

11 February 2025

## United Breweries

*Telangana price hike to add to seasonal upswing; retaining a Buy*

Rating: **Buy**

Target Price (12-mth): Rs.2,610

Share Price: Rs.2,027

Telangana (15% of UB's revenue) announced a 15% price hike for beer, marking the first hike since FY20. This and strong seasonal demand (on a lower base), cost-saving steps and consistent capability building efforts augur well for the future. We introduce FY27e and raise FY26e EPS 7% to factor in the Telangana price hike, reducing FY25e EPS 9% on front-loading costs as part of cost-saving measures. We retain our Buy, with a higher 12-mth Rs2,610 TP, 65x FY27e (Rs2,350 earlier, on 75x FY27e EPS).

**Telangana market price hike to drive revenue, margin upturn.** Telangana announced a 15% price hike effective immediately, with stocks at depots and in transit being sold at the higher prices. United Breweries enjoys a 70% market share in the Telangana beer market and generates ~15% of revenue from that state. We expect revenue/ margins to rise ~2%/200bps due to this price hike. Besides, the government has started clearing pending dues; media reports suggest Rs1.3bn paid in the last 40 days, the rest to be settled in instalments.

**Seasonal uptick ahead.** With initial reports indicating a hot summer, we expect a strong start to seasonal sales. Multiple election phases last year hurt sales of beer and alcoholic beverages. This won't be the case this time, helping better capture seasonal demand. We build in an 11.5% revenue CAGR over FY25-27.

**Building a hefty 300bps jump in EBITDA margins for FY26.** United Breweries is undertaking cost-saving initiatives (with some associated costs being front-loaded in FY25), which would yield an annualised 1.5–3% fixed cost savings. Thus, factoring in the above and the Telangana price hike, we expect a 380bp EBITDA-margin expansion, driving a 36% earnings CAGR over FY25-27.

**Valuation.** The stock quotes at 92x/60x/51x FY25e/26e/27e EPS. **Key risks:** Keener competition, adverse state regulations, persistently high input costs.

Key financials (YE Mar)	FY23	FY24	FY25e	FY26e	FY27e
Sales (Rs m)	74,999	81,227	90,171	1,01,345	1,12,177
Net profit (Rs m)	3,378	4,109	5,819	8,884	10,616
EPS (Rs)	12.8	15.5	22.0	33.6	40.1
P/E (x)	158.6	130.4	92.1	60.3	50.5
EV / EBITDA (x)	86.3	76.8	55.6	38.6	32.8
P/BV (x)	13.5	12.8	12.4	11.5	10.6
RoE (%)	8.5	9.8	13.4	19.0	20.9
RoCE (%)	8.7	10.2	13.7	19.7	21.8
Dividend yield (%)	0.4	0.5	0.8	1.0	1.2
Net debt / equity (x)	-0.1	-0.0	-0.2	-0.2	-0.2

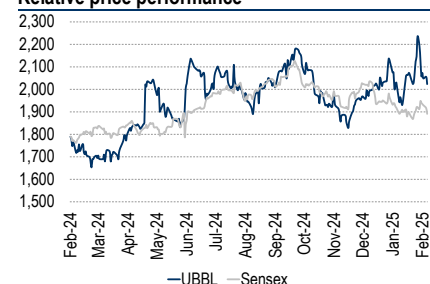
Source: Company, Anand Rathi Research

Key data	UBBL IN / UBBW.BO
52-week high / low	Rs2300 / 1646
Sensex / Nifty	76294 / 23072
3-m average volume	\$5.5m
Market cap	Rs.535bn / \$6161.1m
Shares outstanding	264m

Shareholding pattern (%)	Dec'24	Sep'24	Jun'24
Promoters	70.8	70.8	70.8
- of which, Pledged	12.4	12.4	12.4
Free Float	29.2	29.2	29.2
- Foreign institutions	6.4	6.3	6.4
- Domestic institutions	17.7	17.8	17.5
- Public	5.1	5.1	5.2

Estimates revision (%)	FY25	FY26
Sales	-0.3	1.2
EBITDA	-6.2	7.1
EPS	-8.6	7.2

### Relative price performance



Source: Bloomberg

**Ajay Thakur**  
Research Analyst

Anand Rathi Share and Stock Brokers Limited (hereinafter "ARSSBL") is a full-service brokerage and equities-research firm and the views expressed therein are solely of ARSSBL and not of the companies which have been covered in the Research Report. This report is intended for the sole use of the Recipient. Disclosures and analyst certifications are present in the Appendix.

## Quick Glance – Financials and Valuations

**Fig 1 – Income statement (Rs m)**

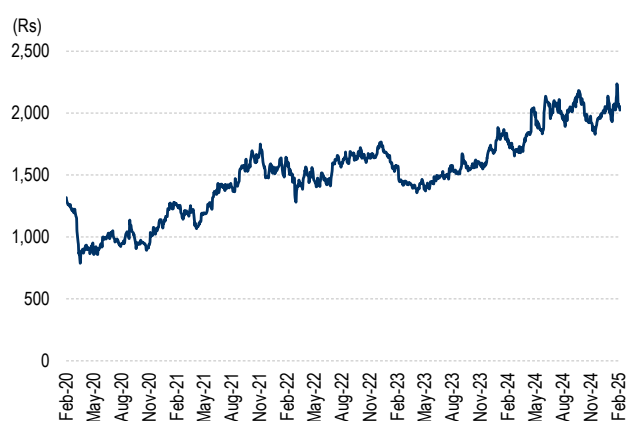
Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Net revenues	74,999	81,227	90,171	1,01,345	1,12,177
Growth (%)	28	8	11	12	11
Direct costs	42,654	46,524	50,313	53,832	58,801
Gross profit	32,346	34,703	39,858	47,513	53,376
Gross margins (%)	43.1	42.7	44.2	46.9	47.6
Other expenses	26,183	27,741	30,362	33,847	37,320
<b>EBITDA</b>	<b>6,162</b>	<b>6,962</b>	<b>9,496</b>	<b>13,666</b>	<b>16,056</b>
EBITDA margins (%)	8.2	8.6	10.5	13.5	14.3
- Depreciation	2,106	2,119	2,335	2,449	2,579
Other income	494	737	750	825	900
Interest expenses	46	69	80	85	90
PBT	4,504	5,511	7,831	11,957	14,287
Effective tax rates (%)	25.0	25.5	25.7	25.7	25.7
+ Associates / (Minorities)	7	8	8	8	9
Net income	3,378	4,109	5,819	8,884	10,616
WANS	264	264	264	264	264
FDEPS (Rs)	12.8	15.5	22.0	33.6	40.1

**Fig 3 – Cash-flow statement (Rs m)**

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	4,173	5,511	7,831	11,957	14,287
+ Non-cash items	-2,189	-1,816	-1,665	-1,709	-1,769
Oper. profit before WC	6,362	7,327	9,496	13,666	16,056
- Incr. / (decr.) in WC	-6,160	-5,245	5,036	-1,525	-1,705
Others incl. taxes	1,397	1,388	2,013	3,073	3,672
Operating cash-flow	-1,196	695	12,520	9,069	10,680
- Capex (tang. + intang.)	-1,543	-1,907	-2,573	-3,300	-3,550
Free cash-flow	-2,739	-1,212	9,947	5,769	7,130
Acquisitions					
- Div. (incl. buyback & taxes)	2,779	1,985	4,230	5,552	6,610
+ Equity raised	-	-	-	-	-
+ Debt raised	-100	774	-	-	-
- Fin investments	1	10	70	-	-
- Misc. (CFI + CFF)	-290	-426	-670	-740	-810
Net cash-flow	-5,327	-2,007	6,316	956	1,330

Source: Company, Anand Rathi Research

**Fig 5 – Price movement**



Source: Bloomberg

**Fig 2 – Balance sheet (Rs m)**

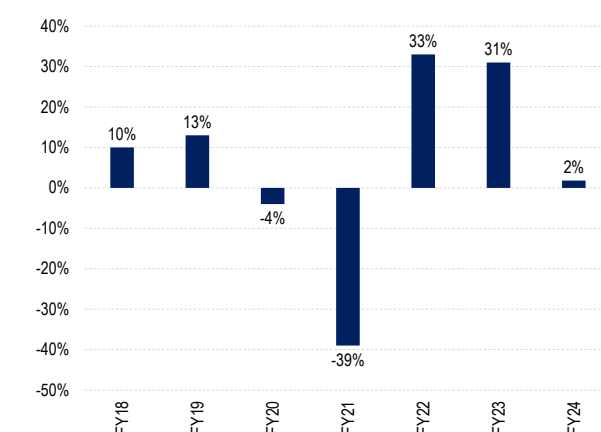
Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	264	264	264	264	264
Net worth	39,649	41,783	43,364	46,688	50,685
Debt	-	774	774	774	774
Minority interest	46	52	60	68	77
TL / (Assets)	-450	-529	-529	-529	-529
<b>Capital employed</b>	<b>39,245</b>	<b>42,080</b>	<b>43,669</b>	<b>47,000</b>	<b>51,006</b>
Net tangible assets	18,324	17,569	18,234	19,035	19,956
Net intangible assets	122	122	122	122	122
Goodwill	65	65	65	65	65
CWIP (tang. & intang.)	771	1,727	1,300	1,350	1,400
Investments (strategic)	81	80	150	150	150
Investments (financial)	-	-	-	-	-
Current assets (excl. cash)	40,242	49,788	44,720	48,827	53,731
Cash	3,953	2,142	8,458	9,414	10,744
Current liabilities	24,312	29,412	29,380	31,963	35,162
Working capital	15,930	20,376	15,340	16,865	18,569
<b>Capital deployed</b>	<b>39,245</b>	<b>42,080</b>	<b>43,669</b>	<b>47,000</b>	<b>51,006</b>

**Fig 4 – Ratio analysis**

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	158.6	130.4	92.1	60.3	50.5
EV / EBITDA (x)	86.3	76.8	55.6	38.6	32.8
EV / Sales (x)	7.1	6.6	5.9	5.2	4.7
P/B (x)	13.5	12.8	12.4	11.5	10.6
RoE (%)	8.5	9.8	13.4	19.0	20.9
RoCE (%) - after tax	8.7	10.2	13.7	19.7	21.8
RoIC (%) - after tax	10.5	11.1	15.6	24.6	27.4
DPS (Rs)	7.5	10.0	16.0	21.0	25.0
Dividend yield (%)	0.4	0.5	0.8	1.0	1.2
Dividend payout (%) - incl. DDT	58.7	64.4	72.7	62.5	62.3
Net debt / equity (x)	-0.1	-0.0	-0.2	-0.2	-0.2
Receivables (days)	68.5	104.0	64.2	63.1	62.8
Inventory (days)	69.5	61.5	63.7	59.6	58.9
Payables (days)	34.9	42.6	36.4	34.2	33.8
CFO : PAT (%)	-35.4	16.9	215.2	102.1	100.6

Source: Company, Anand Rathi Research

**Fig 6 – Volume-growth trend**



Source: Company

## Valuation

Telangana market price hike, strong seasonal demand (on a lower base), cost-saving steps and consistent capability building efforts augur well for the future. We continue to see steady demand growth for UB as it partially recoups margins to low teens over the next 2-3 years. We believe the new management's consumer-centricity, growth and capacity focus would yield steady revenue growth and expand margins.

We introduce FY27e and raise FY26e EPS 7% to factor in the Telangana price increase, while reducing FY25e EPS 9% on front-loading costs as part of the cost-saving initiative. We maintain our Buy on the stock, with a higher 12-mth Rs2,610 TP, 65x FY27e (Rs2,350 earlier, based on 75x FY27e EPS). The stock quotes at 92x/60x/51x FY25e/26e/27e EPS.

**Fig 7 – Change in estimates**

	Old		Revised		Change %	
(Rs m)	FY25e	FY26e	FY25e	FY26e	FY25	FY26
Sales	90,475	1,00,165	90,171	1,01,345	-0.3	1.2
EBITDA	10,126	12,757	9,496	13,666	-6.2	7.1
PAT	6,364	8,287	5,819	8,884	-8.6	7.2

Source: Anand Rath Research

**Fig 8 – One-year-forward PE chart**



Source: BSE, Anand Rath Research

## Risks

- Keener competition
- Adverse state regulations
- Persistently high input costs.

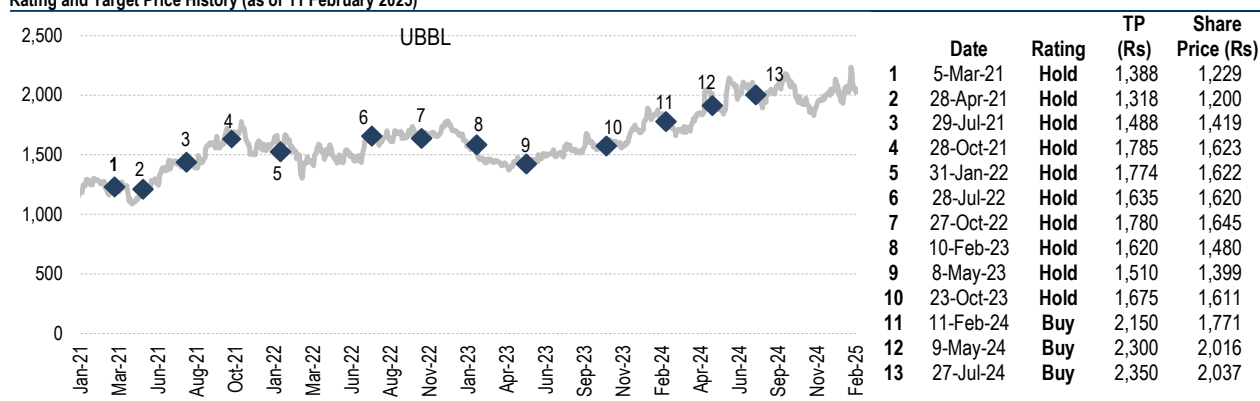
## Appendix

### Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

### Important Disclosures on subject companies

#### Rating and Target Price History (as of 11 February 2025)



### Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

#### Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

### Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity, SEBI Regn No. INH000000834, Date of Regn. 29/06/2015) is a subsidiary of the Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd (BSE), National Stock Exchange of India Ltd. (NSEIL), Metropolitan Stock Exchange of India Ltd. (MSE), and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. (CDSL), ARSSBL is engaged into the business of Stock Broking, Depository Participant, Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

**General Disclaimer:** This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.

ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i.e. [www.rathionline.com](http://www.rathionline.com)

**Disclaimers in respect of jurisdiction:** This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

#### Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates

##### Answers to the Best of the knowledge and belief of ARSSBL/ its Associates/ Research Analyst who is preparing this report

Research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest.	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company	No
ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report	No
ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.	No
ARSSBL/its Associates/ Research Analyst/ his Relative has been engaged in market making activity for the subject company.	No

#### NOTICE TO US INVESTORS:

This research report is the product of Anand Rathi Share and Stock Brokers Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated person(s) of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances, and trading securities held by a research analyst account.

Research reports are intended for distribution only to Major U.S. Institutional Investors as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act of 1934 (the Exchange Act) and interpretations thereof by the U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this research report is not a Major U.S. Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated, and/or transmitted onward to any U.S. person which is not a Major U.S. Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major U.S. Institutional Investors, Anand Rathi Share and Stock Brokers Limited has entered into a Strategic Partnership and chaperoning agreement with a U.S. registered broker-dealer: BancTrust Securities USA. Transactions in securities discussed in this research report should be affected through BancTrust Securities USA.

1. ARSSBL or its Affiliates may or may not have been beneficial owners of the securities mentioned in this report.
2. ARSSBL or its affiliates may have or not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.
3. ARSSBL or its affiliates may have or not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.
4. However, one or more of ARSSBL or its Affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon, either on their own account or on behalf of their clients.
5. ARSSBL or its Affiliates may or may not, to the extent permitted by law, act upon or use the above material or the conclusions stated above, or the research or analysis on which they are based before the material is published to recipients and from time to time, provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.

© 2025. This report is strictly confidential and is being furnished to you solely for your information. All material presented in this report, unless specifically indicated otherwise, is under copyright to ARSSBL. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of ARSSBL. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of ARSSBL or its affiliates, unless specifically mentioned otherwise.

As of the publication of this report, ARSSBL does not make a market in the subject securities.

Additional information on recommended securities/instruments is available on request.

Compliance officer-Deepak Kedia, email id - [deepakkedia@rathi.com](mailto:deepakkedia@rathi.com), Contact no. +91 22 6281 7000

Grievance officer-Madhu Jain-email id- [grievance@rathi.com](mailto:grievance@rathi.com), Contact no. +91 22 6281 7191

ARSSBL registered address: Express Zone, A Wing, 9th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.  
Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.