

'Lost year(s)' for alcoholic beverages

Downgrade UBBL and UNSP to Sell and Neutral, respectively

UBBL - Financials Snapshot (INR b)

Y/E March	2020E	2021E	2022E
Net Sales	66.9	53.5	66.9
Net Sales Gr. (%)	3.3	-20.0	25.0
EBITDA	8.8	6.3	10.0
Margins (%)	13.2	11.7	14.9
Adj. PAT	4.3	2.5	4.6
Adj. EPS (INR)	16.3	9.6	17.5
EPS Gr. (%)	-23.4	-41.2	82.5
BV/Sh. (INR)	134.5	142.6	153.6

Ratios

RoE (%)	12.8	6.9	11.8
RoCE (%)	12.3	6.0	10.2

Valuations

P/E (x)	54.6	92.8	50.8
P/BV (x)	6.6	6.2	5.8
EV/EBITDA (x)	26.7	36.7	24.5
EV/Sales (x)	3.5	4.3	3.7

UNSP - Financials Snapshot (INR b)

Y/E March	2020E	2021E	2022E
Sales	92.2	74.5	91.5
Sales Gr. (%)	2.7	-19.2	22.7
EBITDA	14.9	10.4	15.6
Margins (%)	16.2	14.0	17.1
PAT	8.3	5.5	10.0
EPS (INR)	11.4	7.6	13.8
EPS Gr. (%)	22.9	-33.5	80.6
BV/Sh.(INR)	52.2	59.8	73.6

Ratios

RoE (%)	21.9	12.7	18.7
RoCE (%)	17.8	18.1	24.4
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	43.8	65.8	36.4
P/BV (x)	9.6	8.4	6.8
EV/EBITDA (x)	25.2	35.1	23.1

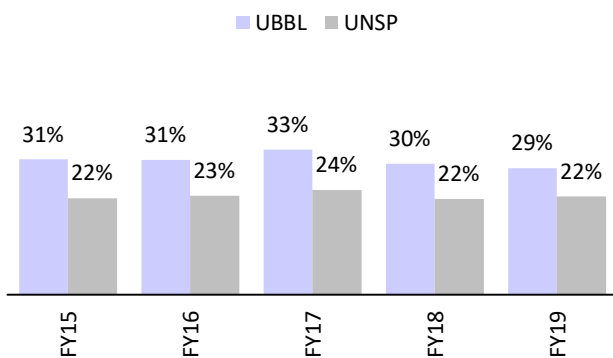
- The COVID-19 pandemic has caused the convergence of unforeseen and unprecedented events in FY21, which is likely to sharply impact the earnings of alcoholic beverages companies for the year.
- Even if significant recovery is witnessed off a low base in FY22 (which seems uncertain as of now) the segment is likely to see negligible profit growth / decline in profits over the next two years.
- In capital-intensive businesses such as Alcobev (relative to FMCG peers), this means most of the good work done in recent years on the return ratio could see a drastic setback. For example, alcobev companies had improved their ROEs from levels well below those of consumer peers (and even below their own cost-of-capital levels) in the past. ROEs could now take an even bigger hit than earnings. United Breweries (UBBL)'s RoE is likely to be a little lower than 12% even in FY22, way below 19.2% witnessed in FY19. Although United Spirits (UNSP) in a relatively better position than UBBL, its ROE is still likely to be well below the 20–22% trend seen in the past few years.
- Earnings growth and ROE improvement have been the key factors responsible for the rerating of these stocks in recent years. However, with the uncertainty surrounding these key components of late, the current valuations seem lofty.
- We believe the home delivery of alcohol, as is being proposed by several states, is unlikely to create any large positive impact in the interim given the logistical, social distancing, and legal challenges that need to be addressed.
- In our report in [March 2019](#), we had changed our long-standing preference for UBBL over UNSP by downgrading the former to Neutral from Buy and upgrading UNSP to Buy from Neutral. On a relative basis, UNSP has outperformed UBBL by 25.4% since the call, while on an absolute basis, both have declined 10.1% (in line with our coverage universe) and 35.5%, respectively.
- We have cut our FY21/FY22 earnings estimates sharply by 45%/32% for UBBL (effective cut of 63%/43% including the preview note last month) and 36%/20% for UNSP (effective cut of 51%/31% including the preview note last month). We have further downgraded both stocks, UBBL from Neutral to Sell and UNSP from BUY to Neutral, as a result of the 'Lost year(s)'.
- We have valued UBBL at 18x FY22E EV/EBITDA, with a TP of INR700, resulting in a 21% downside on its CMP of INR890. Based on our DCF calculations, we have arrived at a TP of INR515 for UNSP, implying a 3% upside on its CMP of INR501 (effective target multiple of 37x Mar'22E EPS).
- Risks to our call emerge from two key factors: (a) there is upside risk if the execution of home delivery is extremely successful and if the spread of the epidemic after the eventual repeal of lockdown restrictions is much slower than feared, (b) there is downside risk if the extremely steep increase of 70% and 75% witnessed this week in Delhi and Andhra Pradesh, respectively, is replicated by more states or if the delay in payments by states gets extended by more than our current assumption of one month, resulting in sharper cuts to our earnings forecasts.

Caution on discretionary consumption in general, alcohol in particular

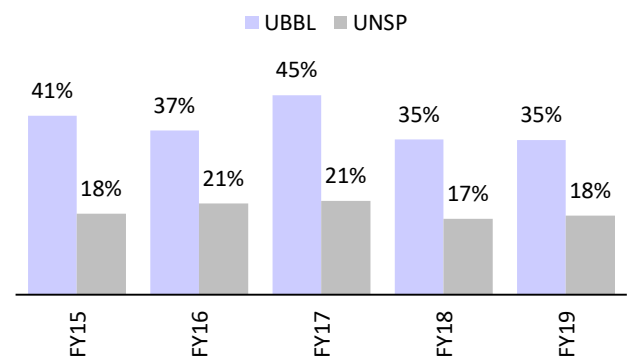
- While our view on discretionary consumption is extremely cautious over the next 12–18 months, the alcohol segment, in particular, faces a multitude of challenges, such as the following:
 - Loss of sales is expected in the first month of FY21 due to lockdown. Even with the re-opening of liquor shops, sales are likely to be restricted at the national level in the ensuing part of the lockdown despite the surge in the current week.
 - Overcrowding at wine shops has raised fears of the COVID-19 pandemic worsening. This has thereby caused local authorities to revoke the permissions given to wine shops to operate. Thus, even some of these sales that were intended to be allowed by states are at risk.
 - Sales from the on-trade channel (bars, pubs, and restaurants), accounting for 20% of annual sales, are at a standstill.
 - There is the likelihood of a surge in excise duties as states strive to bolster their weak finances, severely jolted by the COVID-19-led lockdown ([news link](#)). This would exacerbate the decline in net sales for alcohol companies even more than the gross sales decline. This will also further impact their margins due to operational de-leverage.
 - Furthermore, given the perilous situation of state finances, it is certainly possible receivables from state governments could be delayed significantly beyond the 90–100 day trend in recent years. **We note that every monthly delay in payments from state governments would impact alcohol companies' earnings by 10–12%.** We are currently assuming a one-month delay in receivables in our forecasts.
- A combination of these factors has led to an extremely sharp cut in our FY21/FY22 EPS forecasts for both UBBL and UNSP.
 - **UBBL:** We have cut our EPS forecasts by 45% and 32% for FY21 and FY22, respectively. Notably, this is over and above the 33% (FY21) and 17% (FY22) EPS cuts we have included in our UBBL EPS forecasts as part of the [Consumer 4QFY20 Preview Note](#) in Apr'20.
 - **UNSP:** Similarly, we have cut our forecasts for UNSP by 36% and 20% for FY21 and FY22, respectively, over and above the 23% (FY21) and 15% (FY22) reduction in our forecasts in the *Consumer 4QFY20 Preview Note* in Apr'20.

Examining in detail factors affecting demand for alcohol products

- **Lockdown** – In the first two phases of lockdown, only stores selling essential goods were allowed to remain open. Bars, restaurants, and pubs were closed down. Since the first two phases of lockdown were for a little over a month in FY21 (April 1–May 3), this automatically meant over a month of loss of sales. Due to seasonality skewed toward the summer, the impact of the absence of all sales in the lockdown period is expected to affect UBBL's FY21 sales by around 10%. UNSP, with a relatively lower summer skew, could witness ~7% impact in FY21, in our view.

Exhibit 1: 1Q contributes higher to UBBL's annual sales...

Source: MOFSL, Company

Exhibit 2: ...and even higher to EBITDA, v/s UNSP

Source: MOFSL, Company

- Liquor shops re-opening in third phase of lockdown** – The majority of the large states (barring Kerala) have allowed the re-opening of liquor shops from 4th May or are likely to begin the sale of liquor sometime this week. We estimate that after the surge witnessed in the first few days, resulting in a higher-than-usual daily average, retail stores sales would be 60–70% lower than usual levels. This is attributed to the health risks associated with overcrowding in these retail shops. These shops (off-trade) account for ~70–72% of annual alcohol sales, with bars/restaurants and pubs (on-trade) accounting for ~20% and canteen stores (defense forces procurement) ~8–10%.
- Overcrowding risk to result in re-imposition of ban on alcohol shops for few more weeks** – This has already been witnessed in Mumbai, where the municipal corporation revoked permission to re-open liquor shops. Certain other states and districts are likely to follow suit.
- On-trade sales may be affected for larger part of year** – Even after the lockdown has been lifted, over the next few weeks across states, bars, restaurants, and pubs are believed to be among the last ones to be re-opened. This could, perhaps, lead to total loss of sales for three to four months. Subsequently, once they have re-opened, they would have to apply social distancing measures voluntarily as well as those imposed by local authorities. These could include restricting the number of tables, increasing the kitchen areas, and so on. Thus, sales are not likely to be at par with pre-COVID levels for the majority of the year. We estimate sales from this channel to therefore stand at just half of normal annual levels.
- Increase in excise** – Total state revenues were down 80% in Apr'20. The damage is expected to be significant going forward, and even after the gradual resumption of economic activity post lockdown. In this scenario, we think there is a high possibility that excise duties would be hiked sharply by various states over the next few weeks as they strive to boost their weak finances.

Timeline of excise increases

A. Pre-COVID-19 escalation

- 12th Feb:** Goa increased rates by ~30%, with consequent price increases at around 25%. We reckon Goa contributes 3–4% to the sales of UNSP and UBBL. Despite this increase, excise in Goa continues to be among the lowest in India.

- **6th Mar:** Karnataka increased excise by 6% ([news link](#)). Subsequently, companies took a similar price increase. We reckon Karnataka contributes 25% to UNSP's sales and 14% to UBBL's sales.

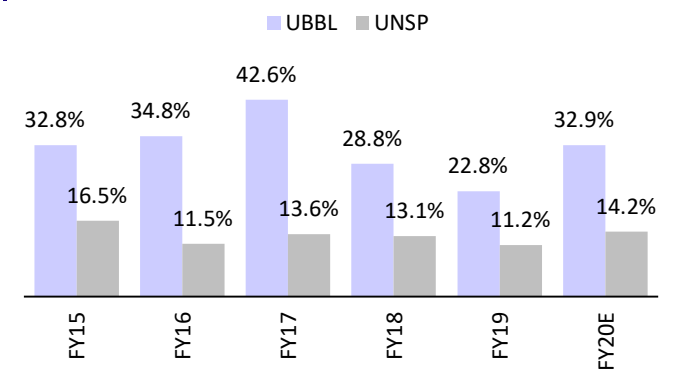
B. During the COVID-19 lockdown

- **30th Apr:** Rajasthan announced a 10% excise increase and allowed price rise of 10% ([news link](#)). We reckon the state contributes 3-4% to the sales of both UBBL and UNSP.
- **3rd May:** Haryana announced it would consider increasing excise duty, but it was yet to decide on the quantum ([news link](#)).
- **4th and 5th May:** Andhra Pradesh announced an effective 75% increase in excise over two days ([news link](#)). We reckon the state contributes 4% to the sales of UNSP and 6% to the sales of UBBL. The price increase is yet to be determined.
- **4th May:** Delhi announced 70% Corona cess on liquor ([news link](#)). An effective price increase is yet to be determined. We reckon Delhi contributes around 3% to the nationwide sales of UBBL and UNSP.

We believe more states would follow suit in the next few weeks, and importantly, even the states that increased excise before the lockdown (such as Karnataka and Goa) are likely to take another round of increases. As long as the increase is limited to single digits or the early teens, a massive impact on demand is unlikely. However, a sharper increase, such as the ones in Andhra Pradesh or Delhi, could have significant implications, such as the following:

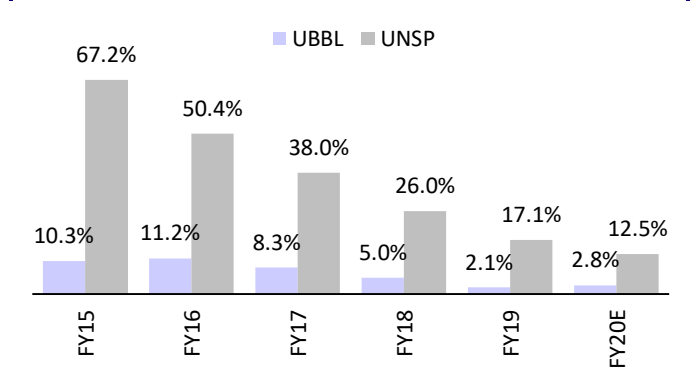
- Demand would be impacted for a few quarters due to a surge in prices.
- Down-trading is likely in every segment, barring the super-premium (Scotch whisky) segment.
- As the economic impact of the lockdown starts to play out, it could result in lower or even nil incomes in various sections of the society. This would further exacerbate demand for alcoholic products as they belong in the discretionary category.
- Net sales decline would be even sharper than gross sales decline, which would have substantial implications on operating cost absorption.
- Unlike the majority of staples companies, alcohol companies have a higher depreciation/EBITDA (even if capex is reduced) as well as interest costs / EBITDA. Therefore, when operating incomes decline, net profit decline is even sharper.
- Black-market activities and the number of fake products are likely to increase as consumers may look for means to avoid taxes. While the black marketing of genuine products may dent state revenues, fakes may have serious implications on brand loyalty and even cause health hazards due to the substandard quality of raw materials used. Thus, brands could face market share loss and risk to their reputations on account of fake products.

Exhibit 3: Depreciation/EBITDA over the years



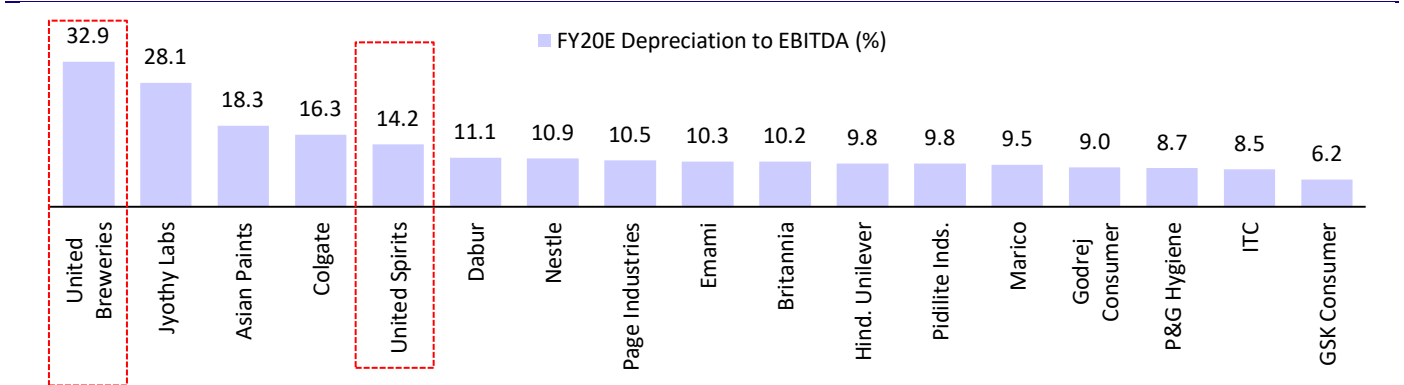
Source: MOFSL, Company

Exhibit 4: Interest/EBITDA over the years



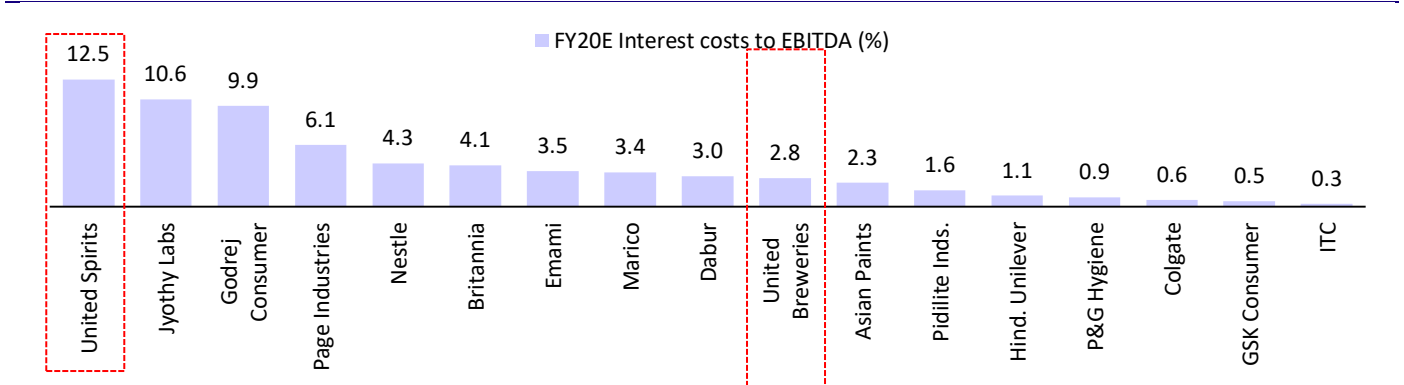
Source: MOFSL, Company

Exhibit 5: Relatively high depreciation/EBITDA among consumer peers (FY20E)



Source: MOFSL, Company

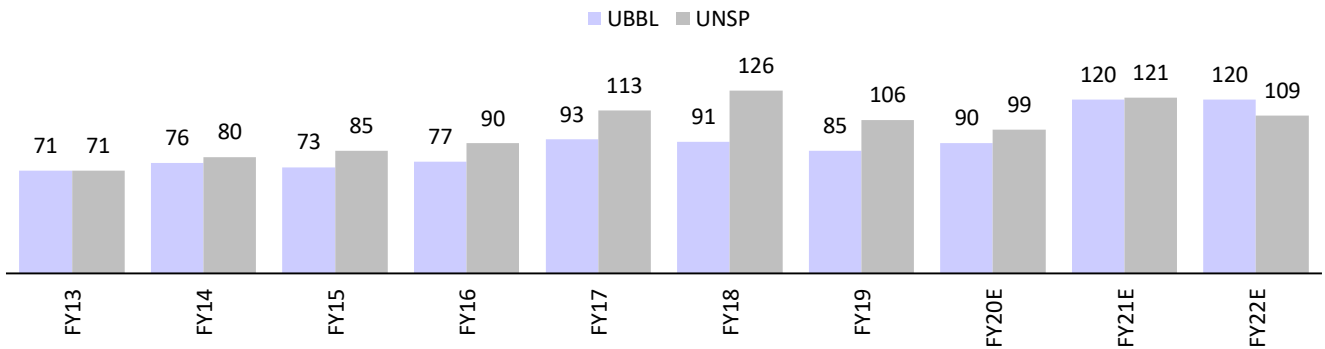
Exhibit 6: Relatively high interest/EBITDA among consumer peers (FY20E)



Source: MOFSL, Company

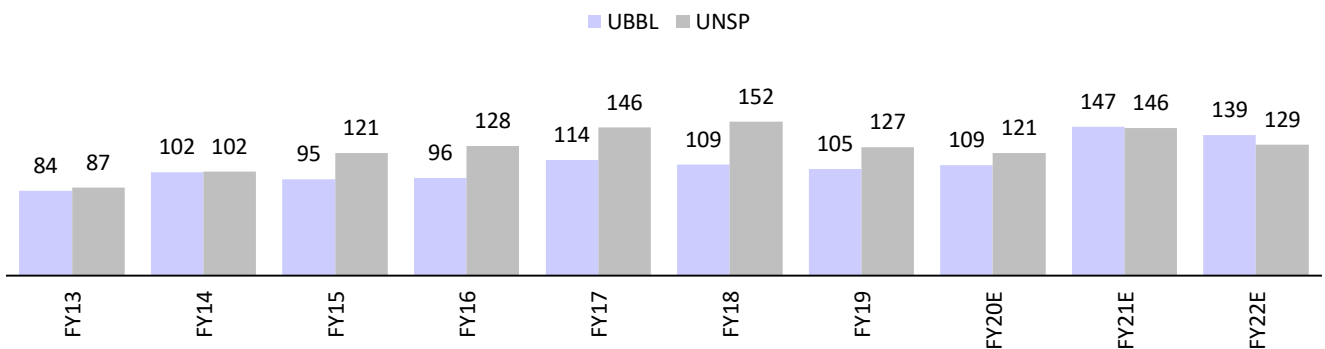
- Increase in receivables by state governments and implication on earnings** – One of the factors not being considered amid the multitude of other concerns is the increase in net working capital (NWC). NWC is usually ~four months for alcohol players, primarily due to high receivable days (90–100 days for both UBBL and UNSP). With the perilous situation of states’ balance sheets, exacerbated by the P&L impact (including revenue declining ~80% in April, as indicated above), we think there is a high probability of states delaying payments. This could have significant implications on interest cost. We estimate that for UBBL, every monthly increase in receivable days would lead to a 10–12% EPS impact on account of higher interest costs. We have taken a one-month increase in receivables for both UBBL and UNSP in our forecasts.

Exhibit 7: Debtor days are likely to worsen for both UBBL and UNSP...



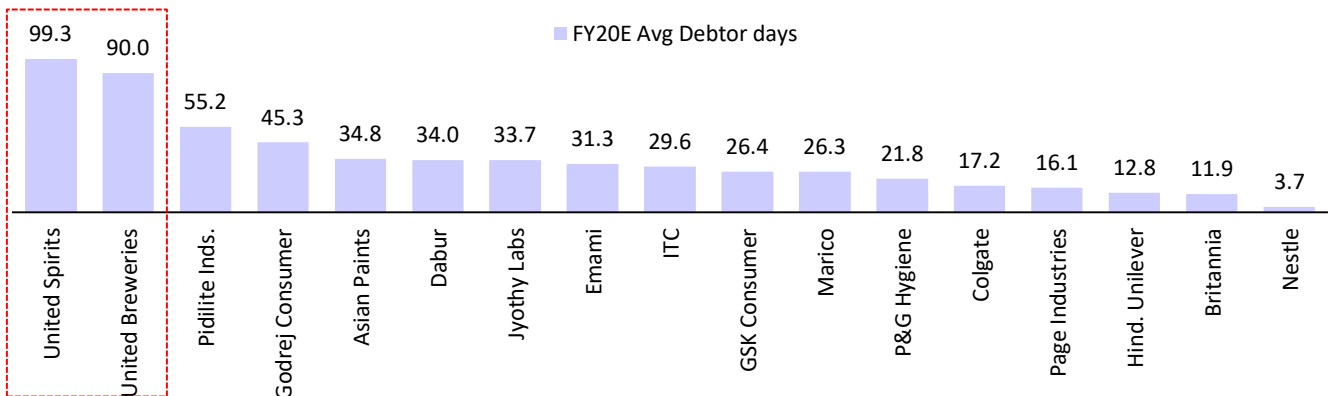
Source: MOFSL, Company

Exhibit 8: ...thus increasing the number of cash conversion cycle days



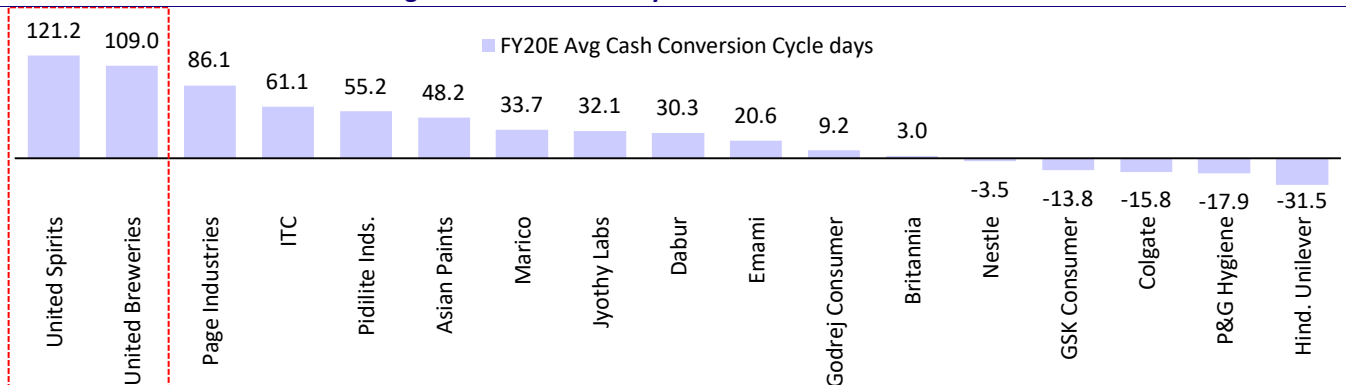
Source: MOFSL, Company

Exhibit 9: Alcohol companies have the highest debtor days among consumer companies...



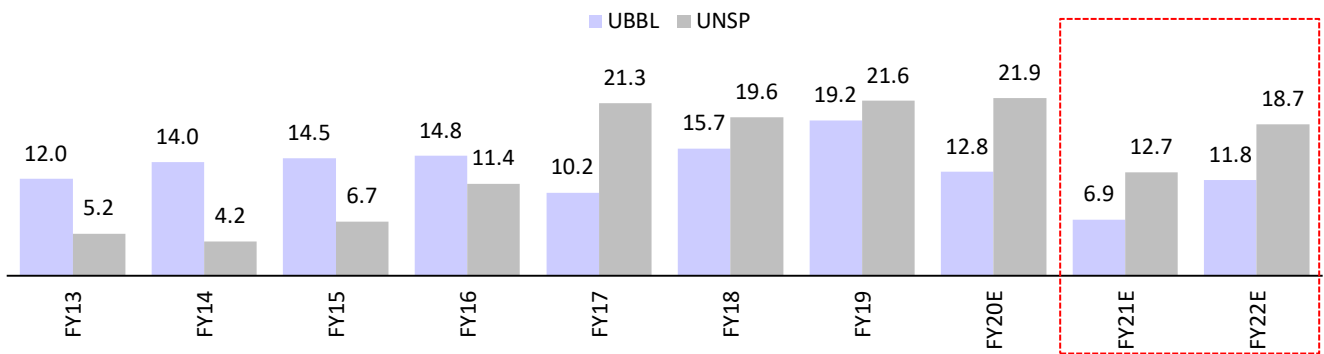
Source: MOFSL, Company

Exhibit 10: ...and thus also have the longest cash conversion cycles



Source: MOFSL, Company

Exhibit 11: ROEs would deteriorate for both UBBL and UNSP, but the former would be more impacted

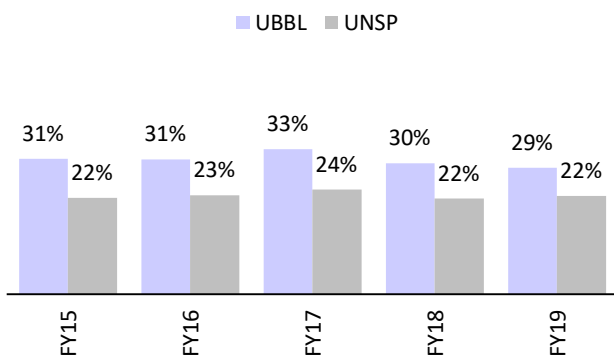


Source: MOFSL, Company

Why would UBBL get impacted more than UNSP?

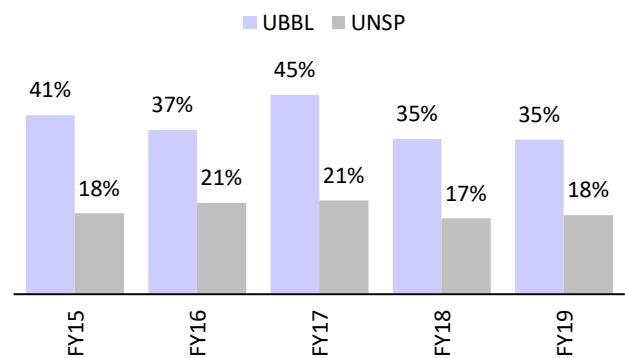
- Seasonality** – In the last 10 years, 1Q has contributed 30–40% to the full year’s EBITDA with the consumption of beer skewed toward the summer season in India. Given that lockdown and closure of restaurants/bars/pubs are likely to lead to a near washout in 1Q, the earnings impact in FY21 would be more severe for UBBL than UNSP, which does not have a significant dependence on the summers. On the contrary, UNSP’s demand is slightly more skewed toward the festive season in 3Q, by which time both on-trade and off-trade channels are expected to be significantly better off than in 1QFY21.
- CCI penalty** – While the courts are not likely to resume anytime soon, we believe a decision on the price fixing issue ([news link](#)) is likely sometime this year. The three players involved are likely to be fined USD280m (~INR20–22b), according to news reports. We believe the bulk of this fine may be levied on UBBL which, due to its market leadership would stand to gains more from the alleged price fixing. Accordingly, it may be liable to pay INR13–15b as a fine. While this would be written off from the balance sheet, the ensuing interest cost increase (not factored into our forecasts) would impact earnings by another 12–13%.

Exhibit 12: 1Q contributes higher to UBBL’s annual sales...



Source: MOFSL, Company

Exhibit 13: ...and even higher to EBITDA, v/s UNSP



Source: MOFSL, Company

Delivery is the key monitorable

- Amid these negatives, a positive in the sector is the ongoing discussion to allow the home delivery of alcohol. While this is largely non-existent as of now, the

Government of Chhattisgarh has allowed the same. Punjab has also joined the bandwagon, as per latest media reports ([news link](#)). West Bengal is considering the same, and more states are likely to follow suit.

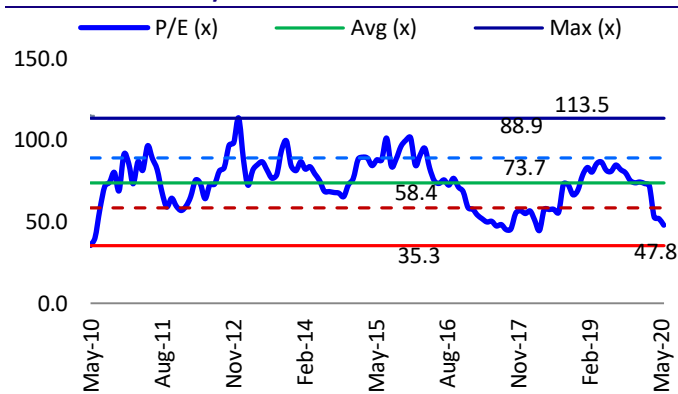
- Nevertheless, we would like to add a word of caution here. The logistics associated with home delivery are complicated, as per an industry expert we recently interacted with. En-masse delivery to meet demand is still not practically possible on account of concerns on social distancing. This activity is, thus, likely to be more an incremental damage control exercise than a revenue augmentation effort. Myriad regulations would also need to be changed to legally allow the home delivery of alcohol.

Exhibit 14: We have cut our FY21/FY22 estimates for UBBL by 45%/32% and for UNSP by 36%/20%

Companies	INR m	New		Old		Change	
		FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
UBBL	Total Income	53,513	66,891	68,229	79,146	-21.6%	-15.5%
	EBITDA	6,263	9,991	9,347	13,217	-33.0%	-24.4%
	Adjusted PAT	2,537	4,630	4,605	6,768	-44.9%	-31.6%
UNSP	Total Income	74,534	91,483	91,937	106,756	-18.9%	-14.3%
	EBITDA	10,405	15,644	14,434	19,109	-27.9%	-18.1%
	Adjusted PAT	5,532	9,993	8,685	12,431	-36.3%	-19.6%

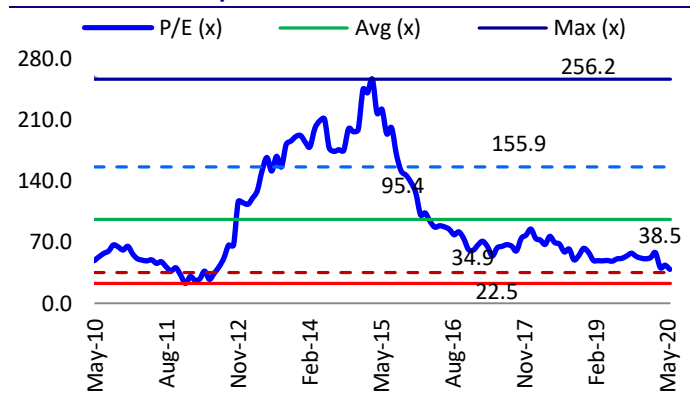
Source: MOFSL, Company

Exhibit 15: UBBL P/E chart



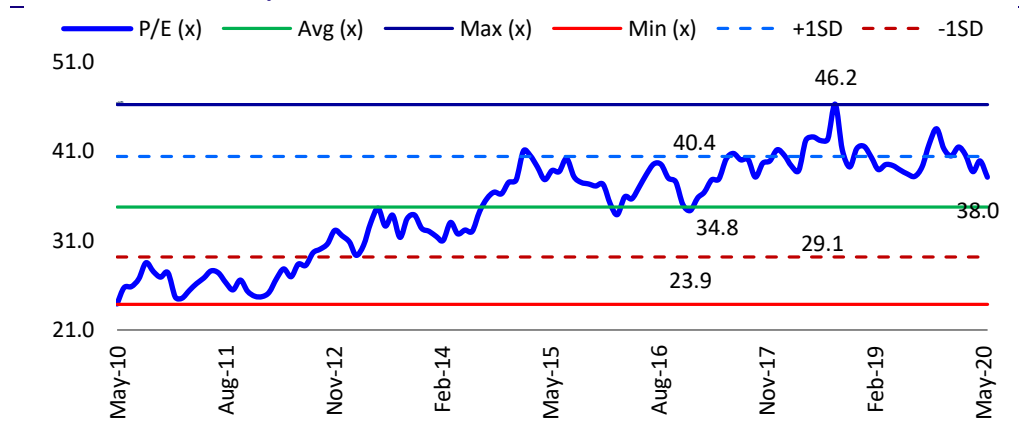
Source: MOFSL, Company

Exhibit 16: UNSP P/E chart



Source: MOFSL, Company

Exhibit 17: Consumer P/E chart



Source: MOFSL, Company

United Breweries – Financials

Consolidated - Income Statement								(INR Million)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Total Income from Operations	46,990	48,408	47,603	56,196	64,754	66,891	53,513	66,891
Change (%)	11.1	3.0	-1.7	18.1	15.2	3.3	-20.0	25.0
Raw Materials	18,937	21,209	21,779	26,315	30,077	32,332	25,543	31,417
% of Sales	40.3	43.8	45.8	46.8	46.4	48.3	47.7	47.0
Gross Profit	28,053	27,198	25,823	29,881	34,678	34,559	27,970	35,474
Margin (%)	59.7	56.2	54.2	53.2	53.6	51.7	52.3	53.0
Total Expenditure	40,664	41,402	40,871	47,170	53,371	58,088	47,250	56,900
% of Sales	86.5	85.5	85.9	83.9	82.4	86.8	88.3	85.1
EBITDA	6,326	7,006	6,732	9,025	11,384	8,803	6,263	9,991
Margin (%)	13.5	14.5	14.1	16.1	17.6	13.2	11.7	14.9
Depreciation	2,075	2,436	2,871	2,597	2,599	2,895	3,291	3,709
EBIT	4,251	4,569	3,861	6,429	8,785	5,908	2,972	6,282
Int. and Finance Charges	651	787	560	456	239	249	-305	193
Other Income	190	764	180	105	247	111	117	123
PBT after EO Exp.	3,790	4,547	3,481	6,078	8,793	5,770	3,394	6,212
Total Tax	1,188	1,560	1,182	2,132	3,160	1,452	851	1,553
Tax Rate (%)	31.3	34.3	34.0	35.1	35.9	25.2	25.1	25.0
Less: Mionrity Interest	4	4	4	4	4	4	4	4
Adjusted PAT	2,598	2,983	2,296	3,942	5,629	4,314	2,537	4,630
Change (%)	15.0	14.8	-23.0	71.7	42.8	-23.4	-41.2	82.5
Margin (%)	5.5	6.2	4.8	7.0	8.7	6.4	4.7	6.9

Consolidated - Balance Sheet								(INR Million)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Equity Share Capital	264	264	264.4	264	265	265	265	265
Total Reserves	18,587	21,207	23,078	26,638	31,572	35,285	37,426	40,344
Net Worth	18,851	21,471	23,342	26,903	31,838	35,550	37,692	40,610
Minority Interest	23	25	28	29	30	30	30	30
Deferred Tax Liabilities	676	634	470	182	114	114	114	114
Total Loans	9,490	8,062	5,940	3,121	2,115	3,515	515	15,515
Capital Employed	29,040	30,193	29,780	30,235	34,097	39,210	38,351	56,269
Gross Block	30,936	33,084	35,089	37,208	39,954	43,954	47,454	51,454
Less: Accum. Deprn.	12,820	15,104	17,827	20,152	22,425	25,320	28,610	32,319
Net Fixed Assets	18,116	17,980	17,262	17,056	17,529	18,634	18,844	19,135
Goodwill on Consolidation	242	242	242	242	242	242	242	242
Capital WIP	902	608	1,372	723	1,899	1,580	1,366	1,473
Total Investments	1	1	1	2	3	3	3	3
Curr. Assets, Loans&Adv.	21,569	24,827	25,911	29,212	34,171	38,635	40,658	52,894
Inventory	6,101	6,881	7,508	8,080	10,325	8,368	8,345	10,348
Account Receivables	9,318	11,189	12,954	14,986	15,110	17,878	17,309	26,674
Cash and Bank Balance	132	140	243	242	462	3,701	5,881	6,293
Loans and Advances	6,018	6,618	5,205	5,904	8,275	8,688	9,123	9,579
Curr. Liability & Prov.	11,789	13,466	15,007	16,999	19,747	19,885	22,761	17,477
Account Payables	3,799	4,176	4,596	5,217	5,902	5,827	2,970	8,759
Provisions	7,991	9,291	10,412	11,782	13,845	14,058	19,791	8,718
Net Current Assets	9,779	11,361	10,903	12,212	14,424	18,751	17,897	35,417
Appl. of Funds	29,040	30,193	29,780	30,235	34,097	39,210	38,351	56,269

E: MOFSL Estimates

United Breweries – Financials

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Basic (INR)								
EPS	9.8	11.3	8.7	14.9	21.3	16.3	9.6	17.5
BV/Share	71.3	81.2	88.3	101.7	120.4	134.5	142.6	153.6
DPS	1.0	1.2	1.2	2.0	2.5	1.6	1.0	5.3
Payout (%)	10.2	10.2	13.2	13.4	11.8	10.0	10.0	29.8
Valuation (x)								
P/E	90.6	78.9	102.5	59.7	41.8	54.6	92.8	50.8
Cash P/E	50.3	43.4	45.5	36.0	28.6	32.6	40.4	28.2
P/BV	12.5	11.0	10.1	8.7	7.4	6.6	6.2	5.8
EV/Sales	5.2	5.0	5.1	4.2	3.7	3.5	4.3	3.7
EV/EBITDA	38.7	34.7	35.8	26.4	20.8	26.7	36.7	24.5
Dividend Yield (%)	0.1	0.1	0.1	0.2	0.3	0.2	0.1	0.6
Return Ratios (%)								
RoE	14.5	14.8	10.2	15.7	19.2	12.8	6.9	11.8
RoCE	10.6	12.1	9.1	14.3	18.1	12.3	6.0	10.2
RoIC	10.6	10.5	8.9	14.5	18.5	13.5	6.8	11.8
Working Capital Ratios								
Asset Turnover (x)	1.6	1.6	1.6	1.9	1.9	1.7	1.4	1.2
Inventory (Days)	45	49	55	51	52	51	57	51
Debtor (Days)	73	77	93	91	85	90	120	120
Creditor (Days)	23	30	34	32	31	32	30	32
Leverage Ratio (x)								
Debt/Equity	0.5	0.4	0.3	0.1	0.1	0.1	0.0	0.4

Consolidated - Cash Flow Statement

(INR Million)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
OP/(Loss) before Tax	3,790	4,547	3,481	6,078	8,793	5,770	3,392	6,187
Depreciation	2,075	2,436	2,871	2,597	2,599	2,895	3,291	3,709
Interest & Finance Charges	718	755	581	471	306	249	-305	193
Direct Taxes Paid	-1,423	-1,595	-1,435	-2,534	-3,898	-1,089	-639	-1,165
(Inc)/Dec in WC	3,381	-777	22	-1,265	-1,103	-1,150	3,014	-17,612
CF from Operations	8,541	5,365	5,519	5,346	6,697	6,675	8,753	-8,688
Others	-132	441	-78	287	-214	0	0	0
CF from Operating incl EO	8,408	5,806	5,441	5,633	6,483	6,675	8,753	-8,688
(Inc)/Dec in FA	-4,069	-2,430	-2,355	-2,014	-4,366	-3,980	-3,480	-3,980
Free Cash Flow	4,339	3,376	3,086	3,619	2,117	2,695	5,273	-12,668
Others	774	-24	15	-45	-25	0	0	0
CF from Investments	-3,295	-2,455	-2,340	-2,060	-4,392	-3,980	-3,480	-3,980
Inc/(Dec) in Debt	-4,699	-1,857	-2,122	-2,820	-1,006	1,400	-3,000	15,000
Interest Paid	-715	-794	-583	-507	-313	-249	305	-193
Dividend Paid	-303	-317	-307	-308	-558	-606	-399	-1,727
Others	0	0	0	1	-21	-54	-55	-56
CF from Fin. Activity	-5,717	-2,968	-3,012	-3,634	-1,898	490	-3,148	13,024
Inc/Dec of Cash	-604	383	89	-61	194	3,185	2,125	356
Opening Balance	665	62	34	126	154	401	3,640	5,820
Cash eqv	70	-305	120	177	114	115	116	117
Closing Balance	132	140	243	242	461	3,701	5,881	6,293

E: MOFSL Estimates

United Spirits – Financials

Income Statement (INR Million)							
Y/E March	2016	2017	2018	2019	2020E	2021E	2022E
Net Sales	81,886	85,030	81,269	89,322	90,943	73,624	90,482
Other Operating Inc	596	446	432	484	1,300	910	1,001
Total Revenue	82,482	85,476	81,701	89,806	92,243	74,534	91,483
Change (%)	3.7	3.6	-4.4	9.9	2.7	-19.2	22.7
Gross Profit	34,076	36,632	39,725	43,857	41,971	34,658	43,912
Margin (%)	41.3	42.9	48.6	48.8	45.5	46.5	48.0
Other Expenditure	-25,212	-26,922	-29,446	-30,983	-27,064	-24,254	-28,268
EBITDA	8,864	9,710	10,279	12,874	14,906	10,405	15,644
Change (%)	33.2	9.5	5.9	25.2	15.8	-30.2	50.3
Margin (%)	10.7	11.4	12.6	14.3	16.2	14.0	17.1
Depreciation	-1,017	-1,323	-1,351	-1,445	-2,110	-2,131	-2,408
Int. and Fin. Charges	-4,469	-3,690	-2,675	-2,200	-1,870	-1,683	-842
Other Income	1,057	1,111	1,080	952	619	804	965
Profit before Taxes	4,435	5,808	7,333	10,181	11,546	7,396	13,360
Change (%)	101.3	31.0	26.3	38.8	13.4	-35.9	80.6
Margin (%)	5.4	6.8	9.0	11.3	12.5	9.9	14.6
Tax	2,358	1,923	2,433	3,416	3,233	1,864	3,367
Tax Rate (%)	53.2	33.1	33.2	33.6	28.0	25.2	25.2
Adjusted PAT	2,076	3,884	4,900	6,765	8,313	5,532	9,993
Change (%)	8.1	87.1	26.1	38.1	22.9	-33.5	80.6
Margin (%)	2.5	4.5	6.0	7.5	9.0	7.4	10.9
Non-rec. (Exp)/Income	-858	-2,186	717	-179	0	0	0
Reported PAT	1,219	1,699	5,617	6,586	8,313	5,532	9,993

Balance Sheet (INR Million)							
Y/E March	2016	2017	2018	2019	2020E	2021E	2022E
Share Capital	1,453	1,453	1,453	1,453	1,453	1,453	1,453
Reserves	15,687	17,925	23,585	29,862	36,463	41,995	51,988
Net Worth	17,140	19,378	25,038	31,315	37,916	43,448	53,441
Loans	37,082	40,407	32,505	25,825	17,025	8,525	6,525
Deffered Tax Liabilities	-1,539	-1,241	-856	-1,878	-1,878	-1,878	-1,878
Capital Employed	52,683	58,544	56,687	55,262	53,063	50,095	58,088
Gross Block	17,389	14,091	13,561	16,406	18,432	19,432	20,932
Less: Accum. Depn.	-6,627	-2,219	-3,540	-5,124	-7,234	-9,364	-11,772
Net Fixed Assets	10,762	11,872	10,021	11,282	11,198	10,068	9,160
Capital WIP	2,449	851	980	1,171	1,006	1,006	1,006
Investments	93	3,238	2,775	2,984	3,137	3,784	8,784
Curr. Assets, L&A	67,082	70,763	71,778	69,308	72,678	72,073	81,213
Inventory	18,999	18,538	18,694	18,767	19,371	15,652	19,211
Account Receivables	23,140	29,605	26,998	25,181	25,019	24,504	30,077
Cash and Bank	3,362	523	1,198	588	2,060	3,226	669
Others	21,581	22,097	24,888	24,772	26,227	28,690	31,255
Curr. Liab. and Prov.	27,703	28,180	28,867	29,483	34,956	36,835	42,074
Account Payables	10,018	11,798	13,935	13,360	13,736	11,360	13,334
Other Liabilities	14,643	13,345	11,490	12,346	17,065	20,905	23,713
Provisions	3,042	3,037	3,442	3,777	4,155	4,570	5,027
Net Current Assets	39,379	42,583	42,911	39,825	37,722	35,238	39,138
Application of Funds	52,683	58,544	56,687	55,262	53,063	50,095	58,088

E: MOFSL Estimates

United Spirits – Financials

Ratios							
Y/E March	2016	2017	2018	2019	2020E	2021E	2022E
Basic (INR)							
EPS	2.9	5.3	6.7	9.3	11.4	7.6	13.8
Cash EPS	4.3	7.2	8.6	11.3	14.3	10.5	17.1
BV/Share	23.6	26.7	34.5	43.1	52.2	59.8	73.6
Valuation (x)							
P/E	175.3	93.7	74.3	53.8	43.8	65.8	36.4
Cash P/E	117.7	69.9	58.2	44.3	34.9	47.5	29.4
EV/Sales	1.2	1.2	1.2	1.0	0.8	0.9	0.7
EV/EBITDA	44.9	41.3	38.2	30.0	25.2	35.1	23.1
P/BV	21.2	18.8	14.5	11.6	9.6	8.4	6.8
Return Ratios (%)							
RoE	11.4	21.3	19.6	21.6	21.9	12.7	18.7
RoCE	6.7	11.4	11.6	14.7	17.8	18.1	24.4
RoIC	6.7	11.1	11.3	14.9	18.9	13.9	22.1
Working Capital Ratios							
Asset Turnover (x)	1.6	1.5	1.4	1.6	1.7	1.5	1.6
Leverage Ratio							
Debt/Equity (x)	2.2	2.1	1.3	0.8	0.4	0.2	0.1

Cash Flow Statement							
							(INR Million)
Y/E March	2016	2017	2018	2019	2020E	2021E	2022E
OP/(loss) before Tax	3,155	2,546	8,403	9,914	11,546	7,396	13,360
Int./Div. Received	1,567	-413	205	1,245	-619	-804	-965
Depreciation and Amort.	1,017	1,323	1,351	1,445	2,110	2,131	2,408
Interest Paid	3,990	3,488	1,708	1,775	1,870	1,683	842
Direct Taxes Paid	-1,637	-1,943	-3,898	-8,238	-3,233	-1,864	-3,367
Incr/Decr in WC	-5,826	1,732	1,694	2,434	3,576	3,650	-6,458
CF from Operations	2,266	6,733	9,463	8,575	15,249	12,191	5,819
(Incr)/Decr in FA	-2,222	-1,509	41	-656	-1,861	-1,000	-1,500
Free Cash Flow	1,232	5,476	9,621	8,332	14,007	11,996	5,284
(Pur)/Sale of Investments	8,686	111	213	319	-153	-647	-5,000
Other investing items	2,140	-2,973	1,174	-142	-1,712	0	0
CF from Invest.	9,792	-4,119	1,545	-66	-3,107	-843	-5,535
Issue of Shares	0	0	0	0	0	0	0
Incr/Decr in Debt	-6,606	-3,325	-7,902	-7,004	-8,800	-8,500	-2,000
Dividend Paid	0	0	0	0	0	0	0
Others	-4,487	-2,128	-2,431	-2,115	-1,870	-1,683	-842
CF from Fin. Activity	-11,093	-5,453	-10,333	-9,119	-10,670	-10,183	-2,842
Incr/Decr of Cash	965	-2,839	675	-610	1,472	1,166	-2,557
Add: Opening Balance	2,397	3,362	523	1,198	588	2,060	3,226
Closing Balance	3,362	523	1,198	588	2,060	3,226	669

E: MOFSL Estimates

Explanation of Investment Rating	
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* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.