

# UNITED SPIRITS LTD.

**BUY**

Sector: Breweries &amp; Distilleries

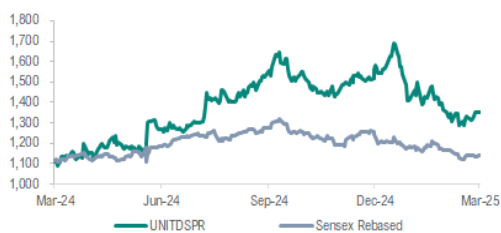
20<sup>th</sup> March, 2025

Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	<b>Target</b>	<b>Rs. 1,530</b>
Large cap	UNITDSPR:IN	76,348	UNITDSPR	532432	12 Months	<b>CMP</b>	<b>Rs. 1,375</b>
						<b>Return</b>	<b>+11%</b>

Data as of: 20-Mar-2025

Company Data			
Market Cap (Rs.cr)	98,385		
52 Week High — Low (Rs.)	1,700 - 1,083		
Enterprise Value (Rs. cr)	96,250		
Outstanding Shares (cr)	72.7		
Free Float (%)	40.4		
Dividend Yield (%)	0.4		
6m average volume (cr)	0.08		
Beta	0.8		
Face value (Rs. )	2.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	56.7	56.7	56.7
FII's	15.1	16.1	15.9
MFs/Institutions	14.0	13.2	13.6
Public	9.1	9.0	9.0
Others	5.1	5.1	4.9
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-13.4%	-13.0%	21.1%
Absolute Sensex	-8.1%	-10.7%	2.1%
Relative Return	-5.3%	-2.3%	19.0%

\*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	27,269	28,996	30,844
Growth (%)	4.8	6.3	6.4
EBITDA	2,223	2,508	2,907
EBITDA Margin (%)	8.2	8.6	9.4
PAT Adjusted	1,647	1,809	2,103
Growth (%)	15.6	9.8	16.3
Adjusted EPS	22.6	24.9	28.9
Growth (%)	15.6	9.8	16.3
P/E	59.7	54.4	46.8
P/B	11.6	9.8	8.3
EV/EBITDA	43.3	38.3	33.0
ROE (%)	18.7	18.1	17.8
D/E	0.0	0.0	0.0

## Growing Market Presence

**United Spirits Ltd, a subsidiary of Diageo plc, is the second-largest spirits company in the world by volume. Its product portfolio includes foreign liquor, whisky, brandy, rum, vodka, gin and wine.**

- The company's consolidated revenue from alcoholic beverages increased 14.8% YoY to Rs. 3,432cr. A rise in social occasions because of the festive and wedding seasons improved demand for alcoholic beverages. Also, Andhra Pradesh contributed 6.1 percentage points to this quarter's revenue following the transition of retail pipe filling from the government to private players in Q3FY25.
- Net sales from the Prestige and Above (P&A) segment rose 16.1% YoY, accounting for 89.2% share of net sales. The Popular segment, which accounts for 9.7% of net sales, grew 9.6% YoY.
- EBITDA increased 16.8% YoY to Rs. 568cr, driven by factors such as subdued inflation, ongoing efforts to improve productivity in cost of goods, strategic pricing, optimised product mix, and efficient trade spend management.
- In Q3FY25, the price mix was 4.6%, which included the Andhra Pradesh region. Although this represents an improvement, it was below the company's expectations for a festive quarter.

## Outlook and Valuation

The rise in social occasions, scale-up of the business in Andhra Pradesh, and other external and internal factors helped the company increase revenue in the quarter. As growth continues to be driven by these factors, the company expects to achieve double-digit growth in the P&A segment for the full year. It also aims to expand its newly launched successful products to more salient markets, and generate trails and repeats. Scaling up the "Choose Board campaign" and growing presence in tier 2 and 3 cities is expected to increase product penetration as well. Therefore, **we have assigned a BUY rating to the stock, with a target price of Rs. 1,530, based on 53.0x FY27E adjusted earnings per share.**

## Quarterly Financials Consol.

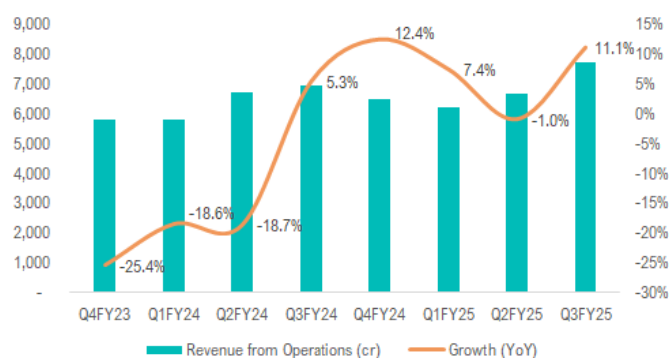
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	7,732	6,962	11.1	6,672	15.9	20,642	19,507	5.8
EBITDA	568	487	16.8	502	13.1	1,783	1,668	6.9
Margin (%)	7.3	7.0	30bps	7.5	-20bps	8.6	8.6	0bps
EBIT	496	424	17.1	433	14.5	1,570	1,465	7.2
PBT	480	459	4.5	460	4.3	1,593	1,545	3.2
Rep. PAT	335	350	-4.4	341	-1.8	1,161	1,167	-0.4
Adj PAT	335	350	-4.4	341	-1.8	1,161	1,167	-0.4
Adj. EPS (Rs)	4.7	4.9	-4.3	4.8	-1.7	16.4	16.4	-0.4



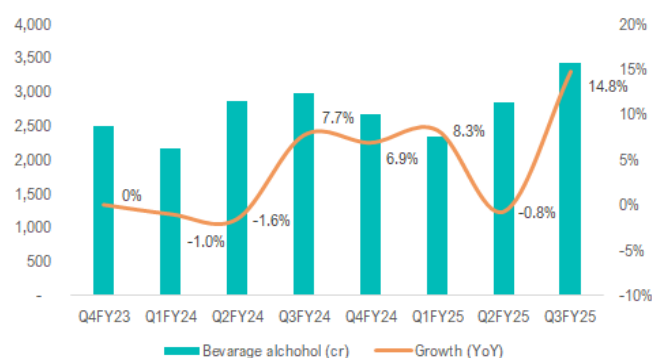
## Key concall highlights

- The non-whiskey portfolio offering, X series, from McDowell's is now available in five markets – Maharashtra, Goa, Uttar Pradesh, Rajasthan and Madhya Pradesh.
- The performance of Don Julio was strong during the festive season, with its core variants now available in 20 cities.
- The launch of Smirnoff vodka flavours inspired by the Indian palate, i.e. Mirchi Mango and Minty Jamun, were well-received by consumers.
- For the Prestige portfolio, the 'Yaaron Wali Baat' campaign for McDowell's No.1 was scaled up, with considerable playtime on television and in cinemas. During the New Year, a digital activation was done on Moj app, which crossed 1bn views.
- During the India-South Africa cricket series in November 2024, Royal Challenge tapped into influencer marketing along with other media, including TV, print, cinema, on-ground and innovative platforms. A 180ml pocket pack of Royal Challenge was introduced in Assam, Rajasthan and Maharashtra as well.
- United Spirits launched a brand extension of Baileys with S'more, a dessert and chocolate offering chain, to increase the market position of Baileys.

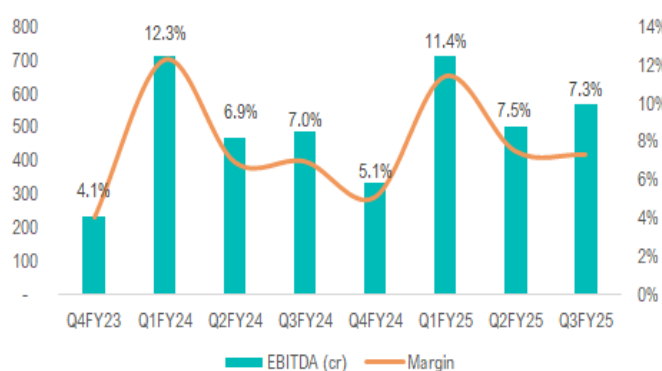
## Revenue



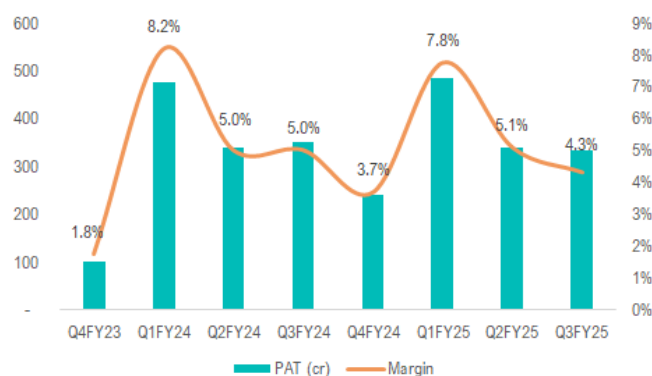
## Key segment - Beverage Alcohol



## EBITDA



## PAT



## Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	-	-	27,269	28,996	30,844	-	-
EBITDA	-	-	2,223	2,508	2,907	-	-
Margins (%)	-	-	8.2	8.6	9.4	-	-
Adj. PAT	-	-	1,647	1,809	2,103	-	-
EPS	-	-	22.6	24.9	28.9	-	-



## Consolidated Financials

### Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Sales *</b>	<b>27,815</b>	<b>26,018</b>	<b>27,269</b>	<b>28,996</b>	<b>30,844</b>
% change	-10.5	-6.5	4.8	6.3	6.4
<b>EBITDA</b>	<b>1,417</b>	<b>2,001</b>	<b>2,223</b>	<b>2,508</b>	<b>2,907</b>
% change	-11.9	41.2	11.1	12.8	15.9
Depreciation	283	275	277	302	339
<b>EBIT</b>	<b>1,134</b>	<b>1,726</b>	<b>1,946</b>	<b>2,206</b>	<b>2,567</b>
Interest	104	76	70	63	50
Other Income	248	207	233	267	287
<b>PBT</b>	<b>1,279</b>	<b>1,857</b>	<b>2,109</b>	<b>2,411</b>	<b>2,804</b>
% change	17.7	45.2	13.6	14.3	16.3
Tax	153	449	527	602	700
Tax Rate (%)	12.0	24.2	25.0	25.0	25.0
<b>Reported PAT</b>	<b>1,136</b>	<b>1,408</b>	<b>1,582</b>	<b>1,809</b>	<b>2,103</b>
<b>PAT att. to common shareholders</b>	<b>1,136</b>	<b>1,408</b>	<b>1,582</b>	<b>1,809</b>	<b>2,103</b>
Adj.	-176	17	65	-	-
<b>Adj. PAT</b>	<b>960</b>	<b>1,425</b>	<b>1,647</b>	<b>1,809</b>	<b>2,103</b>
% change	-3.4	48.5	15.6	9.8	16.3
No. of shares (cr)	72.7	72.7	72.7	72.7	72.7
<b>Adj EPS (Rs.)</b>	<b>13.2</b>	<b>19.6</b>	<b>22.6</b>	<b>24.9</b>	<b>28.9</b>
% change	-3.5	48.5	15.6	9.8	16.3
DPS (Rs.)	4.0	5.0	5.0	5.0	5.0

\*Sales figure includes excise duty

### Cashflow

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	1,419	1,683	1,859	2,110	2,443
Non-cash adj.	-469	185	797	9	-6
Other adjustments	-	-	-	-	-
Changes in W.C	-335	-750	-90	-148	-126
<b>C.F. Operation</b>	<b>615</b>	<b>1,118</b>	<b>2,566</b>	<b>1,971</b>	<b>2,311</b>
Capital exp.	-110	-79	-136	-174	-216
Change in inv.	-809	257	-1,220	-1,298	-1,591
Other invest.CF	866	48	45	45	45
<b>C.F - Investment</b>	<b>-53</b>	<b>226</b>	<b>-1,311</b>	<b>-1,427</b>	<b>-1,762</b>
Issue of equity	-	-	-	-	-
Issue/repay debt	-339	25	-25	-	-
Dividends paid	-	-284	-364	-364	-364
Other finance.CF	-162	-148	-	-	-
<b>C.F - Finance</b>	<b>-501</b>	<b>-407</b>	<b>-389</b>	<b>-364</b>	<b>-364</b>
Chg. in cash	61	937	866	181	185
<b>Closing Cash</b>	<b>883</b>	<b>1,269</b>	<b>2,135</b>	<b>2,316</b>	<b>2,501</b>

### Balance Sheet

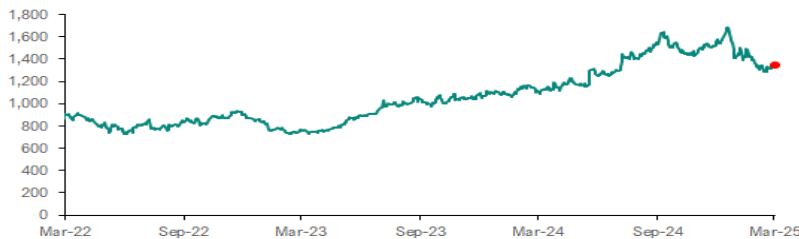
Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	883	1,269	2,135	2,316	2,501
Accts. Receivable	2,434	3,056	3,177	3,364	3,547
Inventories	2,230	2,063	2,127	2,204	2,298
Other Cur. Assets	687	989	1,091	1,120	1,150
Investments	85	185	202	212	222
Gross Fixed As-sets	1,988	1,869	2,005	2,179	2,395
Net Fixed Assets	1,151	1,071	1,907	3,059	4,509
CWIP	67	37	99	101	103
Intangible Assets	374	350	333	339	346
Def. Tax -Net	157	177	163	160	157
Other Assets	1,692	2,052	1,832	1,920	2,013
<b>Total Assets</b>	<b>9,762</b>	<b>11,249</b>	<b>13,066</b>	<b>14,795</b>	<b>16,846</b>
Current Liabilities	3,624	3,878	4,125	4,290	4,495
Provisions	12	15	25	25	25
Debt Funds	1	25	-	-	-
Other Liabilities	125	210	461	473	484
Equity Capital	146	145	145	145	145
Res. & Surplus	5,854	6,976	8,310	9,862	11,697
<b>Shareholder Funds</b>	<b>6,000</b>	<b>7,121</b>	<b>8,455</b>	<b>10,007</b>	<b>11,842</b>
Minority Interest	-	-	-	-	-
<b>Total Liabilities</b>	<b>9,762</b>	<b>11,249</b>	<b>13,066</b>	<b>14,795</b>	<b>16,846</b>
<b>BVPS</b>	<b>82</b>	<b>98</b>	<b>116</b>	<b>138</b>	<b>163</b>

### Ratio

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	5.1	7.7	8.2	8.6	9.4
EBIT margin (%)	4.1	6.6	7.1	7.6	8.3
Net profit mgn.(%)	4.1	5.4	5.8	6.2	6.8
ROE (%)	18.9	19.8	18.7	18.1	17.8
ROCE (%)	18.9	24.2	23.0	22.0	21.7
<b>W.C &amp; Liquidity</b>					
Receivables (days)	31.9	42.9	42.5	42.3	42.0
Inventory (days)	35.0	36.3	36.0	35.7	35.3
Payables (days)	28.0	34.4	34.7	35.0	35.6
Current ratio (x)	1.7	1.9	2.1	2.1	2.1
Quick ratio (x)	1.0	1.3	1.5	1.5	1.5
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	-	-	-	-	-
Total asset T.O (x)	3.0	2.5	2.2	2.1	1.9
Int. covge. ratio (x)	10.9	22.7	27.7	35.3	51.3
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
<b>Valuation</b>					
EV/Sales (x)	1.9	3.1	3.5	3.3	3.1
EV/EBITDA (x)	37.9	40.4	43.3	38.3	33.0
P/E (x)	56.9	57.7	59.8	54.4	46.8
P/BV (x)	9.1	11.5	11.6	9.8	8.3



## Recommendation Summary - (last 3 years)



Dates	Rating	Target
20-Mar-25	BUY	1,530

## Investment Rating Criteria

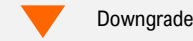
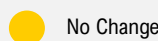
Ratings	Large caps	Midcaps	Small Caps
<b>Buy</b>	Upside is above 10%	Upside is above 15%	Upside is above 20%
<b>Accumulate</b>	-	Upside is between 10%-15%	Upside is between 10%-20%
<b>Hold</b>	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
<b>Reduce/sell</b>	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

### Not rated/Neutral

#### Definition:

**Buy:** Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

#### Symbols definition:



To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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