



FRATELLI
• VINEYARDS •

Date: August 18, 2025

To,
The Listing Compliance Department
BSE Limited
P. J. Tower, Dalal Street
Mumbai – 400001

To,
The Secretary
Calcutta Stock Exchange Limited
7, Lyons Range, Kolkata 700001

Scrip Code: 541741

**Subject : TRANSCRIPT OF INVESTORS AND EARNINGS CALL HELD ON
WEDNESDAY, AUGUST 13, 2025**

Dear Sir/ Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in continuation to our letter dated August 08, 2025, please find attached the Transcript of investor and earnings concall, held on Wednesday, August 13, 2025.

<https://investor-relations.fratelliwines.in>

This is for your information and records.

Thanking You,

Yours Faithfully,
For FRATELLI VINEYARDS LIMITED
[formerly known as Tinna Trade Limited]

Mohit Kumar
Company Secretary
ACS 38142

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**“Fratelli Vineyards Limited
Q1 FY'26 Earnings Conference Call”**

August 13, 2025



**MANAGEMENT: MR. GAURAV SEKHRI – CHAIRMAN & MANAGING
DIRECTOR, FRATELLI VINEYARDS LIMITED
MR. ADITYA SEKHRI, DIRECTOR, FRATELLI VINEYARDS
LIMITED
MR. RAJESH GARG – CHIEF FINANCIAL OFFICER,
FRATELLI VINEYARDS LIMITED
MR. HEMANT ARORA – CHIEF BUSINESS OFFICER,
FRATELLI VINEYARDS LIMITED**

MODERATOR: MS. PRIYA SEN – GO INDIA ADVISORS

Moderator:

Ladies and gentlemen, good day and welcome to the Fratelli Vineyards Limited Q1 FY26 Earnings Conference Call hosted by Go India Advisors.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Priya Sen from Go India Advisors. Thank you and over to you.

Priya Sen:

Thank you, Vishaka. Good afternoon, everybody and welcome to Fratelli Vineyards Limited Earnings Conference Call to Discuss the Q1 FY26 Results.

We have on the call, Mr. Gaurav Sekhri – Chairman and Managing Director; Mr. Aditya Sekhri – Director; Mr. Rajesh Garg, Chief Financial Officer and Mr. Hemant Arora -- Chief Business Officer.

We must remind you that the discussion on today's call may include certain forward-looking statement and must therefore be viewed in conjunction with the risks that the company faces.

May I now request Mr. Gaurav Sekhri to take us through the Company's Business Outlook and the Performance, subsequent to which we will open the floor for “Q&A.” Thank you and over to you, sir.

Gaurav Sekhri:

Good afternoon, Priya. Good afternoon, everyone. Thank you for joining us for the Q1 FY26 Earnings Conference Call of Fratelli Vineyards Limited.

The “Financial Results and Investor Presentation” have been uploaded to the stock exchanges and I hope you have had a chance to review them.

For those joining us for the first time, please allow me to take a moment to briefly introduce Fratelli Vineyards. We are one of India's leading premium wine companies with a presence across 29 states and union territories. Our diverse portfolio spans both value and premium segments catering to the evolving preferences of Indian consumers. With over 400-acres of vineyards under active farming and nearly 1,000 acres under long-term partnerships, our operations are backed by more than 15-years of viticulture expertise.

Our fully integrated facility in Akhuj, Maharashtra spanning vineyards to bottling ensures consistency, scale and uncompromising quality.

In recent years, we have undertaken strategic investments in infrastructure, brand and people to build a strong foundation for scalable, sustainable growth. We are now a future-ready wine company with a clear focus on long-term growth.

As we step into FY26, consumption is looking promising, supported by improving macroeconomic indicators and a young population with aspirational consumption patterns. These are encouraging trends that closely align with Fratelli's long-term vision and commitment to a luxury and premium wine company.

On the regulatory front, Maharashtra's recent excise duty hike on spirits caused a temporary disruption in wine sales, while excise duties on wine remain unchanged and this is beneficial overall for the wine businesses.

Additionally, the UK-India Free Trade Agreement came into effect this quarter. Although its full impact is still unfolding, we do not expect it to have any negative impact on sale of Indian wines.

That said, we are seeing continued traction in aspirational and luxury-led consumption. Our flagship labels, SETTE and J'NOON continue to gain market share within the luxury segment, which grew 15% in Q1 FY26 and now contributes 6% of our top line.

The master selection range in the super premium segment also recorded steady progress this quarter, around 6% to revenues.

At the same time, we are deepening our presence in Tier-2 and Tier-3 cities and enhancing reach in regions with traditionally low wine consumption.

The premium portfolio remains the anchor of our brand identity, while innovation continues to unlock newer audiences.

We remain committed to unlock India's untapped potential of wine and increasing TAM. A prime example of steps that we have taken in this direction is the launch of Shotgun, our crafted wine RTD offering, launched in February 2025. Within just three months, it has secured a 5% market share in tracked states and is now present in nine domestic markets. The overall RTD industry grew double digit in Q1 and with Rs.400 crores addressable market in wine RTD, we see significant headroom for expansion and sustained momentum for Shotgun. While we continue to grow in the core wine segment, Shotgun represents an additional vertical, a new opportunity designed to strategically deepen our penetration in Tier-2 and Tier-3 cities, as well as in the regions where wine consumption is still at a nascent stage, meeting evolving consumer expectations for convenient, high-quality beverages. We are targeting presence across 15 states for Shotgun by the end of FY26.

On wine in a can format, TILT continues to build relevance across emerging urban markets. We are among the few players actively shaping a modern wine culture in India, one that resonates with younger, lifestyle-driven consumers. We continue to be market leaders with a dominant market share in wine in a can format.

I am pleased to inform you that the company has invested approximately Rs.70 crores in FY23 to FY25. These investments have gone into fixed assets like expansion of winery building, new state-of-the-art equipment, and vineyards. We have approximately Rs.12 crores of CAPEX planned in FY26 as well, and this will largely complete our CAPEX cycle for capacity expansion required for envisaged growth over the next three to five years.

Also, we are at the planning stage for our wine tourism and hospitality vertical. Over the next two to three years, we expect to invest around Rs.100 crores in hospitality in Maharashtra, and we plan to set up our own winery in Karnataka. These investments will not only diversify our growth but also deepen consumer engagement. Our focus remains steadfast in top line growth and margin expansion.

With that, I will now hand over to “Aditya to take you through the Financial and Operational Highlights for the Quarter.”

Aditya Sekhri:

Thank you and good afternoon, everyone.

This quarter's performance reflected steady operational progress alongside near-term challenges. Net sales declined 16%, driven by temporary slowdown in urban consumption and deliberate supply chain optimization to protect wine quality. In Maharashtra, a key market for Fratelli, the revision in spirit prices following excise duty changes caused a temporary disruption that affected wine sales, even though the excise duties on the wine itself were not changed.

In Q1 FY26, the premium and above segment continue to make progress, contributing over 70% of total sales, underscoring the brand's strength in the high-value space.

Fratelli's recent new launch, Pinot Noir, one of the world's most popular wine varieties, launched in July '24, is now available in more than 1,000-plus outlets across the country.

The company continues to command roughly one-third share of the Indian wine market, supported by its portfolio of premium offerings.

Gross margins continued their upward trajectory, delivering an improvement of 700 basis points, supported by disciplined cost control and operational efficiency.

EBITDA margins were softer, reflecting increased investments in Shotgun and other long-term initiatives such as category development, infrastructure enhancement, and brand building.

Finance costs rose due to borrowings for capacity expansion, while depreciation increased with the commissioning of new assets. These investments for building capabilities and positioning us for future readiness.

On the capacity front, we now have 5.4 million litres of winery capacity, alongside a new 47,000 square feet facility in Akulj.

Plantation of 100 acres of new vineyards in Jambhali is progressing as planned, strengthening our integrated value chain and ensuring consistent quality and supply. These capabilities make us well-prepared for rising demand, as we expect our offerings to extend our presence in newer geographies.

Our international expansion includes entry into three new markets, increasing our footprint to now 12 countries and two duty-free zones in Delhi and Mumbai.

On the domestic front, we have established a presence in Chhattisgarh as well now, bringing our total reach to 29 states and union territories.

Operationally, we continue to sharpen efficiency in systems. Salesforce tracking now provides real-time sales visibility, and supply chain optimization measures are preserving product integrity across key markets.

In line with our sustainability commitment, we have now installed 520 kw of solar capacity, meeting 50% of our electricity needs and generating annual savings of approximately Rs.50 lakhs.

As we look forward, our priorities are clear, expanding the reach of RTD Shotgun, advancing our premium portfolio, strengthening our hospitality vertical, and widening our presence across markets.

Supported by scalable capacity and established portfolio and a defined growth pathway, we are well-placed to consolidate our position in the premium wine space.

Guided by operational discipline and a long-term approach, we aim to deliver consistent revenue growth and healthy margin improvement while shaping evolving consumer trends in wine consumption across India.

Our diversified portfolio and consistent focus on delivering superior wine experiences continue to enhance brand strength.

Driving EBITDA improvement remains our key objective. We are meeting evolving consumption patterns and engaging new wine drinkers through innovative offerings like Shotgun and TILT. Fratelli's expanding its reach by introducing such formats, appealing to both seasoned consumers and novices, alongside continued investments in capacity, brand building, and systems, the foundation for sustained long-term growth.

That concludes my remarks. We may now open the floor for questions and answers. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aryan Oswal from Finterest Capital. Please go ahead.

Aryan Oswal:

So, sir, I have a few couple of questions. The first question is, are there any new product launches planned for the coming quarters and how do they align with the company's premiumization strategy?

Yes. Hi, Aditya here. I will take the question. So, we have recently just launched Pinot Noir as I just mentioned. In the last fiscal year, that continues to be a long-term priority for the brand. And we, of course, look to increase it in more touch points in the next coming quarters. We have two major rebrands which are planned as well, one being the Gran Cuvee Brut, for which you will be hearing more about in a subsequent quarter. And, of course, the major focus for this year will be alongside our premium growth, getting Shotgun in roughly 15 markets.

Aryan Oswal:

Got it, sir. And, sir, what is the estimated size of the addressable wine market in India and how do you expect it to evolve over the medium term?

Aditya Sekhri:

So, the current market size for the Indian wine industry, not inclusive of RTDs, is roughly Rs.1,000 crores for the domestic market and about Rs.500 crores for the imported segment at the moment. We, as Fratelli, are expecting the industry to grow at about 15% to 20% for the next three to four years and we remain firm on that.

Aryan Oswal:

Okay. And, sir, one last question. So, were there any supply chain constraints such as grape harvest challenges or packaging shortages? And how have input costs per litre moved year-on-year?

Gaurav Sekhri:

We have not had any challenges on the procurement of grapes or any major changes in the price of even grapes that we procure from outside or otherwise contracts are long-term with farmers. And therefore, you will see there are no major changes in the gross margin profile of the company.

Aryan Oswal:

Got it. Thank you so much. I will join back in the queue.

Moderator:

The next question is from the line of Karan Kamdar from Choice Institutional Research. Please go ahead.

Karan Kamdar:

Sir, I just wanted to have your view on how you see the market as because it seems like the consumer is savoring imported brands more, so how do we plan to challenge that and sort of get the consumer back to domestic wine?

Gaurav Sekhri:

See, there is no denying that, the general perception that we carry in India, not just for wine, but even for other products tends to be that, what is imported is superior. And this is even more so in the case of wines. However, the kind of quality that is being offered, especially by Fratelli and also by the other wine industry people in India, I think as and when consumers are trying and experiencing the product, they realize that at that price point, the kind of quality that is being delivered by the Indian wine industry is far superior to imported. So, you are right, there is a perception issue, but it has been overcome and it will continue to be overcome by just producing higher quality products.

Karan Kamdar:

Got it, sir. Sir, on the hospitality front, you announced, I think one in Maharashtra and one in Karnataka also. How do you see that and how much percentage of our revenue do you expect to contribute, let us say one, two years down the line once it gets fully established?

See, firstly, I clarify. Our intention initially is to only roll out the hospitality venture in Maharashtra, not in Karnataka. In Karnataka, we expressed our desire to have our own winery. At the moment, we are working with a leased asset. So, that is what we had mentioned. And regarding the revenue contribution from hospitality, etc., it is a bit premature to talk about that today, because we are at least two years away from that happening. And I think it is better we discuss it down the road.

Karan Kamdar:

Got it, sir. Got it. Thank you. That is it from my side. Thank you for the opportunity.

Moderator:

Thank you. The next question is from the line of Chetan from Systematix Group. Please go ahead.

Chetan:

Yes, hi. Thank you for the opportunity. Sir, could you share the EBITDA margin differential between our premium luxury SKUs and say our fast-growing RTD products? And are our RTDs accretive or dilutive at a gross margin level?

Aditya Sekhri:

Aditya here. I will comment on this. So, I cannot comment on the EBITDA margin, but I can give you a view on the gross margins. Our gross margins for our premium and above brands are north of 70%. And they have remained so for the last three years. In the RTD segment, the gross margins are relatively lower. We are operating between 65% to 70% gross margin in the RTD segment.

Chetan:

Okay. Okay. And sir, again, a second question. So, if we see over 70% of our sales are from premium and luxury wines, so what is our internal target for this mix by say FY30, where we are targeting a 20%-plus kind of margin?

Aditya Sekhri:

So, the overall mix may reduce as a whole. But when it comes to our bottles business, I definitely believe our mix will be 70%-plus at least for the next five years from premium and above brands. But considering Shotgun is a product in which our focus will be there, therefore, as a whole, in terms of our overall top line, it may drop to about 65%. But if we look at our bottles business as a whole, it should remain above 70%.

Chetan:

Okay, okay, got it. And lastly, I wanted to ask on the Maharashtra this wine promotion scheme. So, do we have any estimated number like which we can expect in FY26?

Gaurav Sekhri:

See, the Maharashtra WIPS Scheme benefit is basically linked to the sales that you do in Maharashtra. And we are only into one, because that benefit is only applicable for sales within Maharashtra. But maybe our CFO can try and give you a range. Rajesh, would you like to maybe give an indication of range of the benefit we may expect this year?

Rajesh Garg:

Yes, Rajesh this side. Like Gaurav ji informed that I mean, it is too early to inform the projections, which we will be having from WIPS revenue. But last year, we booked around Rs.8 crores of VAT subsidy. So, I mean, it will be too early to say by the end of the year. But like we are projecting around 15% to 20% growth for the top line. So, I mean, similar may be expected in that segment also.

- Chetan:** Okay, sir. Got it. Thank you. Thank you so much.
- Moderator:** The next question is from the line of Shyam Garg from Niveshaay. Please go ahead.
- Shyam Garg:** Thank you so much for the opportunity. My first question is with respect to how many RTD cases have been sold to date? And what are the field ramp up expectations?
- Aditya Sekhri:** So, our plan, as I just mentioned, we have launched in about nine states already. Our endeavor is to do more than 1 lakh cases by the end of this financial year. But we will be able to give a better update by end of Q2.
- Shyam Garg:** Okay. And how many you have sold so far?
- Aditya Sekhri:** I will not be commenting on that as of now, but as I said, we have reached a 5% market share in the RTD space in Q1 already in states where data is available.
- Shyam Garg:** Okay, got it. Sir, my second question is with respect to how differentiated is our approach to Tier-2 and Tier-3 markets compared with Tier-1 market, particularly in terms of product development, packaging, for example, cans and RTDs, and marketing?
- Gaurav Sekhri:** Hi, Gaurav Sekhri here. There is no difference in the packaging at all between Tier-1, 2, and 3. It is very consistent and exactly the same. However, our approach is a bit different for Tier-2, Tier-3 cities. There is a larger effort needed in getting consumers to try the product, sample the product. And that is how we are sort of also putting our energy. But there is absolutely no difference in the product. Of course, in Tier-2, Tier-3 cities, consumption is more skewed towards the premium to value range versus the luxury range of products.
- Shyam Garg:** Okay. Sir, my next question is with respect to what is the cost optimization initiative that have been planned for FY26 and how will they lead to margin expansion roadmap?
- Gaurav Sekhri:** So, we have various initiatives underway. We had mentioned already about solar. We implemented solar energy in our facilities and that will result in savings. We have already given an estimate of that. We are also working on operational efficiency at the vineyard level, in the winery level, even supply chain optimization. So, all of those things will result in savings. We are working towards a plan.
- Shyam Garg:** Okay, sir. So, any absolute numbers or any expected margin expansion that we can expect from these plans?
- Gaurav Sekhri:** I think it is a little sensitive. We consider that information to divulge in that kind of detail. But certainly, we expect it to improve about maybe 200-250 bps to EBITDA.
- Shyam Garg:** Oh, nice. That is great, sir. Thank you so much, sir, for answering my questions.

- Moderator:** The next question is from the line of Manan Gandhi from Keystone. Please go ahead.
- Manan Gandhi:** Sir, with more than 70% of the portfolio positioned in the premium segment, how might the launch of TILT and Shotgun influence our overall mix? And how do you anticipate the revenue composition evolving over the next few years?
- Aditya Sekhri:** So, I already answered this question. Premium and above brands will continue to consist of about 70% of our revenues when it comes to our bottles business. But considering the overall TAM in both the TILT and the Shotgun segment, we see very good growth opportunities in those segments and therefore, our overall mix may come down to about 63-65% from premium and above brands in this year if you look at overall revenue. But if you talk about only the bottle segment, it will remain north of 70%.
- Manan Gandhi:** Okay, okay. And sir, just on a promoter holding side, one query. Like we were at 73.81% promoter holding and now we are like going down to 57%. So, like what exactly would be the reason for the same, because the stock price is also falling since like quite a long time.
- Gaurav Sekhri:** So, Manan, Gaurav Sekhri here. Firstly, the 73.81-old per cent that you saw was the promoter holding prior to the reverse merger of Fratelli into the business. Since the time Fratelli has become the holdco and 100% subsidiary of the listed entity, the promoter holding is consistent at just a shade below 58%.
- Manan Gandhi:** Okay. Okay. That is it from my side. Thank you.
- Moderator:** The next question is from the line of Deepesh Sancheti from Mania Finance. Please go ahead.
- Deepesh Sancheti:** What is the strategic rationale behind introducing a wine-based RTD and how will it differentiate from the existing market offerings?
- Gaurav Sekhri:** So, Gaurav Sekhri here. Firstly, wine-based RTD, as it suggests, it is wine liquid. And we have better expertise than anybody else in the country we would like to believe in, in the making of wine and the vineyards, etc., So, that clearly gives us a competitive advantage. Secondly, our rationale of getting into wine RTDs is to have one fast-moving product within our portfolio, which expands us as a business beyond just the traditional wine consumption area, #1. #2, it opens many new tier two, tier three markets for us, increases our touch points, because there are many small, small, retailers as you can imagine maybe in interior Maharashtra, interior Haryana, interior UP, where the sale of traditional bottled wine is possibly only, maybe five or 10 cases over two or three months. So, to service those markets can be a bit challenging. But with Shotgun, we can service them with higher frequency. So, it gives us much better access to touch points and increasing TAM.
- Deepesh Sancheti:** Okay. And who is currently leading the wine-based RTD category in India? And how does Fratelli intend to capture market share and stand out from the competition?

- Sure. So, the clear standout leader in this segment is a product called Bro Code. And I think the others are not so relevant; they are much smaller. And we have now thrown our hat in the ring as well. And we expect to become our brand to reckon with within our year one of launch.
- Deepesh Sancheti:** Okay. And when do you expect the EBITDA margins to go back to 9% to 10% level, and what are the levers in place to drive that?
- Gaurav Sekhri:** See, for us, it is really about top line expansion and some operational efficiencies which will bring the EBITDA to even beyond 10%. But like there is some work cut out and involved in getting there.
- Deepesh Sancheti:** And how much of the Q1 FY26, I mean, 76% year-on-year revenue drop was due to the volume decline, pricing changes or product mix shifts?
- Gaurav Sekhri:** Again, I think, just please, recheck the numbers that you are seeing regarding revenue decline, because I think you are comparing the business of the Holdco, the listed entity, prior to Fratelli was reverse merged into it. And that was a trading business with much higher revenues. So, that would not be the right comparison.
- Deepesh Sancheti:** What would be the right comparison, because I can see from Rs.150 crores, it has come down to Rs.36 crores?
- Gaurav Sekhri:** So, you have to see the revenue of the subsidiary company, which is Fratelli Wines of Q1 last year and compare that to Q1 of this year.
- Deepesh Sancheti:** How much was it, if you can just quantify the numbers?
- Aditya Sekhri:** So, Q1 last year versus current year, there was about a 15% dip in net sales if you compare Q1 last year versus this year. On a QoQ basis, we are 13% above, the previous quarter that just got concluded which is Q4 of FY25.
- Deepesh Sancheti:** Right. So, just want to understand, when will the actual growth come from? Because I am sure that you would not be very happy with Rs.36 crores every year quarter sales. So, when will the actual growth come and what about will be the growth drivers for the company?
- Aditya Sekhri:** See, we are firm this year that we will deliver 15% to 20% top line growth and there are still three quarters which are left. In fact, up to May, we were 5% above previous Q1. But as due to the changes that happened in Maharashtra, there was a dip in sales in June, which impacted us. But Q2 onwards, you will be seeing that recovery.
- Deepesh Sancheti:** Q2 onwards? And when we have the free trade agreements with the UK and maybe with EU also, I mean, when those kind of wines will actually flood the Indian market? I mean, maybe it will be a long process. Of course, it is mentioned that it will be 10 years for the zero duty to come into place. But still, once the Indian market is open for these bigger players, how do we see ourselves to,

maintain the market share and even increasing it? Whether acquisition related it will be, how it is going to be, has the management thought about all this?

Aditya Sekhri:

Yes, absolutely. I think it will be not correct to think about this eventual change which may happen. See, this change, as and when happens, as you have seen in the case of Australia as well, really impacts those wines which are above Rs.3,500 or Rs.4,000 in price point. Our most expensive wine at the moment, which is J'NOON, is Rs.4,500 rupees. So, as and when this gets implemented, we still have enough time and we believe that the segment up to about Rs.2,000 or Rs.2,500, which is where Fratelli operates in and looks to grow in over the next five years, it is fairly well protected even with these FTAs coming in place.

Deepesh Sancheti:

Just one suggestion. I mean, of course, it is your decision of course at the end. But just one suggestion. Can we have a change in the names of your wines, because it is always the perspective that whenever you have a Spanish name or Italian name, these are the premium wines, I mean, J'NOON is more of a Indian name, nothing to go against it, but it is always that perception. So, has the company thought of it that when we are launching premium wines, maybe keep, these kind of change the name to Italian names. Most of the builders are also doing that. So, just want to understand what do you think about it?

Gaurav Sekhri:

No, thank you. We appreciate and welcome suggestions. We will take note. This is Gaurav Sekhri here. I will spend maybe 30 seconds on it. All the branding in any kind of alcobev space, especially in the luxury segment, has to have some strong personal connect. And the background of SETTE is essentially seven in Italian, and we were seven original founders who had started the company. So, that is why the name SETTE and Master Selection is very international. But I think our most premium offering J'NOON is, we chose J'NOON to reflect the obsession, passion that we have about the business and the company, and it has been received extremely well. So, I think as of now, we have got our strategy right on the names, but we will certainly keep your inputs in mind as well.

Deepesh Sancheti:

Yes. And just one more question I think on the last con call I had mentioned about a drink called Tinto de Verano, which is a very Spanish local drink, which is available in every shop as small ready-to-drink bottles, also in two-liter bottles and in cans. Are we planning something like that kind of taste, which the younger generation can just pick it up and have, I mean, to get them introduced to a more sweeter wine taste as a cocktail base, have you thought about it?

Gaurav Sekhri:

So, all I can comment on that is, we have been the most progressive wine business in the country, whether it was wine in a can which was started, that product is meant to connect with the new consumers who are maybe with, who are Vegan, because it is a Vegan product, it is packed in the most environment-friendly packaging and a very, very tasty beverage. I hope you have tried Tilt. If not, then please try it. Now with Shotgun as well. So, we are not shying away from any opportunity to innovate in this industry. In fact, I would like to add that we are the first company to also launch a peach-flavored wine called Mosso, which was launched keeping the market in northeast with that focus. So, we are innovating all the time, but we appreciate your suggestions.

- Deepesh Sancheti:** Okay. And about our reach, how many states are we present in, or we are having a pan India present?
- Aditya Sekhri:** Twenty nine states as of now with the launch in Chhattisgarh and approximately 25,000 touch points in the country.
- Deepesh Sancheti:** Okay, so almost Pan India. Perfect. Thank you, guys. All the very best.
- Aditya Sekhri:** Thank you.
- Moderator:** The next question is from the line of Amit Mehendale from RoboCapital. Please go ahead.
- Amit Mehendale:** Thanks for the opportunity. So, my first question is on our capital requirement. So, our long-term goal is to hit say Rs.500 crores of revenue. Do we need additional capital to get there?
- Gaurav Sekhri:** Hi, Gaurav, Sekhri here. As I mentioned in my opening remarks as well, with the CAPEX cycle, we have undertaken from FY23 to FY25, approximately Rs.70 crores and another Rs.12 crores that we are spending this year. We are very well equipped to cater to growth for next three, maybe even five years in terms of capacities, equipment, all of that is in place. Of course, if business grows even beyond that, then that is a good problem to have and we can revisit it. So, aside from that, the only major CAPEX that we now intend to do is relating to our hospitality business and possibly setting up a new Greenfield winery in Karnataka.
- Amit Mehendale:** So, I am just kind of interpreting the answer that till Rs.500 crores or so, we do not need any additional capital, but maybe to hit maybe Rs.700, 800 crores or beyond Rs.500 crores, we will need capital?
- Gaurav Sekhri:** Yes, yes, you can assume that.
- Amit Mehendale:** Right. Sir, thank you for that. And the next question is on the, hospitality business. Again, I think I have got the suggestion there, we have invested if you look at the core business of about Rs.150 crores or so, and then the business is scaling up. So, how do we see adding Rs.100 crores to a non-core business diversifying from a non-core activity, putting attention, time there. Also that the business is typically hospitality is a low ROE business. So, how, why are we doing that?
- Gaurav Sekhri:** Your question is extremely valid. And we have not done hospitality till now, and we have been in the business for 15-years is for the exact same reason that we wanted to first focus and get our core business to scale, which has been achieved. Hospitality is very attractive on two fronts to a wine business, one, because it tremendously helps with brand building, as you know as any alcobev business, we also have large budgets for brand investments which we spend every year. The affinity a consumer builds to a brand when they visit, etc., is very strong. This is a global concept. And also the sale of wine, ex-winery to the people who visit is also an attractive proposition. And for these reasons, it is a good idea we feel to be in the wine-related hospitality business. And, we are inclined to have an operator run the property for us so that we do not have to go through the learning curve of getting familiar with hospitality.

Gaurav Sekhri:

I will also just clarify. Our budget for hospitality is not Rs.100 crores. It is actually we are expecting to not spend more than Rs.70 or rs.75 crores.

Amit Mehendale:

Right, sir. So, there is a suggestion would be, our competitor also has a similar offering on hospitality on a much smaller scale. So, I think from whatever we understand that the core idea looks, quite promising, but just that the size of CAPEX in non-core activity as compared to the core activity looks a little higher. So, maybe I am just giving you a suggestion to evaluate, not looking for a comment there.

Gaurav Sekhri:

Fully appreciate what you are saying. And we will consider all options. We are very, very judicious on capital allocation. As you know as promoters, we have our skin in the game and fairly high promoter holding in the company as well. So, we will certainly keep what you are saying in mind.

Amit Mehendale:

Thanks. And my last question is, strategically, how do we see ROEs for this business, many years out, like, five, seven years out? And my question is, we are tracking this company fairly recently. So, if you compare, say, a wine business ROE to say other alcohol business ROE, will the wine business typically have a lower ROE because of the requirement for large land for cultivation, etc., is that a fair assessment?

Gaurav Sekhri:

See, the ROE per se overall, in wine business, my assessment also today at least is the same, will be probably a little lower than the spirits business. This is a patient capital business where long-term value is being created. The positive of a wine business is worth mentioning here as well, is that the very strong entry barrier of time. So, while, people can consider starting a spirits business, a gin or a whiskey, and probably have a product out fairly quickly, wine has a very long gestation period with, firstly, understanding viticulture, waiting for the right harvest, and then building the brand. We have, I believe, learned that very effectively, probably in the best way in the country. And that is why today, if you see, the 85% or 90% of India's wine is essentially a duopoly between us and the market leader. So, it has very, very strong entry barrier. And that is an attractive proposition once you are in the business.

Amit Mehendale:

Great, sir. Thank you very much. That is it from my side.

Moderator:

The next question is from the line of Kshitij Verma from Rest Assured Group. Please go ahead.

Kshitij Verma:

Hi, thanks for having me on the call. My question was, why have we gone for a more CAPEX heavy participation in the hospitality business, because I believe our competitors are going on a more asset light model, where they are paying a fixed rental with the increment for a longer term? And while they are managing the hospitality part, which looks much more scalable vis-à-vis us going for a CAPEX heavy plan, could we just have a thought about it?

Gaurav Sekhri:

Sure. So, firstly, I think there is need for you to just revalidate I think some of your assumptions. Our nearest competition here in the business has also invested in hospitality. In fact, they have about 100

key inventory of their own, which is owned by them. We are only proposing to do probably around 40 key kind of property to begin with. And after doing that, they are now working on a model of where someone else is building, I think, the new inventory, which they will manage. But I think they are in a better position to answer that. I can comment to you only about us where for our core business and core purpose of brand building, we believe we need to invest in the initial 40-key property, and there is an attractive payback, and very supportive of our core business, and that is why it is being considered.

Kshitij Verma:

Okay, sir. And I just wanted to know that in some foreign countries, I had observed that when the harvesting of the grapes are done and it is sent to for making a wine, post the production of wine, they sometimes reutilize the leftover to even make a grape-based brandy, like in Georgia, they call it Chacha or something, which is even using the end material. Is that a possibility with the grapes we are doing or that is not a possibility in future if we want to have a product line expansion or something of that on that line?

Gaurav Sekhri:

You are absolutely right. Grape skins are used for brandy very commonly all over the world. But it is a different skill set. Never say never. Down the road, certainly we can consider it. But as you know in India, once you get into a brandy, which is a kind of spirit, then it needs a whole different set of licenses and different kind of regulation controls in that business.

Kshitij Verma:

Okay. And the last query from my side is, in the past, we have heard from people that regulation is different for each state as far as alcohol is concerned. Has there been any changes in terms of how they perceive the wine industry and Europe is looking at the industry in a more positive way over the last 20 years?

Gaurav Sekhri:

See, we would like to believe that wine continues to be looked at a more favorable light within the alcobev space. That is why wine and beer sales are permitted more liberally compared to spirits, even in many states, some general stores permitted, at least one state today already allows placing order via app, and I know one or two other states are considering that. So, the perception of wine is more friendly within the alcobev perception. But alcobev overall, still, I think some social stigmas, etc., we need to overcome, which will happen with time.

Kshitij Verma:

Sir, just one last suggestion. There are certain wine-based influencers I have observed that have a huge following. So, if in the future, Fratelli can consider maybe having their own, we already have an Instagram page I believe, but, we might have a more exclusive content, which the regular consumers can relate to, and it is published across social media more aggressively and we can maybe scale up our following to some of the wine influencers, it can indirectly maybe help in marketing if it is permitted by regulation and all, it is something you all can consider.

AdityaSekhri:

Yes, so the suggestion is well taken. We at the moment have 62,000 followers on Instagram and we have grown from about 50,000 last year, which clearly shows that our engagement and following has been increasing. With respect to collaborating with influencers in the wine community, we have been

doing so already. In the last four to five months itself, we have collaborated with several wine... and not only wine, but other general influencers as well, who are relevant to our category and we will continue to do the same.

Kshitij Verma:

That is it from my side. Thank you.

Moderator:

The next question is from the line of Harshal Sheth, an individual investor. Please go ahead.

Harshal Sheth:

Hi. So, I just wanted to know, we have been hearing about price war in the wine market. So, when will Fratelli take a price hike, and when can we expect the EBITDA margin to be close to the market leader, which is 25% to 30%?

Gaurav Sekhri:

Yes, we have, taken some price rises this year and that is a strategic decision, which we are always considering. And as I just mentioned, we have taken some price rises this year. And we continue to evaluate that on an ongoing basis.

Harshal Sheth:

Okay. And do we see any equity raising in the future?

Gaurav Sekhri:

It is hard to comment on that at this point of time, sir.

Harshal Sheth:

Okay. Thanks. That is it from my end.

Moderator:

The next question is from the line of Amit Mehendale from Robo Capital. Please go ahead.

Amit Mehendale:

Thank you. Sir, this is just a follow-up on hospitality. I think there was a comment earlier that the payback is reasonable there. So, I am just looking for some range for payback period for hospitality?

Gaurav Sekhri:

See, the hospitality business related to wine, the payback is more attractive than the traditional hospitality business, primarily because of the sale of wine ex-winery. And, we are still working some of those details out. And I think it will be premature for me to share that in this con call today.

Amit Mehendale:

Okay. Thank you.

Moderator:

The next question is from the line of Deepesh Sancheti from Maanya Finance. Please go ahead.

Deepesh Sancheti:

Yes. So, just a follow-up on your debt. How much is the debt right now? How much of it is term loan and how much of it is working capital? And going ahead, how much CAPEX are we planning especially in our hospitality segment and our core business?

Gaurav Sekhri:

Our debt today is approximately Rs.30 to 35-odd crores term debt and our CFO can give you more accurately. And we have approximately Rs.70-odd crores of working capital. And that is where we stand today. And regarding the hospitality, our intention is to probably spend in the range of between Rs.65 crores, maybe Rs.75 crores. Like I said, we are still working out the plans. And even in relation

to that, the funding of it, etc., are yet to be worked out. And I think over the next one or two quarters, we can give you more clarity.

Deepesh Sancheti: So, I mean, in one of the next two quarters, are we planning a fundraise or something from the market?

Gaurav Sekhri: I will not rule it out. Let me put it like that. As and when we are going ahead with some of these new CAPEX projects, I will not rule that out. In regards to our existing core business, we are adequately funded both on the debt side, we are comfortable with our debt profile as well as our existing, business. So, I do not see any need for that to come to the capital market.

Deepesh Sancheti: Because, I mean, it would make sense, the stock is at 52-week low and for the promoters also and for new investors, bigger investors to come in at this rate, I mean, it will be a great perspective. But we just wanted to understand what is the cost of debt?

Gaurav Sekhri: We are at around 10%.

Deepesh Sancheti: Okay. Okay. Thank you. Thank you so much.

Gaurav Sekhri: Thank you.

Moderator: The next question is from the line of Kshitij Verma from Rest Assured Group. Please go ahead.

Kshitij Verma: Yes, just one follow-up question, sir. When we do borrowings, do we get any preferential status, because, our industry is directly linked to the benefit of the farmers who grow, do we get any preferential rate in this?

Gaurav Sekhri: Unfortunately, no. While, yes, this business directly benefits farmers, government still, I think, or banks view it as an alcohol business. So, our borrowings, I wish, they would consider this what you are suggesting and give some priority sector lending, but that is not applicable to us.

Kshitij Verma: Thank you.

Moderator: Ladies and gentlemen, as there are no further questions, I now hand the confidence over to the management for closing comments.

Gaurav Sekhri: Thank you very much for everyone who participated and, listened into our earnings call today. We wish you a very, very nice day, and thank you again for your interest in our company.

Moderator: Thank you. Ladies and gentlemen, on behalf of Go India Advisors and Fratelli Vineyards Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.