

# IPO Note: Allied Blenders and Distillers Ltd.

Industry: Alcohol

Date: June 24, 2024

Issue Snapshot		Issue Break up	
Company Name	Allied Blenders and Distillers Ltd.	QIB ex Anchor	20% 1,06,54,804
Issue Opens	June 25, 2024 to June 27, 2024	Anchor Investor	30% 1,59,82,206
Price Band	Rs. 267 to Rs. 281	HNI<Rs. 10 Lakhs	5% 26,63,701
Bid Lot	53 Equity Shares and in multiples thereof.	HNI>Rs. 10 Lakhs	10% 53,27,402
The Offer	Public issue of 5,33,80,783 Equity shares of Face value Rs. 2 each, (Comprising of fresh issue of 3,55,87,189 Equity Shares* (Rs. 1000 cr.) and Offer for Sale of 1,77,93,594 Equity Shares* (Rs. 500 cr.) by Selling Shareholder).	RII	35% 1,86,45,907
		<b>Total Public</b>	<b>100% 5,32,74,021</b>
Issue Size	Rs. 1500 Crore	Employee Reservation	1,06,762
IPO Process	100% Book Building	<b>Total</b>	<b>5,33,80,783</b>
Face Value	Rs. 2.00	Equity Share Pre Issue (Nos. Cr.)	24.4
Exchanges	NSE & BSE	Fresh Share (Nos. Cr.)	3.6
BRLM	ICICI Securities Ltd., Nuvama Wealth Management Ltd., ITI Capital Ltd.	OFS Share (Nos. Cr.)	1.8
Registrar	Link Intime India Pvt. Ltd.	Equity Share Post Issue (Nos. Cr.)	28.0
		Market Cap (Rs. Cr.)	7,859.6
		Equity Dilution	12.7%
		Stake Sale by OFS	6.4%

## Objects of the Offer

### Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (up to ₹ 3,750 million by Bina Kishore Chhabria aggregating and up to ₹ 1,250 million by Resham Chhabria Jeetendra Hemdev)

### Fresh Issue

- Prepayment or scheduled re-payment of a portion of certain outstanding borrowings availed by the Company (Rs. 720 cr.); and
- General corporate purposes.

## Company Highlights

- Allied Blenders & Distillers Ltd. (ABDL) is an Indian-owned Indian-made foreign liquor (IMFL) company having five main categories of IMFL i.e. whisky, brandy, rum, vodka and gin. It also sells packaged drinking water under Officer's Choice, Officer's Choice Blue and Sterling Reserve brands. 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 FY14 and FY22. (Source: Technopak Report). 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 FY23.
- Its flagship brand, Officer's Choice Whisky was launched in 1988 with its entry into the mass premium whisky segment. Officer's Choice Whisky has been among the top selling whisky brands globally in terms of annual sales volumes between 2016 and 2019. (Source: Technopak Report). 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. (Source: Technopak Report)
- Over the years, company 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 FY23 (Source: Technopak Report), 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 the company 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 the company to support the growth in annual sales volumes of products. As of March 31, 2023, its products were retailed across 79,329 retail outlets across 30 States and Union Territories in India (Source: Technopak Report). The company believes that its industry position, strength of brands, 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 products to 14 international markets, including countries in the Middle East, North America, Africa, Asia and Europe.
- As of December 31, 2023, ABDL 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 had entered into arrangements with five third-party bottling facilities where the entire licensed capacity is utilized by ABDL. Over the years, it has developed relationships with third-party bottlers and as of December 31, 2023, the company 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 ABDL's products at their distillery under ABDL's brand name for which royalty is paid to the Company.

## View

- ABDL is the largest Indian owned IMFL company and the 3rd largest IMFL company in India. 4 of their brands are 'Millionaire Brands'. As of December 31, 2023, their product portfolio comprised 16 major brands of IMFL with 10 brands of whisky, 3 brands of rum, 3 brands of brandy and 1 brand of vodka, respectively. Further, the company has also recently launched a gin product in January 2024. The company possess an overall market share of 8.2% in IMFL market by sales volumes in FY23.
- Officer's Choice Whisky is the market leader in the mass premium segment with a market share of 20.9% in terms of annual sales volumes in FY23. Flavoured local alcoholic beverages, popularly known as country liquor or Indian made Indian liquor was close to 1/3rd of the alcoholic beverage market by volume in Fiscal 2023. Country liquor market was estimated at 35 crore cases in FY23. However, the market is projected to be range bound 44.5 crore cases by Fiscal 2028.
- The deluxe segment is the largest segment for whisky market contributing 51% of the whisky market by volume in India at 12.4 crore cases in FY23, showing consistent growth over the years and projected to reach 19.2 crore cases contributing 54% by FY28. Its brand Sterling Reserve Blend 7 has witnessed significant growth since its launch in FY18. Going ahead, the company intend 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.
- Third party bottling of products provides it with flexibility to meet production requirements. In addition, owing to its contractual arrangements with local and regional third-party bottlers, the company is not required to transport products beyond state borders, thereby limiting any additional excise import and export duty expenses that would otherwise incur. This ensures that its products remain competitively priced.
- The company recorded an increase in its revenue from Rs 6379 crore in FY21 to Rs 7106 crore in FY23 at a CAGR of 5.5%. EBITDA decreased by 2.3% CAGR from FY21 to FY23 while EBITDA Margin declined from 3.05% in FY21 to 2.60% in FY23. Net Profit has also decreased to Rs. 1.6 crore in FY23 from Rs. 2.5 crore in FY21. In 9MFY24, sales were up by 9.69% YoY to Rs 5911.14 crore. OPM increased by 58 bps to 3.09%, which led to 34.69% increase in operating profit to Rs 182.37 crore. Other income decreased 63.18% to Rs 3.83 crore, while interest cost increased 30.15% to Rs 127.93 crore and depreciation decreased 5.61% to Rs 39.09 crore. Net profit rose 46.79% YoY to Rs 4.23 crore. The company will be repaying 90% of its debt from the issue proceeds. This will bring down its interest cost substantially and boost profits.
- In terms of the valuations, on the higher price band, ABDL demands EV/EDITDA multiple of 32.5x based on FY24 annualized post issue fully diluted EBITDA and Market cap/ Sales multiple of 1.0x.

## Revenue from Operations

(In Rs. Cr)	FY21	FY22	FY23	9MFY23	9MFY24
Revenue from contracts with customer	6,358.7	7,169.9	7,079.0	5,369.7	5,889.1
Indian made foreign liquor (IMFL)	6,298.9	7,053.6	6,961.0	5,273.3	5,751.3
Whisky	6,224.6	6,973.4	6,777.1	5,160.4	5,575.8
Others	74.4	80.2	183.9	112.9	175.5
Extra neutral spirit (ENA)	29.5	41.3	52.8	46.0	81.0
By-products	30.2	74.9	65.2	50.5	56.8
Other operating revenue	20.1	27.0	26.7	19.3	22.0
Royalty	0.6	0.4	0.4	0.3	0.2
Export entitlements	10.4	13.7	11.8	7.8	11.1
Scrap and other sales	9.1	12.9	14.4	11.2	10.7
<b>Total</b>	<b>6,378.8</b>	<b>7,196.9</b>	<b>7,105.7</b>	<b>5,389.0</b>	<b>5,911.1</b>

## Revenue from Operations - Sales Volume

	FY21			FY22			FY23			9MFY24		
	No. of Cases (Mn)	Amount (Rs. Cr.)	% to Total	No. of Cases (Mn)	Amount (Rs. Cr.)	% to Total	No. of Cases (Mn)	Amount (Rs. Cr.)	% to Total	No. of Cases (Mn)	Amount (Rs. Cr.)	% to Total
Whiskey	24.60	6,224.6	97.6%	27.49	6,973.4	96.9%	30.59	6,777.1	95.4%	13.04	3,002.3	94.6%
Brandy	0.67	41.4	0.7%	0.55	41.9	0.6%	0.91	102.6	1.4%	0.37	69.6	2.2%
Rum	0.20	22.4	0.4%	0.32	27.9	0.4%	0.61	66.1	0.9%	0.20	26.6	0.8%
Vodka	0.05	6.6	0.1%	0.04	5.2	0.1%	0.13	12.8	0.2%	0.02	2.5	0.1%
Others	-	83.9	1.3%	-	148.5	2.1%	-	147.0	2.1%	-	74.3	2.3%
<b>Total</b>	<b>25.52</b>	<b>6,378.8</b>	<b>100%</b>	<b>28.40</b>	<b>7,196.9</b>	<b>100%</b>	<b>32.24</b>	<b>7,105.7</b>	<b>100%</b>	<b>13.63</b>	<b>3,175.3</b>	<b>100%</b>

## Revenue from Operations - Business Vertical

	FY21		FY22		FY23		9MFY23		9MFY24	
	Amount (Rs. Cr.)	% to Total	Amount (Rs. Cr.)	% to Total	Amount (Rs. Cr.)	% to Total	Amount (Rs. Cr.)	% to Total	Amount (Rs. Cr.)	% to Total
Whisky	6,224.6	98.8%	6,973.4	98.9%	6,777.1	97.4%	5,160.4	97.9%	5,575.8	97.0%
Brandy	41.4	0.7%	41.9	0.6%	102.6	1.5%	58.9	1.1%	123.3	2.1%
Rum	22.4	0.4%	27.9	0.4%	66.1	1.0%	37.9	0.7%	43.0	0.8%
Vodka	6.6	0.1%	5.2	0.1%	12.8	0.2%	11.9	0.2%	4.3	0.1%
Others	4.0	0.1%	5.3	0.1%	2.3	2.6%	4.1	0.1%	4.8	0.1%
<b>Total</b>	<b>6,298.9</b>	<b>100.0%</b>	<b>7,053.6</b>	<b>100.0%</b>	<b>6,961.0</b>	<b>100.0%</b>	<b>5,273.3</b>	<b>100.0%</b>	<b>5,751.3</b>	<b>100.0%</b>

## Annual Sales Volumes for Millionaire Brands

(In Rs. Cr)	FY21	FY22	FY23	9MFY23	9MFY24
Whisky					
Officer's Choice Whisky	15.54	17.55	18.89	14.42	14.56
Officer's Choice Blue	5.84	5.81	5.56	4.38	3.4
Sterling Reserve	2.97	3.75	5.3	4	3.85
ICONIQ Whisky	-	-	-	-	1.43

## Financial Statement

(In Rs. Cr)	FY21	FY22	FY23	9MFY23	9MFY24
Share Capital	47.1	47.1	48.8	48.8	48.8
Net Worth	381.8	404.1	406.1	407.1	409.3
Long Term Borrowings	201.4	188.4	138.7	148.3	194.9
Other Long Term Liabilities	29.7	26.2	26.5	27.1	22.5
Short-term borrowings	753.3	658.5	637.6	637.2	603.1
Other Current Liabilities	932.4	971.1	1278.9	1355.4	1511.7
Fixed Assets	666.3	706.5	589.5	598.6	576.4
Non Current Assets	824.9	84.4	99.2	97.0	95.4
Current Assets	1410.7	1457.4	1799.0	1879.4	2069.6
Total Assets	2298.6	2248.3	2487.7	2575.0	2741.4
Revenue from Operations	6378.8	7196.9	7105.7	5389.0	5911.1
Revenue Growth (%)		12.8	(1.3)		9.7
EBITDA	194.0	196.3	185.0	135.4	182.4
EBITDA Margin (%)	3.04	2.73	2.60	2.51	3.09
Net Profit	2.51	1.48	1.60	2.88	4.23
Net Profit Margin (%)	0.04	0.02	0.02	0.05	0.07
Earnings Per Share (Rs.)	0.10	0.06	0.07	0.12	0.17
Return on Networth (%)	66.0	37.0	39.0	71.0	103.0
Net Asset Value per Share (Rs.)	15.8	16.6	16.6	16.7	16.8

Source: RHP, Ashika Research

## Cash Flow Statement

(In Rs. Cr)	FY21	FY22	FY23	9MFY23	9MFY24
Cash flow from Operations Activities	246.6	178.8	229.9	173.0	143.9
Cash flow from Investing Activities	(59.4)	32.1	(18.4)	(14.7)	(29.2)
Cash flow from Financing Activities	(216.0)	(255.8)	(202.9)	(154.1)	(112.6)
Net increase/(decrease) in cash and cash equivalents	(28.8)	(44.9)	8.6	4.3	2.1
Cash and cash equivalents at the beginning of the year	72.3	43.5	19.7	19.7	27.5
Cash and cash equivalents at the end of the year	43.5	19.7	27.5	23.2	29.6

Source: RHP

## Comparison with Listed Industry Peers

Co Name	Net Sales (Rs. Cr.)	OPM (%)	D/E (x)	ROCE (%)	RONW (%)	P/E (x)	P/BV (x)	EV/EBIDTA (x)	MCap/Sales (x)	Market Cap (Rs. Cr.)
Allied Blenders and Distillers Ltd.	7105.7	2.6	0.1	21.7	0.1	NA	5.6	32.5	1.0	7859.6
United Spirits Ltd.	10611.6	5.4	0.0	24.5	20.6	65.1	12.9	40.6	3.5	91653.5
Radico Khaitan Ltd.	3142.8	2.9	0.3	11.6	9.7	91.0	9.8	47.6	1.5	23864.2
Globus Spirits Ltd.	2109.1	9.0	0.3	18.7	14.7	23.5	2.3	13.7	0.7	2265.8

## ANALYST CERTIFICATION

The undersigned analyst hereby certifies that all the opinions presented in this report accurately reflect their personal views regarding the subject securities, issuers, products, sectors, or industries. No part of their compensation has been, is, or will be directly or indirectly tied to specific recommendations or views expressed in this report. The analyst assumes primary responsibility for the creation of this research report and has diligently endeavored to establish and maintain independence and objectivity in formulating any recommendations.

Investors are strongly advised to carefully consider all relevant risk factors, including their financial condition and suitability to risk-return profiles, and to seek professional advice before making any investment decisions.



Ashika Stock Broking Limited (ASBL) commenced its operations in 1994 and is currently a trading and clearing member of various prominent stock exchanges, including BSE Limited (BSE), National Stock Exchange of India Limited (NSE), Metropolitan Stock Exchange of India Limited (MSEI), National Commodity and Derivative Exchange (NCDEX), and Multi Commodity Exchange (MCX). ASBL is dedicated to offering a comprehensive range of services to its esteemed clients, encompassing broking services, depository services (both CDSL and NSDL), and the distribution of financial products such as mutual funds, IPOs, and bonds.



Recognized as a "Research Entity" under SEBI (Research Analyst) Regulations 2014 since 2015 (Registration No. INH000000206), ASBL operates as a wholly-owned subsidiary of Ashika Global Securities (P) Ltd., a non-deposit-taking NBFC company registered with the Reserve Bank of India (RBI). The broader Ashika Group, with detailed information available on our website ([www.ashikagroup.com](http://www.ashikagroup.com)), serves as an integrated financial service provider involved in diverse activities, including Investment Banking, Corporate Lending, Debt Syndication, and other advisory services.

Over the past three years, ASBL has not faced any substantial or material disciplinary actions imposed by regulatory authorities. Nonetheless, routine inspections conducted by SEBI, Exchanges, and Depositories have identified certain operational deviations. In response to these observations, advisory letters or minor penalties have been issued by the relevant authorities.

## DISCLOSURE

ASBL prepares and distributes research reports solely in its capacity as a Research Analyst under SEBI (Research Analyst) Regulations 2014. The disclosures and disclaimer provided herein are integral components of all research reports being disseminated.

- 1) ASBL, its associates, and its Research Analysts (including their relatives) may hold a financial interest in the subject company(ies). This financial interest extends beyond merely having an open stock market position and may include acting as an advisor to, or having a loan transaction with, the subject company(ies), in addition to being registered as clients.
- 2) ASBL and its Research Analysts (including their relatives) do not possess any actual or beneficial ownership of 1% or more of securities in the subject company(ies) at the conclusion of the month immediately preceding the publication date of the source research report or the date of the relevant public appearance. Nevertheless, it is noted that associates of ASBL may hold actual or beneficial ownership of 1% or more of securities in the subject company(ies).
- 3) ASBL and its Research Analysts (including their relatives) do not possess any other material conflict of interest at the time of publishing the source research report or the date of the relevant public appearance. It is important to note, however, that associates of ASBL may have an actual or potential conflict of interest, distinct from ownership considerations.
- 4) ASBL or its associates may have received compensation for investment banking, merchant banking, and brokerage services, from the subject companies within the preceding 12 months. However, it is important to clarify that neither ASBL, its associates, nor its Research Analysts (who are part of the Research Desk) have received any compensation or other benefits from the subject companies or third parties in relation to the specific research report or research recommendation. Furthermore, Research Analysts have not received any compensation from the companies mentioned in the research report or recommendation over the past twelve months.
- 5) The subject companies featured in the research report or recommendation may be a current client of ASBL or may have been a client within the twelve months preceding the date of the relevant public appearance, particularly for investment banking, merchant banking, or brokerage services.
- 6) ASBL or its Research Analysts have not been involved in managing or co-managing public offerings of securities for the subject company(ies) within the past twelve months. However, it is worth noting that associates of ASBL may have managed or co-managed public offerings of securities for the subject company(ies) in the past twelve months.
- 7) Research Analysts have not held positions as officers, directors, or employees of the companies mentioned in the report or recommendation.
- 8) Neither ASBL nor its Research Analysts have been engaged in market making activity for the companies mentioned in the report / recommendation.

## DISCLAIMER

The research recommendations and information provided herein are intended solely for the personal use of the authorized recipient and should not be construed as an offer document or as investment, legal, or taxation advice, nor should it be considered a solicitation of any action based upon it. This report is strictly not for public distribution or use by any individual or entity in jurisdictions where such distribution, publication, availability, or utilization would contravene the law, regulation, or be subject to registration or licensing requirements.

Recipients of this report will not be treated as customers merely by virtue of receiving it. The content is derived from information obtained from public sources deemed reliable, but we do not guarantee its accuracy or completeness. All estimates, expressions of opinion, and other subjective judgments contained herein are as of the date of this document and are subject to change without notice.

Recipients should conduct their own investigations and due diligence. ASBL disclaims any responsibility for any loss or damage that may result from inadvertent errors in the information contained in this report. Past performance should not be relied upon as a guide for future performance; future returns are not guaranteed, and the possibility of loss of capital exists.