

HOLD

TP: Rs 2,094 | ▲ 4%

UNITED BREWERIES

Consumer Staples

24 July 2025

Premium sales and margin targets are stretched

- Sales were above consensus while EBITDA was lower due to interstate taxes and weakness in high margin region of Karnataka
- Premium EBITDA/case can reach 2x vs non-premium assuming same bottle collection rates, which is less likely
- Premium focus is logical, but growth targets are stretched on both volumes and margins. **HOLD** with INR2,094 target price

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1QFY25 summary: Sales +16% YoY with EBITDA +9% YoY, as margins contracted ~70bps to 10.9%. Sales were above consensus but EBITDA lower due to margin headwinds from inter-state taxes, and soft Karnataka. Group volumes were +11% YoY with premium volumes rising 46%. We estimate non-premium volumes were +7%. Excluding the impact from 1QFY25 elections, group volumes increased 8%-9%. We estimate non-premium volumes were +7%. NSR/case increased 4% YoY.

Premium growth above required run rate but needs to sustain: For premium to achieve company target of 20% of beer sales over the next 3-5Yrs, we estimate the required volume growth run rate at ~40% (Click [here](#) for initiating coverage note). 1Q26 was only the second time in the past eight quarters when volume growth met / exceeded the required rate. We need to see at least 2-3 quarters of sustained higher than required run rate to be comfortable with the target and timeline. Meanwhile competition from AB InBev is intensifying given UB's focus on premium.

Premium margins can reach 2x vs non premium but need scale and an improbable bottle collection rate: We agree premium EBITDA/case can double vs non-premium. However, collection rates need to improve 5-10 percentage points. This is tough to achieve given incremental volume growth in premium is at least partly driven by rising share of at home consumption, where collection rates are low.

Our view: UB's strategy of increasing share of premium to create a buffer for its earnings is the right approach to reduce earnings volatility and improve returns. However, growth targets are stretched on both volumes and margins. We value the company in line with its 5Y historical average P/E of 64x on 12m to June 2027 EPS. Our TP is Rs 2,094 with an implied return of 4%. **HOLD**.

(Rs mn)	Actual			Reported vs (%)	
	1Q25	1Q26	YoY (%)	BoB	Cons.
Sales	24,751	28,643	15.7	5.3	2.2
EBITDA	2,854	3,109	8.9	(15.0)	(20.1)
EBITDA margin	11.5	10.9	(68bps)	(259bps)	(303bps)

Source: Company, Bloomberg, BOBCAPS Research

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	UBBL IN/Rs 2,017
Market cap	US\$ 6.2bn
Free float	29%
3M ADV	US\$ 3.4mn
52wk high/low	Rs 2,300/Rs 1,810
Promoter/FPI/DII	71%/6%/18%

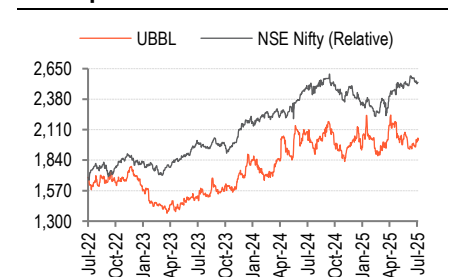
Source: NSE | Price as of 23 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	89,151	102,567	112,969
EBITDA (Rs mn)	8,408	11,287	13,530
Adj. net profit (Rs mn)	4,674	6,715	8,191
Adj. EPS (Rs)	17.7	25.4	31.0
Consensus EPS (Rs)	17.7	27.6	35.9
Adj. ROAE (%)	10.9	14.7	16.6
Adj. P/E (x)	114.1	79.4	65.1
EV/EBITDA (x)	63.2	47.3	39.5
Adj. EPS growth (%)	14.0	43.6	22.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



1QFY26 result summary

Fig 1 – United Breweries 1QFY26 result summary

(Rs mn)	1Q25	1Q26	YoY (%)
Revenue	24,751	28,643	15.7
Adjusted EBITDA	2,854	3,109	8.9
EBITDA Margin (%)	11.5	10.9	(68bps)
Adj. PAT	1,736	1,839	5.9
Adj. EPS	6.56	6.95	5.9

Source: Company, Bloomberg, BOBCAPS Research

Earnings summary

Our sales forecasts are 1-2% higher for FY26-FY28. This reflects better-than-expected volume and pricing trends. On earnings, continued capacity rationalisation and rising competition in premium are driving lower EBITDA with margins 100-120bps lower across FY26-FY28.

Fig 2 – United Breweries earnings revisions

(Rs mn)	Actual	New	Old	(%)	New	Old	(%)	New	Old	(%)
	FY25	FY26	FY26	Change	FY27	FY27	Change	FY28	FY28	Change
Sales	89,151	102,567	100,961	1.6	112,969	110,736	2.0	122,898	120,807	1.7
EBITDA	8,408	11,287	12,213	(7.6)	13,530	14,381	(5.9)	15,641	16,782	(6.8)
EBITDA Margin (%)	9.4	11.0	12.1	(109bps)	12.0	13.0	(101bps)	12.7	13.9	(116bps)
Adj. PAT	4,674	6,715	7,704	(12.8)	8,191	8,981	(8.8)	9,435	10,544	(10.5)
Adj. EPS	17.68	25.40	29.14	(12.8)	30.98	33.97	(8.8)	35.68	39.88	(10.5)

Source: Company, Bloomberg, BOBCAPS Research

Valuation summary

We expect UB to drive above industry sales and volume growth with margins also expanding. We value the company in line with its 5Y historical average P/E of 64x on 12m to June 2027 EPS. Our TP is Rs 2,093 with an implied return of 4%. HOLD.

Key risks

Key upside / downside risks to our estimates:

- Reduced / intense competition in international markets
- High / low growth in household insecticides in India
- Higher / lower than expected volume elasticity in soaps
- Fall / rise in palm oil prices

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	81,227	89,151	102,567	112,969	122,898
EBITDA	6,962	8,408	11,287	13,530	15,641
Depreciation	2,119	2,330	2,409	2,656	2,909
EBIT	4,843	6,078	8,878	10,874	12,732
Net interest inc./(exp.)	(69)	(129)	(391)	(417)	(462)
Other inc./(exp.)	737	359	499	473	318
Exceptional items	0	0	0	0	0
EBT	5,511	6,309	8,986	10,930	12,589
Income taxes	1,403	1,627	2,265	2,732	3,147
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	8	7	6	6	6
Reported net profit	4,100	4,674	6,715	8,191	9,435
Adjustments	0	0	0	0	0
Adjusted net profit	4,100	4,674	6,715	8,191	9,435

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	9,485	11,496	8,946	9,616	10,331
Other current liabilities	18,033	20,586	20,586	20,586	20,586
Provisions	92	141	141	141	141
Debt funds	774	5,749	5,749	7,249	7,249
Other liabilities	315	561	561	561	561
Equity capital	264	264	264	264	264
Reserves & surplus	41,571	43,432	47,503	50,494	53,889
Shareholders' fund	41,836	43,696	47,767	50,758	54,154
Total liab. and equities	70,534	82,228	83,749	88,910	93,021
Cash and cash eq.	1,292	3,419	5,111	4,507	2,550
Accounts receivables	23,138	28,606	25,002	27,216	29,480
Inventories	13,687	16,164	16,879	18,267	19,728
Other current assets	6,037	6,339	6,339	6,339	6,339
Investments	0	0	0	0	0
Net fixed assets	19,328	19,885	22,604	24,767	27,109
CWIP	0	0	0	0	0
Intangible assets	155	138	138	138	138
Deferred tax assets, net	0	0	0	0	0
Other assets	6,896	7,676	7,676	7,676	7,676
Total assets	70,534	82,228	83,749	88,910	93,021

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	773	2,351	9,556	8,048	9,605
Capital expenditures	(1,915)	(2,583)	(5,128)	(4,819)	(5,251)
Change in investments	(10)	13	0	0	0
Other investing cash flows	447	175	299	284	191
Cash flow from investing	(1,478)	(2,394)	(4,829)	(4,535)	(5,060)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	774	4,974	0	1,500	0
Interest expenses	0	0	0	0	0
Dividends paid	(1,985)	(2,646)	(2,644)	(5,200)	(6,040)
Other financing cash flows	(91)	(157)	(391)	(417)	(462)
Cash flow from financing	(1,302)	2,171	(3,035)	(4,117)	(6,502)
Chg in cash & cash eq.	(2,007)	2,128	1,692	(604)	(1,956)
Closing cash & cash eq.	1,292	3,419	5,111	4,507	2,550

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	15.5	15.5	25.4	31.0	35.7
Adjusted EPS	15.5	17.7	25.4	31.0	35.7
Dividend per share	10.0	10.0	19.7	22.8	26.1
Book value per share	158.2	165.3	180.7	192.0	204.8

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	6.5	6.0	5.2	4.7	4.4
EV/EBITDA	75.7	63.2	47.3	39.5	34.2
Adjusted P/E	130.1	114.1	79.4	65.1	56.5
P/BV	12.7	12.2	11.2	10.5	9.8

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.4	74.1	74.7	74.9	75.0
Interest burden (PBT/EBIT)	113.8	103.8	101.2	100.5	98.9
EBIT margin (EBIT/Revenue)	6.0	6.8	8.7	9.6	10.4
Asset turnover (Rev./Avg TA)	121.8	116.7	123.6	130.9	135.1
Leverage (Avg TA/Avg Equity)	1.6	1.8	1.8	1.8	1.7
Adjusted ROAE	10.1	10.9	14.7	16.6	18.0

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	8.3	9.8	15.0	10.1	8.8
EBITDA	13.0	20.8	34.2	19.9	15.6
Adjusted EPS	21.6	14.0	43.6	22.0	15.2

Profitability & Return ratios (%)

EBITDA margin	8.6	9.4	11.0	12.0	12.7
EBIT margin	6.0	6.8	8.7	9.6	10.4
Adjusted profit margin	5.0	5.2	6.5	7.3	7.7
Adjusted ROAE	10.1	10.9	14.7	16.6	18.0
ROCE	11.5	13.7	18.3	21.1	23.2

Working capital days (days)

Receivables	84	106	95	84	84
Inventory	110	107	104	101	100
Payables	65	76	64	53	53

Ratios (x)

Gross asset turnover	4.2	4.0	3.8	3.5	3.3
Current ratio	1.6	1.4	1.5	1.5	1.5
Net interest coverage ratio	70.3	47.3	22.7	26.1	27.6
Adjusted debt/equity	0.0	0.1	0.1	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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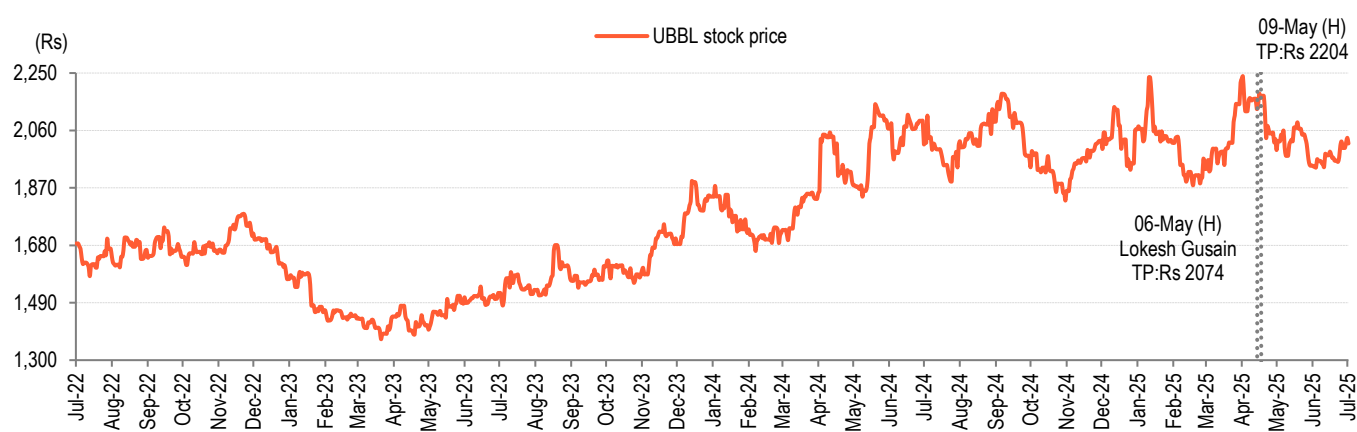
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): UNITED BREWERIES (UBBL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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