

## New capacities planned, margins continue to expand

For FY21, Globus Spirits (GSL) reported strong profit generation, led by its niche positioning in the IMIL segment (higher volumes, realisation). Bulk segment, on the other hand, saw a largely flat performance, due to higher volatility in liquor sales during the year (weak H1). Overall, net revenues during the year grew 5% YoY to ₹ 1231 crore, led by 24% growth in IMIL segment (44% of net revenues). EBITDA doubled YoY to ₹ 255 crore mainly due to strong expansion in EBITDA margin (clocked highest ever EBITDA margin of 24.7% in Q4, 20.7% in FY21, led by higher gross margins, lower fuel, freight & power cost). Subsequently, PAT nearly tripled to ₹ 141 crore.

## Higher operating leverage expected to keep margins elevated

While FY21 saw overall muted utilisation levels (86% vs. 91% in FY20), resumption of business in H2 again saw utilisation peaking to 90%+ levels. Also, while the company's 140 klpd West Bengal plant is on track (completion by Q2 end), the management is planning to embark on further expansion of the plant (completion by next year) by another 140 klpd (280 klpd in total) and would require investment of ₹ 110 crore (via internal accruals). The management also plans to construct two other plants in Jharkhand and Bihar (220 klpd in total) by FY23, at an outlay of ₹ 225 crore (via internal accruals). All newer capacities would be fungible in nature (produce both ENA, ethanol). Long term ethanol procurement by Government of India is expected to keep ENA realisation stronger while newer product launches along with downtrading of liquor brands and enforcement of law on illicit liquor trading is expected to help the IMIL segment. The management expects to maintain margins, use cashflows to lower debt and fund capex programmes in the near to medium term.

## Well placed to capture extreme ends of liquor industry

GSL has a product range across the two ends of the liquor segment (hour glass shaped consumption), including manufacturing extra neutral alcohol (ENA) to contract bottling of Indian made foreign liquor (IMFL), to marketing, selling IMIL, several by-products. The company's JV Unibev launched three IMFL liquor brands in the Prestige & above category in a few states and is gradually ramping up its presence in more states. The management has been slowly building up the franchise across key territories.

## Valuation & Outlook

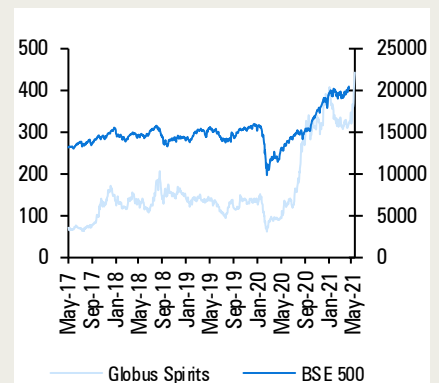
GSL has been a beneficiary of the changing dynamics in the liquor space. The management has been at the forefront in capturing the opportunities. On the IMIL front, GSL expects more premium price points in the value segment led by higher strengths (>40%) in IMIL space (e.g. Rajasthan medium liquor) while on the ENA front, the management continues to expand its facilities in deficit states (to gain higher realisation and utilisation levels). Hence, with higher revenues and elevated margins, FCF yield is expected to remain high. We maintain **BUY** rating on the stock with a target price of ₹ 690 (earlier ₹ 400), valuing the business at ~8x FY23E EPS.



### Particulars

Market Capitalisation (₹ cr)	1,497.6
52 Week High / Low (₹)	530/118
Promoter Holding (%)	55.9
FII Holding (%)	0.8
DII Holding (%)	0.0
Dividend Yield (%)	0.2

### Price Performance



### Key risks to our call

- Hardening of raw material prices
- Another instance of state-wide lockdown

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### Key Financial Summary

₹ crore	FY20	FY21E	FY22E	FY23E	CAGR
Net Sales	1,168.8	1,230.8	1,421.8	1,749.1	13.0%
EBITDA	124.7	254.7	304.3	383.1	51.1%
PAT	49.9	140.8	189.8	246.4	98.3%
P/E (x)	30.0	10.6	7.9	6.1	
M.Cap/Sales (x)	1.3	1.2	1.1	0.9	
RoCE (%)	14.5	28.0	29.1	29.6	
RoE (%)	11.2	24.1	24.6	24.3	

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 1: Profit and loss statement (₹ crore)				
(Year-end March)/ (₹ crore)	FY20	FY21E	FY22E	FY23E
<b>Total Operating Income</b>	<b>1,168.8</b>	<b>1,230.8</b>	<b>1,421.8</b>	<b>1,749.1</b>
Growth (%)	18.6	5.3	15.5	23.0
Raw Material Expenses	717.6	653.2	739.3	909.6
Gross Profit	451.2	577.6	682.5	839.6
Gross Profit Margins (%)	38.6	46.9	48.0	48.0
Employee Expenses	34.3	38.4	44.1	54.2
Other Expenditure	292.2	284.5	334.1	402.3
Total Operating Expenditure	1,044.1	976.1	1,117.5	1,366.1
<b>EBITDA</b>	<b>124.7</b>	<b>254.7</b>	<b>304.3</b>	<b>383.1</b>
Growth (%)	41.3	104.2	19.5	25.9
Interest	23.6	18.8	12.6	10.9
Depreciation	38.0	40.7	47.1	53.9
Other Income	3.7	6.6	9.0	11.0
PBT before Exceptional Items	66.9	201.8	253.6	329.3
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	66.9	201.8	253.6	329.3
Total Tax	17.2	61.0	63.8	82.9
PAT before MI	49.7	140.8	189.7	246.4
Minority Interest	-0.2	0.0	0.0	0.0
<b>PAT</b>	<b>49.9</b>	<b>140.8</b>	<b>189.8</b>	<b>246.4</b>
Growth (%)	105.1	182.2	34.7	29.8
<b>EPS (Adjusted)</b>	<b>17.3</b>	<b>48.9</b>	<b>65.9</b>	<b>85.6</b>

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement (₹ crore)				
(Year-end March)/ (₹ crore)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	49.9	140.8	189.8	246.4
Add: Depreciation & Amortization	38.0	40.7	47.1	53.9
Add: Interest Paid	23.6	18.8	12.6	10.9
Net Increase in Current Assets	-7.3	-89.3	2.0	-44.2
Net Increase in Current Liabilities	33.8	28.2	15.4	32.2
Others	-2.6	0.5	0.0	0.0
<b>CF from Operating activities</b>	<b>135.4</b>	<b>139.7</b>	<b>266.8</b>	<b>299.3</b>
(Purchase)/Sale of Fixed Assets	-32.8	-61.7	-116.7	-125.0
Long term Loans & Advances	-4.8	1.4	0.0	0.0
Investments	0.0	0.0	-30.0	-30.0
Others	10.1	-15.9	-1.3	-1.4
<b>CF from Investing activities</b>	<b>-27.4</b>	<b>-76.1</b>	<b>-148.0</b>	<b>-156.4</b>
(inc)/Dec in Loan	-63.7	-3.3	-60.0	-10.0
Dividend & Dividend tax	-3.3	-3.3	-3.3	-3.3
Less: Interest Paid	-23.6	-18.8	-12.6	-10.9
Other	0.0	0.0	0.0	0.0
<b>CF from Financing activities</b>	<b>-90.5</b>	<b>-25.4</b>	<b>-75.9</b>	<b>-24.2</b>
Net Cash Flow	17.5	38.1	42.9	118.7
Cash and Cash Equivalent at the	2.5	20.0	58.1	101.0
<b>Cash</b>	<b>20.0</b>	<b>58.1</b>	<b>101.0</b>	<b>219.8</b>

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet (₹ crore)				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	28.8	28.8	28.8	28.8
Reserve and Surplus	418.5	556.5	743.0	986.1
Total Shareholders funds	447.3	585.3	771.8	1,014.9
Minority Interest	-0.9	-0.9	-0.9	-0.9
Total Debt	137.3	134.0	74.0	64.0
Deferred Tax Liability	33.6	59.3	59.3	59.3
Long-Term Provisions	2.8	3.0	3.1	3.1
Other Non Current Liabilities	3.7	7.7	7.8	8.0
<b>Source of Funds</b>	<b>623.8</b>	<b>788.3</b>	<b>915.0</b>	<b>1148.3</b>
Gross Block - Fixed Assets	688.5	730.9	855.9	980.9
Accumulated Depreciation	133.8	174.4	221.5	275.4
Net Block	554.8	556.4	634.4	705.4
Capital WIP	28.9	48.3	40.0	40.0
Fixed Assets	583.7	604.7	674.4	745.4
Investments	0.0	0.0	30.0	60.0
Other non-Current Assets	31.4	77.1	78.6	80.2
Inventory	106.3	102.2	128.5	158.1
Debtors	33.8	87.9	58.4	71.9
Loans and Advances	8.8	8.2	8.2	8.2
Other Current Assets	15.2	53.8	54.9	56.0
Cash	20.0	58.1	101.0	219.8
Total Current Assets	184.2	310.2	351.1	514.0
Creditors	108.5	118.8	132.4	162.9
Provisions	0.7	3.1	3.2	3.3
Other Current Liabilities	66.3	81.8	83.4	85.1
Total Current Liabilities	175.5	203.7	219.1	251.3
Net Current Assets	8.6	106.5	132.0	262.7
<b>Application of Funds</b>	<b>623.7</b>	<b>788.3</b>	<b>915.0</b>	<b>1,148.3</b>

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
Reported EPS	17.3	48.9	65.9	85.6
Cash EPS	16.2	47.8	64.7	84.4
BV per share	155.3	203.2	268.0	352.4
Cash per Share	6.9	20.2	35.1	76.3
Dividend per share	1.2	1.2	1.2	1.2
<b>Operating Ratios (%)</b>				
Gross Profit Margins	38.6	46.9	48.0	48.0
EBITDA margins	10.7	20.7	21.4	21.9
PAT Margins	4.3	11.4	13.3	14.1
Inventory days	33.2	30.3	33.0	33.0
Debtor days	10.6	26.1	15.0	15.0
Creditor days	33.9	35.2	34.0	34.0
Asset Turnover	1.7	1.7	1.7	1.8
<b>Return Ratios (%)</b>				
RoE	11.2	24.1	24.6	24.3
RoCE	14.5	28.0	29.1	29.6
RoIC	15.1	31.4	33.2	37.0
<b>Valuation Ratios (x)</b>				
P/E	30.0	10.6	7.9	6.1
EV / EBITDA	12.9	6.2	4.8	3.5
EV / Net Sales	1.4	1.3	1.0	0.8
Market Cap / Sales	1.3	1.2	1.1	0.9
Price to Book Value	3.3	2.6	1.9	1.5
<b>Solvency Ratios</b>				
Debt / EBITDA	1.1	0.5	0.2	0.2
Debt / Equity	0.3	0.2	0.1	0.1
Current Ratio	0.9	1.2	1.1	1.1

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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