

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

ALLIED BLENDE RS AND DISTILLERS LTD

Jun 24, 2024



Allied Blenders
& Distillers



Jun 24, 2024

Details of the Issue

Price Band	₹ 267 - ₹ 281
Issue Size	₹ 1,500 Cr
Face Value	₹ 2
Bid Lot	53
Listing on	BSE, NSE
Post Issue Mcap	₹ 7,859.59 Cr
Investment Range	₹ 14,151 - ₹ 14,893

Important Indicative Dates (2024)

Opening	25 - Jun
Closing	27 - Jun
Basis of Allotment	28 - Jun
Refund Initiation	01 - July
Credit to Demat	01 - July
Listing Date	02 - July

Lead Manager

Nuvama Wealth Management Limited
ITI Capital Limited
ICICI Securities Limited
Link Intime India Pvt Limited

Offer Details

Offer Size	₹ 1,500 Cr
Fresh Issue	₹ 1,000 Cr
OFS	₹ 500 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	750	26.6	28	50
NIB	225	8	8.4	15
Retail	525	18.6	19.6	35
Em- ploy.	-	-	-	-
Total	1,500	53.3	56.17	100

[Invest Now](#)[Company Profile](#)

Founded in 2008, Allied Blenders and Distillers is an Indian-made foreign liquor firm specializing in whisky, brandy, rum, and vodka. They also market packaged drinking water under Officer's Choice, Officer's Choice Blue, and Sterling Reserve labels. Officer's Choice Whisky, launched in 1988, marked their entry into the mass premium whisky segment and became one of the world's top-selling whisky brands from 2016 to 2019. By December 2023, their products reached 14 international markets, spanning the Middle East, North and South America, Africa, Asia, and Europe.

Operating a distillery in Rangapur, Telangana, spread across 74.95 acres with a built-up area exceeding 25,000 square meters, they produce 54.75 Mn litres of extra neutral alcohol annually. With nine bottling units and five third-party facilities, their products are available in 79,329 retail outlets across 30 Indian states and union territories as of March 31, 2023.

[Business Highlights & Services](#)

The company is engaged in the manufacturing, marketing and sale of alcoholic beverages in India and abroad. The company manufacturing network includes one owned distillery, nine owned bottling units and 23 non-owned manufacturing units. As of December 31, 2023, the product range includes five main categories: whisky, brandy, rum, vodka and Others. Over the years, company have established as market leaders in the Indian alcoholic beverages market, capturing an 8.2% share of the IMFL market by sales volume in FY23. By Dec 31, 2023, the sales spanned 30 States and Union Territories, supported by 12 sales offices and comprehensive route-to-market capabilities in all alcohol-permitted regions. The extensive distribution network, encompassing 79,329 retail outlets as of Mar 31, 2023, has driven significant growth in the annual sales volumes. Company's strong industry position, robust brand portfolio, and efficient logistics have fueled the business growth and financial success. Additionally, it exported to 14 international markets, including the Middle East, North America, Africa, Asia, and Europe, by the end of 2023.

The company has strengthened brand awareness and goodwill through numerous awards at prestigious events like the Design and Packaging Masters, The Spirits Business London, and Monde Selection Bruxelles. Adopting a lifestyle approach, the company focuses on building awareness, enhancing product appeal, ensuring affordability, maintaining quality, and fostering consumer engagement through initiatives like partnerships with the Indian Premier League and Pro Kabaddi League, as well as celebrity endorsements.

Company distillery in Rangapur, Telangana, spans 74.95 acres with a built-up area of over 25,000 square meters and an annual distillation capacity of 600 lakh liters of extra neutral alcohol (ENA). It have extensive bottling capabilities across India, with 32 bottling facilities as of Dec 31, 2023. This includes nine owned and operated units and various third-party agreements. It have 18 non-exclusive bottling agreements and a royalty arrangement with a third-party manufacturer to produce and package their products under the brand name.

In FY 23, whisky accounted for 64% of IMFL sales by volume and 68% by value in India. The mass premium segment made up about 37% of the total IMFL market in Fiscal 2022. Officer's Choice Whisky leads the mass premium segment with a 20.9% market share in annual sales volumes for Fiscal 2023. Country liquor comprised close to one-third of the alcoholic beverage market by volume in Fiscal 2023, with an estimated 350 Mn cases. This market is projected to reach 445 Mn cases by FY 28.



The Company aim to attract consumers transitioning from country liquor or economy brands to higher-quality products, driven by increasing social acceptance and rising incomes. Officer’s Choice Whisky is positioned to meet this demand and target younger consumers, leveraging significant entry barriers and market dynamics.

The prestige segment, also known as the deluxe segment, is the largest in the whisky market, contributing 51% of the volume at 124 Mn cases in Fiscal 2023. This is expected to grow to 192 Mn cases, representing 54% by Fiscal 2028. The brand, Sterling Reserve Blend 7, has grown significantly since its launch in Fiscal 2018, and it plan to introduce more products in premium segments for higher margins and profitability. It offer a diverse portfolio across flavors, segments, and price points and will continue to develop premium products based on consumer insights. Recently, it launched Zoya Special Batch Premium Gin in January 2024, with sales expanding to Mumbai in June 2024. It also plan to introduce new experiences, including flavored spirits, craft spirits, low-alcohol beverages, and ready mixes, to appeal to younger consumers.

Despite the impact of COVID-19, Company business has consistently generated healthy operating cash flow. Company net cash generated from operating activities was ₹2,466.18 Mn in FY 21, ₹1,787.60 Mn in FY22, ₹2,298.55 Mn in FY23, ₹1,729.85 Mn in the nine months ended Dec 31, 2022, and ₹1,439.12 Mn in the nine months ended Dec 31, 2023. Company restated profit for the same periods was ₹25.08 Mn, ₹14.76 Mn, ₹16.01 Mn, ₹28.81 Mn, and ₹42.29 Mn, respectively. Net Worth as of March 31, 2021, 2022, and 2023, and December 31, 2022, and 2023, was ₹3,817.82 Mn, ₹4,040.98 Mn, ₹4,060.99 Mn, ₹4,070.84 Mn, and ₹4,092.56 Mn, respectively.

Business Segment and Brand portfolio

Segment	Brand		
Premium	Zoya Special Batch Premium Gin	Sterling Reserve Blend 10 Whisky	Kyron Premium Brandy
	Sterling Reserve Premium Cellar Brandy	X&O Barrel Premium Whisky	
Semi-Premium	Sterling Reserve Blend 7 Whisky	Sterling Reserve B7 Whisky Cola Classic Mix	Srishti Premium Blended Whisky
	Officer's Choice Blue Whisky	Jolly Roger Rum	ICONIQ White International Whisky
Deluxe	Officer's Choice Whisky	Officer's Choice Star	Officer's Choice Brandy
	Officer's Choice Rum	Class 21 Vodka	Cheval Fort Café Rum
Mass Premium			

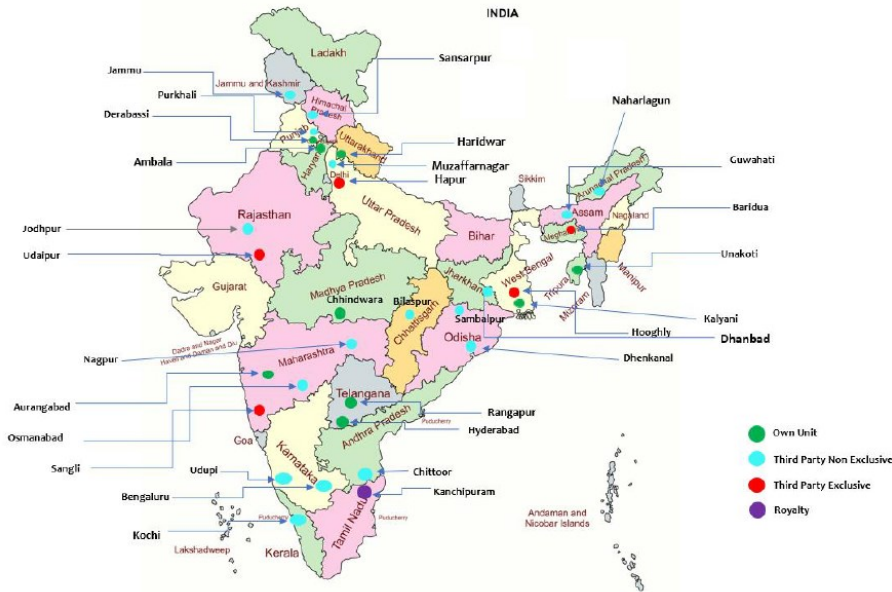
Product wise revenue and category-wise revenue

Product	9MFY24		FY23		FY22		FY21	
	Revenue from Contract (INR in Cr)	% of Revenue	Revenue from Contract (INR in Cr)	% of Revenue	Revenue from Contract (INR in Cr)	% of Revenue	Revenue from Contract (INR in Cr)	% of Revenue
Whisky	5,576	97%	6,777	97%	6,973	99%	6,225	99%
Brandy	123	2%	103	1%	41.88	1%	41.37	1%
Rum	43	1%	66	1%	27.88	0.4%	22.39	0.36%
Vodka	4	0%	13	0%	5.19	0.1%	6.56	0.10%
Other	5	0%	2	0%	5.25	0.1%	4.04	0.06%
Total	5,751	100%	6,961.14	100%	7,054	100%	6,299	100%

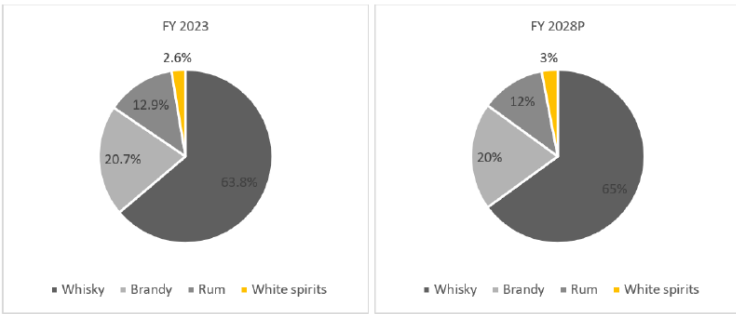


Allied Blenders and Distillers Limited

Production Facilities



Industry Outlook

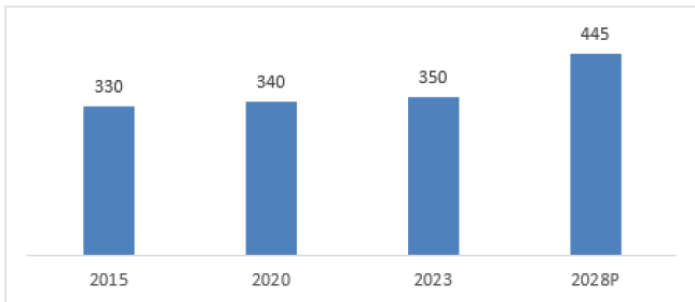


Total: 395 Mn cases

Total: 520 Mn cases

Segment	FY 2015-20	FY 2021-23	FY 2023-28P
Popular	-4.0%	14.5%	3.8%
Prestige	5.2%	18.5%	8.3%
Premium	10.1%	19.9%	9.0%
Luxury	4.4%	24.2%	13.4%
Overall	1.5%	17.4%	6.0%

IMIL market in India in million cases for Fiscal (Volume in million cases)



Peers Comparison

Name of the Companies	Total Income (₹ million)	Face Value per equity share (₹)	Closing Price as on May 30, 2024 (₹)	P/E as on May 30, 2024	EPS (Basic) (₹)	EPS (Diluted) (₹)	Return on Net Worth (%)	NAV per Equity Share (₹)
Allied Blenders and Distillers Limited (Company)*	71,167.49	2	-	-	0.07	0.07	0.39	16.64
Listed Peers								
United Spirits Limited	2,78,885.00	2	1,171.35	73.16 times	16.01	16.01	18.76	82.48
Radico Khaitan Limited	1,27,533.19	2	1,580.00	95.87 times	16.48	16.48	9.98	165.13
Globus Spirits Limited	28,302.98	10	732.15	17.26 times	42.43	42.39	13.78	307.83

**Companies Competitive Strength :**

- Among the largest IMFL companies in India with a diversified and contemporary product portfolio.
- Strong brand recognition.
- Access to extensive pan-India distribution network with ability to scale.
- Well positioned to capture tailwinds in the Indian IMFL industry
- Experienced Board and senior management team and supported by a committed employee base.

Key Strategies Implemented by Company

- Increase market share of Officer's Choice Whisky across regions.
- Introduce new products within the premium, semi-premium and deluxe segments to strengthen presence in other categories.
- Continue to focus on improving operating efficiencies.
- Evaluate growth opportunities through selective acquisitions.
- Focus on environmental and social practices.
- Enhance brand awareness and engagement through digital marketing.

Particular (INR in Cr)	9MFY24	FY23	FY22	FY21
Equity Capital	49	49	47	47
Reserves and Surplus	360	357	357	328
Net Worth	409	406	404	382
Revenue	5,911	7,106	7,197	6,379
Growth (%)		-1%	13%	
EBITDA	177	185	196	194
EBITDAM (%)	3%	3%	3%	3%
PAT	4.229	1.60	1.48	2.508
PATM (%)	0.07%	0.02%	0.02%	0.04%
ROCE (%)	24.35%	25.87%	25%	26.45%
ROE (%)	1.03%	0.39%	0.37%	0.66%

Valuations and Recommendation:

- Based on annualized FY24 earnings to post-IPO paid-up equity capital of the company, The issue is priced at a P/E of 1,393X. Thus the issue appears to be fully priced compared to peers.
- Allied Blenders and Distillers, heavily reliant on Officer's Choice whisky sales (constituting 75.85% and 73.02% of revenue in FY23 and 9M FY24 respectively), faces substantial risks. A decrease in whisky sales could severely impact its financial outlook. Operating on low margins (OPM 3.09%, PAT 0.07% in 9M FY24), any tax hikes on alcohol or regulatory changes could hurt profitability. Contingent liabilities at 47.07% of net worth and ongoing legal issues add to financial concerns. Environmental scrutiny may raise compliance costs. The company's high debt (Rs 834.58 crore) and volatile financial performance, coupled with intense industry competition and a steep valuation (P/E 1,393x), highlight investment risks. Hence, we recommend an "Avoid" rating for the issue.



Notes

GEPL Capital Pvt. Ltd

Head Office: D-21/22 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400001

Reg. Office: 922-C, P.J. Towers, Dalal Street, Fort, Mumbai 400001

Research Analyst – Mr. Dibandu Maji | + 022-6618 2689 | Dibandumaji@geplcapital.com

Disclaimer: This report has been prepared by GEPL Capital Private Limited ("GEPL Capital"). GEPL Capital is regulated by the Securities and Exchange Board of India. This report does not constitute a prospectus, offering circular or offering memorandum and is not an offer or invitation to buy or sell any securities, nor shall part, or all, of this presentation form the basis of, or be relied on in connection with, any contract or investment decision in relation to any securities. This report is for distribution only under such circumstances as may be permitted by applicable law. Nothing in this report constitutes a representation that any investment strategy, recommendation or any other content contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. All investments involve risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by the recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of GEPL Capital as a result of using different assumptions and criteria. GEPL Capital is under no obligation to update or keep current the information contained herein. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been effected at those prices and any prices do not necessarily reflect GEPL Capital's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions, by GEPL Capital or any other source may yield substantially different results. GEPL Capital makes no representation or warranty, express or implied, as to, and does not accept any responsibility or liability with respect to, the fairness, accuracy, completeness or correctness of any information or opinions contained herein. Further, GEPL Capital assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent development, information or events, or otherwise. Neither GEPL Capital nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. In no event shall GEPL Capital be liable for any direct, special indirect or consequential damages, or any other damages of any kind, including but not limited to loss of use, loss of profits, or loss of data, whether in an action in contract, tort (including but not limited to negligence), or otherwise, arising out of or in any way connected with the use of this report or the materials contained in, or accessed through, this report. GEPL Capital and its affiliates and/or their officers, directors and employees may have similar or an opposite position in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). The disclosures contained in the reports produced by GEPL Capital shall be strictly governed by and construed in accordance with Indian law. GEPL Capital specifically prohibits the redistribution of this material in whole or in part without the written permission of GEPL Capital and GEPL Capital accepts no liability whatsoever for the actions of third parties in this regard.