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United Spirits Ltd.

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Founded in 1857, United Spirits Ltd (USL) is India's largest manufacturer of beverage alcohol, headquartered in Bangalore, India. The company powered by 140 iconic brands has annual sales of over a million cases each year of which some brands possess a selling record of 10 million cases annually. Besides, USL having a global footprint with exports to over 37 countries and has sold 123.7 million cases during FY'13.

Investor's Rationale

Revenue crawled 0.1% YoY on lower sales in Tamil Nadu

USL registered a modest growth of 0.1% YoY in its standalone net sales at ₹20.9 bn in Q4FY'13. It could be much better but stuck by the weak sales in Tamil Nadu due to regulatory issues, volumes fell 15% in FY'13. However, revenue hike is due to sharp growth in strategic brands (which are prestige and above segment) whose volume grew by 30% to 7.4 million cases. Looking ahead, the company is keenly emphasizing on "premiumizing" its portfolio and moving consumers up the value chain by creating new and variant brands that generate higher revenue contribution. The company has launched DietMate version of its Key brands- No.1 McDowell Whisky, Royal Challenge and Bagpiper in Q4FY'13. The brand is performing well in the market and results are likely to be fruitful in the following quarters.

Five-fold advancement in net profit by 854.2% YoY on volume growth in premium brands

The company witnessed a five-fold increase in its standalone net profit at ₹0.6 bn in Q4FY'13, registering a growth of 854.2% YoY on account of the company's premium drinks portfolio. Its Scotch whisky volumes surged 60% and other premium drinks volumes nearly trebled. Premium whisky volumes were up 15% to 1.1 million cases. Also, other income growth of 157.1% YoY to 0.4 bn and forex gain of ₹0.1 bn in Q4FY'13, compared with a loss of ₹0.2 bn in Q4FY'12. The financial expenses like interest fell by 5.6% YoY to ₹1.6 bn. Finally, NPM strengthened by 232 bps YoY to 2.6% as against 0.3%.

EBITDA margin expanded 91 bps YoY on lower stock in trade

The EBITDA of the spirit maker jumped 21.0% YoY to ₹2.4 bn as it was reported that stock in trade expense (as a % of sales) deteriorated 32 bps YoY to 9.3% in Q4FY'13. Consequently, EBITDA margin grew by 91 bps YoY to 11.3% from 10.4%, during the quarter.

USL's 10% stake sale to world's largest spirit maker, Diageo

After receiving Karnataka high court's conditional approval, USL has sold 10% stake to UK-based spirits giant, Diageo worth ₹20.9 bn. The amount received will help USL to some extent to minimize its whopping debt of ₹~70.0 bn.

Market Data

Rating	BUY
CMP (₹)	2,475.5
Target Price	2,650
Stop Loss	2,300
Duration	Short-term
52-week High-Low (₹)	2,605/606
Rise from 52WL (%)	308.5
Correction from 52WH (%)	(4.9)
Beta	0.4
1 year Average Volume (mn)	2.7
Stock Return (%)	3M- (34.1) 6M- (29.1) 1Y- 323.9
Market Cap (₹bn)	323.6
Book Value (₹)	473.9

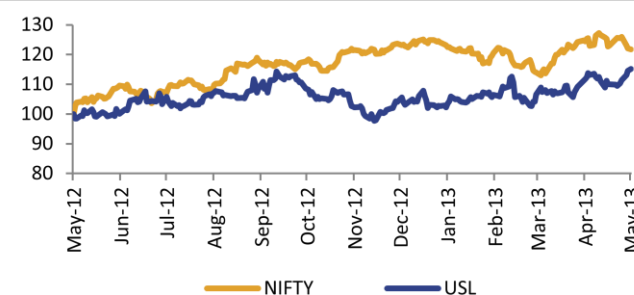
Shareholding Pattern

	Mar'13	Dec'12	Chg
Promoters (%)	25.4	27.5	(2.1)
FII (%)	46.7	45.8	0.9
DII (%)	5.9	6.2	(0.3)
Public & Others (%)	21.8	20.4	1.4

Quarterly Performance (Standalone)

(₹bn)	Q4 FY'13	Q4 FY'12	Q3 FY'13	YoY Change(%)	QoQ Change(%)
Revenue	20.9	18.8	22.0	0.1	0.0
Op. exp	18.6	16.9	19.3	10.2	(3.6)
EBITDA	2.4	2.0	2.7	21.0	(14.0)
OPM (%)	11.3	10.4	12.5	91bps	(119bps)
Net profit	0.6	0.1	0.8	854.2	(92.7)
NPM (%)	2.6	0.3	3.6	232bps	(99bps)
EPS (₹)	4.3	0.8	6.2	455.8	(30.5)

One Year Price Chart





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