

United Spirits Limited (UNSP)

Nifty: 24877

CMP: Rs. 1310

Target Price: Rs. 1518

Breweries & Distilleries

United Spirits (UNSP) reported 9% YoY growth in P&A net sales and volumes in Q1FY26, while ex-Andhra growth was softer at 3%/1% YoY. Popular segment volumes rose 11.6% YoY with value growth of 13.6% YoY, aided by McDowell X and new product launches such as Smirnoff flavours. However, EBITDA declined 0.7% YoY on account of higher brand investments, ENA inflation and rising packaging/freight costs. Maharashtra's steep excise duty hike is expected to impact near-term volumes and could trigger downtrading. Management reiterated its double-digit P&A growth guidance in the medium term, supported by portfolio premiumisation and policy progress in certain states. We maintain our BUY rating, with a revised target price of Rs. 1,518 based on 55x FY27 PE(x).

Investment Rationale

Strong P&A and Popular segment growth despite challenges

UNSP's P&A segment, contributing 88% of sales, registered 9% volume/value growth. The Popular segment also posted 11.6%/13.6% YoY growth, showing resilience across tiers. New initiatives like Royal Challenge Premium in mid-prestige, McDowell X gaining traction in East India, and Smirnoff flavours exceeding benchmarks underline sustained consumer demand. These drivers provide confidence in sustaining premiumisation-led growth despite tax overhangs.

Maharashtra duty hike impact mitigated by pricing strategy & competitive behaviour

United Spirits said that the recent 30-40% price increase in Maharashtra, caused by higher state taxes, is a short-term challenge. To manage the impact, they covered some of the cost themselves in the mid-range products but passed on the full increase in lower-end products. The state also launched Maharashtra Made Liquor (MML), which might affect customer choices. Even so, early signs show that people are still spending more, but spending needs to grow 30-35% to fully balance out the tax hike. The company pointed out that similar steps in other

states like Rajasthan and UP didn't work well and were reversed. Overall, United Spirits remains cautiously hopeful, as strong sales in other states could help make up for the Maharashtra impact.

Cost headwinds manageable; long-term double-digit growth intact

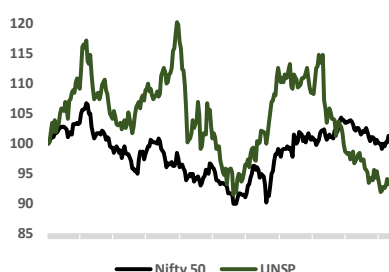
Gross margin improved 107 bps YoY to 45.5%, while EBITDA margin fell 162 bps to 17.9%, led by ENA inflation and rising packaging costs. Management highlighted glass supply disruptions in Q2 due to supplier shutdowns but has mitigated risks via alternative sourcing and long-term contracts. Freight cost escalation due to maintenance is transitory. Import duty cuts from Apr-Jun'26 are expected to benefit margins. Despite near-term pressure, UNSP reiterated its mid-to-long-term double-digit P&A growth guidance, with EBIT growth expected slightly ahead of revenue growth.

Outlook and Valuation

While the Maharashtra duty hike poses a short-term overhang, UNSP continues to demonstrate strong volume resilience, portfolio innovation, and competitive discipline. Structural growth drivers in P&A, an improving mix, and gains from import duty cuts reinforce our BUY stance. We maintain our BUY rating, with a revised target price of Rs. 1,518 based on 55x FY27 PE(x).

Shareholding (%)	Jun-25
Promoters	56.67
DII	14.44
FII	15.05
Retail and Others	13.88

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)	95,257
52 week H/L	1,700 / 1,270

(RS. Cr)	FY24	FY25	FY26E	FY27E
Net Revenue	10,692.0	11,573.0	13,043.1	14,551.4
Growth Rate (%)	3%	8.2%	12.7%	11.6%
Net Profit	1,312.0	1,558.0	1,679.2	2,006.0
PAT Margin (%)	12%	13.5%	12.9%	13.8%
EPS (INR)	17.3	21	23.8	27.6
P/E	76.4	62.9	55.3	47.7

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Quarterly Financials

Rs in Cr.	1QFY26	1QFY25	YoY (%)	4QFY25	QoQ (%)
Revenue	2,549.0	2,352.0	8.4	2,946.0	(13.5)
COGS	1,388.0	1,306.0	6.3	1,636.0	(15.2)
% of Sales	54.5	55.5	-107 bps	55.5	-108 bps
Gross Profit	1,161.0	1,046.0	11.0	1,310.0	(11.4)
Gross Profit Margin %	45.5	44.5	107 bps	44.5	108 bps
Employees Cost	136.0	133.0	2.3	137.0	(0.7)
% of Net Sales	5.3	5.7	-32 bps	4.7	69 bps
A&P Spends	238.0	175.0	36.0	317.0	(24.9)
% of Net Sales	9.3	7.4	190 bps	10.8	-142 bps
Other Expense	332.0	280.0	18.6	351.0	(5.4)
% of Net Sales	13.0	11.9	112 bps	11.9	111 bps
EBITDA	455.0	458.0	(0.7)	505.0	(9.9)
EBITDA Margin %	17.9	19.5	-162 bps	17.1	71 bps
Depreciation	68.0	65.0	4.6	68.0	-
Interest	49.0	22.0	122.7	22.0	122.7
Other Income	61.0	32.0	90.6	70.0	(12.9)
Non-recurring items	(51.0)	-	-	100.0	(151.0)
PBT	348.0	403.0	(13.6)	585.0	(40.5)
Tax	90.0	104.0	(13.5)	134.0	(32.8)
Tax Rate (%)	25.9	25.8	6 bps	22.9	296 bps
PAT	258.0	299.0	(13.7)	451.0	(42.8)
EPS	4.3	4.1	3.3	4.8	-12

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Financials

Profit and loss account

Y/E Mar (RS. Cr.)	FY24	FY25	FY26E	FY27E
Net Revenue	10,692.0	11,573.0	13,043.1	14,551.4
Gross Profit	4,644.0	5,176.0	5,817.2	6,519.0
Op. Expenses	(2,936.0)	(3,118.0)	(3,495.3)	(3,838.6)
EBITDA	1,708.0	2,058.0	2,321.9	2,680.4
Depreciation	(264.0)	(274.0)	(281.1)	(305.7)
EBIT	1,444.0	1,784.0	2,040.9	2,374.8
Other income	260.0	326.0	365.1	387.0
Interest Exp.	(76.0)	(89.0)	(110.0)	(80.0)
Extra Ordinary Items	58.0	35.0	(51.0)	-
PBT	1,686.0	2,056.0	2,245.0	2,681.8
Tax	(374.0)	(498.0)	(565.7)	(675.8)
Net Profit	1,312.0	1,558.0	1,679.2	2,006.0
EPS (INR)	17.3	21	23.8	27.6

Key Ratios

Particulars	FY24	FY25	FY26E	FY27E
Margins (%)				
EBITDA Margin (%)	16.0	17.8	17.8	18.4
EBIT Margin (%)	13.5	15.4	15.6	16.3
PAT Margin (%)	11.4	12.8	12.9	13.4
Financial Ratios				
ROE (%)	19.4	20.5	20.5	20.7
ROCE (%)	34.4	35.0	33.5	32.7
Asset/T.O (x)	2.5	2.3	2.1	2.0
Net Debt/Equity (x)	(0.3)	(0.3)	(0.3)	(0.4)
EBIT/Interest (x)	19.0	20.0	18.6	29.7
Valuation				
P/E (x)	76.4	62.9	55.3	47.7
P/BV (x)	13.8	12.2	10.6	9.2
EV/EBITDA (x)	55.0	45.3	40.0	34.2
EV/Sales (x)	8.8	8.0	7.1	6.3
Dividend Yield (%)	0.4	0.5	0.6	0.7

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	8,859.6	10,223.6
Networth	6,963.0	7,879.0	9,004.6	10,368.6
Net deferred Tax liabilities	(1,525.0)	(1,250.0)	(1,250.0)	(1,250.0)
Capital Employed	5,438.0	6,629.0	7,754.6	9,118.6
Gross Fixed Assets	2,427.0	2,862.0	3,012.0	3,162.0
Accumulated Depreciation	(1,182.0)	(1,456.0)	(1,737.1)	(2,042.7)
Capital work in progress	37.0	72.0	72.0	72.0
Net Fixed Assets	1,282.0	1,478.0	1,347.0	1,191.3
Investments	823.0	1,107.0	1,107.0	1,107.0
Non Current Investments	224.0	234.0	234.0	234.0
Current Investments	599.0	873.0	873.0	873.0
Current Assets, Loans & Adv.	7,112.0	8,883.0	10,036.8	12,098.2
Inventory	2,063.0	2,305.0	2,597.8	2,898.2
Debtors	2,763.0	3,288.0	3,705.7	4,134.2
Cash & Bank balance	1,209.0	1,773.0	2,115.6	3,277.1
Loans & advances and others	1,077.0	1,517.0	1,617.8	1,788.7
Current Liabilities & Provisions	3,779.0	4,839.0	4,736.2	5,277.8
Liabilities	3,397.0	4,450.0	4,298.2	4,789.5
Provisions	382.0	389.0	438.0	488.4
Net Current Assets	3,333.0	4,044.0	5,300.6	6,820.4
Application of Funds	5,438.0	6,629.0	7,754.6	9,118.6

Cash Flow Statement

Y/E Mar (RS. Cr.)	FY24	FY25	FY26E	FY27E
PBT	1,686.0	2,056.0	2,245.0	2,681.8
Depreciation & amortization	264.0	274.0	281.1	305.7
Interest expense	76.0	89.0	110.0	80.0
(Inc)/Dec in working capital	(304.9)	128.0	(914.1)	(358.2)
Tax paid	(374.0)	(498.0)	(565.7)	(675.8)
CF from operating activities	1,347.1	2,049.0	1,156.2	2,033.5
Capital expenditure	(281.1)	(470.0)	(150.0)	(150.0)
Inc/(Dec) in investments	(336.0)	(284.0)	-	-
CF from investing activities	(617.1)	(754.0)	(150.0)	(150.0)
Inc/(Dec) in share capital	69.8	(133.5)	-	-
Inc/(Dec) in debt	(1.1)	-	-	-
Dividend Paid	(363.3)	(508.6)	(553.7)	(641.9)
Others	(76.0)	(89.0)	(110.0)	(80.0)
CF from financing activities	(370.6)	(731.0)	(663.7)	(721.9)
Net cash flow	359.4	564.0	342.6	1,161.6
Opening balance	849.6	1,209.0	1,773.0	2,115.6
Closing balance	1,209.0	1,773.0	2,115.6	3,277.1

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