

23 July 2025

United Breweries

Strong Q1 volumes led by share gains, but margins disappoint; Buy

Market share gains, the lower base (owing to elections) and sustained premiumisation drove an 11% rise in United Breweries' volumes in Q1 (above the Street's 5-7% estimate). The operating performance, though, was weak with a 70bp y/y EBITDA margin contraction to 10.9% (12.3%), hit by policy change in Karnataka and higher brand investments. The focus on category growth, capacity addition, innovations (London Pilsner, Amstel, Queenfisher), premiumisation (Heineken Silver) and cost-efficiency steps should help in gradual revenue/margin recovery. We cut our FY26e/FY27e EPS 24/17%. We are optimistic on healthy volume, market-share gain, and gradual margin recovery driving healthy earnings performance. We retain our Buy, with a lower 12-mth Rs2,420 TP, 65x Sep'27e (earlier Rs2,610, 65x FY27e).

Volumes grow strongly. Q1 revenue grew 16% on sales volumes up 11%, aided by the lower base (elections in Q1 FY25), market-share gains and premiumisation and on ~5% price-mix growth. Regional volume trends: south grew 16% y/y; west 13%, north 8%, while east slipped 1% y/y. The premium range volumes up 46% y/y, outpaced overall growth. Karnataka and WB declined owing to policy changes while good volume growth was seen in AP, UP and Assam. We are optimistic about a 12% revenue CAGR over FY25-28, driven by management's growth strategy and brand investments.

EBITDA margin slips 70bps. The gross margin contracted 50bps y/y, impacted by higher input prices (partly offset by the rising salience of reused glass bottles). Other expenses rose 60bps, partly offset by a 50bp fall in staff cost. Management was optimistic of a 300-400bp EBITDA-margin gain in the medium term, helped by premiumisation, operating leverage and cost-savings. We build in a 400bp EBITDA-margin gain over FY25-28 to 13.4%, led by a 270bp gross-margin expansion.

Valuation. The stock quotes at 79x/61x/49x FY26e/27e/28e EPS.

Keyrisks: Keener competition, adverse state regulations, persistently high input costs.

Key financials (YE Mar)	FY24	FY25	FY26e	FY27e	FY28e
Sales (Rs m)	81,227	89,151	99,976	1,13,362	1,25,728
Net profit (Rs m)	4,109	4,682	6,716	8,779	10,864
EPS (Rs)	15.5	17.7	25.4	33.2	41.1
P/E (x)	129.8	113.9	79.4	60.7	49.1
EV / EBITDA (x)	76.4	63.6	46.0	36.8	30.6
P/BV (x)	12.8	12.2	11.3	10.3	9.3
RoE (%)	9.8	10.7	14.3	17.0	19.0
RoCE (%)	10.2	10.5	14.0	17.0	19.4
Dividend yield (%)	0.5	0.5	0.6	0.8	1.0
Net debt / equity (x)	-0.0	0.0	-0.3	-0.3	-0.3

Source: Company, Anand Rathi Research

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Rating: **Buy**

Target Price(12-mth): Rs.2,420

Share Price: Rs.2,017

Key data	UBBL IN / UBBW.BO
52-week high / low	Rs.2,300 / 1,810
Sensex / Nifty	82,727 / 25,220
Market cap	Rs.538bn
Shares outstanding	264m

Shareholding pattern (%)	Jun'25	Mar'25	Dec'24
Promoters	70.8	70.8	70.8
- of which, Pledged	-	12.4	12.4
Free Float	28.0	28.0	28.0
- Foreign institutions	6.7	6.9	6.4
- Domestic institutions	16.4	16.2	16.5
- Public	4.9	4.9	5.1

Estimates revision (%)	FY26e	FY27e
Sales	-1.4	1.1
EBITDA	-17.2	-12.3
PAT	-24.4	-17.3

Relative price performance



Source: Bloomberg

Ajay Thakur
Research Analyst

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

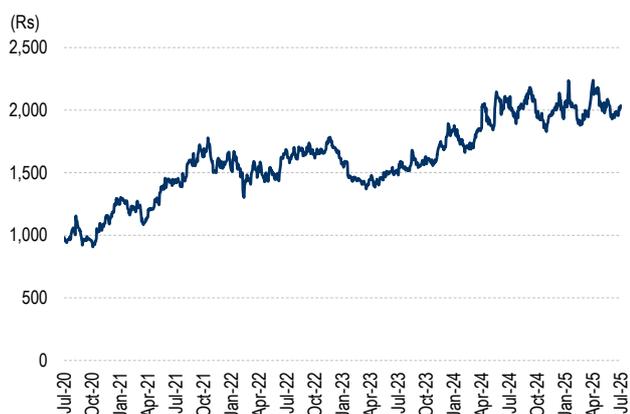
Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Net revenues	81,227	89,151	99,976	1,13,362	1,25,728
Growth (%)	8	10	12	13	11
Direct costs	46,524	50,685	55,728	62,254	68,123
Gross profit	34,703	38,466	44,248	51,108	57,605
Gross margins (%)	42.7	43.1	44.3	45.1	45.8
Other expenses	27,741	30,058	32,930	37,026	40,765
EBITDA	6,962	8,408	11,318	14,082	16,840
EBITDA margins (%)	8.6	9.4	11.3	12.4	13.4
- Depreciation	2,119	2,330	2,520	2,639	2,744
Other income	737	359	610	660	730
Interest expenses	69	129	394	319	244
PBT	5,511	6,309	9,014	11,784	14,583
Effective tax rates (%)	25.5	25.8	25.5	25.5	25.5
+ Associates / (Minorities)	8	7	8	9	9
Net income	4,109	4,682	6,716	8,779	10,864
WANS	264	264	264	264	264
FDEPS (Rs)	15.5	17.7	25.4	33.2	41.1

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	5,511	6,051	9,014	11,784	14,583
+ Non-cash items	-1,816	-2,439	-2,303	-2,298	-2,257
Oper. profit before WC	7,327	8,490	11,318	14,082	16,840
- Incr. / (decr.) in WC	-5,245	-4,221	10,552	-1,839	-1,746
Others incl. taxes	1,388	1,919	2,299	3,005	3,719
Operating cash-flow	695	2,351	19,571	9,238	11,375
- Capex (tang. + intang.)	-1,907	-2,582	-2,066	-3,550	-3,500
Free cash-flow	-1,212	-231	17,505	5,688	7,875
Acquisitions					
- Div. (incl. buyback & taxes)	1,985	2,646	3,305	4,230	5,288
+ Equity raised	-	-	-	-	-
+ Debt raised	774	4,974	-1,000	-1,000	-1,000
- Fin investments	10	-13	72	-	-
- Misc. (CFI + CFF)	-426	-17	-216	-341	-486
Net cash-flow	-2,007	2,128	13,345	799	2,074

Source: Company, AnandRathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 2 – Balance sheet (Rs m)

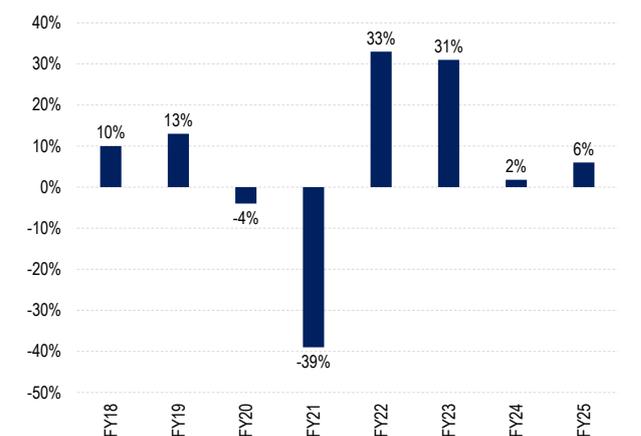
Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	264	264	264	264	264
Net worth	41,783	43,639	47,042	51,582	57,149
Debt	774	5,749	4,749	3,749	2,749
Minority interest	52	57	65	74	83
TL / (Assets)	-529	-667	-667	-667	-667
Capital employed	42,080	48,778	51,188	54,737	59,314
Net tangible assets	17,569	17,303	18,033	18,894	19,650
Net intangible assets	122	122	122	122	122
Goodwill	65	65	65	65	65
CWIP (tang. & intang.)	1,727	2,534	1,350	1,400	1,400
Investments (strategic)	80	79	150	150	150
Investments (financial)	-	-	-	-	-
Current assets (excl. cash)	49,788	58,803	45,494	51,367	56,827
Cash	2,142	4,429	17,773	18,572	20,646
Current liabilities	29,412	34,556	31,799	35,833	39,546
Working capital	20,376	24,247	13,695	15,534	17,281
Capital deployed	42,080	48,778	51,188	54,737	59,314

Fig 4 – Ratio analysis

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	129.8	113.9	79.4	60.7	49.1
EV / EBITDA (x)	76.4	63.6	46.0	36.8	30.6
EV / Sales (x)	6.5	6.0	5.2	4.6	4.1
P/B (x)	12.8	12.2	11.3	10.3	9.3
RoE (%)	9.8	10.7	14.3	17.0	19.0
RoCE (%) - after tax	10.2	10.5	14.0	17.0	19.4
RoIC (%) - after tax	11.1	11.3	18.0	25.9	29.5
DPS (Rs)	10.0	10.0	12.5	16.0	20.0
Dividend yield (%)	0.5	0.5	0.6	0.8	1.0
Dividend payout (%) - incl. DDT	64.4	56.5	49.2	48.2	48.7
Net debt / equity (x)	-0.0	0.0	-0.3	-0.3	-0.3
Receivables (days)	104.0	117.1	51.8	51.9	52.2
Inventory (days)	61.5	66.2	61.7	60.8	60.0
Payables (days)	42.6	47.1	35.4	34.9	34.4
CFO : PAT (%)	16.9	50.2	291.4	105.2	104.7

Source: Company, AnandRathi Research

Fig 6 – Volume-growth trend



Source: Company

Result highlights

Fig 7 – Quarterly results

(Rs m)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Volume growth (%)	121.0	23.0	4.0	3.0	-12.4	7.0	8.0	10.9	5.0	5.0	8.0	5.0	11.0
Realisations growth (%)	-3.0	-5.0	-2.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0	5.0
Net sales	24,387	16,796	16,130	17,659	22,748	18,901	18,245	21,334	24,751	21,167	20,003	23,230	28,643
Y/Y (%)	118	18	2	3	-7	13	13	21	9	12	10	9	16
Gross profit	10,832	7,837	6,780	6,847	9,260	8,444	8,059	8,941	10,683	9,315	8,656	9,813	12,214
Gross margins (%)	44.4	46.7	42.0	38.8	40.7	44.7	44.2	41.9	43.2	44.0	43.3	42.2	42.6
Staff cost	1,498	1,388	1,457	1,603	1,480	1,656	1,581	1,757	1,837	1,752	1,682	1,914	1,994
Other expenses	6,673	4,258	4,553	4,708	5,549	4,946	5,018	5,755	5,992	5,291	5,559	6,032	7,111
EBITDA	2,661	2,191	770	536	2,231	1,843	1,460	1,428	2,854	2,272	1,415	1,867	3,109
Y/Y (%)	179	32	-63	-79	-16	-16	90	166	28	23	-3	31	9
EBITDA margins (%)	10.9	13.0	4.8	3.0	9.8	9.8	8.0	6.7	11.5	10.7	7.1	8.0	10.9
PBT	2,181	1,805	383	135	1,805	1,440	1,169	1,098	2,334	1,783	871	1,321	2,479
Y/Y (%)	413	64	-76	-94	-17	-20	205	714	29	24	-25	20	6
PAT	1,621	1,342	-20	98	1,363	1,071	853	812	1,738	1,323	384	976	1,840
Y/Y (%)	426	66	-102	-94	-16	-20	-4432	728	27	24	-55	20	6
% of net sales													
Excise duty	53.1	54.2	56.4	56.7	56.6	54.9	56.1	55.4	57.4	55.4	54.8	47.5	46.8
Staff cost	6.1	8.3	9.0	9.1	6.5	8.8	8.7	8.2	7.4	8.3	8.4	8.2	7.0
Other expenses	27.4	25.3	28.2	26.7	24.4	26.2	27.5	27.0	24.2	25.0	27.8	26.0	24.8

Source: Company

Q1 earnings call: Key highlights

Demand trends & volume

- UB reported strong overall volume growth (11% y/y) in Q1 FY26, benefiting from the low base (due to the peak election season) and helped by estimated market-share gains.
- Management believes 2-2.5% of this growth was attributable to the low base, adding 300bps in market share.
- The company expects 4%-5% price/mix growth for the year as the company benefits from premiumisation besides from price increases.
- Premium segment volumes grew a robust 46%, led by strong demand for Kingfisher Ultra, Amstel Grande and Heineken Silver.
- **Regional volume trends**
 - **North.** 8% growth, driven by UP and Rajasthan, partially offset by a decline in Punjab.
 - **East.** 1% decline overall, as growth in Assam was offset by volume declines in WB and Odisha.
 - **South.** 16% growth, led by AP and Telangana, partially offset by weakness in Karnataka.
 - **West.** 13% growth, contributed by Maharashtra, MP and Goa.
- **Key states driving volume growth:** AP, UP and Assam.
- Volumes were impacted in Karnataka and WB, with Karnataka declining 16–17%, though the company gained market share in the state.

Premiumisation and Product Mix

- The company continues to invest vigorously in its premium portfolio, which accounts for two-thirds of the portfolio's margins.
- The positive price/mix was driven by price hikes in Telangana, Odisha, UP and Rajasthan, as well as a favourable premium mix.
- Amstel Grande and Heineken Silver are doing well.
- Despite massive supply issues in UP, the premium category continues to be a growth lever.

Operations & Investments

- The company placed more beer coolers in H1 FY26 than it had in the last five years, signalling a strong retail push.
- Continued reinvestment in category growth, particularly in warehousing infrastructure.
- The company started local production at six locations and plans to localize more to improve logistics and margin efficiency.
- Double the number of coolers deployed as part of its capex plan.
- Acknowledged infrastructure challenges in several states — lack of

adequate warehousing and depot facilities, which may limit growth.

- Operations were disrupted during the IPL season, requiring a relook at marketing investments, yet the company delivered 10% EBIT growth.

Market Dynamics & Competition

- While the company saw category growth in several states, beer showed mixed trends, with double-digit growth in some states and double-digit declines in others.
- In Karnataka, despite a 20% category decline and 50% price rollback, UB gained share.
- Despite excise hikes, competitors did not hike prices of economy brands, impacting their margins.
- Local producers gained share, while one of the two major players lost share during the quarter.
- UB is regaining business in Maharashtra and Karnataka, both being high-margin states.
- Jharkhand's coming private retail policy is expected to benefit category growth.
- In UP, the number of outlets was increased, contributing to 30–35% category growth.
- Some states faced high taxation issues, resulting in double-digit category declines.

Supply Chain & Packaging constraints

- Industry-wide shortage of cans is a concern and expected to be a headwind in coming quarters.
- In the past six months the company lost 1–2 percentage points of growth due to lack of cans.
- Cans represent ~20% of UB's overall business, and in UP, they account for 75–80% of sales.
- Backward integration for cans is an area that needs significant work.
- Despite such challenges, UB is confident of 5–6% Q2 volume growth.

Financial Performance & Margins

- The **Q1 EBIT** margin was 9%, and UB aims to expand margins to double digits, with sequential improvement every quarter.
- Bottle returns improved 70bps in the quarter.
- Premium portfolio, while strong on margins, does not benefit from bottle returns, unlike the mass segment.
- Karnataka, due to policy headwinds, had a 50bp impact on margins, though margin recovery is underway.
- EBITDA per case has doubled, per like-for-like comparison.
- Expect better bottle returns and continued support from raw material partners, keeping costs stable for FY26.

Outlook & Guidance

- UBL remains focused on
 - Growing the premium share in its portfolio,
 - Revenue management and cost-control initiatives,
 - Continued brand and capability investments despite near-term margin pressure.
- The company is optimistic about long-term beer category growth, driven by
 - Favourable demographics,
 - Rising disposable incomes,
 - Continued premiumization.
- Expects to deliver high single-digit volume growth, provided there are no adverse changes in excise policy.
- Confident of double-digit growth in Maharashtra, despite limited immediate uplift due to Route-to-Market policy and sufficient retail stock available.

Valuation

United Breweries posted a mixed Q1, with strong, 11%, volume growth, helped by market-share gains, the lower base (due to the elections) and premiumisation. The operating performance, though, was weak with a 70bp y/y EBITDA margin contraction to 10.9%, impacted by policy changes in Karnataka (60bps) and higher brand investments.

The focus on category growth, capacity addition, innovations (London Pilsner, Amstel, Queen-Fisher), premiumisation (Heineken) and cost-efficiency steps should aid in gradual revenue and margin recovery. We have cut our FY26e/27e EPS 24%/17% to factor in the weaker margin, higher interest cost and lower other income.

We are optimistic about steady volume growth aided by brand investments, market-share gains and a gradual margin recovery driving healthy earnings performance. We maintain our Buy on the stock, with a lower 12-mth Rs2,420 TP, 65x Sep'27e (earlier Rs2,610, 65x FY27e). The stock quotes at 79x/61x/49x FY26e/27e/28e EPS.

Fig 8 – Change in estimates

Rs m	FY26e			FY27e		
	New	Old	Chg (%)	New	Old	Chg (%)
Sales	1,01,345	1,12,177	99,976	1,13,362	-1.4	1.1
EBITDA	13,666	16,056	11,318	14,082	-17.2	-12.3
PAT	8,884	10,616	6,716	8,779	-24.4	-17.3

Source: Anand Rath Research

Fig 9 – One-year-forward EV/EBITDA



Source: BSE, Anand Rath Research

Risks

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

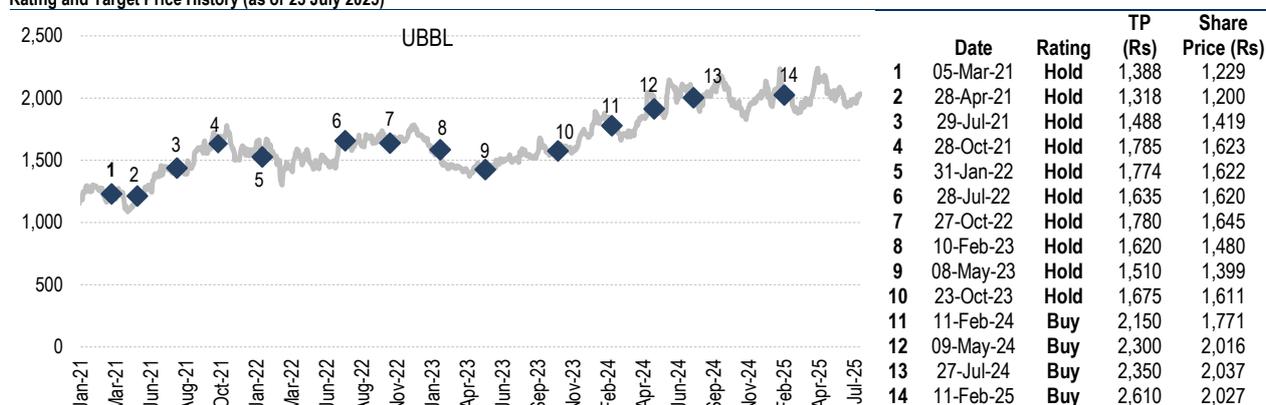
Appendix

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