United Spirits Limited (UNSP)

Nifty: 25722 CMP: Rs. 1441 Target Price: Rs. 1536

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Breweries & Distilleries

United Spirits Limited (UNSP) reported a strong Q2 FY26 performance with revenue up 11.5% YoY and EBITDA up 32.5% YoY, led by premiumisation and innovation-led offerings. Despite Maharashtra headwinds, growth in Andhra Pradesh and Karnataka together with margin expansion to 21.2% (multi-quarter high) shows strong execution. Management expects healthy volumes ex-Maharashtra and steady Andhra/Karnataka performance, and believes benefits from the UK-FTA plus a stable RM outlook will more than offset Maharashtra headwinds (35% notional price hike; MML introduction). It has maintained double-digit P&A guidance and targets mid-to-high-teens EBITDA margins. We maintain our BUY rating, with a revised target price of 1,536 based on 60x FY27 PE(x).

Investment Rationale

Premiumisation Driving Sustained Growth

- The Prestige & Above (P&A) segment grew 12.4% YoY in value and 8% in volume, driven by strong momentum in Signature, Royal Challenge, Godawan, and Smirnoff. Premiumisation continues to anchor revenue and margin growth.
- The luxury portfolio led by Godawan and Johnnie Walker recorded a strong quarter with new limited editions and awards, reinforcing consumer trust and pricing power in high-end segments.

Andhra Pradesh & Karnataka Mitigate Maharashtra Weakness

- Andhra Pradesh remained a key growth driver, with steady QoQ improvement post-disruption and continued brand-led recovery. Distribution and premium positioning are tracking ahead of the industry.
- Karnataka delivered healthy double-digit growth, helping offset pressure from Maharashtra, supported by premium brand traction and favourable policy environment.
- Maharashtra saw volumes impacted by 35% price hike and excise policy change; however, UNSP's decline was lower than industry, showing agility in restructuring distribution and pricing.
- The launch of MML (Rs. 160/180ml) has added short-term uncertainty, but management expects normalization in H2 FY26 and views policy reset as structurally positive over the long term.

Operational Efficiency and Margin Expansion

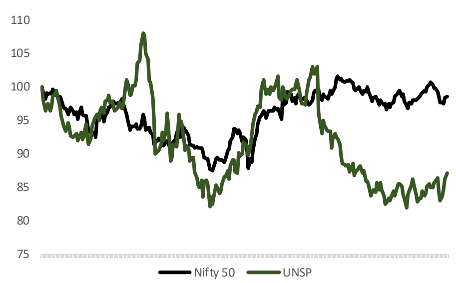
- Gross margin rose 190 bps YoY to 47.1%, while EBITDA margin improved 337 bps to 21.2%, reflecting productivity gains and a favourable mix. Stable ENA and glass prices provided cost relief.
- McDowell's and Royal Challenge remain growth engines with pocket formats driving sampling and rural penetration. Signature continues to lead in upper prestige.
- Smirnoff flavors (Minty Jamun) and new launches such as Godawan 173 and Don Julio activations have strengthened on-trade visibility and consumer engagement.

Outlook and Valuation

Management aims to sustain mid-to-high teens EBITDA margin through better mix, productivity programs, and higher marketing investments of 9.5-10% of revenue in Q3 FY26. UNSP remains the strongest player in India's premium liquor segment, benefiting from premiumisation trends, operational efficiency, and Diageo's strategic focus.With volume recovery ex-Maharashtra, strong brand momentum, and healthy margins, earnings visibility remains strong. We value UNSP at 60x 2027E EPS, and maintain our BUY rating with a revised target price of Rs. 1,536 implying a 7% upside from current levels.

Shareholding (%)	Jun-25
Promoters	56.68
DII	14.9
FII	14.38
Retail and Others	14.04

Relative Price Performance



Key Data	
NSE Symbol	UNITDSPR
Bloomberg Code	UNSP
No. of equity shares (in Cr)	72.7
Face Value	2
Mcap (In cr)	1,04,622
52 week H/L	1,700 / 1,270

(RS. Cr)	FY24	FY25	FY26E	FY27E
Net Revenue	10,692.0	11,573.0	12,771.9	13,785.8
Growth Rate (%)	3%	8%	10%	8%
Net Profit	1,311.6	1,558.0	1,669.8	1,854.8
PAT Margin (%)	12%	13%	13%	13%
EPS (INR)	18.04	21.42	23	25.6
P/E	91	72.6	62.1	55.9

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Quarterly Financials

Rs in Cr.	Q2FY26	Q2FY25	% change	Q1FY26	% change
Revenue	**3,173.0**	**2,844.0**	**11.6**	**3,021.0**	**5.0**
COGS	1,678.0	1,558.0	7.7	1,428.0	17.5
% of Sales	52.9%	54.8%		47.3%	
Gross profit	**1,495.0**	**1,286.0**	**16.3**	**1,593.0**	**(6.2)**
Gross Profit Margin %	47.1%	45.2%		52.7%	
Employees Cost	179.0	163.0	9.8	137.0	30.7
% of Sales	5.6%	5.7%		4.5%	
Advertising	243.0	258.0	(5.8)	238.0	2.1
Other expenditure	413.0	363.0	13.8	574.0	(28.0)
Total expenditures	**835.0**	**784.0**	**6.5**	**949.0**	**(12.0)**
EBITDA	**660.0**	**502.0**	**31.5**	**644.0**	**2.5**
EBITDA Margin %	20.8%	17.7%		21.3%	
Depreciation	65.0	69.0	(5.8)	76.0	(14.5)
EBIT	**595.0**	**433.0**	**37.4**	**568.0**	**4.8**
Interest	21.0	25.0	(16.0)	49.0	(57.1)
Other income	81.0	54.0	50.0	72.0	12.5
PBT	**649.0**	**461.0**	**40.8**	**590.0**	**10.0**
Exceptional Items	(14.0)	0.0		0.0	
Tax	160.0	119.0	34.5	154.0	3.9
PAT	**475.0**	**342.0**	**38.9**	**436.0**	**8.9**
PAT Margin %	15.0%	12.0%		14.4%	
EPS	6.6	4.7	38.9	6.0	8.9

Financials

Profit and loss account

Y/E Mar (RS. Cr.)	FY24	FY25	FY26E	FY27E
Net Revenue	**10,692.0**	**11,573.0**	**12,771.9**	**13,785.8**
Change (%)	3.1	8.2	10.4	7.9
Gross Profit	**4,644.0**	**5,176.0**	**5,875.1**	**6,382.8**
Margin (%)	43.4	44.7	46.0	46.3
EBITDA	1,708.0	2,058.0	2,343.6	2,591.7
Change (%)	20.4	20.5	13.9	10.6
Margin (%)	16.0	17.8	18.4	18.8
Depreciation	(264.0)	(274.0)	(268.2)	(289.5)
Interest Expense	(91.0)	(89.0)	(119.0)	(115.0)
Other Income	156.0	213.0	275.0	291.5
Profit before Taxes	**1,509.0**	**1,908.0**	**2,231.4**	**2,478.7**
Change (%)	34.9	26.4	17.0	11.1
Tax	374.0	498.0	561.7	623.9
Tax Rate (%)	24.8	26.1	25.2	25.2
PAT	**1,311.6**	**1,558.0**	**1,669.8**	**1,854.8**
Change (%)	24.7	18.8	7.2	11.1
Margin (%)	12.3	13.5	13.1	13.5

Balance Sheet

Y/E Mar (RS. Cr.)	FY24	FY25	FY26E	FY27E
Share Capital	145.0	145.0	145.0	145.0
Reserves & Surplus	6,818.0	7,734.0	9,403.8	11,258.6
Net Worth	**6,963.0**	**7,879.0**	**9,548.8**	**11,403.6**
Deferred Tax Liabilities	(177.0)	(155.0)	(170.5)	(187.6)
Capital Employed	**6,786.0**	**7,724.0**	**9,378.3**	**11,216.1**
Net Fixed Assets	1,106.0	1,331.0	1,462.8	1,673.3
Capital work in progress	37.0	72.0	54.0	40.5
Investments	962.0	1,182.0	1,170.3	1,159.2
Current Assets, Loans & Adv.	**8,460.0**	**9,978.0**	**11,894.1**	**13,947.2**
Inventory	2,063.0	2,305.0	2,624.4	2,832.7
Account Receivables	3,128.0	3,628.0	4,003.8	4,321.7
Cash and Bank	1,209.0	1,773.0	2,822.2	4,172.6
Others	2,060.0	2,272.0	2,443.7	2,620.2
Current Liabilities & Provisions	**3,779.0**	**4,839.0**	**5,202.9**	**5,604.1**
Account Payables	1,827.0	2,152.0	2,274.4	2,455.0
Other Liabilities	1,570.0	2,298.0	2,499.2	2,685.4
Provisions	382.0	389.0	429.2	463.7
Net Current Assets	4,681.0	5,139.0	6,691.2	8,343.1
Application of Funds	**6,786.0**	**7,724.0**	**9,378.3**	**11,216.1**

Key Ratios

Particulars	FY24	FY25	FY26E	FY27E
Margins (%)				
Gross Profit Margin (%)	43.4	44.7	46.0	46.3
EBITDA Margin (%)	16.0	17.8	18.4	18.8
PAT Margin (%)	12.3	13.5	13.1	13.5
Financial Ratios				
ROE (%)	16.4	18.1	17.5	16.3
ROCE (%)	19.1	20.3	20.6	18.8
Asset/T.O (x)	1.6	1.5	1.4	1.2
Net Debt/Equity (x)	0.0	0.0	0.0	0.0
Valuation				
P/E (x)	91.0	72.6	62.1	55.9
P/BV (x)	14.9	13.2	10.9	9.1
EV/EBITDA (x)	59.5	49.0	42.6	38.0
EV/Sales (x)	1.7	1.5	1.3	1.1

Cash Flow Statement

Y/E Mar (RS. Cr.)	FY24	FY25	FY26E	FY27E
Profit before tax	**1,686**	**2,056**	**2,231**	**2,479**
Non-operating & EO Items	(224)	(286)	(275)	(292)
Depreciation and Amort.	264	274	268	290
Interest Paid	91	89	119	115
Direct Taxes Paid	(313)	(173)	(562)	(624)
Incr/Decr in WC	(576)	(354)	(393)	(177)
CF from operating activities	**928**	**1,606**	**1,389**	**1,790**
Interest income	827	(554)	275	292
(Incr)/Decr in FA	(79)	(161)	(382)	(487)
Free Cash Flow	849	1,445	1,007	1,304
(Pur)/Sale of Investments	(282)	(235)	(114)	(130)
Other investing items	(596)	435	0	0
CF from investing activities	**(130)**	**(515)**	**(221)**	**(325)**
Dividend Paid	(291)	(350)	0	0
Others	(148)	(177)	(119)	(115)
CF from financing activities	**(439)**	**(527)**	**(119)**	**(115)**
Net cash flow	359	564	1,049	1,350
Opening Balance	850	1,209	1,773	2,822
Closing Balance	1,209	1,773	2,822	4,173

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