

India

February 02, 2025 - 8:25 PM

**ADD** (no change)

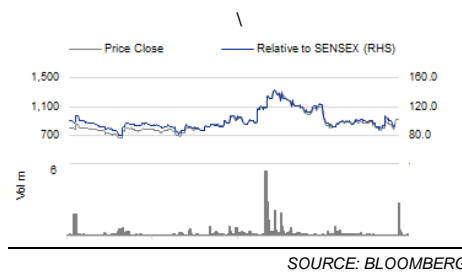
Consensus ratings\*: Buy 1 Hold 0 Sell 0

Current price:	Rs932
Target price:	Rs1,584
Previous target:	Rs1,584
Up/downside:	70.0%
InCred Research / Consensus:	0.0%
Reuters:	
Bloomberg:	GBSL IN
Market cap:	US\$371m
	Rs26,915m
Average daily turnover:	US\$4.7m
	Rs341.2m
Current shares o/s:	28.8m
Free float:	49.0%

\*Source: Bloomberg

**Key financial forecast**

	Mar-25F	Mar-26F	Mar-27F
Net Profit (Rsm)	1,284	3,040	3,993
Core EPS (Rs)	44.57	105.57	138.64
Core EPS Growth	33.1%	136.9%	31.3%
FD Core P/E	20.90	8.83	6.72
Recurring ROE	12.4%	24.4%	25.2%
P/BV (x)	2.44	1.93	1.51
DPS (Rs)			
Dividend Yield	0.19%	0.45%	0.60%



Price performance	1M	3M	12M
Absolute (%)	4.3	(13.2)	15.8
Relative (%)	6.6	(10.7)	7.7

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

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# Globus Spirits Ltd

## Raise a toast to new Rajasthan excise policy

- The Rajasthan government has come out with its excise policy for FY26, which has introduced major changes that will impact IMIL & RML segments.
- Around 20% revenue of Globus Spirits comes from IMIL & RML segments in Rajasthan. Hence, it is set to reap the benefits to the fullest.
- We have an ADD rating on the stock with a target price of Rs1,584.

### Changes in Rajasthan's excise policy

- The Rajasthan government has made changes to its excise policy for FY26.
- The changes in the excise policy have increased the rate per case of IMIL (Indian Made Indian liquor) and RML (Rajasthan Made Liquor).

### Reasons attributed for changes to state excise policy

- Higher ENA (extra neutral alcohol) prices seem to be the sole reason.

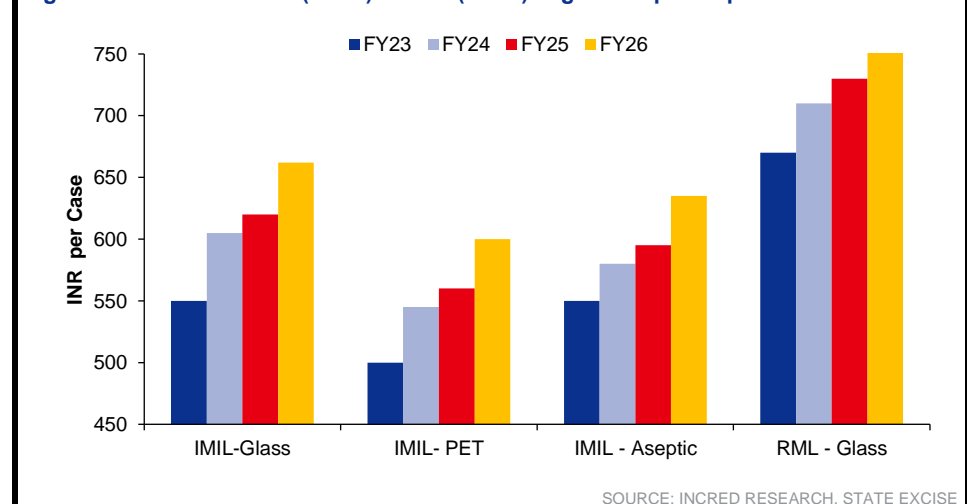
### Positive impact on Globus Spirits

- The overall contribution from IMIL/RML segments accounts for ~30% of the total revenue of Globus Spirits (GSL).
- Currently, Rajasthan market's contribution in respect of IMIL/RML segments accounts for ~20% of the company's total sales.
- IMIL/RML sales in Rajasthan have their highest contribution when it comes to the EBITDA margin compared with all other segments of GSL.
- IMIL/RML segments' price per case is ~Rs570 currently. If we consider the latest announcement regarding the changes to Rajasthan's excise policy, the price per case increases to ~Rs605 in FY26F and would lead to net sales/EBITDA /EBITDA margin / PAT changes of 1.3% / 7.6% / +99bp / 9.2%, respectively, in FY26F.
- Rajasthan volume has been stagnant over the past few years for the industry and GSL.

### Valuation and outlook

- We currently have an ADD rating on GSL with a target price of Rs1,584 or 15x FY26F EPS.
- We have not incorporated the Rajasthan government's excise policy changes in our earnings estimates for GSL as we await management's commentary on the same during its 3QFY25 results, which are scheduled to be declared on 12 Feb 2024.

**Figure 1: Increase in IMIL (40UP) & RML (25UP) segments' prices per case**



### Profit & Loss

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

### Balance Sheet

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

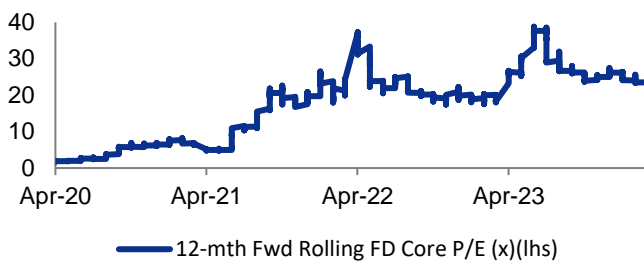
### Cash Flow

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

### Key Ratios

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

### 12-mth Fwd Rolling FD Core P/E (x)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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- 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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