

United Spirits Ltd (USL) – ADD

Result Update

Current Market Price (CMP)

Rs.520

Target Price

Rs.680

Our fair value of Rs.680 is 30.8% higher than the current market price.

Rationale:

- USL reported muted improvement in volume recovery on sequential basis.
- Operating profit (EBITDA) and earnings ahead of moderated expectations.
- Premiumisation and home consumption continue to see traction.
- We tweak FY21-23E forecast and increase estimated earnings (EPS) by 1-3%.
- We retain our discounted cash flows (DCF) based fair value of Rs680.

Q3FY21 Earnings update:

👍 Positives:

- Benign input costs drive gross margin and expanded 140 bps sequentially.
- USL expects a broadly stable input cost environment in the coming months.
- Continued momentum in off-trade channel and recovery in on-trade channel.

👎 Negatives:

- Revenue declined 4% YoY due to 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](#)

To read detailed report dated 29th Jan 2021. Note: CMP and 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>