



**IPO Report**

24<sup>th</sup> June '24

**Snapshot**

Allied Blenders & Distillers Ltd is the largest Indian-owned Indian-made foreign liquor (“IMFL”) company and the third largest IMFL company in India, in terms of annual sales volumes between Fiscal 2014 and Fiscal 2022. Company is one of the only four spirits companies in India with a pan-India sales and distribution footprint, and a leading exporter of IMFL, and had an estimated market share (in terms of sales volume) of 11.8% in the Indian whisky market for Fiscal 2023. Since the launch of Officer’s Choice Whisky in 1988 in the mass premium segment, company have invested significant resources in enhancing the strength and appeal of the Officer’s Choice brand. Officer’s Choice Whisky is the market leader in the mass premium segment with a market share of 20.9% in terms of annual sales volumes in Fiscal 2023.

**VALUATION**

Company is bringing the issue at price band of Rs 267-281 per share at p/e multiple of more than 100x on post issue annualized 9 months ended FY24 PAT basis. Company being among the largest IMFL companies in India with a diversified and contemporary product portfolio , with strong brand recognition. Company has strategically located, large scale and advanced manufacturing facilities with a sophisticated research and development centre & access to extensive pan-India distribution network with ability to scale with experienced board and senior management team. Hence ,looking after all above we recommend “ Long Term Subscribe” on issue.

<b>Price Band (Rs./Share)</b>	<b>267-281</b>
<b>Opening date of the issue</b>	<b>25<sup>th</sup> June '2024</b>
<b>Closing Date of the issue</b>	<b>27<sup>th</sup> June '2024</b>
<b>No of shares pre issue</b>	2,44,113,665 Eq Shares
<b>Issue Size</b>	Rs 1500 Cr
<b>No of shares</b>	56,191,894-53,391,667 Shares
<b>Fresh issue</b>	Rs 1000 Cr
<b>Offer For Sale</b>	Rs 500 Cr
<b>Face Value (Rs/ share)</b>	Rs 2/share
<b>Bid Lot</b>	53
<b>Employee Discount</b>	Rs 26/share

<b>BIDDING DETAILS</b>	
<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 26,637,010 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 7,991,103 Eq Shares)
<b>Retail</b>	35% of the offer ( Approx 18,645,907 Eq Shares)
<b>Employee</b>	Rs 3 Cr or 117,647 Eq Shares
<b>Lead managers</b>	ICICI Securities, Nuvama Wealth, ITI Capital
<b>Registrar to the issue</b>	Link Intime India Pvt Ltd

**WHAT WE LIKE**

***Among the largest IMFL companies in India with a diversified and contemporary product portfolio***

Company is the largest Indian owned IMFL company and the third largest IMFL company in India, in terms of annual sales volumes between Fiscal 2014 and Fiscal 2022. Four of company’s brands, namely, Officer’s Choice Whisky, Sterling Reserve, Officer’s Choice Blue and ICONiQ Whisky are ‘Millionaire Brands’. As of December 31, 2023, company’s product portfolio comprised 16 major brands of IMFL with 10 brands of whisky that include company’s flagship Officer’s Choice Whisky, Sterling Reserve Whisky and ICONiQ White International Whisky, three brands of rum, three brands of brandy and one brand of vodka, respectively. Further, company have also recently launched Zoya Special Batch Premium Gin in January 2024

***Strong brand recognition***

Over the years, company have developed a well-recognized product portfolio, and transformed from a single brand company to multi-product and multi-brand company with presence across various categories and segments of the IMFL industry in India. Since the launch of Officer’s Choice Whisky in 1988 in the mass premium segment, company have invested significant resources in enhancing the strength and appeal of the Officer’s Choice brand. Officer’s Choice Whisky is the market leader in the mass premium segment with a market share of 20.9% in terms of annual sales volumes in Fiscal 2023.

***Access to extensive pan-India distribution network with ability to scale***

As of March 31, 2023, company’s products are retailed through across 79,329 retail outlets across 30 States and Union Territories in India. As of December 31, 2023, company’s products were exported to 14 countries. Company’s export markets include countries such as the United Arab Emirates, Haiti, Oman, Hong Kong, and Qatar.



## COMPANY BACKGROUND

Company's flagship brand, Officer's Choice Whisky was launched in 1988 with its entry into the mass premium whisky segment. Officer's Choice Whisky has been among the top selling whisky brands globally in terms of annual sales volumes between 2016 and 2019. Over the years, company have expanded and introduced products across various categories and segments. As of December 31, 2023, company's product portfolio comprised 16 major brands of IMFL across whisky, brandy, rum and vodka. Certain of company's brands, such as, Officer's Choice Whisky, Sterling Reserve, Officer's Choice Blue and ICONiQ Whisky, are 'Millionaire Brands' or brands that have sold over a million 9-litre cases in one year.

Company have over the years established market leadership in the alcoholic beverages market in India with a market share of 8.2% in IMFL market by sales volumes in Fiscal 2023, with sales across 30 States and Union Territories, as of December 31, 2023. Over the years, company have developed an extensive pan-India sales footprint and as of December 31, 2023 company have 12 sales support offices, and pan-India route-to-market capabilities covering all channels and alcohol permitted States and Union Territories. Company's pan-India distribution network has enabled company to support the growth in annual sales volumes of its products. As of March 31, 2023, company's products were retailed across 79,329 retail outlets across 30 States and Union Territories in India. Company's industry position, strength of its brands, its pan-India sales footprint and logistics arrangements have further consolidated its position leading to significant business growth and financial performance. In addition, as of December 31, 2023, company exported its products to 14 international markets, including countries in the Middle East, North America, Africa, Asia and Europe.

Over the years, company have invested in strengthening its brand awareness and the goodwill of company's brands. Company's key brands have been awarded at recognised award functions including at the Design and Packaging Masters, The Spirits Business London, Monde Selection Bruxelles, International Taste Institute- ITQI Brussels, DMAasia ECHO, exchange4media Indian Digital Marketing Awards, Adgully Digixx, Afaqs Marketers Xcellence, Ambrosia Awards, Ambrosia Awards, INDSPiRiT, Spiritz Achiever's Awards, Product of the Year awarded to Officer's Choice Whisky at the Channelier FMCG Awards 2022, among others. Company have adopted a lifestyle approach towards its brand positioning by focusing on building awareness, enhancing the appeal of company's products sold under various brands, ensuring affordability of its products, maintaining the quality of products sold and building consumer engagement. Company's brand-building initiatives have in the past included partnerships with teams participating in the Indian Premier League, the Pro Kabaddi League and partnerships with regional football leagues for company's focus markets of West Bengal and the Northeast. Company have also in the past appointed celebrity brand ambassadors including a leading cricket personality. Company own and operate its distillery located in Rangapur, Telangana that is spread over 74.95 acres with a built-up area of over 25,000 square meters. Company's in-house distillation capacity of extra neutral alcohol ("ENA"), the key material used in the manufacture of its products, is 600.00 lakh litres per year. Company also have extensive bottling capabilities across India. As of December 31, 2023, company relied on 32 bottling facilities, including bottling facilities owned and operated by company and contract bottling facilities both on exclusive and non-exclusive basis, for bottling its products. As of December 31, 2023, company owned and operated nine bottling units, and had entered into arrangements with five third-party bottling facilities where the entire licensed capacity is utilized by company. Over the years, company have developed relationships with third-party bottlers and as of December 31, 2023, company have entered into 18 bottling agreements on a non-exclusive basis including one where company have entered into a royalty arrangement dated March 30, 2021 with a third-party manufacturer for a period of five years to manufacture, blend, bottle, process and package company's products at its distillery under company's brand name for which royalty is paid to Company.

Company maintain oversight, quality control and technical input on the manufacturing process and further support this by facilitating the procurement of raw materials such as ENA and packaging materials to its third-party bottlers. Company have also implemented quality control and assurance parameters by deploying internal teams at each of the third party bottling facilities who oversee the quality control system to ensure it complies with the quality standards of its owned bottling facilities (including leased bottling facilities), and continue to improve these processes with company's third-party bottlers. Third-party bottling of company's products provides company with flexibility to meet company's production requirements. In addition, owing to company's contractual arrangements with local and regional third-party bottlers company is not required to transport its products beyond state borders thereby limiting any additional excise import and export duty expenses that company would otherwise incur, which ensures that company's products remain competitively priced.



**INVESTMENT RATIONALE**

*Well-positioned to capture tailwinds in the Indian IMFL industry*

India is one of the fastest growing alcoholic beverage markets in the world growing from a small base of 1.3 litres per capita of recorded consumption of pure alcohol in 2005 to 2.7 litres per capita consumption in 2010 and further to 3.2 litres per capita consumption in 2023. India's per capita consumption is significantly lower compared to global per capita consumption. Low per capita consumption coupled with positive demographics factors and more than 13 million people added each year to the population eligible for drinking, make India an attractive market for alcoholic beverages. There exists significant potential for future growth for the alcoholic beverages market in India. IMFL is the largest segment of Indian alco-beverage market both in volume and value terms. IMFL segment recorded sales of 395 million cases in Fiscal 2023. IMFL market has recovered and grown to 395 million cases in Fiscal 2023 as compared to pre-COVID levels of 355 million cases in Fiscal 2020. IMFL sales volume is projected to reach 520 million cases by Fiscal 2028. IMFL sales by value was estimated at ₹ 2,206,620 million in Fiscal 2023. Further, the IMFL sales value is projected to reach ₹ 3,371.89 billion by Fiscal 2028. During the period between Fiscal 2023 and Fiscal 2028, IMFL sales value is expected to grow at a CAGR of 9% and sales volume is expected to grow at a CAGR of 5.7%, respectively

*Experienced Board and senior management team and supported by a committed employee base*

**Board of Directors**  
Company have an eminent and experienced Board of Directors. Company's Board comprises Kishore Rajaram Chhabria as its Chairman and Non-Executive Director and Bina Kishore Chhabria as company's Non-Executive Director and Co Chairperson. In addition, company's board comprise, Alok Gupta (Managing Director), Resham Chhabria Jeetendra Hemdev, Whole-Time Director (Vice Chairperson), Shekhar Ramamurthy, Whole-Time Director (Executive Deputy Chairman) and Arun Barik, Executive Director. Company's Independent Directors provide company with strategic guidance, and company have been able to leverage their experience to grow its operations. Senior Management Team Company have an experienced and professional senior management team with significant industry experience. Company's senior management team has demonstrated ability to develop and build brand recognition and deliver growth and profitability. Company's senior management team that includes Ramakrishnan Ramaswamy, Chief Financial Officer; Jayathirtha Mukund - Head – Investor Relations and Chief Risk Officer; Ritesh Ramniklal Shah, Company Secretary and Compliance Officer, Bikram Basu, Chief Strategy and Marketing officer; Ralin Antonio Carvalho Rangel Da Cunha Gomes, Chief Human Resources Officer, Mithun Kumar Das, Head Manufacturing and Technical, P. Kulothungan, Head – Internal Audit, Ankur Sachdeva, Chief Revenue Officer, Rajesh Parida, Director - Corporate Affairs & CSR and Ramesh Chandra Singh Koranga, Head – Quality & Innovation, have extensive industry experience across manufacturing, marketing and advertising, strategy, business development, finance, human resources, legal and compliance and public relations. Corporate Governance Company have always focussed on its shareholders' best interests and the maximisation of shareholder value. Company also have established policies and procedures to support transparency, strong business ethics and a well-established compliance framework. Company follow a strict code of business conduct for its operations and have implemented Board approved policies on anti-bribery and corruption, gifting and entertainment, anti-money laundering, antitrust and competition and conflict of interest. In addition, company have a whistle-blower policy, breach management and disciplinary policy, prevention of sexual harassment policy, a marketing code and corporate social responsibility policy.



## OBJECTS OF OFFER

Each of the Selling Shareholders will be entitled to the proceeds of the Offer for Sale after deducting their respective portion of the Offer related expenses and relevant taxes thereon.

### **Fresh issue**

Company propose to utilise the Net Proceeds towards funding the following objects:

1. Prepayment or scheduled re-payment of a portion of certain outstanding borrowings availed by Company; and
2. General corporate purposes (collectively, the “Objects”).

## RISKS

Company is substantially dependent on the sales of its whisky products which generated 97.58%, 96.90%, and 95.38% company’s revenue from operations in Fiscal 2021, 2022 and 2023 and 95.76% and 94.33%, respectively, of its revenue from operations for the nine months ended December 31, 2022 and December 31, 2023. Any reduction in sales of these products could have a material adverse effect on company’s business, financial condition, results of operations and prospects.

Source:RHP

## INDUSTRY OVERVIEW

### **Factors driving premiumisation in whisky segment in India**

#### *Rising income and rapid urbanisation*

Rise in disposable income is leading to consumers upgrading their preferences, resulting in up-trading in from country liquor to IMFL whisky and up-trading within categories of IMFL whisky including popular, prestige, premium, and luxury segments. Rapid urbanisation is also leading to spur in aspirational values of customers. The emergence of new consumers expecting more sophisticated experiences is driving the demand for premium quality whisky with up-trading in each segment.

#### *Growing awareness and exposure to international trends*

Indians travelling abroad is also leading to an upgrade towards Premium segments in the whisky category. The trend is further being amplified with the rising influence of social media on the millennials and their rising aspirations.

#### *Changing Profile of customer seeking new experiences and high-quality products*

The shift in trend of consumption of whisky towards drinking better quality products rather than focusing on the quantity is leading customers to choose premium brands in each segment. Higher disposable income with a greater need to explore new products and experiences serves the premiumisation of whisky in each segment.

#### *Shift towards a healthier lifestyle*

In last few years, there has been a shift in lifestyle with consumers choosing to live a healthier life. This trend has become stronger post COVID-19 pandemic. Customers are ready to pay a premium to move to a higher quality product in each segment. This is going to help up-trading within each segment as well as up-trading from one segment to the other as higher priced products are perceived as healthier.

#### *Emergence of technology and changes in ways of socialising*

Technology boom and prevalence of western culture of social drinking is driving premiumisation in whisky category. Consumption of alcohol is socially more acceptable among millennials and there is a shift in the way people socialise from late night parties to pubs and lounges and informal food-related occasions at-home.

#### *Evolving Retail experience*

Retailing of alco-beverages including whisky is going through transition in India. Multiple states through their excise policies have allowed for a better retail experience including larger stores, stores at high retail destinations, evolved merchandising, and product tastings. This is leading to a positive effect and up-trading of brands by the customer.



**Consolidated Financials**

(Rs in Mn)

Financials	FY21	FY22	FY23	9months ended FY24
Total Revenue (A)	63787.76	71969.20	71056.80	59111.44
Total Expenditure (B)	61848.16	70006.14	69206.88	57287.77
EBIDTA	1939.60	1963.06	1849.92	1823.67
EBIDTA Margin	3.04	2.73	2.60	3.09
Other Income	190.36	112.45	110.69	38.34
Depreciation	587.41	586.36	551.43	390.88
EBIT	1542.55	1489.15	1409.18	1471.13
Interest	1415.10	1450.93	1349.72	1279.32
PBT	127.45	38.22	59.46	191.81
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	127.45	38.22	59.46	191.81
Exceptional	0.00	0.00	0.00	0.00
PBT	127.45	38.22	59.46	191.81
Tax	102.37	23.46	43.45	99.66
PAT	25.08	14.76	16.01	92.15
NPM	0.04	0.02	0.02	0.16
ROE%	0.66	0.37	0.39	1.03
EPS	0.10	0.06	0.07	0.17
Eq Cap	471.13	471.13	488.23	488.23
Net Worth	3,817.82	4,040.98	4,060.99	4,092.56

(Source: RHP)

**Peer Comparison**

Company Name	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
Allied Blenders and Distillers Limited (Company)	NA	7167.49	0.07	16.64	0.39
<b>Peers</b>					
United Spirits Limited	73.16	278885.00	16.01	82.48	18.76
Radico Khaitan Limited	95.87	127553.19	16.48	165.13	9.98
Globus Spirits Limited	7.26	28302.98	42.39	307.8	13.78

(Source: RHP)





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