



Allied Blenders & Distillers

Issue Opens - June 25, 2024 to June 27, 2024

Price Band
₹267 to ₹281

Face Value

₹2

Lot Size

53 Shares

Issue Size

₹1,500.00 Cr

Issue Type

Book Built

research@ganeshstock.com

Important Events



Issue Size

53,380,783 shares / ₹1,500.00 Cr

Fresh Issue

35,587,189 shares / ₹1,000.00 Cr

Offer for Sale

17,793,594 shares of ₹2 / ₹500.00 Cr

Basis of Allotment

Friday, June 28, 2024

Initiation of Refunds

Monday, July 1, 2024

Credit of Shares to Demat

Monday, July 1, 2024

Allied Blenders Listing Day

Tuesday, July 2, 2024

Objects of The Offer

The Company proposes to utilise the Net Proceeds towards funding the following objects:

1. Prepayment or scheduled repayment of a portion of certain outstanding borrowings availed by the Company and
2. General corporate purposes.

Brief profiles of the Directors



Kishore Rajaram Chhabria serves as the Chairman and Non-Executive Director of our Company. He holds a bachelor's degree in commerce from the University of Bombay and has over 19 years of management experience, previously working with Shaw Wallace & Company Limited and B.D.A. Limited.

Bina Kishore Chhabria is the Non-Executive Director and Co-Chairperson of our Company. She has been a Director since 2010 and has no formal education.

Resham Chhabria Jeetendra Hemdev is the Whole-Time Director (Vice Chairperson) of our Company. She holds a third-year bachelor's degree in commerce from the University of Mumbai and has completed the Management Development Program at the Wharton School, University of Pennsylvania. She has over two years of management experience.

Shekhar Ramamurthy is the Whole-Time Director (Executive Deputy Chairman) of our Company. He holds a post-graduate diploma in Management from the Indian Institute of Management, Calcutta, and has over 33 years of experience in marketing, corporate planning, and sales, previously working with United Spirits Limited and United Breweries Limited.

Alok Gupta is the Managing Director of our Company. He holds a post-graduate diploma in Business Management from the Institute of Management Technology, Ghaziabad, and has over 26 years of experience in management, marketing, and portfolio management. His previous associations include Autometers Limited, McDowell & Co. Ltd, Whyte and Mackay Ltd., United Spirits Limited, and Essar Capital Advisory India Private Limited.

Arun Barik is an Executive Director on our Board. He holds a bachelor's degree in Science from Utkal University, Bhubaneswar, and has over 27 years of experience in various fields, including manufacturing. He was previously associated with Seagram Distilleries (P) Limited and Mason & Summers Alcobev Pvt. Ltd.



About The Company

Allied Blenders and Distillers Limited (ABD) is an Indian spirit's firm, very popular for its leading brand Officers Choice, which was launched in 1988. Allied Blenders and Distillers Limited provides a varied range of whiskies, brandies, and other spirits, with a major focus on quality and innovative product. The company has a strong distribution or supply chain network, and it also give importance to corporate social responsibility. the company's strategic expansion, high standards, and quality goods have helped them maintain a strong market position in the spirits industry.

Description of Their Business


















They are the largest Indian-owned IMFL (Indian-made foreign liquor) company and the third largest IMFL company in India by annual sales volumes from Fiscal 2014 to Fiscal 2022 (Technopak Report). They are one of only four spirits companies in India with a nationwide sales and distribution network and are a leading IMFL exporter, holding an estimated 11.8% market share in the Indian whisky market for Fiscal 2023.

Their flagship brand, Officer's Choice Whisky, launched in 1988, is a top-selling whisky globally by annual sales volumes between 2016 and 2019 (Technopak Report). As of December 31, 2023, their product portfolio includes 16 major IMFL brands across whisky, brandy, rum, and vodka. Some of their brands, like Officer's Choice Whisky, Sterling Reserve, Officer's Choice Blue, and ICONiQ Whisky, are 'Millionaire Brands,' each selling over a million 9-litre cases annually.

Particulars	Fiscal			Nine months ended December 31, 2022	Nine months ended December 31, 2023
	2021	2022	2023		
	Annual Sales Volumes (million cases)				
Whisky					
- Officer's Choice Whisky	15.54	17.55	18.89	14.42	14.56
- Officer's Choice Blue	5.84	5.81	5.56	4.38	3.40
- Sterling Reserve	2.97	3.75	5.30	4.00	3.85
- ICONiQ Whisky*	-	-	-	-	1.43

Brands



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

Track Record Of Financial Performance



Particulars	For the nine months period ended 31 December 2023	For the nine months period ended 31 December 2022	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
Revenue					
Revenue from operations	59,111.44	53,890.41	71,056.80	71,969.20	63,787.76
Other income	38.34	104.13	110.69	112.45	190.36
Total Income	59,149.78	53,994.54	71,167.49	72,081.65	63,978.12
Expenses					
Cost of materials consumed	16,363.29	15,334.50	19,956.87	16,349.72	13,904.44
Purchases of stock-in-trade	42.55	42.63	56.27	48.56	37.30
Changes in inventories of finished goods, stock-in-trade and work-in-progress	(108.24)	(512.55)	(272.70)	(111.28)	268.77
Excise duty	33,508.68	30,133.35	39,590.51	45,112.68	40,304.10
Employee benefit expense	1,270.45	1,397.96	1,856.68	1,934.70	1,722.38
Other expenses	6,211.04	6,140.56	8,019.25	6,671.76	5,611.17
Total expenses (excluding finance cost and depreciation / amortisation)	57,287.77	52,536.45	69,206.88	70,006.14	61,848.16
Profit before finance costs, depreciation and amortisation expenses and tax	1,862.01	1,458.09	1,960.61	2,075.51	2,129.96
Finance costs	1,279.32	982.97	1,349.72	1,450.93	1,415.10
Depreciation and amortisation expenses	390.88	414.10	551.43	586.36	587.41
Profit before exceptional items and tax	191.81	61.02	59.46	38.22	127.45



Exceptional Items (Refer note 20)	49.86	-	-	-	-
Profit before tax	141.95	61.02	59.46	38.22	127.45
Tax expense/(credit), net					
(i) Current tax	67.96	9.37	12.38	13.38	45.51
(ii) Deferred tax	32.50	22.84	31.49	28.07	68.76
(iii) Tax adjustments in respect of earlier years	(0.80)	-	(0.42)	(17.99)	(11.90)
	99.66	32.21	43.45	23.46	102.37
Profit after tax	42.29	28.81	16.01	14.76	25.08
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of the defined benefit plans gain/(loss)	(14.33)	1.62	6.16	8.57	(5.31)
Income tax relating to these items	3.61	(0.57)	(2.16)	(2.99)	1.86
Other comprehensive income, net of tax	(10.72)	1.05	4.00	5.58	(3.45)
Total comprehensive income	31.57	29.86	20.01	20.34	21.63

The following table sets forth their revenues from operations relating to our IMFL product categories for the years indicated:



Category	Fiscal					
	2021		2022		2023	
	Revenue from contracts* (₹ million)	Percentage of Revenue from contract** (%)	Revenue from contracts* (₹ million)	Percentage of Revenue from contract** (%)	Revenue from contracts* (₹ million)	Percentage of Revenue from contract** (%)
Whisky	62,245.79	98.82	69,734.30	98.86	67,770.97	97.36
Brandy	413.67	0.66	418.81	0.60	1,026.12	1.48
Rum	223.89	0.36	278.82	0.40	661.04	0.95
Vodka	65.56	0.10	51.89	0.07	128.37	0.18
Others***	40.42	0.06	52.46	0.07	23.41	0.03
Total	62,989.33	100.00	70,536.28	100.00	69,609.91	100.00

The following table sets forth details of certain financial parameters as of and for the periods indicated:

Particulars	As of and for the Years ended March 31,			As of and for the nine months ended December 31, 2022	As of and for the nine months ended December 31, 2023
	2021	2022	2023		
	(₹ million, except percentages)				
Revenue from Operations	63,787.76	71,969.20	71,056.80	53,890.41	59,111.44
Restated Profit after tax for the year/period	25.08	14.76	16.01	28.81	42.29
Gross Margin ⁽¹⁾ (%)	39.49%	39.36%	37.26%	37.43%	36.34%
EBITDA ⁽²⁾	2,129.96	2,075.51	1,960.61	1,458.09	1,862.01
EBITDA Margin ⁽³⁾	9.07%	7.73%	6.23%	6.14%	7.27%
PAT Margin ⁽⁴⁾	0.11%	0.05%	0.05%	0.12%	0.17%
ROE ⁽⁵⁾	0.66%	0.37%	0.39%	0.71%*	1.03%*
ROCE ⁽⁶⁾	26.45%	25.13%	25.87%	18.80%*	24.35%*
Net Debt / Equity ⁽⁷⁾	2.39	2.05	1.85	1.89	1.88



Strengths

1. They are one of the largest IMFL companies in India, boasting a diverse and modern product range.
2. The company enjoys strong brand recognition and operates strategically located.
3. large-scale manufacturing facilities equipped with advanced R&D centers. With access to an extensive pan-India distribution network,
4. They are well-positioned to scale operations and capitalize on growth opportunities in the Indian IMFL industry.
5. The company is guided by an experienced Board and senior management team, supported by a dedicated workforce.

Threats

1. Heavy reliance on whisky sales poses financial risks.
2. Decline in brand popularity could harm profits.
3. Faces price control challenges across different states.
4. Supply chain disruptions could impact production stability.
5. Participation in tenders exposes them to compliance risks.

Valuation and Outlook



The expected share price for Allied Blenders and Distillers Limited IPO is set between ₹267 to ₹281 per share. The company's valuation shows a Price-to-Earnings (P/E) ratio of 1693x (Nine month period ended December 31, 2023), based on a price above ₹271, and FY23 EPS is ₹0.17.

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
<i>Listed Peers</i>								
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

To boost margins and profitability, they have entered the premium and semi-premium whisky markets and plan to expand into the deluxe segment. They aim to increase production capacity by acquiring or building more distilleries across India for better backward integration. However, over 90% of their revenue comes from whisky products, facing strong competition from established brands. Regulatory changes and government policies could impact their operations. Despite a strong brand, diverse products, and a vast distribution network, Allied Blenders and Distillers has experienced volatile financial performance, low profit margins, high debt, and operates in a competitive, heavily regulated industry. Potential investors should consider these factors, especially given the high IPO valuation with a P/E of 1693x.

We assign a **"Avoid"** grade for this issue.

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