

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR1,625 TP: INR1,700 (+5%) Neutral

All eyes on seasonal pickup; annual margins to expand steadily

Bloomberg	UBBL IN
Equity Shares (m)	264
M.Cap.(INRb)/(USD\$)	429.7 / 4.7
52-Week Range (INR)	2295 / 1401
1, 6, 12 Rel. Per (%)	4/-21/-32
12M Avg Val (INR M)	347

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Net Sales	94.8	105.4	117.8
Sales Gr. (%)	6.4	11.2	11.8
EBITDA	8.6	11.4	14.2
Margin (%)	9.1	10.8	12.1
Adj. PAT	4.4	6.5	8.7
Adj. EPS (INR)	16.5	24.7	33.1
EPS Gr. (%)	-6.6	49.7	33.8
BV/Sh. (INR)	173.7	187.0	204.7

Ratios

RoE (%)	9.7	13.7	16.9
RoCE (%)	10.8	14.5	17.5

Valuations

P/E (x)	98.5	65.8	49.1
P/BV (x)	9.4	8.7	7.9
EV/EBITDA (x)	48.7	36.4	29.4

Shareholding Pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	70.8	70.8	70.8
DII	18.6	17.8	17.7
FII	5.5	6.3	6.4
Others	5.1	5.1	5.1

FII includes depository receipts

- United Breweries (UBBL) reported a 4% YoY revenue growth in 3QFY26 (est. +1%). However, volumes dipped 1% YoY (est. -1%; +8% in 3QFY25) due to higher excise duties in some states, affordability pressures, and an early winter. The 5% realization gain was from price hikes (Telangana, Rajasthan, and UP) and better product/state mix (Maharashtra, Karnataka).
- The Western region performed strongly, with 20% volume growth, while North, East, and South declined 16%, 2%, and 2%, respectively. Volumes dropped sharply in states like Karnataka (-17%) and Rajasthan (-5%), with double-digit declines in Telangana and West Bengal, mainly due to pricing-related affordability issues. According to management, industry growth improved to ~5% in January, indicating early signs of recovery.
- Gross margin expanded sharply 220bp YoY to 45.3% (vs. est. 43%). EBITDA margin expanded 380bp YoY to 10.9% (est. 6%, 6.3% in 3QFY26). Margin expansion was supported by higher bottle return rates, localized sourcing, favorable state mix, and multiple operational efficiency initiatives. We have generally noted high margin volatility on a quarterly basis. We expect margins to improve steadily, driven by operating leverage, cost initiatives, and pricing actions. We model EBITDA margins of 10.8% for FY27 and 12.1% for FY28 (pre-pandemic margin of more than 15%).
- We expect 11% revenue, 28% EBITDA, and 42% APAT CAGR over FY26–28, supported by a low base and gradual volume recovery, despite near-term demand pressures and a delayed recovery. Given the rich valuations and lingering regulatory headwinds, we reiterate our Neutral stance on the stock with a TP of INR1,700 (55x Dec'27E EPS).

Slow growth continues; sharp margin beat

- **Marginal decline in volume:** UBBL's standalone net sales grew 4% YoY to INR20.7b (est. INR20.2b). Overall volume declined 1.3% (est. +1%). The decline was primarily driven by Telangana, Rajasthan, and Karnataka, partly offset by resilient growth in Andhra Pradesh and Maharashtra.
- **Regional performance:** The Western region delivered a strong 20% volume growth, while North, East, and South reported declines of 16%, 2%, and 2%, respectively.
- **Big beat on margins:** Gross margin expanded 220bp YoY and 250bp QoQ to 45.3% (est. 43%, 42.8% in 2QFY26), led by price mix. Employee expenses grew 8% YoY, while other expenses declined 4% YoY. EBITDA margin expanded 380bp YoY to 10.9% (est. 6%, 6.3% in 3QFY26). The margin trajectory has been volatile on a quarterly basis. There was a miss on margins in 2QFY26.
- **Strong growth in profitability:** EBITDA increased 60% YoY to INR2.3b (est. INR1.2b). Interest costs rose ~427% YoY to INR169m (est. INR110m). APAT rose 55% YoY to INR1.0b (est. INR0.5b).
- In 9MFY26, net sales and EBITDA grew 6% and 2%, while APAT declined 11%.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Highlights from the management commentary

- Category volumes declined sharply in several key states, including Karnataka (-17%), Rajasthan (-5%), and double-digit declines in Telangana and West Bengal, reflecting the impact of pricing and affordability constraints.
- The company expects high single-digit inflation in barley prices, primarily driven by increases in minimum support prices (MSP).
- Management indicated that approximately 50% of the 220bp margin expansion is structural, suggesting sustainability in profitability going forward.
- The company launched Kingfisher Strong Smooth in Jan'26, targeting younger consumers seeking less bitter beer, and expects the product to drive category growth, improve profitability relative to Kingfisher Strong, and attract new consumers.

Valuation and view

- We largely maintain our EPS estimates for FY27 and FY28.
- UBBL continues to face multiple headwinds, including prolonged monsoon-led disruptions, high excise duties, and affordability pressures in key markets such as Karnataka, Telangana, and Odisha, which have weighed on category growth. Management is focusing on portfolio premiumization, cost discipline, and proactive engagement with state authorities to drive recovery.
- We expect 11% revenue, 28% EBITDA, and 42% APAT CAGR over FY26–28, supported by a low base and gradual volume recovery, despite near-term demand pressures and a delayed recovery. Given the rich valuations and lingering regulatory headwinds, we reiterate our Neutral stance on the stock with a TP of INR1,700 (55x Dec'27E EPS).

Standalone Quarterly Performance

Y/E March	FY25				FY26E				FY25	FY26E	FY26	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	
Volume growth (%)	5	5	8	5	11	-3	-1	5	6	7	1	
Net Sales	24,730	21,147	19,984	23,214	28,624	20,511	20,714	24,924	89,074	94,772	20,183	2.6%
YoY Change (%)	8.8	12.0	9.6	8.9	15.7	-3.0	3.7	7.4	9.7	6.4	1.0	
Gross Profit	10,642	9,272	8,619	9,772	12,176	8,779	9,393	10,594	38,305	40,942	8,679	8.2%
Margin (%)	43.0	43.8	43.1	42.1	42.5	42.8	45.3	42.5	43.0	43.2	43.0	
EBITDA	2,847	2,268	1,411	1,862	3,105	1,301	2,255	1,956	8,390	8,617	1,211	86.2%
YoY Change (%)	27.8	22.9	-3.0	31.2	9.1	-42.6	59.8	5.0	20.5	2.7	-14.2	
Margins (%)	11.5	10.7	7.1	8.0	10.8	6.3	10.9	7.8	9.4	9.1	6.0	
Depreciation	577	571	613	567	628	640	689	693	2,327	2,650	645	
Interest	16	22	32	59	112	147	169	173	129	600	110	
Other Income	73	105	101	79	110	150	109	82	357	450	145	
PBT before EO expense	2,327	1,781	867	1,316	2,475	665	1,506	1,172	6,291	5,817	601	150.6%
Tax	595	458	227	342	638	196	510	111	1,622	1,454	141	
Rate (%)	25.5	25.7	26.2	26.0	25.8	29.4	33.9	9.5	26.9	25.0	23.5	
Reported PAT	1,733	1,322	383	974	1,837	469	808	1,061	4,412	4,363	460	
Adj PAT	1,733	1,322	640	974	1,837	469	996	1,061	4,669	4,363	460	116.5%
YoY Change (%)	27.3	22.9	-24.5	20.5	6.0	-64.5	55.5	8.9	13.6	-6.6	-28.2	
Margins (%)	7.0	6.3	3.2	4.2	6.4	2.3	4.8	4.3	5.2	4.6	2.3	

E: MOFSL Estimates

Exhibit 1: Regional volume performance

Volume Growth
(-1.3% ITQ, +2.6% YTD)

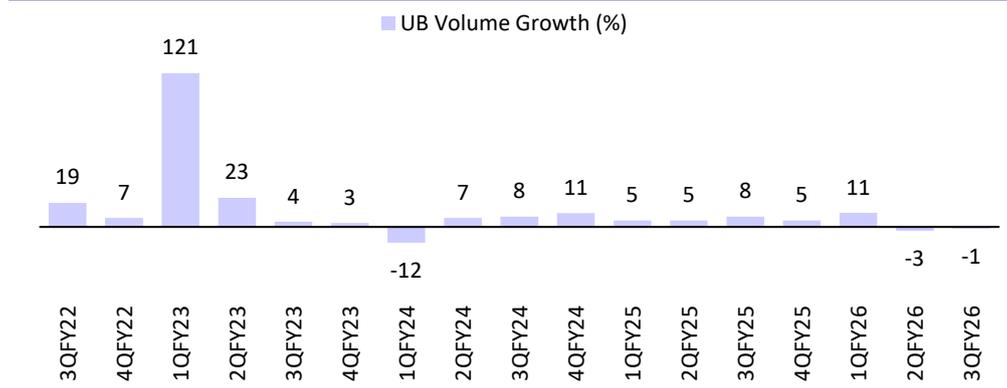


Commentary related to ITQ performance



Source: Company presentation

Exhibit 2: Volume declined 1% YoY in 3QFY26



Key highlights from the management commentary

Business and operating performance

- The beer industry continues to face affordability pressures and weather-related disruptions, which remain the two key near-term challenges impacting demand.
- Category volumes declined sharply in several key states, including Karnataka (-17%), Rajasthan (-5%), and double-digit declines in Telangana and West Bengal, reflecting the impact of pricing and affordability constraints.
- Management stated that industry growth recovered to 4–5% in January, indicating early signs of demand normalization.
- Over the longer term, the company continues to expect industry volume growth of around 6–7%, although near-term headwinds may persist.
- The company achieved approximately 5% realization growth during the quarter, which was evenly split between pricing actions and favorable product and state mix.
- Pricing gains were largely driven by earlier price revisions in large volume states, while stronger performance in markets such as Maharashtra and Karnataka supported mix improvement.

- The company currently has a 48-49% market share in the industry.

Cost and Margins

- Margin expansion during the quarter was supported by higher bottle return rates, localized sourcing, favorable state mix, and multiple operational efficiency initiatives.
- Management indicated that approximately 50% of the 220bp margin expansion is structural, suggesting sustainability in profitability going forward.
- The company has implemented productivity and cost-effectiveness programs focused on reorganizing key business functions, optimizing the supply network, simplifying the portfolio, and improving sourcing efficiencies.
- These initiatives are expected to generate gross savings of 3–6% between FY26 and FY28, with a meaningful portion of the savings planned to be reinvested into brand building, innovation, affordability initiatives, and strengthening competitive positioning.
- The company expects high single-digit inflation in barley prices, primarily driven by increases in MSP.
- Aluminum prices have risen globally in recent weeks, which could create near-term margin pressure, particularly for cans.
- Bottle economics remain favorable due to improved return rates, and the company has fully localized barley sourcing, reducing reliance on imports.

Innovation

- The company continues to witness strong momentum in its premium portfolio, including brands such as Heineken, Heineken Silver, Amstel, Kingfisher Ultra, and Ultra Max, reinforcing its premiumization strategy.
- The company launched Kingfisher Strong Smooth in Jan'26, targeting younger consumers seeking less bitter beer, and expects the product to drive category growth, improve profitability relative to Kingfisher Strong, and attract new consumers.
- The localization of premium production across multiple breweries has started contributing positively to margins.

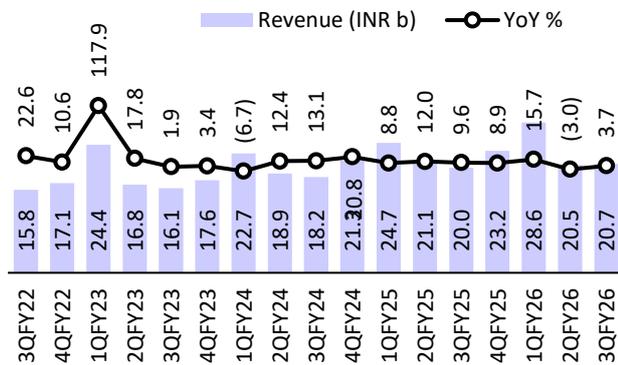
State level

- Maharashtra delivered strong performance during the quarter, supported by affordability measures and favorable regulatory developments.
- Jharkhand has emerged as a positive market following the implementation of a privatization policy.

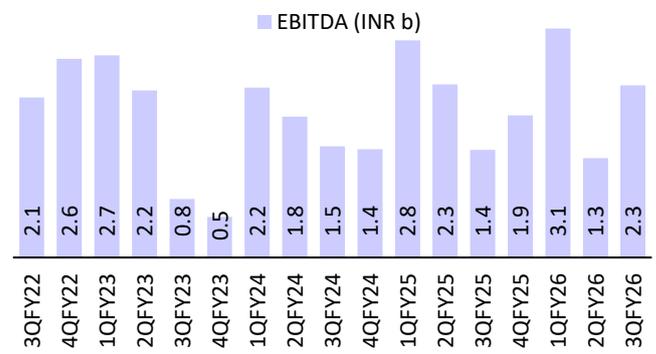
Others

- The company now has over 35,000 stores equipped with visi-coolers, which has driven both category growth and market share gains in those outlets.
- Management believes that expanding cold availability remains critical, as beer consumption is strongly linked to chilled product availability.
- The company continues to face receivable-related challenges in Telangana, and although some past overdues have improved, the overall exposure remains largely unchanged.

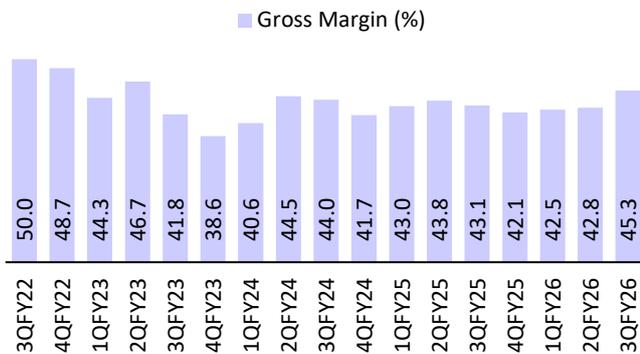
Key Exhibits

Exhibit 3: Net sales up ~4% YoY to INR20.7b


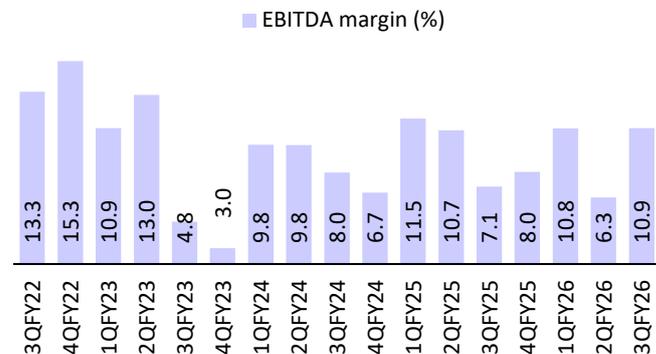
Sources: Company reports, MOFSL

Exhibit 4: EBITDA up 60% YoY to INR2.3b


Source: Company reports, MOFSL

Exhibit 5: Gross margin expanded 220bp YoY to 45.3%


Sources: Company reports, MOFSL

Exhibit 6: EBITDA margin expanded 380bp YoY to 10.9%


Source: Company reports, MOFSL

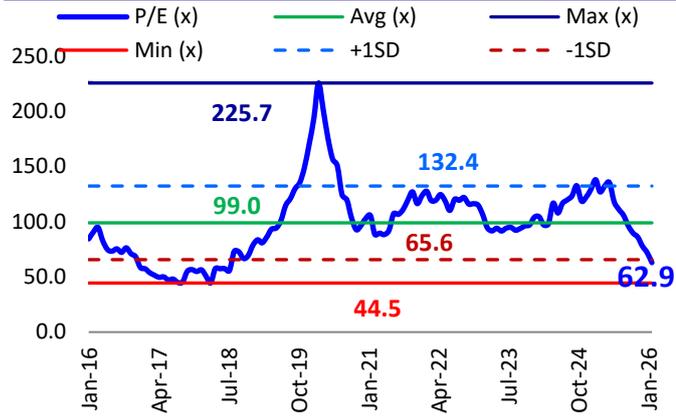
Valuation and view

- We largely maintain our EPS estimates for FY27 and FY28.
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Exhibit 7: We largely maintain our EPS estimates for FY27 and FY28

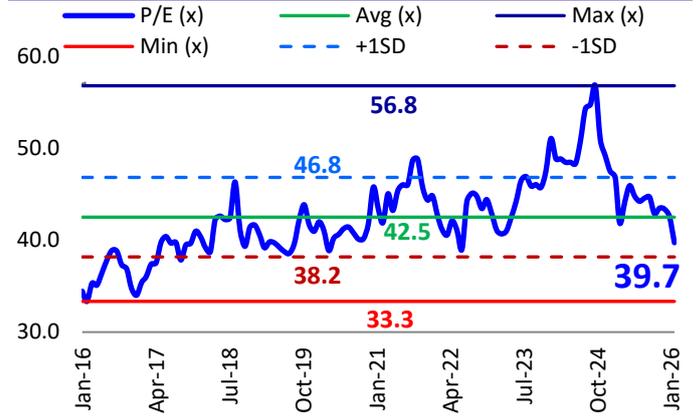
INR m	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Total Income	94,772	1,05,425	1,17,818	94,489	1,06,083	1,18,553	0.3	(0.6)	(0.6)
EBITDA	8,617	11,378	14,218	7,814	10,810	13,655	10.3	5.3	4.1
Adjusted PAT	4,363	6,534	8,745	3,995	6,606	8,846	9.2	(1.1)	(1.1)

Exhibit 8: UBBL's P/E (x)



Source: MOFSL

Exhibit 9: Consumer sector's P/E (x)



Source: MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	65,092	42,431	58,384	74,999	81,227	89,074	94,772	1,05,425	1,17,818
Change (%)	0.5	-34.8	37.6	28.5	8.3	9.7	6.4	11.2	11.8
Gross Profit	33,581	22,137	29,123	32,346	34,703	38,305	40,942	46,387	52,134
Margin (%)	51.6	52.2	49.9	43.1	42.7	43.0	43.2	44.0	44.3
Employees Cost	5,041	4,855	5,231	5,955	6,474	7,131	7,666	8,279	8,942
% of Sales	7.7	11.4	9.0	7.9	8.0	8.0	8.1	7.9	7.6
Other Expenses	19,782	13,472	16,926	20,228	21,268	22,785	24,658	26,729	28,974
% of Sales	30.4	31.7	29.0	27.0	26.2	25.6	26.0	25.4	24.6
Total Expenditure	56,334	38,620	51,418	68,837	74,265	80,684	86,155	94,046	1,03,599
% of Sales	86.5	91.0	88.1	91.8	91.4	90.6	90.9	89.2	87.9
EBITDA	8,758	3,811	6,966	6,162	6,962	8,390	8,617	11,378	14,218
Margin (%)	13.5	9.0	11.9	8.2	8.6	9.4	9.1	10.8	12.1
Depreciation	2,851	2,320	2,172	2,106	2,119	2,327	2,650	2,730	2,811
EBIT	5,907	1,491	4,794	4,056	4,843	6,063	5,967	8,649	11,407
Int. and Finance Charges	311	227	148	46	69	129	600	500	450
Other Income	93	503	298	494	737	357	450	563	703
PBT bef. EO Exp.	5,689	1,766	4,944	4,504	5,511	6,291	5,817	8,711	11,660
EO Items	0	-72	-263	-248	0	-258	0	0	0
PBT after EO Exp.	5,689	1,694	4,682	4,257	5,511	6,034	5,817	8,711	11,660
Total Tax	1,406	556	1,284	1,210	1,403	1,622	1,454	2,178	2,915
Tax Rate (%)	24.7	32.8	27.4	28.4	25.5	26.9	25.0	25.0	25.0
Reported PAT	4,277	1,132	3,398	3,047	4,109	4,412	4,363	6,534	8,745
Adjusted PAT	4,277	1,204	3,661	3,295	4,109	4,669	4,363	6,534	8,745
Change (%)	-24.0	-71.8	204.0	-10.0	24.7	13.6	-6.6	49.7	33.8
Margin (%)	6.6	2.8	6.3	4.4	5.1	5.2	4.6	6.2	7.4

Consolidated - Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	264	264	264	264	264	264	264	264	264
Total Reserves	34,938	35,558	39,087	39,385	41,519	43,327	45,666	49,168	53,855
Net Worth	35,203	35,823	39,351	39,649	41,783	43,592	45,930	49,432	54,119
Minority Interest	33	38	41	46	52	0	0	0	0
Total Loans	1,691	1,154	0	0	0	0	0	0	0
Capital Employed	36,927	37,014	39,393	39,695	41,836	43,592	45,930	49,432	54,119
Gross Block	45,077	47,808	49,615	51,102	52,466	54,440	57,440	60,440	63,440
Less: Accum. Deprn.	26,058	28,378	30,550	32,656	34,775	37,102	39,752	42,482	45,293
Net Fixed Assets	19,019	19,430	19,065	18,446	17,691	17,338	17,688	17,959	18,147
Goodwill on Consolidation	242	65	65	65	65	65	65	65	65
Capital WIP	1,991	1,288	1,099	771	1,727	2,510	1,402	1,180	1,136
Total Investments	3	61	84	81	80	155	155	155	155
Curr. Assets, Loans&Adv.	34,254	37,679	39,182	43,442	50,972	62,049	58,302	72,497	70,561
Inventory	10,939	11,367	9,358	14,278	13,687	16,149	14,489	19,593	18,496
Account Receivables	13,504	13,950	12,549	14,073	23,138	28,601	20,732	23,748	25,961
Cash and Bank Balance	786	4,693	9,097	3,953	2,142	4,419	9,686	15,226	11,617
Loans and Advances	9,025	7,669	8,178	11,138	12,004	12,879	13,394	13,930	14,487
Curr. Liability & Prov.	18,582	21,507	20,101	23,109	28,698	38,525	31,681	42,423	35,944
Account Payables	5,450	6,181	6,380	7,170	9,485	11,492	3,567	13,185	5,537
Provisions	13,131	15,326	13,721	15,939	19,214	27,032	28,114	29,238	30,408
Net Current Assets	15,672	16,171	19,081	20,333	22,274	23,524	26,621	30,074	34,617
Appl. of Funds	36,927	37,014	39,393	39,695	41,836	43,592	45,930	49,432	54,119

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)									
EPS	16.2	4.6	13.8	12.5	15.5	17.7	16.5	24.7	33.1
Cash EPS	27.0	13.3	22.1	20.4	23.6	26.5	26.5	35.0	43.7
BV/Share	133.1	135.5	148.8	150.0	158.0	164.9	173.7	187.0	204.7
DPS	2.5	0.5	10.5	7.5	10.0	6.7	6.6	9.9	13.2
Payout (%)	15.5	11.7	81.7	65.1	64.4	40.0	40.0	40.0	40.0
Valuation (x)									
P/E	100	357	117	130	105	92	98.5	65.8	49.1
Cash P/E	60.3	121.9	73.7	79.6	69.0	61.4	61.3	46.4	37.2
P/BV	12.2	12.0	10.9	10.8	10.3	9.9	9.4	8.7	7.9
EV/Sales	6.6	10.0	7.2	5.7	5.3	4.8	4.4	3.9	3.5
EV/EBITDA	49	112	60	69	61	51	48.7	36.4	29.4
Dividend Yield (%)	0.2	0.0	0.6	0.5	0.6	0.4	0.4	0.6	0.8
FCF per share	4.0	17.8	27.5	-10.4	-4.3	-0.8	83.0	-41.4	59.5
Return Ratios (%)									
RoE	12.8	3.4	9.7	8.3	10.1	10.9	9.7	13.7	16.9
RoCE	12.8	3.6	9.7	8.2	10.2	11.0	10.8	14.5	17.5
RoIC	13.5	3.1	11.6	9.1	9.9	11.9	12.6	19.2	23.1
Working Capital Ratios									
Fixed Asset Turnover (x)	1.4	0.9	1.2	1.5	1.5	1.6	1.6	1.7	1.9
Asset Turnover (x)	1.8	1.1	1.5	1.9	1.9	2.0	2.1	2.1	2.2
Inventory (Days)	60	96	65	58	63	61	59	59	59
Debtor (Days)	80	118	83	65	84	106	95	77	77
Creditor (Days)	32	50	39	33	37	43	29	29	29
Working Cap. (Days)	108	164	108	89	109	124	125	107	107
Leverage Ratio (x)									
Current Ratio	1.8	1.8	1.9	1.9	1.8	1.6	1.8	1.7	2.0
Interest Cover Ratio	19.0	6.6	32.4	87.4	70.3	47.2	9.9	17.3	25.3
Debt/Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	5,689	1,694	4,944	4,173	5,511	6,291	5,817	8,711	11,660
Depreciation	2,851	2,320	2,172	2,106	2,119	2,327	2,650	2,730	2,811
Interest & Finance Charges	305	224	146	44	67	121	600	500	450
Direct Taxes Paid	-1,903	-823	-1,301	-1,397	-1,388	-1,913	-1,091	-1,633	-2,186
(Inc)/Dec in WC	-2,196	2,976	2,994	-6,160	-5,166	-4,223	16,938	-18,273	5,975
CF from Operations	4,746	6,392	8,956	-1,234	1,144	2,603	24,915	-7,965	18,710
Others	332	-189	40	39	-370	-268	0	0	0
CF from Operating incl EO	5,078	6,203	8,996	-1,196	773	2,335	24,915	-7,965	18,710
(Inc)/Dec in FA	-4,033	-1,498	-1,728	-1,543	-1,907	-2,546	-2,980	-2,980	-2,980
Free Cash Flow	1,045	4,705	7,268	-2,739	-1,134	-211	21,935	-10,945	15,730
(Pur)/Sale of Investments	0	0	13	3	0	0	0	0	0
Others	231	86	-10	515	625	315	-14,636	19,850	-15,140
CF from Investments	-3,802	-1,412	-1,726	-1,025	-1,282	-2,231	-17,616	16,870	-18,120
Issue of Shares	0	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	115	61	-2,551	-100	0	0	0	0	0
Interest Paid	-268	-281	-181	-45	-19	-61	-600	-500	-450
Dividend Paid	-800	-663	-134	-2,779	-1,985	-2,644	-1,745	-2,613	-3,498
Others	0	0	0	0	701	4,879	312	-251	-251
CF from Fin. Activity	-952	-884	-2,867	-2,923	-1,302	2,174	-2,033	-3,365	-4,199
Inc/Dec of Cash	324	3,907	4,404	-5,144	-1,811	2,277	5,266	5,540	-3,609
Opening Balance	462	786	4,693	9,097	3,953	2,142	4,419	9,686	15,226
Closing Balance	786	4,693	9,097	3,953	2,142	4,419	9,686	15,226	11,617

E: MOFSL Estimates

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