



Company Overview

Having established a market leadership position in the alcoholic beverages market in India, Allied Blenders and Distilleries Ltd. is one of the largest Indian Owned-India Made Foreign Liquor (IMFL) company offering a broad range of alcoholic beverages such as whisky, brandy, rum, vodka, and gin. The company is one of the four spirit companies in India that has a pan-India sales and distribution footprint and is also a leading exporter of IMFL. After entering into the mass premium whisky segment in 1988, its brand "Officer's Choice Whisky" has been one of the top-selling whisky brands all over the globe. Over the years, the company has expanded and introduced its products in various categories and segments. As a result, the company had an estimated market share of 12% in the Indian whisky market as of March 2023. The company owns and operates its distillery from the state of Telangana, having an in-house distillation capacity of Extra Neutral Alcohol (ENA) of 600 lakh liters per annum. The company also has extensive bottling facilities across India, either operated by the company or contract bottling facilities on an exclusive and non-exclusive basis. In order to maintain the legacy of the brand and company, the company ensures the quality of its products by maintaining oversight and a quality control check at its manufacturing and bottling locations. In order to facilitate quality control, the company facilitates procurement of raw materials such as ENA and packing materials to its bottlers. Such internal practices combined with experienced management has enabled the company to capitalize on the growth opportunities in the Indian alcoholic beverages industry over the years.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Prepayment or scheduled repayment of a portion of certain outstanding borrowings availed by the company and;
- ⇒ General corporate purposes.

Investment Rationale

Well-positioned to benefit from tailwinds in the Indian IMFL industry

India is one of the fastest-growing alcoholic beverage markets in the world. However, India's per capita consumption is significantly lower than the global per capita consumption. The low per capita consumption coupled with positive demographic factor which adds more than 13 million people each year to the population eligible for drinking, makes India an attractive market for alcoholic beverages. Therefore, there exists significant potential for future growth in the alcoholic beverages market in India. IMFL, the largest segment of the Indian alco-beverage market, is expected to grow at a CAGR of 5.7% in volume terms between FY2023-28. Various other factors such as the growing number of people joining the workforce and dismantling of social barriers to alcohol consumption is set to drive the growth in the alcoholic beverage market in India. Hence, we believe that the company is well-positioned to reap the benefits emanating from sectoral tailwinds backed by an extensive portfolio of offerings across the mass premium segment.

Access to an extensive pan-India distribution network, with an ability to scale business

The Indian alco-beverage industry operates in a highly regulated environment with state-specific policies impacting industry volumes. Therefore, high inter-state duties compel Indian spirits producers to set up owned or engage third-party manufacturers in every state. Also, licenses are required to produce, bottle, store, distribute, and retail alco-beverage products. Due to these factors, distribution is also highly controlled, both at the wholesale and retail levels. All these factors serve as potential entry barriers for new players. Further, distribution of alco 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 current players and retail outlets which may include exclusive arrangements. The company's extensive operations across India, presence in multiple states, and current capacity ensure that the company is able to effectively address these issues which has allowed it to garner a significant share of the mass premium market and a noticeable and growing market share for their premium products

Issue Details

Offer Period	25 th June 2024 - 27 th June 2024
Price Band	Rs. 267 to Rs.281
Bid Lot	53
Listing	BSE & NSE
Issue Size (no. of shares in mn)	53.3
Issue Size (Rs. in bn)	15
Face Value (Rs.)	2

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	ICICI Securities Ltd., Nuvama Wealth Management Ltd., ITI Capital Ltd.
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Registrar	Link Intime India Pvt. Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	100.00	80.91
Public	0.00	19.09
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

Allied Blenders and Distillers Ltd.

Valuation

Over the years, India has been one of the fastest-growing alcoholic beverage markets in the world, with a consumption of pure alcohol estimated to be 3.2 liters per capita in 2023. The IMFL is the largest segment of the Indian alco-beverage market both in volume and value terms. With the Indian alco-beverage market crossing more than a billion cases per annum mark in FY23, a volume-based analysis shows that the alcohol beverage market in India is almost equally divided between country liquor, IMFL and beer with a small contribution from wines in FY23. Various factors such as lower per capita consumption of alcohol and positive demographic factor which adds more than 13 million people each year to the population eligible for drinking has made the country an attractive market for alcoholic beverages. Over the years, the IMFL segment has recorded sales of 38.5 crore cases in FY23, growing at around 8% YoY, and is expected to reach 145.1 crore cases in volume by FY28. With the figures substantiating industry growth, the company is set to benefit from such industry dynamics. By leveraging their strength in popular segments by carrying out branding, the company is set to tap into the growing demand of IMFL. On the financial front, revenues grew to Rs.71,057 million in FY 23 from Rs. 63,788 million in FY21 whereas EBITDA and PAT fell to Rs.1,850 million and Rs.16 million in FY23 from Rs.1,940 million and Rs.127 million in FY21, respectively. **On the valuation front, the issue looks expensive on the price-to-earnings multiple front and ahead of its peer set. However, looking at the alcohol industry dynamics and company's strong positioning in the IMFL landscape, we would advise high-risk investors to "Subscribe" to the issue for listing gains.**

Key Risks

- ⇒ A significant termination of agreements with third-party bottling facilities may adversely affect the business, results of operations and financial condition of the company.
- ⇒ The company is substantially dependent on the sale of its whisky products which generated around 95% of its total revenue in FY23. Hence, any reduction in the sales of these products could have a material adverse effect on the business, financial conditions, result of operations and future prospects of the company.
- ⇒ Increased competition in the IMFL industry may create certain pressures that may affect the company's business, prospects, results of operations, cash flows and financial condition in the long run.

Allied Blenders and Distillers Ltd.

Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	9MFY24
Revenue				
Revenue from Operations	63,788	71,969	71,057	59,111
Total Revenue	63,788	71,969	71,057	59,111
Expenses				
Cost of material consumed	13,904	16,350	19,957	16,363
Changes in inventory	269	-111	-273	-108
Employee benefit expenses	1,722	1,935	1,857	1,270
Excise duty	40,304	45,113	39,591	33,509
Purchase of Stock in Trade	37	49	56	43
Other expenses	5,611	6,672	8,019	6,211
Total Operating Expenses	61,848	70,006	69,207	57,288
EBITDA	1,940	1,963	1,850	1,824
Depreciation and Amortization expenses	587	586	551	391
Other income	190	112	111	38
EBIT	1,543	1,489	1,409	1,471
Finance costs	1,415	1,451	1,350	1,279
Exceptional Item	-	-	-	50
PBT	127	38	59	142
Current tax	46	13	12	68
Deferred Tax charge/ (credit)	69	28	31	33
Short / (Excess) provision of earlier years	-12	-18	0	-1
Total tax	102	23	43	100
PAT	25	15	16	42
Diluted EPS	0.1	0.1	0.1	0.2

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	9MFY24
Cash Flow from operating activities	2,466	1,788	2,299	1,439
Cash flow from investing activities	-594	321	-184	-292
Cash flow from financing activities	-2,160	-2,558	-2,029	-1,126
Net increase/(decrease) in cash and cash equivalents	-288	-449	86	21
Cash and cash equivalents at the beginning of the period	723	435	197	275
Cash and cash equivalents at the end of the period	435	197	275	296

Source: RHP, BP Equities Research

Allied Blenders and Distillers Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23	9MFY24
Assets				
Non-Current Assets				
Property, plant and equipment	4,463	4,943	3,776	3,705
Capital Work In Progress	169	149	140	155
Goodwill	39	39	39	39
Right of Use assets	1,362	1,304	1,297	1,236
Intangible assets				
Other Intangible Assets	630	631	643	629
Intangible assets under development				
Deferred tax assets (net)	160	155	121	92
Financial Assets				
(i) Investments	221	0	0	0
(ii) Loans	13	-	-	-
(iii) Other financial assets	479	398	531	520
Non Current tax assets (net)	91	140	168	177
Other non current assets	1,252	152	172	164
Total Non current assets	8,878	7,909	6,887	6,718
Current Assets				
Inventories	3,458	3,525	5,592	5,162
Financial Assets				
Investments				
(i) Trade Receivables	8,669	9,540	9,576	12,699
(ii) Cash and cash equivalents	435	197	275	296
(iii) Loans and Advances	73	41	1	2
(iv) Balances other than cash and cash equivalents	268	350	255	276
(v) Other financial assets	293	193	260	271
Other current assets	911	728	1,189	1,156
Income tax assets (net)				
Total Current Assets	14,107	14,574	17,148	19,861
Non Current assets held for sale	-	-	842	835
Total Assets	22,986	22,483	24,877	27,414
Equity and Liabilities				
Equity Share Capital	471	471	488	488
Equity component of non cummulative convertible preference shares	68	-	-	-
Other Equity	3,279	3,570	3,573	3,604
Total Equity	3,818	4,041	4,061	4,093
Non-Current Liabilities				
Financial Liabilities				
(i) Long term Borrowings	2,014	1,884	1,387	1,949
(ii) Lease liabilities	171	138	133	82
Provisions	126	124	132	143
Current Liabilities				
Financial Liabilities				
(i) Short Term Borrowings	7,533	6,585	6,376	6,031
(ii) Lease liabilities	27	21	31	31
(iii) Trade Payable				
Due to micro and small enterprise	1,560	1,633	1,631	2,156
Due to other than micro and small enterprise	3,272	3,731	4,028	5,354
(iv) Other financial liabilities	2,098	1,579	1,919	2,310
Liabilities Classified as Held For Sale	-	-	46	2
Current tax liabilities (net)	22	11	11	45
Provisions	147	137	125	122
Contract Liabilities	-	-	-	-
Other current liabilities	2,197	2,600	4,998	5,096
Total Current Liabilities	16,857	16,297	19,164	21,148
Total liabilities	19,168	18,443	20,816	23,321
Total Equity and Liabilities	22,986	22,483	24,877	27,414

Source: RHP, BP Equities Research

Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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