y during 9M FY24. IMFL sales volume increased by 0.4% Y-o-Y to 24.6mn cases. Gross margin declined by 109bps, however, with cost rationalization (mainly linked to the salary of the Chairman) EBITDA margin expanded by 142bps Y-o-Y to 7.1%. However, relatively higher finance costs mainly led to a 24bps expansion in PAT margin to 0.4% during 9M FY24.
- Based on our conservative assumptions, over FY23-26E, we are forecasting a 5.4% CAGR growth in the top-line to Rs. 3,681.1cr in FY25E. Anticipating lower operating cost (as discussed above), EBITDA and PAT margins are expected to expand by 297bps and 426bps, respectively, to 8.9% and 4.3%, in FY25E; compared to 5.9% and 0.1% in FY23. Post-issue, RoIC and RoE are estimated to be at 9.4% and 8.8%, respectively, in FY25E, compared to 2.3% and 0.1% in FY23.

Peer comparison and valuation: ABD has derived around 98% of the IMFL business from the sales of whisky, which is the largest category of the IMFL in the domestic market. Also the whisky market is expanding relatively better as compared to other IMFL products. ABD with its dominant position in the mass-premium whisky category and through brand premiumization efforts, is expected to benefit in the medium term.

At higher price band, ABD is demanding an EV/S multiple of 2.3x, which is at a discount to the peer average. Demanded discounted valuation is largely due its poor profitability as compared to its peers. Despite poor profitability, ABD is able to generate better operating cash flow returns (with respect to capital employed) between FY19-23. Through various cost rationalization and brand premiumization efforts, the company is likely to abridge its profitability gaps with its peers. Thus, anticipating better profitability in the medium term and discounted valuations, we are assigning a "**SUBSCRIBE**" rating for the issue.

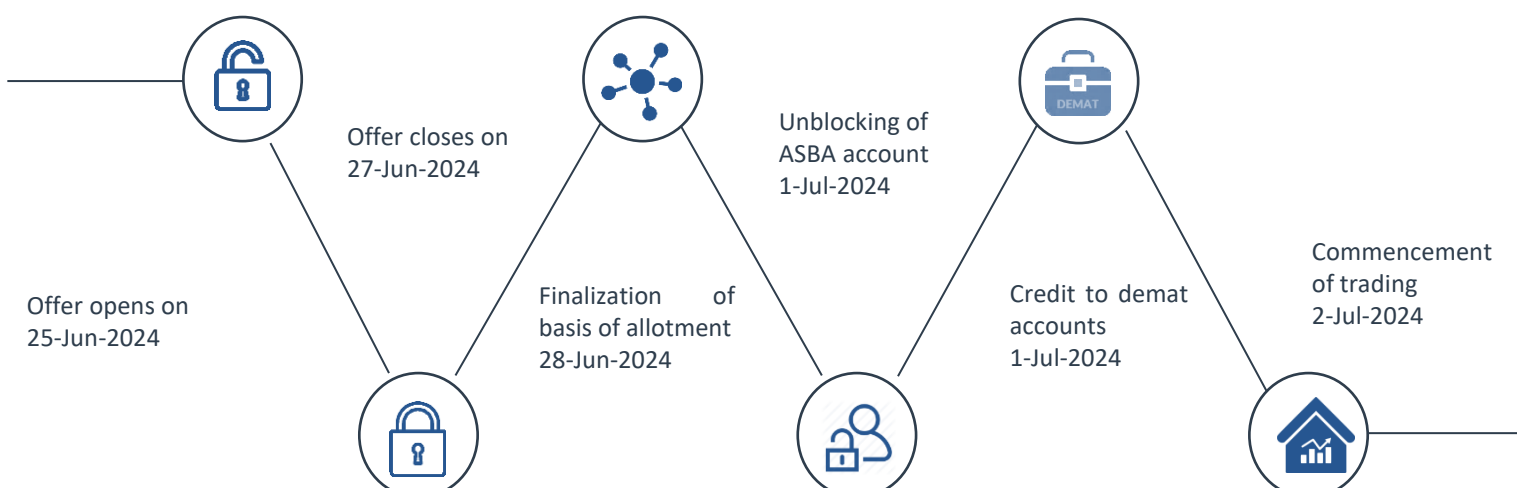
About the issue:

- ABD is coming up with an IPO with 5.338 - 5.618cr shares (fresh issue: 3.559 - 3.745cr shares; OFS shares: 1.779 - 1.873cr shares) in offering. This offer represents 19.08 - 19.95% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 1,500cr.
- The issue is through book building process with a price band of Rs. 267 - 281 per share.
- Lot size comprises of 53 equity shares and in-multiple of 53 shares thereafter.
- The issue will open on 25th Jun. 2024 and close on 27th Jun. 2024.
- The IPO is a combination of fresh issue (Rs. 1,000cr) and OFS portion (Rs. 500cr). The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, the company will be utilizing Rs. 720cr for the re-payment/pre-payment of certain outstanding borrowings. Residual proceeds will be used for general corporate purposes.
- The company has filed its first DRHP on 27th Jun. 2022, with an intent to raise Rs. 2,000cr (fresh issue: Rs. 1,000cr and OFS: Rs. 1,000cr) from listing. Despite getting clearance from the SEBI in Dec. 2022, the company did not proceed with the issue. However, while re-filing its DRHP on 15th Jan. 2024, ABD has reduced the OFS portion by half, while maintaining the fresh issue size.
- Few of the promoter & promoter group (P&PG) entities are participating in the OFS and offloading 1.779cr shares (at higher price band). Consequently, post-IPO, the P&PG shareholding will decline from 100% (pre-issue) to 80.92%. While public shareholder's stake will be 19.08% in the company.
- 50% of the net issue is reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	100.00%	80.92%
Public	0.00%	19.08%
Non-promoter & Non-public	0.00%	0.00%
Total	100.00%	100.00%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY21-23: Despite being among the top-3 players in the domestic IMFL player, ABD's operating and financial performances are not encouraging. Business growth and profitability are poor as compared to its peers. On the back of 12.4% CAGR growth in the sales volume, it reported a 5.1% CAGR higher business from the sales of IMFLs, which contributed an average 98.2% to the total gross revenue during FY21-23. Blended realization declined by 6.5% CAGR during the period. However, with around 7.5ppts lower effective excise duty, net revenue from operations increased by 15.8% CAGR to Rs. 3,146.6cr in FY23.

Net cost of material consumed increased by 17.9% CAGR (a rate higher than top-line growth), thereby resulting to a 222bps contraction in the gross profit margin. Further, EBITDA margin contracted by 238bps to 5.9% in FY23. Consequently, EBITDA declined by 2.3% CAGR to Rs. 185cr in FY23.

Depreciation and finance cost declined by 3.1% and 2.3%, respectively, which was partially offset by 23.7% CAGR fall in other income. Thus adjusted PAT declined by 20.1% CAGR to Rs. 1.6cr in FY23.

The company reported positive operating cash flows during the period, which declined by 3.2% CAGR over FY21-23. However, average operating cash flow stood at Rs. 218.4cr. Total consolidated financial liabilities declined by 8.8% CAGR, resulting to a debt-to-equity ratio of 2.4x in FY23, compared to 3.1x in FY21. Pre-issue average RoIC and RoE stood at 6.9% and 0.5%, respectively, during FY21-23.

Performance during 9M FY24: With better realizations across the product categories, ABD reported consolidated revenue of Rs. 2,560.3cr, representing a growth of 7.8% Y-o-Y. IMFL sales volume increased by 0.4% Y-o-Y to 24.6mn cases. Gross margin declined by 109bps, however, with cost rationalization (mainly linked to the salary of the Chairman) EBITDA margin expanded by 142bps Y-o-Y to 7.1%. However, relatively higher finance costs mainly led to a 24bps expansion in PAT margin to 0.4% during 9M FY24.

Pre-issue consolidated financial snapshot (Rs. cr)	FY21	FY22	FY23	9M FY23	9M FY24	TTM	CAGR over FY21-23	Y-o-Y (FY23 annual)
Indian made foreign liquor (IMFL)	6,298.9	7,053.6	6,961.0	5,273.3	5,751.3	7,439.0	5.1%	-1.3%
Extra neutral spirit (ENA)	29.5	41.3	52.8	46.0	81.0	87.9	33.9%	27.8%
By-products	30.2	74.9	65.2	50.5	56.8	71.4	46.8%	-13.0%
Gross sales of goods	6,358.7	7,169.9	7,079.0	5,369.7	5,889.1	7,598.4	5.5%	-1.3%
Other operating revenue	20.1	27.0	26.7	19.3	22.0	29.4	15.2%	-1.3%
Gross revenue from operations	6,378.8	7,196.9	7,105.7	5,389.0	5,911.1	7,627.8	5.5%	-1.3%
Excise duty	(4,030.4)	(4,511.3)	(3,959.1)	(3,013.3)	(3,350.9)	(4,296.6)	-0.9%	-12.2%
Net revenue from operations	2,348.4	2,685.7	3,146.6	2,375.7	2,560.3	3,331.2	15.8%	17.2%
Gross profit	927.3	1,057.0	1,172.6	889.2	930.5	1,213.9	12.4%	10.9%
EBITDA	194.0	196.3	185.0	135.4	182.4	232.0	-2.3%	-5.8%
Reported PAT	2.5	1.5	1.6	2.9	4.2	2.9	-20.1%	8.5%
Adjusted PAT	2.5	1.5	1.6	2.9	9.2	7.9	-20.1%	8.5%
Restated reported EPS	0.1	0.1	0.1	0.1	0.3	0.3	-20.1%	8.5%
Cash flow from operating activities	246.6	178.8	229.9	173.0	143.9	200.8	-3.5%	28.6%
NOPLAT	26.6	53.2	35.0	44.4	42.7	37.6	14.6%	-34.2%
FCF	79.3	(42.5)	52.9		(8.5)	(15.2)	-18.4%	
Revenue growth rate	-21.6%	14.4%	17.2%		7.8%	5.9%		
Gross profit growth rate	-17.8%	14.0%	10.9%		4.6%	3.5%		
Gross profit margin	39.5%	39.4%	37.3%	37.4%	36.3%	36.4%	(222) bps	(209) bps
EBITDA growth rate	-16.9%	1.2%	-5.8%		34.7%	25.4%		
EBITDA margin	8.3%	7.3%	5.9%	5.7%	7.1%	7.0%	(238) bps	(143) bps
Restated adjusted PAT growth rate	-80.4%	-41.1%	8.5%		219.9%	395.6%		
Restated adjusted PAT margin	0.1%	0.1%	0.1%	0.1%	0.4%	0.2%	(6) bps	
Inventories days	55.6	47.5	52.9	63.6	54.4	56.6	-2.5%	11.4%
Trade receivables days	140.0	123.7	110.9	118.9	133.9	139.1	-11.0%	-10.4%
Trade payables days	(71.5)	(69.3)	(63.9)	(67.3)	(79.2)	(82.3)	-5.5%	-7.7%
Cash conversion cycle	124.1	101.9	99.8	115.2	109.2	113.4	-10.3%	-2.1%
Fixed asset turnover ratio	3.5	3.8	5.3	4.0	4.4	5.8	23.1%	40.4%
Total asset turnover ratio	1.0	1.2	1.3	0.9	0.9	1.2	11.3%	5.9%
Current ratio	0.9	0.9	1.0	1.0	1.0	1.0	4.3%	2.0%
Quick ratio	0.7	0.7	0.7	0.7	0.8	0.8	-0.4%	-7.3%
Total debt	1,184.4	1,020.8	984.6	1,021.5	1,040.3	1,040.3	-8.8%	-3.5%
Net debt	1,114.1	966.1	931.6	972.1	983.2	983.2	-8.6%	-3.6%
Debt to equity	3.1	2.5	2.4	2.5	2.5	2.5	-11.6%	-4.0%
Net debt to EBITDA	5.7	4.9	5.0	7.2	5.4	4.2	-6.4%	2.3%
RoIC (%)	5.5%	8.6%	6.7%	8.2%	7.4%	6.5%	123 bps	(185) bps
RoE	0.7%	0.4%	0.4%	0.7%	2.3%	1.9%	(26) bps	3 bps
RoA	0.1%	0.1%	0.1%	0.1%	0.3%	0.3%	(4) bps	
RoCE	21.3%	21.2%	23.0%	16.0%	23.3%	29.1%	165 bps	175 bps

Note: Pre-IPO financials; Source: Choice Equity Broking

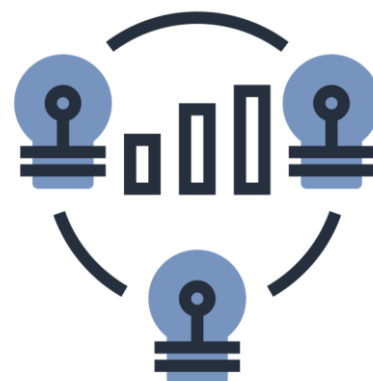


Competitive strengths:

- Among the largest IMFL companies in India with a diversified and contemporary product portfolio
- Strong brand recognition
- Strategically located, large scale and advanced manufacturing facilities with a sophisticated research and development center
- Access to extensive pan-India distribution network with ability to scale
- Well-positioned to capture tailwinds in the Indian IMFL market
- Experienced board & senior management team and supported by a committed employee base

Business strategy:

- Increase market share of Officer's Choice Whisky across regions
- Introduce new products within the premium, semi-premium and deluxe segments to strengthen presence in other categories
- Continue to focus on improving operating efficiencies
- Evaluate growth opportunities through selective acquisitions
- Focus on environmental and social practices
- Enhance brand awareness and engagement through digital marketing



Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Changing consumer tastes and preferences
- Continued subdued operating profitability
- Competition

Financial statements:

Consolidated profit and loss statement (Rs. cr)								
	FY21	FY22	FY23	9M FY23	9M FY24	TTM	CAGR over FY21-23	Annual growth over FY22
Revenue from operations	2,348.4	2,685.7	3,146.6	2,375.7	2,560.3	3,331.2	15.8%	17.2%
Cost of raw materials consumed	(1,390.4)	(1,635.0)	(1,995.7)	(1,533.5)	(1,636.3)	(2,098.6)	19.8%	22.1%
Purchase of traded goods	(3.7)	(4.9)	(5.6)	(4.3)	(4.3)	(5.6)	22.8%	15.9%
Changes in inventories of finished goods, traded goods and work-in-progress	(26.9)	11.1	27.3	51.3	10.8	(13.2)		145.1%
Gross profit	927.3	1,057.0	1,172.6	889.2	930.5	1,213.9	12.4%	10.9%
Employee benefits expenses	(172.2)	(193.5)	(185.7)	(139.8)	(127.0)	(172.9)	3.8%	-4.0%
Other expenses	(561.1)	(667.2)	(801.9)	(614.1)	(621.1)	(809.0)	19.5%	20.2%
EBITDA	194.0	196.3	185.0	135.4	182.4	232.0	-2.3%	-5.8%
Depreciation and amortization expenses	(58.7)	(58.6)	(55.1)	(41.4)	(39.1)	(52.8)	-3.1%	-6.0%
EBIT	135.2	137.7	129.8	94.0	143.3	179.1	-2.0%	-5.7%
Finance costs	(141.5)	(145.1)	(135.0)	(98.3)	(127.9)	(164.6)	-2.3%	-7.0%
Other income	19.0	11.2	11.1	10.4	3.8	4.5	-23.7%	-1.6%
Share of profit from associate/JV entities						0.0		
Exceptional items					(5.0)	(5.0)		
PBT	12.7	3.8	5.9	6.1	14.2	14.0	-31.7%	55.6%
Tax expenses	(10.2)	(2.3)	(4.3)	(3.2)	(10.0)	(11.1)	-34.9%	85.2%
Reported PAT	2.5	1.5	1.6	2.9	4.2	2.9	-20.1%	8.5%
Adjusted PAT	2.5	1.5	1.6	2.9	9.2	7.9	-20.1%	8.5%

Consolidated balance sheet statement (Rs. cr)								
	FY21	FY22	FY23	9M FY23	9M FY24	TTM	CAGR over FY21-23	Annual growth over FY22
Equity share capital	47.1	47.1	48.8	48.8	48.8	48.8	1.8%	3.6%
Other equity	334.7	357.0	357.3	358.3	360.4	360.4	3.3%	0.1%
Non-current borrowings	292.8	273.0	185.5	201.0	240.3	240.3	-20.4%	-32.0%
Non-current lease liabilities	17.1	13.8	13.3	14.4	8.2	8.2	-11.6%	-3.5%
Non-current provisions	12.6	12.4	13.2	12.6	14.3	14.3	2.1%	6.4%
Trade payables	483.2	536.4	565.9	592.5	751.0	751.0	8.2%	5.5%
Current borrowings	662.0	573.9	590.7	584.5	557.7	557.7	-5.5%	2.9%
Current lease liabilities	2.7	2.1	3.1	2.9	3.1	3.1	5.6%	48.0%
Share application money						0.0		
Other current financial liabilities	209.8	157.9	191.9	218.7	231.0	231.0	-4.4%	21.5%
Current provisions	14.7	13.7	12.5	14.5	12.2	12.2	-8.0%	-8.7%
Net current tax liabilities	2.2	1.1	1.1	1.9	4.5	4.5	-29.6%	0.0%
Other current liabilities	219.7	260.0	499.8	518.4	509.6	509.6	50.8%	92.2%
Liabilities classified as held for sale			4.6	6.6	0.2	0.2		
Total liabilities	2,298.6	2,248.3	2,487.7	2,575.0	2,741.4	2,741.4	4.0%	10.6%
Property, plant & equipments	446.3	494.3	377.6	386.8	370.5	370.5	-8.0%	-23.6%
Intangible assets	63.0	63.1	64.3	65.4	62.9	62.9	1.0%	2.0%
Capital work-in-progress	16.9	14.9	14.0	11.4	15.5	15.5	-9.0%	-5.6%
Intangible assets under development						0.0		
Right-of-use assets	136.2	130.4	129.7	131.1	123.6	123.6	-2.4%	-0.6%
Goodwill	3.9	3.9	3.9	3.9	3.9	3.9	0.0%	0.0%
Non-current investments	22.1	0.0	0.0	0.0	0.0	0.0	-98.7%	0.0%
Non-current loans	1.3					0.0		
Other non-current financial assets	47.9	39.8	53.1	52.0	52.0	52.0	5.4%	33.6%
Net deferred tax assets	16.0	15.5	12.1	13.2	9.2	9.2	-13.0%	-21.7%
Net non-current income tax assets	9.1	14.0	16.8	16.7	17.7	17.7	35.9%	20.0%
Other non-current assets	125.2	15.2	17.2	15.2	16.4	16.4	-62.9%	13.4%
Inventories	345.8	352.5	559.2	559.8	516.2	516.2	27.2%	58.6%
Trade receivables	866.9	954.0	957.6	1,046.0	1,269.9	1,269.9	5.1%	0.4%
Cash & cash equivalents	70.3	54.7	53.0	49.4	57.2	57.2	-13.1%	-3.0%
Current loans	7.3	4.1	0.1	0.1	0.2	0.2	-89.7%	-98.1%
Other current financial assets	29.3	19.3	26.0	22.9	27.1	27.1	-5.7%	34.9%
Other current assets	91.1	72.8	118.9	117.2	115.6	115.6	14.2%	63.2%
Assets classified as held for sale			84.2	84.2	83.5	83.5		
Total assets	2,298.6	2,248.3	2,487.7	2,575.0	2,741.4	2,741.4	4.0%	10.6%

Source: Choice Equity Broking

Financial statements (Contd...):

Consolidated cash flow statement (Rs. cr)								
	FY21	FY22	FY23	9M FY23	9M FY24	TTM	CAGR over FY21-23	Annual growth over FY22
Cash flow before working capital changes	214.7	220.8	201.2	153.4	192.5	240.3	-3.2%	-8.9%
Working capital changes	34.3	(36.5)	32.7	22.4	(44.3)	(34.1)	-2.5%	
Cash flow from operating activities	246.6	178.8	229.9	173.0	143.9	200.8	-3.5%	28.6%
Purchase of fixed assets and CWIP	(35.6)	(58.3)	(20.2)	(14.9)	(29.5)	(34.8)	-24.7%	-65.4%
Cash flow from investing activities	(59.4)	32.1	(18.4)	(14.7)	(29.2)	(33.0)	-44.3%	
Cash flow from financing activities	(216.0)	(255.8)	(202.9)	(154.1)	(112.6)	(161.4)	-3.1%	-20.7%
Net cash flow	(28.8)	(44.9)	8.6	4.3	2.1	6.5		
Opening balance of cash	72.3	64.5	18.9	18.9	27.5	23.2	-48.8%	-70.7%
Closing balance of cash	43.5	19.7	27.5	23.2	29.6	29.6	-20.4%	40.0%

Consolidated financial ratios						
Particulars	FY21	FY22	FY23	9M FY23	9M FY24	TTM
Profitability ratios						
Revenue growth rate	-21.6%	14.4%	17.2%		7.8%	5.9%
Gross profit growth rate	-17.8%	14.0%	10.9%		4.6%	3.5%
Gross profit margin	39.5%	39.4%	37.3%	37.4%	36.3%	36.4%
EBITDA growth rate	-16.9%	1.2%	-5.8%		34.7%	25.4%
EBITDA margin	8.3%	7.3%	5.9%	5.7%	7.1%	7.0%
EBIT growth rate	-17.6%	1.8%	-5.7%		52.4%	38.0%
EBIT margin	5.8%	5.1%	4.1%	4.0%	5.6%	5.4%
Restated adjusted PAT growth rate	-80.4%	-41.1%	8.5%		219.9%	395.6%
Restated adjusted PAT margin	0.1%	0.1%	0.1%	0.1%	0.4%	0.2%
Turnover ratios						
Inventory turnover ratio	6.6	7.7	6.9	4.2	5.0	6.5
Trade receivable turnover ratio	2.6	2.9	3.3	2.3	2.0	2.6
Accounts payable turnover ratio	5.1	5.3	5.7	4.0	3.4	4.4
Fixed asset turnover ratio	3.5	3.8	5.3	4.0	4.4	5.8
Total asset turnover ratio	1.0	1.2	1.3	0.9	0.9	1.2
Liquidity ratios						
Current ratio	0.9	0.9	1.0	1.0	1.0	1.0
Quick ratio	0.7	0.7	0.7	0.7	0.8	0.8
Total debt	1,184.4	1,020.8	984.6	1,021.5	1,040.3	1,040.3
Net debt	1,114.1	966.1	931.6	972.1	983.2	983.2
Debt to equity	3.1	2.5	2.4	2.5	2.5	2.5
Net debt to EBITDA	5.7	4.9	5.0	7.2	5.4	4.2
Cash flow ratios						
CFO to PAT	98.3	121.1	143.6	60.0	15.6	25.3
CFO to Capex	6.9	3.1	11.4	11.6	4.9	5.8
CFO to total debt	0.2	0.2	0.2	0.2	0.1	0.2
CFO to current liabilities	0.2	0.1	0.1	0.1	0.1	0.1
Return ratios						
RoIC (%)	5.5%	8.6%	6.7%	8.2%	7.4%	6.5%
RoE (%)	0.7%	0.4%	0.4%	0.7%	2.3%	1.9%
RoA (%)	0.1%	0.1%	0.1%	0.1%	0.3%	0.3%
RoCE (%)	21.3%	21.2%	23.0%	16.0%	23.3%	29.1%
Per share data						
Restated adjusted EPS (Rs.)	0.1	0.1	0.1	0.1	0.3	0.3
DPS (Rs.)	0.0	0.0	0.0	0.0	0.0	0.0
BVPS (Rs.)	13.6	14.4	14.5	14.6	14.6	14.6
Operating cash flow per share (Rs.)	8.8	6.4	8.2	6.2	5.1	7.2
Free cash flow per share (Rs.)	2.8	(1.5)	1.9		(0.3)	(0.5)
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Choice Equity Broking

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.

Subscribe with Caution: Relatively better growth prospects but with valuation discomfort.

Avoid: Concerns on both fundamentals and demanded valuation.

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