

Price: 1,564

Recommendation: Buy

Industry: Breweries & Distilleries

Sector: Fast Moving Consumer Goods

Report Date: 01-May-2025

In a recent earnings call, the company unveiled new initiatives to boost growth and market presence. The "India Rare Spirits" program, a unique personalized cask initiative, aims to strengthen its luxury spirits segment. The "Learning for Life" program supports hospitality skill development, showcasing social responsibility. With a focus on diversification and sustainability, the company is expanding into non-alcoholic products and digital transformation to enhance brand loyalty and market share.

Sales		Profit & Loss		Profitability Matrix	
Current Year	11293 Cr	Operating Profit(Year)	1915 Cr	Operating Profit Margin	17.0 %
Previous Year	10374 Cr	Operating Profit(Quarter)	588 Cr	EBITDA Margin	17.44 %
Current Quarter	3432 Cr	PAT (Year)	1269 Cr	Net Profit Margin	11.9 %
Previous Quarter	2843 Cr	PAT (Quarter)	522 Cr	EPS	20.5
Revenue (QYoY)	2989 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	72.7	Sales Growth	7.35 %	Sales Growth	20.72 %
PEG Ratio	5.11	PAT Growth	43.07 %	Sales Growth QYoY	14.82 %
EV/EBITDA	47.1	EPS Growth	13.89 %	PAT Growth	55.82 %
P/B	15.7	Dividend Yield	0.58	PAT Growth QYoY	50.43 %
Capital Allocation		Holdings		Leverage	
RoE	19.7 %	Promoter	56.7 %	Debt/Equity	0.07
RoA	12.5 %	FII	15.0 %	Debt	518 Cr
RoCE	25.6 %	DII	14.6 %	Market Cap	113750 Cr
RoIC	32.1 %	Public	13.7 %	Enterprise value	113146 Cr
		No of Shares	72.7 Cr	Cash Equivalents	1122 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent earnings call, the company outlined several new initiatives and business strategies aimed at enhancing growth and market presence. A key highlight was the launch of the "India Rare Spirits" program, described as a "first-of-kind personalized cask program in the country," which aims to cater to the growing demand for premium and personalized spirits. This initiative is expected to strengthen the company's foothold in the luxury spirits segment. Additionally, the company is expanding its "Learning for Life" program, which supports skill development in the hospitality sector, reflecting its commitment to social responsibility and community engagement.

The company's business strategies focus on diversification and sustainability. The "Spirit of Progress" initiative is a cornerstone of their strategy, emphasizing sustainable practices and community development. This includes the "Preserve Water for Life" and "Accelerate to a Low Carbon World" projects, which aim to reduce environmental impact and promote sustainable growth. The company is also enhancing its product portfolio with the introduction of non-alcoholic offerings, such as "The Dessert Collection" by Baileys x SMOOR, which are luxurious non-alcoholic flavored treats crafted with couverture chocolate.

Looking ahead, the company is optimistic about its growth and scaling prospects. The expansion into new product categories and markets is expected to drive revenue growth. The focus on premiumization and personalized customer experiences is anticipated to enhance brand loyalty and market share. The company is also investing in digital transformation to improve operational efficiency and customer engagement. These efforts are expected to position the company as a leader in the industry, with a strong emphasis on innovation and sustainability.

While the company's initiatives are promising, there are areas for improvement. The success of the "India Rare Spirits" program will depend on effective marketing and distribution strategies. Additionally, the company must ensure that its sustainability initiatives are not only impactful but also economically viable. The expansion into non-alcoholic products presents an opportunity to capture a broader consumer base, but it requires careful market analysis and product development to meet consumer preferences. Overall, the company's strategic direction is positive, but execution will be key to achieving its ambitious goals.

UNITDSPR Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Allied Blenders	8594.09	71.87	1.93%	12.22%	8.82%	20.47%	26431.82%
United Breweries	57111.51	130.08	10.06%	-5.50%	9.64%	-60.56%	-38.91%
Tilaknagar Inds.	5549.94	28.94	24.58%	-9.18%	-9.63%	-7.38%	23.21%
Piccadily Agro	4981.11	47.07	30.61%	-1.42%	2.63%	0.53%	17.01%
India Glycols	4290.64	20.52	9.07%	1.46%	7.85%	14.28%	36.46%

Aspect	Commentary
Revenue	The company shows a robust revenue increase, with a 7.35% YoY growth and a 20.72% QoQ growth, indicating strong sales performance. The current quarter's revenue of 3432 Cr surpasses the previous quarter's 2843 Cr, reflecting effective sales strategies and market demand.
Profit & Loss	Operating profit for the year stands at 1915 Cr, with a significant PAT growth of 43.07% YoY. The quarterly PAT of 522 Cr highlights improved profitability, driven by efficient cost management and increased sales, enhancing overall financial health.
Profitability Matrix	The company maintains a healthy operating profit margin of 17.0% and a net profit margin of 11.9%. The EPS of 20.5 indicates strong earnings performance, supported by effective operational strategies and cost efficiencies.
Valuation Matrix	The trailing P/E ratio of 72.7 suggests high market expectations. A PEG ratio of 5.11 indicates potential overvaluation. The EV/EBITDA of 47.1 and P/B of 15.7 reflect market confidence but warrant cautious evaluation of growth prospects.
Growth (YoY)	Sales growth of 7.35% and PAT growth of 43.07% demonstrate strong annual performance. EPS growth of 13.89% indicates improved earnings capacity, supported by strategic initiatives and market expansion efforts.
Growth (QoQ)	Quarterly sales growth of 20.72% and PAT growth of 55.82% highlight significant short-term performance improvements. The company effectively capitalizes on market opportunities, driving substantial quarterly gains.
Capital Allocation	The company exhibits strong capital efficiency with RoE at 19.7%, RoA at 12.5%, and RoCE at 25.6%. RoIC of 32.1% indicates effective investment strategies, enhancing shareholder value and operational efficiency.
Holdings	Promoter holding at 56.7% reflects strong insider confidence. FII and DII holdings at 15.0% and 14.6% respectively, indicate institutional interest. Public holding of 13.7% suggests a balanced ownership structure.
Leverage	With a low debt/equity ratio of 0.07, the company maintains a conservative leverage position. Debt of 518 Cr is manageable, supported by a strong market cap of 113750 Cr, ensuring financial stability and flexibility.

Analyst viewpoint: Our analysis suggests a promising outlook for United Spirits Limited, supported by robust QoQ growth metrics where sales improved by 20.72% and PAT grew impressively by 55.82%. The company has demonstrated effective capital allocation with a RoE of 19.7% and a RoIC of 32.1%, indicating sound financial decisions that enhance shareholder value. The strategic initiatives unveiled in their recent earnings call, such as the development of the "India Rare Spirits" program, underline their commitment to capturing market share in the luxury spirits segment. Additionally, the foray into non-alcoholic products and digital transformation initiatives reflect a forward-thinking approach aimed at increasing brand loyalty and operational efficiency.

From a valuation perspective, the company's PEG ratio of 5.11 implies a bullish sentiment yet suggests caution regarding potential overvaluation at a P/E ratio of 72.7. Notably, comparisons with peers show a competitive stance, underscoring United Spirits' strong market positioning. While the prospects are positive, it is prudent to acknowledge that the high market expectations embedded in current valuations hint at potential volatility. Achieving the ambitious growth targets will require meticulous execution of outlined strategies, ensuring the enthusiasm is met with substantive financial performance.

Please read detailed disclosure on next page.

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BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Research Analyst Details:

Name: Robin Arya

Email: smallcase@goalfi.in

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – support@goalfi.in

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