

Breweries & Distilleries

Company Overview

GM Breweries Limited (GMBL), incorporated in 1981 is engaged in the activities of manufacturing and marketing of Alcoholic Beverages such as Country Liquor (CL) and Indian made Foreign Liquor (IMFL). The company's product portfolio includes brands such as Santra, Doctor, Limby punch and Dilbahar Souf. They are having a Bottling Plant at Virar, District Thane, in the state of Maharashtra with a capacity to produce about 50,000 cases a day.

Investment Rationale

Leadership position in country liquor market

GM Breweries, being an established player in liquor business has gained consistently good brand image and loyalty from the consumers for the past several years. Initially, country liquor industry producers were producing only 750 & 375 ml bottles in the old days but this company introduced 180 ml bottles in the lowest possible price. This enabled them to gain surplus market share with a dedicated niche customer base. Currently, it enjoys monopoly in country liquor segment in the districts of Mumbai, Thane and Palghar respectively.

Deep penetration and healthy operational performance to augur well in the long run

Company has a strong presence across districts of Maharashtra with a market share of 25% (70% Mumbai and Thane) which helps to create them a competitive edge over its competitors. On financial front, the company has managed its packaging cost by migrating to PET bottles which enables them to reduce their packaging expense from 11% in FY11 to 8.5% in FY19. During FY17-19, company has witnessed a robust growth in operating profit with a 30.2% CAGR, despite high volatility in rectified spirits prices while its net profit grew by 37.3% CAGR. In addition, debt free balance sheet and surplus cash and cash equivalent makes itself funded in terms of working capital.

Valuation and outlook

GM Breweries is making concerted efforts to enhance its outreach into other districts of Maharashtra. With the finest quality of products and brand image, company's G.M Santra brand is among the widely known product catering the demand among all country liquor industry. Owing to the above factors, its consumer outreach provides visibility and higher thrust for future growth. On the valuation front, we estimate Revenue and PAT to grow at ~12% and ~15% CAGR for FY19- FY21E respectively. We have valued the company based on 8x PE of FY21E and assign a Buy rating on the stock with target price of INR 476.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	400
Target Price (INR)	476
NSE Symbol	GMBREW
Bloomberg	GMBR IN
Reuters	GMBR.BO

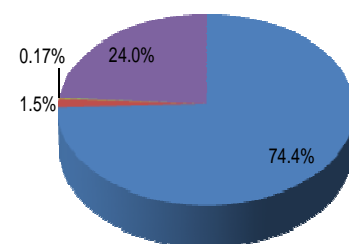
Key Data

Nifty	12,352
52WeekH/L(INR)	684/335
O/s Shares (Mn)	18.3
Market Cap (INR bn)	7
Face Value (INR)	10

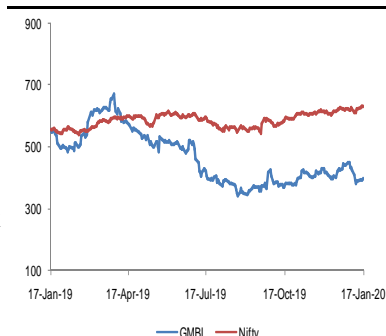
Average volume

3 months	67,010
6 months	64,120
1 year	51,870

Share Holding Pattern (%)



Relative Price Chart



Weekly Wealth

Key Financials

YE March (INR mn)	FY17	FY18	FY19	FY20E	FY21E
Revenue	7,477	4,259	4,640	5,174	5,810
<i>Revenue Growth (Y-o-Y)</i>	8.3%	(43.0%)	9.0%	11.5%	12.3%
EBIDTA	689	1,076	1,169	1,128	1,296
<i>EBIDTA Growth (Y-o-Y)</i>	(19.6%)	56.1%	8.6%	(3.5%)	14.9%
Net Profit	436	729	823	936	1,075
<i>Net Profit Growth (Y-o-Y)</i>	(25.2%)	67.1%	12.9%	13.8%	14.8%
Diluted EPS	23.9	39.9	45.0	51.2	58.8
<i>Diluted EPS Growth (Y-o-Y)</i>	(25.2%)	67.1%	12.9%	13.8%	14.8%

Key Ratios

EBIDTA (%)	9.2%	25.3%	25.2%	21.8%	22.3%
NPM (%)	5.8%	17.1%	17.7%	18.1%	18.5%
RoE (%)	19.4%	25.0%	22.4%	20.6%	19.3%
RoCE (%)	30.7%	36.9%	31.9%	24.8%	23.3%

Valuation Ratios

P/E (x)	16.7x	10.0x	8.8x	7.8x	6.8x
EV/EBITDA	10.5x	6.7x	6.2x	6.4x	5.6x
P/BV (x)	3.2x	2.5x	2.0x	1.6x	1.3x
Market Cap. / Sales (x)	1.0x	1.7x	1.6x	1.4x	1.3x

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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Week Gone**Corporate Office:**

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001

BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591

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