

Pick of the week

United Breweries (UBBL)

Recommendation: **ADD**

Current Price: ₹1,481

Potential Upside: **16.5%**

Date: **9th May 2022**

Time Period: **12 Months**

Target Price: ₹1,725

Why invest?

- UBBL's overhead and working capital management was impressive in Q4FY22.
- North market grew 26% yoy led by good traction in UP, Rajasthan & Haryana.
- Operating margin at 15.3% was ahead of our estimate (13.8%) and impressive.
- The company has managed to secure price increases in a few states.
- UBBL gained market share (54-55% share in Q4FY22) in the quarter & full year.
- Even as inflationary pressure would weigh on margins in H1FY23, we expect strong volume recovery in FY23E.
- We expect full recovery in margins as and when Raw Material prices eventually ease.
- We expect earnings to grow by 100.5% in FY23E and grow by 29.5% in FY24E.