

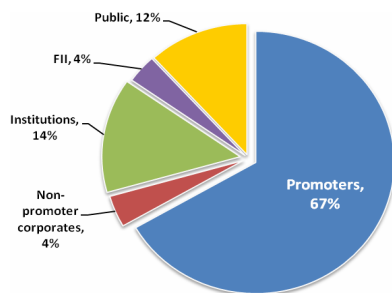


Key Share Data

Market Cap.	Rs 241.5 crs
Face Value	Rs. 10
Equity	Rs 23 crs
52 Wk high/Low	160 / 87
Avg. Yearly Volume	210505
BSE Code	533104
NSE Code	GLOBUSSPR
Bloomberg Ticker	GBSL.IN
Dividend Yield (%)	0.96%

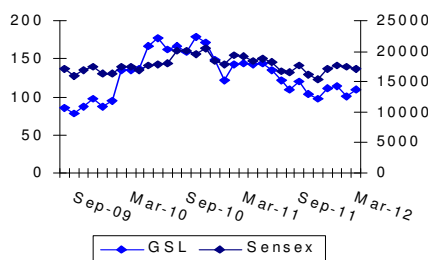
Source: Company, DFPL Research

Share Holding Pattern



Source: Company, DFPL Research

Share Price Movement



Source: Company, DFPL Research

Research Team

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Investment Rationale

Globus Spirits Ltd (GSL) is Delhi based diversified beverage alcohol company with its presence in nine states and an only company in the domestic markets with a unique 360 degree business model.

Capacity expansion to drive volume growth

GSL has completed the capacity expansion programme at its two state of the art distilleries at Samalkha, Haryana & Behror, and Rajasthan from 28.6 mn BL to 70 mn BL. Further the merger of demerged undertaking of ADL with the company adds another 14.4 mn BL of capacities. Thus the total installed capacity of GSL currently stands at 84.4 mn BL. Bulk alcohol & franchisee bottling are the direct beneficiaries post the capacity expansion and increased volumes in the these two segments is expected to drive growth for GSL.

Market leader in the IMIL space in North Indian markets of Haryana, Delhi & Rajasthan

GSL has been able to sustain its leadership position in North India in the IMIL space through its flagship brand "Nimboo" This has resulted in the company's market share increasing to 27% from 20% in Haryana. GSL has a leadership position in the states of Delhi and Rajasthan with a decent market share at 25% & 24% respectively.

New product launches and entry in new states on the cards

During FY13 GSL is all set to launch new products and make its presence in newer states. It is planning to launch new products in the IMFL semi premium brand segments for Whisky & Brandy. Also the company is looking to make its entry in the 2-3 newer states in the Eastern region. GSL has also bagged the license in the state of Jharkhand.

Valuation

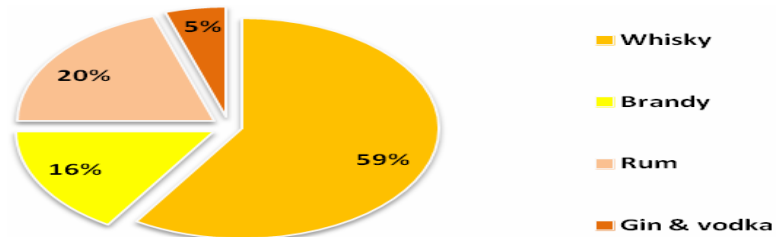
GSL is currently trading at 6.1x & 3.8x its FY12E & FY13E earnings of Rs 18.1 & 28.9 respectively. On P/B it is trading at 1.0x & 0.8x its FY12E & FY13E book value which is very attractive. We recommend "Buy" on the stock as it has got tremendous potential to scale up further heights from the current levels.

Particulars	FY 10	FY11	FY12E	FY13E
Net Sales (Rs in Crs)	384.3	521.6	551.1	699.9
Net Profit (Rs in Crs)	28.9	39.9	40.7	59.5
EBITDA %	9.60%	11.40%	13.50%	14.5%
EPS (Rs.)	14.6	17.4	18.1	25.9
PE (x)	7.5	6.3	5.9	4.1
BV	104	90.7	107.3	132.0
ROE %	26.20%	21.60%	17.9%	21.6%



Industry Overview

The Indian economy continued to show strong growth in FY2011. Indian GDP grew by 8.6% in FY2011 while per capita income increased from \$460 in FY2001 to \$1,380 in FY2011. Despite a significant rise in inflation during the fiscal year, domestic per capita consumption in FY2011 grew by over 7% compared to FY2010. This strong domestic consumption directly benefited the Indian spirits industry.



Source:

India is ranked 4th in the global spirits market in 2009, with a 6.1% market share. Indian spirits market size was US\$19.2 Bn in 2010, growing at CAGR of 18.9% between 2006 to 2010.

According to Euromonitor International, the Indian alcoholic drinks industry volume is forecasted to grow from 2010-15 at a CAGR of 10%. As one of the fastest growing emerging markets, India's impressive growth trajectory is supportive of acceleration of the premiumization trend. Volume sales are expected to reach 3.2 billion liters by 2015. Key drivers of this growth include:

- Growing purchasing power
- Increasing social acceptance of alcohol in India,
- Brand exposure
- Availability and the shift towards branded spirits by country liquor consumers.
- Low penetration levels - per capita consumption of only 0.97 litres.

Other blended scotch whisky, single malt scotch whisky and vodka are expected to lead Volume growth in the forecast period with a 19% volume CAGR each. These products are expected to thrive due to increasing premiumization. Premium and super-premium brands gain visibility in off-trade channels due to the gradual liberalization of retailing restrictions and the expansion of chained drinks specialist retailers. Premiumization is expected to gain further momentum going forward as disposable incomes increase and consumers become more willing to experiment with high-end alcoholic drinks as a lifestyle choice. Multinational companies are also expected to bring in more premium brands from their global portfolios to India.

Growth in premium brands is also supported by a large consumer base in the economy and standard segment that is actively "trading up" to higher value brands. Average unit prices in dark rum, brandy and Indian whisky are expected to rise steadily as middle class consumers move to new product launches. Increased premiumization, rising production and raw material costs, and the introduction of international brands is expected to drive average unit prices higher going forward.



Company Overview

Established in 1992, Globus Spirits Ltd (GSL) is Delhi based diversified beverage alcohol company with its presence in nine states and an only company with a unique 360 degree business model. It is a pioneer for introducing grain based distillation in India in 2001. The 360 degree model has enabled the company to make its strategic presence across the entire value chain in alcohol starting from distillation to bottling for leading IMFL brands as well as manufacturing and marketing own brands of IMIL & foreign liquors.

The company is a leader in the North Indian states of Haryana & Delhi in the IMIL segment with a market share of 30% & 25% respectively. GSL currently operates three modern and fully integrated distilleries at Behror, Rajasthan and Samalkha and Hisar, Haryana, which have a combined capacity of 84.4 million bulk litres (BL) per annum.

Country liquor

In terms of volume, country liquor is the largest segment in the domestic alcohol industry. The Country Liquor business of GSL continues to benefit from a healthy rural demand. The country liquor clientele includes consumers like agri-workers in rural India, construction and industrial workers in towns/cities and hence, affordability plays a crucial role. There are high entry barriers in this business as it is compulsory to have a distillery in the area of operation.

Branded IMFL

County club & Hannibal Rum are the flagship brand of the company in IMFL segment. GSL's IMFL segment has witnessed a strong growth during last five years and has reported a strong more than 15% CAGR.

Franchise Bottling & Bulk Alcohol

GSL has a tie up with Allied Blenders & Distributors and Jagatjit Industries for bottling of their IMFL brands from its Rajasthan & Haryana distilleries. Increasing prices of bulk spirits, the Ethanol blending program, & increasing crude prices results in robust demand for the GSL's bulk alcohol.

Manufacturing plants - Locations & Installed capacities

Units	Bulk(litres)	Bottling (Mn Cases)
Samalkha- Haryana	35	9.6
Hisar- Haryana	14.4	4.2
Behror- Rajasthan	35	4.8

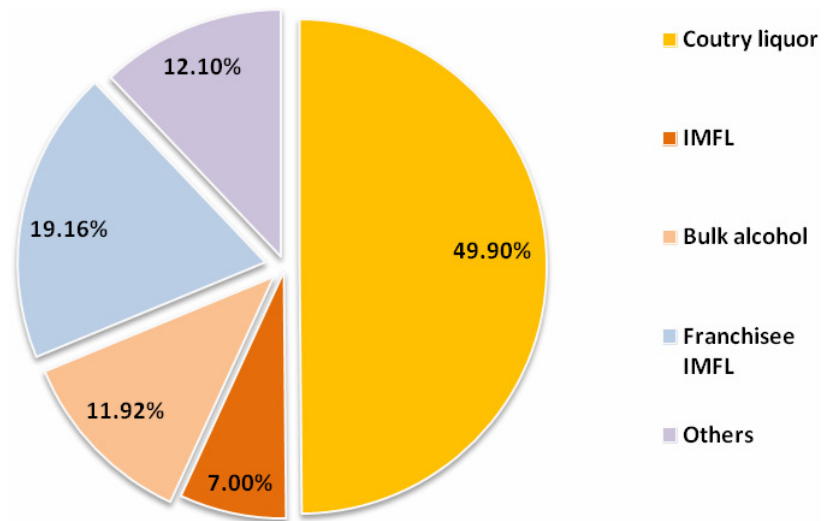


Board of Directors

Name	Designation
Mr. Gautam Premnath Khandelwal	Chairman
Mr. Ajay Kumar Swarup	Promoter & Managing Director
Mr. Manik Lal Dutta	Executive Director
Dr. Bhaskar Roy	Director Finance & CFO
Mr. Joginder Singh Damija	Independent Director
Mr. Santosh Kumar Bishwal	Independent Director
Mr. Rajesh Kumar Malik	Whole-Time Director
Mr. Rameshwar Dayal Aggarwal	Whole-Time Director

Source: Company Data

9MFY12 - Revenue Mix



Source: Company Data



Investment Argument

Capacity expansion to drive volume growth

GSL has completed the capacity expansion programme at two of its state of the art distilleries at Samalkha & Behror from 28.6 mn BL to 70 mn BL. The plants have also been modernized to fully automatic wash to ENA plant. The merger of ADL further adds another 14.4 mn BL. Thus the total installed capacity of GSL currently stands at 84.4 mn BL. Bulk alcohol & franchisee bottling are the direct beneficiaries post the capacity expansion and increased volumes in these two segments is expected to drive growth for GSL in future.

Market leader in the IMIL space in Northern states of Haryana, Delhi & Rajasthan

GSL has been able to sustain its leadership position in North India led by a strong volume growth in the IMIL space through its flagship brand "Nimboo" This has resulted in the Company's market share increasing to 27% from 20% in Haryana. Market share in Delhi & Rajasthan remains at a decent 25% & 24% respectively. GSL is the first player in the domestic markets to pioneer the concept of branding in the IMIL segment.

New product launches and entry in new states on the cards

Currently GSL is having presence in 9 states in the IMFL segment and it is looking to expand in newer states and growing its product portfolios by way of introducing high value added products. During FY13E GSL is planning to launch new products in the IMFL semi premium brand segments. Though Whisky is expected to be launched in the later part of FY13, the company is planning to launch Brandy in the near future. New product launches will help to improve sales for the company. Also the company is looking forward to make its entry in the 2-3 newer states in the Eastern region. GSL has also bagged the license in the state of Jharkhand

EBITDA & ROE shows improving trend

Recently, the state of Haryana where GSL is having a market share of 27%-30% has already approved a price rise of Rs 20/- New Delhi the price rise is likely to happen in the month of June. Also the shift from rectified spirits to ENA at its improved facilities will help in improving margins in the long run. Thus the improved price realization and the increased volumes will result in EBITDA margins improving in the range of 100-110 bps from 14% to 15.1%. Also the ROE is likely to improve considerably from 18.3% to 23.8%.

Foray into the CSD segment with getting approval for "Hannibal Rum"

GSL registered "Hannibal Rum" one of its leading brands in the IMFL segment with CSD (Canteen Stores Department). The market size for the Rum segment in the CSD is approximately 7 to 8 mn cases. GSL is looking forward to register its County Club Whisky brand with the CSD. We expect that getting approval from CSD is a very positive event for GSL's growth strategy and brand building through increased presence and improved volumes.

Unique 360 degree model helps in leveraging growth

The 360° way is a unique model in the Indian alcohol industry perfected by Globus through which it straddle the entire value chain in alcohol starting from distillation to bottling for industry leading Indian Made Foreign Liquor brands and marketing of our own brands of Indian Made Indian and Foreign Liquors. This allows Globus to capture margins across the value chain and insulates the Company from any risks in the movement of prices, especially in a market where bulk alcohol prices are moving up sharply and exposing brands owners to pricing volatility.



Financial Analysis

During FY11 GSL reported a sales growth of 35.7% at Rs 381.4 crs. EBITDA margins stood at 15.6% on an EBITDA of Rs 59.31 crs. EBITDA margins improved by 170 bps. PAT margins reported an improvement of 20 bps at 7.7% on a PAT of Rs 39.9 crs, a growth of 38.1%.

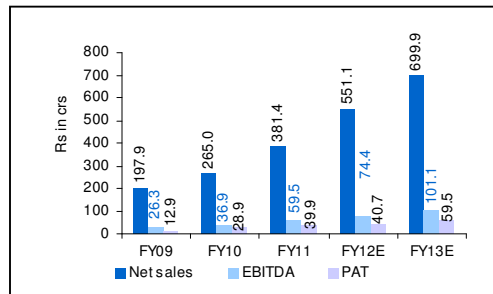
The Company's Net sales, EBITDA & PAT during FY09-11 has reported a CAGR of 38.8%, 50.8% and 75.8% respectively.

GSL continued to report strong performance during 9MFY12. Net sales stood at Rs 401.1crs, reporting a healthy 35% growth. EBITDA reported a growth of 18% at Rs 56.1 crs .Profits after tax reported a decent 14% growth at Rs 33 crs. EBITDA & PAT margins stood at 14% and 8.2% respectively

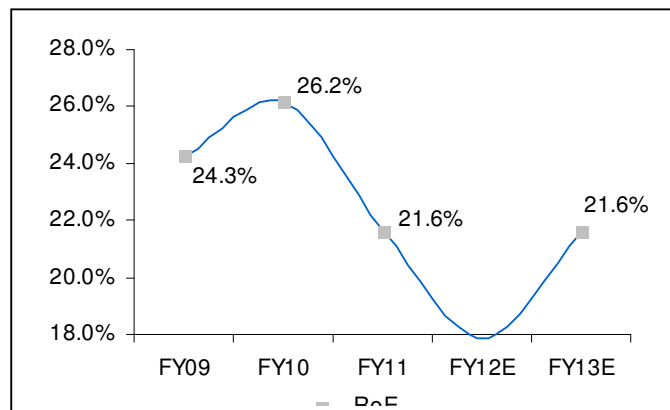
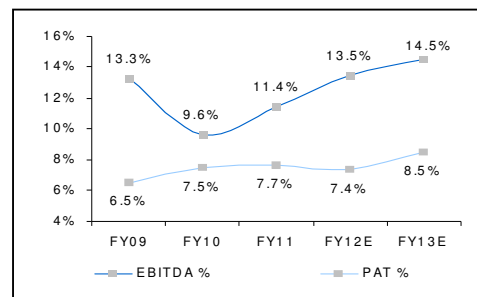
Going ahead we expect GSL to remain on higher growth trajectory with net sales, EBITDA& PAT reporting a CAGR of 35.5%, 30.6% & 22.1 % respectively during FY11-FY13E

We expect EBITDA & PAT margins to improve during FY13E by 100 bps and 110 bps at 14.5% and 8.5% respectively due to increased volumes led by expansion, price rise and debt repayments.

Sales,EBITDA & PAT FY09-FY13E



EBITDA & PAT margins FY09-13E





Key Risk

- Price escalation of raw materials & other inputs
- Increasing competition
- Changes in regulations from Central & State governments
- Labour shortage Increase in cost of raw material prices can adversely affect the profitability.

Peer Comparison

Rs in crs .

Particulars	Globus spirits	United Breweries	United spirits	Radico Khaitan	Tilaknagar Industries
CMP	105	522	782	126	59
Equity	23.0	26.4	130.8	26.5	115.3
Mkt cap	241.5	13765.1	10227.8	1670.2	680.1
TTM EPS	16.8	6.0	31.4	5.8	3.4
TTM P/E	6.3	86.6	24.9	21.8	17.6
P/BV	1.1	8.8	1.8	2.4	1.7
EV/EBITDA	5.2	38.9	13.1	13.8	8.4
EBITDA %	10.3%	10.6%	14.8%	14.2%	30.4%

Valuations

GSL is currently trading at 5.9x & 4.1x its FY12E & FY13E earnings of Rs 17.7 & 25.9 respectively. On P/B it is trading at 1.0x & 0.8x its FY12E & FY13E book value which is very attractive. We recommend "Buy" on the stock as it has got tremendous potential to scale up further heights from the current levels.



Financials

(Rs. In crs)

Profit & Loss Statement	FY10	FY11	FY12E	FY13E
Net Revenue	265.0	381.4	551.1	699.9
Growth %	94.2%	35.7%	44.5%	27.0%
Raw material cost	162.0	222.1	303.1	380.4
Manufacturing Cost	41.6	67.4	124.0	154.0
Employee cost	4.5	6.7	9.4	11.9
Selling & Administrative cost	20.2	25.8	40.2	52.5
Total Expenditures	228.3	322.0	476.7	598.8
EBITDA	36.71	59.31	74.40	101.14
EBITDA Margin(%)	13.9%	15.6%	13.5%	14.5%
Other income	3.3	5.9	0.7	0.7
EBITDA including OI	40.0	65.2	75.1	101.8
Dep.& Amortization	-7.3	6.9	11.3	14.2
EBIT	47.3	58.2	63.8	87.6
EBIT Margin (%)	17.8%	15.3%	11.6%	12.5%
Interest Expenses	1.4	2.8	9.6	8.3
PBT	45.9	55.4	54.2	79.4
Tax	17.0	15.5	13.6	19.8
PAT	28.9	39.9	40.7	59.5
Adjusted PAT growth %	123.8%	38.1%	1.8%	46.3%

Balance Sheet	FY10	FY11	FY12E	FY13E
Sources of Funds				
Share Capital	19.8	23.0	23.0	23.0
Reserve & Surplus	141.6	185.6	223.6	280.4
Total Debt	13.7	48.4	48.4	23.4
Deferred Tax Liability	18.4	26.0	26.0	26.0
TOTAL	193.4	283.0	321.0	352.8
Application of Funds				
Net Block	89.4	219.5	258.2	264.0
Capital work in progress	46.9	12.9	12.9	12.9
Investments	0.3	0.1	0.1	0.1
Inventories	27.2	33.3	46.8	58.6
Sundry Debtors	28.0	42.1	45.3	57.5
Cash & cash Equivalents	20.4	5.9	4.3	2.5
Loans & Advances	37.7	45.3	52.8	67.1
Current Liabilities & provisions	56.1	76.0	99.5	109.8
Net Current Assets	57.1	50.5	49.8	75.9
TOTAL	193.4	283.0	321.0	352.8



Cash Flows	FY10	FY11	FY12E	FY13E
NET Profit before tax & exceptional items	34.2	58.6	54.2	79.4
Depreciation	4.4	6.9	11.3	14.2
Interest paid	0.9	2.4	9.6	8.3
Others	(2.5)	(0.1)	0.0	0.0
Changes in Working capital	(19.9)	(21.7)	(0.9)	(27.9)
Cash generated from operations	17.1	46.2	74.3	73.9
Taxes paid	0.0	0.0	(13.6)	(19.8)
Net Cash Flow from Operating Activities	17.1	46.2	60.7	54.1
Proceeds from issue of shares	75.0	9.9	0.0	0.0
Interest & dividend received	0.5	0.4	0.0	0.0
Capex	(72.2)	(103.0)	(50.0)	(20.0)
Investments	0.0	(0.1)	0.0	0.0
Loans	(3.5)	34.7	0.0	(25.0)
Dividends paid	0.0	0.0	(2.7)	(2.7)
Interest paid & others	(1.4)	(2.8)	(9.6)	(8.3)
Others	2.7	0.3	0.0	0.0
Net change in cash	18.2	(14.5)	(1.6)	(1.8)
Opening cash	2.4	20.4	5.9	4.3
Closing cash	20.4	5.9	4.3	2.5

Key Ratios	FY10	FY11	FY12E	FY13E
Profitability & Return Ratios				
EBITDA Margin (%)	9.6%	11.4%	13.5%	14.5%
NP Margin (%)	7.5%	7.7%	7.4%	8.5%
EPS	14.6	17.4	17.7	25.9
CEPS	11.0	20.4	22.6	32.1
ROE	26.2%	21.6%	17.9%	21.6%
ROACE	34.0%	24.5%	21.1%	26.0%
DPS	0.0	1.0	0.0	0.0
Operating efficiency and other ratios				
Debtors days	25.6	24.5	30.0	30.0
Inventory days	45.3	38.1	40.0	40.0
Interest Coverage (x)	21.4	15.1	5.2	8.2
Asset/Turnover (x)	3.9	2.8	2.0	2.2
D/E (x)	0.1	0.2	0.2	0.1
Valuation Ratios				
P/E (x)	7.2	6.0	5.9	4.1
P/CEPS (x)	9.6	5.1	4.6	3.3
P/BV (x)	1.0	1.2	1.0	0.8
Mcap/Sales (x)	0.5	0.5	0.4	0.3
EV/Sales (x)	0.5	0.5	0.5	0.4
EV/EBITDA (x)	5.4	4.8	3.8	2.6



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