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TINY
TREASURE

June 2021



The Trick Is To **Spot Them** At The **Larval Stage**

GLOBUS SPIRITS LTD.

Keep Your Portfolio's Spirits High!

Our Tiny Treasure for the month of June is Globus Spirits Limited (GSL). It is engaged in the business of manufacturing, marketing, and sale of branded Indian made foreign liquor (IMFL), Indian made Indian liquor (IMIL) and bulk alcohol, comprising rectified spirit & extra-neutral alcohol (ENA). It is also involved in franchisee bottling to cater to renowned brand owners. GSL successfully operates in four modern and fully integrated grain-based distilleries situated in Behror (Rajasthan), Samalkha (Haryana), Panagarh (West Bengal), and Bihar.

Manufacturing business segment

The manufacturing business comprises sub-segments like (a) bulk alcohol manufacturing, (b) franchisee bottling, and (c) by-products. In FY21, its manufacturing segment generated 57 per cent of the total revenue. The further revenue breakup includes bulk alcohol - 44 per cent, franchisee bottling - 1 per cent and by-products - 12 per cent. The company is the largest grain-based extra-neutral alcohol (ENA) manufacturer in India with a capacity of 160 million litres having a presence in Rajasthan, Haryana, Bihar, and West Bengal. The major by-product from the distillation process is animal feed supplements with solubles & AFS, which are used as food for the animal feed industry. Another by-product is CO₂, which is commercially available as high-pressure cylinder gas, relatively low-pressure refrigerated liquid, or dry ice. It is commonly used as a raw material for the production of various chemicals; carbonation of soft drinks; freezing of food products such as poultry, meats, vegetables, and fruits. The company has also been supplying ethanol to oil marketing companies while in 2020, it bagged a contract with IOCL and BPCL to supply ethanol for the period of December 2020-November 2021 from the units at Bihar & Haryana. The management expects to generate significant additional revenue during this period.

Expansion plans

The company's expansion of 140-kilo litres per day (klpd) at West Bengal plant is nearly complete and the plan is to start production from Q3FY22 with the total installed capacity at that location increasing to 250 KL per day. This will be the single largest dis-

BSE Code	: 533104
Time Duration	: 1 year
CMP	: ₹575 (as on 24 June, 2021)
Target Price	: ₹755

tillery in India after the expansion is complete. The expansion in Rajasthan is complete and now it is producing 160 KL per day up from 140 KL per day in Q4FY21. It will also be undertaking an expansion of the Bihar facility by 140 KL per day and work will commence later this year. In addition, the company has already begun construction of a new facility in Jharkhand. This facility will start production in Q2FY23 which will add to its distillery and consumer business. The Capex required for these plans would be around Rs 225 crore, which would also be sourced via internal accruals. All newer capacities would be fungible in nature, which will produce both ENA & ethanol.

Consumer business segment

In FY21, the consumer business segment generated 43 per cent of the total revenue. The share of the consumer business (value segment) increased by approximately 900 bps YoY from around 35 per cent in Q4FY20 to nearly 44 per cent in Q4FY21. GSL is amongst the largest IMIL players, having more than 5 per cent of the market share in India. In FY21, Rajasthan & Haryana posted strong growth on the back of rural consumption growth and new brand launches in the medium liquor segment. The Government of India notified the National Policy on Biofuels (2018) wherein, under the Ethanol Blended Petrol (EBP) Programme, an indicative target of 20 per cent blending of ethanol in petrol by 2030 was laid out. Recently, it was advanced by 5 years to 2025. This will help in keeping ENA realisation stronger, which would eventually prove beneficial for the company's IMIL segment.

Merger with Unibev Ltd

At the end of FY20, the company came up with the plan to merge its subsidiary Unibev Limited in it. Shareholders, secured creditors, and unsecured creditors of both companies have already approved the scheme. The final hearing at NCLT is expected to take place in July 2021. Post-merger, GSL shall be able to operate in all the three segments of liquor viz. country liquor, IMIL, and IMFL. Unibev is present in the premium segment. It had expanded to 10 markets during FY20 and now, it's present in Southern markets of Andhra Pradesh, Karnataka, Telangana, and Pondicherry along with the Eastern markets of Assam, West Bengal,

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DSJ Pvt. Ltd. : Office no 211, Vascon Platinum Square, Next to Hyatt Regency, Vimanagar, Pune- 411014 | For Customer Service : 020-66663-802/803 OR service@dsj.in

Registered Office Address: 419-A, 4th Floor, Arun Chambers, Tardeo, Next to AC Market, Mumbai - 400034

CIN No. : CIN-U22120MH2003PTC139276 SEBI Research Analyst - INH000006396

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Chhattisgarh & Odisha as well as Western markets of Maharashtra and Goa. In FY21, Unibev launched three IMFL liquor brands in Prestige & above category in a few states and is gradually strengthening its presence in other states.

Financial performance

Globus Spirits' consolidated revenue for the quarter Q4FY21 came in at Rs 356.68 crore as against Rs 271.5 crore in the corresponding quarter last year, registering a 31.4 per cent YoY increase. EBITDA for the quarter grew by 149 per cent YoY to Rs 87.92 crore as against Rs 35.31 crore in the corresponding quarter last year, with a corresponding margin expansion of 1,164 bps. EBITDA margin for the quarter stood at 24.6 per cent. PAT for the quarter came in at Rs 50.63 crore as against Rs 19.35 crore in the corresponding quarter last year, with a YoY increase of 161.7 per cent.

Looking at the full-year numbers i.e. for FY21, its revenue jumped 5 per cent YoY to Rs 1,230.76 crore while EBITDA grew by 104 per cent YoY to Rs 254.68 crore. Further, the company reported a net

profit of Rs 140.81 crore, up by 183 per cent YoY.

Valuation

The company is trading at TTM P/E of 12.06x with TTM EPS of Rs 48.90. In FY21, it delivered ROE and ROCE of 24.06 per cent and 31.8 per cent, respectively, which is better than its peers. Its bulk alcohol manufacturing and by-product segments are performing well with repeated orders coming from the oil marketing companies. The current expansion plans will help the company to increase its capacities and fulfill the growing demand in West Bengal, Bihar, Jharkhand, etc. The consumer business is getting stronger year by year with growth seen in volumes as well as value terms in IMIL segment. Post-Unibev merger, the company's presence will further strengthen in the premium segment. Despite pandemic & lockdowns, the in-house consumption stabilised the overall demand, which helped the company to sail smoothly in the rough times. Considering the strong financial performance and attractive valuation, we see a potential upside of 31 per cent with a target price of Rs 755 for the period of one year.

Inc/Exp Statement (Consolidated)

Description	202103	202003	201903	201803	201703
Net Sales	1672.13	1168.82	985.91	855.24	774.24
Total Income	1678.69	1172.55	993.00	860.68	778.81
Total Expenditure	1417.43	1044.08	897.67	787.17	720.10
PBIDT	261.26	128.48	95.33	73.50	58.70
PAT	140.82	49.70	23.72	5.65	14.48
Dividend %	0.00	10.00	--	--	--
Adj. EPS(Rs)	48.90	17.26	8.24	2.01	5.03

Quarter On Quarter (Consolidated)

Particulars	202103	202012	Q on Q Var %	202003	Y on Y Var %
Net Sales	490.91	432.52	13.5	296.61	65.51
Total Expenditure	402.97	365.06	10.38	261.28	54.23
PBIDT (Excl OI)	87.94	67.45	30.37	35.33	148.92
PAT	50.63	38.3	32.21	19.35	161.62
PBIDTM% (Excl OI)	17.91	15.6	14.81	11.91	50.38
PBIDTM%	18.18	15.82	14.92	12.45	46.02
PATM%	10.31	8.85	16.5	6.53	57.89
Adj. EPS(Rs)	17.58	13.27	32.48	6.74	160.83

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Stock Vs Index



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