

# Q4FY22 Result Update

## Globus Spirits Ltd

### Amid cost pressures, capacity addition bolsters outlook

- Globus Spirits (GBSL) posted strong growth in top-line during Q4FY22, ahead of our estimates. However, RM cost inflation and elevated fuel costs led to margin compression, resulting in soft bottom-line performance.
- Consolidated revenue grew +34% YoY / +38% QoQ to INR479cr. EBITDA was down -4% YoY / up +42% QoQ to INR86cr. Resultantly, EBITDA margin contracted -719bps YoY but remained flat at +54bps QoQ to 18%. Consolidated PAT stood at INR48.6cr, down -8% YoY but up +59% QoQ.
- Overall revenue growth was driven by capacity expansion in West Bengal and higher realisations. The performance of Consumer business was stable, and the share of the Value Plus segment increased in overall volumes.
- We expect GBSL's earnings to increase at a CAGR of 30% over FY22–25e, driven by upcoming capacities in Jharkhand, Odisha and Uttar Pradesh. We also estimate the company gaining market share in IMIL /medium liquor in Haryana and West Bengal. We maintain our 'Tactical BUY' with a revised TP of INR1,400/share.

### Manufacturing segment drives topline growth

GBSL's Manufacturing segment recorded the highest ever revenue of nearly INR313cr, up 56% YoY and 79% QoQ. Surge in bulk ENA / Ethanol volumes to 40.1mn ltr was mainly due to capacity addition of 140 KLPD in West Bengal and resumption of operations at the Haryana and Bihar facilities. Additionally, average realisations improved +8% YoY / +11% QoQ to INR58.6 per ltr. The Consumer segment's revenue stood at INR168cr, up +6.4% YoY but down -3.7% QoQ. The sequential moderation in sales was due to flat volumes (YoY) as the excise policy (for two years) in Haryana is approaching renewal, leading to muted volume offtake. Price hikes of INR39 and INR19 per case in the Value Plus and Value segments, respectively, in the state of Rajasthan from 1 April 2022 will improve gross margins in the coming quarters.

### Newly announced capacity additions to boost revenue growth

Land acquisition (25 acres) for capacity addition of 200 KLPD at the Odisha site is complete and construction will be undertaken in FY23. Land acquisition for further capacity addition of 200 KLPD in UP is underway and construction for the same will commence in FY24. Globus Spirits also announced the brownfield expansion of 60 KLPD each at the West Bengal and Jharkhand sites with an overall investment outlay of INR60cr and commissioning by the end of Q4FY23. This will add nearly 40mn ltr of incremental production capacity with an estimated revenue potential of around INR200–250cr per annum on full utilisation. The company plans to increase total capacity to 925 KLPD from the existing 665 KLPD by the end of FY23, indicating an approximately 40% YoY increase.

### Earnings revisions and valuation

The result was in line with our expectation, and we expect inflationary pressure to lessen in coming quarter with price hikes in Rajasthan and company procuring FCI rice for ethanol manufacturing. We remain positive on GBSL, underpinned by long-term drivers such as (i) the company being a key beneficiary of the ethanol blending programme where we expect grain-based ethanol to be a focus area, (ii) the company's plans to introduce consumer brands across new markets and (iii) increasing share of high-margin value plus products within the total volumes. We increase our FY24 EPS estimates by 9% as we account for brownfield capacity expansion of 60KLPD each at the Jharkhand and West Bengal sites, partially offset by lower margin expectations. We keep the FY23 EPS largely unchanged and revise our target price to INR1,400 per share. At our revised TP, GBSL trades at 13x FY24 PE and 8.5x FY24e EV/EBITDA.

Year to March	Q4FY22	Q4FY21	% change	Q3FY22	% change	FY22	FY23E	FY24E	FY25E
Net Revenues (INRcr)	481	358	34.4	349	37.8	1,586	2,139	2,452	3,066
% Growth (YoY)						28	35	15	25
EBITDA (INRcr)	86	90	-4.0	61	42.4	335	420	493	638
% Growth (YoY)						28	25	17	29
Net profit (INRcr)	49	53	-8.5	31	59.3	187	260	312	416
Diluted EPS (INR)	17	18	-8.5	11	59.3	65	90	108	145
Diluted P/E (x)						15	11	9	7
EV/EBITDA (x)						9	7	6	5
ROACE (%)						34	33	32	35

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**CMP INR: 975**

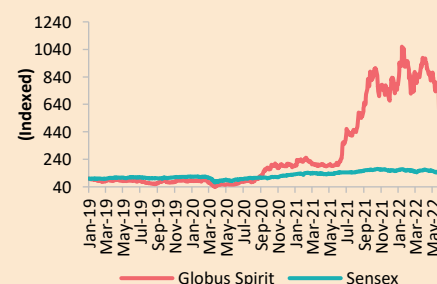
**Rating: Tactical BUY**

**Target Price INR: 1,400**

**Upside: 44%**

**Date: May 27, 2022**

Bloomberg:	GBSL:IN
52-week range (INR):	275 / 1,513
Share in issue (crore):	2.9
M-cap (INR cr):	2,808
Promoter holding (%)	50.91



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### Key management commentary highlights

#### Consumer Segment

- **Rajasthan:** Market share rose to 32% on the back of strong performance by Value Plus segment wherein the market share has increased to 45% in Q4FY22 vs 30-35% in Q4FY21. Strong market presence in Rajasthan market is due to combination of multiple factors like continuously re-energizing and improving efficiency of sales force, new product offerings and portfolio expansion, etc.
- **Haryana:** Softness in the volumes was visible on account of existing excise policy renewal. Management expects volume to normalise and growth in Haryana with focus on Metro liquor.
- **West Bengal:** While market share rose to little over 2%, there exists huge growth opportunities. Recent West Bengal capacity expansion to provide added impetus to not only expand portfolio of offerings but also allow capture several market pockets in that geography.

#### Manufacturing

- Manufacturing sales increase was driven by new capacity expansion at West Bengal and higher realisation of ENA and Ethanol in the quarter. The average utilisation was ~90% in the quarter.
- Prices of Ethanol for blending is increased by INR1.37 per litre from Dec-21 and price hike in Rajasthan (from April-22) will aid margin improvement.
- Company is switching to FCI rice to protect margins where both price of ethanol and raw material (FCI rice) is fixed.
- To mitigate high fuel prices, GBSL plans to procure Coal directly from the coal fields subject to coal availability to non-Power applications.
- During Q4FY22, DDGS prices were ~INR34 per kg, falling by ~10-15% from INR36-37 per kg in previous quarter.
- Broken rice prices have increased by 14% YoY. In Q4FY22, broken prices range between INR20,000-21,000 per MT while FCI was about INR20,000 per MT (fixed for ethanol year 2022).

#### Others

- Gross margin pressure during the quarter due to RM price inflation and elevated fuel price levels and mix. The fuel and packaging cost increased by 37% and 40% YoY in FY22 respectively.
- The plant shut downs also impacted the margins to the tune of INR45cr at EBITDA level in FY22.
- Some of the initiatives undertaken by GBSL like use of alternative fuels and upstream integration for the production of PET bottles helped mitigating the adverse impact of RM cost increase.
- Going forward, price hike in Rajasthan, 20% capacity expansion in Bihar (without Plant and machinery addition), capacity addition in Jharkhand, growth in consumer business in addition to well managed procurement of fuel will support profitability.
- Over long term horizon contribution by Manufacturing and Consumers will largely be same (50:50) and management continue to see 25% as a normalised EBITDA margin in long run.

#### Capex

- New capacity of 140 KLPD added in West Bengal operated at normal capacity during Q4FY22, which supported the increase in contribution of Manufacturing segment to overall revenue to 56% in Q4FY22.
- Plans are on track for Greenfield capacity addition of 140 KLPD at Jharkhand by end Q1FY23.
- Work started on capacity expansion of 60 KLPD in West Bengal and Jharkhand each with a total investment outlay of INR60cr. This is expected to be commissioned by Q4FY23.
- In Odisha, land acquisition of 25 acres for new capacity addition of 200 KLPD for Ethanol and ENA and bottling plant is completed. The construction is expected to start later in FY23.
- Land acquisition process in Uttar Pradesh is underway for new capacity addition of 200 KLPD for Ethanol and ENA. Construction will start in FY24.
- Thus, the existing capacity of 665 KLPD will increase to 925 KLPD by end-FY23.

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### Q4FY22 Result Highlights

Particulars	Q4FY22	Q4FY21	% YoY	Q3FY22	% QoQ	FY22	FY23E	FY24E	FY25E
Gross Revenue	654	491	33	545	20	2344	2925	3267	3954
Excise Duty	175	134	30	198	-12	765	793	822	895
<b>Net Revenue</b>	<b>479</b>	<b>357</b>	<b>34</b>	<b>347</b>	<b>38</b>	<b>1579</b>	<b>2132</b>	<b>2445</b>	<b>3060</b>
Other Income	2	1	38	2	-17	7	7	7	7
<b>Total Income</b>	<b>481</b>	<b>358</b>	<b>34</b>	<b>349</b>	<b>38</b>	<b>1586</b>	<b>2139</b>	<b>2452</b>	<b>3066</b>
COGS	277	174	59	180	54	838	1210	1386	1738
<b>Gross Profit</b>	<b>204</b>	<b>184</b>	<b>11</b>	<b>169</b>	<b>20</b>	<b>747</b>	<b>928</b>	<b>1065</b>	<b>1328</b>
Employee Expenses	14	9	59	11	37	50	59	72	98
Other Expenses	103	85	22	98	5	362	449	501	592
Total Operating Expenses	395	268	47	289	37	1251	1719	1959	2428
<b>EBITDA</b>	<b>86</b>	<b>90</b>	<b>-4</b>	<b>61</b>	<b>42</b>	<b>335</b>	<b>420</b>	<b>493</b>	<b>638</b>
Depreciation and amortization	11	11	2	10	8	43	54	60	68
<b>EBIT</b>	<b>75</b>	<b>79</b>	<b>-5</b>	<b>50</b>	<b>50</b>	<b>293</b>	<b>366</b>	<b>433</b>	<b>570</b>
Interest expenses	3	4	-33	2	17	11	15	12	8
<b>Profit before tax</b>	<b>72</b>	<b>75</b>	<b>-3</b>	<b>48</b>	<b>51</b>	<b>281</b>	<b>351</b>	<b>421</b>	<b>562</b>
Provision for tax	24	21	9	17	37	94	91	110	146
<b>Profit after tax</b>	<b>49</b>	<b>53</b>	<b>-8</b>	<b>31</b>	<b>59</b>	<b>187</b>	<b>260</b>	<b>312</b>	<b>416</b>
Diluted EPS (INR)	17	18	-8	11	59	65	90	108	145

### Revised Estimates

(INR Cr)	FY23E			FY24E		
	Previous	Revised	% change	Previous	Revised	% change
Sales	1,880	2,139	14%	2,134	2,452	15%
EBITDA	411	420	2%	446	493	10%
EBITDA margin	21.9%	19.6%	-222 bps	20.9%	20.1%	-80 bps
PAT	260	260	0%	285	312	9%
EPS	91	90	-1%	99	108	9%

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## Financial Charts

Exhibit 1: Net Sales (INR Cr)

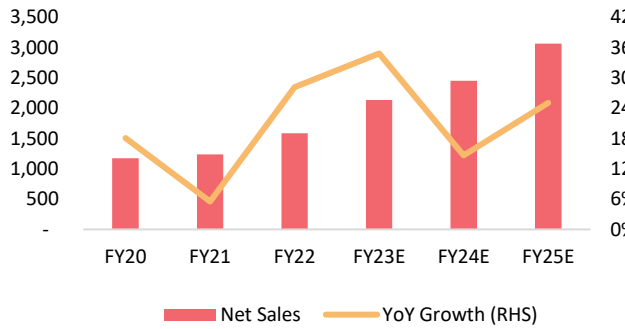


Exhibit 2: EBITDA (INR Cr)

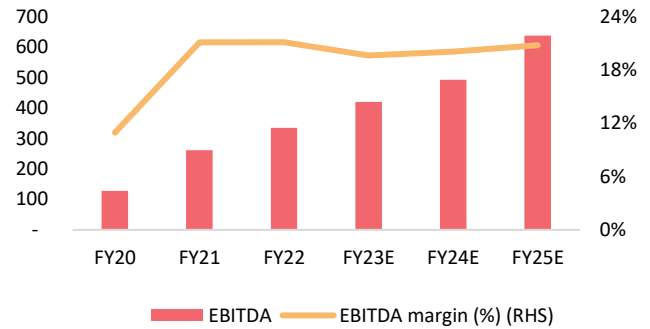


Exhibit 3: PAT (INR Cr)

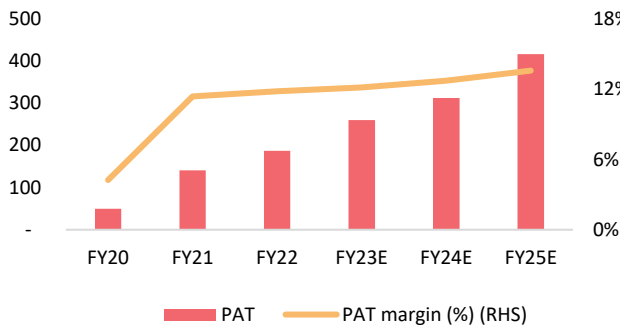


Exhibit 4: Consumer segment volumes and realizations

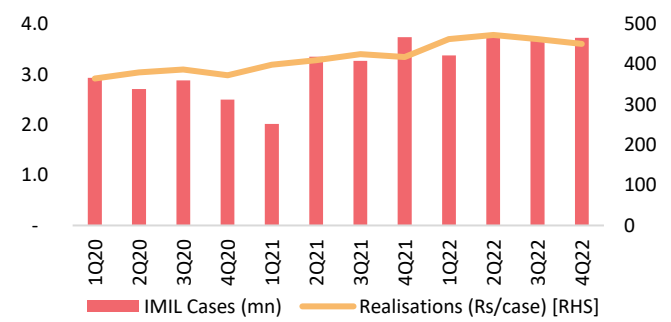


Exhibit 5: Consumer segment snapshot

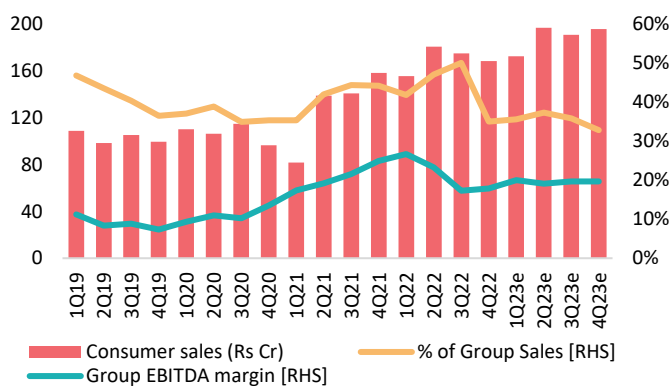
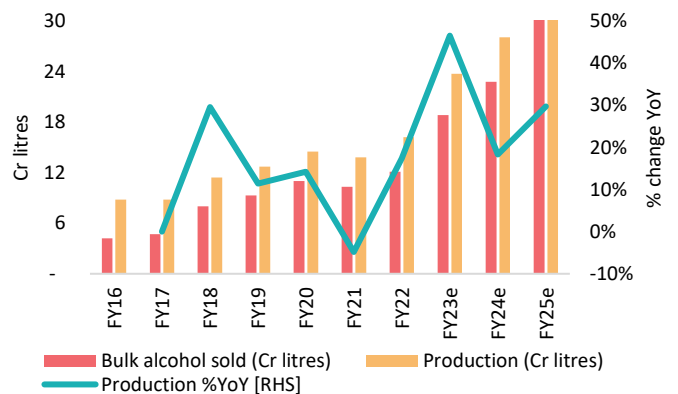


Exhibit 6: Manufacturing segment snapshot



Source: Edelweiss Wealth Research

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## Previous outlook

**Q3FY22:** We remain positive on GBSL based on (i) capacity additions and improved capacity utilisation from Q4FY22; (ii) increasing share of Value Plus portfolio in total volumes, underpinned by planned new product launches; (iii) steady margins in Manufacturing segment with gradual shift to FCI for raw material; and (iv) price hike in Rajasthan likely to be margin-accretive. We lower our FY22e EPS by 5% but raise FY23-24e EPS by 1–4%. We reaffirm our ‘Tactical BUY’ call and target price of INR1,500/share. At our revised TP, GBSL trades at 15x FY24 PE and 10x FY24e EV/EBITDA.

**Q2FY22:** The result was a strong beat on our expectations, despite the lower plant utilisation in the quarter. We remain positive on GBSL based on (i) expectations of a stronger H2FY22, on the back of better plant utilisation and commissioning of the new plant in West Bengal; (ii) increasing share of value plus portfolio in total volume in the Consumer segment, underpinned by planned new product launches; and (iii) steady margins in Manufacturing, with expectation of increase in grain-based ethanol prices which would be margin accretive. We increase our earnings estimates by 13%/10% for FY22/FY23, considering the anticipated improvement in margins and lower tax rate guidance by the company. We revise our target price to INR1,500/share. At our revised TP, GBSL trades at 15x FY24 PE and 10x FY24e EV/EBITDA.

### Q3FY22

**Q3FY22 Result Update**  
Edelweiss Wealth Research

**Key Highlights:**

- Company reported a strong performance in Q3FY22, driven by the growth in the Consumer segment and improved capacity utilisation in the Manufacturing segment.
- Revenue increased by 15% YoY to INR 1,200 Crores, with EBITDA growing by 18% to INR 300 Crores.
- Operating leverage improved, with EBITDA margin rising to 25% from 22% in Q3FY21.
- Net Profit After Tax (NPAT) increased by 20% to INR 150 Crores.

Particulars	Q3FY22	Q3FY21	Q3FY20
Revenue	1200	1043	912
EBITDA	300	260	200
EBITDA Margin (%)	25.0	24.9	22.0
NPAT	150	125	100
NPAT Margin (%)	12.5	12.0	11.0

Source: Company Reports, Edelweiss Wealth Research

### Q2FY22

**Q2FY22 Result Update**  
Edelweiss Wealth Research

**Key Highlights:**

- Company reported a strong performance in Q2FY22, driven by the growth in the Consumer segment and improved capacity utilisation in the Manufacturing segment.
- Revenue increased by 12% YoY to INR 1,100 Crores, with EBITDA growing by 15% to INR 280 Crores.
- Operating leverage improved, with EBITDA margin rising to 25% from 22% in Q2FY21.
- Net Profit After Tax (NPAT) increased by 18% to INR 140 Crores.

Particulars	Q2FY22	Q2FY21	Q2FY20
Revenue	1100	982	875
EBITDA	280	240	190
EBITDA Margin (%)	25.5	24.4	21.8
NPAT	140	118	95
NPAT Margin (%)	12.7	12.0	10.9

Source: Company Reports, Edelweiss Wealth Research

# Q4FY22 Result Update

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### Financials

#### Income statement (Consolidated)

Year to March (INR Cr)	FY21	FY22	FY23E	FY24E	FY25E
Income from operations	1,237	1,586	2,139	2,452	3,066
Total operating expenses	976	1,251	1,719	1,959	2,428
<b>EBITDA</b>	<b>261</b>	<b>335</b>	<b>420</b>	<b>493</b>	<b>638</b>
Depreciation and amortisation	41	43	54	60	68
<b>EBIT</b>	<b>221</b>	<b>293</b>	<b>366</b>	<b>433</b>	<b>570</b>
Interest expenses	19	11	15	12	8
<b>Profit before tax</b>	<b>202</b>	<b>281</b>	<b>351</b>	<b>421</b>	<b>562</b>
Provision for tax	61	94	91	110	146
Extraordinary items	0	0	0	0	0
<b>Adjusted net profit</b>	<b>141</b>	<b>187</b>	<b>260</b>	<b>312</b>	<b>416</b>
Diluted shares (Cr)	3	3	3	3	3
EPS (INR) fully diluted	49	65	90	108	145
Dividend per share	2	3	4	5	6
Dividend payout (%)	4	5	4	5	4

#### Common size metrics- as % of net revenues

Year to March	FY21	FY22	FY23E	FY24E	FY25E
Operating expenses	79	79	80	80	79
Depreciation	3	3	3	2	2
Interest expenditure	2	1	1	0	0
EBITDA margins	21	21	20	20	21
Net profit margins	11	12	12	13	14

#### Growth metrics (%)

Year to March	FY21	FY22	FY23E	FY24E	FY25E
Revenues	6	28	35	15	25
EBITDA	103	28	25	17	29
PBT	202	39	25	20	33
Net profit	182	33	39	20	33
EPS	182	33	39	20	33

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### Balance sheet (INR Cr)

As on 31st March	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	29	29	29	29	29
Reserves & surplus	557	744	994	1,295	1,697
Shareholders' funds	585	772	1,023	1,324	1,725
Total Debt	187	180	187	142	97
Other liabilities	5	6	6	6	6
Deferred Tax Liabilities	52	89	92	75	53
<b>Sources of funds</b>	<b>829</b>	<b>1,047</b>	<b>1,308</b>	<b>1,546</b>	<b>1,881</b>
Gross block	755	889	1,100	1,190	1,280
Depreciation	177	219	273	333	400
Net block	579	670	827	858	880
Capital work in progress	48	98	98	98	98
Total fixed assets	627	768	925	956	978
Inventories	103	108	187	215	268
Sundry debtors	88	118	184	211	264
Cash and equivalents	58	76	91	273	534
Loans and advances	56	84	84	84	84
Total current assets	305	387	546	783	1,151
Sundry creditors and others	153	180	237	265	321
Provisions	11	9	9	9	9
Total CL & provisions	164	189	246	274	330
Net current assets	141	198	301	509	821
Misc expenditure	61	82	82	82	82
<b>Uses of funds</b>	<b>829</b>	<b>1,047</b>	<b>1,308</b>	<b>1,546</b>	<b>1,881</b>
Book value per share (INR)	203	269	356	460	600

### Cash flow statement

Year to March	FY21	FY22	FY23E	FY24E	FY25E
EBIT	221	293	366	433	570
Depreciation	41	43	54	60	68
Tax	61	94	91	110	146
Changes in W. C.	103	57	103	208	312
Others	51	35	18	165	239
<b>Cash Flow from Operations</b>	<b>148</b>	<b>219</b>	<b>244</b>	<b>340</b>	<b>418</b>

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### Ratios

Year to March	FY21	FY22	FY23E	FY24E	FY25E
ROAE (%)	27	28	29	27	27
ROACE (%)	32	34	33	32	35
Debtors (days)	26	30	31	31	31
Current ratio	1.3	1.5	1.7	2.3	2.9
Debt/Equity	0.3	0.2	0.2	0.1	0.1
Inventory (days)	40	40	41	42	42
Payable (days)	47	44	43	43	44
Cash conversion cycle (days)	19	25	30	30	30
Debt/EBITDA	0.7	0.5	0.4	0.3	0.2
Adjusted debt/Equity	0.3	0.2	0.2	0.1	0.1

### Valuation parameters

Year to March	FY21	FY22	FY23E	FY24E	FY25E
Diluted EPS (INR)	48.9	65.1	90.3	108.4	144.7
Y-o-Y growth (%)	182	33	39	20	33
Diluted P/E (x)	6.5	15.0	10.8	9.0	6.7
Price/BV(x)	1.6	3.6	3.6	2.7	2.1
EV/Sales (x)	0.8	2.4	1.9	1.4	1.2
EV/EBITDA (x)	4.0	8.8	7.0	6.0	4.6
Diluted shares O/S	2.9	2.9	2.9	2.9	2.9
Basic EPS	48.9	65.1	90.3	108.4	144.7
Basic PE (x)	6.5	15.0	10.8	9.0	6.7



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### The Team

Analysts	Sector
Vinay Khattar	Head of Research
Sandeep Raina	Head - Fundamental
Sagar Doshi	Head - Trading
Arun Jain	Practice Head - Trading
Kavita Chacko	Chief Economist
Dharmesh Kant	Practice Head - Trading
Praveen Sahay	Consumption, Healthcare, Building Materials
Kapil Jagasia	Consumption, Textile, QSR, Retail
Raj Jha	BFSI, NBFC
Jigar Jani	BFSI, NBFC
Anshul Verdia	Power , Chemicals
Himanshu Yadav	Cement, Logistics, Mid-caps
Sushil Sharma	IT, Capital Goods, Defence
Mohit Gupta	Auto, Auto-Anc.
Tushar Chaudari	Metals, Mid- Caps
Parag Shah	Technical Analyst
Ankit Narshana	Option Trader

Sales Team	Location
Sharad Tripathi	Mumbai
Ketan Malkan	Mumbai
Vikas Sharma	Bengaluru
Abhishek Agarwal	Kolkata
Vivek Khanna	Delhi

### Coverage Universe

Sr. No	Coverage
1	Aditya Birla Fashion & Retail Ltd
2	Aegis Logistics Ltd
3	Amber Enterprises India Ltd
4	Astral Ltd
5	Balaji Amines Ltd
6	Bata India Ltd
7	Birla Corporation Limited
8	Can Fin Homes Ltd
9	Century Plyboards India Ltd
10	Cholamandalam Inv and Finance Ltd
11	City Union Bank Ltd
12	CreditAccess Grameen Ltd
13	Crompton Greaves Consumer Electricals Ltd
14	CSB Bank Ltd
15	Deepak Nitrite Ltd
16	Easy Trip Planner Ltd
17	Escorts Ltd
18	Finolex Industries Ltd
19	Home First Finance Company India Ltd
20	Indo Count Industries Ltd
21	K P R Mill Ltd
22	KNR Constructions Ltd
23	Krishna Institute of Medical Sciences Ltd
24	Lumax Industries .Ltd
25	Metropolis Healthcare Ltd
26	Minda Industries Ltd
27	Motherson Sumi Ltd
28	Navin Fluorine International Ltd
29	Neogen Chemicals Ltd
30	Newgen Software Technologies Ltd
31	Orient Electric Ltd
32	PSP Projects Ltd
33	Rossari Biotech Ltd
34	Shriram Transport Finance Company Ltd
35	SRF Ltd
36	Vinati Organics Ltd
37	Voltas Ltd
38	Westlife Development Ltd
39	Zydu Wellness Ltd

Sr. No	Tactical Buy
1	ACC Ltd
2	Ajanta Pharma Ltd
3	Ambuja Cements Ltd
4	Ashok Leyland Ltd
5	Axis Bank Ltd
6	Bharat Electronics Ltd
7	Brigade Enterprises Ltd
8	DLF Ltd
9	eClerx Services Ltd
10	Globus Spirits Ltd
11	GNA Axles Ltd
12	HDFC Life Insurance Co.Ltd
13	ICICI Bank Ltd
14	Indusind Bank Ltd
15	Jamna Auto Industries Ltd
16	JK Cement Ltd
17	Larsen & Toubro Ltd
18	Mahindra and Mahindra Ltd
19	Max Financial Services Ltd
20	Max Healthcare Institute Ltd
21	PNC Infratech Ltd
22	RBL Bank Ltd
23	Sun Pharma Ltd
24	TechMahindra Ltd
25	Ultratech Cement Ltd

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