

ASSOCIATED ALCOHOLS AND BREWERIES LIMITED
32ND ANNUAL REPORT 2020-21

V&V

A ROBUST BUSINESS MODEL
RECONCILING VOLUME & VALUE
FOR SUSTAINABLE GROWTH



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 realised, 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.

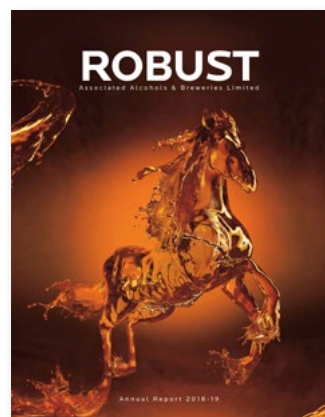
2016-17



2017-18



2018-19



2019-20



CONTENTS

04	Corporate snapshot
08	How we grew attractively in the last few years
10	Letter to shareholders
12	Sectoral overview
14	Performance review by the management
18	Why India is one of the most attractive global liquor markets
20	A spirit of ESG resides at the heart of our personality
24	How we have enhanced shareholder value
27	How we achieved growth of the Diageo/USL franchise
28	How we reported breakthrough success within just two years of entering Kerala
31	How we built our business around a conservative and measured business platform
34	Our vision
37	4 platforms of our long-term business sustainability
38	Business drivers
47	AABL is widening its revenue engine
48	AABL addresses a vast and growing addressable market
49	AABL has a unique business model
51	AABL's competitiveness
52	Management discussion and analysis
60	Notice
71	Directors' Report
91	Corporate Governance Report
104	Financial Statements



Associated Alcohols & Breweries Limited is one of India's most comprehensive players in the Indian liquor sector.

At one end, the company addresses the vast resource segment of the sector through the manufacture of extra neutral alcohol (and proposed manufacture of ethanol).

At the other end, the company manufactures and markets liquor brands that address wide consumer needs.

This comprehensive business model has been directed to enhance margins, value-addition and business sustainability.



ASSOCIATED
ALCOHOLS &
BREWERIES
LIMITED
COMPRISES
THREE LINES
OF BUSINESSES.



One, the manufacture of grain-based ENA that is consumed in the production of liquor.

One



Two, the production of liquor that is marketed through proprietary brands.

Two



Three, the production of liquor that is marketed through franchised brands/contract manufacturing agreements. This complement of three businesses makes the company one of the most exciting in India's liquor sector.

Three



CORPORATE SNAPSHOT

Our ethos

Vision

To be a pioneer in liquor manufacturing, distillation and bottling in India and to further strengthen the foothold in the liquor industry as one of the most reputed manufacturing and marketing a 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.

45

(Million litres) ENA
manufacturing
capacity as on 31st
March, 2021

32

Bottling lines

12.5

(Million) bottling
capacity as on 31st
March, 2021

Background

The Company was founded by the late Mr. Bhagwati Prasad Kedia in 1989. Associated Alcohols & Breweries Limited is the flagship company 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 possess 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– Operations and Business Development).

Market presence

The Company is one of the largest distillers in India. It possesses an extensive geographic presence in five states across the sectoral value chain. The Company's principal revenues are derived from the States of Madhya Pradesh and Kerala. The company's proprietary brands contribute 70% to the packed potable segment's revenue.

Products

The Company widened its product portfolio to address the various needs of consumers belonging to all strata of society. Its product range comprises:

Premium extra
neutral alcohol/
Triple distilled ENA

Indian made
Indian liquor
(IMIL)

Indian made
foreign liquor
(IMFL)

Contract
manufacturing
partner (for Diageo
– USL)

Facilities

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

Expansion

The Company undertook expansion initiatives of Phase I to address the growing needs of domestic customers; the expansion was completed on schedule and FY 21 was the second year that the company operated on its expanded capacity. The Company possessed a capacity of 45 Million litres per annum (following Phase I expansion) as on 31st March, 2021. The Phase II expansion has been proposed from 45MLPA to 75 MLPA in dual mode to facilitate the manufacture and sale of ethanol to oil and petroleum marketing companies.

Clients

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

Licensed brands/franchised brands

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

Proprietary products

- Central Province Whisky
- Titanium Triple Distilled Vodka
- James McGill Whisky
- Jamaican Magic Rum
- Super Man Series
- Bombay Special Series

Contracted manufacturing brands

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

Credit rating

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

MILESTONES



1989

Incorporated as a public limited company

1990

Commenced the manufacturing and marketing of potable alcohols

1995

Modernises and expanded the distillery

2012

Revamped manufacturing facilities and processes as per prevailing requirements

2015

Created a completely integrated system including the implementation of SAP-ERP

2016

Issued bonus shares in the ratio of 1:1

2017

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

2018

Completed the 45 MLPA ENA expansion (Phase I) project

2019

Operated the expanded ENA capacity for the first full year
Listed on National Stock Exchange

2021

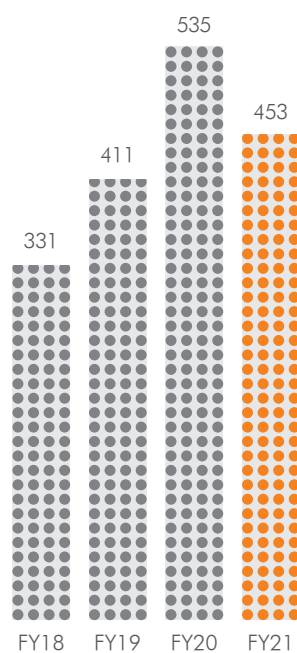
Exported ENA to one of the world's most respected vodka manufacturers in Europe

2021

Announced the project expansion of Phase-II to 75 MLPA

HOW WE GREW ATTRACTIVELY IN THE LAST FEW YEARS

Revenues (₹ Crore)



Definition

Growth in sales net of taxes and GST

Why is this measured?

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

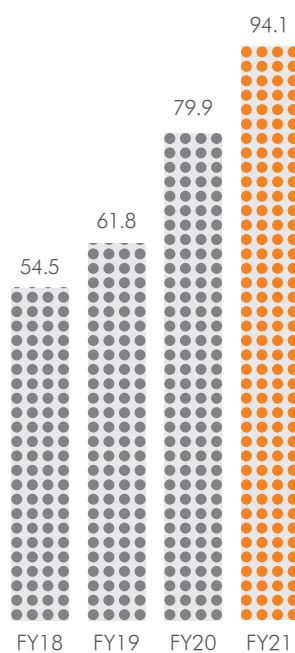
What does it mean?

The aggregate sales declined 15% to ₹453 Crore in FY 2020-21 due to the impact of the pandemic, resulting in lower production and offtake

Value impact

The Company performed 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 of operating costs.

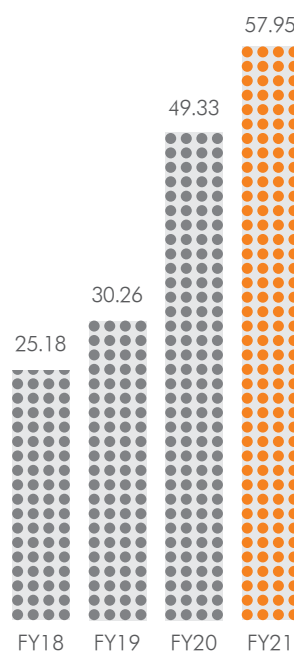
What does it mean?

This helps create a robust growth engine and sustain profits.

Value impact

The Company reported an appreciable 16.84% EBITDA increase, which represented profitable growth in a year of lower revenues

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.

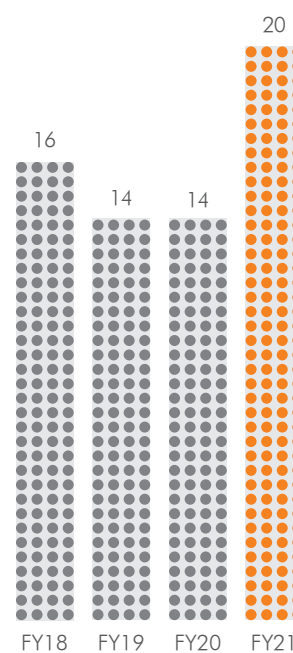
What does it mean?

Ensures that adequate surplus is available for reinvestment.

Value impact

The Company reported a 17.47% increase in net profit in FY 2020-21, more than doubling from the level of three years ago.

EBIDTA margin (%)



Definition

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

Why is this measured?

The EBIDTA 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 400 bps increase in EBIDTA margin during FY 2020-21.