

India

ADD (no change)

Consensus ratings*: Buy 2 Hold 0 Sell 0

Current price:	Rs1,209
Target price:	Rs1,850
Previous target:	Rs1,646
Up/downside:	53.0%
InCred Research / Consensus:	53.0%

Reuters:	GLOS.NS
Bloomberg:	GBSL IN
Market cap:	US\$400m
	Rs35,028m
Average daily turnover:	US\$1.6m
	Rs139.3m
Current shares o/s:	28.9m
Free float:	49.0%

*Source: Bloomberg

Key changes in this note

- Revenue cut by 2.5% and PAT by 5.8% for FY26F.
- Valuation P/E increased to 17x (15x earlier).



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	17.8	18.5	39.7
Relative (%)	19.5	21.1	39.4

Major shareholders	% held
Promoter & Promoter Group	51.0
HSBC AMC	4.4
MIT	3.8

Research Analyst(s)


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Globus Spirits Ltd

Ethanol & IMIL - twin levers of growth

- 1QFY26 results fell short of our high expectations but nevertheless a good improvement was witnessed, indicating that excellent results are likely soon.
- Ethanol spread (EBITDA) is close to Rs7/L. The IMIL segment's volume growth in Rajasthan & Uttar Pradesh remains a key monitorable.
- The stock, despite its recent upmove, trades below the five-year mean P/E of 22x one-year forward. Maintain ADD rating with a higher TP of Rs1,850.

1QFY26 results fall short of our high expectations

The 1QFY26 revenue of Globus Spirits (GSL) came in at Rs6,998m (+9% YoY, +7% QoQ), which was subdued because of lower ethanol/ENA volumes due to plant maintenance. EBITDA stood at Rs574m (+21% YoY, +48% QoQ), lower than expected, as the company's IMIL business in Delhi and Haryana took a hit and the spread in the ethanol business grew to just ~Rs4/L vs. ~Rs6/L expected. The EBITDA margin stood at 8.2% vs. 5.9% in 4QFY25 and 7.4% in 1QFY25, with PAT at Rs181m (+18.2% YoY, +269.6% QoQ) lower than expected, because of lower EBITDA.

Ethanol spread expansion & IMIL volume growth are key monitorable

The ethanol spread should stabilize above Rs7/L, in our view. The journey from ~Rs1/L in FY25 to ~Rs4/L in 1QFY26 is heartening, but we would like to see Rs7/L soon. The IMIL segment's volume growth in Delhi and Haryana has been affected and hence, Rajasthan and Uttar Pradesh (UP) remain the key markets to push growth in the segment, in our view. We have modeled the spread in the UP IMIL business improving from FY27F, although GSL's management has reiterated its stance of the margin improving for the segment in the current financial year itself.

Change in our earnings estimates

We have lowered our top-line and bottom-line estimates for FY26F by 2.5% and 5.8%, respectively, due to the lower-than-expected profitability in 1QFY26. Our estimates for FY27F and FY28F remain unchanged, as we are confident about the growth remaining intact, despite the hiccup in 1QFY26.

Maintain ADD rating with a higher target price of Rs1,850

We believe that GSL merits a valuation upgrade, from 15x to 20x P/E (one-year forward), as its earnings begin to stabilize. Post gross profit margin (GPM) expansion in 1QFY26, we have upgraded the valuation benchmark from 15x to 17x P/E. We would continue to expand the valuation P/E benchmark every quarter if growth takes place as expected. We maintain our ADD rating on GSL with a higher target price of Rs1,850 (Rs1,646 earlier) or 17x (15x earlier) FY26F EPS. The GPM expansion remains a key driver. Key downside risks include a potential rise in the prices of maize—critical for making extra neutral alcohol or ENA/ethanol—and regulated ethanol pricing by oil marketing companies or OMCs, which could impact margins adversely.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	24,147	25,371	31,882	38,039	42,773
Operating EBITDA (Rsm)	1,698	1,464	4,006	5,449	6,174
Net Profit (Rsm)	964	219	1,997	3,142	3,691
Core EPS (Rs)	33.5	7.6	69.2	108.8	127.8
Core EPS Growth	(21.1%)	(77.3%)	809.7%	57.3%	17.5%
FD Core P/E (x)	36.12	159.04	17.48	11.11	9.46
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.17%	0.06%	0.23%	0.36%	0.42%
EV/EBITDA (x)	21.94	28.54	9.10	6.19	4.85
P/FCFE (x)	32.67	128.28	181.72	22.43	9.09
Net Gearing	24.7%	69.3%	12.9%	(8.0%)	(26.9%)
P/BV (x)	3.56	3.50	2.94	2.34	1.89
ROE	10.3%	2.2%	18.3%	23.5%	22.1%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: 1QFY26 results

Rs m	1QFY26	4QFY25	%QoQ	1QFY25	%YoY
Revenue from operations	6,990	6,548	6.8%	6,423	8.8%
Cost of goods sold	4,826	4,563	5.7%	4,516	6.9%
Employee expenses	282	225	25.1%	216	30.8%
Other expenses	1,305	1,371	-4.8%	1,216	7.4%
EBITDA	577	388	48.6%	476	21.4%
Depreciation	216	208	4.1%	195	10.7%
EBIT	361	181	99.8%	280	28.8%
Other income	23	37	-37.2%	18	27.9%
Interest expenses	146	130	12.2%	85	71.3%
Profit before tax	238	87	173.4%	213	11.7%
Tax expenses	53	38	38.4%	60	-11.9%
PAT	185	49	277.9%	153	20.9%
Key Ratios	1QFY26	4QFY25	%QoQ	1QFY25	%YoY
EBITDA margin	8.3%	5.9%	233bp	7.4%	85bp
EBIT margin	5.2%	2.8%	241bp	4.4%	80bp
PBT margin	3.4%	1.3%	207bp	3.3%	9bp
PAT margin	2.7%	0.7%	190bp	2.4%	26bp
Tax rate	22.1%	43.6%	-2,153bp	28.0%	-590bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Rs m	Old estimates			New estimates			Change (%)		
	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
Revenue	32,703	38,039	42,773	31,882	38,039	42,773	-2.5%	0.0%	0.0%
EBITDA	4,024	5,449	6,174	4,006	5,449	6,174	-0.4%	0.0%	0.0%
EBITDA margin (%)	12.3%	14.3%	14.4%	12.6%	14.3%	14.4%	26bp	0bp	0bp
PAT	2,119	3,161	3,682	1,997	3,142	3,691	-5.8%	-0.6%	0.2%
EPS (Rs)	74	110	128	69	109	128	-6.0%	-0.8%	0.0%

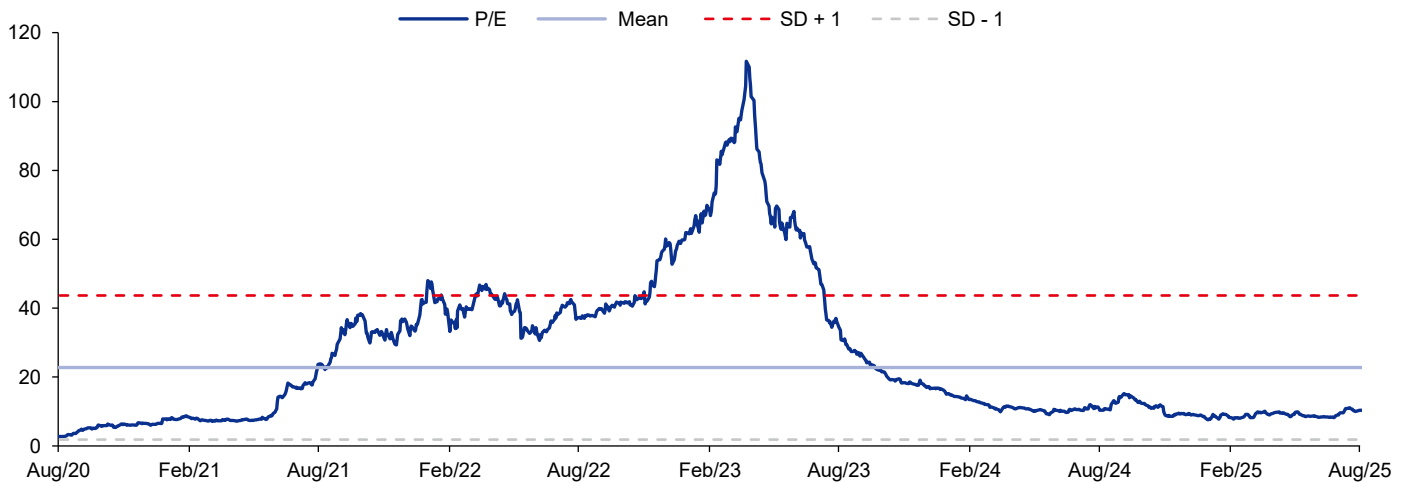
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Our key assumptions

Key assumptions	FY26F	FY27F	FY28F
Bulk alcohol sales (million litre or mL)	220	254	270
IMIL sales (m case)	18	19	21
IMFL sales (m case)	1.3	1.8	2.5
DDGS price (Rs/kg)	12	14	14
ENA price (Rs/L)	71.7	72.0	72.0
Ethanol price (Rs/L)	70.7	72.0	72.0
IMFL price (Rs/case)	1,633	2,200	2,400
IMIL price (Rs/case)	596	600	600

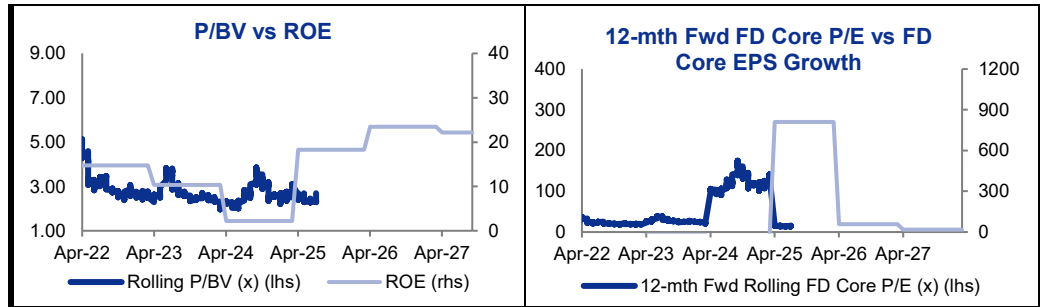
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: One-year forward P/E



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	24,147	25,371	31,882	38,039	42,773
Gross Profit	7,766	7,479	11,916	15,111	17,039
Operating EBITDA	1,698	1,464	4,006	5,449	6,174
Depreciation And Amortisation	(656)	(816)	(817)	(876)	(921)
Operating EBIT	1,042	648	3,189	4,573	5,253
Financial Income/(Expense)	(131)	(315)	(408)	(111)	(48)
Pretax Income/(Loss) from Assoc.			(70)	(160)	(160)
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	911	332	2,711	4,302	5,045
Exceptional Items					
Pre-tax Profit	911	332	2,711	4,302	5,045
Taxation	53	(113)	(714)	(1,160)	(1,353)
Exceptional Income - post-tax					
Profit After Tax	964	219	1,997	3,142	3,691
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	964	219	1,997	3,142	3,691
Recurring Net Profit	964	219	1,997	3,142	3,691
Fully Diluted Recurring Net Profit	964	219	1,997	3,142	3,691

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	1,698	1,464	4,006	5,449	6,174
Cash Flow from Invt. & Assoc.					
Change In Working Capital	664	(3,487)	3,572	(892)	(441)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	61	40	28		
Tax Paid	53	(113)	(714)	(1,160)	(1,353)
Cashflow From Operations	2,476	(2,096)	6,892	3,397	4,380
Capex	(1,836)	(2,053)	(1,000)	(500)	(500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(1,836)	(2,053)	(1,000)	(500)	(500)
Debt Raised/(repaid)	426	4,420	(5,700)	(1,340)	(40)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(58)	(22)	(80)	(126)	(148)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	368	4,398	(5,780)	(1,466)	(188)
Total Cash Generated	1,008	250	112	1,431	3,692
Free Cashflow To Equity	1,066	272	192	1,557	3,840
Free Cashflow To Firm	640	(4,148)	5,892	2,897	3,880

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	769	690	368	1,744	5,487
Total Debtors	2,756	3,225	3,194	3,811	4,285
Inventories	1,887	2,081	2,385	2,846	3,200
Total Other Current Assets	750	1,743	638	1,141	1,283
Total Current Assets	6,162	7,739	6,584	9,541	14,255
Fixed Assets	10,426	11,662	11,845	11,469	11,048
Total Investments					
Intangible Assets	3	3	3	3	3
Total Other Non-Current Assets	886	2,045	956	1,141	1,283
Total Non-current Assets	11,315	13,710	12,805	12,613	12,334
Short-term Debt	2,259	5,979	1,479	179	179
Current Portion of Long-Term Debt					
Total Creditors	3,496	2,817	4,455	5,315	5,977
Other Current Liabilities					
Total Current Liabilities	5,754	8,796	5,934	5,495	6,156
Total Long-term Debt	920	1,619	419	379	339
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	142	110			
Total Non-current Liabilities	1,061	1,729	419	379	339
Total Provisions	889	953	1,147	1,376	1,645
Total Liabilities	7,704	11,479	7,501	7,250	8,141
Shareholders Equity	9,773	9,971	11,889	14,905	18,449
Minority Interests					
Total Equity	9,773	9,971	11,889	14,905	18,449

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	14.5%	5.1%	25.7%	19.3%	12.4%
Operating EBITDA Growth	(30.9%)	(13.8%)	173.7%	36.0%	13.3%
Operating EBITDA Margin	7.0%	5.8%	12.6%	14.3%	14.4%
Net Cash Per Share (Rs)	(83.64)	(239.24)	(53.02)	41.05	172.06
BVPS (Rs)	339.22	345.32	411.72	516.19	638.91
Gross Interest Cover	3.92	1.57	7.40	41.36	108.40
Effective Tax Rate		34.0%	26.3%	27.0%	26.8%
Net Dividend Payout Ratio	6.0%	10.0%	4.0%	4.0%	4.0%
Accounts Receivables Days	36.80	43.02	36.74	33.61	34.54
Inventory Days	38.60	40.47	40.82	41.64	42.87
Accounts Payables Days	59.15	51.19	46.95	57.00	58.70
ROIC (%)	8.2%	4.9%	17.8%	31.4%	34.8%
ROCE (%)	9.2%	4.6%	19.3%	28.9%	28.2%
Return On Average Assets	6.6%	2.7%	11.8%	15.7%	15.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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CIN: U74999MH2016PTC287535

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Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.