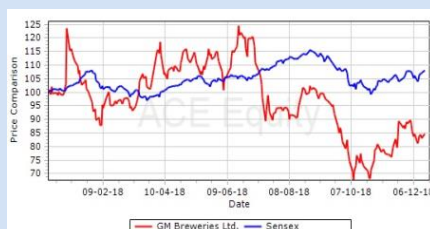
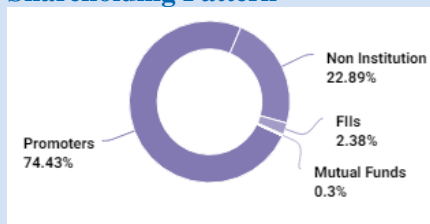


Company Details

CMP:	Rs.655.25
Face value:	Rs.10
Market cap:	Rs.1176.43 Crs.
TTM EPS	Rs.54.89
52 week high:	Rs.969.60
52 week low:	Rs.495
BSE Code:	507488
Sector	Breweries & Distilleries

Financial Highlights (YoY)

Rs. in crores			
	H1FY19	H1FY18	% Var
Net Sales	817.98	751.07	8.9%
Total Expendit	753.83	710.72	6.1%
PBDIT	64.21	40.35	59.1%
Op.Profit	66.68	42.22	57.9%
OPM (%)	8.2%	5.6%	45.0%
PBT	63.64	39.65	60.5%
PAT	41.61	25.93	60.5%
EPS (Rs.)	22.75	17.72	28.4%
Equity	18.29	14.63	25.0%

Shareholding Pattern**Company Background**

G.M.Breweries Ltd., a Mumbai based company incorporated in 1981, is engaged in manufacturing and marketing of country liquor and Indian made Foreign liquor. The company is having fully automatic bottling plant at Virar, District Thane and is the largest manufacturer of country liquor in the state of Maharashtra with an installed capacity of 50,000 cases a day. The brand enjoys virtual monopoly in country liquor across Mumbai, Thane and Palghar regions. G.M Santra, Doctor, Limbu Punch and Dilbahar Sounf are the four major brands of the company.

**Financial Performance**

The company had reported Net sales of Rs. 817.98 crores in H1FY19 higher by 8.9% against Rs. 751.07 crores in H1FY18, while **Operating profit was at Rs.66.68 crores in H1FY19 up by 57.9% against that of Rs.42.22 crores in H1 of the last year.** The operating profit margin has improved to 8.2%, as compared to 5.6% in corresponding half year of previous year, an increase of 260bps. The EPS grew by 28.4% to Rs 22.75 in H1FY19. The rise in the revenue as well as margin is due to higher realization for the company's products, moderation in price of raw material particularly rectified spirit and packaging material as well as cutting down of expenditure.

Investment Rationale

- The products of the company have been **enjoying consistently good brand image** and loyalty from the customer for the past several years, this has resulted a **virtual monopoly in country liquor in the district of Mumbai, Thane and Palghar**.
- The company has capacity to process 13.76 crore bulk liters of country liquor per annum out of which only about 49.20% has been utilized last year. The company is taking all possible steps to utilize the surplus capacity by extending its business to interior of Maharashtra taking the advantage of its brand. **The existing capacity should take care of the company's requirement at least for the next five years and the company doesn't foresee any technological obsolescence for its products.**
- The company has been continuously paying dividend since FY07.
- It has rewarded the shareholders with issue of bonus shares in the ratio of 1:4 in May 16 and May 18.
- The company has virtually no debt on its books.
- **Healthy financials: During FY15 to FY18 its Net Sales and PAT have grown at a CAGR of 21.19% and 59.62% respectively.**
- As on Sep 30th, 2018, the promoters hold 74.43% equity of the company, whereas FIIs and DIIs own 2.38% and 0.3% respectively, and the balance 22.89% shares are held by the public.

Concerns

Competition from unorganized sector and volatility in raw material prices are the main concerns.

Valuation

The share of the Company has declined from 52week high of Rs. 969.60 by more than 30% and is trading at **TTM P/E of only 11.8x**. Keeping the healthy financials of the company in view, improvement in margins, ability to scale the top-line and high promoter holding, we expect the company to report **EPS of above Rs.50.5 for FY19 and based on PE of 15.5x**, we estimate the price of the scrip to appreciate to about Rs.782 over the next 6 months (price appreciation of about 20%).

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