

- ⊕ On a like-to-like basis, UB Q2 revenues revs up ~21% yoy supported by 13% higher realization/case; reported revs up 30% yoy which included the consolidation of 3 merged entities; Vol growth at 8% yoy outpaced industry growth of 3% resulting in market share gain of 200bps to 56%
- ⊕ Ex-merger impact, gross margin improved 100bps yoy; on reported basis, higher wage costs (+53bps yoy, due to bonus payments for successful FY11+increments) and consolidation impact led to 148bps decline in OPM; Ex-merger, EBIDTA remained largely flat yoy
- ⊕ Introduction of proprietary logo bottles led to significant decrease in cost of second hand bottles which helped limit increase in packing costs to just 7% yoy, offsetting inflationary rise in other input costs
- ⊕ Increase in borrowings as well as higher cost of funds (from 9% to 12%) drove 47% rise in interest expenses; net debt stood at Rs5.7bn including Rs270mn of Empee distilleries; overall net debt after all pending mergers pegged at ~Rs7bn
- ⊕ Reported PAT down 11% yoy on margin decline, higher interest expense and increased tax payout
- ⊕ H1 capex stood at Rs1.4-1.5bn and UB reiterated its Rs3bn capex guidance for current fiscal
- ⊕ Based on H1 FY12 performance, we lower our FY12/13 volume forecast and target FY13 EV/EBIDTA multiple; accordingly, cut our FY12/13 EPS estimate by ~4-6% and 9-mth target to Rs404 (earlier Rs443) but retain our positive stance on underlying beer business and Market Performer rating

Results table

(Rs m)	Q2 FY12	Q2 FY11	% yoy
Net sales	7,332	5,624	30.4
Raw materials	(974)	(626)	55.6
Packing materials	(1,566)	(1,464)	7.0
Purchase of traded goods	(1,110)	(590)	88.1
Staff	(497)	(351)	41.4
Selling & Distribution	(689)	(550)	25.2
Other expenditure	(1,944)	(1,536)	26.6
Operating profit	554	508	9.0
OPM (%)	7.6	9.0	(148) bps
Depreciation	(245)	(242)	1.0
Interest	(191)	(130)	46.8
Other income	175	170	3.1
PBT	294	306	(4.0)
Tax	(98)	(87)	13.6
Effective tax rate (%)	33.5	28.3	519 bps
Reported PAT	195	219	(10.9)
PAT margin (%)	2.7	3.9	(123) bps

Source: Company, India Infoline Research

Financial summary (consolidated)

Y/e 31 March (Rs m)	FY10	FY11E	FY12E	FY13E
Revenues	22,755	30,926	34,621	38,797
yoy growth (%)	17.9	35.9	11.9	12.1
Operating profit	2,342	3,835	4,535	5,432
OPM (%)	10.3	12.4	13.1	14.0
Pre-exceptional PAT	642	1,547	1,896	2,395
Reported PAT	896	1,547	1,896	2,395
yoy growth (%)	96.6	72.7	22.5	26.3
EPS (Rs)	3.7	5.9	7.2	9.1
P/E (x)	107.2	68.4	55.8	44.2
P/BV (x)	7.9	8.4	8.4	7.1
EV/EBITDA (x)	44.0	29.5	24.8	20.8
Debt/Equity (x)	0.7	0.7	0.6	0.5
ROE (%)	9.1	15.1	17.1	18.3
ROCE (%)	8.2	14.3	16.5	19.2

Source: Company, India Infoline Research

In the year 2011 itself, we have received two reputed awards for being the Best Broker in India.

'Best Equity Broker of the Year' – Bloomberg UTV, 2011

IIFL was awarded the 'Best Equity Broker of the Year' at the recently held Bloomberg UTV Financial Leadership Award, 2011. The award presented by the Hon'ble Finance Minister of India, Shri Pranab Mukherjee. The Bloomberg UTV Financial Leadership Awards acknowledge the extraordinary contribution of India's financial leaders and visionaries from January 2010 to January 2011.

'Best Broker in India' – Finance Asia, 2011

IIFL has been awarded the 'Best Broker in India' by Finance Asia. The award is the result of Finance Asia's annual quest for the best financial services firms across Asia, which culminated in the Country Awards 2011

Other awards



Recommendation parameters for fundamental reports:

Buy – Absolute return of over +10%

Market Performer – Absolute return between -10% to +10%

Sell – Absolute return below -10%

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