FRATELLI
•VINEYARDS•

Date: November 16, 2026

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

Scrip Code: 541741

Subject : Transcript of investors and earnings call held on Thursday, November 12, 2026

Dear Sir/ Madam,

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, we are enclosing herewith the transcript of investor and earnings call, held on Thursday, November 12, 2026 at 04:00 PM on the unaudited Financial Results and operational performance of Fratelli Vineyards Limited for the quarter and half year ended on 30th September, 2026 (Q2/FY 2026-27).

The aforesaid transcript is also available on Company's website at following link:-

https://investor-relations.fratelliwines.in

This is for your information and records.

Thanking You,

Yours Faithfully,
For FRATELLI VINEYARDS LIMITED

MONIKA GUPTA
Digitally signed by MONIKA GUPTA
Date: 2026.11.16 15:49:20 +05'30'

Monika Gupta
Company Secretary
FCS 8015

"Fratelli Vineyards Limited

Q2 & H1 FY27 Earnings Conference Call"

November 12, 2026

MANAGEMENT: **MR. GAURAV SEKHRI – CHAIRMAN AND MANAGING DIRECTOR – FRATELLI VINEYARDS LIMITED**
MR. ADITYA SEKHRI – DIRECTOR – FRATELLI VINEYARDS LIMITED
MR. HEMANT ARORA – CHIEF FINANCIAL OFFICER – FRATELLI VINEYARDS LIMITED

MODERATOR: **MS. PRIYA SEN – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Fratelli Vineyards Limited Q2 and H1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in 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 star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Priya Sen from Go India Advisors. Thank you, and over to you, ma'am.

Priya Sen: Thank you, Huda. Good afternoon, everyone. It is my pleasure to welcome you all on behalf of Fratelli Vineyards Limited. Thank you for joining us today for the Q2 and H1 FY27 Earnings Call.

We have on the call Mr. Gaurav Sekhri, Chairman and Managing Director; Mr. Aditya Sekhri, Director; and Mr. Hemant Arora, Chief Financial Officer. Please note that the discussions on today's call may include certain forward-looking statements and must therefore be viewed in conjunction with the risks that the company faces.

I would now like to hand it over to the management for the opening remarks. Thank you, and over to you, sir.

Gaurav Sekhri: Good afternoon and a very happy Diwali to you and your families. It's wonderful to have you join us for the Q2 and H1 FY27 earnings call of Fratelli Vineyards Limited. The results and the investor presentation are already on the exchanges, and I hope you've had a chance to go through them.

Let me start with the big picture here. We began this year with good momentum, and the first half has held up well. It wasn't a smooth ride in every state, and regulatory challenges in Delhi and Uttar Pradesh especially slowed things down for the whole wine industry. Delhi, which was subdued in Q1, made a decent recovery in quarter 2, taking us to a positive growth trajectory there. Delhi, as you all know, is a historically strong market for Fratelli.

Revenue is growing and profitability is improving. EBITDA for H1 FY27 has improved compared to the previous year. This is a good sign of recovery and shows that the strategies we have in place are bearing fruit. What excites us most is where this growth is coming from. It is our core brands, our ready-to-drink portfolio, and the new markets we are opening. I will walk through some of these key points.

Turning to our core wine segment, the luxury segment is where we lead and our flagship brand J'NOON had a robust half growing at 23% year-on-year. In the premium segment, changes in the UP excise policy presented an industry-wide headwind. Despite this, Shiraz, one of our key brands, held its ground, reflecting the brand's strong consumer traction. Our value portfolio continued to deliver steady performance, with the southern markets leading the way for us.

Moving to the RTD portfolio. Shotgun, our RTD brand, was introduced to tap into this fast-growing category. And it has been extremely well-received by the consumers. Revenue from Shotgun doubled in H1 FY27 and we've almost touched 100,000 cases, and we are very proud of this achievement.

We are on course to hit 200,000 cases by the end of FY27, which will be more than double our previous year performance. We've also introduced Shotgun to Karnataka, a key market, and our newly launched Jamun flavor has had a very positive response. It tells us that ethnic flavors are exciting consumers and we are looking forward to its performance in the market.

CSD is another strong channel for us. TiLT, our wine-in-a-can offering, has established itself amongst the leading RTD brands within just six months of its launch in the CSD channel. Our Merlot and Sparkling have also started selling in CSD and we expect Shotgun to also be introduced in the CSD market before the end of this year.

Our footprint is growing beyond India, too. In H1, we have entered four new international markets, taking Fratelli to 18 countries. On the domestic front, Jammu and Kashmir and TASMAC in Tamil Nadu are the key markets we are looking to enter in this financial year.

Currently, Fratelli Wines is available in 28 states with 32,000 touchpoints and we take pride in being one of the brands which is most readily available and with the largest footprint in the country. One more point on growth. We are not only relying on a single lever. Luxury is building our brand, RTD is bringing scale, and wider distribution is putting both in front of more consumers.

Before I hand over, I'd like to make an important announcement. Fratelli is raising up to INR29.87 crores through a rights issue, which is now open and closes on the 17th of November. As promoters, we are subscribing to our entire entitlement and we'll also take up any portion that remains unsubscribed. This reflects our commitment to the long-term journey of Fratelli.

The utilization of the proceeds is as follows. The funds will be directed towards strengthening the company's balance sheet, settling trade payables, funding winery equipment and oak barrel requirements at our subsidiary, the operating companies, and meeting general corporate purposes.

Overall, this will provide a stronger financial foundation and greater flexibility to support the company's future growth. I'd like to thank our team, our distribution partners, and all of you for your continued support. I genuinely believe that this is just the beginning for Fratelli.

Now, over to Aditya for the operating and financial performance for H1 FY27.

Aditya Sekhri: Thank you. I will now present our financial and operating performance for H1 FY27. Net revenue from operations for H1 FY27 was INR91.4 crores, up from INR83.4 crores last year,

which is a growth of about 10%. On the markets, Delhi grew 1% and has seen a strong recovery in the second quarter, which has made up for a subdued quarter 1.

Uttar Pradesh remained a challenge for the broader industry and is seeing some recovery now in Q3. Growth was strong across Kerala and Goa as well as Orissa, Telangana, and Pondicherry, which supported our overall revenue. Telangana emerged as one of the strongest markets for us in H1. Gross margin for H1 stood at a healthy 78%.

EBITDA moved from a loss of approximately INR1 crores to a profit of INR1.4 crores for the same H1 period. As we grow, more of that growth is now reaching the bottom line. There is a lot of work behind this. Our distribution has now also grown to 32,000 touchpoints and Shotgun is already over 11,000 of them. We have also kept investing in our brands with the focus of the RTD and the premium portfolio right at the forefront.

AMP spends were weighted more towards RTD in Q2 with a 9% spend as a percentage of sales. Premiumization, Shotgun and wider distribution and entry into new markets will remain the key drivers of this growth for Fratelli.

We would now be happy to take up your questions. Over to the moderator.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Deepesh Sancheti from Maanya Finance. Please go ahead.

Deepesh Sancheti: J'NOON grew about 23% in H1, but the luxury segment grew only 4%. So what is the share of J'NOON in luxury segment? And what is happening with the other brands, other luxury brands including SETTE? Are they declining, and why is J'NOON's growth not showing up in the segment?

Aditya Sekhri: SETTE has been a strong performer for us for many, many years. In this financial year specifically, we saw SETTE being flat at H1 perspective. Keeping in mind that last year from an H1 level, SETTE sales reached an all-time high because we had also just launched the product in CSD. However, now we will see that repeat pipeline coming in quarter 3 of this year. So, luxury remains very, very strong. SETTE as well from all the other civil markets contributed well, but in CSD, SETTE showed a slight degrowth due to which overall luxury growth was only about 4% to 5%, but J'NOON still remained very strong.

Deepesh Sancheti: Right. And because of the excise policy in Uttar Pradesh, you had some issues. How large is Uttar Pradesh in sales and when do you expect this to normalize? Is it just a risk because of the elections coming up or where do you see Uttar Pradesh in the longer term?

Aditya Sekhri: See Uttar Pradesh is one of the top seven markets for Fratelli. It's been one of the fastest-growing markets now for us for the last 4 years. This year due to the change in the excise policy, we've seen a bit of a slowdown across the wine category in the state. So, H1 was slow, quarter 3 looks slightly better, but I don't see any major pressure on account of the elections because now the

new policy will be applicable from 1st April. So, yes, definitely this year will be a challenge over the preceding years. But definitely, Q3 and Q4 are looking to be quite positive and similar to the previous year's H2.

Deepesh Sancheti: Right. So, can you give me an update on your vineyard tourism plans and how far along is the project?

Gaurav Sekhri: We had clarified, I think, in our previous two calls as well that we have slowed down that project. We had not yet broken ground on the project. So we have deferred it for the time being because we want to continue to focus our bandwidth and our resources on our core business of winemaking. So, for this reason, we just deferred it. It's still a very good project to do and we will take it up, but we will relook at its viability, economics, everything in the coming financial year.

Deepesh Sancheti: Okay. Shotgun is also a 15% ABV product. So, are there any excise risks or regulatory risks for the RTD category and how exposed is Shotgun to them?

Aditya Sekhri: So in this there is no excise or regulatory risk because we come under the category of aromatized wine. There are some risks pertaining to fortified wine as a segment. However, Fratelli doesn't make any fortified wine at all. So, from a regulatory perspective and even from FSSAI, we are completely in check and compliant. So, I don't really see that being any challenge.

Deepesh Sancheti: Okay. Fine. So what is the revenue growth outlook for FY27 and FY28, especially after a flat Q2? Can the company sustain double-digit growth or I mean the growth come only in FY28?

Gaurav Sekhri: See we have some exciting projects that we are looking at. We are also very excited about Shotgun. I think it has only just begun as a brand. But I would like to give revenue guidance maybe when we do our call for Q3 and see how this main season quarter goes, especially in the wine category. So I think we just wait it out and then give you a forecast.

Deepesh Sancheti: Right. And how much debt would be reduced by this recent rights issue?

Gaurav Sekhri: We don't see a major reduction in debt at the moment. Temporarily some working capital utilization will drop because we'll have some funds available after this rights issue. We are not really very focused or at this point concerned about our debt levels, our debt-equity ratios are very much in line with healthy businesses. So that is not a focus for ours. Our focus is to use the funds for growth and operate the business with slightly more ease of cash versus just reducing debt.

Deepesh Sancheti: Right. And since you have deferred the tourism project, how much is the land bank which the company right now has? If you can give in that context?

Gaurav Sekhri: So the company owns that 10 acres of land which has been earmarked for the hospitality project, so that is in our possession. And that 10 acres is around almost 200 acres of vineyards, which

are not owned by the company, but they are under active farming by Fratelli. So, Fratelli has long-term rights of use of that land.

Deepesh Sancheti: Okay. So, there is at 200 acres is lease? How long is the lease as in there is no risk of the lease getting expired in any such event, right?

Gaurav Sekhri: No, that issue or concern is not there. Those lands are owned by the promoter family of Fratelli, because it's agricultural land and there is a setup it was a challenge for the company to own agricultural land, but it is on just a flat lease, dry lease to Fratelli and Fratelli is undertaking active farming on these lands.

Deepesh Sancheti: Okay. Then there is no risk. Fine. Thank you so much.

Moderator: Thank you. The next question is from the line of Ankur from Genuity Capital. Please proceed.

Ankur: A couple of questions on numbers for Q2. Your gross margins are down to roughly 76.7% versus 79% to 80% last quarter. So, any cost pressures?

Aditya Sekhri: So the main attributing cause for this is just the slight change in the product mix where now the RTD segment has contributed a sizable chunk. We've closed our RTD sales at approximately INR18.5 crores for the quarter. On the cost side, the only slight increase we've seen is a moderate increase in our sugar costs, which is industry-wide, but doesn't remain a major challenge. So, our gross margin guidance, which has been between 77% to 80%, remains intact.

Ankur: And, Aditya, excise has come down to 13% odd of revenue. So, anything structural or is it just normal movement?

Aditya Sekhri: Yes, that's just structural. That's just structural. It will be better to see it from a 9-month perspective.

Ankur: So, for a full-year basis, what should we work till now, 15%? Because the earlier guidance was close to 13% to 14%.

Aditya Sekhri: I can't commit on guidance for that piece.

Ankur: That's okay. And other expenses have gone up 44%, so again any one-offs there or?

Aditya Sekhri: Yes, that's on account of the increase in the RTD marketing expense as brand expenses were about 9% in the RTD segment as a percentage of sales. And this figure is something as I commented before as well, will be between the range of 8% to 10% for another two-three quarters as we're still just hitting a lot of markets for the first time.

Ankur: Aditya, 8% to 10% is on RTD or on the overall sales?

Aditya Sekhri: No, the overall bottles spend is about 5% to 6% of our overall net sales, but on RTD it's about 9% to 10%.

Ankur: Fair enough. So going forward, as RTD's percentage keeps increasing, does that mean gross margins will be slightly lower, more towards 76% to 77% rather than 80%.

Aditya Sekhri: I can only give guidance till the end of the financial year, and then obviously when we make a business plan for next year, we can comment on that better. For this year, the range will be between 77% to 80%, like I commented already.

Ankur: All right. And the brand cost will remain high. Okay. There are a couple of comments around UP, so if you can quantify that, what was the potential revenue loss because of policy changes in Q2 from UP or any other state where there was a bit of a policy disturbance? And the question, why I am asking is because on a quarter-on-quarter basis, we have seen a bit of a dip. So, trying to understand what the revenues would have been in a business-as-usual scenario.

Aditya Sekhri: So UP as a market, while I won't be mentioning the exact revenue dip from UP as a market. UP as a market is roughly down 30% for us at an H1 basis, and that was one of the major attributors to the H1 bottles dip that we saw. Another market where we saw subdued performance was Karnataka, which is again in the top six markets for Fratelli as a company, again some industry headwinds over there. So, UP and Karnataka have been the two top contributors to the dip we've seen in the premium segment.

Ankur: Yes. If I ignore Karnataka and UP, what is the growth in other cities or states?

Aditya Sekhri: So I think regionally it'll be better to comment. But as a whole, if you don't include Karnataka and if you don't include Uttar Pradesh, we'll be about 6%, 6% to 7% up, on the bottle side.

Ankur: And as a business, I'm just trying to understand the RTDs and everything else.

Aditya Sekhri: Is that your question? Your voice is not too audible. Are you asking about the overall bottles revenue?

Ankur: No, so let’s say you did roughly INR45 crores this quarter, INR45 crores last quarter, let’s take out Karnataka and Uttar Pradesh on, from both the quarters. What I’m trying to understand is what is the revenue growth if I exclude these two states across all.

Aditya Sekhri: I already said the figure. These two are big contributors. If you don't include these two markets, our growth is approximately 6% from all the other markets.

Ankur: And sir, this 6% is quarter-on-quarter, right, not annual?

Aditya Sekhri: I'm saying at an H1 level.

Ankur: Okay. Fair enough. I will fall back in queue. Thanks.

Aditya Sekhri: Thank you.

Moderator: Thank you. The next question is from the line of Parson an Individual Investor. Please go ahead.

Parson: You just highlighted RTD sales for this quarter is of INR18 crores. So, that is for Shotgun only or that includes wine as well?

Aditya Sekhri: The RTD sales for H1 are INR18 crores, which were approximately INR8.5 crores for last year at an H1 level. So, we've doubled our RTD sales at an H1 level.

Parson: Okay, got it. Great. So, another thing I wanted to ask about is what is the difference between sales numbers in summers and winters with respect to RTD only? Because in context of wine, it is, in India it's generally said more numbers of bottles in the winter season. So, what is the scenario in case of Shotgun?

Gaurav Sekhri: Sorry, you have Gaurav here. Is your question about the seasonality of sales in the RTD segment?

Parson: That is right. Yes, just with respect to Shotgun only.

Gaurav Sekhri: Yes. So I think in your question you had also commented that the bottled wine business Q3 normally is the most robust quarter for us, so that is absolutely correct. Shotgun RTD product is more of an all-year-round type business. Its sales probably are a little higher during summer months and, of course, when there is season time in Q3, because it is season and a lot of people are celebrating etcetera, again the consumption is fairly good, so it tends to be more stable in sales. I hope that answers your question.

Parson: Yes, that's what I was expecting. Thank you so much. Another thing, one last thing I wanted to ask that you were saying that you're planning to launch RTD in Tamil Nadu as well. Is that correct? The Shotgun?

Aditya Sekhri: Yes, we are in the midst of planning it and you're asking about Tamil Nadu, right?

Parson: That's right.

Aditya Sekhri: Yes. So we are in the midst of in fact adding not only our RTD portfolio, but even our bottles portfolio in TASMAC, and hopefully at the end of quarter three, we will be able to share a positive update on that.

Parson: Okay. I just wanted to understand what exactly would be the retail price for a bottle of Shotgun? Approximately an idea in Tamil Nadu. From what information I get, it would be around INR450 apiece or around that?

Aditya Sekhri: No. Our file is currently under process. We cannot comment on the exact MRP as of now. So even on the MRP and exactly on the availability, we'll only be able to comment a little after some point in December. So you'll get more about it in the quarter three update. The file is under process.

Parson: Okay, sir. That's all from my side.

Moderator: Thank you. The next question is from the line of Harshal Sharma from AS Advisors. Please proceed.

Harshal Sharma: Yes. Yes. So my first question was, which new product launches can investors expect in FY27 and '28? And which one of them can really move the needle?

Aditya Sekhri: Sorry, can you please repeat your question?

Harshal Sharma: I just wanted to know what are the new product launches can investors expect in FY27 and '28? And which one of them can really move the needle?

Aditya Sekhri: If you see Fratelli's portfolio strategy for the last few years, we have done launches majorly in the premium side of things. So we've continued to bolster our luxury portfolio, and we've done that already with the launch of the new Fratelli Brut as we did in this year. Some also in the mid-segment premium category, and the other set of launches we've done have been in the RTD portfolio.

So that will be the continued side of new product developments, which you will even see in the next financial year. We are looking at some interesting concepts both on the RTD side and even in terms of the luxury and premium portfolio. So you'll be hearing more about it at the end of quarter three and the quarter four update as well.

Harshal Sharma: And INR8.6 crores out of the rights issue that will be used to repay the trade payables, just wanted to understand who are the suppliers.

Gaurav Sekhri: Hi Gaurav here. These are routine suppliers, as routine trade payables, vendors for supplying packing material, contract farming grapes, etcetera. It's just to put money in the system.

Harshal Sharma: And sir are the imported wines becoming more competitive after the India-EU FTA? And how do we expect the EU FTA to impact Fratelli over the medium term?

Aditya Sekhri: Imported wines have been coming into India for the longest time. That’s not something new. Even with the FTA, the duty remains at 150% on wines up to EUR 2.5. So, we don't expect any major shake-up. Some change will be there. I think more, better-quality wines will become accessible to the market. As a result, category expansion will be there, and I believe that will be helpful to the overall industry.

Harshal Sharma: Understood, sir. And lastly, how is the HoReCa channel performing? What is the revenue split between HoReCa and retail right now? And is there a margin difference between the two?

Aditya Sekhri: Fratelli has a very strong leadership position in the HoReCa segment for quite a few years now. We continue to cement that position in various key markets across the country. Our revenue split is approximately 65:35 across both the channels, and I'm only talking about the bottles business. When you look at the RTD portfolio, it's about 97%, 98% in retail itself.

Harshal Sharma: Thank you, sir. That's it from my side.

Moderator: Thank you. The next question is from the line of Uttam Purohit from VVD Asset Managers. Please go ahead.

Uttam Purohit: Yes, thank you for the opportunity. My question is around the debt and cash flow part. So as you say, you're very comfortable if we look at our debt-to-equity basis, but if I look at our cash flow, things look a bit problematic because last year we generated somewhere around INR5 crores of cash flow from operations and we are almost paying double the interest for our debt. So if you could share some insights like how we are planning to improve our cash flow from operations, at what level we would be comfortable, and after what time we would start paying off the debt and our interest coverage ratio would improve?

Gaurav Sekhri: Gaurav here and thank you for your question. Within our business there are certain receivables, for example, like from the government. We have the VAT refund from the Maharashtra government, there is a major backlog which we expect to ease in the next year or so. We have a fairly large outstanding from the Telangana government which we expect to receive and that will help ease our cash flow.

We are aware of carrying much higher inventory of bulk wine today in our system than we would like to, and we have already taken corrective measures to reduce that inventory. Of course, it will take a few quarters. So, all of this will bring more cash flow in the system. That is -- those are just some comments on where some of the cash currently is locked in and that will ease the overall cash flow of the company.

We also expect to continue to grow at a good clip rate thanks to our initiative, like the RTD project, which now is in its second year and showing good results. And Fratelli is at a position where it is geared up for actually over revenues of maybe in excess of INR350 crores or INR400 crores, but today we are achieving maybe half of that. So, as the revenue kicks in because of these levers, a lot of that will get converted to profitability and cash.

Uttam Purohit: So these improvements are expected to come FY28 onwards if I assume that we would grow gradually and for the near term our debt would keep on rising because our cash flows would remain under pressure because of all this benefits might take time to come into play and we might see some increase in debt till FY28 if things remain on the same kind of trajectory?

Gaurav Sekhri: Well, we have looked into all aspects and that is why this current rights issue is being done to ease the cash flow. And we expect the results of a lot of these initiatives, RTD and the new brands, to start kicking in from the middle of next year.

Uttam Purohit: Okay. Thanks. That's from my side.

Moderator: Thank you. The next question is from the line of Randhir Kumar Singh, an Individual Investor. Please go ahead.

Randhir Kumar Singh: Hello, sir. Sir, I would like to know what is the current DSO, and whether it can be improved from here?

Gaurav Sekhri: DSO, Days Sales Outstanding. Yes, of course, I mean, we are extremely aware, we are following up our days sales outstanding very vigorously and there are opportunities to bring efficiency there, which the company is working on.

Randhir Kumar Singh: And regarding advertising are you planning to increase spending, or is there a plan to boost it?

Gaurav Sekhri: Not at the moment. We are keeping things relatively stable and consistent; for instance, with the launch of our new product, 'Shotgun,' the company will undertake the necessary promotional activities. But Fratelli is now a mature brand, so it doesn't require that same level of spending.

Randhir Kumar Singh: Okay, thank you sir.

Moderator: Thank you. The next question is from the line of Robin Sharma from SR Capital. Please go ahead.

Robin Sharma: Yes. Thank you for taking my question. So my first question is the EBITDA margin is very low compared with the vision 2030 guidance of 20%, which looks optimistic at the current level. So, is there a possibility of revising this guidance also?

Gaurav Sekhri: As I had made some comments earlier, Fratelli is at a current run rate where it is, let's say, close to EBITDA breakeven, and any incremental revenue from here on will help improve the EBITDA margins more dramatically. So, that is our expectation. Our costs and overall overhead structure is now not going to go up, as the sales go up. So, that is where the benefit will kick in, and EBITDA margins will improve, and we don't, at this point, see any need to change the guidance given.

Robin Sharma: Got it. So, at what level of RTD production will additional capex be required to meet the demand, and what are the plans for this capex?

Gaurav Sekhri: Our capacity today is more than sufficient for RTD to grow even double from where we are today.

Robin Sharma: Okay. That's it from my side. Thank you.

Gaurav Sekhri: Thank you.

Moderator: Thank you. The next question is from the line of Ankur from Genuity Capital. Please proceed.

Ankur: Hi. Sir, there was some discussion in the last call on growing the sales team to increase coverage in new states and existing states, that one. And second, the HoReCa segment, if you can give more colour on how that's playing out?

Aditya Sekhri: Are you talking about man power distribution increase? Is that it? Because your voice is slightly inaudible.

Ankur: Yes that is correct. For sales not for distribution.

Aditya Sekhri: So, we made certain adjustments to our sales team, obviously with the increase in touchpoints now coming on account of Shotgun, but largely if you see the universe is almost the same. With respect to Shotgun, we entered into certain C-class accounts which we were not billing to earlier which have come into our entire set of distribution. But also, in the majority of the clusters that we operate in, we had an existing sales team. So, with Shotgun, we don't need to add that many legs on the ground. But, naturally, of course, in certain key pockets where we felt our distribution was not at its peak, we've made those adjustments.

Ankur: And how's the HoReCa segment, the hotels and restaurants, growing?

Aditya Sekhri: The HoReCa segment is still very strong. In certain key markets, the growth has been very, very favourable. In a market like Bombay, it's been a little subdued for us for the last six months, but Delhi, Bangalore, West Bengal, Hyderabad, all of these key on-trade markets still remain quite strong, and we maintain a very, very healthy market share. You know, beyond 35% in most of these markets that I've mentioned. In some of them, the market share is even higher than 50%.

Ankur: Great. Thanks.

Moderator: Thank you. The next question is from the line of M. N. Sarda, an Individual Investor. Please go ahead.

M. N. Sarda: My first question is regarding the net profit level. When can we see breaking even at the net profit level on a quarter-to-quarter basis? If we remove the December quarter because that will have good sales, and obviously we might have a green net profit line at the net profit, but going forward if you can guide on that?

Gaurav Sekhri: See, always such guidance are slightly hard to give and to make. But looking at the trajectory that we are seeing on different channels and all other things being constant, we expect net profitability to come in from either Q1 or Q2 of next year.

M. N. Sarda: Okay. That's good news for the investors. My second question is in respect of the VAT component which is stuck with the government of Maharashtra and the government of Karnataka. So, can you give us the ballpark number, what is the amount which is stuck over there?

Gaurav Sekhri: So it's roughly INR18 crores for us which is due now, and we did get a small tranche just last month. And we are hoping for a better recovery in quarter four as well now.

M. N. Sarda: Okay. And are we getting any interest on that from the government for delayed release of the amount? And if yes, what is the rate of interest they are providing us?

Gaurav Sekhri: We are not getting any interest.

M. N. Sarda: Okay. All right. Thank you and all the best.

Gaurav Sekhri: Thank you.

Moderator: Thank you. The next question is from the line of Pranav Tendolkar from Rare Enterprises. Please proceed.

Pranav Tendolkar: I just wanted to ask, anything that we can do for category growth itself to shift, because what I observe is that this is one drink that women are very comfortable with, but obviously we can't advertise. And then it's also ready to drink in other aspects also, like you don't have to mix anything like other tonics, etcetera.

So, in a way it is also cognitively a little less taxing, what we have to mix in this? We have to do this and that. But somehow the category growth doesn't seem to be reflecting all the tailwinds that it has. So, any insight into what can be done or what we are doing to increase category growth to say take penetration above 1%, 1.5%?

Gaurav Sekhri: I appreciate the question and this is something that we are constantly thinking about. A couple of points worth mentioning and are relevant here. One is that India is many countries within a country and this year we have seen exceptional growth in a state like Telangana. Two, three years ago we saw this spurt in growth coming from UP. And considering our size of population, we don't need a whole lot of per capita consumption growth to serve the wine industry.

So, clearly in some markets every now and then there are certain levers which kicks in and an acceptability that kicks in which helps growth. Saying that, our initiative to enter the wine-based RTD segment is also a way to initiate a young consumer early on the taste profile of this liquid. Because, alternatively, the consumer, maybe when they come of legal drinking age they are usually drinking maybe very cheap spirits or beer.

Wine is not an option. And by the time wine becomes a little affordable for them, their taste is already set. So, our attempt with RTD is to change that. Another uniqueness about wine which is just so advantageous is that wine tends to go extremely well with all kinds of food. One doesn't normally see people consuming spirits with their food.

But wine is something which transcends from being an aperitif to an early evening drink to something that you enjoy with food. So this culture of food and wine is where Fratelli is focusing on a lot. We have partnered with Culinary Culture, for example, to honour chefs and restaurants. We associate with them, so we do multiple initiatives like that to increase the TAM on the wine side. I hope that answers your question.

Pranav Tendolkar: Right, sir. Because everywhere I look at global businesses, actually they have, throughout wherever even cost of capital is 2%, 3%, there also wine businesses do ROC of 15% to 16%, so it is a strongly moated business. But still everybody is fighting, so in India it's, factually, a two-

player market, but still profitability actually is very tough. So, that's why I just wanted to understand, is category stagnation a problem or anything else?

Gaurav Sekhri: In fact, you touched again on a very relevant point of just the moat around this business. In my view, it is less complex to enter the spirits business than wine. There are many contract manufacturers, one can go to them and get a gin and vodka made. And that is why you see there is a plethora of brands in the market and most of them fail because they don't have the marketing ability.

But in the case of Fratelli, the entry barrier is so strong because unless you have good liquid, it's very hard to make good wine. And consumers are aware and becoming more aware of what is good liquid. And that is Fratelli's key strength, of us having control of our vineyards, active farming, and now having almost 30% to 35% market share of India with 30-odd thousand touchpoints. That's a very strong moat.

Pranav Tendolkar: Right. Sir, can this moat be displayed by taking some price hikes and looking at elasticity of demand?

Aditya Sekhri: Yes, we are. Like I say, we are evaluating them and I think, after our Q3 update and as we proceed into the business planning for next year, we will give some indication. But yes, we are evaluating all markets, looking at each of their competitive landscapes.

Pranav Tendolkar: Right, sir. Thanks a lot, sir.

Aditya Sekhri: Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments. Over to you, sir.

Gaurav Sekhri: Thank you for this engaging discussion and for your keen interest in Fratelli. We are very excited about the road ahead and look forward to updating you next quarter. Happy Diwali again to you and to your families.

Moderator: Thank you. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.