

Plans aggressive capacity addition in next two years...

About the stock: Globus Spirits (GSL) is the largest grain based ENA manufacturer in India with a capacity of 160 million litre. The company is also a supplier of Indian made Indian liquor (IMIL) and premium IMFL in India.

- IMIL segment comprised ~42% of consolidated revenues, with the rest contributed by bulk alcohol (45%) and others (bottling and by-products)
- Total 80% of IMIL sales occurs in Rajasthan (32-33% market share)

Q3FY22 Results: Plant shutdown impacted the performance.

- Net revenues de-grew 9% QoQ to ₹ 347 crore
- EBITDA de-grew 34% QoQ to ₹ 58 crore with margins at 16.8% (vs. 23% in Q2FY22)
- Subsequently, PAT de-grew 42% QoQ to ₹ 31 crore

What should investors do? With doubling of the current capacity by FY24 to ~1230 KLPD, GSL plans to capitalise on the changing dynamics in the liquor space. Further, growing opportunities in IMIL space (better price points and growing aspirations) would lead to higher asset turnover and return ratios in the long run.

- We remain positive on the stock and maintain our **BUY** recommendation

Target Price & Valuation: We value the stock at ₹ 1750 i.e. 15x P/E on FY24E EPS

Key triggers for future price performance: GSL has a product range across these two ends of 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.

- Capturing premium price points in IMIL space via higher strength liquor
- The government expedited 20% blending target to 2025, leading to higher diversion of ENA towards ethanol
- Net debt expected to come down, return ratios reaching 30%+ levels

Alternate Stock Idea: Apart from GSL, we remain positive on United Spirits (USL).

- USL is India's leading alcoholic beverage company and subsidiary of global leader Diageo plc. It manufactures, sells premium liquor brands such as Johnnie Walker, Black Dog, Black & White, Vat 69, Antiquity, Signature, Royal Challenge, McDowell's No 1, Smirnoff and Captain Morgan
- We have a BUY rating on the stock, with a target price of ₹ 1050

Key Financial Summary

₹ crore	FY20	FY21	5 Year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 Year CAGR
Net Sales	1,168.8	1,230.8	11.0%	1,454.1	1,799.0	2,158.5	20.6%
EBITDA	124.7	254.7	22.7%	315.5	404.8	498.6	25.1%
PAT	49.9	140.8	32.5%	198.4	262.4	330.5	32.9%
P/E (x)	72.1	25.6		18.1	13.7	10.9	
M.Cap/Sales (x)	3.1	2.9		2.5	2.0	1.7	
RoCE (%)	14.5	28.0		30.1	30.9	30.3	
RoE (%)	11.2	24.1		25.4	25.2	24.2	

Source: Company, ICICI Direct Research



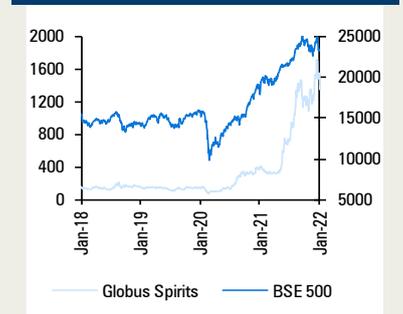
Particulars

Market Capitalisation (₹ cr)	3,599.9
Total Debt (₹ cr) - FY21	134.0
Cash (₹ cr) - FY21	58.1
EV (₹ cr) - FY22	3,675.8
52 Week High / Low (₹)	1760/293
Equity Capital (₹ cr)	28.8
Face Value (₹)	10.0

Shareholding pattern

(in %)	Mar-21	Jun-21	Sep-21	Dec-21
Promoter	55.9	56.0	50.9	50.9
Others	44.1	44.0	49.1	49.1

Price Chart



Recent event & key risks

- Commissioning of 140 KLPD Jharkhand plant
- **Key Risk:** (i) Hardening of raw material prices (ii) Extension of state lockdowns

Research Analyst

Bharat Chhoda
bharat.chhoda@icicisecurities.com

Harshal Mehta
harshal.mehta@icicisecurities.com

Key takeaways

Q3FY22 Results: Firing on all cylinders

- Rajasthan market share has improved to 32.5%, Haryana at 9% and West Bengal at 2%
- Value+ segment grew 52% YoY and now captures 45% of market share (in value+ segment) in Rajasthan
- Premium segment reported revenue of ₹ 2.3 crore in Q3FY22

Q3FY22 Earnings Conference Call highlights

- Haryana and Bihar plant closure led to an EBITDA opportunity loss of ₹ 25 crore in Q3
- West Bengal plant saw commercialisation in Q3, which is now running at 100% capacity
- Fuel cost inflation (reached up to 18% levels during the quarter). It could not be passed to ENA customers, impacting margins. ENA price hike (~3%) however, limited the negative impact
- Globus will increase supply of ethanol made from surplus rice, purchased from FCI at fixed price. Between December 1, 2021 and November 30, 2022, Globus has allotted 36% of current capacity towards ethanol supply to OMCs (half of the supply will be from surplus rice)
- Jharkhand plant (140 klpd) is expected to be commissioned in Q1FY23 while the new brownfield expansion plant (140 klpd) is expected to be commissioned in Q1FY24 and UP (140 klpd) and Odisha to be set up later in 2023-24 and early 2024-25, respectively
- Post completion of the projects, capacity is expected to go up to 1230 klpd from current 670 klpd capacity. Each project is expected to cost ₹ 120 crore (140 klpd plant)
- On-track to launch a new whisky brand in Q1FY23. Black Lace rum launched in Q3FY22 has been well received
- Launched two new brands (value) in the IMIL segment in Haryana, named metro liquor
- Premium segment to be introduced in Uttar Pradesh, Delhi in Q4FY22 and Haryana in Q1FY23. Globus has refurbished existing brands in West Bengal and Telangana

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)/ (₹ crore)	FY21	FY22E	FY23E	FY24E
Total Operating Income	1,230.8	1,454.1	1,799.0	2,158.5
Growth (%)	5.3	18.1	23.7	20.0
Raw Material Expenses	653.2	748.8	899.5	1,079.2
Gross Profit	577.6	705.2	899.5	1,079.2
Gross Profit Margins (%)	46.9	48.5	50.0	50.0
Employee Expenses	38.4	48.0	63.0	73.4
Other Expenditure	284.5	341.7	431.8	507.2
Total Operating Expenditure	976.1	1,138.5	1,394.2	1,659.9
EBITDA	254.7	315.5	404.8	498.6
Growth (%)	104.2	23.9	28.3	23.2
Interest	18.8	12.6	11.5	9.7
Depreciation	40.7	47.1	53.9	60.8
Other Income	6.6	9.2	11.3	13.6
PBT before Exceptional Items	201.8	265.0	350.6	441.7
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	201.8	265.0	350.6	441.7
Total Tax	61.0	66.7	88.3	111.2
PAT before MI	140.8	198.3	262.4	330.5
Minority Interest	0.0	0.0	0.0	0.0
PAT	140.8	198.4	262.4	330.5
Growth (%)	182.2	40.8	32.3	26.0
EPS (Adjusted)	48.9	68.9	91.1	114.8

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)/ (₹ crore)	FY21	FY22E	FY23E	FY24E
Profit/(Loss) after taxation	140.8	198.4	262.4	330.5
Add: Depreciation & Amortization	40.7	47.1	53.9	60.8
Add: Interest Paid	18.8	12.6	11.5	9.7
Net Increase in Current Assets	-89.3	-2.3	-46.5	-48.4
Net Increase in Current Liabilities	28.2	18.4	33.9	35.3
Others	0.5	0.0	0.0	0.0
CF from Operating activities	139.7	274.1	315.3	387.9
(Purchase)/Sale of Fixed Assets	-61.7	-116.7	-125.0	-125.0
Long term Loans & Advances	1.4	0.0	0.0	0.0
Investments	0.0	-30.0	-160.0	-230.0
Others	-15.9	-1.3	-1.4	-1.4
CF from Investing activities	-76.1	-148.0	-286.4	-356.4
(inc)/Dec in Loan	-3.3	-60.0	-10.0	-10.0
Dividend & Dividend tax	-3.3	-3.3	-3.3	-3.3
Less: Interest Paid	-18.8	-12.6	-11.5	-9.7
Other	0.0	0.0	0.0	0.0
CF from Financing activities	-25.4	-75.9	-24.8	-23.0
Net Cash Flow	38.1	50.2	4.1	8.5
Cash and Cash Equivalent at the	20.0	58.1	108.4	112.4
Cash	58.1	108.4	112.4	120.9

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY21	FY22E	FY23E	FY24E
Equity Capital	28.8	28.8	28.8	28.8
Reserve and Surplus	556.5	751.6	1,010.7	1,337.9
Total Shareholders funds	585.3	780.4	1,039.5	1,366.7
Minority Interest	-0.9	-0.9	-0.9	-0.9
Total Debt	134.0	74.0	64.0	54.0
Deferred Tax Liability	59.3	59.3	59.3	59.3
Long-Term Provisions	3.0	3.1	3.1	3.2
Other Non Current Liabilities	7.7	7.8	8.0	8.2
Source of Funds	788.3	923.6	1,172.9	1,490.3
Gross Block - Fixed Assets	730.9	855.9	980.9	1,105.9
Accumulated Depreciation	174.4	221.5	275.4	336.3
Net Block	556.4	634.4	705.4	769.6
Capital WIP	48.3	40.0	40.0	40.0
Fixed Assets	604.7	674.4	745.4	809.6
Investments	0.0	30.0	190.0	420.0
Other non-Current Assets	77.1	78.6	80.2	81.8
Inventory	102.2	131.5	162.7	195.2
Debtors	87.9	59.8	73.9	88.7
Loans and Advances	8.2	8.2	8.2	8.2
Other Current Assets	53.8	54.9	56.0	57.1
Cash	58.1	108.4	112.4	120.9
Total Current Assets	310.2	362.6	413.2	470.1
Creditors	118.8	135.4	167.6	201.1
Provisions	3.1	3.2	3.3	3.3
Other Current Liabilities	81.8	83.4	85.1	86.8
Total Current Liabilities	203.7	222.1	255.9	291.2
Net Current Assets	106.5	140.6	157.3	178.9
Application of Funds	788.3	923.6	1,172.9	1,490.3

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
Reported EPS	48.9	68.9	91.1	114.8
Cash EPS	47.8	67.7	90.0	113.6
BV per share	203.2	271.0	360.9	474.6
Cash per Share	20.2	37.6	39.0	42.0
Dividend per share	1.2	1.2	1.2	1.2
Operating Ratios (%)				
Gross Profit Margins	46.9	48.5	50.0	50.0
EBITDA margins	20.7	21.7	22.5	23.1
PAT Margins	11.4	13.6	14.6	15.3
Inventory days	30.3	33.0	33.0	33.0
Debtor days	26.1	15.0	15.0	15.0
Creditor days	35.2	34.0	34.0	34.0
Asset Turnover	1.7	1.7	1.8	2.0
Return Ratios (%)				
RoE	24.1	25.4	25.2	24.2
RoCE	28.0	30.1	30.9	30.3
RoIC	31.4	34.6	39.4	43.8
Valuation Ratios (x)				
P/E	25.6	18.1	13.7	10.9
EV / EBITDA	14.4	11.3	8.5	6.4
EV / Net Sales	3.0	2.5	1.9	1.5
Market Cap / Sales	2.9	2.5	2.0	1.7
Price to Book Value	6.2	4.6	3.5	2.6
Solvency Ratios				
Debt / EBITDA	0.5	0.2	0.2	0.1
Debt / Equity	0.2	0.1	0.1	0.0
Current Ratio	1.2	1.1	1.2	1.2

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Bharat Chhoda, MBA, Harshal Mehta MTech (Biotech), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number - INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts do not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.