



Globus Spirits Ltd. Q4 FY16 Quarterly Update

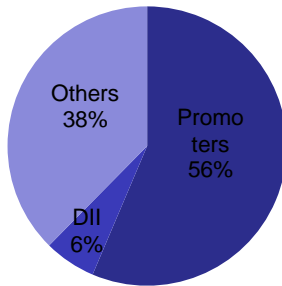
MARKET DATA

NSE TICKER	GLOBUSSPR
Net worth (₹ Cr)	360
P/BV Ratio (FY17E) (x)	0.5
Recurring EPS (FY17E) (₹)	10
Market Price (₹)	63
52 Week High (08/12/2015) (₹)	91
52 Week Low (12/06/2015) (₹)	43
Market Capitalisation (₹ Cr)	~180

AVERAGE MONTHLY VOLUME ('000)

BSE	11
NSE	38

SHARE HOLDING PATTERN



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

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Quarterly Performance:

Particulars ₹Cr	Q4 FY16	Q4 FY15	YoY%	Q3 FY16	QoQ%	FY16	FY15	YoY%
Net Sales	191	153	25%	197	-3%	706	586	20%
EBITDA	22	15	45%	19	18%	67	49	37%
EBITDA%	12%	10%	NM	10%	NM	9%	8%	NM
Interest	4	3	56%	5	-12%	17	14	20%
PBT	4	7	-36%	4	-1%	12	10	21%
PAT	4.3	4	21%	3	24%	10	7	50%
EPS	1.5	1	15%	1	25%	3	2	90%

Topline & margin meets expectation

Globus Spirits Ltd. (GSL) Q4FY16 quarterly earnings were slightly better than our estimates, mainly due to revival in demand in Haryana state for IMIL consumption & robust growth in DDGS segment. Gross Sales stood at ₹275crs, an increase of 20% y-o-y (₹229crs.) and increased 3% q-o-q (₹267crs.). EBITDA margin has expanded by 200bps q-o-q and 164 bps y-o-y to 11.5% in Q4FY16. PAT stood at ₹4.3crs in Q4FY16 compared to ₹3.6cr in Q4FY15 & ₹3.5cr in Q3FY16.

DDGS continue to be the better performer in the manufacturing segment

DDGS segment's operating revenue has grown by 70% y-o-y & contributed 12% to top-line. DDGS volumes and realisations improved by 27% and 47% respectively.

In the bulk alcohol segment, sales decreased by 16% q-o-q & 23% y-o-y and contributed 24% to top-line. Better realisation of bulk alcohol prices have led to higher sales. Bulk alcohol prices remained flat at ₹42 per litre q-o-q, whereas, volume increased by 22% y-o-y & decreased 15% q-o-q & reached 11mn litres this quarter. We expect positive price movement (~4-5%) in alcohol prices, in the medium term, as the government is taking proactive steps in meeting the 5% ethanol blending target (265 crore litres) which will be a difficult task for the molasses players to supply alone.

Consumer business Update

In the consumer business segment, blended realisation stood at ₹294 per case. Volumes grew by 3% q-o-q & 28% y-o-y while the realisation remained flat across markets. IMIL business contributed 48% to top-line. Revenues increased by 29% y-o-y to ₹92.2crs due to strong revenue growth of 18% & 37% in Rajasthan & Delhi respectively. Haryana IMIL market has started growing as it recorded a volume growth of 9% q-o-q & 44% y-o-y we expect the current demand trajectory to continue in the medium term.

Bihar Greenfield project is not so adversely impacted by the ban

The expansion of the Bihar & West Bengal distillery continues and GSL maintains commissioning guidance by Q1FY17. Bulk Alcohol manufactured at the upcoming distillery in Bihar will be exported to other alcohol deficit states and neighbouring countries (Nepal). Sale of bulk alcohol from WB & Bihar will not attract export duty.

Key risks

In April'16, the state of Bihar initiated a complete ban on liquor sales. 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 FY18 EPS, discounting it by a year & thus maintain the **BUY** rating with a revised price target of ₹80 by FY17, from our earlier target of ₹75.


QUARTERLY PERFORMANCE:

Particulars (₹Cr.)	Q4 FY16	Q4 FY15	YoY%	Q3 FY16	QoQ%	FY16	FY15	YoY%
Sales	191	152	25%	195	-2%	705	585	20%
Other Operating Income	0	1	-68%	1	-83%	2	1	38%
Net Sales	191	153	25%	197	-3%	706	586	20%
Expenditure								
Raw Material	111	84	32%	114	-3%	410	352	16%
Employee Cost	4	5	-14%	4	0%	17	15	17%
Other Expenses	54	49	10%	60	-9%	212	171	24%
Total Expenditure	169	138	23%	178	-5%	639	537	19%
EBITDA	22	15	45%	19	18%	67	49	37%
Depreciation	15	8	95%	10	49%	42	29	47%
Other Income	1	2	-26%	0	253%	4	4	5%
EBIT	8	9	-11%	9	-7%	29	24	20%
Interest Cost	4	3	56%	5	-12%	17	14	20%
PBT	4	6.8	-36%	4.4	-1%	12.2	10.1	21%
Tax	0	3		1	-98%	2	3	-35%
PAT	4.3	3.6	21%	3.5	24%	10	6.7	50%
Networth	360	355	1%	360	0%	361	355	2%
FV	10	10	-	10		10	10	NA
EPS	1.5	1.30	15%	1.2	25%	3.5	1.8	90%

P&L on 100

Particulars	Q4 FY16	Q4 FY15	Q3 FY16	FY16	FY15
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	55	58	58	60
Employee Cost	2	3	2	2	2
Operating & Manufacturing Expenses	28	32	31	30	29
Total Expenditure	89	90	91	91	92
EBITDA	12	10	10	9.5	8.4
Depreciation	8	5	5	6	5
Other Income	1	1	0	1	1
EBIT	4	6	5	4	4.3
Interest Cost	2	2	2.4	2.4	2.41
PBT	2	4	2.2	2	1.9
Tax	0	2	0.5	0.3	0.5
PAT	2	3	1.7	1.4	1.2

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 maintain the **BUY** rating with a revised price target of ₹80 by FY17, from our earlier target of ₹75.

Change in Estimates

Particulars (₹Cr.)	FY17			FY18		
	Revised	Old	%Change	Revised	Old	%Change
Sales	829	817	1%	965	954	1%
EBITDA	92	93	-1%	117	122	-4%

Source: DSPL Research

Operational Parameters

Volumes (in Mn. cases)	Q4 FY16	Q4 FY15	YoY%	Q3 FY16	QoQ%
Rajasthan	1.7	1.5	14%	1.8	-5%
Haryana	0.8	0.52	44%	0.7	7%
Delhi	0.2	0.15	27%	0.2	-5%
Bihar	0.5	0.25	100%	0.5	0%

Realization per case (in ₹)	Q4 FY16	Q4 FY15	YoY%	Q3 FY16	QoQ%
Rajasthan	326	304	7%	328	0%
Haryana	281	280	0%	278	1%
Delhi	274	253	8%	271	1%
Bihar	187		NA	202	-7%

IMFL Franchisee (Mn cases)	Q4 FY16	Q4 FY15	YoY%	Q3 FY16	QoQ%
Rajasthan	0.4	0.5	-11%	0.4	5%
Haryana	0.6	0.5	22%	0.6	-11%

Source: DSPL Research



Concall Key Highlights

- Competition is state specific. Almost no competition operates across states.
 - 8-9 players in the Rajasthan IMIL Market, 30+% market share, state owned player has a 40% quota market share 60% for the open market
 - Haryana many more players to compete against, 14 distilleries in Haryana, in ENA sales no standalone bottling plants allowed to market IMIL in Haryana
 - West Bengal new facility to be commissioned, one more player in WB IFB agro has a significant presence, WB is spirit deficit has enough room for both players
- Would Bihar be selling to the WB unit?
 - Try to convert as much as possible into bottled products
 - First opportunity given to IMIL
 - Second opportunity given to IMFL franchisee
 - Rest given to other players as Bulk sales
 - 50-60% of capacity should be utilized in value added products in Bihar, in Rajasthan it is 60% in Haryana 50%
- Nature of WB bottling operations? Contracts in place
 - WB franchisee arrangement with United spirits, will start bottling in June
 - Bihar would be selling bulk alcohol
- Impact on ENA prices due to an increase in Ethanol blending
 - Alcohol capacity is fungible, same capacity could be used for ENA or Ethanol, in the last tender which started in September, 3 cycles of the same tender 120 crs. litres at 46 per liter, if was not contracted for fuel would have gone into beverages.
 - Therefore we should see gradually prices of potable alcohol to increase
 - Guideline of 5% to 10% movement for OMC's 265 crs. litres, this volume can currently Can't be catered to by molasses players
 - ENA average realizations last year 40-41 a litre, this year 2 reasons for an increase
 - East India foray
 - 5% increase envisaged for FY17 due to Ethanol blending
- Export duty in west Bengal and Bihar
 - No export duties, state government has taken a very supportive stand.
- Cost of Debt
 - 11%
- Capex
 - No additional Capex after execution of 2 projects in WB and Bihar
 - Existing units almost 100% capacity utilization
 - New units 60% utilization for FY17, utilization to be much higher in FY18



Profit & Loss

(₹Cr.)	FY14	FY15	FY16E	FY17E	FY18E
Net sales	496	586	707	829	965
YoY (%)	-1%	18%	21%	17%	16%
Total expenses					
Raw Material Cost	218	238	293	345	401
Employee costs	12	14	17	20	24
Other Manu. Cost	138	172	260	291	330
EBITDA	45	49	67	92	117
YoY (%)		8%	38%	38%	27%
EBIDTA (%)	9%	8%	9%	11%	12%
Depreciation	21	22	42	31	34
EBIT	23	27	25	62	83
Interest	10	14	17	27	24
Other income	3	4	4	4	4
PBT	16	17	12	39	63
Less: Taxation	(1)	3	2	9	15
Effective tax rate (%)	-6%	19%	18%	24%	24%
Recurring PAT	17	14	10	30	48
YoY (%)		-18%	-29%	196%	63%
PAT (%)	3%	2%	1%	4%	5%
Exp. items (net of tax)	(13)	(5.60)	0	0	0
Reported PAT	4	8.47	10	30	48

Key Ratios

	FY14	FY15	FY16E	FY17E	FY18E
Recurring EPS (Rs)	1.8	4.9	3.5	10.3	16.8
Reported EPS (Rs)	0.5	2.9	3.5	10.3	16.8
Book value (Rs)	120.7	123.3	125.3	134.7	150.6
Dividend per share (Rs)	0.3	0.6	0.2	0.7	0.8
Net Debt Equity Ratio	0.2	0.3	0.6	0.5	0.4
Payable Days	43.6	32.3	26.6	28.0	32.0
Debtor Days	26.1	15.8	13.8	14.0	15.0
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%	2.80%	7.91%	11.78%
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)	137.6	33.1	17.8	6.0	3.7
Cash P/E (x)	135.6	21.1	17.8	6.0	3.7
Price/book value (x)	0.5	0.5	0.5	0.5	0.4
Market cap/sales (x)	1.3	1.7	0.3	0.2	0.2
EV/sales (x)	1.9	2.2	0.6	0.5	0.4
EV/EBITDA (x)	7.7	8.1	6.5	4.4	3.3
Earnings growth					
EBITDA (%)	-36%	8%	38%	38%	27%
EPS (%)	-97%	316%	86%	196%	63%
PAT (%)	-50%	-18%	-29%	196%	63%

Source: DSPL Research

Balance Sheet

(₹Cr.)	FY14	FY15	FY16E	FY17E	FY18E
Equity capital	96	29	29	29	29
Reserves	255	326	332	359	405
Net worth	351	355	361	388	434
Total borrowings	101	144	257	229	206
Minority Interest	0	0	0	0	0
Non Curr Liabilities	95	93	48	50	53
Curr. Liabilities	94	98	80	113	166
Total liab.	641	689	746	779	860
Net block	444	492	566	598	628
Investments	0	0	0	0	0
Others	82	89	64	70	81
Current assets					
Inventories	46	50	41	48	56
Debtors	47	38	37	45	56
Cash	6	6	27	5	19
Other Curr. assets	16	14	11	14	19
Total assets	641	689	746	779	860

Cash Flow

(₹ Crs.)	FY14	FY15	FY16E	FY17E	FY18E
Pre Tax Profit	3	12	12	39	63
Depn and w/o	21	22	42	31	34
Change in working cap	(27)	11	(5)	15	30
Taxes Paid	12	(6)	(2)	(9)	(13)
Others	(6)	7	(3)	22	15
Op. Cash flow	3	46	45	98	129
Capex (Net)	(29)	(70)	(116)	(63)	(65)
Investments	0	(0)	(0)	0	0
Inv. Cash flow	(29)	(70)	(116)	-63	-65
Dividend	(4)	(2)	(1)	(2)	(3)
Fresh Equity	0	6	0	0	0
Others	0	(8)	(3)	0	0
Debt	15	42	113	(28)	(23)
Interest	(10)	(14)	(17)	(27)	(24)
Fin. Cash flow	1	24	92	-57	-49
Net change in cash	(25)	(0)	20	(22)	14
Opening cash	31	6	6	27	5
Closing cash	6	6	27	5	19



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