Globus Spirits Limited

ISIN :INE615I01010 | NSE :GLOBUSSPR

Price: 1,099
Recommendation: Buy
Industry: Breweries & Distilleries
Sector: Fast Moving Consumer Goods
Report Date: 03-Apr-2025

Globus Spirits Limited is advancing its market presence through strategic initiatives. The company has secured maize warehousing for cost efficiency and installed corn oil equipment in Bengal to boost production. With a 22% growth in consumer business and 245% in prestige categories, it focuses on luxury brands. Expansion in UP, malt spirit production, and a multi-feed distillery project are key growth drivers. Targeting nine states, it aims for net zero debt in two years.

Sales		Profit & Loss		Profitability Matrix	
Current Year	2471 Cr	Operating Profit(Year)	130 Cr	Operating Profit Margin	5.25 %
Previous Year	2103 Cr	Operating Profit(Quarter)	30.6 Cr	EBITDA Margin	7.45 %
Current Quarter	602 Cr	PAT (Year)	96.8 Cr	Net Profit Margin	4.01 %
Previous Quarter	638 Cr	PAT (Quarter)	0.72 Cr	EPS	6.60
Revenue (QYoY)	687 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	167	Sales Growth	4.47 %	Sales Growth	-5.64 %
PEG Ratio	6.44	PAT Growth	-20.66 %	Sales Growth QYoY	-12.37 %
EV/EBITDA	24.9	EPS Growth	-80.36 %	PAT Growth	-53.85 %
P/B	3.23	Dividend Yield	0.32	PAT Growth QYoY	-98.38 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	10.4 %	Promoter	50.9 %	Debt/Equity	0.42
RoA	5.76 %	FII	6.00 %	Debt	416 Cr
RoCE	9.56 %	DII	5.31 %	Market Cap	3181 Cr
RoIC	9.76 %	Public	37.8 %	Enterprise value	3514 Cr
		No of Shares	2.90 Cr	Cash Equivalents	82.9 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent conference call, Globus Spirits Limited outlined several strategic initiatives and business strategies aimed at enhancing growth and market presence. The company has secured sufficient warehousing capacity for maize procurement to ensure a steady supply at fixed prices, which is crucial for maintaining cost efficiency. Additionally, the installation of corn oil equipment in Bengal is a significant step towards enhancing production capabilities. The consumer business has shown robust performance, with a 22% year-on-year growth in the regular and others price category, despite inflationary pressures on packaging costs. The prestige and above category recorded a remarkable 245% revenue growth year-on-year, driven by strategic investments in market efficiency and innovative product launches. The company has also created a dedicated division for luxury brands, focusing on premium positioning and brand development, with plans for new product launches in the coming year.

The company's expansion strategy in the UP market is a key growth driver, with efforts to strengthen distribution networks and enhance brand visibility. The commissioning of a malt spirit production facility is expected to improve cost efficiency and drive innovation, ensuring a steady supply of quality malt spirit. The UP multi-feed distillery project is progressing well, with commissioning expected in Q2 FY26, which will enhance profitability and supply security as brand volumes grow. The strategic initiatives undertaken, such as enhancing raw material flexibility and expanding the brand portfolio, position the company well for sustainable growth. The company is confident that these steps will enable continued strong performance while addressing market challenges proactively.

Looking ahead, the company anticipates strong growth in the IMFL business, with revenues expected to exceed Rs. 100 crore in FY25. However, growth rates are not expected to sustain at the current levels, with internal budgets not projecting a Rs. 200 crore revenue next year. The company plans to run its facilities at high capacity utilization, aiming for Rs. 7 per liter EBITDA in the manufacturing segment. The focus remains on the Prestige and above segment and the regular and other segments as key growth drivers. The company is also exploring opportunities in the beer and RTD business, although no significant updates were provided in this area.

In terms of future growth and scaling perspectives, the company is focused on nine key states in India, with a market-by-market strategy rather than a pan-India approach. This targeted strategy is expected to drive growth in high-potential markets such as Uttar Pradesh, Delhi, and West Bengal. The company is also projecting higher growth for its luxury portfolio, with brands like DAAB and Terai expected to lead future growth. The company aims to become a net zero-debt company in the next two years, with stable margins and no significant investment plans. While the company has made significant strides, there is room for improvement in areas such as market penetration and brand visibility in newer markets.

GLOBUSSPR 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	8796.88	73.56	1.93%	12.22%	8.82%	20.47%	26431.82%
Piccadily Agro	5534.41	52.30	30.61%	-1.42%	2.63%	0.53%	17.01%
United Breweries	52214.66	118.93	10.06%	-5.50%	9.64%	-60.56%	-38.91%
Tilaknagar Inds.	4802.92	25.05	24.58%	-9.18%	-9.63%	-7.38%	23.21%
India Glycols	3886.11	18.58	9.07%	1.46%	7.85%	14.28%	36.46%

Aspect	Commentary
Revenue	The company experienced a revenue increase from the previous year, indicating growth. However, the current quarter's revenue decreased compared to the previous quarter, suggesting potential seasonal or operational challenges. The year-over-year growth in revenue highlights a positive trend, but the quarter-over-quarter decline needs addressing.
Profit & Loss	Operating profit shows a positive trend annually, but quarterly figures indicate a decline, suggesting potential cost management issues. The annual PAT is strong, yet the quarterly PAT is significantly lower, indicating possible short-term challenges. Overall, profitability remains a concern with fluctuating quarterly performance.
Profitability Matrix	The operating profit margin and EBITDA margin reflect moderate efficiency, but the net profit margin is relatively low, indicating room for improvement in cost management. The EPS suggests moderate earnings per share, but overall profitability metrics highlight the need for strategic financial management to enhance margins.
Valuation Matrix	The high trailing P/E ratio suggests the stock may be overvalued, while the PEG ratio indicates growth potential. The EV/EBITDA ratio is relatively high, suggesting the company might be expensive compared to its earnings. The P/B ratio reflects moderate valuation, indicating mixed investor sentiment regarding future growth.
Growth (YoY)	Year-over-year sales growth is positive, but PAT and EPS growth are negative, indicating profitability challenges. The decline in EPS growth suggests earnings pressure, while the dividend yield remains low, reflecting limited shareholder returns. Overall, the company faces growth challenges despite sales improvements.
Growth (QoQ)	Quarter-over-quarter sales and PAT growth are negative, indicating operational challenges. The significant decline in PAT growth suggests profitability issues, while sales growth also shows a downward trend. These metrics highlight the need for strategic interventions to address short-term performance declines.
Capital Allocation	The company's RoE, RoA, and RoCE indicate moderate returns on investment, while RoIC suggests efficient capital use. However, these metrics highlight the need for improved capital allocation strategies to enhance overall returns. The focus should be on optimizing resource utilization to drive better financial outcomes.
Holdings	Promoter holdings are strong, indicating confidence in the company's prospects. FII and DII holdings are moderate, reflecting balanced institutional interest. Public holdings are significant, suggesting broad market participation. Overall, the holdings structure indicates a stable ownership base with potential for strategic investor engagement.
Leverage	The debt/equity ratio is moderate, indicating manageable leverage levels. The company's debt is significant but offset by a strong market cap and enterprise value. Cash equivalents provide liquidity, but strategic debt management is crucial to maintain financial stability. Overall, leverage metrics suggest a balanced financial position.

Analyst viewpoint: Globus Spirits Limited presents a compelling buy opportunity, underpinned by strategic initiatives and robust business growth in its consumer and prestige segments. The company's emphasis on enhancing operational efficiencies through targeted warehousing and corn oil equipment installations signals a commitment to cost management and production scale-up. With an impressive 22% growth in regular consumer business and a remarkable 245% surge in prestige categories, Globus is well-positioned to capitalize on the growing demand for premium products. The company's focus on expanding in high-potential markets like Uttar Pradesh and West Bengal, coupled with its plans to become net zero debt in two years, illustrates strategic foresight and operational resilience. Despite a high trailing P/E ratio suggesting potential overvaluation, the company's impressive PEG ratio and strong market prospects endorse its growth potential in the short to mid-term.

A key differentiator for Globus is its market-specific approach, allowing strategic penetration and brand reinforcement in prioritized regions. The completion of its malt spirit and multi-feed distillery projects are poised to boost cost efficiency and expand production capabilities, further solidifying its market share. Capital allocation metrics like a 9.76% RoIC underline efficient use of resources, notwithstanding the need for improved profitability strategies due to current margin challenges. While Globus Spirits has positioned itself as a transformative leader in the industry, potential investors should remain mindful of the negative quarterly PAT trends, suggesting short-term profitability pressures that require vigilant management. Overall, Globus Spirits Limited stands out as a robust investment candidate for those aiming to leverage evolving market dynamics and strategic growth pathways.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
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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