

### Growth may moderate amid disruptions

- Globus Spirits (GBSL) posted a lower-than-expected operating performance mainly in the consumer segment due to: i) quality-related issues in two key brands, and ii) its conscious decision to pull back on investments in Haryana as the environment was not conducive. The manufacturing segment reported a lower-than-expected revenue due to temporary disruption of rice supplies from FCI from July 24.
- Gross/net revenue grew 10%/15% YoY and 15%/5% QoQ, to INR751cr/INR572cr (est. INR847cr/INR627cr) in Q1FY24, led by a 5%/22% YoY growth in the consumer/manufacturing segment to INR203.1cr/INR367cr.
- Gross margin expanded by 15bp YoY, but contracted by 173bp QoQ, to 41.1%. EBITDA margin contracted by 118bp YoY and 101bp QoQ to 13% (est. 13.7%) due to elevated raw material and energy prices. EBITDA rose 5% YoY, but fell 2% QoQ, to INR74cr (est. INR86cr), which included a loss of INR6.4cr from IMFL.
- PAT increased by 4% YoY and 8% QoQ to INR39cr (est. INR50cr).
- We expect a tepid operating performance in Q2FY24 owing to the shutdown of plants in Jharkhand and West Bengal and unavailability of grains from FCI (from July). Post Q2FY24, the positive impact from capacity additions, price hikes in Rajasthan, and revenue from newer geographies will be visible. EBITDA margin in FY24 may remain ~14%, but will jump to over 17% in FY25 backed by price hikes and changes in the product mix. Given a subdued H1FY24, we have reduced our FY24/FY25 earnings estimate by 25%/9%. Our revised earnings forecast suggests a revenue/PAT CAGR of 23%/64% over FY23–25.
- We maintain 'Tactical BUY' with a revised TP of INR1,146 (earlier: INR1,260) based on 10x FY25E EPS.

#### Growth moderates amid a slowdown in the consumer segment

Revenue from the consumer segment grew 5% YoY and 14% QoQ to INR203cr in Q1FY24. The moderation in growth was on account of a slowdown in investment in Haryana. Volumes fell 10% YoY, but grew 10% QoQ, to 3.56mn cases. Price hikes in Rajasthan and improving share of premium plus brands led to an improvement in realisation to INR557 per case in Q1FY24 from INR540 per case QoQ.

Revenue from the manufacturing segment grew 22% YoY and 1% QoQ to INR367cr led by growth in bulk alcohol sales, despite a planned shutdown of the West Bengal plant to expand capacity by 60klpd. Bulk alcohol volumes grew 27% YoY to 49.77mn litres, and average realisation rose 5% to ~INR60 per litre on price hikes in ethanol and better ENA realisation. We expect an improvement in the growth trajectory after Q2FY24, aided by capacity additions, price hikes in Rajasthan, and penetration into newer geographies.

#### Margin to stay range bound in the near term

EBITDA margin contracted by 118bp YoY and 101bp QoQ to 13% on higher input cost and fixed expenses for the IMFL segment. Margin may stay under pressure owing to a temporary shutdown of the Jharkhand and West Bengal plants on account of non-availability of grains from FCI. However, we expect price hikes in Rajasthan in the value and value plus segment, a price hike in ethanol, and correction in energy prices to insulate EBITDA margin to an extent. We expect an EBITDA margin of 14.4%/16.2% for FY24/FY25.

#### Capacity expansion to drive medium-term growth

The management expects to almost double ethanol/ENA capacity to 1,344klpd by FY25 from 765klpd. It successfully expanded capacity in Jharkhand to 140klpd in Q2FY23. It has also added capacity of 60klpd in West Bengal, which is expected to be commissioned in August. In addition, capacity expansion of 79klpd (60klpd/19klpd in Jharkhand/Bihar) is expected to be commissioned by Q2FY24-end. GBSL is undertaking two greenfield expansions of 200klpd each at Odisha (construction to commence in Q4FY24) and Uttar Pradesh (approval process underway). The Odisha facility will be constructed at a total capex of INR160cr, of which INR120cr will be funded via debt and the rest through internal accruals. The expanded capacity opens the consumer market to 100mn cases per annum.

#### Valuation and view

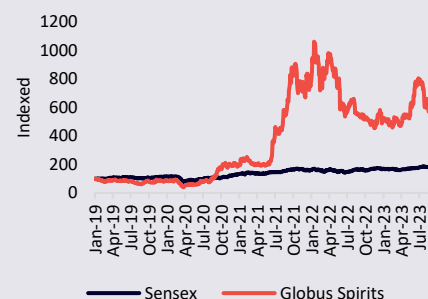
Although margin pressures will continue in the near term, we remain positive on long-term drivers such as: i) GBSL being a key beneficiary of the Centre's ethanol-blending programme, where we expect grain-based ethanol to be a focus area; ii) its plans to introduce consumer brands in new markets and categories, and iii) greater share of high-margin value plus products within total volumes. We cut our FY24/FY25 EPS estimate by 25%/9% due to a weak H1FY24 and EBITDA margin adjustments as the use of costlier raw materials from non-FCI sources will impact margin. Our forecast factors in a brownfield expansion of 60klpd each in Jharkhand and West Bengal, partially offset by a lower margin.

#### Key financials

Year to March	1Q24	1Q23	% change	4Q23	% change	FY23	FY24E	FY25E
Net Income (INR Cr)	572	497	15.1	544	5.2	2,117	2,444	3,218
% Growth (yoy)						33	15	32
EBITDA (INR Cr)	74	70	5.5	76	-2.4	253	351	522
% Growth (yoy)						-24	39	49
Net profit (INR Cr)	38.8	37.3	4.1	36	8.2	122	203	330
Diluted EPS (INR)	13	13	4.1	12	8.2	42	70	115
Diluted P/E (x)						22	13	8
EV/EBITDA (x)						11	8	5
ROACE (%)						19	24	33

**CMP: INR925**  
**Rating: Tactical Buy**  
**Target Price: INR1,146**  
**Upside: 24%**  
 Date: August 18, 2023

Bloomberg:	GBSL:IN
52-week range (INR):	721/1,328
M-cap (INR cr):	2,921
Promoter holding (%)	39.89



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## Q1FY24 Result Highlights:

Particulars	1Q24	1Q23	% change	4Q23	% change	FY22	FY23E	FY24E	FY25E
Gross Revenue	751	683	10	697	8	2344	2822	3237	4118
Excise Duty	181	188	-4	156	16	765	713	801	908
<b>Net Revenue</b>	<b>570</b>	<b>495</b>	<b>15</b>	<b>541</b>	<b>5</b>	<b>1579</b>	<b>2109</b>	<b>2436</b>	<b>3210</b>
Other Income	2	2	10	3	-32	7	8	8	8
<b>Total Income</b>	<b>572</b>	<b>497</b>	<b>15</b>	<b>544</b>	<b>5</b>	<b>1586</b>	<b>2117</b>	<b>2444</b>	<b>3218</b>
COGS	337	292	15	311	8	838	1241	1440	1877
<b>Gross Profit</b>	<b>235</b>	<b>205</b>	<b>15</b>	<b>233</b>	<b>1</b>	<b>747</b>	<b>876</b>	<b>1004</b>	<b>1341</b>
Employee Expenses	19	14	35	19	0	50	65	77	129
Other Expenses	142	121	18	138	3	362	557	575	690
Total Operating Expenses	498	427	17	468	6	1251	1863	2092	2696
<b>EBITDA</b>	<b>74</b>	<b>70</b>	<b>5</b>	<b>76</b>	<b>-2</b>	<b>335</b>	<b>253</b>	<b>351</b>	<b>522</b>
Depreciation and amortization	16	13	29	16	1	43	56	61	68
<b>EBIT</b>	<b>58</b>	<b>58</b>	<b>1</b>	<b>60</b>	<b>-3</b>	<b>293</b>	<b>197</b>	<b>290</b>	<b>455</b>
Interest expenses	6	2	185	7	-13	11	17	19	14
<b>Profit before tax</b>	<b>52</b>	<b>56</b>	<b>-7</b>	<b>53</b>	<b>-2</b>	<b>281</b>	<b>180</b>	<b>271</b>	<b>440</b>
Provision for tax	13	18	-29	17	-23	94	58	68	110
<b>Profit after tax</b>	<b>38.8</b>	<b>37</b>	<b>4</b>	<b>36</b>	<b>8</b>	<b>187</b>	<b>122</b>	<b>203</b>	<b>330</b>
Diluted EPS (INR)	13	13	4	12	8	65	42	70	115

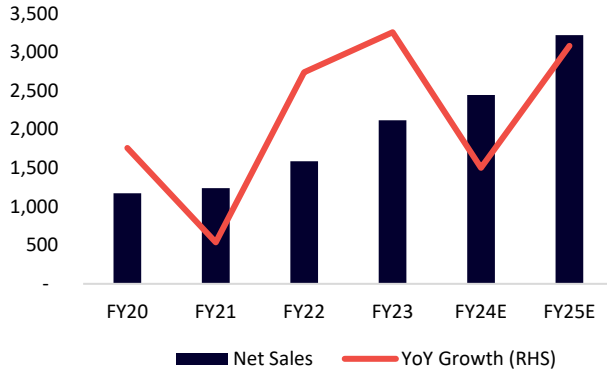
## Revised Estimates

	FY24E			FY25E		
	Previous	Revised	%Change	Previous	Revised	%Change
Sales	2,674	2,444	-9%	3,327	3,218	-3%
EBITDA	443	351	-21%	569	522	-8%
EBITDA margin	16.6%	14.4%	-219 bps	17.1%	16.2%	-87 bps
PAT	272	203	-25%	363	330	-9%
EPS	94	70	-25%	126	115	-9%

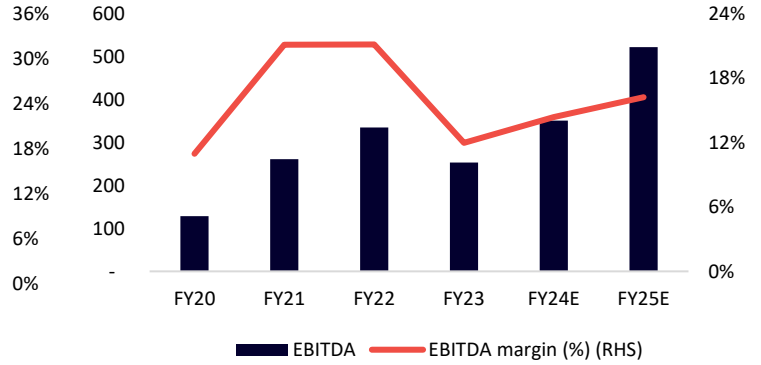
Source: Nuvama Wealth Research

## Financial Charts

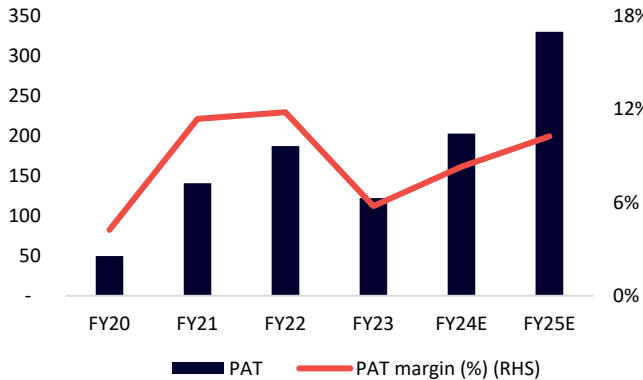
**Exhibit 1: Net Sales (INR Cr)**



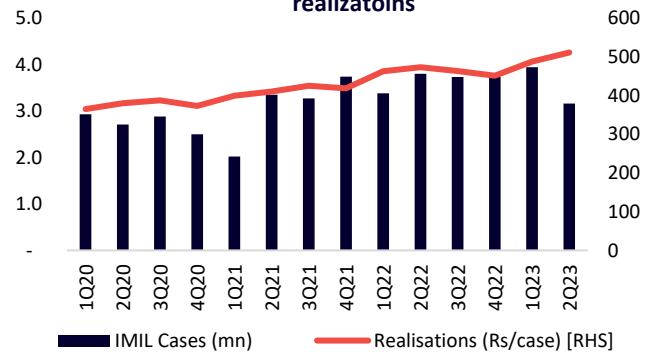
**Exhibit 2: EBITDA (INR Cr)**



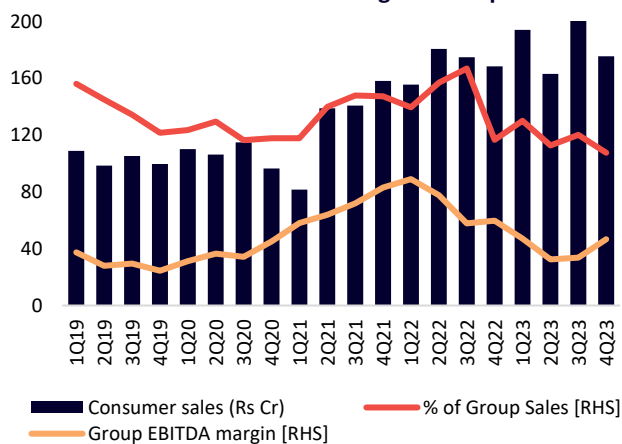
**Exhibit 3: PAT (INR Cr)**



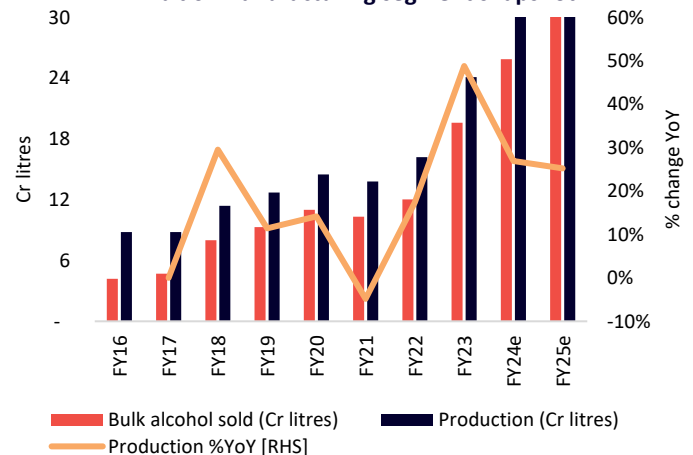
**Exhibit 4: Consumer segment volumes and realizations**



**Exhibit 5: Consumer segment snapshot**



**Exhibit 6: Manufacturing segment snapshot**



Source: Nuvama Wealth Research

### Financials

#### Income statement

Year to March	FY21	FY22	FY23	FY24E	FY25E
Income from operations	1,237	1,586	2,117	2,444	3,218
Total operating expenses	976	1,251	1,863	2,092	2,696
<b>EBITDA</b>	<b>261</b>	<b>335</b>	<b>253</b>	<b>351</b>	<b>522</b>
Depreciation and amortisation	41	43	56	61	68
EBIT	221	293	197	290	455
Interest expenses	19	11	17	19	14
Profit before tax	202	281	180	270	440
Provision for tax	61	94	58	68	110
Extraordinary items	0	0	0	0	0
<b>Profit after tax</b>	<b>141</b>	<b>187</b>	<b>122</b>	<b>203</b>	<b>330</b>
Minority Interest	-0	0	0	0	0
Share from associates	0	0	0	0	0
Adjusted net profit	141	187	122	203	330
Equity shares outstanding (Crore)	2.9	2.9	2.9	2.9	2.9
EPS (INR) basic	48.9	65.0	42.4	70.4	114.6
Diluted shares (mn)	3	3	3	3	3
<b>EPS (INR) fully diluted</b>	<b>49</b>	<b>65</b>	<b>42</b>	<b>70</b>	<b>115</b>
Dividend per share	2	3	4	5	6
Dividend payout (%)	4	5	9	7	5

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

Year to March	FY21	FY22	FY23	FY24E	FY25E
Operating expenses	79	79	88	86	84
Depreciation	3	3	3	3	2
Interest expenditure	2	1	1	1	0
EBITDA margins	21	21	12	14.4	16
Net profit margins	11	12	6	8	10

#### Growth metrics (%)

Year to March	FY21	FY22	FY23	FY24E	FY25E
Revenues	6	28	33	15	32
EBITDA	103	28	(24)	39	49
PBT	202	39	(36)	50	63
Net profit after MI	182	33	(35)	66	63
EPS	182	33	(35)	66	63

### Balance sheet (INR cr)

As on 31st March	FY21	FY22	FY23	FY24E	FY25E
Equity share capital	29	29	29	29	29
Reserves & surplus	557	744	858	1,049	1,365
Shareholders funds	585	772	887	1,078	1,394
Total Debt	187	180	291	246	201
Other Liabilities	5	6	7	7	7
Deferred Tax Liabilities	52	89	110	97	75
<b>Sources of funds</b>	<b>829</b>	<b>1,047</b>	<b>1,295</b>	<b>1,427</b>	<b>1,676</b>
Gross block	755	889	1,101	1,191	1,281
Depreciation	177	219	276	337	405
Net block	579	670	826	854	877
Capital work in progress	48	98	99	99	99
Total fixed assets	627	768	925	954	976
Inventories	103	108	158	182	240
Sundry debtors	88	118	211	244	321
Cash and equivalents	58	76	35	116	286
Loans and advances	56	84	105	105	105
Total current assets	305	387	509	647	953
Sundry creditors and others	153	180	280	314	393
Provisions	11	9	16	16	16
Total CL & provisions	164	189	297	330	409
Net current assets	141	198	213	317	544
Misc expenditure	61	82	157	157	157
<b>Uses of funds</b>	<b>829</b>	<b>1,047</b>	<b>1,295</b>	<b>1,427</b>	<b>1,676</b>
Book value per share (INR)	203	268	308	374	484

### Operating cash Flow

Year to March	FY21	FY22	FY23	FY24E	FY25E
EBIT	221	293	197	290	455
Depreciation	41	43	56	61	68
Tax	61	94	58	68	110
Chg in WC	103	57	15	104	227
Others	51	35	(52)	67	149
<b>CFO</b>	<b>148</b>	<b>219</b>	<b>128</b>	<b>246</b>	<b>334</b>

### Profit & Efficiency Ratios

Year to March	FY21	FY22	FY23	FY24E	FY25E
ROAE (%)	27	28	15	21	27
ROACE (%)	32	34	19	24	33
Debtors (days)	26	27	36	36	36
Current ratio	1.3	1.5	1.1	1.3	1.6
Debt/Equity	0.3	0.2	0.3	0.2	0.1
Inventory (days)	40	33	32	33	34
Payable (days)	47	42	43	45	47
Cash conversion cycle (days)	19	18	25	24	24
Debt/EBITDA	0.7	0.5	1.1	0.7	0.4
Adjusted debt/Equity	0.3	0.2	0.3	0.2	0.1

### Valuation parameters

Year to March	FY21	FY22	FY23	FY24E	FY25E
Diluted EPS (INR)	48.9	65.0	42.4	70.4	114.6
Y-o-Y growth (%)	182	33	(35)	66	63
Diluted P/E (x)	6.5	14.2	21.8	13.1	8.1
Price/BV(x)	1.6	3.4	3.4	3.0	2.5
EV/Sales (x)	0.8	2.3	1.8	1.3	1.1
EV/EBITDA (x)	4.0	8.4	11.1	8.0	5.4
Diluted shares O/S	2.9	2.9	2.9	2.9	2.9
Basic EPS	48.9	65.0	42.4	70.4	114.6
Basic PE (x)	6.5	14.2	21.8	13.1	8.1

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