

United Spirits Ltd (USL) – ADD

February Month Pick

Current Market Price (CMP)

Rs.573

Target Price

Rs.680

Our fair value of Rs.680 is 18.8% higher than the current market price.

Rationale:

- USL reported modest sequential pick-up in growth trajectory in Q3FY21.
- USL expects a broadly stable input cost environment in the coming months.
- Premiumisation and home consumption continue to see traction.
- We expect earnings (EPS) to grow by 136.4% in FY22 and 22.0% in FY23.
- We value USL on discounted cash flows (DCF) based fair value of Rs680.

Q3FY21 Earnings Update:

Positives:

- Q3FY21 operating profit (EBITDA) and earnings ahead of moderated expectations.
- Benign input costs drive gross margin and expanded 140 bps QoQ in Q3FY21.
- Continued momentum in off-trade channel and recovery in on-trade channel.

Negatives:

- Q3FY21 sales declined 4% YoY on price increases and business contraction in AP.
- Fewer social gatherings impacted P&A (Prestige and above) performance.
- Management highlighted aggression on pricing and trade spends by large peers.

[Click here](#) For detailed report dated 29th January 2021. Note: CMP & valuation may differ due to difference in dates



This is a synopsis of the Research report issued by Kotak Securities Limited. This is not a comprehensive report and before taking any investment decision we request you to refer the detailed report including disclaimers by clicking here: <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months / Disclaimer: <http://bit.ly/2n5AxIE>