

IPO Note

June 24, 2024

Allied Blenders and Distillers Limited





Issue Snapshot:

Issue Open: June 25 – June 27, 2024

Price Band: Rs. 267 – 281 (Discount of Rs 26 per sh for all eligible employees)

*Issue Size: Up to Rs 1500.0 cr (Fresh issue up to Rs 1000 cr + Offer for sale up to Rs 500 cr including employee reservation of upto Rs.3 cr)

Reservation for:

QIB	upto	50% eq sh
Non-Institutional	atleast	15% eq sh
((including 1/3 rd for applications between Rs.2 lakhs to Rs.10 lakhs))		
Retail	atleast	35% eq sh

Face Value: Rs 2

Book value: Rs 16.76 (December 31, 2023)

Bid size: - 53 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs.	48.82 cr
*Post issue Equity:	Rs.	55.94 cr

Listing: BSE & NSE

Book Running Lead Managers: ICICI Securities Limited, Nuvama Wealth Management Limited, ITI Capital Limited

Sponsor Bank: Axis Bank Limited & ICICI Bank Ltd

Registrar to issue: Link Intime India Private Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	100.0	80.9
Public & Employees	0.0	19.1
Total	100.0	100.0

*=assuming issue subscribed at higher band

Source for this Note: RHP

Background & Operations:

Allied Blenders and Distillers Limited (ABDL) 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. 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, and had an estimated market share (in terms of sales volume) of 11.8% in the Indian whisky market for Fiscal 2023. Over the years, it has expanded and introduced products across various categories and segments. As of December 31, 2023, its product portfolio comprised 16 major brands of IMFL across whisky, brandy, rum and vodka. Certain of its 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.

Over the years ABDL has established market leadership in the alcoholic beverages market in India with a market share of 8.2% in IMFL market by sales volumes in Fiscal 2023. With sales across 30 States and Union Territories, as of December 31, 2023. Over the years, it has developed an extensive pan-India sales footprint and as of December 31, 2023 it has 12 sales support offices, and pan-India route-to-market capabilities covering all channels and alcohol permitted States and Union Territories. Its pan-India distribution network has enabled it to support the growth in annual sales volumes of its products. As of March 31, 2023, its products were retailed across 79,329 retail outlets across 30 States and Union Territories in India. Its industry position, strength of its brands, its pan-India sales footprint and logistics arrangements have further consolidated its position leading to significant business growth and financial performance. In addition, as of December 31, 2023, it exported its products to 14 international markets, including countries in the Middle East, North America, Africa, Asia and Europe.

ABDL owns and operates its distillery located in Rangapur, Telangana that is spread over 74.95 acres with a built-up area of over 25,000 square meters. Its in-house distillation capacity of extra neutral alcohol ("ENA"), the key material used in the manufacture of its products, is 600.00 lakh litres per year. It also has extensive bottling capabilities across India. As of December 31, 2023, it relied on 32 bottling facilities, including bottling facilities owned and operated by it and contract bottling facilities both on exclusive and non-exclusive basis, for bottling its products. As of December 31, 2023, it owned and operated nine bottling units, and has entered into arrangements with five third-party bottling facilities where the entire licensed capacity is utilized by it. Over the years, it has also developed relationships with third-party bottlers and as of December 31, 2023, it has entered into 18 bottling agreements on a non-exclusive basis including one where it has entered into a royalty arrangement dated March 30, 2021 with a third-party manufacturer for a period of five years to manufacture, blend, bottle, process and package its products at its distillery under its brand name for which royalty is paid to the Company.

Objects of Issue:

The Offer comprises the Fresh Issue and the Offer for Sale by the Selling Shareholders.

Offer for Sale

Each of the Selling Shareholders will be entitled to the proceeds of the Offer for Sale after deducting their respective portion of the Offer related expenses and relevant taxes thereon. The Company will not receive any proceeds from the Offer for Sale and the proceeds received from the Offer for Sale will not form part of the Net Proceeds.



Fresh Issue

ABDL proposes to utilise the Net Proceeds towards funding the following objects:

- Prepayment or scheduled re-payment of a portion of certain outstanding borrowings availed by the Company; and
- General corporate purposes

In addition, ABDL expects to achieve the benefits of listing of Equity Shares on the Stock Exchanges which, will result in the enhancement of brand name and creation of a public market for Equity Shares in India.

Competitive Strengths

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 annual sales volumes between Fiscal 2014 and Fiscal 2022. Four of its brands, namely, Officer's Choice Whisky, Sterling Reserve, Officer's Choice Blue and ICONiQ Whisky are 'Millionaire Brands'. As of December 31, 2023, its product portfolio comprised 16 major brands of IMFL with 10 brands of whisky that include its flagship Officer's Choice Whisky, Sterling Reserve Whisky and ICONiQ White International Whisky, three brands of rum, three brands of brandy and one brand of vodka, respectively. Further, it has also recently launched Zoya Special Batch Premium Gin in January 2024. Its products are present across various price points of IMFL categories in India. Its products have received various recognitions over the years. The Company's premium brands X&O Barrel Premium Whisky, Sterling Reserve Premium Cellar Brandy, and Sterling Reserve Blend 10 Premium Whisky have been recognized as 'Remarkable Products' at Superior Taste Award by International Taste Institute, Brussels in 2023. Further, Srishti Premium Blended Whisky, Kyron Premium Brandy, Officer's Choice Blue Whisky, Sterling Reserve Blend 7 Whisky, ICONiQ White Whisky, and the flagship Officer's Choice Whisky were also recognized as 'Notable Products'.

Strong brand recognition: Over the years, ABDL 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. Since the launch of Officer's Choice Whisky in 1988 in the mass premium segment, it has invested significant resources in enhancing the strength and appeal of the Officer's Choice brand. 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 Fiscal 2023. Its proposition with Officer's Choice is aimed at offering high quality products at affordable price points that elevate a consumer's drinking experience. Towards this, it has extensively focused on packaging, communications and point of sale visibility to build appeal and heighten engagement with the brand. It has also tactically associated with specialised premium stores across the country to improve its brand visibility and product reach. Its consumer centric approach in building brands has enabled the Company to achieve high sales volumes. Its brands have been positioned based on relevant consumer insights. It has strategically undertaken brand-building initiatives through prudent use of resources and investments to increase awareness and recall of its brands.

Marketing efforts on brands have also received several awards and recognitions, including, Sterling Reserve receiving 'Gold' at DMAAsia Createffect ECHO Awards 2021, 'Gold' for Best Integrated Campaign at Exchange4Media Indian Digital Marketing Awards 2021 and 'Gold' for Best Content Marketing Campaign at the Adgully Digixx Awards 2021 and Officer's Choice Blue winning Silver for Best Use of Facebook at Afaqs Marketers Xcellence Awards 2021. ABDL's packaging innovations have also been recognised with gold and silver awards at the Design and Packaging Masters 2021 organised by the international industry publication, The Spirits Business. It has also won several awards across brands for packaging and marketing from various Indian and international organizations.

Strategically located, large scale and advanced manufacturing facilities with a sophisticated research and development centre: ABDL'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 square meters. Its in-house distillation capacity of extra neutral alcohol ("ENA") is 600.00 lakh litres per year. In addition, it also has extensive bottling capabilities with an optimal mix of owned and thirdparty facilities with a pan-India presence across 22 States and Union Territories, as of December 31, 2023. As of December 31, 2023, it owned and operated nine bottling units, and had entered into arrangements with five third party bottling facilities where the entire licensed capacity is utilized by it. Over the years, ABDL has developed relationships with third-party bottlers and as of December 31, 2023, it has entered into 18 bottling agreements on a non-exclusive basis including one where it has entered into a royalty arrangement. As of December 31, 2023, its products are bottled across 32 bottling facilities.

The Company's bottling units and distilleries incorporate niche technology for quality and environmental management. It is required to comply with stringent regulatory requirements. In addition, a majority of its owned units are ISO 22000:2018 certified for food safety management systems. To ensure efficient operations, it employ technologically enhanced operating procedures across all units that are to be followed by all personnel in manufacturing.

In ABDL's experience, it has been able to create quality products as a result of its continuous in-house research and development activities. Its research and development capabilities are centred on product innovation, which includes new product conceptualisation and development, acquiring novel raw materials and product engineering. It has a research and development facility located at Aurangabad,



Maharashtra and is equipped with instrumentation for testing of raw materials, packaging materials, blend tasting and testing and finished product quality. It also has a trained in-house panel of sensory experts that analyse and evaluate consistency and correctness of its products. In addition, ABDL's research and development is also focussed on innovation in packaging and its packaging material is also evaluated to ensure that it conforms with all the requisite standards.

Access to extensive pan India distribution network with ability to scale: ABDL has access to a pan-India multi-channel distribution network and is one of only four spirits companies in India with a pan-India sales and distribution footprint. Its multiple route-to-market capabilities cover all channels including open market, part corporation market and full corporation market channels. distribution of alcohol beverage products is highly controlled by State governments and the entry of new players in distribution is prohibitive due to high regulation across States and strong relations between the current players and the retail outlets which may include exclusive arrangements. Its extensive operations across India, presence in multiple States and current capacity ensures that it is able to effectively address these issues which has allowed it to garner a significant share of the mass premium market and noticeable and growing market share for its premium products. In addition, given that ABDL's product portfolio caters to various categories and segments, retailers can offer its entire product portfolio to consumers across the value chain, which drives premiumisation and retains customers within its product portfolio. As of March 31, 2023, ABDL's products are retailed through across 79,329 retail outlets across 30 States and Union Territories in India. In addition, it is a leading exporter of IMFL and as of December 31, 2023, its products were exported to 14 countries. The Company's export markets include countries such as the United Arab Emirates, Haiti, Oman, Hong Kong, and Qatar.

Well-positioned to capture tailwinds in the Indian IMFL industry: India is one of the fastest growing alcoholic beverage markets in the world growing from a small base of 1.3 litres per capita of recorded consumption of pure alcohol in 2005 to 2.7 litres per capita consumption in 2010 and further to 3.2 litres per capita consumption in 2023. India's per capita consumption is significantly lower compared to global per capita consumption. Low per capita consumption coupled with positive demographics factors and more than 13 million people added each year to the population eligible for drinking, make India an attractive market for alcoholic beverages. There exists significant potential for future growth for the alcoholic beverages market in India. With a growing number of people joining the work force sooner than in the past and together with changing lifestyles and dismantling of social barriers to consumption of alcohol is driving growth in alcoholic beverage market in India. Greater social acceptance for drinking amongst women as well as in Tier II and Tier III towns is expected to open up newer profitable consumer segments. Rapid increase in urban population, a sizable middle-class population with rising disposable income, and a growing economy are driving consumption of alcohol in India. These factors will also result in consumers choosing to upgrade to more quality offerings. Backed by ABDL's extensive portfolio of offerings across the mass premium segment, it is well positioned to capitalize on the shift towards premiumization of consumption.

Experienced Board and senior management team and supported by a committed employee base: ABDL has an eminent and experienced Board of Directors. It has an experienced and professional senior management team with significant industry experience. Its senior management team has demonstrated ability to develop and build brand recognition and deliver growth and profitability. It has always focussed on its shareholders' best interests and the maximisation of shareholder value. It also has established policies and procedures to support transparency, strong business ethics and a well-established compliance framework. It follows a strict code of business conduct for its operations and has implemented Board approved policies on anti-bribery and corruption, gifting and entertainment, anti-money laundering, antitrust and competition and conflict of interest. The Company's employee base is the key to its competitive advantage. It has 3,627 employees which includes 67 production workers, one (1) sales consultant, and 2,690 contract workers, as of December 31, 2023. Its employee value proposition focuses on employee development and highlights an inclusive work culture by providing equal opportunities to all employees. It also incentivizes its employee base through performance linked programs for sales employees and a variable pay component for others.

Business Strategy:

Increase market share of Officer's Choice Whisky across regions: In Fiscal 2023, sale of whisky accounted for 64% of IMFL sales by volume and 68% by value in India. In addition, the mass premium segment constituted approximately 37% of the total IMFL market in India in Fiscal 2022. 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 Fiscal 2023. Country liquor market was estimated at 350 million cases in Fiscal 2023. However, market is projected to be range bound 445 million cases by Fiscal 2028. ABDL can address the requirements of large segments of audiences that currently consume country liquor or economy brands and are looking to upgrade. Given the positive change in attitude towards alcohol beverages with higher social acceptance and rising income levels, it intends to further expand penetration of Officer's Choice Whisky based on market dynamics and demand for its products. Further, it also intends to position Officer's Choice Whisky as a brand for the younger generation and make it the first port of call for new entrants into the category.

Introduce new products within the premium, semi-premium and deluxe segments to strengthen presence in other categories: Prestige segment, also known as the deluxe segment is the largest segment for whisky market contributing 51% of the whisky market by volume in India at 124 million cases in Fiscal 2023, showing consistent growth over the years and projected to reach 192 million cases contributing



54% by Fiscal 2028. Further, the semi-premium segment is also a fast-growing segment within the IMFL space. ABDL's brand Sterling Reserve Blend 7 has witnessed significant growth since its launch in Fiscal 2018. Going ahead, it intends to continue to introduce products in the premium, semi-premium and deluxe segments with an intent to provide the Company with higher margins and greater profitability over time. It has consciously developed its portfolio to provide consumers with products at various flavours, segments and price points. In order to strengthen presence in the more premium segments, it will continue to develop products based on consumer and market insights in whisky, rum, gin and white spirits. It intends to import Scotch in bulk to grow its portfolio that will be bottled in India, and distribute certain bottled in origin products. Further, to expand the category offerings, ABDL may launch products in portfolio where it is not presently present. It also intends to introduce product experiences that will appeal to younger consumers and include flavoured spirits, craft spirits, low alcohol content beverages and ready mixes.

Continue to focus on improving operating efficiencies: ABDL is focused on further integrating its operations and optimizing product planning across product categories. It intends to continue to adopt best practices and standards across its facilities, drawing on its expertise and experience in distillation and bottling. The Company will continue to focus on reducing operating costs and improving utilization by investing in modernization of its manufacturing facilities with relevant technologies and production methods. As part of its efforts, it continues to evaluate front-line technologies and resultant benefits with a view to maintaining competitive advantages.

In addition, ABDL continues to focus on creating economies of scale to gain increased negotiating power on procurement of raw and packaging materials and to realize cost savings through centralized deployment and management of production, maintenance, accounting and other support functions. Higher capacity utilization will result in more production and higher sales, thereby allowing it to spread fixed costs over higher sales and increase profit margins. Further, it intends to continue to enter into additional contract manufacturing tie-ups and leasing and sub-leasing bottling units to increase its production volumes. It will evaluate options to establish additional grain ENA manufacturing facilities which will help reduce dependency on vendors, ensure improved supply security, and stable quality and input costs. It intends to also rationalize its debt which will improve its operating leverage and free cash flows.

Evaluate growth opportunities through selective acquisitions: ABDL intends to selectively pursue strategic acquisitions and investments and other strategic alliance partnerships that are complementary to its growth strategy, particularly those that can help it enrich its product portfolio and expand its customer base. Its extensive industry experience and insights enable it to identify suitable targets and effectively evaluate and execute potential opportunities. To improve backward integration capabilities, it intends to acquire or build additional distilleries across India that will improve and expand its production capacity. Acquisition or development of such distilleries will limit supply constraints which in turn will allow it to improve its margins. The Company on an opportunistic basis, evaluates various investment and acquisition options. Towards this, it has, from time to time, entered into various non-binding arrangements to evaluate such options, some of which may also result into acquisitions and certain entities becoming its wholly owned Subsidiaries.

Focus on environmental and social practices: Environment sustainability is a key focus across all parts of the business and operations. ABDL's sustainability initiatives are aimed at zero harm, zero waste and zero discharge. To achieve this vision, quality and compliance controls are being established and revamped right from the supply chain to the value chain. It intends to continue its growth into this area. It intends to reduce its consumption of fossil fuels and increase use of aseptic packaging, implementation of solar energy to power manufacturing operations and reduction in the use of water as part of its distilling and IMFL bottling operations. The Company strives to operate a socially impactful company that considers the well-being of all persons involved in its process to deliver great products to its consumers. As part of its social initiatives, it intends to offer further training to workmen on quality aspects, inclusive participation, and knowledge management sessions.

Enhance brand awareness and engagement through digital marketing: With near-universal mobile phone penetration in the country, digital and social media are increasingly becoming hotspots to connect with consumers. Digital and social media delivers higher efficiency on account of ability to target basis geography and audience profiles. ABDL will want to evolve to a digital-first company and continuously engage with its consumers through a mix of relevant content and appropriate targeting. It has won several key awards for its digital activation in the past few years and will intend to capitalise on its digital marketing abilities innovatively and effectively in the future.

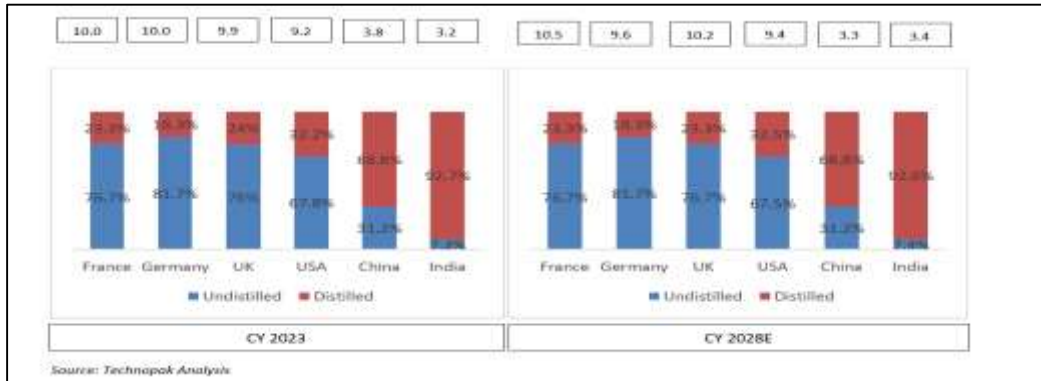
Industry Overview

Indian alco-beverage market profile

India is primarily a distilled alco beverage market with contribution of spirits in form of pure alcohol at more than 92.0% in 2023

India is primarily a distilled alcohol market with more than 92.0% of recorded pure alcohol consumption in form of distilled spirits. This is unlike developed countries where the contribution of undistilled alco beverages including beer and wine together is higher than distilled spirits. Distilled spirits in India continue to be the dominant form of alco beverage consumption even as acceptance of beer and wine is increasing. Even in the case of undistilled alco-beverages, alcohol content by volume is higher than in Europe and USA. In the case of beer category, strong beer has a dominant share in the overall beer consumption. In wines category, fortified wines with higher alcohol content control a sizable market share in India.

Per capita consumption of alcohol in terms of pure alcohol for calendar year (volume in litres)



Source: Technopak Analysis

Recorded alcohol consumption in India was close to 3,239 million litres of pure alcohol for 2023

India is one of the fastest growing alco-beverage markets in the world, with distinctive characteristics that make it appealing to the top players of the industry. One of the biggest attractions is the size of the market and the continual evolution of the market as economic variables such as rising GDP, urbanization and women's involvement in the workforce fuel demand and growth.

The recorded alcohol per capita ("APC") for India in 2023 was estimated at 3.2 litres per annum against the world average of 5.0 litres. Indian alco-beverage market size was estimated at close to 3.2 billion litres of pure alcohol in 2023. Distilled alco-beverages contributed close to 92.0% of the total pure alcohol consumption in India. The market for alco beverages in India is estimated to grow at approximately 2.1% by volume for the period between 2023 to 2028 with more people achieving the legal drinking age and growing number of women who drink alcohol.

Indian alcohol beverage market is more than a billion cases in size and highly dominated by spirits

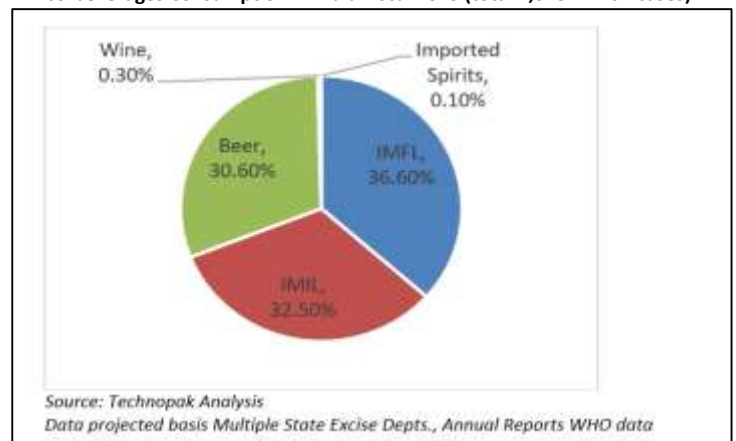
The Indian alco-beverage market crossed more than a billion cases per annum in Fiscal 2023. A volume-based analysis shows that alcohol beverage market in India was almost equally divided between Country liquor, Indian Made Foreign Liquor ("IMFL") and beer with a small contribution from wines in Fiscal 2023. The industry is projected to reach 1,451 million cases in volume by Fiscal 2028. India's per capita consumption is significantly lower compared to global per capital consumption. Low per capita consumption coupled with positive demographics factors and more than 13 million people added each year to the population eligible for drinking, make India an attractive market for alcoholic beverages. There exists significant potential for future growth for the alcoholic beverages market in India.

IMFL is the largest segment of Indian alco-beverage market both in volume and value terms. IMFL segment recorded sales of 395 million cases in Fiscal 2023 with a growth of 8% in volume as compared to Fiscal 2022 sales at 280 million cases. IMFL market has recovered and grown to 395 million cases in Fiscal 2023 as compared to pre-COVID levels of 355 million cases in Fiscal 2020. IMFL sales volume is projected to reach 520 cases by Fiscal 2028, and sales by value is estimated was at Rs.2,206.62 billion in Fiscal 2023. The sales value is projected to reach Rs.3,713.39 billion by Fiscal 2028. During the period between Fiscal 2023 and Fiscal 2028, IMFL sales value and volume are expected to grow at a CAGR of 9% and 5.7% respectively.

Alco-beverage consumption in India (in million cases) and CAGR for Fiscal



Alco-beverages Consumption in India Fiscal 2023 (total 1,078 million cases)



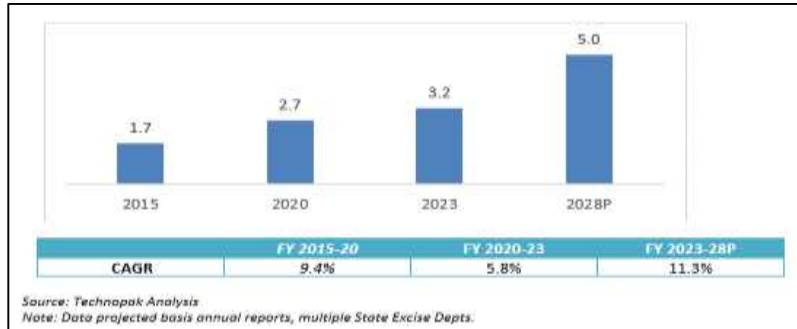
Source: Technopak Analysis

Data projected basis Multiple State Excise Depts., Annual Reports WHO data



Indian alco-beverage sector size was estimated at Rs.3,200 billion in Fiscal 2023 making it one of the biggest markets in the world
 Indian alco-beverage market is the third largest market in the world after China and Russia. It is also the second largest spirits market in the world. Indian alco-beverage market is projected to grow at a CAGR of approximately 11.3% by value and approximately 6.1% by volume for the period between Fiscal 2023 to Fiscal 2028. Indian market is dominated by IMFL which is estimated to contribute close to 69% in value to the overall market in Fiscal 2023.

Indian Alco-beverage market (in Rs.lach crore in Fiscal)



Indian alco-beverage market is domestic led market

Import is dominated by whisky with bulk of it used for blending and thus plays an important role in the IMFL market. The trend towards premiumisation may lead to increased imports of alco beverages, particularly whisky. India is the largest importer of scotch whisky by volume in the world.

Imported wines have also played an important role in development of the wine segment in India. However, unlike other Asian countries including Japan and South Korea, growth of import in wines has been limited and market has been captured by domestic players where they have large variety from still to sparkling.

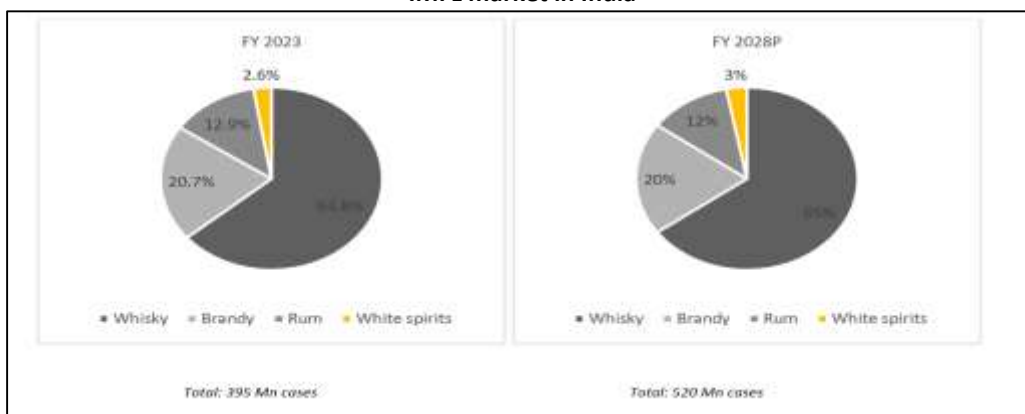
Export of Indian alco-beverages is in countries with large population of Indian diaspora with middle east accounting for bulk of exports. Premium Indian alco-beverages including single malt whisky have started to carve a niche for themselves, but it is small currently.

The Indian regulatory framework is also playing an important role in providing a level playing field for domestic alco-beverage players. Foreign liquor when imported in India is charged a custom duty as per Customs Act, 1962. Customs tariff of 150% is applicable on finished product like scotch whisky etc bottled in country of origin or bulk scotch whisky imported for bottling in India as well as intermediate products like undenatured ethyl alcohol of alcoholic strength by volume of 80% volume or higher which is used for blending with production in India.

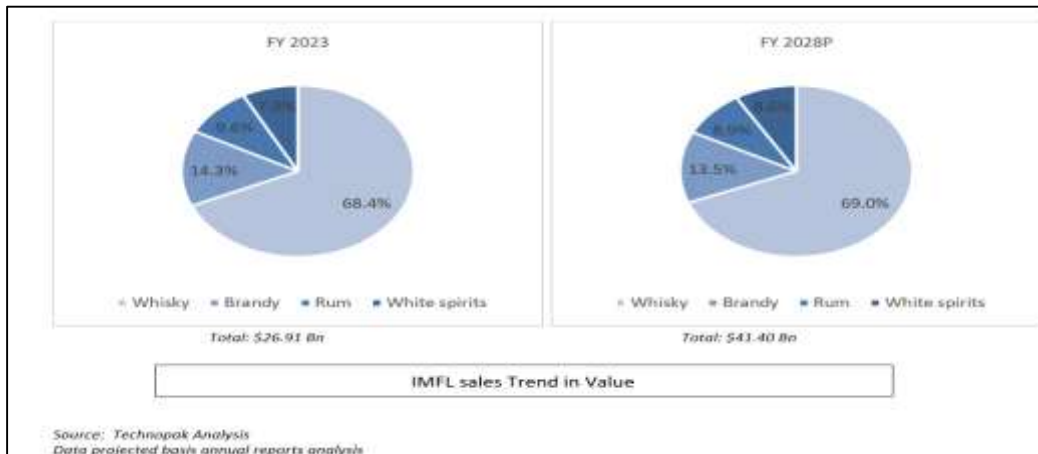
Indian made foreign liquor is dominated by Brown Spirits unlike world market which is a White Spirits market

IMFL is dominated by brown spirits including whisky, rum, and brandy with a small share of white spirits including vodka and gin. This is unlike world markets where white spirits are dominant. Though white spirits in India have shown higher growth for the period between Fiscal 2023 to Fiscal 2028 with their share increasing from 2.6% to 3% by value as compared to the brown spirits like whisky.

IMFL market in India



IMFL Sales Trend in Volume



A large country liquor market catering to the lower income group is the target market for recruitment for IMFL Flavoured local alcoholic beverages, popularly known as country liquor or Indian made Indian liquor (“IMIL”) was close to one third of the alcoholic beverage market by volume in Fiscal 2023. IMIL is a flavoured alcoholic drink influenced by regional taste preferences where popular flavours are fruit flavours, masala flavours, etc. It caters to the price sensitive, lower income group in India and has high acceptance in rural areas. IMIL is made from rectified spirits with alcohol percentage of 30% to 37%. Rectified spirits have lower level of purity as compared to extra neutral alcohol (“ENA”) used in IMFL. However, recently country liquor companies have started using ENA as raw material. Country liquor market was estimated at 350 million cases in Fiscal 2023. However, the market is projected to reach 445 million cases by Fiscal 2028.

Indian beer market is projected to reach 480 million cases by Fiscal 2028 with market dominated by strong beer

Beer category has shown consistent growth in volumes since 2005 as volume crossed 320 million cases in Fiscal 2020. Given the low per capita consumption of beer in India as compared to the developed countries in the world, beer consumption in India will continue to grow. As per WHO, almost one third of pure alcohol consumption in the world is in form of beer and in case of India it has grown to 42% in 2022. Indian beer market is traditionally a strong beer market with close to 85% of market with strong beers. United Breweries along with AB InBev and Carlsberg hold 80% of the market share. Premium range of beers in both strong and light beer categories are driving growth in beer market in India. The industry has evolved from manufacturing standard beers such as strong and lager beer to flavoured and variety beers in line with trends in other developed countries. Strong lager beers, with alcohol content between 6% and 8%, dominate the market accounting for over 80% of the total beer consumed in India.

Indian wine market is projected to reach 5.9 million cases by Fiscal 2028 with high contribution of domestic wines

Wine category in India is estimated at 3 million cases in Fiscal 2023 and projected to grow to 5.9 million cases by Fiscal 2028 with a compounded annual growth rate of approximately 14.7% by volume. The supply of domestic wines that are reasonably priced and easily available as compared to the imported wines has helped expand the market along with factors like growing awareness of perceived health benefits of wines underpinned by income growth and changing profile of consumers. As of Fiscal 2023, share of wine as a form of alcohol consumption in India was low at less than 1%.

Indian Alco Beverage Market by Price and Segments

Indian alco-beverage market has traditionally been a price sensitive market. The popular segment as also known as mass premium segment has been the volume driver for the category in the first decade and a half of the century. This period between 2000 to 2015 has also coincided with highest per capita growth in alcohol consumption as well as highest growth in the number of people becoming eligible for drinking alcohol. However, the trend of premiumisation can be seen happening in the past few years and higher price segments are growing much faster than the lower segments. The share of brands above Rs.500 per 750 ml stood at approximately 20% while the share of lower price segments below Rs.500 for 750 ml bottle was 79%.

Taxes on alco-beverages serve the dual purpose of revenue maximisation and control proliferation of alco beverages

Taxes on alcohol increase its price and thus can be a powerful lever for influencing alcohol consumption, even if the purpose of those taxes is primarily to raise revenues and not necessarily to improve health. More than 60% of gross revenue of leading alcoholic beverage companies in India constitutes of excise paid directly to the state governments. Share of excise in total gross revenues of leading alco beverage companies in India has shown an increasing trend. In addition to excise, some states also charge sales tax. In addition to these taxes, there are one time or annual fees on label registration and related activities. The quantum of tax under different heads is also a function of distribution model and revenue maximization objective of the states. Trade margins in states where one or both the leg of distribution is in private hands would also be a function of agreed MRP which are approved by the respective state governments.



Import Duties on foreign liquor helps create a level playing field for the domestic industry

Foreign liquor imported into India is charged under custom duty as per Customs Act 1962. Customs tariff is applicable on finished product like scotch whisky bottled in country of origin or bulk scotch whisky imported for bottling in India as well as intermediate products like undenatured ethyl alcohol of alcoholic strength by volume of 80% volume or higher which is used for blending of local alco-beverages in India. Alcoholic beverages imported in India are subject to excise and all other duties as per the excise rules of each state on the calculated deemed ex- distillery price. High customs duty coupled with high excise and other state duties has ensured that the market for imported alco-beverages is niche and small.

Growth Drivers

Indian alco-beverage industry is leveraging demographic dividend, growing income level and rapid urbanisation to be one of the fastest growing markets in the world

Indian alco-beverage industry has been one of the fastest growing markets in the world. With expanding population, favourable demographics, expanding middle class, rising disposable income levels, greater preference for premium food and drink experiences and greater acceptance of alcoholic beverages in social circles. Increased consumption of liquor in rural areas will be another major reason for the growth in the market. India's high population growth rate is adding 13 million drinking age adults every year out of which 3 million to 5 million people approximately end up consuming alcohol in some form. With a growing number of people joining the work force sooner than in the past and together with changing lifestyles and dismantling of social barriers to consumption of alcohol is driving growth in alcoholic beverage market in India. Greater social acceptance for drinking amongst women as well as in Tier II and Tier III towns is expected to open newer profitable consumer segments. Rapid increase in urban population, a sizable middle-class population with rising disposable income, and a growing economy are driving consumption of alcohol in India. These factors will also result in consumers choosing to upgrade to more quality offerings.

Premiumisation of Alco-beverages in India

Premiumisation is the most important theme in each of sub-segments of Indian alco-beverage sector. Volume growth in Indian alco-beverage market was led by popular segment in first decade and half of the century. However, market has transitioned to value led growth in more premium segments in the last decade. The trend of premiumisation is prevalent across the value chain including launch of new products, branding of shelf space in retail outlets and company outreach to its customers through multiple marketing initiatives. Moreover, with the rise in disposable income, consumers would tend to upgrade their preferences, resulting in higher demand for products from prestige, premium and luxury segments. Rapid urbanisation is also leading to spur in aspirational values of people, driving consumption of premium alco-beverage brands. Indians travelling abroad are also leading to an upgrade towards premium segments in the alco-beverage market. The trend is further amplified with the rising influence of social media on the millennials and rising aspirations.

Prominence of new channel of sales

Post pandemic new channels of sales are also getting prominence. Home delivery and limited e-commerce in alcobeverages became a reality during the pandemic. Convenience and better purchase experience with higher comfort level of women make home delivery a promising channel of sales. Home delivery can improve the penetration of alco-beverage industry as the number of outlets remain limited in India. Home delivery of alcohol started in some states during COVID-19 induced lockdown to cover losses in revenue as well as to control the crowd at liquor shops. However, there is a need for detailed regulations in this space as this channel has a lot of potential for growing the alco-beverage market.

Growth of in-home consumption

There has been a shift in consumer drinking habits post, with drinking becoming more common at homes. Consumers can spend lesser amount of money and consume more premium alcoholic beverages while drinking at home, as compared to drinking at restaurants, hotels, pubs, and bars etc.

Influence of On-trade

On-trade sales have a key role in introducing new tastes to consumers. As new products get prominence in On - trade, the off- trade segment picks up, giving the product category a multifold growth. This is true for multiple products like pasta and pizza where seeding of product was done in the food services segment followed by multifold growth in retail channel. On-trade sale has been one of the key drivers of growth and premiumization in Indian alco-beverage industry. Increasing preference for premium food and drink experiences is driving consumption of alco beverages in Ontrade channel. The emergence of novel food and beverage formats is further driving the On-trade sales of alcobeverages as consumers with higher disposable income spend more on alcoholic beverages as a share of their overall bills. There is also a shift in how on-trade is happening, people are now looking for calmer experiences while consuming alcohol outside, and are drinking it for pleasure.



Reduction in social taboo around alcohol consumption and social drinking

The attitude towards alco-beverages has in the recent past been changing due to globalization, rising prosperity, and changing consumer demographics. A greater share of the young population and the rising influence of social media has led to acceptance of alcohol consumption across genders and age groups. It has become common for families to sit together and drink on special occasions and certain festivals. Rapid urbanization has also led to increasing alco-beverage consumption within the metropolitan and tier-I cities. There has been a shift in trend from binge drinking to social drinking among friends, professional settings as well as in families. As participation of women in workforce increases and their disposable income is also increasing, women are increasingly indulging in alco-beverage consumption.

Favorable excise policies can drive growth in Indian alco beverage market

Multiple states are coming up with favorable excise policies which promote better customer experience. There are opportunities to set up attractive retail outlets at prominent locations including malls and airports. States are revisiting the excise policies with the dual objective of better customer experience as well as revenue maximization. Multiple states have also taken initiatives to rationalize tax structure and recover the revenue loss by higher sales.

Whisky Market in India

India is the largest whisky market in the world leveraging its large and growing drinking population

India is the largest whisky market in the world with almost one out of every second bottle of whisky sold in India. A large population base with positive demographic trends including young population, growing income, and increasing urbanisation is driving growth of Indian whisky market. India is traditionally a distilled spirits market with close to 90% of pure alcohol consumption in form of distilled spirits in Fiscal 2022. Growing income has a direct co-relation with increase in per capita consumption and whisky category being the largest category in Indian alco-beverage market will benefit the most from the positive demographic factors and growing income.

Whisky to lead growth in distilled spirits market in India

Sale of whisky in India in Fiscal 2023 accounted for 64% of IMFL sales by volume and 68% by value. In addition, the popular segment also known as mass premium segment constituted approximately 37% of the total IMFL market by volume in India in Fiscal 2022. Whisky category is expected to lead recovery of alco beverages in India leveraging economic recovery, pent up demand, strong at home consumption trends and premiumisation trends. Indian whisky market is projected to reach 338 million cases by Fiscal 2028 after a volume decline of close to 10% in Fiscal 2021 due COVID-19 related events including complete lockdowns, loss of sale in On-trade channel and conservative approach of customers' post COVID-19 pandemic.

Indian Whisky market projected to reach US\$ 28.5 billion by Fiscal 2028 leveraging demographic trend, new customers and premiumisation

Indian whisky market was valued at Rs. 1,508.80 million in Fiscal 2023 and is projected to reach Rs. 2,342.66 billion by Fiscal 2028. The market is set to drive value growth with strong premiumization trends leading to up-trading within the category as well as increasing preference for high value products across price segments. Volume growth in alco beverages including whisky category has tapered to a single digit growth from Fiscal 2013 onwards due to overall regulatory issues and general economic trends. Rising income, growing urbanization, and increasing awareness towards western tastes and trends is driving premiumization. There is a shift in the purpose of consumption of whisky from being a stimulant to recreation and socializing. The industry will leverage the trend towards premiumization to drive value growth.

Indian whisky market is traditionally a price sensitive market with value segment being the core to the category

Indian whisky market can be divided into four segments including popular, prestige, premium and luxury segments. The value segment consisting of popular and prestige segment contributed close to 86% of total volume for the Indian whisky market in Fiscal 2023. Up-trading from IMIL to popular, and similarly popular to prestige segments is one of the strong themes of whisky market. Prestige segment, also known as deluxe segment is the largest segment for whisky market contributing 51% of the whisky market by volume in India at 124 million cases in Fiscal 2023, showing consistent growth over the years and projected to reach 192 million cases contributing 54% by Fiscal 2028. It is projected to add highest number of cases to the overall whisky market in India. Popular segment, also known as mass premium segment will continue to play an important role in the price sensitive category including rural markets and IMIL. Popular segment or mass premium segment with sale of 67 million cases in Fiscal 2021 contributed 37% by volume to whisky market in India. It is projected to reach 83 million cases by volume in Fiscal 2025.

Premium segment is projected to grow at the fastest rate among all segments, leveraging premiumization trends, urbanisation, rising income, and a young and aware customer profile. Luxury segment is driven by high end imported whisky including blended as well as single malt whisky consisting of bottled in India ("BII") and bottled in origin ("BIO") products with a strong market in On-trade segment including hospitality segment.



New launches in Indian whisky market point to consolidation in popular segment and growing trend of premiumisation in the market

Indian whisky market is witnessing a growing trend towards premiumisation with new launches and brand relaunches in prestige and above segment. Premiumisation of whisky market in India has a strong bias towards up-trading from popular to prestige and similarly prestige to premium segment. Prestige segment is the new popular segment for alco-beverages companies in India as marketing spend is focussed on prestige and above segments. Top companies are launching new products which stand out in terms of the ingredients, flavours, packaging, and other distinctive properties of alcoholic beverages including smell, taste, and sight. Top companies are investing in premium space including Indian single malt. United Spirits entered premium craft whisky segment with the launch of Epitome Reserve, a limited first batch of 2,000 bottles which is made with rice.

Sterling Reserve Blend 7 and Blend 10 are two of the most successful launches in the Indian whisky market which sold more than a million cases in the first year of launch. Officer's Choice whisky from Allied Blenders and Distillers has consistently been the market leader in this segment.

Factors driving premiumisation in whisky segment in India

Rising income and rapid urbanisation

Rise in disposable income is leading to consumers upgrading their preferences, resulting in up-trading in from country liquor to IMFL whisky and up-trading within categories of IMFL whisky including popular, prestige, premium, and luxury segments. Rapid urbanisation is also leading to spur in aspirational values of customers. The emergence of new consumers expecting more sophisticated experiences is driving the demand for premium quality whisky with up-trading in each segment.

Growing awareness and exposure to international trends

Indians travelling abroad is also leading to an upgrade towards Premium segments in the whisky category. The trend is further being amplified with the rising influence of social media on the millennials and their rising aspirations.

Changing Profile of customer seeking new experiences and high-quality products

The shift in trend of consumption of whisky towards drinking better quality products rather than focusing on the quantity is leading customers to choose premium brands in each segment. Higher disposable income with a greater need to explore new products and experiences serves the premiumisation of whisky in each segment.

Shift towards a healthier lifestyle

In last few years, there has been a shift in lifestyle with consumers choosing to live a healthier life. This trend has become stronger post COVID-19 pandemic. Customers are ready to pay a premium to move to a higher quality product in each segment. This is going to help up-trading within each segment as well as up-trading from one segment to the other as higher priced products are perceived as healthier.

Emergence of technology and changes in ways of socialising

Technology boom and prevalence of western culture of social drinking is driving premiumisation in whisky category. Consumption of alcohol is socially more acceptable among millennials and there is a shift in the way people socialise from late night parties to pubs and lounges and informal food-related occasions at-home.

Evolving Retail experience

Retailing of alco-beverages including whisky is going through transition in India. Multiple states through their excise policies have allowed for a better retail experience including larger stores, stores at high retail destinations, evolved merchandising, and product tastings. This is leading to a positive effect and up-trading of brands by the customer.

Key Concerns

- Substantially dependent on the sales of whisky products. Any reduction in sales of these products could have a material adverse effect on the business, financial condition, results of operations and prospects.
- ABDL has experienced volatile fluctuations in profit after tax for the year/period and PAT Margin in the past.
- Increasing competition in the IMFL industry may create certain pressures that may adversely affect the business, prospects, results of operations, cash flows and financial condition.
- Any past or current actions taken by the Central Consumer Protection Authority or any other statutory or regulatory bodies, may impact its operations and financials of the Company.



- Termination of agreements in relation to the bottling facilities may adversely affect the business, results of operations and financial condition.
- An increase in taxes or a change in the tax calculation method may affect the demand for products and could adversely affect the business, financial condition, results of operations and prospects.
- Operations are subject to extensive Central and State regulations. Changes in the regulatory environment may cause ABDL to incur additional costs or limit its business activities.
- The Company may be unable to increase the selling price of its products which could adversely affect the business, financial condition, results of operations and prospects.
- Any slowdown or interruption to production operations or under-utilization of existing or future distillery and bottling facilities may have an adverse impact on the business and financial performance.
- Depend on sales of the products in India, in particular the States of West Bengal, Telangana and Uttar Pradesh and any reduction in sales of its products in such key States could have a material adverse effect on the business, financial condition, results of operations and prospects.
- Business is dependent on the sale of products to the key customers and the loss of one or more such customers or a reduction for the products could adversely affect the business, result of operations, financial condition and cash flows.
- Inadequate or interrupted supply and price fluctuation of raw materials and packaging materials could adversely affect the business, results of operations, cash flows, profitability and financial condition.
- A significant portion of sales are to various State-Government controlled agencies. An inability to expand or effectively manage, or any disruptions in relationship with state government controlled agencies may have an adverse effect on the business prospects and financial performance.
- Any reduction or elimination of import duty imposed on international spirits in the future may lead to reduction in demand for products leading to loss of sales, and adversely affect the business, prospects, results of operations and financial condition.
- Restrictions on advertising of alcoholic beverage products in India limits ABDL's ability to advertise its products.
- Demand for products may be adversely affected by changes in consumer preferences and any significant reduction in demand could adversely affect the business, prospects, results of operations and financial condition.
- As on December 31, 2023, ABDL has one satellite finished goods warehouse located in Delhi and its Subsidiary, Sarthak Blenders & Bottlers Private Limited ("Sarthak"), has 10 satellite warehouses in the state of Uttarakhand, and any adverse development affecting such regions may have an adverse effect on the business, prospects, financial condition and results of operations.
- Changes in the social perception of alcohol beverage consumption or regulations related to alcohol could adversely affect the alcohol beverages business.
- ABDL is dependent on third-party transportation providers for the supply of raw materials, packaging materials and delivery of its products.
- Distillery and bottling units are dependent on adequate and uninterrupted supply of electricity, water and fuel. Any shortage or disruption in electricity, water, or fuel supply may lead to disruption in operations, higher operating cost and consequent decline in its operating margins.
- May not be able to derive the desired benefits from research and development efforts.
- May not successfully protect technical know-how, which may result in the loss of competitive advantage.



- Growth prospects may be harmed if ABDL is unable to expand into the higher-priced segments of the alcoholic beverages market.
- Inability to handle risks associated with export sales could negatively affect its sales to customers in foreign countries.
- Business is manpower intensive. Its business may be adversely affected by work stoppages, increased wage demands by employees, or increase in minimum wages across various states, and if it is unable to engage new employees at commercially attractive terms.
- Any withdrawal, or termination of, or unavailability of direct/ in-direct tax benefits and exemptions being currently availed by ABDL may have an adverse effect on the business, results of operations, financial condition and cash flows.
- Any delay or default in payments from customers could impact the ability to avail additional borrowings and ability to repay its existing loans on account of non-fulfilment of certain coverage ratios which in-turn could result in a reduction of profits.
- Failure to obtain or renew approvals, licenses, registrations and permits to operate business in a timely manner, or at all, may adversely affect the business, financial condition, cash flows and results of operations.
- Any loss of business or potential adverse publicity resulting from spurious or imitation products, could result in loss of goodwill for products leading to loss of sales, and adversely affect the business, prospects, results of operations and financial condition.
- The alcohol beverage industry in India is politically and socially sensitive and any adverse decisions on prohibition may adversely impact the operations and financials of the Company.
- Seasonal fluctuations in consumer demand could adversely affect the business, financial condition, results of operations and prospects.
- Any inability to accurately manage inventory and forecast demand for particular products in specific markets may have an adverse effect on the business, results of operations and financial condition.
- ABDL may require additional equity or debt in the future in order to continue to grow its business, which may not be available on favorable terms or at all.

Profit & Loss

Particulars (Rs in million)	9MFY24	FY23	FY22	FY21
Revenue from operations	59111.4	71056.8	71969.2	63787.8
Other Income	38.3	110.7	112.5	190.4
Total Income	59149.8	71167.5	72081.7	63978.1
Total Expenditure	57287.8	69206.9	70006.1	61848.2
Cost of materials consumed	16363.3	19956.9	16349.7	13904.4
Purchase of stock-in-trade	42.6	56.3	48.6	37.3
Changes in inventories of finished goods, stock-in-trade and work-in-progress	-108.2	-272.7	-111.3	268.8
Employee benefits expense	1270.5	1856.7	1934.7	1722.4
Excise duty	33508.7	39590.5	45112.7	40304.1
Other expenses	6211.0	8019.3	6671.8	5611.2
PBIDT	1862.0	1960.6	2075.5	2130.0
Interest	1279.3	1349.7	1450.9	1415.1
PBDT	582.7	610.9	624.6	714.9
Depreciation and amortization	390.9	551.4	586.4	587.4
PBT	191.8	59.5	38.2	127.5
Exceptional items	49.9	0.0	0.0	0.0
Tax (incl. DT & FBT)	99.7	43.5	23.5	102.4
Current tax	68.0	12.4	13.4	45.5
Tax adjustments in respect of earlier years	-0.8	-0.4	-18.0	-11.9
Deferred tax	32.5	31.5	28.1	68.8
PAT	42.3	16.0	14.8	25.1
EPS (Rs.)	0.2	0.1	0.1	0.1
Face Value	2	2	2	2
OPM (%)	3.1	2.6	2.7	3.0
PATM (%)	0.1	0.0	0.0	0.0



Balance Sheet

Particulars (Rs in million) As at	9MFY24	FY23	FY22	FY21
Non-current assets				
Property, plant and equipment	3,705.1	3,775.9	4,942.9	4,463.0
Capital work-in-progress	154.7	140.3	148.5	169.3
Right-of-use assets	1,236.4	1,297.1	1,304.4	1,362.0
Goodwill	38.5	38.5	38.5	38.5
Other Intangible assets	628.9	642.9	630.5	629.7
Financial assets				
<i>Investments</i>	0.0	0.0	0.0	221.1
<i>Loans</i>	0.00	0.00	0.0	13.1
<i>Other financial assets</i>	520.15	531.32	397.8	478.7
Non-current tax assets (net)	177.2	167.8	139.9	90.8
Deferred Tax assets (net)	92.4	121.3	155.0	160.4
Other non-current assets	164.5	172.0	151.6	1,251.6
Total non-current assets	6,718.0	6,887.2	7,909.2	8,878.3
Current assets				
Inventories	5,162.5	5,591.8	3,524.9	3,458.1
Financial assets				
<i>Trade receivables</i>	12,698.7	9,576.1	9,540.3	8,669.3
<i>Cash and cash equivalents</i>	296.2	275.5	196.7	434.9
<i>Bank balances other than cash and cash equivalents</i>	275.5	254.8	350.0	267.6
<i>Loans</i>	1.7	0.8	41.1	73.3
<i>Other financial assets</i>	270.7	260.3	193.0	293.0
Other current assets	1,155.7	1,188.7	728.3	911.3
Total current assets	19,860.9	17,148.0	14,574.3	14,107.4
Assets classified as held for sale	835.0	841.9	0.0	0.0
Total assets	27,413.9	24,877.0	22,483.5	22,985.7
EQUITY & LIABILITIES				
Equity				
Equity share capital	488.2	488.2	471.1	471.1
Equity component of non-cumulative convertible preference shares	0.0	0.0	0.0	68.2
Other reserves	3,604.3	3,572.8	3,569.9	3,278.5
Total equity	4,092.6	4,061.0	4,041.0	3,817.8
Liabilities				
Non-current Liabilities				
Financial Liabilities				
<i>Borrowings</i>	1,948.6	1,386.6	1,883.8	2,014.3
<i>Lease liabilities</i>	82.4	133.4	138.3	170.6
Provisions	142.5	131.5	123.6	126.2
Total non-current liabilities	2,173.5	1,651.6	2,145.8	2,311.1
Current liabilities				
Financial liabilities				
<i>Borrowings</i>	6,031.0	6,375.8	6,585.3	7,533.1
<i>Lease liabilities</i>	31.4	30.6	20.7	27.4
<i>Trade payables</i>				
<i>Dues of micro and small enterprises</i>	2,156.2	1,631.3	1,632.9	1,559.9
<i>Dues of creditors other than micro and small enterprises</i>	5,353.7	4,027.6	3,730.9	3,272.0
<i>Other financial liabilities</i>	2,310.1	1,919.4	1,579.5	2,098.3
Liabilities classified as held for sale	1.8	46.0	0.0	0.0
Provisions	121.9	124.9	136.8	147.5
Other current liabilities	5,096.5	4,998.1	2,600.0	2,196.9
Current tax liabilities (net)	45.4	10.8	10.8	21.7
Total current liabilities	21,147.9	19,164.5	16,296.8	16,856.8
Total liabilities	23,321.3	20,816.0	18,442.5	19,167.9
Total equity and liabilities	27,413.9	24,877.0	22,483.5	22,985.7



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