

GM Breweries Ltd.**BUY**

Key Indicators as on 06/07/2015		Source: Ace Equity
Closing Price (Rs.)	138.00	
EPS (Rs.)	15.92	
P/E	8.67	
BV per Share (Rs.)	107.87	
PB	1.28	
Yield (%)	1.8	
Mkt Cap (Rs. In Crore)	161.46	
Borrowing as on Mar-15	32.1	
Beta	1.11	
Mkt Cap/Sales	0.16	
Mkt Cap/PBIDTA	4.30	
Mkt Cap/PBTD	4.75	
Mkt Cap/PAT	8.67	
Mkt Cap/Cash Profit	6.67	
PBDITA (Rs. In Crore)	37.59	
Face Value (Rs.)	10	
Shares Outstanding crores	1.17	
Equity Share capital (Rs. In Crore)	11.7	
Share holding (%)	March-2015	
Promoters	74.43	
Institutions	-	
Non-Institutions	25.57	

Investment Highlights:

- **High growth potential for consistent company which caters to niche market of country liquor**
 - ✓ Sales, EBIDTA and PAT growing at a 11%, 19% and 23% CAGR respectively from FY 2010-2015
 - ✓ Play on niche market would help GM Breweries to gain market share
 - ✓ Pricing power helps to pass on any increase in costs
 - ✓ Capacity utilisation at 45.43%, potential to increase without much capital investment
 - ✓ Cash Conversion Cycle of 3 days implying company sell on practically zero credit

Other Positives

- ✓ Usage of PET bottles helps to control the cost of production
- ✓ Potential to penetrate into other parts of India
- ✓ Dividend yield of 1.7%
- ✓ High promoters stake, boosts confidence among investors
- ✓ ROCE above 20% since FY2005-06



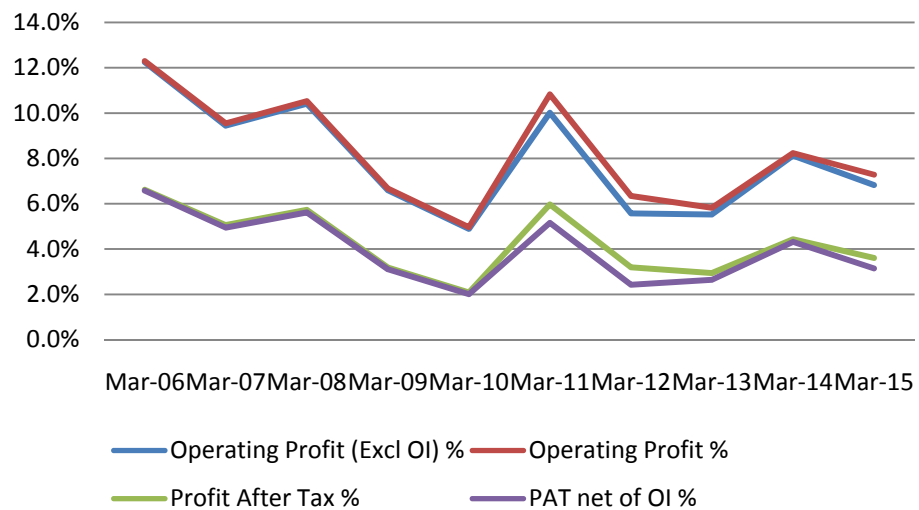
Investment Rationale:

- High growth potential for consistent company which caters to niche market, considering following factors:

Sales, EBIDTA and PAT growing at a 11%, 19% and 23% CAGR respectively from FY 2010-2015

Source: Ace Equity

Particulars (Rs in cr)	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	CAGR
Gross Sales	613.1	670.3	873.3	938.8	976.3	1,035.6	11%
Operating Profit (Excl OI)	15.6	34.9	24.1	26.1	39.4	35.2	18%
Operating Profit	15.8	37.7	27.4	27.5	39.9	37.6	19%
Profit After Tax	6.7	20.8	13.8	13.9	21.5	18.6	23%
PAT net of OI	6.4	18	10.5	12.5	20.9	16.3	20%



Play on niche market would help GM Breweries to gain market share

- ✓ GM Breweries Ltd operates in niche market in the country liquor segment, which sees lower competition than the IMFL (Indian made Foreign Liquor) segment. Most of the companies are unorganized in this field. This makes GM Breweries to gain market share.

Pricing power helps to pass on any increase in costs

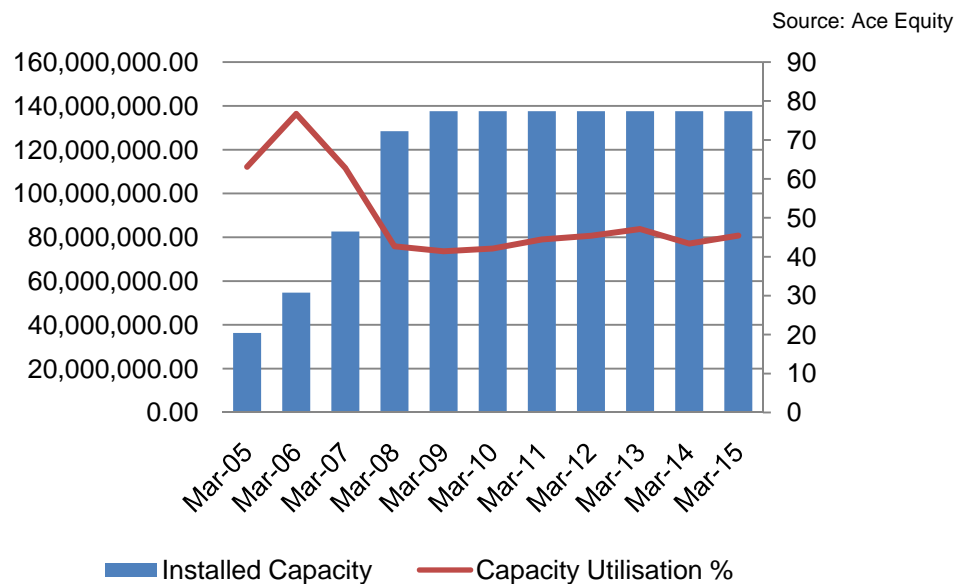
- ✓ Increase in topline is mainly on account of selling price; CAGR over FY08-15 grew at 9% where as sales volume has grown at a 2% over a same period of time.

Source: Ace Equity

Years	Volume (B.L)	Sales (Rs. Cr)	Selling Price
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Mar-08	54,636,308	502.6	91.9
Mar-09	56,977,866	551.1	96.7
Mar-10	57,624,275	613.1	106.4
Mar-11	61,670,171	670.3	108.7
Mar-12	61,868,640	873.3	141.2
Mar-13	65,429,386	938.8	143.4
Mar-14	59,446,893	976.3	164.2
Mar-15	62,472,111	1,035.6	165.8
CAGR	2%	11%	9%

Capacity utilisation at 45.43%, potential to increase without much capital investment



Cash Conversion Cycle of 3 days implying company sell on practically zero credit

Source: Ace Equity

Particulars	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15
Receivable days	0	0	0	0	0
Inventory Days	5	4	4	4	6
Payable days	6	4	5	5	3
Cash Conversion cycle	-1	-0	-2	-1	3

Other Positives:

Usage of PET bottles helps to control the cost of production

- ✓ Almost 46% of country liquor of G.M. Breweries Ltd is sold in PET bottles; this helps to control cost of production.
- ✓ Also Installed “Unscramblers” in 2014-15 in all the PET bottling lines which will facilitate direct feeding of the bottles on the line which in turn will increase the output considerably.

Potential to penetrate into other parts of India

- ✓ The company has capacity to process 13.76 crores bulk litres of country liquor per annum out of which only about 45.43 % has been utilized in FY 2015. The company has potential to utilize the balance capacity by penetrating into other parts of India, taking advantage of its brand image. It has strong presence in Mumbai, Navi Mumbai, and Thane district.

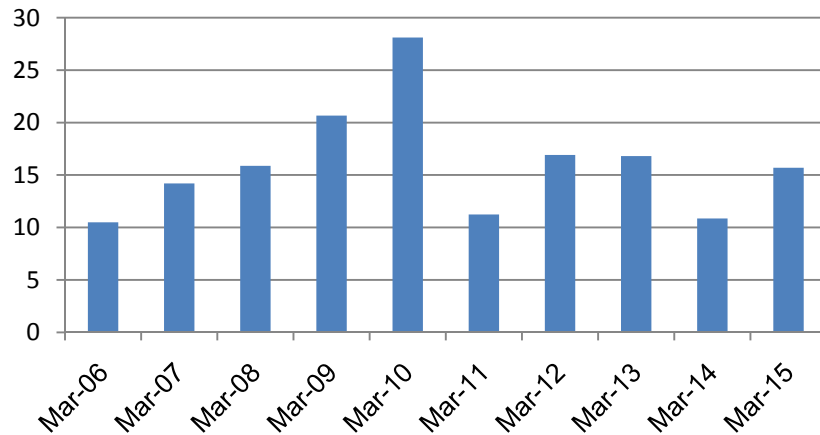
Strong Country Liquor Brand

1. G.M. Doctor
2. G.M. Nimbu Punch
3. G.M. Santra
4. G.M. Dilbahar Sounf

@ CMP of Rs.138, dividend yield of 1.8%

Source: Ace Equity

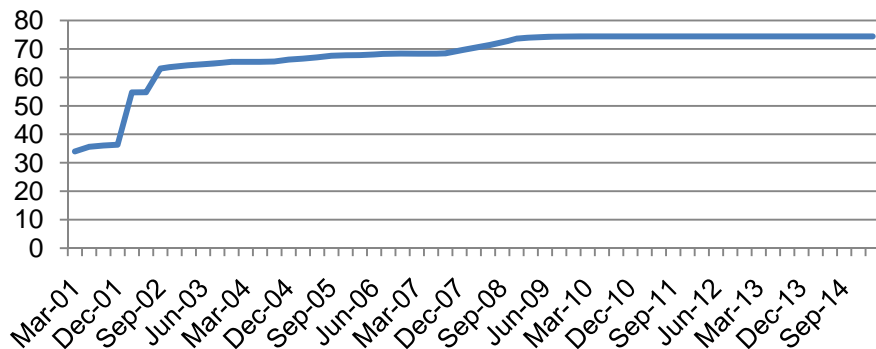
Dividend Pay Out Ratio(%)



Source: Ace Equity

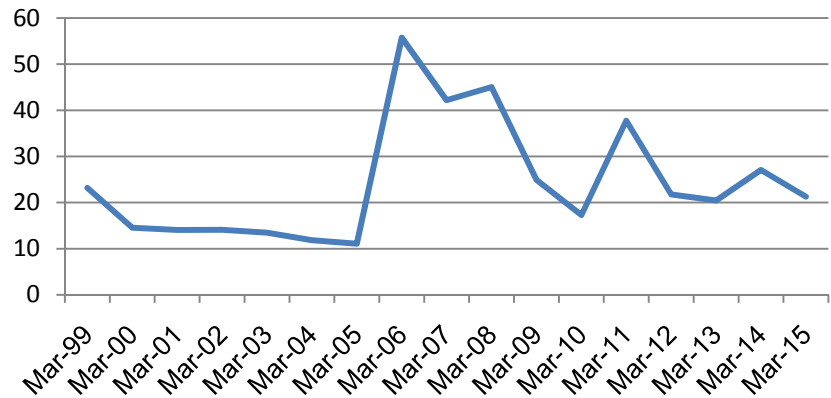
High promoters stake, boosts confidence among investors

Promoters %



ROCE(%)

ROCE above 20% since FY 2005-2006



Company Profile:

GM Breweries was incorporated in the year December 1981. The company is engaged in the manufacture of alcoholic liquor. It has its manufacturing unit in Thane district of Maharashtra with installed capacities of 13.76 million bulk liters of country liquor. Its brand includes G.M. Santra, G.M. Doctor, G.M Limbu Punch and G.M. Dilbahar Sounf. Jimmy William Almeida is a chairman and managing director of the company.

The company has a major presence in Mumbai, Navi Mumbai and Thane and is the single largest manufacturer of country liquor in Maharashtra. The registered office of the company is located at Ganesh Niwas, S. Veer Savarkar Marg, Prabhadevi, Mumbai-400025.

Structure of the Indian Liquor industry :

The Indian liquor industry comprises the IMFL, foreign liquor bottled in India (BII), foreign liquor bottled in origin (BIO), country liquor, beer and wine segments. The IMFL segment primarily includes molasses-based whisky, rum, brandy, gin and vodka. This segment is dominated by whisky, which accounts for about 60% of its volumes, followed by rum at about 25%. The country liquor segment, estimated to be one-and-a-half to two times the size of the IMFL segment, is, however, characterized by fragmented capacities with a number of small players focused on the high- consumption rural areas.

Source:http://www.crisil.com/Ratings/Commentary/CommentaryDocs/liquorind_vivek.pdf

Quarterly Results – (Standalone)

Source: Ace Equity

DESCRIPTION (Rs. in Cr)	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Sales	70.01	76.85	74.99	75.64	75.06	78.74	77.90
Other operating income	0.02	0.02	0.03	0.02	0.02	0.03	0.02
Net Sales & Other Operating Income	70.03	76.87	75.02	75.66	75.08	78.77	77.92
Total Expenditure	59.99	68.60	63.35	66.78	69.39	70.39	65.52
PBIDT (Excl OI)	10.04	8.27	11.67	8.88	5.69	8.38	12.40
Other Income	0.14	0.12	0.17	0.01	0.07	2.16	0.03

Operating Profit	10.18	8.39	11.84	8.89	5.76	10.54	12.43
Interest	0.38	0.86	0.80	0.93	0.93	0.87	0.84
PBDT	9.80	7.53	11.04	7.96	4.83	9.67	11.59
Depreciation	1.07	1.20	1.26	1.21	1.38	1.29	1.68
PBT	8.73	6.33	9.78	6.75	3.45	8.38	9.91
Tax	2.84	2.04	3.70	2.19	1.12	2.33	4.19
Profit After Tax	5.89	4.29	6.08	4.56	2.33	6.05	5.72

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RESEARCH ANALYST REGISTRATION NO.	INH000000677

NAYAN M. VALA SECURITIES PVT.LTD.

403-404, Cosmos Court,
Above Waman Hari Pethe Jewellers
S. V. Road, Vile-Parle (West),
Mumbai – 400056. INDIA

Tel: (+91-22) 2610 5973 / 2610 5974
Fax: +91-22- 2612 4310
E-Mail: research@nayanmvala.com
Website: www.nayanmvala.com