

India

ADD (no change)

Consensus ratings*:	Buy 2	Hold 0	Sell 0
Current price:	Rs849		
Target price:	Rs2,519		
Previous target:	Rs2,929		
Up/downside:	196.7%		
InCred Research / Consensus:	196.8%		
Reuters:	GLOS.NS		
Bloomberg:	GBSL IN		
Market cap:	US\$295m		
	Rs24,445m		
Average daily turnover:	US\$2.5m		
	Rs208.2m		
Current shares o/s:	28.8m		
Free float:	49.0%		
*Source: Bloomberg			

Key changes in this note

- PAT estimates cut by 35.5%/14.0%/4.7% for FY24F/25F/26F, respectively.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.4	(9.0)	(5.8)
Relative (%)	(4.8)	(14.0)	(19.2)

Major shareholders	% held
Promoter & Promoter Group	51.0
Motilal Oswal AMC	2.2
	0.0

Research Analyst(s)



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Globus Spirits Ltd

Strengthens its IMFL business

- We have examined the product addition made by Globus Spirits in its IMFL segment and the competition currently in sub-segments.
- The developments in the mead and malt segments to act as potential boosters for the company, but we have not included them in our projections.
- Retain ADD rating on the stock with a lower target price of Rs2,519.

Adds products in various sub-segments of IMFL

Globus Spirits has been focusing on taking a slice of the IMFL (Indian Made Foreign Liquor) market. Currently, the company has forayed into three sub-segments of whisky with four products, a sub-segment of vodka with two products and a sub-segment of gin with one product. We have analyzed the standing of the company's products in each sub-segment in the latter half of this report. In our view, the faster the IMFL segment grows, the faster will be the P/E rerating for Globus Spirits. In 1HFY24, the company garnered sales of 200,000 cases, like in FY23. We expect the figure of 2m cases to become a reality in FY26F, contributing ~25% to the consumer segment's revenue and ~10% to total revenue.

Gathers fire power

Apart from expanding in the IMFL segment, Globus Spirits has also forayed into related segments. The company has acquired a 51.13% equity stake in Bored Beverages, a mead company. Also, it has set up an in-house maturation facility for malt. As mead would contribute to sales in the consumer segment, the maturation unit would reduce the costs significantly in whisky, while our earlier estimates had indicated an increase in the gross profit margin or GPM by 250bp. However, due to the dynamic nature of the mead segment and the benefit of the malt segment expected in later years, we have not considered both of them in our projections.

Change in our earnings estimates

We have cut our PAT estimates for Globus Spirits by 35.5%/14%/4.7% for FY24F/25F/26F, respectively, considering the change in pricing dynamics in the grain-based ethanol industry.

Retain ADD rating on the stock with a lower target price of Rs2,519

We retain our ADD rating on Globus Spirits or GSL with a lower target price of Rs2,519 (25x FY25F EPS) from Rs2,929 earlier. Downside risks: 1) Broken rice and maize is mainly used to make ENA/ethanol and any rise in its price will directly impact the gross profit. 2) Final product prices are decided by state/central governments and/or oil marketing companies and hence, profitability depends on the prices fixed by them. 3) Power, a vital component of product economics, is generated mainly from coal and thus, any adverse movement in coal prices will hit GSL's profitability.

Financial Summary

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	15,792	21,091	25,861	33,371	39,131
Operating EBITDA (Rsm)	3,286	2,456	2,553	4,639	5,962
Net Profit (Rsm)	1,873	1,222	1,344	2,902	3,816
Core EPS (Rs)	65.0	42.4	46.7	100.8	132.5
Core EPS Growth	30.7%	(34.7%)	10.0%	116.0%	31.5%
FD Core P/E (x)	13.05	20.00	18.19	8.42	6.41
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.46%	0.30%	0.33%	0.47%	0.62%
EV/EBITDA (x)	7.74	10.93	10.23	5.59	3.87
P/FCFE (x)	29.45	(18.16)	16.58	69.79	8.95
Net Gearing	12.7%	27.1%	16.6%	11.4%	(8.2%)
P/BV (x)	3.16	2.76	2.41	1.89	1.47
ROE	27.6%	14.7%	14.1%	25.2%	25.9%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Strengthens its IMFL business

Various sub-segments of IMFL segment

Figure 1: Presence of Globus Spirits – Delhi market

Growth CAGR	5.7%	5.7%	7.7%	4.1%	8.1%
CY22A - m cases	371	237	45	76	12
CY27F - m cases	489	313	65	93	18
Indicative MRP (750ml)		Whisky	Rum	Brandy	Vodka
Luxury	>Rs4,200				
Semi-luxury	>Rs1,250				TERAI INDIA CRAFT
Super-premium	<Rs1,250				
Semi-premium	<Rs840	OAKTON BARREL AGED RARE FINEST GRAIN			
Deluxe	<Rs675	GOVERNORS RESERVE 100 PERCENT SUPERIOR GRAIN		SNOSKI PREMIUM CRAFTED & SNOSKI PREMIUM CRAFTED - GREEN APPLE	
Regular	<Rs500	GOVERNORS' RESERVE SELECT EDITION FINEST GRAIN & MOUNTAIN OAK PREMIUM GRAIN			

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Market share ►

- Although the IMFL segment is projected to grow to ~450m cases in FY26F, Globus Spirits, with its select markets, to account for 20% of the total market.
- Hence, the addressable market for the company would be ~90m cases.
- In our view, the company is likely to gain 2.2% market share in the addressable market and 0.45% in the total IMFL market.

Current products – where they stand

Whisky - regular ▶

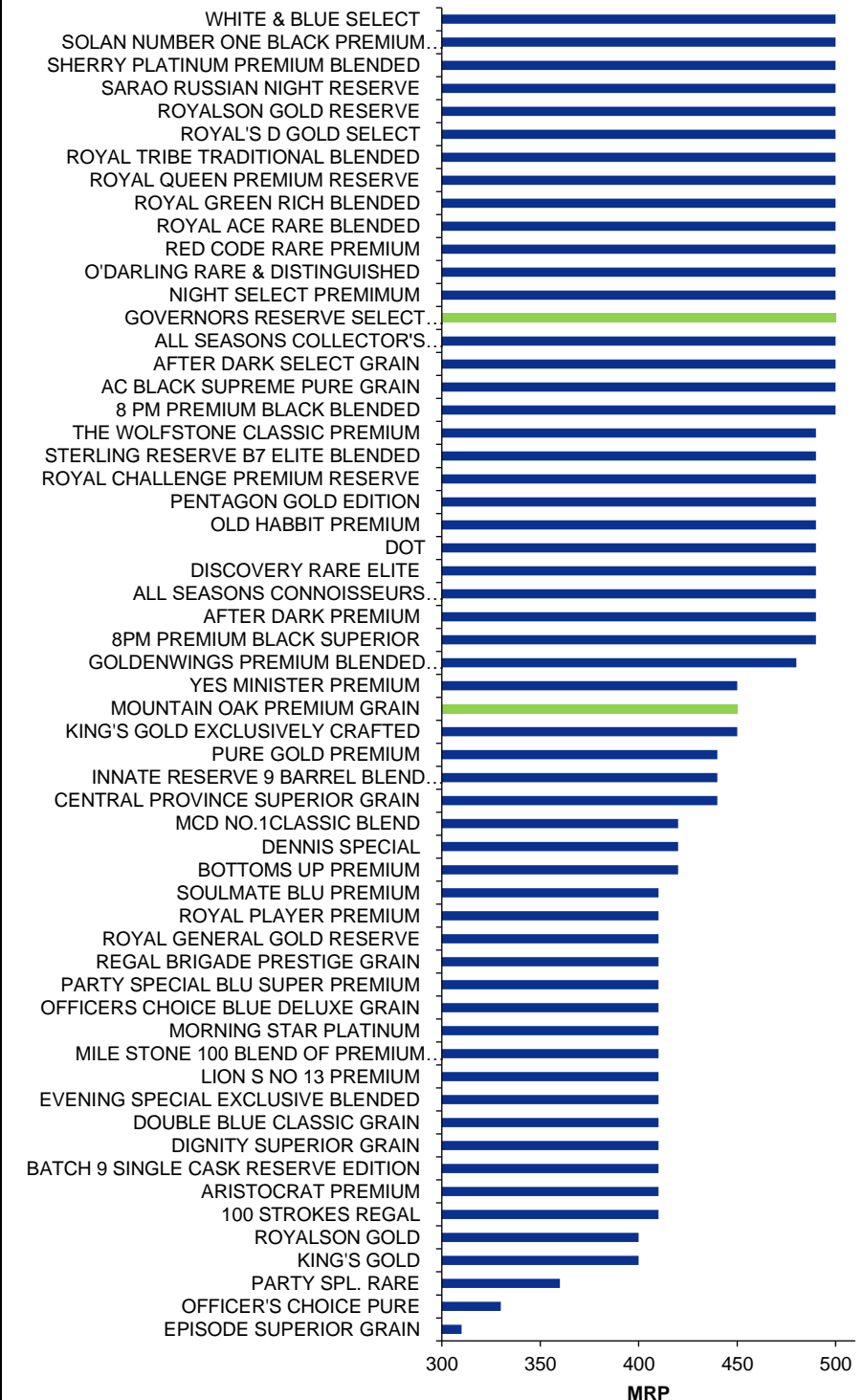


MOUNTAIN OAK PREMIUM GRAIN – MRP – Rs450 (750ml)



GOVERNORS' RESERVE SELECT EDITION FINEST GRAIN – MRP - Rs500 (750ml)

Figure 2: Globus Spirits has two products in whisky- regular segment



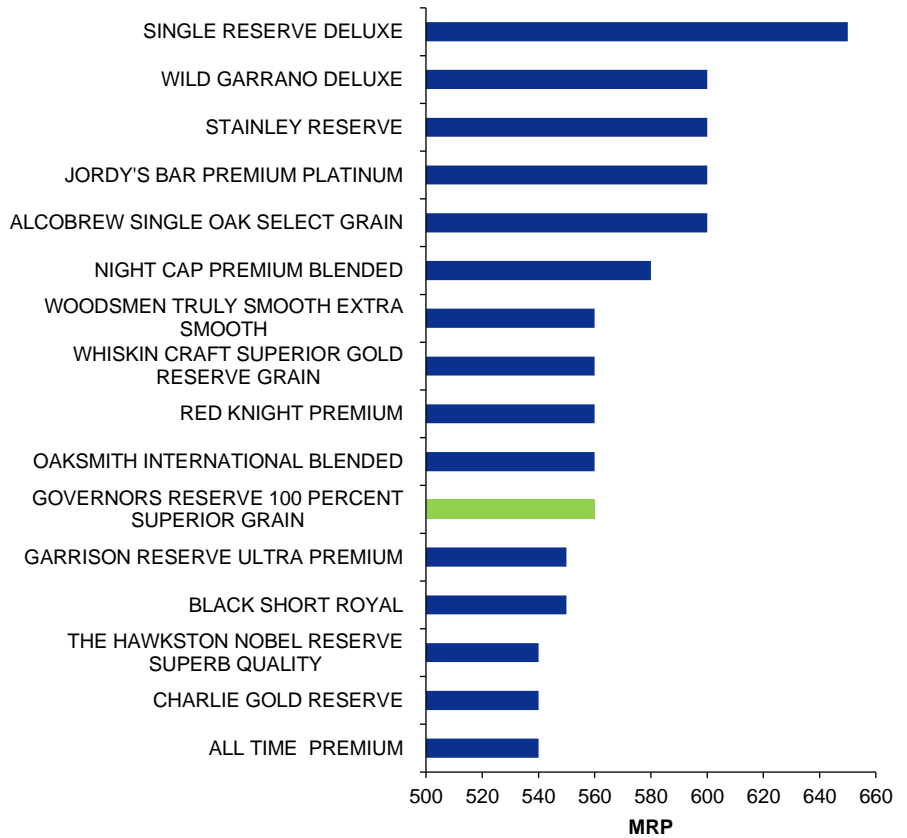
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Whisky - deluxe ➤



GOVERNORS' RESERVE 100 PERCENT SUPERIOR GRAIN – MRP 560 (750ml)

Figure 3: Globus Spirits has one product in whisky – deluxe segment



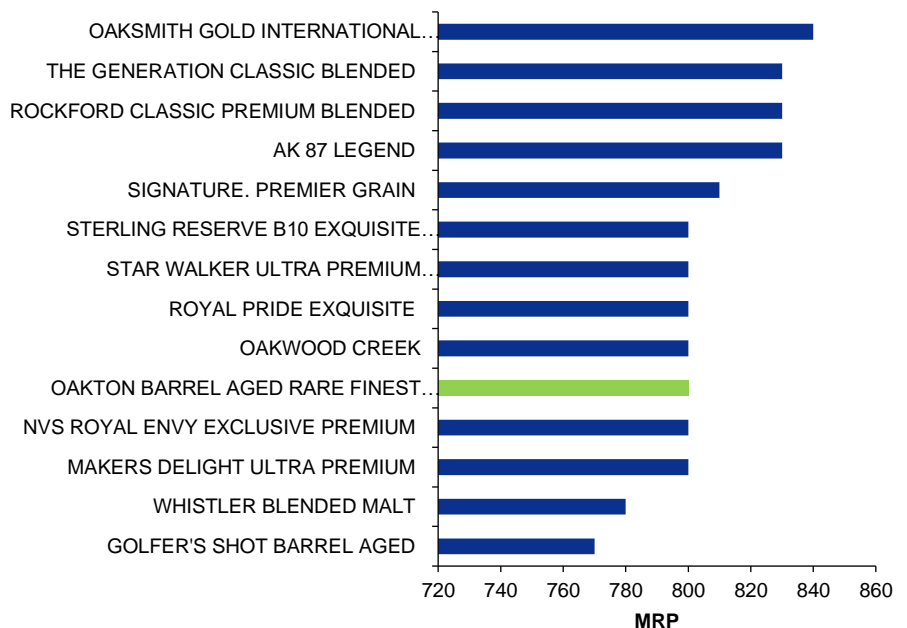
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Whisky – semi-premium ➤



OAKTON BARREL AGED RARE FINEST GRAIN – MRP – Rs800 (750ml)

Figure 4: Globus Spirits has one product in whisky – semi-premium segment



SOURCE: INCRED RESEARCH, COMPANY REPORTS



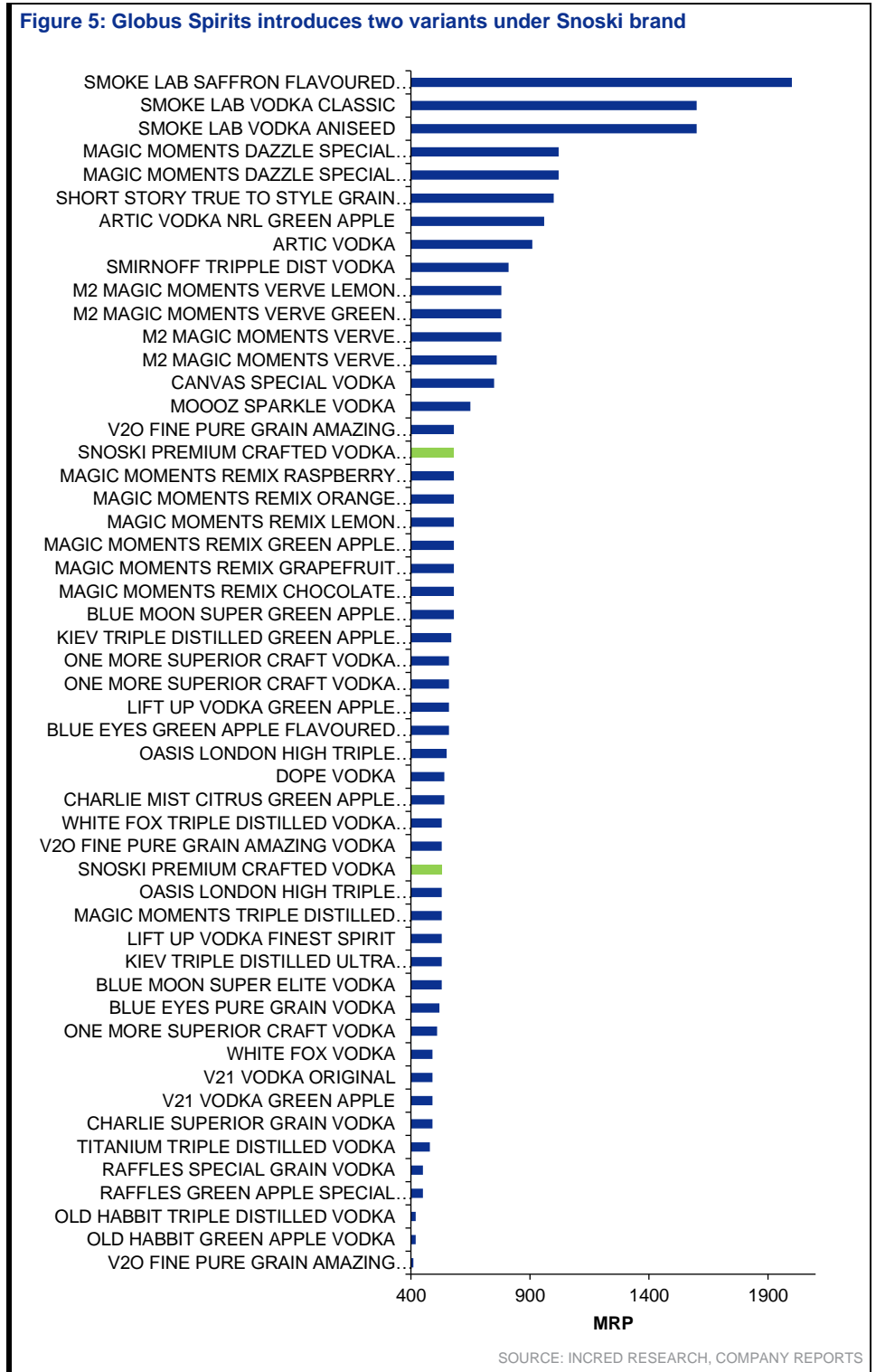
SNOSKI PREMIUM CRAFTED VODKA – MRP – Rs530 (750ml)



SNOSKI PREMIUM CRAFTED VODKA GREEN APPLE – MRP – Rs580 (750ml)

Vodka >

Figure 5: Globus Spirits introduces two variants under Snoski brand



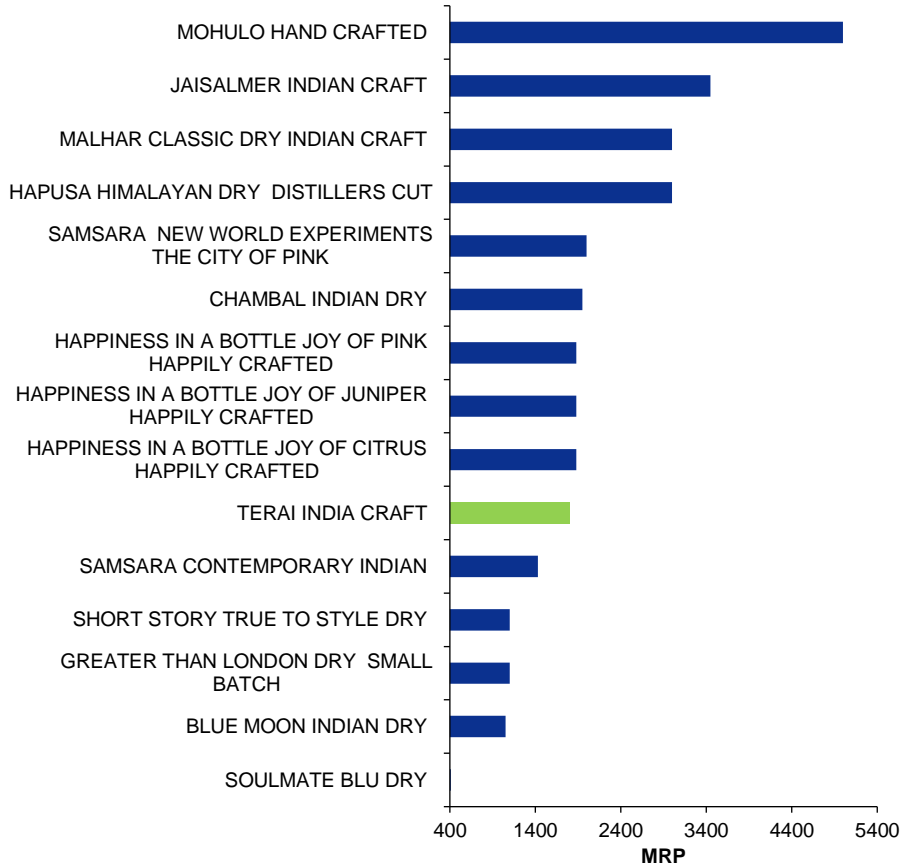
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Gin ➤



TERAI INDIA CRAFT – MRP –
 Rs1,800 (750ml)

Figure 6: Globus Spirits' Terai gin with its variants in the works



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Projection changes and assumptions ➤

Figure 7: Our revised earnings estimates

Rs m	Old estimates			New estimates			Change (%)		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Revenue	24,348	30,816	36,555	25,861	33,371	39,131	6.2%	8.3%	7.0%
EBITDA	3,501	5,270	6,200	2,553	4,639	5,962	-27.1%	-12.0%	-3.8%
EBITDA margin (%)	14.4%	17.1%	17.0%	9.9%	13.9%	15.2%	-451bp	-320bp	-172bp
PAT	2,067	3,374	4,003	1,344	2,902	3,816	-35.0%	-14.0%	-4.7%
EPS (Rs)	71.8	117.2	139	46.7	100.8	132.5	-35.0%	-14.0%	-4.7%

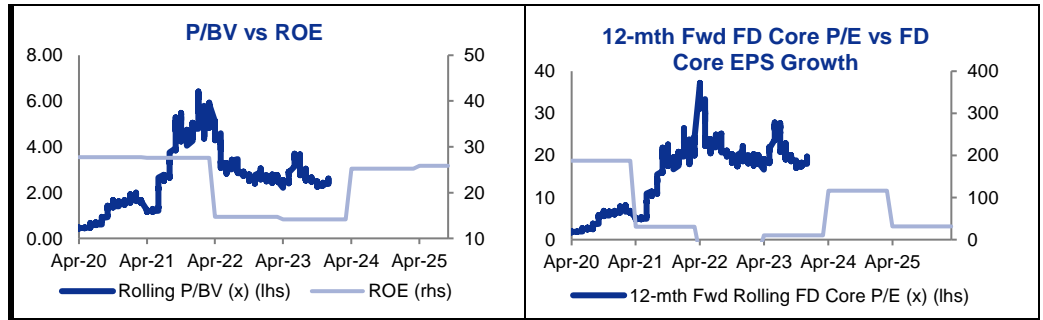
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Our key assumptions

Key assumptions	FY23A	FY24F	FY25F	FY26F
Bulk Alcohol sales (m L)	226	268	335	386
IMIL (m cases)	14	15	17	19
IMFL (m cases)	0.2	0.4	1.0	2.0
DDGS (price/kg)	30	30	30	30
ENA (price/L)	63.7	64.6	67.2	67.3
Ethanol (price/L)	53.9	63.0	66.0	66.0
IMFL (price/case)	1,872	1,318	1,500	1,500
IMIL (price/case)	492	551	555	555

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	15,792	21,091	25,861	33,371	39,131
Gross Profit	7,408	8,677	10,051	14,818	17,897
Operating EBITDA	3,286	2,456	2,553	4,639	5,962
Depreciation And Amortisation	(426)	(563)	(604)	(623)	(723)
Operating EBIT	2,860	1,893	1,949	4,016	5,239
Financial Income/(Expense)	(48)	(92)	(141)	(94)	(82)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	2,812	1,801	1,808	3,922	5,156
Exceptional Items					
Pre-tax Profit	2,812	1,801	1,808	3,922	5,156
Taxation	(940)	(579)	(465)	(1,020)	(1,341)
Exceptional Income - post-tax					
Profit After Tax	1,873	1,222	1,344	2,902	3,816
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,873	1,222	1,344	2,902	3,816
Recurring Net Profit	1,873	1,222	1,344	2,902	3,816
Fully Diluted Recurring Net Profit	1,873	1,222	1,344	2,902	3,816

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	3,286	2,456	2,553	4,639	5,962
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,106)	(1,387)	1,641	(710)	(544)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1,888	(791)			
Other Operating Cashflow					
Net Interest (Paid)/Received	66	78	61	40	28
Tax Paid	(940)	(579)	(465)	(1,020)	(1,341)
Cashflow From Operations	3,194	(223)	3,791	2,950	4,105
Capex	(2,242)	(2,135)	(1,499)	(2,500)	(1,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(2,242)	(2,135)	(1,499)	(2,500)	(1,000)
Debt Raised/(repaid)	(122)	1,012	(817)	(100)	(373)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	112	73	81	116	153
Preferred Dividends					
Other Financing Cashflow	(124)	2,021	(2,297)	(194)	(455)
Cash Flow From Financing	(134)	3,107	(3,033)	(178)	(676)
Total Cash Generated	818	749	(742)	272	2,429
Free Cashflow To Equity	830	(1,346)	1,475	350	2,732
Free Cashflow To Firm	952	(2,358)	2,292	450	3,105

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	761	352	258	358	2,827
Total Debtors	1,180	2,113	2,591	3,343	3,920
Inventories	1,085	1,578	1,935	2,496	2,927
Total Other Current Assets	844	1,052	259	334	391
Total Current Assets	3,871	5,094	5,042	6,531	10,066
Fixed Assets	7,671	9,242	10,138	12,015	12,292
Total Investments					
Intangible Assets	6	7	6	6	6
Total Other Non-Current Assets	818	1,568	388	501	587
Total Non-current Assets	8,495	10,817	10,532	12,522	12,885
Short-term Debt	650	1,643	1,443	1,443	1,193
Current Portion of Long-Term Debt					
Total Creditors	1,847	2,845	3,334	4,103	4,693
Other Current Liabilities					
Total Current Liabilities	2,498	4,488	4,777	5,546	5,886
Total Long-term Debt	1,089	1,109	492	392	270
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	100	1,285			
Total Non-current Liabilities	1,190	2,394	492	392	270
Total Provisions	955	161	176	199	217
Total Liabilities	4,642	7,044	5,445	6,137	6,372
Shareholders Equity	7,723	8,866	10,129	12,916	16,579
Minority Interests					
Total Equity	7,723	8,866	10,129	12,916	16,579

Key Ratios					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	28.3%	33.6%	22.6%	29.0%	17.3%
Operating EBITDA Growth	28.8%	(25.3%)	3.9%	81.7%	28.5%
Operating EBITDA Margin	20.8%	11.6%	9.9%	13.9%	15.2%
Net Cash Per Share (Rs)	(33.98)	(83.36)	(58.24)	(51.30)	47.39
BVPS (Rs)	268.18	307.87	351.72	448.47	575.66
Gross Interest Cover	25.01	11.13	9.99	42.61	63.55
Effective Tax Rate	33.4%	32.1%	25.7%	26.0%	26.0%
Net Dividend Payout Ratio	6.0%	6.0%	6.0%	4.0%	4.0%
Accounts Receivables Days	23.80	28.50	33.19	32.45	33.88
Inventory Days	45.85	39.15	40.55	43.59	46.62
Accounts Payables Days	58.69	53.94	55.51	59.68	63.82
ROIC (%)	39.2%	19.4%	15.3%	33.5%	35.9%
ROCE (%)	32.4%	17.9%	16.8%	29.7%	31.8%
Return On Average Assets	17.2%	9.3%	9.4%	17.3%	18.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
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managed or co-managed public offering of securities for the subject company in the last twelve months	NO	NO
received any compensation or other benefits from the subject company or third party in connection with the research report	NO	NO
served as an officer, director or employee of the subject company	NO	NO
been engaged in market making activity for the subject company	NO	NO

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