

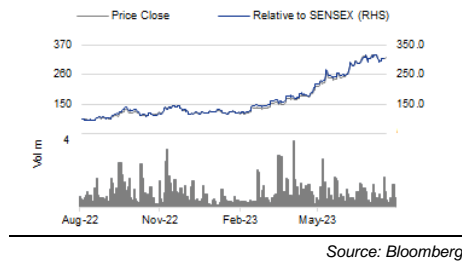
India

**ADD** (no change)

Consensus ratings*:	Buy 1	Hold 0	Sell 0
Current price:	Rs324		
Target price:	Rs393 ▲		
Previous target:	Rs369		
Up/downside:	21.3%		
InCred Research / Consensus:	21.4%		
Reuters:			
Bloomberg:	SDB IN		
Market cap:	US\$302m		
	Rs25,017m		
Average daily turnover:	US\$2.3m		
	Rs190.5m		
Current shares o/s:	82.7m		
Free float:	65.5%		
*Source: Bloomberg			

**Key changes in this note**

- ▶ PAT estimates increased by 13.7%/13.9%/6.0% for FY24F/ 25F/26F.
- ▶ Shares and warrants issued considered in our revised calculations.



<b>Price performance</b>	1M	3M	12M
Absolute (%)	6.0	79.9	238.9
Relative (%)	7.7	69.0	211.6

<b>Major shareholders</b>	% held
Promoter & Promoter Group	34.5

**Analyst(s)**



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# Som Distilleries & Breweries Ltd

## More expansion projects underway

- Som Distilleries & Breweries (SDBL) has got the approval from its shareholders for the issue of equity shares and warrants.
- Karnataka is key to SDBL for cracking the southern part of the country, with Kerala being the next logical step.
- We have an ADD rating on the stock, valuing it at 30x FY25F EPS to arrive at a higher target price of Rs393.

### Strong growth continues in 1QFY24

Som Distilleries & Breweries (SDBL) posted an impressive 1QFY24 topline growth of 51.4% YoY and 52.4% QoQ because of additional capacities coming on stream and better realization. However, the topline growth performance got stronger on the bottom-line because of lower raw material (mainly barley) cost. PAT stood at an impressive Rs337m, a growth of 31.2% YoY and 112.1% QoQ. It's important to note that the tax rate was much lower in FY23 due to the losses carried forward from FY22.

### Shareholders approve the issue of shares and warrants

We had already highlighted [link](#) and discussed the fund-raising plan of the company. The same has been now approved by the shareholders. The funds raised will be mainly used for expansion as the company is not able to meet the demand for its products in the Karnataka market, and for expansion of the Bhopal unit to seed the Rajasthan market. The equity dilution will not lead to any EPS dilution, in our view, due to better volume growth in the coming years because of capacity expansion.

### Change in our PAT estimates

We have increased our PAT estimates for SDBL by 13.7%/13.9%/6.0% for FY24F/25F/26F, respectively, considering its 1QFY24 performance and the expansion plan, mainly for the Karnataka unit.

### Retain ADD rating with a higher target price of Rs393

We retain ADD rating on SDBL with a higher target price of Rs393 (30x FY25F EPS) from Rs369 earlier. Downside risks: There are two types of risks in the liquor industry – raw material-related risk and regulatory risk. Raw material risk: Prices of SDBL's products are normally set once a year and hence, any sudden spurt in raw material cost cannot be passed on over the short- to medium-term. Regulatory risk: Liquor is a state subject in India and the whole value chain via taxes, including the sale of liquor itself, is subject to regulations. SDBL faces market concentration risk, but the same is on the path to reduction after the addition of Karnataka and Odisha markets. The concentration risk is likely to be completely mitigated, in our view, after the third phase of expansion.

<b>Financial Summary</b>	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	3,628	8,067	11,431	14,795	16,768
Operating EBITDA (Rsm)	169	1,021	1,433	1,923	2,180
Net Profit (Rsm)	(99)	603	798	1,082	1,263
Core EPS (Rs)	(1.5)	8.4	10.6	13.5	16.7
Core EPS Growth	(81.3%)	(674.8%)	26.0%	28.0%	23.2%
FD Core P/E (x)	(221.83)	38.59	30.64	23.94	19.43
DPS (Rs)	0.0	0.0	0.0	1.0	1.3
Dividend Yield	0.00%	0.00%	0.32%	0.40%	0.57%
EV/EBITDA (x)	139.42	25.04	18.32	13.95	11.95
P/FCFE (x)	244.96	(63.93)	(38.28)	65.40	(41.26)
Net Gearing	58.2%	61.2%	32.8%	13.5%	18.8%
P/BV (x)	7.83	6.36	4.56	3.86	2.76
ROE	(3.4%)	18.1%	17.3%	17.4%	16.8%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: Our revised sales estimates**  
(Rs m)

	Old estimates			New estimates			Change (%)		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
<b>Volume - Lakh cases</b>									
Beer	193	231	277	200	261	297	3.5%	13.0%	7.2%
IMFL	11	12	14	11	12	14	0.0%	0.0%	0.0%
<b>Value - INR per case</b>									
Beer	525	529	531	526	535	533	0.2%	1.1%	0.3%
IMFL	700	700	700	700	700	700	0.0%	0.0%	0.0%

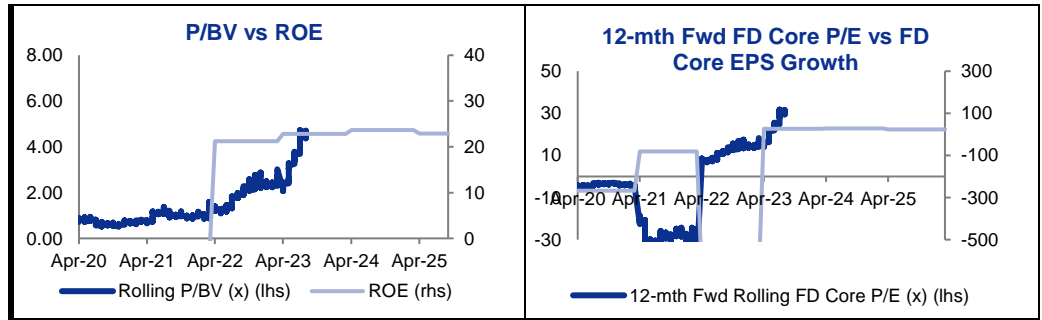
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Our revised earnings estimates**  
(Rs m)

	Old estimates			New estimates			Change (%)		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Revenue	10,870	13,062	15,665	11,431	14,795	16,768	5.2%	13.3%	7.0%
EBITDA	1,359	1,698	2,036	1,433	1,923	2,180	5.5%	13.3%	7.0%
EBITDA Margin (%)	12.5%	13.0%	13.0%	12.5%	13.0%	13.0%	4bp	0bp	0bp
PAT	702	949	1,191	798	1,082	1,263	13.7%	13.9%	6.0%
EPS (Rs)	9	12	15	10	13	15	13.7%	6.5%	-0.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	<b>3,628</b>	<b>8,067</b>	<b>11,431</b>	<b>14,795</b>	<b>16,768</b>
<b>Gross Profit</b>	<b>1,554</b>	<b>3,214</b>	<b>4,565</b>	<b>6,288</b>	<b>7,126</b>
<b>Operating EBITDA</b>	<b>169</b>	<b>1,021</b>	<b>1,433</b>	<b>1,923</b>	<b>2,180</b>
Depreciation And Amortisation	(168)	(170)	(206)	(261)	(289)
<b>Operating EBIT</b>	<b>1</b>	<b>851</b>	<b>1,227</b>	<b>1,662</b>	<b>1,891</b>
Financial Income/(Expense)	(127)	(146)	(172)	(191)	(173)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	<b>(126)</b>	<b>704</b>	<b>1,055</b>	<b>1,472</b>	<b>1,718</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>(126)</b>	<b>704</b>	<b>1,055</b>	<b>1,472</b>	<b>1,718</b>
Taxation	27	(101)	(257)	(390)	(455)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>(99)</b>	<b>603</b>	<b>798</b>	<b>1,082</b>	<b>1,263</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>(99)</b>	<b>603</b>	<b>798</b>	<b>1,082</b>	<b>1,263</b>
Recurring Net Profit	(99)	603	798	1,082	1,263
<b>Fully Diluted Recurring Net Profit</b>	<b>(99)</b>	<b>603</b>	<b>798</b>	<b>1,082</b>	<b>1,263</b>

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>EBITDA</b>	<b>169</b>	<b>1,021</b>	<b>1,433</b>	<b>1,923</b>	<b>2,180</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	67	(887)	(43)	(647)	(446)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(127)	(146)	(172)	(191)	(173)
Tax Paid	31		(257)	(390)	(455)
<b>Cashflow From Operations</b>	<b>140</b>	<b>(12)</b>	<b>961</b>	<b>696</b>	<b>1,105</b>
Capex	68	(994)	(1,400)	(100)	(1,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>68</b>	<b>(994)</b>	<b>(1,400)</b>	<b>(100)</b>	<b>(1,500)</b>
Debt Raised/(repaid)	(119)	642	(200)	(200)	(200)
Proceeds From Issue Of Shares		19	17	27	
Shares Repurchased					
Dividends Paid	7		(80)	(108)	(126)
Preferred Dividends					
Other Financing Cashflow	154	(160)	(188)	(191)	(173)
<b>Cash Flow From Financing</b>	<b>42</b>	<b>502</b>	<b>(451)</b>	<b>(472)</b>	<b>(499)</b>
Total Cash Generated	250	(505)	(889)	124	(894)
<b>Free Cashflow To Equity</b>	<b>89</b>	<b>(364)</b>	<b>(639)</b>	<b>396</b>	<b>(595)</b>
<b>Free Cashflow To Firm</b>	<b>362</b>	<b>(847)</b>	<b>(250)</b>	<b>787</b>	<b>(222)</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Cash And Equivalents	95	126	424	1,087	307
Total Debtors	1,158	1,421	2,014	2,607	2,955
Inventories	845	1,353	1,917	2,481	2,812
Total Other Current Assets	586	994	343	296	335
<b>Total Current Assets</b>	<b>2,684</b>	<b>3,895</b>	<b>4,698</b>	<b>6,472</b>	<b>6,409</b>
Fixed Assets	4,059	3,911	6,077	5,916	7,127
Total Investments					
Intangible Assets					
Total Other Non-Current Assets	251	1,313	343	444	503
<b>Total Non-current Assets</b>	<b>4,310</b>	<b>5,224</b>	<b>6,420</b>	<b>6,360</b>	<b>7,630</b>
Short-term Debt	668	825	725	625	525
Current Portion of Long-Term Debt				1	2
Total Creditors	2,250	2,340	2,800	3,260	3,529
Other Current Liabilities	47	481	481	481	481
<b>Total Current Liabilities</b>	<b>2,965</b>	<b>3,647</b>	<b>4,006</b>	<b>4,367</b>	<b>4,538</b>
Total Long-term Debt	1,112	1,597	1,497	1,397	1,297
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>1,112</b>	<b>1,597</b>	<b>1,497</b>	<b>1,397</b>	<b>1,297</b>
Total Provisions	21	121	125	129	131
<b>Total Liabilities</b>	<b>4,098</b>	<b>5,365</b>	<b>5,628</b>	<b>5,892</b>	<b>5,965</b>
Shareholders Equity	2,896	3,754	5,489	6,940	8,076
Minority Interests					
<b>Total Equity</b>	<b>2,896</b>	<b>3,754</b>	<b>5,489</b>	<b>6,940</b>	<b>8,076</b>

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Revenue Growth	26.1%	122.4%	41.7%	29.4%	13.3%
Operating EBITDA Growth	(276.2%)	504.8%	40.3%	34.2%	13.3%
Operating EBITDA Margin	4.7%	12.7%	12.5%	13.0%	13.0%
Net Cash Per Share (Rs)	(24.07)	(31.12)	(23.28)	(11.32)	(22.02)
BVPS (Rs)	41.38	50.89	71.05	83.95	117.24
Gross Interest Cover	0.01	5.33	6.51	8.71	10.93
Effective Tax Rate		14.4%	24.3%	26.5%	26.5%
Net Dividend Payout Ratio			7.6%	7.3%	7.3%
Accounts Receivables Days	124.41	58.36	54.85	57.01	60.53
Inventory Days	134.62	82.66	86.90	94.35	100.19
Accounts Payables Days	139.61	67.52	70.80	76.87	81.63
ROIC (%)		18.5%	19.9%	22.4%	23.6%
ROCE (%)		15.5%	17.4%	19.7%	19.8%
Return On Average Assets		10.6%	12.1%	13.9%	14.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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