

India

July 10, 2023 - 10:16 AM

ADD (no change)

Consensus ratings*: Buy 1 Hold 0 Sell 0

Current price:	Rs295
Target price:	Rs369
Previous target:	Rs369
Up/downside:	25.1%
InCred Research / Consensus:	0.0%
Reuters:	
Bloomberg:	SDB IN
Market cap:	US\$314m
	Rs22,792m
Average daily turnover:	US\$1.7m
	Rs126.4m
Current shares o/s:	77.3m
Free float:	66.9%

*Source: Bloomberg

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	31.74	24.01	17.55
Recurring ROE	17.2%	19.7%	20.6%
P/BV (x)	5.18	4.34	3.00
DPS (Rs)		0.91	1.23
Dividend Yield	0.31%	0.42%	0.63%



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	17.7	87.1	340.7
Relative (%)	12.9	71.5	267.8

Major shareholders	% held
Promoter & Promoter Group	33.1

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Som Distilleries & Breweries Ltd

Raises fresh capital to increase footprint

- The board of directors of SDBL has approved the issue of 51,50,000 convertible equity warrants & 2,50,000 equity shares on a preferential basis.
- The total inflow post issue and conversion of warrants will amount to Rs1,485m, with the promoter stake rising to 38% from ~34.5% currently.
- We have an ADD rating on the stock, valuing it at 30x FY25F EPS to arrive at our target price of Rs369.

Fund-raising via issue of shares and warrants @ Rs275 each

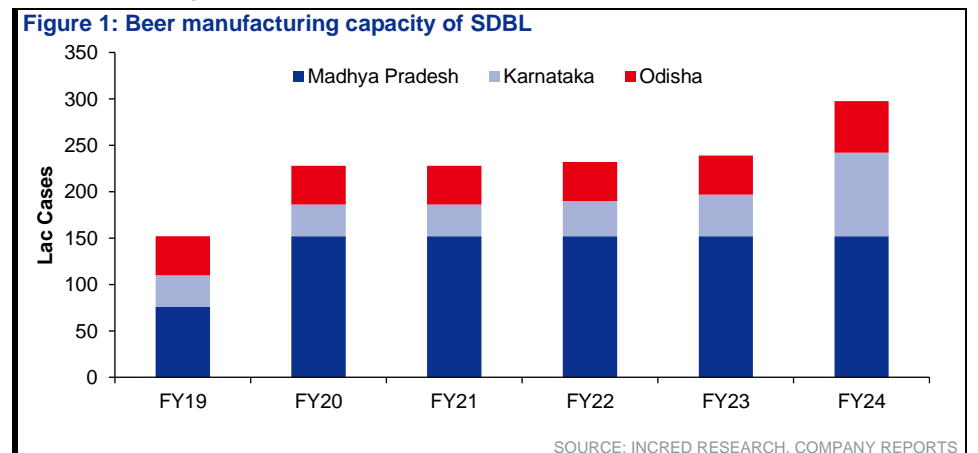
- Som Distilleries and Breweries or SDBL's board has approved the issue of 51,50,000 convertible warrants to promoters and other investors on a preferential basis.
- The board has also approved the issue of 250,000 equity shares to other investors.
- The issue of convertible warrants and equity shares is subject to securing several approvals, starting with its existing shareholders at the extraordinary general meeting.
- The total fund inflow into the company post share issue and conversion of warrants will amount to Rs1,485m.
- The objectives of the issue are 1) payment of certain loans, 2) part-finance the capex planned at Bhopal and Hassan units, 3) meet working capital requirements, and 4) expansion into new markets and products.

Finer details about the issue

- The promoter held a 34.3% stake in SDBL as of 31 Mar 2023, and in recent quarters the promoter's buying spree continued. This resulted in the promoter holding ~34.5% stake at the end of 1QFY24.
- The promoter's stake in SDBL post conversion of the warrants would be ~38%.
- Continuous share purchases by the promoter reflect confidence in the business.
- SDBL stated the proceeds of the issue are to meet capex needs of Bhopal and Hassan.
- It is important to note that SDBL doubled its Hassan plant's output at the start of 1QFY24 and the need for further expansion indicates that SDBL has hit full capacity so soon.
- The market share stated by the company of 21% in Karnataka points out complete capacity utilization and the need for further expansion in a span of just one quarter.

Our view

- The equity dilution will be to the extent of ~7%, which normally leads to EPS dilution as well but if SDBL is indeed in that kind of capacity utilization and sales spree, we feel it can achieve FY25F numbers in FY24F itself.
- 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.



Profit & Loss

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

Balance Sheet

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

Cash Flow

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	1,021	1,359	1,698	2,036
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)
Cashflow From Operations	(12)	987	778	845
Capex	(994)	(100)	(100)	(1,500)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/Investments				
Other Investing Cashflow				
Cash Flow From Investing	(994)	(100)	(100)	(1,500)
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)
Cash Flow From Financing	502	(462)	(486)	(492)
Total Cash Generated	(505)	425	192	(1,147)
Free Cashflow To Equity	(364)	687	478	(855)
Free Cashflow To Firm	(847)	1,096	869	(482)

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%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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