

India

**ADD** (no change)

Consensus ratings\*: Buy 2 Hold 0 Sell 0

Current price:	Rs1,026
Target price:	Rs3,560
Previous target:	Rs3,790
Up/downside:	247.0%
InCred Research / Consensus:	154.3%
Reuters:	GLOS.NS
Bloomberg:	GBSL IN
Market cap:	US\$381m
	Rs29,554m
Average daily turnover:	US\$4.6m
	Rs355.3m
Current shares o/s:	28.8m
Free float:	49.0%

\*Source: Bloomberg

**Key changes in this note**

- PAT estimates adjusted by (14.2) % / (6.1) % for FY23F/FY24F.
- Cut our TP to Rs3,560 from Rs3,790 earlier



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(22.9)	(27.8)	214.3
Relative (%)	(20.8)	(26.9)	193.8

Major shareholders	% held
Promoter & Promoter Group	51.0
MIT	3.9

**Analyst(s)**



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# Globus Spirits Ltd

## Better times seen ahead

- GSL reported a strong 4QFY22 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 with a lower target price of Rs3,560 (Rs3,790 earlier).

### GPM plunges along with a rise in power cost

4QFY22 saw the gross profit margin or GPM of Global Spirits Ltd (GSL) plunging to 42.1%, a decline of 896bp yoy, due to the rise in prices of broken rice from Rs17/kg to ~Rs22/kg. Going ahead, to mitigate the price rise effect, GSL will shift 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 of Rs56/L. 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. In Rajasthan, the value-plus segment and value segment have already seen prices hikes to the tune of Rs39/case and Rs19/case, respectively, since the beginning of 1QFY23. Market-driven commodities, such as ENA (Extra Neutral Alcohol), are already seeing their prices moving upwards. The blend, in our view, is seen moving more towards ENA compared to ethanol in the coming quarters.

### More expansion projects in the offing

GSL proposes to expand its capacity from 665klpd to 925klpd by FY23F, by adding 200klpd in Jharkhand and 60klpd in West Bengal units. The company also laid out plans for another 200klpd capacity in Odisha in FY24F and 200klpd capacity in Uttar Pradesh in FY25F. GSL has stated that there is a healthy projects pipeline that will be considered and approved by its board. As regards its premium liquor brands, the company has launched them in Uttar Pradesh and Delhi, and they will be introduced in Haryana in 1QFY23F and in Telangana by 2QFY23F.

### Retain Add rating on the stock

We have adjusted our PAT estimates by (14.2) % / (6.1) % for FY23F/FY24F, respectively, considering GSL's 4QFY22 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 a lower target price of Rs3,560 (from Rs3,790 earlier), 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 (oil marketing companies) 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	21,801	31,018
Operating EBITDA (Rsm)	1,247	2,552	3,286	4,330	6,124
Net Profit (Rsm)	499	1,433	1,873	2,611	4,101
Core EPS (Rs)	17.3	49.8	65.0	90.7	142.4
Core EPS Growth	105.0%	187.2%	30.7%	39.4%	57.1%
FD Core P/E (x)	59.23	20.63	15.78	11.32	7.21
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.10%	0.19%	0.38%	0.53%	0.83%
EV/EBITDA (x)	24.63	11.87	9.29	6.72	4.66
P/FCFE (x)	68.48	50.61	35.61	18.33	118.30
Net Gearing	26.3%	13.0%	12.7%	(4.4%)	(7.2%)
P/BV (x)	6.61	5.05	3.83	2.90	2.11
ROE	11.8%	27.8%	27.6%	29.2%	33.9%

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

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results summary

Rs m	4QFY22	3QFY22	%QoQ	4QFY21	%YoY
Revenue From Operations	4,794	3,471	38.1%	3,567	34.4%
Cost of Goods Sold	2,774	1,798	54.3%	1,745	59.0%
Employee Expenses	144	105	36.6%	90	58.6%
Other Expenses	1,032	984	4.8%	847	21.9%
<b>EBITDA</b>	<b>844</b>	<b>583</b>	<b>44.6%</b>	<b>884</b>	<b>-4.6%</b>
Depreciation	113	105	7.9%	111	1.9%
<b>EBIT</b>	<b>731</b>	<b>479</b>	<b>52.6%</b>	<b>774</b>	<b>-5.6%</b>
Other Income	18	22	-16.8%	13	37.7%
Interest Expenses	28	24	16.6%	41	-32.6%
<b>Profit Before Tax</b>	<b>721</b>	<b>477</b>	<b>51.2%</b>	<b>746</b>	<b>-3.3%</b>
Tax Expenses	235	172	37.0%	215	9.5%
<b>PAT</b>	<b>486</b>	<b>305</b>	<b>59.3%</b>	<b>531</b>	<b>-8.5%</b>
<b>Key Ratios</b>	<b>4QFY22</b>	<b>3QFY22</b>	<b>%QoQ</b>	<b>4QFY21</b>	<b>%YoY</b>
EBITDA Margin	17.6%	16.8%	79bp	24.8%	-720bp
EBIT Margin	15.2%	13.8%	145bp	21.7%	-645bp
PBT Margin	15.0%	13.7%	131bp	20.9%	-587bp
PAT Margin	10.1%	8.8%	135bp	14.9%	-475bp
Tax Rate	32.6%	36.0%	-340bp	28.8%	381bp

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Revised earnings estimates

Rsm	Old estimates		New estimates		Change (%)	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue	23,907	35,347	21801	31018	-8.8%	-12.2%
EBITDA	4746	6627	4330	6124	-8.8%	-7.6%
EBITDA Margin (%)	19.9%	18.7%	19.9%	19.7%	1bp	99bp
PAT	3042	4366	2611	4101	-14.2%	-6.1%
EPS (Rs)	106	152	91	142	-14.2%	-6.1%

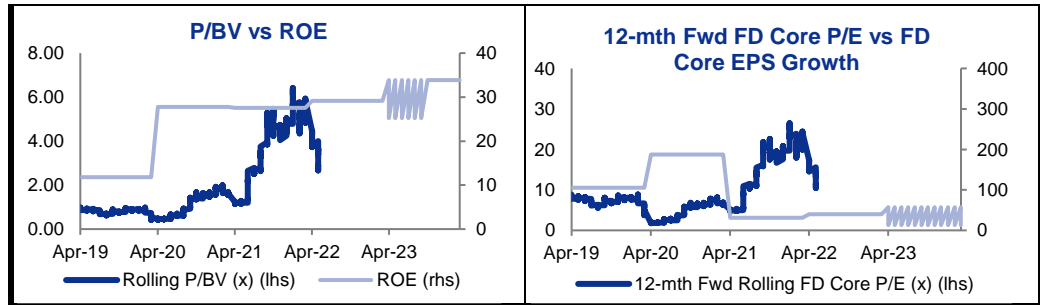
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 3: One-year forward P/E



SOURCES: 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>	<b>11,688</b>	<b>12,308</b>	<b>15,792</b>	<b>21,801</b>	<b>31,018</b>
<b>Gross Profit</b>	<b>4,512</b>	<b>5,776</b>	<b>7,408</b>	<b>10,029</b>	<b>14,268</b>
<b>Operating EBITDA</b>	<b>1,247</b>	<b>2,552</b>	<b>3,286</b>	<b>4,330</b>	<b>6,124</b>
Depreciation And Amortisation	(380)	(407)	(426)	(523)	(533)
<b>Operating EBIT</b>	<b>867</b>	<b>2,145</b>	<b>2,860</b>	<b>3,807</b>	<b>5,591</b>
Financial Income/(Expense)	(198)	(123)	(48)	(81)	(48)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	<b>669</b>	<b>2,023</b>	<b>2,812</b>	<b>3,726</b>	<b>5,542</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>669</b>	<b>2,023</b>	<b>2,812</b>	<b>3,726</b>	<b>5,542</b>
Taxation	(172)	(590)	(940)	(1,115)	(1,441)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>497</b>	<b>1,433</b>	<b>1,873</b>	<b>2,611</b>	<b>4,101</b>
Minority Interests	2				
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>499</b>	<b>1,433</b>	<b>1,873</b>	<b>2,611</b>	<b>4,101</b>
Recurring Net Profit	499	1,433	1,873	2,611	4,101
<b>Fully Diluted Recurring Net Profit</b>	<b>499</b>	<b>1,433</b>	<b>1,873</b>	<b>2,611</b>	<b>4,101</b>

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>1,247</b>	<b>2,552</b>	<b>3,286</b>	<b>4,330</b>	<b>6,124</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	190	(966)	(1,106)	645	(721)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	67	491	1,888		
<b>Other Operating Cashflow</b>					
Net Interest (Paid)/Received	23	23	66	2	6
Tax Paid	(172)	(590)	(940)	(1,115)	(1,441)
<b>Cashflow From Operations</b>	<b>1,355</b>	<b>1,509</b>	<b>3,194</b>	<b>3,862</b>	<b>3,967</b>
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>	<b>(390)</b>	<b>(892)</b>	<b>(2,242)</b>	<b>(2,100)</b>	<b>(3,100)</b>
Debt Raised/(repaid)	(534)	(33)	(122)	(150)	(617)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid		58	112	157	246
Preferred Dividends					
Other Financing Cashflow	(804)	(290)	(124)	(334)	(681)
<b>Cash Flow From Financing</b>	<b>(1,338)</b>	<b>(266)</b>	<b>(134)</b>	<b>(327)</b>	<b>(1,052)</b>
Total Cash Generated	(372)	351	818	1,435	(185)
<b>Free Cashflow To Equity</b>	<b>432</b>	<b>584</b>	<b>830</b>	<b>1,612</b>	<b>250</b>
<b>Free Cashflow To Firm</b>	<b>966</b>	<b>617</b>	<b>952</b>	<b>1,762</b>	<b>867</b>

SOURCES: 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	2,033	1,983
Total Debtors	338	879	1,180	1,493	2,125
Inventories	1,063	1,021	1,085	1,792	2,549
Total Other Current Assets	163	556	844	218	310
<b>Total Current Assets</b>	<b>1,764</b>	<b>3,038</b>	<b>3,871</b>	<b>5,537</b>	<b>6,968</b>
Fixed Assets	5,979	6,264	7,671	9,148	11,115
Total Investments				100	700
Intangible Assets	6	4	6	6	6
Total Other Non-Current Assets	245	614	818	327	465
<b>Total Non-current Assets</b>	<b>6,229</b>	<b>6,882</b>	<b>8,495</b>	<b>9,581</b>	<b>12,286</b>
Short-term Debt	45	273	650	650	650
Current Portion of Long-Term Debt					
Total Creditors	1,755	2,037	1,847	2,369	3,228
Other Current Liabilities					
<b>Total Current Liabilities</b>	<b>1,800</b>	<b>2,309</b>	<b>2,498</b>	<b>3,020</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	980	1,020
<b>Total Liabilities</b>	<b>3,529</b>	<b>4,076</b>	<b>4,642</b>	<b>4,940</b>	<b>5,221</b>
Shareholders Equity	4,473	5,853	7,723	10,178	14,033
Minority Interests	(9)	(9)			
<b>Total Equity</b>	<b>4,464</b>	<b>5,844</b>	<b>7,723</b>	<b>10,178</b>	<b>14,033</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%	38.1%	42.3%
Operating EBITDA Growth	41.4%	104.6%	28.8%	31.8%	41.4%
Operating EBITDA Margin	10.7%	20.7%	20.8%	19.9%	19.7%
Net Cash Per Share (Rs)	(40.72)	(26.34)	(33.98)	15.39	35.08
BVPS (Rs)	155.32	203.24	268.18	353.41	487.28
Gross Interest Cover	3.68	11.40	25.01	45.73	87.26
Effective Tax Rate	25.7%	29.2%	33.4%	29.9%	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	22.38	21.29
Inventory Days	46.81	58.24	45.85	44.60	47.30
Accounts Payables Days	51.67	63.49	58.69	54.87	53.61
ROIC (%)	13.9%	35.5%	39.2%	39.0%	52.7%
ROCE (%)	14.7%	32.0%	32.4%	33.1%	39.3%
Return On Average Assets	8.9%	17.4%	17.2%	19.6%	24.1%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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