

India

**ADD** (no change)

Consensus ratings\*: Buy 3 Hold 0 Sell 0

Current price:	Rs1,014
Target price:	Rs3,560
Previous target:	Rs3,560
Up/downside:	251.1%
InCred Research / Consensus:	43.5%

Reuters:	
Bloomberg:	GBSL IN
Market cap:	US\$402m
	Rs29,207m
Average daily turnover:	US\$3.4m
	Rs245.4m
Current shares o/s:	28.8m
Free float:	49.0%
*Source: Bloomberg	

**Key changes in this note**

- PAT estimates adjusted by (7.1) %/ 0 % for FY23F/24F.



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	5.0	(22.1)	30.7
Relative (%)	(2.8)	(27.9)	20.8

<b>Major shareholders</b>	% held
Promoter & Promoter Group	51.0
MIT	3.8

**Analyst(s)**



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# Globus Spirits Ltd

## All eyes on ethanol repricing

- Globus Spirits reported a strong 1QFY23 topline, in line with our estimate, because of higher volume in the distillation segment.
- However, higher power and raw material cost hit the bottom line adversely.
- Retain Add rating on the stock with an unchanged target price of Rs3,560.

### GPM continues to plunge along with a rise in power cost

The gross profit margin or GPM of Global Spirits Ltd (GSL) plunged to 41% in 1QFY23, a decline of 931bp yoy, because of the rise in prices of broken rice. GSL has shifted to the rice supplied by the FCI (Food Corporation of India), which is available at Rs20/kg, and the ethanol made from which fetches a higher realization. The prices of controlled commodities used to make Indian Made Indian Liquor or IMIL and Indian Made Foreign Liquor or IMFL should start seeing price hikes going ahead. Market-driven commodities, such as ENA (extra neutral alcohol), are already seeing their prices moving upwards.

### Ethanol repricing

Oil marketing companies or OMCs had announced a six-month relief scheme to support ethanol manufacturers who are facing high input cost, primarily on account of high fuel and electricity prices. The relief package is applicable for all supplies of ethanol invoiced to OMCs between 1 Jun 2022 and 30 Nov 2022. OMCs will pay the relief amount to vendors after each quarter. The relief amount will be based on the feedstock such as a relief of Rs1,606/kl for sugarcane juice/sugar/sugar syrup-based ethanol, Rs1,493/kl for B-heavy molasses-based ethanol, Rs1,179/kl for C-heavy molasses-based ethanol, Rs2,337/kl for damaged food grain-based ethanol, and Rs1,437/kl for surplus rice-based ethanol. Post Nov 2022F, new pricing will kick in, which is yet to be decided but a major upswing is likely.

### Retain Add rating on the stock

We have adjusted our PAT estimates by (7.1)%/0% for FY23F/FY24F, respectively, considering GSL's 1QFY23 performance and the postponement of its Odisha 200klpd and Uttar Pradesh 200klpd expansion projects from FY23F & FY24F to FY24F & FY25F, respectively. We retain Add rating on GSL with an unchanged target price of Rs3,560, at 25x FY24F P/E. Downside risks: 1) Broken rice is mainly used to produce ENA/ethanol and any rise in its price will directly impact gross profit. 2) Also, final product prices are decided by state/central governments and/or OMCs and hence, regular price hike is not a guarantee for profitability. 3) There is already a ban on sale and consumption of alcohol in Gujarat, Bihar, Nagaland, and Lakshadweep. If the governments in states that GSL operates in decide to ban or restrict the use of alcohol, it will have an adverse impact. 4) Power is a vital component of product economics, generated mainly from coal, and thus any adverse movement in coal prices will hit profitability.

### Financial Summary

	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Revenue (Rsm)	11,688	12,308	15,792	22,184	31,018
Operating EBITDA (Rsm)	1,247	2,552	3,286	4,001	6,124
Net Profit (Rsm)	499	1,433	1,873	2,422	4,101
Core EPS (Rs)	17.3	49.8	65.0	84.1	142.4
Core EPS Growth	105.0%	187.2%	30.7%	29.4%	69.3%
FD Core P/E (x)	58.53	20.38	15.60	12.06	7.12
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.10%	0.20%	0.38%	0.50%	0.84%
EV/EBITDA (x)	24.34	11.74	9.18	7.24	4.63
P/FCFE (x)	67.67	50.01	35.19	21.03	104.39
Net Gearing	26.3%	13.0%	12.7%	(2.3%)	(6.0%)
P/BV (x)	6.53	4.99	3.78	2.92	2.11
ROE	11.8%	27.8%	27.6%	27.3%	34.4%

% Change In Core EPS Estimates  
 InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results summary

Rs m	1QFY23	4QFY22	%QoQ	1QFY22	%YoY
Revenue From Operations	4,954	4,794	3.3%	3,705	33.7%
Cost of Goods Sold	2,921	2,774	5.3%	1,840	58.8%
Employee Expenses	142	144	-1.4%	145	-2.3%
Other Expenses	1,206	1,032	16.8%	740	63.0%
<b>EBITDA</b>	<b>686</b>	<b>844</b>	<b>-18.7%</b>	<b>981</b>	<b>-30.1%</b>
Depreciation	125	113	10.6%	103	20.9%
<b>EBIT</b>	<b>561</b>	<b>731</b>	<b>-23.2%</b>	<b>878</b>	<b>-36.1%</b>
Other Income	17	18	-5.4%	11	58.2%
Interest Expenses	22	28	-20.1%	39	-44.0%
<b>Profit Before Tax</b>	<b>556</b>	<b>721</b>	<b>-22.9%</b>	<b>849</b>	<b>-34.5%</b>
Tax Expenses	183	235	-22.1%	293	-37.3%
<b>PAT</b>	<b>373</b>	<b>486</b>	<b>-23.3%</b>	<b>557</b>	<b>-33.0%</b>
<b>Key Ratios</b>	<b>1QFY23</b>	<b>4QFY22</b>	<b>%QoQ</b>	<b>1QFY22</b>	<b>%YoY</b>
EBITDA Margin	13.8%	17.6%	-375bp	26.5%	-1263bp
EBIT Margin	11.3%	15.2%	-392bp	23.7%	-1237bp
PBT Margin	11.2%	15.0%	-382bp	22.9%	-1170bp
PAT Margin	7.5%	10.1%	-261bp	15.0%	-750bp
Tax Rate	33.0%	32.6%	35bp	34.5%	-149bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Rs m	Old estimates		New estimates		Change (%)	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue	21,801	31,018	22,184	31,018	1.8%	0.0%
EBITDA	4,330	6,124	4,001	6,124	-7.6%	0.0%
EBITDA Margin (%)	19.9%	19.7%	18.0%	19.7%	-183bp	0bp
PAT	2,611	4,101	2,422	4,101	-7.2%	0.0%
EPS (Rs)	91	142	84	142	-7.2%	0.0%

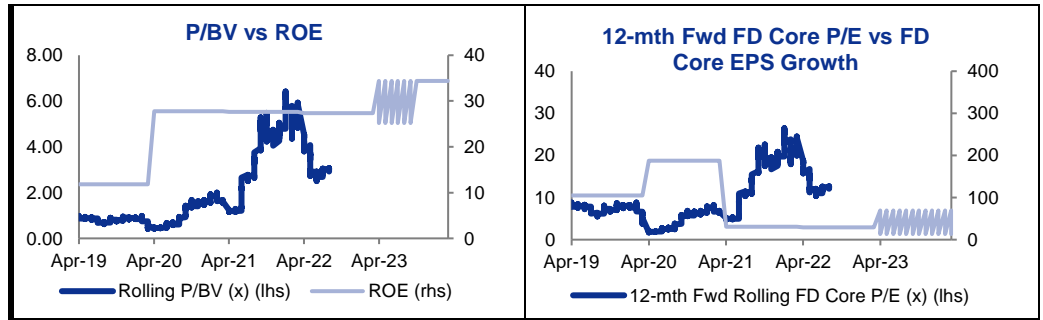
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: One-year forward P/E



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	11,688	12,308	15,792	22,184	31,018
<b>Gross Profit</b>	4,512	5,776	7,408	9,858	14,268
<b>Operating EBITDA</b>	1,247	2,552	3,286	4,001	6,124
Depreciation And Amortisation	(380)	(407)	(426)	(517)	(533)
<b>Operating EBIT</b>	867	2,145	2,860	3,484	5,591
Financial Income/(Expense)	(198)	(123)	(48)	(66)	(48)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	669	2,023	2,812	3,418	5,542
Exceptional Items					
<b>Pre-tax Profit</b>	669	2,023	2,812	3,418	5,542
Taxation	(172)	(590)	(940)	(995)	(1,441)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	497	1,433	1,873	2,422	4,101
Minority Interests	2				
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	499	1,433	1,873	2,422	4,101
Recurring Net Profit	499	1,433	1,873	2,422	4,101
<b>Fully Diluted Recurring Net Profit</b>	499	1,433	1,873	2,422	4,101

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
<b>EBITDA</b>	1,247	2,552	3,286	4,001	6,124
Cash Flow from Invt. & Assoc.					
Change In Working Capital	190	(966)	(1,106)	615	(691)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	67	491	1,888		
Other Operating Cashflow					
Net Interest (Paid)/Received	23	23	66	19	6
Tax Paid	(172)	(590)	(940)	(995)	(1,441)
<b>Cashflow From Operations</b>	1,355	1,509	3,194	3,639	3,997
Capex	(390)	(892)	(2,242)	(2,000)	(2,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	1			(100)	(600)
<b>Cash Flow From Investing</b>	(390)	(892)	(2,242)	(2,100)	(3,100)
Debt Raised/(repaid)	(534)	(33)	(122)	(150)	(617)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid		58	112	145	246
Preferred Dividends					
Other Financing Cashflow	(804)	(290)	(124)	(335)	(681)
<b>Cash Flow From Financing</b>	(1,338)	(266)	(134)	(339)	(1,052)
Total Cash Generated	(372)	351	818	1,199	(155)
<b>Free Cashflow To Equity</b>	432	584	830	1,389	280
<b>Free Cashflow To Firm</b>	966	617	952	1,539	897

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash And Equivalents	200	581	761	1,820	1,800
Total Debtors	338	879	1,180	1,519	2,125
Inventories	1,063	1,021	1,085	1,823	2,549
Total Other Current Assets	163	556	844	222	310
<b>Total Current Assets</b>	<b>1,764</b>	<b>3,038</b>	<b>3,871</b>	<b>5,385</b>	<b>6,784</b>
Fixed Assets	5,979	6,264	7,671	9,154	11,121
Total Investments				100	700
Intangible Assets	6	4	6	6	6
Total Other Non-Current Assets	245	614	818	333	465
<b>Total Non-current Assets</b>	<b>6,229</b>	<b>6,882</b>	<b>8,495</b>	<b>9,592</b>	<b>12,292</b>
Short-term Debt	45	273	650	650	650
Current Portion of Long-Term Debt					
Total Creditors	1,755	2,037	1,847	2,405	3,228
Other Current Liabilities					
<b>Total Current Liabilities</b>	<b>1,800</b>	<b>2,309</b>	<b>2,498</b>	<b>3,055</b>	<b>3,878</b>
Total Long-term Debt	1,328	1,067	1,089	939	322
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	65	107	100		
<b>Total Non-current Liabilities</b>	<b>1,393</b>	<b>1,174</b>	<b>1,190</b>	<b>939</b>	<b>322</b>
Total Provisions	336	592	955	982	1,020
<b>Total Liabilities</b>	<b>3,529</b>	<b>4,076</b>	<b>4,642</b>	<b>4,977</b>	<b>5,221</b>
Shareholders Equity	4,473	5,853	7,723	10,000	13,856
Minority Interests	(9)	(9)			
<b>Total Equity</b>	<b>4,464</b>	<b>5,844</b>	<b>7,723</b>	<b>10,000</b>	<b>13,856</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	18.6%	5.3%	28.3%	40.5%	39.8%
Operating EBITDA Growth	41.4%	104.6%	28.8%	21.7%	53.1%
Operating EBITDA Margin	10.7%	20.7%	20.8%	18.0%	19.7%
Net Cash Per Share (Rs)	(40.72)	(26.34)	(33.98)	7.99	28.72
BVPS (Rs)	155.32	203.24	268.18	347.24	481.11
Gross Interest Cover	3.68	11.40	25.01	41.25	87.26
Effective Tax Rate	25.7%	29.2%	33.4%	29.1%	26.0%
Net Dividend Payout Ratio	5.8%	4.0%	6.0%	6.0%	6.0%
Accounts Receivables Days	12.94	18.05	23.80	22.21	21.44
Inventory Days	46.81	58.24	45.85	43.06	47.64
Accounts Payables Days	51.67	63.49	58.69	52.93	54.00
ROIC (%)	13.9%	35.5%	39.2%	35.7%	52.5%
ROCE (%)	14.7%	32.0%	32.4%	30.7%	39.8%
Return On Average Assets	8.9%	17.4%	17.2%	18.2%	24.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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