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“We are passionate about brandy as a product category”

What is your outlook on the Indian liquor industry? What are the salient emerging trends you are witnessing?

The Indian liquor industry is at the cusp of significant growth. Over the past two years, the sector has showcased tremendous resilience and introduced substantial innovations to address persistent challenges. The industry has skilfully anticipated short and medium-term hurdles and successfully navigated around them, making the alco-bev sector well-poised for robust long-term growth.

Premiumisation is the dominant trend that the industry is currently witnessing especially after the COVID-19 pandemic. The tastes and preferences of consumers have been constantly evolving and people are becoming more quality conscious and experimental with premium and innovative products. Major industry players have identified this opportunity and have accordingly launched premium offerings to cater to these demands. The premiumization trend has further given a push to flavoured drinks and a cocktail culture across markets. This changing consumer behaviour has also led to an increase in at-home consumption.

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In addition to the trends about consumers, various governments are also taking encouraging steps towards implementing models like home-delivery of liquor.

For FY22, Tilaknagar Industries reported a healthy 43 per cent YoY jump in net sales while net profit more than doubled. What factors have contributed to your stellar performance?

Tilaknagar Industries' (TI) strong financial performance in FY22 has been an outcome of a seamless implementation of a turnaround strategy. While managing net debt effectively, the company has been able to grow its revenues and improve overall profitability, thereby augmenting growth.

A favourable product-geography mix has resulted in an increase in volumes and expansion in the company's margins. The generation of significant cash flows has also helped in reducing debt and bringing down the finance costs significantly. TI's major markets include Telangana, Andhra Pradesh, Karnataka, and Kerala and they have



been contributing meaningful volumes, every quarter.

The company's flagship brands have also been clocking strong growth. In FY22, Mansion House Brandy (MHB) which is the highest-selling premium brandy in India sold approximately 6 million cases. The millionaire brand registered a 25 per cent year-on-year growth. On the other hand, TI's super-premium brandy, Courier Napoleon which sold 0.8 million cases in FY22 also registered a 24 per cent year-on-year growth and is now fast approaching the millionaire brand status.

Can you shed some light on your product portfolio expansion strategy for the next 2-3 years? Also, what are your plans to expand your geographical reach through exports?

India is one of the largest brandy markets globally and under the IMFL category, brandy is the second-largest product

segment in India. Brandy is the most versatile of all IMFLs and its high growth volumes indicate the inherent strength of brandy as a mainstay category within the overall IMFL industry.

We are passionate about brandy as a product category. The company is the largest manufacturer of premium brandy in the country and is redefining the brandy space. In terms of product portfolio, brandy continues to lead TI's growth and we will aim to grow the company's brandy portfolio in the current as well as new markets. We feel this category offers huge potential and opportunity in untapped markets, both in terms of product and geography.

The company has recently launched India's first premium flavoured brandy under its flagship brand, Mansion House. This initiative is also in line with the Mansion House Brand theme - 'Key to more.' The first-of-its-kind French Style Premium brandy has been launched in three flavours - Orange, Cherry and Peach, to begin with. Our aim, with this



move, is to cater to the preferences of existing as well as newer and experimental consumers. This launch will enrich TI's premium brandy portfolio which will further strengthen our regional presence and aid expansion, across geographies. We plan to further increase our market share in South India as well as drive growth in nascent brandy markets like East and North-East India. We aim to increase sales by 12-15 per cent annually over the next three-five years.

At present, TI offers a basket of brandy products across premium-price points. The company believes in investing continuously in new product innovations and the coming quarters, there will be more such unique offerings for our consumers.

Exports offer a lot of potential from a business perspective and will certainly boost the company's growth in the years to come. We are working towards increasing our share of exports as a percentage of our total volumes. Our focus will be on developing markets including but not limited to Africa, the

Middle East and South-East Asia, to name a few.

What are your key growth levers?

Today, TI has emerged to be India's largest premium brandy manufacturer and caters to the largest liquor-consuming region in the country which is South India. We have attained a leadership position in this product segment and will continue to leverage our position as a market leader to sustain and maximize the growth of the company.

In addition to this, TI has showcased a passion for innovation which has led the company to be a first-mover in new territories and untapped markets that offer huge potential. The premium flavoured brandy category is an example of one such innovation. This coupled with our state-of-the-art infrastructure at strategic locations assures a high-growth trajectory for the company. Additionally, the company has been and will continue to focus on aggressively reducing its debt, leading to savings in finance costs. This incremental cash flow saving will help us to reinvest our operating cash flows in growth.

Another growth lever is the up-gradation of our grain distillery plant, which will add meaningfully to our Earnings before Interest Taxes Depreciation and Amortization (EBITDA) in FY24, on the back of a full year's operations.

What are your top 3 strategic priorities?

Firstly, we are looking at a deeper market penetration in our current regions in South India which contribute nearly 90 per cent to our total volumes. Simultaneously, we will be mapping and targeting markets that are still untapped and could become fast-growing brandy markets. The launch of the Mansion House Premium Flavoured Brandy is a step in the direction to strengthen our current foothold in existing markets and expand brandy footprint in regions like East and North-East where the climate profile is eminently suited for brandy consumption. Third, as mentioned above, we would be continuing our focus on reducing debt and finance costs, enabling us to reinvest our operational cash flows for growth activities.

What is your earnings outlook for the upcoming quarters?

Over the past few quarters, we have registered strong financial results and also become leaner in terms of our balance sheet, having reduced our debt by almost ₹100 crore since March 2021. We aim to become near debt-free by FY24.

Despite the significant inflationary pressures that exist today on raw materials as well as packaging materials, we believe we can reduce the impact on our margins through a prudent regional and product mix. While we do not provide specific earnings guidance, we are very confident that we should see volume growth of 12-15 per cent, per annum over the next 3-5 years.