United Spirits Limited (UNSP)

Nifty: 25055 **CMP: Rs. 1351** **Target Price: Rs. 1698**

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Breweries & Distilleries

United Spirits Limited (USL), India's leading alcoholic beverage company, demonstrated a resilient top line performance in Q3FY26. Despite a challenging volume environment, the company reported revenue growth of 7% YoY to INR 3683 Crs, driven by a robust price/mix improvement of 10%. The quarter was characterized by a premiumization narrative effectively offsetting a 3.2% decline in overall volumes. While regional headwinds in Maharashtra and Andhra Pradesh weighed on volume growth, Gross Margins expanded significantly. We maintain a BUY rating with a target price of INR 1,698, based on 60x FY27E earnings, noting the company's strong underlying portfolio strength excluding state specific disruptions.

Resilient Premiumization Story (P&A Segment)

The Prestige & Above (P&A) segment, the core driver of USL's strategy, saw revenue growth of 8.2% YoY. Although P&A volumes dipped by 2%, the segment achieved a price/mix growth of 10.2%, showcasing the company's pricing power. The P&A segment now accounts for 90% of net sales. Excluding the specific headwinds from Maharashtra and the high base effect in Andhra Pradesh, the portfolio in the Rest of India is growing at a healthy 14% in Net Sales Value (NSV). Key brands like **Don Julio** doubled revenue, while **Signature** recorded strong double digit growth during the festive season.

Regional Headwinds & Volume Pressure:

Performance was impacted by distinct regional challenges. In **Maharashtra**, adverse policy changes (MML) led to a shift in consumer demand toward lower end segments, causing a drag on volumes. Additionally, **Andhra Pradesh** witnessed a volume dip due to a high base effect from retail pipeline filling in Q3FY25; however, management expects this to normalize with volumes recovering in Q4. Consequently, overall volumes declined by 3.2%, though the broader "Rest of India" portfolio showed underlying volume growth of 6%.

Margin Expansion despite High Marketing Spend:

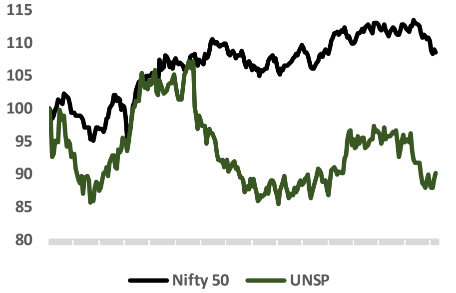
Gross Margins expanded significantly by 219 basis points YoY to 46.9%, aided by a premium product mix, productivity measures, and lower material costs (glass and ENA). However, EBITDA margins contracted slightly by 35 basis points YoY to 16.8%. This contraction was primarily due to a sharp 36% YoY increase in Advertising & Promotion (A&P) spends, which stood at 14% of sales, as the company aggressively invested in brand building and festive activations.

Outlook

USL remains focused on its premiumization journey and innovation, evident in its increased stake in the non-alcoholic brand 'Sober'. Management maintains guidance for double digit P&A revenue growth and expects the India-UK Free Trade Agreement (FTA) to provide an annualized benefit of INR 110-120 Crores from Q2 FY27 onwards. The strategic review of the IPL team (RCB) is on track for completion by March 2026. Despite near term policy headwinds in Maharashtra, the structural story remains intact with strong pricing power and gross margin expansion. We maintain a **BUY** rating.

Shareholding (%)	Dec-25
Promoters	56.68
DII	15.36
FII	14.13
Retail and Others	13.84

Relative Price Performance



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)	97,335
52 week H/L	1,645 / 1,270

(RS. Cr)	FY23	FY24	FY25E	FY26E
Net Revenue	**11,321.0**	**12,069.0**	**13,187.1**	**14,506.0**
Growth Rate (%)	7%	7%	9%	10%
Net Profit	**1,426.0**	**1,654.0**	**1,801.0**	**2,057.7**
PAT Margin (%)	13%	14%	14%	14%
EPS (INR)	**18.04**	**21.42**	**23**	**25.6**
P/E	66.9	57.7	53	46.4

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Quarterly Financials

Rs in Cr.	Q3FY26	Q3FY25	% change	Q2FY26	% change
Revenue	**3,683.0**	**3,432.0**	**7.3**	**3,170.0**	**16.2**
COGS	1,955.0	1,897.0	3.1	1,677.0	16.6
% of Sales	53.1%	55.3%		52.9%	
Gross profit	**1,728.0**	**1,535.0**	**12.6**	**1,493.0**	**15.7**
Gross Profit Margin %	46.9%	44.7%		47.1%	
Employees Cost	172.0	173.0	(0.6)	175.0	(1.7)
% of Sales	4.7%	5.0%		5.5%	
Advertising	516.0	379.0	36.1	241.0	114.1
Other expenditure	422.0	395.0	6.8	405.0	4.2
Total expenditures	**1,110.0**	**947.0**	**17.2**	**821.0**	**35.2**
EBITDA	**618.0**	**588.0**	**5.1**	**672.0**	**(8.0)**
EBITDA Margin %	16.8%	17.1%		21.2%	
Depreciation	79.0	72.0	9.7	65.0	21.5
EBIT	**539.0**	**516.0**	**4.5**	**607.0**	**(11.2)**
Interest	19.0	20.0	(5.0)	21.0	(9.5)
Other income	144.0	190.0	(24.2)	76.0	89.5
PBT	**664.0**	**686.0**	**(3.2)**	**662.0**	**0.3**
Exceptional Items	(10.0)	(65.0)		(30.0)	
Tax	125.0	148.0	(15.5)	160.0	(21.9)
PAT	**529.0**	**473.0**	**11.8**	**472.0**	**12.1**
PAT Margin %	14.4%	13.8%		14.9%	
EPS	7.4	6.5	13.6	6.9	7.0

Financials

Profit and loss account

Y/E Mar (RS. Cr.)	FY24	FY25	FY26E	FY27E
Net Revenue	**11,321.0**	**12,069.0**	**13,187.1**	**14,506.0**
Change (%)	6.6%	6.6%	9.3%	10.0%
Gross Profit	**5,273.0**	**5,672.0**	**6,381.1**	**7,067.0**
Margin (%)	46.6	47.0	48.4	48.7
EBITDA	**2,001.0**	**2,234.0**	**2,431.2**	**2,762.1**
Margin (%)	17.7	18.5	18.4	19.0
Depreciation	275.0	283.0	300.0	316.1
Interest Expense	76.0	89.0	110.0	100.0
Other Income	225.0	345.0	360.0	390.0
Profit before Taxes	**1,875.0**	**2,207.0**	**2,381.1**	**2,736.0**
Change (%)	45.2%	17.7%	7.9%	14.9%
Tax	448.1	554.0	573.8	670.3
Tax Rate (%)	23.9	25.1	24.1	24.5
PAT	**1,426.0**	**1,654.0**	**1,801.0**	**2,057.7**
Change (%)	24.7	16.0%	8.9%	14.3%
Margin (%)	12.6%	13.7%	13.7%	14.2%

Balance Sheet

Y/E Mar (RS. Cr.)	FY24	FY25	FY26E	FY27E
Share capital	145	145	145	145
Net worth	**7,121**	**8,104**	**8,890**	**9,788**
Debt	25	-	-	-
Minority interest	-	-	8	16
TL / (Assets)	(104)	(83)	(389)	(389)
Lease liabilities	-	-	-	-
Capital employed	7,042	8,021	8,509	9,414
Net tangible assets	1,063	1,279	1,229	1,213
Net intangible assets	357	357	357	357
Goodwill	1	1	1	1
CWIP	176	147	100	100
Investments	645	923	1,023	1,123
Current assets	**7,561**	**9,011**	**7,011**	**7,691**
Cash	1,269	2,030	3,254	3,877
Current liabilities	**4,030**	**5,727**	**4,466**	**4,948**
Working capital	3,531	3,284	2,544	2,743
Capital deployed	7,042	8,021	8,509	9,414

Ratio Analysis

Particulars	FY24	FY25	FY26E	FY27E
Margins (%)				
Gross Profit Margin (%)	46.6	47.0	48.4	48.7
EBITDA Margin (%)	17.7	18.5	18.4	19.0
PAT Margin (%)	12.5	13.7	13.7	14.2
Financial Ratios				
ROE (%)	20.0	20.4	20.3	21.0
ROCE (%)	23.0	22.8	22.9	23.9
CFO/PAT (%)	78.4	117.7	144.3	92.0
Net Debt/Equity (x)	(0.2)	(0.3)	(0.4)	(0.4)
Valuation				
P/E (x)	66.9	57.7	53.0	46.4
P/BV (x)	13.4	11.8	10.7	9.7
EV/EBITDA (x)	46.7	41.4	37.5	32.7
EV/Sales (x)	8.3	7.7	6.9	6.2

Cash Flow Statement

Y/E Mar (RS. Cr.)	FY24	FY25	FY26E	FY27E
PBT	**1,857**	**2,135**	**2,381**	**2,736**
Non-cash items	(243)	(184)	(50)	(26)
Operating profit before WC	2,100	2,319	2,431	2,762
Incr/(decr) in WC	(645)	(209)	740	(199)
Others including taxes	337	163	573	670
Operating cash flow	**1,118**	**1,947**	**2,598**	**1,893**
Capex	**(79)**	**(161)**	**(203)**	**(300)**
Free cash-flow	**1,039**	**1,786**	**2,395**	**1,593**
Div (including buyback & taxes)	284	355	1,015	1,160
Equity raised	-	-	-	-
Debt raised	24	(25)	-	-
Financial investments	(257)	978	100	100
Misc(CFI + CFF)	99	152	56	(290)
Net cash flow	**937**	**276**	**1,224**	**623**

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