



BIGGER. *BETTER*

Getting future-ready

ASSOCIATED ALCOHOLS & BREWERIES LIMITED

29TH ANNUAL REPORT FY2017-18

FORWARD-LOOKING STATEMENT

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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www.associatedalcohols.com





Vision: To become an industry leader in liquor manufacturing, distillation and bottling in India and to establish a foothold in the liquor industry as one of the most reputed liquor company



BIGGER. *BETTER*

The Indian alco-beverages market is at the cusp of an attractive opportunity.

A strategic shift by some of the largest organised players in India's alco-beverage sector is creating an unprecedented long-term opportunity for mid-sized players with strong managements and credible Balance Sheets.

At Associated Alcohols & Breweries Limited, we are responding to this reality with speed and sensitivity.

By enlarging our core manufacturing capacity.

By extending into value-added products.

By strengthening our value chain.

By widening our geographic footprint.

By entering into complementary alliances.

With the objective to emerge bigger and better prepared for the future.

8 THINGS YOU NEED TO KNOW ABOUT ASSOCIATED ALCOHOLS & BREWERIES LIMITED

Corporate background

Associated Alcohols & Breweries Limited is the flagship company of the Associated Kedia Group – a H10,000 million business conglomerate with interests in liquor manufacturing and bottling. The Company was incorporated in 1989 by Late Shri Bhagwati Prasad Kedia. Associated Alcohols & Breweries Limited took over the existing distillery of the promoter group in 1990 and extended into the manufacture of premium liquor products.



Promoters' background

Mr. Anand Kumar Kedia and Mr. Prasann Kumar Kedia are the key promoters of the Company.

Mr. Anand Kumar Kedia, Chairman – Business Promotion & Development, possesses a rich sectoral experience across almost three decades. He spearheads the strategic initiatives of the Company.

Mr. Prasann Kumar Kedia, Vice Chairman – Operation & Business Development, has been involved with the Company for more than two decades and oversees day-to-day operations.

Presence

Associated Alcohols & Breweries Limited is one of the largest distilleries in India enjoying a wide presence across the country and a growing presence across the sectoral value chain.

- Premium extra neutral alcohol / grain spirit
- Rectified spirit
- Indian made foreign liquor (IMFL)
- Indian made Indian liquor (IMIL)
- Contract manufacturing partner (Diageo-USL)

Facilities

The Company's corporate office is situated in Indore; its state-of-the-art plant is at Khodigram (Barwaha, district Khargone, Madhya Pradesh). This plant accounts for bottling facilities, alcohol production and packaging capacity.



Expansion

The Company embarked on a large greenfield expansion to address the growing domestic and international demand. This initiative comprises the commissioning of modern alcohol plants, increasing the production capacity from 31 million liters to 90 million litres per annum by 2021 – around higher operating efficiency.

Clientele

- Diageo/ United Spirits Limited
- Allied Blender & Distillers
- Government-regulated retail contractors/agencies (for IMFL & IMIL)

Proprietary products

- Titanium Triple Distilled Vodka with Orange and Green Apple Flavour
- Central Province Whisky
- James McGill Whisky
- Jamaican Magic Rum
- Bombay Special Series
- Super Man Series

Licensed brands / franchised brands

- Bagpiper Deluxe Whisky
- Directors Special Whisky
- White Mischief Flavoured
- Director's Special Gold Whisky
- DSP Black Special Whisky
- McDowell's No.1 XXX Rum

Contract manufacturing brands

- Black Dog Scotch Whisky
- VAT 69 Scotch Whisky
- Smirnoff Vodka
- Black & White Scotch Whisky

Ethical pedigree

Vision: To become an industry leader in liquor manufacturing, distillation and bottling in India and to establish a foothold in the liquor industry as one of the most reputed manufacturing and marketing company

Mission: Associated Alcohols & Breweries Limited undertakes to dedicate itself and all its resources to achieving global excellence in the present sectors of operations and seeking growth.

Values

- To cultivate the highest standards of professionalism, fairness and total customer satisfaction in all our transactions and dealings.
- To create a profound and everlasting impact on our customers through commitment and sincerity.
- To continue the ongoing journey towards honesty, sincerity and integrity with all our stakeholders.
- To spread our wings all across the country and play a dominant role in the liquor industry in India.

Installed capacity
across two
sections



25

Bottling lines facility



31

Alcohol production
capacity (million
litres per annum)



6.5

Packaging capacity
(million cases per
annum)

THIS ANNUAL
REPORT IS
ESSENTIALLY
ABOUT ONE OVER-
ARCHING AABL
ATTRIBUTE.
TRUST.

Trust in AABL makes it possible for arguably the world's largest alco-beverage brand to outsource the production of its most critical and quality-demanding brands to our company.

Trust makes it possible for vendors to provide our company with a sustainable resource supply across market cycles.

Trust makes it possible for customers to invest in their growth on the assurance that a trusted vendor like AABL will engage in corresponding and timely capacity expansion.

Trust makes it possible for our trade partners and intermediaries to work with us across the long-term.

Trust makes proximate communities believe that the Company's manufacturing practices will be completely responsible.

MILESTONES

1989

Incorporated as public limited company

1990

Started manufacturing and marketing potable alcohol

1995

Modernised and expanded the distillery

2003

Captive power plant with 60% self-sufficiency in power

2012

Revamped manufacturing facilities and processes as per sectoral requirements

2015

Implemented SAP-ERP across all functional areas

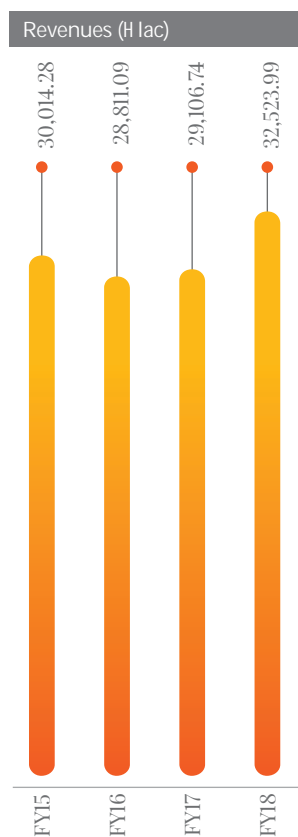
2016

Issued bonus shares in the ratio of 1:1

2018

Embarked on an ENA capacity expansion from 31.4 million litres per annum to 45 million litres per annum

HOW WE HAVE ENHANCED VALUE ACROSS THE YEARS



Definition

Growth in sales net of taxes and excise duties

Why this is measured

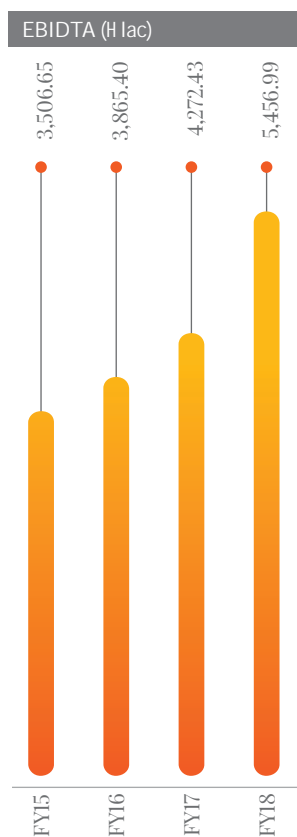
It highlights the service acceptance and reach of the Company in the market.

Performance

Aggregate sales increased 12% to ₹32,523.99 lakhs in FY2017-18 on the back of a growing demand for the Company's products.

Value impact

Improved revenues helped the Company service the growing needs of customers better, strengthening overall engagement.



Definition

Earnings before the deduction of fixed expenses (interest, depreciation, extraordinary items and tax)

Why this is measured

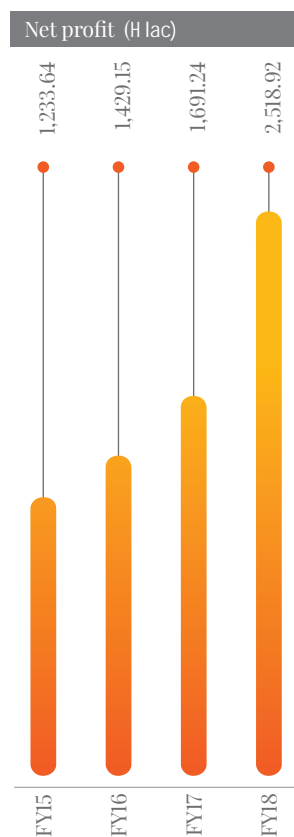
It is an index that showcases the Company's ability to optimise business operating costs despite inflationary pressures and can be easily compared with retrospective averages of sectoral peers.

Performance

The Company's EBIDTA has grown consistently. The Company reported a 29% increase in its EBIDTA in 2017-18 even as revenues increased 12% – profitable growth.

Value impact

Helped create a robust growth engine, resulting in increased reinvestment – the basis of business sustainability.



Definition

Profit earned during the year after deducting all expenses and provisions

Why this is measured

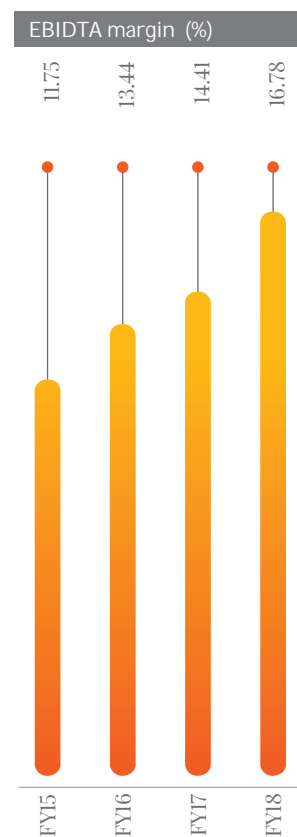
It highlights the strength in the business model in generating value for shareholders.

Performance

The Company's net profit has grown every single year during the last three years. The Company reported a 50% increase in Net Profit in 2017-18 and doubled profits in the last four years, outperforming the sectoral growth average.

Value impact

The virtuous cycle ensures that adequate cash is available for reinvestment, strengthening business momentum.



Definition

EBIDTA margin is a profitability ratio used to measure a company's pricing strategy and operating efficiency. Higher the operating margin, the better for the Company.

Why this is measured

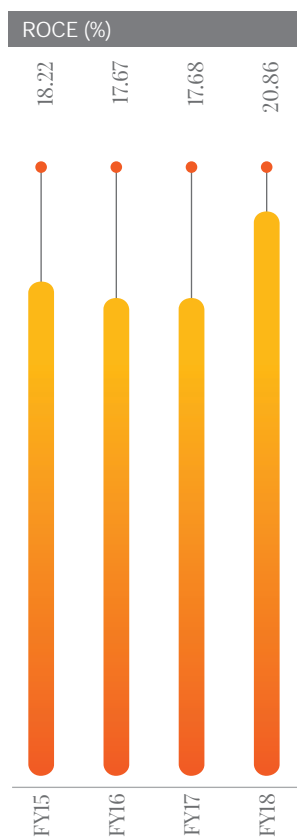
The EBIDTA margin indicates how much a company earns (before accounting for interest and taxes) on each rupee of sale.

Performance

The Company reported a 237 bps increase in EBIDTA margin in 2017-18, its highest ever, the result of a stronger product basket and improved operating efficiencies.

Value impact

The increase in margins (on a larger turnover) showcases enhanced competitiveness derived from economies (procurement and logistics) and value-addition.

**Definition**

This financial ratio measures a company's profitability and efficiency with which capital is employed in the business

Why this is measured

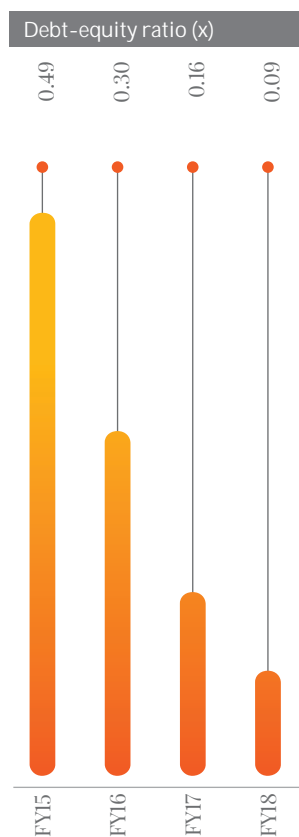
ROCE is a useful metric for comparing profitability across companies based on the amount of capital they use - especially in capital-intensive sectors.

Performance

The Company reported a 318 bps increase in ROCE through prudent capital allocation spaces that generated superior business returns

Value impact

Enhanced ROCE can increase the available surplus for reinvestment and potentially drive valuations / perception.

**Definition**

This is derived through the ratio of debt to net worth (less revaluation reserves)

Why this is measured

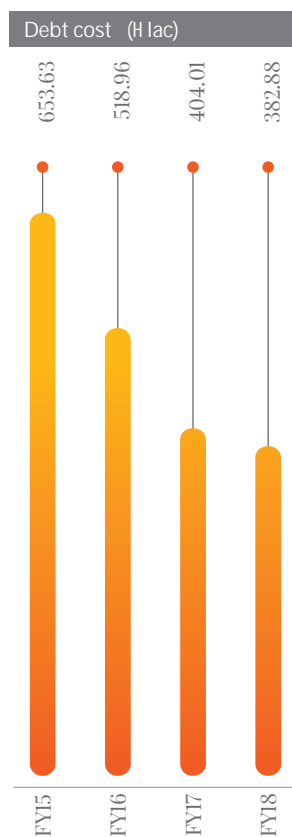
This is one of the defining measures of a company's financial health, indicating the ability of the Company to remunerate shareholders over debt providers (the lower the gearing the better).

Performance

The Company's gearing moderated from 0.49 in FY2014-15 to 0.09 in FY2017-18. This ratio should be read in conjunction with an increase in EBITDA to assess the Company's ability to service the debt obligation.

Value impact

Stronger gearing helps progressively moderate debt cost and enhance profitability.

**Definition**

This is derived by calculating the average cost of consolidated debt

Why this is measured

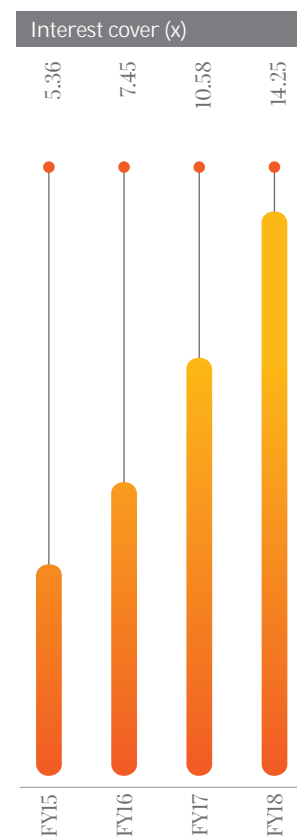
This indicates the extent of a company's success when it comes to convincing bankers and other debt providers of the robustness of its business model.

Performance

The Company's interest outflow progressively declined from H6.53 crore (2.17 % of sales) in FY2014-15 to H3.82 crore (1.18 % of sales) in FY 2017-18. This should be read in conjunction with a rising interest cover.

Value impact

Enhanced cash flows and strengthened credit rating could result in a prospective decline in debt cost.

**Definition**

This is derived through the division of EBITDA by interest outflow

Why this is measured

Interest cover indicates a company's comfort when it comes to servicing the debt obligation.

Performance

The Company strengthened its interest cover from 5.36 in FY15 to 14.25 in FY18.

Value impact

Enhanced cash flows, strengthening business sustainability.

