



UNITED SPIRITS



PROTECTING | INVESTING | FINANCING | ADVISING

Research Report

United Spirits Ltd



Prepared By-

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About

Diageo India incorporated in India as United Spirits Ltd.(USL) is the country's leading beverage alcohol company and a subsidiary of global leader Diageo PLC. The company manufactures, sells, and distributes a wide portfolio of premium brands such as Johnnie Walker, Black Dog, Black & White, VAT 69, Antiquity, Signature, Royal Challenge, McDowell's No.1, Smirnoff and Captain Morgan.

Key Business

Whiskey

Brandy

Rum

Vodka

Gin

Wine

Synopsis of Financials

- Muted demand momentum in Q3 compared to previous quarters
- Financial highlights of Q3 FY '24 include strong price/mix, NSV growth, and EBITDA margin
- Impact of ENA inflation on gross margin partially offset by stability in other input commodities

Stock data (as 5th June 2024)

Nifty Price	: 1279.80
52 week High (in Rs.)	: 1,304.40
52 week Low (in Rs.)	: 864.50
Market Cap. (in Crore)	: 93,086.36
NSE Code	: MCDOWELL-N

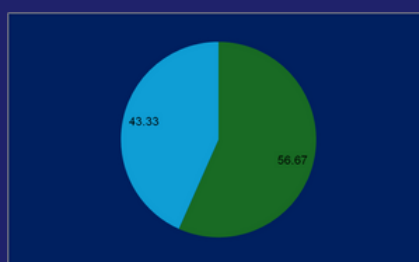
Stock data



-NIFTY50

- United Spirits

Shareholding Pattern (March 2024)



-PUBLIC GROUP

-PROMOTER GROUP

Financial Summary

Particulars	March 2024	March 2023	March 2022
Sales	11,321	10,612	9,712
Sales Growth %	6.69%	9.26%	19.44%
Expenses	9,321	9,208	8,117
Operating Profit	2,000	1,404	1,595
OPM %	18%	13%	16%
Profit after tax	1,408	1,126	811
EPS in Rs	19.36	15.62	11.40

Quarterly Results

Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	2,911	2,779	2,503	2,668	2,867	3,002	2,783
Expenses	2,474	2,407	2,268	1,955	2,401	2,516	2,449
Operating Profit	437	372	235	713	466	486	334
OPM %	15%	13%	9%	27%	16%	16%	12%
Other Income	389	-127	0	5	71	52	80
Interest	21	24	36	4	26	16	29
Depreciation	66	65	69	74	65	63	73
Profit before tax	739	155	130	639	446	459	312
Tax %	26%	-38%	21%	25%	24%	24%	23%
Net Profit	548	214	103	477	339	350	241

Source: Screener

Key Ratios

(Fig in ₹ million)

Particulars	31-Mar-23	31-Mar-22
Debtors Turnover Ratio		
Average Receivables	23,425	22,311
Revenue from Operations	275,775	307,731
Receivable Turnover	11.8	13.8
Receivable Turnover (in days)	31	26
Payable Turnover Ratio		
Average Payables	16,331	14,546
Cost of goods sold, advertisement and sales promotion, other expenses	83,599	72,766
Payable Turnover	5.1	5.0
Payable Turnover (in days)	71	73
Inventory Turnover Ratio		
Average Inventory	21,972	20,727
Purchases (COGS & Excise Duty)	232,756	266,333
Inventory Turnover	10.6	12.8
Inventory Turnover (in days)	34	28

(Fig in ₹ million)

Particulars	31-Mar-23	31-Mar-22
Interest Coverage Ratio #		
Interest	1,039	880
EBITDA	14,187	15,104
Interest Cover	13.7	17.2
Interest	1,039	880
EBIT	12,223	12,555
Interest Cover	11.8	14.3
Return on Capital Employed Ratio		
EBIT	12,223	12,555
Capital Employed	61,278	54,977
Return on Capital Employed	19.9%	22.8%
Net Profit Margin Ratio		
PAT	10,517	8,509
Net Sales (net of excise)	103,737	94,237
Net profit Margin	10.1%	9.0%
Operating Margin Ratio		
EBIT	12,223	12,555
Net Sales (net of excise)	103,737	94,237

Source: Annual Report

Yearly Results

Particulars	March 2024	March 2023	March 2022
Equity Capital	145	146	145
Reserves	6,976	5,854	4,808
Borrowings	265	183	605
Other Liabilities	3,863	3,534	3,304
Total Liabilities	11,249	9,716	8,863
Fixed Assets	1,560	1,534	1,855
CWIP	37	83	96
Investments	645	286	222
Other Assets	9007	7814	6690
Total Assets	11249	9716	8863

Synopsis Quater Results

Con-Call May 24: Key Highlights

Financial Performance:

- Muted demand momentum in Q3 compared to previous quarters
- Strategy to focus on value has helped deliver a resilient quarter
- Prestige & Above segment saw double-digit growth
- Financial highlights of Q3 FY '24 include strong price/mix, NSV growth, and EBITDA margin
- Impact of ENA inflation on gross margin partially offset by stability in other input commodities
- Plans to sustain double-digit profitable growth while navigating headwinds
- Expectation of sustained margin growth with ongoing productivity measures and pricing initiatives

Product Portfolio:

- Updates on IMFL portfolio, upper Prestige segment, and key brands like Antiquity Blue, Signature, and Royal Challenge American Pride
- Launch of Royal Challenge Naya Sher during the cricket world cup
- Launch of McDowell's Soda campaign with brand ambassador Kartik Aaryan
- Successful launch event of Don Julio tequila brand in Mumbai and Gurgaon
- Healthy premiumization trends in global brand portfolio

Market Dynamics and Competitive Landscape:

- External environment challenges with COGS, especially neutral alcohol spirit
- Discussion on demand trends, consumer behavior, and competitive dynamics in the industry
- Addressing questions on Popular segment performance, pricing strategies, and market share
- Insights on future outlook, profitability potential, and market dynamics in the spirits industry

Marketing and Advertising:

- Plans to invest in A&P during the OND quarter with festivals and cricket season

Revenue Highlights



FINANCIAL PERFORMANCE

Reported Standalone Financials

₹ **27,577 crore**
Revenue from Operations

₹ **1,052 crore**
Profit After Tax

13.68%
EBITDA Margin

₹ **14.46**
Earnings Per Share

NON-FINANCIAL PERFORMANCE

88%
Employee
Engagement Score*

44%
Improvement in
Water-use Efficiency in
Our Distilleries
(Base Year FY20)

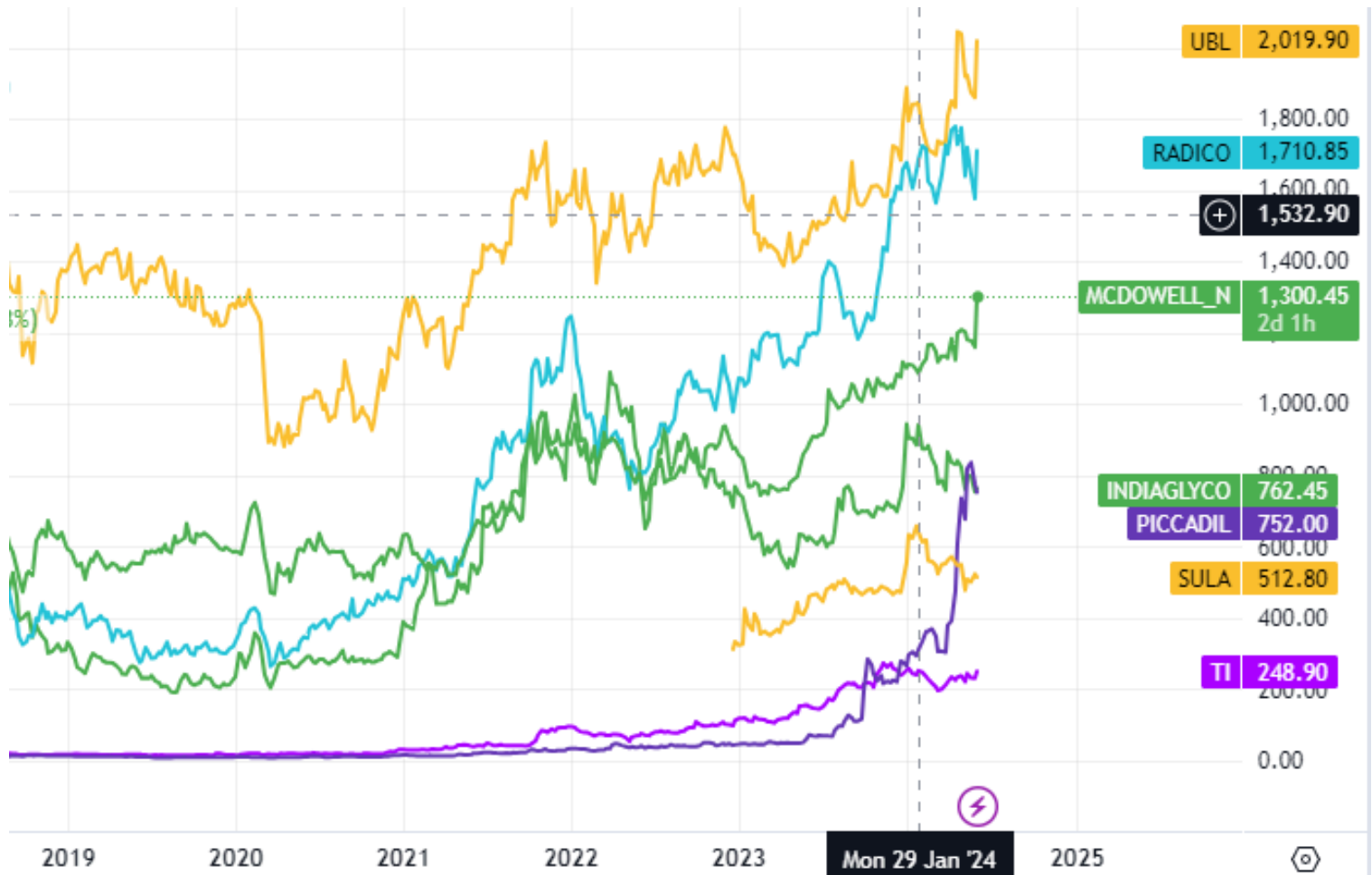
89%
Reduction in
Greenhouse Gas
Emissions
(Base Year FY20)

Over **4 lakh** People
Educated through our
Responsible Drinking
Programmes

**Your Voice*, an internal employee survey

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	1278.50	65.55	93121.95	0.73	241.00	125.79	2783.00	11.20	28.74
2.	United Breweries	2002.45	129.17	52988.49	0.53	81.55	727.73	2133.38	20.81	13.49
3.	Radico Khaitan	1703.15	89.01	22758.91	0.18	56.79	52.42	1078.68	29.67	13.15
4.	Piccadilly Agro	752.00	81.00	7094.31	0.03	43.34	818.22	268.89	34.55	29.59
5.	Tilaknagar Inds.	238.90	32.60	4598.48	0.11	31.45	20.89	358.78	0.37	22.28
6.	Sula Vineyards	514.50	45.87	4340.48	1.68	13.63	-17.64	117.49	6.33	18.67
7.	India Glycols	760.00	13.62	2362.16	0.94	42.21	5.95	926.14	49.54	10.73
	Median: 17 Co.	514.5	27.11	2013.71	0.18	13.63	25.96	242.22	11.2	16.57

Source: Screener

Final Outlook



United Spirits: BUY | LTP: 1,279.80

United Spirits reported that their Prestige & Above segment contributed 80.6% of net sales, with a 22.8% increase, aligning with their premiumisation strategy. Overall net sales grew by 10.1%, reflecting recovery in on-trade, sustained consumer demand in off-trade, and home consumption trends. Despite rising raw material costs, they achieved strong double-digit growth, benefiting from India's economic growth and a young Legal Drinking Age demographic. With a focus on premiumisation, craft, and innovation, they aim to capitalize on market trends and invest in brand growth. Their Return on Capital Employed (ROCE) is the highest among peers.

BUY/Hold For Long Term Will be good