

Research Report

United Breweries Limited



Prepared By-

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About

United Breweries Ltd (UBL), a subsidiary of Heineken NV, is a manufacturer and distributor of alcoholic and non-alcoholic beverages. The company's products portfolio comprises of beer, and packaged drinking water. The company also organizes food and music festivals and sporting events to supply beer. UBL markets its products through restaurants, bars, pubs, clubs, and star hotels. The company owns and manages manufacturing facilities and contract units in Andhra Pradesh, Goa, Kerala, Karnataka, Telangana, Punjab, Haryana, West Bengal, Rajasthan, Maharashtra, and Odisha states of India. UBL is headquartered in Bangalore, Karnataka, India.

Key Brands

- **Kingfisher Strong**
- **Heineken Silver**
- **Kingfisher Ultra**
- **Kingfisher Premium**
- **Kingfisher Ultra Max**
- **Kingfisher Storm.**

Synopsis of Financials

- Net sales rose by 21% across various states, with some offset in markets like Haryana and Rajasthan.
- Volumes for the full year were up close to 2%, with net sales up by 8%.
- Gaining market share with an estimated overall market share of over 50%.
- Industry growth estimated to be around 6-7% for FY '24, with a focus on outpacing market growth.

Stock data (as 30th May 2024)

Nifty Price	: 22,563.15
52 week High (in Rs.)	: 2,107
52 week Low (in Rs.)	: 1,433
Market Cap. (in Crore)	: 48,541
NSE Code	: <u>UBL</u>

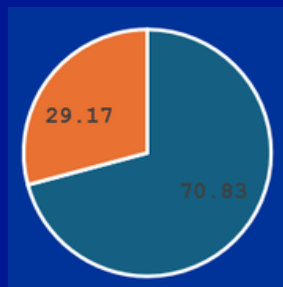
Stock data



-NIFTY50

- United Breweries Limited

Shareholding Pattern (March 2024)



-PUBLIC GROUP

-PROMOTER GROUP

Financial Summary

Particulars	March 2024	March 2023	March 2022
Sales	8,123	7,500	5,838
Sales Growth %	8.30%	28.46%	37.60%
Expenses	7,426	6,884	5,142
Operating Profit	696	616	697
OPM %	9%	8%	12%
Profit after tax	411	305	366
EPS in Rs	15.51	11.5	13.82

Quarterly Results

Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	1,682	1,613	1,766	2,275	1,890	1,824	2,133
Expenses	1,463	1,536	1,712	2,052	1,706	1,678	1,991
Operating Profit	219	77	54	223	184	146	143
OPM %	13%	5%	3%	10%	10%	8%	7%
Other Income	14	-20	12	10	12	25	26
Interest	1	2	1	2	1	2	2
Depreciation	52	50	51	51	51	52	58
Profit before tax	181	5	13	180	144	117	110
Tax %	26%	135%	27%	24%	26%	27%	26%
Net Profit	134	-2	10	136	107	86	82

Source: Screener

Key Ratios

Ratio	Numerator	Denominator	March 31, 2023	March 31, 2022	% Change	Reason for variance exceeding 25% as compared to preceeding period
Current ratio	Current Assets	Current Liabilities	1.62	1.77	-9%	
Debt-Equity Ratio	Total Debt (Includes lease liabilities)	Shareholder's Equity	0.0039	0.0025	59%	Debt contains only lease liabilities recognised as per Ind AS 116. Increase is due to increase in long term leases entered during the financial year for leasing buildings and vehicles.
Debt Service Coverage ratio	Earnings for debt service = Net profit after taxes + Non-cash operating expenses	Debt service = Interest & Lease Payments + Principal Repayments	50.26	2.21	2172%	No debt has been availed during the current financial year and hence no interest payout, except for interest on lease liabilities calculated as per Ind AS 116.
Return on Equity ratio (%)	Net Profits after taxes – Preference Dividend	Average Shareholder's Equity	7.69	9.72	-21%	
Inventory Turnover ratio	Cost of goods sold	Average Inventory	11.38	9.87	15%	
Trade Receivable Turnover Ratio	Net credit sales = Gross credit sales – sales return	Average Trade Receivable	12.51	9.90	26%	Growth in Sales turnover, coupled with timely collections as compared to previous year.
Trade Payable Turnover Ratio	Net credit purchases = Gross credit purchases – purchase return	Average Trade Payables	6.84	5.23	31%	Import of an unusually large quantity of Barley and Malt during second half of the year, resulted in increase in purchases and there by increase in trade payable turnover ratio.
Net Capital Turnover Ratio	Net sales = Total sales – sales return	Working capital = Current assets – Current liabilities	11.83	9.36	26%	Growth in Sales turnover compared to previous year resulted in an improvement in net capital turnover ratio.
Net Profit ratio (%)	Net Profit	Net sales = Total sales – sales return	1.82	2.78	-34%	Cost push and an unfavorable statemix resulted in lower than usual profits.

Source: Annual Report

Yearly Results

Particulars	March 2024	March 2023	March 2022
Equity Capital	26	26	26
Reserves	4,152	3,938	3,909
Borrowings	102	16	10
Other Liabilities	2,773	2,300	2,004
Total Liabilities	7,053	6,280	5,949
Fixed Assets	1,776	1,851	1,913
CWIP	173	77	110
Investments	8	8	8
Other Assets	5,097	4,344	3,918
Total Assets	7,053	6,280	5,949

Synopsis Quater Results

Con-Call April 24: Key Highlights

Volume Growth:

- Strong volume growth observed in the quarter, driven by underlying demand.
- Premium volumes grew by 21%, led by brands like Kingfisher Ultra and Heineken.

Margins:

- Gross margins increased by 312 basis points compared to the previous year due to revenue management initiatives and cost-saving measures.
- Pricing taken in the previous year cycling through positively impacting the mix.

Premium Segment:

- Premium volume growth accelerating strongly over the last three quarters.
- Focus on consumer insights, execution planning, and supply chain footprint to drive premium growth.
- Working on expanding manufacturing footprint to increase local production of premium brands.

Challenges and Headwinds:

- Impact of regulatory changes on certain states affecting margins and operations.
- Delays in payments from states like Telangana causing pressure on receivables.
- Volatility in the regulatory environment due to elections impacting demand and pricing.

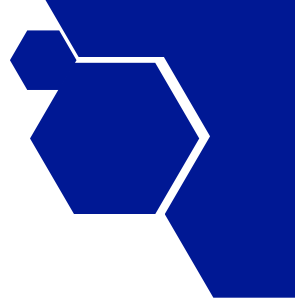
Future Plans and Capex:

- Strategic plans for future growth and capacity expansion.
- Planning to increase local production to improve margins and efficiency.
- Capex investments expected for increasing capacity and local manufacturing of premium brands.

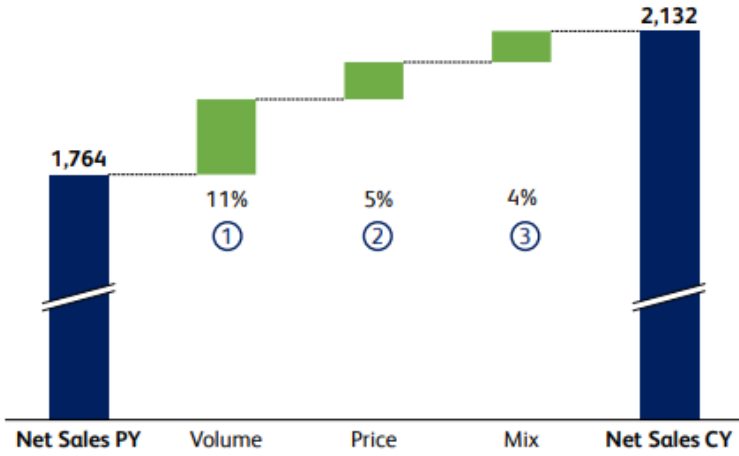
Management Outlook:

- Management remains optimistic about the future growth potential of the company.
- Focus on balancing performance and transformation to ensure sustainable growth.
- Emphasis on long-term strategic planning and investments to drive category growth and improve margins.

Revenue Highlights



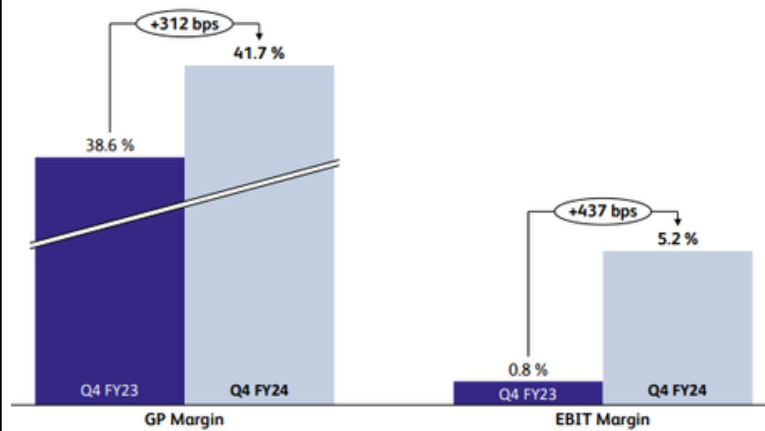
Net sales Q4 (Rs. In Cr)



Net sales YTD (Rs. In Cr)

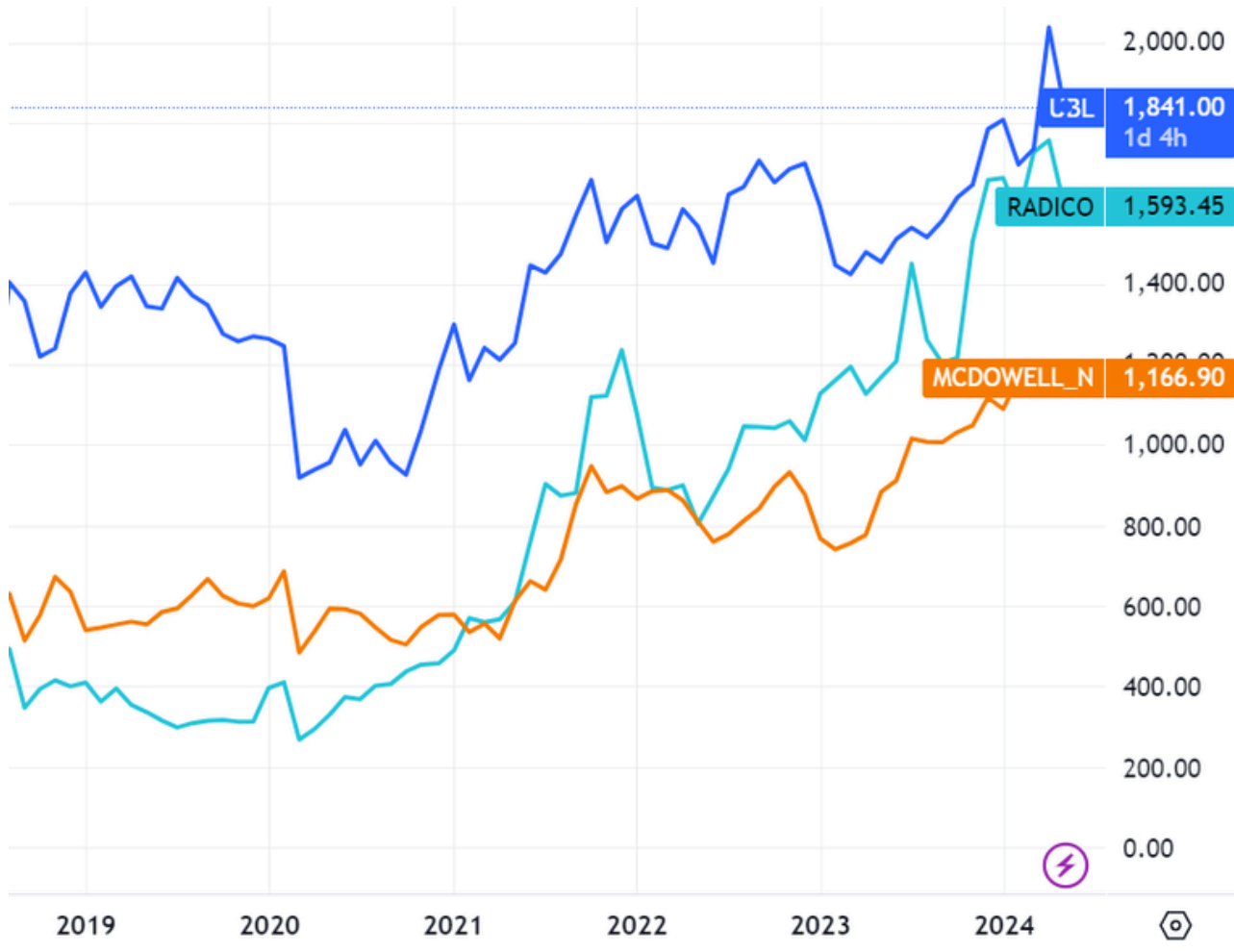


EBIT YTD (Rs. In Cr)



Peer Comparison

Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	United Spirits	1173.05	60.02	85321.91	0.34	241.00	125.79	2783.00	11.20	28.74
2.	United Breweries	1835.90	118.37	48541.18	0.41	81.55	727.73	2133.38	20.81	13.49
3.	Radico Khaitan	1611.80	84.27	21552.24	0.19	56.79	52.42	1078.68	29.67	13.15
4.	Piccadilly Agro	765.00	82.40	7216.99	0.03	43.34	818.22	268.89	34.55	29.59
5.	Tilaknagar Inds.	225.75	30.85	4350.89	0.11	31.45	20.89	358.78	0.37	22.28

Source: Screener

Final Outlook



UBL: HOLD | LTP: 1,836

India is currently the largest market in the world for beer, with a significant portion of the young generation reaching the legal drinking age, leading to year-over-year growth in beer consumption. Despite farmers diversifying crops last year, barley cultivation saw an increase due to attractive prices and the success of our collaborative farming program. This year's favorable monsoon is expected to ensure ample raw material supply. While revenue from operating activities is positive, profit after tax (PAT) is negative due to increased raw material costs as mentioned in the annual report. However, with extensive campaigning across the country, collaborations with influencers, and the successful launch of new products, the company is anticipated to experience substantial growth in the future.