

India

ADD (no change)

Consensus ratings*: Buy 1 Hold 0 Sell 0

Current price:	Rs838
Target price:	Rs1,584
Previous target:	Rs1,588
Up/downside:	89.0%
InCred Research / Consensus:	-0.3%
Reuters:	
Bloomberg:	GBSL IN
Market cap:	US\$333m
	Rs24,190m
Average daily turnover:	US\$4.9m
	Rs352.7m
Current shares o/s:	28.8m
Free float:	49.0%

*Source: Bloomberg

Key changes in this note

- Reduce PAT estimates by 8.9% / 0.3% / 0.2% for FY25F/26F/27F, respectively.



Price performance	1M	3M	12M
Absolute (%)	(22.5)	(1.9)	2.1
Relative (%)	(18.3)	0.0	(13.6)

Major shareholders	% held
Promoter & Promoter Group	51.0
HSBC AMC	4.0
MIT	3.8

Research Analyst(s)

Nitin AWASTHI
 T (91) 22 4161 1550
 E nitin.awasthi@incredresearch.com

Globus Spirits Ltd

On the right track

- We expected IMFL and IMIL segments of the company to do exceedingly well in 2QFY25. As expected, the company delivered on this front.
- We expected its margin to see pressure in 2Q & stage a recovery due to raw material prices easing from 3Q. Raw material prices have fallen from Oct 2024.
- Retain our ADD rating on the stock with a marginally lower TP of Rs1,584.

Consumer segment's performance

The high growth in the IMFL (Indian Made Foreign Liquor) segment continued in 2QFY25, with a 152% yoy rise to 0.21m cases. The stamp of a IMFL company begins with 1m cases in sales and, in our view, we expect Globus Spirits or GSL to hit this mark in FY26F, but FY25F itself seems to be a close call. Indian Made Indian Liquor (IMIL) continued to remain in the profit zone along with volume growth. The segment reported a topline growth of 12% yoy to Rs2,108m in 2QFY25. The volume grew 7% yoy to 3.95m cases.

Manufacturing segment's performance

GSL reported a revenue of Rs4,030m in 2QFY25, an increase of 8% yoy. The spread (EBITDA) came to Rs0/L and, in our view, a move up steadily towards Rs4-5 is likely in 3QFY25F. The increase in spread is expected due to better prices of raw materials post kharif crop sowing, and maize price is currently back to Rs22/kg from a peak of 28/kg in 2QFY25.

Change in our earnings estimates

A significant headroom for the IMIL segment is the massive increase following GSL's foray into Uttar Pradesh, with a regular liquor segment market of ~180m cases (~100m IMIL & ~80m regular), with which sales should ramp up in FY25F, and profitability post-ENA plant in FY26F. However, we have not considered the volume ramp-up in FY25F & 26F in our financial estimates, as we will wait for the execution to include Uttar Pradesh IMIL sales into our estimates. GSL has indicated expansion into maize oil for biodiesel within its ethanol plants, but we have not considered any benefit from this segment and will wait for receipt of orders from oil marketing companies or OMCs to account for the same. We have cut PAT estimates by 8.9%/0.3% and 0.2% for FY25F/26F/27F, respectively.

Retain ADD rating with a slightly lower target price of Rs1,584

We retain our ADD rating on GSL with a marginally lower target price of Rs1,584 (Rs1,588 earlier) or 15x FY26F. We have not considered any growth in the IMIL segment in newer states (apart from Rajasthan) and any upside in this segment is an additional gain, in our view. We are keeping a close on the company's foray into Uttar Pradesh. Downside risks: Maize will be mainly used to produce ENA /ethanol going ahead, and any rise in its prices will directly impact the gross profit. Also, final product prices are decided by state/central governments and/or OMCs (oil marketing companies) and hence, profitability also depends on the prices fixed by them.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	21,091	24,147	29,192	34,487	43,643
Operating EBITDA (Rsm)	2,456	1,698	2,643	4,894	6,234
Net Profit (Rsm)	1,222	964	1,284	3,040	3,993
Core EPS (Rs)	42.4	33.5	44.6	105.6	138.6
Core EPS Growth	(34.7%)	(21.1%)	33.1%	136.9%	31.3%
FD Core P/E (x)	19.75	25.02	18.80	7.94	6.04
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.30%	0.24%	0.21%	0.50%	0.66%
EV/EBITDA (x)	10.80	15.29	9.83	4.88	3.39
P/FCFE (x)	(17.93)	18.57	98.23	12.18	8.13
Net Gearing	27.1%	18.6%	16.9%	(1.9%)	(16.8%)
P/BV (x)	2.72	2.47	2.19	1.73	1.36
ROE	14.7%	10.3%	12.4%	24.4%	25.2%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: 2QFY25 results

(Rs m)	2QFY25	2QFY24	%QoQ	1QFY25	%YoY
Revenue From Operations	6,381	5,672	12.5%	6,423	-0.7%
Cost of Goods Sold	4,539	3,825	18.7%	4,516	0.5%
Employee Expenses	224	199	12.5%	216	4.0%
Other Expenses	1,320	1,272	3.8%	1,216	8.6%
EBITDA	297	375	-20.9%	476	-37.6%
Depreciation	202	162	24.3%	195	3.4%
EBIT	95	213	-55.4%	280	-66.1%
Other Income	20	35	-42.9%	18	12.4%
Interest Expenses	94	74	28.2%	85	10.5%
Profit Before Tax	21	175	-88.1%	213	-90.2%
Tax Expenses	8	44	-81.8%	60	-86.5%
PAT	13	131	-90.2%	153	-91.6%
Key Ratios	2QFY25	2QFY24	%QoQ	1QFY25	%YoY
EBITDA Margin	4.7%	6.6%	-197bp	7.4%	-275bp
EBIT Margin	1.5%	3.8%	-227bp	4.4%	-288bp
PBT Margin	0.3%	3.1%	-276bp	3.3%	-299bp
PAT Margin	0.2%	2.3%	-210bp	2.4%	-219bp
Tax Rate	38.5%	25.3%	1328bp	28.0%	1056bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

(Rs m)	Old estimates			New estimates			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	30,163	34,574	43,741	29,192	34,487	43,643	-3.2%	-0.2%	-0.2%
EBITDA	2,713	4,905	6,247	2,643	4,894	6,234	-2.6%	-0.2%	-0.2%
EBITDA Margin (%)	9.0%	14.2%	14.3%	9.1%	14.2%	14.3%	6bp	0bp	0bp
PAT	1,410	3,049	4,002	1,284	3,040	3,993	-8.9%	-0.3%	-0.2%
EPS (Rs)	49	106	139	45	106	139	-8.9%	-0.3%	-0.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Our key assumptions

Key assumptions	FY25F	FY26F	FY27F
Bulk alcohol sales (mL)	280	311	368
IMIL (m cases)	16	18	24
IMFL (m cases)	0.7	1.0	2.0
DDGS (Rs/kg)	15	16	17
ENA (Rs/L)	63.5	72.0	72.0
Ethanol (Rs/L)	72.0	72.0	72.0
IMFL (Rs/case)	1,374	1,500	2,000
IMIL (Rs/case)	558	570	580

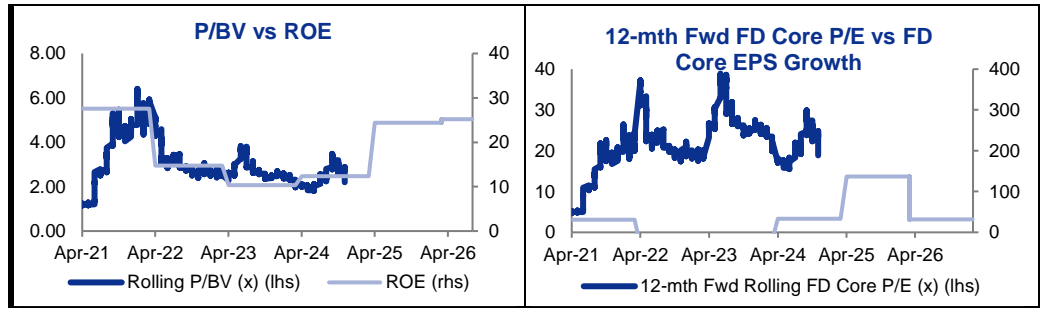
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 4: One-year forward P/E



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	21,091	24,147	29,192	34,487	43,643
Gross Profit	8,677	7,766	9,797	13,706	17,440
Operating EBITDA	2,456	1,698	2,643	4,894	6,234
Depreciation And Amortisation	(563)	(656)	(709)	(698)	(761)
Operating EBIT	1,893	1,042	1,934	4,196	5,474
Financial Income/(Expense)	(92)	(131)	(190)	(87)	(78)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	1,801	911	1,744	4,109	5,396
Exceptional Items					
Pre-tax Profit	1,801	911	1,744	4,109	5,396
Taxation	(579)	53	(460)	(1,068)	(1,403)
Exceptional Income - post-tax					
Profit After Tax	1,222	964	1,284	3,040	3,993
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,222	964	1,284	3,040	3,993
Recurring Net Profit	1,222	964	1,284	3,040	3,993
Fully Diluted Recurring Net Profit	1,222	964	1,284	3,040	3,993

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	2,456	1,698	2,643	4,894	6,234
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,387)	1,803	(477)	(500)	(865)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(791)				
Other Operating Cashflow					
Net Interest (Paid)/Received	78	61	40	28	
Tax Paid	(579)	53	(460)	(1,068)	(1,403)
Cashflow From Operations	(223)	3,615	1,746	3,353	3,966
Capex	(2,135)	(1,499)	(1,500)	(1,000)	(1,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(2,135)	(1,499)	(1,500)	(1,000)	(1,000)
Debt Raised/(repaid)	1,012	(817)		(373)	
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	73	58	51	122	160
Preferred Dividends					
Other Financing Cashflow	2,021	(2,368)	(228)	(460)	(78)
Cash Flow From Financing	3,107	(3,127)	(177)	(712)	82
Total Cash Generated	749	(1,011)	69	1,642	3,048
Free Cashflow To Equity	(1,346)	1,299	246	1,981	2,966
Free Cashflow To Firm	(2,358)	2,116	246	2,353	2,966

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	352	116	80	1,824	4,553
Total Debtors	2,113	2,419	2,924	3,455	4,372
Inventories	1,578	1,806	2,184	2,580	3,265
Total Other Current Assets	1,052	241	292	345	436
Total Current Assets	5,094	4,583	5,480	8,204	12,626
Fixed Assets	9,242	10,086	10,877	11,179	11,418
Total Investments					
Intangible Assets	7	6	6	6	6
Total Other Non-Current Assets	1,568	362	438	517	655
Total Non-current Assets	10,817	10,454	11,321	11,702	12,079
Short-term Debt	1,643	1,443	1,443	1,193	1,193
Current Portion of Long-Term Debt					
Total Creditors	2,845	3,158	3,675	4,217	5,155
Other Current Liabilities					
Total Current Liabilities	4,488	4,601	5,118	5,410	6,348
Total Long-term Debt	1,109	492	492	370	370
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,285				
Total Non-current Liabilities	2,394	492	492	370	370
Total Provisions	161	171	186	203	231
Total Liabilities	7,044	5,264	5,796	5,982	6,948
Shareholders Equity	8,866	9,773	11,005	13,924	17,757
Minority Interests					
Total Equity	8,866	9,773	11,005	13,924	17,757

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	33.6%	14.5%	20.9%	18.1%	26.5%
Operating EBITDA Growth	(25.3%)	(30.9%)	55.7%	85.2%	27.4%
Operating EBITDA Margin	11.6%	7.0%	9.1%	14.2%	14.3%
Net Cash Per Share (Rs)	(83.36)	(63.17)	(64.41)	9.09	103.83
BVPS (Rs)	307.87	339.35	382.14	483.48	616.58
Gross Interest Cover	11.13	3.92	8.48	47.99	70.08
Effective Tax Rate	32.1%		26.4%	26.0%	26.0%
Net Dividend Payout Ratio	6.0%	6.0%	4.0%	4.0%	4.0%
Accounts Receivables Days	28.50	34.25	33.41	33.76	32.73
Inventory Days	39.15	37.71	37.55	41.84	40.71
Accounts Payables Days	53.94	51.62	51.41	57.28	55.74
ROIC (%)	19.4%	8.2%	16.4%	32.2%	39.5%
ROCE (%)	17.9%	10.0%	15.9%	29.3%	31.3%
Return On Average Assets	9.3%	7.1%	9.3%	17.0%	18.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.