

HOLD

TP: Rs 2,204 | ▲ 2%

UNITED BREWERIES

Consumer Staples

09 May 2025

Premium needs to accelerate

- Sales and EBITDA were above consensus and our est. Higher NSR/case & lower volume elasticity drove 26% YoY rise in EBITDA/case
- UB noted the required premium volume growth at 35%-40% to increase its share of sales to 20-25% over the medium term
- Current premium volume growth remains well below the required run rate and there is less clarity on the pace of Amstel rollout. **HOLD**

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4QFY25 result summary: United Breweries reported 4QFY25 sales of Rs21.3bn, +9% YoY. EBITDA came in at Rs1.9bn, +31% YoY, with margins expanding 134bps to 8.0%. The strong result was mainly due to higher price realisation and low-elasticity-driven 26% improvement in EBITDA/case.

Sales trends: Group volumes were +5% YoY with premium volumes rising 24%. We estimate non-premium volumes were +4%. NSR/case increased 4% YoY.

- **Volume drivers:** Volume growth was driven by Andhra Pradesh, UP, Maharashtra & Assam partly offset by elasticity in Telangana & Karnataka.
- **Pricing drivers:** We estimate non-premium was +4%, due to higher price realisation in Telangana, Orissa & Rajasthan. Mix benefit also helped pricing due to rising share of premium portfolio.

Slow growth in premium: Premium volume growth slowed from 33% in 3Q to 24% in 4Q. FY25 growth was 32%. We estimate premium as a percentage of sales increased 1.7ppt YoY to 10.1%. The company needs to grow premium at 35%-40% run rate to achieve its targets of (1) doubling premium contribution to beer sales over two to three years and (2) getting premium to contribute 20%-25% of beer sales over the medium term. We forecast premium volume growth of 27% in FY26 and 18% in FY27. This brings premium contribution to group FY27 beer sales to 13% i.e. 1.5x vs FY24. See our initiating coverage note for more insights on UB and the broader beer industry - **Positive outlook, but premium targets are stretched**.

Our view: The 4QFY25 beat was driven by price hikes in multiple states. From a regulatory perspective, while price hikes are positive, there are also negative aspects of increases in excise. There is also downside risk if volume elasticity worsens. UB's strategy of increasing share of premium to create a buffer for its earnings is the right approach to improve control over business and reduce volatility. However, targets are stretched with premium volume growth lagging the required run rate. We value the company in line with its 5Y historical average P/E of 64x on 12m to March 2027 EPS. Our TP is Rs 2,204 with an implied return of 2%. **HOLD**.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	UBBL IN/Rs 2,169
Market cap	US\$ 6.7bn
Free float	29%
3M ADV	US\$ 6.1mn
52wk high/low	Rs 2,300/Rs 1,810
Promoter/FPI/DII	71%/6%/18%

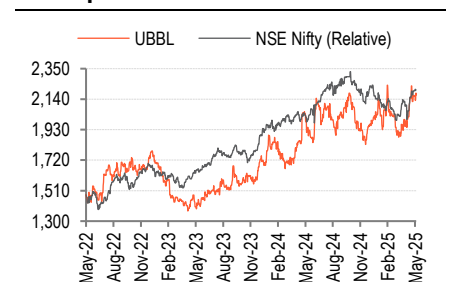
Source: NSE | Price as of 8 May 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	81,227	89,151	100,966
EBITDA (Rs mn)	6,962	8,408	12,217
Adj. net profit (Rs mn)	4,100	4,674	7,650
Adj. EPS (Rs)	15.5	17.7	28.9
Consensus EPS (Rs)	15.5	17.7	28.2
Adj. ROAE (%)	10.1	10.9	16.6
Adj. P/E (x)	139.9	122.7	75.0
EV/EBITDA (x)	81.5	68.0	47.0
Adj. EPS growth (%)	21.6	14.0	63.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



4QFY25 result summary

Fig 1 – United Breweries 4QFY25 result summary

(Rs mn)	4Q24	4Q25	YoY (%)
Sales	21,334	23,230	8.9
EBITDA	1,428	1,867	30.7
EBITDA margin (%)	6.7	8.0	134bps
Adj. EPS	3.07	3.69	20.2

Source: Company, Bloomberg, BOBCAPS Research

Earnings summary

- **Sales** – Our sales forecasts are 2% higher for both FY26 and FY27. This is mainly due to better-than-expected volume and pricing trends
- **EBITDA** – Our EBITDA revisions are higher, since the lower-than-expected volume elasticity on higher price realisation directly flows through to the profit line. Our EBITDA margins are higher 50-60bps for FY26 and FY27 with EBITDA revisions at 6%-7%.

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	100,966	99,158	1.8	110,747	108,821	1.8	120,819	n/a	n/a
EBITDA	8,408	12,217	11,390	7.3	14,391	13,525	6.4	16,795	n/a	n/a
EBITDA Margin (%)	9.4	12.1	11.5	61bps	13.0	12.4	57bps	13.9	n/a	n/a
Adj. PAT	4,674	7,650	7,316	4.6	9,064	8,570	5.8	10,733	n/a	n/a
Adj. EPS	17.68	28.93	27.70	4.5	34.28	32.40	5.8	40.60	n/a	n/a

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 March 2027 EPS. Our TP is Rs 2,204 with an implied return of 2%. 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)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	74,999	81,227	89,151	100,966	110,747
EBITDA	6,162	6,962	8,408	12,217	14,391
Depreciation	2,106	2,119	2,330	2,309	2,656
EBIT	4,056	4,843	6,078	9,908	11,736
Net interest inc./(exp.)	(46)	(69)	(129)	(372)	(417)
Other inc./(exp.)	494	737	359	673	777
Exceptional items	331	0	0	0	0
EBT	4,504	5,511	6,309	10,209	12,095
Income taxes	1,126	1,403	1,627	2,552	3,024
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	7	8	7	7	7
Reported net profit	3,040	4,100	4,674	7,650	9,064
Adjustments	331	0	0	0	0
Adjusted net profit	3,371	4,100	4,674	7,650	9,064

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	7,170	9,485	11,496	8,703	9,422
Other current liabilities	15,605	18,033	20,586	20,586	20,586
Provisions	42	92	141	141	141
Debt funds	0	774	5,749	5,749	7,249
Other liabilities	292	315	561	561	561
Equity capital	264	264	264	264	264
Reserves & surplus	39,431	41,571	43,432	48,438	53,484
Shareholders' fund	39,695	41,836	43,696	48,702	53,748
Total liab. and equities	62,804	70,534	82,228	84,441	91,706
Cash and cash eq.	3,299	1,292	3,419	7,150	8,612
Accounts receivables	14,073	23,138	28,606	24,187	26,420
Inventories	14,278	13,687	16,164	16,328	17,810
Other current assets	5,215	6,037	6,339	6,339	6,339
Investments	0	0	0	0	0
Net fixed assets	19,095	19,328	19,885	22,624	24,710
CWIP	0	0	0	0	0
Intangible assets	187	155	138	138	138
Deferred tax assets, net	0	0	0	0	0
Other assets	6,658	6,896	7,676	7,676	7,676
Total assets	62,804	70,534	82,228	84,441	91,706

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	(1,196)	773	2,351	11,391	8,674
Capital expenditures	(1,563)	(1,915)	(2,583)	(5,048)	(4,743)
Change in investments	(1)	(10)	13	0	0
Other investing cash flows	355	447	175	404	466
Cash flow from investing	(1,208)	(1,478)	(2,394)	(4,644)	(4,276)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	774	4,974	0	1,500
Interest expenses	0	0	0	0	0
Dividends paid	(2,779)	(1,985)	(2,646)	(2,644)	(4,019)
Other financing cash flows	(145)	(91)	(157)	(372)	(417)
Cash flow from financing	(2,923)	(1,302)	2,171	(3,016)	(2,936)
Chg in cash & cash eq.	(5,327)	(2,007)	2,128	3,731	1,462
Closing cash & cash eq.	3,299	1,292	3,419	7,150	8,612

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	11.5	15.5	15.5	28.9	34.3
Adjusted EPS	12.7	15.5	17.7	28.9	34.3
Dividend per share	7.5	10.0	10.0	15.2	17.3
Book value per share	150.1	158.2	165.3	184.2	203.3

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	7.6	7.0	6.4	5.7	5.2
EV/EBITDA	92.1	81.5	68.0	47.0	39.9
Adjusted P/E	170.1	139.9	122.7	75.0	63.3
P/BV	14.4	13.7	13.1	11.8	10.7

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	74.8	74.4	74.1	74.9	74.9
Interest burden (PBT/EBIT)	111.0	113.8	103.8	103.0	103.1
EBIT margin (EBIT/Revenue)	5.4	6.0	6.8	9.8	10.6
Asset turnover (Rev./Avg TA)	122.7	121.8	116.7	121.2	125.7
Leverage (Avg TA/Avg Equity)	1.5	1.6	1.8	1.8	1.7
Adjusted ROAE	8.5	10.1	10.9	16.6	17.7

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	28.5	8.3	9.8	13.3	9.7
EBITDA	(11.5)	13.0	20.8	45.3	17.8
Adjusted EPS	(7.8)	21.6	14.0	63.6	18.5

Profitability & Return ratios (%)

EBITDA margin	8.2	8.6	9.4	12.1	13.0
EBIT margin	5.4	6.0	6.8	9.8	10.6
Adjusted profit margin	4.5	5.0	5.2	7.6	8.2
Adjusted ROAE	8.5	10.1	10.9	16.6	17.7
ROCE	10.1	11.5	13.7	20.1	21.6

Working capital days (days)

Receivables	65	84	106	95	83
Inventory	101	110	107	105	101
Payables	58	65	76	65	54

Ratios (x)

Gross asset turnover	3.9	4.2	4.0	3.7	3.5
Current ratio	1.6	1.6	1.4	1.5	1.6
Net interest coverage ratio	87.4	70.3	47.3	26.6	28.1
Adjusted debt/equity	0.0	0.0	0.1	0.1	0.1

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

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BUY – Expected return >+15%

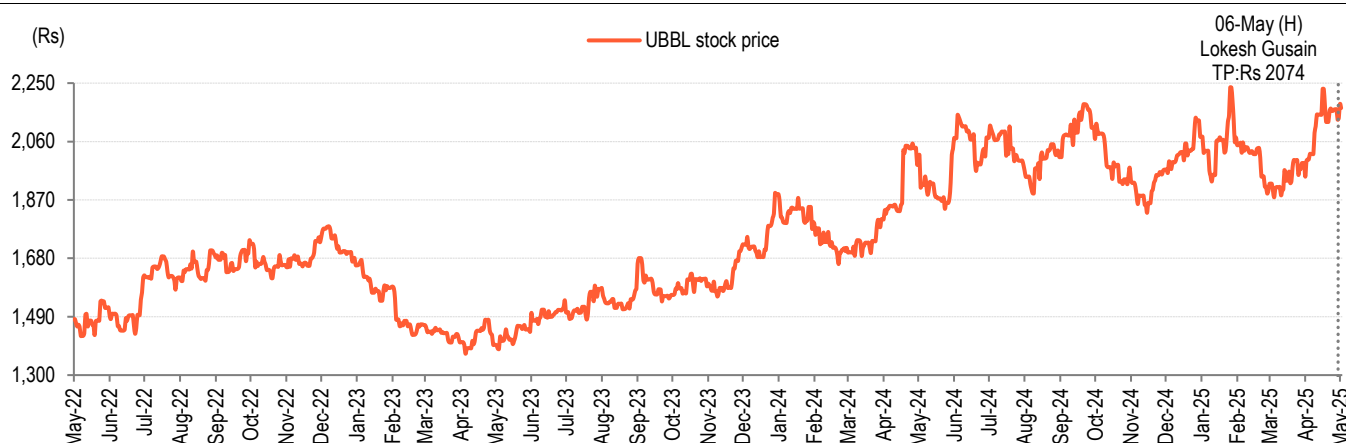
HOLD – Expected return from -6% to +15%

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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