RESULT REVIEW

HOLD
TP: Rs 1,794 | ↑ 11%

UNITED BREWERIES | Consumer Staples | 12 February 2026

Margin-led recovery

- **UBL delivered a margin-led earnings recovery in Q3FY26, despite muted volumes, supported by premiumisation and cost efficiencies**
- **Over the long term, the Beer industry is expected to grow at a mid-single-digit rate (~6–7%), providing structural tailwinds**
- **West outperformance and premium push support earnings recovery. We recommend HOLD with TP of Rs 1,794 (60x Dec'27E EPS)**

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Results highlights: UBL reported a resilient Q3FY26. Revenue grew 3.7% YoY to 20.7bn, primarily on the back of a favourable price/mix, despite a 1.3% volume decline amid state-level disruptions and demand normalisation. Gross profit rose 9% YoY to 9.3bn, with margins expanding 222bps YoY to 45.3% (the highest in 3 years). EBITDA margin improved to 10.9%, expanding to 382 bps YoY and 457 bps QoQ on operating leverage and cost efficiencies. PAT jumped 111% YoY to 8bn, driven by the improvement in the pricing actions in key states, as also by premium localisation benefits. Premium portfolio continued to outperform with 23% YTD growth, raising contribution to the overall mix. Overall, profitability improvement was sharper than the revenue growth; highlighting operating leverage benefits during the quarter.

Mixed regional trends: During the quarter, West region delivered a strong 20% YoY volume growth, led by Maharashtra, Madhya Pradesh, Chhattisgarh and Daman. Overall volumes declined 1.3% YoY in Q3, impacted by weakness in Telangana, Rajasthan and Karnataka. North region saw a sharp 16% YoY decline, led by Rajasthan, Uttar Pradesh and Haryana; while the East and South regions were down ~2% YoY each. UBL cost and productivity programme targets 3–6% gross savings over FY26–28E, with part reinvested behind brands. Management expects industry growth to be at ~6–7% over the medium term. Karnataka is entering a favourable base, aiding recovery, while Maharashtra remained strong. Barley inflation is expected in high single digits due to MSP hikes, though sourcing is localised; rising global aluminium prices stay monitorable. UBL expanded visi-coolers to 35,000 outlets and launched Kingfisher Smooth to drive the innovative-led growth.

Our view: Although UBL delivered healthy margins, we have lowered our FY27–28E EPS estimates by 6–9% on account of a delayed rebound in revenues and profitability. We remain watchful of demand recovery across key states, competitive intensity, the upcoming summer season, potential excise policy changes, and UBL's structural margin improvement initiatives., we retain our **HOLD** rating valuing at 60x on Dec27 EPS with Target price of Rs 1,794.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	UBBL IN/Rs 1,621
Market cap	US$ 4.7bn
Free float	29%
3M ADV	US$ 2.4mn
52wk high/low	Rs 2,295/Rs 1,401
Promoter/FPI/DII	71%/6%/17%

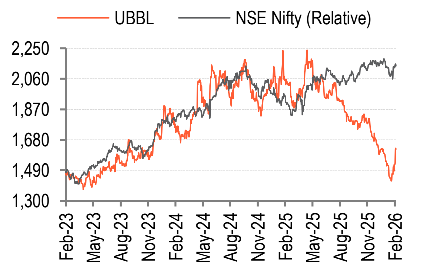
Source: NSE | Price as of 12 Feb 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	89,074	95,442	107,200
EBITDA (Rs mn)	8,390	8,416	11,069
Adj. net profit (Rs mn)	4,669	4,675	6,590
Adj. EPS (Rs)	17.7	17.7	24.9
Consensus EPS (Rs)	17.7	17.5	27.6
Adj. ROAE (%)	10.0	10.5	14.4
Adj. P/E (x)	91.8	91.7	65.0
EV/EBITDA (x)	51.0	50.9	38.7
Adj. EPS growth (%)	14.1	0.1	41.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Earnings Call KTA's

Overall performance: UBL reported a resilient Q3FY26 performance with strong improvement in profitability, driven by premium mix, pricing actions and operating leverage, even as the overall volumes remained subdued. Premium portfolio continued to outperform, reinforcing the strategic shift toward value-accretive growth. Management remains focused on accelerating category expansion, while increasing the share of premium in the portfolio. Over the long term, the Beer industry is expected to grow at a mid-single-digit rate (~6–7%), providing structural tailwinds. Additionally, Karnataka is entering a favourable base, which is likely to support volume recovery in the coming quarters.

Beer category trends: Beer category remains under pressure due to affordability challenges from state-level taxation and weather disruptions, including heavy rains and a colder-than-usual winter. Key states such as Karnataka (-17%), Rajasthan (-5%), Telangana (double-digit decline) and West Bengal witnessed volume declines. Despite the slowdown, competitive intensity remains high, with management focused on long-term category growth vs short-term share gains. Bira 91 continues to hold a negligible market share, with limited impact on the overall competition.

Premiumisation momentum strengthens portfolio mix: Premiumisation remains a key growth driver, with premium volumes rising 23% YoY on a YTD basis, significantly outpacing overall category trends. Premium portfolio comprising Heineken, Heineken Silver, Amstel, Kingfisher Ultra and Ultra Max continues witnessing strong traction across markets. Moreover, localisation of premium production across additional breweries, completed by September, has begun positively impacting margins through improved cost efficiencies and supply agility. Additionally, sustained A&P investments have strengthened brand power to their highest level in the past three years, reinforcing pricing power and premium mix improvement.

Improving bottle return metrics: Returnable bottle management continued to improve, with YTD new bottle infusion at 36.7%; marking the 6th or 7th consecutive quarter of progress in bottle return metrics. Better returnable bottle management has reduced cost pressures and supported margin accretion.

Raw material: Barley inflation is expected to remain in high single digits, largely driven by MSP hikes to incentivise farmers, although sourcing has been largely localised within India. Moreover, global aluminium prices have risen sharply and remain a key monitorable, particularly for cans. Bottle costs relatively stable, with improved returnable bottle management continuing to support margins.

Visi coolers: Investment in visi-coolers has scaled up significantly, now ~2.5x higher vs 2014 levels, with installations reaching 35,000 outlets, as of Dec'25. Presence in these outlets is driving higher category growth and supporting market share gains.

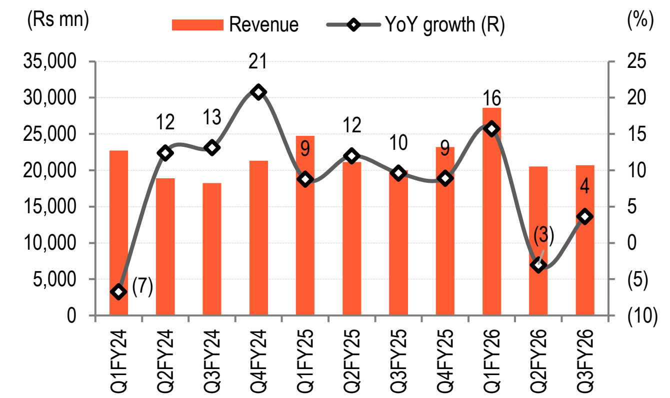
Innovation: UBL expanded its mainstream strong portfolio with the launch of Kingfisher Smooth in Karnataka, targeting younger consumers seeking a smoother, yet strong beer experience. This innovation builds on positive early response in Rajasthan and strengthens the brand's presence in the key urban markets.

Fig 1 – Quarterly Table

Consolidated (mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Total Revenues	**20,714**	**19,984**	**3.65**	**20,511**	**1.0**	**41,224**	**65,860**	**(37.41)**
COGS	11,320	11,365	(0.39)	11,732	(3.5)	39500.90	37,327	5.82
as % of sales	55	57	(2bps)	57	(2.5bps)	96	57	39bps
Gross Profit	**9,393**	**8,619**	**8.99**	**8,779**	**7.0**	**30,348**	**28,533**	**6.36**
Gross margin (%)	45	43	5.15	43	2.5bps	74	43	69.92
Employee costs	1,796	1,669	7.58	1,851	(3.0)	5,626	5,232	7.52
as % of sales	8.7	8.4	0bps	9	(0.4bps)	14	8	6bps
Other expenses	5,343	5,538	(3.53)	5,627	(5.1)	18,061	16,774	7.67
as % of sales	26	28	(2bps)	27	(1.6bps)	44	25	18bps
EBITDA	**2,255**	**1,411**	**59.76**	**1,301**	**73.3**	**6,661**	**6,527**	**2.06**
EBITDA margin (%)	11	7	4bps	6	4.5bps	16	10	6bps
D&A	689	613	12.38	640	7.7	1,957	1,760	11.17
Interest cost	168.6	32	426.88	146.5	15.1	427	70	511.46
Other income	109	101	7.64	150	(27.7)	368	279	32.17
PBT	**1,319**	**610**	**116.27**	**665**	**98.2**	**4,458**	**4,718**	**(5.50)**
Tax	510	227	124.70	196	160.8	1,344	1,280	4.95
Reported PAT	**808**	**383**	**111.27**	**469**	**72.2**	**3,115**	**3,438**	**(9.40)**
PAT margin	4	2	2bps	2	1.6bps	8	5	2bps

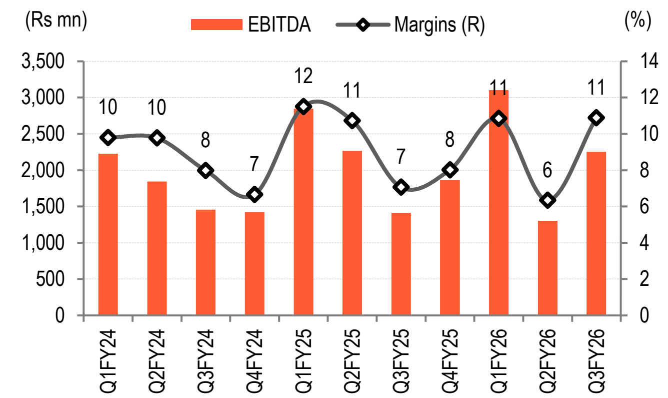
Source: Company, BOBCAPS Research

Fig 2 – Revenue and its growth



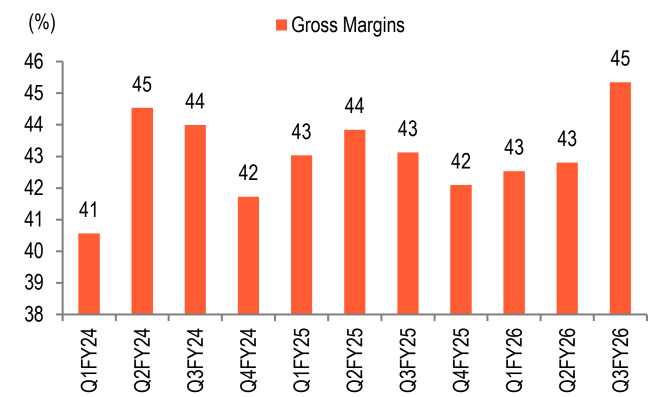
Source: Company, BOBCAPS Research

Fig 3 – EBITDA &EBITDA Margins



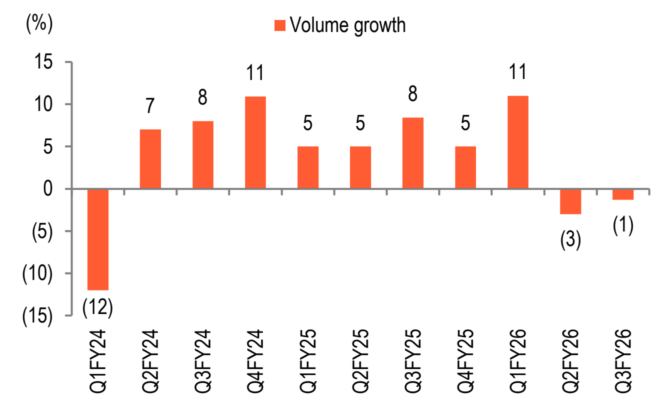
Source: Company, BOBCAPS Research

Fig 4 – Gross Margin



Source: Company, BOBCAPS Research

Fig 5 – Volume growth



Source: Company, BOBCAPS Research

Valuation Methodology

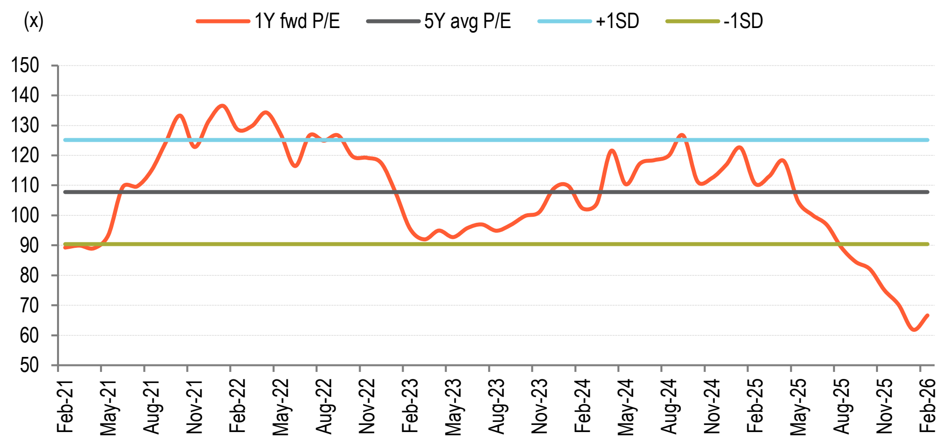
Although UBL delivered healthy margins, we have lowered our FY27–28E EPS estimates by 6–9% on account of a delayed rebound in revenues and profitability. We remain watchful of demand recovery across key states, competitive intensity, the upcoming summer season, potential excise policy changes, and UBL's structural margin improvement initiatives. We retain our **HOLD** rating valuing at 60x on Dec27 EPS with Target price of Rs 1,794.

Fig 6 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	95,442	107,200	120,407	102,567	112,969	122,898	(7)	(5)	(2)
EBITDA	8,416	11,069	14,326	11,287	13,530	15,641	(25)	(18)	(8)
EBITDA Margin (%)	8.82	10.33	11.90	11	12	12.7	(218bps)	(167bps)	(80bps)
Adj. PAT	4675	6590	8984	6,715	8,191	9,435	(30)	(20)	(5)
Adj. EPS	17.68	24.92	33.98	25.4	30.98	35.68	(771.85)	(605.70)	(170.06)

Source: BOBCAPS Research

Fig 7 – Trading at 66.7x on 1YF P/E vs historical average of 107.8x since IPO



Source: Bloomberg,

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	**81,154**	**89,074**	**95,442**	**107,200**	**120,407**
EBITDA	6,949	8,390	8,416	11,069	14,326
Depreciation	2,116	2,327	2,489	2,704	2,919
EBIT	4,833	6,063	5,928	8,366	11,407
Net interest inc./(exp.)	69	129	100	100	100
Other inc./(exp.)	729	357	464	603	784
Exceptional items	0	(258)	0	0	0
EBT	5,493	6,034	6,292	8,869	12,092
Income taxes	1,399	1,622	1,617	2,279	3,108
Extraordinary items	0	(258)	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**4,094**	**4,412**	**4,675**	**6,590**	**8,984**
Adjustments	0	(258)	0	0	0
Adjusted net profit	**4,094**	**4,669**	**4,675**	**6,590**	**8,984**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	9,482	11,492	10,459	11,748	13,195
Other current liabilities	16,997	19,533	20,509	21,535	22,611
Provisions	1,047	1,096	1,206	1,326	1,459
Debt funds	1,020	6,200	5,843	5,843	5,843
Other liabilities	146	204	204	204	204
Equity capital	264	264	264	264	264
Reserves & surplus	39,348	41,476	43,327	43,977	45,278
Shareholders' fund	41,741	43,592	44,241	45,543	49,239
Total liab. and equities	**69,904**	**82,116**	**82,462**	**86,199**	**92,551**
Cash and cash eq.	2,082	4,419	9,916	5,502	3,230
Accounts receivables	23,133	28,601	20,919	23,496	26,391
Inventories	13,665	16,149	15,689	17,622	19,793
Other current assets	5,186	5,329	5,862	6,448	7,093
Investments	156	155	155	155	155
Net fixed assets	52,069	52,873	57,873	62,873	67,873
CWIP	1,726	2,510	2,510	2,510	2,510
Intangible assets	0	74	0	0	0
Deferred tax assets, net	(529)	0	0	0	0
Other assets	6,280	6,884	7,572	8,329	9,162
Total assets	**69,904**	**82,116**	**82,462**	**86,199**	**92,551**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**768**	**2,335**	**14,905**	**5,974**	**8,116**
Capital expenditures	(1,903)	(2,546)	(5,000)	(5,000)	(5,000)
Change in investments	1	1	0	0	0
Other investing cash flows	(12)	(13)	0	0	0
Cash flow from investing	**(1,477)**	**(2,385)**	**(5,000)**	**(5,000)**	**(5,000)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(19)	(61)	(100)	(100)	(100)
Dividends paid	(1,983)	(2,644)	(3,966)	(5,288)	(5,288)
Other financing cash flows	(73)	(95)	(59)	0	0
Cash flow from financing	**(1,300)**	**2,174**	**(4,482)**	**(5,388)**	**(5,388)**
Chg in cash & cash eq.	**(2,009)**	**2,124**	**5,423**	**(4,414)**	**(2,272)**
Closing cash & cash eq.	**1,286**	**3,410**	**8,832**	**4,419**	**2,147**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	15.5	16.7	17.7	24.9	34.0
Adjusted EPS	15.5	17.7	17.7	24.9	34.0
Dividend per share	10.0	10.0	15.0	20.0	20.0
Book value per share	157.9	164.9	167.3	172.2	186.2

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.3	4.8	4.5	4.0	3.6
EV/EBITDA	61.6	51.0	50.9	38.7	29.9
Adjusted P/E	104.7	91.8	91.7	65.0	47.7
P/BV	10.3	9.8	9.7	9.4	8.7

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.5	74.2	74.3	74.3	74.3
Interest burden (PBT/EBIT)	98.8	98.0	98.4	98.9	99.2
EBIT margin (EBIT/Revenue)	6.9	7.2	6.7	8.4	10.1
Asset turnover (Rev./Avg TA)	200.1	207.4	214.7	236.9	252.0
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	10.1	10.9	10.6	14.7	19.0

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	8.3	9.8	7.1	12.3	12.3
EBITDA	13.1	20.7	0.3	31.5	29.4
Adjusted EPS	21.6	14.1	0.1	41.0	36.3
Profitability & Return ratios (%)					
EBITDA margin	8.6	9.4	8.8	10.3	11.9
EBIT margin	6.0	6.8	6.2	7.8	9.5
Adjusted profit margin	5.0	5.2	4.9	6.1	7.5
Adjusted ROAE	9.8	10.0	10.5	14.4	18.1
ROCE	8.7	9.6	8.8	12.3	15.9
Working capital days (days)					
Receivables	104	117	80	80	80
Inventory	61	66	60	60	60
Payables	43	47	40	40	40
Ratios (x)					
Gross asset turnover	2.6	2.4	2.6	2.8	2.9
Current ratio	1.6	1.4	1.4	1.3	1.3
Net interest coverage ratio	70.1	47.2	59.3	83.7	114.1
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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BUY – Expected return >+15%

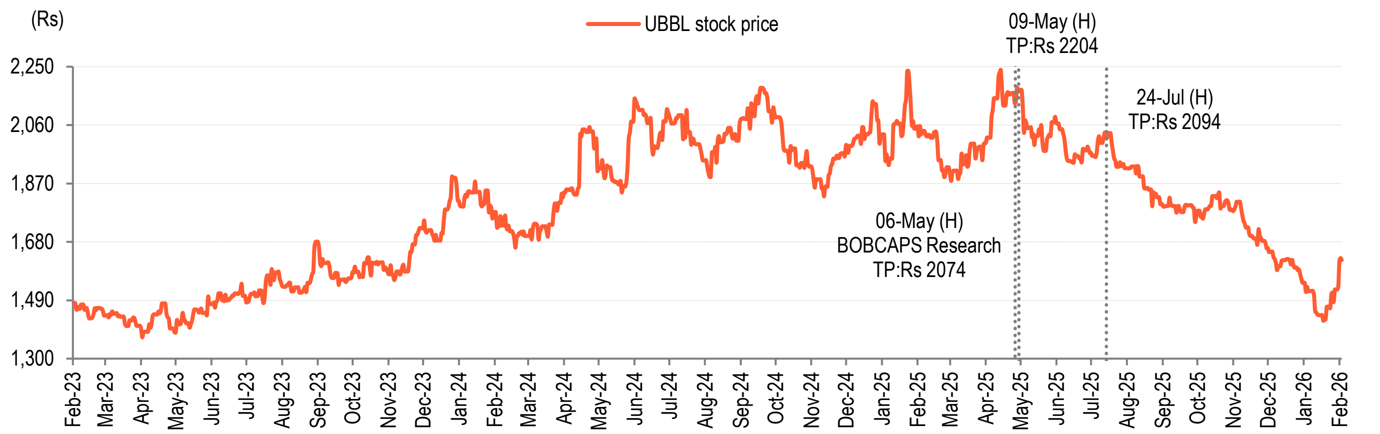
HOLD – Expected return from -6% to +15%

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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