



Tilaknagar Industries Limited's
Q4 & FY24 Earnings Conference Call
On May 22, 2024,

hosted by



MANAGEMENT: **MR. AMIT DAHANUKAR – CHAIRMAN AND MANAGING
DIRECTOR**

**MR. AMEYA DESHPANDE – PRESIDENT, STRATEGY AND
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MODERATOR: **MR. HIMANSHU NAYYAR – SYSTEMATIX INSTITUTIONAL EQUITIES**



Moderator: Ladies and gentlemen, good day, and welcome to Tilaknagar Industries Limited Q4 and FY24 Earnings Conference Call hosted by Systematix Institutional Equities.

I now hand the conference over to Mr. Himanshu Nayyar from Systematix Institutional Equities. Thank you and over to you sir.

Himanshu Nayyar: Thank you, Neha. And good morning everyone and welcome to Tilaknagar Industries Concall who have had a very strong year in FY24.

With good execution on all stated objective. I would like to welcome Mr. Amit Dahanukar – Chairman and Managing Director, Mr. Ameya Deshpande – President and Mr. Abhinav Gupta – Chief Financial Officer of the company on the call.

At this stage, I would like to hand over to Mr. Amit Dahanukar for his Opening Remarks and then we will follow up with a Q&A session. Over to you sir.

Amit Dahanukar: Good morning everyone. Thank you for joining us on our Q4 and FY24 Results' Earnings Conference Call.

It gives me immense pleasure to share that Tilaknagar Industries for the second-year running, is the fastest growing IMFL company of scale, growing 16% in volume terms in FY24. This growth has been driven by our flagship brands, Mansion House Brandy and Courier Napoleon Brandy, which continue to grow faster than overall IMFL and Brandy industry. While MHB continues to be the largest selling Brandy in India, the CNB family of brands has grown by 50% over last year.

Mansion House Reserve, our premium Brandy brand sold only in Tamil Nadu, registered more than two times growth in volumes in FY24, gaining market share in the relevant price point segment in the state by more than 300 bps.

I am also happy to share that now we have become the fourth largest IMFL player and third largest P&A player in our strategic state of Telangana, partly aided by marketing efforts in the state which saw visibility of 30% across customer touch points in the state in one year.

In addition, we are the largest player in Puducherry, enjoying more than a 35% share of market, having seen market share growth of more than 500 bps in one year. We have also seen nearly 100 bps expansion in market share in our top five states of Telangana, Andhra Pradesh, Karnataka, Puducherry and Kerala. These states contribute more than 80% of our volumes and 40% of total India IMFL volumes.

On the cost side, FY24 has been a very volatile year, especially when it comes to ENA prices, which increased from around Rs. 67 per liter in quarter 1, to Rs. 72 per liter in Q4. While glass prices increased in H1 FY24 we saw some softening coming in the latter part of the year. This

softening was also seen in other packing material cost. Despite all this volatility, we were able to not only protect, but expand our margins through a combination of our premiumization drive, price increases received in key states, cost optimizations and operating leverage.

Our industry beating growth and increase in profitability has enabled us to repay more than Rs. 130 crore of gross debt in FY24, bringing our net debt down to Rs. 74 crore. This sharp reduction in debt has further reduced our finance costs significantly, from Rs. 40 crore in FY23 to Rs. 27 crore in FY24. As guided earlier as well, we are targeting to become net debt free over the course of FY25.

In addition, we have received a reduction in interest rate on our Kotak loan from 13% to 9.95% effective mid Q1 FY25. I am also happy to share that the Board of Directors of the company has declared a dividend of Rs. 0.50 per share for FY25. This is on the back of dividend declared in FY22 and FY23 of Rs. 0.10 and Rs. 0.25 per share respectively.

On the brand building and marketing front FY24 was a year of taking small yet significant steps in giving Brandy the share of voice commensurate to its share of market. We launched two large marketing campaigns, the first being our largest digital initiative in the form of “A Warm Welcome”, Mansion House Brandy’s Brand Proposition. This initiative was coupled with viral influencer marketing campaigns, which garnered great engagement organically as well as in organically. Our second large scale campaign was “The Flandy Song”, Flandy’s brand anthem, which went in sync with “Welcome The Now”, Mansion House Flandy’s Brand Proposition, giving Brandy a more aspirational, fun, inclusive and versatile positioning.

FY24 was a year of recognition as well. TI won Company of the Year Award at the coveted Spirits Conclave and Achievers Award held in December 2023. Before, I hand over to my colleagues, I would like to reinforce that we truly believe that our focus on providing innovative, premium and trusted Brandy brands will continue to drive market share gains within Brandy, as well as overall IMFL industry. Our innovation pipeline within and outside Brandy is strong, and we look forward to continuing our growth and profitability momentum in the years to come. I now hand over the call to our President of Strategy and Corporate Development for detailed financial review.

Over to you Ameya.

Ameya Deshpande:

Thank you boss. Welcome all to the call. Our volumes for Q4 FY24 grew by 0.4% Y-o-Y on account of a high base of Q4 FY23, due to growth investment undertaken on back of equity investments, equity funds raised in December ‘22. However, when we look at it from a full year perspective, we have grown 16% Y-o-Y in FY24 versus an industry growth of 2% to 3%. Our NSR per case stood at Rs. 1,282 for FY24 versus Rs. 1,197 a year back. This increase in NSR is on account of premiumization, price increases and favorable state and brand mix. Our

consolidated net revenue for Q4 FY24 grew by 0.4% Y-o-Y. However, if we exclude revenue from distillery operations, our net revenue in Q4 grew in mid-single digits.

Our net revenue for FY24 grew by 20% Y-o-Y. Our EBITDA for the quarter stood at Rs. 48.2 crore, a growth of 11% Y-o-Y. For the full year the same was Rs. 185.4 crore registering a strong growth of 35%. We saw a significant margin expansion of 128 bps and 152 bps for Q4 and FY24 respectively. Our EBITDA margin for FY24 was at 13.3%, and as Mr. Dahanukar mentioned earlier, despite the inflationary pressures seen in raw materials and packing materials, we were able to expand the margins through a combination of our premiumization drive, price increases received in key states, cost optimizations and operating leverage. The significant growth in volumes and profitability, and the fall in finance cost has led to a 95% growth in PAT excluding exceptional items from Rs. 72 crore in FY23 to Rs. 141 crore in FY24. The same for Q4 FY24 grew 21% from Rs. 33 crore last year to Rs. 40 crore in this quarter.

To summarize:

We have seen good growth in the year gone by and have also increased our market share not only in Brandy, but overall IMFL. With a strong innovation pipeline and a slew of launches over the next couple of years we expect this trend to continue and with a specific focus on premiumization we expect cash flows to improve further, enabling us to make more marketing investments to build our core brands as well as new ones.

With that, I would now like to open the call for Q&A.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy: My first question is on the key raw materials in FY25; how do you see the outlook in terms of the key raw materials and glass. Do you see significant movement based on current understanding?

Ameya Deshpande: Yes, so Abneesh thanks for the question. I'll start with glass for the moment. Glass is always obviously seen some softening in the second half of the year gone by, and we are seeing some level of softening coming in this year as well. So, we do expect a bit of price reduction on or cost reduction on the glass side. ENA on the other hand, has been volatile, Q4 was at the same levels as Q3 for FY24. Very difficult to say how that trajectory will go, but we are hopeful that in the second half of the year, we should see some correction in ENA prices as well.

Abneesh Roy: And second in terms of the impact in Q1 due to the election, how do you see the dry days and the excise inspector availability and any other issue impacting you and the industry in Q1?

- Amit Dahanukar:** So, Q1 Abneesh definitely we are feeling an impact because of the high level of regulation surrounding the elections. So, that has impacted but, I expect that in the ensuing quarters, we will be able to cover up.
- Abneesh Roy:** But how I couldn't understand you will be able to cover up is that because of the inventory refilling or because if there is a lack of production, or say the dry days that won't get filled up right?
- Amit Dahanukar:** No, that will not get filled up. But in terms of the guidance, what we have given for, a double digit mid, double digit growth for this current financial year that we will be able to achieve. Though I expect that quarter one will largely be flattish, we are expecting it to be flattish compared to quarter one of previous financial year. Essentially, because of large number of dry days, very strict regulation with regard to the retails ordering, particularly in the government controlled markets, strict monitoring over last year sales.
- Abneesh Roy:** And double digit growth both in sales and even in EBITDA?
- Ameya Deshpande:** Yes. So, in fact, our double digit growth guidance is for volumes, our sales will grow higher than that, EBITDA will grow even higher than the net revenue.
- Moderator:** The next question is from the line of Arman from Blue Sky Capital. Please go ahead.
- Arman:** My question is, we have seen our NSR increase like from Q2 FY22, from Rs. 1,081 to right now Rs. 1,293 a bit of down from Q3, however. But going forward, where were we are seeing, I am just asking for the perspective of let's say, 2-3 years where is our NSR moving, because our focus is on super premium and premium. Also, maybe could you give us a guidance for perspective of two to three years, what kind of growth you are seeing in top line and margin in coming 2-3 years, to give an overall perspective?
- Ameya Deshpande:** Yes, so essentially, in terms of the NSR, it becomes very difficult to provide guidance because NSR is actually a function of your state and brand mix, so we refrain from providing an NSR guidance, we provide a volume guidance. So, as Mr. Dahanukar mentioned, it's a mid-double-digit kind of growth for this year. And we are looking at somewhere around 12% odd in a range of 11% to 13% for the next year as well, which is FY26. Now, obviously without giving guidance on NSR, what we can say is that, our net revenue will grow as compared to our volumes. So, you could consider a 300 to 400 bps incremental growth above our volume guidance and EBITDA margins from a guidance perspective, . while FY25 guidance is somewhere around 14%. Over the next two to three years, we do expect this to increase to 15 and beyond.
- Moderator:** The next question is from the line of Himesh Shah an Individual Investor. Please go ahead.

Himesh Shah: I just wanted to understand, what are your CAPEX plans over the next two years, there was some plant which was not working, and you guys were going to spend some Rs. 40 crore to Rs. 50 crore on it. So, has that plan been finalized?

Amit Dahanukar: So, Himesh as of now the plan has not been finalized, in our earlier calls also we had given guidance that to set up the grain distillery and get it in operating condition CAPEX would be in the range of approximately Rs. 50 crore. But, currently we have no immediate plans of action. So, we are talking to multiple partners also in terms of what we can do with the grain distillery, but there is no affirmative plan as of now, in terms of making the CAPEX, the regular maintenance CAPEX for next two years we envisage will be less than Rs. 25 crore per year.

Himesh Shah: Okay, because I was asking this question because you will be net debt free by the end of this year. So, then you will have a lot of free cash flows. So, you will be obviously investing somewhere?

Amit Dahanukar: Correct. So, the distillery remains an option but there is no affirmative plan as of now.

Himesh Shah: Okay. And sir the second question was, in which state do you now see the headroom of further rapid growth, where you would want to gain more market share, because there will be some states where, you must have reached around 25% - 30% And, there will be some saturation point.

Amit Dahanukar: So, this previous year, two states Kerala and Karnataka, they saw significant price increases, both in Kerala and state of Karnataka, which subdued the overall industry growth. So, I am expecting that these two states will now start showing signs of recovery, growth will be back in both Kerala and Karnataka, whereas in the Telugu states of AP and Telangana we remain strong. So, I see that momentum should continue as in our earlier remarks also, I had mentioned that we had good gains in these states, and we are seeing that momentum carrying forward into this financial year as well.

Himesh Shah: Okay. And any price increase from the state governments that we are expecting this year?

Amit Dahanukar: So, this year it would be hard to really specify, but we received a lot of the price increases in this last year, which was FY24. So, not really sure at this point.

Moderator: The next question is from the line of Shantanu Mantri from Think Investments. Please go ahead.

Shantanu Mantri: Congrats the entire team at Tilaknagar, we've had a fabulous year with almost Rs. 185 crore of EBITDA. Two-part question, one on Brandy. So, we have done round 11 million odd cases. So, from a 3-4 year perspective, how do you see our Brandy volume growth potential, in terms of where we stand our market share in Brandy. So, do you see the potential of this 11 million going to say 15-16 million over the next 4-5 years. So, just want to understand how we are

seeing the Brandy potential volume growth in the next three, four, five years. That is part one, and then part two is ex-Brandy, how are we seeing now that our balance sheet is very strong, and we have good free cash generation year-on-year. So, how do we see our non-Brandy portfolio now developing. So, if you can give some color on these two parts?

Amit Dahanukar:

Thanks, Shantanu. In terms of the Brandy, it's now quite clear that we have cemented our leadership position in the Brandy category over the past 2-3 years. Going forward also, Shantanu as I mentioned earlier in my opening remarks, this is the first time any company has really undertaken a marketing campaign in terms of giving Brandy the share of voice in the space. So, we will continue our investments in terms of our marketing and communication behind Brandy, we just launched our first campaign in this FY24. A lot of initiatives are planned for FY25 also. So, I remain confident that in the next two to three years Brandy, which is the second largest category after Whiskey in IMFL, that will continue to grow. And we are in pole position in fact, the onus is on us to also drive the category. So, our marketing communications coupled with a few strategic launches, which we will have in this coming year in terms of price point, because if you see in terms of Whiskey, also the price laddering is quite eminent, they have offerings at different price points. So, we also intend to cover Brandy in a similar way with some strategic launches. So, both these things I am quite optimistic that next two, three years we have still ample headroom to grow the Brandy category. And coming to the next part of your question. Yes, it's fairly evident that now, having become virtually debt free, the company will generate cash and not having any financial commitments, we will now start exploring how we will deploy this cash in perhaps newer geographies and other categories. Whereas at the same time being cognizant of, protecting the balance sheet as well. So, no overly aggressive manner, but we will be aggressive, but we will be cognizant of the balance sheet health also.

Abhinav Gupta:

Just to add one more point that the disposable income of people increasing, there is still a lot of scope of premiumization in bandy category. We are at 33% and Whiskey and Vodka are 55%-60%. And being the leader in P&A in Brandy, we will continue to drive the growth in the Brandy category.

Amit Dahanukar:

And to add to what Abhinav said that in the first year, we have seen good response to Flandy, the markets where we have launched it Telangana, Andhra Pradesh and Puducherry it's gaining and saliency as compared to the mother brand so in Andhra Pradesh we are nearing almost 10% saliency whereas in Telangana and Puducherry it's around 5%, which I feel is quite encouraging, for first year of launch it is a very encouraging sign.

Shantanu Mantri:

Okay. So, just to sum this up, can we say that next two, three years we are confident that in Brandy, we can grow volumes by 10%+ for the next two, three years, is that a fair assumption?

Ameya Deshpande:

Yes, Shantanu that's a fair assumption.

Moderator: The next question is from the line of the Darshika Khemka from AV Fincorp Private Limited. Please go ahead.

Darshika Khemka: I have a couple of questions. I will go one by one. Firstly, I wanted some more clarity on the reason for the Net Sales Realization (NSR) drop Q-o-Q, what sort of mix change has happened that has led to this Net Sales Realization (NSR) drop?

Ameya Deshpande: Yes, Darshika the thing is, we don't go into too much details on a quarterly basis in terms of the actual salencies on a statewide basis, but you are right it is because of the mix itself. So, it has been on account of that.

Darshika Khemka: Can you just clarify a little bit more as to what category or what state would have impacted this?

Ameya Deshpande: So, the Telangana what do you say, reduction to some extent would have impacted this and obviously, in the state of Kerala, as Mr. Dahanukar mentioned earlier, there has been a bit of a change in the way the market dynamics are working whereby the popular and below brands are doing better than prestige and above and that has been true for us as well, in the state of Kerala.

Darshika Khemka: Okay. The next question is that picking up from previous participants question that firstly, what is the capacity utilization of our Karnataka and Prag plant, in the last call you have mentioned that we are operating at nearly 100% capacity utilization, and Shrirampur and Punjab are lower at 30% and 20% respectively. So, what is the status right now with the capacity utilization. And now that we have free cash going ahead. Do, we plan to put in more capacities at different locations, or do we plan to have expansion in the existing capacities to sort of increase the volume going in, and where will the growth come, from while we target a double digit volume growth, will it come from, which facility will it comes from?

Ameya Deshpande: So, it's status quo in terms of the utilization, nothing changes Prag and Vahni are still fully utilized while the other two are to that extent underutilized. Now, the interesting bit about the entire IMFL industry and this is something that you would have seen across the overall industry with our peers as well. It's an asset light model, when it comes to the branded business, where no one, to be very frank even from our perspective, when we talk about any expansion or growth plans from a volume perspective, we are actually not looking at any investment in terms of setting up bottling units, there are many bottling units which are available. As it stands even from our perspective we bottle out of 19 units in India across 12 states of which only four are owned by us. So, a significant part of our bottling is actually done contractually. And that will continue, we don't see any change in that strategy.

Darshika Khemka: Okay. So, where will our cash majorly be used, going ahead. Will we also look at higher dividend payouts?

Ameya Deshpande: So, obviously there are multiple options available. Obviously, at the end of the day we are still a business which is growing and a good amount or good part of the free cash flows that are generated in the business will be reinvested in the business. Having said that, yes it's a question of the scenarios and the situation that we find ourselves in, there will be I wouldn't call it necessarily a dividend payout, but there will be some level of activity that we will undertake on the corporate action side.

Moderator: The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.

Pankaj Kumar: Sir the question pertains to EBITDA margin. So, if you see the gross margins we are more or less around 48%-49%. So, better than the peers that we have seen. But when it comes to EBITDA, of course we are at around 13%-13.5%. So, what kind of this operating leverage, the factor that you see that will play out in improving your EBITDA margin over a long period?

Ameya Deshpande: So, obviously, we do see decent amounts of operating leverage play over here, as you rightly said, we do have a slightly higher other expenses ratio as compared to our peers. But a good part of that is in the form of fixed expenses. So, as and when as we keep growing obviously, the operating leverage will kick in. So, that's about it actually.

Pankaj Kumar: And the second question is about your Shrirampur plant. So, of course as of now we are particularly with respect to grain-based plant, we are not operating. So, what are the near-term plans on that, will we still continue with the status quo or we are looking for some other options?

Amit Dahanukar: So, currently, it will be status quo, if there is any material development with regard to that we will make the necessary intimation.

Pankaj Kumar: Sir, just one clarification I would like to have, on this Mansion House Brandy, there's a brand ownership. So, these all past issues with Allied Blenders and all our resolved or it's still open?

Amit Dahanukar: So, the matter is sub-judice, it is already we have a favorable judgment at High Court level, but matter is under appeal. So, whatever time it takes, but in all forums, currently we have had judgments in our favor recognizing our ownership of the mark.

Pankaj Kumar: So, any signs of resolution of the same in near to medium term or it will take long time?

Amit Dahanukar: That would be speculative, I would refrain from making any remarks on this.

Moderator: The next question is from the line of Urmi Khania from Robo Capital. Please go ahead.

Urmi Khania: I would like to ask the revenue guidance that you gave for FY25 and FY26 please, I missed that actually.

Ameya Deshpande: Yes, so as we mentioned, we provide a guidance for the volume. So, the volume guidance for this year is mid double digits, and for next year would be somewhere around 11% to 13% on existing business front. The revenue guidance, while difficult to give would be somewhere around 300 to 400 bps over and above the volume guidance.

Urmi Khania: Okay. For both FY25 & FY26?

Ameya Deshpande: Yes.

Moderator: The next question is from the line of Mr. Himanshu Shah from Dolat Capital. Please go ahead.

Himanshu Shah: If you can just tell what is giving us this confidence for the mid double digit volume growth in FY25, our base has significantly increased, we have seen a very, very healthy growth over the last two years. So, the underlying drivers that can help in driving this growth because what I understand is that category, Brandy as a category I don't think so is growing at this particular rate, presumably low single digit. So, is it more driven by new product launches or geographic expansion that we would be doing or premiumization if you can help us understand on that particular front?

Ameya Deshpande: Sure, Himanshu. So, firstly when it comes to growth, Brandy growth is at par with what IMFL is doing. Now, interestingly enough, the fact of the matter is that, it is the second largest category within IMFL, which essentially means that there is not too much of a category creation that one needs to do over here. So, our confidence of growth actually stems on two fronts. It stems on the fact that obviously the category will grow in line with the industry growing, especially the P&A industry growing, which is in the mid-single digit as it stands today and expected to grow a bit higher going forward. But beyond that, the confidence also stems from the fact that if you look at our entire journey, we have been growing market share within Brandy which is over and above the growth of the Brandy industry. Essentially what I am trying to say is that, we are actually taking market share from within the category itself from incumbent brands. And frankly, we are only 12% of overall Brandy as it stands today. It does give us significant headroom in terms of taking market share from other players who are not focusing on Brandy as much. It also means that we can take share from a P&A perspective, as we mentioned earlier on multiple occasions that the P&A saliency within Brandy is still significantly lower than the P&A saliency for our peer categories like Whiskey. There is a good amount of headroom coming over there as well. So, at a very ecosystem level, obviously that also is going to grow, and we are going to be at the forefront to take that share as well over here. Adding to that obviously, there is this from a longer timeframe perspective getting into other categories is also theoretically going to enable us to expand Brandy beyond the southern states. Do, I give too much of credence to that, or to this from the perspective of my guidance. No, not so much but there are some opportunities out there to increase Brandy beyond the southern states.

Himanshu Shah: Okay, this is very helpful. And any plan to enter into any other category besides Brandy?

Amit Dahanukar: So, we will keep that on our radar, as we had mentioned earlier also, now we will have significant headroom, given that we will have a significant amount of free cash flow, so that always is an option. And to add to what Ameya was saying that I do expect that, the industry growth also will be much better this year, last year was a very subdued year for the industry, total industry grew by approximately 2%. So, a lot of the markets which went through price increases, I am expecting them to recover this year, which will also aid in us being able to deliver the numbers for this year.

Himanshu Shah: Sure. And just on the COGS front, if you can highlight the various cost line item like ENA, what are we seeing in terms of trends and similarly on the glass bottle side. How are the pricing trends, are we seeing any signs of softening or they are still hardening can provide some color?

Ameya Deshpande: Yes, so I actually covered this as a part of my response to the first question, but I will quickly just reiterate. Essentially, the second half of the year gone by that is FY24 we did see some level of softening in glass prices, glass costs. And that is continuing in this year as well. So, we do expect at least some level of softening coming in over there. There has been some level of softening which has come in the other packing material costs as well. So, our cost for CC boxes and all has to some extent come down. On the ENA front however, it is still volatile. Q1 at Rs. 67 a liter, Q4 we are at Rs. 72 which was the same level as Q3, so not too much of inflation in Q4 that we have seen compared to Q3, but very difficult to say how ENA will work. Frankly, we are hopeful that in H2, the second half of this financial year, we should see some kind of softening coming up over there, but difficult to predict.

Himanshu Shah: And in this backdrop considering the volume growth that we are guiding for with some improvement in mix or higher revenue growth, and with some stability/softening in raw material, fair to assume that there should be a significant amount of operating leverage that should kick in for us?

Ameya Deshpande: There should be, we should be looking at margin expansion.

Himanshu Shah: We should be, and how much we would increase our marketing spend in FY25 over FY24 in bps or as a percentage of revenue?

Ameya Deshpande: We closed this year at somewhere around 1.3% odd, marketing spend of revenue. In fact, Q4 was at 1.7%, when I say 1.3%, I am referring to the entire year, Q4 was at 1.7%. We do expect to increase this or keep reinvesting in marketing. Again, we are not going to be at the levels that we see our peers at, the guidance or rather their levels are anywhere between 5% to 10%, that's a function of frankly, the category that you are present in. Whiskey is a very hyper competitive segment or category, thereby, the A&SP reinvestment rates are much higher over there. From Brandy perspective, you don't need to spend as much but having said that, given that we are category leaders in this space, and given our ability to invest for future growth, we will be looking at expanding this.

Moderator: The next question is from that line of Himanshu Nayyar from Systematix Institutional Equities. Please go ahead.

Himanshu Nayyar: Just a couple of questions from my side. Firstly, on our volume growth, which was flattish at 0.4% this time, of course that is on a high base, because last year, I believe we would have done that equity raise and that would have driven higher aggressive channel filling. So, from this quarter perspective, just wanted to understand is there a difference between our primary and secondary sales, which you would want to highlight just to give us a sense of how the customer is picking up the product right now?

Amit Dahanukar: Himanshu just to clarify that Quarter 4-on-Quarter 4 while the primaries grew by approximately 0.5%, we had the secondary growth of around 6% Quarter 4-on-Quarter 4, one of the primary reasons why, the primary reason was slightly less than the secondary was that in Telangana the receivable position was very extended. So, we were very guarded in terms of our primary sales which significantly dropped in the month of February and then of course, then balance of the quarter we were unable to make it up. So, that was the primary reason why we see that. Our secondary growth has been healthy, whereas the industry would have been 1% to 2% in Quarter 4 our growth has been 6%.

Ameya Deshpande: And, just to add to that, Himanshu, just giving some kind of industry level data as well. When we talk about comparison between industry, we actually refer to secondary volumes. So, a like-to-like comparison over here would be industry IMFL overall, has actually grown at 2% in Q4, compared to our 6%. And the P&A industry as a whole would have grown at 5% to 6%. So, we have been at par with the industry if we actually go to see from that perspective, if not better.

Himanshu Nayyar: Got it very clear. And second bit if you can throw some more color on this exceptional item of Rs. 8 crore I believe that amount was already provisioned, right if you can give us some more color on that?

Abhinav Gupta: So, basically, there have been an exceptional item in terms of some write offs, which we have done for the debtors, which were due from Andhra Pradesh State Beverages Corporations, it was coming as a qualification in our balance sheet and this time we have taken the call that, we will be writing it off and the qualification will get away from our books. So, that is what we have done. Though this year, we have been able to recover our around Rs. 32 crore of outstanding from APSBCL, which were long outstanding. But for Prag Distillery, it was not recovered and on a prudent basis we have provided for it.

Moderator: The next question is from the line of Palak Bhanushali from MIV Investment Management. Please go ahead.

Palak Bhanushali: Sir my question is regarding the tax. So, I am assuming that from Q1 FY25, we will be incurring the tax expenses. So, can you just help me with the tax rate that we will pay on the same?

Ameya Deshpande: No, Palak just an update on that. At least for the next couple of quarters you can consider that there is no tax to be considered. On a conservative basis, let's consider from Q3 perspective. So, it would be at 25% essentially meaning for this year it would be around 13% odd.

Palak Bhanushali: Okay. Can you help me with the absolute figure that we have for unabsorbed losses?

Ameya Deshpande: Rs. 200 crore. Do you get that Palak?

Palak Bhanushali: No, I didn't get the figure for the unabsorbed losses?

Ameya Deshpande: Rs. 200 crore.

Moderator: Thank you. As there are no further questions from the participants. I now hand the conference over to the management for closing comments.

Amit Dahanukar: I would like to thank you all for coming on this call. To conclude, I would like to reiterate our continued focus on sustainable growth, margin expansion and cash flow management. We are seeing good traction on our strategy of meeting need gaps across profitable price points in Brandy and we are also excited to continue showcasing our innovation pipeline in the quarters to come. Thank you very much.

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