

SOM DISTILLERIES AND BREWERIES LIMITED

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To,

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SUB: INTIMATION UNDER REGULATION 30 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 - EARNINGS CONFERENCE CALL TRANSCRIPT

Dear Sir/ Madam,

Pursuant to Regulation 30 of Listing Regulations, Please find attached Earnings Conference Call transcript of Tuesday, August 12, 2025, with regard to the Unaudited Financial Results for Q1 FY2026.

The transcript of the said Earnings Conference Call is also available on the Company's website i.e. www.somindia.com.

This is for your information and records please.

Thanking You,

For Som Distilleries & Breweries Limited

Nakul Kam Sethi
Din: 06512548
Director



**“SOM Distilleries & Breweries Limited
Q1 FY26 Earnings Conference Call”
August 12, 2025**



**MANAGEMENT: MR. DIWAKARAN SURYANARAYANA -- CHIEF
OPERATING OFFICER
MR. NAKUL SETHI -- DIRECTOR, FINANCE AND
STRATEGY**



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Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY26 Earnings Conference Call hosted by SOM Distilleries & Breweries Limited.

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 this 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 Mr. Diwakaran Suryanarayana. Thank you. And over to you, sir.

Diwakaran S.: Thank you very much. Good afternoon, all of you. A warm welcome to all of you on behalf of SOM Distilleries & Breweries. Thank you very much for joining us today. It is always a pleasure to connect with our valued investors and analysts.

Q1, we experienced a significant drop in beer consumption led by unseasonal rains and higher excise duties in the state of Karnataka. Rains were across, not just in Karnataka, unseasonal rains. The unfavorable policy in Karnataka impacted our company, also the volume to the entire industry, leading to a decline of over 20% in Q1 versus Q1 last year.

At an all-India level as well, the unseasonal rains have impacted the overall beer consumption. We estimate the industry to be down by around 2% - 3% in Q1, overall beer industry in this country. However, we expect reasonable recovery in industry and our own volumes in the coming quarters.

The key highlights for Q1 are that we achieved a 89 lakh cases volume, that is 8.9 million lakh cases. Beer volume is 8.5 million cases. IMFL registered 4 lakh cases and with a growth of 58% versus last year Q1, beer is down by around 2.5%, mainly led by industry and some issues in Karnataka in terms of unfavorable policy for us.

Mainline brand Hunter and Power Cool drew growth in this quarter. We also launched Mahavat Whisky in the regular, which is mid-premium whisky segment in Madhya Pradesh and that is receiving good response as of now. Woodpecker premium has been recognized as a rising star brand by one of the media agencies in the last quarter.

Beer realization stood at Rs. 566 per case, up from Rs. 550 in Q1 FY25. And we expect our future outlook to be much better than what we have done in Q1. We will recover volumes in the coming quarters post partial rollback of excise duty in Karnataka. We expect to entrench further in markets like Tamil Nadu, where we have begun to do well. We expect to entrench with Mahavat in part of North markets in the coming quarters.



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We will continue to focus on growth drivers, innovation as a growth driver, both in IMFL and beer. We are committed to delivering sustainable long-term value to our stakeholders.

Over to Nakul for the financial highlights.

Nakul Sethi:

Hi, good afternoon, everyone. Thank you Diwa, sir. It is a pleasure take you all through the financial and strategic highlights for Q1 FY26.

We reported a total income of Rs. 5,301 million, an increase on year-on-year growth of 3.2%. Our EBITDA for the quarter was at Rs. 721 million with a margin of close to 13.6%. Furthermore, net profit for the quarter stood at Rs. 421 million with a margin of 7.9%.

With these financial achievements for the quarter, we remain confident in our strategy and execution capabilities as we continue to build, scale, expand, reach and drive growth across our key markets.

Our gross debt stood at Rs. 1,990 million and net debt at Rs. 1,800 million for the quarter ending June. We are pleased to report that the Phase-I execution of our UP project is progressing as per the planned schedule with a capital outlay of Rs. 370 crores. All key milestone outlined in the project timelines are being met with no major deviation or delay.

We expect the commissioning of the brewery to happen in the first half of FY26 - FY27. As we enter the leaner season for beer, we are confident of posting encouraging results in the coming quarters, especially on the back of a renewed focus on our IMFL portfolio.

Our strategic focus will remain on innovation, deeper market penetration and portfolio premiumization, laying the groundwork for sustained growth and enhanced shareholder value.

Before we proceed to the Q&A, I would like to express my sincere gratitude to all the stakeholders for their support and confidence in our endeavor. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Manoj Kumar Pal, an Individual Investor. Please proceed. I would request Mr. Manoj to unmute and then speak.

Manoj Kumar Pal:

Hello. Thank you, sir, for giving me this opportunity. It is a great conclusion for setting up the new set of numbers. Sir, my question is, are we going on some premium product after the Mahavat?

Diwakaran S.:

Yes. As stated in my brief in the beginning, we will continue to innovate and play much more aggressively in the IMFL segment. Mahavat is just the beginning. We have a few more premium



products in the pipeline, including a Single Malt. I think that is where the growth is going to lie in the next three quarters to four quarters. We will be prepared for that.

Manoj Kumar Pal: Okay, sir. And what will be the timeline for the upcoming product?

Diwakaran S.: See, we want to now focus on Mahavat, which has just about completed two months now. We are just in one market and we still have a lot of markets to cover with the brands. We do not want to rush and not focus particularly on the Mahavat segment, which is a big segment. Premium is, of course, in the pipeline, and it has its developmental space and developmental time. We are focused on doing that also, but sooner than later, I think you will get to see that.

Manoj Kumar Pal: Okay, sir. Thank you. That is all from my side.

Diwakaran S.: Thank you.

Moderator: Thank you. We take the next question from the line of Mukund Agarwal from BMC Advisors. Please proceed.

Mukund Agarwal: Good evening, sir. How are you?

Diwakaran S.: Great, sir. How are you?

Mukund Agarwal: Absolutely great, sir. Sir, in your last call, you were targeting to see a revenue growth of at least 20% - 22% this year. And because our Q1 quarter is one of the best quarters, and we were able to achieve flat results this time. So, going forward, what is the revenue target for this year, sir, for the whole year?

Diwakaran S.: Yes. So, sir, you are right. I mean, very, very right. The first quarter, because of the unseasonal rains and things like that, plus the policy change in Karnataka, has really put us down a little bit. But our expectation is that although we have said that 20% - 22% is our expectation in the last quarter call, but I think we will be going towards between 15% - 16%. This is roughly about Rs. 1,650 crores – Rs. 1,700 crores is what we are expecting.

Mukund Agarwal: Rs. 1,600 crores - Rs. 1,700 crores is what you are expecting?

Diwakaran S.: Rs. 1,650 crores - Rs. 1,700 crores is what we are expecting.

Mukund Agarwal: Okay. And, sir, there is one more thing. The United Breweries are also majorly into beer only. If we look at UBL, roughly 10% - 12% sales increase came in UBL. And their major market, I mean, 15% - 17% of the market comes from Karnataka. And the policies that came in Karnataka



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hit them too. So, why were they not able to give 10% - 12% sales growth and why were they not able to give their own?

- Diwakaran S.:** Sir, the thing is that their market reach is in such markets where we are not present, okay.
- Mukund Agarwal:** Okay.
- Diwakaran S.:** So, for example, they have Andhra Pradesh. Last year, they had a problem due to the route to market in Andhra Pradesh. This year, they worked in zero base in Andhra Pradesh. So, the growth is coming from there.
- Mukund Agarwal:** Okay.
- Diwakaran S.:** And we are not present there. Our tender is pending there. As soon as it happens, we will also get our share from there.
- Mukund Agarwal:** Sir, next year, you are saying that your UP plant will start at the same time. So, if you are thinking of closing in Rs. 1,650 crores - Rs. 1,700 crores in a year, what about the year after that? If your plan starts, which you are saying is in line with everything, can you think about the revenue for the year after that?
- Nakul Sethi:** Now, sir, it is very premature to give any guidance for that. And we are confident that in the remaining part of the year, we will be able to recover a lot of things that we have missed in our revenue targets.
- Mukund Agarwal:** Okay. And, sir, based on your standalone, your result is very good. And in your consolidated, the result is normal. So, what is the reason for this difference in consolidated? That in standalone, your profits have grown by 20% - 25% - 30%. Sales also grew by 70%, but standalone is completely gone. What are the issues in your subsidiaries?
- Nakul Sethi:** That is what Diwa sir is telling you. The subsidiaries are Karnataka and Odisha, okay.
- Mukund Agarwal:** Okay.
- Nakul Sethi:** The main SDBL, the standalone, caters mainly to Delhi, Madhya Pradesh, Jharkhand. So, we have been able to grow in these markets. And unfortunately, because of the size and rain factor, the operations were hit hard in the subsidiaries.
- Mukund Agarwal:** Okay. Thank you so much, sir. One more thing, sir. The beer, I was in Bangalore airport. Why is your beer not available anywhere in Bangalore airport, sir? Any brands?
- Diwakaran S.:** Sir, our beer is available in the Bira Taproom in Bangalore airport.



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- Mukund Agarwal:** Okay. But out of all the outlets, it is only available in one of the outlets. Yes.
- Diwakaran S.:** The way industry operates is that the big guys, the multinationals try to block. We are trying to create a space for ourselves in that market.
- Mukund Agarwal:** Okay, sir. Thank you so much, sir. Thank you so much for the future for your stock, as the company looks very outstandingly progressive. And best of luck for everything. Thank you so much for answering all the questions. Thank you so much.
- Diwakaran S.:** Thank you, sir. Thank you for your trust.
- Moderator:** Thank you. We take the next question from the line of Hiten Boricha from Sequent Investments. Please proceed.
- Hiten Boricha:** Hello. Sir, I have a couple of questions. The first question is on this Karnataka duty hike. Sir, can you quantify the impact on sales in this quarter?
- Diwakaran S.:** Industry has declined by 20-odd percentage vis-à-vis last year quarter.
- Hiten Boricha:** Okay.
- Diwakaran S.:** And we are impacted a little more because our segment was affected by the pricing, I mean, the taxation policy.
- Hiten Boricha:** Okay. Assuming there was no such kind of problem in Q1, so can you assume our sales could be around Rs. 650-odd crores in Q1?
- Diwakaran S.:** Like we promised in the beginning of this year, when we did the quarter four results and last year results, we would have definitely crossed about 20% - 25% growth. Karnataka and seasonal rains, I mean, rains, one is the taxation, other is the unseasonal rains and Odisha also got affected.
- Hiten Boricha:** Yes. Understood. And sir, my second question is on the UP expansion. So, if you can give some data point and what is the size of the UP market in terms of cases, the beer market cases, as well as I am assuming this capacity is coming in phase wise. So, what would be the capacity in Phase-I?
- Nakul Sethi:** So, I will answer in terms of the capacity, then Diwa can I answer on the total size of the market. So, we are coming up with a beer capacity of 1 crore cases per annum.
- Hiten Boricha:** Okay.
- Nakul Sethi:** And we expect that by the first half of 2026 - 2027, the beer capacity would be on stream.



- Hiten Boricha:** Sure. Yes. But my question was more on the data point side, sir, the UP market.
- Diwakaran S.:** Yes, I will answer that. So, see, the UP market, UP as a state is the largest state in the country in terms of population. Although the per capita consumption is low, the size of the market is roughly about, last year it was about 35 million cases. Right, And this year, due to the policy change and when they have allowed the retailers to sell beer as a composite license now, earlier there was beer only and IMFL only outlets. Now it is a composite. So, beer is available now has gone up by about 2,000 outlets or 3,000 outlets, right. Therefore, the market is growing very nicely and which is a very, very good opportunity for us soon.
- Considering that we are supplying from Madhya Pradesh today, when we have our own plant next year, the market size would have gone up to more than Rs. 4 crores or 4.5 crores. So, we have a big opportunity there is what we think.
- Hiten Boricha:** Okay. And just a follow-up on that, sir. Sir, you mentioned the beer capacity of 1 crore cases per year, right? So, if you can break this up in Phase-I and Phase-II.
- Nakul Sethi:** So, sir, this is the Phase-I. Phase-II, we have a distillery coming up.
- Hiten Boricha:** Okay.
- Diwakaran S.:** See, Rs. 1 crore itself is big, it is almost 25% of the market capacity, plus we will have the ability to service other markets which are close by.
- Moderator:** Thank you. We take the next question from the line of Rudransh from MB Investments. Please proceed.
- Rudransh:** Hi, good afternoon. My question is, SDBL, what is the company basically doing to improve its governance? To be very frank, the company's past has been not so good. What is the company doing in terms of improving the governance overall? The compensation of the director has also been, which I feel is on the higher side. So, if you could tell me about that? And then, I have a follow-up question also.
- Nakul Sethi:** I mean, we are trying to work hard on the corporate governance issues which have occurred in the past. And it is our endeavor to have good corporate governance, and we are working towards it. That is why we have got, we have inducted independent directors who have got good repute in the market. And slowly and slowly I think we shall be there.
- Rudransh:** Okay. Also if you could tell me more about what is going on in the sector and how is SDBL's personal philosophy in terms of tapping into the growth? What are the challenges immediate and



long term? And also, what are the drivers that the company could tap in and that could turn into profitability and cash flows?

Diwakaran S.:

Yes, See, if you look at FY24 - FY25 performance we have been giving an exemplary performance for the past three years. And it is all comes from not just about going into new markets, it is also coming from depth in the existing markets. Like in Karnataka, like in Odisha, like in Jharkhand, like in Delhi, like in Madhya Pradesh. And also, we have now expanded into Tamil Nadu. And markets like Telangana, which is a huge beer market, which is almost, you can say, 18% - 20% of the Indian market, we are still not available. That is a potential that we see.

And if there is a route to market correction or pricing, freedom corrections, etc., that will be a market that is good for SOM. And SOM primarily is a beer company, I mean, 95% of our business comes from beer. And Andhra Pradesh, we are not there. And markets like Uttar Pradesh, we are just scratching the surface as of now. So, it is a huge opportunity for us in terms of this thing.

And secondly, in terms of growth, first of all, the thing is about new markets and entrancing with our existing portfolio. Then we have plans for our new portfolio, and we are still on the innovation pipeline. So, many brands are there, and we are working on that. And so many opportunities we are looking at, both in IMFL and beer category. That is an opportunity we see.

And of course, premiumization. I mean, in our portfolio, if you look at, we are still almost 95% - 97% of our volume is within the mainstream, from economy to mainstream, affordable to mainstream. We still have a big opportunity in terms of the premium segment, which is growing at about 25%. And that is where Woodpecker plays. If you see Woodpecker as a brand, we kind of launched it with many, many unique features and first-time features in the country. And it kind of signaled good progress in Bangalore and now we have put it in Delhi.

And slowly and steadily, we are going to go with that and to the rest of the country. And we are going to do the same thing that we are doing with mainstream beer, where we have taken in the market that we play, where we have taken more than 10% - 15% of the market share in the All India level. We are capable of taking that even in the premium segment. So, that is an opportunity that we keenly are following.

Rudransh:

All right. One last question I have is, how much time do you think Mahavat is supposed to take to come to fruition in terms of sales? And where are we at with Woodpecker? Is the company satisfied with how the Woodpecker brand is growing? And what are the further plans to penetrate the market with brands like Woodpecker?



Diwakaran S.:

See, Mahavat, I think it is too new for us to tell you anything and give you any forecast on that at this point in time. We have assessed the market opportunity for that brand and we are playing in that mid-premium segment and it is a profitable segment. And that is a segment where not many Indian liquor companies play. Other than Delhi and few other places. That is dominated by multinationals. So, it is a profitable segment. And therefore, that will continue to be focused on.

And probably in the next quarter or the third quarter results or something, you will find us or hear us telling you more about Mahavat. Woodpecker, we started in Bangalore, it has received good response. We have placed it in about 700 outlets - 800 outlets. We are not in a hurry to go and place it in 1,000 outlets. Because most of the time, when new beer comes, because of the dark market scenario, it is very difficult to communicate with the consumer. So, therefore, we are slowly and steadily building the brand. And we are seeing good results and good repeats. Same confidence is being taken to other markets.

And markets like Odisha, we have not planned this year because of poor weather. And probably end of October or end of November, I think we should be putting in that market as well. So, there is opportunity for that brand. And like I said in answering the previous question of yours, almost 12% - 15% of the market is growing at 25% - 30%. And in that market is where Woodpecker is playing. And it is dear to us and we will continue to grow.

Rudransh:

Yes. All right. Thank you so much.

Diwakaran S.:

Thank you.

Moderator:

Thank you. We take the next question from the line of Prabhu, an Individual Investor. Please proceed.

Prabhu:

Hello. Good evening, sir. A couple of questions. Sir, out of the 370 crores Capex you have planned for UP, how much has been the Capex outflow till now, sir?

Nakul Sethi:

We have spent, sir, close to about Rs. 55 crores.

Prabhu:

Okay, sir. Any IMFL is planned in there or only beer?

Nakul Sethi:

Sir, we are setting up a bottling plant for IMFL as well as a distillery in the second phase.

Prabhu:

Okay. I understand, sir. Sir, some years before we tried to enter Telangana and that ended up with some opposition of political party and all. Are we seriously considering re-entering because that is like you said it is a 20% market in India for beer?



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- Diwakaran S.:** Yes, it is in the cards and we are constantly in touch with the government there and the authorities. But in terms of priority, I would rather get it to AP first than Telangana, because Telangana continues to be not very profitable for the existing business and the new business it will be really difficult for setting it up.
- Prabhu:** Okay. Understood, sir. Sir, one question about the bookkeeping actually. We had a 12% reduction in the total income in consolidated level, but the state excise duties are almost 33% down from last Q1 around Rs. 50 crores down to Rs. 35 crores. Why is there so much less state excise duty we have paid this quarter compared to last quarter, sir?
- Nakul Sethi:** Sir, it depends upon the composition of sales. For example, Karnataka, you have got the excise duties has to be paid along with the dispatch from the plant, but so is not the case with Madhya Pradesh. So, because there has been a dip in sales in Karnataka, that is why you will see that gross sales are lower as compared to the gross sales of last year, quarter one.
- Prabhu:** Okay. And sir, ongoing quarter, we are seeing recovery for Legend in Karnataka?
- Diwakaran S.:** Yes. We are seeing, what happened was in between this, because of the taxation changes in the first two months of this quarter, the previous quarter, which is quarter one, that brand also did suffer. But however, after end of June, I think we have started recovering on that brand. It is beginning to do well and definitely it will register a growth vis-à-vis us.
- Prabhu:** That is all, sir. All the best for the rest of the year, sir.
- Diwakaran S.:** Thank you so much, sir. Thank you.
- Moderator:** Thank you. We take the next question from the line of Nagaraj, an Individual Investor. Please proceed.
- Nagaraj:** Good evening. Sir, my question is your UP plant, you told first phase will start in first half of FY2026 - 27.
- Diwakaran S.:** Yes.
- Nagaraj:** Yes, the timeline is not very clear to me. What do you mean by FY2026 – 27 first half? Can you just tell me approximately the month and the year?
- Nakul Sethi:** I cannot tell you the exact month as of now.
- Nagaraj:** Not exact month. I meant two months, three months plus or minus.
- Nakul Sethi:** Sorry?



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- Nagaraj:** You can tell me two months, three months plus or minus because first half of FY26 - 27 is not quite clear to me.
- Nakul Sethi:** I mean, I cannot tell you the exact month, but we expect by August or September of next year, it should be done.
- Nagaraj:** August or September 2026?
- Nakul Sethi:** Yes, yes.
- Nagaraj:** Okay, that is fair enough. And my second question is, do we have any plans to launch Rum in Tamil Nadu and Kerala, which is a high-consuming market?
- Diwakaran S.:** Kerala, there could be a possibility. Tamil Nadu is quite too far because the policy there does not allow us to import IMFL brands into the state if the ex-brew, ex-distillery price is below Rs. 3,500.
- Nagaraj:** Do we have some plans for Kerala?
- Diwakaran S.:** Of course, I mean, there is. I mean, we are looking at that and first we are fixing the beer business properly. We want to make it as robust as possible so that our team can focus on MFL. But it is not going to happen during the year FY25 – 26.
- Nagaraj:** Okay. My just clarification is, can we expect IMFL to contribute 15% of our revenue for this financial year?
- Diwakaran S.:** Which financial year?
- Nagaraj:** This financial year, FY26. Since we have seen 26% growth in IMFL, since we have seen 60% growth in IMFL in the first Q1, can we expect IMFL to contribute 15% of our total sales this financial year?
- Diwakaran S.:** Wherever we are with IMFL, we are growing. Whether it be Madhya Pradesh, Chhattisgarh, Odisha, all these markets we are growing. Now, Mahavat is the brand that we want to focus on and that will be reaching all these markets, I mean, the northern markets first.
- Nagaraj:** Why I am asking this question is, at present IMFL contributes 10% of our total revenue. Can it increase to 15% this financial year?
- Diwakaran S.:** I suspect it would not.
- Nagaraj:** Okay. And do we have any plans for raising money through QIP for UP plant?



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- Nakul Sethi:** No, sir.
- Nagaraj:** Okay, thank you.
- Diwakaran S.:** Thank you. Thank you very much.
- Moderator:** Thank you. We take the next question from the line of Mukund Agarwal from BMC Advisors. Please proceed.
- Mukund Agarwal:** Like, if we talk about our last three years, 2023, FY 2022 - 2023, when we close this year, we are taking our Rs. 800 crore revenue to around Rs. 1,700 crore revenue. Now, when UP plant starts next year, can we expect that type of growth for the next three years?
- Diwakaran S.:** Inshallah, sir. If it happens, it will be good.
- Mukund Agarwal:** Okay, sir.
- Diwakaran S.:** Like I said, UP is a big opportunity. I mean, Nakul will be able to put a value to the whole thing. But I am saying UP is a big opportunity. The entire north is a big opportunity. IMFL is an opportunity. So, we have still not even scratched the surface of those markets. So, I think if you are right, it will be good for everyone. We will do it. We will do hard work on it.
- Mukund Agarwal:** No, that is there. Nakul ji, what is your viewpoint on this?
- Nakul Sethi:** I expect that the next three years - four years are going to be pretty exciting for us. This is, I think, a lull before the storm.
- Mukund Agarwal:** And you are excited about the coming times in the future. Because as investors, we are not traders. We are investors looking to invest in our money for a longer period of time or guidance, when the business grows, the investors make money. So, that is the philosophy which we stick in. So, that is why these questions are coming in. For example, today we have slowed down by one year. It is not in the industry that when we have given such rapid growth, there is a year or two years which becomes a little constant. But then because of all these factories opening up or going to their new markets, again it starts giving a very linear line in terms of the sales growth. So, are we expecting something similar coming ahead?
- Nakul Sethi:** No, we are very much excited about the future, sir. And we have got a great team which is great at execution and we are pretty excited.
- Diwakaran S.:** Okay.
- Mukund Agarwal:** And sir, when will we start getting beer at Bangalore Airport?



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- Diwakaran S.:** Sir, at Bangalore Airport T1, the departure, our Bira Taproom is there, there our Woodpecker beer is available. The rest of the outlets there, they have tied up with some companies. So, that is a different plan. We are talking about how to open that route, we are talking for the same.
- Mukund Agarwal:** But sir, in the next 3 months - 6 months, because it is all about visibility, because as long as our visibility is strong, there is always an attraction there. Like I went to the T2 recently, like the day before only I was there in the T2 and I checked around each and every counter. And no one said that, they were not aware that Hunter is also there, and the other one was also there. So, if our brand visibility is at the airport, then people start noticing us. And then it gets easier, like a more friendly kind of a thing.
- Diwakaran S.:** There is an effort to set up there in T2 and T1. There is an effort, we will do it sir. We can do it in the next 6 months - 8 months.
- Mukund Agarwal:** Okay. Thank you so much.
- Diwakaran S.:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Manish Gupta from Equinox Investment Advisors. Please proceed.
- Manish Gupta:** Yes, sir. Sir, you mentioned about Karnataka excise rollback, could you just quantify what was the initial increase in excise duty in Karnataka and what has been the quantum of rollback?
- Diwakaran S.:** See, they had increased for the, what is called the additional excise duty. It was a flat percentage for across all kind of years, all price points. But in January, they had introduced something called a minimum. Minimum additional excise duty. So, that took up the price of affordable and mainstream beers very high. So, it was Rs. 130 per bulk liter or 195% of the declared price, whichever is higher. So, the more affordable the beer is in terms of the price, the tax will be higher. For example, one of our brand, the tax went up from the additional excise duty went up from Rs. 600 rupees to Rs. 1,050 rupees.
- Manish Gupta:** Okay.
- Diwakaran S.:** Now, they rolled it back to about Rs. 750 - Rs. 800.
- Manish Gupta:** So, you mean to say whatever the price point of the beer was, the additional excise duty was not on a percentage basis but on a flat basis?
- Diwakaran S.:** Yes.



- Manish Gupta:** Which has been rolled back now?
- Diwakaran S.:** Yes, correct. It has not been fully rolled back, but because they increased the excise duty, additional excise duty from Rs. 195 to Rs. 200, there is an increase in additional excise duty.
- Manish Gupta:** All right. In the past, we have been reading about Hunter being the largest selling beer in Delhi. So, is that position continuing or how is it Hunter's position now in Delhi?
- Diwakaran S.:** So, we continue to hold the number 2 position in Delhi.
- Manish Gupta:** On an aggregate basis, last year also we were number 2, this year also we continue to hold the number 2 position.
- Manish Gupta:** All right, sir. Thank you. Thank you, sir.
- Moderator:** Thank you. We take the next question from the line of Ajay Mehta, an Individual Investor. Please proceed.
- Ajay Mehta:** Yes, Nakul sir, one question for you before I got to Diwakaran sir. On the P&L, I see there is an increase in the finished goods, right, in the stock and trade around Rs. 24 crores to Rs. 48 crores. Does it mean that you are not able to clear this inventory because of the Karnataka excise issue?
- Nakul Sethi:** It could be for all the three plants together. Not mainly because there was a slowdown in Odisha also. Because if you remove the debts and loan, we have done very well.
- Ajay Mehta:** Okay. So, we will be able to realize the value in the coming quarters. Because last quarter we had a negative impact with Odisha profitability. Are you confident to clear our inventory and finish goods and everything?
- Nakul Sethi:** Yes, that is already been cleared.
- Ajay Mehta:** Okay. My second question was there is an increase in the debt level. Is there a specific reason for that or is it a temporary thing?
- Nakul Sethi:** So, temporary because this increase was due to the higher cash credit utilization, the CC limits.
- Ajay Mehta:** So, now we will come back to the normalized level in the coming quarters or we will stay at these levels only?
- Nakul Sethi:** No, I think it should normalize now.
- Ajay Mehta:** It should normalize now.



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- Nakul Sethi:** Because we have invested a substantial amount in this quarter into the UP plant also.
- Ajay Mehta:** We have done through debt basically to their finance.
- Nakul Sethi:** All through internal accruals only. We have not taken any additional debt for the plant as such.
- Ajay Mehta:** The plant as such. Okay. And one more thing. The volume drops which has happened is causing our revenue to be flattish. So, considering last time you Diwakaran Sir had said in one of the TV interviews that we are expecting 20% - 22% kind of a growth. Now, considering we had just a 3% growth in this quarter, June quarter. Will we be able to catch up in the coming quarters or we will be at around 15% - 18% kind of a growth only for this year?
- Nakul Sethi:** I think now we are looking at maybe range of 15% to 17%.
- Ajay Mehta:** But we will be able to maintain the margin?
- Nakul Sethi:** Yes, yes. We will be able to maintain the margin. In fact, post higher margin as compared to last year. That is how it looks as of now.
- Ajay Mehta:** Okay. That is how it looks like. And is there any further plan of promoters increasing their stake in the company? Because over the last two quarters we have seen 3% increase in the stake. Is there any further plan for the promoters to increase the stake in the company? Because today we saw the stock price fall with a huge volume. So, are the promoters going to add further to their holdings today?
- Nakul Sethi:** No, I mean, number one, there is restriction for another two days. So, the promoters cannot buy from the market as of today.
- Ajay Mehta:** No, any further plan for them to purchase? Obviously, this is a window period, they cannot buy now, any further plan. --
- Nakul Sethi:** The target is to take their holdings to close to about 51%. They are already at 40% now. So, I think the target is to raise it to about 50% - 51%.
- Ajay Mehta:** Okay. Another question was on the volume drop which has happened on the beer segment on a quarter-on-quarter basis. Obviously, IMFL is doing good with their new launches and their existing brands also. The beer volume drop, let us say, last year Q2 to this Q2 uptick? Or a quarter-on-quarter uptick, should we see? Or will it be more flattish considering the seasonality or the July - September typically being a rainy kind of an environment? Do you guys have any forecast or any projections for it?



- Nakul Sethi:** I think as Diwa had mentioned that we will definitely see an upturn in the way Karnataka operations in the next coming quarters. So, I think Q2 of this year should be better than Q2 of last year.
- Ajay Mehta:** Okay. And you will be there, right, to celebrate the Silver Jubilee? I think you finished 24 years of service. You will be there, right?
- Nakul Sethi:** Okay. Thank you so much.
- Ajay Mehta:** And Diwa sir, one question for you. Considering this volume drop and this thing. How the rest of it is going from a marketing strategy perspective? Because obviously, I think if you remember in our last investor call also I had said, right, the brand visibility, right? How aggressively are we working to increase the visibility of this brand? Because, as I said last time also, right, for example, the Woodpecker, the premium brand which is there of yours, right, the Legend which is there.
- How much marketing are we doing to make this brand more visible? That is what I tell my friends, my family members to drink this beer, but no one has heard about it. So, how much aggressive marketing strategy are we doing to popularize our brands which can help the company to increase the volumes? Specifically in the urban Bangalore areas or Delhi area kind of cities, right?
- Diwakaran S.:** Yes. See, the way the category functions or the industry functions because of the dark market, most of the actions has to happen in the channel. I think, I explained this even last time. Channel is where our focus will be. It will be whatever limitations that we have or whatever restrictions we have from the exercise point of view. After taking care of that, it will still be channel where our investments will be. Whether it be for creating awareness or generating trials. And of course, I mean, for premium brands like Woodpecker, it is very important.
- Like I think before you, there was another investor who was talking about it, that we have to be seen in the right places with our brand. Like the airports and premium lounges and things like that. So, that is another effort that we are putting. And we are strengthening that side of our organization as well, where we are available in the national chain, chain of hotels and the airport chains and the travel services, traveling retail, etc. So, that is one part.
- The second part is that digitally is something that we can do and there is huge restriction from ASCI on digital marketing, showing beer as a product. So, we have to find the right association and right opportunity to do all these things. So, we do not want to rush into it and spend money and not require or be fined by the authorities.



So, we will go slow and steady and we will go market by market. And like the way we have built our other portfolio brands. If you see, we have never gone overboard like our multinationals come with deep pockets and spend a lot of money. We have never gone like that. I mean, our focus will continue to be a conservative focus, but steady and robust growth will keep happening.

Ajay Mehta:

Okay. I think that is one observation in terms of corporate governance, when I was seeing the PPTs and everything, I saw you talking about quality, right? It has all the details and all. So, thank you very much as an investor, it gives a lot of insight. But just one thing on the corporate governance, I just want to check with both of you. Last year, there was some child labor issue. I hope that those things are sorted out, right? There is nothing, no pending litigation or anything over there, right?

Nakul Sethi:

Yes. So, there is number one, as we have given out press release, also it pertains to our private limited company. And I think nothing has come out of it. I think it was, I mean, we were unnecessarily targeted. So, as of now, there is nothing about it.

Ajay Mehta:

Okay. Fair enough. All the best team. So, thank you so much.

Diwakaran S.:

Thank you. Thank you so much.

Moderator:

Thank you. We take the next question from the line of Mukund Agarwal from BMC Advisors. Please proceed.

Mukund Agarwal:

Sir, the shareholding from Rs. 32 to Rs. 40 was because of preferential issues which were given to the promoters, right?

Nakul Sethi:

Yes.

Mukund Agarwal:

Sir, sir as you said, from Rs. 40 to Rs. 50, the promoters want to take it from Rs. 40 to Rs. 50. So, they are not preferential, it will be an open market buying.

Nakul Sethi:

It is very difficult to say right now how it will happen. But I have told you the long-term intention of the promoters that they want to take it from Rs. 40 to Rs. 51.

Mukund Agarwal:

So, but can this also, right now, can this be through preferential or no? Like, what are the ways out? Like, if the long-term intention of the promoter is good, then in which way can the promoter do it?

Nakul Sethi:

See, they can take 5% every year in creeping, right? So, there can be open market operations as well. There can be preferential issues as well.



- Mukund Agarwal:** Is there a limit of 5%? That means the promoter cannot take more than 5% every year.
- Nakul Sethi:** Yes.
- Mukund Agarwal:** Okay. So, it can be either way. It can be preferential also or it can be through open market also depending on circumstances.
- Nakul Sethi:** Yes.
- Mukund Agarwal:** Okay. Thank you, sir.
- Moderator:** Thank you. We take the next question from the line of Manish Gupta from Equinox Investment Advisors. Please proceed.
- Manish Gupta:** So, in the first quarter, as you said, Karnataka, because of the excise issue, everybody, the sales were lowered by volumes or all the players in Karnataka. So, my question to you would be that what do you think SOM Distillery would have gained market share in this period or lost market share in this period? What would be the market share trend have been in Karnataka?
- Diwakaran S.:** See, in a market which has declined by 20% and also affected by the pricing, I mean, taxation policy of the government at least for the first 60 days of the 90 days of the first quarter, we did suffer. We lost market share in Karnataka. And when you compare after the price, I mean, the tax reversal, they rationalized the tax again by end of May which, had some impact in the month of June. And then from July, I think we have seen a gain in share versus June. So, we are seeing positive, that is a positive signal for us and for our brands. And we hope that the quarter two will be better in terms of our market share vis-à-vis quarter one. And thereafter, we will pick up from there.
- Manish Gupta:** So, you expect by the end of quarter two, you will have regained the share that you have lost or you would have kind of incremented that share?
- Diwakaran S.:** Because we have lost some, but it is not so easy to recover because the consumers have moved away and we have to get them back. We are doing our best effort in the channels to make sure the consumers are coming back to our brands. And like I said, versus June, we have gained a percentage. We expect that to keep going up in this quarter. And probably by end of third quarter or beginning of fourth quarter, you will see better results in terms of market share vis-à-vis quarter one.
- Manish Gupta:** So, what would be the quantification of market share loss in terms of percentage? How much has it dropped? And where do you see it in second quarter?



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- Diwakaran S.:** Yes, we have roughly lost about 4% - 5% and we have recovered 1% of that. The trend is showing that 1% is possible to gain and 2% - 3% is possible in this quarter, I think. It is possible.
- Manish Gupta:** And what was the initial market share before this excise duty increase happened?
- Diwakaran S.:** We were sitting at around 17.5% - 18%. We currently are at around 12.5% - 13%.
- Manish Gupta:** All right, sir for the clarification. All the best, sir.
- Diwakaran S.:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints, we take that as the last question. And we would now like to hand the conference over to Mr. Diwakaran sir for closing comments. Over to you, sir.
- Diwakaran S.:** Thank you. It was a real pleasure talking to all the investors and taking their questions. I think all of us are very, very clued on and their trust in us and our companies and our performance still continues to be there, which is a very nice thing to see. And we thank all the investors and all the analysts who have been on the call. Thank you very much. We hope to see you in the next quarter with much better performance. Thank you.
- Moderator:** Thank you. On behalf of SOM Distilleries & Breweries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.