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Our Brands Enjoy a Strong Emotional Connection With Consumers

For the year ending March 2023, your revenue increased by 48 per cent while your net profit more than doubled and increased by 125.7 per cent. What led to such a performance?

In FY23, Tilaknagar Industries grew 43 per cent year-on-year in comparison to industry growth of approximately 12 per cent. This growth was led by the company's two millionaire brands, namely, Mansion House Brandy and Courrier Napoleon Brandy which grew 40 per cent and 50 per cent, respectively, year-on-year. With 7.8 million cases sold in FY23, Mansion House is India's largest-selling premium brandy. During the year, Courrier Napoleon became the company's second millionaire brand, after Mansion House.

Our brands enjoy a strong emotional connection with the consumers, growing on the strength of blend superiority leading to consumer upgrades from other brandies. In addition, we are also seeing converts from Whisky in certain states from South India. Under the Mansion House brand umbrella, we launched India's first premium-flavoured brandy, nick-named Flandy. We are witnessing encouraging growth in our flavoured brandy range which has resulted in a meaningful contribution to our overall volumes and margins. We are now looking at launching our Flandy range in more markets.

Despite inflationary pressures, we were able to increase our profitability considerably. This increase was driven by operating leverage, owing to growth in volumes as well as a reduction in finance costs from ₹62 crore in FY22 to ₹40 crore in FY23. We aim to go near net-debt free over the next 12 months or so.

What are the reasons for a drop in gross as well as EBITDA Margins in FY23?

Margins for the entire industry were hit by inflationary pressures, which were felt across the board; from raw materials to packaging materials such as glass. While the gross margin was impacted by more than 400 bps, the EBITDA margin impact was around 250 bps. The company mitigated the inflationary pressures through a mix of cost optimisation measures as well as a favourable regional and product mix.

Can you share an overview of the demand and pricing scenario on Brandy and others?

Brandy as a category occupies more than 20 per cent of the saliency

in the overall Indian-Made Foreign Liquor or IMFL industry. It is an extremely popular drink in South India, a region that accounts for almost 60 per cent of the total IMFL consumption in India. Overall, the IMFL industry has seen a nearly 12 per cent growth in volumes, with similar percentage contributions from all categories across IMFL.

In terms of pricing, unlike Whisky which has multiple segments and price points; Brandy has fewer price segments. However, the extension of these segments comes naturally through innovations, wherein brandy players like Tilaknagar Industries are coming up with innovative products aimed at occupying vacant gaps on the brandy category map.

Can you shed light on the Indian Breweries and Distilleries sector?

The overall Indian alcoholic beverages market size was estimated to be nearly one billion cases in FY22. Of this, IMFL spirits comprised 36 per cent of the market followed by Country Liquor at around 33 per cent and Beer at around 30 per cent. The per capita consumption of alcoholic beverages in India is estimated to be significantly lower than the global average. The young demographics as well as changing social norms around alcohol consumption bode well for the future of this industry in India.

Adding further excitement to the sector are significant innovations from incumbent players as well as start-ups, in the form of the introduction of new categories like flavoured spirits, new packaging formats, and new categories such as ready-to-drink shots and cocktails.

What are the key growth triggers for the company going ahead and do you find any relation between demand for your product and election?

Tilaknagar Industries has emerged to be the largest manufacturer of premium brandy in the country. Brandy is the second-largest product category under IMFL and we feel this segment holds immense potential. There are latent brandy markets that are still untapped and we aim to penetrate these regions.

Secondly, we also wish to capitalize on trends like premiumization and cocktail culture that are growing rapidly in India. We aim to open up the brandy category to a more experimental and aspirational audience and we will be looking at launching more premium and innovative products over the next few quarters.

At the moment what are your top 3 strategic priorities?

One, we are looking at aggressive debt reduction and becoming near net-debt free over the next 4 to 6 quarters, without compromising growth opportunities. Two, we want to continue building a strong communication narrative for the brandy category, led by category-first innovations. Third, we would work towards growing the EBITDA margin back into the upper teens through improved efficiencies and cost optimisations.

What is your earning outlook for FY24?

While we do not give guidance in terms of projections, we will continue to grow above the industry growth rates. In the past month, we have received a price increase in Telangana, one of our principal markets by volume. This will result in a positive impact on our profitability. In addition, we are focused on the premiumisation of our portfolio through new launches and that will further boost our profit growth.