



# The Next Level

ASSOCIATED ALCOHOLS  
AND BREWERIES LIMITED  
31st Annual Report 2019-20

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# The big picture

India is the second most populous country at the point of a sweeping transformation in incomes, perceptions and lifestyles.

Markets that are at inflection point present the largest and most profitable opportunities.

In India, the lifestyle opportunity is likely to be the biggest; the alco-beverage industry resides at the pinnacle of this lifestyle opportunity.

India is one of the most compelling alco-beverage opportunities anywhere in the world.

This reality is expected to create a growing appetite for raw materials, products and brands.

At Associated Alcohols, we have created a business model that is addressing all three opportunities.

# Associated Alcohols.

## One of the most exciting alcohol-beverage companies in India.

### Our ethos

#### Vision

To be a pioneer and 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 Companies.

#### 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 quality products, 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.

### Background

The Company was founded by the late Shri Bhagwati Prasad Kedia in 1989. Associated Alcohols & Breweries Limited is among of the flagship companies of the Associated Kedia Group involved in the manufacture and bottling of liquor. The Company took over the distillery operations of the promoter group and extended to the manufacture of premium liquor products.

### Promoters

The promoters of the Company possesses more than three decades of experience. The promoters of the Company comprise Mr. Anand Kumar Kedia (Head – Business Promotion and Development) and Mr. Prasann Kumar Kedia (Head– Operation and Business Development).

### Market presence

The Company is one of the largest distillers in India. It possesses an extensive geographic presence in 4 states across the sectoral value chain. The Company's principal revenues are derived from the States of Madhya Pradesh, Kerala and Delhi, who account for more than 80% of the Company's revenues.

### Big numbers

45

(mn litres) ENA manufacturing capacity

32

Bottling lines

12.5

(mn) Bottling capacity

## Products

The Company widened its product portfolio to cater the various alcohol-beverage needs of people belonging to all strata of society. Its business range comprises:

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

## Facilities

The Company's state-of-the-art manufacturing facility is located at Khodigram (Barwaha district, Khargone, Madhya Pradesh) and responsible for alcohol production, bottling and packaging liquor. All business operations are overseen from the corporate office in Indore.

## Expansion

The Company has undertaken expansion initiatives to address the growing needs of domestic and international customers. The Company possesses an expanded capacity of 45 mn litres per annum.

## Clients

- Diageo/ United Spirits Limited
- Kerala State Beverages Corporation
- Government-regulated retail contractors/agencies (both IMFL and IMIL)

## Licensed brands/franchised brands

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

## Proprietary brands

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

## Contracted manufacturing brands

- Black Dog Scotch Whisky
- VAT 69 Scotch Whisky
- Smirnoff Vodka
- Black & White Scotch Whisky
- Royal Challenge Whiskey
- McDowell's Platinum Whiskey
- Signature Whiskey

## Credit rating

CARE reaffirmed its A-/A2 credit rating on the Company for bank borrowings.





## Milestones

1989

Incorporated as public limited company

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2016

Issued bonus shares in the ratio of 1:1

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1990

Commenced the manufacturing and marketing of potable alcohols

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2017

Embarked on an ambitious expansion project from 31.4 MLPA to 45 MLPA

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1995

Modernised and expanded the distillery

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2018

Completed the 45 mn litres per annum ENA expansion project

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2012

Revamped manufacturing facilities and processes as per prevailing requirement

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2019

Operated on the expanded ENA capacity for the first full year.

Listed on NSE

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2015

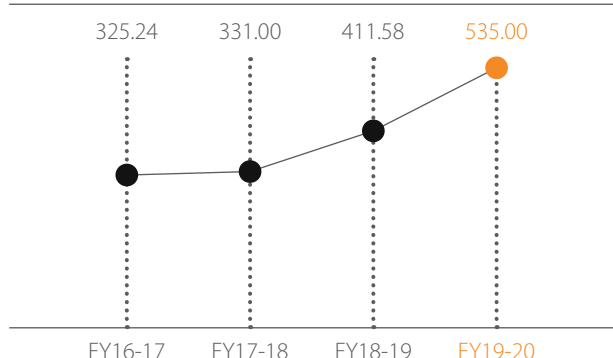
Created a complete integrated system including implementation of SAP-ERP

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# How we grew attractively in the last few years

## Revenues

(₹ crore)



### Definition

Growth in sales net of GST.

### Why is this measured?

It is an index that showcases the Company's ability to maximise offtake and enhance revenues.

### What does it mean?

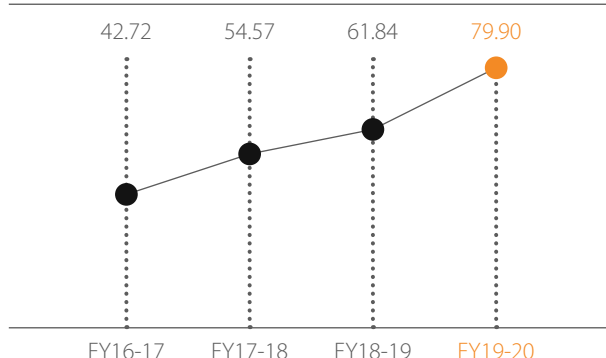
Aggregate sales increased 30% to a record ₹535 crore in 2019-20 due to higher throughput from the expanded capacity.

### Value impact

The Company performed considerably better than the sectorial average.

## EBITDA

(₹ crore)



### Definition

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

### Why is this measured?

It is an index that showcases the Company's ability to generate a surplus following the expensing out of operating costs.

### What does it mean?

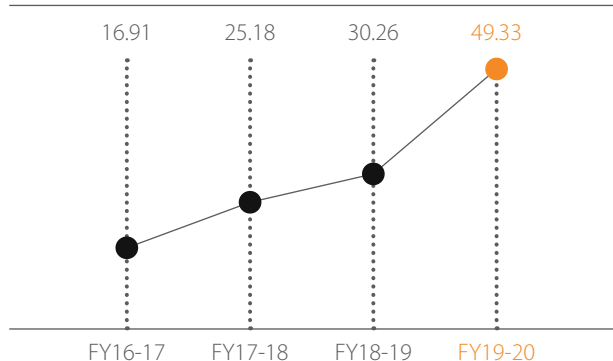
Helps create a robust growth engine and sustain profits.

### Value impact

The Company reported the sharpest EBITDA increase in its existence, almost doubling from the level of 2016-17 and reporting a 29% YoY in 2019-20.

## Net profit

(₹ crore)



### Definition

Profit earned during the year after deducting all expenses and provisions.

### Why is this measured?

This measure highlights the strength of the business model in enhancing shareholder value.

### What does it mean?

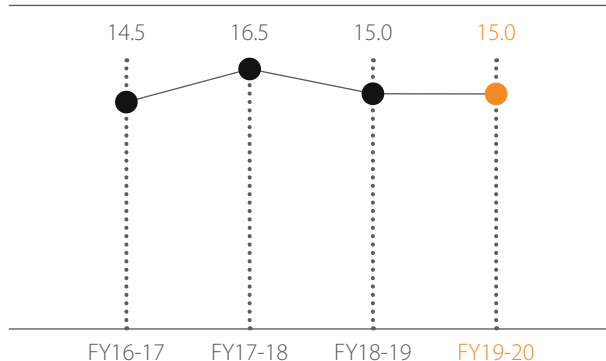
Ensures that adequate surplus is available for reinvestment.

### Value impact

The Company reported a 63% increase in net profit in 2019-20, almost doubling from the level of two years ago.

## EBITDA margin

(%)



### Definition

EBITDA margin is a profitability ratio used to measure a Company's pricing strategy and operating efficiency.

### Why is this measured?

The EBITDA margin provides a perspective of how much a Company earns (before accounting for interest and taxes) on each rupee of sales.

### What does it mean?

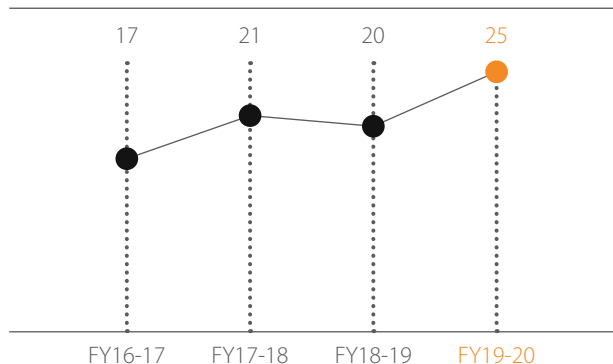
This demonstrates adequate buffer in the business expressed as a percentage, which, when multiplied by scale, enhances surpluses.

### Value impact

The Company reported a steady EBITDA margin during 2019-20.

## ROCE

(%)



### Definition

It is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed in the business.

### Why is this measured?

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

### What does it mean?

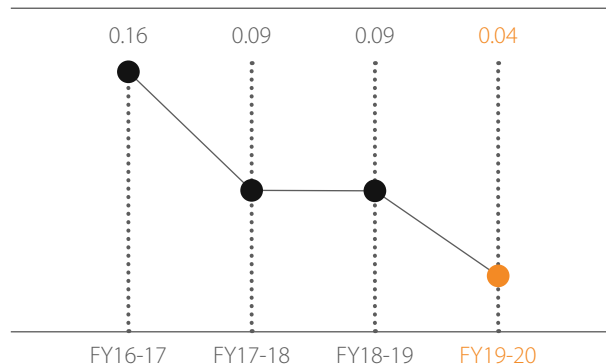
Enhanced ROCE can potentially drive valuations and perception.

### Value impact

The Company reported a 500 bps increase in RoCE during 2019-20 following increased surplus.

## Gearing

(%)



### Definition

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

### Why is this measured?

This is one of the defining measures of a Company's financial solvency.

### What does it mean?

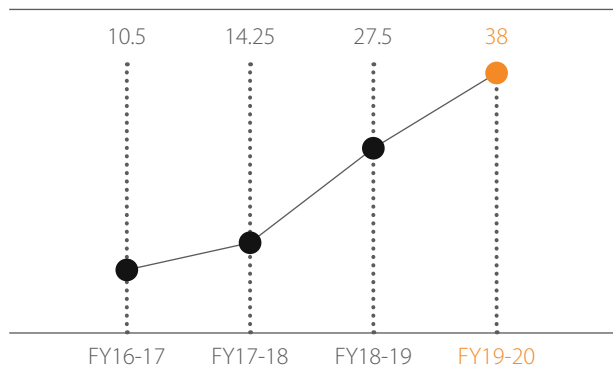
This measure enhances a perception of the borrowing room within the Company, the lower the gearing the better.

### Value impact

The Company's gearing improved on account of debt repayment and increased net worth, making it virtually debt-free.

## Interest cover

(x)



### Definition

This is derived through the division of EBITDA by interest outflow.

### Why is this measured?

Interest cover indicates the Company's comfort in servicing interest – the higher the better.

### What does it mean?

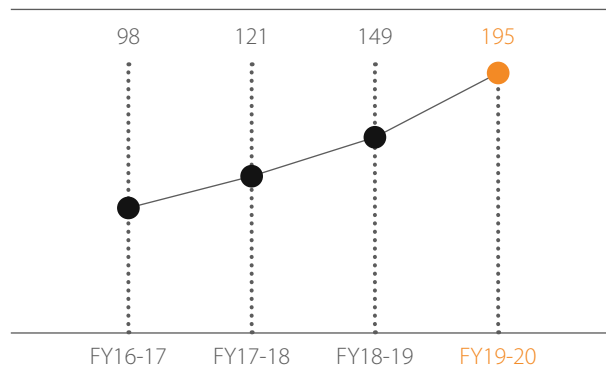
A Company's ability to meet its interest obligations, an aspect of its solvency, is arguably one of the most important factors in assuring sizeable returns to shareholders.

### Value impact

The Company's interest cover strengthened by 1050 bps during the year.

## Net worth

(₹ crore)



### Definition

This is derived through the accretion of shareholder-owned funds.

### Why is this measured?

Net worth indicates the financial soundness of the Company – the higher the better.

### What does it mean?

This indicates the borrowing capacity of the Company and influences the gearing (which in turn influenced the cost at which the Company can mobilise debt).

### Value impact

The Company's net worth strengthened 30% during the year, almost doubling in the short space of three years.

