

India

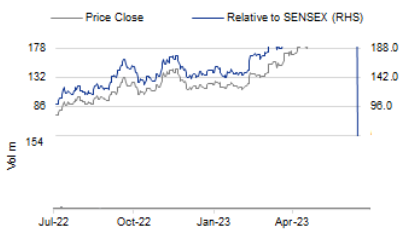
July 18, 2023 - 10:57 AM

**ADD** (no change)

Consensus ratings*: Buy 1 Hold 0 Sell 0	
Current price:	Rs313
Target price: <span style="color: green;">▶</span>	Rs369
Previous target:	Rs369
Up/downside:	17.9%
InCred Research / Consensus:	0.0%
Reuters:	
Bloomberg:	SDB IN
Market cap:	US\$333m
	Rs24,175m
Average daily turnover:	US\$1.8m
	Rs132.8m
Current shares o/s:	77.3m
Free float:	66.9%
<small>*Source: Bloomberg</small>	

**Key financial forecast**

	Mar-24F	Mar-25F	Mar-26F
Net Profit (Rsm)	702	949	1,191
Core EPS (Rs)	9.29	12.29	16.81
Core EPS Growth	10.8%	32.2%	36.8%
FD Core P/E	33.66	25.46	18.61
Recurring ROE	17.2%	19.7%	20.6%
P/BV (x)	5.49	4.60	3.18
DPS (Rs)		0.91	1.23
Dividend Yield	0.29%	0.39%	0.59%



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	27.4	96.3	335.1
Relative (%)	20.7	75.4	254.8

Major shareholders	% held
Promoter & Promoter Group	33.1

**Brokers Poll 2023**

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# Som Distilleries & Breweries Ltd

## All eyes on Rajasthan

- The company has got approval for its beer brands in Rajasthan, and they blend well with the scheme of operations of the state's corporation model.
- With its focus on Rajasthan, the company will be addressing ~26% of the national market from ~17% currently.
- We have an ADD rating on the stock, valuing it at 30x FY25F EPS to arrive at our target price of Rs369.

### Secures permission for its beer brands in Rajasthan

- In a filing to stock exchanges on 17 Jul 2023, the company informed about the approval for its beer brands by the state government.
- We have gone through the approved price list for the brands of Som Distilleries & Breweries or SDBL (see Fig.2).

### Why Rajasthan?

- Rajasthan is known for its love of IMIL (Indian Made Indian Liquor).
- Of late, the RML (Rajasthan-made liquor) segment has been in the limelight for disruption and innovation.
- The beer segment has also been steadily moving upwards, with sales at 310 lakh cases in FY23, close to sales in Karnataka and almost 10% of the total national market.

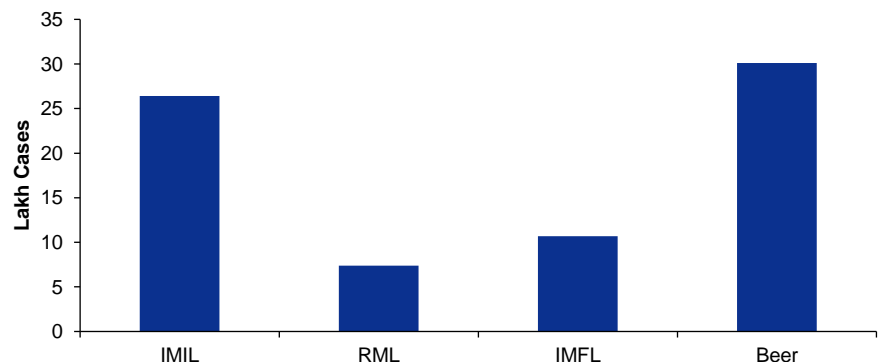
### Current standing of SDBL

- SDBL has reached peak capacity in Karnataka, and is on its way to expand the same, after the fund-raising, as we had indicated earlier ([Link](#)).
- As per our understanding, after the expansion of Hassan plant in Karnataka, the supply of beer to Karnataka from its Bhopal plant in Madhya Pradesh (MP) is not required.
- Hence, the capacity in MP could be utilized to supply beer to other states like Rajasthan.
- With the focus on Rajasthan, SDBL can address over ~26% of the total national market.
- The company is currently addressing ~17% of the total national market, with a share of ~24% within the addressed market and ~4% of the total national market.

### Our view

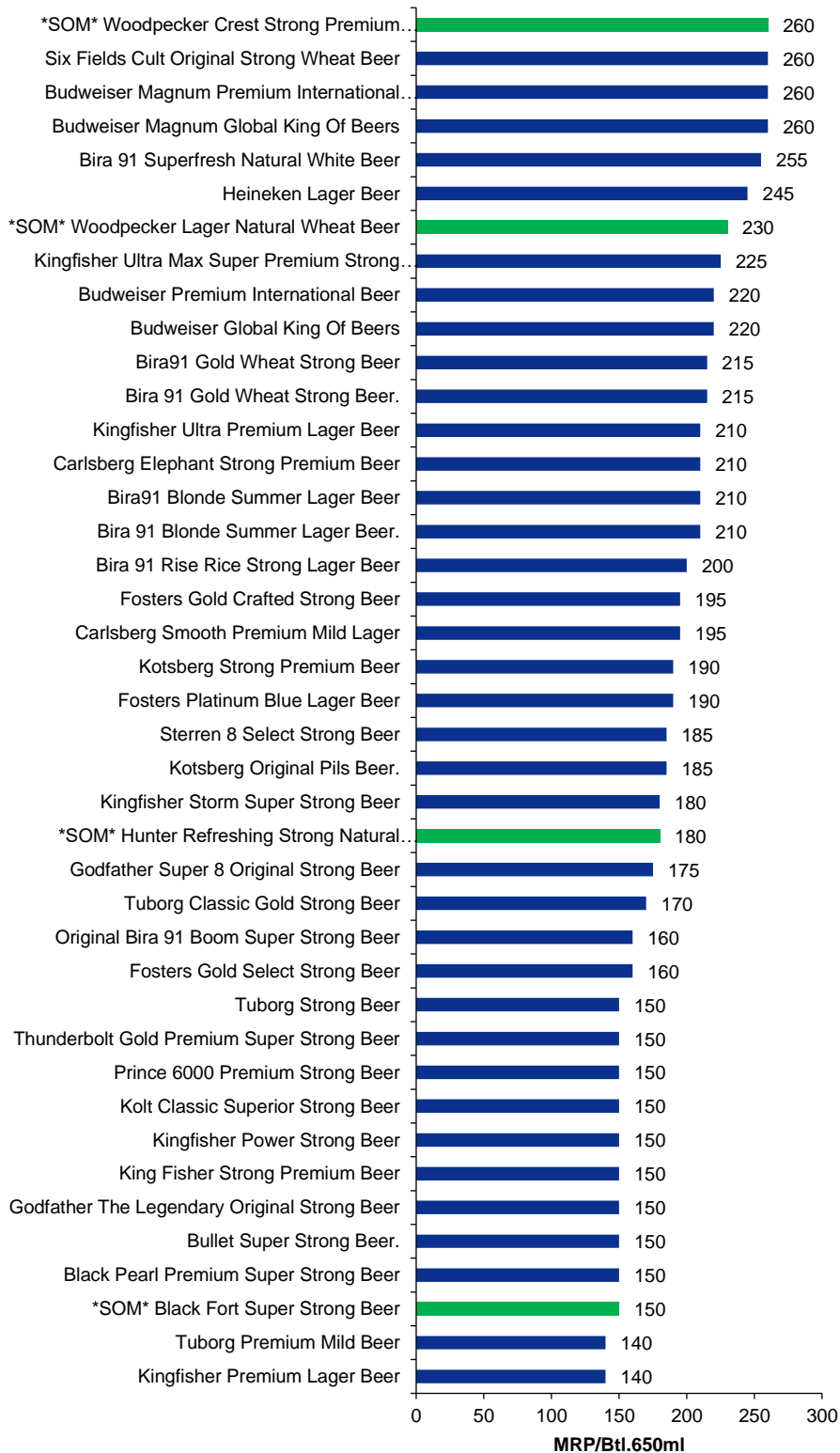
- Rajasthan blends well with the company's focus on the state's corporation model.
- The current operations are within the contours of the state's corporation model.
- We have not delved into the intricacies of equity dilution as 1QFY24 results are round the corner and the changes, if any, will be incorporated in our report post results.
- We have an ADD rating on SDBL, valuing the stock at 30x FY25F EPS to arrive at our target price of Rs369.
- We expect good results from SDBL in the coming quarters and the recent news flow fortifies our high conviction on the stock.

**Figure 1: Liquor sales in Rajasthan (in lakh cases) in FY23**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Updated beer rate list (in Rs/bottle) of Rajasthan government post addition of SDBL's beer brands (in 650ml bottles)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Profit & Loss**

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	<b>8,067</b>	<b>10,870</b>	<b>13,062</b>	<b>15,665</b>
<b>Gross Profit</b>	<b>3,214</b>	<b>4,565</b>	<b>5,551</b>	<b>6,658</b>
<b>Operating EBITDA</b>	<b>1,021</b>	<b>1,359</b>	<b>1,698</b>	<b>2,036</b>
Depreciation And Amortisation	(170)	(195)	(215)	(243)
<b>Operating EBIT</b>	<b>851</b>	<b>1,164</b>	<b>1,483</b>	<b>1,793</b>
Financial Income/(Expense)	(146)	(209)	(191)	(173)
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)				
<b>Profit Before Tax (pre-EI)</b>	<b>704</b>	<b>955</b>	<b>1,292</b>	<b>1,620</b>
Exceptional Items				
<b>Pre-tax Profit</b>	<b>704</b>	<b>955</b>	<b>1,292</b>	<b>1,620</b>
Taxation	(101)	(253)	(342)	(429)
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>603</b>	<b>702</b>	<b>949</b>	<b>1,191</b>
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
<b>Net Profit</b>	<b>603</b>	<b>702</b>	<b>949</b>	<b>1,191</b>
Recurring Net Profit	603	702	949	1,191
<b>Fully Diluted Recurring Net Profit</b>	<b>603</b>	<b>702</b>	<b>949</b>	<b>1,191</b>

**Balance Sheet**

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>Total Cash And Equivalents</b>	<b>126</b>	<b>775</b>	<b>1,092</b>	<b>41</b>
<b>Total Debtors</b>	<b>1,421</b>	<b>1,915</b>	<b>2,302</b>	<b>2,760</b>
Inventories	1,353	1,823	2,190	2,627
<b>Total Other Current Assets</b>	<b>994</b>	<b>326</b>	<b>261</b>	<b>313</b>
<b>Total Current Assets</b>	<b>3,895</b>	<b>4,840</b>	<b>5,846</b>	<b>5,741</b>
Fixed Assets	3,911	4,788	4,672	5,929
<b>Total Investments</b>				
Intangible Assets				
<b>Total Other Non-Current Assets</b>	<b>1,313</b>	<b>326</b>	<b>392</b>	<b>470</b>
<b>Total Non-current Assets</b>	<b>5,224</b>	<b>5,114</b>	<b>5,064</b>	<b>6,399</b>
Short-term Debt	825	725	625	525
<b>Current Portion of Long-Term Debt</b>			<b>1</b>	<b>2</b>
<b>Total Creditors</b>	<b>2,340</b>	<b>2,723</b>	<b>3,023</b>	<b>3,379</b>
Other Current Liabilities	481	481	481	481
<b>Total Current Liabilities</b>	<b>3,647</b>	<b>3,930</b>	<b>4,130</b>	<b>4,387</b>
Total Long-term Debt	1,597	1,497	1,397	1,297
Hybrid Debt - Debt Component				
<b>Total Other Non-Current Liabilities</b>				
<b>Total Non-current Liabilities</b>	<b>1,597</b>	<b>1,497</b>	<b>1,397</b>	<b>1,297</b>
Total Provisions	121	124	127	130
<b>Total Liabilities</b>	<b>5,365</b>	<b>5,551</b>	<b>5,654</b>	<b>5,813</b>
Shareholders Equity	3,754	4,403	5,257	6,329
Minority Interests				
<b>Total Equity</b>	<b>3,754</b>	<b>4,403</b>	<b>5,257</b>	<b>6,329</b>

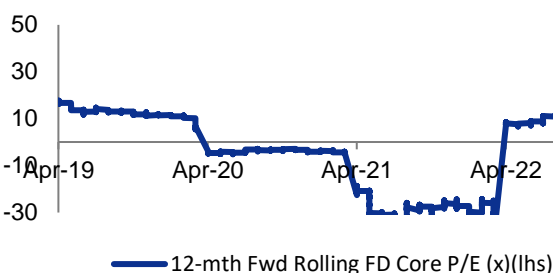
**Cash Flow**

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>EBITDA</b>	<b>1,021</b>	<b>1,359</b>	<b>1,698</b>	<b>2,036</b>
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(887)	90	(387)	(589)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow				
Net Interest (Paid)/Received	(146)	(209)	(191)	(173)
Tax Paid		(253)	(342)	(429)
<b>Cashflow From Operations</b>	<b>(12)</b>	<b>987</b>	<b>778</b>	<b>845</b>
Capex	(994)	(100)	(100)	(1,500)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow				
<b>Cash Flow From Investing</b>	<b>(994)</b>	<b>(100)</b>	<b>(100)</b>	<b>(1,500)</b>
Debt Raised/(repaid)	642	(200)	(200)	(200)
Proceeds From Issue Of Shares	19	17		
Shares Repurchased				
Dividends Paid		(70)	(95)	(119)
Preferred Dividends				
Other Financing Cashflow	(160)	(209)	(191)	(173)
<b>Cash Flow From Financing</b>	<b>502</b>	<b>(462)</b>	<b>(486)</b>	<b>(492)</b>
Total Cash Generated	(505)	425	192	(1,147)
<b>Free Cashflow To Equity</b>	<b>(364)</b>	<b>687</b>	<b>478</b>	<b>(855)</b>
<b>Free Cashflow To Firm</b>	<b>(847)</b>	<b>1,096</b>	<b>869</b>	<b>(482)</b>

**Key Ratios**

	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	122.4%	34.8%	20.2%	19.9%
Operating EBITDA Growth	504.8%	33.1%	25.0%	19.9%
Operating EBITDA Margin	12.7%	12.5%	13.0%	13.0%
Net Cash Per Share (Rs)	(31.12)	(18.72)	(12.04)	(27.70)
BVPS (Rs)	50.89	56.99	68.05	98.30
Gross Interest Cover	5.33	5.57	7.76	10.37
Effective Tax Rate	14.4%	26.5%	26.5%	26.5%
Net Dividend Payout Ratio		7.3%	7.3%	7.3%
Accounts Receivables Days	58.36	56.02	58.92	58.97
Inventory Days	82.66	91.92	97.52	97.61
Accounts Payables Days	67.52	74.90	79.45	79.52
ROIC (%)	18.5%	18.9%	24.8%	28.4%
ROCE (%)	15.5%	17.9%	21.0%	22.9%
Return On Average Assets	10.6%	12.2%	14.2%	15.6%

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



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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