

United Spirits Limited (UNSP)

Nifty: 25,001

CMP: Rs. 1537

Target Price: Rs. 1740

Breweries & Distilleries

United Spirits delivered an in-line performance for 4QFY25, supported by a strong 13% YoY growth in the Prestige & Above (P&A) segment. The company saw EBITDA margin expansion of 356 bps YoY to 17.1%, aided by better gross margins and lower ad-spend. Gross margin improved by 114 bps YoY to 44.5%. Despite a tough demand environment, premiumization and favorable regulatory changes like the UK-India FTA and UP's new liquor policy offer structural growth triggers. FY25 P&A revenue grew 9.9%, with premium/luxury portfolio saliency rising to 33%. With a focus on innovation and scaling Diageo's global portfolio, UNITDSPR is poised for medium to long-term growth. We maintain our BUY rating, with a revised target price of 1,740 based on 60x FY27 PE(x).

P&A Segment Driving Growth with Strong Premiumization:

UNSP's P&A segment was the primary growth driver in 4QFY25, with revenue increasing 13% YoY and volume growing 9% YoY. This segment accounted for 88% of total sales in the quarter, reflecting the company's successful shift towards premium brands. Average realization per case rose from Rs. 1,740 in FY24 to 1,810 in FY25, highlighting the strength of the premiumization trend. Premium and luxury portfolio improved to 33% in FY25, from 31% in FY23, showing continued consumer preference for higher-end offerings. Meanwhile, the Popular segment remained subdued, growing just 1% YoY in revenue, with a 2% volume decline, reinforcing the company's strategic focus on premium brands.

Margin Expansion Supported by Superior Product Mix and Cost Control:

UNSP achieved an impressive EBITDA margin of 17.1% in 4QFY25, up 356 bps YoY, despite a challenging demand backdrop. This margin improvement was driven by a 114 bps expansion in gross margin to 44.5%, led by a richer product mix (more sales from premium brands) and ongoing productivity measures. Advertising & promotion (A&P) expenses declined by 3% YoY, now accounting for 11% of sales, down from 12% in the base quarter. Staff and other operating expenses remained under control, growing modestly at 2-5% YoY. Management expects margins to remain

stable at high-teen levels going forward, supported by expected stability in key raw material prices and continued operational discipline.

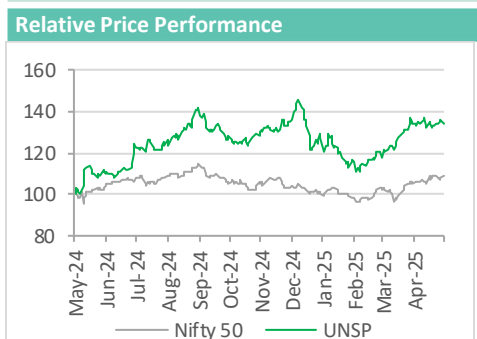
Favourable Policy Tailwinds and Innovation to Accelerate Growth:

UNSP stands to gain significantly from policy-level tailwinds. The UK-India Free Trade Agreement (FTA) proposes to reduce import duties on Bottled-in-Origin (BIO) products from 150% to 75%, which could lead to a high single-digit reduction in consumer prices and a corresponding increase in volumes. This is particularly beneficial for United Spirits, given its access to Diageo's global portfolio. In India, the new liquor policy in Uttar Pradesh allows composite retail shops (beer + IMFL), which is expected to increase liquor outlet density and boost sales. Further, the company is doubling down on product innovation, aiming to double the contribution of new products to growth over the next 3-5 years, supported by increased A&P investments.

Outlook:

We expect Revenue/EBITDA/PAT CAGR of 11.7%/16.6%/17.4% respectively, over FY25-27, driven by premiumization, operating leverage, and a favourable policy environment. We maintain our BUY rating, with a revised target price of 1,740 based on 60x FY27 PE(x).

Shareholding (%)	Mar-24
Promoters	56.68
DIIs	14.59
FIIIs	14.98
Retail and Others	13.73



Key Data	
NSE Symbol	UNITDSPR
Bloomberg Code	UNSP
Reuters Code	UNSP. NS
No. of equity shares (in Cr)	72.7
Face Value	2
Mcap (In cr)	1,11,787
52 week H/L	1,700 / 1,136

(RS. Cr)	FY24	FY25	FY26E	FY27E
Net Revenue	10,692	10,612	11,197	12,719
Growth Rate (%)	3%	8%	12%	12%
PAT	1,254	1,523	1,787	2,099
PAT Margin (%)	12%	13%	14%	15%
EPS	17	21	25	29
P/E	91	75	64	55

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Quarterly Financials

Rs in Cr.	4QFY25	4QFY24	YoY (%)	3QFY25	QoQ (%)	FY25	FY24	YoY (%)
Revenue	2946	2666	10.5	3432	-14.2	11573	10692	8.2
Cost of Raw material	1636	1511	8.3	1897	-13.8	6397	6048	5.8
% of sales	55.5	56.7	-114 bps	55.3	26 bps	55.3	57	-129 bps
Gross Profit	1310	1155	13.4	1535	-14.7	5176	4644	11.5
Margin %	44.5	43.3	114 bps	44.7	-26 bps	44.7	43	129 bps
Employees cost	137	134	2.2	173	-20.8	605	543	11.5
% of net sales	4.7	5	-38 bps	5	-39 bps	5.2	5	15 bps
A&P Spends	317	326	-2.8	379	-16.4	1128	1041	8.4
% of net sales	10.8	12.2	-147 bps	11	-28 bps	9.7	10	1 bps
Other expenditure	351	333	5.4	395	-11.1	1385	1352	2.5
% of net sales	11.9	12.5	-58 bps	11.5	41 bps	12	13	-68 bps
EBITDA	505	362	39.5	588	-14.1	2058	1709	20.4
EBITDA margin%	17.1	13.6	356 bps	17.1	1 bps	17.8	16	180 bps
Depreciation	68	71	-4.2	72	-5.6	274	264	3.7
Interest	22	29	-24.1	20	10	89	76	17.3
Other Income	70	229	-69.4	190	-63.2	326	335	-2.6
Non-recurring items	100	-31	-422.6	-65	-253.8	35	-17	-301.1
PBT	585	460	27.2	621	-5.8	2056	1686	21.9
Tax	134	76	76.3	148	-9.5	498	374	33
Tax rate (%)	22.9	16.5	638 bps	23.8	-93 bps	24.2	22	202 bps
PAT	451	384	17.4	473	-4.7	1558	1312	18.8
EPS (INR)	4.8	5.7	-15.4	7.4	-35	21	18	14.6

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Financials

Profit and loss account

Y/E Mar (RS. Cr.)	FY24	FY25	FY26E	FY27E
Revenue	10,692	11,573	12,946	14,442
Gross Profit	4,644	5,176	5,813	6,513
Op. Expenses	(2,936)	(3,118)	(3,425)	(3,716)
EBITDA	1,708	2,058	2,387	2,797
Depreciation	(264)	(274)	(289)	(306)
EBIT	1,444	1,784	2,098	2,491
Other income	260	326	365	387
Interest Exp.	(76)	(89)	(80)	(80)
Extra Ordinary Items-gain/(loss)	58	35	-	-
PBT	1,686	2,056	2,383	2,798
Tax	(374)	(498)	(596)	(700)
PAT	1,254	1,523	1,787	2,099
EPS (INR)	17	21	25	29

Key Ratios

Y/E Mar	FY24	FY25	FY26E	FY27E
Growth indicators (%)				
Revenue	3%	8%	12%	12%
EBITDA	20%	21%	16%	17%
Adj PAT	42%	22%	17%	17%
Adj EPS	42%	22%	17%	17%
Valuation (x)				
P/E (x)	91.4	75.3	64.1	54.6
P/BV (x)	16.5	14.6	12.7	11
EV/EBITDA (x)	66.1	54.4	46.8	39.5
EV/Sales (x)	10.6	9.7	8.6	7.6
Dividend Yield (%)	0.3	0.4	0.6	0.6
Margins (%)				
EBITDA Margin (%)	16	17.8	18.4	19.4
EBIT Margin (%)	13.5	15.4	16.2	17.3
PAT Margin (%)	11.4	12.8	13.4	14.2

Balance Sheet

Y/E Mar (RS. Cr.)	FY24	FY25	FY26E	FY27E
Share Capital	145	145	145	145
Reserves & Surplus	6,818	7,734	8,868	10,312
Total Equity	6,963	7,879	9,013	10,457
Net deferred Tax liabilities	(1,525)	(1,250)	(1,250)	(1,250)
Capital Employed	5,438	6,629	7,763	9,207
Gross Fixed Assets	2,427	2,862	3,012	3,162
Accumulated Depreciation	(1,182)	(1,456)	(1,745)	(2,051)
Capital work in progress	37	72	72	72
Net Fixed Assets	1,282	1,478	1,339	1,183
Investments	823	1,107	1,107	1,107
Non Current Investments	224	234	234	234
Current Investments	599	873	873	873
Current Assets Loans & Adv.	7,112	8,883	10,021	12,159
Inventory	2,063	2,305	2,578	2,876
Debtors	2,763	3,288	3,678	4,103
Cash & Bank balance	1,209	1,773	2,151	3,396
Loans & advances and others	1,077	1,517	1,613	1,784
Current Liabilities & Provisions	3,779	4,839	4,704	5,241
Liabilities	3,397	4,450	4,269	4,757
Provisions	382	389	435	485
Current Assets	3,333	4,044	5,317	6,918
Total Assets	5,438	6,629	7,763	9,207

Cash Flow Statement

Y/E Mar (RS. Cr.)	FY24	FY25	FY26E	FY27E
PBT	1,686	2,056	2,383	2,798
Depreciation & amortization	264	274	289	306
Interest expense	76	89	80	80
(Inc)/Dec in working capital	(305)	128	(895)	(356)
Tax paid	(374)	(498)	(596)	(700)
CF from operating activities	1,347	2,049	1,262	2,129
Capital expenditure	(281)	(470)	(150)	(150)
Inc/(Dec) in investments	(336)	(284)		
CF from investing activities	(617)	(754)	(150)	(150)
Inc/(Dec) in share capital	70	(134)		
Inc/(Dec) in debt	(1)			
Dividend Paid	(363)	(509)	(654)	(654)
Others	(76)	(89)	(80)	(80)
CF from financing activities	(371)	(731)	(734)	(734)
Net cash flow	359	564	378	1,245
Opening balance	850	1,209	1,773	2,151
Closing balance	1,209	1,773	2,151	3,396

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