

India

February 08, 2024 - 1:40 PM

ADD (no change)

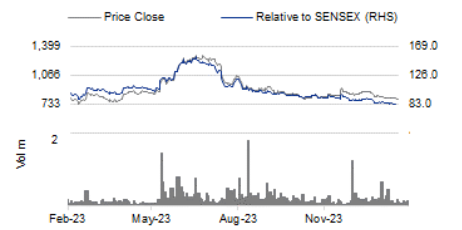
Consensus ratings*: Buy 2 Hold 0 Sell 0

Current price:	Rs791
Target price:	Rs2,519
Previous target:	Rs2,519
Up/downside:	218.5%
InCred Research / Consensus:	218.7%
Reuters:	GLOS.NS
Bloomberg:	GBSL IN
Market cap:	US\$275m Rs22,784m
Average daily turnover:	US\$2.0m Rs168.1m
Current shares o/s:	28.8m
Free float:	49.0%

*Source: Bloomberg

Key financial forecast

	Mar-24F	Mar-25F	Mar-26F
Net Profit (Rsm)	1,344	2,902	3,816
Core EPS (Rs)	46.66	100.77	132.49
Core EPS Growth	10.0%	116.0%	31.5%
FD Core P/E	16.94	7.84	5.97
Recurring ROE	14.1%	25.2%	25.9%
P/BV (x)	2.25	1.76	1.37
DPS (Rs)			
Dividend Yield	0.35%	0.51%	0.67%



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	(10.2)	(6.8)	0.7
Relative (%)	(11.2)	(16.1)	(15.4)

Major shareholders	% held
Promoter & Promoter Group	51.0
MIT	3.8

Research Analyst(s)

Nitin AWASTHI
T (91) 22 4161 1550
E nitin.awasthi@incredresearch.com

Globus Spirits Ltd

All set for Rajasthan bonanza in FY25F

- The Rajasthan government has come out with its excise policy for FY25, which has introduced major changes that will impact IMIL & RML segments.
- Around 20% revenue of Globus Spirits comes from IMIL & RML segments when it comes to Rajasthan. Hence, it is set to reap the benefits to the fullest.
- We have an ADD rating on the stock with a target price of Rs2,519.

Changes in Rajasthan's excise policy for IMIL & RML segments

- The Rajasthan government has made changes in its excise policy for FY25F.
- The changes in the excise policy have increased the rate per case of IMIL (Indian Made Indian liquor) and RML (Rajasthan Made Liquor).
- The clause leading to dominance of state-owned IMIL/RML makers has been modified to bring in fair competition and growth of these segments, which is the compulsory purchase of a higher percentage of state-owned companies' IMIL/RML products.

Reasons attributed for changes in state excise policy

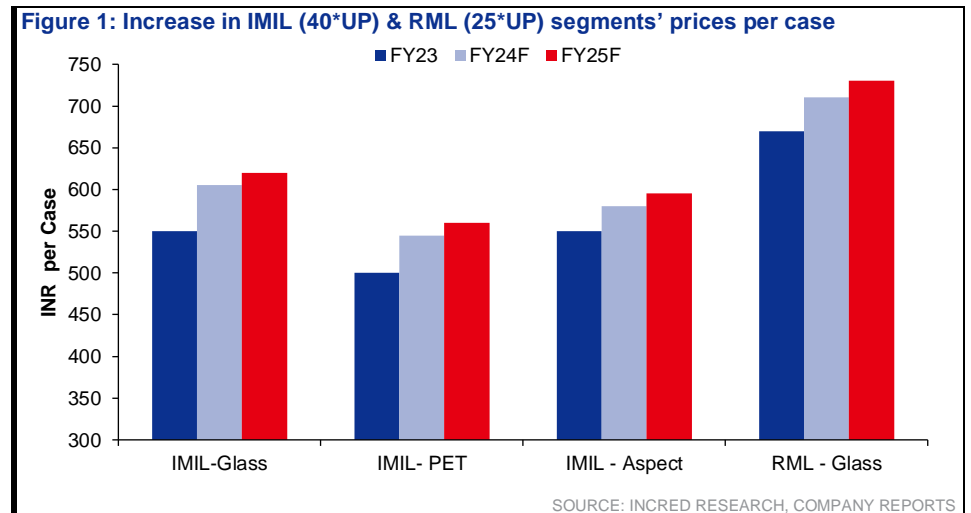
- As regards price hike, higher ENA (extra neutral alcohol) prices seem to be the sole reason.
- The move towards fair play in IMI/RML segments seems to be motivated by policy failure, with the earlier policy meant to increase the dominance of state-owned distilleries. However, such a measure had halted the overall growth of the industry.

Positive impact on Globus Spirits

- The overall contribution from IMIL/SML segments accounts for ~30% of the total revenue of Globus Spirits or GSL. Currently, Rajasthan market's contribution in respect of IMIL/RML segments accounts for ~20% of its total sales.
- IMIL/RML sales in Rajasthan have their highest contribution when it comes to the EBITDA margin compared to all other segments of GSL.
- The current IMIL/SML segment's price per case is ~Rs555 and if we consider the latest announcement regarding the changes in Rajasthan's excise policy, it increases to ~Rs570 for FY25F & FY26F and would lead to NS/EBITDA/EBITDAM/PAT changes of 0.8%/3.4%/+36bp/4% in FY25F and 0.7%/3.0%/+34bp/3.4% in FY26F.
- GSL's Rajasthan volume has been stagnant over the past few years but the industry as well as GSL, in our view, should start witnessing volume growth in IMIL/RML segments from FY25F.

Valuation and outlook

- We currently have an ADD rating on GSL with a target price of Rs2,519 or 25x FY25F EPS.
- We have not incorporated the Rajasthan government's excise policy changes in our earnings estimates for GSL as we await its management's commentary on the same during the 3QFY24 results, which are scheduled to be declared on 9 Feb 2024.



Profit & Loss

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

Balance Sheet

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	352	258	358	2,827
Total Debtors	2,113	2,591	3,343	3,920
Inventories	1,578	1,935	2,496	2,927
Total Other Current Assets	1,052	259	334	391
Total Current Assets	5,094	5,042	6,531	10,066
Fixed Assets	9,242	10,138	12,015	12,292
Total Investments				
Intangible Assets	7	6	6	6
Total Other Non-Current Assets	1,568	388	501	587
Total Non-current Assets	10,817	10,532	12,522	12,885
Short-term Debt	1,643	1,443	1,443	1,193
Current Portion of Long-Term Debt	2,845	3,334	4,103	4,693
Total Creditors	2,845	3,334	4,103	4,693
Other Current Liabilities				
Total Current Liabilities	4,488	4,777	5,546	5,886
Total Long-term Debt	1,109	492	392	270
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1,285			
Total Non-current Liabilities	2,394	492	392	270
Total Provisions	161	176	199	217
Total Liabilities	7,044	5,445	6,137	6,372
Shareholders Equity	8,866	10,129	12,916	16,579
Minority Interests				
Total Equity	8,866	10,129	12,916	16,579

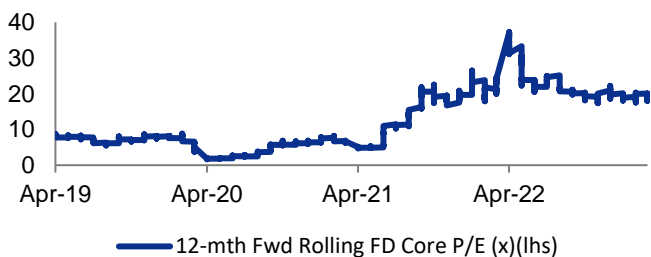
Cash Flow

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

Key Ratios

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

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



DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which are believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made. (Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short term views etc.) that are inconsistent with and reach different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

	Analyst/ Relative	Entity/ Associates
any financial interests in the company covered in this report (subject company) and nature of such financial interest	NO	NO
actual/beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the research report or date of the public appearance;	NO	NO
any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
received any compensation from the subject company in the past twelve months for investment banking or merchant banking or brokerage services or investment advisory or depository or distribution from the subject company in the last twelve months for products/services other than investment banking or merchant banking or broker- age services or investment advisory or depository or distribution from the subject company in the last twelve months	NO	NO
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

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.