UNITED BREWERIES

Nuvama Flash

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	1,796
12 month price target (INR)	2,400
52 Week High/Low	2,300/1,792
Market cap (INR bn/USD bn)	475/5.4
Free float (%)	43.2
Avg. daily value traded (INR mn)	309.5

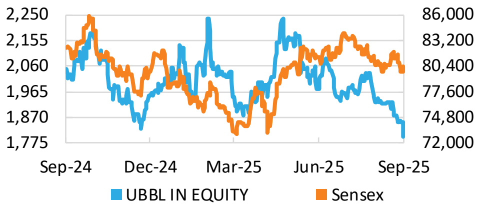
SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	70.84%	70.84%	70.84%
FII	6.73%	6.92%	6.43%
DII	16.37%	16.17%	16.52%
Pledge	12.4%	12.4%	12.4%

FINANCIALS (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	89,151	1,02,668	1,19,238	1,38,492
EBITDA	8,408	12,731	16,455	19,943
Adjusted profit	4,424	7,924	10,573	12,801
Diluted EPS (INR)	16.7	30.0	40.0	48.4
EPS growth (%)	7.7	79.1	33.4	21.1
RoAE (%)	11.0	17.4	21.0	22.8
P/E (x)	109.4	61.1	45.8	37.8
EV/EBITDA (x)	49.9	33.0	25.7	21.2
Dividend yield (%)	0.5	0.8	1.1	1.3

PRICE PERFORMANCE



Pouring efforts into expansion

United Breweries (UBBL) has expanded the production of its flagship brand at Andhra, adding nearly one–third incremental capacity in the state (which has progressive policy environment); this is a milestone in our view. We believe localisation can potentially improve margins and shall prevent stock-outs in the peak season, particularly Q1. Apart from this, UBBL is adding a new canning line in Telangana (15–17% salience) to ease cans-supply constraints.

The stock has corrected (down ~22% from peak) amid weak markets and likely weak demand in Q2 (given above-average rains and high base in Q2, with a two-year revenue CAGR of 12%); maintain 'BUY' with a TP of INR2,400.

Capacity expansion and localisation to drive growth

Expands Andhra capacity: UBBL has ramped up production of its flagship brand at the Ilios Brewery, Andhra, on a lease basis. It has a monthly capacity of 0.45mn beer cases, complementing the 1.2mn case capacity of the Srikakulam brewery, thereby adding nearly one–third additional capacity in a key state of Andhra (which has progressive policy environment). Localised production is expected to prevent stock-outs, thereby enabling the company to cater to rising consumer demand and potentially improve margins by avoiding interstate taxes.

Addresses cans shortage issue: UBBL is adding a new canning line at its Nizam Brewery in Telangana to produce premium Kingfisher and Heineken variants. Existing capacity of 0.5mhl has 90% utilisation; the new line canning will add 0.4mhl in a year at INR0.9bn investment. Cans account for 20–22% of the UBBL's overall sales while in states such as Uttar Pradesh and Madhya Pradesh they make up as high as 75–80% of sales. Supply constraints have led to a 1–2% drag on volume growth over the past six months, which can get addressed with this development.

Margins have been a key concern for Street: Although a key concern, margin pressure persists from brand investments, interstate sales and an unfavourable state mix (driven by Karnataka). However, with localisation and UBBL's target to improve bottle return rates to 73% (currently 70%), margins should gradually improve. New bottle costs (aids market share in premium segment) remain a risk to our assumptions.

Q2FY26 demand likely to be weak due to excess rains

We expect likely weak demand in Q2FY26 (given above-average rains and high base in Q2, with 2-year revenue CAGR of 12%). Beer has high salience to summer and excess rains is a detriment. UBBL is focussing on the premium segment, and recently launched Amstel Grande in the premium strong beer category. It is currently available in Goa, and the launch is aimed at catering to the domestic market.

Q1FY26 performance: UBBL delivered a strong Q1FY26 with net sales/EBITDA up 16%/9% YoY. Volumes jumped 11% YoY (11-quarter high). Despite a weak summer, it gained 300bp market share. Gross/EBITDA margin dipped 52bp/68bp YoY due to investment in brands, interstate sales and an adverse state mix (due to Karnataka).

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