



# Tilaknagar Industries Ltd.

*(BSE: 507205 | NSE: TI)*

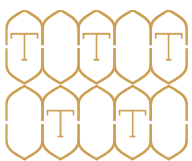


## Earnings Presentation

*Q2 FY22 (Jul to Sep 2021)*



# Q2 FY22 PERFORMANCE



# Q2 FY22 Highlights

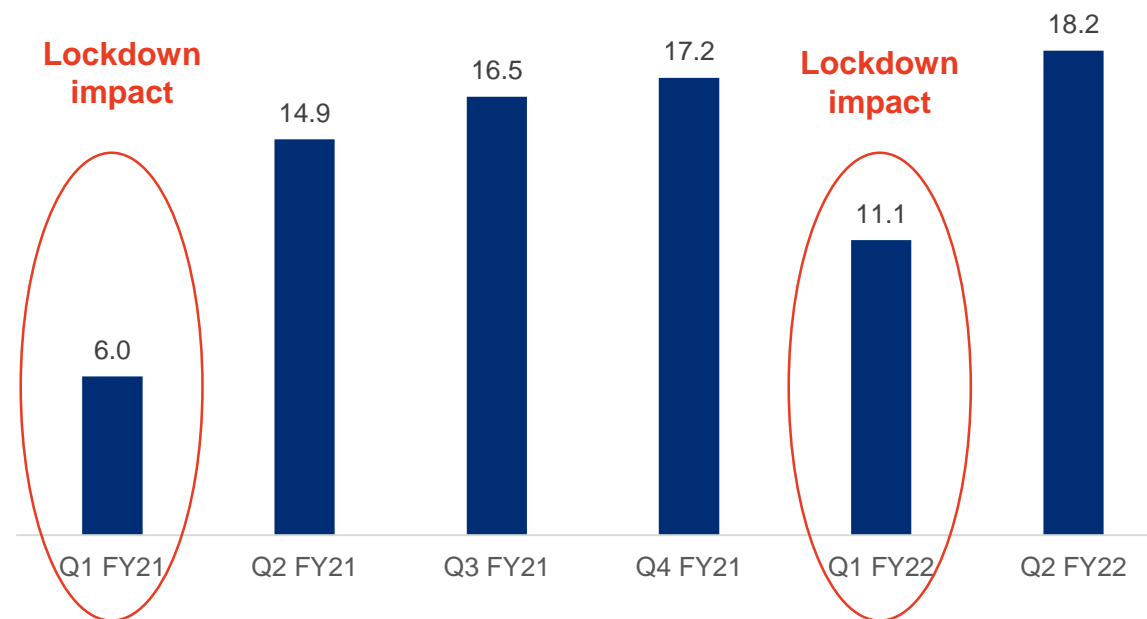
Strong performance led by brandy

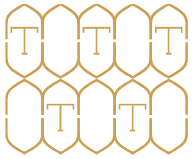


## Key Performance Highlights (Q2 FY22 vs. Q2 FY21)

- ❑ Volumes have grown to 18.22 lacs cases in Q2 FY22 (up 22% Y-o-Y)
- ❑ Strong NSR of Rs. 1,081 per case (vs. Rs. 968 per case in Q2 FY21)
- ❑ Net revenue from operations at Rs. 201 crs (up 52% Y-o-Y)
- ❑ Gross profit at Rs. 98 crs (up 42% Y-o-Y); Gross margin at 48.8%
- ❑ EBITDA at Rs. 31 crs (up 59% Y-o-Y); EBITDA margin at 15.2%
- ❑ Profit after tax at Rs. 11 crs (from loss of last year); this includes a Rs. 3.5 crs of income tax refund pertaining to previous years
- ❑ Debt reduced to Rs. 518 crs as of Sep-21; from Rs. 543 crs as of Mar-21

## Volume (in lacs cases)



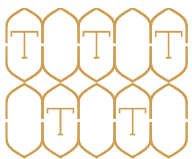


# Management commentary on Q2 FY22 results



*From the desk of Mr. Amit Dahanukar, Chairman & Managing Director*

- ❑ We are glad to share a very strong set of numbers despite an uncertain and challenging environment, not only in terms of Covid-19 and related state-specific restrictions but also challenges of inflationary pressures on the business
- ❑ Q2 saw a 'normal-like' state-wise business contribution, with all of our major states contributing meaningful volumes – this was unlike Q1 FY22 which saw states like Kerala hardly contributing due to lock-downs at the time
- ❑ Volumes grew 22.3% on a Y-o-Y basis; and in conjunction with higher NSR per case of Rs. 1,081, led to a net revenue growth of 52%
- ❑ Gross margins fell to 48.8% vs. 52.4% in Q2 FY21; this was owing to inflationary pressure on both, ENA and packaging material cost
- ❑ EBITDA margins expanded to 15.2% vs. 14.5% in Q2 FY21 on account of operating leverage
- ❑ PAT increased to Rs. 11 crs i.e. 5.6% PAT margin, on account of improving operating margin profile as well as a Rs. 3.5 crs tax adjustment from prior years
- ❑ The growth in volumes and expansion in margins has enabled us in generating good cash flows leading to reduction in our debt by Rs. 25 crs completely through internal accruals

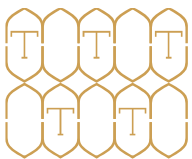


# Strong Q2 FY22 performance...

...operating margin expansion owing to operating leverage



	Q2 FY22	Q2 FY21	Y-o-Y growth	Q1 FY22	Q-o-Q growth	H1 FY22	H1 FY21	Y-o-Y growth
<b>Volumes (in lacs):</b>								
Brandy volumes	17.04	13.79	23.5%	10.42	63.5%	27.46	19.24	42.7%
Others	1.18	1.10	7.4%	0.67	75.2%	1.85	1.62	13.9%
<b>Total volumes</b>	<b>18.22</b>	<b>14.89</b>	<b>22.3%</b>	<b>11.09</b>	<b>64.2%</b>	<b>29.31</b>	<b>20.86</b>	<b>40.5%</b>
<b>NSR (Rs. per case)</b>	<b>1,081</b>	<b>968</b>	<b>11.7%</b>	<b>1,168</b>	<b>-7.4%</b>	<b>1,114</b>	<b>997</b>	<b>11.8%</b>
<b>Financial performance (Rs. Crs):</b>								
Revenue from operations (Net)	201.11	132.41	51.9%	135.30	48.6%	336.42	188.79	78.2%
Gross profit	98.23	69.38	41.6%	75.95	29.3%	174.18	101.28	72.0%
<i>Gross margin (%)</i>	48.8%	52.4%	-356 bps	56.1%	-729 bps	51.8%	53.6%	-187 bps
EBITDA	30.54	19.21	59.0%	23.37	30.6%	53.91	21.68	148.7%
<i>EBITDA margin (%)</i>	15.2%	14.5%	68 bps	17.3%	-209 bps	16.0%	11.5%	454 bps
EBIT	22.29	10.84	105.6%	15.18	46.8%	37.47	5.00	649.0%
Profit / (Loss) after tax	11.30	-2.69	NM	0.37	2,948.2%	11.67	-25.49	NM

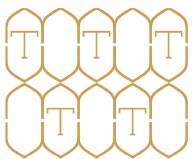


# Extract of Income Statement



(Rs. Crs)	Q2 FY22	Q2 FY21	Y-o-Y growth	Q1 FY22	Q-o-Q growth	H1 FY22	H1 FY21	Y-o-Y growth
<b>Revenue from operations (Gross)</b>	<b>445.3</b>	<b>359.9</b>	<b>23.7%</b>	<b>324.1</b>	<b>37.4%</b>	<b>769.5</b>	<b>545.3</b>	<b>41.1%</b>
Less: Excise Duty	244.2	227.5	7.4%	188.8	29.3%	433.1	356.5	21.5%
<b>Revenue from Operations (Net)</b>	<b>201.1</b>	<b>132.4</b>	<b>51.9%</b>	<b>135.3</b>	<b>48.6%</b>	<b>336.4</b>	<b>188.8</b>	<b>78.2%</b>
Other income	1.3	3.0	-55.9%	0.2	573.0%	1.5	3.3	-54.1%
<b>Total Revenue (I)</b>	<b>202.4</b>	<b>135.4</b>	<b>49.5%</b>	<b>135.5</b>	<b>49.4%</b>	<b>337.9</b>	<b>192.1</b>	<b>75.9%</b>
<b>EXPENSES:</b>								
(a) Cost of materials consumed	94.4	67.5	39.7%	63.8	47.9%	158.2	100.8	56.9%
(b) Purchases of stock-in-trade	0.0	0.0	NM	0.0	NM	0.0	0.0	NM
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	8.5	-4.5	NM	-4.4	NM	4.1	-13.3	NM
(d) Employee benefits expense	6.3	7.5	-16.3%	7.1	-11.8%	13.4	14.4	-6.8%
(e) Other expenses	61.4	42.7	43.9%	45.4	35.1%	106.8	65.2	63.9%
<b>Total Expenses (II)</b>	<b>170.6</b>	<b>113.2</b>	<b>50.7%</b>	<b>111.9</b>	<b>52.4%</b>	<b>282.5</b>	<b>167.1</b>	<b>69.1%</b>
<b>Profit before interest, tax, depreciation and amortisation (I - II)</b>	<b>31.9</b>	<b>22.2</b>	<b>43.4%</b>	<b>23.6</b>	<b>35.2%</b>	55.4	25.0	121.8%
Finance costs	15.8	16.5	-4.3%	15.0	5.5%	30.8	33.8	-8.7%
Depreciation and amortisation expense	8.2	8.4	-1.4%	8.2	0.7%	16.4	16.7	-1.4%
<b>Profit before tax</b>	<b>7.8</b>	<b>-2.7</b>	<b>NM</b>	<b>0.4</b>	<b>1999.8%</b>	<b>8.2</b>	<b>-25.5</b>	<b>NM</b>
<i>Tax expenses :</i>								
(a) Current tax	0.0	0.0	NM	0.0	NM	0.0	0.0	NM
(b) Tax for earlier periods	-3.5	0.0	NM	0.0	NM	-3.5	0.0	NM
(c) Deferred tax	0.0	0.0	NM	0.0	NM	0.0	0.0	NM
<b>Total tax expense</b>	<b>-3.5</b>	<b>0.0</b>	<b>NM</b>	<b>0.0</b>	<b>NM</b>	<b>-3.5</b>	<b>0.0</b>	<b>NM</b>
<b>Profit for the period</b>	<b>11.3</b>	<b>-2.7</b>	<b>NM</b>	<b>0.4</b>	<b>2948.2%</b>	<b>11.7</b>	<b>-25.5</b>	<b>NM</b>

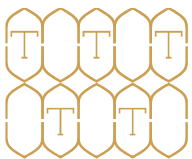




# Extract of Balance Sheet



(Rs. Crs)	As at Sep-21	As at Mar-21	(Rs. Crs)	As at Sep-21	As at Mar-21
<b>ASSETS</b>			<b>EQUITY AND LIABILITIES</b>		
<b>Non-Current Assets</b>			<b>Equity</b>		
Property, Plant and Equipment	451.5	467.8	Equity Share Capital	140.3	125.4
Capital Work-in-Progress	100.2	100.1	Other Equity	-149.0	-181.2
Right of Use Assets	0.3	0.4	<b>Total Equity</b>	<b>-8.7</b>	<b>-55.7</b>
Other Intangible Assets	0.3	0.4	<b>Liabilities</b>		
Financial Assets			<b>Non-Current Liabilities</b>		
Investments	0.0	0.0	Financial Liabilities		
Other Financial Assets	28.5	29.0	Borrowings	407.6	459.0
Deferred Tax Assets (Net)	10.1	70.9	Lease Liabilities	0.0	0.1
Other Non-Current Assets	2.9	3.8	Other Financial Liabilities	201.6	181.7
<b>Total Non-Current Assets</b>	<b>593.9</b>	<b>672.4</b>	Provisions	4.3	4.3
<b>Current Assets</b>			Other Non-Current Liabilities	23.5	30.5
Inventories	64.0	72.1	<b>Total Non-Current Liabilities</b>	<b>637.1</b>	<b>675.6</b>
Financial Assets			<b>Current Liabilities</b>		
Trade Receivables	211.0	181.1	Financial Liabilities		
Cash and Cash Equivalents	37.5	44.9	Borrowings	106.3	121.5
Bank Balance other than above	3.5	3.2	Lease Liabilities	0.3	0.5
Loans	0.0	0.0	Trade Payables	150.9	148.0
Other Financial Assets	0.2	0.2	Other Financial Liabilities	18.2	73.4
Other Current Assets	34.1	37.6	Provisions	22.5	29.0
<b>Total Current Assets</b>	<b>350.3</b>	<b>339.1</b>	Current Tax Liabilities (Net)	0.0	0.0
			Other Current Liabilities	17.6	19.3
			<b>Total Current Liabilities</b>	<b>315.8</b>	<b>391.7</b>
<b>TOTAL ASSETS</b>	<b>944.1</b>	<b>1,011.5</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>944.1</b>	<b>1,011.5</b>



# Extract of Cash Flow Statement

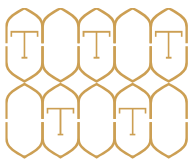


(Rs. Crs)	Half year ended Sep-21	Half year ended Sep-20
<b>Cash flow from Operating activities</b>		
Net profit (Loss) before tax	8.2	-25.5
Adjustment for:		
Depreciation & Amortisation	16.4	16.7
Provision for non-moving and obsolete inventories	1.0	0.0
Finance Costs	30.8	33.8
Interest income	-1.4	-0.2
Other adjustments	2.8	-1.1
<b>Operating profit before working capital changes</b>	<b>57.9</b>	<b>23.7</b>
Working capital adjustment:		
(Decrease) / Increase in trade payables, current liabilities, provisions and other financial liabilities	-41.8	-25.1
(Increase) / Decrease in loans and advances and other assets	62.9	-10.1
(Increase) / Decrease in inventories	7.0	-11.7
(Increase) / Decrease in trade receivables	-29.9	56.5
<b>Total working capital adjustment</b>	<b>-1.8</b>	<b>9.6</b>
Direct taxes (net) refund / (paid)	4.5	3.8
<b>Net Cash from Operating activities</b>	<b>60.6</b>	<b>37.2</b>
<b>Cash Flow from Investing activities</b>		
<b>Net Cash from Investing Activities</b>	<b>1.2</b>	<b>0.2</b>
<b>Cash Flow from Financing activities</b>		
Proceeds from borrowings	3.3	2.9
Repayment of borrowings including current maturities	-45.8	-25.0
Finance costs paid	-27.8	-23.4
Other financing activities	1.1	-0.2
<b>Net Cash from Financing Activities</b>	<b>-69.1</b>	<b>-45.8</b>
<b>Net increase in Cash &amp; Cash equivalents</b>	<b>-7.3</b>	<b>-8.4</b>
Opening cash & cash equivalents	44.9	37.3
<b>Closing cash &amp; cash equivalents</b>	<b>37.5</b>	<b>28.9</b>





# COMPANY & INDUSTRY OVERVIEW



# About the Company

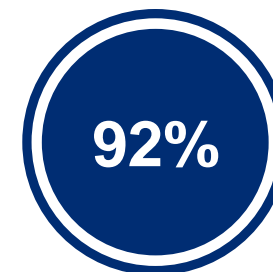
Largest premium brandy manufacturer in India with presence across all segments of IMFL



Manufacturing units  
across 11 states  
Owned: 4 units  
Tie-up: 12 units



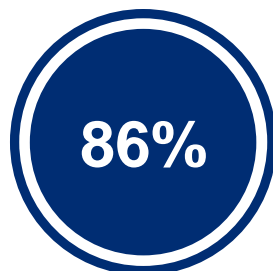
Brands across products



Share of Brandy as %  
of total volumes



Volumes (in cases)  
sold

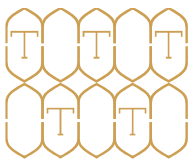


Share of sales to  
South India as % of  
total volumes



Sales through:  
- State corporations  
- Distributors  
- Direct Sales

\* All data is for FY21



# We sell millions of cases across India



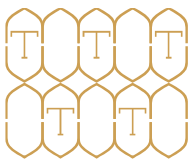
## MANSION HOUSE



- ❑ Mansion House is a millionaire brand (more than 4.4 mn cases sold in FY21)
- ❑ Mansion House is the highest selling premium brandy in India
- ❑ Manufactured across all units
- ❑ A brand with a high brand loyalty driving repeat purchases

## COURRIER NAPOLEON

- ❑ Fast approaching millionaire brand status (0.6 mn cases sold in FY21)



# Our strategic focus...

...the way forward



## Volume growth

- 5 year CAGR<sup>(a)</sup> of 14.4% – regions contributing 70%+ of volumes (4.4% when Andhra Pradesh also considered)
- New launches in coming 1-2 quarters

## Market share growth<sup>(b)</sup>

- Continued focus on brandy
- Market share (as % of brandy) growth from 9.2% to 16.7%
- Market share (as % of IMFL) growth from 1.7% to 2.8%

## Efficient levels of capacity utilisation

- Pernod Ricard agreements enables efficient capacity utilisation levels
- Incremental region-specific growth enabled through bottling arrangements

## Debt repayment and cash flow generation

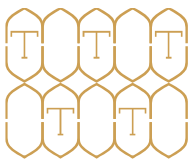
- Focus on repayment of high-cost debt
- Target to become near debt-free by FY24

## Resolution of auditor qualifications

- Focus on taking proactive measures to resolve all auditor qualifications

(a) The above volume data is for Mansion House Brandy in the states of Telangana, Karnataka, Kerala, Puducherry and Goa i.e. states which contribute 70%+ of our total volumes

(b) Market share growth comparison between FY17 and FY21 in the states of Telangana, Karnataka, Kerala, Puducherry and Goa



# MHB and MHB Brandy segment growing faster...

...than overall Brandy, Whiskey and IMFL

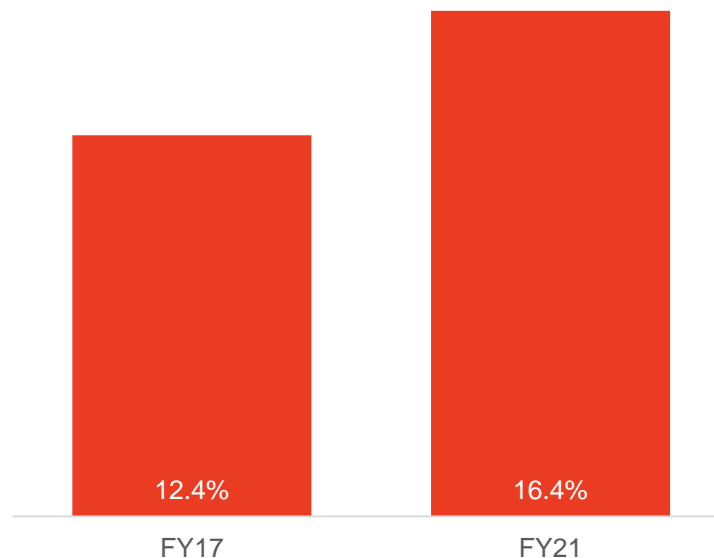


## MHB vs. Industry Growth (a)

Category	CAGR
MHB	↑ 4.4%
Relevant Brandy Segment (b)	↑ 2.9%
Relevant Whiskey Segment (b)	↑ 0.5%
Overall Brandy Segment	↓ -2.7%
Overall Whiskey Segment	↓ -0.6%
Overall IMFL	↓ -1.2%

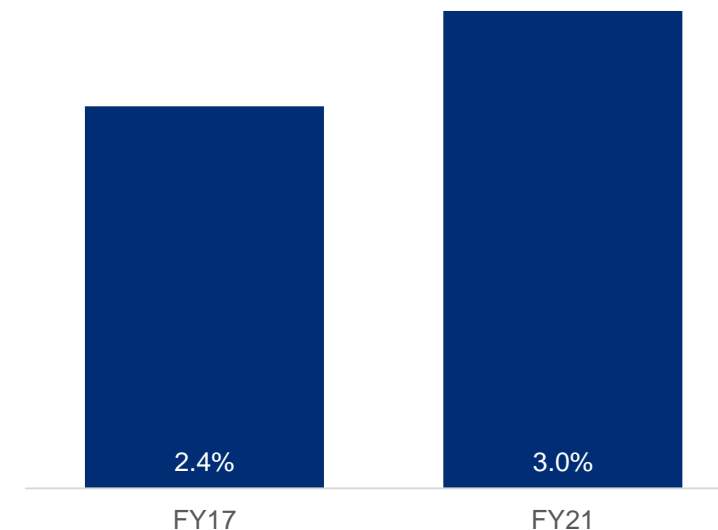
## MHB market share as % of brandy (a)

Market share growth of 33% over 5 years



## MHB market share as % of IMFL (a)

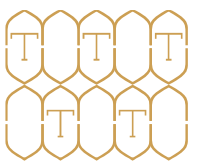
Market share growth of 25% over 5 years



MHB: Mansion House Brandy; 5 year CAGR from FY17 to FY21



(a) The above data is for the states of Telangana, AP, Karnataka, Kerala, Puducherry and Goa i.e. states which contribute 85% of our total volumes

(b) Relevant segment for brandy and whiskey refers to overall brandy and whiskey segment within same price band as MHB respectively

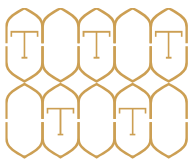


# Bottling arrangement with Pernod Ricard



- Bottling at Shrirampur Plant in Maharashtra
- 10 year bottling agreement leading to near-full capacity utilisation
- Potential for providing grain-based ENA
- Impact on revenues: FY21  vs. Going forward 



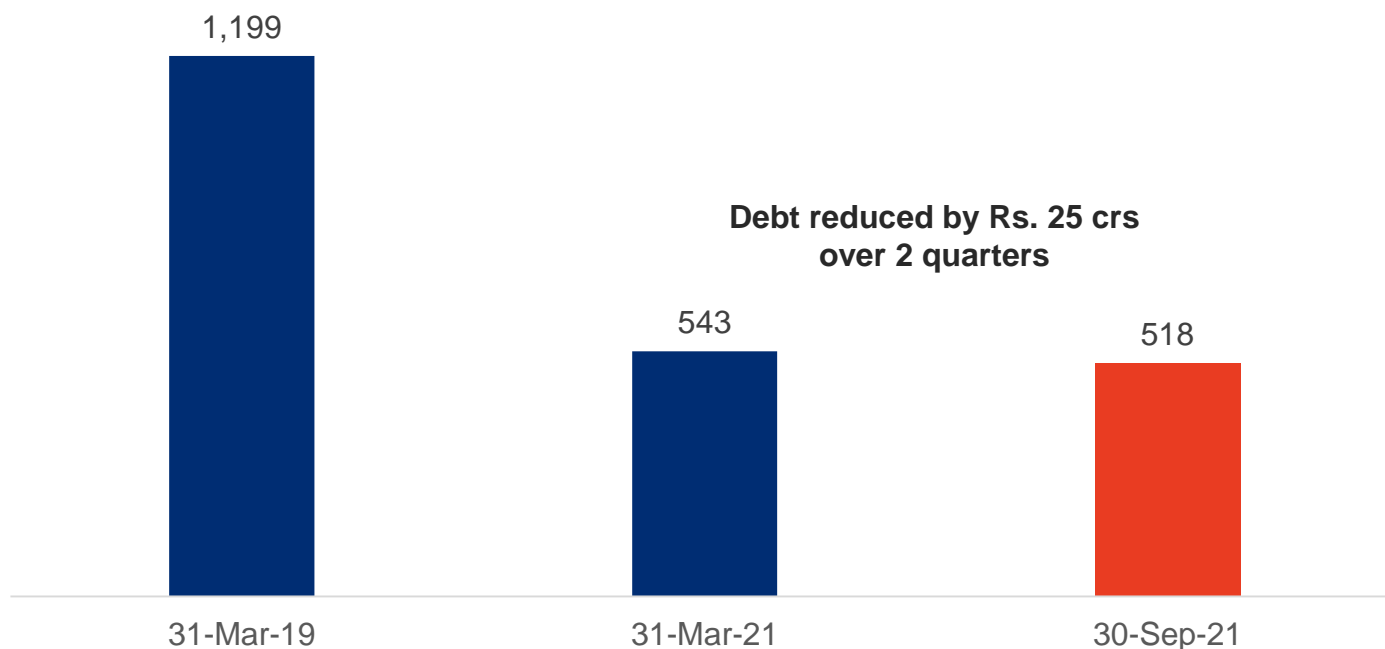


# Debt reduction journey...

...working towards near debt-free position by FY24

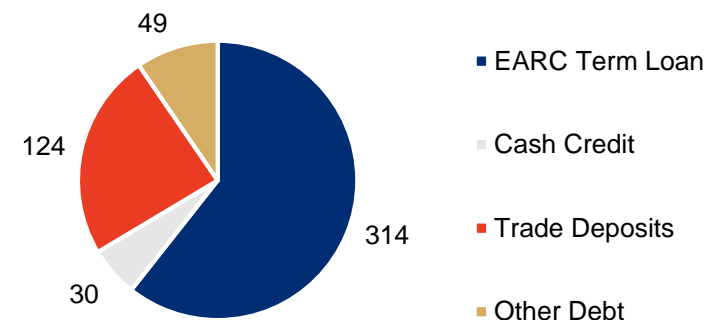


## Debt reduction (Rs. Crs)<sup>(a)(b)(c)</sup>



- (a) Debt adjusted for EARC balance debt of Rs. 145 crs which would be waived off in FY24 on following the repayment schedule
- (b) Debt adjusted for EARC balance debt of Rs. 34 crs which has been converted to equity in Apr-21
- (c) Debt includes interest bearing trade deposits which is a part of Other Financial Liabilities

## Debt as of 30-Sep-21<sup>(a)(b)(c)</sup>

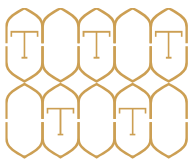


- EARC debt is at 9% p.a.
- EARC balance debt of Rs. 145 crs will be waived off on satisfactory repayment
- 70% of EARC Term Loan is repayable after 2 years (in FY24) → Rs. 99.2 crs to be repaid over FY22 and FY23





# FY21 FINANCIALS

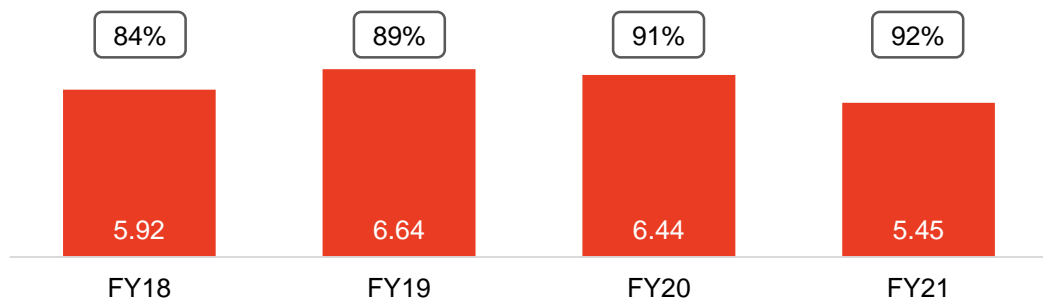


# Improving business fundamentals

Premiumisation strategy to enhance margins and cash flows

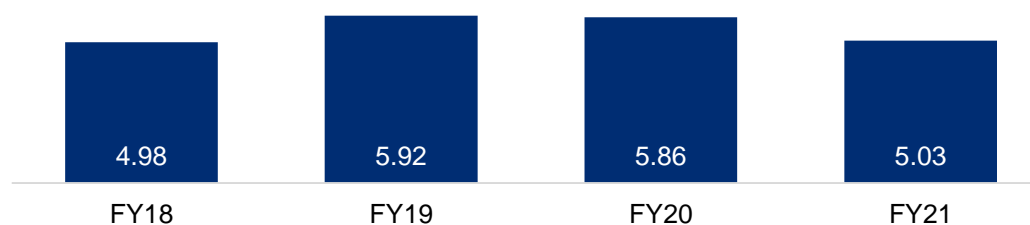


### Total Volumes Sold (mn cases)

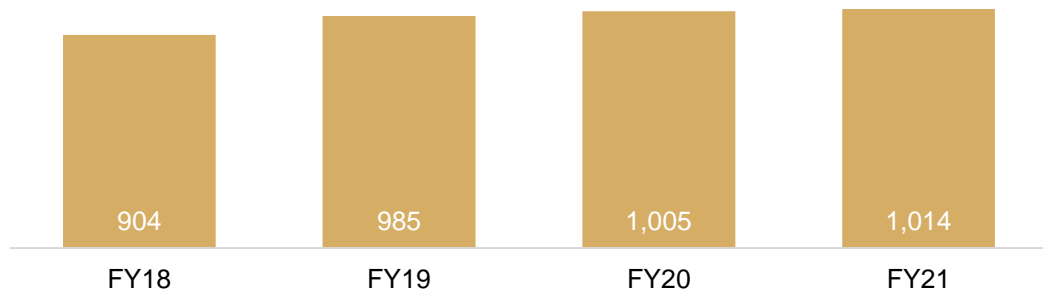


Share of Brandy to total volumes sold

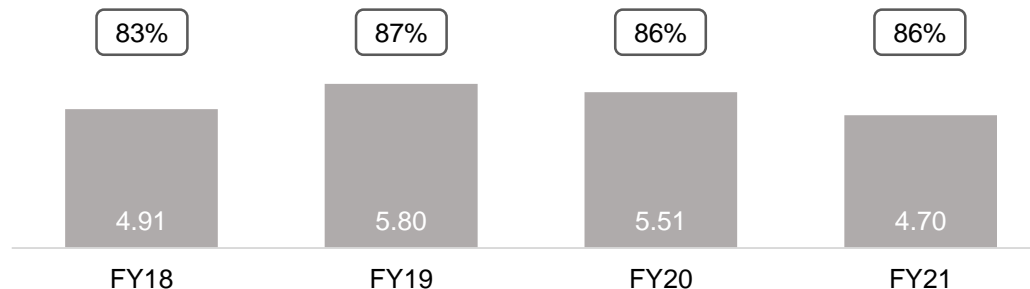
### Brandy Sales (mn cases)



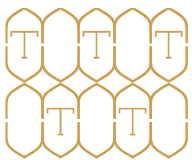
### NSR per case (Rs.)



### Robust sales in South India



Share of South India sales to total volumes sold

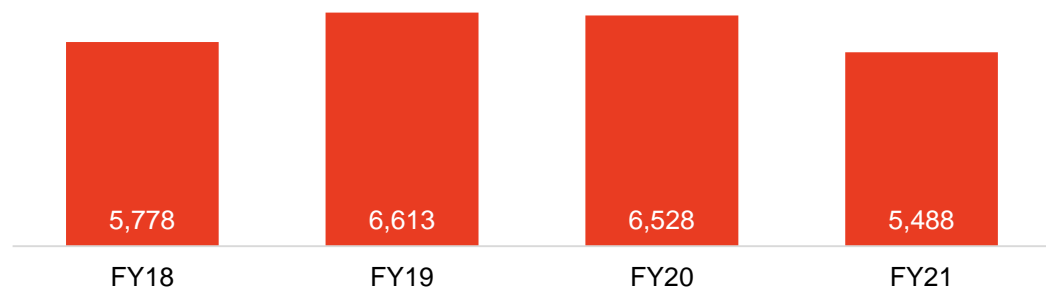


# Focus on margins and cashflows

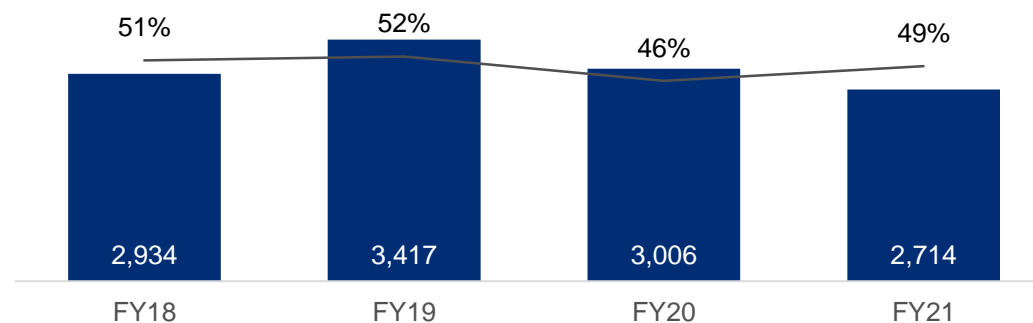


Most of write-offs impacting EBITDA have been undertaken

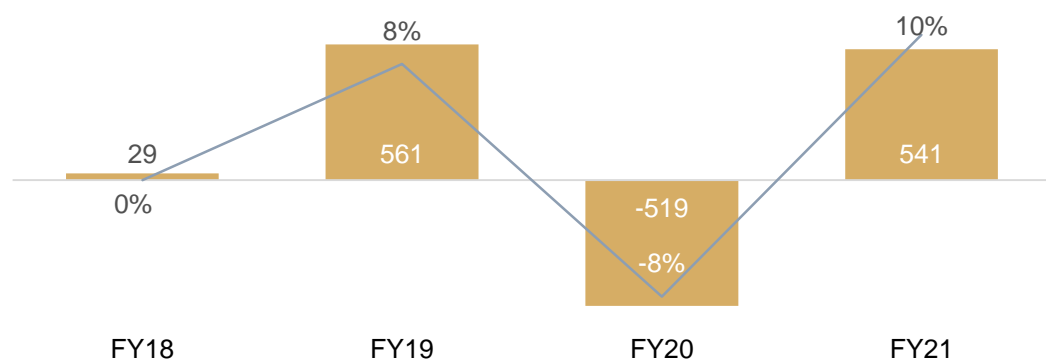
### Net Revenues (Rs. Mn)



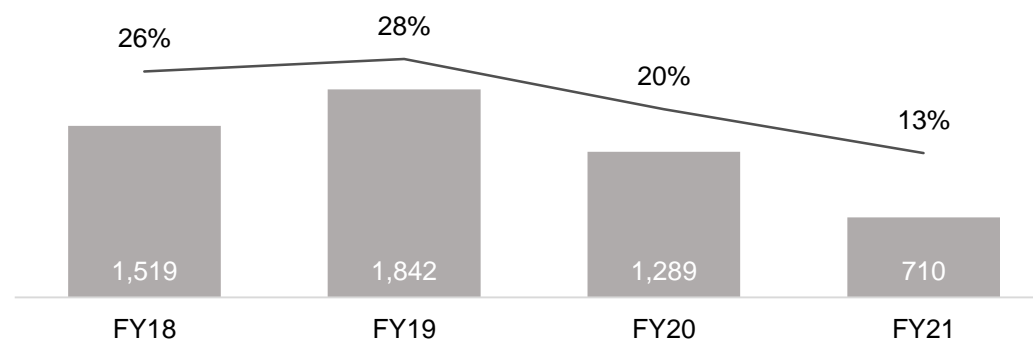
### Gross Profit (Rs. Mn) and Gross Margin (%)



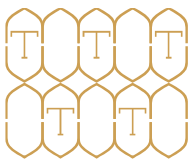
### EBITDA (Rs. Mn) and EBITDA Margin (%)



### Finance Cost (Rs. Mn) and as % of Net Revenues



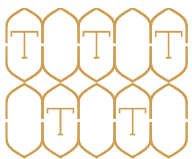
(a) EBITDA for FY20 is not comparable due to write-offs impacting EBITDA



# Financial Summary – Income Statement



(Rs. Mn)	FY18	FY19	FY20	FY21
Gross Revenue	12,916	15,255	14,835	14,184
Less: Excise Duty	7,138	8,642	8,306	8,696
Net Revenue	5,778	6,613	6,528	5,488
Gross Profit	2,934	3,417	3,006	2,714
<i>Gross Margin %</i>	<i>51%</i>	<i>52%</i>	<i>46%</i>	<i>49%</i>
Employee Costs	220	333	296	252
<i>As % of Net Revenue</i>	<i>3.8%</i>	<i>5.0%</i>	<i>4.5%</i>	<i>4.6%</i>
Other Expenses	2,686	2,522	3,230	1,921
<i>As % of Net Revenue</i>	<i>46%</i>	<i>38%</i>	<i>49%</i>	<i>35%</i>
EBITDA	29	561	-519	541
<i>EBITDA Margin %</i>	<i>0%</i>	<i>8%</i>	<i>-8%</i>	<i>10%</i>
Depreciation & Amortisation	373	367	330	331
Finance Costs	1,519	1,842	1,289	710
PAT	-1,511	-1,595	2,697	-384
<i>PAT Margin %</i>	<i>-25%</i>	<i>-24%</i>	<i>40%</i>	<i>-7%</i>



# Disclaimer



This presentation may include statements which may constitute forward-looking statements including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Tilaknagar Industries' future business developments and economic performance. Forward looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The actual results, performance or achievements, could thus differ materially from those projected in any such forward-looking statements.

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THANK YOU