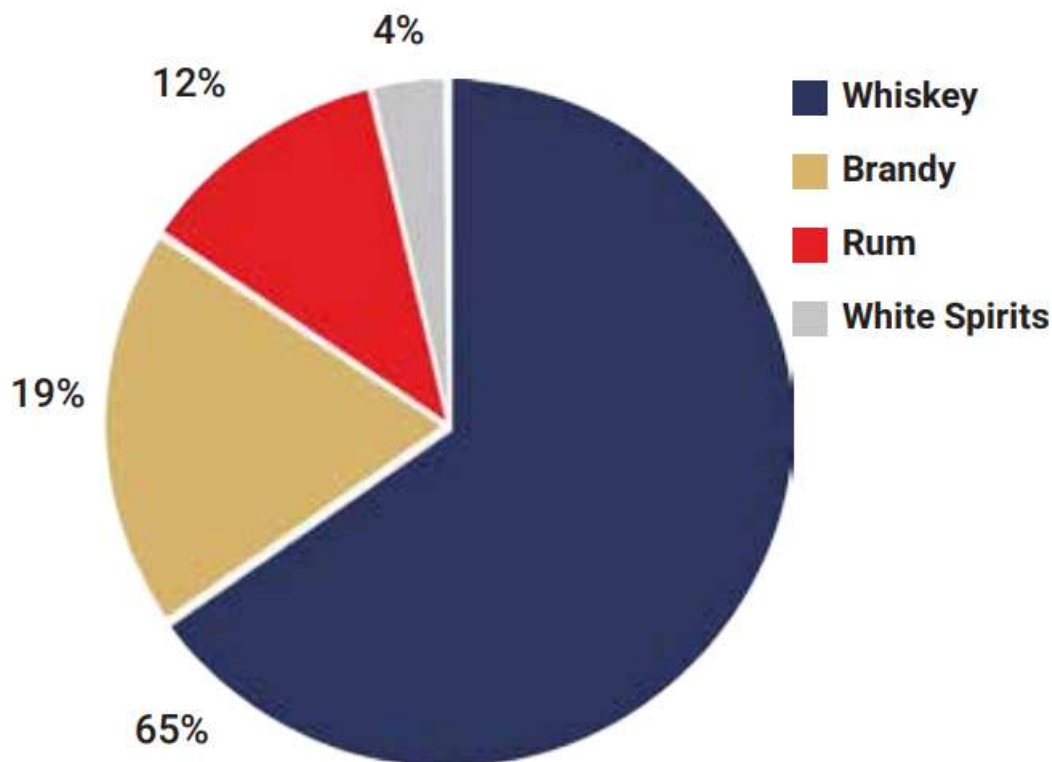


Tilaknagar Industries is into manufacturing and selling of Indian-made foreign liquor (IMFL).

The company has a strong and diverse portfolio of 15 brands in various liquor categories including brandy (Mansion House Brandy, Courier Napoleon Brandy- Red and Courier Napoleon Brandy- Green), whiskey (Mansion House Whisky and Senate Royale Whisky), white spirits (Blue Lagoon Gin) and rum (Madira Rum).



Category-wise spirits sales (in volumes)



Their premium brandy brand, Mansion House is the market leader in the premium brandy segment and sold 4.4 million cases in FY21. They also have another brand, Courier Napoleon, which sold 0.6 million cases in FY21.

They have 16 manufacturing units spread across 11 states- 4 are company-owned (1 directly and 3 through subsidiaries) and 12 are contract manufacturing (3 leased and 9 tie-ups).

Key thesis here is turnaround story.

They have done large-scale debt reduction

	Mar 2010	Mar 2011	Mar 2012	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Sep 2021
Share Capital +	32	115	120	122	124	125	125	125	125	125	125	125	140
Reserves	170	283	355	409	459	417	131	-104	-255	-412	-143	-181	-149
Borrowings	449	431	482	682	832	825	885	1,072	1,031	1,111	579	581	514



**Focus on margins, cash-flows
& deleveraging**

- Impact of operating leverage
- Strengthen balance sheet
- Debt reduced from Rs. 1,252 crs as of Mar-19 to Rs. 627 crs as of Mar-21 (a)(b)

This has further decreased to Rs 488 Cr as of Dec 2021 (net debt as of Dec 2021 is even lower at Rs 383 Cr)

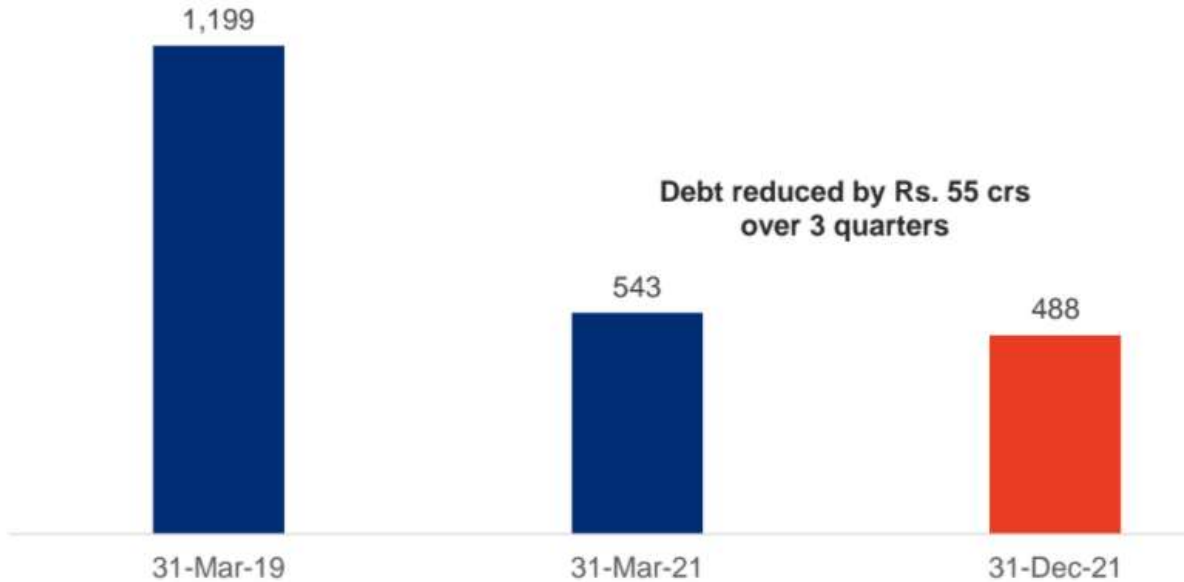
Debt reduced to Rs. 488 crs as of Dec-21; from Rs. 543 crs as of Mar-21



Debt reduction journey...

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

Debt reduction (Rs. Crs)^{(a)(b)(c)}



Initially, this was done through restructuring, one-time settlement with lenders and conversion of debt into equity shares.

positives; reaching one-time settlements with all lenders, debt reduction, margin expansion and

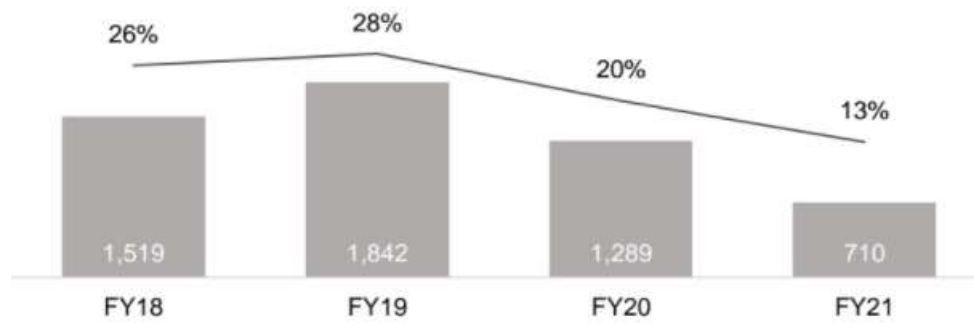
*Debt adjusted for EARC balance debt of Rs. 34 crs which has been **converted to equity** in Apr-21

But now, further debt repayment is being done through cash flows

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**

This has led to sharp decrease in finance costs:

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



They are aiming to be almost debt-free by FY24

Debt repayment and cash flow generation

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

They made their first profit after many quarters in Q1 FY22

You will be pleased to know that after several quarters TI has shown profits in the first quarter of FY 22.



Importantly, this was without significant other income and has been sustained through Q2 and Q3 as well

Quarterly Results

Consolidated Figures in Rs, Crores / [View Standalone](#)

	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021
Sales +	176	135	198	164	158	58	132	168	192	135	201	208
Expenses -	154	119	180	146	260	54	113	145	182	112	171	173
Operating Profit	22	16	18	18	-104	2	19	22	10	23	31	32
OPM %	12%	12%	9%	11%	-66%	4%	14%	13%	5%	17%	15%	16%
Other Income	1	1	1	2	480	0	3	1	7	0	1	1
Interest	-48	46	47	49	-13	17	17	18	19	15	16	16
Depreciation	9	8	8	8	8	8	8	8	8	8	8	8
Profit before tax	-33	-37	-36	-37	382	-23	-3	-4	-9	0	8	10
Tax %	12%	-0%	-1%	-0%	0%	-0%	-0%	-0%	2%	-0%	-45%	-5%
Net Profit	-29	-37	-36	-37	380	-23	-3	-4	-9	0	11	10
EPS in Rs	-2.34	-2.95	-2.90	-2.99	30.41	-1.82	-0.21	-0.31	-0.72	0.03	0.81	0.66
Raw PDF												

Management commentary regarding intent to turnaround is very positive

Over the last couple of quarters, we have showcased a turnaround strategy not only in terms of net debt management but also around growth and profitability

This quarter is no different; our revenues have grown 23% YoY, EBITDA margins have been robust at 15.7% and debt has reduced by Rs. 55 crs since Mar-21

They have signed 10-year agreement for bottling of Pernod Ricard India's products in their facility

The Company signed a long term manufacturing agreement with French multinational Pernod Ricard India private limited to manufacture their products at our Shirampur facility. The agreement is valid for ten years and the production is expected to commence in September 2021.

Interestingly, Pernod Ricard is the maker of famous brands like Imperial Blue, Royal Stag and Blenders Pride.

Importantly, this helps their plant operate at a good utilisation level

Pernod Ricard agreements enables efficient capacity utilisation levels



Bottling arrangement with Pernod Ricard



- Bottling at Shirampur 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 ✔



They have announced commencement of production of the Pernod Ricard brands

Dear Sir/Madam,

In compliance with the provisions of Regulation 30(4) read with Para B of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that the Company has commenced production of brands of French multinational Pernod Ricard India Private Limited at its Shrirampur bottling facility in Maharashtra, from February 15, 2022, pursuant to the long term manufacturing agreement entered into with them.

They are also doing new product launches

towards **launching new, innovative product offerings** to further enhance its presence and capture a

our packing material costs, I am also excited with a slew of new developments from our end; **new product launches, regional expansions** and introduction of **new growth avenues**

New launches in coming 1-2 quarters

There is also a premiumisation trend with improving realisations

Net Sales Realisation per case (Rs.)



Recent decrease in promoter holding is not because of share sales by promoters, but because of dilution due to preferential allotment done.

Allotment of 1,18,86,792 (One Crore Eighteen Lacs Eighty Six Thousand Seven Hundred and Ninety Two) Equity Shares having face value of Rs. 10/- (Rupees Ten Only) each for cash at a price of Rs. 53/- (including a premium of Rs. 43/- per share) upon receipt of an amount of Rs. 62,99,99,976/- (Rupees Sixty Two Crores Ninety Nine Lacs Ninety Nine Thousand Nine Hundred and Seventy Six only) to Barclays Wealth Trustees (India) Pvt Ltd acting as a Trustee of Lotus Family Trust, Non-Promoter;

There is also a hint towards improving corporate governance, since they want to actively resolve the multiple auditor qualifications.

Resolution of auditor qualifications

- **Focus on taking proactive measures to resolve all auditor qualifications**

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