



**Allied Blenders
& Distillers**



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IPO Note

Allied Blenders and Distillers Limited

Recommendation: **AVOID!**

Company Background -

- Incorporated in 2008, Allied Blenders and Distillers is an Indian-made foreign liquor company.
- The company offers four Indian-made foreign liquor categories: whisky, brandy, rum, and vodka. In addition, they sell packaged drinking water under the **Officer's Choice, Officer's Choice Blue, and Sterling Reserve brands.**
- The company owns and operates a distillery in Rangapur, Telangana, which is spread over 74.95 acres and has a built-up area of over 25,000 square meters.
- As of December 31, 2023, the company owned and operated nine bottling units and utilized the entire licensed capacity of five third-party bottling facilities.

Objects of the Issue -

- Prepayment or scheduled repayment of a portion of certain outstanding borrowings availed by the Company.
- General Corporate Purposes.

Promoters Name -

Mr Kishore Rajaram Chhabria, Ms Bina Kishore Chhabria, Ms Resham Chhabria Jeetendra Hemdev, Oriental Radios Private Limited, Bina Chhabria Enterprises Private Limited, Officer's Choice Spirits Private Limited and BKC Enterprises Private Limited

Rationale for recommendation -

- ✓ The company has seen a dip for FY 2023 in its top line of the financials.
- ✓ The company is operating in a very low Net Profit Margin which is not satisfactory.
- ✓ The company has had income tax search and seizure operations on them.
- ✓ The company's subsidiaries have incurred losses.
- ✓ The company has concentrated buyers.
- ✓ The company is getting listed with a high valuation.

IPO Details

Opening Date	June 25, 2024
Closing Date	June 27, 2024
Allotment Date	June 28, 2024
Listing Date	July 02, 2024
Stock Exchange	BSE, NSE
Lot Size	53 Shares
Issue Price Per Share	₹267 to ₹281
Issue Size	1,500 Cr.
Fresh Issue	1,000 Cr.
Offer for Sale	500 Cr.
Application Amt at upper band	₹ 14,893 (53 shares) – 1,93,609 (689 shares)

KPIs

KPI's	(Amt in Cr)		
	2022	2023	Dec-23
Revenue	7,196.92	7,105.68	5,911.14
EBITDA	196.31	184.99	182.37
Net Profit	1.48	1.60	4.23
RoCE	22.25%	22.73%	19.73%
ROE	0.37%	0.39%	1.03%
P/E	4,683.33	4,014.29	59.79

Promoter Share Holding Pattern

Pre-Issue	Post Issue
100%	80.92%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	0.78	0.68
BVPS	58.34	50.92
P/E	359.09	411.44
P/BV	4.82	5.52
Mkt Cap (In Cr)	6,859.59	7,859.59

Lead Managers -

ICICI Securities Limited

Nuvama Wealth Management Limited

ITI Capital Limited

Registrar -

Link Intime India Private Limited

Business Overview -

Established in 2008, Allied Blenders Limited, is the largest Indian-Owned Indian-Made foreign Liquor (IMFL) company. The company one of the only four spirits companies in India with a pan-India sales and distribution footprint, and a leading exporter of IMFL, and had an estimated market share (in terms of sales volume) of 11.8% in the Indian whisky market for Fiscal 2023. As of December 31, 2023, product portfolio comprised 16 major brands of IMFL across whisky, brandy, rum and vodka. The company have 12 sales support offices and pan-India route-to-market capabilities covering all channels and alcohol permitted States and Union Territories.

The company’s product range includes five main categories of IMFL, i.e., whisky, brandy, rum, vodka and gin. And generates majority of its revenue from the whisky product contributing to almost 96.1% for Period Ended Dec-2023 The company also sell packaged drinking water under the Officer’s Choice, Officer’s Choice Blue and Sterling Reserve brands.



Officer's Choice Blue



Class 21 Vodka



Jolly Roger Rum



Sterling Reserve Premium Cellar Brandy

Product Portfolio

Whisky

Officer’s Choice, Sterling Reserve, ICONiQ, Srishti, X&O.

Brandy

Officer’s Choice, Sterling Reserve, Kyron.

Rum

Officer’s Choice, Café Rum

Vodka

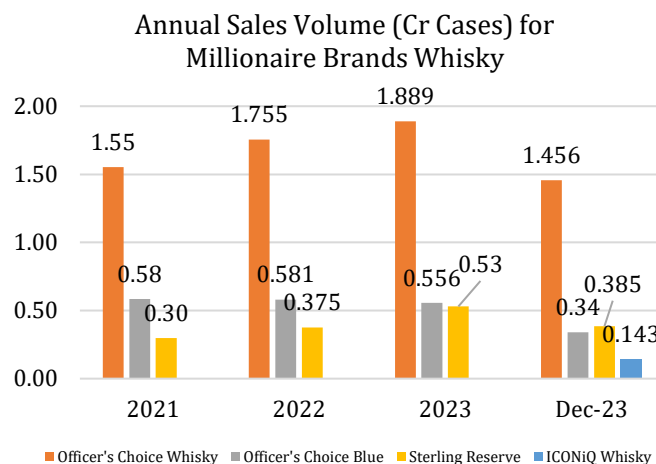
Class 21 Vodka

Gin

Zoya Premium Gin

Manufacturing Facilities

The company’s distillery is located in Rangapur, Telangana and is spread over an area of 74.95 acres and has a built-up area of over 25,000 square meters. The in-house distillation capacity of extra neutral alcohol (“ENA”) is 600.00 lakh litres per year. In addition, company also have extensive bottling capabilities with an optimal mix of owned and third-party facilities with a pan-India presence across 22 States and Union Territories, as of December 31, 2023. As of December 31, 2023, company relied on 32 bottling facilities, including bottling facilities owned and operated by the company and contract bottling facilities both on exclusive and non-exclusive basis.



Exports

The company a leading exporter of IMFL Indian Made-Foreign Liquor (Source: Technopak Report) and as of December 31, 2023, company have exported the products to 14 countries internationally, including countries in North America, Middle East, Africa, Asia, and Europe. The export sales are primarily organized through importers or distributors, with whom the company have entered into agreements for the distribution of the products

Competition -

India alco-beverage market is dominated by strong players across different segment including IMFL, beer and wine segments.

The company face intense competition in the IMFL market in India, from various domestic and multinational companies in India.

Some of the key competitors include United Spirits, John Distilleries, Radico Khaitan Limited and Tilaknagar Industries.

The company may face competition from larger competitors with significant resources and which benefit from economies of scale and scope. The company continues to face competition in markets where they currently operate.

Business Strategies -

Increase market share of Officer's Choice Whisky across regions

The company intends to position Officer's Choice Whisky as a brand for the younger generation and make it the first port of call for new entrants into the category

Introduce new products

The company aims to Introduce new products within the premium, semi-premium and deluxe segments to strengthen presence in other categories

Continue to focus on improving operating efficiencies

The company will continue to focus on reducing operating costs and improving utilization by investing in modernization of the manufacturing facilities with relevant technologies and production methods.

Evaluate growth opportunities through selective acquisitions -

The company intends to selectively pursue strategic acquisitions and investments and other strategic alliance partnerships that are complementary to the growth strategy, particularly those that can help enrich the product portfolio and expand the customer base

Risk Factors -

The company is substantially dependent on the sales of whisky products which generated 97.58%, 96.90%, and 95.38% of the revenue from operations in Fiscal 2021, 2022 and 2023 and 95.76% and 94.33%, respectively, of the revenue from operations for the nine months ended December 31, 2022, and December 31, 2023.

The company is significantly dependent on the sale of the whisky products under the Officer's Choice brand which constituted 83.76%, 82.29%, 75.85%, 76.78% and 73.02% of the total sales volume in Fiscal, 2021, 2022 and 2023 and nine months ended December 31, 2022, and December 31, 2023.

The company has certain contingent liabilities amounting to Rs. 192.62 Cr.

The income tax department conducted search and seizure operations (basis warrants issued) from December 11, 2023, to December 17, 2023, at several premises of the Company, including the Corporate Office and Registered Office, premises of certain Subsidiaries, Promoters, Promoter Group, Group Companies, one of the third-party data centres of the Company and a retail store of the Company.

The Subsidiaries have incurred losses in the past, which may have an adverse effect on the reputation and business.

The top 10 Customers have contributed to 63.43%, 62%, 52.63%, and 53.20% for the FY ended 2021, 2022, 2023, and Period Ended Dec-2023.

The company, subsidiaries, directors and promoters are involved in certain legal and regulatory proceedings amounting to Rs. 270.29 Cr.

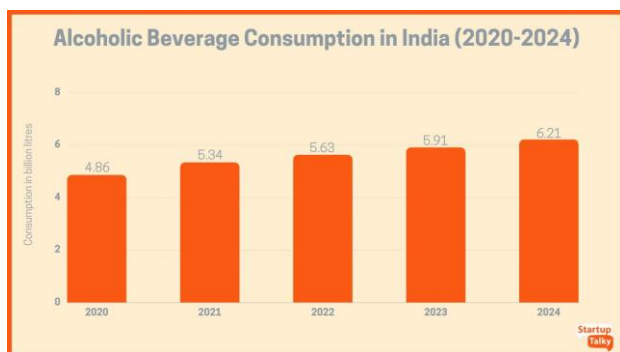
PEER ANALYSIS

	Allied Blenders and Distillers Limited			United spirits limited			Radico khaitan ltd			Globus Spirits ltd		
	FY 21	FY 22	FY 23	FY 21	FY 22	FY 23	FY 21	FY 22	FY 23	FY 21	FY 22	FY 23
NP Margin	0.04%	0.02%	0.02%	4.68%	8.49%	10.26%	11.49%	9.15%	6.99%	12%	11.77%	5.79%
EBITDA Margin	3.04%	2.73%	2.60%	12.51%	15.15%	15.03%	17.54%	14.25%	11.68%	21%	21.08%	12.01%
RoCE	25.27%	22.82%	22.12%	17.44%	23.38%	22.69%	19.49%	16.22%	11.30%	29%	29.87%	17.50%
ROE	0.66%	0.37%	0.39%	9.45%	17.00%	18.94%	15.46%	12.99%	9.98%	24%	24.25%	13.78%
EPS (INR)	0.10	0.06	0.07	5.28	11.40	15.63	20.75	19.70	16.48	50.00	65.02	42.43
P/E	2810.00	4,683.33	4,014.29	105.74	75.69	48.39	27.23	45.37	72.49	6.62	24.17	18.30

Indian Alco-Beverage Industry -

Introduction and Market Profile -

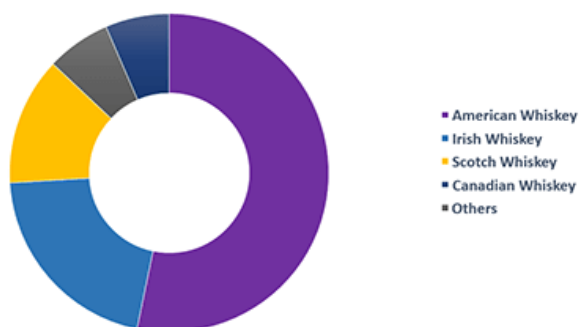
India is one of the fastest growing alcoholic beverage markets in the world growing from a small base of 1.3 litres per capita of recorded consumption of pure alcohol in 2005 to 2.7 litres per capita consumption in 2010 and further to estimated 3.2 litres per capita consumption in 2023.



The recorded alcohol per capita (“APC”) for India in 2023 was estimated at 3.2 litres per annum against the world average of 5.0 litres. Indian alco-beverage market size was estimated at close to 3.2 billion litres of pure alcohol in 2023. Distilled alco-beverages contributed close to 92.0% of the total pure alcohol consumption in India. The market for alco beverages in India is estimated to grow at approximately 2.1% by volume for the period between 2023 to 2028 with more people achieving the legal drinking age and growing number of women who drink alcohol.

India Whiskey Market

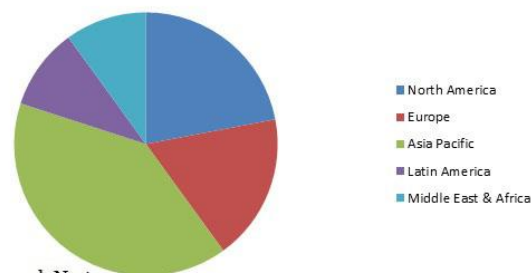
Market Share by Type (%)



Global Consumption Trends -

Alcohol consumption is captured by World Health Organisation (“WHO”) as total alcohol per capita consumption in litres of pure alcohol per person per year and alcohol consumption in grams of pure alcohol per person per day for population above 15 years. This includes both drinking and non-drinking population. The minimum legal drinking age in some countries is as low as 16 years. Alcohol consumption is further divided into recorded data and unrecorded data. Recorded data is alcohol sales captured through excise department in most countries. World per capita alcohol consumption in 2023 was estimated at 6.9 litre of pure alcohol per year. The recorded alcohol per capita consumption for 2023 was estimated at 5.0 litres.

Global Industrial Alcohol Market Share(%)-
 By Region-2024



Source: Research Nester

Whisky Market in India -

India is the largest whisky market in the world with almost one out of every second bottle of whisky sold in India. A large population base with positive demographic trends including young population, growing income, and increasing urbanisation is driving growth of Indian whisky market. India is traditionally a distilled spirits market with close to 90% of pure alcohol consumption in form of distilled spirits in Fiscal 2022. Growing income has a direct co-relation with increase in per capita consumption and whisky category being the largest category in Indian alco-beverage market will benefit the most from the positive demographic factors and growing income. Indian whisky market was valued at ₹ 1,508.80 million in Fiscal 2023 and is projected to reach ₹ 2,342.66 billion by Fiscal 2028.

Key Management -

Key Management Persons Name -	Kishore Rajaram Chhabria
Age	69
Designation and No. of years of experience	Promoter, Chairman and Non-Executive Director, 19+ Years of experience.
Qualification	B. Com Degree
Roles and Responsibility	-
Other Directorships	Shaw Wallace & Company Limited and B.D.A. Limited

Key Management Persons Name -	Bina Kishore Chhabria
Age	66
Designation and No. of years of experience	Promoter, Non-Executive Director and Co-Chairperson
Qualification	No formal Education
Roles and Responsibility	-
Other Directorships	ABD Dwellings Private Limited, ABD Estates Private Limited, ABD Homes Private Limited etc.

Key Management Persons Name -	Resham Chhabria Jeetendra Hemdev
Age	46
Designation and No. of years of experience	Promoter, and Whole-Time Director (Vice Chairperson), 2+ years of experience
Qualification	B. Com Degree, Management Development Program
Roles and Responsibility	-
Other Directorships	ABD Dwellings Private Limited, ABD Estates Private Limited, ABD Realtors Private Limited etc.

Key Management Persons Name -	Shekhar Ramamurthy
Age	62
Designation and No. of years of experience	Whole - Time Director (Executive Deputy Chairman), 33+ years of experience
Qualification	PGD in Management
Roles and Responsibility	-
Previous Associations	United Spirits Limited and United Breweries Limited

Key Management Persons Name -	Alok Gupta
Age	58
Designation and No. of years of experience	Managing Director, 26+ years of experience
Qualification	PGD in Business Management
Roles and Responsibility	-
Previous Associations	Autometers Limited, McDowell & Co. Ltd, Whyte and Mackay Ltd., United Spirits Limited and Essar Capital Advisory India Private Limited

Key Management Persons Name -	Ritesh Ramniklal Shah
Age	-
Designation and No. of years of experience	Company Secretary and Compliance Officer
Qualification	B. Com and LL.B, Member of ICSI
Roles and Responsibility	-
Previous Associations	Firestorm Finance & Trading Private Limited, Shaw Wallace & Company Limited, United Spirits Limited and Mcdowell Holdings Limited.

Key Management Persons Name -	Ramakrishnan Ramaswamy
Age	-
Designation and No. of years of experience	Chief Financial Officer
Qualification	B. Com, Member of ICAI
Roles and Responsibility	-
Previous Associations	Essel Propack Limited and Jubilant Oil & Gas Private Limited

Key Management Persons Name -	Narayanan Sadanandan
Age	63
Designation and No. of years of experience	Independent Director, 35+ years of experience
Qualification	B. Com, Cleared Associate exam and Independent director's databank exam.
Roles and Responsibility	-
Previous Associations	State Bank of India, SBI Capital Markets Limited and SBI Pension Funds Private Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Cr.

Particulars	FY 22	FY 23	Dec-23
Revenue from Operations	7,196.92	7,105.68	5,911.14
Other Income	11.25	11.07	3.83
Total Income	7,208.17	7,116.75	5,914.98
Cost of Material Consumed	1,634.97	1,995.69	1,636.33
Purchase of stock-in-trade	4.86	5.63	4.26
Changes in Inventories of WIP, Finished Goods & Stock in Trade	-11.13	-27.27	-10.82
Excise Duty	4,511.27	3,959.05	3,350.87
Finance costs	145.09	134.97	127.93
Depreciation and Amortization expense	58.64	55.14	39.09
Other expenses	860.65	987.59	748.15
Total Expenses	7,204.34	7,110.80	5,895.80
EBITDA	196.31	184.99	182.37
Exceptional Item	-	-	4.99
Profit/(Loss) before tax	3.82	5.95	14.20
Tax Expense	2.35	4.35	9.97
Profit/(Loss) for the year	1.48	1.60	4.23

Statement of Equity, Assets and Liabilities

Amt in Cr.

Equity	FY 22	FY 23	Dec-23	Assets	FY 22	FY 23	Dec-23
Share Capital	47.11	48.82	48.82	Tangible Assets	494.29	377.59	370.51
Other Equity	356.99	357.28	360.43	Capital Work-in-progress	14.85	14.03	15.47
Total Equity	404.10	406.10	409.26	Right of use assets	130.44	129.71	123.64
Liabilities	1,844.25	2,081.60	2,332.13	Goodwill	3.85	3.85	3.85
Long Term Borrowings	188.38	138.66	194.86	Other intangible assets	63.05	64.29	62.89
Deferred tax liability	-	-	-	Other Non-Current Financial Assets	39.78	53.14	52.02
Long Term Provisions	26.19	26.49	22.49	Other Non-Current Assets	44.65	46.11	43.41
Short Term Borrowings	658.53	637.58	603.10	Inventories	352.49	559.18	516.25
Trade Payables	536.38	565.88	750.99	Trade receivables	954.03	957.61	1,269.87
Lease Liabilities	2.07	3.06	3.14	Cash and cash equivalents	54.67	53.02	57.17
Other Current Liabilities	261.07	500.89	514.19	Short-Term Loans and Advances	4.11	0.08	0.17
Short Term Provisions	13.68	12.49	12.19	Assets classified as held for sale	-	84.19	83.50
Total Equity and Liabilities	2,248.35	2,487.70	2,741.39	Other Current Assets	92.13	144.90	142.63
				Total Assets	2,248.35	2,487.70	2,741.3

Key Ratios

Per Share Data	FY 22	FY 23	Dec-23	Valuation Ratios (x)	FY 22	FY 23	Dec-23
Diluted EPS	0.06	0.07	4.7	EV/EBITDA	6.27	6.24	6.46
BV per share	16.55	16.64	16.76	Market Cap / Sales	1.09	1.11	1.33
Operating Ratios				P/E	4,683.33	4,014.29	59.79
EBITDA Margins	2.73%	2.60%	3.09%	Price to Book Value	16.98	16.89	16.76
PAT Margins	0.02%	0.02%	0.07%	Solvency Ratios			
Inventory days	17.88	28.72	21.40	Debt / Equity	2.10	1.91	1.95
Debtor days	48.38	49.19	52.63	Current Ratio	0.89	0.94	0.98
Creditor days	225.22	184.11	195.88	Quick Ratio	0.68	0.65	0.73
Return Ratios				Asset Turnover	3.20	2.86	2.16
RoCE	22.25%	22.73%	19.73%	Interest Coverage Ratio	1.05	0.87	0.87
RoE	0.37%	0.39%	1.03%				

LEAD MANAGER TRACK RECORD -

The lead managers to the issue are ICICI Securities Limited, Nuvama Wealth Management Limited and ITI Capital Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Managers in recent times –

ICICI Securities Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Awfis Space Solutions Limited	598.93	383.00	May 30, 2024	536.85
2.	Aadhar Housing Finance Limited	3,000.00	315.00	May 15, 2024	348.00
3.	JNK India Limited	649.47	415.00	Apr 30, 2024	644.00

ICICI Securities Limited has had 42 mandates in the last three years (including current year).

Nuvama Wealth Management Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Go Digital General Insurance Limited	2614.65	272.00	May 23, 2024	330.65
2.	Popular Vehicles and Service Limited	601.55	295.00	Mar 19, 2024	216.00
3.	Capital Small Finance Bank Limited	523.07	468.00	Feb 14, 2024	344.00

Nuvama Wealth Management Limited has had 13 mandates in the last three years (including current year).

ITI Capital Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Suraj Estate Developers Limited	400.00	360.00	Dec 26, 2023	448.10
2.	Hariom Pipe Industries Limited	130.05	153.00	April 13, 2022	69.80
3.	Nureca Limited	100.00	400.00	February 25, 2021	286.00

The company has had 02 mandates in the past four years.

*CMP for the above-mentioned companies is taken as of 26th June 2024.

As per the offer document, from the above-mentioned mandates Suraj Estate Developers Limited, Popular Vehicles and Service Limited and Capital Small Finance Bank Limited opened at discount and the remaining all opened at premiums.

Recommendation -

The company has been in the industry since 2008 and has vast experience in the industry. The management overview of the company is decent

The P/E on a post-IPO and annualised basis is around 411 times which makes it aggressively priced by looking at the performance of the company and sector. The Sector P/E is 62.10 times.

The company operates in the alcohol sector of India. The company is one of the largest IMFL (Indian Made Foreign). The company has seen a slight decrease in the top line of its financials. The company has had Income Tax search and seizure operations conducted on them. The company's subsidiaries are at loss. The company has concentrated buyers slightly. Details of all the above-mentioned points are provided in the risk factor of this report. At this valuation, we believe one can AVOID applying to this IPO.

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