

Excise Reforms: Beer Story Re-Rating

As per draft excise policy of Karnataka (final policy awaited over near term), the state may shift to an alcohol-in-beverage (AIB) excise structure and may reverse aggressive duty hikes that had hit beer volumes 20-25% in CY25. This is very positive for United Breweries (UBBL IN). The economy segment, wherein UBBL holds ~45% market share, stands to benefit the most with an expected 25-30% price correction. At our base case of 25% volume growth in Karnataka, we estimate 3%/7% revenue and EPS uplift for UBBL. Factoring this in, **we upgrade UBBL to Accumulate** (from Reduce) with a raised TP of INR 1,900 (from INR 1,700), valuing it on 53x FY28E EPS.

State excise rehaul in Karnataka amid challenging collection: Karnataka accounts for ~13% of India's beer consumption (~52mn cases out of ~400mn). However, the state's aggressive duty hikes on beer post-COVID – three increases in under two years (AED climbing from 175% to 205%) – has severely backfired, with beer volumes contracting ~20-25% in CY25 and excise collection falling short by ~INR 30bn (c.8%) in FY25. So, Karnataka has been forced to revise FY25 excise revenue target down to INR 365bn (from INR 385bn). To arrest this drop, the government has now overhauled its taxation framework, shifting to an alcohol-in-beverage (AIB) based excise structure. As per our primary checks, the detailed taxation framework is expected to be notified by the end of this week or early next week.

Economy segment to benefit: The new policy will have an asymmetric impact. Economy beer is set for the sharpest correction, and we expect a 25-30% price reduction in regular/economy brands. This is crucial as economy segment is the volume engine of KA's beer market. UBBL commands ~45% market share in this segment. We estimate beer volume in the economy segment to grow ~30-45% from the current base and the overall beer category to grow 25%. Player such as SOM Distilleries may benefit in the economy segment. Price differential between mild and strong beer under the current regime is modest at INR 5-10 per bottle, and is expected to widen to INR 10-15 per bottle, making mild beer competitive on price.

UBBL may see 6% EPS tailwinds: UBBL commands ~45% market share in Karnataka (~23mn cases out of ~52mn). Karnataka, being a high-margin state, operates at a premium state-level realization and gross margin. At our base case, expect 25% volume growth, and ~6mn cases volume delta (2.7% uplift), ~INR 3.4bn additional revenue (3.2% topline uplift), resulting in ~INR 505mn PAT (c.6.7% EPS uplift). We assume UBBL to maintain its share in the state.

Upgrade to Accumulate; TP raised to INR 1,900: The excise policy in Karnataka may result in 2.7% delta on volume, and ~7% delta in EPS given higher realization and gross margin. With two-way duty intervention: a) shift to AIB excise and b) changes in price slab, the economy segment may benefit more than the regular. Factoring this in, we expect 6.5% volume CAGR in FY27E-28E, and thus, we upgrade our revenue/EPS estimates by 3.2% each in FY27E/28E and 6.7%/5.4% in FY27E/28E respectively. So, we upgrade UBBL to **Accumulate** (from Reduce) with TP raised to INR 1,900 (from INR 1,700) as we value UBBL at 53x FY28E EPS (from Dec-27E). Adoption of AIB excise duty by other states could lead to MRP reductions, acting as a

Key Financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	81,154	89,074	94,496	107,004	117,410
YoY (%)	8.3	9.8	6.1	13.2	9.7
EBITDA (INR mn)	6,949	8,390	8,977	12,412	14,324
EBITDA margin (%)	8.6	9.4	9.5	11.6	12.2
Adj PAT (INR mn)	4,094	4,669	5,084	8,012	9,242
YoY (%)	21.6	14.1	8.9	57.6	15.4
Fully DEPS (INR)	15.5	17.7	19.2	30.3	35.0
RoE (%)	10.1	10.9	11.3	16.4	16.9
RoCE (%)	11.8	13.2	12.8	18.1	19.3
P/E (x)	104.3	91.5	84.1	53.4	46.3
EV/EBITDA (x)	62.3	51.6	48.2	34.9	30.2

Note: Pricing as on 18 March 2026; Source: Company, Elara Securities Estimate

Rating: **Accumulate**
 Target Price: **INR 1,900**
 Upside: **17%**
 CMP: **INR 1,618**
 As on 18 March 2026

Key data

Bloomberg	UBBL IN
Reuters Code	UBBW.NS
Shares outstanding (mn)	264
Market cap (INR bn/USD mn)	428/4,618
EV (INR bn/USD mn)	433/4,671
ADTV 3M (INR mn/USD mn)	184/2
52 week high/low	2,295/1,401
Free float (%)	27

Note: as on 18 March 2026; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4	Q1	Q2	Q3
	FY25	FY26	FY26	FY26
Promoter	70.8	70.8	70.8	70.8
% Pledge	0.0	0.0	0.0	12.4
FII	6.9	6.7	6.3	5.5
DII	17.5	16.4	16.7	17.5
Others	4.8	6.1	6.2	6.2

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(7.9)	(6.5)	4.1
United Breweries	1.9	(10.1)	(14.8)
NSE Mid-cap	(6.2)	(5.8)	8.7
NSE Small-cap	(6.4)	(13.3)	4.4

Source: Bloomberg

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Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	81,154	89,074	94,496	107,004	117,410
Gross Profit	34,542	38,305	41,106	47,189	52,365
EBITDA	6,949	8,390	8,977	12,412	14,324
EBIT	4,833	6,063	6,451	9,883	11,673
Interest expense	69	129	496	311	315
Other income	729	357	823	970	802
Exceptional/ Extra-ordinary items	-	(258)	-	-	-
PBT	5,493	6,034	6,779	10,542	12,161
Tax	1,399	1,622	1,695	2,530	2,919
Minority interest/Associates income	-	-	-	-	-
Reported PAT	4,094	4,412	5,084	8,012	9,242
Adjusted PAT	4,094	4,669	5,084	8,012	9,242
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	41,741	43,592	46,031	51,399	57,997
Minority Interest	-	-	-	-	-
Trade Payables	9,482	11,492	12,086	13,540	14,724
Provisions & Other Current Liabilities	18,030	20,583	20,588	20,602	20,613
Total Borrowings	774	5,749	5,749	5,749	5,749
Other long term liabilities	407	701	723	773	815
Total liabilities & equity	70,433	82,116	85,177	92,062	99,897
Net Fixed Assets	17,677	17,403	19,377	21,147	22,296
Goodwill	-	-	-	-	-
Intangible assets	-	-	-	-	-
Business Investments / other NC assets	8,691	10,215	10,215	10,215	10,215
Cash, Bank Balances & treasury investments	1,286	3,410	3,941	3,059	4,756
Inventories	13,665	16,149	16,828	19,055	20,909
Sundry Debtors	23,133	28,601	28,478	32,248	35,384
Other Current Assets	5,981	6,338	6,338	6,338	6,338
Total Assets	70,433	82,116	85,177	92,062	99,897
Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Cashflow from Operations	768	2,335	7,348	5,403	7,653
Capital expenditure	(1,911)	(2,548)	(4,500)	(4,300)	(3,800)
Acquisitions / divestitures	8	1	-	-	-
Other Business cashflow	426	162	823	970	802
Free Cash Flow	(709)	(50)	3,671	2,073	4,655
Cashflow from Financing	(1,300)	2,174	(3,140)	(2,955)	(2,959)
Net Change in Cash / treasury investments	(2,009)	2,124	531	(882)	1,697
Key assumptions & Ratios	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share (INR)	10.0	10.0	10.0	10.0	10.0
Book value per share (INR)	158.1	165.1	174.1	194.4	219.3
RoCE (Pre-tax) (%)	11.8	13.2	12.8	18.1	19.3
ROIC (Pre-tax) (%)	12.5	13.9	13.8	19.4	20.6
ROE (%)	10.1	10.9	11.3	16.4	16.9
Asset Turnover (x)	4.5	5.1	5.1	5.3	5.4
Net Debt to Equity (x)	0.0	0.1	0.0	0.1	0.0
Net Debt to EBITDA (x)	(0.1)	0.3	0.2	0.2	0.1
Interest cover (x) (EBITDA/ int exp)	100.9	65.3	18.1	39.9	45.5
Total Working capital days (WC/rev)	77.4	96.2	91.1	96.2	104.3
Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	104.3	91.5	84.1	53.4	46.3
P/Sales (x)	5.3	4.8	4.5	4.0	3.6
EV/ EBITDA (x)	62.3	51.6	48.2	34.9	30.2
EV/ OCF (x)	563.2	185.3	58.9	80.1	56.5
FCF Yield	(0.2)	0.0	0.8	0.5	1.1
Price to BV (x)	10.2	9.8	9.3	8.3	7.4
Dividend yield (%)	0.6	0.6	0.6	0.6	0.6

We expect a revenue CAGR of 9.6% in FY25-28E

Note: Pricing as on 18 March 2026; Source: Company, Elara Securities Estimate

UBBL's sensitively to excise structure in Karnataka

We assess UBBL's sensitivity to volume recovery in Karnataka across three scenarios – 15%, 25%, and 35% growth. UBBL commands ~45% share in Karnataka (~23mn cases out of ~52mn). At our base case of 25% volume growth, volumes in Karnataka may rise to ~65mn cases, adding ~6mn incremental cases for UBBL – translating into ~INR 3.4bn in additional revenue (3.2% topline uplift), ~INR 670mn in EBITDA accretion, and ~INR 430mn in incremental PAT (5.7% EPS uplift). We assume a state-level realization of INR 575/case, gross margin of 60% and EBITDA margin of 20% with a sustained market share for UBBL in Karnataka.

Exhibit 1: UBBL – Assessing the impact from changing excise structure in Karnataka

Particulars	Unit	Current scenario	Volume growth scenario (FY27E)		
			15%	25%	35%
Karnataka	mn cases	52	60	65	70
UBBL's share in Karnataka	mn cases	23	27	29	32
Incremental volume delta	mn cases	-	4	6	8
Gain in volume	%	-	1.6	2.7	3.8
UBBL's incremental revenue	INR mn	-	2,018	3,364	4,709
Gain in revenue	%	-	1.9	3.2	4.5
Karnataka: Gross margin	%	-	60	60	60
Gross profit	INR mn	-	1,211	2,018	2,826
EBITDA	INR mn	-	404	673	942
EBITDAM	%	-	20	20	20
PAT	INR mn	-	303	505	706
Gain in PAT	%	-	4.0	6.7	9.4

Source: Company, Elara Securities Estimate

Karnataka hiked AED three times in past two years

Karnataka's excise department hiked beer AED three times in under two years – from 175% (Jul-23) to 185%, 195%, and finally 205% (Jan-25). Each successive hike compressed brewer margins and inflated consumer prices, with an INR 100 bottle climbing to INR 145. The cumulative impact was severe – beer volumes in the state contracted ~20% in H1CY25, prompting the government to fundamentally rethink its taxation approach.

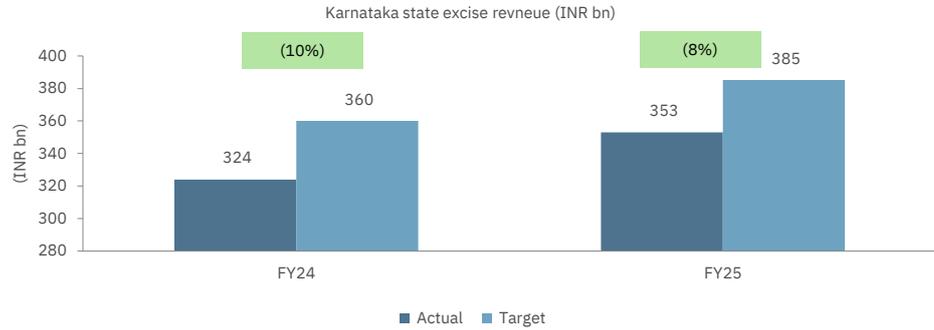
Exhibit 2: Beer AED hike – Timeline

Month	Beer duty hike development
Jul-23	AED hiked from 175% to 185%
Feb-24	AED hiked from 185% to 195%
Jan-25	AED hiked from 195% to 205%
Sep-25	Beer volumes dropped c20% in H1

Source: Elara Securities Research

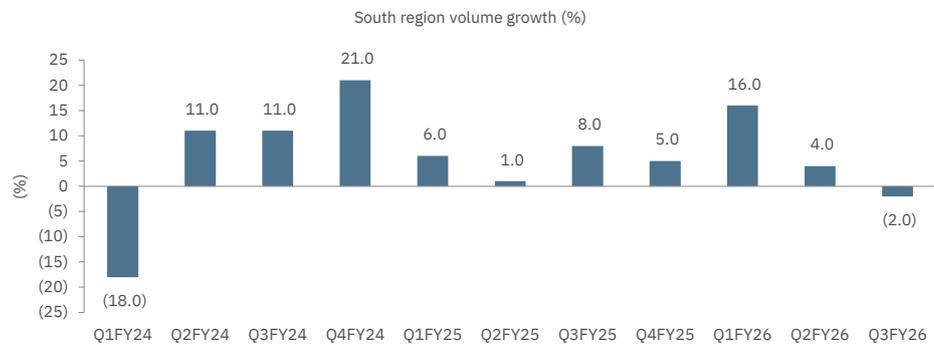
Karnataka's excise collections have consistently undershot budgeted targets in the past two years. Actual collection of INR 324bn in FY24 fell 10% short of the INR 360bn target, while FY25 collection of INR 353bn missed the INR 385bn target by 8%.

Exhibit 3: Karnataka – 8-10% excise revenue shortfall in past two years



Note: Numbers in boxes represents shortfall; Source: Elara Securities Research

Exhibit 4: United Breweries – Volume growth in South India decelerated in Q3FY26



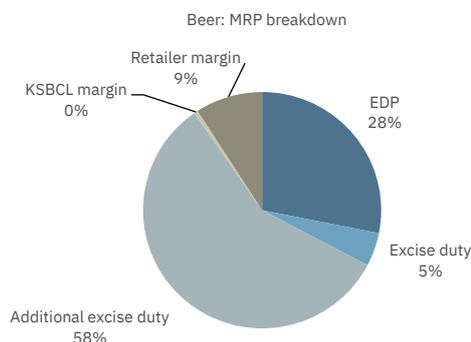
Source: Company, Elara Securities Research

Exhibit 5: Beer pricing in Karnataka – e.g. KF Strong

Particulars	Value (INR)	% of MRP
A) Declared price (ex-brewery) per case	478	28.1
B) Excise duty (ED) at INR10/BL × 7.8 BL	78	4.6
C) Additional excise duty (AED) @ 205% of DP	980	57.6
D) Sub-total (A+B+C)	1536	90.4
E) KSBCL margin @ 0.60%	9	0.5
F) Retailer margin @ 10%	155	9.1
MRP per case	1700	100.0
MRP per bottle	142	

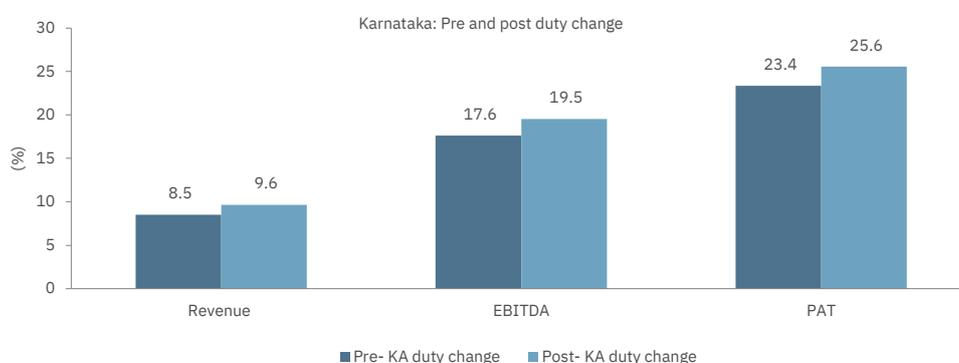
Source: Elara Securities Research

Exhibit 6: Ex-distillery price is 28% of MRP



Source: Elara Securities Research

Exhibit 7: Expect UBL to post 26% PAT CAGR in FY25-28E



Source: Elara Securities Estimate

Exhibit 8: Valuation

(INR)	March-28E
EPS (INR)	35.0
Multiple (x)	53
TP (INR)	1,900
CMP (INR)	1,618
Upside (%)	17

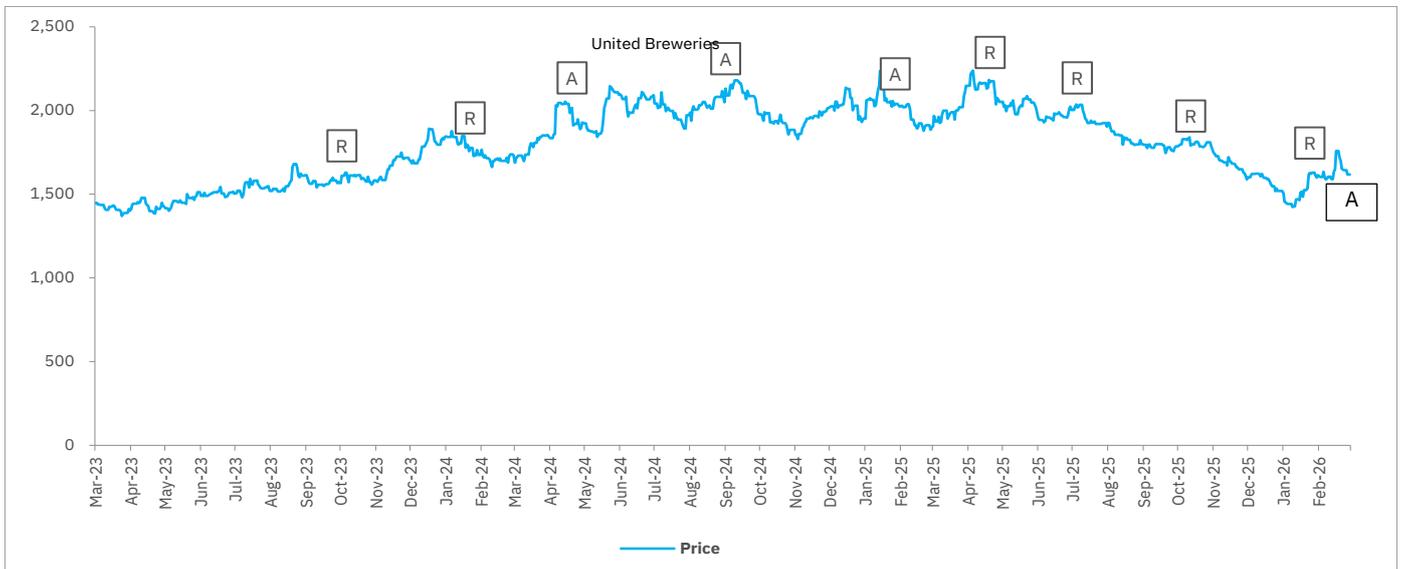
Note: as on 18 March 2026; Source: Elara Securities Estimate

Exhibit 9: Changes in estimates

(INR mn)	Old estimates			Revised estimates			Change (%)		
	FY26E	FY27E	FY28	FY26E	FY27E	FY28	FY26E	FY27E	FY28E
Revenue	94,496	1,03,686	1,13,769	94,496	1,07,004	1,17,410	-	3.2	3.2
EBITDA	8,977	11,820	13,652	8,977	12,412	14,324	-	5.0	4.9
EBITDA margin (%)	9.5	11.4	12.0	9.5	11.6	12.2			
PAT	5,084	7,512	8,769	5,084	8,012	9,242	-	6.7	5.4
EPS (INR)	19.2	28	33	19.2	30.3	35.0	-	6.7	5.4
TP (INR)		1,700			1,900			10.0	
Rating		Reduce			Accumulate				

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
20-Oct-2023	Reduce	1,575	1,611
09-Feb-2024	Reduce	1,725	1,777
08-May-2024	Accumulate	2,120	2,016
19-Sep-2024	Accumulate	2,300	2,131
14-Feb-2025	Accumulate	2,200	2,041
08-May-2025	Reduce	2,070	2,169
23-Jul-2025	Reduce	2,000	2,017
30-Oct-2025	Reduce	1,800	1,839
11-Feb-2026	Reduce	1,700	1,620
18-Mar-2026	Accumulate	1,900	1,618

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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