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Q4 & FY12 Earnings Conference Call Transcript

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Moderator: Ladies and gentlemen, good day and welcome to the Globus Spirits' results conference call hosted by IDFC Securities Limited. As a reminder for the duration of this conference, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Swati Nangalia of IDFC Securities. Thank you and over to you ma'am.

Swati Nangalia: Thank you. It is pleasure to welcome you all to the Q4 FY12 earnings conference call of Globus Spirits. Today, we have with us representing the management team, Mr. Ajay Swarup, Managing Director, Dr. Bhaskar Roy, CFO and Director Finance, and Mr. Shekhar Swarup, VP, IMFL. I will hand over the call to Mr. Ajay Swarup for the opening remarks post which we can move on to the Q&A. Over to you, sir.

Ajay Swarup: Good morning everybody. It is a pleasure to have you all on Q4 and FY12 earnings conference call of Globus Spirits Limited. As you are all aware, GSL is the only spirits company in India having a 360 degree presence across all the segments within the spirits sector, right from manufacturing, to marketing and sale of IMIL which is commonly also called as country liquor, branded IMFL, industrial bulk alcohol, apart from franchise bottling for brand owners catering to the renowned Indian brand holding companies. This enables us to straddle opportunities across the sectors and balance our operations in variable market scenarios.

Coming to the segmental performance, in the IMIL space we have crossed a major landmark having closed this year with more than 12 million cases in sales. GSL has always maintained a leadership position in the IMIL segment and our efforts to differentiate ourselves from competition are paying rich dividends. Our strategy to brand IMIL with the launch of Nimboo in the state of Haryana has received phenomenal consumer response. The idea is to implement this strategy to other states as well. The IMIL industry in the

north Indian states is showing good volume growth and companies geared to meet changing needs of the bottom of the pyramid consumer can stand to benefit significantly as shown by the success of our branding strategy. We have also received a price hike of Rs. 20 per case in the state of Rajasthan. Going forward we should see a steady volume growth in this segment.

In the branded IMFL segment we have recently launched a semi-premium brandy by the name of French Castle in the states of Kerala and A.P. This product is specially tailored for the southern market and the initial response has been very encouraging. The brandy market is concentrated in south India which forms 90% of the total consumption. This is in line with our vision of establishing a pan India marketing and distribution footprint going forward. Our existing brands continue to do well and this segment should see sustained growth going forward.

Coming to the franchise bottling segment, we have recently signed a bottling agreement with United Spirits for the state of Haryana. The initial contract will contribute volumes of 0.75 million cases per year and is expected to ramp up significantly in the coming year. The operations have already commenced on 20th April with bottling of Bagpiper Whisky which will soon be followed by other popular brands like Mughal Monarch and Derby Special. It is important to note that this agreement with USL is in addition to the existing bottle tie-up with ABD for 1.2 million cases annually. We can proudly say that we are catering our bottling services to two of the world's largest selling whisky's Bagpiper and Officer's Choice. The arrangement strengthens GSL's alliances in the franchisee bottling segment and will enable guaranteed utilization of capacity coupled with higher margins compared to the sale of bulk spirit.

In the bulk alcohol space, our capacity which has increased from 43.2 million liters to 84.4 million liters, has stabilized and our plants are now operating at high capacity utilization. We also have plans to increase our capacity further to about 120 million liters for which we have already placed necessary orders for plant and equipment and in fact they are in advanced stage of erection at our distilleries. We are adding 40 million litres of zero effluent discharge capacities at a much lower cost than industry norms. The increase in long term borrowing which you might see is a consequence of this capex which we have undertaken this year. The enhanced capacity should come on stream in the second half of FY13. Overall, the uptake in volumes is already visible in the FY12 results where we have recorded strong volume growth in the bulk alcohol space and this is only expected to grow further going forward due to the new capacity.

As mentioned earlier, GSL is the only company to have a 360 degree presence in the alcobev segment and our aim is to leverage growth opportunities across segments. The coming financial year should see us

reaping the benefits of intra-segment synergies coupled with the robust demand outlook which makes me confident of delivering in a solid financial and operational growth performance for the coming year.

Before I close, I am happy to announce that the Board has recommended a dividend of 12% per share of a face value of Rs. 10 each. I will now request our CFO and Finance Director, Dr. Roy to take you through the financial results.

Bhaskar Roy: Good morning everybody. I hope you had a chance to go through our results for the period ending March 31, 2012. I will just briefly take you through the financials following which we would be open to any questions that you may have.

For FY2012 our net income grew by 45% to Rs. 557 crore. EBITDA stood at Rs. 75 crore up 15% and PAT stood at Rs. 40.9 crore compared to Rs. 39.9 crore translating into an annualized EPS of Rs. 17.7.

For the quarter, net income was higher by 75% at Rs. 156 crore, EBITDA grew marginally to Rs. 18 crore and PAT stood at Rs. 7.9 crore translating into a non-annualized EPS of Rs. 3.43.

Let me now give you a segment-wise break-up.

During FY2012, we sold 240 lakh BL bulk alcohol translating into a revenue share of 14.08%. In the IMIL segment, as Mr. Swarup mentioned, we clocked volumes of 12.4 million cases translating into a revenue share of 48.18%. Our branded IMFL sale stood at 7.07 lakhs cases including sales from tie-ups forming 6.22% of the total revenue share. Franchise IMFL sales volume stood at 12.57 lakh cases contributing 18.65% to the total revenue share. The sales from others segment contributed 12.86% to the total revenue share.

For Q4 FY2012, we sold 85.48 lakh BL of bulk alcohol translating into a revenue share of 19.76%. In IMIL, we clocked volumes of 3.1 million cases and the revenue share stood at 43.75%. Our branded IMFL sales stood at 1.46 lakh cases including sales from tie-ups and contributed 4.31% to the total revenue share. Franchisee IMFL sales stood at 3.08 lakh cases contributing 17.32% and contribution from others stood at 14%.

As mentioned earlier in this call, we will continue to implement various inventories to drive growth and the stabilization of expanded capacity in the current quarter will lead to significant performance upsides going forward. This brings me to the end of my discussion. Thank you once again for joining us on this conference call. We will be happy to answer any questions that you may have now.

Moderator: Thank you very much. Our first question is from Jamshed Dadabhoy of Citi group. Please go ahead.

Jamshed Dadabhoy: What is your outlook in terms of overall revenue growth from FY13 and given the fact that you all are increasing capacities again, would we see depreciation and interest cost going up in FY13. If that is the case, what are you all thinking in terms of PBT going into FY13?

Bhaskar Roy: The debt we will not increase, rather it will reduce by Rs. 15 to Rs. 20 crore by the end of the year. You must have seen in our balance sheet that a substantial portion is lying as capital work-in-progress. Besides, and corresponding to that the debt also increased in Q4 for the funding of the expansion. This is already in the final stage of erection. So the debt will just reduce from the current level by Rs. 15-20 crore by the next financial year. Hence the interest burden will not increase but will reduce. Secondly, depreciation will increase for half year because we will capitalize these new capacities. However, the increased revenue share will negate this impact. So, we expect to register growth in revenues, EBITDA and PAT margins.

Jamshed Dadabhoy: What do you expect in terms of revenue growth?

Bhaskar Roy: I feel over 20% growth is achievable.

Jamshed Dadabhoy: Have we tied up for the incremental capacities?

Bhaskar Roy: As you are aware, in addition to our tie-up with ABD, we entered into a bottling arrangement with USL in FY12. Also, we have revived our old tie-up with Jagatjit with immediate effect. These factors will enable us to utilize our expanded capacities.

Jamshed Dadabhoy: How much revenue do you expect to generate from the USL contract?

Bhaskar Roy: The contract with USL is for ~50,000 cases per month, which will consume approx. 4 litres per case. Hence, our revenue will increase to the extent of sale of bulk alcohol to USL. . Additionally, we will generate bottling income of around Rs.30 per case, which will get reflected in other operating income. Overall, the contract will enable us to increase sale of our bulk spirit and improve capacity utilizations.

Moderator: Thank you very much. Our next question is from Abneesh Roy of Edelweiss Securities. Please go ahead.

Abneesh Roy: What is the expectation on the USL tie-up one year down the line?

Ajay Swarup: Well, USL tie-up is actually very important for the company because USL, in the state of Haryana is acutely short of capacity. They have indicated to us that we should ramp up our production to meet their existing as well as growth in future. We have started this operation very quickly after signing the contract with our existing bottling line. We are now in the process of adding more bottling lines for them and while we will see volumes of 0.75 million cases this year, we expect this can go up to well over 1.5 million cases next year. I am estimating this number looking at the growth which USL is getting in Haryana..

Abneesh Roy: How does the pricing work in the franchisee, for example, if you face raw material issues in terms of higher raw material prices so is it a pass through? Some sense on the margin profile?

Ajay Swarup: Well, like Dr. Roy said earlier the franchise bottling has two parts. One is the conversion which they pay us on a per case basis and the other is the price of alcohol which they pay us for the alcohol we supply to them. The arrangement for pricing of alcohol is that it is done on a month-to-month basis based on raw material prices. So yes, we are insulated in terms of the vagaries of raw material prices because we are able to pass on that and there is no long term commitment on the pricing which varies on a month-on-month basis.

Abneesh Roy: There has been some news flow recently that the regulatory environment will accept the liquor content in the different liquor segment, so how do you see that impacting the different players and the demand?

Ajay Swarup: Currently we are governed by state excise when it comes to quality and alcohol content in the recorded beverages. There is another government body which controls quality civic issues of all consumable food items which is popularly known as the Food Standards. There is a move by the Central Government to bring in Food Standards into the liquor industry. This matter is sub-judice in various courts because the liquor industry has gone to court to say that it cannot be governed by two laws because there could be in fact contradictions between the two laws and in that case we will not know where we stand. This has not come into force yet because it is subject to the adjudication at the High Courts. We can only say at the present moment that it is wait and watch but even if those standards come into play it just means that we need to comply with them and I am sure a solution will come out and a common standard between state excise and the Food Standards will be made so that there is no operational difficulty in production and supply.

Abneesh Roy: Do you expect delays in this regulation being actually implemented because of the legal issues?

Ajay Swarup: Yes, certainly there would be delays. In fact this is nothing new. This was supposed to come into effect two years ago but it has not been enforced because of the various court cases.

Abneesh Roy: We are seeing the overall GDP slowdown and consumer sentiments getting impacted, so in the IMFL segment in your own sales and in the industry are you seeing down trading You have also launched a semi premium brandy, so is that the thought process behind this launch? Also why semi premium and not a premium brandy, some thought process on down trading?

Ajay Swarup: There are two parts of your question. One is a very general part which talks about down trading with pressures on GDP and possibly on per capita income and the second is the choice of launching a semi premium and not a premium. So I will answer the first part and then I will request Shekhar who handles IMFL to answer the second part. On a more macro level we are not seeing the down trading happening yet. But if the economy and personal incomes are impacted in a manner where disposable incomes in the hands of consumers fall and therefore they down trade their spending to cheaper brands of liquor, it is something which we cannot rule out. But like I said, from Globus Spirits' perspective we are well insulated because we are actually straddling across all these segments. In fact down trading would help Globus Spirits in terms of the fact that our present portfolio is largely towards the more economical segments.

Shekhar Swarup: I would not like to get into this debate of whether premium or semi-premium. It is true that the premium market is growing, so is the semi-premium. We decided to get into semi-premium part of the branding business about eight months ago. Our brand launches were held up because we wanted to introduce the brand when we have a full financial year at our disposal as you would registration costs that have to be borne for the full financial year. So that is why we launched French Castle brandy in the beginning of this year. As far as premium is concerned, we do feel that there is an opportunity in the premium segment. We will certainly put in a brand in that segment but that would possibly inbe in collaboration with an international brand.

Abneesh Roy: Can you give us more details on this international tie up?

Shekhar Swarup: I cannot share with you any detail right now because there is nothing concrete to talk about especially in the brandy space; but we are looking to make collaborations in other flavors/segments of the spirits business.

Abneesh Roy: We have seen crude correct recently but currency has also played spoilsport. So what is the trend you are witnessing in terms of packaging costs for FY13?

Ajay Swarup: Well, packaging cost may see some push especially in view of increase in fuel prices because both PET and glass has a certain element of fuel in it. But in terms of currency putting any cost push in the alcohol industry; it does not seem so at least for us because we do not have an imported input into any of our products.

Abneesh Roy: Have you started meaningful sales to the CSD? And in Q4 a lot of consumer companies have seen lot of slowdown in demand from the CSD. From an industry perspective, if you can comment on CSD sales for Q4?

Ajay Swarup: I will ask Shekhar to give you the specifics; all I can say is that our clearances are yet not completely through, there is a certain clearance we are expecting in the first week of June and post which we will begin supplies to CSD. As regards slowing down I do not think there is anything happening on a macro level but maybe Shekhar has more on that.

Shekhar Swarup: As far as clearances go, we have received the go ahead from CSD. Only thing pending is the final price negotiation which is expected to take place in the first week of June. Therefore, we expect that the final formalities in that to be completed within June and starting July we could send first shipment. As far as the slow-down is concerned, CSD is largely a rum market; the growth in CSD volumes is less than the growth in the civil volumes. If I am not mistaken, the CSD rum business grew about 6% last year as opposed to about 10% rum growth for the civil market. There could be slow down for certain players. It is difficult for me to comment on that, but all in all there is growth in the rum business of CSD.

Moderator: Thank you very much. Our next question is from Rahul Soni of Baljit Securities. Please go ahead.

Rahul Soni: In the last two years we have grown almost at rate of 43% and 47% and we have almost doubled our capacity in FY12 besides taking a price hike also. So don't you think that the 20% top-line guidance is too conservative?

Bhaskar Roy: Yes we do believe that the 20% growth is conservative because our new capacities i.e. 84 million BL will kick in for the full year and besides our expansion from 84 million BL to 120 million BL will be operating for half year. Our internal targets are much more. So taking these into account and normal growth in the IMIL and IMFL segment which we are targeting, I feel that at least 20 to 25% is achievable.

Rahul Soni: In the last two years our EBITDA and profit margins have declined significantly. So what is your outlook on the margins front?

Bhaskar Roy: We understand that we ended the year with lower EBITDA margins of 13.63%, but going forward, we expect it to increase due to 2-3 reasons. One, the tie up with Jagatjit and UB will contribute straight to in the EBITDA margin. Secondly, the plants are steady and the additional cost which we incurred for last year the manufacturing expenses will not be there. So that will also contribute to the higher margins.

Rahul Soni: What is your current capacity utilization post expansion?

Bhaskar Roy: After the expansion we are operating at about 90-91% utilization levels. We are targeting that 90% capacity will be utilized.

Rahul Soni: Your expense towards excise duty and as a percentage of the gross sales has gone down last year. Could you please comment on that?

Bhaskar Roy: It is very difficult to predict the excise duty because it depends on the sales mix and where you are selling. For IMIL sales in Rajasthan or Delhi, the excise duty is borne by the government and hence we do not charge any excise duty. Hence excise is charged on only for our sales from Haryana. Similarly in IMFL, there are states where excise duty is very low like in Delhi and Haryana. Conversely, excise duties are higher in states of U.P., Andhra, etc., so in your sales mixture as and when we have more sales from states where the excise duty is low, the percentage of excise duty in the overall sales will come down.

Moderator: Thank you very much. Our next question is from Jamshed Dadabhoy of Citigroup. Please go ahead.

Jamshed Dadabhoy: You mentioned margins will improve but could you give us some sense in terms of what you all are targeting for margin improvement?

Bhaskar Roy: I think EBITDA margins should improve to around 15% levels.

Jamshed Dadabhoy: This will be basically because of operating leverage?

Bhaskar Roy: Operating leverage and as I mentioned earlier that our tie-up with USL in Haryana will not be booked in the sales but will come in operating income and hence the EBITDA will improve.

Jamshed Dadabhoy: So you will just be booking the contribution?

Bhaskar Roy: Yes.

Jamshed Dadabhoy: Is 90% utilization that you mentioned on the expanded capacity?

Bhaskar Roy: Yes, on 84.4 million BL.

Jamshed Dadabhoy: So it is not 90% on 120 million BL?

Bhaskar Roy: No, because that 120 million BL will operate for half of the year.

Jamshed Dadabhoy: When will that new capacity be commissioned?

Bhaskar Roy: We expect the new capacities to be commissioned in the second-half of FY13.

Jamshed Dadabhoy: What is your outlook for raw material especially molasses and ENA as Balrampur just announced that UP or Maharashtra one of the States might see some shortfall in SY13?

Ajay Swarup: On raw material front, we have molasses and grain both operating as raw material in the alcohol production scenario and this pretty much operates according to the geography. So states like Maharashtra and U.P. and possibly Karnataka which only operate on molasses and then there are other states where most the alcohol production is based on grain. So if we look at molasses, there has been a higher output this year than last year so there has been reduction in molasses prices and also alcohol prices in these states. When we looked at grain, in fact trend has been slightly different and there has been a slight cost push in the price of grain and alcohol prices which is grain based alcohol prices have not really come off like molasses based ENA have.

Jamshed Dadabhoy: What is the rate on molasses based ENAs right now?

Ajay Swarup: Prices of ENA in Maharashtra are ruling at about Rs. 32 or Rs. 33 a liter whereas those in U.P. are at about Rs. 30-31 a liter.

Moderator: Thank you very much. Our next question is from Namrata Sharma of HDFC Securities. Please go ahead.

Namrata Sharma: How do you see volumes growing for each of the segments with expanded capacities?

Bhaskar Roy: We have already closed last year with 12.4 million cases of IMIL, around 7 lakhs cases of IMFL and the growth in the IMIL and the IMFL will be as per the market which we have been experiencing for the last few years. The balance would be from the franchisee IMFL segment which includes a contract for 1.2 million cases from ABD, 0.75 million cases for USL and 1.7-1.8 million cases for Jagatjit. The balance would be bulk spirits.

Namrata Sharma: What is the market growth rate in IMIL?

Bhaskar Roy: Market growth rate will be anything between 10-15%.

Namrata Sharma: Can you give a breakup of EBITDA margins that you expect for each segment going forward?

Bhaskar Roy: In the IMIL segment, we have got a price increase of Rs. 20 in Rajasthan, so naturally this will help in our growth in the EBITDA considering the raw material cost has not increased much. Besides, we are expecting a price increase from Delhi in June. So this will also help in increasing the IMIL EBITDA margins. The margin in the bulk spirit segment depends on the prices of the raw material which fluctuate every month. But as we mentioned earlier, our overall EBITDA margins will definitely be higher from the current year's margins.

Namrata Sharma: Can you provide a breakup of margins from each segment in FY12?

Bhaskar Roy: Margins in FY12 from our IMIL segment were in the range of 15 to 16% around 12% in the bulk spirit segment and 5 to 6% in the franchisee IMFL segment.

Moderator: Thank you very much. Our next question is from Varun Rao of Akshayam Capital. Please go ahead.

Varun Rao: Just a clarification; despite our capacity increasing to 120 million BL, our debt at the end of FY13 will come down, is that correct?

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Bhaskar Roy: Yes correct.

Varun Rao: In Q4, IMFL volume numbers that seem to have come down compared to Q4 FY11, can you throw some light there?

Ajay Swarup: The reason for a drop in Q4 IMFL numbers is due to the slowdown of our business in U.P. essentially because that state is not very profitable for us and going forward we will completely stop our business in U.P. for this financial year and hence that volume will not come back to us.

Varun Rao: In terms of advertisement spending would you have any number on how much have we spent on IMFL in FY12?

Ajay Swarup: It is around Rs. 4 crore to Rs. 5 crore last year.

Varun Rao: Is that the reason why your other expenses for the full-year have almost doubled.

Ajay Swarup: It was not because of brand promotions or IMFL expenses. The IMFL expenses are around Rs. 4 to Rs. 5 crore on the whole year.

Bhaskar Roy: Other expenditure includes fuel expenses, manufacturing expenses, except the raw material cost.

Varun Rao: Should we assume the same trend going ahead?

Ajay Swarup: Yes.

Varun Rao: Can you give some details on the anticipated price hikes in FY13?

Bhaskar Roy: We have already got a price hike of Rs. 20 per case in IMIL for the year in Rajasthan and we are expecting some price hike in Delhi.

Varun Rao: Can you share some details on how the Nimboo brand is doing and what kind of revenue growth potential that you see for the brand?

Bhaskar Roy: We launched Nimboo in May-June 2011 and it has since then been the market leader in Haryana for last year. This has translated into increased sales volumes. We expect the same trend to

continue going forward also in Haryana. Additionally, we are working on launching a variant of it in other states also.

Moderator: Thank you very much. Our next question is from P Sachdev of Aadhar Securities. Please go ahead.

P. Sachdev: How is the off-take in the CSD space, we hear that there will be some budgetary cuts in the off-take in the overall budget.

Ajay Swarup: CSD is largely a rum market and we are very positive about launching in that space. Initially volumes will be fairly reasonable for the size of our operations. The exact guidance on this I will only be able to comment on perhaps in the next results update.

P. Sachdev: What is the CAPEX for the additional 40 million liters capacity?

Ajay Swarup: This is around Rs. 50 to Rs. 55 crore which is still capital work-in-progress.

P. Sachdev: What will be the enhanced turnover of expanded capacity of about 120 million odd liters?

Ajay Swarup: Actually the revenues will increase by at least Rs. 150 crore.

Moderator: Thank you very much. Our next question is from Krudent Chedda of Value Quest Research. Please go ahead.

Krudent Chedda: Other expenses have almost doubled this year and in the notes you have mentioned that Rs. 7 crore is towards admin expense and Rs. 18 crore towards selling and distribution. What was the same amount last year and what kind of amount should we expect in FY13?

Bhaskar Roy: Last year, the percentage was around 25% levels. It was almost 30% in the current year and we expect it to continue at 28-30% levels in the next year as well given the increase in capacities which will result in cost of manufacturing fuel cost etc..

Krudent Chedda: What is the ROCE in IMIL and Franchisee IMFL?

Bhaskar Roy: It is very difficult to give a segment wise ROCE. However, on a blended basis, the ROCE is around 21%.

Krudent Chedda: What is the CAPEX estimated for FY13?

Bhaskar Roy: Major CAPEX has already been incurred. Besides normal additions, there will not be any major capex in the next year.

Moderator: Thank you very much. Our next question is from Naga Brahma, he is an individual investor. Please go ahead.

Naga Brahma: Is any of our factories having any problem with the effluent discharge?

Bhaskar Roy: No. The problem was not relating to effluent discharge but there were other local problems for 2-3 days which have now been sorted out and the factory is operating at high utilization levels.

Naga Brahma: When did the new capacities get commissioned?

Bhaskar Roy: December 2011.

Naga Brahma: But we have not seen any increase in sales on a quarter-on-quarter basis.

Bhaskar Roy: Actually there is increase in the sales. If you have seen the results there is an increase of finished goods of Rs. 11 crore. So which is also one of the reasons of lower profit because when this stock is liquidated the profit of that Rs. 11 crore stock was not there; else profits would have been higher by almost Rs. 2 crore.

Naga Brahma: Our IMIL sales have not gone up compared to Q2-Q3. Any particular reason for the same?

Bhaskar Roy: Actually this varies on a month-to-month basis. However, overall there is a growth on the last year..

In Q1 it was 26 lakhs cases, Q2 we had gone to 32 lakhs cases, then we went up to 34 lakhs cases in Q3 and for the current quarter it is 31 lakhs cases. So average we have almost maintained and there may be a small variation in the quarter-to-quarter.

Naga Brahma: You mentioned that you have received a price hike from Rajasthan and Delhi is due. So other than these two states, nothing is expected from other states?

Bhaskar Roy: We operate IMIL only in 3 states namely Haryana, Rajasthan and Delhi. There is no price increase in Haryana and as mentioned earlier we have received a Rs. 20 per case price hike in Rajasthan and increase in prices in Delhi is expected in June.

Naga Brahma: Has the board framed any particular policy regarding how much dividend have to be given out?

Bhaskar Roy: We are trying to increase the dividend on a yearly basis. But you would appreciate that we are expanding capacities without having to increase our debt levels. Hence most of the funding for growth is expected to be done through our internal cash generations which will help us to reduce even the interest burden. Also, if you have observed, we have been conservative in spending for our branded IMFL business. However, we would like to speed up the growth of this business rather than give hefty dividend which may stall our growth rates. But that is not our aim and we want that with the small investments and lower debt levels, the value to the investor should be highest by increasing at a rapid pace.. So if you observe from the time of IPO, we have increased our capacities from ~45 million BL capacities to 84 million BL capacities currently which will further increase to 120 million BL. These efforts are in direction of growth and we firmly believe that these will bear sweet fruits going forward.

Moderator: Thank you very much. Our next question is from Shekhar Singh of Excel. Please go ahead.

Shekhar Singh: Could you tell us how EBITDA margin per liter has behaved over the last 2-3 years and if you're expecting EBITDA per liter to improve and why?

Bhaskar Roy: EBITDA per liter calculation is difficult as we are operating in four segments and as and when you add value your margins increase. So it depends on how much value additions you're making and more the value additions you can make the higher the EBITDA we make.

Shekhar Singh: What has been the track record because on first look that trend doesn't look very nice?

Bhaskar Roy: We haven't done any analysis of this nature, however, we can take this up offline.

Shekhar Singh: Taking into account 20% revenue growth which you are forecasting for the coming year and some improvement in margins, can we say like that the PAT level we will grow by almost like 33-34%?

Bhaskar Roy: I will be conservative in my guidance and stick to 20-25% growth levels due to higher depreciation on account of higher capex. However our aspirations will be much higher.

Shekhar Singh: What is the current CWIP as a percentage of gross block?

Bhaskar Roy: CWIP is around Rs. 60 crore and gross block is around Rs. 230 crore.

Shekhar Singh: What is the current cost of debt?

Bhaskar Roy: Cost of debt is around 11.5-12%

Moderator: Thank you very much. As there are no further questions from the participants I would like to hand the floor over to Ms. Swati Nangalia of IDFC Securities for closing comments.

Swati Nangalia Thank you Inba. I would like to thank the management team of Globus Spirits for removing time for this call, also thank you to all the participants joining us today. I will now hand over the call to the management for closing comments.

Bhaskar Roy: I would like to thank all of you for giving your time for this call. I would also like to thank IDFC Securities for hosting this call. If you have any further questions, please feel free to contact us on our Investors Relations agency either by phone or by e-mail which is mentioned in the results presentation. Thank you once again.

Moderator: Thank you very much. Ladies and gentlemen on behalf of IDFC Securities Ltd that concludes this conference call. Thank you for joining us and you may now disconnect.

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