

UNITED BREWERIES

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	2,036
12 month price target (INR)	2,400
52 Week High/Low	2,300/1,810
Market cap (INR bn/USD bn)	538/6.2
Free float (%)	43.2
Avg. daily value traded (INR mn)	303.2

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

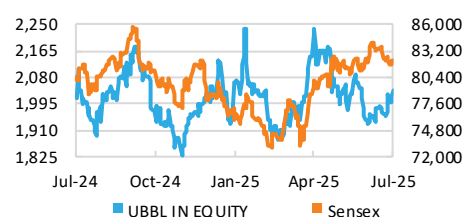
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	89,151	102,668	119,238	138,492
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)	120.7	67.4	50.5	41.7
EV/EBITDA (x)	49.9	33.0	25.7	21.2
Dividend yield (%)	0.5	0.7	1.0	1.2

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	102,668	119,238	-	-
EBITDA	12,731	16,455	-8.2	-5.4
Adjusted profit	7,924	10,573	-9.0	-4.1
Diluted EPS (INR)	30.0	40.0	-9.0	-4.1

PRICE PERFORMANCE



Strong volumes in spite of soft summer

United Breweries (UBBL) clocked Q1FY26 net sales/EBITDA growth of 16%/9% YoY. Despite a weak summer, UBBL's market share improved 300bp with overall volumes up 11% YoY (an 11-quarter high). Premium sales rose 46% YoY on a high base of 44%, not to mention a 400–500bp gain in market share (now 20%). Gross/EBITDA margin dipped 52bp/68bp YoY—to 42.6%/10.9%—due to investment in brands, interstate sales and an unfavourable state mix (due to Karnataka).

Factoring in stronger-than-expected growth in Premium hurting bottle return rates (introduced 30% new bottles) and higher interest cost on the debt to be undertaken for capex, we are cutting FY26E/27E EPS by 9%/4%, yielding a revised TP of INR2,400 (earlier INR2,505); 'BUY'.

Overall broad-based growth

What we like: Pricing mix improved 5% YoY—driven by price increases in Telangana, Uttar Pradesh (UP), Orissa and Rajasthan coupled with a favourable mix, mainly from premiumisation. While volume growth of 11% YoY was mainly driven by Andhra, Assam and UP. UBBL managed to gain over 400–500bp in the premium segment—wherein its market share is now 20% and whose salience is 10% (earlier at a high single digit); it further aims to grow the segment volumes at 30%-plus. Maharashtra is a high gross margin business for UBBL, and with the recent excise policy change impacting spirits, UBBL expects at least double-digit volume growth in the state (wherein it has three breweries). We like UBBL's continuous efforts to expand capacity to cater to growing demand and eliminate supply shortages across states (INR1.4bn capex in Q1FY26).

What we do not like: Gross/EBITDA margin of 42.6%/10.9% decreased 52bp/68bp YoY. East volumes edged down 1% YoY as strong growth in Assam was offset by volume contraction in West Bengal (impacted by duty increase) and Odisha. Given the recent shortage of cans (20–22% of UBBL's business) along with the government's new rules w.r.t. BIS imports on cans, UBBL lost out on 1–2% growth over the last six months. Due to frequent increases in duty, UBBL has suffered a 16–17% decline in Karnataka revenue, and this impacted its operating margin by 50bp.

Q1FY26 conference call highlights: UBBL targets to improve its bottle return rate to 73% (currently 70%) in FY26E. Out of 11% YoY volume growth, 2–2.5% is attributable to a lower base. If there are no more surprises in terms of any policy interventions, high single-digit volume growth (7–8%) is possible in FY26. UBBL is going to lease a brewery in Andhra Pradesh in order to avoid stock-outs and focus on localisation efforts to aid margin expansion.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	28,643	24,751	15.7	23,230	23.3
EBITDA	3,109	2,854	8.9	1,867	66.5
Adjusted Profit	1,840	1,738	5.9	978	88.2
Diluted EPS (INR)	7.0	6.6	5.9	3.7	88.2

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	89,151	102,668	119,238	138,492
Gross profit	38,466	46,098	55,088	64,537
Employee costs	7,185	8,111	9,420	10,802
Other expenses	22,873	25,256	29,213	33,792
EBITDA	8,408	12,731	16,455	19,943
Depreciation	2,330	2,531	2,998	3,366
Less: Interest expense	129	495	570	570
Add: Other income	359	586	844	617
Profit before tax	6,309	10,290	13,731	16,624
Prov for tax	1,627	2,367	3,158	3,824
Less: Other adj	0	0	0	0
Reported profit	4,682	7,924	10,573	12,801
Less: Excp.item (net)	(258)	0	0	0
Adjusted profit	4,424	7,924	10,573	12,801
Diluted shares o/s	264	264	264	264
Adjusted diluted EPS	16.7	30.0	40.0	48.4
DPS (INR)	10.0	15.0	20.0	24.2
Tax rate (%)	25.8	23.0	23.0	23.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Gross margin (%)	43.1	44.9	46.2	46.6
Staff cost (% of rev)	8.1	7.9	7.9	7.8
A&P as a % of sales	4.3	4.1	4.0	3.9
EBITDA margin (%)	9.4	12.4	13.8	14.4
Net profit margin (%)	5.0	7.7	8.9	9.2
Revenue growth (% YoY)	9.1	15.5	16.0	16.0
EBITDA growth (% YoY)	20.8	51.4	29.3	21.2
Adj. profit growth (%)	7.7	79.1	33.4	21.1

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	7.0	7.0	7.0	7.0
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	86.0	87.0	88.0	88.0
No of cases sold (mn)	205.5	221.9	241.9	264.8
Vol. growth (stand)	6.0	8.0	9.0	9.5
COGS as % of sales	56.9	55.1	53.8	53.4
Otr cost to rev (%)	21.4	20.5	20.5	20.5
Excise to Gross rev	55.0	52.7	52.7	52.7
Sales per case (INR)	403.4	432.0	459.8	487.1

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	120.7	67.4	50.5	41.7
Price/BV (x)	12.2	11.2	10.1	9.0
EV/EBITDA (x)	49.9	33.0	25.7	21.2
Dividend yield (%)	0.5	0.7	1.0	1.2

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	264	264	264	264
Reserves	43,375	47,337	52,623	59,023
Shareholders funds	43,639	47,601	52,887	59,288
Minority interest	57	57	57	57
Borrowings	5,749	9,499	9,499	9,499
Trade payables	11,496	11,548	13,095	15,096
Other liabs & prov	20,586	20,586	20,586	20,586
Total liabilities	82,228	89,992	96,825	105,227
Net block	17,351	20,875	22,932	24,622
Intangible assets	138	93	48	2
Capital WIP	2,534	2,534	2,534	2,534
Total fixed assets	20,023	23,502	25,514	27,158
Non current inv	79	79	79	79
Cash/cash equivalent	4,429	7,592	5,534	3,993
Sundry debtors	28,606	28,070	32,561	37,771
Loans & advances	0	0	0	0
Other assets	22,162	23,821	26,209	29,298
Total assets	82,228	89,992	96,825	105,227

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	4,682	7,924	10,573	12,801
Add: Depreciation	2,330	2,531	2,998	3,366
Interest (net of tax)	129	495	570	570
Others	361	1,781	2,314	3,206
Less: Changes in WC	(3,524)	(1,070)	(5,332)	(6,297)
Operating cash flow	2,351	9,294	7,965	9,822
Less: Capex	(2,831)	(6,010)	(5,010)	(5,010)
Free cash flow	(480)	3,284	2,955	4,812

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	11.0	17.4	21.0	22.8
RoCE (%)	13.5	20.1	23.5	26.1
Inventory days	107	110	108	107
Receivable days	106	101	93	93
Payable days	76	74	70	70
Working cap (% sales)	21.0	19.2	21.2	23.0
Gross debt/equity (x)	0.1	0.2	0.2	0.2
Net debt/equity (x)	0	0	0.1	0.1
Interest coverage (x)	47.3	20.6	23.6	29.1

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	7.7	79.1	33.4	21.1
RoE (%)	11.0	17.4	21.0	22.8
EBITDA growth (%)	20.8	51.4	29.3	21.2
Payout ratio (%)	56.5	50.0	50.0	50.0

Exhibit 1: Trends at a glance

Particulars	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net revenue (INR mn)	17,659	22,748	18,901	18,245	21,334	24,751	21,167	20,003	23,230	28,643
EBITDA (INR mn)	536	2,231	1,843	1,460	1,428	2,854	2,272	1,415	1,867	3,109
PAT (INR mn)	98	1,363	1,073	852	812	1,738	1,321	642	978	1,840
Volume growth (YoY %)	3.1	-12	7	8	10.9	5	5	8.4	5	11
Volume growth (YoY %) - Excl. RTM	NA	-4	9	NA	NA	NA	NA	NA	NA	NA
Premium segment volume	18.6	-21.1	10	14	21	44	27	33	24	46
Premium segment volume - Ecl. RTM	NA	FLAT	10	NA	NA	NA	NA	NA	NA	NA
Net revenue growth (YoY)	3.3	-6.7	12.3	13.1	20.8	8.8	12	9.6	8.9	15.7
Gross margin (%)	38.8	40.7	44.7	44.2	41.9	43.2	44	43.3	42.2	42.6
EBITDA margin (%)	3.0	9.8	9.8	8.0	6.7	11.5	10.7	7.1	8	10.9
Region wise volumes growth (%)										
- North	14	-15	1	-1	3	7	12	16	3	8
- West	10	2	2	9	0	6	12	4	11	13
- East	29	-8	11	22	10	2	-6	3	0	-1
- South	-10	-18	11	10	21	6	1	8	5	16

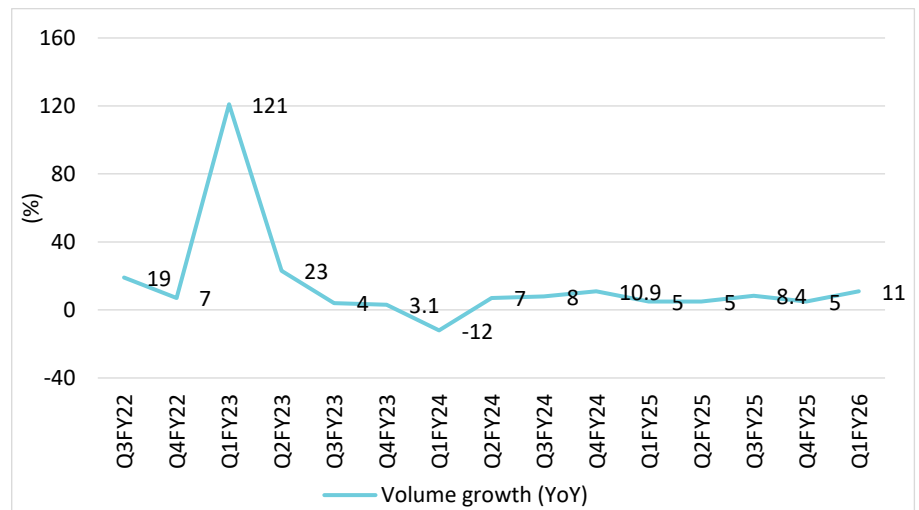
Source: Company, Nuvama Research

Exhibit 2: CAGR trends

	Q1FY22	Q1FY23	Q1FY24	Q1FY25	Q1FY26	2-Yr CAGR (%)	3-Yr CAGR (%)	4-Yr CAGR (%)
Net revenue (INR mn)	11,195	24,387	22,748	24,751	28,643	12.2	5.5	26.5
EBITDA (INR mn)	956	2,661	2,231	2,854	3,109	18.1	5.3	34.3
PAT (INR mn)	309	1,625	1,363	1,738	1,840	16.2	4.2	56.2

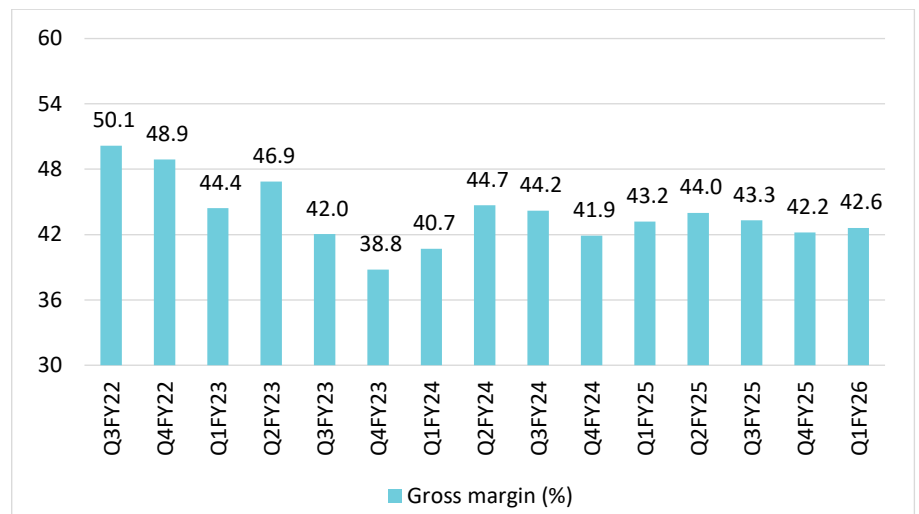
Source: Company, Nuvama Research

Exhibit 3: Volume growth trend YoY (%)



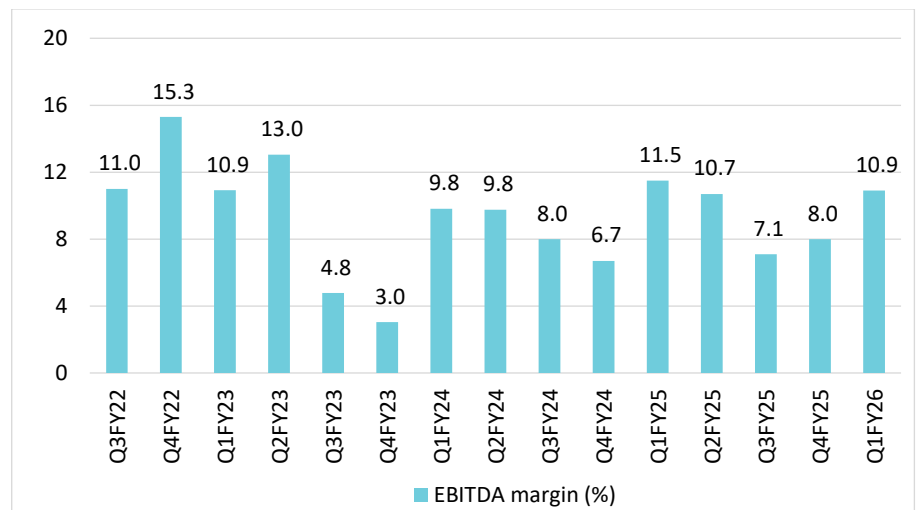
Source: Company, Nuvama Research

Exhibit 4: Gross margin trend (%)



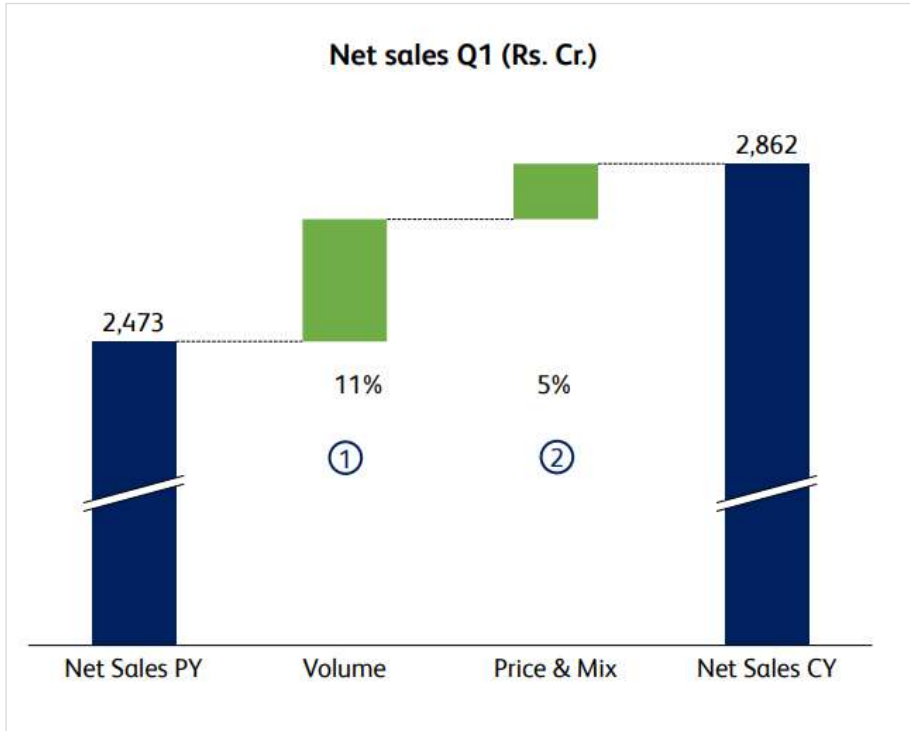
Source: Company, Nuvama Research

Exhibit 5: EBITDA margin trend (%)



Source: Company, Nuvama Research

Exhibit 6: Net sales expansion fuelled by volume growth and strong pricing



Source: Company, Nuvama Research

Exhibit 7: New strategic initiatives yielding positive results



Source: Company, Nuvama Research

Q1FY26 conference call takeaways

Detailed takeaways

Outlook

- **Pricing growth:** UBBL expects it to remain in the range of 4–5%.
- **Volume growth:** High single-digit volume growth is possible on the back of favourable policy interventions and resolution of can supply issues. The company anticipates at least 5–6% volume growth in spite of these issues.
- **EBITDA margin:** Over medium term, UBBL aims to achieve a double-digit EBITDA margin. Developments in Karnataka had ~50bp impact on EBITDA margin in Q1FY26.
- **EBIT margin:** It aims to reach a double-digit EBIT margin versus currently 9%.
- If Maharashtra policy fares well, the company expects double-digit volume growth in the state.
- Capex as a percentage of revenue is currently at a low single digit, with plans to increase it to high single digits.
- Raw material prices of barley and glass are expected to remain stable in FY26.

Commentary by state

Maharashtra

- Putting in special RTM effort to optimise its distributor and coverage network in Maharashtra.
- It has not seen much uplift due to the recent policy changes as there was a delay in policy rollout. The second reason is retailers had actually stocked up in anticipation of an increase in prices.

Telangana

- The growth due to a lower base of 2–2.25% is majorly attributable to Telangana.
- There was a 5–6% category decline because of price reductions in the state.
- Receivables situation in the state has improved as old dues in the state have reduced, but new dues have more credit days.

Karnataka

- Karnataka, which remains a highly profitable state, declined almost 16–17% in the quarter.
- In the month of July, the beer category further declined in Karnataka.

Uttar Pradesh

- In UP, it faced issues pertaining to supply of cans, for which the company had limited capacity.

West Bengal

- Because of increased taxation in the state, UBBL suffered a double-digit dip in the category.
- In spite of increased taxation, many of the company's competitors did not take price hikes in the economy segment.

Andhra Pradesh

- UBBL has had to import a lot of stock in Andhra Pradesh as its existing brewery had only limited capacity.
- Due to shortages, it plans to lease a brewery to improve localisation, which would ultimately aid margin improvement.

Shortage of cans

- The company faced major supply issues related to cans during the quarter. The company experienced stock-outs due to limited can availability.
- Cans became a major problem in states such as Uttar Pradesh and Madhya Pradesh, wherein cans contribute 75–80% to sales.
- It attributes a loss of 1–2% in volume growth over the last six months to can shortages.
- Importing cans is now difficult due to the new BIS (Bureau of Indian Standards) regulations introduced on April 1, 2025. The Brewers Association of India and others are in talks for exemptions from the new BIS norms.
- United Breweries is working with local and international suppliers to resolve this in the long term. Exploring backward integration and long-term supply partnerships to avoid such issues going forward.

Others

- If bottle returns are assumed to be same, the Premium segment's EBITDA per case is 2x that of the mainstream.
- It has placed more coolers in India in the first six months versus the last full year.
- UBBL is going to lease a brewery in Andhra Pradesh in order to avoid stock-outs and focus on localisation efforts to aid margin expansion.

Q1FY26 highlights

- Overall volume growth stood at 11%, out of which 2–2.5% is attributable to a low base because of elections last year.
- If overall volume growth is computed on the basis of cases, then it has grown 10% YoY.
- The company gained 300bp of market share at the all-India level in Q1FY26.
- EBITDA margin stood at 10.9%. Generally, Q1 EBITDA margin is 200bp more than the company's full-year margin.

Exhibit 8: Consolidated financial snapshot (INR mn)

Year to March	Q1FY26	Q1FY25	% change	Q4FY25	% change
Net revenues	28,643	24,751	15.7	23,230	23.3
Cost of goods sold	16,429	14,069	16.8	13,417	22.4
Gross profit	12,214	10,683	14.3	9,813	24.5
Staff cost	1,994	1,837	8.6	1,914	4.2
Other expenditure	7,111	5,992	18.7	6,032	17.9
Total expenditure excl COGS	9,105	7,829	16.3	7,945	14.6
EBITDA	3,109	2,854	8.9	1,867	66.5
Depreciation & Amortization	629	577	9.0	568	10.9
EBIT	2,480	2,277	8.9	1,299	90.8
Add: Other income	111	74	50.6	80	38.2
Less: Interest	112	16	602.5	59	90.0
Add: Exceptional items	-	-		0	
Profit before tax	2,479	2,334	6.2	1,321	87.7
Less: Minority interest	2	3	(36.0)	2	(15.8)
Less: Provision for tax	639	596	7.1	343	86.1
Reported net profit	1,839	1,736	5.9	976	88.4
Adjusted Profit	1,839	1,736	5.9	976	88.4
Equity capital (FV INR 10)	264	264		264	
No. of shares (mn)	264	264		264	
EPS (INR)	7.0	6.6	5.9	3.7	88.4
as % of net revenues					
COGS	57.4	56.8	52	57.8	(40)
Staff expenses	7.0	7.4	(46)	8.2	(128)
Other expenditure	24.8	24.2	62	26.0	(114)
EBITDA	10.9	11.5	(68)	8.0	282
Net profit	6.4	7.0	(59)	4.2	222
Tax rate	25.8	25.5	21	26.0	(22)

Source: Company, Nuvama Research

Company Description

United Breweries Limited (UBBL) produces and sells beer and non-alcoholic beverages. The company is the market leader in India by both volume. It has a leading market share of more than 50% in the Indian beer market. UBBL has more than 25 beer brands in its portfolio ranging from light to strong beers – craft beers, quartz, pints, and kegs – to cater to a variety of tastes of consumers. The brands manufactured and marketed by UBBL have been synonymous with impeccable quality on an international scale. Out of the company's vast product portfolio, certain brands such as UB Bullet, Flying Horse Royal, Kalyani Black Super Strong, Kingfisher Extra Strong, Kingfisher Premium, Kingfisher Ultra, Maharaja Premium Indian Pilsner, Taj Mahal Premium, UB Export Premium and Kingfisher Blue are exported globally.

Investment Thesis

UBBL is a play on the Indian beer market. It has always been innovative and agile with respect to adoption to new trends, which has enabled it to continue to dominate the market despite many players entering the market in recent years. With growing acceptance of beer in India, a few state governments have been undertaking friendlier policy initiatives such as reducing licence fees, allowing the sale of beer in departmental stores and malls, consumption in offices, and reduction in excise duties. Share of beer in the alco-bev industry is likely to increase on the back of market expansion and by taking market share away from spirits. Being a heavily underpenetrated market, the outlook for the Indian beer industry is bright and bubbling with potential, with UBBL being a key beneficiary.

Key Risks

- Threat of competitors introducing brands in various segments such as craft and premium beers.
- Pricing regulations, government intervention in distribution, inadequate market infrastructure and restrictions as well as additional taxes on interstate movement of beer continue to pose a challenge to the industry.
- Restricted communication and increased cost of raw materials (glass, barley malt, other packaging materials, etc) and government restrictions applicable to advertising also pose challenges to industry growth.

Additional Data

Management

MD & CEO	Vivek Gupta
CFO	Jorn Kersten
Director (NE)	Jan Cornelis van der Linden
Independent Director	Anand Kripalu
Auditor	Deloitte Haskins & Sells LLP

Holdings – Top 10*

	% Holding		% Holding
Sbi Funds Manag	4.42	Aditya Birla su	1.13
Icici Prudentia	2.67	Kotak Mahindra	1.07
Nippon Life AMC	2.11	VANGUARD Group	1.03
FundRock Manage	1.58	Sundaram Asset	0.72
Derive Trading	1.23	Canara Robeco A	0.67

*Latest public data

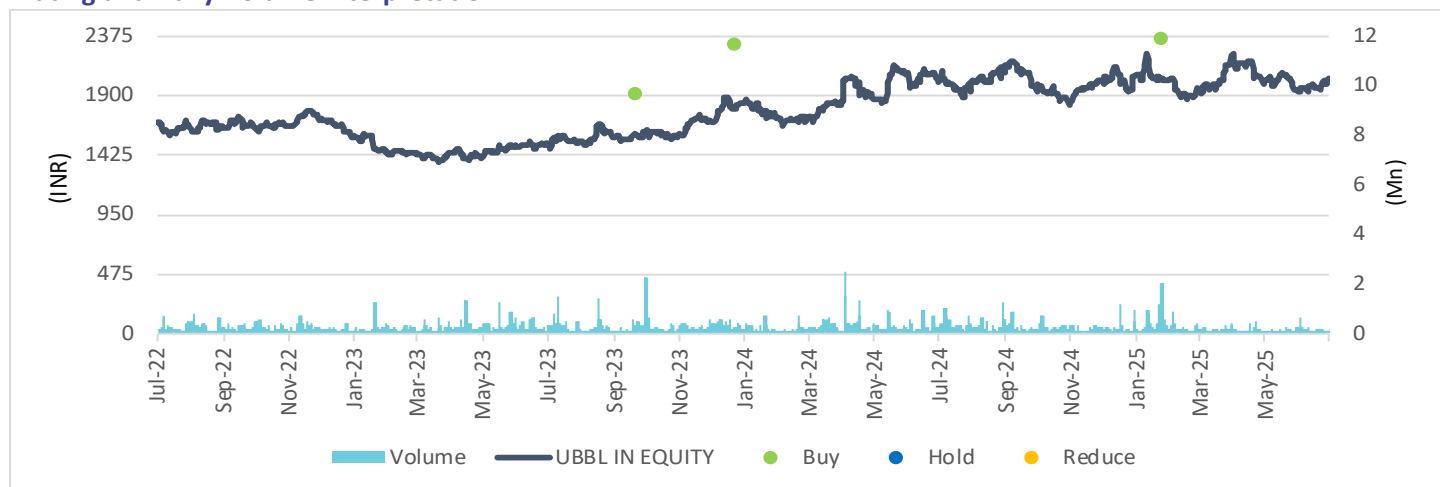
Recent Company Research

Date	Title	Price	Reco
22-Jul-25	Strong volumes drove market share gains; <i>Oven fresh</i>	2,036	Buy
08-May-25	Telangana price hikes to help; <i>Result Update</i>	2,169	Buy
07-May-25	Strong performance ; <i>Oven fresh</i>	2,182	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
26-May-25	Indigo Paints	Improved momentum for H2FY26; <i>Result Update</i>
23-May-25	United Spirits	New MD gets a strong ship; <i>Result Update</i>
22-May-25	Indigo Paints	Muted performance; <i>Oven fresh</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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