

- **Globus Spirits (GBSL) reported strong quarterly numbers, driven by growth (YoY) across the Consumer and Manufacturing segments, despite an unplanned plant closure.**
- **Consolidated revenue rose 17% YoY/3% QoQ to INR382cr. EBITDA was up 41% YoY down -10% QoQ to INR89cr. EBITDA margin expanded 401bps YoY/-341bps QoQ to 23%. Consolidated PAT stood at INR52.5cr, up 52% YoY but down -6% QoQ.**
- **GBSL posted impressive results, with the Consumer segment recording robust growth in volume and realisation, driven by the value plus portfolio (medium liquor). Manufacturing reported lower volumes, but this was offset by robust growth in by-products.**
- **We expect GBSL's earnings to grow at a CAGR of 26% over FY21-24e, driven by upcoming capacities in West Bengal and Jharkhand; and the company gaining market share in IMIL/medium liquor. We maintain 'Tactical BUY' with revised TP of INR1,500/share.**

Anshul Verdia
Research Analyst
Anshul.Verdia@edelweissfin.com

CMP INR: 1,213
Rating: BUY
Target Price INR: 1,500
Upside: 30%

Value plus portfolio drives Consumer segment outperformance

GBSL's Consumer segment recorded INR181cr in revenue, up 30% YoY and 16% QoQ. The increase in revenue was driven by robust growth in volume to 3.8 mn cases (13% YoY/12% QoQ) and realisation (15% YoY and 4% QoQ). The share of value plus portfolio (medium liquor) in the overall volume mix increased to 34%, with volume increasing 63% YoY and 19% QoQ. The company's market share in Rajasthan increased to 32%, while the value plus category's market share rose to 45%. GBSL maintained a market share of 9% in Haryana and ~2% in West Bengal.

Unplanned closure results in lower plant utilisation

The Manufacturing segment reported utilisation of 90% vs 99% in the last quarter. Revenue increased 7% YoY/down -6% QoQ due to two reasons: (i) unplanned shutdown of the Bihar plant since 15 August following floods, resulting in a loss of contribution totalling INR20cr; and (ii) planned shutdown for maintenance in Haryana and West Bengal that lowered contribution by INR5cr. The company said that the plant in Bihar would be operational in December 2021, while its 140 KLPD new plant in West Bengal would be operational in November 2021 (25% utilisation in Q3FY22 and full ramp-up in Q4FY22). Additionally new capacity expansion in Jharkhand is on track, with the plant expected to be commissioned in Q1FY23, while acquisition of land for plant in Odisha is in progress.

Earnings revisions and valuation

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.

Bloomberg:	GBSL IN
52-week range (INR):	275 / 1,513
Share in issue (cr):	2.9
M cap (INR cr):	3,313
Promoter Holding (%)	50.91

Year to March	Q2FY22	Q2FY21	% change	Q1FY22	% change	FY21	FY22E	FY23E	FY24E
Revenues (INR Cr)	384	331	15.9	372	3.3	1,237	1,537	1,807	2,136
% Growth (yoy)						6	24	18	18
EBITDA	89	63	40.9	99	-10.0	261	355	402	445
% Growth (yoy)						103	36	13	11
Net profit	53	35	51.7	56	-5.7	141	206	252	282
Diluted EPS	18	12	52.8	19	-5.4	49	72	88	98
Diluted P/E (x)						6	16	13	12
EV/EBITDA (x)						4	10	9	8
ROCE (%)						32	37	34	31

Date: 15 November 2021

Key management commentary highlights

Consumer Segment

- Realisation increased 15% YoY and 4% QoQ to INR473/case during the quarter.
- **Rajasthan:** Market share increased to 32.2% in terms of overall volumes and 45% for the value plus category.
 - Company has planned 2 new launches: Black Lace Rum and Whisky brands in Q3FY22
 - Expansion of Whisky and Vodka offerings via Tetra packs that are user-friendly (these can be transported efficiently and are, therefore, convenient for mobile customers)
- **Haryana:** The company maintained its market share at 9% and will launch 2 brands in Q3FY22 to expand footprint.
- **West Bengal:** Market share stands at ~2% currently. GBSL re-introduced the Goldee brand, with new launches expected in Q3FY22. GBSL will go for local production of brands in West Bengal. Volumes in the value category are static, while those in the value plus category, although it is at a nascent stage currently, are picking up.
- In Q2FY22, on YoY basis, volume grew >15% in Rajasthan, ~7% in Haryana and 2–3% in West Bengal.

Manufacturing

- Demand for both ENA and ethanol remained strong. The 140 KLPD facility in West Bengal is expected to be operational in November 2021. Initially, the utilisation level would be 25% in Q3, with full ramp-up expected in Q4FY22e.
- The 140 KLPD capacity in Jharkhand would come online in Q1FY23.
- The plant in Bihar, closed in mid-August due to floods, is expected to commence operations in December 2021. The target is to ensure it operates at full capacity by Q4FY22.
- Capacity expansion plans in Odisha are on track. Currently, land acquisition is underway and expected to be completed by December 2021.
- The company received a 10-year long-term ethanol volume commitment from OMC for units in Haryana, Jharkhand, West Bengal and Odisha.

Others

- Cash flow from operations was strong at INR138cr in H2FY22 compared to INR148cr for the full year in FY21
- Reported ROE and ROCE expanded to 31% and 39%, respectively, in H1FY22.
- The effective tax rate from 1 April 2022 will be 25% as the company plans to shift to the new tax regime due to the full utilisation of available MAT credits.
- Excise duty share increased ahead of revenue due to change in mix towards higher value products.
- Management said cost of raw material (broken rice) is usually higher in Q2 and half of Q3.
- GBSL continues to pursue its strategy of foraying into deficit states in terms of new capacity expansion. In the Consumer segment, the long-term target is to achieve 25% market share in all states where the company operates.

Particulars	Q2FY22	Q2FY21	% YoY	Q1FY22	% QoQ	FY21	FY22E	FY23E	FY24E
Gross Revenue	594	457	30	551	8	1672	2336	2694	2955
Excise Duty	212	129	64	180	18	441	803	892	823
Net Revenue	382	328	17	371	3	1231	1532	1802	2132
Other Income	2	3	-53	1	45	7	5	5	5
Total Income	384	331	16	372	3	1237	1537	1807	2136
COGS	197	177	11	184	7	653	796	971	1188
Gross Profit	187	154	21	188	-1	584	741	836	948
Employee Expenses	11	11	-2	15	-26	38	49	57	68
Other Expenses	87	80	9	74	17	284	336	377	435
Total Operating Expenses	294	268	10	272	8	976	1182	1405	1691
EBITDA	89	63	41	99	-10	261	355	402	445
Depreciation and amortization	10	10	4	10	1	41	46	54	60
EBIT	79	53	48	89	-11	221	310	348	385
Interest expenses	2	5	-51	4	-38	19	12	8	4
Profit before tax	77	49	58	85	-10	202	298	340	381
Provision for tax	24	14	71	29	-18	61	91	88	99
Profit after tax	53	35	52	56	-6	141	206	252	282
Diluted EPS (INR)	18	12	53	19	-5	49	72	88	98

Revised Estimates

(INR Cr)	FY22E			FY23E		
	Previous	Revised	%Change	Previous	Revised	%Change
Sales	1,482	1,537	4%	1,772	1,807	2%
EBITDA	322	355	10%	391	402	3%
EBITDA margin	22%	23%	140 bps	22%	22%	16 bps
PAT	183	206	13%	229	252	10%
EPS	64	72	13%	80	88	10%

Exhibit 1: Net Sales (INR Cr)

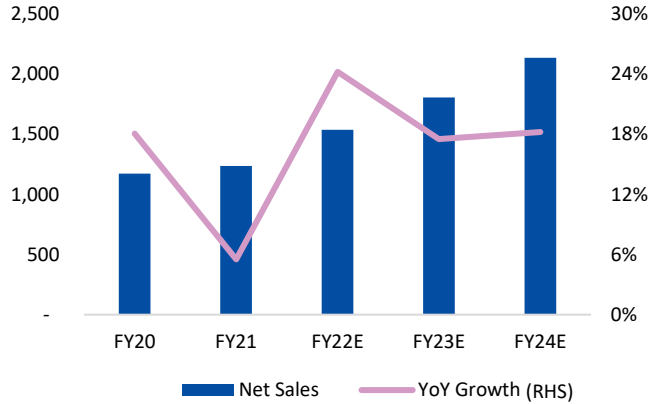


Exhibit 3: EBITDA (INR Cr)

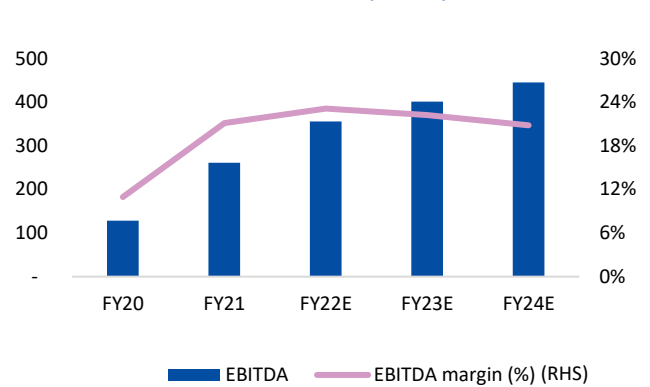


Exhibit 3: PAT (INR Cr)

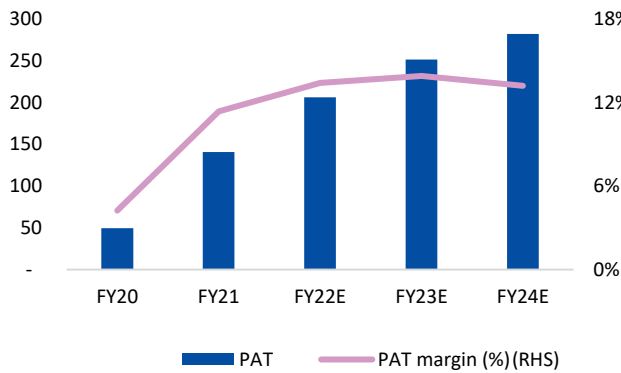


Exhibit 4: Consumer segment volumes and realisations

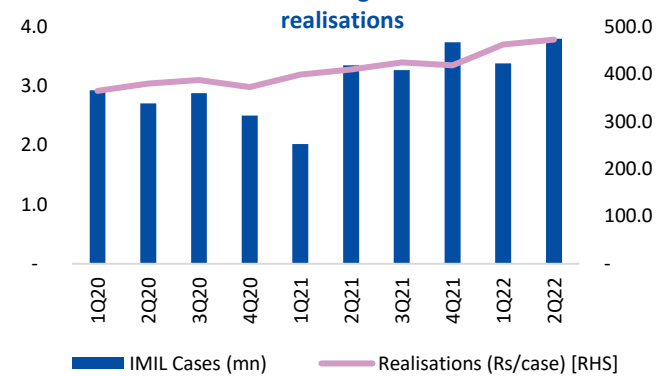


Exhibit 5: Consumer segment snapshot

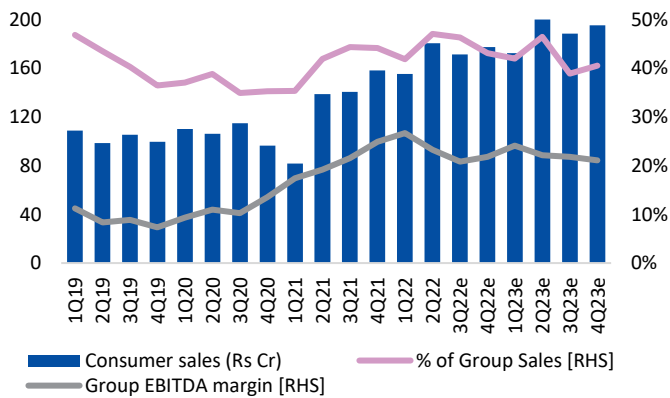
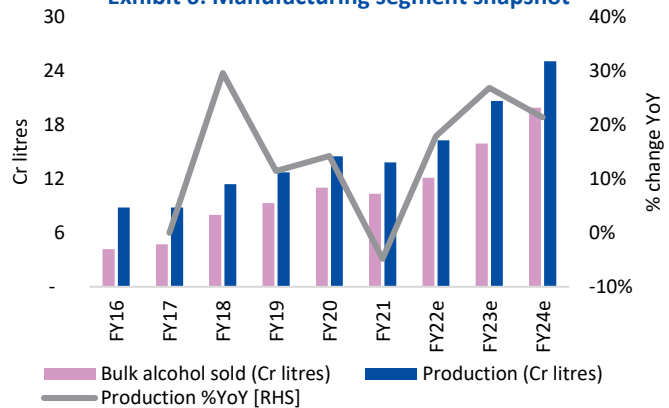


Exhibit 6: Manufacturing segment snapshot



Source: Edelweiss Wealth Research

Previous Outlook

We initiate coverage on GBSL with a 'Tactical BUY' rating and a target price of INR1,475/share. Our valuation assigns 14.5x EV/EBITDA multiple to the Consumer segment (a 50% discount to its peers within the liquor industry) and 7.2x FY23E EV/EBITDA multiple to the Manufacturing segment (a 20% premium to average sugar sector FY23E multiple). At our target price of INR1,475/share, GBSL is trading at FY23E P/E of 18.5x and EV/EBITDA of 11.5x. Our EPS forecast implies FY21-24E CAGR of 27% translating into FY23E PEG ratio of 0.68x.

Tactical Buy



Income statement (Consolidated)

Year to March (INR Cr)	FY20	FY21	FY22E	FY23E	FY24E
Income from operations	1,173	1,237	1,537	1,807	2,136
Total operating expenses	1,044	976	1,182	1,405	1,691
EBITDA	128	261	355	402	445
Depreciation and amortisation	38	41	46	54	60
EBIT	90	221	310	348	385
Interest expenses	24	19	12	8	4
Profit before tax	67	202	298	340	381
Provision for tax	17	61	91	88	99
Extraordinary items	0	0	0	0	0
Adjusted net profit	50	141	206	252	282
Diluted shares (Cr)	3	3	3	3	3
EPS (INR) fully diluted	17	49	72	88	98
Dividend per share	1	2	3	4	5
Dividend payout (%)	6	4	4	5	5

Common size metrics- as % of net revenues

Year to March	FY20	FY21	FY22E	FY23E	FY24E
Operating expenses	89	79	77	78	79
Depreciation	3	3	3	3	3
Interest expenditure	2	2	1	0	0
EBITDA margins	11	21	23	22	21
Net profit margins	4	11	13	14	13

Growth metrics (%)

Year to March	FY20	FY21	FY22E	FY23E	FY24E
Revenues	18	6	24	18	18
EBITDA	35	103	36	13	11
PBT	103	202	47	14	12
Net profit	105	182	46	22	12
EPS	110	182	47	22	12

Balance sheet (INR Cr)

As on 31st March	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	29	29	29	29	29
Reserves & surplus	419	557	757	1,000	1,270
Shareholders' funds	447	585	786	1,029	1,299
Total Debt	181	187	142	97	52
Other liabilities	5	5	5	5	5
Deferred Tax Liabilities	28	52	69	73	58
Sources of funds	660	829	859	1,106	1,361
Gross block	705	755	898	1,040	1,120
Depreciation	136	177	222	276	336
Net block	569	579	675	764	784
Capital work in progress	30	48	48	48	48
Total fixed assets	598	627	724	812	833
Inventories	106	103	127	158	187
Sundry debtors	34	88	125	155	184
Cash and equivalents	20	58	93	168	331
Loans and advances	16	56	56	56	56
Total current assets	176	305	400	538	758
Sundry creditors and others	133	153	174	199	229
Provisions	6	11	10	10	10
Total CL & provisions	139	164	184	209	239
Net current assets	37	141	216	329	519
Misc expenditure	24	61	61	61	61
Uses of funds	660	829	859	1,106	1,361
Book value per share (INR)	155	203	273	358	452

Cash flow statement

Year to March	FY20	FY21	FY22E	FY23E	FY24E
EBIT	90	221	310	348	385
Depreciation	38	41	46	54	60
Tax	17	61	91	88	99
Changes in W. C.	(1)	103	76	113	190
Others	24	51	52	78	148
Cash Flow from Operations	135	148	241	279	303

Ratios

Year to March	FY20	FY21	FY22E	FY23E	FY24E
ROAE (%)	12	27	30	28	24
ROACE (%)	15	32	37	34	31
Debtors (days)	11	26	30	31	31
Current ratio	1.0	1.3	1.5	1.9	2.4
Debt/Equity	0.4	0.3	0.2	0.1	0.0
Inventory (days)	37	40	42	43	42
Payable (days)	38	47	46	45	44
Cash conversion cycle (days)	10	19	25	30	30
Debt/EBITDA	1.4	0.7	0.4	0.2	0.1
Adjusted debt/Equity	0.4	0.3	0.2	0.1	0.0

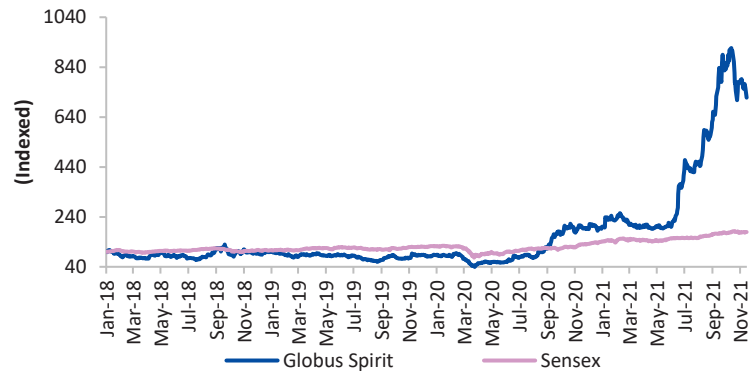
Valuation parameters

Year to March	FY20	FY21	FY22E	FY23E	FY24E
Diluted EPS (INR)	17.3	48.9	71.7	87.5	98.2
<i>Y-o-Y growth (%)</i>	<i>110</i>	<i>182</i>	<i>47</i>	<i>22</i>	<i>12</i>
Diluted P/E (x)	4.9	6.5	16.0	13.1	11.7
Price/BV(x)	0.5	1.6	4.2	3.2	2.6
EV/Sales (x)	0.3	0.8	2.2	1.9	1.6
EV/EBITDA (x)	3.1	4.0	9.7	8.6	7.7
Diluted shares O/S	2.9	2.9	2.9	2.9	2.9
Basic EPS	17.3	48.9	71.7	87.5	98.2
Basic PE (x)	4.9	6.5	16.0	13.1	11.7

Edelweiss Broking Limited, 1st Floor, Tower 3, Wing B, Kohinoor City Mall, Kohinoor City, Kirol Road, Kurla(W)
Board: (91-22) 4272 2200

Vinay Khattar
Head Research
vinay.khattar@edelweissfin.com

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate between 5-15% over a 12-month period
Reduce	Return below 5% over a 12-month period



Disclaimer

Edelweiss Broking Limited ("EBL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of EBL and its associates are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance. There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years. This research report has been prepared and distributed by Edelweiss Broking Limited ("Edelweiss") in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH000000172.

Broking services offered by Edelweiss Broking Limited under SEBI Registration No.: INZ000005231 (Member of NSE, BSE, MCX and NCDEX). EBL CIN: U65100GJ2008PLC077462. Research services offered by Edelweiss Broking Ltd. under SEBI Registration No. INH000000172. Depository participant with NSDL having SEBI registration no: IN-DP-NSDL-314-2009 and DP ID: IN302201 and IN303719. Depository participant with CDSL having DP ID- 12032300. Investor grievance resolution team: 040-41151621; Email ID: Helpdesk@edelweiss.in. Name of the Compliance Officer for Trading & DP - Mr. Pranav Tanna, Email IDs: complianceofficer.ebl@edelweissfin.com / ebl.dpcompliance@edelweissfin.com. Corporate Office: Edelweiss House, Off CST Road, Kalina, Mumbai - 400098; Tel. 18001023335/022-42722200/022-40094279. Registered Office: 2nd Floor, Office No. 201 to 203, Zodiac Plaza, Xavier College Road, Off C G Road, Ahmedabad, Gujarat - 380009. Contact: (079) 40019900 / 66629900.

This Report has been prepared by Edelweiss Broking Limited in the capacity of a Research Analyst having SEBI Registration No. INH000000172 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject EBL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. EBL reserves the right to make modifications and alterations to this statement as may be required from time to time. EBL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. EBL is committed to providing independent and transparent recommendation to its clients. Neither EBL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of EBL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of EBL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

EBL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the EBL to present the data. In no event shall EBL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the EBL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

EBL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. EBL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with EBL.

EBL or its associates may have received compensation from the subject company in the past 12 months. EBL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. EBL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EBL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EBL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or EBL's associates may have financial interest in the subject company. EBL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No
EBL has financial interest in the subject companies: No

EBL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Disclaimer

EBL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years. A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Additional Disclaimer for U.S. Persons

Edelweiss is not a registered broker – dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition Edelweiss is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by Edelweiss, including the products and services described herein are not available to or intended for U.S. persons.

This report does not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services and/or shall not be considered as an advertisement tool. "U.S. Persons" are generally defined as a natural person, residing in the United States or any entity organized or incorporated under the laws of the United States. US Citizens living abroad may also be deemed "US Persons" under certain rules.

Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

Additional Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA"). In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Additional Disclaimer for Canadian Persons

Edelweiss is not a registered adviser or dealer under applicable Canadian securities laws nor has it obtained an exemption from the adviser and/or dealer registration requirements under such law. Accordingly, any brokerage and investment services provided by Edelweiss, including the products and services described herein, are not available to or intended for Canadian persons.

This research report and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services.

Disclosures under the provisions of SEBI (Research Analysts) Regulations 2014 (Regulations)

Edelweiss Broking Limited ("EBL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of EBL and its associates are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance. There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years. This research report has been prepared and distributed by Edelweiss Broking Limited ("Edelweiss") in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No.INH000000172