



Globus Spirits Ltd. Q3 FY16 Quarterly Update

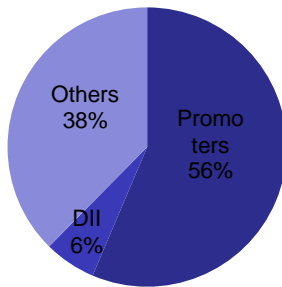
MARKET DATA

NSE TICKER	GLOBUSSPR
Net worth (₹ Cr)	360
P/BV Ratio (FY16E) (x)	0.4x
Recurring EPS (FY16E) (₹)	8x
Reported EPS (FY16E) (₹)	4x
Market Price (₹)	54
52 Week High (08/12/2015) (₹)	91
52 Week Low (30/03/2015) (₹)	39
Market Capitalisation (₹ Cr)	154

AVERAGE MONTHLY VOLUME ('000)

BSE	15
NSE	62

SHARE HOLDING PATTERN



Topline & margin exceeds expectation

Globus Spirits Ltd. (GSL) Q3FY16 quarterly earnings were better than our estimates, mainly due to better realization in bulk alcohol business & robust growth in DDGS segment. Gross Sales stood at ₹267crs, an increase of 16% y-o-y (₹230crs.) and increased 24% q-o-q (₹216crs.). EBITDA margin has expanded by 200bps q-o-q and 400 bps y-o-y to 10% in Q3FY16. PAT stood at ₹3.5crs in Q3FY16 compared to ₹0.1cr in Q3FY15 & ₹1.2cr in Q2FY16.

Strong show by manufacturing segment led by DDGS

DDGS segment's operating revenue has grown by 116% y-o-y & 62% q-o-q & contributed 14% to top-line. The growth in DDGS segment has been attributed both to increase in volume & better realisation. Continued marketing strategy to position DDGS as a nutritious alternative to soya oil cake has supported the growth.

In the bulk alcohol segment, sales increased by 36% q-o-q & 22% y-o-y and contributed 28% to top-line. Better realisation of bulk alcohol prices have led to higher sales. Bulk alcohol prices increased to ₹42 per litre from ₹40 per litre q-o-q, whereas, volume increased by 30% y-o-y & 31% q-o-q & reached 13mn litres this quarter. We expect positive price movement in alcohol prices, in the medium term, as the government is taking proactive steps in meeting the 5% ethanol blending target.

Consumer business

In the consumer business segment, blended realisation stood at ₹294 per case. Volumes grew by 6% q-o-q & 32% y-o-y while the realisation remained flat across markets. IMIL business contributed 47% to top-line. Revenues increased by 30% y-o-y to ₹92crs due to strong revenue growth of 25% & 47% in Rajasthan & Delhi respectively. Haryana IMIL market has started growing as it recorded a volume growth of 21% q-o-q.

Bihar Greenfield project not impacted

The expansion of the Bihar & West Bengal distillery continues and GSL maintains commissioning guidance by Q1FY17. The company has spent Rs 160 crore out of total capex of Rs.240 crore by Q3FY16; another ~₹80crs will be spent in Q4FY16. GSL is planning to launch entry level IMFL products in Bihar to cater to the needs of consumers switching from IMIL to IMFL as the state govt. has banned IMIL from next fiscal.

Key risks

Liquor sector has been under the spotlight due to the various bans implemented by the state governments. Similar IMIL ban in Rajasthan or Haryana can have significant adverse impact on the company.

Outlook and Valuation

Expansion plan in the Eastern States is on track is expected to drive profitability growth over the next 2 years. We assign a P/E of 5x on FY18EPS, discounting it by a year & thus revise to **BUY** rating with a revised price target of ₹75 by FY17, from our earlier target of ₹73.

RETURN	3M	6M	12M
GSL	-7	-15	-4
Sensex	-8	-16	-19

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Quarterly Performance:

Particulars Rs. Crs	Q3 FY16	Q3 FY15	YoY%	Q2 FY16	QoQ%	FY15	FY14	YoY%
Net Sales	197	156	26%	162	22%	585	496	18%
EBITDA	19	10	90%	13	41%	49	45	8%
EBITDA%	10%	6%	NM	8%	NM	8%	9%	NM
Interest	5	4	19%	5	-1%	14	10	38%
PBT	4	0.1	3555%	1	226%	10	3	212%
Reported PAT	3.5	0.1	2786%	1	178%	7	4	65%
Recurring EPS	1.2	0	NM	0	NM	2	0.2	NM


QUARTERLY PERFORMANCE:

Particulars (Rs. Crs.)	Q3 FY16	Q3 FY15	YoY%	Q2 FY16	QoQ%	FY15	FY14	YoY%
Sales	195	155	26%	161	21%	585	496	18%
Other Operating Income	1	0	276%	1	87%	1	0	200%
Net Sales	197	156	26%	162	22%	586	497	18%
Expenditure								
Raw Material	114	96	19%	93	23%	351	323	9%
Employee Cost	4	3	15%	4	-5%	14	12	18%
Other Expenses	60	47	28%	51	17%	171	131	30%
Total Expenditure	178	146	22%	148	20%	536	466	15%
EBITDA	19	10	90%	13	41%	49	45	8%
Depreciation	10	7	43%	8	20%	29	29	1%
Other Income	0	1	-66%	1	-63%	4	3	52%
EBIT	9	4	126%	6	50%	24	19	26%
Interest Cost	5	4	19%	5	-1%	14	10	38%
PBT	4	0.1	3555%	1.4	226%	10	3	222%
Tax	1	-		0	812%	3	(1)	-420%
PAT	3.5	0.1	2786%	1.3	178%	7	4	69%
PAT(Adj.)	2	-1.3	-256%	-0.2	-913%	7	4	78%
Networth	360	353	2%	356	1%	355	351	1%
FV	10	10	-	10		10	10	NA
EPS	1.2	0.04	2900%	0.4	173%	2	0.2	880%

P&L on 100

Particulars	Q3 FY16	Q3 FY15	Q2 FY16	FY15	FY14
Sales	100	100	100	100	100
Other Operating Income	0	0	0	0	0
Net Sales	100	100	100	100	100
Expenditure					
Raw Material	58	61	58	60	56
Employee Cost	2	2	3	2	2
Operating & Manufacturing Expenses	31	30	32	29	26
Total Expenditure	91	94	92	91	85
EBITDA	9.5	6	8	8	9
Depreciation	5	5	5	5	6
Other Income	0	1	1	1	1
EBIT	5	3	4	4	4
Interest Cost	2.4	2.5	2.9	2	2
PBT	2	0.1	0.9	2	0.6
Tax	0.5	0	0.1	0.5	-0.2
PAT	2	0.1	0.8	1.2	0.8

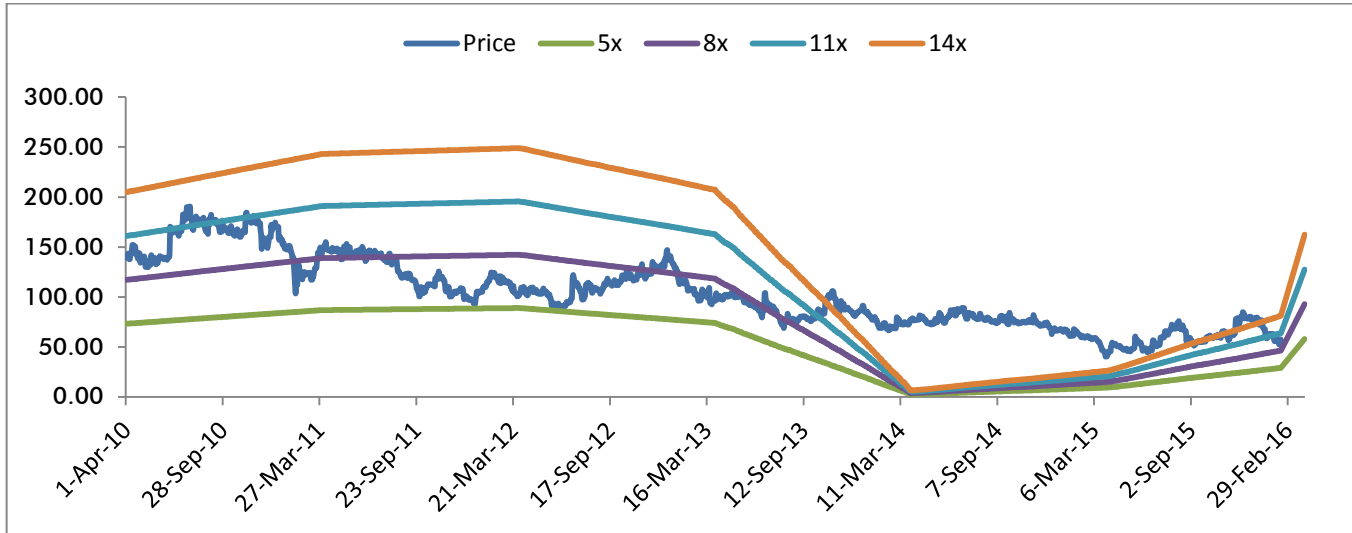
Source: DSPL Research



OUTLOOK & VALUATION: -

Expansion plan in the Eastern States is on track is expected to drive profitability growth over the next 2 years. We assign a P/E of 5x on FY18EPS, discounting it by a year & thus revise to **BUY** rating with a revised price target of ₹75 by FY17, from our earlier target of ₹73.

Historical P/E Chart



Change in Estimates

Particulars (Rs. Crs.)	FY16			FY17		
	Revised	Old	%Change	Revised	Old	%Change
Sales	683	664	3%	817	830	-2%
EBITDA	63	65	-3%	93	92	1%
Recurring PAT	17	18	-5%	34	32	6%

Source: DSPL Research



Operational Parameters

Volumes (Consumer) (in Mn. cases)	Q3 FY16	Q3 FY15	YoY%	Q2 FY16	QoQ%
Rajasthan	1.8	1.5	18%	1.7	5%
Haryana	0.7	0.74	-7%	0.6	21%
Delhi	0.2	0.13	38%	0.2	0%
Bihar	0.5	0	NA	0.5	1%

Realization per case (in Rs.)	Q3 FY16	Q3 FY15	YoY%	Q2 FY16	QoQ%
Rajasthan	328	310	6%	328	0%
Haryana	278	281	-1%	288	-3%
Delhi	271	257	5%	272	0%
Bihar	202	-	NA	207	-2%

Bulk Alcohol Volume & Prices	Q3 FY16	Q3 FY15	YoY%	Q2 FY16	QoQ%
Volume (Mn.BL)	13	10	30%	10	31%
Prices (Rs.per liter)	42	44	-4%	40	5%

IMFL Franchisee (Mn. cases)	Q3 FY16	Q3 FY15	YoY%	Q2 FY16	QoQ%
Rajasthan	0.4	0.4	-12%	0.3	31%
Haryana	0.6	0.6	15%	0.4	70%

Source: DSPL Research

Concall Key Highlights

- 1) Expansion in Bihar & West Bengal project is on track & is expected to be commissioned by Q1FY17. The Bihar plant enjoys locational advantage– close to raw material sourcing point, higher realizations and savings in logistic costs among other benefits.
- 2) GSL is planning to introduce entry level IMFL products for Bihar market to cater to the consumers’ switching from IMIL to IMFL post the 1st Apr’ 17 ban.
- 3) GSL is confident to achieve better volumes in the DDGS segment going forward. GSL’s positioning of DDGS as a better product at lower values is going to yield better sales traction ahead. GSL sells DDGS at 20% discount to soya oil cake compared to 35% discount by competitors. DDGS segment should continue its growth momentum in the medium term.
- 4) Govt. of India is taking proactive steps in achieving the 5% ethanol blending target. However, it will be bit difficult for the government to meet its 10% ethanol blending from next year, given the supply constraints.
- 5) Haryana market after a year of dull growth is back with a 21% growth q-o-q & should continue with its momentum.
- 6) GSL exports its bulk alcohol to West & South African markets where its grain based alcohol is gaining acceptance over the traditional molasses based alcohol. However, exports of alcohol will only be done after GSL uses it for their captive consumption & third party bottling.
- 7) GSL is on their way to reduce its cost improving operational performance and better cost management.



Profit & Loss

(Rs Crs.)	FY14	FY15	FY16E	FY17E	FY18E
Net sales	496	586	683	817	954
YoY (%)	-1%	18%	17%	20%	17%
Total expenses					
Raw Material Cost	218	238	283	339	394
Employee costs	12	14	17	20	23
Other Manu. Cost	138	172	253	288	324
EBITDA	45	49	63	93	122
YoY (%)		8%	30%	46%	31%
EBIDTA (%)	9%	8%	9%	11%	13%
Depreciation	21	22	27	30	35
EBIT	23	27	36	63	86
Interest	10	14	16	20	22
Other income	3	4	3	2	4
PBT	16	17	22	45	69
Less: Taxation	(1)	3	6	11	17
Effective tax rate (%)	-6%	19%	25%	25%	25%
Recurring PAT	17	14	17	34	52
YoY (%)		-18%	19%	100%	54%
PAT (%)	3%	2%	2%	4%	5%
Exp. items (net of tax)	(13)	(5.60)	(6)	(6)	(6)
Reported PAT	4	8.47	11	28	46

Key Ratios

	FY14	FY15	FY16E	FY17E	FY18E
Recurring EPS (Rs)	1.8	4.9	5.8	11.6	17.9
Reported EPS (Rs)	0.5	2.9	3.9	9.7	16.0
Book value (Rs)	120.7	123.3	126.1	134.6	149.3
Dividend per share (Rs)	0.3	0.6	1.0	1.0	1.2
Net Debt Equity Ratio	0.2	0.3	0.6	0.5	0.3
Payable Days	43.6	32.3	30.0	31.0	31.0
Debtor Days	26.1	15.8	18.0	17.5	17.0
Inventory Days	25.1	20.7	20.0	20.0	20.0
ROCE (%)	0.1	0.1	0.1	0.1	0.1
Recurring ROE (%)	4.92%	3.99%	4.67%	8.93%	12.63%
ROA (%)	0.0	0.0	0.0	0.0	0.1
Div Yield (%)	0.0	0.0	0.0	0.0	0.1
Valuation Ratios					
PE (x)	119.8	28.8	9.3	4.6	3.0
Cash P/E (x)	118.1	18.4	13.9	5.6	3.4
Price/book value (x)	0.4	0.4	0.4	0.4	0.4
Market cap/sales (x)	1.3	1.7	0.2	0.2	0.2
EV/sales (x)	1.9	2.2	0.6	0.5	0.4
EV/EBITDA (x)	7.7	8.1	6.8	4.4	2.8
Earnings growth					
EBITDA (%)	-36%	8%	30%	46%	31%
EPS (%)	-97%	316%	211%	100%	54%
PAT (%)	-50%	-18%	19%	100%	54%

Source: DSPL Research

Balance Sheet

(Rs Crs.)	FY14	FY15	FY16E	FY17E	FY18E
Equity capital	96	29	29	29	29
Reserves	255	326	334	359	401
Net worth	351	355	363	388	430
Total borrowings	101	144	273	256	180
Minority Interest	0	0	0	0	0
Non Curr Liabilities	95	93	119	134	151
Curr. Liabilities	94	98	114	139	163
Total liab.	641	689	869	918	923
Net block	444	492	644	654	639
Investments	0	0	0	0	0
Others	82	89	103	111	115
Current assets					
Inventories	46	50	52	61	71
Debtors	47	38	51	59	67
Cash	6	6	2	14	9
Other Curr. assets	16	14	16	19	22
Total assets	641	689	869	918	923

Cash Flow

(Rs Crs.)	FY14	FY15	FY16E	FY17E	FY18E
Pre Tax Profit	3	12	17	39	63
Depn and w/o	21	22	27	30	35
Change in working cap	(27)	11	(1)	6	2
Taxes Paid	12	(6)	(5)	(10)	(15)
Others	(6)	7	28	26	32
Op. Cash flow	3	46	66	91	117
Capex (Net)	(29)	(70)	(180)	(40)	(20)
Investments	0	(0)	0	0	0
Inv. Cash flow	(29)	(70)	(180)	-40	-20
Dividend	(4)	(2)	(3)	(3)	(4)
Fresh Equity	0	6	0	0	0
Others	0	(8)	0	0	0
Debt	15	42	129	(17)	(77)
Interest	(10)	(14)	(16)	(20)	(22)
Fin. Cash flow	1	24	110	-40	-102
Net change in cash	(25)	(0)	(4)	11	(5)
Opening cash	31	6	6	2	14
Closing cash	6	6	2	14	9



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