

Sharper recovery reflects pre-Covid performance...

United Breweries' (UBL) net revenues showed a sharp recovery and grew 8% YoY to ₹ 1544 crore. Volumes grew 9% YoY, due to good growth in all key markets except Telangana, Delhi and Odisha. Gross margins grew 110 bps YoY to 52% due to a better state mix and price hikes, which along with control on operational costs led to EBITDA margin of 16.9% (up 760 bps YoY). Subsequently, absolute EBITDA was at ₹ 261 crore (up 98% YoY). The company reported exceptional expense of ₹ 62 crore due to recognition of impairment loss of ₹ 44.5 crore at Bihar plant and impairment loss of ₹ 17.8 crore on investment in subsidiary company. Subsequently, PAT came in at ₹ 97 crore (unadjusted), as the operational performance was negated by exceptional expense.

Affordability to assist beer gain higher market share over liquor

Q4 volume growth showed a normalised trend of premium volumes growing at double of popular portfolio. The sharp jump over pre-Covid levels, was mainly due to strong performance in the off-trade channels, reflecting strength of UBL brand portfolio, while on-trade channel moved closer to normalcy. The market is also witnessing beer prices getting affordable in few key states such as West Bengal, UP (from Q1FY22), Rajasthan (from Q1FY22), which is expected to help the entire beer sector to recover swiftly (further upside if such policies are adapted by other states) and also drive greater in-home consumption. Going forward, the management remains cautious in Q1FY22 as volume impact would depend on the extent of lockdown (both duration and magnitude).

Strong balance sheet to help UBL tide over current volatility

UBL shored up its balance sheet by raising its liquidity position (~₹ 470 crore cash) and improved its WC position (H2 onwards) to stay afloat during uncertain times, as its newer competitors (microbreweries, PE funded premium craft players) continue to remain more impacted than the bigger rivals. UBL on the other hand, with its wide array of portfolio, comfortable b/s and distribution reach, can capture the potential void in the sector. Also, increased technology in the delivery sphere of alcohol is expected to shift consumer behaviour (more acquisition of new customers and lowering the social stigma attached to alcohol), driving beer penetration.

Valuation & Outlook

Facing multiple headwinds in FY21, Q4 results reflected the inherent strength in the UBL brand portfolio and beer sector, in general, to spring back to growth (capture lost market share from liquor), when situation normalises. It stays an underpenetrated segment (12% market share in alcohol consumed), a preferred choice of ready to drink product for the youth and, thus, has long term growth potential (in a landscape historically dominated by liquor). We maintain **BUY** rating on the stock with a revised target price of ₹ 1450 (earlier ₹ 1490).

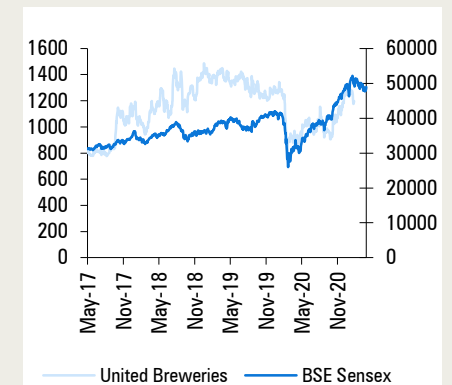


UNITED BREWERIES LIMITED

Particulars

Particular	Amount
Market Capitalization (₹ cr)	31,728.6
Total Debt (FY20) (₹ cr)	169.1
Cash (FY20) (₹ cr)	78.6
EV (₹ cr)	31,819.1
52 week H/L	1330/859
Equity Capital (₹ Crore)	26.4
Face Value (₹)	1.0

Price Performance



Key risks to our call

- More state lockdowns in Q1FY22
- Hardening of raw material prices (barley and glass)

Research Analyst

Bharat Chhoda
bharat.chhoda@icicisecurities.com

Harshal Mehta
harshal.mehta@icicisecurities.com

Key Financial Summary

₹ crore	FY19	FY20	FY21P	FY22E	FY23E	CAGR (%)
Net Sales	6475.4	6509.2	4243.1	5917.6	7694.4	4.4
EBITDA	1138.4	875.8	381.1	869.9	1308.1	3.5
PAT	563.3	427.7	113.2	490.6	793.8	9.0
P/E (x)	56.3	74.2	280.2	64.7	40.0	
Market cap to Sales (x)	4.9	4.9	7.5	5.4	4.1	
RoCE (%)	26.8	15.9	4.0	15.4	21.4	
RoE (%)	17.7	12.2	3.2	12.3	16.9	

Source: Company, ICICI Direct research

Exhibit 1: Variance Analysis

₹ Crore	Q4FY21	Q4FY21E	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Revenue	1,543.5	1,380.0	1,424.2	8.4	1,289.7	19.7	YoY recovery due to 9% volume growth
Consumption of Raw material	719.4	634.8	643.4	11.8	577.7	24.5	Better gross margins (expanded 110 bps YoY to 52%) due to better pricing and benign costs
Purchase of traded goods	21.7	0.0	55.9	NA	17.3	25.4	
Employee Cost	133.2	127.0	127.9	4.2	124.1	7.3	
Other Expenditure	407.9	427.8	464.7	-12.2	397.2	2.7	Contains provision of ₹ 12 crore in the YoY base quarter for obsolete stock
Total Expense	1,282.2	1,189.6	1,291.9	-0.8	1,116.3	14.9	
EBITDA	261.3	190.4	132.3	97.6	173.5	50.6	
EBITDA Margin (%)	16.9	13.8	9.3	764.2	13.4	348.0	EBITDA margin expansion by 764 bps due to better gross margins and cost control measures
Depreciation	62.3	56.5	73.4	-15.1	57.8	7.7	
Interest	4.2	4.3	4.8	-11.3	5.3	-21.0	
Other Income	11.6	4.2	0.6	1,796.7	4.6	150.4	
Exceptional item	-62.2	0.0	0.0	NA	55.0	NA	Exceptional expense due to recognition of impairment loss of ₹ 44.5 crore at the Bihar plant and impairment loss of ₹ 17.8 crore on investment in subsidiary company
PBT	144.1	133.8	54.7	163.4	114.9	25.5	
Total Tax	47.4	33.7	13.5	249.9	43.5	8.9	
Reported PAT	96.8	100.1	41.2	134.9	71.4	35.6	

Source: ICICI Direct Research

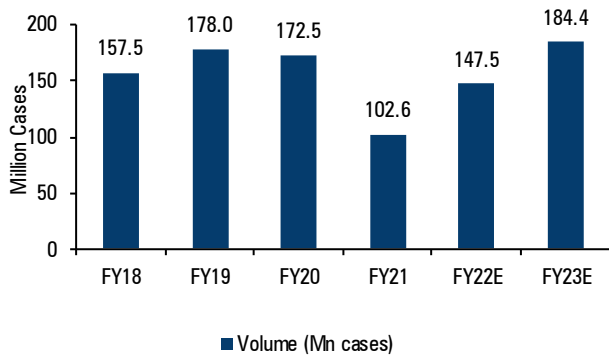
Exhibit 2: Change in estimates

(₹ Crore)	FY22E					FY23E			% Change
	FY20	FY21	Old	New	% Change	Old	Introduced	% Change	
Revenue	6,509.2	4,243.1	7,044.7	5,917.6	-16.0	8,107.9	7,694.4	-5.1	Estimates revised downwards due to Covid related disruption in Q1FY22
EBITDA	875.8	381.1	1,091.9	869.9	-20.3	1,354.0	1,308.1	-3.4	
EBITDA Margin (%)	13.5	9.0	15.5	14.7	-80 bps	16.7	17.0	30 bps	Margins expected to remain rangebound at 15-17% levels
PAT	427.7	113.2	606.5	490.6	-19.1	798.6	793.8	-0.6	
EPS (₹)	16.2	4.3	22.9	18.6	-19.1	30.2	30.0	-0.6	

Source: Company, ICICI Direct Research

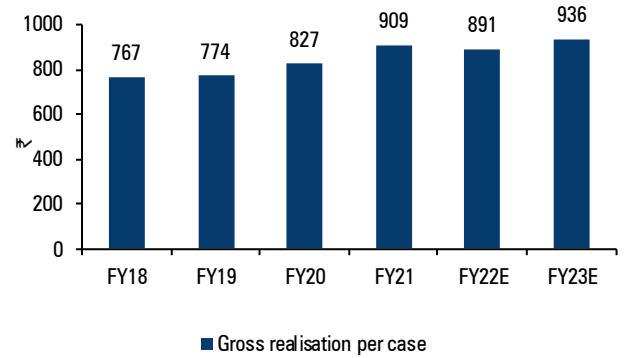
Key Metrics

Exhibit 3: Volumes expected to grow at 34% CAGR (FY21-23)



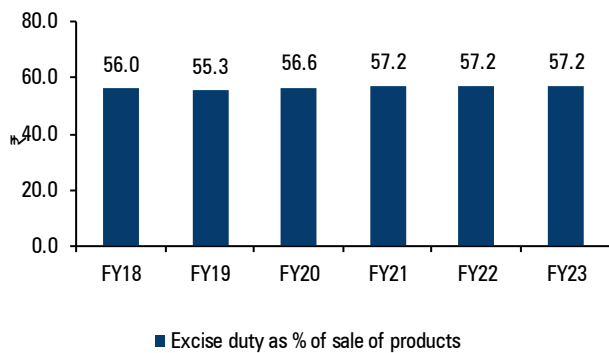
Source: ICICI Direct Research, Company

Exhibit 4: Gross realisation expected to remain strong



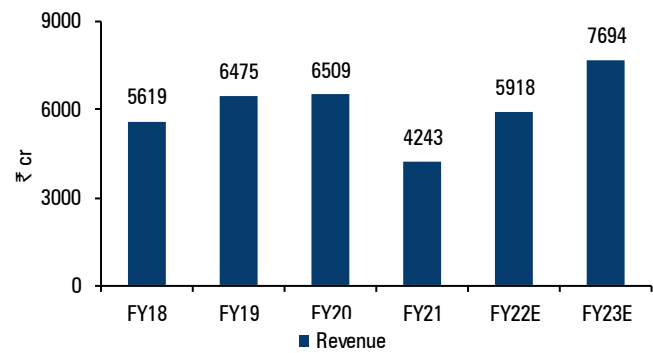
Source: ICICI Direct Research, Company

Exhibit 5: Excise duty expected to remain high across states



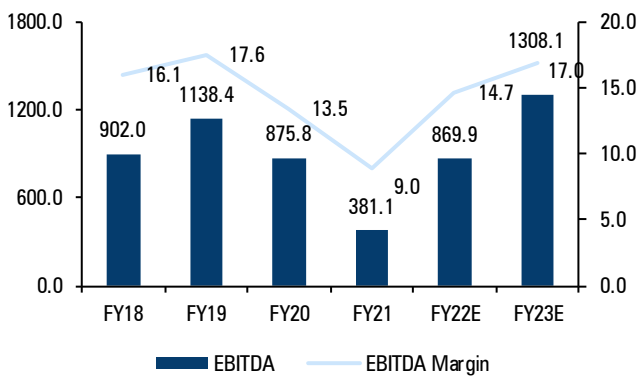
Source: ICICI Direct Research, Company

Exhibit 6: Net revenues to grow at 35% CAGR (FY21-23E)



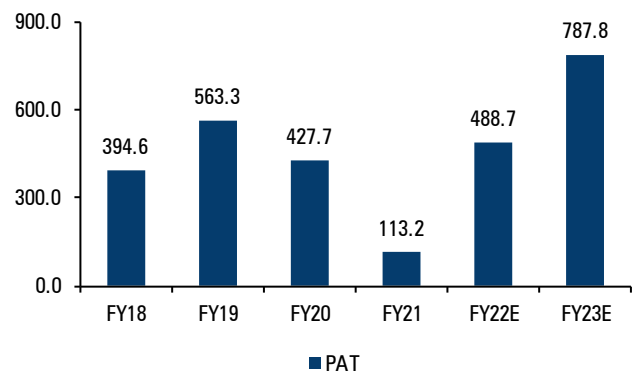
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA expected to grow at 85% CAGR (FY21-23E)



Source: Company, ICICI Direct Research

Exhibit 8: PAT expected to grow at 1.64x CAGR in FY21-23E



Source: Company, ICICI Direct Research

Exhibit 9: Valuation ratios

	Sales	Sales	EPS	EPS	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	Growth (%)	(₹)	Growth (%)	(x)	(x)	(%)	(%)
FY19	6475.4	15.2	21.3	42.7	56.3	27.9	17.7	26.8
FY20	6509.2	0.5	16.2	-24.1	74.2	36.3	12.2	15.9
FY21	4243.1	-34.8	4.3	-73.5	280.2	82.3	3.2	4.0
FY22E	5917.6	39.5	18.6	333.3	64.7	35.9	12.3	15.4
FY23E	7694.4	30.0	30.0	61.8	40.0	23.9	16.9	21.4

Source: Company, ICICI Direct Research

Financial summary

Exhibit 10: Profit & Loss Statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Total operating Income	6,509.2	4,243.1	5,917.6	7,694.4
Growth (%)	0.5	-34.8	39.5	30.0
COGS	2,966.1	1,965.2	2,722.1	3,539.4
Change in Inv, WIP & stock in t	185.1	64.2	0.0	0.0
Employee benefit expense	504.1	485.5	520.8	577.1
Selling & promotional expenses	367.3	237.6	325.5	423.2
Other expense	1,610.9	1,109.6	1,479.4	1,846.7
EBITDA	875.8	381.1	869.9	1,308.1
Growth (%)	-23.1	-56.5	128.3	50.4
Depreciation	285.1	232.0	257.4	307.8
EBIT	590.7	149.0	612.5	1,000.3
Interest	31.1	22.7	0.0	0.0
Other Income	9.3	50.3	41.4	53.9
Exceptional Item	0.0	-7.2	0.0	0.0
PBT	568.9	169.4	653.9	1,054.1
Tax	140.6	55.6	164.6	265.3
Reported PAT	428.3	113.8	489.3	788.8
Adjustments	0.6	0.6	0.6	1.0
Adjusted PAT	427.7	113.2	488.7	787.8
EPS	16.2	4.3	18.5	29.8

Source: ICICI Direct Research

Exhibit 11: Cash flow Statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit after Tax	427.7	113.2	488.7	787.8
Add: Depreciation	285.1	232.0	257.4	307.8
Add: Interest Expense	31.1	22.7	0.0	0.0
Increase/(Decrease) in CL	-263.3	292.5	-32.5	201.6
(Increase)/Decrease in CA	72.3	28.6	281.1	-715.2
CF from Operating Activities	507.8	620.3	994.8	582.0
Purchase of Fixed Assets	-403.3	-149.8	-262.9	-314.2
(Inc)/Dec in Investments	-59.6	-1.8	-533.9	-228.9
Others	11.0	20.5	0.0	0.0
CF from Investing Activities	-451.9	-131.0	-796.8	-543.1
Inc/(Dec) in Loan Funds	87.6	6.1	-130.0	-30.0
Inc/(Dec) in Sh. Cap. & Res.	0.0	0.0	0.0	0.0
Less: Dividend & Dividend Tax	-80.0	-81.9	-81.9	-81.9
Others	-31.1	-22.7	0.0	0.0
CF from financing activities	-23.5	-98.6	-211.9	-111.9
Op. Cash and cash Eq.	46.2	78.6	469.3	455.3
Cl. Cash and cash Eq.	78.6	469.3	455.3	382.3

Source: ICICI Direct Research

Exhibit 12: Balance Sheet				
	₹ crore			
(Year-end March)	FY20	FY21P	FY22E	FY23E
Source of Funds				
Equity Capital	26.4	26.4	26.4	26.4
Reserves & Surplus	3,493.8	3,555.8	3,962.6	4,668.4
Shareholder's Fund	3,520.3	3,582.3	3,989.0	4,694.8
Long term Loan Funds	8.9	115.2	15.2	15.2
Provisions	27.9	12.7	13.3	14.0
Total Current Liabilities	1,990.4	2,138.2	2,075.1	2,246.0
Short term borrowings	160.2	0.2	-29.8	-59.8
Trade payables	545.0	618.1	554.6	724.5
Other current liabilities	1,195.4	1,428.9	1,457.4	1,486.6
Provisions	89.9	91.1	92.9	94.8
Source of Funds	5,550.8	5,852.2	6,096.4	6,973.8
Application of Funds				
Gross Block	4,507.7	4,780.8	5,030.8	5,330.8
Less: Acc. Depreciation	2,605.8	2,837.8	3,095.2	3,403.0
Net Block	1,901.9	1,943.0	1,935.6	1,927.8
Capital WIP	199.1	128.8	141.7	155.8
Goodwill & Other Intangibles	48.1	27.4	27.4	27.4
Investments	0.3	6.1	628.8	928.8
Inventories	1,093.9	1,136.7	924.3	1,207.5
Debtor	1,350.4	1,395.0	1,294.0	1,690.5
Cash	78.6	469.3	455.3	382.3
Loan & Advance, Other CA	438.6	322.6	354.9	390.4
Total Current assets	2,961.5	3,323.6	3,028.5	3,670.6
Application of Funds	5,550.8	5,852.2	6,096.4	6,973.8

Source: ICICI Direct Research

Exhibit 13: Key Ratios				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
Book Value	133.1	135.5	150.9	177.6
Cash per share	3.0	17.7	17.2	14.5
EPS	16.2	4.3	18.5	29.8
Cash EPS	1.2	0.9	0.0	0.0
DPS	2.5	2.5	2.5	2.5
Profitability & Operating Ratios				
EBITDA Margin (%)	13.5	9.0	14.7	17.0
PAT Margin (%)	6.6	2.7	8.3	10.2
Fixed Asset Turnover (x)	3.3	2.1	2.7	3.3
Inventory Turnover (Days)	27.3	40.7	25.0	25.0
Debtor (Days)	33.6	50.0	35.0	35.0
Creditors (Days)	13.6	22.1	15.0	15.0
Return Ratios (%)				
RoE	12.2	3.2	12.3	16.8
RoCE	15.9	4.0	15.4	21.4
RoIC	16.4	4.6	21.2	30.0
Valuation Ratios (x)				
P/E	74.2	280.2	64.9	40.3
Price to Book Value	9.0	8.9	8.0	6.8
EV/EBITDA	36.3	82.3	35.9	23.9
EV/Sales	4.9	7.4	5.3	4.1
Leverage & Solvency Ratios				
Debt to equity (x)	0.0	0.0	0.0	0.0
Interest Coverage (x)	19.0	6.6	0.0	0.0
Debt to EBITDA (x)	0.2	0.3	0.0	0.0
Current Ratio	1.5	1.6	1.5	1.6

Source: 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, AkruTI Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Bharat Chhoda, MBA, Harshal Mehta M.Tech (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 an 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 an 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.