

# United Breweries | ADD

Compelling opportunity, improving execution

UBL's scale positions it as the largest beer player and gives it an edge over competition to tap the large India opportunity. Sales trajectory is improving; we expect this momentum to sustain led by stable growth in mainstream brands and c.25%+ growth in the premium portfolio. While Karnataka is facing excise hike-related headwinds, improving growth in Maharashtra and strengthening presence in UP and AP should provide some offsets. Further, UBL's historical performance and Carlsberg India's cost structure/margins definitely suggest that its current profitability is below the underlying potential of the business. While strategic initiatives undertaken by the new CEO entail higher initial investments, they are in the right direction and are laying building blocks for future growth. We are baking in a higher earnings trajectory (29% CAGR over FY25-28E) vs. historical performance, which, along with improving return profile/cash generation will help sustain premium valuations. Faster growth by competition and regulatory headwinds (in Karnataka) needs to be watched for as these could slowdown pace of margin expansion. We like UBL's moats and strategic initiatives initiate coverage with ADD and a Sep'26 TP of INR 1,990/share (60x Sep'27E).

- **Industry opportunity compelling; UBL has necessary ingredients to capture the same:** The beer category has large headroom to increase share of throat (< 20%), gain share of occasions (c.25-30% currently) and gain shelf space at outlets (c.90% is occupied by spirits). Hence, 6-8% volume/low double-digit value growth is achievable in a stable regulatory environment. The attractiveness of geography is visible from global majors making it a priority market (4<sup>th</sup> largest market for Budweiser, key growth engine for Carlsberg/Heineken). While competition is enhancing presence, UBL is by far the largest in terms of scale and has a portfolio with strong brand recall, which gives it an edge. Its sustained dominance (market share of c.50%) over decades is a testament to this.
- **Strategic initiatives underway to accelerate growth and fortify leadership position:** Under new CEO Vivek Gupta, several strategic initiatives are being implemented to a) address portfolio gaps, b) enhance/localise manufacturing presence, c) accelerate premiumisation, where it is under-indexed vs. peers, and d) dial up execution in trade outlets (visi-cooler penetration). Initial results are promising - despite external headwinds, UBL's c.9% sales CAGR over FY23-25 and 16% in 1QFY26 is commendable. We expect momentum to sustain and build revenue CAGR of c.12% over FY25-28E (volume CAGR of c.8%).
- **Margin pressures to ease, underlying potential suggests enough headroom to expand:** Margin pressures for UBL are bottoming out (stable RM, improving salience of old bottles, supply chain optimisation). Although, in the near term, expansion could be more gradual due to external challenges (in Karnataka/Telangana), infusion of new bottles for premium portfolio (currently lower EBITDA/case vs mainstream brand) and capability investments. UBL's cost structure is leaner vs. Carlsberg India; however, the latter's EBITDA margin (c.13-14%) is higher due to better mix. Hence, we see headroom for expansion (we forecast 350bps expansion over FY25-28E) and execution on premiumisation can accelerate expansion over FY27/28E for UBL.



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## Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	NA
Current Price Target (12M)	1,990
Upside/(Downside)	10.6%
Previous Price Target	NA
Change	NA

## Key Data – UBBL IN

Current Market Price	INR1,799
Market cap (bn)	INR475.8/US\$5.4
Free Float	28%
Shares in issue (mn)	264.4
Diluted share (mn)	264.4
3-mon avg daily val (mn)	INR365.3/US\$4.1
52-week range	2,300/1,772
Sensex/Nifty	83,014/25,424
INR/US\$	88.1

## Price Performance

%	1M	6M	12M
Absolute	-5.4	-5.3	-12.2
Relative*	-7.0	-13.9	-12.0

\* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	78,701	85,855	97,657	109,074	121,827
Sales Growth (%)	7.5	9.1	13.7	11.7	11.7
EBITDA	6,949	8,389	10,106	12,982	16,214
EBITDA Margin (%)	8.6	9.4	10.0	11.5	12.9
Adjusted Net Profit	4,094	4,603	5,625	7,585	9,898
Diluted EPS (INR)	15.5	17.4	21.3	28.7	37.4
Diluted EPS Growth (%)	24.8	12.4	22.2	34.8	30.5
ROIC (%)	9.5	10.4	12.3	15.7	19.2
ROE (%)	10.1	10.8	12.6	16.0	19.3
P/E (x)	116.2	103.3	84.6	62.7	48.1
P/B (x)	11.4	10.9	10.4	9.7	8.9
EV/EBITDA (x)	68.2	56.8	47.1	36.7	29.3
Dividend Yield (%)	0.6	0.6	0.7	0.9	1.2

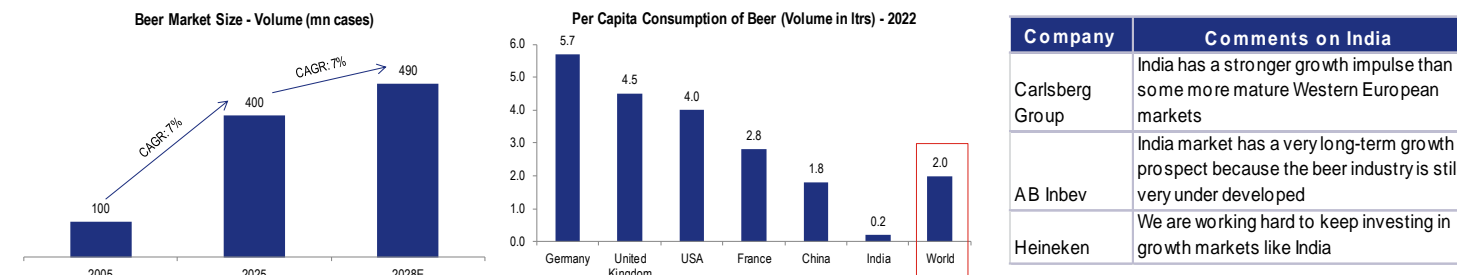
Source: Company data, JM Financial. Note: Valuations as of 18/Sep/2025

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

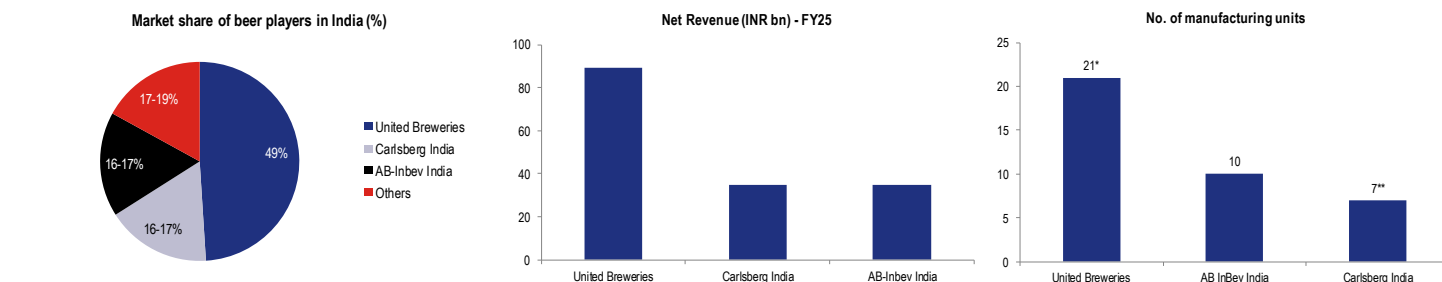
## Focus charts

## Exhibit 1. India's beer opportunity is large &amp; attractive, visible from India being a key focus market for global majors



Source: Company, JM Financial

## Exhibit 2. United Breweries is by far a dominant player (c.49-50% market share) with much larger size and scale vs. next two players

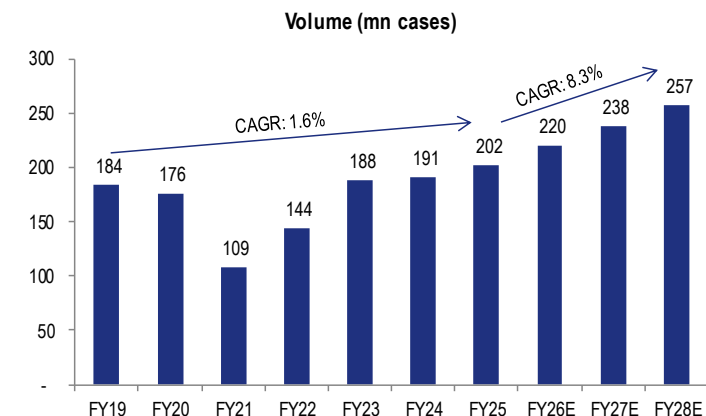


Source: Company, JM Financial. Note: Net Revenue is net-off excise duty but including other operating income.

\*As on March 31, 2025, out of 21 owned manufacturing plants, 2 plants viz., 1 at Naubatpur and 1 at Cherthala are not operational. In addition, UBL operates 15 contract manufacturing units.

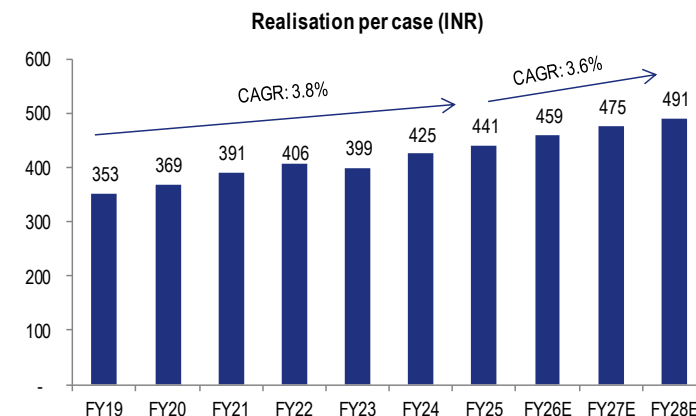
\*\*In addition, Carlsberg India operates 8 co-packers/licensees.

## Exhibit 3. We expect volume CAGR of c.8%...



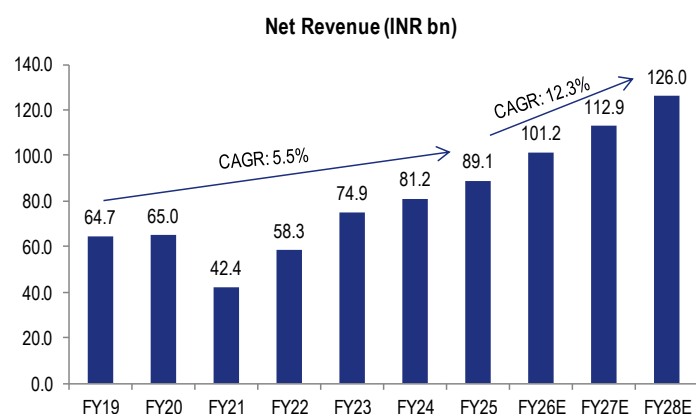
Source: Company, JM Financial

## Exhibit 4. ... and price/mix led realisation growth of c.3-4%...



Source: Company, JM Financial

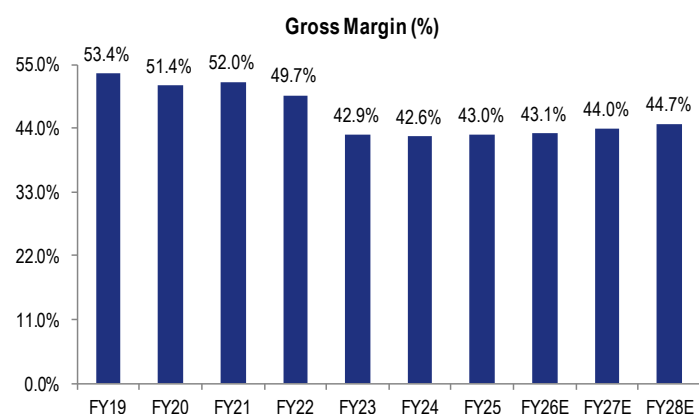
Exhibit 5. ...resulting in sales CAGR of c.12% over FY25-28E



Source: Company, JM Financial.

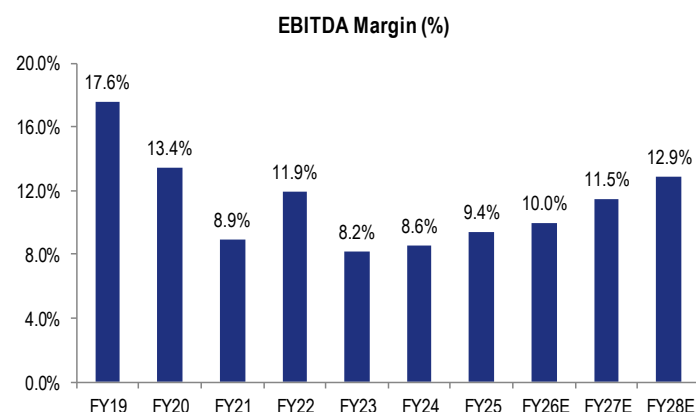
Note: Net Revenue is net-off excise duty but including other operating income.

Exhibit 6. Easing GM pressures...



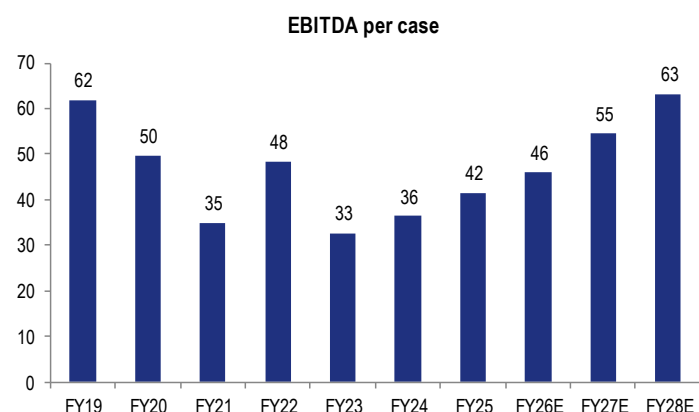
Source: Company, JM Financial. Note: Gross margin is calculated on net revenue

Exhibit 7. ... along with leverage benefit to drive margin expansion...



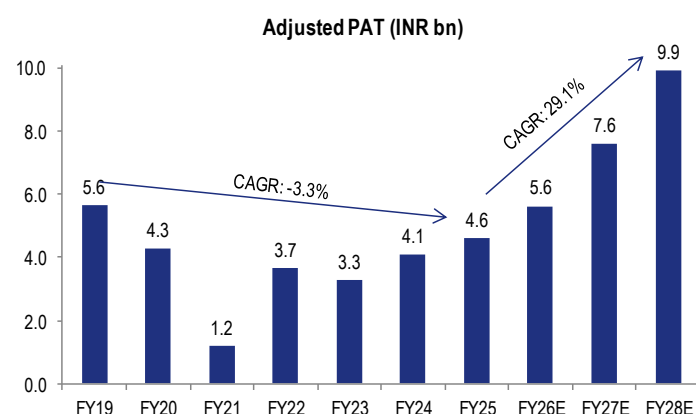
Source: Company, JM Financial

Exhibit 8. ...and improve EBITDA per case



Source: Company, JM Financial

Exhibit 9. We expect strong PAT growth over FY25-28E



Source: Company, JM Financial

Exhibit 10. WC cycle to improve to 60 days by FY28E

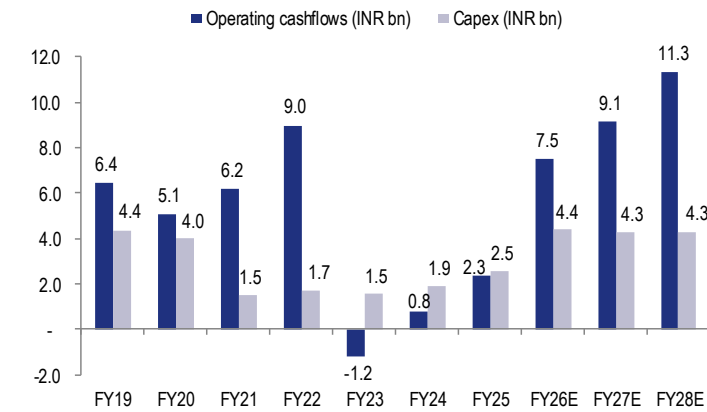
Net working capital days (on gross sales)	FY19	FY20	FY21	FY22	FY23
Inventory days	27	28	41	26	32
Debtor days	40	34	51	36	31
Creditor days	16	14	23	18	16
<b>Net working capital days</b>	<b>51</b>	<b>48</b>	<b>69</b>	<b>44</b>	<b>47</b>

Net working capital days (on gross sales)	FY24	FY25	FY26E	FY27E	FY28E
Inventory days	28	31	31	31	31
Debtor days	47	55	56	52	50
Creditor days	19	22	22	22	22
<b>Net working capital days</b>	<b>55</b>	<b>64</b>	<b>65</b>	<b>62</b>	<b>60</b>

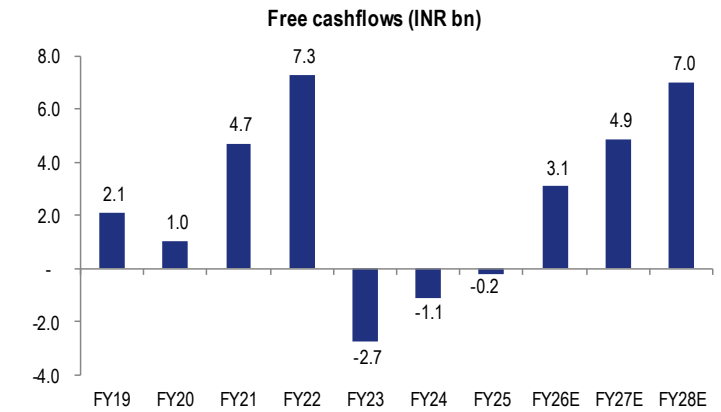
Source: Company, JM Financial

Exhibit 11. Healthy operating cash flows to support capex...



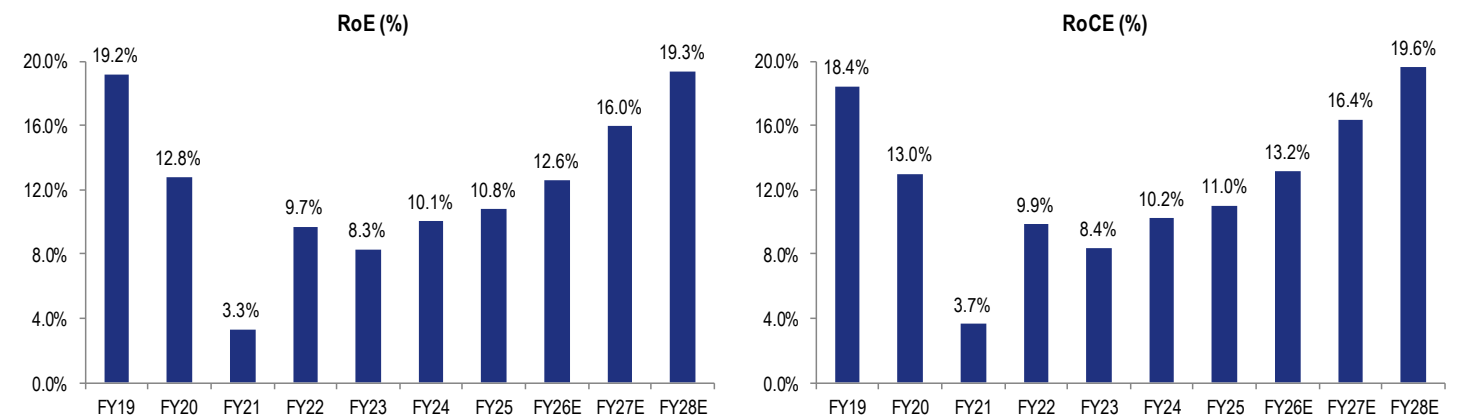
Source: Company, JM Financial

Exhibit 12. ...with positive FCF generation over FY25-28E



Source: Company, JM Financial

Exhibit 13. Improving profitability and working capital to aid uptick in return ratio



Source: Company, JM Financial. Note: RoCE calculation is on post-tax basis.

## Investment thesis

- **Industry opportunity is large, which makes India a key growth engine for Heineken:** The growth opportunity for the beer category is large with enough headroom to increase share of throat (< 20%), gain share of occasions (c.25-30% currently) and gain shelf space at outlets (c.90% is occupied by spirits). Also, as we traverse down the pop-strata in India, the beer to spirit ratio in volume terms is more skewed towards spirits (unlike other global markets where it is 1:1 or more skewed to beer). As a result, double-digit value growth is achievable for the industry, which makes India a top priority market for Heineken within its global footprint. Having said that, it is essential to ensure affordability (higher taxation on beer) and increase penetration (invest on infrastructure), which are the key challenges currently for the industry. UBL is undertaking a lot of initiatives both on the internal and external fronts to overcome these barriers and unlock the underlying market potential.
- **Market dominance to sustain led by well-established capabilities:** UBL (a subsidiary of Heineken NV) is a dominant market leader in the Indian beer industry with a volume and value market share of c.50%. Over the last many decades, it has sustained its leadership position and we expect that to continue considering its strong capabilities in terms of a) a wide portfolio comprising of strong umbrella brands (Kingfisher/Heineken – synonymous to beer category) and presence across economy, mainstream and premium segments and b) well-established manufacturing set-up across India – much larger in size (19 active owned manufacturing units/15 CMU) vs. key competitors (10 for AB Inbev, 7 active breweries/6 co-packers & 2 licensee for Carlsberg India), which is another key moat.
- **Maharashtra/UP/AP seeing better growth, pace of recovery in Karnataka (impacted by increase in excise duty) a key monitorable:** Maharashtra and Karnataka are among the large and better profitable markets for UBL. The beer industry in Maharashtra has seen an uptick in growth (high-single-digit growth) over the last 2 years vs. flat sales a decade prior to that. A combination of UBL's strong manufacturing capabilities in the state, focused route-to-market (RTM) strategy and recent policy changes (higher taxation on spirits), we believe, should continue to drive higher-than-industry growth for UBL in Maharashtra. Similarly, UP with a favourable policy environment is seeing healthy growth for the overall alco-bev industry. However, Karnataka saw a high-teen industry decline in 1HCY25 due to adverse regulation (increase in excise duty in beer especially for the new economy segment where UBL has presence through London Pilsner & Bullet which are 25% of its volume) and favourable policy for premium spirits. While the government did revoke some of the adverse measures in May, which impacted the new economy segment, stabilisation in industry volume is yet to be seen. Having said that, UBL's high single digit/low double digit volume/value growth despite weakness in Karnataka (mid-teen volume decline for UB in 1H) and disruption in Telangana (in 4QFY25) is quite commendable. We believe the weakness in state mix should bottom out gradually.
- **Stepping up efforts to drive premiumisation; margin accretion to happen as premium portfolio gains scale over medium term:** Apart from strengthening its supply chain capabilities, another key focus area for UBL is driving premiumisation. Currently, it is under-indexed in the premium beer segment with market share of c.20% vs. its overall market share of c.50%. It is working on both expanding its premium portfolio offerings (launch of Heineken brands) as well as enhancing manufacturing capabilities (localising production) to ensure better supply of its premium products. A combination of both has led to strong growth in the premium portfolio over the last 5-6 quarters. We expect premium portfolio sales to grow at 2.5-3x of the balance portfolio and achieve a salience of c.14-15% by FY28E (management target is to reach c.25%+ over next 3-5 years) vs. the current contribution of c.10% of top line for UBL. The portfolio currently has lower gross margin due to injection of new bottles, but as it reaches adequate scale (c.15%) in a state with localised production margin accretion should follow. In normalised operations with localised manufacturing and optimum scale, EBITDA/case in premium segment is 2x of the mainstream brands.

- **Margin pressure to ease, underlying potential suggests enough headroom to expand:**  
UBL's gross and EBITDA margins are lower compared to Carlsberg India on account of better product and state mix for the latter. UBL's EBITDA margin has moderated from mid-teen levels pre-Covid to high single digit in FY25 impacted by higher input costs (barley/glass bottles), lower salience of returnable bottles vs. pre-Covid levels leading to higher infusion of new bottles, and adverse regulatory changes in large markets like Karnataka/Telangana. UBL has partially mitigated the gross margin pressure through tight control over other expenses – visible from other expenses as % to net sales at c.22% in FY25 vs. c.25-27% during pre-Covid years. We expect gross margin pressure to ease and improvement to be gradually led by stable RM prices, localisation of manufacturing, premiumisation, improvement in recovery of glass bottles and potential price hikes. This along with tight control over overhead costs/scale benefit should help UBL achieve low-double-digit EBIT margin by FY28E. Regulatory environment and how volume trajectory evolves in Karnataka will be key monitorables. We are baking in EBITDA CAGR of 25% over FY25-28E, with higher expansion in margins over FY27/28E.
- **Low-double-digit sales growth and margin expansion to drive strong earnings print:** UBL delivered mid-single-digit sales CAGR over FY19-25, largely impacted by weakness seen during the Covid period of FY20-22, with volume recovering to pre-Covid levels in FY23. Over FY23-25, sales momentum improved as UBL clocked a sales CAGR of 9%, but that was largely driven by realisation growth as volume growth was modest. Going ahead, we expect volume momentum to improve to high single digits - a function of improving macro and its own internal initiatives around portfolio, premiumisation and supply chain infrastructure. We expect healthy growth in the North (led by UP, Rajasthan), West (Maharashtra, Goa) and certain markets in the South (AP, Telangana) to continue, and lower decline in Karnataka. This coupled with stable realisation/case growth of c.3-4% should result in low-double-digit sales CAGR over FY25-28E. A largely stable input cost environment, improvement in state mix (led by Maharashtra and gradual recovery in Karnataka), premiumisation, localisation of manufacturing, likely price hikes and operating leverage should aid margin expansion. We expect c.350bps EBITDA margin expansion over FY25-28E, resulting in EBITDA/Adj PAT CAGR of c.25%/29% over the same period.

Exhibit 14. Key assumptions table

Particulars	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Volume (mn cases)</b>	<b>188</b>	<b>191</b>	<b>202</b>	<b>220</b>	<b>238</b>	<b>257</b>
% growth	30.7%	1.8%	5.7%	9.0%	8.0%	8.0%
<b>Realisation per case</b>	<b>399</b>	<b>425</b>	<b>441</b>	<b>459</b>	<b>475</b>	<b>491</b>
% growth	-1.7%	6.4%	3.8%	4.2%	3.3%	3.3%
<b>Net Revenue (INR bn)</b>	<b>74.9</b>	<b>81.2</b>	<b>89.1</b>	<b>101.2</b>	<b>112.9</b>	<b>126.0</b>
% growth	28.5%	8.3%	9.8%	13.6%	11.6%	11.6%
Gross Profit (INR bn)	32.2	34.5	38.3	43.6	49.7	56.4
<b>Gross Margin %</b>	<b>42.9%</b>	<b>42.6%</b>	<b>43.0%</b>	<b>43.1%</b>	<b>44.0%</b>	<b>44.7%</b>
<b>EBITDA (INR bn)</b>	<b>6.1</b>	<b>6.9</b>	<b>8.4</b>	<b>10.1</b>	<b>13.0</b>	<b>16.2</b>
% growth	-11.6%	13.1%	20.7%	20.5%	28.5%	24.9%
EBITDA per case	33	36	42	46	55	63
% growth	-32.4%	11.1%	14.2%	10.5%	18.9%	15.6%
<b>EBITDA margin %</b>	<b>8.2%</b>	<b>8.6%</b>	<b>9.4%</b>	<b>10.0%</b>	<b>11.5%</b>	<b>12.9%</b>

Source: Company, JM Financial. Note: Gross margin is calculated on net revenue

## Valuation: Improving execution; near term headwinds an opportunity to ADD

- After 5 years of modest sales and earnings CAGR, UBL is showing signs of an uptick in volume as well as recovery in margins with initiatives under the new CEO Vivek Gupta yielding results – visible from improvement in volume growth trajectory (1QFY26 volume growth at 10% despite an adverse summer vs. c.6% volume growth in FY25), strong growth in the premium portfolio and market share gains (both in mainstream and premium segments in 1QFY26). We like UBL's strengths in terms of strong brand, portfolio width, large manufacturing and supply chain infrastructure, which are also key moats in the business that has enabled it to sustain dominant leadership position for decades in the domestic market.
- We like the strategic interventions being undertaken by the new CEO in terms of addressing portfolio gaps, accelerating premiumisation and investing in fortifying the supply chain infrastructure. We expect revenue momentum to sustain and build in high-single-digit volume CAGR over FY25-28E, which along with better price/mix should result in low double-digit sales CAGR over the same period.
- We believe the current margin profile does not fully reflect the underlying potential of the business and see headroom to improve margins. The pace of margin expansion is likely to be lower in FY26E considering recent challenges in the key markets of Karnataka and Telangana, which, we believe, should ease over the medium term. This along with scale-up in the premium portfolio and leverage benefit, we believe, should help achieve double-digit EBIT margins by FY28E.
- Our forecasts bake in higher earnings trajectory vs. recent historical performance, which, along with an improving balance sheet (expects to be net cash positive by FY28E) and return profile/FCF generation will help sustain premium valuations. Hence, we initiate coverage with ADD and a Sep'26 TP of INR 1,990/share (60x Sep'27E).
- **Key risks to our investment thesis:** Some of the risks faced by the company include a) Any adverse regulations in key markets; b) volatility in input costs especially glass bottles; c) increasing competitive intensity; d) slower-than-expected recovery in Karnataka.

Exhibit 15. UB's 5yr avg. PE band



Source: Bloomberg, Company, JM Financial. Note: Valuation as on 18th Sep'25

Exhibit 16. UB's 10yr avg. PE band



Source: Bloomberg, Company, JM Financial. Note: Valuation as on 18th Sep'25

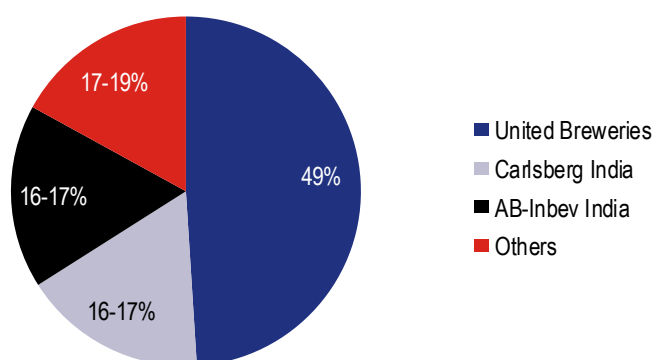
## Business analysis

### Dominant leader with strong capabilities

- **Dominant leader with iconic brands and robust supply chain capabilities:** Incorporated in 1999, UBL (subsidiary of Heineken NV) is a dominant market leader in the Indian beer industry with a volume and value market share of c.50%. In terms of revenue scale and manufacturing infrastructure too, it is much larger compared to key competitors like Carlsberg India, Ab-Inbev India and B9 Beverages. Further it has a wide portfolio comprising national brands, regional brands as well as offerings from Heineken's global portfolio. The strength of its capabilities is visible from the fact that despite challenging regulatory conditions and competition, UBL has been able to sustain its leadership position in the beer segment over decades now, which is rare in our view.

#### Exhibit 17. UBL is a dominant market leader in the Indian beer industry...

Market share of beer players in India (%)



Source: Company, JM Financial

#### Exhibit 18. ...with much larger scale and manufacturing infrastructure vs. peers

Company	Total no. of manufacturing units	Total no. of states
United Breweries	21* owned + 15 CMU	20
Carlsberg India	8 owned + 6 co-packers + 2 Licensee	14
AB InBev India	10	NA

Source: Companies website and annual report, JM Financial

Note: Data for Carlsberg as per Annual report for FY24 and Data for AB Inbev from company website.

\* Out of 21 owned manufacturing plants, 2 plants viz., 1 at Naubatpur and 1 at Cherthala are currently not operational.

#### Exhibit 19. Wide product portfolio across price points comprising Heineken brands, Kingfisher range as well as regional brands

Product segment	Price range	Key products
New Economy	INR 120 to INR 150	London Pilsner, London Strong, Bullet, Bullet Strong
Economy	INR 150 to INR 170	UB Export
Mainstream	INR 170 to INR 200	Kingfisher Premium, Kingfisher Strong
Premium	>INR 200	Heineken Original, Heineken Silver, Kingfisher Ultra, Kingfisher Ultra Max, Kingfisher Ultra Witbier, Amstel and Amstel Grande

Source: Company, JM Financial

Note: Classification done based on prices in the state of Karnataka for 650ml bottle.



## State mix: Analysing key markets of UBL

### Karnataka: Large and profitable market; however, adverse regulatory changes to weigh on near-term industry volume

- **Large and most profitable market for the beer industry:** As per our industry checks, Karnataka is one of the top three markets for beer, accounting for c.11-12% of industry volumes (c.50mn cases p.a., equivalent to c.4-5mn hectolitre p.a). Further, it has been the most profitable state for the industry.
- **Adverse regulatory environment with multiple tax hikes over last 2 years is impacting industry volume:** Over the last 2 years, the regulatory environment has not been favourable in the state for beer players. The beer industry in the state saw implementation of two significant tax hikes in FY24 (which resulted in an increase in additional excise duty from 175% to 195%). Moreover, in 1HCY25, the duty structure was changed twice.

#### Exhibit 20. Karnataka's regulatory landscape remains volatile with frequent hikes in duty levy over the past 2 years...

Declared Price Range (INR)	ED per BL	Additional ED per BL	
	w.e.f 01.04.16	For FY22-23	w.e.f 01.02.24
125 - 139 (in case of 330ml bottles)	10	175% of DP	195% of DP
140 - Above	10		

Source: Karnataka State Beverages Corporation Limited' excise duty slab schedule, Company, JM Financial

- **First in Jan'25, additional excise duty was changed to 195% of basic price or INR 130 per bulk litre, whichever is higher.** Hence, with this notification, beer is taxed under two slabs based on alcohol content—beers with 5% alcohol content and those with alcohol content of 5-8%. This has led to higher tax incidence on economy brands versus mainstream brands. As per our understanding, the prices for the new economy segment (which is the entry level economy segment) increased by c.50% while the price increase in mainstream and premium segments were still manageable. As per our industry checks, the economy segment and, within that, the new economy segment is a large part of the Karnataka beer market. Hence, Karnataka, which had grown at a volume CAGR of 20% in the last 4 years, saw industry volume decline of high teens in 1HCY25.

#### Exhibit 21. ... and has changed twice in a span of 6 months

Declared Price Range (INR)	ED per BL	Additional ED per BL	
	w.e.f 20.01.25	w.e.f 20.01.25	w.e.f 15.05.25
300 and above		195% of DP or Rs. 130 per BL whichever is higher	200% of DP
Alcohol content <= 5%	12		
Alcohol content >= 5% to <=8%	20		

Source: Karnataka State Beverages Corporation Limited' excise duty slab schedule, Company, JM Financial

- As a result, UBL strategically decided to absorb some of the impact in the mainstream brands (Kingfisher & KF Ultra) while fully passing on the impact in the economy brands. The idea was to incentivise consumers to uptrade to mainstream brands as the price gap between mainstream and economy brands had halved.
- **Post representation from beer players/associations, government decided to do away with the INR 130 per bulk litre in May'25.** Additional excise duty was increased from 195% to 200% for all brands (lower vs. earlier plan to increase it to 205%). The excise duty had been doubled from INR 10 per bulk litre to INR 20 on strong beer. This should bring some respite with prices of new economy brands coming down vs. Jan'25 levels and help arrest the sharp decline in economy brands in our view.

**Exhibit 22. While MRP remained same, DP/Case reduced as UBL decided to absorb some of the impact of excise hike**

Kingfisher Strong	Apr-24	Sep-24	Jan-25	May-25	May-25
Declared price per case (INR)	601	601	616	616	574
MRP per bottle (INR)	185	185	185	190	190

Source: Company, JM Financial.

Note: Current price taken from livcheers.com and historical price taken from alcoholpricelist.blogspot.com

**Exhibit 23. Prices of economy segments saw steep hike in Jan and saw correction post change in excise policy in July**

MRP per bottle (INR)	01-Aug-24	01-Jan-25	01-Jul-25
UB Export	145	160	165
Bullet	120	150	125
London Pilsner	130	155	140
Power Cool	125-130	155	125

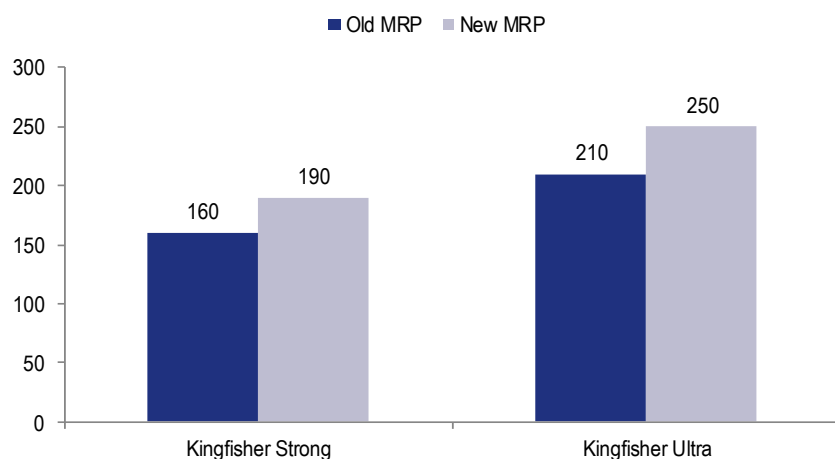
Source: Company, JM Financial.

Note: Current prices are taken from livcheers.com

## Telangana: Largest market by consumption but profitability remains a challenge

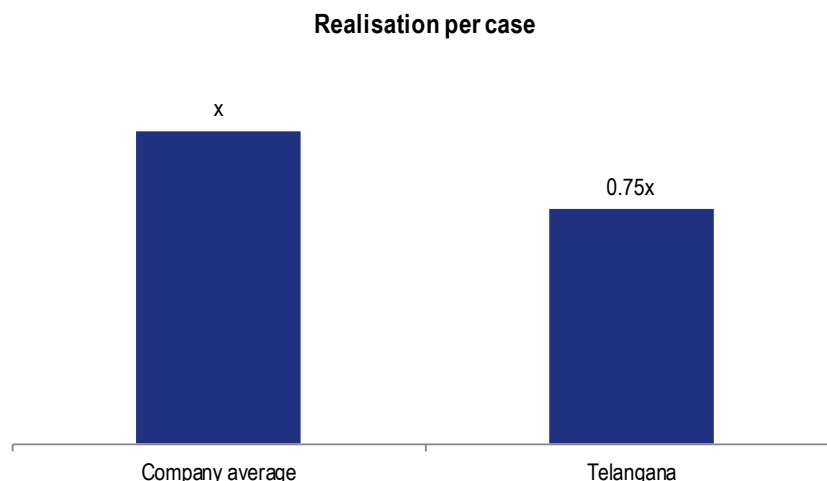
- Telangana is the largest beer market in India, accounting for c.13-15% of industry volume; however, unlike Maharashtra and Karnataka, it is much lower in terms of profitability due to lower realisations/case and higher taxation in the state. As per our checks, UBL enjoys a dominant market share of c.70%+ in this state. Given the lower realisation per case vs. other key markets, UBL was making EBIT loss in the state despite a dominant position with large scale.
- In Jan'25, UBL stopped beer supply to Telangana State Beverage Corporation on account of pending price hikes (no hike in the last 5 years) and increasing receivables (c.INR 9bn in Jun'24). In order to have profitable/sustainable operations, UBL required a price hike of c.30%. However, post active engagement with the state government, the industry secured a 15% price hike in Feb'25, and the company has also started getting regular payments on the receivables front. While the hike is lower vs. the actual demand, it will help in reducing EBIT loss (breakeven currently). Having said that, the tax structure was not altered or rationalised; as a result, the hike led to an increase in consumer prices, which has impacted the volume trajectory in the state. Moreover, a further price hike will be required in the medium term; otherwise, the operations in the state can again go back into the red assuming some inflation in input and other operating costs.

**Exhibit 24. Post numerous representations, some price hikes effected by Telangana government have partially curbed the challenges faced**



Source: Media Reports

**Exhibit 25. Realisation per case in Telangana is lower than the company's average**

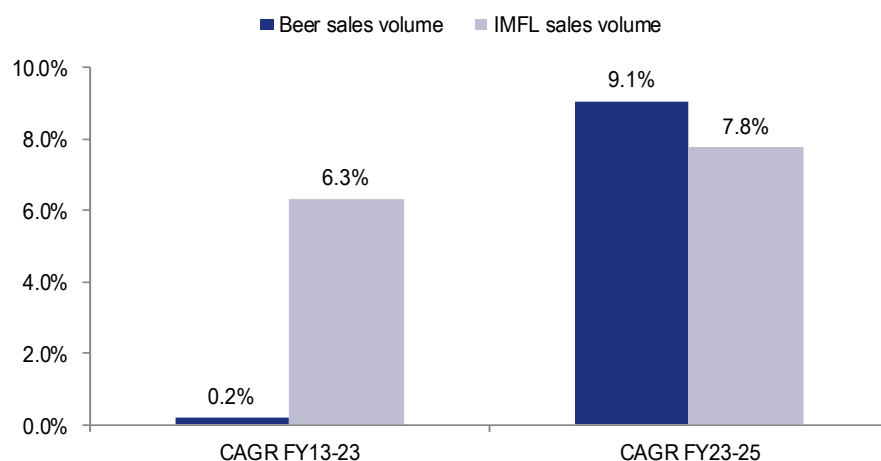


Source: JM Financial estimate

## Maharashtra: Large market with better profitability; industry growth showing signs of improvement

- **Beer industry seeing healthy recovery in growth over FY23-25:** Apart from Karnataka, Maharashtra is another key market (among top 5 states) for alcoholic beverages. For beer players, it accounts for c.12-13% of the industry, has a high liquor outlet density (20,000+ outlets) and is also better in terms of profitability. However, due to higher taxation on beer, industry growth had been flat over FY13-23. Over the last 2 years, the category has seen some traction growing in high single digits.
- **UBL taking several initiatives to capitalise on momentum:** UBL is the dominant market leader with c.50% share and has a strong manufacturing presence in the state with three breweries. As a part of its strategy to capitalise on this large market, UBL has implemented a sharper route-to-market plan to optimise its operations in the state. It is addressing distribution gaps (had 13 districts with zero distribution point of coverage), improving distributor/retailer servicing, enhancing cooler placement (currently only c.10-15% outlets) to 50% of the outlets over the next 2 years. A combination of UBL's internal initiatives on distribution as well as the recent tax hike on IMFL, the management expects beer category growth to further improve in the state.

**Exhibit 26. Decade-long flat growth ends as Beer sales see healthy growth over FY23-25**



Source: Media reports, JM Financial estimate

## Uttar Pradesh: Large and fast-growing market led by favourable policy environment

- Uttar Pradesh is one of the fast-growing markets for alcoholic beverages led by progressive government policies – stable consumer prices, increase in number of stores (from 6K to 10k+), better availability of key raw material and favourable demographics.
- The state currently accounts for c.10% of UBL's business and is currently being serviced through contract manufacturers. As a part of its strategy to step up manufacturing capabilities and also address supply needs in the state, UBL announced the setting up of a new greenfield unit (after a decade) with a capex outgo of INR 7.5bn – this will be one of the largest breweries with capabilities to produce both mainstream as well as premium brands. The plant is expected to start commercial production in CY27E.

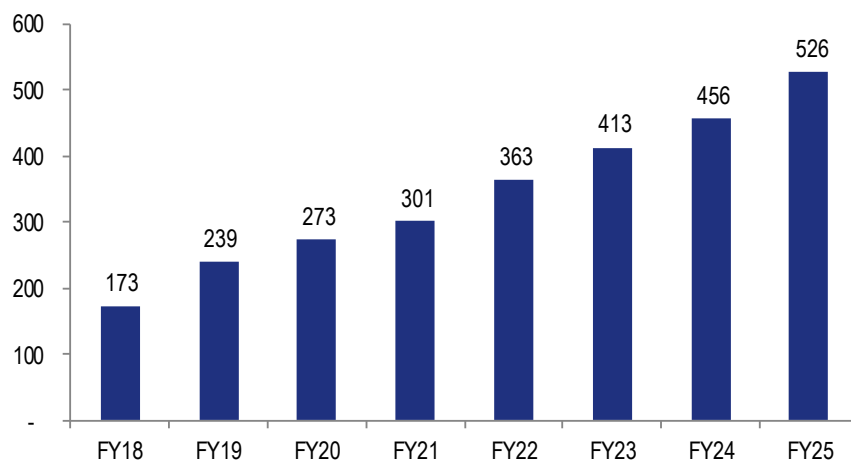
### Exhibit 27. Uttar Pradesh's huge market opportunity and progressive policy developments has compelled UBL's first brewery investment

Classification	Key policy developments
Sale and License related interventions	Sale of IMFL and beer at separate shops have been replaced by composite shops - i.e. beer, IMFL and wine will now be sold from a single counter. This will boost retail density without increasing the number of shops.
	No distinct beer license required to make beer sales from composite shops.
	Country liquor shops have the option to sell beer as well.
Shop allocation	Country liquor shops, composite shops, model shops and cannabis retail shops will be allocated through an e-lottery system instead of renewal process followed earlier.

Source: Media reports, Company, JM Financial

### Exhibit 28. Uttar Pradesh's excise revenue from alco-beverages has almost doubled over the last 7 years, growing at a CAGR of 17% led by favourable regulatory environment

UP's Excise revenue (INR bn)

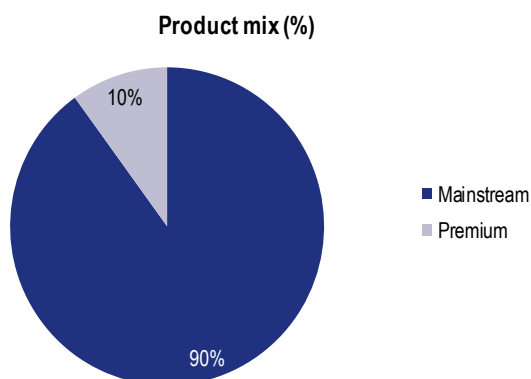


Source: Uttar Pradesh State Beverages Corporation, Company, JM Financial

## Increased focus on premiumisation; initial results encouraging

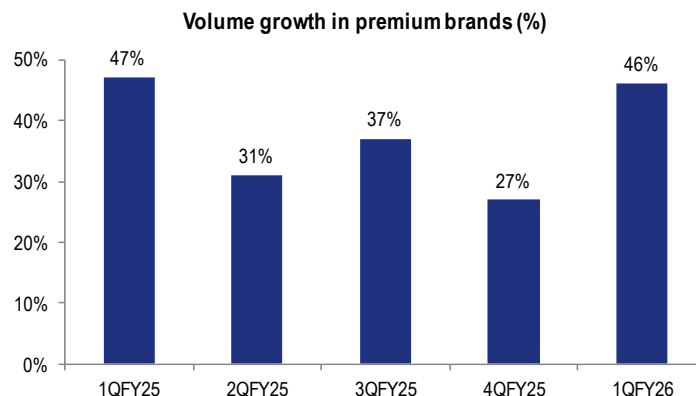
- **Step-up in efforts behind premium portfolio where UBL is currently under-indexed:** After muted growth in FY24, UBL's premium portfolio saw a strong bounce-back in FY25 with strong growth in Kingfisher Ultra max and Heineken Silver. The company gained c.200bps share in the premium segment, which was led by a) unlocking supplies (started local production of its premium brands at six locations in 1HCY25, and four more units are expected to commence operations in FY26), b) extending premium brands into newer markets and c) innovations/new launches. Currently, the salience of the premium portfolio stands in high single digit in volume terms and low double digit in value terms. The management targets to increase this to c.25% over the medium term.
- **Realisation/case higher but profitability is lower currently due to infusion of new glass bottles:** Having said that, capacity is still getting ramped up for the same. Further, the portfolio is still in the investment phase and requires higher new glass bottle infusion and marketing spends. As a result, it is margin dilutive – margin for this portfolio is 2/3<sup>rd</sup> of the rest of the portfolio's margin. However, in states with an optimum scale, EBITDA per case for premium brands is c.2x of the mainstream beer portfolio.
- **MNC peers have higher salience of premium products, which also adds to their gross margin profile:** As per our industry checks, Carlsberg and Ab-Inbev India have higher salience in the premium segment compared to UBL. Also, our analysis of Carlsberg India's financials provides some indication of the margin potential with increasing salience of premium brands. Currently, Carlsberg India has the highest realisation/case, gross and EBITDA margin compared to other two players, UBL and AB-Inbev India, which is a function of higher salience of premium brands in its overall portfolio.

Exhibit 29. UBL remains focused on improving premium mix...



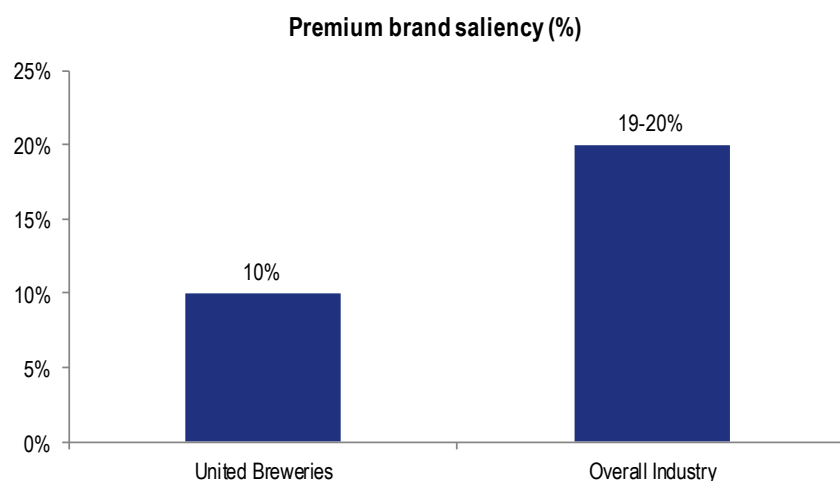
Source: Company, JM Financial

Exhibit 30. ...visible from strong growth seen in FY25/1QFY26



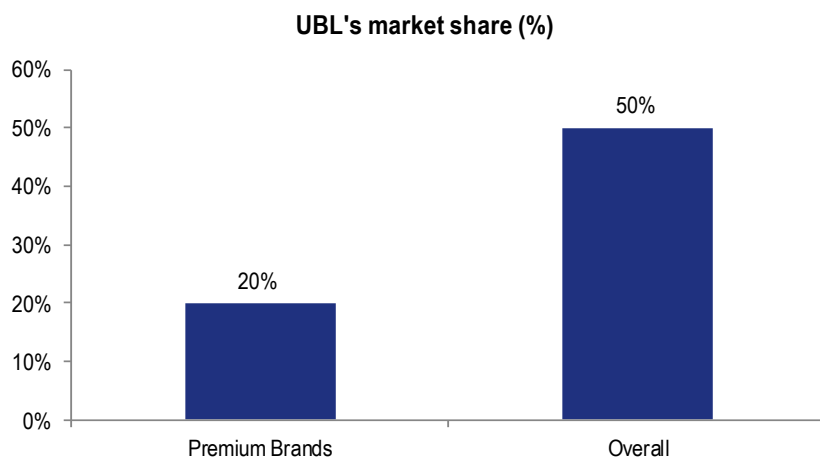
Source: Company, JM Financial. Note: Volume growth is reflected in hectolitres

Exhibit 31. Headroom for improving premium mix - UBL is currently under-indexed vs. salience of premium brands for the industry



Source: Company, JM Financial

**Exhibit 32. UBL's market share in premium brands is lower vs. its overall market share in beer segment**



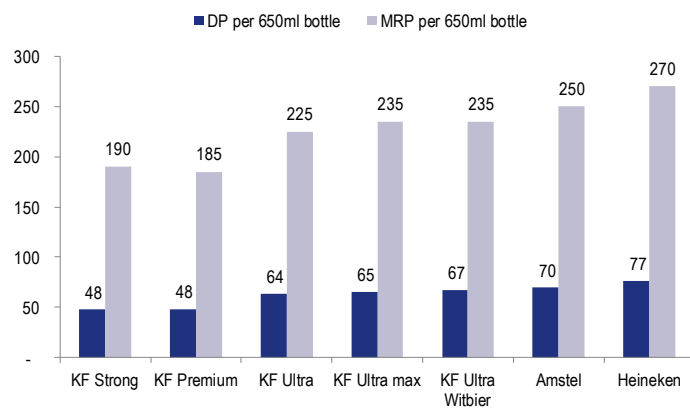
Source: Company, JM Financial

**Exhibit 33. UBL has a wide range of offerings in the premium segment under Kingfisher brand as well as from Heineken portfolio**



Source: Company Annual Report, JM Financial

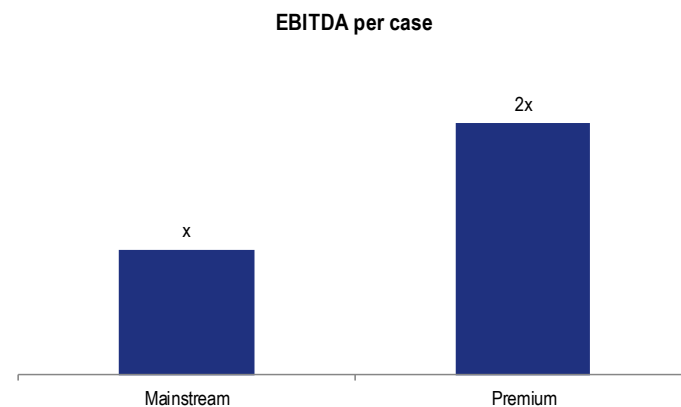
**Exhibit 34. Realisation per bottle for premium brands is much better vs. mainstream brands...**



Source: Company, JM Financial

Note: DP means declared price before levy of excise duty.

**Exhibit 35. ...and at optimum scale can generate 2x EBITDA per case vs. mainstream**

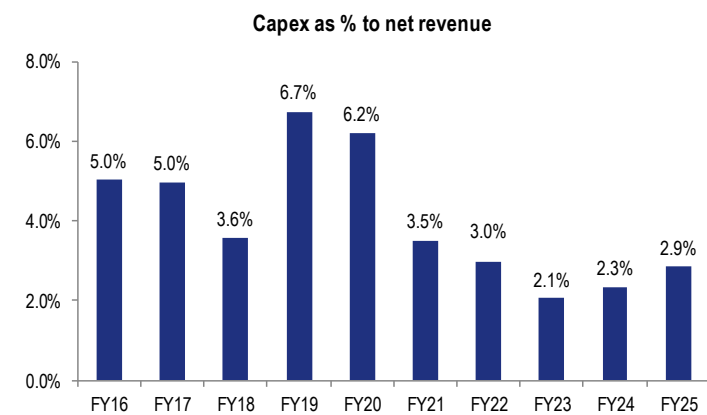


Source: Company, JM Financial estimate

## Strengthening supply chain capabilities

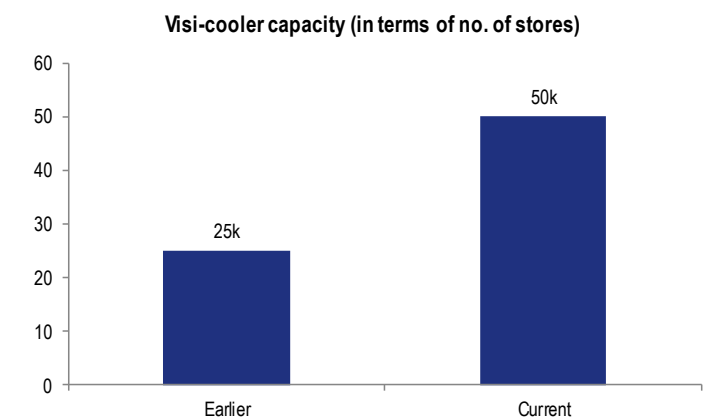
- **Increasing capex intensity:** Excluding Covid years, UBL's capex intensity over FY23-25 has been lower compared to pre-Covid years – capital expenditure (as per CF) as % to sales has averaged around c.2-3% over FY23-25 compared to c.5-7% over FY16-20. Also, capacity constraints in market such as UP and AP result in interstate transfers that weigh on margins (as seen in 1QFY26). The management acknowledged the need to step up intensity to ensure better servicing of the markets as well as scale-up premium brands. As part of this strategy UBL announced a capex of INR 7.5 bn towards setting up a new greenfield unit in UP. The plant will be one of the largest breweries globally with a capacity of 1mn-3mn HLP and will have lines for manufacturing both mainstream and premium brands. It will take at least 2 years to start commercial production.
- In addition to capacity expansion, UB is also accelerating expansion of visi-cooler network – the addition in 1H CY25 is similar to the expansion done in CY24. Going ahead, the management plans to step this up to mid-high single digits in the coming years.

**Exhibit 36. Gradual step up in capex seen...**



Source: Company, JM Financial. Net revenue is net-off excise duty but including other operating income

**Exhibit 37. ...along with acceleration in visi-cooler capacity**



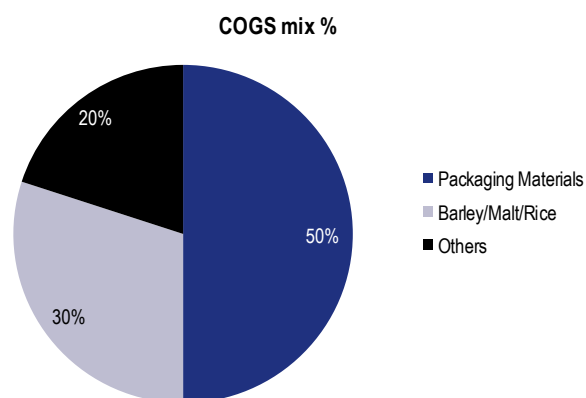
Source: Company, JM Financial



## Enough headroom for margin expansion

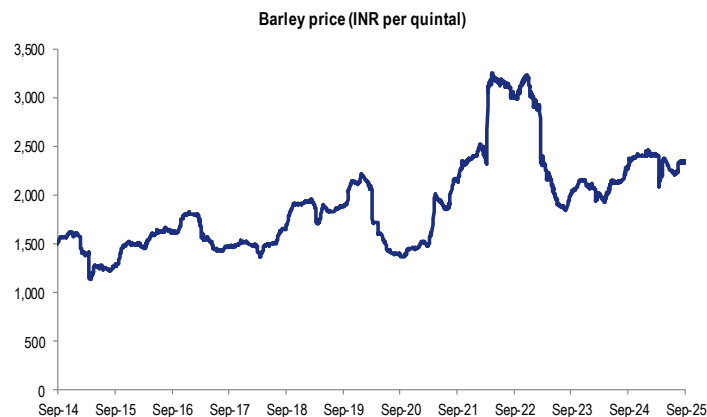
- **Sharp input cost inflation has impacted margins especially over FY20-25:** UBL's gross margin has come off sharply in the last decade from c.54-56% in FY16/17 to c.43% in FY25. The margin compression has been a function of lower growth in realisation/case compared to increase in COGS/case. Over FY15-25, UBL's realisation/case has grown at a CAGR of 3.8% while COGS/case has grown at higher rate of 6.8%, resulting in flattish CAGR for gross profit/case over the same period. If we further breakdown the COGS, both RM consumed per case as well as packing material/case has increased by a CAGR of c.6-7%.
- **Larger impact coming from inflation in packaging costs (glass bottles):** On the RM side, barley (one of the key raw materials, accounting for 30% of COGS) prices in the past have been impacted by unseasonal rainfall and higher prices for competitive crops, leading to farmers shifting production to other crops. The management expects barley prices to be largely stable in the coming quarters. On the bottles (key packaging material accounting for 50% of COGS) front, consumption cost has been impacted by tight supply market because the recycled bottle chain, which was disturbed during Covid, has not fully come back, and also due to higher cullet demand. Inflationary pressure in energy, soda ash also led to higher bottle cost.
- **Salience of used bottles seeing gradual improvement:** UBL's share of recovered bottles stands at c.70%; an improvement vs. c.65% a year back but still lower vs. pre-Covid levels of c.80%+. The management is targeting to increase the share to c.73% by end of FY26. This, apart from increasing the scale of the premium portfolio, currently requires infusion of new bottles, which leads to margin dilution. Over the medium term, as the premium portfolio reaches adequate scale in states with localised production and salience of recovered bottles improve, the margin benefit should start to accrue.

Exhibit 38. UBL's current COGS mix



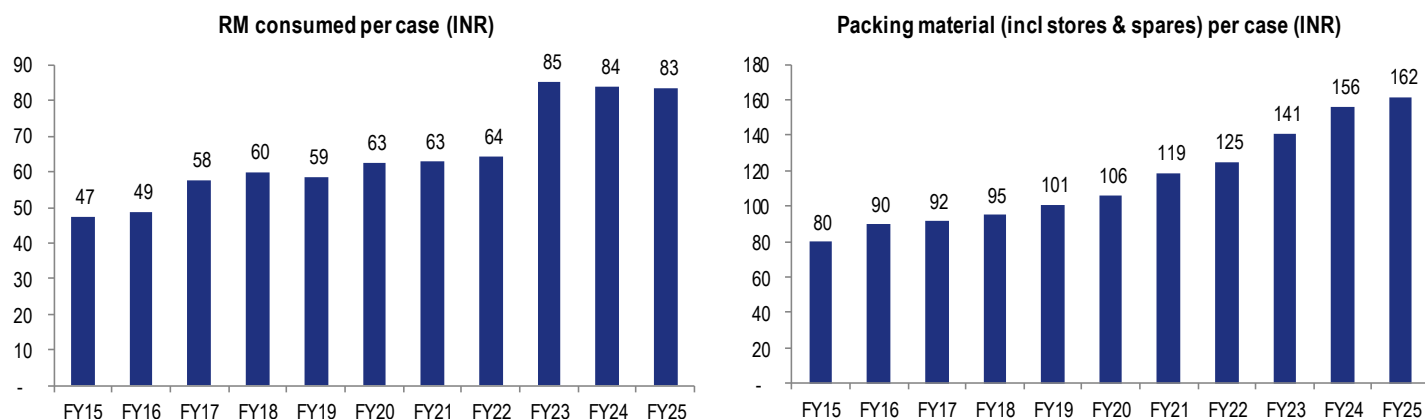
Source: Company, JM Financial

Exhibit 39. Barley is one of the key RMs consumed

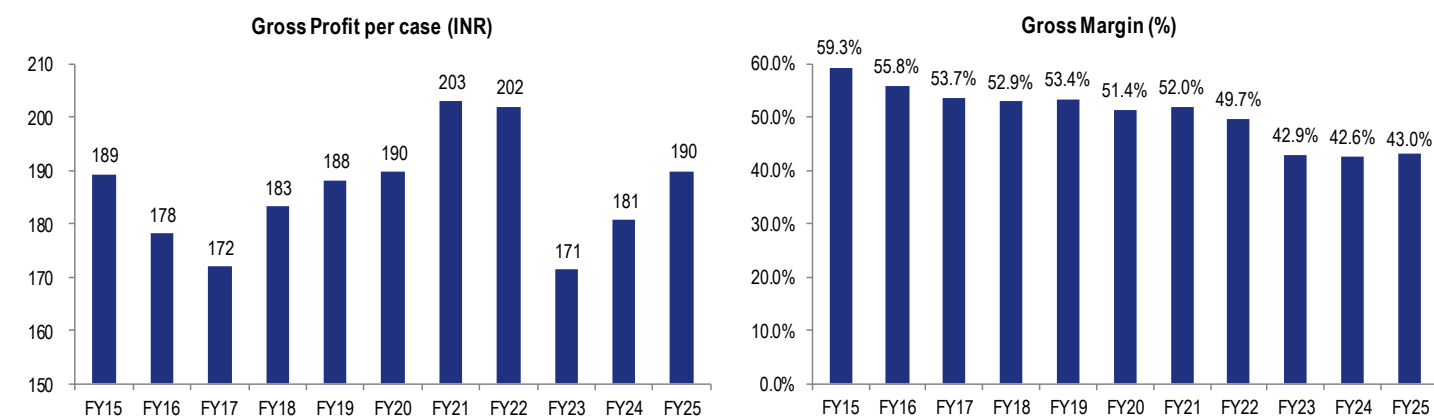


Source: Bloomberg, Company, JM Financial

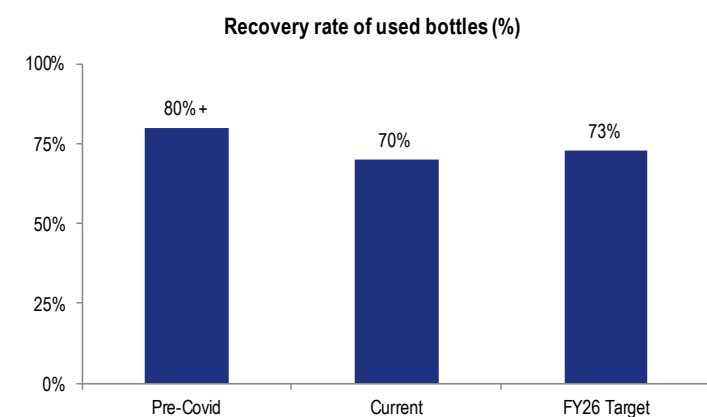
Exhibit 40. Over FY15-25, RM consumed & packing material per case continued on its upward trend, steep inflation seen since Covid...



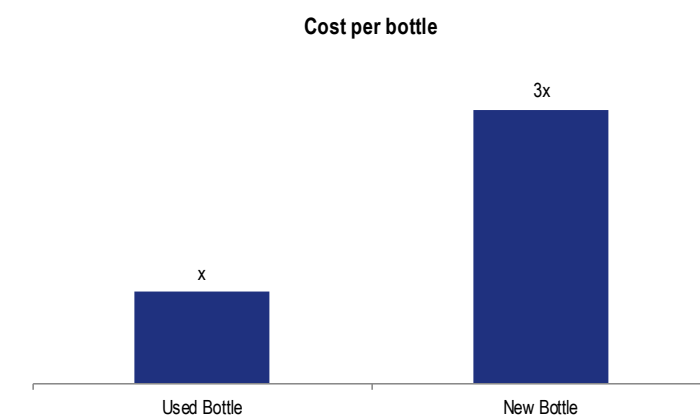
Source: Company, JM Financial

**Exhibit 41. ...resulting in flattish gross profit per case and steep margin compression**

Source: Company, JM Financial. Gross margin is calculated on net revenue

**Exhibit 42. Gradual improvement in recovery rate of used bottles post-Covid...**

Source: Company, JM Financial

**Exhibit 43. ...will help reduce packaging costs considering large difference in cost/bottle vs. new bottles**

Source: Company, JM Financial

- **Execution on premium portfolio can accelerate margin expansion:** Despite leaner cost structure, UBL's EBITDA margins are lower vs Carlsberg India primarily due to lower salience of premium portfolio. Currently UBL's premium portfolio is growing much faster than mainstream brands; however, margins are 2/3<sup>rd</sup> of balance portfolio due to infusion of new bottles. At optimum scale, with localised manufacturing and stabilised new bottle infusion EBITDA/case for premium portfolio can be 2x of mainstream brands. Hence, execution here can be a significant margin driver over the medium term for UBL.
- **In our view, current margins do not fully reflect the underlying potential of the business.** Over the medium term, we expect margins to improve led by a) stability in input costs, b) improving recovery rates of glass bottles, c) optimising supply chain with localisation of manufacturing operations, d) improving performance in highly profitable markets of Maharashtra and Karnataka (together account for c.25% of UBL's overall volume), e) premiumisation and f) possible price hikes. The management is targeting to achieve double-digit EBIT margin (vs. high single digit currently) over the medium term.

## Analysis of competitive landscape in beer industry

- **Oligopolistic market:** India's beer industry is dominated by the top 3 players, who together account for 80-85% of the market. Our comparative analysis of UBL with other key competitors in the Indian market (Carlsberg India, AB-Inbev, B9 Beverages) suggests it is by far the largest in terms of manufacturing footprint, portfolio as well as revenue.
- **UBL is largest player in terms of scale; Carlsberg India leads in terms of growth, realisation/case and profitability due to better mix:** As per our analysis/checks in terms of realisation/case and gross/EBITDA margins, Carlsberg India leads the pack followed by UBL and AB-Inbev India. In our view, this is predominantly on account of higher salience of premium/super-premium brands for Carlsberg India vs. the other two, who have decent salience coming from mainstream/regional brands.
- **Cost structure-wise UBL is much leaner** as seen with UBL's staff cost as % to sales is lower vs. Carlsberg & AB-Inbev India. Also, UBL's freight cost as % to sales is lower due to its much wider manufacturing presence.

### Exhibit 44. United Breweries is by far the largest in terms of manufacturing set-up...

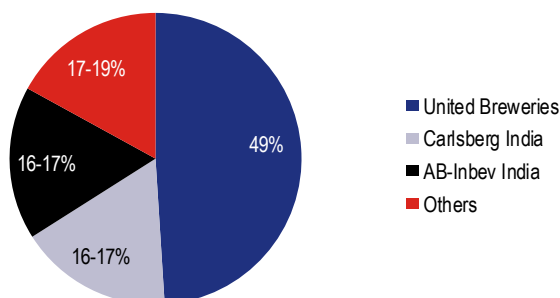
Company	No. of manufacturing units
United Breweries	21 owned* + 15 contract manufacturing
Carlsberg India	8 owned + 6 co-packers + 2 licensee
AB Inbev	10 breweries
B9 Beverages	5 leased

Source: Companies websites and annual report, News article, JM Financial

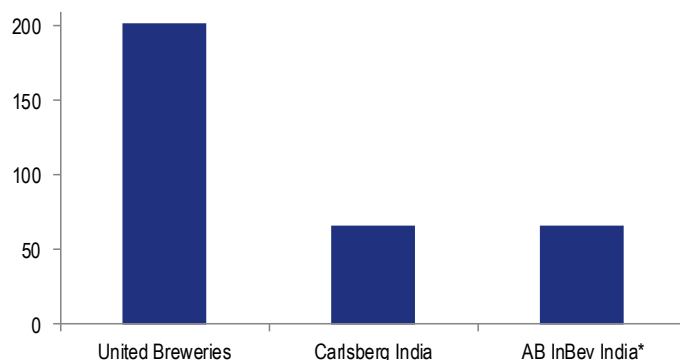
\*As on March 31, 2025 - Out of 21 owned manufacturing plants, 2 plants viz., 1 at Naubatpur and 1 at Cherthala are currently not operational.

### Exhibit 45. ...reflective from its dominant market share, volume...

Market share of beer players in India (%)



Volume (mn cases)

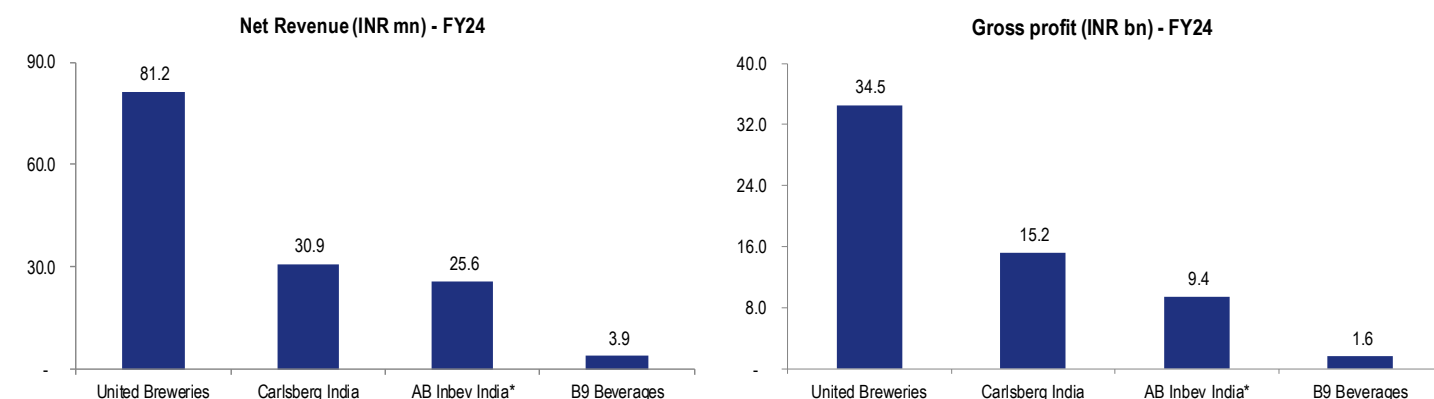


Source: Company, JM Financial, \*Data for AB Inbev pertains to FY23

### Exhibit 46. ...brand positioning across peer group...

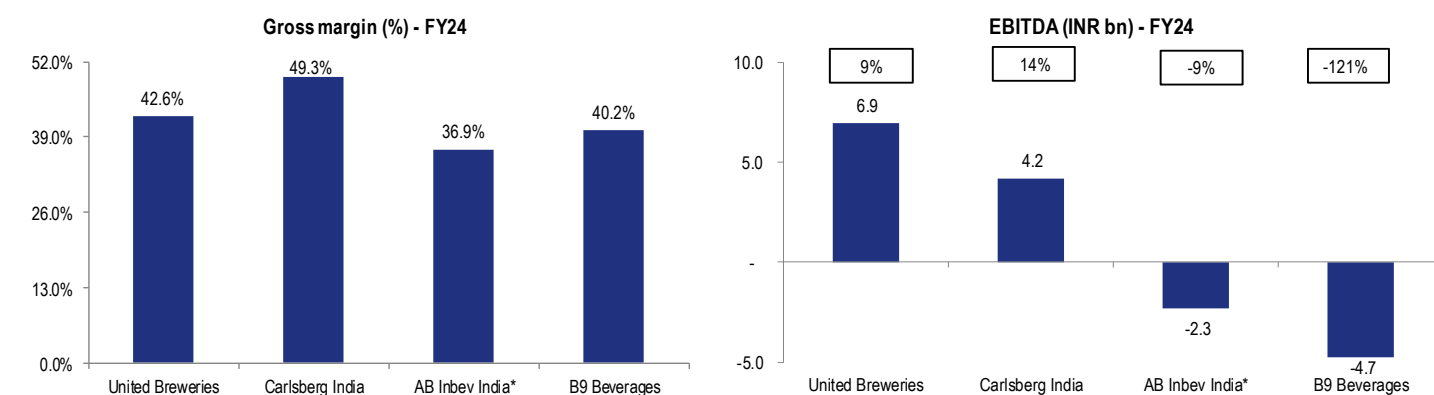
Company	Economy/Mainstream (up to INR 200)	Premium (> INR 200)
United Breweries	London Pilsner, London Strong, Bullet, Bullet Strong, UB Export, Kingfisher Premium Light, Kingfisher Strong	Heineken Original, Heineken Silver, Kingfisher Ultra, Kingfisher Ultra Max, Kingfisher Ultra Witbier, Amstel and Amstel Grande
Carlsberg India	Tuborg Strong, Tuborg Light	Carlsberg Light, Carlsberg Elephant Strong, Tuborg Classic Black Strong
AB InBev India	Knockout, Haywards 5000, Royal Challenge	Budweiser Light, Budweiser Magnum, Corona, Hoegaarden
B9 Beverages	Bira Boom	Bira White, Bira 91 Rise Rice Strong Lager Beer, Bira Blonde, Bira Gold

Source: Company, JM Financial. Note: Classification is based on MRP in Karnataka state

**Exhibit 47. ...and revenue scale among peers**

Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income.

\*Data for AB Inbev pertains to FY23

**Exhibit 48. However, in terms of % margin performance, Carlsberg India ranks higher due to favourable mix**

Source: Company, JM Financial. Note: 1. Gross margin is calculated on net revenue. 2. The figures in the box pertain to EBITDA margin for FY24 except in case of AB Inbev.

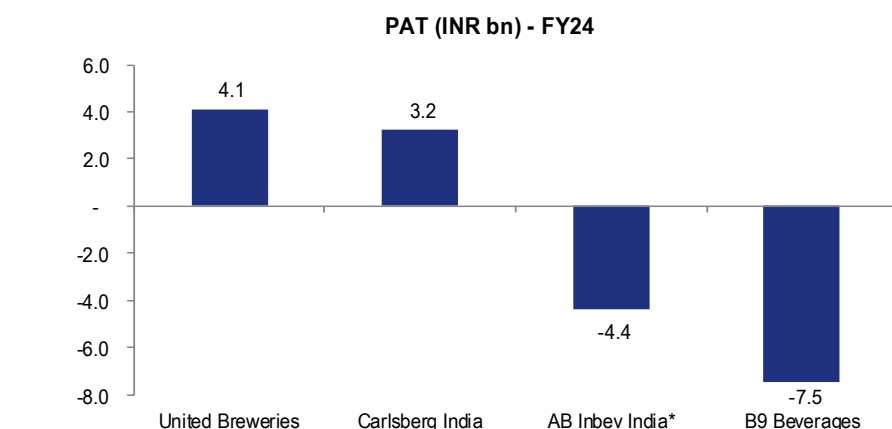
\*Data for AB Inbev pertains to FY23

**Exhibit 49. United breweries has a much leaner cost structure vs. peers**

as % to net revenue - (FY24)	United Breweries	Carlsberg India	AB Inbev India*
Staff cost	7.9%	9.0%	9.0%
Other expenses (ex-A&P spends and freight cost)	17.0%	18.1%	22.5%
A&P spends	4.2%	3.1%	6.0%
Freight cost	4.9%	5.6%	8.4%

Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income.

\*Data for AB Inbev pertains to FY23

**Exhibit 50. UBL and Carlsberg maintain profitable growth within the peer group**

Source: Company, JM Financial. \*Data for AB Inbev pertains to FY23

- **Carlsberg India has grown faster vs. UBL over FY15-25:** Further, recent commentaries from Carlsberg & AB-Inbev as well as our checks suggest that Carlsberg India has seen higher sales/volume growth in CY23-1HCY25 compared to UBL and AB-Inbev India. UBL sales in CY24 were impacted by RTM changes in Tamil Nadu, AP & Delhi and stoppage of supply in Telangana in 1QCY25.

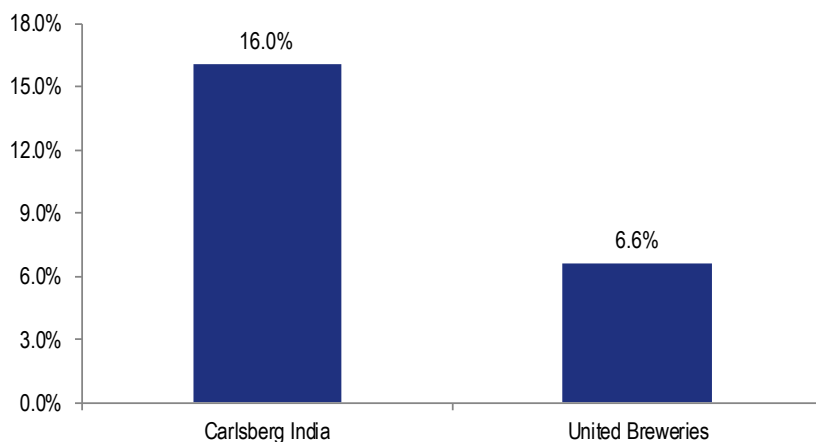
**Exhibit 51. Carlsberg has seen higher volume growth than UBL over CY23/24/1HCY25**

Volume Growth (%)	CY23	CY24	1HCY25
United Breweries	0.0%	7.0%	7.7%
Carlsberg India	High-single digit	12%	Double-digit

Source: Company PPT, JM Financial

**Exhibit 52. Carlsberg India has seen faster sales growth over FY15-25 vs. UBL**

**Revenue CAGR (%) - FY15-25**



Source: Companies Data, JM Financial . Note: Revenue figure of Carlsberg India for FY25 is as per internal estimates.

- **Step-up in investments in India market by all 3 MNC majors:** Also, the commentaries from parent companies for all the top 3 MNC players clearly highlight that India is one the key focus markets for them globally, indicative of the attractiveness of the opportunity size. Hence, all three players have also announced step-up in capex investment to strengthen their supply chain capabilities.

**Exhibit 53. Capex announcements in India by top 3 MNC players**

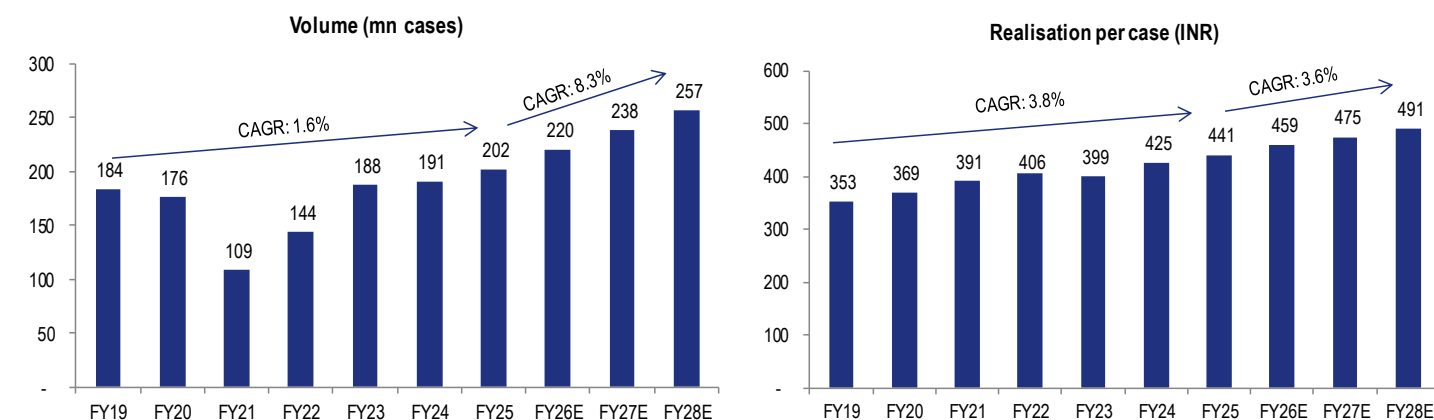
United Breweries	Carlsberg India	AB InBev India
We are excited to announce an <b>INR 750 crores investment in a new greenfield brewery in Uttar Pradesh</b> , expected to be operational by Q4 FY27. Proposed capacity is 1.0-2.0mhl. UP offers healthy potential, accounting for ~17% of India's population. Expect healthy traction from UP upon capacity addition.	Carlsberg India has signed a memorandum of understanding with the Karnataka government <b>to invest INR 350 crores to expand its existing brewery in Mysuru</b> . Carlsberg further plans to open up to three new breweries in India to bolster its supply chain capabilities in this growing market.	AB InBev has planned <b>to invest USD 250 million in India's beverage market in the next two to three years</b> . The company will sign a Memorandum of Understanding in due time.

Source: Company, JM Financial

## Financial analysis

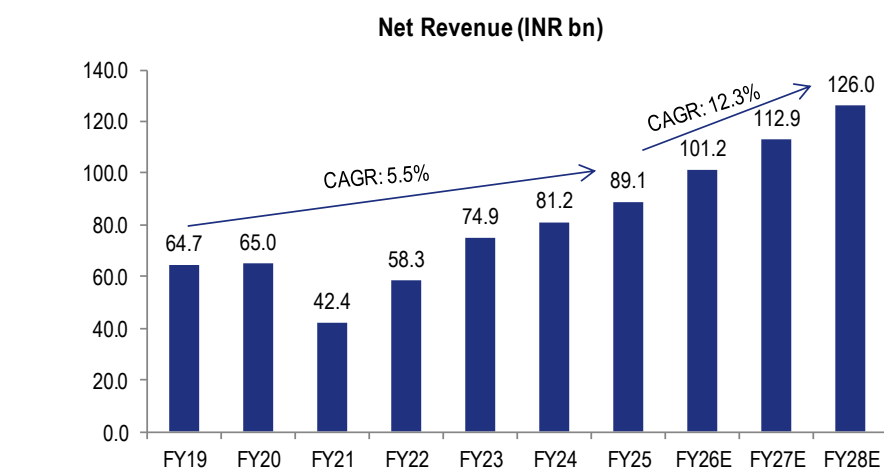
- **Higher volume growth and price/mix led uptick in realisations/case to accelerate sales growth over FY25-28E:** We bake in sales CAGR of c.12% over FY25-28E as we expect UBL's volume trajectory to accelerate over FY25-28E to c.8% (vs. low-single-digit CAGR seen over FY19/25/FY23-25) along with stable realisation. FY26 has started on a strong note with c.10% volume growth despite the adverse summer and mid-teen volume decline in the key market of Karnataka. We expect revenue momentum to continue - a function of improving macro, its own internal initiatives around portfolio/distribution/manufacturing, healthy growth in key markets like UP, Telangana, Maharashtra, Rajasthan, TN, AP and gradual recovery in Karnataka.

**Exhibit 54. We expect improvement in volume growth momentum vs. previous years along with steady uptick in realisation/case...**



Source: Company, JM Financial

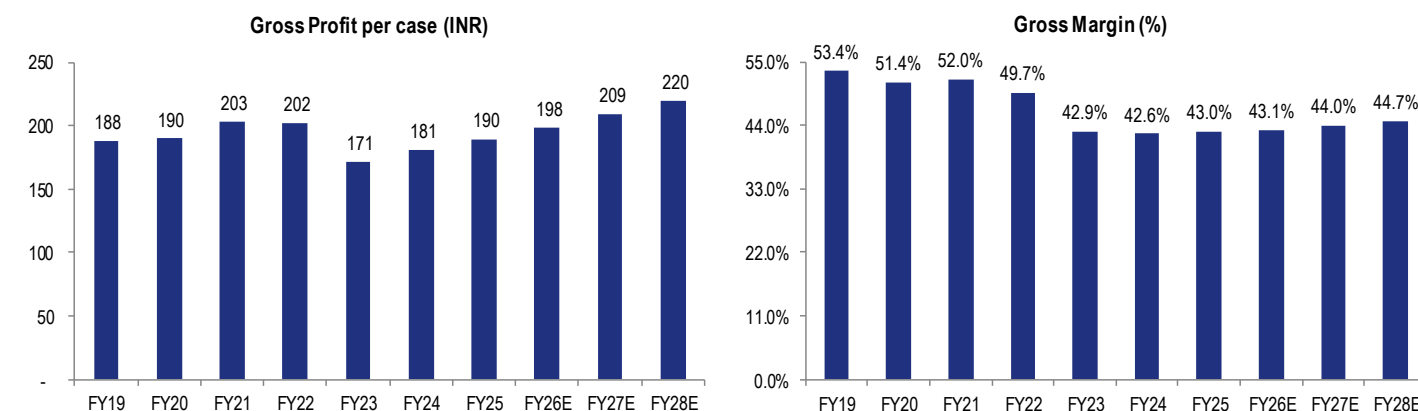
**Exhibit 55. ...resulting in sales CAGR growth of c.12% across FY25-28E**



Source: Company, JM Financial. Note: Net revenue from operations is net-off excise duty but including other operating income.

- **Stable input cost, premiumisation and recovery in state mix to aid gross margin expansion:** UBL's gross margin movement is dependent on state mix, input costs (barley and glass bottles) and price hikes. The state mix has been adverse primarily on account of decline in Karnataka and higher growth in Telangana/AP. Pricing environment has been healthy with price hike in Telangana, and UP. On the input front, barley prices are stable to benign; however, packaging costs depend on the salience of returnable bottles. While the share of returnable bottles is improving gradually, there is also infusion of new bottles (which are costlier vs. returned bottles) due to much faster growth in the premium portfolio. Hence, gross margin shrank YoY in 1Q. We expect GM for the balance 9M to be better vs. 1QFY26. We are factoring in a healthy uptick in GM in FY27/28 assuming a better state mix (Karnataka comes back to normalised growth, Maharashtra continuing to do well), stable RM prices, improving share of returnable bottles and normalisation of premium portfolio growth.

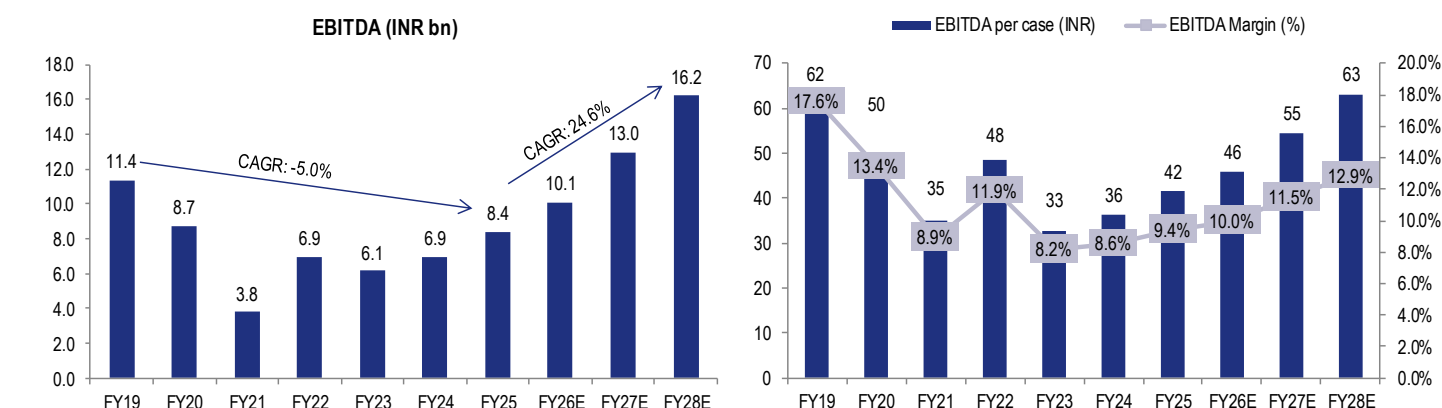
**Exhibit 56. After flattish GP per case and margin compression over FY19-25, we expect gradual recovery in GP per case (CAGR: 5%, FY25-28E) and gross margin expansion (c.170bps over 3 years)...**



Source: Company, JM Financial.

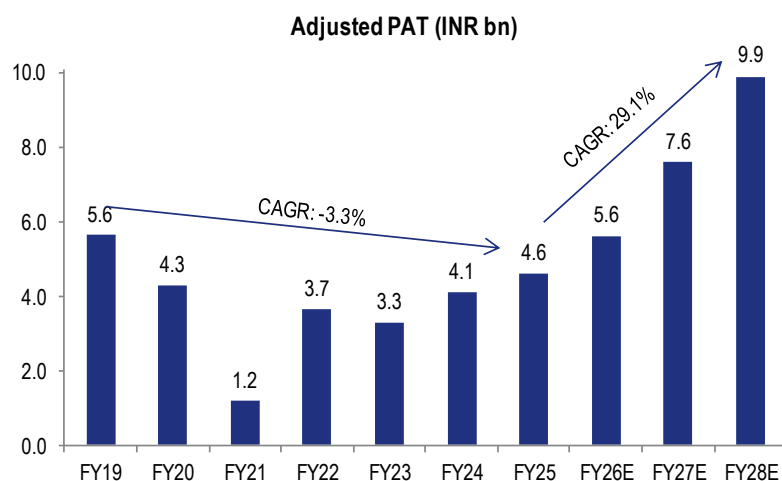
- **Gross margin expansion and scale-led efficiencies to provide fuel for investments as well as drive margin improvement:** Despite muted revenue growth over FY18-25, UBL has been able to derive cost efficiencies with other expenses (incl. A&P spends) as % to net revenue seeing a reduction of c.430bps over the same period. With double-digit sales growth over FY25-28E, we expect better fixed cost absorption, which, along with gross margin expansion, should drive higher EBITDA (we forecast CAGR of c.25% over FY25-28E) as well as PAT growth (we forecast CAGR of c.29% over FY25-28E).

**Exhibit 57. ...which along with scale leverage will aid EBITDA growth (CAGR: 24.6%) and margin improvement (c.350bps) over FY25-28E**



Source: Company, JM Financial

**Exhibit 58. We also expect robust growth in net profitability (CAGR: 29% over FY25-28E)**



Source: Company, JM Financial

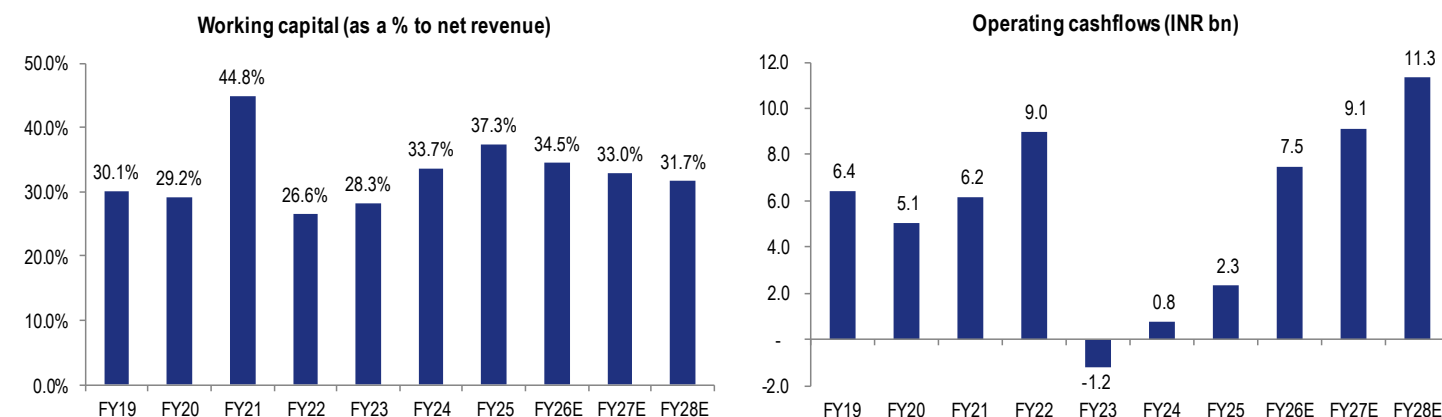
- **Improving profitability and working capital to enable funding higher capex generate FCF and improve return profile.** With uptick in profitability (we estimate c.350bps uptick in EBITDA margin) as well as improving working capital, we expect OCF to improve, which should allow the company to fund its higher capex requirements, generate FCF and improve overall RoE/RoCE profile over FY25-28E.

#### Exhibit 59. Working capital days

Net working capital days (on gross sales)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Inventory days	27	28	41	26	32	28	31	31	31	31
Debtor days	40	34	51	36	31	47	55	56	52	50
Creditor days	16	14	23	18	16	19	22	22	22	22
<b>Net working capital days</b>	<b>51</b>	<b>48</b>	<b>69</b>	<b>44</b>	<b>47</b>	<b>55</b>	<b>64</b>	<b>65</b>	<b>62</b>	<b>60</b>

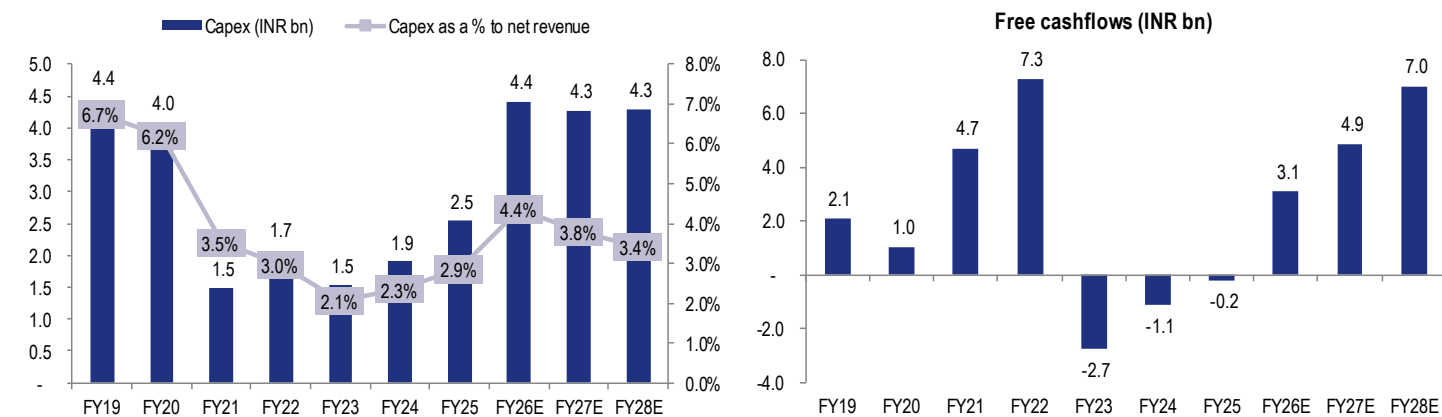
Source: Company, JM Financial

#### Exhibit 60. Improving profitability and working capital to boost operating cash flows...



Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income.

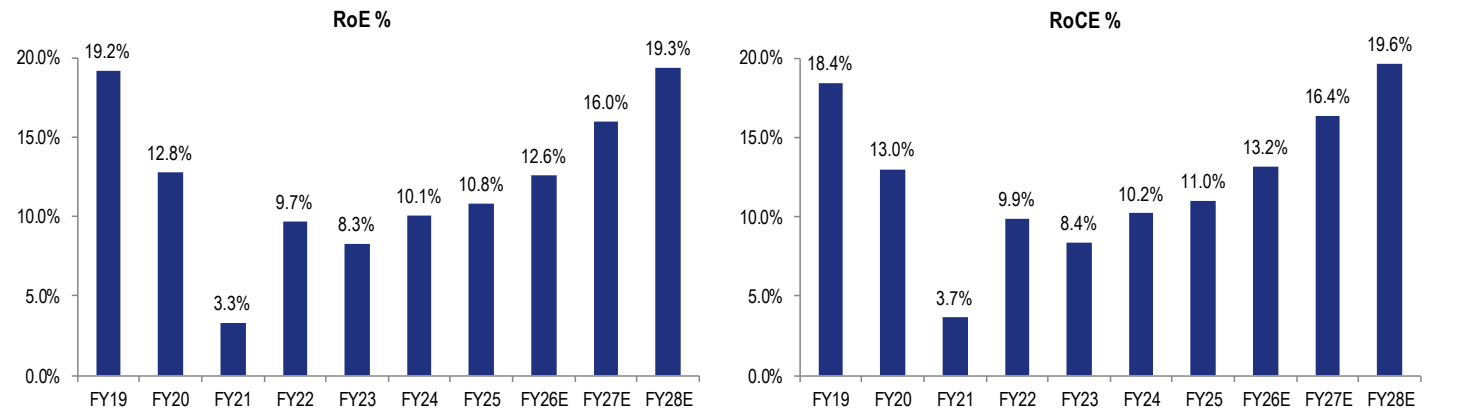
#### Exhibit 61. ...supporting increased capex intensity while maintaining positive FCF over FY25-28E



Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income.



Exhibit 62. RoE/RoCE profiles to see steady improvement over FY25-28E



Source: Company, JM Financial. Note: RoCE calculation is on post-tax basis.

## Management background

### Exhibit 63. Key Management Team

Name	Designation	Qualification & experience
Mr. Anand Kripalu	Chairperson – Non-Executive Independent Director	He has a B.Tech in Electronics from IIT, Madras, an MBA from IIM, Calcutta and has completed Advanced Management programme from Wharton Business School. He has over 30 years of experience in the FMCG industry. Prior to EPL Ltd, he spent 7 years as the Managing Director and CEO of Diageo India. He was also a Member of Diageo's Global Executive Committee. Currently, he is also the Non-Executive Chairman of Swiggy. Before joining Diageo, he served as the President of the Indian and Southeast Asia business for Mondelez International. Before that, he played several key roles and spent 22 years at Unilever.
Mr. Vivek Gupta	Managing Director & Chief Executive Officer	He is an engineering graduate with an MBA from IIM, Ahmedabad. He has solid and broad experience from commercial and leadership roles in MNCs and new-age start-ups, both in international markets and India. Prior to United Breweries, he served as Chief Business Officer at Udaan.com. Before that, he has spent two decades in leadership and commercial roles at P&G with last position being Managing Director of Australia and New Zealand.
Mr. Jorn Elimar Kersten	Director & Chief Financial Officer (Appointment w.e.f. August 1, 2024)	He is a Dutch National holding an MSC in Economics and Management Control from the University of Amsterdam. He has also completed his Executive Master of Finance & Control from Nyenrode Business University. He has over 18 years of experience. He has been associated with Heineken since 2007 and previously served as Finance Director – Ethiopia and Regional Business Control Manager for the American Region. He held various other roles in HEINEKEN Netherlands and Head Office before joining the American Region.
Mr. Xavier Jadin	Senior Director – Supply Chain (Appointment w.e.f. July 1, 2025)	He is Bio-engineer specialised in Brewery from UCLouvain, Belgium with two decades of experience. He has been associated with Heineken since 2013 and has held several key supply chain leadership roles including his most recent position as Director for the Caribbean, Panama, Ecuador, and Peru. Previously, he has led supply chain at BRANA (Haiti) and Brassivoire (Ivory Coast) and began his HEINEKEN journey in France after years of experience across Africa.
Mr. Vikram Bahl	Director – Marketing	He graduated from St. Stephen's College, New Delhi and holds an MBA from IIM, Bangalore. He has over 30 years of rich marketing experience. Prior to UBL, he was leading the nutrition business of Unilever as the Global Brand Vice President. He has previously worked with organizations like P&G, Gillette, Kellogg, GSK Consumer and Unilever across local, regional and global assignments.
Mr. Rakesh Kumar	Director – Sales	He is an Economics Graduate from Delhi University and an MBA from IMT-Ghaziabad. He has 22 years of experience in commercial sales & marketing, scaling businesses and P&L Management across Alco-Bev, Food & Beverages, and Home Care Categories. Before, UBL he has worked with Diageo, where he was heading their South and East business. Prior to joining Diageo, he worked as the MD & CEO of SC Johnson Products for South Asia and Sales Director of PepsiCo for various regions.
Mr. Suresh Mandalika	Director – Digital & Technology	He holds a B.Tech in Computer Science from JNTUH College of Engineering Hyderabad and also holds an MBA from IIM, Lucknow. He has 19 years of rich experience in Alcobev, BFSI and consumer goods sectors and has previously worked with Capgemini and Unilever. In his last role, he was leading Unilever's global digital transformation programme and driving innovation, marketing and commerce.

Source: Company, JM Financial

## Key risks

- **Adverse regulatory environment:** The beer industry in India operates in a highly regulated environment, characterised by complex state-level policies, high excise duties, and advertising restrictions. These regulatory challenges not only create barriers to market expansion but also pricing flexibility. With every state having its independent excise regulation and governing provisions, overall risk exposure remains high due to lack of uniformity. Karnataka is one of core markets where UBL operates that has seen frequent policy interventions due to which the overall category has declined during 1HCY25. As UBL remains over-indexed in this state, any unfavourable regulatory changes and policy framework to negatively impact the company's operations and profitability.
- **Volatility in input costs:** UBL's key raw materials includes a) packaging material like glass, aluminium and b) agri-commodities like barley, malt, rice which accounts for c.80% of its COGS. Price volatility in these inputs driven by global commodity cycles, supply-demand imbalances or geopolitical factors could lead to higher production costs. Since, the company operates in a highly regulated environment where price flexibility is negligible, it faces challenges in passing on the impact of increased costs to its consumers, potentially resulting in margin compression.
- **Increasing competitive intensity:** Even though competition fosters category growth, the competitive environment is intensifying with both domestic and international players expanding their presence in India. Moreover, the emergence of microbreweries, craft beer brands and global entrants is also reshaping consumer expectations. As a market leader, increasing competition will always be a key risk factor for UBL.

## Financial Tables (Standalone)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	78,701	85,855	97,657	109,074	121,827
Sales Growth	7.5%	9.1%	13.7%	11.7%	11.7%
Other Operating Income	2,453	3,219	3,508	3,824	4,168
<b>Total Revenue</b>	<b>81,154</b>	<b>89,074</b>	<b>101,166</b>	<b>112,898</b>	<b>125,996</b>
Cost of Goods Sold/Op. Exp	46,612	50,768	57,564	63,226	69,621
Personnel Cost	6,428	7,131	7,773	8,470	9,227
Other Expenses	21,165	22,785	25,723	28,219	30,933
<b>EBITDA</b>	<b>6,949</b>	<b>8,389</b>	<b>10,106</b>	<b>12,982</b>	<b>16,214</b>
EBITDA Margin	8.6%	9.4%	10.0%	11.5%	12.9%
EBITDA Growth	13.1%	20.7%	20.5%	28.5%	24.9%
Depn. & Amort.	2,116	2,327	2,505	2,694	2,880
EBIT	4,833	6,063	7,601	10,288	13,335
Other Income	729	357	329	164	168
Finance Cost	69	129	380	271	217
PBT before Excep. & Forex	5,493	6,291	7,550	10,181	13,286
Excep. & Forex Inc./Loss(-)	0	-258	0	0	0
PBT	5,493	6,033	7,550	10,181	13,286
Taxes	1,399	1,622	1,925	2,596	3,388
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	4,094	4,412	5,625	7,585	9,898
<b>Adjusted Net Profit</b>	<b>4,094</b>	<b>4,603</b>	<b>5,625</b>	<b>7,585</b>	<b>9,898</b>
Net Margin	5.0%	5.2%	5.6%	6.7%	7.9%
Diluted Share Cap. (mn)	264.4	264.4	264.4	264.4	264.4
<b>Diluted EPS (INR)</b>	<b>15.5</b>	<b>17.4</b>	<b>21.3</b>	<b>28.7</b>	<b>37.4</b>
Diluted EPS Growth	24.8%	12.4%	22.2%	34.8%	30.5%
Total Dividend + Tax	2,644	2,644	3,262	4,399	5,741
Dividend Per Share (INR)	10.0	10.0	12.3	16.6	21.7

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	5,493	6,291	7,550	10,181	13,286
Depn. & Amort.	2,116	2,327	2,505	2,694	2,880
Net Interest Exp. / Inc. (-)	69	129	380	271	217
Inc (-) / Dec in WCap.	-5,162	-4,223	-677	-1,244	-1,509
Others	-364	-276	-329	-164	-168
Taxes Paid	-1,384	-1,913	-1,925	-2,596	-3,388
<b>Operating Cash Flow</b>	<b>768</b>	<b>2,335</b>	<b>7,504</b>	<b>9,142</b>	<b>11,317</b>
Capex	-1,903	-2,546	-4,415	-4,272	-4,299
Free Cash Flow	-1,135	-211	3,089	4,869	7,018
Inc (-) / Dec in Investments	-12	-13	0	0	0
Others	438	174	329	164	168
<b>Investing Cash Flow</b>	<b>-1,477</b>	<b>-2,385</b>	<b>-4,085</b>	<b>-4,108</b>	<b>-4,131</b>
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-1,983	-2,644	-3,262	-4,399	-5,741
Inc / Dec (-) in Loans	774	4,974	-2,000	-1,000	-500
Others	-91	-157	-369	-260	-206
<b>Financing Cash Flow</b>	<b>-1,300</b>	<b>2,174</b>	<b>-5,632</b>	<b>-5,659</b>	<b>-6,447</b>
<b>Inc / Dec (-) in Cash</b>	<b>-2,009</b>	<b>2,124</b>	<b>-2,213</b>	<b>-626</b>	<b>740</b>
Opening Cash Balance	4,091	2,296	4,419	2,206	1,580
Closing Cash Balance	2,082	4,419	2,206	1,580	2,319

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	41,741	43,592	45,954	49,140	53,297
Share Capital	264	264	264	264	264
Reserves & Surplus	41,476	43,327	45,690	48,875	53,032
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	774	5,749	3,749	2,749	2,249
Def. Tax Liab. / Assets (-)	-529	-667	-667	-667	-667
<b>Total - Equity &amp; Liab.</b>	<b>41,986</b>	<b>48,673</b>	<b>49,036</b>	<b>51,221</b>	<b>54,878</b>
Net Fixed Assets	19,403	19,912	21,822	23,401	24,820
Gross Fixed Assets	48,789	50,506	54,506	58,506	62,506
Intangible Assets	1,179	1,193	1,253	1,253	1,253
Less: Depn. & Amort.	34,091	36,285	38,680	41,256	44,012
Capital WIP	3,526	4,498	4,743	4,897	5,073
Investments	156	155	155	155	155
Current Assets	50,345	61,382	61,851	65,248	70,845
Inventories	13,665	16,149	16,856	18,826	21,011
Sundry Debtors	23,133	28,601	29,966	31,377	33,377
Cash & Bank Balances	2,082	4,419	2,206	1,580	2,319
Loans & Advances	0	0	0	0	0
Other Current Assets	11,466	12,212	12,823	13,464	14,137
Current Liab. & Prov.	27,918	32,776	34,793	37,582	40,942
Current Liabilities	9,889	12,194	12,647	13,749	15,287
Provisions & Others	18,030	20,583	22,145	23,833	25,656
Net Current Assets	22,427	28,606	27,059	27,666	29,903
<b>Total - Assets</b>	<b>41,986</b>	<b>48,673</b>	<b>49,036</b>	<b>51,221</b>	<b>54,878</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	5.0%	5.2%	5.6%	6.7%	7.9%
Asset Turnover (x)	2.0	1.9	2.0	2.2	2.3
Leverage Factor (x)	1.0	1.1	1.1	1.1	1.1
RoE	10.1%	10.8%	12.6%	16.0%	19.3%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	157.9	164.9	173.8	185.9	201.6
ROIC	9.5%	10.4%	12.3%	15.7%	19.2%
ROE	10.1%	10.8%	12.6%	16.0%	19.3%
Net Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
P/E (x)	116.2	103.3	84.6	62.7	48.1
P/B (x)	11.4	10.9	10.4	9.7	8.9
EV/EBITDA (x)	68.2	56.8	47.1	36.7	29.3
EV/Sales (x)	5.8	5.3	4.7	4.2	3.8
Debtor days	104	117	108	101	97
Inventory days	61	66	61	61	61
Creditor days	47	52	48	47	48

Source: Company, JM Financial

## APPENDIX I

## JM Financial Institutional Securities Limited

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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