

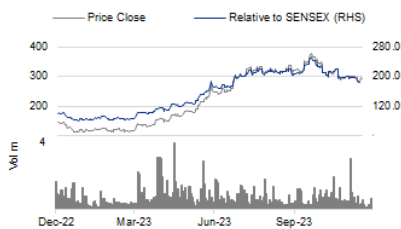
India

ADD (no change)

Consensus ratings*: Buy 1 Hold 0 Sell 0	
Current price:	Rs295
Target price: ▲	Rs446
Previous target:	Rs369
Up/downside:	51.2%
InCred Research / Consensus:	51.0%
Reuters:	
Bloomberg:	SDB IN
Market cap:	US\$275m Rs22,893m
Average daily turnover:	US\$2.3m Rs187.8m
Current shares o/s:	82.7m
Free float:	65.5%
*Source: Bloomberg	

Key changes in this note

- Increase PAT estimates by 16.2%/14.6%/22.0% for FY24F/25F/26F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(10.0)	(9.6)	107.9
Relative (%)	(15.6)	(14.1)	87.9

Major shareholders	% held
Promoter & Promoter Group	34.5

Research Analyst(s)



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Som Distilleries & Breweries Ltd

Fortifies capacity/product/market expansion

- SDBL is in urgent need of capacity before the next beer season but required clearance from the Karnataka govt for its operations, which has been obtained.
- As the capacity ramp-up is certain, the company has added new states and reworked its seeding routes running across various states.
- Strong visibility going ahead helps us to raise PAT by 16.2%/14.6%/22.0% for FY24F/25F/26F, leading to an increase in TP by ~20% to Rs446.

Capacity ramp-up and adding more markets

Som Distilleries and Breweries (SDBL) has secured the required permissions from Karnataka liquor industry regulator, as it progresses towards ramping up capacity by ~67% at the Karnataka plant, aiming at commencement of operations in 1QFY25F. Leaving no stone unturned to risk utilization of the said capacity, SDBL has added markets for seeding going ahead. For the Madhya Pradesh unit, Rajasthan has been added for diversion of sales (from Karnataka earlier). From the Odisha unit, Jharkhand market is being serviced. Finally, in case of any tapering in the expanded Karnataka unit, Tamil Nadu has been added to the existing Kerala and Pondicherry markets.

Expands product offerings

Making a smash at the Rs100 price-point beer (650ml) in Karnataka, SDBL has launched a new brand 'Legend' in the strong beer segment (Fig.3) and made changes to other price-point product offerings (Fig.4) to optimize the mix. A unique product for the Indian market 'Woodpecker' (5,000 ml) beer (Fig.5) has been launched in the state in the keg segment at an attractive price of Rs1,999. Karnataka had only craft & microbrewery brands in the 5,000ml keg segment till now (Fig.6).

Change in our earnings estimates

We have increased our PAT estimates for SDBL by 16.2%/14.6%/22.0% for FY24F/25F/26F, respectively, considering the proportionate increase in projected sales and value mix for the respective year. However, the EBITDA margin estimates have been cut by 30bp/50bp/50bp for FY24F/25F/26F, respectively, because of the rapid business expansion and, in our view, the replace rate of glass bottles will be low for a few years. We expect the EBITDA margin to meaningfully increase (+100bp) once the rapid growth (+30% YoY) slows down and market stability increases.

Retain ADD rating with a higher target price of Rs446

We retain our ADD rating on SDBL with a higher target price of Rs446 (Rs369 earlier) or 30x FY25F EPS. Downside risks: There are two types of risks in the liquor industry – raw material-related risk and regulatory risk for every company, including SDBL. However, SDBL faces an additional concentration risk which, we believe, is likely to be completely mitigated after the third phase of geographic expansion..

Financial Summary

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	3,628	8,067	12,879	17,248	20,801
Operating EBITDA (Rsm)	169	1,021	1,576	2,156	2,600
Net Profit (Rsm)	(99)	603	927	1,228	1,535
Core EPS (Rs)	(1.5)	8.4	12.3	15.4	20.3
Core EPS Growth	(81.3%)	(674.8%)	46.3%	25.1%	31.9%
FD Core P/E (x)	(202.34)	35.20	24.06	19.24	14.58
DPS (Rs)	0.0	0.0	0.0	1.2	1.5
Dividend Yield	0.00%	0.00%	0.41%	0.50%	0.75%
EV/EBITDA (x)	128.05	23.04	15.46	11.75	9.35
P/FCFE (x)	223.43	(58.31)	(34.32)	173.66	885.95
Net Gearing	58.2%	61.2%	36.9%	23.8%	22.7%
P/BV (x)	7.14	5.80	4.07	3.40	2.37
ROE	(3.4%)	18.1%	19.8%	19.2%	19.5%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Our revised earnings estimates

(Rs m)	Old estimates			New estimates			Change (%)		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Revenue	11,431	14,795	16,768	12,879	17,376	20,861	12.7%	17.4%	24.4%
EBITDA	1,433	1,923	2,180	1,576	2,172	2,608	10.0%	12.9%	19.6%
EBITDA Margin (%)	12.5%	13.0%	13.0%	12.2%	12.5%	12.5%	-30bp	-50bp	-50bp
PAT	798	1,082	1,263	927	1,239	1,540	16.2%	14.6%	22.0%
EPS (Rs)	10	13	15	12	15	19	16.2%	14.6%	22.0%

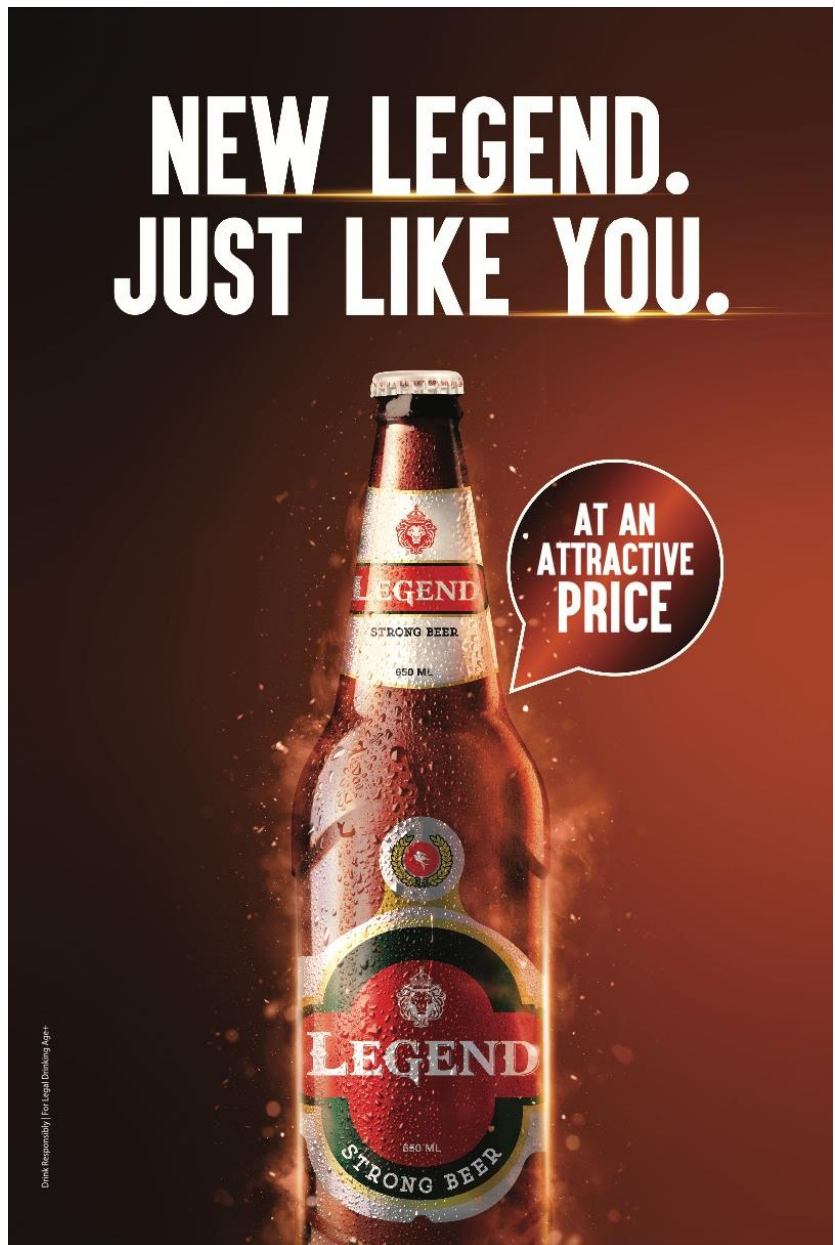
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised sales estimates

	Old estimates			New estimates			Change (%)		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Volume (in lakh cases)									
Beer	200	261	297	216	294	352	7.9%	12.6%	18.5%
IMFL	11	12	14	11	12	14	7.6%	0.0%	0.0%
Value (Rs/case)									
Beer	526	535	533	554	560	564	5.3%	4.8%	5.8%
IMFL	700	700	700	783	750	750	11.8%	7.1%	7.1%

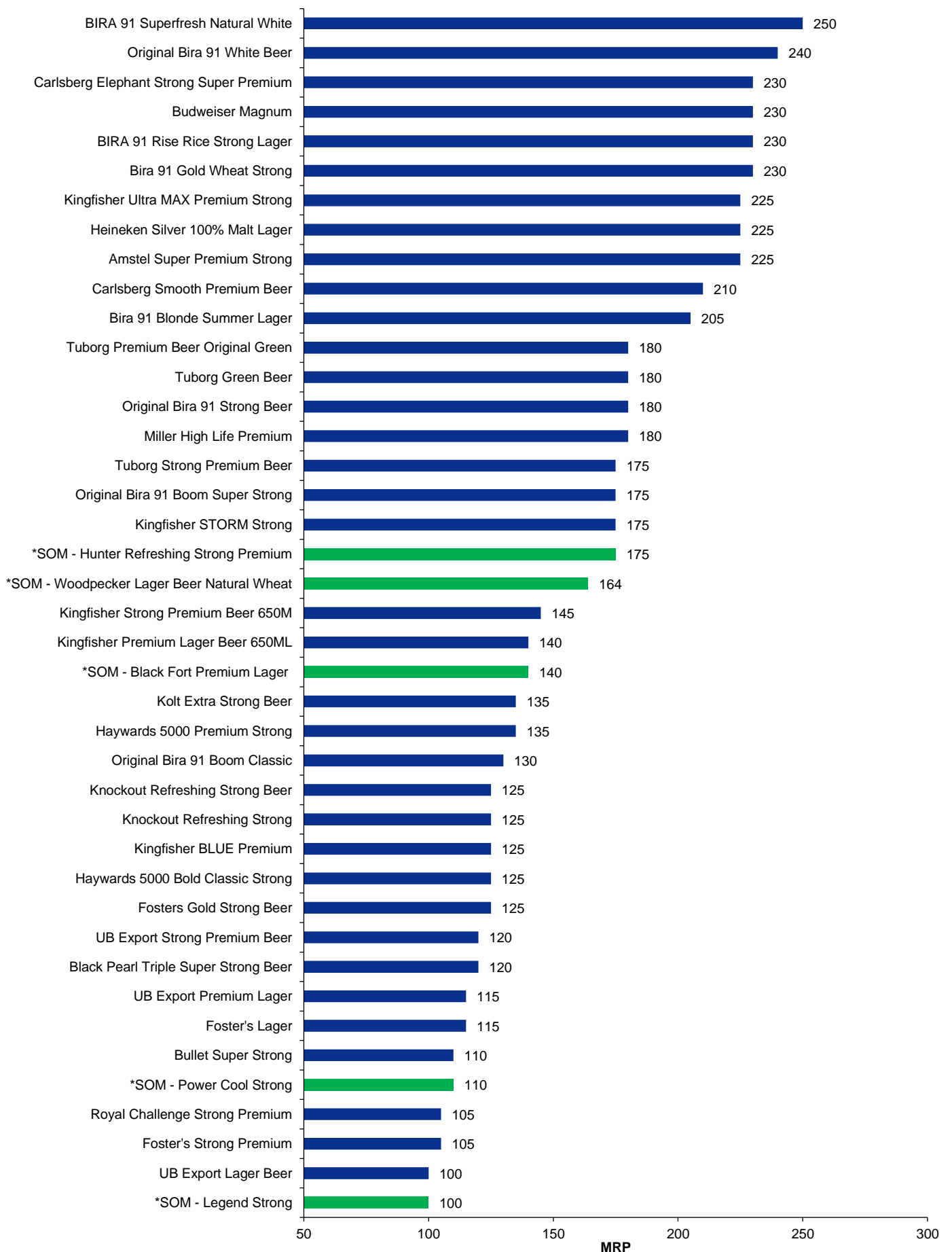
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: New beer brand launched by the company



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Various 650ml beer brands in Karnataka

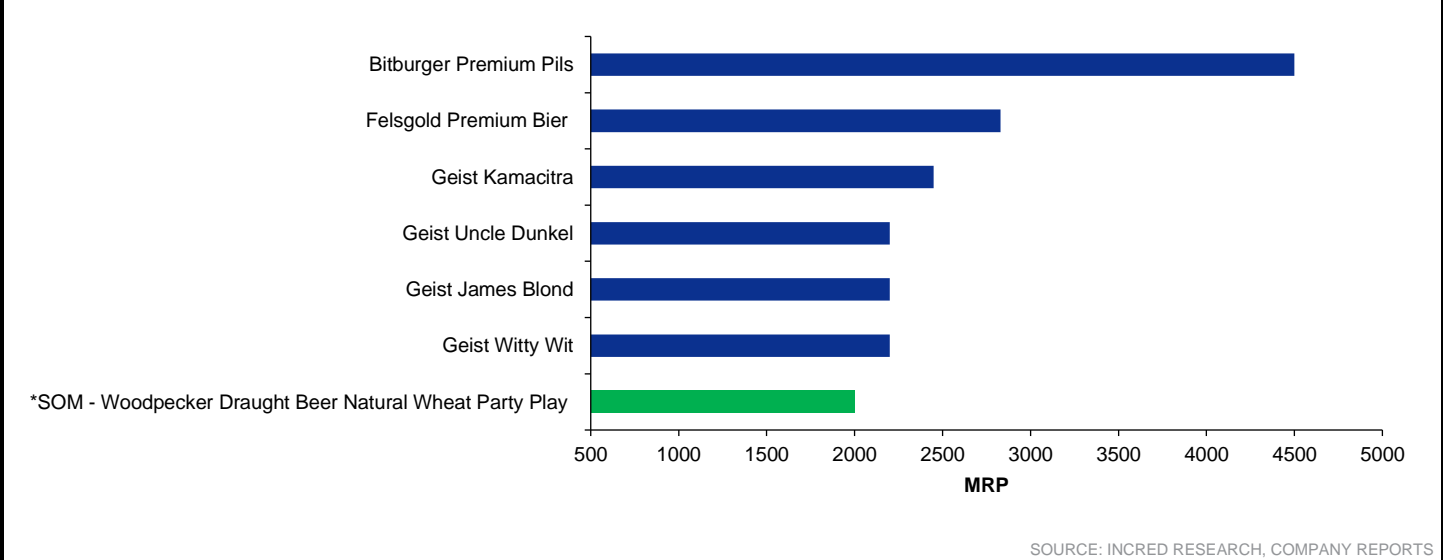


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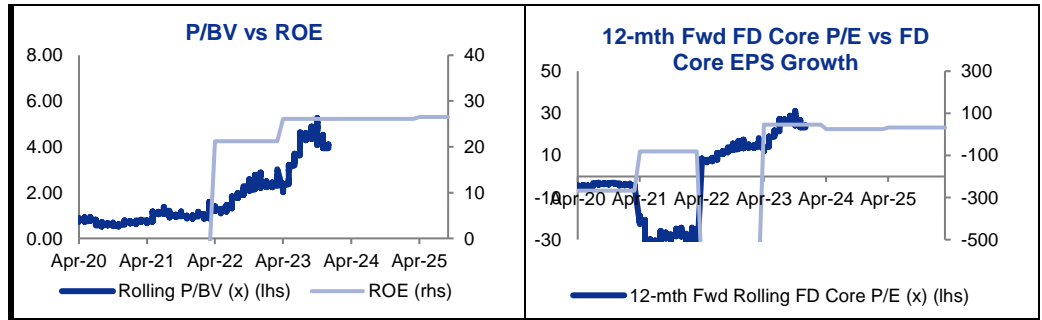
Figure 5: SDBL's newly added keg segment product 'Woodpecker'



Figure 6: Keg segment brands in Karnataka



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	3,628	8,067	12,879	17,248	20,801
Gross Profit	1,554	3,214	5,010	7,244	8,736
Operating EBITDA	169	1,021	1,576	2,156	2,600
Depreciation And Amortisation	(168)	(170)	(208)	(268)	(294)
Operating EBIT	1	851	1,369	1,888	2,306
Financial Income/(Expense)	(127)	(146)	(147)	(218)	(218)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	(126)	704	1,221	1,670	2,088
Exceptional Items					
Pre-tax Profit	(126)	704	1,221	1,670	2,088
Taxation	27	(101)	(294)	(443)	(553)
Exceptional Income - post-tax					
Profit After Tax	(99)	603	927	1,228	1,535
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	(99)	603	927	1,228	1,535
Recurring Net Profit	(99)	603	927	1,228	1,535
Fully Diluted Recurring Net Profit	(99)	603	927	1,228	1,535

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	169	1,021	1,576	2,156	2,600
Cash Flow from Invt. & Assoc.					
Change In Working Capital	67	(887)	(384)	(859)	(804)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(127)	(146)	(147)	(218)	(218)
Tax Paid	31		(294)	(443)	(553)
Cashflow From Operations	140	(12)	750	636	1,025
Capex	68	(994)	(1,400)	(500)	(1,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	68	(994)	(1,400)	(500)	(1,000)
Debt Raised/(repaid)	(119)	642			
Proceeds From Issue Of Shares		19	17	27	
Shares Repurchased					
Dividends Paid	7		(93)	(123)	(153)
Preferred Dividends					
Other Financing Cashflow	154	(160)	(166)	(218)	(218)
Cash Flow From Financing	42	502	(242)	(314)	(371)
Total Cash Generated	250	(505)	(891)	(178)	(346)
Free Cashflow To Equity	89	(364)	(650)	136	25
Free Cashflow To Firm	362	(847)	(483)	354	243

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	95	126	356	715	481
Total Debtors	1,158	1,421	2,269	3,039	3,665
Inventories	845	1,353	2,160	2,892	3,488
Total Other Current Assets	586	994	386	345	416
Total Current Assets	2,684	3,895	5,172	6,992	8,050
Fixed Assets	4,059	3,911	6,075	6,307	7,013
Total Investments					
Intangible Assets					
Total Other Non-Current Assets	251	1,313	386	517	624
Total Non-current Assets	4,310	5,224	6,461	6,824	7,637
Short-term Debt	668	825	825	825	825
Current Portion of Long-Term Debt				1	2
Total Creditors	2,250	2,340	2,998	3,595	4,080
Other Current Liabilities	47	481	481	481	481
Total Current Liabilities	2,965	3,647	4,304	4,902	5,388
Total Long-term Debt	1,112	1,597	1,597	1,597	1,597
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	1,112	1,597	1,597	1,597	1,597
Total Provisions	21	121	127	131	135
Total Liabilities	4,098	5,365	6,027	6,630	7,120
Shareholders Equity	2,896	3,754	5,605	7,187	8,568
Minority Interests					
Total Equity	2,896	3,754	5,605	7,187	8,568

Key Ratios					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	26.1%	122.4%	59.7%	33.9%	20.6%
Operating EBITDA Growth	(276.2%)	504.8%	54.4%	36.8%	20.6%
Operating EBITDA Margin	4.7%	12.7%	12.2%	12.5%	12.5%
Net Cash Per Share (Rs)	(24.07)	(31.12)	(26.74)	(20.66)	(28.21)
BVPS (Rs)	41.38	50.89	72.55	86.95	124.39
Gross Interest Cover	0.01	5.33	8.23	8.66	10.58
Effective Tax Rate		14.4%	24.1%	26.5%	26.5%
Net Dividend Payout Ratio			7.6%	7.3%	7.3%
Accounts Receivables Days	124.41	58.36	52.30	56.17	58.83
Inventory Days	134.62	82.66	81.46	92.17	96.52
Accounts Payables Days	139.61	67.52	66.37	75.09	78.64
ROIC (%)		18.5%	22.2%	24.2%	25.5%
ROCE (%)		15.5%	19.0%	21.1%	22.1%
Return On Average Assets		10.6%	13.2%	14.8%	15.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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