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INDIA | ALCOHOLIC BEVERAGES | THEMATIC RESEARCH

JM FINANCIAL

# Alcoholic Beverages

## Short-term hiccups, long-term cheers



India's alcoholic beverages is one of the fast-growing markets globally

Large penetration & premiumisation opportunity makes it key growth engine for players

Initiate on Radico Khaitan with BUY, United Spirits and United Breweries with ADD

JM Financial Institutional Securities Limited

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# Alcoholic Beverages

## Short-term hiccups, long-term cheers

India's alcoholic beverages industry, with a market size of c.1,100mn+ cases, is one of the largest/fast-growing markets globally. Despite a high degree of control over critical aspects (production, pricing, distribution, branding) of a product and adverse regulatory-led disruption (especially in the last 7-8 years), the top 3 listed players have delivered high single digit to low double digit sales CAGR over the last 15 years. Low per capita consumption and favourable demographics (by 2030, 100mn Indians will reach legal drinking age, representing 25% of global growth in alcohol consumers) make India a compelling opportunity and a priority market for global majors (2nd largest for Pernod Ricard, among the top 3 markets for Diageo, 4th largest for Budweiser and key growth market in Carlsberg's Accelerate SAIL strategy).

While state regulations are difficult to predict, as you win some, lose some, what we like about existing incumbents is execution on metrics that are under their control – innovation, premiumisation, strengthening supply chain, and extracting cost efficiencies. The results are visible from faster growth in the premium portfolio, higher investment behind manufacturing capabilities, reduction in other expenses as % to sales and improving balance sheet strength/CF generation. Hence, we have a positive stance on the sector; sharp corrections due to near-term headwinds or any adverse regulation should be used as an opportunity to add.

We initiate coverage on Radico Khaitan with BUY and a TP of INR 3,515 (60x Sep'27E EPS), aided by 18%/26%/36% revenue/EBITDA/EPS CAGR and average RoE/RoCEs of 20%/26% over FY25-28E.

We initiate coverage on United Spirits with ADD; TP of INR 1,475 (valuing standalone business at 51x Sep 27E + INR 130/share for Royal Challengers Sports Pvt. Ltd.), with EBITDA/PAT CAGR of 11%/12% and average RoEs/RoCEs of 20%/28% over FY25-28E.

We value United Breweries at 60x Sep'27E EPS and initiate with ADD with a TP of INR 1,990, supported by 29% EPS CAGR and average RoE/RoCEs of 16%/21%, expected across FY25-28E.

**India volatile but vital market:** Our analysis of sales growth for key players in alcoholic beverages over the last 15 years and a decade prior to Covid (low-double-digit CAGR in both cases) suggests no material underperformance vs. FMCG players. This is despite the highly regulated nature of the industry and material disruptions over the last 7-8 years. Episodic disruption (Maharashtra for Indian made Foreign Liquor (IMFL)/Karnataka for beer) may delay but won't derail the growth story. A low-double-digit value growth for IMFL–Prestige & Above (P&A) and the beer industry is a reasonable expectation in a stable regulatory environment over the medium to long term. Hence, India is one of the fastest-growing/large markets globally and a key growth engine for all the global majors (visible from stepped up investments in India). We expect low-double-digit sales CAGR for our coverage universe.

**Premiumisation – a structural shift, key value driver and tool to navigate adverse regulatory/inflationary environment:** The premium beer/IMFL (P&A segment has seen faster and more resilient growth, and enjoys better profitability vs. mainstream/base brands. This also allows cushioning some impact of adverse regulation and input cost inflation. Salience within IMFL (c.40-45%) vs. beer (c.20-25%) is higher and headroom exists to further scale up in both segments. As a result, we have seen step-up in efforts (innovation/localisation of manufacturing) across players to accelerate premiumisation. We are building in higher growth for UB's premium and UNSP/Radico's P&A portfolio vs. the base portfolio. This, along with stable input costs and leverage benefit should enable higher EBITDA/PAT growth (factoring in 17%/20% EBITDA/PAT CAGR for the coverage universe).

**Moats intact for coverage universe, premium valuations to sustain:** A highly regulated industry structure and complex supply chain act as strong entry barriers, which makes scalability a key challenge for new entrants. As a result, existing incumbents who have strong capabilities and are investing in fortifying their position have a competitive edge, and we don't foresee competition-led threats like that seen in case of many staples/discretionary categories. Moreover, for all three coverage companies, we expect improving balance sheet strength (led by uptick in profitability and improving working capital), better cash flow generation (which should fund capex as well as drive FCF) and uptick in RoE/RoCE profile over FY25-28E. Hence, we expect premium valuations to sustain for our coverage universe.

Financial Table

| Company | Mcap (USD bn) | CMP (INR) | TP (INR) | Upside (%) | Rating | PE (x) | | Sales CAGR (%) FY25-28E | EPS CAGR (%) FY25-28E | ROE (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | FY27E | FY28E | | | FY26E | FY27E | FY28E |
| Alcobev | | | | | | | | | | | | |
| United Spirits | 10.9 | 1,327 | 1,475 | 11.1% | ADD | 53.6 | 47.5 | 8.5% | 11.8% | 18.4% | 20.3% | 21.1% |
| United Breweries | 5.4 | 1,799 | 1,990 | 10.6% | ADD | 62.7 | 48.1 | 12.3% | 29.1% | 12.6% | 16.0% | 19.3% |
| Radico Khaitan | 4.6 | 3,011 | 3,515 | 16.8% | BUY | 59.2 | 46.1 | 17.6% | 36.3% | 17.8% | 19.9% | 21.5% |

Source: Bloomberg, Company, JM Financial

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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

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**Radico Khaitan**
**[BUY, Target Price – INR 3,515]**

We value Radico at 60x Sep'27E EPS and initiate with BUY with a target price of INR 3,515, supported by 18%/26% revenue/EBITDA CAGR and average RoEs/RoCEs (pre-tax) of 20%/26% expected across FY25-28E. Radico is well-placed to benefit from the premiumisation wave in the IMFL industry, backed by strong growth in the P&A portfolio and leadership in vodka/whiskey segments. Due to faster earnings growth (c.36% CAGR over FY25-28E) vs. peers within the alcoholic beverage space, we expect premium valuations to sustain.

**United Spirits**
**[ADD, Target Price – INR 1,475]**

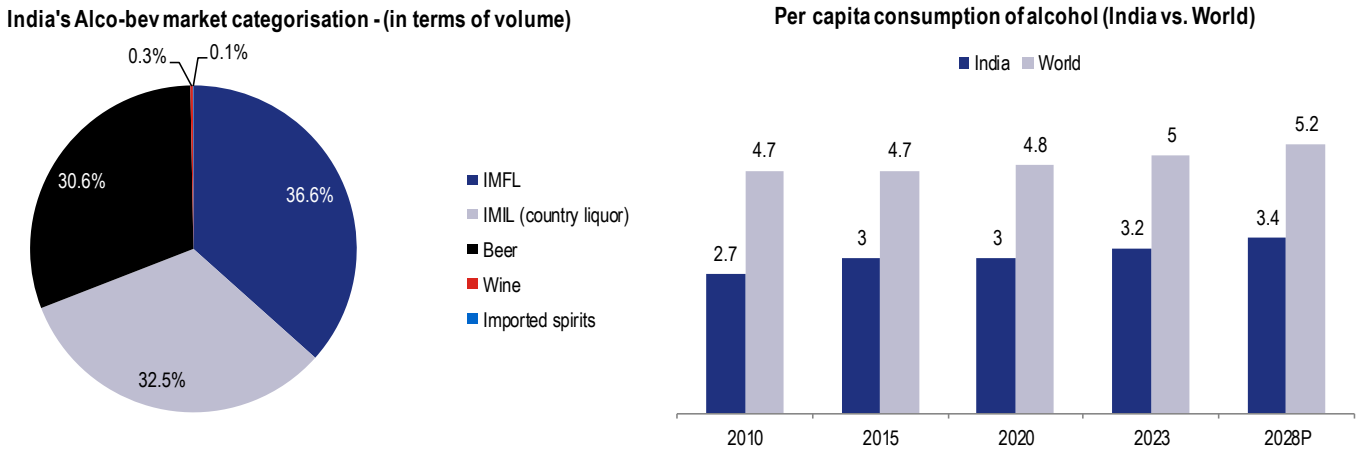
We value UNSP's standalone business at 51x Sep'27E EPS + INR 130/share for RCSPL to arrive at a target price of INR 1,475 and initiate with ADD. This is supported by 9%/11%/12% revenue/EBITDA/PAT CAGR and average RoEs/RoCEs (pre-tax) of 20%/28% expected across FY25-28E. While Maharashtra is likely to see disruption (tax hike, introduction of MML segment), India-UK FTA, faster growth in P&A segment and likely recovery in urban should support growth. Sharp corrections should be used as an opportunity to add.

**United Breweries**
**[ADD, Target Price – INR 1,990]**

We value UBL at 60x Sep'27E EPS and initiate with ADD and a target price of INR 1,990. We forecast 12%/25%/31% revenue/EBITDA/PAT CAGR and 16%/21% average RoEs/RoCEs (pre-tax) over FY25-28E. UBL's dominant position with c.50% market share (sustained for decades), strong capabilities and improving execution we expect the same to sustain. We like UBL's moats and have built in healthy earnings growth over FY25-28E. Sharp corrections due to near term headwinds should be used as opportunity to add.

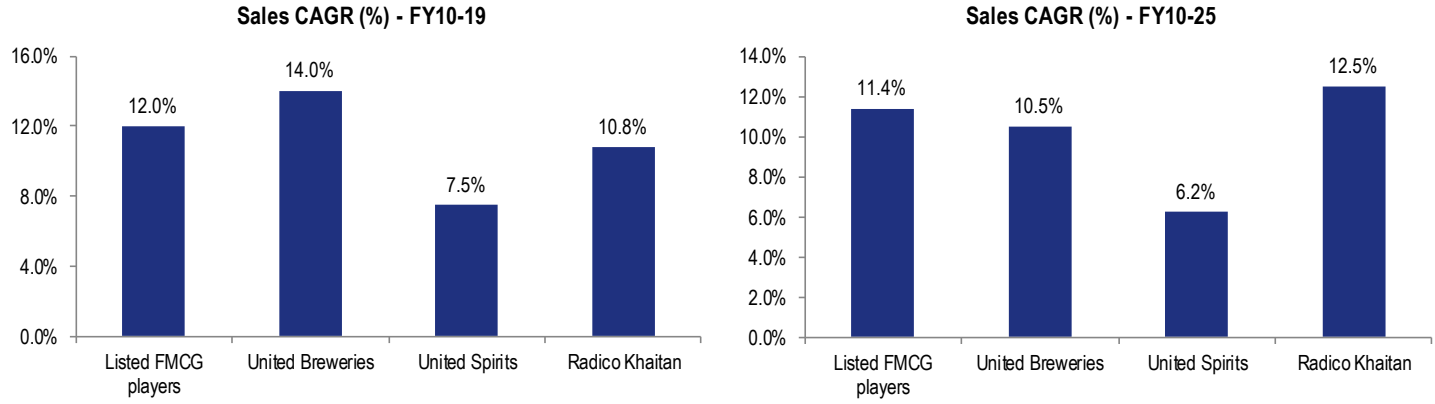
# Focus Charts

## Exhibit 1. India Alcoholic beverage is a large and compelling opportunity with headroom for growth as well as premiumisation



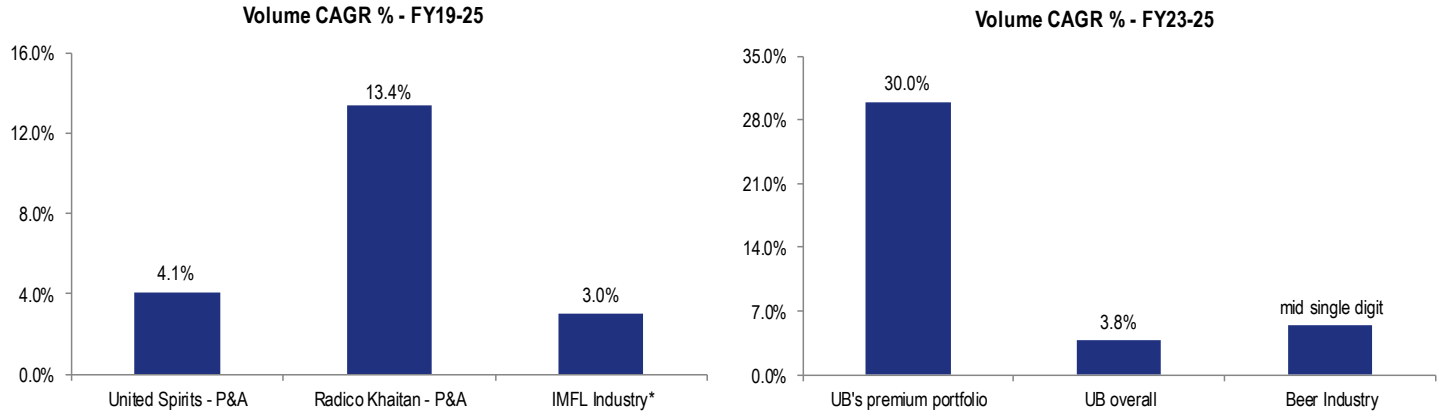

Source: Technopak Analysis, Company, JM Financial

## Exhibit 2. Alcoholic beverage players have seen resilient growth, no material underperformance vs. FMCG peers despite challenging operating environment



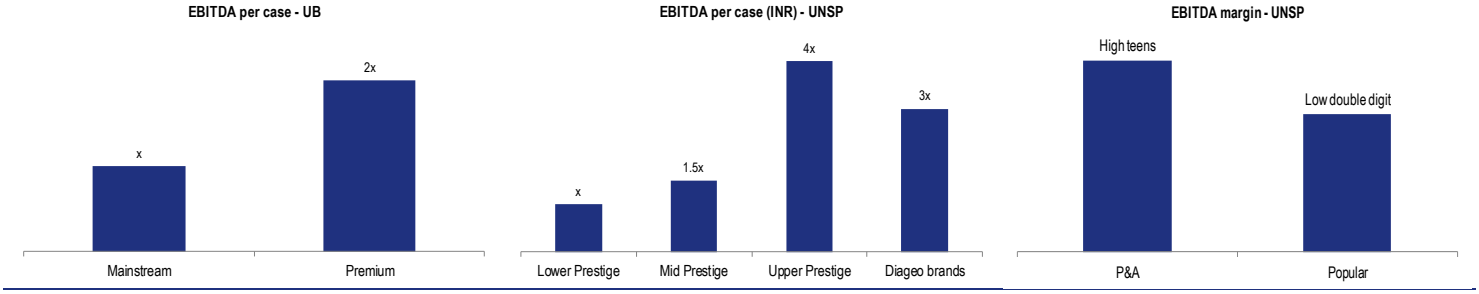

Source: Company, JM Financial
Note: 1. Listed FMCG players is aggregate of GCPL, Marico, HUL, Dabur, Colgate, Britannia, Asian Paints and Titan. 2. Sales is net-off excise duty but including other operating income.

## Exhibit 3. Premiumisation trend visible across segments with faster growth in premium products vs base brands/Industry



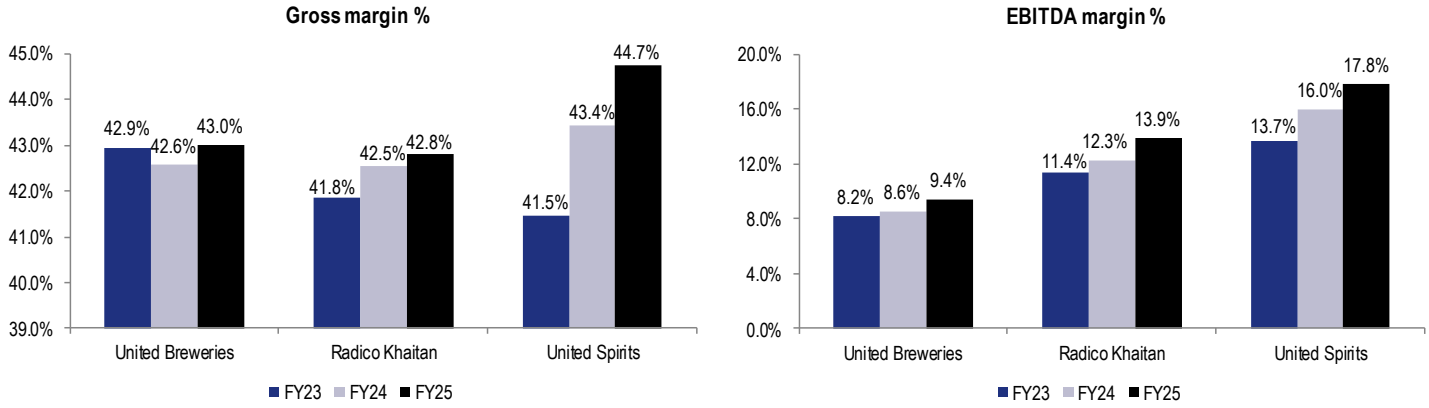

Source: Euromonitor International, Company, JM Financial. *Industry data pertains to calendar year.

## Exhibit 4. Premium portfolio delivers superior margin profile vs. popular/mainstream in both beer and IMFL



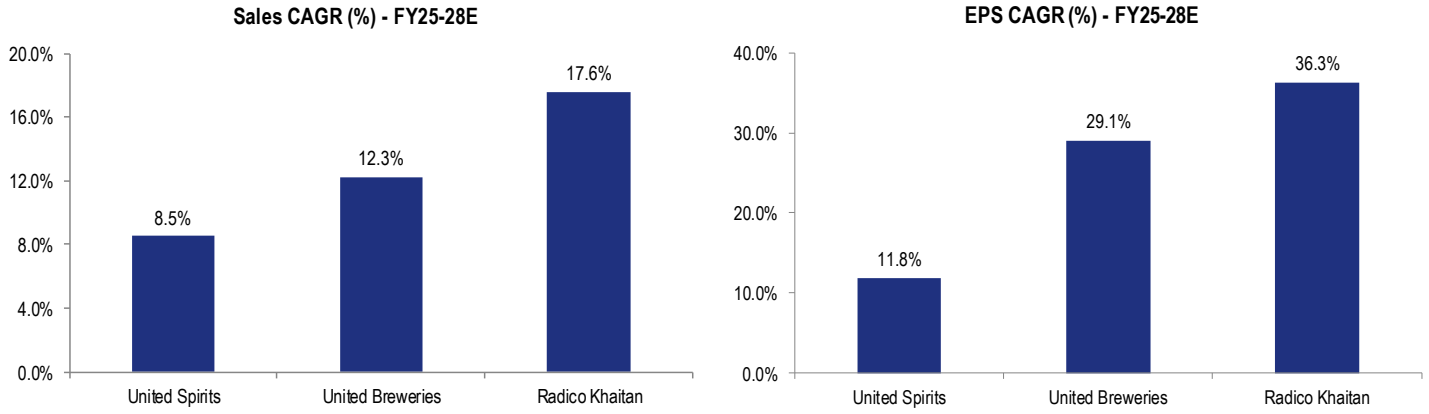

Source: JM Financial estimates

## Exhibit 5. With margin pressures easing, profitability metrics have seen improvement across players and same is likely to sustain




Source: Company, JM Financial

## Exhibit 6. Healthy sales CAGR along with uptick in margins will drive overall earnings growth over FY25-28E.




Source: Company, JM Financial. Note Sales is net-off excise duty but including other operating income.

# Investment thesis

## India alcoholic beverages a large and compelling opportunity

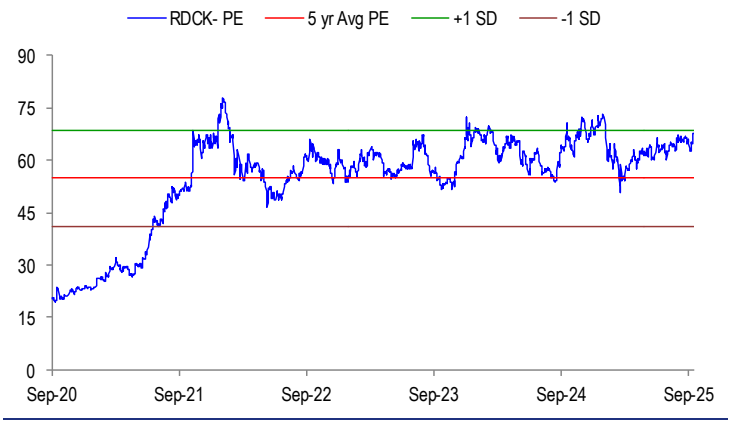
- **A large and fast-growing market:** India's alcoholic beverages industry, with a market size of c.1,100mn+ cases (beer and IMFL account for c.400mn cases each), is one of the largest/fast-growing markets globally. Despite a high degree of control over critical aspects (production, pricing, distribution, branding) of a product and adverse regulatory-led disruption (especially in the last 7-8 years), the top 3 listed players have delivered high single digit to low double digit sales CAGR over the last 15 years.
- **Opportunity size makes India a key growth engine for global majors**: Low per capita consumption, favourable demographics (by 2030, 100mn Indians will reach legal drinking age, representing 25% of global growth in alcohol consumers) and accelerating premiumisation trend make India a compelling opportunity and priority market for global majors (2nd largest for Pernod Ricard, among the top 3 markets for Diageo, 4th largest for Budweiser and key growth market in Carlsberg's Accelerate SAIL strategy).
- **Premiumisation a structural trend visible across players; incumbents have significantly stepped up efforts to accelerate premium portfolio:** Premiumisation is a key structural shift that is visible in both beer as well as IMFL segments. With consumers increasingly seeking better quality products, the premium segment is seeing steady outperformance compared to base brands as well as overall industry growth. This is also visible from faster growth in the P&A segment for IMFL and premium beers for all the top 3 players. Also, our analysis suggests the realisation and EBITDA/case in these segments are much higher and increasing salience of these products can be an effective tool to navigate any adverse regulatory changes or input cost movement.
- **Moats for existing incumbents intact:** The alcoholic beverages industry is one of the key drivers of state revenue with production, distribution, pricing/taxation and sale of alcohol regulated by state specific excise/industry policies, which makes every state an independent and different market. Existing incumbents through their presence spanning over decades have built capabilities/infrastructure that give them a competitive edge and a highly regulated market makes it difficult for new entrants to disrupt/scale-up, something which we have seen in case of other discretionary segments like paints, consumer durables, personal care and fashion retail. This is also visible from large MNC/Indian incumbents maintaining/gaining market share in the industry. We expect sales for our alcoholic beverage coverage universe to grow at CAGR of 12% over FY25-28E.
- **Profitability improving with some easing of margin pressure:** After steep input cost inflation-led margin pressure seen over FY19-23 for both IMFL and beer players, we have seen some easing/stability in input costs, which, along with higher growth in the premium segment, has led to uptick in gross margin. Better fixed cost absorption with improving scale and healthy execution on extracting cost efficiencies (moderation in other expenses as % to sales, ex-A&P) across players has led to strong EBITDA and PAT growth over FY23-25. Over the medium to long term, we see headroom for margin expansion across players in our alcoholic beverages coverage universe. We are factoring EBITDA/PAT CAGR of 17%/20% for our coverage universe over FY25-28E.
- **Premium valuations to sustain:** Our coverage universe has been trading at premium valuations (54-63x FY27E, 5-year average PE >55x), which is a function of the factors stated above. We don't see any material threat to these factors from a medium to long term perspective. Adverse regulatory/steep input cost inflation are the only major risks that might delay the story, but they won't disrupt/derail it, in our view. We believe that sharp corrections due to adverse regulatory issues (for e.g., excise hike on IMFL in Maharashtra and on beer in Karnataka) should be used as an opportunity to add.

# Radico Khaitan – Initiate with BUY; target price of INR 3,515

## Investment Thesis

- **Exceptional transformation crafted by visionary leadership:** Innovation, blend, packaging and well-integrated supply chain infrastructure are critical aspects for success in the IMFL industry. Radico's success can be attributed to the promoters' ability to spot opportunities early (for e.g.: premiumisation in vodka, scaling up presence in the luxury whisky) and extensive focus on innovation. Impressive execution is visible from a) it being one of the fastest-growing players in the P&A segment, b) dominant market share of 60% in the fast-growing vodka segment and c) initial success in the premium whisky segment.
- **Enough runway for growth, revenue outperformance to continue:** We see Radico's revenue outperformance continuing, led by – a) market share gains in the overall IMFL segment and the P&A segment, where its share is still in high single digits, b) favourable regulatory environment in key markets of UP/AP (c.40% of its IMFL volume), c) high-teens growth in its largest brand 'Magic Moments' (c.50% of P&A sales) thereby capitalising on the fast-growing white spirit segment and d) acceleration in the whisky segment (led by recovery in 8 PM premium black, traction in After Dark and acceleration in the luxury portfolio) where it is under-indexed (c.38% of Radico's sales vs. c.60% for industry).
- **Improved profitability and working capital to strengthen balance sheet and drive healthy cash generation:** After steep margin pressure in FY22/23, Radico's margin has seen some recovery over FY24/25. We expect the pace of margin expansion to increase led by a) premiumisation – increase in salience of P&A and higher growth in the mid-premium/luxury portfolio within P&A, b) improved profitability in the non-IMFL segment, c) benefit of UK FTA, and d) stable input costs. Uptick in margins and better working capital will aid RoCE, which, along with lower capex intensity, will enable healthy FCF generation and ensure debt reduction (net cash by FY27E).
- **What have we factored in?** We expect industry outperformance to continue as we bake in net sales CAGR of c.18% over FY25-28E. Growth will be led by the P&A segment, where we expect sales CAGR of 24%. With input cost pressure easing, coupled with continued premiumisation, we expect gross margin to improve by c.200bps over FY25-28E. This, along with operating leverage, should result in EBITDA increasing by c.26% CAGR over FY25-28E. Lower depreciation growth and interest expense could result in PAT CAGR being higher at c.36% over FY25-28E.
- **Valuation:** We value Radico Khaitan at **60x Sep'27E EPS** and initiate with **BUY** with a target price of **INR 3,515**. Radico Khaitan's proven track record/capabilities in terms of innovation intensity in the P&A segment, backward-integrated manufacturing and improving profitability/balance sheet strength have led to a sharp re-rating over the last 5 years. We expect earnings outperformance to continue; hence, premium valuations are likely to sustain.

**Exhibit 7. Radico's 5yr avg. PE band**




Source: Bloomberg, Company, JM Financial. Note: Valuation as on 18th Sep'25

**Exhibit 8. Radico's 10yr avg. PE band**




Source: Bloomberg, Company, JM Financial. Note: Valuation as on 18th Sep'25

# United Spirits – Initiate with ADD; target price of INR 1,475

## Investment Thesis

- **Maharashtra tax hike a near-term headwind..:** Maharashtra (c.16-18% of sales/EBITDA) may see disruption due to a) steep hike in excise duty for IMFL (c.30-40% increase in MRP) and b) introduction of MML segment between IMFL and Country liquor with huge price gap. Our checks/industry interactions point to possible downtrading and industry decline of c.20%, which could weigh on near term sales growth. Favourable policies in certain states and likely recovery in urban discretionary could provide some cushion. We bake in lower sales growth of c.6% in P&A (vs. management guidance of double-digit growth) for FY26E. Possible opening up of Delhi/Bihar market can be an upside risk.
- **…but stepped-up interventions in P&A showing encouraging results; provides comfort on medium-term trajectory:** Over last 3-6 years, UNSP's P&A sales has grown much faster than Pernod Ricard. The notable trends are – a) Faster growth in luxury segment (33% of sales), b) share gains in lower prestige from Imperial blue and c) share gains in Mid/upper prestige (c.23% of sales and high margin segment) led by RC and Signature, where it had a relatively weaker position vs. Pernod Ricard. Better execution here provides comfort on double-digit growth over the medium term (we bake in c.10% growth in FY27 and 28E).
- **Healthy execution on margins so far, expect high-teen margin to sustain:** Over FY15-25, while gross margin has improved by c.400bps, EBITDA margin has expanded by c.1,000bps (without curtailing A&P spends), led by divestments of regular portfolio, rationalisation of manufacturing footprint and the supply chain agility programme. While margin expansion over the last 2 years was ahead of expectations, faster growth in Mid/upper prestige, productivity initiatives and UK FTA benefit (in FY27E) should help sustain high-teen margins and drive higher EBITDA growth (CAGR:11%) over FY25-28E.
- **What have we factored in?** We expect net sales CAGR of 8.5% (P&A sales CAGR of 9%) over FY25-28E. Factoring in the Maharashtra impact, we have taken lower growth in P&A in FY26 and expect it to revert to double-digit growth in FY27/28E. With stable input costs, premiumisation and cost saving programmes, we expect c.100-110bps improvement in margins over FY25-28E, resulting in EBITDA/PAT CAGR of 11%/12%.
- **Valuation:** We initiate coverage with **ADD**; TP of INR **1,475 (valuing standalone business at 51x Sep 27E + INR 130/share for RCB).** We are factoring lower sales growth in FY26 and have assigned lower multiple of 51x (vs. 5-year avg. PE of c.59x) to UNSP, factoring in near-term headwinds in Maharashtra and slower earnings growth vs. peers. We like UNSP's portfolio strength; improving execution in Mid/Upper-prestige segments provides assurance on its ability to ride the premiumisation wave over medium to long term. Superior RoE/RoCE profile and balance strength vs. peers provides additional comfort. Sharp corrections due to near-term volatility are an opportunity to add the stock.

**Exhibit 9. UNSP's 5yr avg. PE band**




Source: Bloomberg, Company, JM Financial. Note: Valuation as on 18th Sep'25

**Exhibit 10. UNSP's 10yr avg. PE band**




Source: Bloomberg, Company, JM Financial. Note: Valuation as on 18th Sep'25

# United Breweries – Initiate with ADD; target price of INR 1,990

## Investment Thesis

- **Industry opportunity compelling; UBL has necessary ingredients to capture the same:** The beer category has large headroom to increase share of throat (< 20%), gain share of occasions (c.25-30% currently) and gain shelf space at outlets (c.90% is occupied by spirits). Hence, 6-8% volume/low double-digit value growth is achievable in a stable regulatory environment. The attractiveness of geography is visible from global majors making it a priority market (4th largest market for Budweiser, key growth engine for Carlsberg/Heineken).While competition is enhancing its presence, UBL is by far the largest in terms of scale and has a portfolio with strong brand recall, which gives it an edge. Its sustained dominance (market share of c.50%) over decades is a testament to this.
- **Strategic initiatives underway to accelerate growth and fortify leadership position:** Under new CEO Vivek Gupta, several strategic initiatives are being implemented to a) address portfolio gaps, b) enhance/localise manufacturing presence, c) accelerate premiumisation, where it is under-indexed vs. peers, and d) dial up execution in trade outlets (visi-cooler penetration). Initial results are promising - despite external headwinds, UBL's c.9% sales CAGR over FY23-25 and 16% in 1QFY26 is commendable. We expect momentum to sustain and build revenue CAGR of c.12% over FY25-28E (volume CAGR of c.8%).
- **Margin pressures to ease, underlying potential suggests enough headroom to expand:** Margin pressures for UBL are bottoming out (stable RM, improving salience of old bottles, supply chain optimisaiton). Although, in the near term, expansion could be more gradual due to external challenges (in Karnataka/Telangana), infusion of new bottles for premium portfolio (currently lower EBITDA/case vs mainstream brand) and capability investments. UBL's cost structure is leaner vs. Carlsberg India; however, the latter's EBITDA margin (c.13-14%) is higher due to better mix. Hence, execution on premiumisation can accelerate expansion over FY27/28E for UBL, in our view.
- **What have we factored in?** We bake in net sales CAGR of c.12% over FY25-28E as we expect UBL's volume trajectory to accelerate over FY25-28E to c.8% (vs. low-single-digit CAGR seen over FY19/25/FY23-25) along with stable realisation. We are factoring in 160bps uptick (higher expansion in FY27/28E) assuming a better state mix (Karnataka comes back to normalised growth, Maharashtra continuing to do well), stable RM prices, improving share of returnable bottles and normalisation of premium portfolio growth. This, along with operating leverage should aid c.350bps expansion in EBITDA margin, resulting in EBITDA/PAT CAGR of 25%/29% over FY25-28E, with average RoE/RoCE of 16%/21%.
- **Valuation:** We value United breweries at **60x Sep'27E EPS** and initiate with **ADD** with a target price of **INR 1,990**, supported by 12%/25%/29% Revenue/EBITDA/EPS CAGR and average RoE/RoCEs of 16%/21%, expected across FY25-28E. Historically, UBL has traded at premium valuations. Considering the opportunity size in the beer segment, UBL's dominant position with c.50% market share (sustained for decades), strong capabilities (brand/manufacturing infrastructure) and improving execution we expect the same to sustain. We like UBL's moats and have built in healthy earnings growth over FY25-28E. Faster growth by competition and regulatory headwinds (in Karnataka) needs to be watched for as these could slowdown pace of margin expansion

## Exhibit 11. UB's 5yr avg. PE band




Source: Bloomberg, Company, JM Financial. Note: Valuation as on 18th Sep'25

## Exhibit 12. UB's 10yr avg. PE band




Source: Bloomberg, Company, JM Financial. Note: Valuation as on 18th Sep'25

## Exhibit 13. Peer comps – financial parameters

| Company | Mcap (USD bn) | FY25-28E CAGR (%) | | | ROE (%) | | | ROCE (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Sales | EBITDA | EPS | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E |
| **Alcobev** | | | | | | | | | | |
| United Spirits | 10.9 | 8.5% | 10.8% | 11.8% | 18.4% | 20.3% | 21.1% | 18.6% | 20.1% | 20.9% |
| United Breweries | 5.4 | 12.3% | 24.6% | 29.1% | 12.6% | 16.0% | 19.3% | 11.8% | 15.1% | 18.5% |
| Radico Khaitan | 4.6 | 17.6% | 25.8% | 36.3% | 17.8% | 19.9% | 21.5% | 15.8% | 18.4% | 20.6% |
| **HPC** | | | | | | | | | | |
| Colgate | 7.3 | 5.0% | 5.4% | 5.0% | 75.1% | 73.0% | 77.5% | 72.9% | 71.0% | 75.4% |
| Dabur | 10.8 | 8.0% | 10.8% | 9.4% | 18.0% | 18.8% | 20.1% | 16.8% | 17.6% | 18.9% |
| GCPL | 14.4 | 9.7% | 12.0% | 17.6% | 17.8% | 19.1% | 20.1% | 15.2% | 16.5% | 17.7% |
| Honasa | 1.1 | 13.7% | 62.3% | 50.3% | 11.2% | 14.1% | 16.9% | 12.0% | 14.8% | 17.6% |
| HUL | 68.9 | 7.2% | 7.0% | 7.1% | 21.1% | 22.7% | 24.8% | 21.6% | 23.3% | 25.3% |
| ITC | 58.5 | 8.3% | 8.0% | 9.1% | 29.1% | 28.7% | 27.4% | 28.8% | 28.2% | 26.9% |
| Jyothy Labs | 1.4 | 6.2% | 5.5% | 6.3% | 17.3% | 17.3% | 17.5% | 17.0% | 17.0% | 17.2% |
| Marico | 10.6 | 13.9% | 12.0% | 12.1% | 43.4% | 47.1% | 50.9% | 37.3% | 40.7% | 44.0% |
| **Foods** | | | | | | | | | | |
| Nestle | 26.4 | 7.6% | 8.3% | 8.7% | 73.4% | 74.9% | 78.8% | 67.1% | 73.8% | 80.4% |
| Bikaji | 2.2 | 14.6% | 18.7% | 23.9% | 18.9% | 19.3% | 18.0% | 16.8% | 17.6% | 16.7% |
| Britannia | 16.7 | 9.2% | 10.0% | 12.1% | 52.8% | 50.6% | 48.0% | 42.8% | 42.2% | 41.1% |
| Tata Consumer | 12.7 | 10.2% | 13.1% | 20.4% | 7.9% | 9.1% | 10.1% | 7.6% | 8.7% | 9.6% |
| Varun Beverages | 18.2 | 12.5% | 11.2% | 15.9% | 17.0% | 16.9% | 16.7% | 15.7% | 16.3% | 16.4% |
| **Discretionary** | | | | | | | | | | |
| Asian Paints | 27.0 | 7.8% | 9.0% | 9.6% | 21.7% | 22.4% | 23.3% | 19.1% | 19.7% | 20.6% |
| Berger Paints* | 7.1 | 8.6% | 10.4% | 11.5% | 19.3% | 19.4% | 19.3% | NA | NA | NA |
| Titan* | 35.4 | 17.0% | 22.4% | 25.3% | 34.2% | 32.6% | 30.8% | NA | NA | NA |

Source: Company, JM Financial. Note: 1. Valuation as on 18th Sep'25. 2. ROCE (%) is post-tax
* Bloomberg estimates taken for Titan and Berger Paints.

## Exhibit 14. Peer comps – valuation parameters

| Company | PE (x) | | | EV/EBITDA (x) | | | EV/Sales (x) | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E |
| **Alcobev** | | | | | | | | | |
| United Spirits | 64.0 | 53.6 | 47.5 | 43.5 | 37.6 | 33.6 | 7.7 | 7.0 | 6.4 |
| United Breweries | 84.6 | 62.7 | 48.1 | 47.2 | 36.7 | 29.3 | 4.7 | 4.2 | 3.8 |
| Radico Khaitan | 78.0 | 59.2 | 46.1 | 45.3 | 36.5 | 29.7 | 6.9 | 5.9 | 5.1 |
| **HPC** | | | | | | | | | |
| Colgate | 45.7 | 41.8 | 38.7 | 31.8 | 29.1 | 27.0 | 10.2 | 9.5 | 8.9 |
| Dabur | 48.5 | 45.2 | 41.0 | 34.0 | 30.6 | 27.6 | 6.5 | 6.0 | 5.5 |
| GCPL | 55.5 | 46.6 | 40.7 | 38.6 | 33.1 | 29.3 | 8.1 | 7.2 | 6.5 |
| Honasa | 72.2 | 52.7 | 40.2 | 60.3 | 41.6 | 30.2 | 3.9 | 3.4 | 2.9 |
| HUL | 57.8 | 52.6 | 47.4 | 39.0 | 35.5 | 32.3 | 9.0 | 8.3 | 7.7 |
| ITC | 24.3 | 21.9 | 20.0 | 17.0 | 15.2 | 13.8 | 5.8 | 5.2 | 4.8 |
| Jyothy Labs | 32.0 | 28.9 | 26.1 | 25.0 | 22.5 | 20.2 | 4.1 | 3.8 | 3.5 |
| Marico | 52.8 | 46.0 | 40.8 | 38.6 | 33.6 | 29.6 | 6.7 | 6.2 | 5.6 |
| **Foods** | | | | | | | | | |
| Nestle | 72.9 | 65.2 | 58.6 | 46.2 | 41.7 | 37.8 | 10.8 | 10.0 | 9.2 |
| Bikaji | 68.3 | 56.1 | 51.1 | 43.5 | 36.9 | 34.3 | 6.5 | 5.6 | 4.8 |
| Britannia | 59.4 | 52.9 | 47.4 | 40.9 | 36.9 | 33.4 | 7.5 | 6.8 | 6.2 |
| Tata Consumer | 69.1 | 57.7 | 49.9 | 39.0 | 34.1 | 30.4 | 5.7 | 5.1 | 4.7 |
| Varun Beverages | 52.4 | 45.5 | 39.6 | 30.5 | 26.7 | 23.4 | 7.3 | 6.3 | 5.4 |
| **Discretionary** | | | | | | | | | |
| Asian Paints | 55.3 | 50.5 | 45.0 | 36.2 | 33.0 | 29.4 | 6.6 | 6.0 | 5.4 |
| Berger Paints* | 49.4 | 43.6 | 39.4 | 31.1 | 27.8 | 25.3 | 5.0 | 4.6 | 4.2 |
| Titan* | 66.2 | 54.2 | 45.0 | 44.1 | 37.1 | 31.6 | 4.7 | 4.1 | 3.5 |

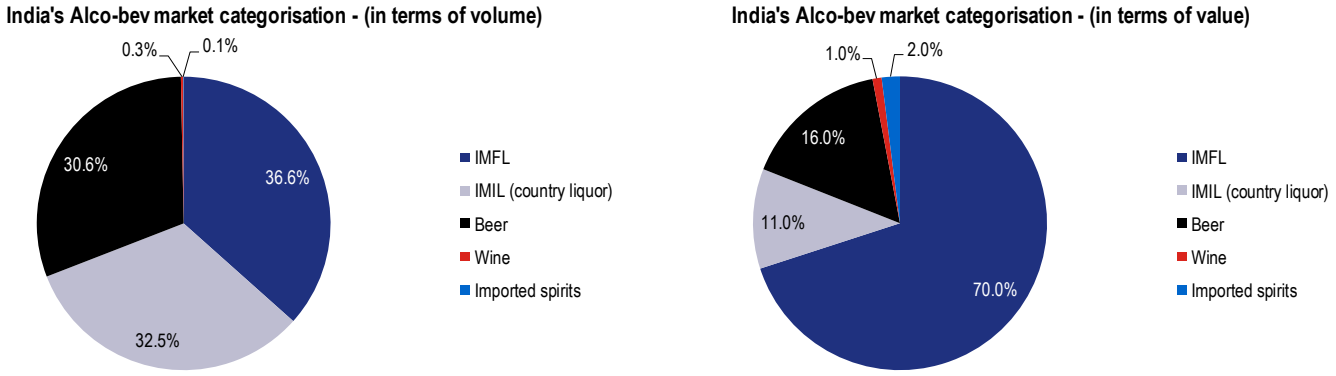
Source: Company, JM Financial. Note: Valuation as on 18th Sep'25
* Bloomberg estimates taken for Titan and Berger Paints.

# Industry Overview

## India's alcoholic beverage industry: Volatile but vital market

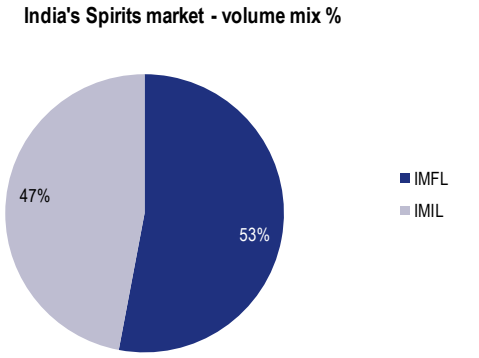
- **India is one of the fastest growing and 3rd largest alcoholic beverage consumption markets in the world.** Despite a high degree of control over critical aspects (production, pricing, distribution, branding) of a product and adverse regulatory-led disruption (especially in the last 7-8 years) India's alcoholic beverages industry, with a market size of c.1,100mn+ cases, is one of the largest/fast-growing markets globally.
- **Compelling opportunity:** Huge demographic advantage (2/3rd of population <35 years old, by 2030, 100mn Indians will reach legal drinking age, representing 25% of global growth in alcohol consumers), low per capita consumption (3.2 litres as of CY23 vs. the world average of 5 litres), expanding middle and affluent class and acceleration in premiumisation (faster growth in premium products in both beer and IMFL) makes India a large and attractive opportunity.
- **"Must win" and "Key growth engine" for global majors:** The attractiveness of the Indian market is visible from India being a 'Must win" market for Pernod Ricard, "Key growth" engine for Heineken, among "Top 4 markets for Budweiser" and key market in Carlsberg's "Accelerate SAIL strategy".
- **In terms of segmental mix, India is a large IMFL (Indian made Foreign Liquor) market (accounts for c.37%/70% of industry volume/value mix) followed by beer (c.31%/c.16% of industry volume/value)** and IMIL segment beer (c.32%/c.11% of industry in volume/value terms). This is quite contrary to developed markets where beer and wine have a much higher share compared to spirits.
- **In terms of geography mix**, the Indian alcoholic beverage industry is dominated by 5 southern states (Andhra Pradesh, Tamil Nadu, Karnataka, Telangana and Kerala) contributing to c.50% of overall consumption. Other large markets in terms of consumption are Maharashtra, Rajasthan, Haryana and Uttar Pradesh.
- **Dominated by global majors:** Post acquisition of United Spirits by Diageo Plc and United breweries by Heineken, the Indian IMFL (P&A) and Beer market is dominated by the top 2-3 players that account for c.80% market share. In spirits, Pernod Ricard and Diageo are the largest players dominating P&A segment in IMFL with combined share of c.65%+, while in beer UBL, Carlsberg India and AB-Inbev India control c.80% of the market.

**Exhibit 15. Category mix - India's alcoholic beverage market in volume and value terms**



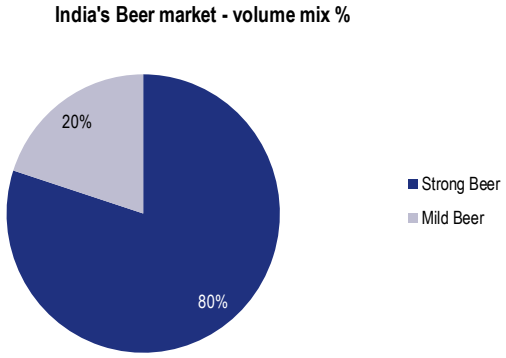

Source: Technopak Analysis, Company, JM Financial.
Note: The above data pertains to FY23.

Exhibit 16. IMFL accounts for >50%+ volume in India's spirits market



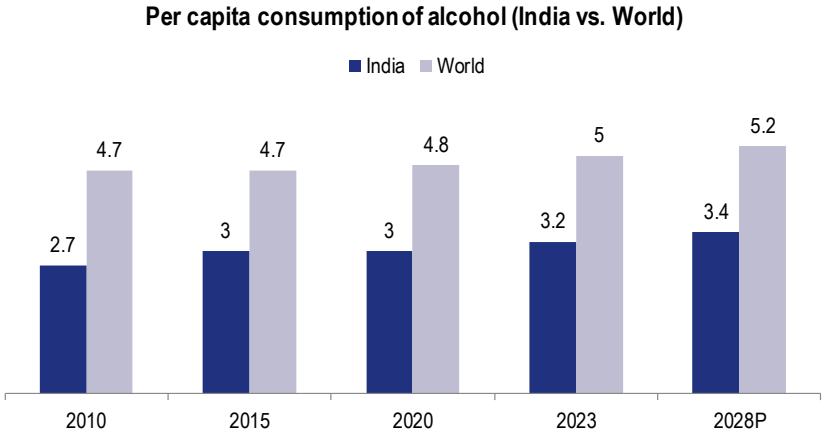

Source: Technopak Analysis, Company, JM Financial

Exhibit 17. India is a strong beer marketing with salience of 80%




Source: Company, JM Financial

Exhibit 18. India's per capita consumption is lower vs. world




Source: Technopak Analysis, Company, JM Financial

A key differentiator between the alcoholic beverages and FMCG industry is the regulatory nature of the former wherein critical aspects (production, pricing, distribution, branding) of a product are governed by state excise policy. In the sections below we delve in detail about various regulatory aspects of the industry.

## Highly regulated market

**The Indian alcoholic beverage industry is a state subject (one of the key drivers of state revenue) with production, distribution, pricing/taxation and sale of alcohol regulated by state specific excise/industry policies, which makes every state an independent and different market**. In the sections below we discuss the key characteristics that differentiate the alcoholic beverage industry vs. other consumption categories in India.

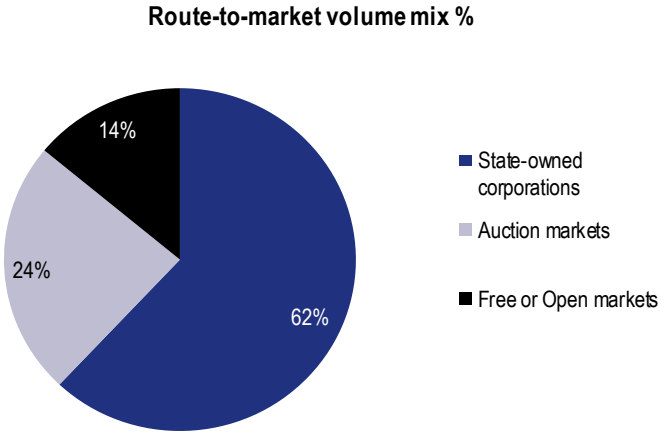
- **Regulated route-to-market:** State governments use the regulated distribution model as a tool to control the sale of alcoholic beverages within the state to minimise potential impact on public health, safety and social welfare. Every state has its independent distribution model depending on the degree of control it wants to exercise on the distribution of products and pricing. There are three type of route to markets - State owned corporation markets, Auction markets and Free/Open markets. In terms of mix, 62% of industry volume come from government/state owned corporation market, followed by auction markets and free markets, which account for 24% and 14% of industry volume respectively.

**Exhibit 19. Snapshot of varied distribution models implemented by each state**

| Market Structure | Overview | Value chain | Pricing power | Examples |
|---|---|---|---|---|
| Free or Open market | A business may apply for a license for a fee defined by the state government subject to license availability | Company to Private Distributor to Private Retail | Company has reasonable independence over price increases | Maharashtra, Goa, Assam |
| State owned or government corporations | The government is the wholesaler and/or distributor who purchases directly from a company. Some states also have retail shops run by the government | Company to State Corporation to Private Retail | Strict control on pricing by the state government | Rajasthan, Karnataka |
| | | Company to Corporation warehouse to Private Retail (retail is billed by company directly once stock is lifted) | | Madhya Pradesh |
| | | Company to Corporation (here distribution and retail both are by state) | | Tamil Nadu |
| Auction market | The license for sale of liquor is auctioned by the Government to the highest bidder on an annual basis based on an auction process | Company to Private Wholesale to Private Retail (multiple businesses controlling wholesale and retail) | Company has to negotiate price increases with state appointed distributors | Haryana, Delhi NCR |
| | | Company to Private Wholesale to Private Retail (de facto one business group in wholesale) | | Sikkim |
| Prohibition | States where sale of liquor is prohibited | Not applicable | Not applicable | Gujarat, Bihar, Mizoram, Nagaland |

Source: Allied Blenders & Distillers RHP, Company, JM Financial

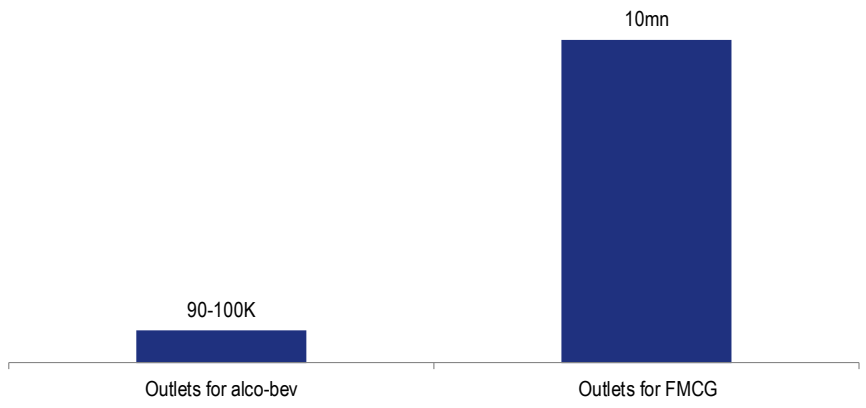
**Exhibit 20. State-owned corporations account for c.60% of the industry volume**




Source: Company, JM Financial

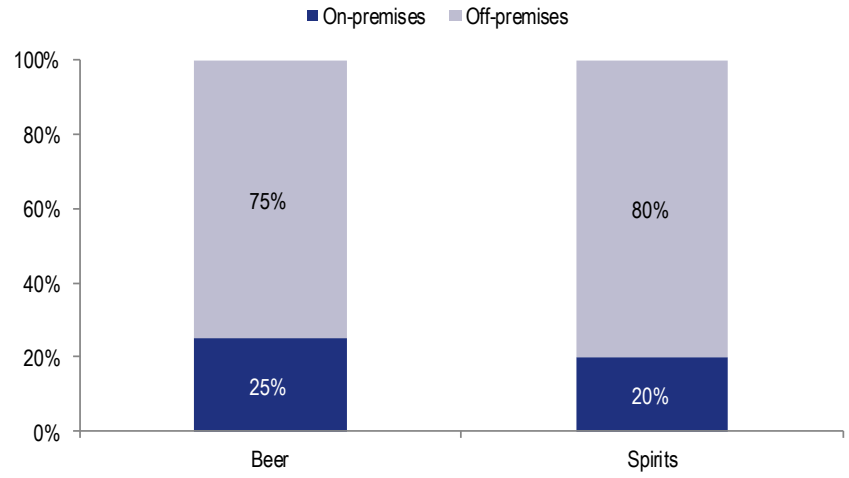
- **Distribution reach materially lower vs. FMCG/F&B categories due to regulatory curbs:** With state governments controlling route to market (RTM), the distribution universe and expansion of the same has been quite limited. This is visible from overall outlet universe of just 90-100k for alcoholic beverage vs. a universe of 10mn outlets for FMCG products. As a result, selling distribution & freight expense are higher for players in this segment. In terms of point of sale, on-premises channel (bars and restaurants) account for c.20-25% of industry sales while a large part of industry sales happens through liquor outlets.

**Exhibit 21. Outlet universe – Alcoholic beverages vs. FMCG**




Source: Company, JM Financial

**Exhibit 22. Saliency of on-premises vs. off-premises consumption**




Source: Company, JM Financial

- **Different tax structure/excise policy across states leads to differential pricing:** Since alcoholic beverage is a state subject and does not fall under the purview of GST, taxation and pricing is governed by state excise policy. As a result, every state has its own tax/excise duty structure. In addition to excise, some states also charge sales tax. Further, there is one time or annual fees on label registration and related activities. As a result, we see differential pricing for products across states.

**Exhibit 23. Excise duty as % of own tax revenue in key states**

| Excise duty (as % to own tax revenue) | FY24 | FY25RE | FY26BE |
|---|---|---|---|
| Karnataka | 21.2% | 20.2% | 19.2% |
| Maharashtra | 7.7% | 8.3% | 8.4% |
| Uttar Pradesh | 23.6% | 23.3% | 21.4% |
| Andhra Pradesh | 18.6% | 22.4% | 24.9% |
| Telangana | 18.2% | 19.8% | 19.0% |
| West Bengal | 19.9% | 20.5% | 20.0% |
| Rajasthan | 14.1% | 14.1% | 13.8% |

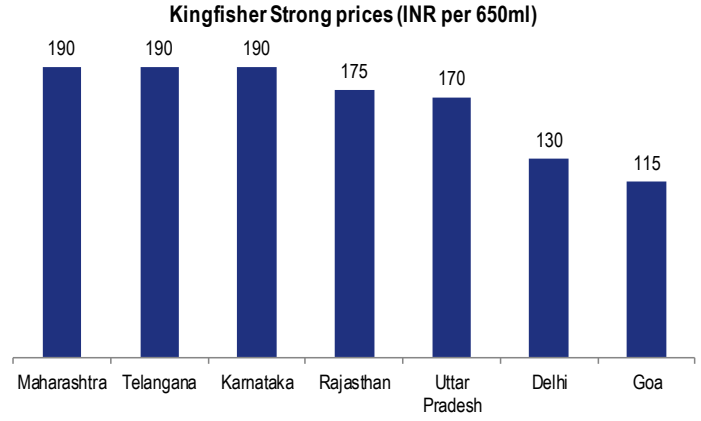
Source: Reserve Bank of India, Company, JM Financial.
Note: RE stands for revised estimates and BE stands for budgeted estimates.

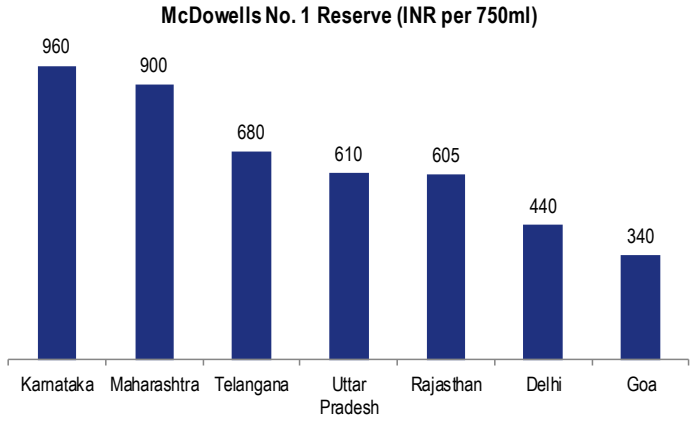
**Exhibit 24. Excise duty collection in key states**

| Excise duty collection (INR bn) | FY24 | FY25RE | FY26BE |
|---|---|---|---|
| Karnataka | 346 | 365 | 400 |
| Maharashtra | 233 | 305 | 326 |
| Uttar Pradesh | 456 | 488 | 630 |
| Andhra Pradesh | 160 | 213 | 271 |
| Telangana | 203 | 256 | 276 |
| West Bengal | 179 | 204 | 226 |
| Rajasthan | 132 | 170 | 197 |

Source: Reserve Bank of India, Company, JM Financial.
Note: RE stands for revised estimates and BE stands for budgeted estimates.

**Exhibit 25. Pricing disparity seen due to differential excise duty across states across spirits and beer products**




Source: Current prices taken from Livecheers.com and Media reports, Company, JM Financial

**Exhibit 26. Excise duty as % to gross sales differs for each player due to varied state mix**

| Excise duty % to gross revenue | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| United Spirits | 61% | 65% | 66% | 69% | 69% | 68% | 71% | 70% | 63% | 58% | 57% |
| United Breweries | 43% | 50% | 54% | 55% | 54% | 56% | 58% | 56% | 55% | 56% | 54% |
| Pernod Ricard | 40% | 47% | 49% | 54% | 58% | 58% | 59% | 57% | 52% | 53% | NA |
| Radico Khaitan | 54% | 62% | 66% | 71% | 74% | 74% | 77% | 77% | 76% | 73% | 72% |

Source: Company, JM Financial

**Exhibit 27. Peer comparison - excise duty per case**

| Excise duty per case | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| United Spirits | 1,332 | 1,632 | 1,870 | 2,280 | 2,394 | 2,446 | 2,728 | 2,697 | 2,375 | 2,392 | 2,378 |
| United Breweries | 241 | 316 | 371 | 418 | 416 | 461 | 546 | 506 | 486 | 535 | 518 |

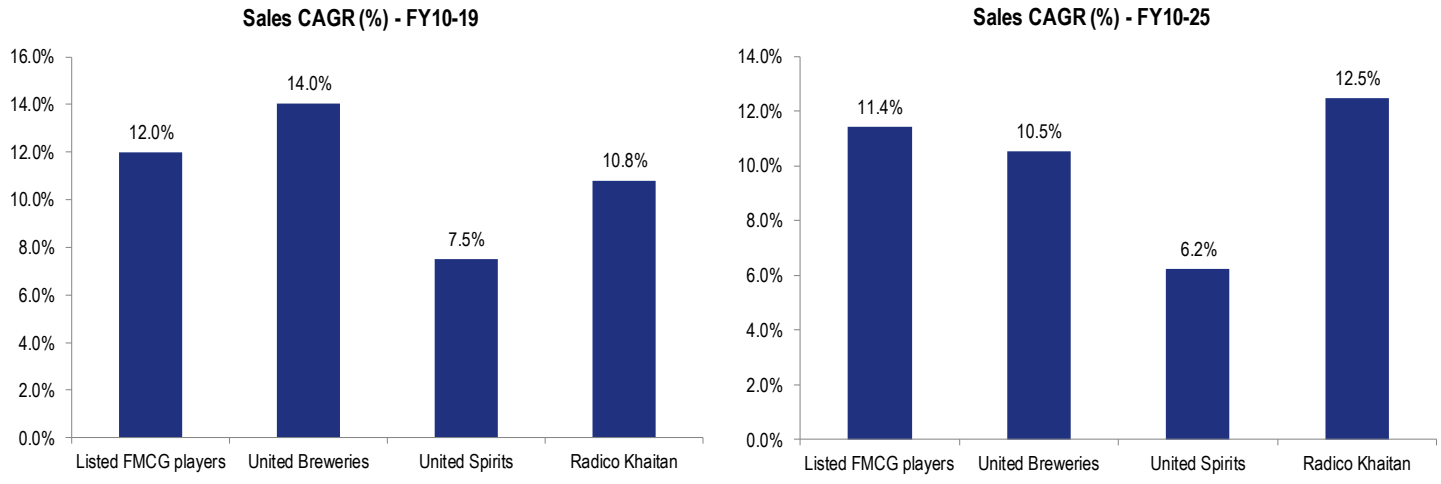
Source: Company, JM Financial

- **Ban on advertising:** India is a media-dark alcohol industry as companies are banned from advertising alcoholic beverages under laws like the Cable TV Networks Act. To get around this, companies resort to surrogate advertising, point-of-sale promotions, brand extensions, influencer marketing, etc. as means to surpass these restrictions and reach consumers. For instance, brands extend their names and logos to non-alcoholic products such as mineral water, soda, etc. and promote these products.

# Industry growth: No material underperformance in sales growth vs. consumer peers despite challenging operating environment

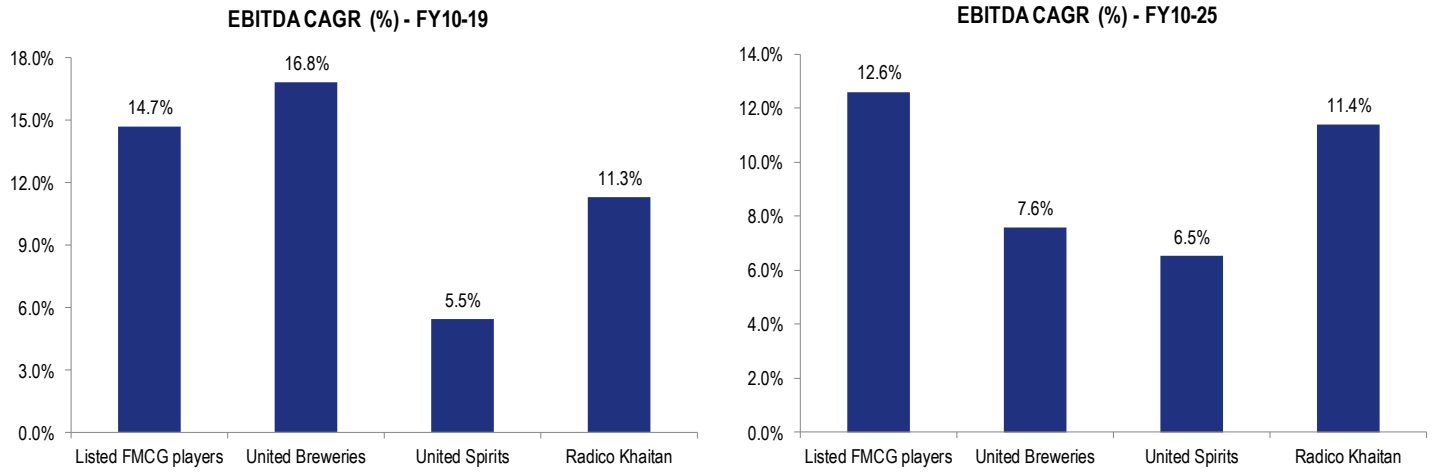
- Our analysis of sales growth of the top three listed alcoholic beverage players for FY10-19 (pre-Covid) and over FY10-25 points to no material underperformance vs. listed FMCG players. This is despite adverse regulatory issues seen, especially during FY16-23. We reckon that lower growth for UNSP is also a function of divestment of its popular segment portfolio (P&A sales CAGR will be in low double digit).

**Exhibit 28. Sales growth trajectory for alco-beverage players largely in line with FMCG benchmarks for both FY10-19 and FY10-25**




Source: Company, JM Financial.
Note:
1. Listed FMCG players is aggregate of GCPL, Marico, HUL, Dabur, Colgate, Britannia, Asian Paints and Titan.
2. Sales is net-off excise duty but including other operating income.

**Exhibit 29. On EBITDA front, performance of alco-beverage players is weaker vs. Listed FMCG peers across FY10-25**

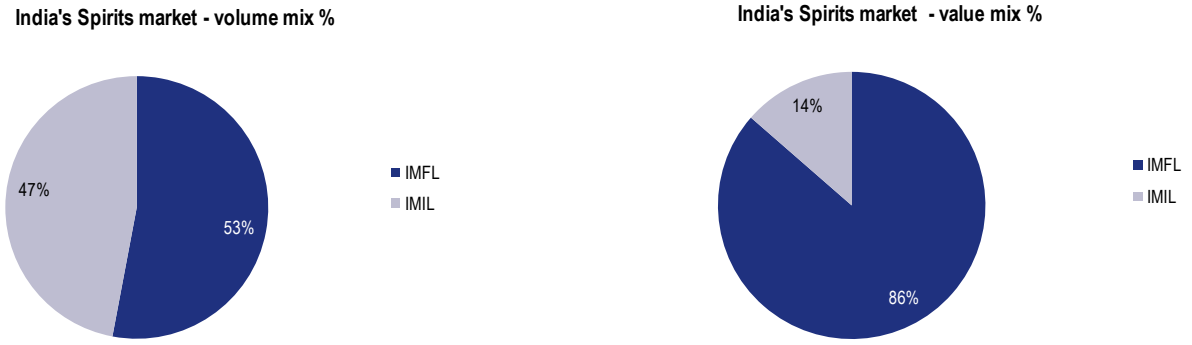



Source: Company, JM Financial. Note: Listed FMCG players is aggregate of GCPL, Marico, HUL, Dabur, Colgate, Britannia, Asian Paints and Titan.

# Spirits Industry: Largest segment with strong premiumisation trend

- **Industry overview:** The largest segment in the Indian alcoholic beverage industry (c.65-70%/80-85% of industry volume/value) can be further divided into large sub-segments – IMFL and IMIL (country liquor). As per our checks and industry reports, in volume terms both these segments are largely similar in size; however, in value terms IMFL is a much larger segment compared to IMIL due to higher realisations.

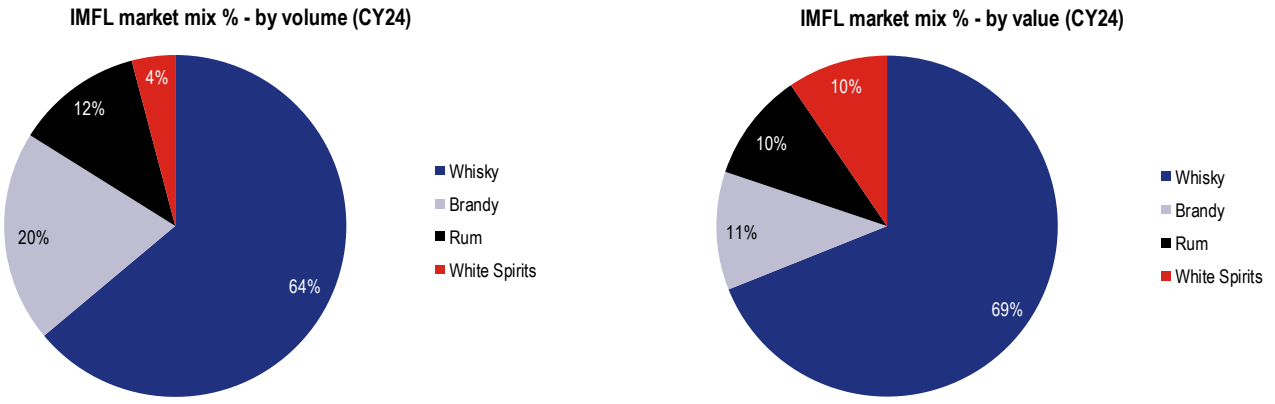
**Exhibit 30. Segmental mix - India's spirits market in terms of volume and value**




Source: Technopak Analysis, Allied Blenders & Distillers RHP, Company, JM Financial.
Note: The above data pertains to FY23.

- **IMFL – Largest segment within spirits, dominated by whisky:** The IMFL segment, with a market size of 400mn cases can be divided into two segments: Brown (whisky, rum, brandy) and white spirits (vodka, gin, tequila). India is predominantly a brown spirit market, which accounts for c.96%% of the overall industry volume. If we double click further, then whisky is the largest segment in the Indian IMFL segment, accounting for 64%/69% of volume and value, followed by brandy, rum and then white spirits. In terms of geography mix, South is the largest market - five states (Karnataka, Tamil Nadu, Telangana, Kerala and Andhra Pradesh) contribute to 58% of IMFL volume as country liquor is banned in these markets. North accounts for 16% of volume but has higher saliency of the P&A segment. West and East account for 13% each. In terms of state mix, Karnataka and Tamil Nadu lead the pack with mid-teens contribution, followed by Maharashtra at 10%, and West Bengal, Telangana and Kerala in high single digits. Uttar Pradesh and Andhra Pradesh account for 5% each and the balance is split across other states.

**Exhibit 31. India's IMFL market in terms of volume and value mix**




Source: Euromonitor International, Company, JM Financial

Exhibit 32. Snapshot of segment-wise price structure of key brands in the P&A space

| Segment | Key brand | Volume (ML) | Price (INR) |
|---|---|---|---|
| Low Prestige | ICONiQ | 750 | 450 |
| | McDowells No. 1 | 750 | 960 |
| | Imperial Blue | 750 | 960 |
| | After Dark Premium Grain Whisky | 750 | 1,170 |
| Mid Prestige | RC Finest Premium Whisky | 750 | 1,205 |
| | Royal Stag | 750 | 1,205 |
| Upper Prestige | Blender's Pride | 750 | 1,725 |
| | Signature Premier | 750 | 1,760 |
| | Antiquity Blue | 750 | 1,825 |
| BIO | JW Red Label | 750 | 3,445 |
| | Chivas Regal 12 Yrs | 750 | 5,145 |
| | Singleton 12 Yrs | 700 | 6,360 |
| | Ballantine's 12 Yrs | 700 | 7,615 |
| BII | Black & White | 750 | 2,805 |
| | 100 Pipers 12 Yrs | 750 | 3,490 |
| | Black Dog 14 Yrs | 750 | 5,270 |

Source: Current prices taken from Livecheers.com, Company, JM Financial. Note: Price is equivalent to the MRP in the state of Karnataka

Exhibit 33. Snapshot of price structure of key brands in the Regular space

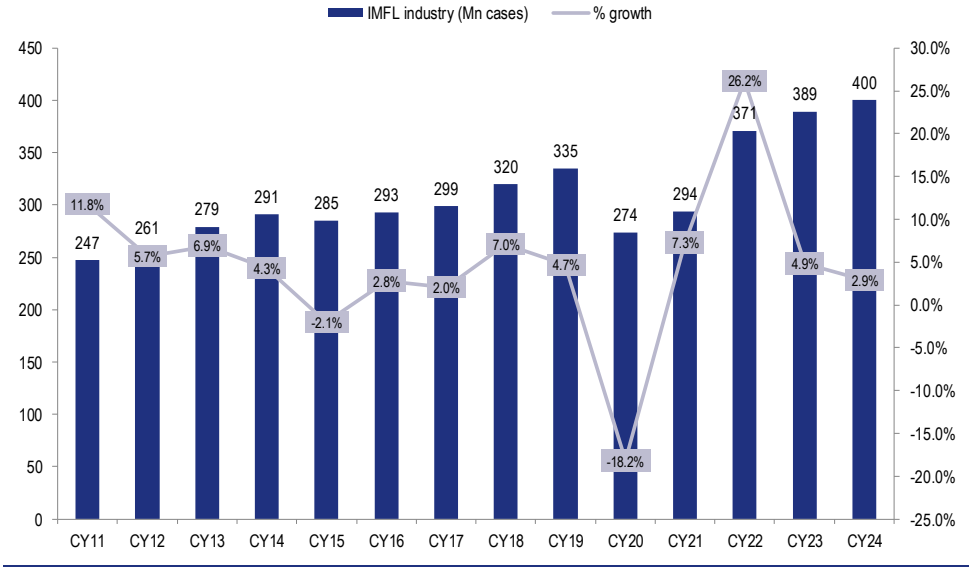
| Segment | Key brand | Volume (ML) | Price (INR) |
|---|---|---|---|
| Regular | 8PM whisky | 750 | 620 |
| | Officer's choice whisky | 750 | 620 |
| | Directors special black classic whisky | 750 | 755 |
| | Haywards fine whisky | 750 | 430 |
| | Bagpiper classic whisky | 750 | 660 |

Source: Current prices taken from Livecheers.com, Company, JM Financial. Note: Price is equivalent to the MRP in the state of Karnataka

## How has the IMFL industry shaped over the past 15 years?

The Indian alcoholic beverages industry is highly regulated with different RTMs and taxation structure from state to state. Since it's a state subject, it is also one of the significant contributors to state tax revenue. Over the last 15 years, industry has gone through several highs and lows, predominantly on account of change in state regulatory policies. In the section below, we highlight various phases that the industry has seen over CY10-1HCY25.

**Exhibit 34. Snapshot of growth seen in IMFL industry over the past 15 years**




Source: Euromonitor International, Company, JM Financial

- **CY10-CY17 – Healthy start to adverse regulation impacting volume:** Over CY10-13, IMFL industry volume grew at a healthy CAGR of c.8%. However, over the next 5 years industry volume moderated, growing in low-single-digit CAGR impacted by several adverse regulations
  - Increase in excise duties and sales tax with lack of commensurate price hikes in few states (FY14/15)
  - States like Kerala and Bihar announced state-wide liquor ban (FY16)
  - Tamil Nadu, one of the large markets, announced phase-wise prohibition of liquor (FY16-17)
  - Volume impacted by demonetisation (FY17), national highway liquor ban (FY18) and implementation of GST (FY18)
- **CY17-19 – Easing regulatory pressures led to recovery in volume growth:** After a prolonged stagnation, gradual recovery was seen over CY17-19 as regulatory pressures started to come off with
  - SC relaxing the highway ban (Aug'17)
  - Kerala partially eased the ban (w.e.f. Jul'17)
  - Change in RTM in West Bengal
  - Uttar Pradesh announced liberal policies to improve the RTM and overall operating environment

  These positive developments led to improvement in volume growth for the IMFL industry in CY18. Further, some key liquor states announced necessary price hikes, which aided overall profitability. CY19 saw some moderation due to consumption slowdown, general elections and floods in certain markets.

- **Consequences of Covid-19 (CY20-22) – sharp decline to strong resurgence:** Just when the industry started to stabilise, the world was hit by Covid-19. This lockdown left restaurants and bars closed for a good part of FY21, which severely impacted volume and value growth. Covid disruption (especially in 1H of CY20) led to volume decline of c.18% for the spirits industry in CY20 (whisky volume declined by 16%).
  - **Lockdown impacted volume in 1HCY20**: Lockdown resulted in closure of on-premises and off-premises channels, thereby severely impacting volume
  - **Resurgence seen with easing of operational challenges in 2HCY20:** Liquor sales saw a sharp resurgence upon temporary easing of lockdown norms in early May'20, with some states permitting home delivery services and liquor takeout from restaurants/pubs for off-premises consumption. However, this surge was short-lived as post re-opening, many states increased excise levy from 10% to 75% to recover the lost revenue, thereby impacting volumes and deteriorating margins on an annual basis. Such steep hikes curtailed revenue as consumption was hit, resulting in volume shrinking. Also, cases of smuggled goods increased in these states, resulting in losses to state revenue.
  - **Rollback of Covid cess imposed by states:** With their revenue targets not being attained, states re-examined the impact of the cess and duty and rolled back excessive hikes (within 1-2 months of announcement) in order to revive consumption. 8 out of the top 11 liquor consuming states were back to pre-Covid levels by end of Mar'21. Industry surpassed its pre-Covid levels and volume grew by 26% in CY22 to c.371mn cases (vs. 320mn-330mn cases pre-Covid and a low of 274mn cases in CY20).

**Exhibit 35. State-wise levy of covid cess (as high as 75%) to recover lost revenue during Covid…**

| State | Rate (%) | Comments |
|---|---|---|
| Delhi | 70% | Special Corona fee on MRP |
| Andhra Pradesh | 75% | Retail tax on beer/IMFL |
| J&K | 50% | Additional excise duty |
| Odisha | 30% | Special Covid fee |
| West Bengal | 30% | Sales tax |
| Goa | 20% | Increase in excise |
| Telangana | 15% | Increase in MRP |
| Karnataka | 11% | Increase in AED on liquor |
| Rajasthan | 45-55% | 1,000bps increase in AED on beer/IMFL |
| Tamil Nadu | 15% | Increase in excise duty on liquor |

Source: Company, JM Financial

**Exhibit 36. …which was subsequently rolled back by a few states**

| State | Earlier rate | Change in rates |
|---|---|---|
| Delhi | 70% | Rolled back 70% covid cess & increased VAT by 5% |
| J&K | 50% | 0% |
| West Bengal | 30% | 0% (only for beer) |
| Andhra Pradesh | 75% | ~30-35% price cut |
| Rajasthan | 45-55% (beer) | 35% to 45% on Beer. Covid surcharge of Rs20/bottle removed |
| Odisha | 50% | 15% |
| Assam | 25% | 0% |

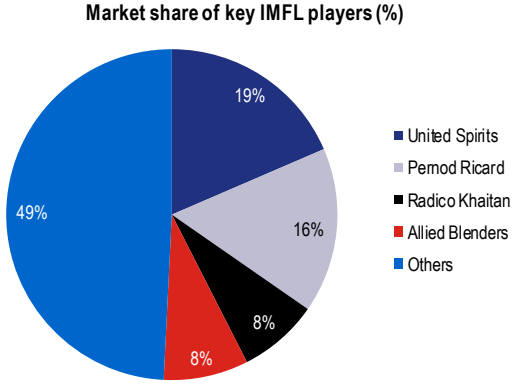
Source: Company, JM Financial

- CY24: Favourable regulatory environment
  - The first half was marked by elevated input costs, and delayed excise renewals in key states like Delhi and Telangana. However, the second half saw favourable policies announced in key markets.
  - **Opening up of Andhra Pradesh market** with change of government paving the way for premium brand owners to re-enter the market (UNSP commenced business after 5 years).
  - **Favourable excise policy in Uttar Pradesh** - Uttar Pradesh introduced a reform with respect to liquor retail shops in its FY26 excise policy. Outlets that earlier sold only beer or foreign liquor will now be composite and are allowed to sell both in view of the policy change. This has almost doubled the reach for spirits, with the significant increase in the number of outlets.
  - **Reduction in excise duty for select premium brands in Karnataka:** The Karnataka government notified new slabs for additional excise duty, leading to a reduction in the price of select premium liquor brands from 1st Jul'24.
- CY25 - increase in excise duty for liquor/introduction of MML in Maharashtra, a large market for IMFL players: With the aim of generating additional excise revenue, the Maharashtra government in 1QFY26 announced a significant hike in excise duty on spirits. The key highlights/changes under revised duty structure were: a) cut-off slab for manufacturing cost increased to INR 260 per bulk litre vs. INR 210 earlier, b) increase in excise duty to 450% of manufacturing cost from 300% earlier for Popular, Lower-prestige and Mid-prestige segment, c) Introduction of new category with lower taxation called MML (Maharashtra-made liquor) and d) Minimum/floor price for IMFL increased to INR 205 for 180ml (vs. INR 120-150 earlier). On account of the excise duty hike, consumer level MRP has seen an increase of c.30-45% for Popular, Lower and Mid-prestige segments. Maharashtra is a large market for IMFL players, accounting for c.15-18% of sales for players like UNSP, Pernod Ricard. As per our checks, industry in the state has seen a decline of c.15-20% post increase in consumer prices.

# IMFL segment – Competitive landscape

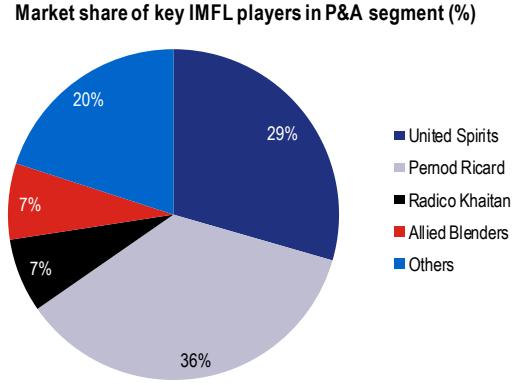
- **MNC majors account for 1/3rd volume share in IMFL but have a more dominant share in P&A segment:** UNSP (a subsidiary of Diageo Plc) and Pernod Ricard India are the top two players in the Indian IMFL segment, accounting for 1/3rd of the industry volumes, followed by Radico Khaitan and Allied Blenders, which have high-single-digit market share. However, if we look at the construct for the P&A segment (which is a c.160mn-180mn cases industry) within IMFL then MNC majors dominate the segment, controlling 2/3rd of the volume. While Pernod Ricard has been the market leader in the P&A segment so far, post announcement of sale of the Imperial Blue brand, UNSP now becomes the market leader in the P&A segment.

**Exhibit 37. United Spirits dominates India's IMFL space with c.19% volume share...**



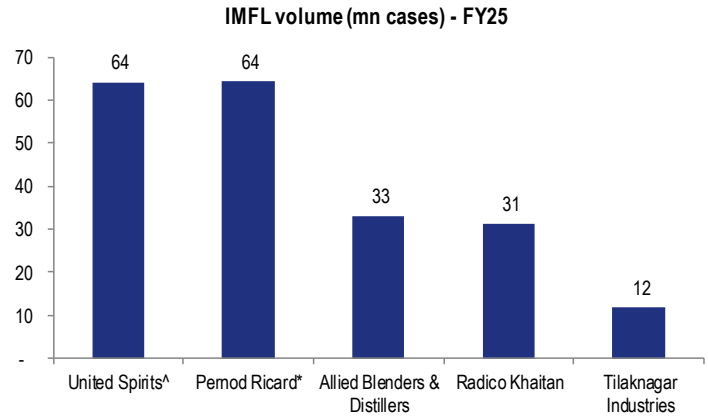

Source: Company, JM Financial. Note: Market share is calculated based on volume (mn cases) data of respective companies as on FY25. Volume data of United Spirits includes franchisee volume of 9-10mn cases. Volume data of Pernod Ricard is as per internal estimate

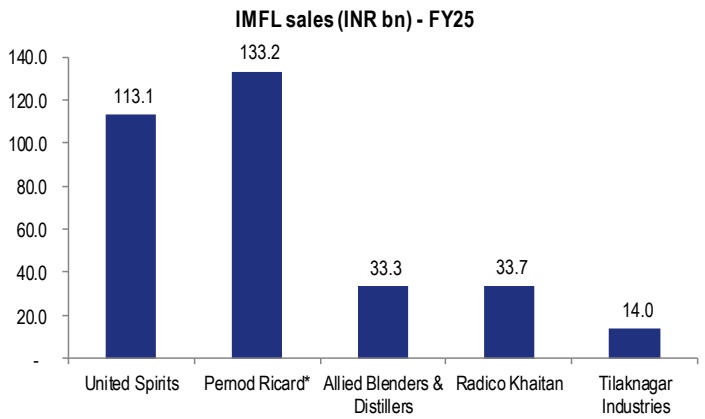
**Exhibit 38. ...while Pernod Ricard enjoys leadership with 36% volume share within P&A segment**




Source: Company, JM Financial. Note: Market share is calculated based on volume (mn cases) data of respective companies as on FY25. Volume data of Pernod Ricard is as per internal estimate

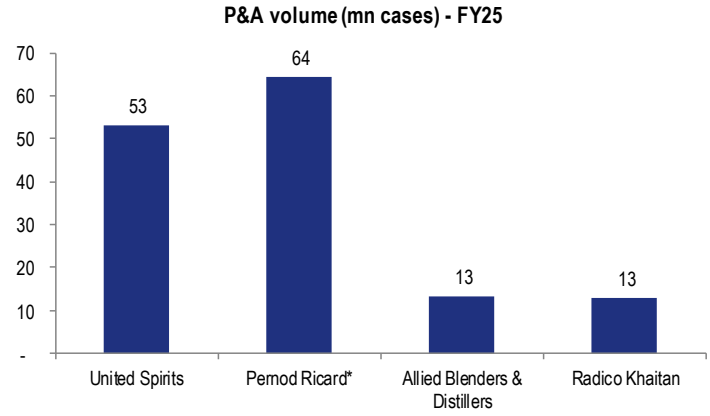
**Exhibit 39. United Spirits leads the IMFL market by volume while Pernod Ricard dominates by value**

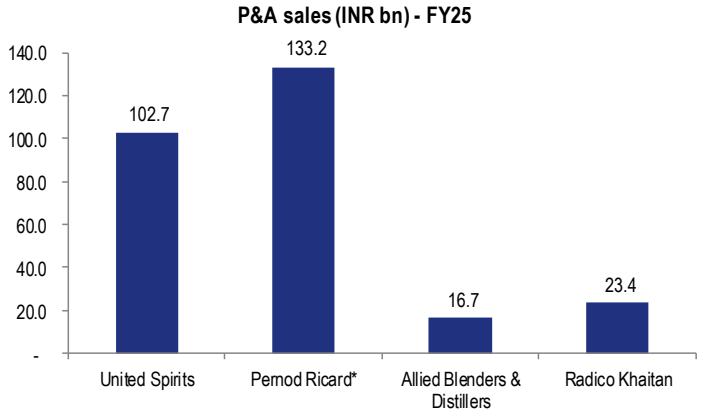



Source: Company, JM Financial.
^Data for UNSP excludes franchisee volume of 9-10mn cases.
*Data of Pernod Ricard for FY25 is as per internal estimates.

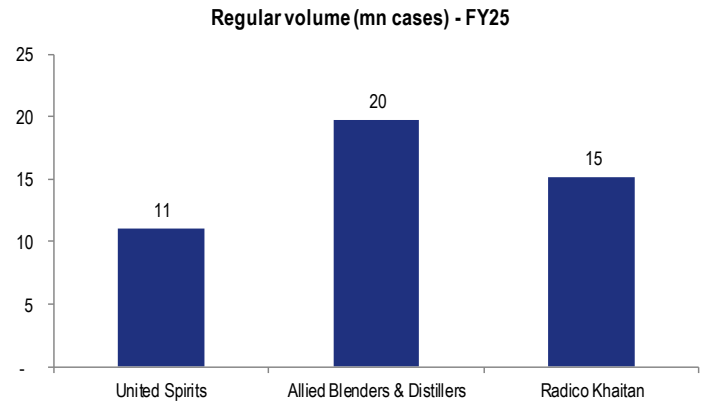
## Exhibit 40. Pernod Ricard dominates the P&A segment in India's IMFL market both by volume and value

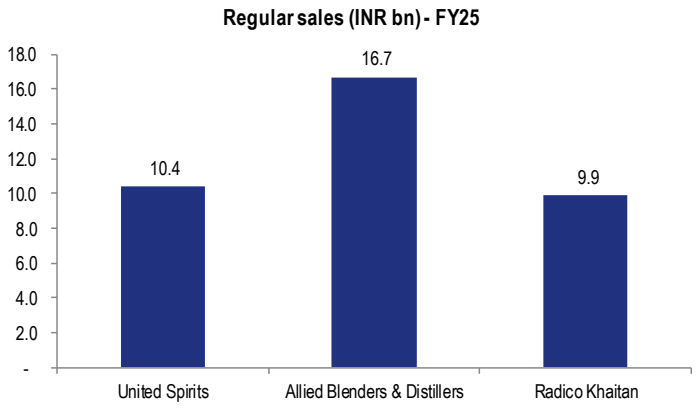



Source: Company, JM Financial. Note: Sales data is net-off excise duty
*Data of Pernod Ricard for FY25 is as per internal estimates.

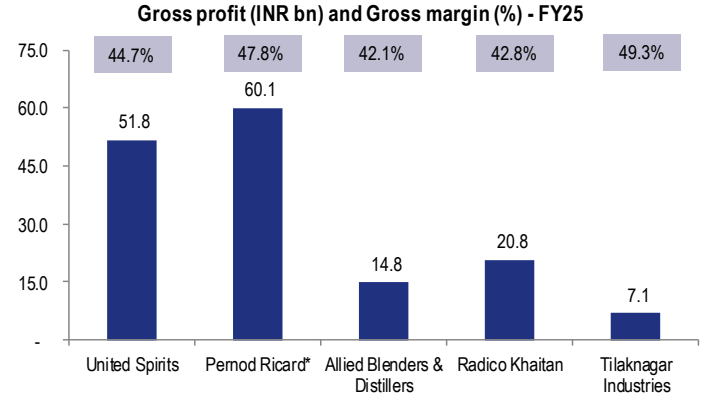
## Exhibit 41. Allied Blenders & Distillers is the largest player in Regular segment



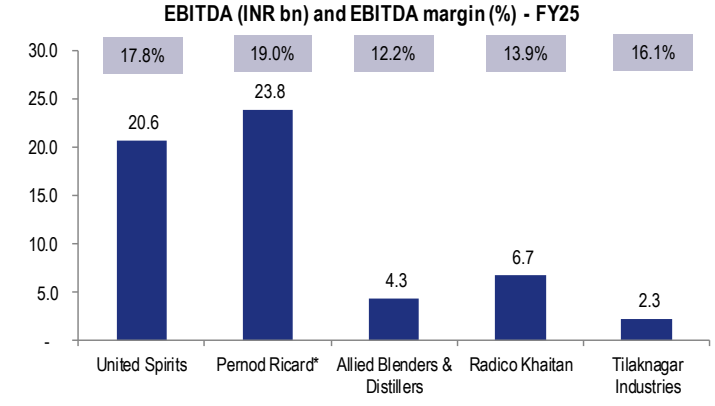

Source: Company, JM Financial. Note: Sales data is net-off excise duty

## Exhibit 42. Gross margin profile of key spirits players



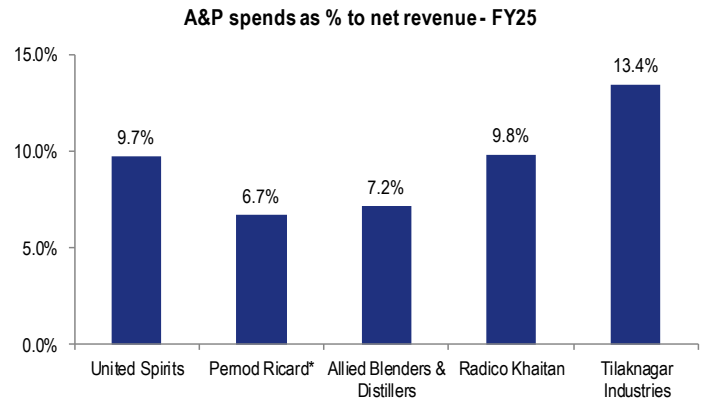

Source: Company, JM Financial. Note: Gross margin is calculated on Net revenue.
*Data for Pernod Ricard pertains to FY24.

## Exhibit 43. EBITDA margin profile of key spirits players



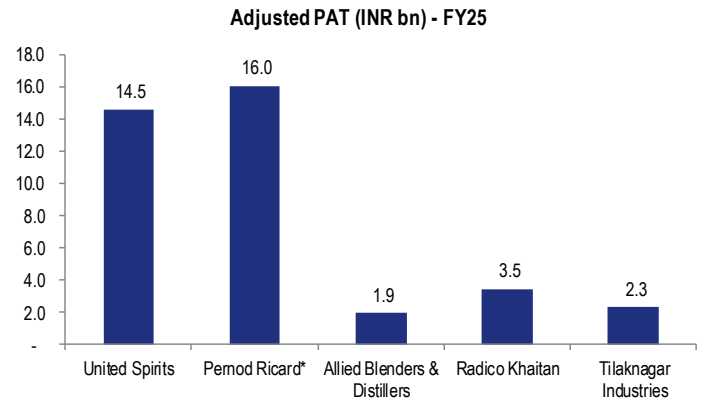

Source: Company, JM Financial. Note: EBITDA and EBITDA margin of Tilaknagar Industries is adjusted for subsidy income of c.230mn.
*Data for Pernod Ricard pertains to FY24

## Exhibit 44. A&P spends of key spirits players




Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income.
*Data for Pernod Ricard pertains to FY24.

## Exhibit 45. Adjusted PAT performance of key spirits players



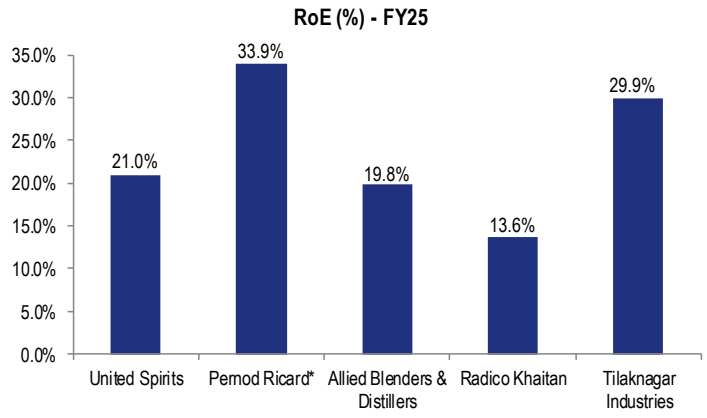

Source: Company, JM Financial. *Data for Pernod Ricard pertains to FY24.

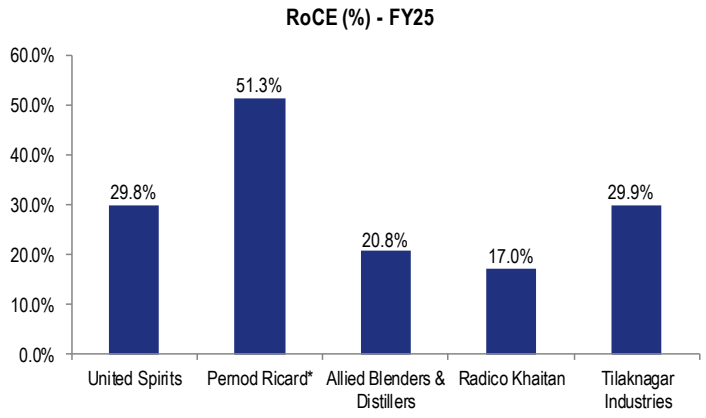
## Exhibit 46. Snapshot of working capital cycle of key spirits players

| Particulars (FY25) | United Spirits | Pernod Ricard* | Allied Blenders & Distillers | Radico Khaitan | Tilaknagar Industries |
|---|---|---|---|---|---|
| Inventory days | 31 | 22 | 26 | 23 | 19 |
| Debtor days | 50 | 65 | 79 | 25 | 48 |
| Creditor days | 29 | 33 | 27 | 7 | 17 |
| **Net working capital days** | **52** | **54** | **77** | **42** | **50** |
| **Net working capital (% to gross sales)** | **14.1%** | **14.7%** | **21.2%** | **11.4%** | **13.6%** |
| **Net working capital (% to net revenue)** | **32.7%** | **31.3%** | **48.7%** | **40.1%** | **29.8%** |

Source: Company, JM Financial
*Data for Pernod Ricard pertains to FY24
Note:
1. Inventory days, Debtor days, creditors days and net working capital days are calculated on gross sales.
2. Net revenue is net-off excise duty and excluding other operating income.

## Exhibit 47. Return profiles of key spirits players



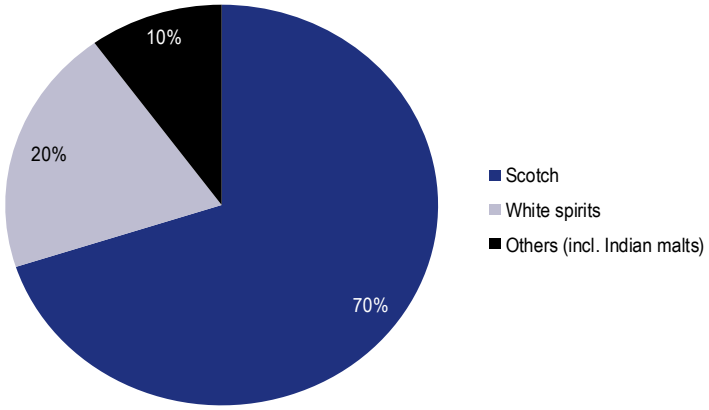




Source: Company, JM Financial. Note: RoCE = (EBIT + Other income)/(Total debt + Average Equity).
*Data for Pernod Ricard pertains to FY24.

# Key underlying trends in IMFL

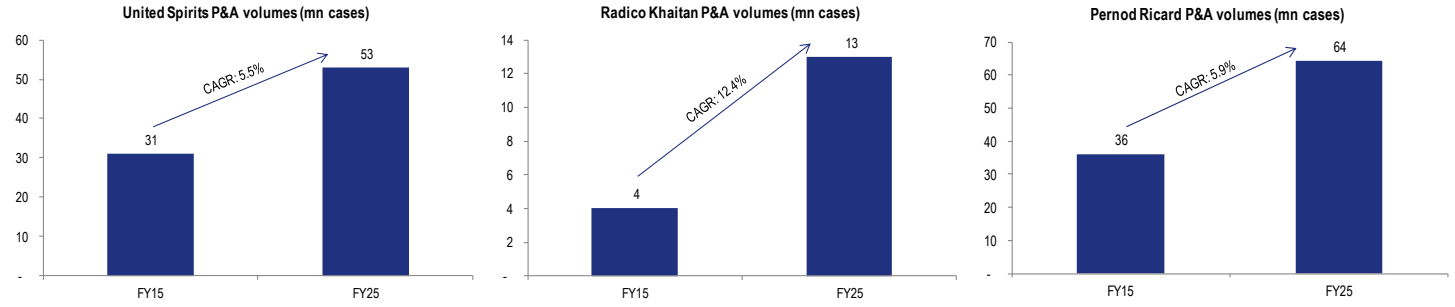
- **Premiumisation is a structural shift in IMFL industry, P&A volumes for all the major players growing faster than overall industry growth:** Premiumisation remains a dominant theme driving growth in the IMFL market – visible from step-up in efforts seen across players to reshape portfolio and drive acceleration in Prestige & Above segment. Also, our analysis of P&A volume growth of key players like Pernod Ricard, United Spirits and Radico Khaitan clearly highlights that the segment has been relatively resilient and outperformed overall IMFL industry growth despite the challenging operating environment. The trend of premiumisation is prominent throughout the value chain, including the launch of new products, the branding of shelf space in retail outlets and the multiple marketing initiatives undertaken. Factors such as a) rising disposable income, b) evolving consumer preferences, c) growing social media affluence, and d) social acceptability and growth in fine dining culture have played a crucial role in the premiumisation trend gaining traction.

**Exhibit 48. Category mix within premium and luxury spirits**



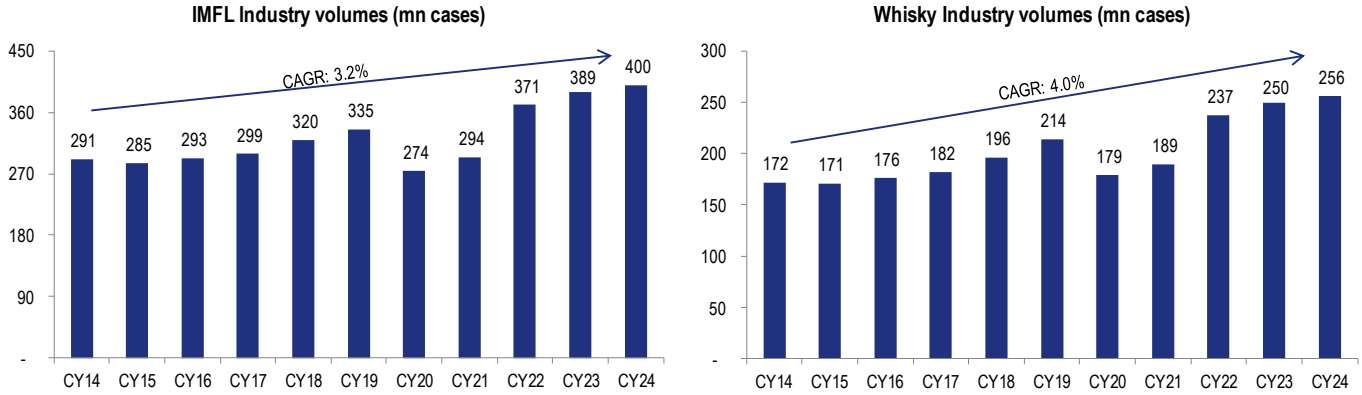

Source: UNSP PPT, JM Financial

**Exhibit 49. Premiumisation trend is clearly visible with P&A volume across players growing faster…**



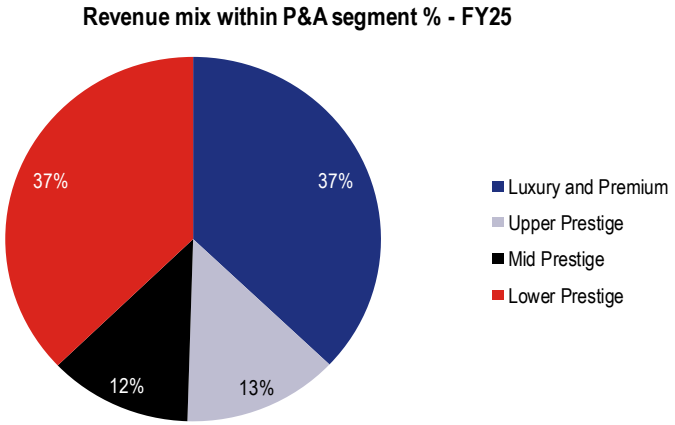

Source: Company, JM Financial

**Exhibit 50. …vs. overall IMFL and whisky industry growth**



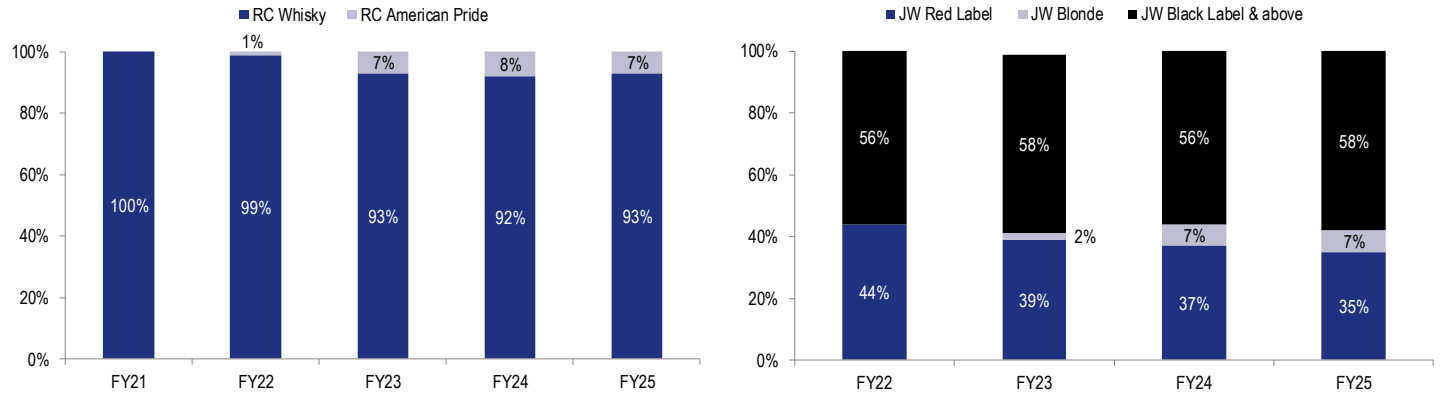

Source: Euromonitor International, Company, JM Financial

## Exhibit 51. UNSP is well-indexed in luxury and premium, being the fastest-growing sub-segment within its P&A portfolio



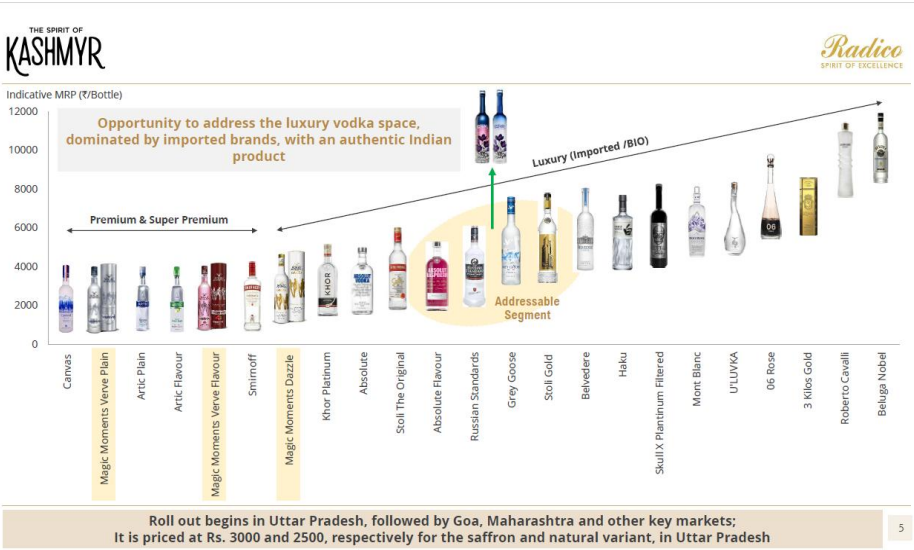

Source: Company, JM Financial

## Exhibit 52. Within trademarks, UNSP has been driving premiumisation in RC and Johnnie Walker through product extensions



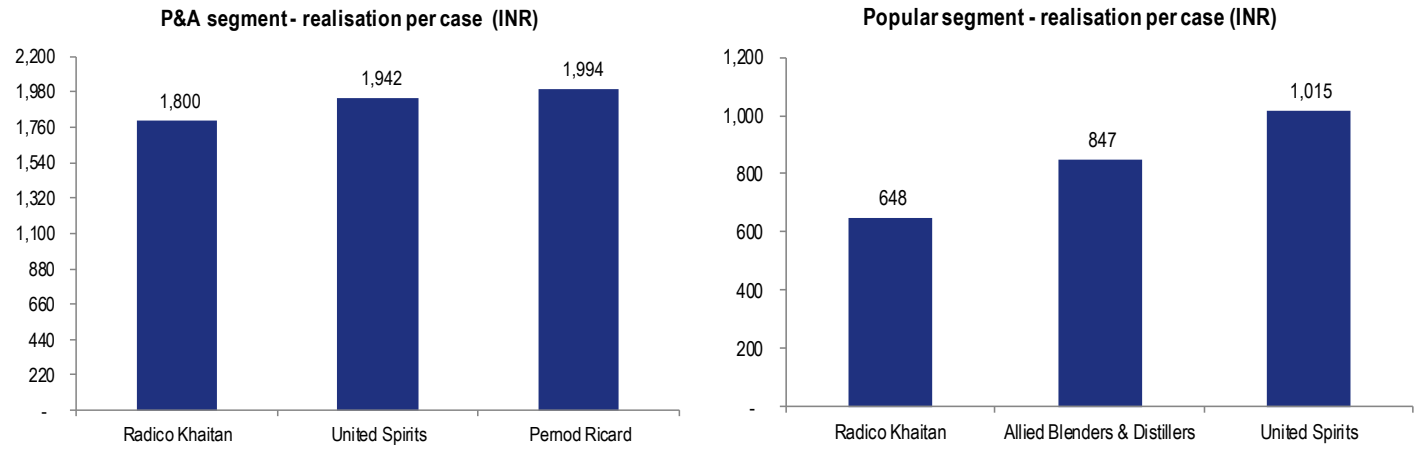

Source: Company, JM Financial

## Exhibit 53. Radico Khaitan's recent launch in the vodka luxury segment also highlights its focus on driving premiumisation with trademark/vodka category



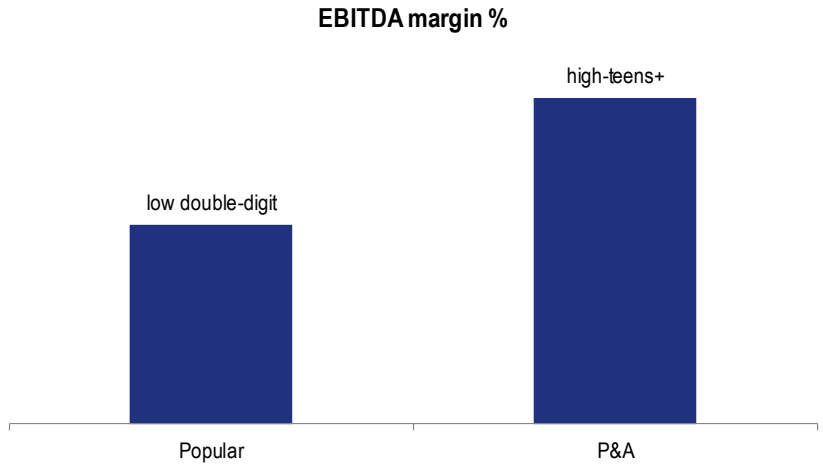

Source: Company, JM Financial

Exhibit 54. Realisation per case of P&A segment is far better vs. Popular segment




Source: Company, JM Financial

Exhibit 55. In terms of profitability as well, P&A segment outshines




Source: Company, JM Financial

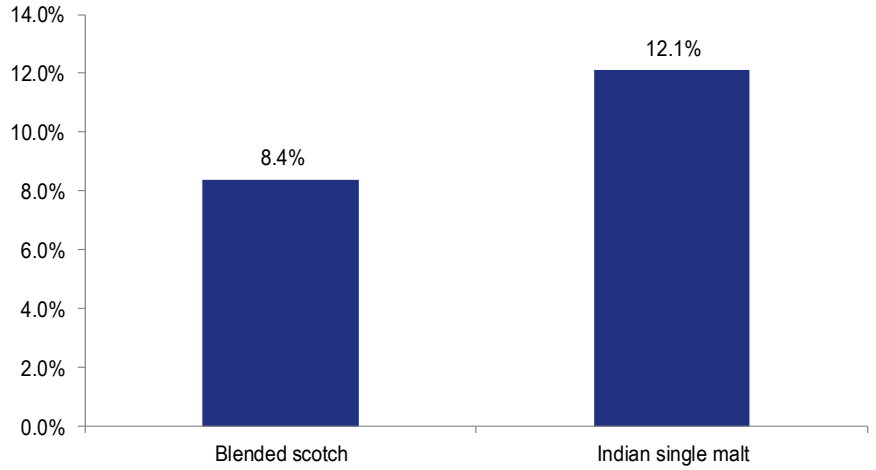
- **Rise of Indian single malts:** India is the world's largest producer and consumer of whisky; it is also the world's largest single malt whisky market by volume. Over the last 10-15 years, it has become a formidable player in the global premium whisky segment producing some of the world's finest single malts, earning critical acclaim and international awards. Amrut distillery was a pioneer here with the launch of India's first single malt Amrut Fusion in 2009, which transformed the global perception about Indian whisky. Over the last decade we have seen a large number of Indian whisky producers introducing Indian single malts and getting global recognition; for e.g.: Rampur Single malt from Radico, Indri from Piccadily Agro, and Paul John from John distilleries.
- The key strength of Indian single malt is the six row barley that has more enzymes, thicker husk and the country's hot/humid climate that enables whisky to mature 3-4 times faster. This apart, Indian players' better understanding of domestic flavours/tastes/ingredients and a strong distribution network provides them an edge over premium scotches.

Exhibit 56. Within whisky, an increase in demand for Indian single malts is visible

| Volumes (in cases) | 2022 | 2023 |
|---|---|---|
| Indian single malt | 280 | 345 |
| Scottish & Foreign brands | 297 | 330 |
| **Total Industry** | **577** | **675** |

Source: Company, JM Financial

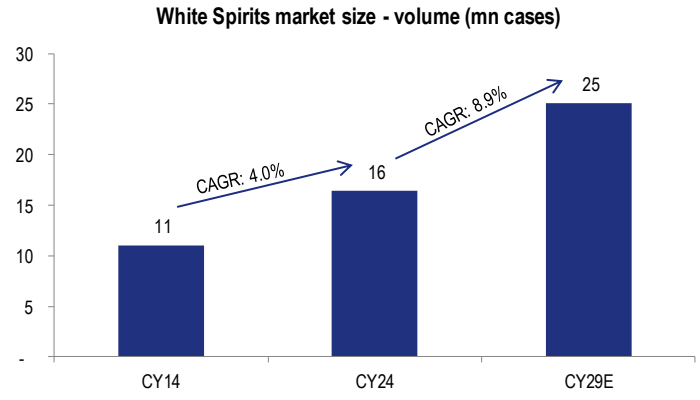
Exhibit 57. Indian single malt market is expected to see stronger growth vs. blended scotch over CY24-29E




Source: Euromonitor International, Company, JM Financial

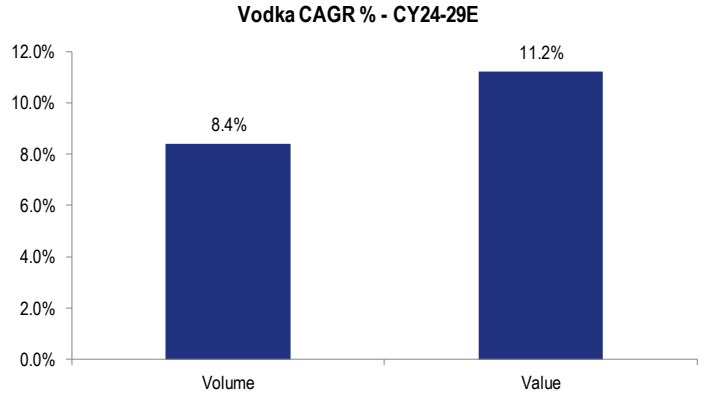
- **Faster growth in white spirits market – huge untapped market opportunity:** Contrary to global industry trends, the share of white spirits such as vodka, gin and white rum remains a small part of the IMFL industry (~4% translating to 16mn cases) in India, thereby highlighting a huge opportunity for growth. Over the past 3 years, white spirits is the fastest-growing category in terms of volume (CAGR: 10.8% over CY21-24). White spirits are expected to be standout performers and grow at a CAGR of 8.9% to reach 25mn cases by CY29E. This category momentum is fuelled by a) favourable demographics, b) increasing urban consumption and c) growing preference for flavoured beverages and cocktail culture. Despite representing a small share of the Indian IMFL market, white spirits hold substantial headroom for growth and a lot of large players are seen building their white spirits portfolio in the premium segment to tap into this opportunity.

Exhibit 58. Within IMFL market, white spirits is expected to be the fastest-growing segment in terms of volume over CY24-29E…




Source: Euromonitor International, Company, JM Financial

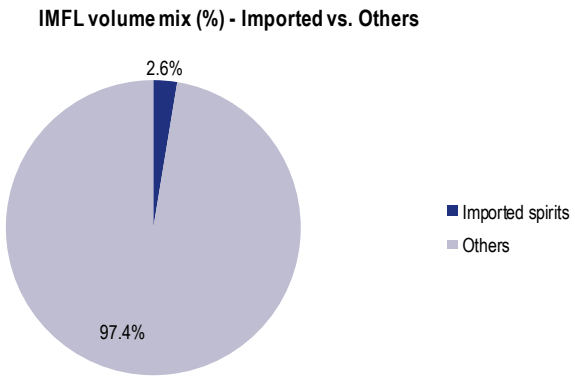
Exhibit 59. …and within white spirits, vodka is expected to outperform the Industry




Source: Euromonitor International, Company, JM Financial

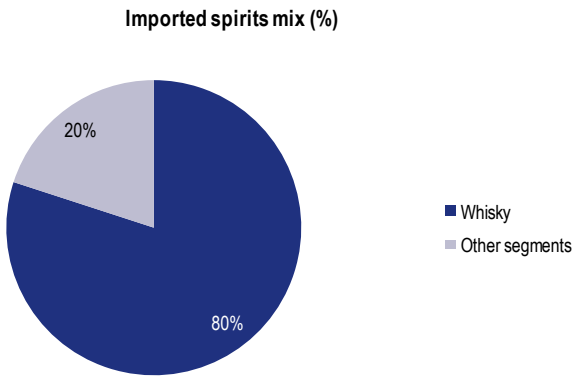
- **Imported Spirits sales have tripled in last 5 years:** Imported spirits can be classified into two segments - Bottled in Origin (BIO) and Bottled in India (BII). As per our checks, imports account for a mere c.2.5-3% of overall Indian IMFL market of 400mn cases, which translates to c.10mn-11mn cases. Whisky dominates this segment, accounting for c.80% of the share in imported spirits. Scotch sales in India have nearly tripled over the last 4-5 years on the back of higher consumption by millennials and a growing middle class from c.4mn cases in 2020 to c.11mn cases in 2025.

Exhibit 60. Imported spirits accounts for 2.6% of IMFL volume…



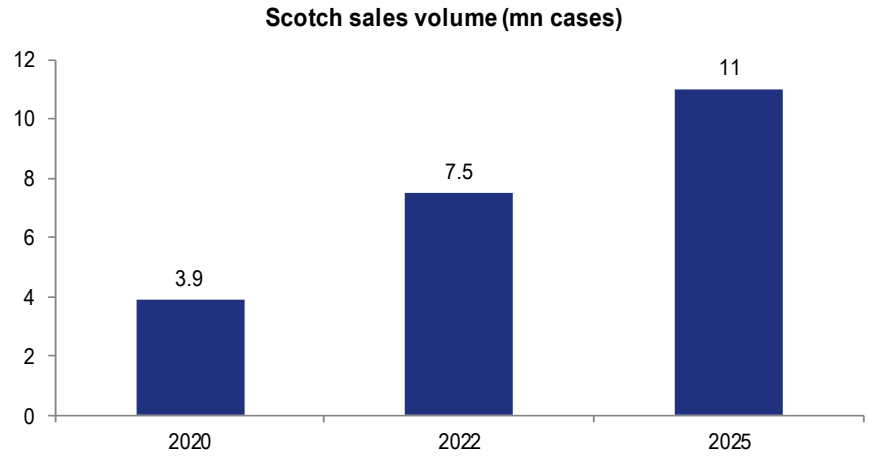

Source: Industry, JM Financial

Exhibit 61. …and whisky dominates the category with c.80% share




Source: Industry, JM Financial

Exhibit 62. Scotch sales have nearly tripled in the last 5 years



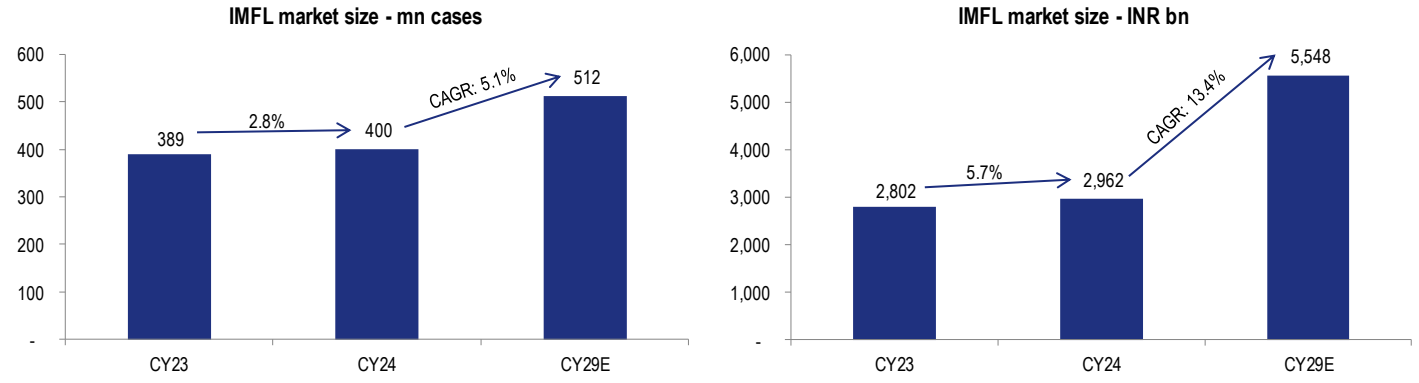

Source: Media reports, Industry, JM Financial

- **India-UK FTA – major tailwind for spirits players:** India and United Kingdom recently signed a landmark free trade agreement wherein tariffs will be reduced across various industries with whisky being one of the major beneficiaries. India has agreed to cut tariffs on bulk scotch from 150% to 75% immediately and gradually reduce it to 40% over 10 years, which will significantly reduce import duty cost. India is the largest whisky market and imported Scotch whisky is one of the key inputs used in premium Indian whiskies. With lower duties, production costs will reduce significantly thereby boosting margins or enabling price reduction. As per our industry checks, duty reduction could lead to 8-10% reduction in MRP. Companies like United Spirits, Allied Blenders & Distillers, and Radico Khaitan are well positioned to benefit from this arrangement.
- **Raw material scenario seeing some easing which along with premiumisation and cost efficiency programmes is enabling margin expansion:** For IMFL players, ENA (c.40-50% of COGS) and glass (c.30% of the COGS) are key raw materials. With increasing premiumisation trend, the demand for grain-based ENA (extra natural alcohol) has increased. The base liquid is either used as ethanol or then distilled accordingly to produce ENA. Hence, demand and supply of both ENA and ethanol is a determinant for the pricing. Over FY20-23, gross margins of spirit players saw sharp compression led by inflation in ENA as well as in glass bottle prices. However, over the last 2 years led by productivity initiatives and improving mix, companies have been able to cushion some of the impact, resulting in margin expansion over FY23-25. However, margins are still lower vs. pre-Covid levels. ENA prices have been stable with the government withdrawing the restriction on the procurement of FCI rice and are likely to be stable considering

moderation in grain prices. The government's next ethanol fuel blending target (expected during 3QFY26) will be the key monitorable for future trajectory of ENA prices.

- **Promising outlook; acceleration in premiumisation to drive overall industry growth over CY24-29E:** India's IMFL industry is projected to reach 512mn cases by CY29E, growing at a CAGR of 5.1% (CY24-29E) and is expected to cross the INR 5.5trln mark by CY29E (CAGR: 13.4%), implying increase in consumer spend per case. Within this, white spirits is likely to outperform industry growth in terms of volume while whisky could outperform the industry on both volume and value. With broader macros and growth drivers unchanged, the Indian spirits Industry is poised for broad-based growth across categories on the back of: a) low per capita consumption, b) rapid urbanisation, c) favourable policy developments, d) evolving consumer preferences driving premiumisation, e) rising affluence and f) industry wide innovation (availability of differentiated offerings across price points).

**Exhibit 63. India's IMFL market is expected to grow at a volume CAGR of 5.1% and value CAGR of 13.4% across CY24-29E**




Source: Euromonitor International, Company, JM Financial

# Beer Industry: Attractive and fast growing makes India a key growth engine for MNC players

- **Industry opportunity is large, which makes India a key growth engine for global beer players:** The Indian beer industry has quadrupled in the last 20 years from around 100mn cases in 2005 to c.400mn cases currently in volume terms. Currently, beer accounts for approximately 10% of total alcohol consumption in India, with a per capita consumption (PCC) of around 2 litres, significantly lower than the global average of approximately 30 litres. The growth opportunity for the beer category is large with enough headroom to increase share of throat (< 20%), gain share of occasions (c.25-30% currently) and gain shelf space at outlets (c.90% is occupied by spirits). Also, as we traverse down the pop-strata in India, the beer to spirit ratio in volume terms is more skewed towards spirits (unlike other global markets where it is 1:1 or more skewed to beer). As a result, double-digit value growth is achievable for the industry, which makes India a top priority market for MNC majors within its global footprint. Having said that, it is essential to ensure affordability (higher taxation on beer) and increase penetration (invest on infrastructure), which are the key challenges currently for the industry. UBL is undertaking a lot of initiatives both on the internal and external fronts to overcome these barriers and unlock the underlying market potential.

**Exhibit 64. Market classification of beer in India**

| Particulars | Categorisation | |
|---|---|---|
| **Segment** | **Strong** | **Mild** |
| Alcohol content | More than 5% but up to 8% | Up to 5% |
| **Industry mix** | **80%** | **20%** |
| Key products | • Kingfisher Strong, Kingfisher Ultra Max<br>• Amstel<br>• Budweiser Magnum<br>• Carlsberg Elephant<br>• Tuborg Strong, Tuborg Classic with scotch malts | • Heineken, Heineken Silver<br>• Kingfisher Premium, Kingfisher Ultra Witbier<br>• Carlsberg Smooth<br>• Tuborg Green, Tuborg Ice<br>• Budweiser<br>• Corona<br>• Hoegaarden |

Source: Company, JM Financial

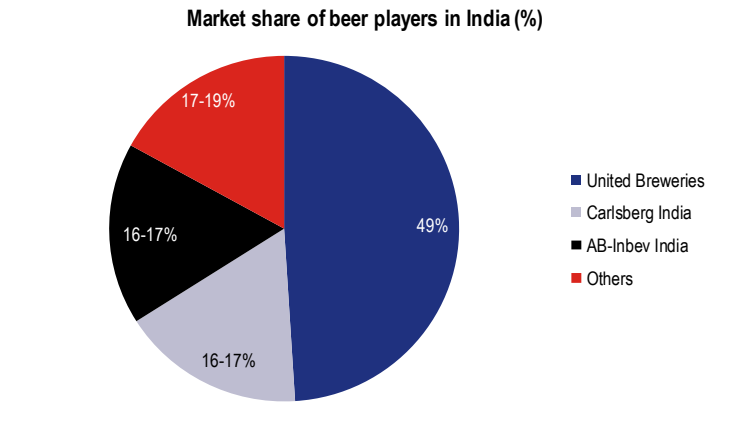
**Exhibit 65. Product positioning within beer market by key players**

| Company | New Economy (INR 120-150) | Economy (INR 150-170) | Mainstream (INR 170-200) | Premium (>INR 200) |
|---|---|---|---|---|
| United Breweries | London Pilsner, London Strong, Bullet, Bullet Strong | UB Export | Kingfisher Premium Light, Kingfisher Strong | Heineken Original, Heineken Silver, Kingfisher Ultra, Kingfisher Ultra Max, Kingfisher Ultra Witbier, Amstel and Amstel Grande |
| Carlsberg India | - | - | Carlsberg Smooth, Tuborg Strong, Tuborg Light | Carlsberg Light, Carlsberg Elephant Strong, Tuborg Classic Black Strong |
| AB InBev India | - | - | - | Budweiser Light, Budweiser Magnum, Corona |
| Bira91 | - | - | Bira Boom | Bira White, Bira 91 Rise Rice Strong Lager Beer, Bira Blonde, Bira Gold |

Source: Company, JM Financial. Note: Classification based on MRP in Karnataka state

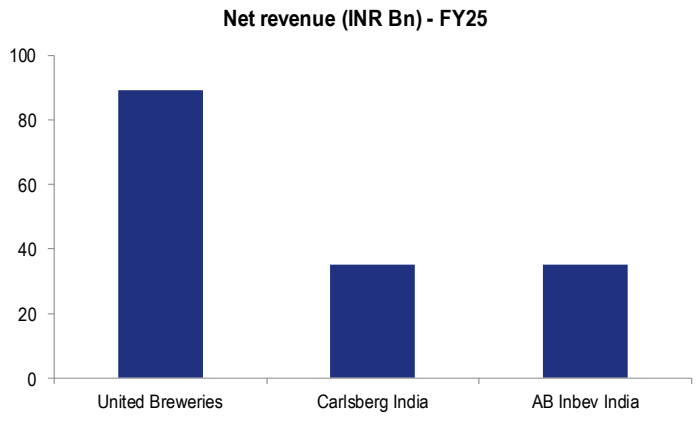
- **Oligopolistic industry structure with top 3 players controlling c.80-85% of the industry:** The industry is highly consolidated, with the top three players - United Breweries (Kingfisher, Heineken, Amstel), AB InBev (Budweiser, Corona, Hoegaarden), and Carlsberg (Tuborg, Carlsberg) - controlling more than 85% of the market. Structurally, India is dominated by strong beer (6–8% ABV), which accounts for ~80–85% of sales, though the premium and super-premium segments (including wheat beers, craft-style offerings, and international brands) have been growing 2–3x faster than the overall category. Key growth drivers remain favourable demographics, rising disposable incomes, urbanisation, and increasing social acceptance of beer as a lighter, more social beverage.

Exhibit 66. UBL enjoys 49% market share in India's beer market…




Source: Media reports, Company, JM Financial

Exhibit 67. …along with revenue leadership




Source: Company, JM Financial. Note: Net Revenue for Carlsberg India and AB Inbev for FY25 is as per internal estimates,

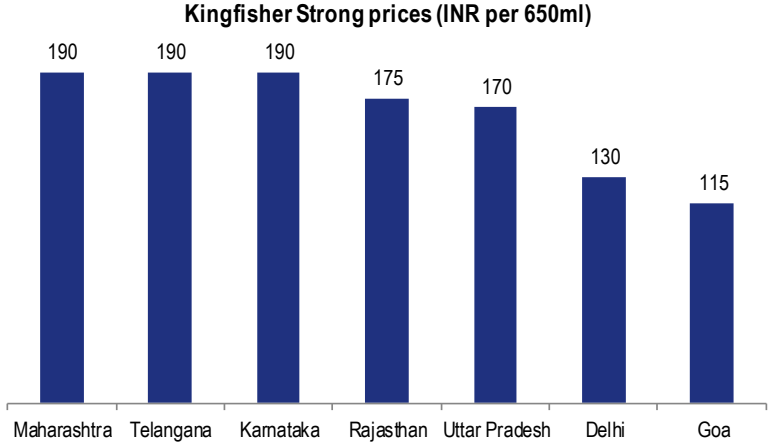
- **State mix of beer industry:** The Indian beer market continues to be geographically concentrated, with South India contributing the largest share at c.40-50% of volume, led by high-consumption states such as Karnataka, Telangana, and Andhra Pradesh. This dominance reflects the region's warmer climate, higher social acceptance, and relatively wider outlet penetration. North and West India have emerged as the fastest-growing regions in recent years, supported by rapid urbanisation, expanding middle-class population, rising youth demographics, and favourable regulatory environment in states such as Uttar Pradesh and Maharashtra. Eastern India (including West Bengal and Odisha) remains small in overall share.
- **Taxation asymmetry – beer is taxed higher/similar to spirits despite much lower alcohol content:** Despite steady growth, India remains one of the most under-penetrated beer markets globally, with per capita consumption at ~2 litres versus a global average of ~30 litres. A key structural reason is taxation: in most states, beer is taxed at par with spirits, even though its alcohol content is far lower (6–8% ABV for strong beer vs. >40% for spirits). This results in beer being taxed similar or higher vs. spirit in terms of per unit of alcohol despite having much lower alcohol content than spirits, making it relatively less affordable and suppressing broader category penetration.

Exhibit 68. Taxation asymmetry in Beer vs. IMFL

| Brand | Effective Declared Price (EDP) | MRP | Tax & duties per bottle (MRP - EDP) | Taxes & duties per unit of alcohol |
|---|---|---|---|---|
| Kingfisher Strong | 51 | 190 | 139 | 2.7 |
| Kingfisher Premium | 52 | 185 | 133 | 2.6 |
| McDowell's No 1 | 100 | 960 | 860 | 2.7 |

Source: Based on Karnataka state pricing, JM Financial

Exhibit 69. Pricing disparity driven by varying excise duties across key states

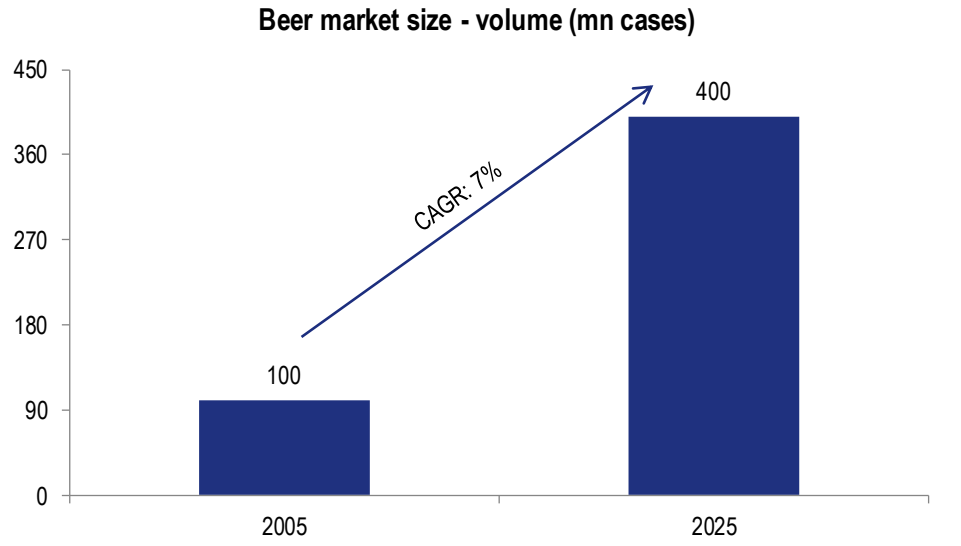



Source: Current prices taken from Livecheers.com and Media reports, Company, JM Financial

## Analysing how industry growth has shaped over last 2 decades

- **Industry volume has grown at CAGR of c.6-7% over 2005-2025:** As per our analysis of volume and industry checks, over the last 2 decades (over 2005-2025), Indian beer industry volume has grown at a CAGR of c.6-7% to c.400mn cases. Price/mix growth has been c.2-3%, taking overall industry growth to c.8-9%. If we further double click and split it between 2 decades over FY05-15 and FY15-25, the growth trajectory was higher in the first 10 years – volume CAGR of c.9-10% as industry was nascent and regulatory environment was largely stable.

Exhibit 70. India's beer market has quadrupled over the past 2 decades




Source: Media Reports, Company, JM Financial

- **However, over the last 10 years, volume growth rates moderated to c.4-5% (price/mix growth of c.3%) impacted by adverse regulatory events –**
  - Increase in excise duties and sales tax with lack of commensurate price hikes in few states (FY14/15)
  - States like Kerala and Bihar announced state-wide liquor ban (FY16)
  - Tamil Nadu, one of the large markets, announced phase-wise prohibition of liquor (FY16-17)
  - Volume impacted by demonetisation (FY17), national highway liquor ban (FY18) and implementation of GST (FY18)
  - RTM change in Jharkhand (government took retail shops under its control) in FY18 but later reversed in FY19
  - Changes in Andhra Pradesh (government took control of retail outlets, reduced outlets by 20%, reduced hours of operations, increased taxes resulting in higher MRP), Covid-led disruption on outlets/Covid cess announced by several states (FY20/21)
- However, volume growth rebounded strongly in FY22 and crossed pre-Covid levels in FY23 as Covid-led restrictions were eased, similar to FY18/19 when we saw volume resurgence once the highway ban was relaxed and operations normalised.
- **FY24:** Key summer quarter was impacted by RTM changes in Andhra Pradesh, Tamil Nadu (RTM change by UBL moving to its own sales force) and Delhi. However, healthy recovery was seen in the balance 9M of FY24 with mid-high single digit growth.
- **FY25:** Largely stable (mid-single digit volume growth) barring company specific issues (UBL stopping supplies in Telangana due to lack of adequate price hikes and commensurate impact on profitability) and state elections.

- **FY26 – positive start despite adverse summer with key players registering double digit volume growth:** Started on a strong note despite the early monsoon and increase in duty on beer in Karnataka. As per our checks, the beer industry grew in high single digits in 1Q despite unfavourable weather (mild summer due to unseasonal rains) and decline in volume in the key market of Karnataka (due to hike in excise duty on beer). The weakness in Karnataka was offset by healthy growth in UP, Telangana, and Maharashtra.

**Exhibit 71. Management commentary on growth by key beer players**

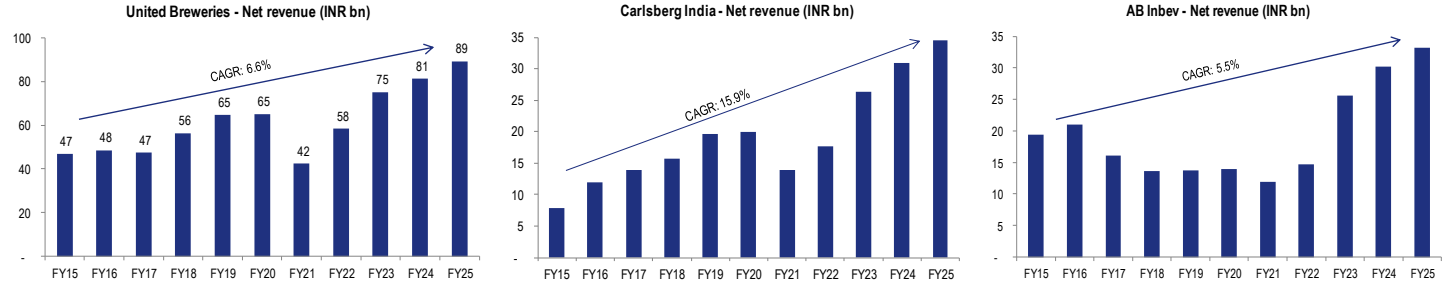
| Company | Management commentary on growth |
|---|---|
| United Breweries | **Double-digit sales growth** driven by strong volume growth, led by Kingfisher Ultra franchise, Amstel Grande & Heineken Silver |
| Carlsberg India | **Double-digit volume growth** led by Tuborg and Carlsberg Elephant |
| AB Inbev India | **Delivered double-digits revenue growth** with Budweiser growing ahead of industry |

Source: Company, JM Financial

# Competitive landscape

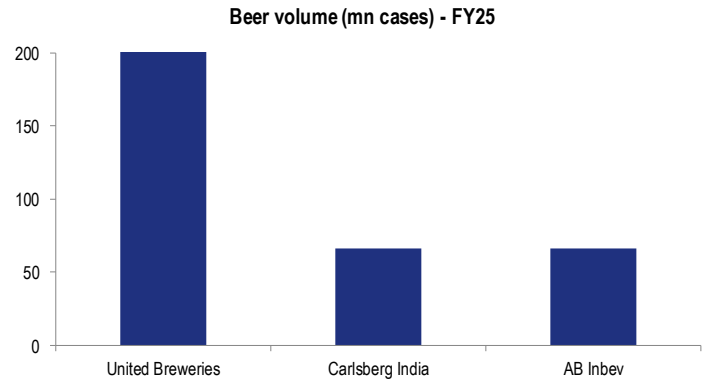
- As highlighted earlier, the beer industry in India is oligopolistic in nature with the top 3 players controlling c.80-85% of the market. UBL is by far the largest player (2.5x of No 2/3 player in terms of sales) in terms of scale (volume, value, portfolio width and manufacturing presence).
- In terms of sales growth, Carlsberg India has outperformed other two players with mid-teens sales CAGR over FY15-25 vs. 5-7% for UBL and AB-Inbev India.
- Profitability wise, Carlsberg India enjoys better margins due to higher salience of premium products.

## Exhibit 72. Carlsberg India has outperformed both UBL and AB Inbev in terms of revenue CAGR over last 10 years



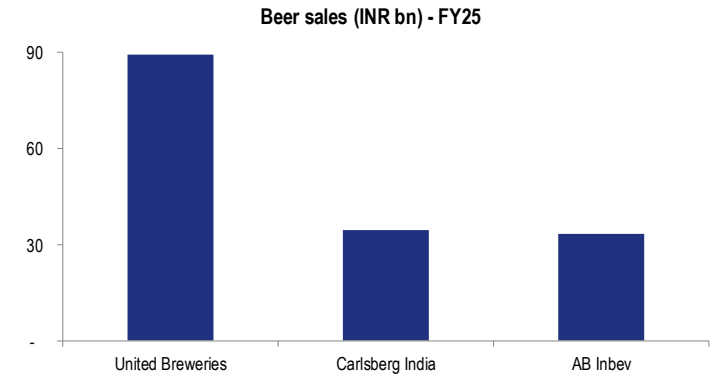

Source: Company, JM Financial. Note: Net Revenue figures for Carlsberg India for FY25 and for AB Inbev for FY24 and FY25 are as per internal estimates.

## Exhibit 73. UB leads the pack in terms of volume by wide margin…



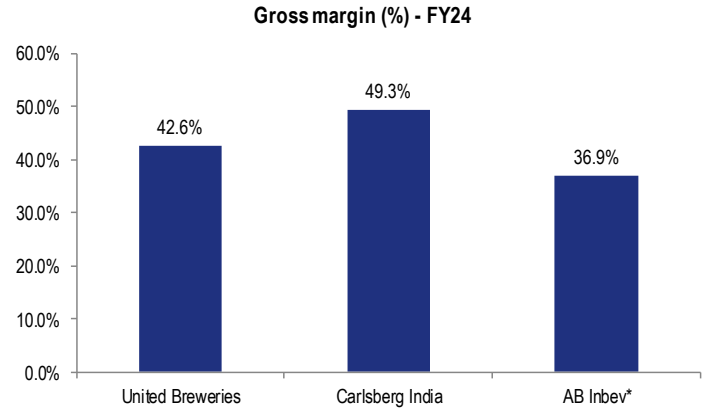

Source: Company, JM Financial. Note: FY25 figures for Carlsberg India and AB Inbev are as per internal estimates.

## Exhibit 74. …and this scale advantage translates into sales leadership



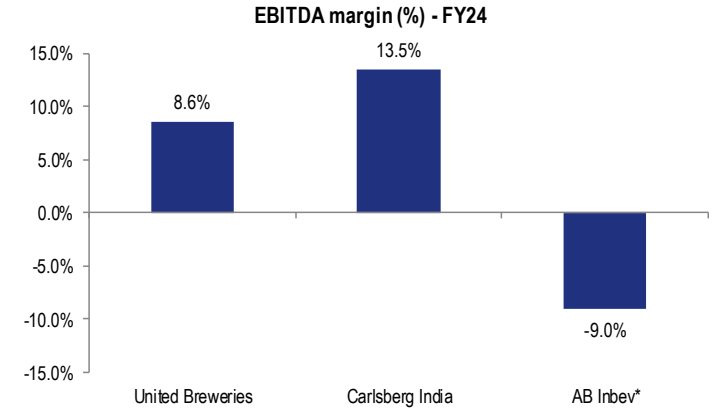

Source: Company, JM Financial. Note: FY25 figures for Carlsberg India and AB Inbev are as per internal estimates.

## Exhibit 75. Carlsberg delivers superior gross margins…



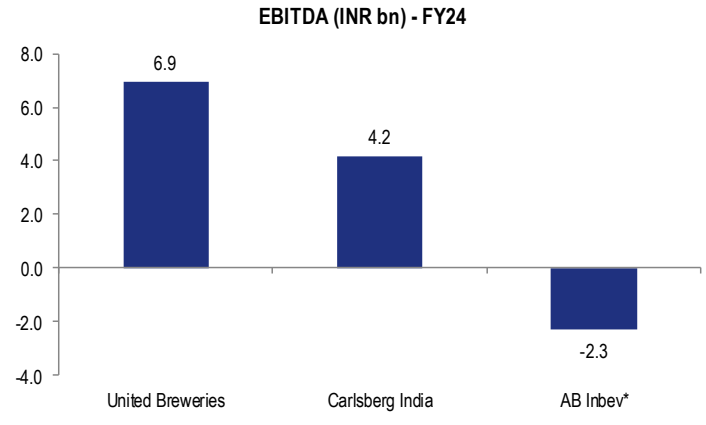

Source: Company, JM Financial. Note: Gross margin is calculated on Net revenue
*Data for AB Inbev pertains to FY23

## Exhibit 76. ..and EBITDA margins due to better mix



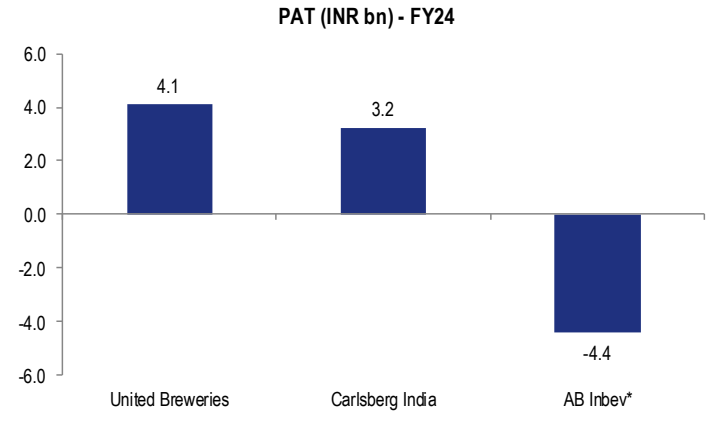

Source: Company, JM Financial
*Data for AB Inbev pertains to FY23

## Exhibit 77. EBITDA comparison of key beer players




Source: Company, JM Financial
*Data for AB Inbev pertains to FY23

## Exhibit 78. PAT performance of key beer players



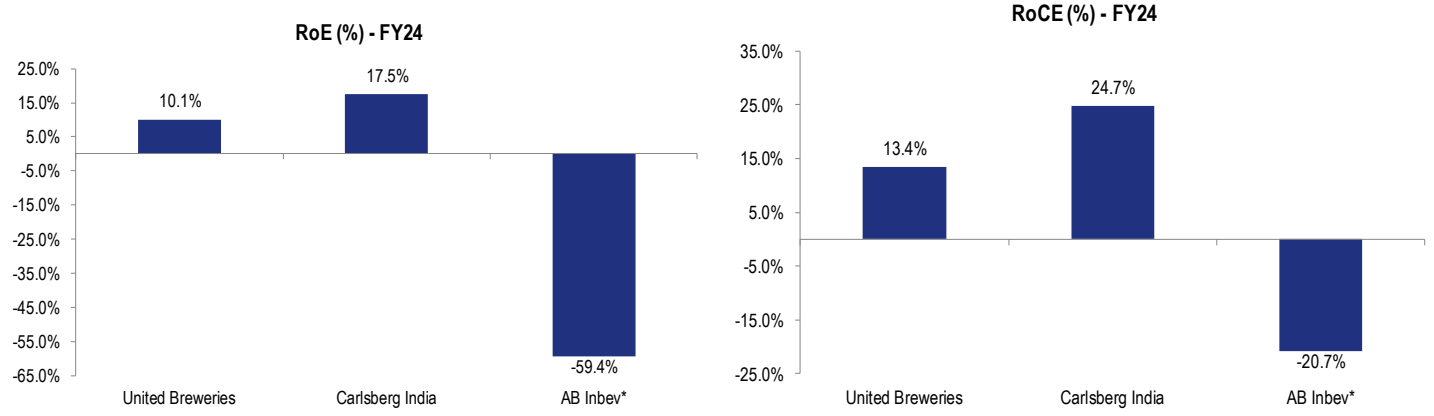

Source: Company, JM Financial
*Data for AB Inbev pertains to FY23

## Exhibit 79. Snapshot of working capital cycle of key beer players

| Particulars (FY24) | United Breweries | Carlsberg India | AB Inbev* |
|---|---|---|---|
| Inventory days | 28 | 22 | 62 |
| Debtor days | 47 | 21 | 37 |
| Creditor days | 19 | 25 | 51 |
| **Net working capital days** | **55** | **18** | **48** |
| **Net working capital (% to gross sales)** | **15.1%** | **4.8%** | **13.2%** |
| **Net working capital (% to net revenue)** | **33.7%** | **12.3%** | **31.6%** |

Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income
*Data for AB Inbev pertains to FY23

## Exhibit 80. Better profitability and working capital leads to higher RoE/RoCE for Carlsberg India




Source: Company, JM Financial. Note: RoCE = (EBIT + Other income)/(Total debt + Average Equity)
*Data for AB Inbev pertains to FY23

- **Premiumisation – Nascent compared to IMFL but gaining traction:** Premiumisation has emerged as the defining trend in India's beer industry with consumers increasingly shifting from mass strong beer toward super-premium, craft-inspired, and international brands. However, the salience of the premium segment in the overall beer Industry is still at c.20-25% vs. c.45-50% salience in the IMFL industry. Among the top 3 players, AB Inbev India (2/3rd of its portfolio is in premium & super-premium) and Carlsberg India have higher salience of premium & super-premium segment compared to UBL (premium segment salience to overall portfolio volume is in high single digits). As per our analysis of EDP and MRP, realisation in the premium segment is higher. Further, once the premium portfolio reaches optimum scale and has localised manufacturing, EBITDA/case can be 2x of the mainstream brands at optimum scale.

Exhibit 81. EDP and MRP of premium brands are indicative of better realisations/case vs. mainstream brands

| Brand | Effective Declared Price (EDP) | MRP (INR) |
|---|---|---|
| Kingfisher Strong | 51 | 190 |
| Kingfisher Ultra | 64 | 225 |
| Heineken Original | 77 | 270 |
| Budweiser Magnum | 69 | 245 |
| Budweiser | 64 | 225 |

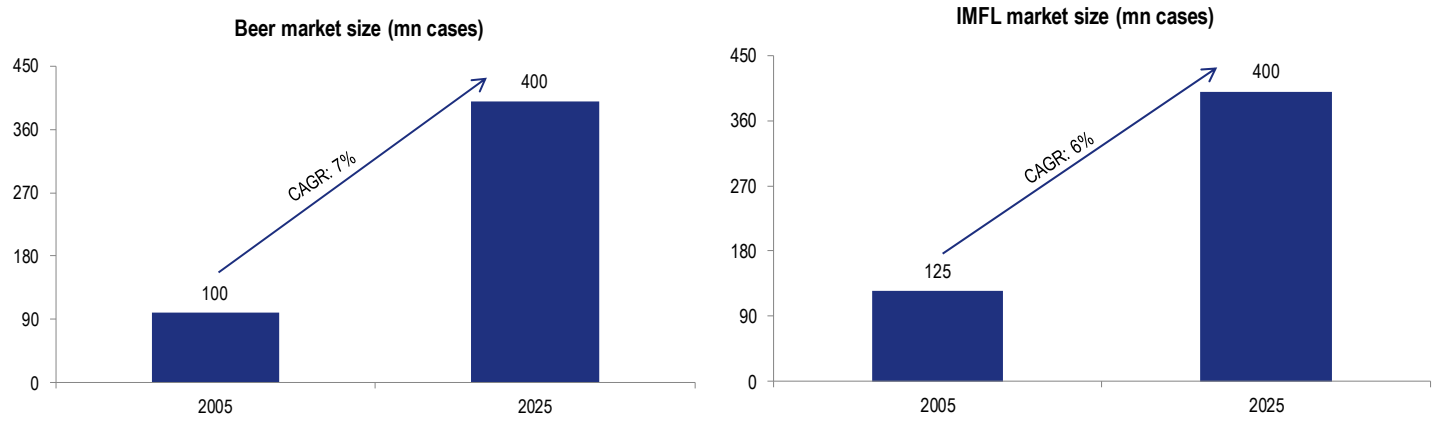
Source: KSBCL, JM Financial

- **Outlook – High single digit to low-double-digit value growth achievable in a stable regulatory environment:** With rapid urbanisation, socialisation is increasingly becoming part of the culture, leading to potential for beer consumption across premium, mainstream and value segments. Beer is a drink of moderation and represents a more responsible alcohol choice. Given India's relatively low per capita beer consumption compared to other countries, there is considerable headroom for growth. As per management commentaries and our industry checks, growth opportunity for the category is large given its low share of throat, low share in consumption on occasions and under-representation on the outlet shelf. Hence, 6-8% volume growth and c.3-4% price/mix growth-led double-digit value growth for the industry is a reasonable expectation in a stable regulatory environment.

## Beer vs. IMFL

- **Our analysis of volume growth over last 20 years indicates beer industry volumes (CAGR of c.7%) have grown a tad faster vs. IMFL (CAGR of c.6%). Infact a decade prior to covid (FY09-19), the gap was much higher with beer industry growing at 7% vs 4% for IMFL**
- **Entry barriers are relatively higher in beer** due to high capex intensity, higher freight costs and lower share of shelf space.
- **Premiumisation trend has been more prominent in IMFL** with P&A segment accounting for c.40-50% of the industry while in beer salience of the mainstream brand is much high at c.75-80% of the industry. However, premium product sales in beer are also seeing traction visible from faster growth for premium brands for Carlsberg India, UBL and AB-Inbev.
- **On an overall basis, gross margin profile is more a function of state mix/product mix.** Gross margins for players with higher salience of premium products in IMFL or beer are better visible from higher margins for Pernod Ricard and Carlsberg India. Infact right mix ensures better gross margins – Carlsberg India has higher gross margin among the MNC alcoholic beverage players.
- **EBITDA margins for IMFL players is higher vs. beer players** largely on account of lower staff cost and lower overhead costs (for e.g.: freight costs)
- **RoCE's are better in IMFL players as asset light models lead to lower capex intensity/better asset turns.**

**Exhibit 82. Growth trajectory of beer industry has been a tad faster vs. IMFL industry over the past 2 decades**




Source: Media Reports, Company, JM Financial estimate

**Exhibit 83. Players with higher premium mix, either in IMFL or beer, evidently have better gross margins**

| Gross margin % to net revenue | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|---|---|---|---|---|---|---|
| United Breweries | 53.4% | 51.4% | 52.0% | 49.7% | 42.9% | 42.6% | 43.0% |
| **Carlsberg India** | **55.8%** | **56.0%** | **55.8%** | **54.4%** | **49.7%** | **49.3%** | **NA** |
| United Spirits | 48.8% | 44.8% | 43.4% | 43.8% | 41.5% | 43.4% | 44.7% |
| Pernod Ricard | 51.3% | 48.9% | 48.0% | 48.4% | 44.9% | 47.8% | NA |
| Radico Khaitan | 51.6% | 48.6% | 49.9% | 45.0% | 41.8% | 42.5% | 42.8% |

Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income

## Exhibit 84. Upon analysis, beer players exhibits higher staff costs and…

| Staff cost as a % to net revenue | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|---|---|---|---|---|---|---|
| United Breweries | 6.9% | 7.7% | 11.4% | 8.9% | 7.9% | 7.9% | 8.0% |
| Carlsberg India | 10.3% | 10.9% | 13.7% | 11.5% | 10.0% | 9.0% | NA |
| United Spirits | 7.5% | 5.7% | 6.8% | 6.9% | 5.9% | 5.1% | 5.2% |
| Pernod Ricard | 4.3% | 3.9% | 4.6% | 4.5% | 4.7% | 5.6% | NA |
| Radico Khaitan | 8.2% | 7.7% | 5.2% | 4.9% | 5.4% | 4.8% | 4.5% |

Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income

## Exhibit 85. …freight costs vs. IMFL players

| Freight cost as a % to net revenue | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|---|---|---|---|---|---|---|
| United Breweries | 6.1% | 5.7% | 5.4% | 5.2% | 5.5% | 4.9% | 4.7% |
| Carlsberg India | 9.6% | 8.2% | 7.1% | 7.1% | 6.7% | 5.6% | NA |
| United Spirits | 2.8% | 2.8% | 2.9% | 2.9% | 2.7% | 2.3% | 2.2% |
| Pernod Ricard | 3.3% | 3.0% | 3.5% | 3.3% | 2.8% | 2.6% | NA |
| Radico Khaitan | 4.5% | 4.5% | 4.5% | 4.6% | 4.4% | 3.9% | 3.6% |

Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income

## Exhibit 86. In terms of A&P spends, IMFL players outpace beer players

| A&P as a % to net revenue | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|---|---|---|---|---|---|---|
| United Breweries | 5.4% | 5.6% | 5.0% | 4.7% | 4.1% | 4.2% | 4.3% |
| Carlsberg India | 2.8% | 2.7% | 1.2% | 1.7% | 3.1% | 3.1% | NA |
| United Spirits | 9.6% | 7.9% | 7.0% | 7.3% | 8.9% | 9.7% | 9.7% |
| Pernod Ricard | 6.6% | 7.1% | 5.8% | 7.0% | 7.0% | 6.7% | NA |
| Radico Khaitan | 6.6% | 5.8% | 5.4% | 4.3% | 4.0% | 4.2% | 4.0% |

Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income

## Exhibit 87. From a holistic lens, IMFL players have a much leaner cost structure (incl. staff/freight/A&P spends) vs. beer players…

| Other expenses as a % to net revenue | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|---|---|---|---|---|---|---|
| United Breweries | 17.5% | 18.9% | 21.2% | 19.0% | 17.2% | 17.0% | 16.5% |
| Carlsberg India | 18.5% | 20.4% | 20.7% | 19.7% | 19.0% | 18.1% | NA |
| United Spirits | 14.6% | 11.9% | 14.2% | 10.8% | 10.3% | 10.4% | 9.7% |
| Pernod Ricard | 12.8% | 12.0% | 14.8% | 13.3% | 13.9% | 14.0% | NA |
| Radico Khaitan | 15.6% | 15.3% | 17.8% | 17.1% | 16.7% | 17.4% | 16.9% |

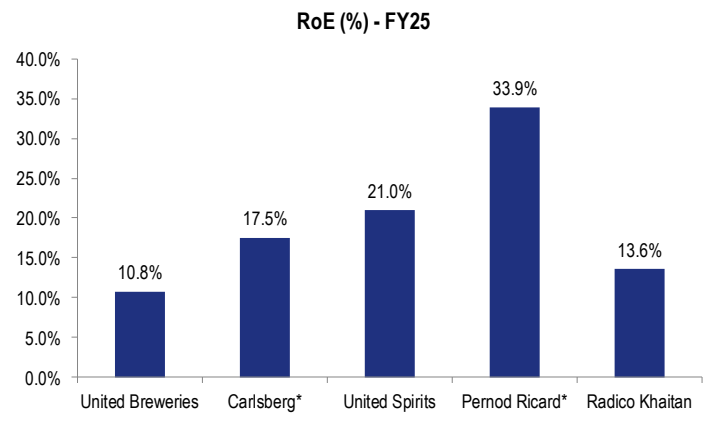
Source: Company, JM Financial.
Note:
1. Net revenue is net-off excise duty but including other operating income
2. Other expenses is excluding freight cost and A&P spends

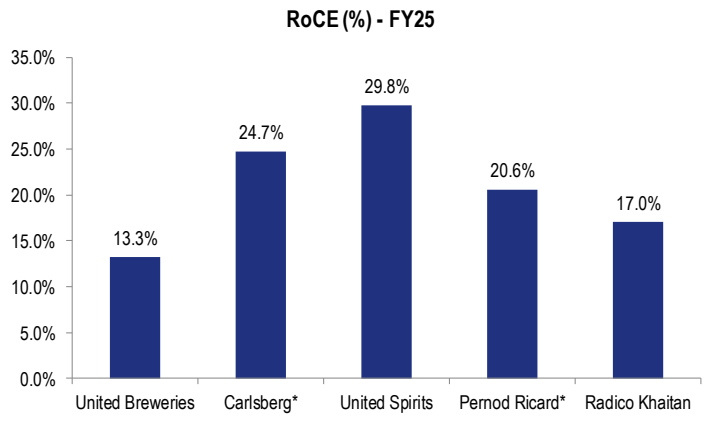
## Exhibit 88. …as a result, EBITDA margin profile of IMFL players is better than beer players

| EBITDA margin % | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|---|---|---|---|---|---|---|
| United Breweries | 17.6% | 13.4% | 8.9% | 11.9% | 8.2% | 8.6% | 9.4% |
| Carlsberg India | 14.6% | 13.9% | 13.1% | 14.3% | 10.9% | 13.5% | NA |
| United Spirits | 14.3% | 16.6% | 12.5% | 15.8% | 13.7% | 16.0% | 17.8% |
| **Pernod Ricard** | **24.3%** | **22.9%** | **19.4%** | **20.2%** | **16.6%** | **19.0%** | **NA** |
| Radico Khaitan | 16.7% | 15.3% | 17.0% | 14.0% | 11.4% | 12.3% | 13.9% |

Source: Company, JM Financial

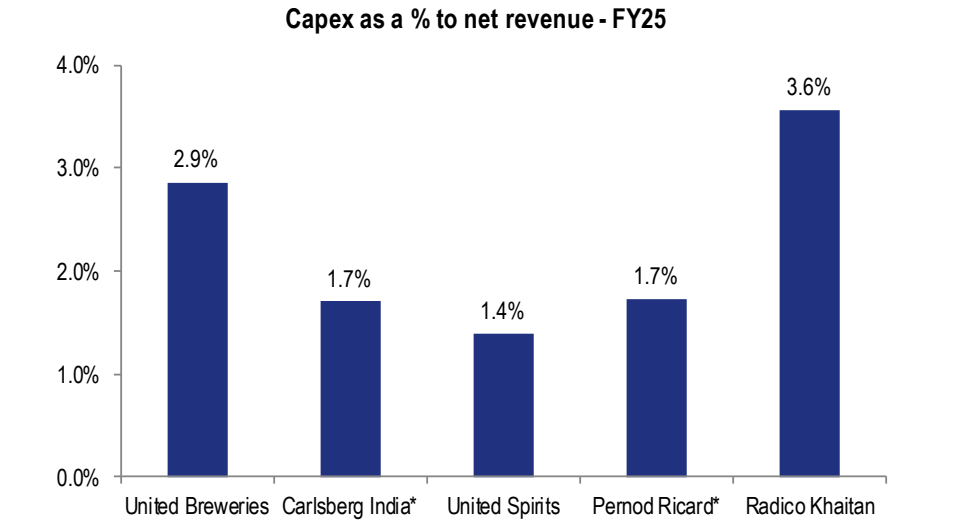
## Exhibit 89. Return profiles of key alcoholic beverages players




Source: Company, JM Financial. Note: RoCE = (EBIT + Other income)/(Total debt + Average Equity)
*Data for Carlsberg and Pernod Ricard pertains to FY24

## Exhibit 90. Capex intensity of key alcoholic beverage players




Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income
*Data for Carlsberg and Pernod Ricard pertains to FY24

## Exhibit 91. Snapshot of working capital cycle of alcoholic beverages players

| Particulars (FY25) | United Breweries | Carlsberg India* | United Spirits | Pernod Ricard* | Radico Khaitan |
|---|---|---|---|---|---|
| Inventory days | 31 | **22** | 31 | 22 | 23 |
| Debtor days | 55 | **21** | 50 | 65 | 25 |
| Creditor days | 22 | **25** | 29 | 33 | 7 |
| **Net working capital days** | **64** | **18** | **52** | **54** | **42** |
| **Net working capital (% to gross sales)** | **17.4%** | **4.8%** | **14.1%** | **14.7%** | **11.4%** |
| **Net working capital (% to net revenue)** | **37.3%** | **12.3%** | **32.7%** | **31.3%** | **40.1%** |

Source: Company, JM Financial.
*Data for Carlsberg and Pernod Ricard pertains to FY24
Note:
1. Inventory days, Debtor days, creditors days and net working capital days are calculated on gross sales.
2. Net revenue is net-off excise duty but including other operating income.

# Radico Khaitan | BUY

## Exceptional transformation; revenue outperformance to sustain

**Radico is an impressive story that showcases how one can emerge a winner through agility in identifying white spaces and capitalising on it through disproportionate focus on innovation and well-integrated manufacturing capabilities. Radico has been at the forefront in capturing the premiumisation wave to emerge as one of the fastest-growing players in the P&A segment, outperforming industry as well as large MNC players (UNSP/Pernod Ricard). Radico's dominance in the fast-growing vodka segment and initial success in the P&A whisky segment provides confidence on sustainability of revenue outperformance (sales CAGR of 18%) vs. peers over FY25-28E. Faster growth in the high-margin P&A segment, stable input costs, UK FTA benefit and scale leverage will drive gains in EBITDA margin. Improving profitability, working capital and lower capex intensity will aid RoCE, drive higher free cash and strengthen the balance sheet. With faster earnings growth (c.36% CAGR over FY25-28E) within the alcoholic beverage space, we expect premium valuations to sustain. Hence, we initiate coverage with a BUY rating and a Sep'26 TP of INR 3,515/share (60x Sep'27E).**

- **Exceptional transformation crafted by visionary leadership:** Innovation, blend, packaging and well-integrated supply chain infrastructure are critical aspects for success in the IMFL industry. A large part of Radico's success can be attributed to the promoters' ability to spot opportunities early (for e.g.: premiumisation in vodka, scaling up presence in the luxury whisky segment) and extensive focus on innovation. Impressive execution is visible from a) it being one of the fastest-growing players in the P&A segment, b) dominant market share of 60% in the fast-growing vodka segment and c) initial success in the premium whisky segment.
- **Enough runway for growth, revenue outperformance to continue:** We see Radico's revenue outperformance continuing, led by – a) Scope for market share gains in the overall IMFL segment and the P&A segment, where its share is still in high single digits, b) favourable regulatory environment in its key markets of UP and AP (c.40% of its IMFL volume), c) high-teens growth in its largest brand 'Magic Moments' (c.50% of P&A sales) thereby capitalising on the fast-growing white spirit segment and d) acceleration in the whisky segment (led by recovery in 8 PM premium black, strong traction in After Dark and acceleration in the luxury portfolio) where it is under-indexed (c.38% of Radico's sales vs. c.60% for industry).
- **Improved profitability and working capital to strengthen balance sheet and drive healthy cash generation:** After steep margin pressure in FY22/23, Radico's margin has seen some recovery over FY24/25. We expect the pace of margin expansion to increase led by a) premiumisation – increase in salience of P&A and higher growth in the mid-premium/luxury portfolio within P&A, b) improved profitability in the non-IMFL segment, c) benefit of UK FTA, and d) stable input costs. Uptick in margins and better working capital will aid RoCE, which, along with lower capex intensity, will enable healthy FCF generation and ensure debt reduction (net cash by FY27E).

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| Recommendation and Price Target | |
|---|---|
| Current Reco. | BUY |
| Previous Reco. | NA |
| Current Price Target (12M) | 3,515 |
| Upside/(Downside) | 16.8% |
| Previous Price Target | NA |
| Change | NA |

| Key Data – RDCK IN | |
|---|---|
| Current Market Price | INR3,011 |
| Market cap (bn) | INR403.0/US$4.6 |
| Free Float | 55% |
| Shares in issue (mn) | 133.5 |
| Diluted share (mn) | 133.5 |
| 3-mon avg daily val (mn) | INR837.9/US$9.5 |
| 52-week range | 3,036/1,846 |
| Sensex/Nifty | 83,014/25,424 |
| INR/US$ | 88.1 |

| Price Performance | | | |
|---|---|---|---|
| % | 1M | 6M | 12M |
| Absolute | 5.6 | 33.9 | 33.5 |
| Relative* | 3.8 | 21.7 | 33.8 |

* To the BSE Sensex

| Financial Summary | | | | | (INR mn) |
|---|---|---|---|---|---|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Sales | 40,982 | 48,096 | 58,729 | 67,817 | 78,168 |
| Sales Growth (%) | 32.0 | 17.4 | 22.1 | 15.5 | 15.3 |
| EBITDA | 5,061 | 6,737 | 8,957 | 11,023 | 13,401 |
| EBITDA Margin (%) | 12.3 | 13.9 | 15.1 | 16.1 | 17.0 |
| Adjusted Net Profit | 2,558 | 3,452 | 5,168 | 6,804 | 8,735 |
| Diluted EPS (INR) | 19.2 | 25.9 | 38.7 | 51.0 | 65.4 |
| Diluted EPS Growth (%) | 25.1 | 35.0 | 49.7 | 31.6 | 28.4 |
| ROIC (%) | 10.7 | 13.2 | 17.0 | 19.9 | 22.9 |
| ROE (%) | 11.3 | 13.6 | 17.8 | 19.9 | 21.5 |
| P/E (x) | 157.2 | 116.4 | 77.8 | 59.1 | 46.0 |
| P/B (x) | 16.9 | 14.9 | 12.9 | 10.9 | 9.0 |
| EV/EBITDA (x) | 80.4 | 60.3 | 45.2 | 36.4 | 29.6 |
| Dividend Yield (%) | 0.1 | 0.1 | 0.2 | 0.3 | 0.3 |

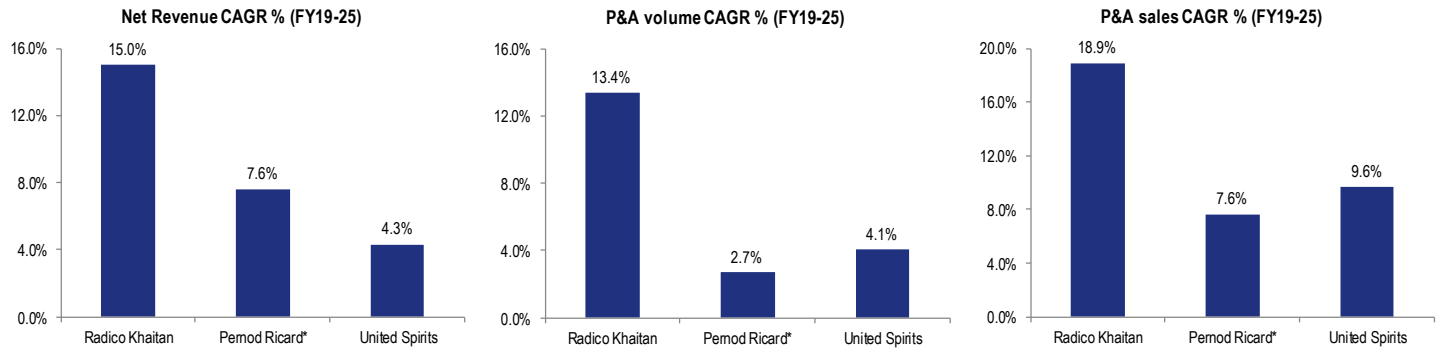
Source: Company data, JM Financial. Note: Valuations as of 18/Sep/2025

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

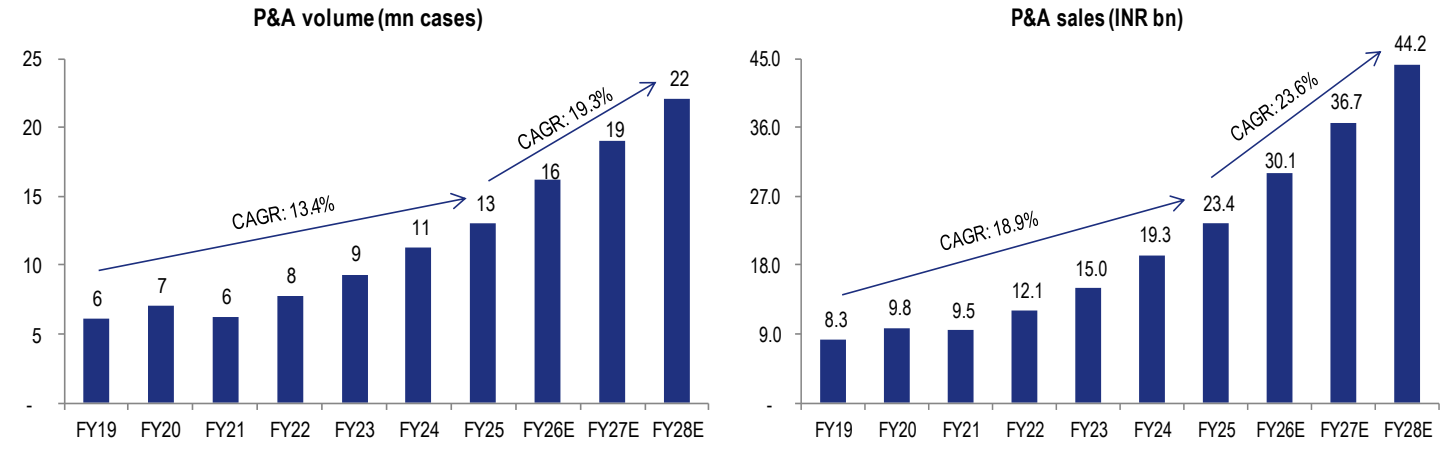
# Focus charts

## Exhibit 1. Radico has significantly outperformed United Spirits and Pernod Ricard, supported by strong growth in its P&A segment



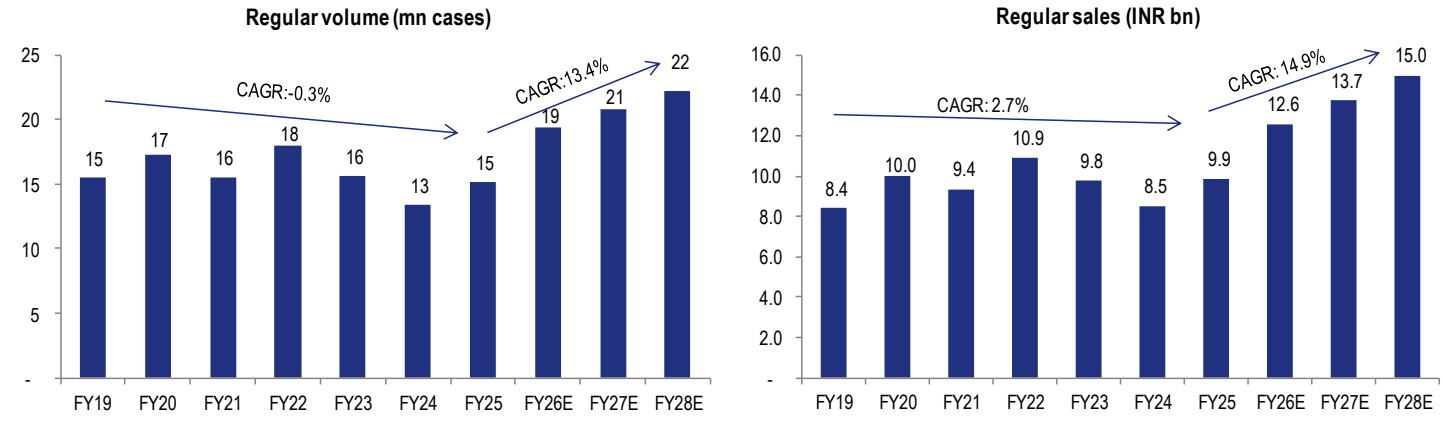

Source: Company, JM Financial. Note: Net revenue is net-off excise duty and including other operating income.
*Data of Pernod Ricard for FY25 is as per internal estimate.

## Exhibit 2. We expect P&A trajectory to remain strong with c.19% volume and c.24% sales CAGR over FY25-28E



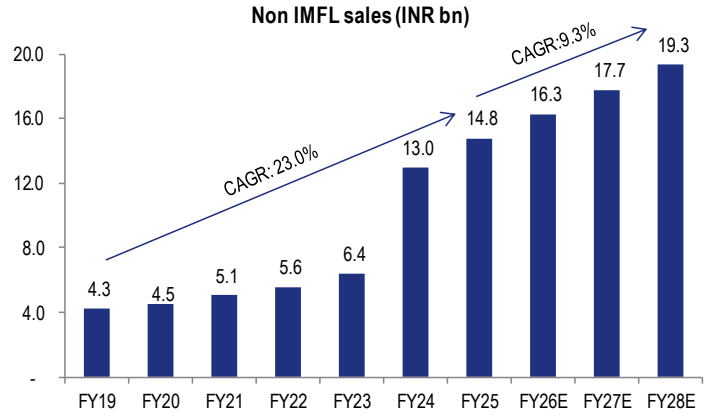

Source: Company, JM Financial

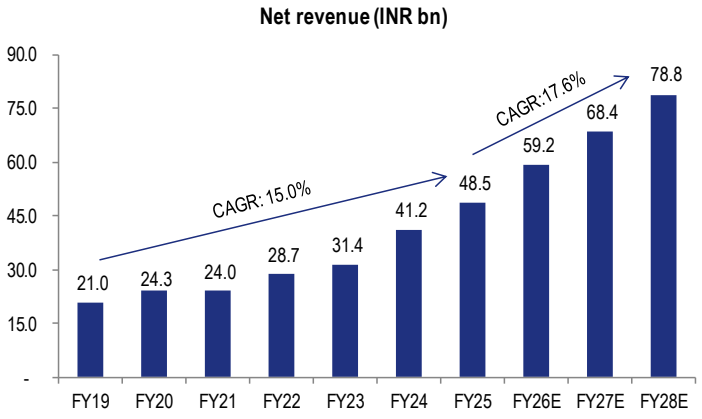
## Exhibit 3. We expect volume-led recovery (CAGR c.13%) in regular segment to drive overall segment growth (CAGR c.15%) over FY25-28E




Source: Company, JM Financial

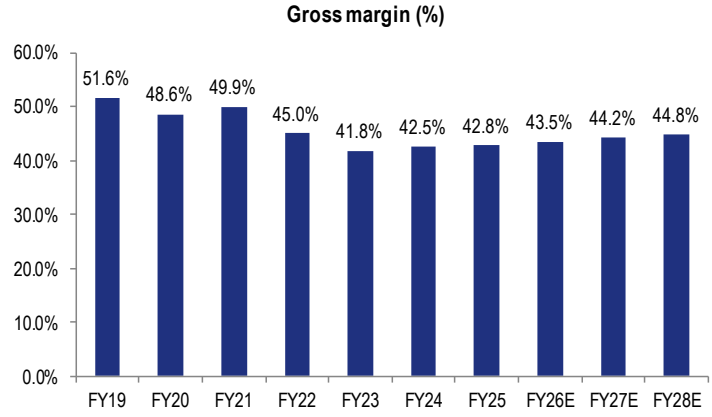
## Exhibit 4. Net revenue to grow at CAGR of c.18% predominantly led by P&A segment with Regular and non-IMFL segment growing at CAGR of 9-15% over FY25-28E

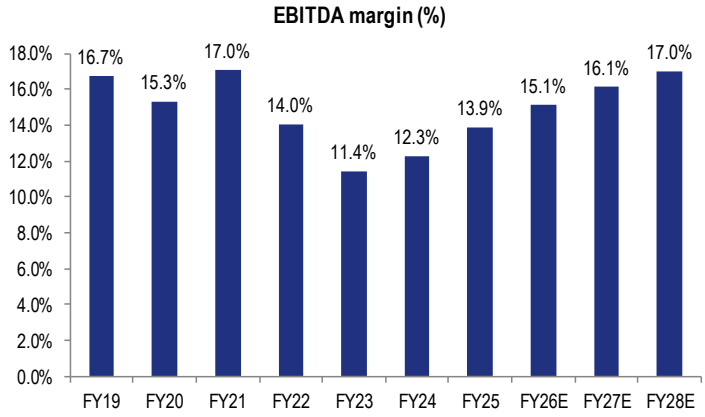



Source: Company, JM Financial. Note: Revenue is net-off excise duty but includes other operating income.

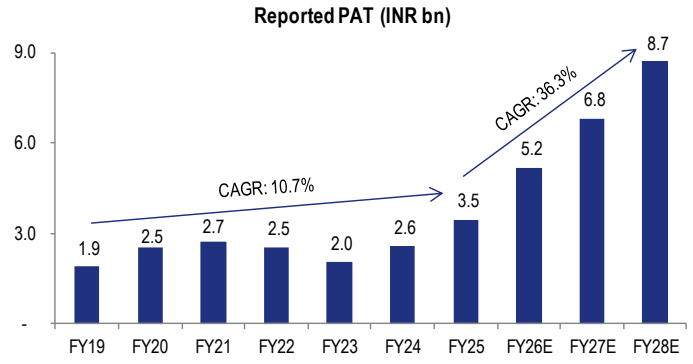
## Exhibit 5. With stable to benign RM environment, GM is expected to improve gradually, which, along with benefits from backward integration, UK-FTA and scale leverage will boost EBITDA margin (expansion of c.310bps) over FY25-28E




Source: Company, JM Financial. Note: Gross margin is calculated on net revenue (including other operating income).

## Exhibit 6. Improving profitability and debt reduction to drive strong earnings growth




Source: Company, JM Financial

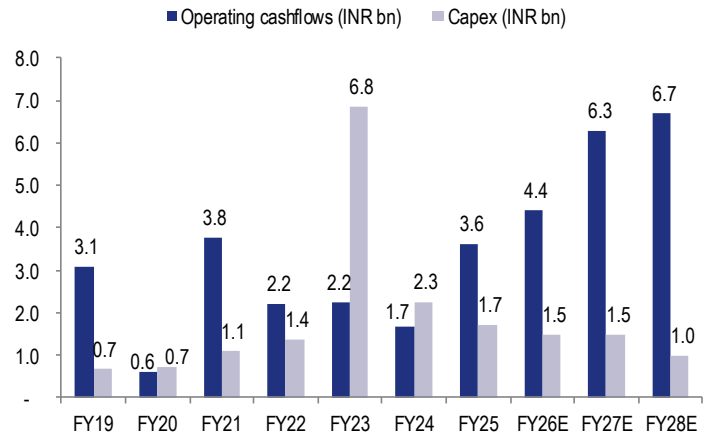
## Exhibit 7. Net working capital to stabilise at 38-39 days

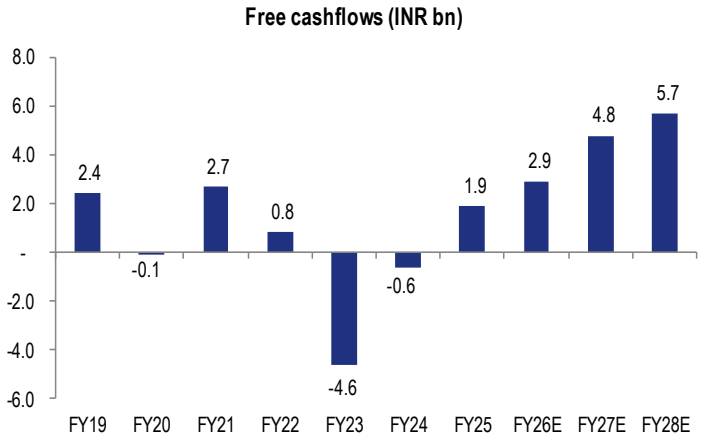
| Net working capital days (on gross sales) | FY19 | FY20 | FY21 | FY22 | FY23 |
|---|---|---|---|---|---|
| Inventory days | 16 | 15 | 17 | 16 | 21 |
| Debtors days | 29 | 32 | 24 | 22 | 24 |
| Creditors days | 11 | 10 | 9 | 7 | 8 |
| **Net working capital days** | **34** | **36** | **32** | **31** | **36** |

| Net working capital days (on gross sales) | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Inventory days | 18 | 23 | 22 | 21 | 21 |
| Debtors days | 23 | 25 | 24 | 24 | 24 |
| Creditors days | 6 | 7 | 7 | 7 | 7 |
| **Net working capital days** | **35** | **42** | **39** | **38** | **38** |

Source: Company, JM Financial

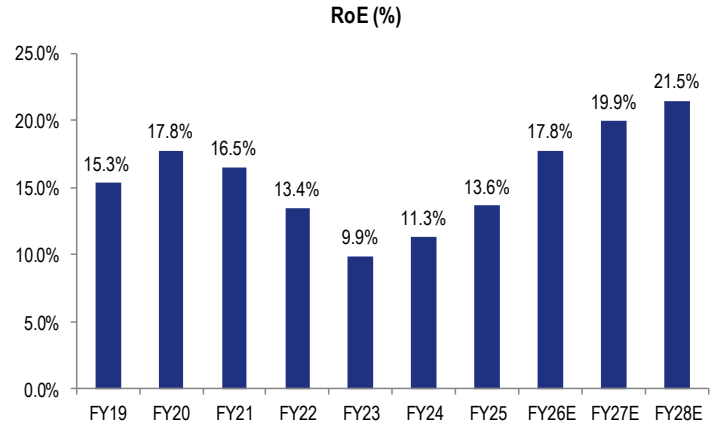
## Exhibit 8. Healthy operating cash flows and lower capex intensity to drive strong FCF generation

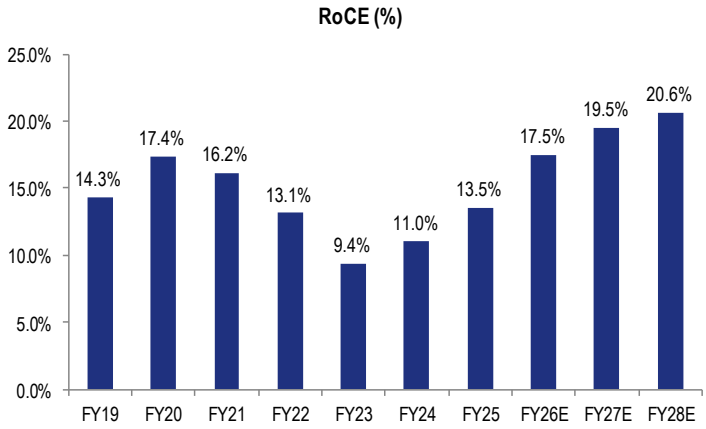



Source: Company, JM Financial

## Exhibit 9. Improving profitability and working capital to aid uptick in return ratios over FY25-28E




Source: Company, JM Financial. Note: RoCE calculation is on post-tax basis.

## Investment thesis

- **Exceptional transformation from B2B supplier to one of the fastest-growing IMFL/P&A segment players:** The IMFL (Indian Made Foreign Liquor) industry in India is dominated by MNC (multinational corporation) players like Diageo and Pernod Ricard, especially in the P&A (Prestige and Above) segment, while the regular segment has presence of several regional players. Considering the presence of strong brands and high entry barriers, Radico's transformation from a bulk spirit supplier to a branded IMFL player with a well-diversified portfolio across sub-segments in IMFL is quite exceptional. In alcoholic beverages, brand, blend and packaging are critical for success. In our view, a lot of Radico's success, especially in the P&A segment, is due to the promoters' (Mr Lalit Khaitan (CMD) and Mr Abhishek Khaitan (MD)) ability to spot the white spaces in terms of offerings and price points, and drive innovation around it. Moreover, they also invested in creating a well-integrated manufacturing infrastructure that ensures consistent supply/quality of ENA (Extra Neutral Alcohol, which is 96.4% pure ethanol). Today, Radico is one of the fastest-growing IMFL/P&A segment players with a portfolio that comprises 20+ organically developed brands and 8 millionaire brands spread across sub-segments.
- **Building a key long-term value driver through strong execution in premiumisation:** Another key pillar for Radico's success story has been its superior execution on premiumisation. The P&A segment in IMFL accounts for c.45-50% of the industry volumes with strong presence of global majors like Diageo and Pernod Ricard. After gaining strength in the regular segment, Radico made its entry into P&A as part of its premiumisation strategy by launching Magic Moments in the vodka segment. It was quick to identify white space in the mid-premium segment where competition was not quite focused, and backed it up with flavour-based innovations and premium offerings. Today, Radico has dominant market share of c.60% in the domestic vodka market (fastest-growing category in IMFL) and c.80% market share in the relevant (semi-premium+super premium) segment. We see Radico replicating the premiumisation playbook across other sub-segments of IMFL like whisky and brandy, and stepping up its efforts in the luxury and semi-luxury segment to create a long-term value driver. The initial results are promising, with the luxury and semi-luxury segment portfolio accounting for 10% of its overall IMFL sales value in FY25, translating into a revenue size of ~INR 3.4bn. The target is to achieve INR 5bn sales in FY26.
- **Well-integrated manufacturing capabilities help strengthen position in the IMFL segment:** Apart from getting the product and pricing right, another key strength that Radico has built over the years is its integrated supply chain infrastructure. Over 2019-25, it has more than doubled its distillation capacity (one of the largest in India) to 321mn litres. Strong backward integration is critical to ensure long-term security and consistency of key raw materials, especially high-quality grain-based ENA, which is essential for maintaining quality standards in the P&A portfolio. Further, it has pan-India bottling infrastructure with 44 units and an extensive footprint with presence in 1lakh retail outlets and 10,000 on-premises outlets.
- **Revenue outperformance to continue…:** Radico Khaitan's sales have grown at a CAGR of 15% over FY19-25, much higher vs. listed peers in the alcoholic beverage segment (UB/UNSP sales have grown at a CAGR of 4-5% over the same period). With strong momentum in the P&A segment expected to sustain (c.24% sales CAGR over FY25-28E), we expect Radico's sales outperformance vs. peers to continue.
- **…which along with steady margin expansion to drive overall earnings growth:** While execution on top line and premiumisation has been stellar, Radico's delivery on margin has lagged expectation largely on account of steep inflation in input costs. However, going ahead, we expect margin pressure to ease with the raw material (RM) basket remaining stable to benign. This apart, there are other margin levers in terms of a) premiumisation (P&A portfolio to grow much faster than regular), b) likely benefit of UK FTA (INR 700mn-750mn), c) savings in packaging costs due to adoption of PET bottles and stopping usage of mono-cartons and d) scale leverage, leading to better absorption of fixed costs. Over FY25-28E, we expect c.310bps expansion in EBITDA margin, resulting in EBITDA/PAT CAGR of 26/36%, the highest among companies in our alcoholic beverage coverage universe.

## Exhibit 10. Key Assumptions

| Particulars | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|
| **Total IMFL volumes - mn cases** | **28** | **29** | **31** | **37** | **42** | **46** |
| YoY | 7.1% | 1.8% | 9.2% | 19.4% | 11.3% | 11.1% |
| - P&A volumes | 9 | 11 | 13 | 16 | 19 | 22 |
| YoY | 19.7% | 20.4% | 15.5% | 25.0% | 17.0% | 16.0% |
| - Regular volumes | 16 | 13 | 15 | 19 | 21 | 22 |
| YoY | -13.3% | -14.1% | 13.3% | 27.5% | 7.0% | 7.0% |
| - Royalty volumes | 3 | 4 | 3 | 2 | 2 | 2 |
| YoY | | 24.2% | -22.0% | -43.0% | 7.0% | 7.0% |
| | | | | | | |
| **Total IMFL realisation per case** | **886** | **982** | **1,075** | **1,147** | **1,215** | **1,285** |
| YoY | 1.2% | 10.8% | 9.4% | 6.8% | 5.9% | 5.7% |
| - P&A realisation per case | 1,600 | 1,716 | 1,800 | 1,854 | 1,928 | 2,005 |
| YoY | 3.5% | 7.2% | 4.9% | 3.0% | 4.0% | 4.0% |
| - Regular realisation per case | 626 | 634 | 648 | 648 | 661 | 675 |
| YoY | 3.3% | 1.3% | 2.3% | 0.0% | 2.0% | 2.0% |
| - Royalty realisation per case | 84 | 94 | 143 | 143 | 144 | 146 |
| YoY | | 12.6% | 51.7% | 0.0% | 1.0% | 1.0% |
| | | | | | | |
| **P&A Sales** | **14,962** | **19,324** | **23,402** | **30,130** | **36,662** | **44,229** |
| YoY | 23.9% | 29.2% | 21.1% | 28.8% | 21.7% | 20.6% |
| **Regular Sales** | **9,780** | **8,509** | **9,863** | **12,575** | **13,725** | **14,979** |
| YoY | -10.4% | -13.0% | 15.9% | 27.5% | 9.1% | 9.1% |
| | | | | | | |
| **IMFL sales** | **25,015** | **28,215** | **33,717** | **42,963** | **50,665** | **59,509** |
| YoY | 8.4% | 12.8% | 19.5% | 27.4% | 17.9% | 17.5% |
| | | | | | | |
| Non IMFL sales | 6,414 | 12,971 | 14,794 | 16,273 | 17,738 | 19,334 |
| YoY | 14.6% | 102.2% | 14.1% | 10.0% | 9.0% | 9.0% |
| | | | | | | |
| **Total sales** | **31,428** | **41,185** | **48,512** | **59,236** | **68,403** | **78,844** |
| YoY | 9.6% | 31.0% | 17.8% | 22.1% | 15.5% | 15.3% |
| | | | | | | |
| **Gross profit** | **13,149** | **17,520** | **20,773** | **25,768** | **30,234** | **35,322** |
| **Gross profit margin** | **41.8%** | **42.5%** | **42.8%** | **43.5%** | **44.2%** | **44.8%** |
| | | | | | | |
| **EBITDA** | **3,584** | **5,061** | **6,737** | **8,957** | **11,023** | **13,401** |
| YoY | -10.9% | 41.2% | 33.1% | 32.9% | 23.1% | 21.6% |
| **EBITDA margin** | **11.4%** | **12.3%** | **13.9%** | **15.1%** | **16.1%** | **17.0%** |

Source: Company, JM Financial
Note: Gross profit margin is calculated on net revenue (including other operating income).

## Valuation: Earnings outperformance to sustain, initiate with a BUY

- Radico's IMFL volume/revenue have grown at a CAGR of 6/12% over FY19-25, with faster growth in the P&A segment (volume/sales CAGR of 13/19%), thereby outperforming MNC peers as well as overall industry growth. Leadership position in the fast-growing vodka segment and recent success in the whisky segment (especially in premium and luxury segments) highlights its innovation capabilities to accelerate growth. This provides confidence on runway for future sales growth, and we expect revenue outperformance vs. peers to continue over FY25-28E. We are factoring in c.18% revenue CAGR over FY25-28E. Margin trajectory has been improving over FY23-25, with 1QFY26 EBITDA margin at c.15%, and we see levers for further expansion, which should result in 26%/36% EBITDA/PAT CAGR over FY25-28E.
- With superior execution over the last 5 years, Radico has seen a strong rerating, thereby bridging the valuation gap vs. listed MNC peers like UNSP. We expect premium valuations (NTM PE at 68x) to sustain, considering strong promoter capabilities, proven track record along with healthy earnings visibility, and improving cash generation/RoCEs. Hence, we initiate coverage with a BUY rating and a Sep'26 TP of INR 3,515/share (60x Sep'27E).

Exhibit 11. Radico's 5yr avg. PE band




Source: Bloomberg, Company, JM Financial. Note: Valuation as on 18th Sep'25

Exhibit 12. Radico's 10yr avg. PE band



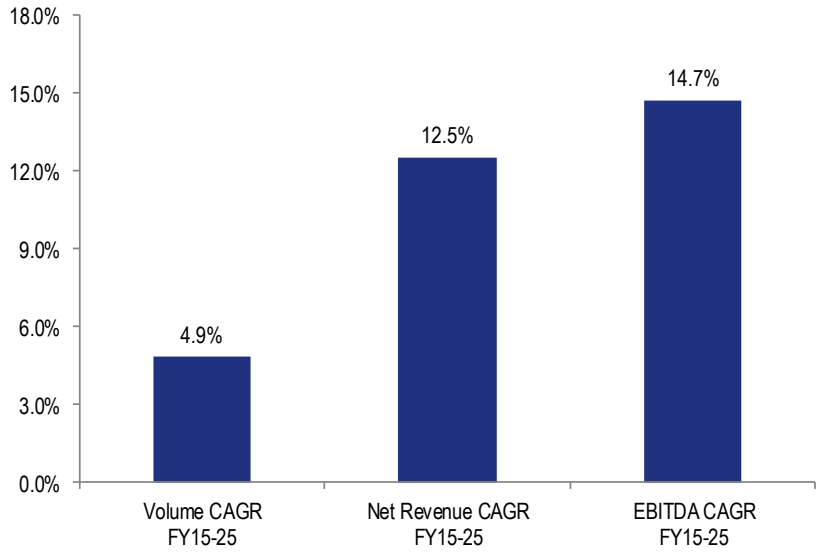

Source: Bloomberg, Company, JM Financial. Note: Valuation as on 18th Sep'25

# Business analysis

## Exceptional transformation crafted by visionary founders

- **Successful transformation from bulk spirit supplier to a branded IMFL player...:** Formerly known as Rampur Distillery, Radico commenced operations in 1943 as a bulk spirit supplier. Over the years, under the leadership of Mr Lalit Khaitan (CMD) and Mr Abhishek Khaitan (MD) it has successfully transformed into a formidable IMFL (Indian Made Foreign Liquor) player with a portfolio of strong brands catering to various sub-segments and price points within the spirit segment.
- **...crafted by visionary leadership:** Mr Abhishek Khaitan joined the business in 1996-97, when Rampur Distillery had sales of INR 700mn and high liabilities too. Till then, the company largely operated in bulk spirits/country liquor, and that's when he decided that in order to gain scale and improve profitability it was essential to pivot towards branded play. In order to drive this transformation, he appointed a sales team of young people, outsourced bottling operations and launched the company's first branded product '8 PM whisky' followed by 'Contessa Select Rum' in 1998. This marked Radico's entry into the branded IMFL segment within the economy segment. Product strength was visible with Contessa crossing 1mn cases within a year of launch and Magic Moments achieving the same milestone by the third year. By 2006, Radico achieved a milestone of INR 10bn in sales with IMFL volume of 12mn cases. The next step was to expand and drive premiumisation in its IMFL portfolio. As a part of this strategy, Radico made a foray into the Prestige & Above segment through the launch of Magic Moments Vodka (triple distilled grain based) in 2005-06. A combination of superior blend, brand investments and packaging resulted in Magic Moments becoming an instant success.
- **Impressive execution clearly highlights strong promoter capabilities:** Over the last 2 decades, Radico has significantly transformed itself from a bulk spirit to economy segment player to a credible player in the P&A segment (accounts for c.70% of its IMFL sales). Today, its IMFL portfolio comprises 20+ organically developed brands, and 8 millionaire brands spread across sub-segments of IMFL. Moreover, it has built a well-integrated supply chain with one of the largest spirits distillation capacities (321mn ltrs), 44 bottling units and presence in 1 lakh+ retail outlets/10,000 on-premises outlets. Over FY15-25, Radico's revenue has grown at a CAGR of 12.5% (volume CAGR of 4.9%) while EBITDA has seen a CAGR of 14.7%. Debt reduction resulted in PAT CAGR being higher at 17.7% over the same period. This clearly highlights that Radico, through its internal capabilities, has been able to differentiate and achieve success in the IMFL industry. We expect this outperformance to continue, going ahead, and delve in detail about Radico's capabilities and earnings drivers in subsequent sections.

**Exhibit 13. Impressive execution over the past decade**




Source: Company, JM Financial. Note: Net Revenue is net-off excise duty and including other operating income

Exhibit 14. Radico's increased focus on P&A strengthened its position as branded IMFL player

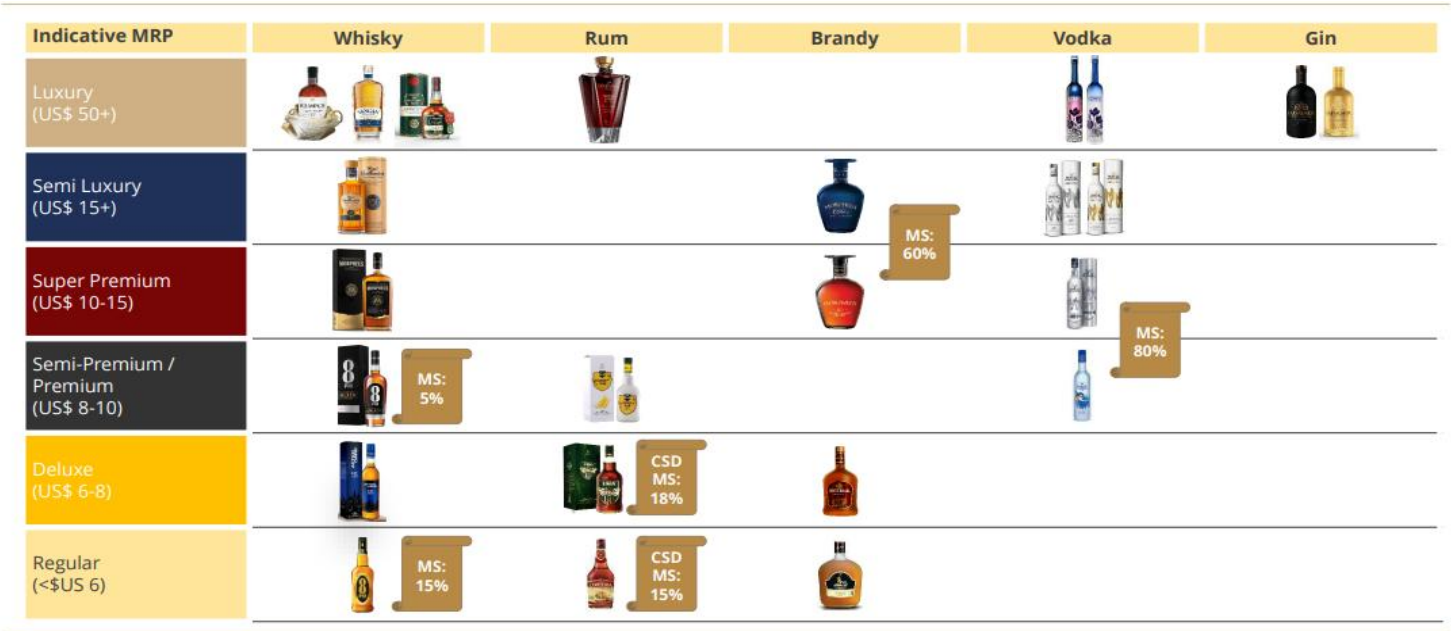
| Particulars | FY15 | FY25 |
|---|---|---|
| Salience of P&A to IMFL volumes (%) | 21% | 41% |
| Salience of P&A to overall sales (%) | 38% | 69% |
| Salience of P&A to overall sales (%) | 26% | 48% |
| Manufacturing capacity (mn litres) | 150* | 321 |
| No. of Millionaire brands | 4* | 8 |

Source: Company, JM Financial.
*Data for Manufacturing capacity and millionaire brands pertains to FY16

## Well-diversified portfolio comprising strong brands

- As highlighted earlier, over the last 2 decades, Radico has stepped up its efforts on innovation, thereby significantly expanding its IMFL portfolio (comprises 20+ organically developed brands, 8 millionaire brands) with a presence across all sub-segments and price points within IMFL.
- A wide portfolio offering also enabled it to diversify its geographic presence to various other states especially in the South/West vs. its earlier presence in the North (especially Uttar Pradesh).

**Exhibit 15. Radico's product portfolio spans across categories and price segments within IMFL segment…**




Source: Company, JM Financial

**Exhibit 16. …comprising 8 millionaire brands with formidable positions in respective segments**




| Magic Moments Vodka | 8PM Premium Black Whisky | Morpheus Brandy | After Dark Whisky | 1965 Spirit of Victory Rum | 8PM Whisky | Contessa Rum | Old Admiral Brandy |
|---|---|---|---|---|---|---|---|
| 6th Largest Vodka | 13th Largest Indian Whisky | 4th Fastest growing Brandy<br>10th Largest Brandy | 3rd Fastest growing Brand | 1st Fastest growing Rum<br>7th Largest Rum | 7th Largest Indian Whisky | 9th Largest Rum | 3rd Fastest growing Brandy<br>4th Largest Brandy |

Source: Company, JM Financial

## Superior execution on innovation visible through its premiumisation journey

- **One of the fastest-growing P&A players in India:** Within the IMFL industry, premiumisation has picked up pace and is one of the structural shifts with consumers seeking differentiated and premium offerings. Radico started its premiumisation journey in 2006 with the launch of Magic Moments in the vodka segment. Over FY16-25, Radico's IMFL volume/sales have grown at a CAGR of 6.2/12.2%. Within that, P&A segment volume/sales have grown much faster at a CAGR of 12.8/19.0%.
- **Proven track record:** The strength of its execution capabilities in premiumisation is visible from a) 5 millionaire brands in the P&A segment, b) strong traction in luxury brands (MRP> USD 50/bottle) which is a key value driver for Radico, c) dominant market share in premium vodka and premium brandy segments, d) volume/value salience for P&A segment has increased from 24.2%/41.0% in FY16 to 41.4%/69.4% in FY25, e) Faster growth in P&A segment vs. UNSP's P&A portfolio both in volume and value terms.

**Exhibit 17. Key innovations and product launches by Radico over CY09-25**

| Year | Innovation |
|---|---|
| 2009 | • Morpheus Premium Brandy |
| 2011 | • After Dark Fine Grain Whisky |
| 2012 | • Magic Moments Verve |
| 2014 | • Magic Moments Verve (Green apple and Orange) |
| 2016 | • Rampur Indian Single Malt Select<br>• Regal Talons Semi-Deluxe Whisky<br>• Magic Moments Electra (RTD)<br>• Magic Moments Remix |
| 2017 | • 1965 The Spirit of Victory Premium XXX Rum<br>• Pluton Bay Premium Rum |
| 2018 | • Rampur Indian Single Malt Double Signature Reserve<br>• Rampur Indian Single Malt Double Cask<br>• Jaisalmer Indian Craft Gin<br>• Morpheus XO Blue Super Premium Brandy<br>• 8PM Premium Black Whisky<br>• Magic Moments Verve Super Premium Vodka |
| 2020 | • Rampur Indian Single Malt Asava |
| 2021 | • Royal Ranthambore Heritage Collection Whisky<br>• Magic Moments Dazzle Vodka |
| 2022 | • Rampur Indian Single Malt Trigun Whisky<br>• Rampur Indian Single Malt Jugalbandi #1 & #2<br>• After Dark Blue Whisky<br>• Magic Moments Vodka Cocktail<br>• 1965 Lemon Dash Rum |
| 2023 | • Sangam World Malt Whisky<br>• Magic Moments Pink Vodka<br>• Happiness in a bottle |
| 2024 | • Rampur Indian Single Malt Jugalbandi #3, #4, #5 & #6<br>• Rampur Indian Single Malt Barrel Blush<br>• Spirit of Victory 1999 Pure Malt Whisky<br>• The Kohinoor Reserve Indian Dark Rum<br>• 8PM Premium Black Whisky pocket pack<br>• Magic Moments Vodka pocket pack |
| 2025 | • Morpheus Rare Luxury Whisky<br>• The Spirit of KASHMYR<br>• Ankahi Zaffran Spiced Liqueur |

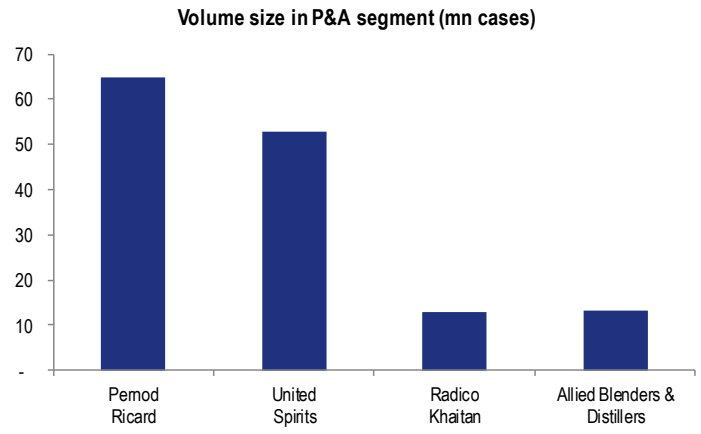
Source: Company, JM Financial

**Exhibit 18. Improving saliency and performance of P&A segment both in value and volume terms in overall IMFL portfolio**

| P&A segment | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|---|---|---|---|---|---|---|---|---|---|
| Volume mix | 24.2% | 26.0% | 25.9% | 28.3% | 29.0% | 28.2% | 29.6% | 33.1% | 39.2% | 41.4% |
| Value mix | 41.0% | 44.0% | 43.7% | 49.7% | 49.5% | 50.2% | 52.3% | 59.8% | 68.5% | 69.4% |

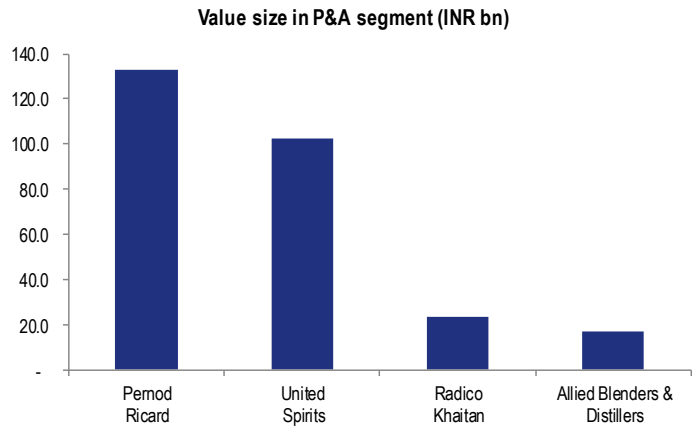
Source: Company, JM Financial

Exhibit 19. Volume size of key players in P&A segment…



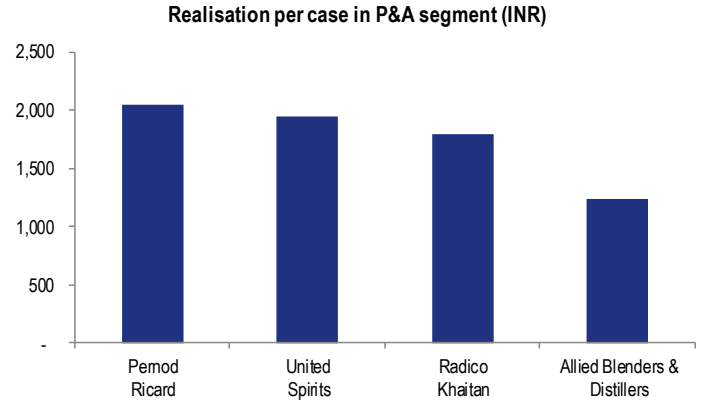

Source: Company, JM Financial. Note: Data of Pernod Ricard for FY25 is as per internal estimates

Exhibit 20. …and revenue size for FY25



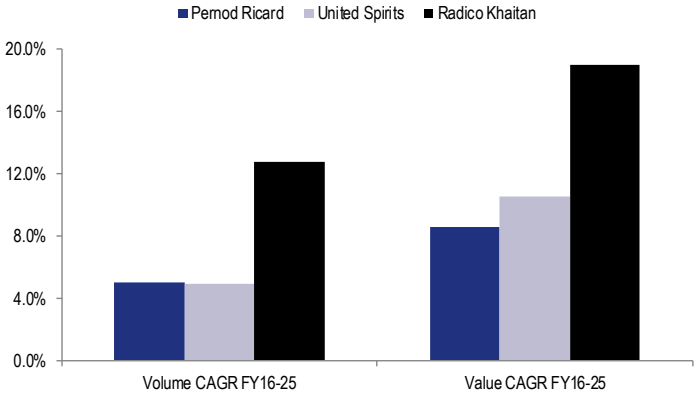

Source: Company, JM Financial. Note: Data of Pernod Ricard for FY25 is as per internal estimates

Exhibit 21. Realisation per case of key players in P&A segment




Source: Company, JM Financial. Note: Data of Pernod Ricard for FY25 is as per internal estimates

Exhibit 22. In terms of CAGR within P&A segment, Radico has significantly outperformed Pernod Ricard & United Spirits




Source: Company, JM Financial. Note: Data of Pernod Ricard for FY25 is as per internal estimates

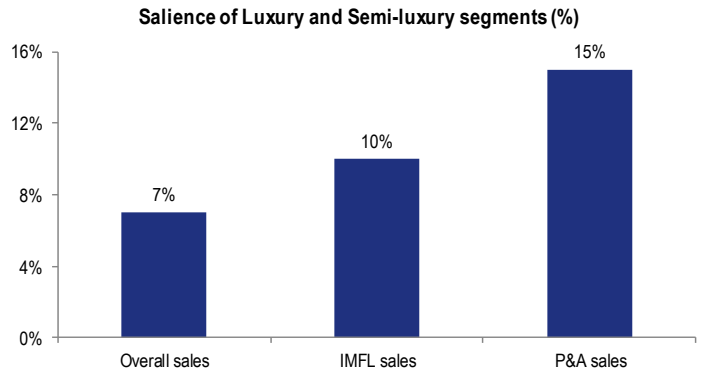
- **Premiumisation playbook in place, strategy is to replicate it across sub-segments like whisky, brandy:** Radico's premiumisation journey has not been about creating a 'me-too' offering at a particular price point. The strategy always has been to identify white space and provide a superior quality product. The company's large manufacturing infrastructure/backward integration allows it to provide the finest quality of grain-based ENA, which ensures consistency of the premium quality standards that are critical for success in the P&A segment. With success seen in Magic Moments, Radico plans to similarly premiumise within other sub-segments of IMFL and fortify its presence in the P&A segment.
- **Strengthening presence in luxury/semi-luxury IMFL segment:** Within the P&A segment, Radico has been stepping up its efforts in the luxury and semi-luxury segment. The company's luxury and semi-luxury portfolio continues to gain strong traction (delivered strong double-digit growth), contributing approximately 10% of its overall IMFL sales value in FY25, translating to a revenue size of around INR 3.4bn. The target is to achieve INR 5bn sales in FY26.

Exhibit 23. Radico's brand portfolio in luxury and semi-luxury segment

| Segment | Whisky | Rum | Brandy | Vodka | Gin |
|---|---|---|---|---|---|
| Luxury | • Rampur Indian Single Malt<br>• Spirit of Victory 1999 Pure Malt Whisky<br>• Sangam World Malt Whisky | • The Kohinoor Reserve Indian Dark Rum | | • The Spirit of KASHMYR | • Jaisalmer Indian Craft Gin |
| Semi-luxury | • Royal Ranthambore Heritage Collection Whisky | | • Morpheus XO Blue Super Premium Brandy | • Magic Moments Dazzle Vodka | |

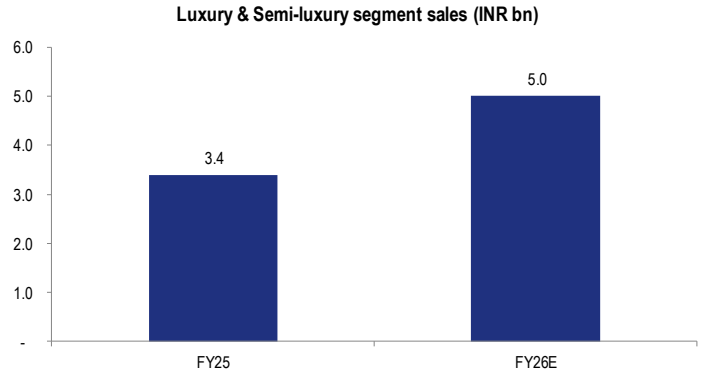
Source: Company, JM Financial

Exhibit 24. Saliency of Luxury and semi-luxury segments (FY25)




Source: Company, JM Financial

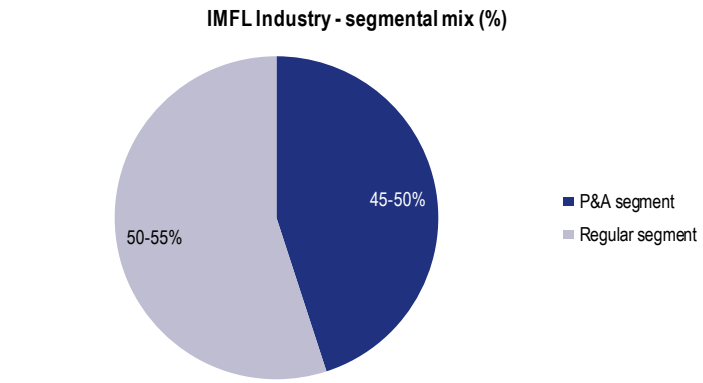
Exhibit 25. Revenue contribution from these segments




Source: Company, JM Financial

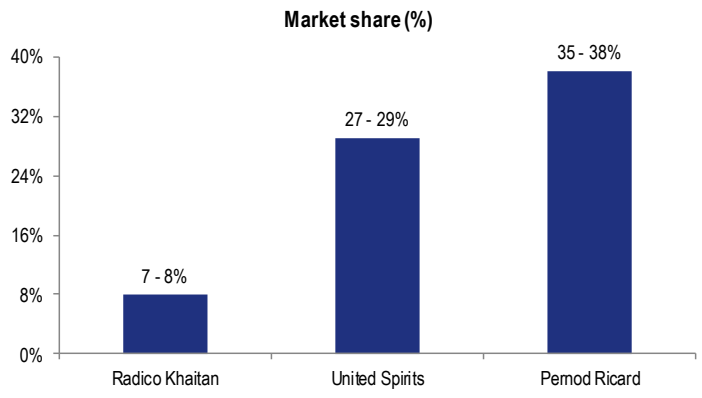
- **Enough headroom to gain market share in P&A segment:** As per our industry checks, the P&A segment accounts for c.45-50% (c.180mn cases) of overall IMFL volume. With a volume of c.14mn-15mn cases, Radico's market share in the P&A segment of c.7-8% is still low and provides enough headroom to scale up presence. We expect mid-high teen volume growth for most of its P&A brands while the luxury segment will be the value driver. Overall, we expect high-teen sales CAGR for the P&A segment over FY25-28E, led by mid-teens volume CAGR.

Exhibit 26. IMFL industry segmental volume mix




Source: Company, JM Financial

Exhibit 27. Market share of key players in P&A segment

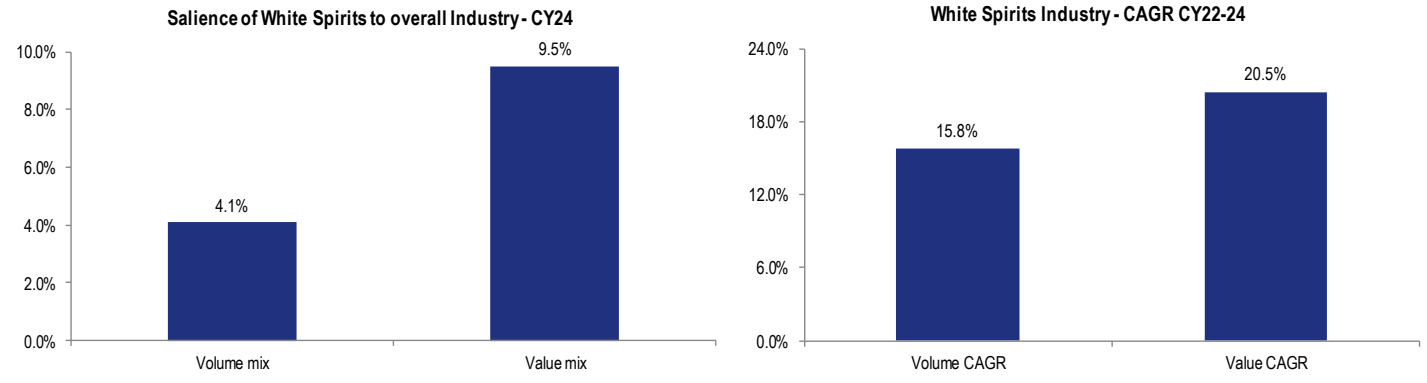



Source: Media reports, Company, JM Financial

## White spirits a large, fast-growing segment; Radico's leadership position makes it well placed to tap compelling opportunity

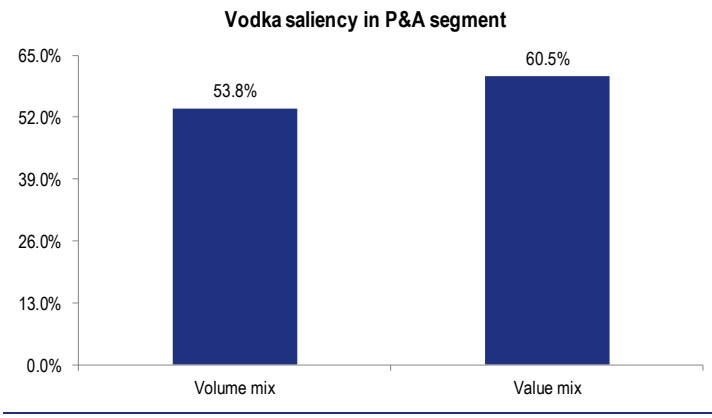
- **White spirits – fastest-growing sub-segment within the IMFL segment:** The Indian IMFL industry is currently dominated by the whisky segment, which accounts for 64%/69% of the industry in volume/value terms. White spirits (vodka, gin) currently accounts for 4%/10% of the industry in volume/value terms. If we take vodka alone, it is just mid-single digit of the domestic market in volume terms vs. a salience of c.25% globally. However, the white spirits category is gaining momentum in India led by favourable demographics, increasing urban consumption, and a growing preference for flavoured beverages and cocktail culture. As a result, it is the fastest-growing sub-segment within the overall IMFL segment. The segment is forecast to grow at CAGR of 8.7% in volume and 11.5% in value between CY2025 and CY2029E, outperforming the overall IMFL industry.
- **Radico identified the white space correctly and was agile enough to grab the opportunity in vodka:** Radico started its premiumisation journey by entering into the vodka segment with the launch of Magic moments in 2006. It was quick to identify the gap in the semi-premium segment in vodka (between Romanov & White Mischief at the lower end and Smirnoff at the premium end) where competition was not present or was low. Also unlike whisky segment where cheap/popular segment is large too, Vodka is predominantly a premium category within IMFL. Apart from getting the price point right, Radico's innovation on flavours (e.g.: Green Apple, Cranberry) and quality of ENA due to backward integration and packaging have been critical elements for the success it has seen in the vodka segment. Over the years, the company expanded its portfolio by premiumising within the vodka segment through the launch of brand extensions – Magic Moments Verve (in the super premium category), and Magic Moments Dazzle (in the semi-luxury segment) – and it very recently launched The Spirit of KASHMYR (in the luxury segment).
- **Vodka is the largest segment within Radico's P&A portfolio:** Currently, Radico's vodka portfolio accounts for c.56%/61% of its P&A volumes/sales; it enjoys a dominant market share of c.60% in the domestic vodka market and c.80% market share in the relevant (semi-premium + super-premium) segment. As highlighted earlier, vodka is one of the fastest-growing categories, which is also visible in the performance of Magic Moments over FY23-25E (volume has grown at a CAGR of c.18%). We expect this momentum to continue and bake in mid to high-teens growth for the Magic Moments portfolio over the medium term.

Exhibit 28. White spirits segment accounts for a small share in the IMFL industry, though it remains the fastest-growing sub-segment in volume and value terms



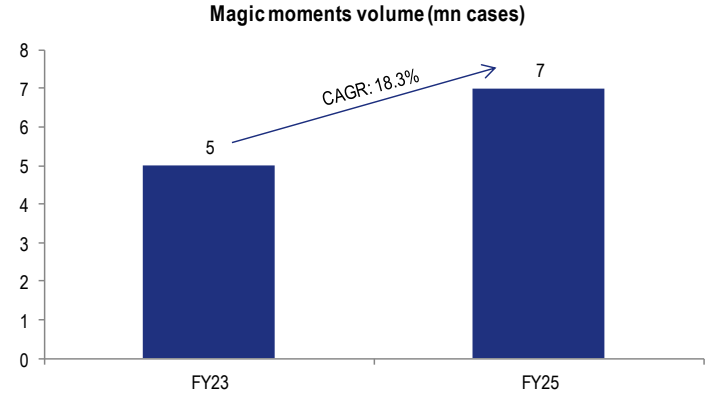

Source: Euromonitor International, Company, JM Financial

## Exhibit 29. Vodka is the largest segment for Radico in its P&A portfolio…



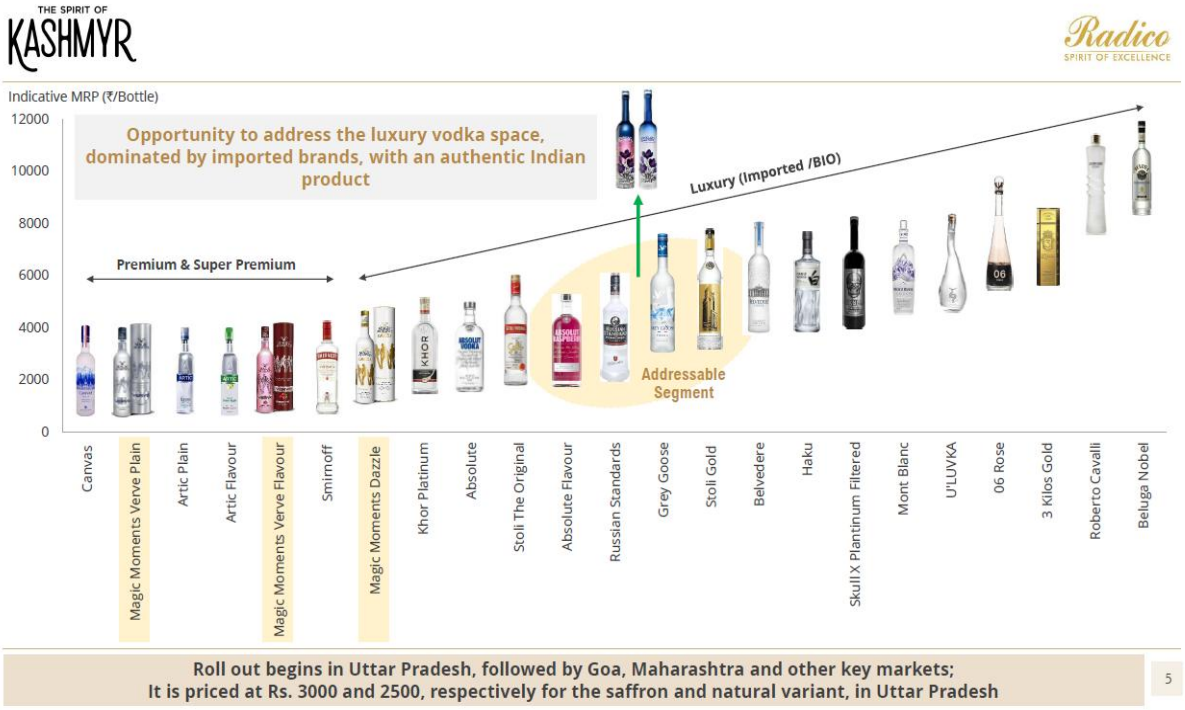

Source: Company, JM Financial estimate

## Exhibit 30. …and it is also a fast-growing one




Source: Company, JM Financial estimate

## Exhibit 31. Radico's recent launch in the luxury segment for vodka further highlights its ability to identify gaps & drive premiumisation




Source: Company, JM Financial

## Exhibit 32. Radico's premiumisation play in vodka

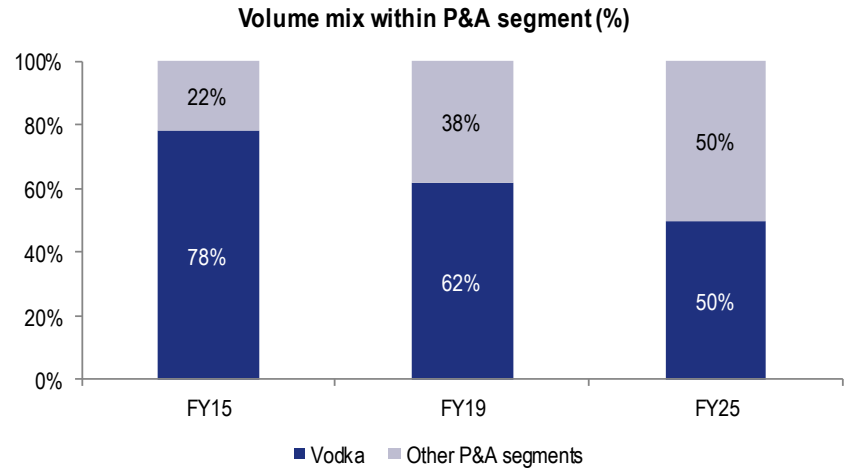
| Year of launch | 2025 | 2021 | 2012,2014,2018 | 2006 |
|---|---|---|---|---|
| Brand picture |  |  |  |  |
| Brand name | The Spirit of KASHMYR | Magic Moments Dazzle - Gold and Silver | Magic Moments Verve | Magic Moments - base variant |
| Price segment | Luxury (US$ 50+) | Semi-luxury (US$ 15+) | Super-premium (US$ 10-15) | Semi-premium/Premium (US$ 8-10) |

Source: Company, JM Financial

## Diversifying P&A portfolio by scaling up presence in whisky

- **De-risking P&A portfolio with widening presence across IMFL sub-segments:** With the premiumisation playbook in place (visible from success in the vodka segment), Radico is looking to replicate the same in the whisky segment, which is the largest sub-segment in the IMFL industry and seeing strong premiumisation trends. Over the last 10 years, we have seen Radico enhancing its premium portfolio in the whisky segment. It started with entry into the luxury single malt segment with the launch of Rampur Single malt in 2016 (and launches of premium extensions of the same subsequently), 8PM premium black in 2018, Royal Ranthambore, Sangam World malt and Morpheous Rare luxury whisky in 2025.

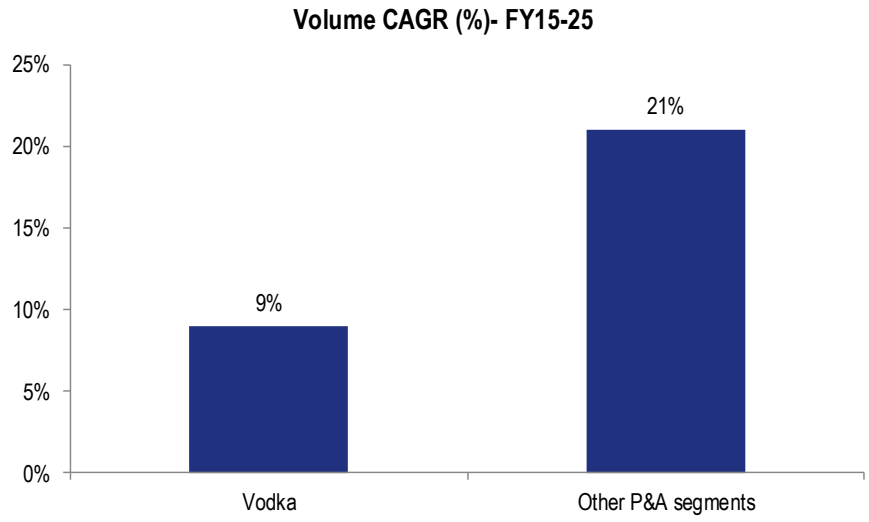
**Exhibit 33. Radico extends premium playbook beyond vodka and taps into other P&A segments**




Source: Company, JM Financial estimate

- **Non-vodka P&A portfolio seeing strong growth:** As per our estimates, the non-vodka P&A portfolio has grown at a CAGR of early 20s over the last 10 years and mid-teens CAGR in last 5 years, faster vs. the vodka portfolio. Post-Covid, vodka as a segment has seen strong growth, which is also reflected in Radico's portfolio with Magic Moments volume growing at c.20%; the remaining P&A portfolio also saw c.15% CAGR growth over FY23-25.

**Exhibit 34. Non-vodka portfolio has seen strong growth over last decade**




Source: Company, JM Financial estimate

- **Ramping up luxury segment – a key value driver:** Initial traction has been strong with the company's luxury and semi-luxury portfolio seeing strong double-digit growth. The portfolio now contributes approximately 10% of overall IMFL sales value (in FY25), translating into a revenue size of around INR 3.4bn. The target is to achieve INR 5bn sales in FY26E.

**Exhibit 35. Radico's premium whisky portfolio**




Source: Company, JM Financial

**Exhibit 36. Radico's impressive premiumisation play with Rampur Single Malt Indian whisky**

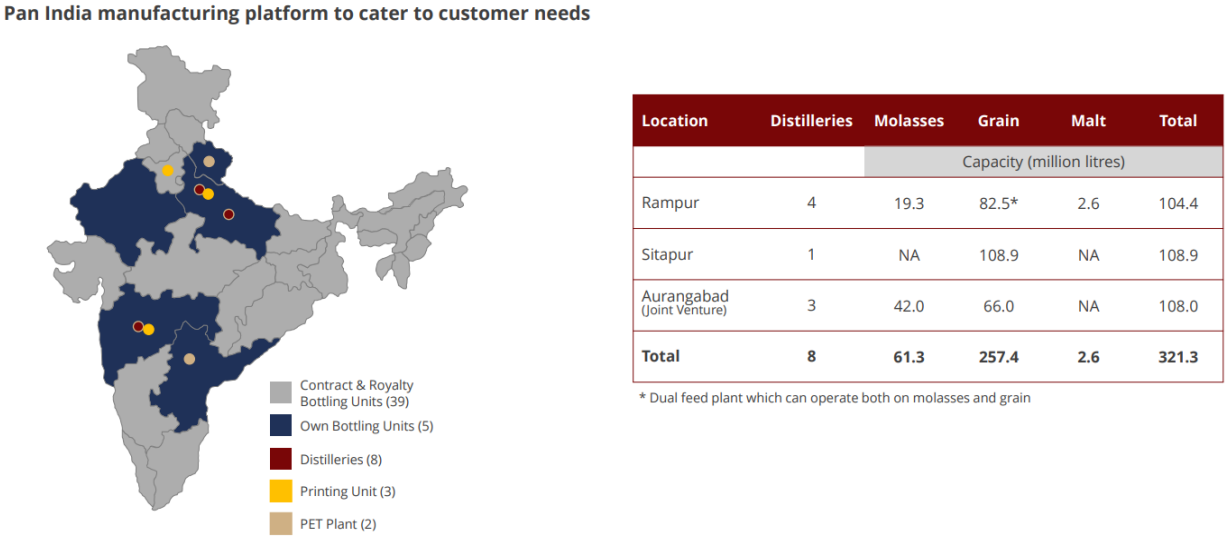



Source: Company, JM Financial

## Well-integrated supply chain infrastructure

- **One of the largest distillation capacities in India:** Apart from getting the product and pricing right, another key strength that Radico has built over the years is its integrated supply chain infrastructure. Over 2019-25, it has more than doubled its distillation capacity (one of the largest in India) to 321mn litres. It has five state-of-the-art distilleries in Uttar Pradesh — four in Rampur and one in Sitapur — and a JV facility in Aurangabad.
- **Ensures quality and consistency of ENA:** Radico announced a major capacity expansion (with an outlay of INR 7.4bn, which involved increasing grain-based ENA capacity, malt maturation hall, gin distillation and bottling plant) in 2022. The rationale was to ensure quality ENA supply for branded business. Strong backward integration is critical to ensure long-term security and consistency of key raw materials, especially high-quality grain-based ENA, which is essential for maintaining quality standards in the P&A portfolio. The large manufacturing base is further supported by pan-India bottling infrastructure with 44 units. Overall, a major capex cycle for Radico is now complete, which will now enable it to focus on its next phase of growth as well as improve cash flow generation, going ahead.

**Exhibit 37. Radico's current manufacturing and distribution network with strong backward integration**




| Location | Distilleries | Molasses | Grain | Malt | Total |
|---|---|---|---|---|---|
| | | Capacity (million litres) | | | |
| Rampur | 4 | 19.3 | 82.5* | 2.6 | 104.4 |
| Sitapur | 1 | NA | 108.9 | NA | 108.9 |
| Aurangabad (Joint Venture) | 3 | 42.0 | 66.0 | NA | 108.0 |
| **Total** | **8** | **61.3** | **257.4** | **2.6** | **321.3** |

* Dual feed plant which can operate both on molasses and grain

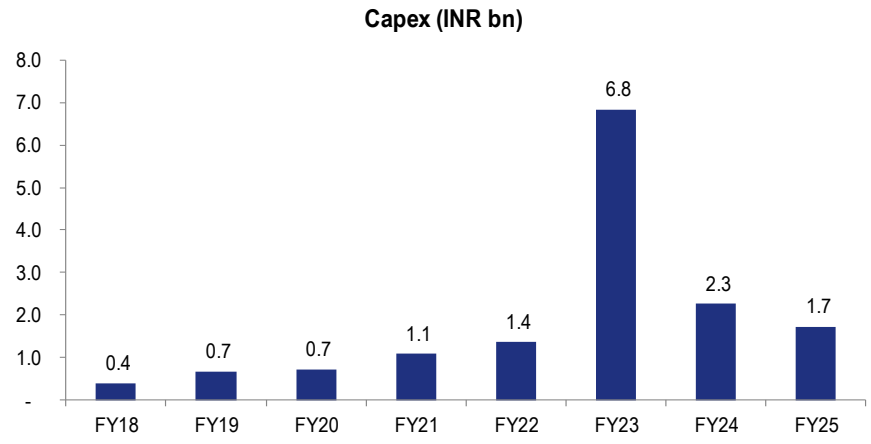
Source: Company, JM Financial

**Exhibit 38. Radico has strengthened its manufacturing and distribution network over time**

| Particulars | FY11 | FY16 | FY19 | FY23 | FY25 |
|---|---|---|---|---|---|
| **Capacity (mn ltrs)** | **150** | **150** | **157** | **217** | **321** |
| **No. of Retail outlets** | **NA** | **45,000** | **75,000+** | **75,000+** | **100,000+** |
| No. of bottling units (own) | 5 | 5 | 5 | 5 | 5 |
| No. of bottling units (contract) | 28 | 28 | 23 | 28 | 33 |
| No. of bottling units (royalty) | NA | NA | NA | 8 | 6 |
| **Total bottling units** | **33** | **33** | **28** | **41** | **44** |
| **No. of distilleries** | **2** | **NA** | **5** | **6** | **8** |

Source: Company, JM Financial

Exhibit 39. Significant capital expenditure phase completed

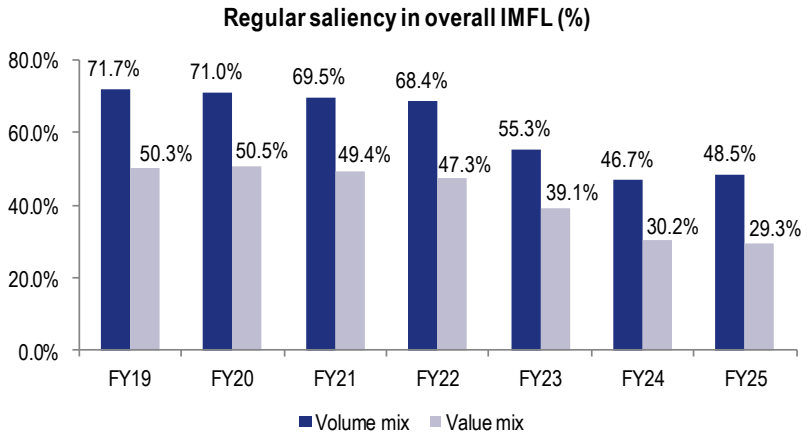



Source: Company, JM Financial

## Regular and Non-IMFL segment

- **Regular IMFL segment (c.20% of sales):** While the P&A segment remains Radico's core focus area, it also has a formidable presence in the regular segment through flagship brands like 8PM (whisky), Contessa (rum) and Old Admiral (brandy). All three are millionaire case brands with 8PM being the largest (accounting for more than 50% of regular volume), followed by Old Admiral. With c.15mn cases and revenue size of INR 9.9bn, the regular segment accounts for c.48%/29% of Radico's overall IMFL volume/value. Over the last 3 years, the regular segment's performance was under pressure (especially in FY23/24), during which volume declined by c.13-14%. This was on account of strategic rationalisation by the company to mitigate input cost pressure and certain state-specific headwinds (route to market changes in Delhi, Punjab, duty hike in Karnataka, volume rationalisation in Kerala, elections in Andhra Pradesh, downtrading to UPML in Uttar Pradesh). However, stabilisation of state-specific issues coupled with route to market change in Andhra Pradesh (from government retailing to private retailing) resulted in a sharp rebound in volume from 2HFY25. We expect healthy growth in FY26 with the opening up of Andhra Pradesh, recovery in 8PM and the soft base, post which we bake in high-single-digit sales growth for the company's regular segment portfolio.

**Exhibit 40. Radico has significantly reduced its exposure to regular segment**




Source: Company, JM Financial

**Exhibit 41. Radico's regular segment portfolio**

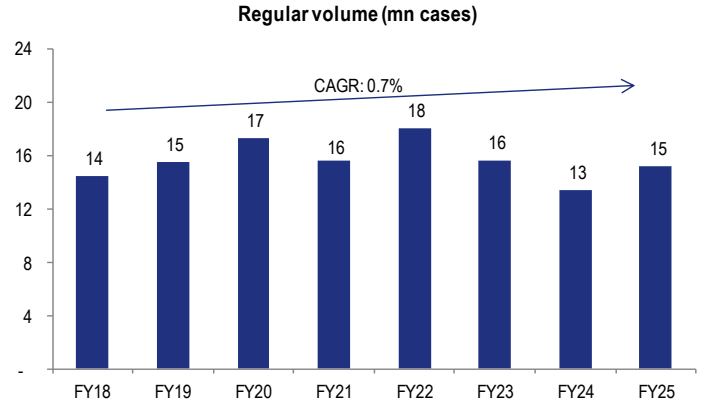



Source: Company, JM Financial

- **Non-IMFL segment (c.30% of overall sales), large but low margin business:** Apart from IMFL, Radico also has a presence in the Country Liquor/UPML (Uttar Pradesh Made Liquor) segment in Uttar Pradesh (UP). Country liquor is a large segment in UP (market size of 100mn cases) and Radico has close to c.25% market share in the state. Over FY19-25, non-IMFL (Country Liquor + bulk spirit) sales have grown at a CAGR of 23%. Sharp growth in FY24 was driven by capacity additions (in Sitapur) and price hike in country

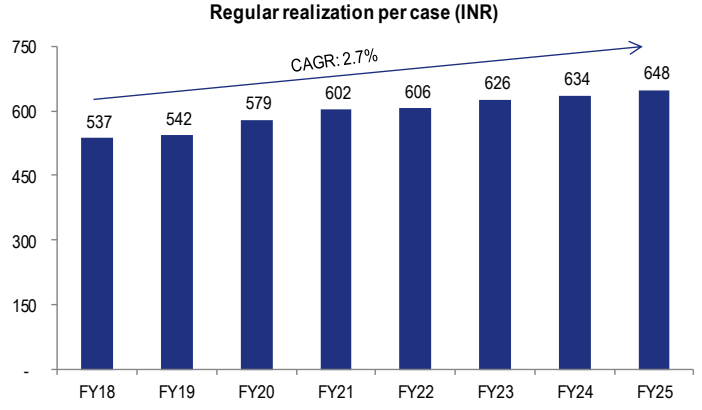
liquor (c.15%). We are baking in a conservative low-double-digit sales CAGR over FY25-28E. Also, with stable input costs and price hikes, the segment is profitable vs. losses seen during FY23.

## Exhibit 42. Regular segment's volume trend



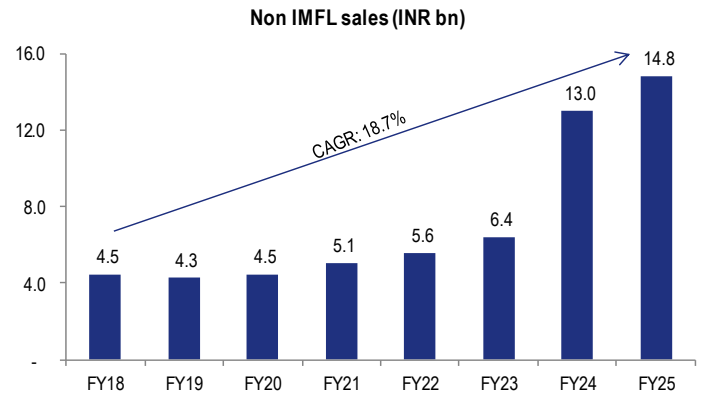

Source: Company, JM Financial

## Exhibit 43. Realisation per case has been largely stable



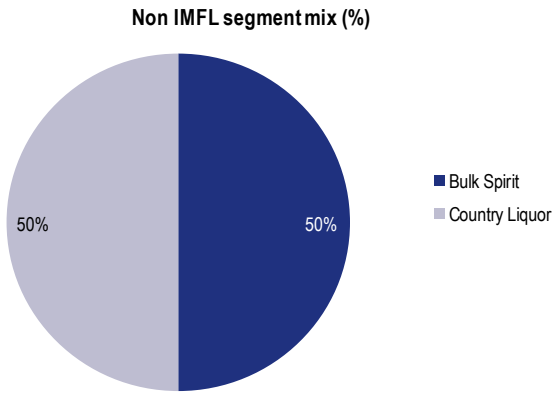

Source: Company, JM Financial

## Exhibit 44. Non-IMFL sales growth has seen strong growth in last 2-3 years aided by sale of bulk spirit & price hikes in country liquor



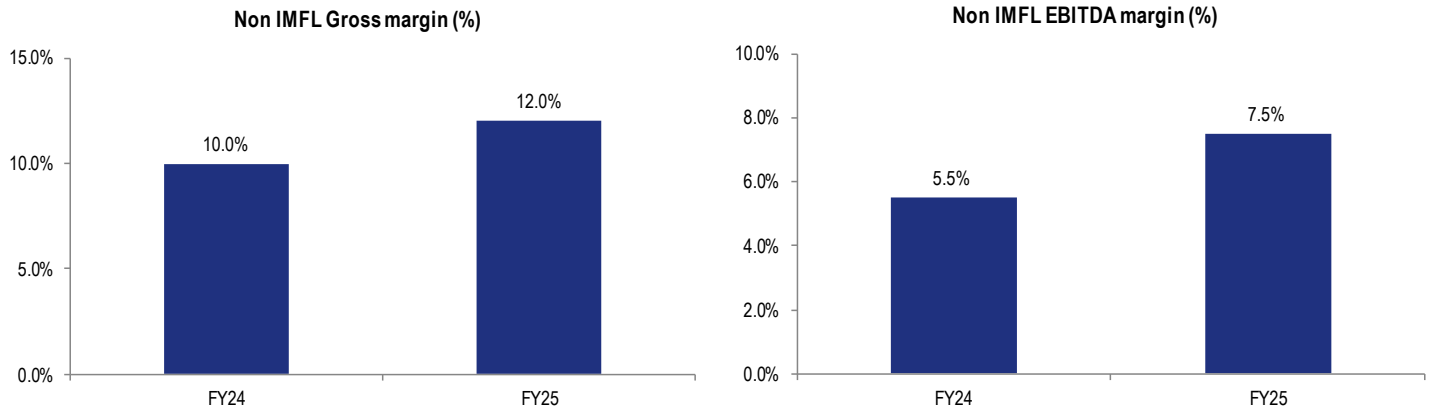

Source: Company, JM Financial

## Exhibit 45. Non-IMFL segmental mix




Source: Company, JM Financial

## Exhibit 46. Margin improvement is seen due to capacity-led growth along with stable input costs and price hikes

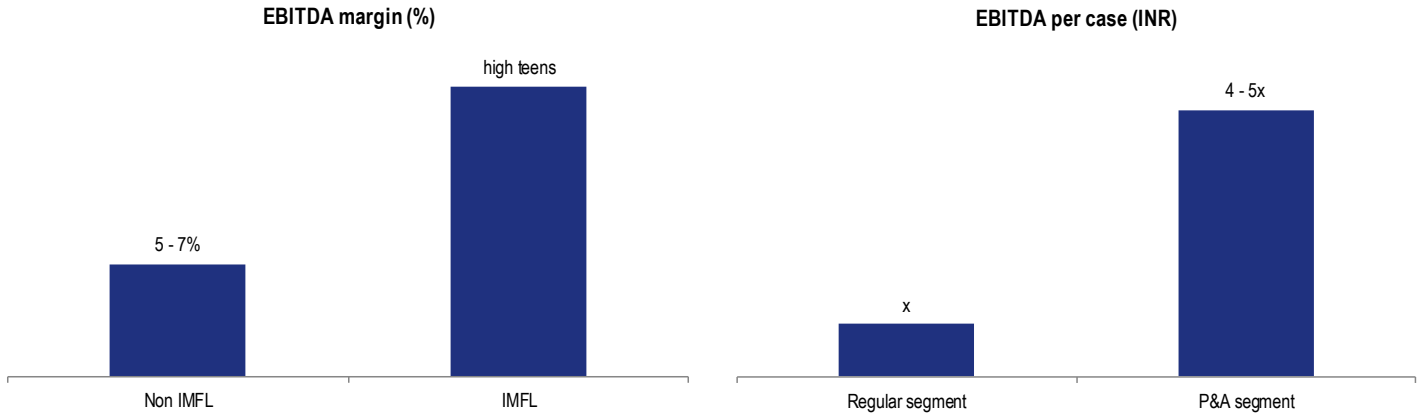



Source: JM Financial estimate
Note: Gross margin is calculated on net revenue (including other operating income).

## Margin levers in place; pace of expansion to remain strong

- **Steep inflation in key RMs impacted profitability over FY21-23, higher P&A growth helped partially offset the impact:** Despite a strong uptick in salience of the P&A portfolio over the last decade, Radico's gross margin (GM) has seen a compression of c.500bps from an average of c.48% pre-Covid (FY16-19) to c.43% in FY25. In fact, major compression was seen over FY21-24 (from c.50% in FY21 to c.42% in FY23/24). This can be pre-dominantly attributed to a) steep increase in input costs (ENA prices were up c.25%, grain prices were up c.70%+, glass prices were up c.50% over FY21-24), which resulted in higher cost of manufacturing ENA and b) lack of commensurate price hikes (especially in the non-IMFL segment, where inflation was steep).

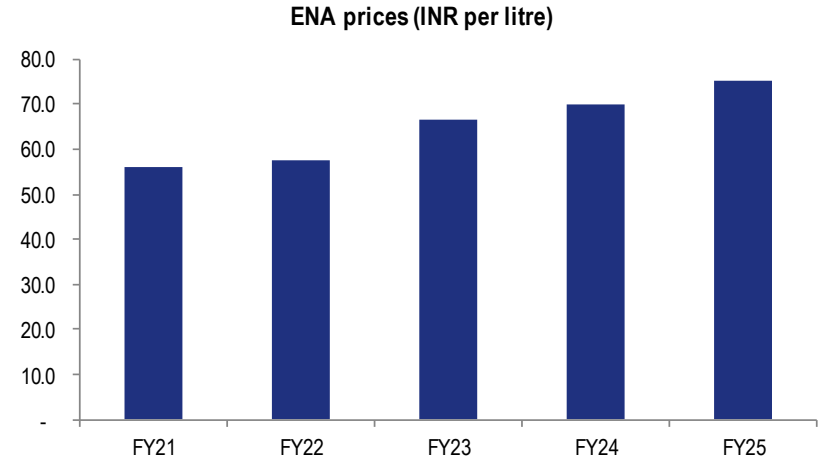
Exhibit 47. P&A segment serves as a key margin lever with superior margins and EBITDA per case




Source: Company, JM Financial

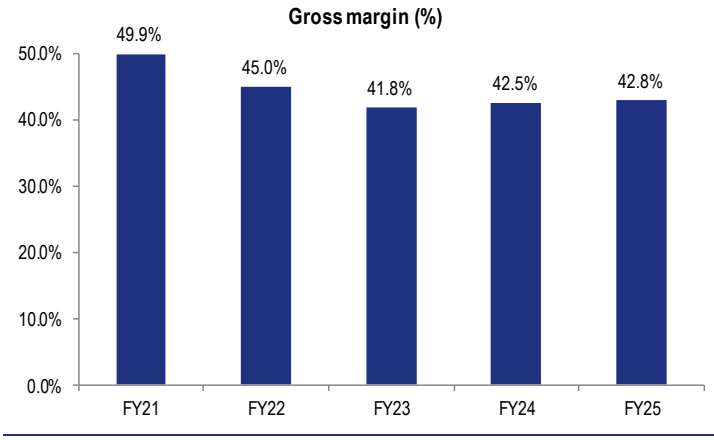
- **Margin pressure saw some easing from FY24, led by price hikes and improving mix**: We reckon that raw material (RM) inflation-led cost push was much higher, and it was partially offset by pricing (price hikes in IMFL and a much-needed hike was awarded in country liquor in 1QFY24) and mix-led improvement (due to higher growth in the P&A segment). Gross margin bottomed out in FY23 and expansion started from FY24. Further, with rationalisation of A&P spends, EBITDA margin compression was lower at c.560bps over FY21-23. With uptick in gross margin from FY24 and scale-led benefits, EBITDA margin improved by c.250bps over FY23-25.

Exhibit 48. ENA exhibited inflationary trend over FY21-25



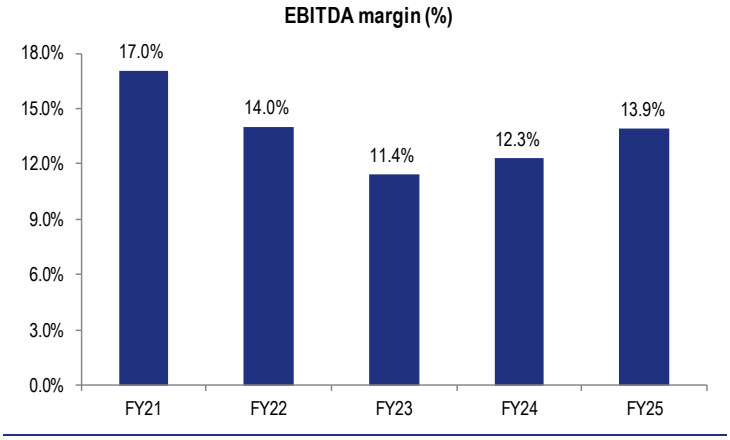

Source: Company, JM Financial

Exhibit 49. Input cost pressure led to steep gross margin compression (c.700bps) over FY21-25…




Source: Company, JM Financial. Note: Gross margin is calculated on net revenue (including other operating income).

Exhibit 50. …which was partially offset by extracting efficiencies on A&P and staff cost, thereby restricting EBITDA margin compression



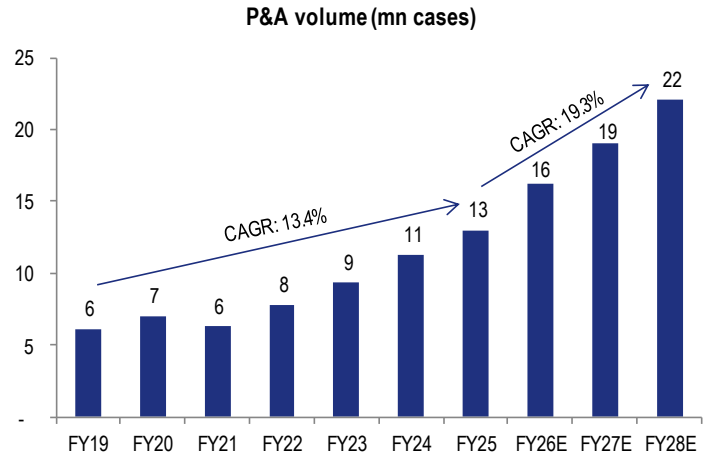

Source: Company, JM Financial

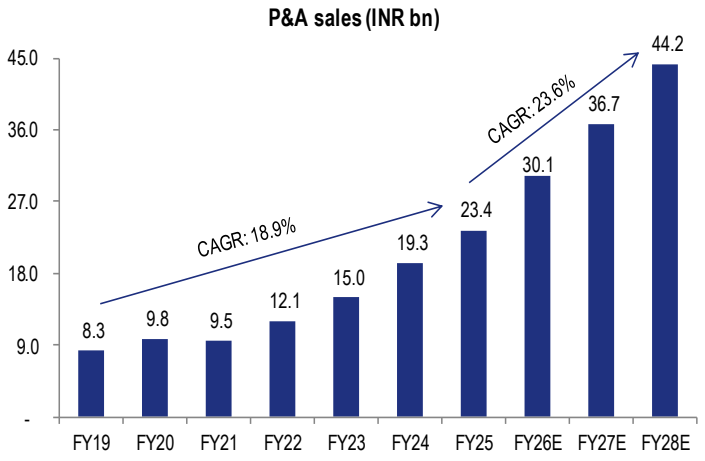
- **With adequate levers in place, pace of margin expansion to remain strong over FY25-28E:** We expect margin trajectory to further improve and bake in c.310bps expansion in EBITDA margin over FY25-28E (management guidance is higher at c.125-150bps per annum), led by:
  - **Premiumisation:** We expect share of IMFL in overall sales to improve to c.75% in FY28 (vs. 69.5%) vs. low-margin non-IMFL salience coming down to c.25% vs. c.30% in FY25. Further, within IMFL, we expect the P&A segment to grow faster with salience increasing to 56% vs. 48% in FY25.
  - **Stable to easing input costs and backward integration should support gross margin**: With prices of grain being stable to benign, the delta between making ENA and buying ENA from outside is stabilising at INR 8/ltr vs. 3-4/ltr seen during inflationary years.
  - **Savings from UK FTA:** Radico's scotch requirement/imports in FY25 was to the tune of INR 1.8bn; this is expected to increase to INR 2.5bn in FY26E and cross INR 4bn over 3 years. With duty reduction from 150% to 75%, it will lead to savings of INR 750mn, which should largely be seen from FY27E.
  - **Operating leverage:** Better fixed cost absorption with improving scale.

# Financial overview

- **Strong revenue growth led by sustained momentum in the P&A segment:** Radico Khaitan's sales have grown at a CAGR of 15.0% over FY19-25. FY26 has started on strong note with sales growth of 32.5% (volume growth of 37.5%, P&A/regular segment sales growth of c.43/48%). We expect strong momentum/industry outperformance to continue as we bake in net sales CAGR of c.18% over FY25-28E. Growth will be predominantly driven by the P&A segment, where we expect sales CAGR of 24% with volume CAGR of 19%. Regular segment and non-IMFL sales are expected to grow at a CAGR of c.9-15% over FY25-28E.

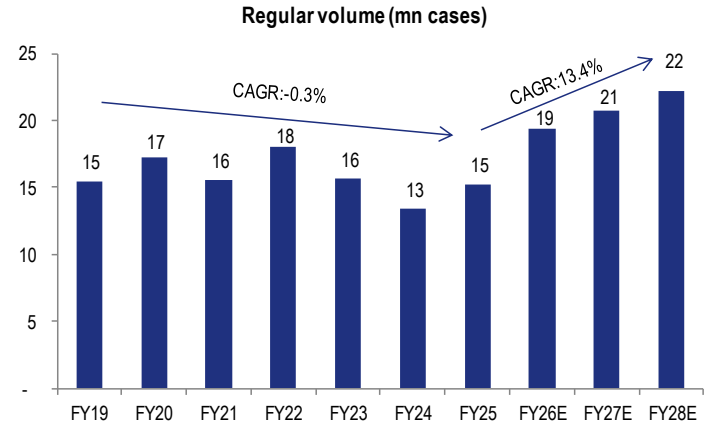
**Exhibit 51. We expect P&A segment's sales to grow at a CAGR of c.24% led by high-teen volume growth**

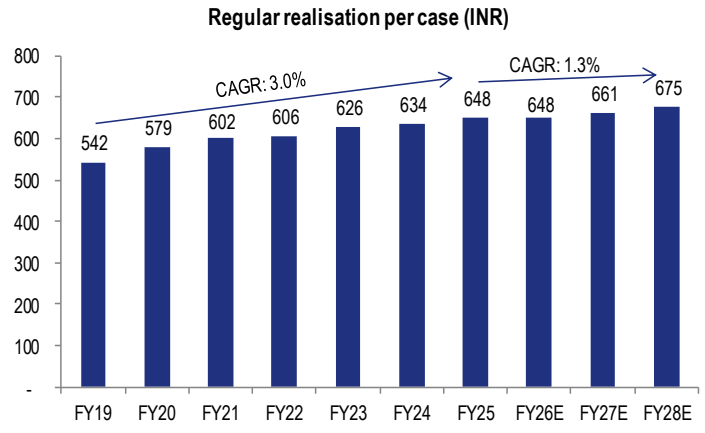



Source: Company, JM Financial

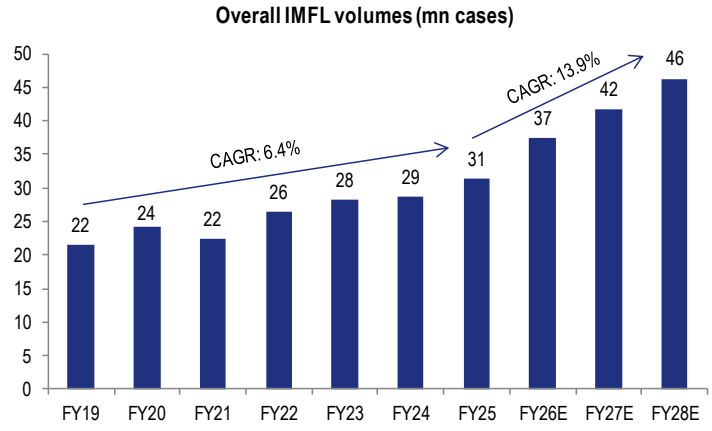
**Exhibit 52. With opening up of AP, we expect low-double-digit sales CAGR in regular segment albeit on low base**

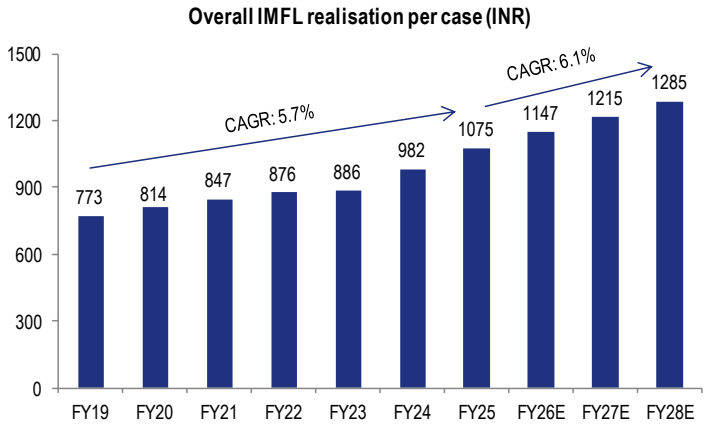



Source: Company, JM Financial

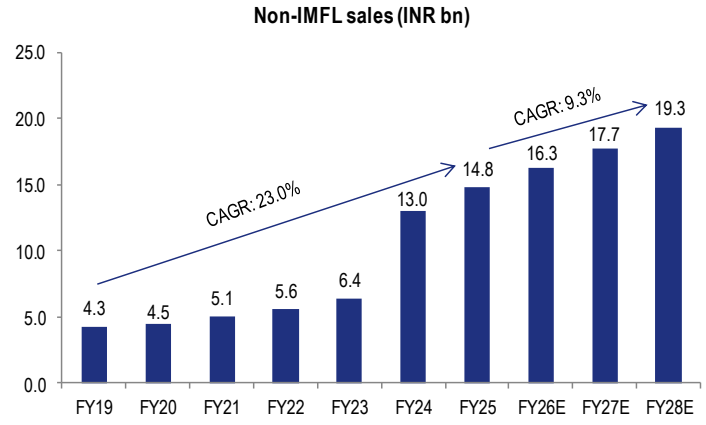
## Exhibit 53. Overall IMFL sales to grow at CAGR of 20% over FY25-28E…



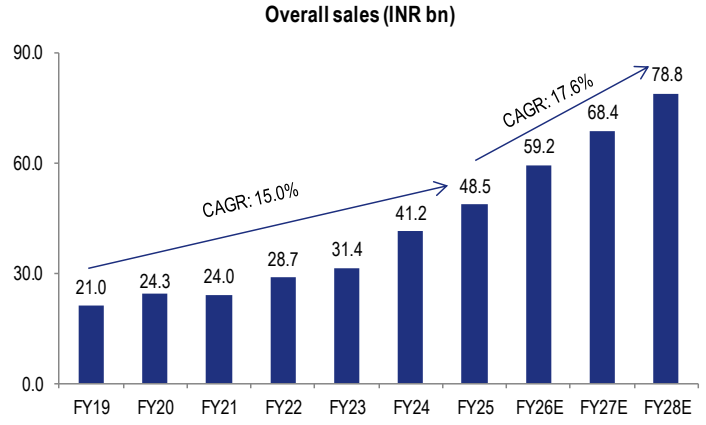

Source: Company, JM Financial

## Exhibit 54. …which along with c.9% sales CAGR in non-IMFL…




Source: Company, JM Financial

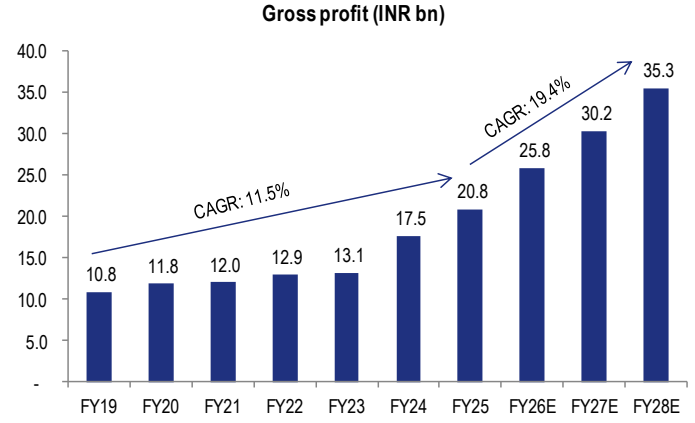
## Exhibit 55. …could aid high-teens sales growth over FY25-28E

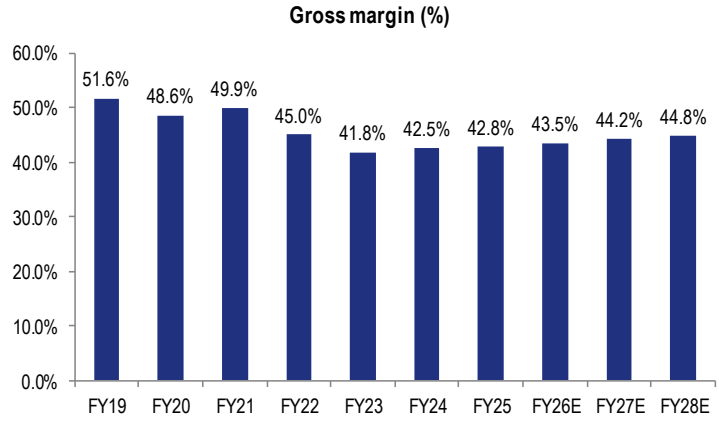



Source: Company, JM Financial. Note: Revenue is net-off excise duty but includes other operating income

- **Pace of margin expansion to improve, resulting in higher earnings growth:** Radico's gross margin has, over the last few years, moderated sharply on account of higher input cost inflation (especially in the non-IMFL segment). We believe margin weakness is now largely behind. With input cost pressure easing, coupled with continued improvement in salience of the P&A segment, we expect gross margin to improve by c.200 bps over FY25-28E. This, along with operating leverage, should result in EBITDA increasing by 26% CAGR over FY25-28E, with a margin expansion of c.310bps.

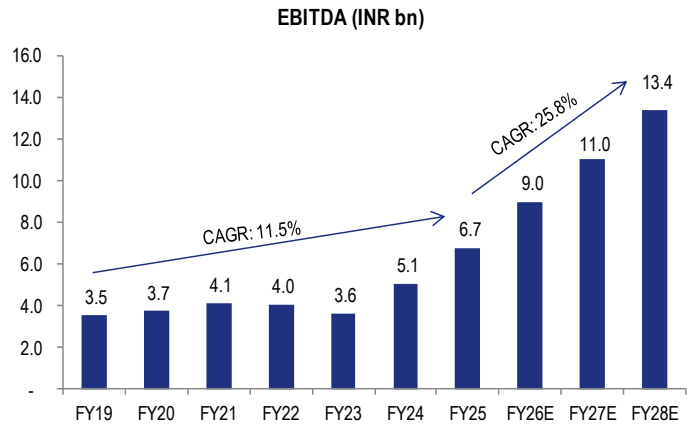
## Exhibit 56. With easing RM and improving product mix, we expect gross margin expansion of c.200bps…

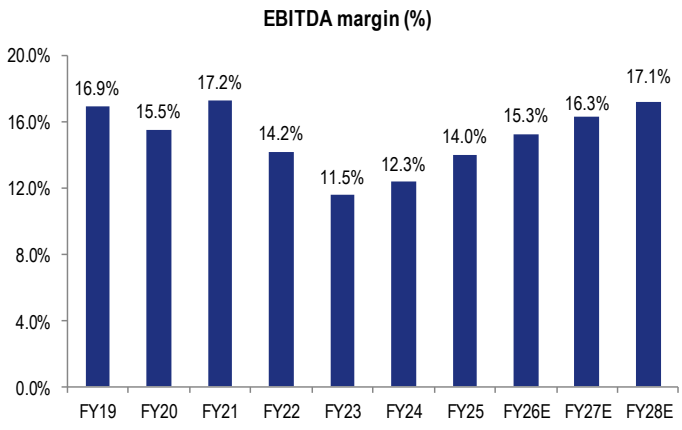



Source: Company, JM Financial. Note: Gross margin is calculated on net revenue (including other operating income).

**Exhibit 57. …which, along with scale-led efficiencies could drive EBITDA margin expansion of c.310bps over FY25-28E**




Source: Company, JM Financial

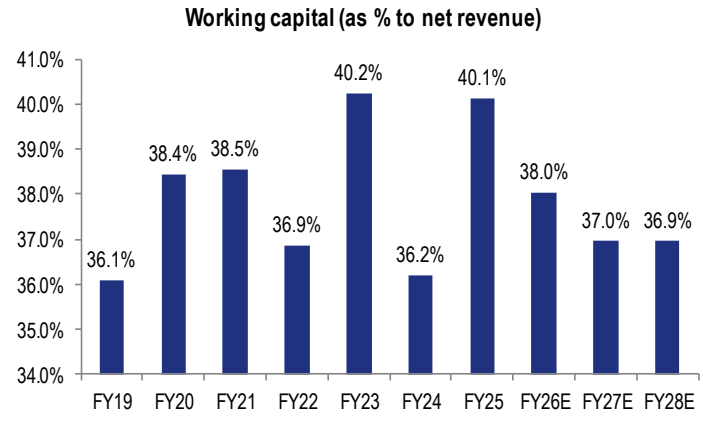
- **Improving profitability, better working capital and lower capex intensity to aid healthy cash generation and improve return profile**. With uptick in profitability (we estimate c.310bps uptick in EBITDA margin) as well as improving working capital, we expect OCF to improve, which should allow the company to fund its higher capex requirements, generate FCF and improve overall RoE/RoCE profile over FY25-28E.

**Exhibit 58. Working capital days**

| Net working capital days (on gross sales) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|---|
| Inventory days | 16 | 15 | 17 | 16 | 21 | 18 | 23 | 22 | 21 | 21 |
| Debtors days | 29 | 32 | 24 | 22 | 24 | 23 | 25 | 24 | 24 | 24 |
| Creditors days | 11 | 10 | 9 | 7 | 8 | 6 | 7 | 7 | 7 | 7 |
| **Net working capital days** | **34** | **36** | **32** | **31** | **36** | **35** | **42** | **39** | **38** | **38** |

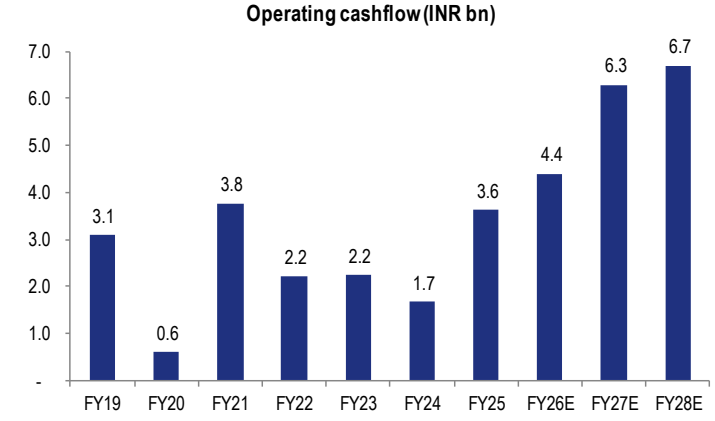
Source: Company, JM Financial

**Exhibit 59. Improved profitability and working capital…**



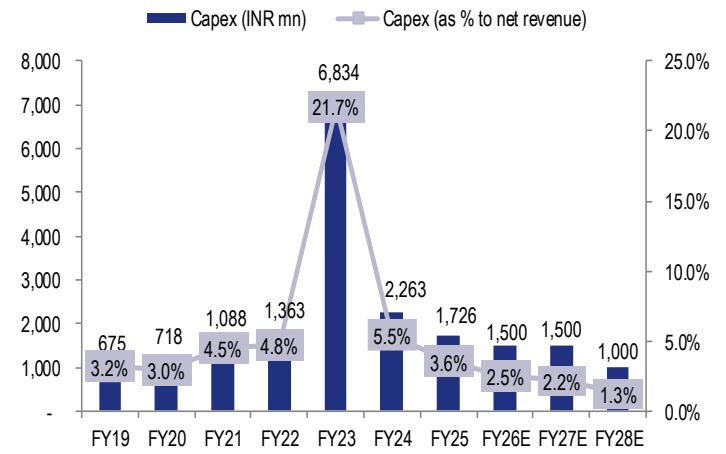

Source: Company, JM Financial. Note: Net revenue is net-off excise duty and including other operating income.

**Exhibit 60. …to boost operating cash flows…**



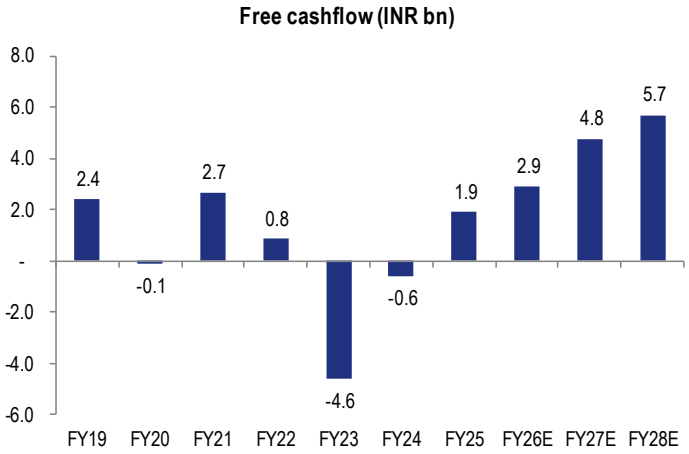

Source: Company, JM Financial

## Exhibit 61. …which, along with lower capex intensity…



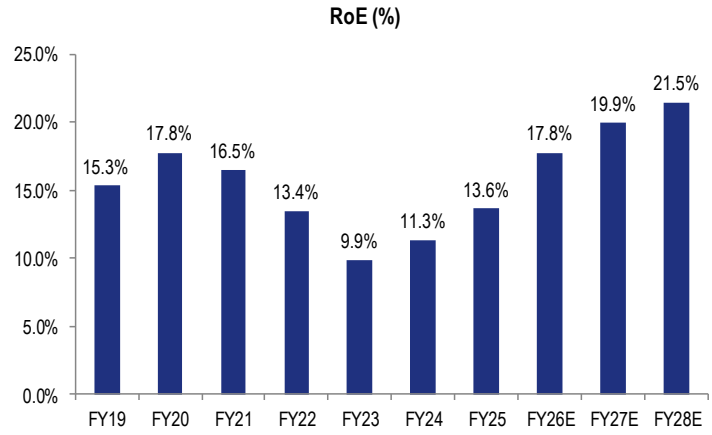

Source: Company, JM Financial

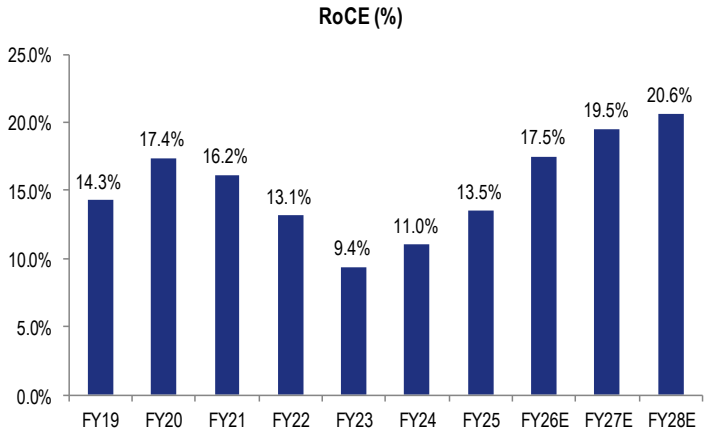
## Exhibit 62. …will aid healthy FCF generation over FY25-28E




Source: Company, JM Financial

## Exhibit 63. RoE/RoCE profiles to see steady uptick over FY25-28E




Source: Company, JM Financial. Note: RoCE calculation is on post-tax basis.

# Management background

## Exhibit 64. Key Management Team

| Name | Designation | Qualification & experience |
|---|---|---|
| Mr. Lalit Khaitan | Chairman & Managing Director | He has been the Chairman and Managing Director of the company since 2003. A veteran with over 50 years of experience and one of the pioneers in the Indian spirits industry. He has succeeded in transforming Radico Khaitan from a bottler to a leading IMFL player in India. He also serves as the Chairman, U.P. Committee of PHD Chamber of Commerce and Industry, senior member, managing committee of ASSOCHAM, and member of the managing committee of All India as well as U.P. Distillers Association. |
| Mr. Abhishek Khaitan | Managing Director | He holds a Bachelor degree of Engineering from BMS college of Engineering, Bangalore and has completed a Managerial Finance & Accounting course from Harvard, USA. He is the brain behind Radico's foray into the branded business. As the Managing Director with over 2 decades of industry experience, he has been instrumental in launching over 15 successful brands of which 7 feature in the millionaires club. |
| Mr. Dilip Banthiya | Chief Financial Officer | He is a fellow member of the Institute of Chartered Accountants of India. He has over 30 years of experience in corporate finance, treasury, international finance and corporate mergers and acquisitions. He was invited to the CFO100 Roll of Honour 2012 in recognition of excellence and has been associated with various professional bodies and committees. |
| Mr. Amar Sinha | Chief Operating Officer | He is a sales & marketing expert having a distinguished professional career spanning across more than 30 years with a diverse range of fast moving consumer goods. Prior to Radico Khaitan, he was the Executive Director at the Wave Group. During his professional career, he has served as the MD of Whyte & Mackay India, Executive Director & CEO of Allied Blenders & Distillers Ltd, Director & CEO of Golden Tobacco Ltd., MD of Playwin (Zee Group) besides working in senior positions with Herbertsons Ltd (U.B.Group) and Smithkline Beecham. |
| Mr. Sanjeev Banga | President - International Business | He is a Commerce and MBA graduate from UBS, Chandigarh. He has been spearheading the global reach for Radico Khaitan since 2008. He is an international business veteran with over 30 years of experience in FMCG companies such as Godfrey Philips, Nestle, Seagram/Pernod Ricard, Kohinoor Foods. |

Source: Company, JM Financial

## Key risks

- **Adverse regulatory changes in key market like Uttar Pradesh:** The spirits Industry in India operates in a highly regulated environment, marked by diverse regional laws including varying production levies, complex tax structures, advertising restrictions and multiple licensing requirements for manufacturing, storage, and distribution. Any changes in state-specific regulations or lapses in compliance could disrupt operations, delay product movement and adversely impact the company's business operations and profitability
- **Volatility in Input costs:** Radico's key raw materials includes grain, extra-neutral alcohol (ENA) and packaging materials like glass. Price volatility in these inputs driven by global commodity cycles, supply-demand imbalances or geopolitical factors could lead to higher production costs. Since, the company operates in a highly regulated environment where price flexibility is negligible, cost escalations may adversely affect it and potentially result in margin compression.
- **Intense competitive landscape:** The IMFL industry in India is highly competitive with many existing incumbents penetrating the market with diverse and differentiated offerings across whisky, brandy, rum and white spirits. Further, country liquor players are also diversifying and upgrading its portfolio with entry-level IMFL products further increasing the competitive intensity.
- **Shift in consumer preference and decrease in population consuming alco-beverages:** Globally, there is an emerging consumption trend wherein consumers are becoming more health conscious and are shifting towards non-alcoholic and/or low-alcohol drinks due to the impact of alcohol on health. In the event where such a shift in consumer demand (especially younger generation) towards zero or low-alcohol alternatives is seen in India, there could be a reduction in demand for Radico's products and impact it negatively.

# Financial Tables (Standalone)

## Income Statement (INR mn)

| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Net Sales | 40,982 | 48,096 | 58,729 | 67,817 | 78,168 |
| Sales Growth | 32.0% | 17.4% | 22.1% | 15.5% | 15.3% |
| Other Operating Income | 203 | 416 | 508 | 586 | 676 |
| **Total Revenue** | **41,185** | **48,512** | **59,236** | **68,403** | **78,844** |
| Cost of Goods Sold/Op. Exp | 23,665 | 27,739 | 33,468 | 38,169 | 43,522 |
| Personnel Cost | 1,958 | 2,169 | 2,494 | 2,781 | 3,101 |
| Other Expenses | 10,502 | 11,867 | 14,317 | 16,430 | 18,820 |
| **EBITDA** | **5,061** | **6,737** | **8,957** | **11,023** | **13,401** |
| EBITDA Margin | 12.3% | 13.9% | 15.1% | 16.1% | 17.0% |
| EBITDA Growth | 41.2% | 33.1% | 32.9% | 23.1% | 21.6% |
| Depn. & Amort. | 1,138 | 1,401 | 1,502 | 1,594 | 1,672 |
| EBIT | 3,923 | 5,336 | 7,455 | 9,429 | 11,729 |
| Other Income | 89 | 49 | 105 | 162 | 255 |
| Finance Cost | 591 | 738 | 623 | 458 | 258 |
| PBT before Excep. & Forex | 3,420 | 4,646 | 6,937 | 9,133 | 11,725 |
| Excep. & Forex Inc./Loss(-) | 0 | 0 | 0 | 0 | 0 |
| PBT | 3,420 | 4,646 | 6,937 | 9,133 | 11,725 |
| Taxes | 863 | 1,194 | 1,769 | 2,329 | 2,990 |
| Extraordinary Inc./Loss(-) | 0 | 0 | 0 | 0 | 0 |
| Assoc. Profit/Min. Int.(-) | 0 | 0 | 0 | 0 | 0 |
| Reported Net Profit | 2,558 | 3,452 | 5,168 | 6,804 | 8,735 |
| **Adjusted Net Profit** | **2,558** | **3,452** | **5,168** | **6,804** | **8,735** |
| Net Margin | 6.2% | 7.1% | 8.7% | 9.9% | 11.1% |
| Diluted Share Cap. (mn) | 133.5 | 133.5 | 133.5 | 133.5 | 133.5 |
| **Diluted EPS (INR)** | **19.2** | **25.9** | **38.7** | **51.0** | **65.4** |
| Diluted EPS Growth | 25.1% | 35.0% | 49.7% | 31.6% | 28.4% |
| Total Dividend + Tax | 400 | 534 | 799 | 1,052 | 1,351 |
| Dividend Per Share (INR) | 3.0 | 4.0 | 6.0 | 7.9 | 10.1 |

Source: Company, JM Financial

## Balance Sheet (INR mn)

| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Shareholders' Fund | 23,774 | 26,910 | 31,279 | 37,030 | 44,414 |
| Share Capital | 267 | 268 | 268 | 268 | 268 |
| Reserves & Surplus | 23,506 | 26,643 | 31,011 | 36,763 | 44,147 |
| Preference Share Capital | 0 | 0 | 0 | 0 | 0 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Total Loans | 7,371 | 6,307 | 5,107 | 2,607 | 607 |
| Def. Tax Liab. / Assets (-) | 919 | 985 | 985 | 985 | 985 |
| **Total - Equity & Liab.** | **32,064** | **34,202** | **37,371** | **40,622** | **46,006** |
| Net Fixed Assets | 17,112 | 17,900 | 18,151 | 18,335 | 17,968 |
| Gross Fixed Assets | 18,775 | 20,554 | 22,054 | 23,554 | 24,554 |
| Intangible Assets | 315 | 330 | 330 | 330 | 330 |
| Less: Depn. & Amort. | 4,066 | 5,272 | 6,586 | 7,992 | 9,474 |
| Capital WIP | 2,089 | 2,288 | 2,353 | 2,443 | 2,558 |
| Investments | 1,354 | 1,354 | 1,354 | 1,354 | 1,354 |
| Current Assets | 21,861 | 26,508 | 30,748 | 35,055 | 41,933 |
| Inventories | 7,797 | 10,768 | 12,550 | 13,935 | 16,051 |
| Sundry Debtors | 9,782 | 11,822 | 13,837 | 15,793 | 18,203 |
| Cash & Bank Balances | 1,000 | 571 | 913 | 1,777 | 4,022 |
| Loans & Advances | 0 | 0 | 0 | 0 | 0 |
| Other Current Assets | 3,283 | 3,346 | 3,447 | 3,550 | 3,657 |
| Current Liab. & Prov. | 8,263 | 11,560 | 12,882 | 14,122 | 15,249 |
| Current Liabilities | 3,483 | 4,004 | 4,754 | 5,377 | 6,084 |
| Provisions & Others | 4,780 | 7,556 | 8,128 | 8,744 | 9,166 |
| Net Current Assets | 13,598 | 14,948 | 17,866 | 20,933 | 26,684 |
| **Total – Assets** | **32,064** | **34,202** | **37,371** | **40,622** | **46,006** |

Source: Company, JM Financial

## Cash Flow Statement (INR mn)

| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Profit before Tax | 3,420 | 4,646 | 6,937 | 9,133 | 11,725 |
| Depn. & Amort. | 1,138 | 1,401 | 1,314 | 1,406 | 1,482 |
| Net Interest Exp. / Inc. (-) | 591 | 738 | 623 | 458 | 258 |
| Inc (-) / Dec in WCap. | -2,835 | -2,274 | -2,602 | -2,231 | -3,533 |
| Others | 72 | 13 | -105 | -162 | -255 |
| Taxes Paid | -726 | -904 | -1,769 | -2,329 | -2,990 |
| **Operating Cash Flow** | **1,661** | **3,621** | **4,398** | **6,275** | **6,687** |
| Capex | -2,263 | -1,726 | -1,500 | -1,500 | -1,000 |
| Free Cash Flow | -602 | 1,895 | 2,898 | 4,775 | 5,687 |
| Inc (-) / Dec in Investments | -76 | -18 | 0 | 0 | 0 |
| Others | 81 | 38 | 40 | 72 | 140 |
| **Investing Cash Flow** | **-2,258** | **-1,706** | **-1,460** | **-1,428** | **-860** |
| Inc / Dec (-) in Capital | 37 | 90 | 0 | 0 | 0 |
| Dividend + Tax thereon | -401 | -401 | -799 | -1,052 | -1,351 |
| Inc / Dec (-) in Loans | 1,339 | -1,064 | -1,200 | -2,500 | -2,000 |
| Others | -737 | -999 | -596 | -431 | -231 |
| **Financing Cash Flow** | **237** | **-2,374** | **-2,596** | **-3,984** | **-3,582** |
| **Inc / Dec (-) in Cash** | **-360** | **-460** | **342** | **863** | **2,245** |
| Opening Cash Balance | 1,359 | 1,031 | 571 | 913 | 1,777 |
| Closing Cash Balance | 1,000 | 571 | 913 | 1,777 | 4,022 |

Source: Company, JM Financial

## Dupont Analysis

| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Net Margin | 6.2% | 7.1% | 8.7% | 9.9% | 11.1% |
| Asset Turnover (x) | 1.3 | 1.4 | 1.6 | 1.7 | 1.8 |
| Leverage Factor (x) | 1.4 | 1.3 | 1.3 | 1.2 | 1.1 |
| RoE | 11.3% | 13.6% | 17.8% | 19.9% | 21.5% |

## Key Ratios

| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| BV/Share (INR) | 178.1 | 201.6 | 234.3 | 277.4 | 332.7 |
| ROIC | 10.7% | 13.2% | 17.0% | 19.9% | 22.9% |
| ROE | 11.3% | 13.6% | 17.8% | 19.9% | 21.5% |
| Net Debt/Equity (x) | 0.3 | 0.2 | 0.1 | 0.0 | -0.1 |
| P/E (x) | 157.2 | 116.4 | 77.8 | 59.1 | 46.0 |
| P/B (x) | 16.9 | 14.9 | 12.9 | 10.9 | 9.0 |
| EV/EBITDA (x) | 80.4 | 60.3 | 45.2 | 36.4 | 29.6 |
| EV/Sales (x) | 9.9 | 8.4 | 6.8 | 5.9 | 5.0 |
| Debtor days | 87 | 89 | 85 | 84 | 84 |
| Inventory days | 69 | 81 | 77 | 74 | 74 |
| Creditor days | 27 | 27 | 28 | 28 | 29 |

Source: Company, JM Financial

# United Spirits | ADD

## Strong on premiumisation; policy bumps to drag near term growth

Post-acquisition by Diageo, UNSP has undergone a transformation with clear focus on driving premiumisation, improving profitability and strengthening balance sheet. Success is visible from uptick in P&A salience, sharp improvement in EBITDA margin (+1,000bps over FY15-25), zero debt and healthy FCF generation. The headwind in Maharashtra will weigh on near-term growth but favourable policies in UP, AP, MP and Karnataka should provide some cushion. We are factoring in the same through lower sales growth in P&A/Popular segment and assigning a lower target multiple (vs. historical average). Having said that, our analysis of the P&A segment suggests UNSP has outperformed Pernod Ricard and seen share gains in Mid & Upper prestige segments, where it was relatively weaker. Its leadership in Premium and Luxury portfolio makes it one of the key beneficiaries of the India-UK FTA and likely urban recovery in coming quarters. This provides comfort on UNSP's ability to achieve double-digit sales growth in P&A over the medium to long term. Margin execution has been strong over FY23-25; premiumisation, stable RM and the cost efficiency programme will help sustain high-teen margins. Sharp corrections due to near-term headwinds are an opportunity to add the stock. We initiate coverage with ADD; TP of INR 1,475 (valuing standalone business at 51x Sep 27E + INR 130/share for Royal Challengers Sports Pvt Ltd).

- **Maharashtra tax hike a near-term headwind..:** Maharashtra (c.16-18% of sales/EBITDA) may see disruption due to a) steep hike in excise duty for IMFL (c.30-40% increase in MRP) and b) introduction of MML segment between IMFL and Country liquor with huge price gap. Our checks/industry interactions point to possible downtrading and industry decline of c.20%, which could weigh on near term sales growth. Favourable policies in certain states and likely recovery in urban discretionary could provide some cushion. We bake in lower sales growth of c.6% in P&A (vs. management guidance of double-digit growth) for FY26E. Possible opening up of Delhi/Bihar market can be an upside risk.
- **…but stepped-up interventions in P&A showing encouraging results; provides comfort on medium-term trajectory:** Over last 3-6 years, UNSP's P&A sales has grown much faster than Pernod Ricard. The notable trends are – a) Faster growth in luxury segment (33% of sales), b) share gains in lower prestige from Imperial blue and c) share gains in Mid/upper prestige (c.23% of sales and high margin segment) led by RC and Signature, where it had a relatively weaker position vs. Pernod Ricard. Better execution here provides comfort on double-digit growth over the medium term (we bake in c.10% growth in FY27 and 28E).
- **Healthy execution on margins so far, expect high-teen margin to sustain:** Over FY15-25, while gross margin has improved by c.400bps, EBITDA margin has expanded by c.1,000bps (without curtailing A&P spends), led by divestments of regular portfolio, rationalisation of manufacturing footprint and the supply chain agility programme. While margin expansion over the last 2 years was ahead of expectations, faster growth in Mid/upper prestige, productivity initiatives and UK FTA benefit (in FY27E) should help sustain high-teen margins and drive higher EBITDA growth (CAGR:11%) over FY25-28E.

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| Recommendation and Price Target | |
|---|---|
| Current Reco. | ADD |
| Previous Reco. | NA |
| Current Price Target (12M) | 1,475 |
| Upside/(Downside) | 11.1% |
| Previous Price Target | NA |
| Change | NA |

| Key Data – UNITDSPR IN | |
|---|---|
| Current Market Price | INR1,327 |
| Market cap (bn) | INR965.5/US$11.0 |
| Free Float | 38% |
| Shares in issue (mn) | 727.4 |
| Diluted share (mn) | 727.4 |
| 3-mon avg daily val (mn) | INR1,665.5/US$18.9 |
| 52-week range | 1,700/1,271 |
| Sensex/Nifty | 83,014/25,424 |
| INR/US$ | 88.1 |

| Price Performance | | | |
|---|---|---|---|
| % | 1M | 6M | 12M |
| Absolute | 1.5 | -2.9 | -13.7 |
| Relative* | -0.2 | -11.8 | -13.5 |

* To the BSE Sensex

| Financial Summary | | | | | (INR mn) |
|---|---|---|---|---|---|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Sales | 106,300 | 115,170 | 121,885 | 134,499 | 147,248 |
| Sales Growth (%) | 3.0 | 8.3 | 5.8 | 10.3 | 9.5 |
| EBITDA | 17,080 | 20,580 | 21,803 | 25,160 | 27,982 |
| EBITDA Margin (%) | 16.0 | 17.8 | 17.8 | 18.6 | 18.9 |
| Adjusted Net Profit | 13,120 | 15,580 | 15,089 | 18,022 | 20,314 |
| Diluted EPS (INR) | 18.0 | 21.4 | 20.7 | 24.8 | 27.9 |
| Diluted EPS Growth (%) | 24.8 | 18.8 | -3.2 | 19.4 | 12.7 |
| ROIC (%) | 19.8 | 22.1 | 21.5 | 24.3 | 26.0 |
| ROE (%) | 20.3 | 21.0 | 18.4 | 20.3 | 21.1 |
| P/E (x) | 73.6 | 62.0 | 64.0 | 53.6 | 47.5 |
| P/B (x) | 13.9 | 12.3 | 11.3 | 10.5 | 9.6 |
| EV/EBITDA (x) | 55.9 | 46.3 | 43.5 | 37.5 | 33.6 |
| Dividend Yield (%) | 0.7 | 0.9 | 0.9 | 1.1 | 1.3 |

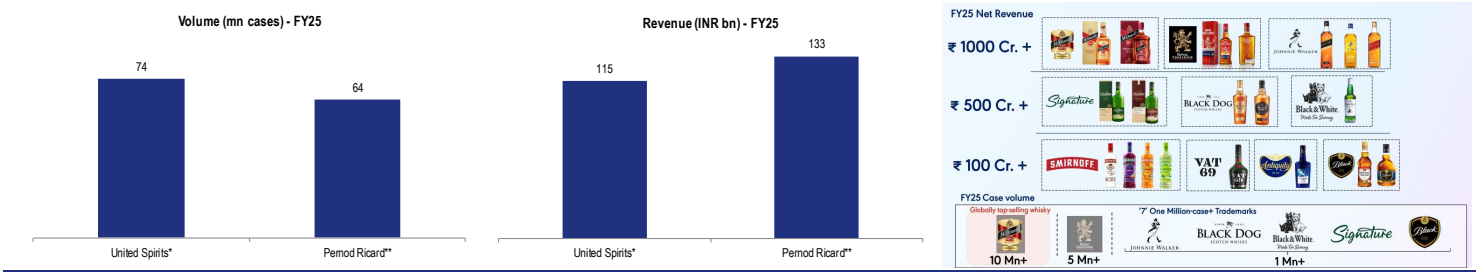
Source: Company data, JM Financial. Note: Valuations as of 18/Sep/2025

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

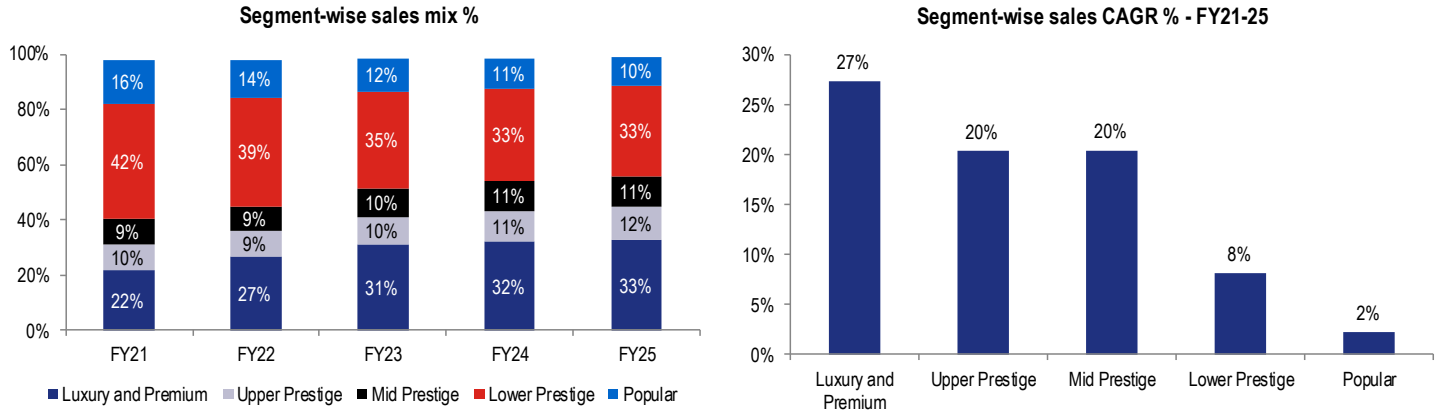
# Focus charts

## Exhibit 1. Largest IMFL player by volume and 2nd largest by value (FY25) with strong portfolio



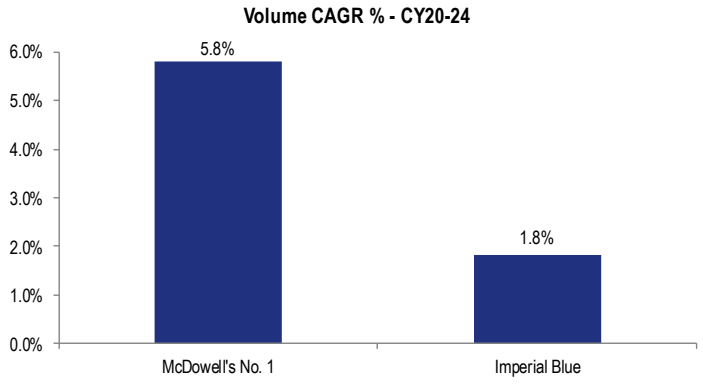

Source: Company, JM Financial.
*Volume data of United Spirits includes franchisee volume of 9-10mn cases.
**Figures of Pernod Ricard for FY25 is as per internal estimate.

## Exhibit 2. Strong execution on premiumisation with faster growth in luxury, upper and mid prestige segments



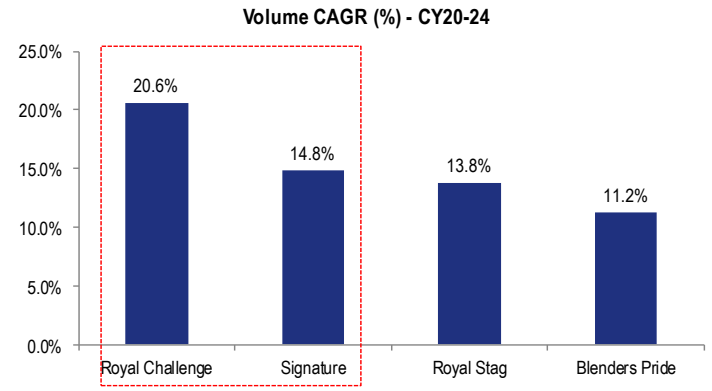

Source: Company, JM Financial

## Exhibit 3. UNSP maintains its leadership position in lower prestige segment through McDowell's No. 1



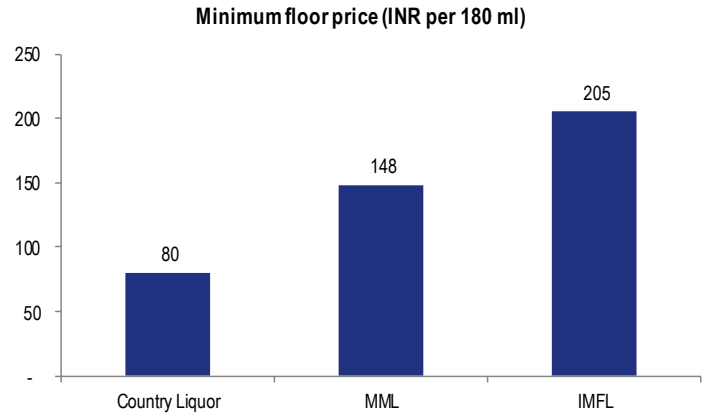

Source: Company, JM Financial

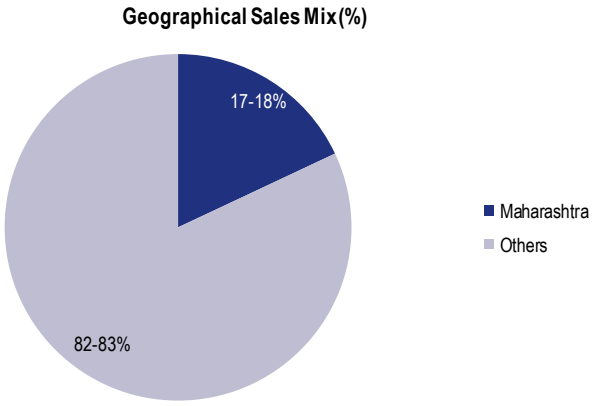
## Exhibit 4. UNSP has outperformed market leader in Upper/Mid prestige over CY20-24




Source: Company, JM Financial, Note: Red box highlights brands owned by United Spirits

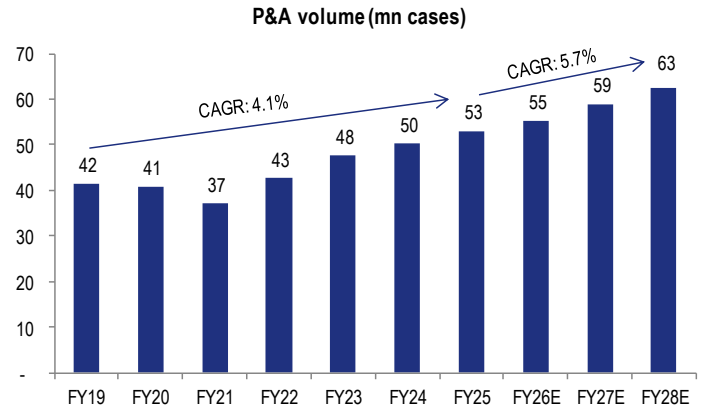
## Exhibit 5. Maharashtra – A key market for UNSP has seen steep excise hike in IMFL which could impact near-term volume



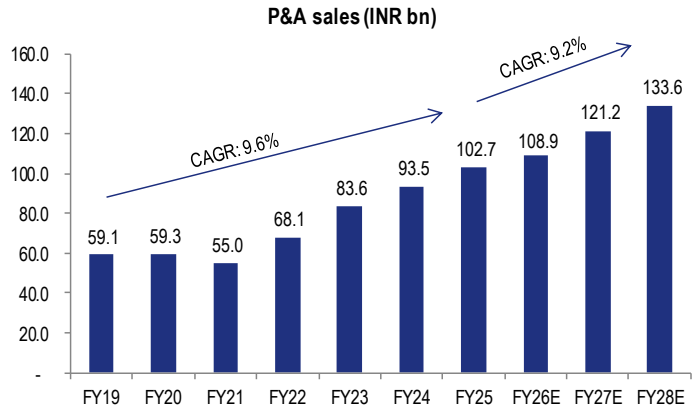

Source: Company, JM Financial. Note: MML – Maharashtra Made Liquor

## Exhibit 6. We expect P&A volume to grow at a CAGR of 5.7%…



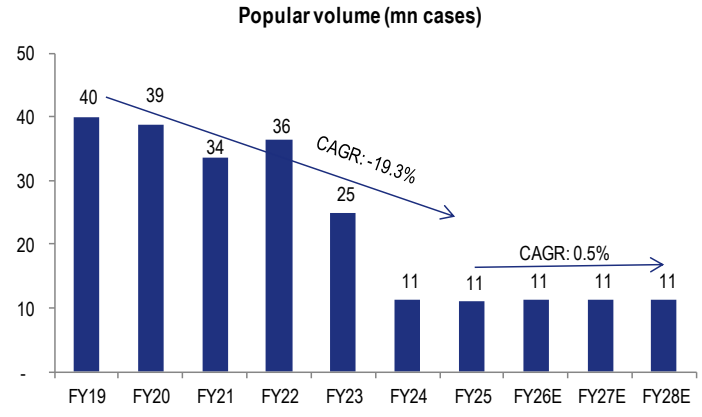

Source: Company, JM Financial

## Exhibit 7. …driving P&A sales CAGR growth of 9.2% over FY25-28E



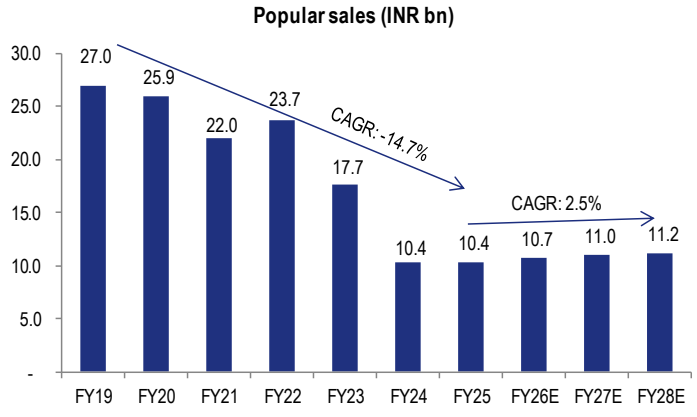

Source: Company, JM Financial

## Exhibit 8. Popular volume to be stable at current levels…



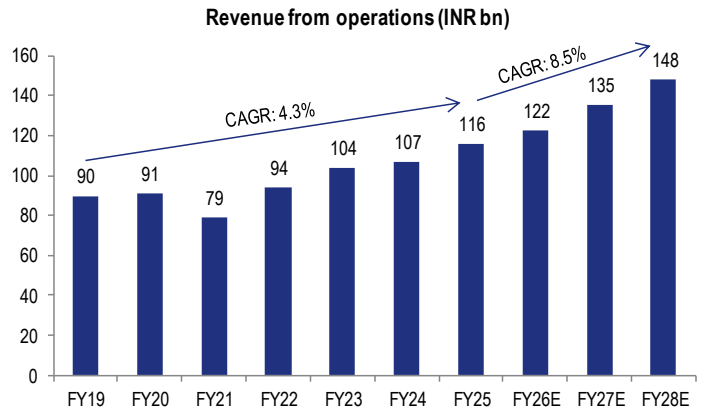

Source: Company, JM Financial

## Exhibit 9. …with sales expected to rise at a modest pace



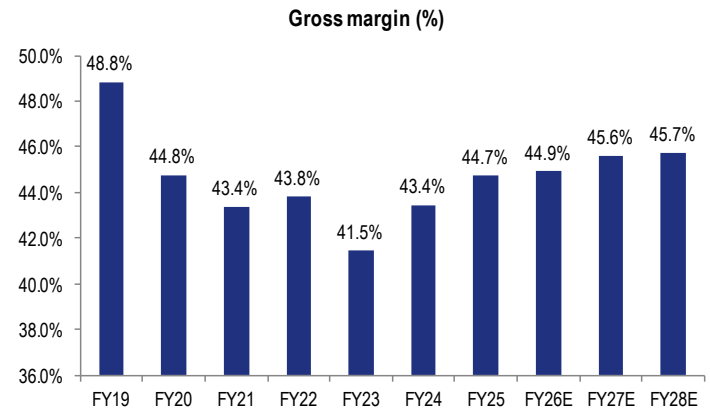

Source: Company, JM Financial

## Exhibit 10. Sales growth set to accelerate to 8.5% CAGR



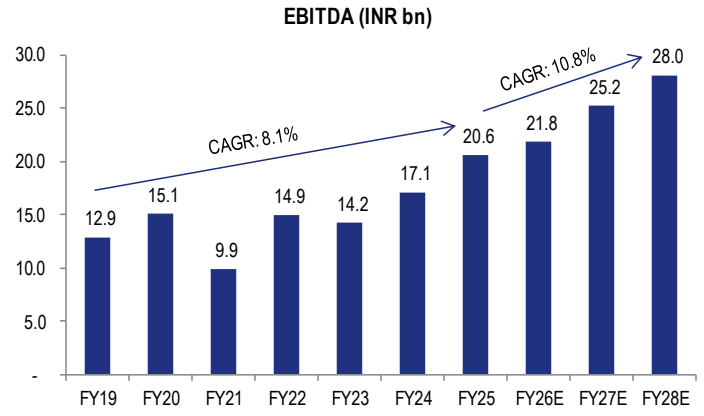

Source: Company, JM Financial

## Exhibit 11. Gross margin to remain at steady state levels



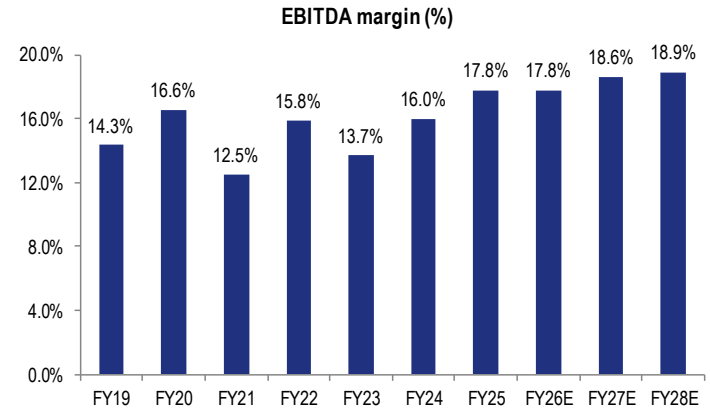

Source: Company, JM Financial. Note: Gross margin is calculated on net revenue

## Exhibit 12. We expect low-double-digit EBITDA growth…



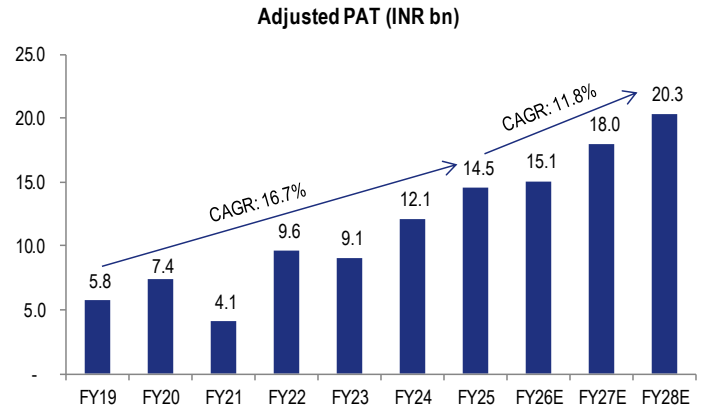

Source: Company, JM Financial

## Exhibit 13. …with modest margin expansion over FY25-28E




Source: Company, JM Financial

## Exhibit 14. Earnings growth to largely mirror EBITDA trajectory




Source: Company, JM Financial

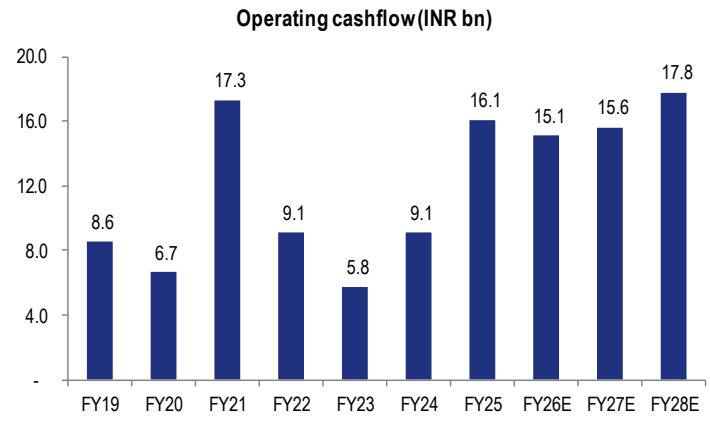
## Exhibit 15. Working capital days to improve to 48 days by FY28E

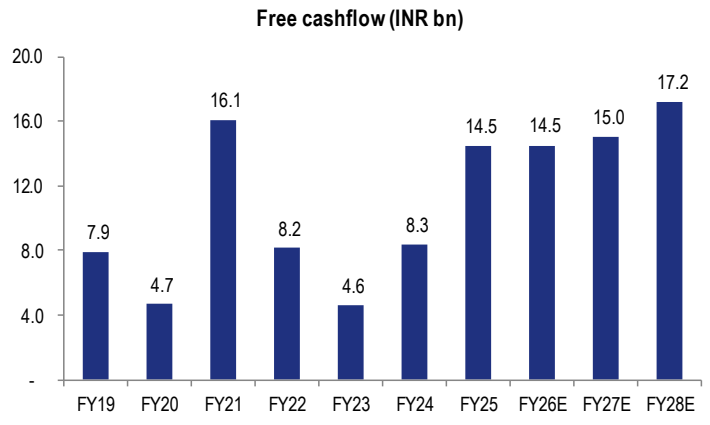
| Net working capital days (on gross sales basis) | FY19 | FY20 | FY21 | FY22 | FY23 |
|---|---|---|---|---|---|
| Inventory days | 24 | 23 | 27 | 26 | 30 |
| Debtor days | 32 | 29 | 29 | 27 | 32 |
| Creditor days | 17 | 15 | 19 | 18 | 23 |
| **Net working capital days** | **39** | **38** | **37** | **35** | **38** |

| Net working capital days (on gross sales basis) | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Inventory days | 30 | 31 | 30 | 30 | 30 |
| Debtor days | 45 | 50 | 48 | 46 | 45 |
| Creditor days | 26 | 29 | 28 | 28 | 27 |
| **Net working capital days** | **48** | **52** | **50** | **49** | **48** |

Source: Company, JM Financial

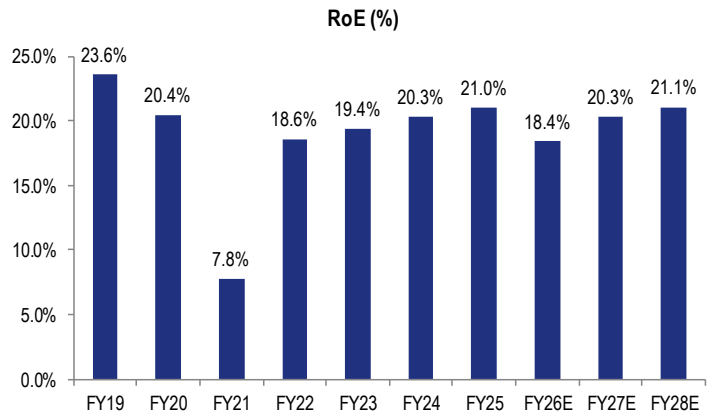
## Exhibit 16. Healthy operating cashflow with lower capex to drive strong FCF

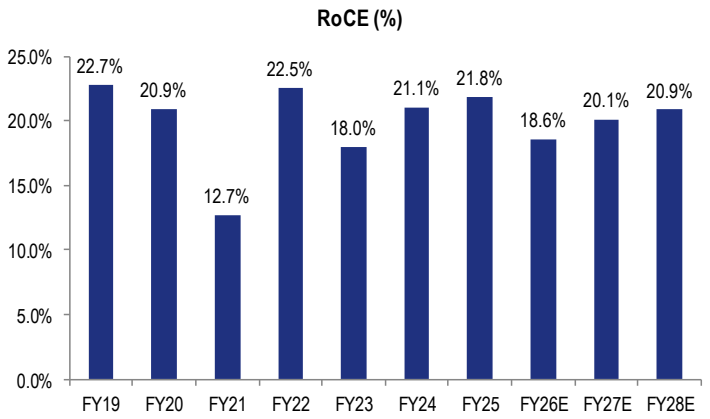



Source: Company, JM Financial

## Exhibit 17. RoE/RoCE profiles to remain healthy across FY25-28E




Source: Company, JM Financial

## Investment thesis

- **Largest player in overall IMFL as well as in P&A segment with strong capabilities:** United Spirits, a subsidiary of Diageo PLC with a volume of 64mn cases (c.75mn-80mn cases including franchisee volume), is the largest player (market share of c.19%) in the IMFL segment in India. In the P&A segment (which is 83%/89% of its overall volume/sales), it is a formidable player with c.29-30%+ market share (now becomes the largest player post the sale of Imperial Blue by Pernod Ricard to Tilaknagar) led by a strong portfolio of brands. A combination of strong brands, large manufacturing/supply chain infrastructure and increased focus on the P&A segment puts the company in a good position to capitalise on the premiumisation opportunity, navigate adverse regulatory challenges and sustain its leadership position.
- **Maharashtra tax hike a near-term headwind..:** Maharashtra is the largest and key market for UNSP in terms of sales and profitability (accounts for c.17-18% of sales and slightly higher on EBITDA). After several years of favourable regulatory environment for IMFL, the state in its newly announced policy has significantly increased excise duty for IMFL (from 300% to 450% of manufacturing cost) where manufacturing cost is <210 per bulk litre. This has resulted in a steep MRP hike of c.30-50% for Popular, Low and Mid prestige segment brands while hike in Upper prestige and Premium/luxury is much lower. Further it has introduced a state-specific liquor segment MML with a huge price gap with IMFL and country liquor. These changes could lead to downtrading (in Popular/Low & Mid Prestige segment). Our channel checks/commentaries from key players suggest the industry is likely to see a c.15-20% decline, which could impact UNSP's FY26 sales growth in the state especially in Popular, Lower and Mid-prestige segments. Having said that, opening up of AP, and favourable policy environment in UP, MP and Jharkhand should provide some cushion from the impact on overall volume for FY26. Factoring in Maharashtra impact for the balance 9M, we expect P&A volume growth of 4% (vs. 9% seen in 1Q) and low-single-digit volume growth in the Popular segment (vs. 12% seen in 1Q) for FY26E. Realisation/case in P&A segment could see moderation due to lower growth in luxury segment seen in 1Q and some absorption of duty hike implemented by UNSP in Mid and Lower prestige segments.
- **Step-up in portfolio interventions to further strengthen its P&A segment:** Post takeover by Diageo, we have seen a transformation in United Spirits with the focus shifting to the premium segment. Over the last decade (especially in the last 5-6 years), Popular segment salience has come down substantially led by franchising out or divestment of tail brands. Over FY16-25, United Spirits has marginally outperformed Pernod Ricard both in volume and value terms. However the outperformance is higher in the last 5 years (FY19-25) – a function of portfolio interventions done by United Spirits across sub-segments (especially in Mid and Upper prestige segments where it had relatively lower market share vs. lower prestige and luxury segments) in P&A. In the lower prestige segment (impacted by inflation and increased competitive intensity), while growth is much lower vs. the rest of the P&A segment but it has outperformed Pernod Ricard in last 3-4 years. Also there is conscious strategy to drive upgrades from Lower prestige – visible from extending McDowell's brand in Mid-Upper prestige and launch of RC American pride. Factoring in the Maharashtra impact, we conservatively bake in c.8% sales growth in the P&A segment (lower vs. management guidance of double digit) and expect double-digit trajectory from FY27/28E with balanced mix of volume and realisation growth.
- **High-teen margin to sustain over medium term:** Over the past decade, United spirits has improved its EBITDA margin by c.1,000bps to 17.8% in FY25. While gross margin has improved by c.400bps over the same period, United Spirits has been able to extract efficiencies across overhead costs (staff cost and other expenses), thereby driving greater expansion in EBITDA margin. The supply chain agility programme launched in FY22-23 also delivered impressive results (extracted savings of INR 7bn savings on P&L and INR 1.5bn-2bn in working capital efficiencies) with margins recovering to high-teen levels from lows of c.13.7% in FY23. While, in the near term, one could see some volatility due to challenges in Maharashtra (large and profitable market for United Spirits), over the medium term we expect United Spirits to sustain its current high-teen margin levels

considering stable ENA (extra neutral alcohol) prices, continued scale-up in the P&A portfolio, likely UK-FTA benefit from FY27E and scale benefits.

- **P&A segment led sales growth coupled with moderate margin expansion p.a. to drive c.12% earnings CAGR over FY25-28E:** We expect overall sales CAGR of c.8.5% for United Spirits over FY25-28E led by volume CAGR of 4.8% and price/mix growth of 3.6%. On a segmental basis, we expect c.9% sales CAGR in the P&A segment over FY25-28E. Popular segment sales are expected to remain under pressure due to the steep increase in excise duty in the large market of Maharashtra and weakness in Karnataka. Going ahead, the pace of margin expansion is likely to be lower, and margin is likely to remain range-bound at the current high-teen levels. ENA prices are stable; however, the government's announcement on ethanol blending target in the coming months will be a key monitorable. Glass prices could see some temporary inflation due to planned maintenance shutdowns in the East and the West. A&P spends are likely to remain c.9.5-10% of sales. Hence, we expect moderate margin expansion of c.110bps over FY25-28E, resulting in 11%/12% EBITDA/PAT CAGR over the same period. Stable profitability and working capital along with lower capex intensity could result in healthy cash generation over FY25-28E, which should keep the dividend payout ratio healthy.

Exhibit 18. Key assumptions

| Particulars | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|
| **Total IMFL volumes (mn cases)** | **72** | **61** | **64** | **66** | **70** | **74** |
| YoY | -8.5% | -15.2% | 4.1% | 3.8% | 5.8% | 5.0% |
| - P&A volumes | 48 | 50 | 53 | 55 | 59 | 63 |
| YoY | 11.7% | 5.4% | 5.4% | 4.3% | 7.0% | 6.0% |
| - Popular volumes | 25 | 11 | 11 | 11 | 11 | 11 |
| YoY | -32.0% | -54.6% | -1.9% | 1.4% | 0.0% | 0.0% |
| | | | | | | |
| **Total Realisation per case (INR)** | **1,397** | **1,690** | **1,765** | **1,803** | **1,882** | **1,963** |
| YoY | 20.5% | 20.9% | 4.4% | 2.2% | 4.4% | 4.3% |
| - P&A realisation per case | 1,755 | 1,862 | 1,936 | 1,975 | 2,054 | 2,136 |
| YoY | 10.0% | 6.1% | 4.0% | 2.0% | 4.0% | 4.0% |
| - Popular realisation per case | 711 | 921 | 940 | 959 | 978 | 997 |
| YoY | 9.6% | 29.5% | 2.0% | 2.0% | 2.0% | 2.0% |
| | | | | | | |
| **Total IMFL sales (INR mn)** | **101,229** | **103,820** | **113,070** | **119,680** | **132,184** | **144,817** |
| YoY | 10.3% | 2.6% | 8.9% | 5.8% | 10.4% | 9.6% |
| - P&A | 83,572 | 93,450 | 102,700 | 108,944 | 121,233 | 133,647 |
| YoY | 22.8% | 11.8% | 9.9% | 6.1% | 11.3% | 10.2% |
| - Popular | 17,657 | 10,370 | 10,370 | 10,736 | 10,951 | 11,170 |
| YoY | -25.5% | -41.3% | 0.0% | 3.5% | 2.0% | 2.0% |
| | | | | | | |
| **Total sales** | **103,737** | **106,920** | **115,730** | **122,473** | **135,116** | **147,896** |
| YoY | 10.1% | 3.1% | 8.2% | 5.8% | 10.3% | 9.5% |
| | | | | | | |
| **Gross profit** | **43,019** | **46,440** | **51,760** | **55,009** | **61,584** | **67,606** |
| **Gross profit margin (%)** | **41.5%** | **43.4%** | **44.7%** | **44.9%** | **45.6%** | **45.7%** |
| | | | | | | |
| **A&P spends (as % to net sales)** | **8.9%** | **9.8%** | **9.8%** | **9.9%** | **9.9%** | **9.9%** |
| | | | | | | |
| **EBITDA (INR mn)** | **14,187** | **17,080** | **20,580** | **21,803** | **25,160** | **27,982** |
| YoY | -4.8% | 20.4% | 20.5% | 5.9% | 15.4% | 11.2% |
| **EBITDA margin (%)** | **13.7%** | **16.0%** | **17.8%** | **17.8%** | **18.6%** | **18.9%** |

Source: Company, JM Financial. Note: Net sales is net-off excise duty and excluding other operating income.

## Valuation: Initiate with ADD and a target price of INR 1,475

- We expect net revenue CAGR of c.8.5% (P&A sales CAGR of 9%) over FY25-28E with volume CAGR of 5% (P&A/Popular CAGR of 5.7%/0.5%). Factoring in the Maharashtra impact, we have taken lower growth in P&A for FY26E and expect it to revert back to double-digit growth in FY27/28E. With stable input costs, premiumisation and cost saving programmes, we expect c.100-110 bps improvement in Gross/EBITDA margins over FY25-28E, resulting in EBITDA/PAT CAGR of 11%/12%, with average RoE/RoCE (post-tax) of 20%.
- We initiate coverage with ADD; TP of INR 1,475 (valuing standalone business at 51x Sep 27E + INR 130/share for RCB). We have assigned lower multiple of 51x (vs. 5-year avg. PE of c.59x as well as vs. target multiples for listed peers) to UNSP, factoring in uncertainty in the near term owing to headwinds in the key market of Maharashtra and slower earnings growth vs. other alcoholic beverage peers. We like UNSP's portfolio strength; improving execution in Mid and Upper prestige segments provides assurance on its ability to ride premiumisation wave in IMFL. This along with its superior RoE/RoCE profile and balance strength vs. peers provides additional comfort. Sharp corrections due to near-term volatility are an opportunity to add the stock.

**Exhibit 19. UNSP's 5yr avg. PE band**




Source: Bloomberg, Company, JM Financial. Note: Valuation as on 18th Sep'25

**Exhibit 20. UNSP's 10yr avg. PE band**



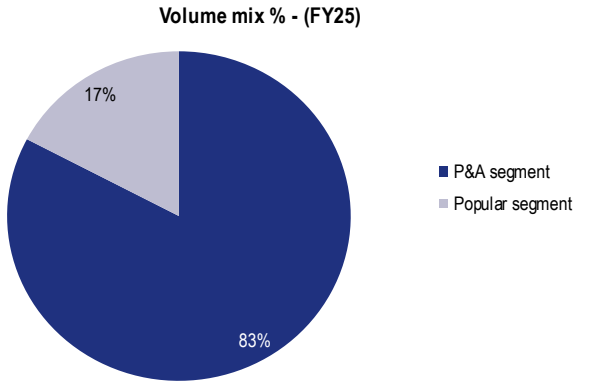

Source: Bloomberg Company, JM Financial. Note: Valuation as on 18th Sep'25

# Business analysis

## Largest IMFL player by volume in India

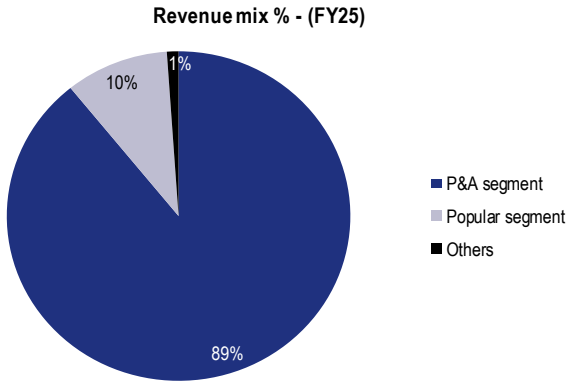
- **Largest player (by volume) with strong brands in IMFL segment:** United Spirits (UNSP), a subsidiary of Diageo PLC with a volume of 64mn cases (c.75mn-80mn cases including franchised volume), is the largest player in the IMFL segment in India. The portfolio comprises strong brands like McDowell's No 1, Royal Challenge, Signature, Director's Special, Antiquity, Black Dog, Diageo brands (Johnnie Walker, Smirnoff, VAT 69, Black & White) and the recently launched Godawan. Through these brands, United Spirits has a presence across sub-segments (especially a large presence in whisky) and price points in IMFL. As per our analysis, UNSP has a volume market share of c.20% (excluding franchised brands) in the overall IMFL space; however, within the P&A segment, its market share will be higher at c.30%+. McDowell's No 1 Whisky is the largest brand for UNSP and also the top selling whisky globally with a volume of 10mn+ cases, followed by Royal Challenge with a volume of 5mn+ cases. Overall, within its portfolio, UNSP has 7 millionaire brands (McDowell's No 1, Royal Challenge, Johnnie Walker, Black Dog, Black & White, Signature, Antiquity) that together account for NSV of INR 45bn-50bn.

Exhibit 21. UNSP's volume mix for FY25



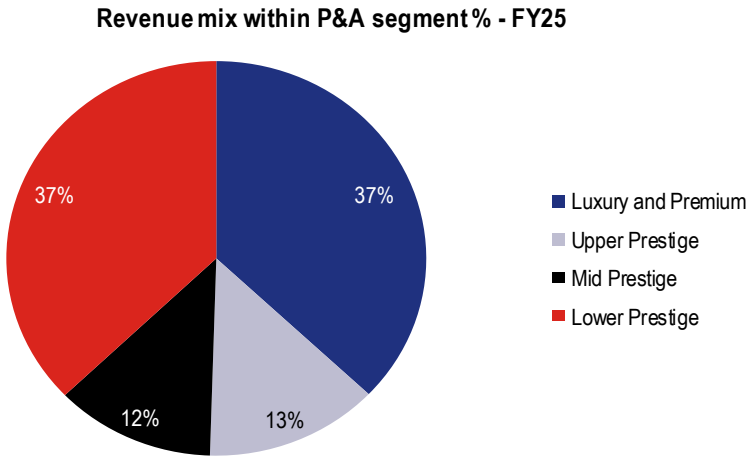

Source: Company, JM Financial. Note: Volume data of United Spirits excludes franchisee volume of 9-10mn cases.

Exhibit 22. UNSP's revenue mix for FY25




Source: Company, JM Financial

Exhibit 23. Revenue mix within P&A segment for FY25




Source: Company, JM Financial

Exhibit 24. Snapshot of UNSP's brand portfolio




Source: Company, JM Financial

Exhibit 25. Snapshot of segment-wise price structure of key brands

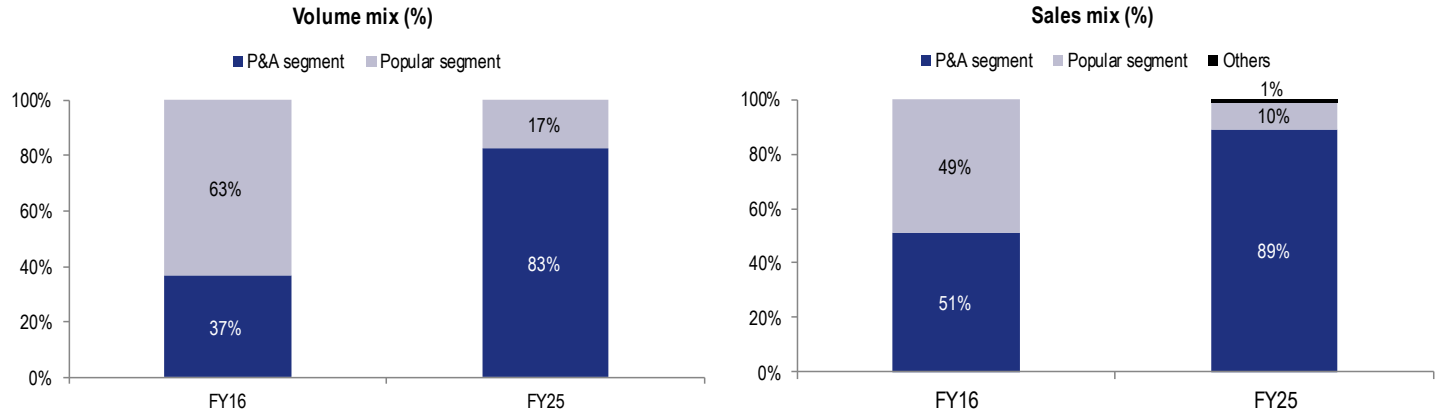
| Segment | Key brand | Volume (ML) | MRP (INR) |
|---|---|---|---|
| Popular | Directors special black classic whisky | 750 | 755 |
| Lower Prestige | McDowells No. 1 | 750 | 960 |
| Mid Prestige | RC American pride | 750 | 1020 |
| | RC Finest Premium Whisky | 750 | 1,205 |
| Upper Prestige | Signature Premier | 750 | 1,760 |
| | Antiquity Blue | 750 | 1,825 |
| Luxury and Premium | JW Red Label | 750 | 3,445 |
| | JW Black Label | 750 | 5,190 |
| | Black & White | 750 | 2,805 |
| | Black Dog 14 Yrs | 750 | 5,270 |
| | Godawan 01 Rich and rounded | 700 | 4,820 |

Source: Current prices taken from Livecheers.com and KSBCL, Company, JM Financial.
Note: Price is equivalent to the MRP in the state of Karnataka

# Diageo's entry led to increased focus on premiumisation and improving profitability

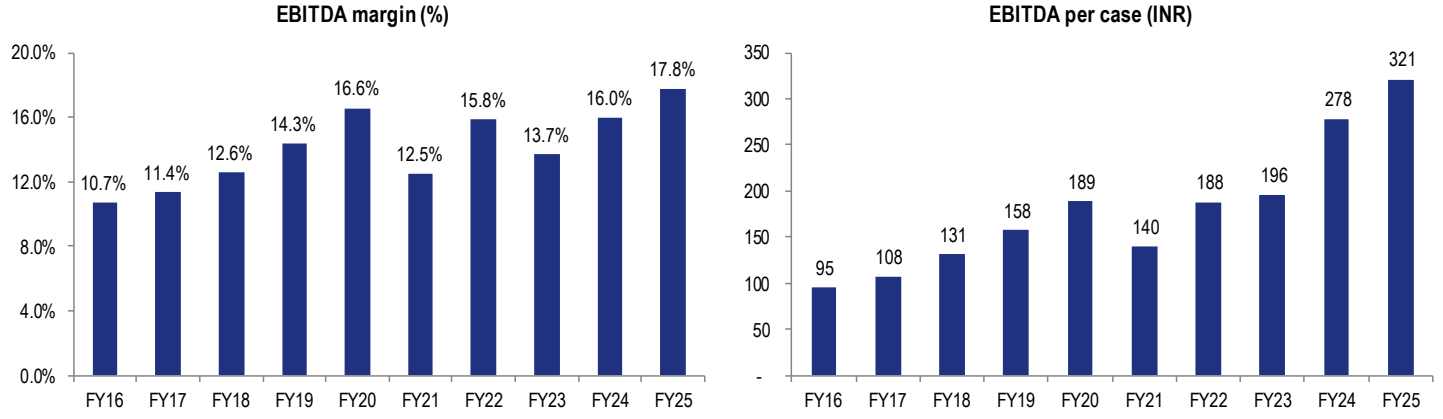
- **Diageo's entry into India made premiumisation a key focus area:** Diageo, a UK-based MNC player in alcoholic beverages, made a much-anticipated entry into one of the world's fastest growing liquor markets by acquiring a controlling stake in United Spirits over 2013-2014. Over the next decade, a business transformation exercise was carried out, wherein several initiatives were undertaken like a) driving premiumisation, which became a strategic priority, b) product rationalisation, c) franchising/ sale of Popular/economy portfolio, d) rationalising manufacturing footprint, e) cost optimisation and f) reduction in debt.

**Exhibit 26. Rising contribution of P&A segment (in volume and revenue) highlights Diageo's premiumisation success**




Source: Company, JM Financial

**Exhibit 27. Premiumisation has yielded positive results, which is evident from improvement in EBITDA margin and EBITDA per case**




Source: Company, JM Financial

## Accelerating premiumisation: Reshaping the portfolio based on consumer trends

- **Divestment of the Popular portfolio:** United Spirits had initiated a strategic review of select brands (excluded McDowell's No. 1 and Director's Special brands) in its Popular portfolio in 2021. Some of the major brands that were included in the review were Haywards whisky (10mn cases), Bagpiper whisky (7.5mn cases), Old Tavern (6.5mn cases), Honey Bee brandy (4.5mn cases), White Mischief, Romanov and a tail of small brands. In 2022, United Spirits approved the sale of 32 Popular brands for a cash consideration of INR 8.3bn to Inbrew Beverages. This apart, it also entered into a franchising arrangement with Inbrew for another 11 Popular brands for 5 years and provided an option to Inbrew to extend it to perpetuity or acquire these 11 brands for about INR 13.3bn. In terms of P&L impact, the divested/franchised brands contributed to INR 7.7bn/INR 5.3bn to sales and INR 1.18bn/INR 770mn to EBITDA (c.14-15% margin) in FY22. The divestment was part of the overall strategy to free management bandwidth and accelerate the premiumisation journey.

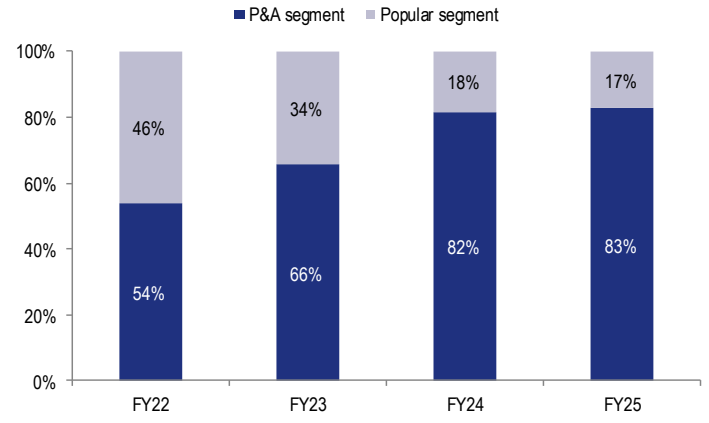
**Exhibit 28. Snapshot of Popular brands divested/franchised to Inbrew Beverages**

| Particulars | Divested | Franchised |
|---|---|---|
| Volume (mn cases) | 26-27 | 8-9 |
| Sales (INR bn) | 7.7 | 5.3 |
| EBITDA (INR bn) | 1.2 | 0.8 |
| EBITDA Margin (%) | 15.3% | 14.5% |

Source: Company, JM Financial

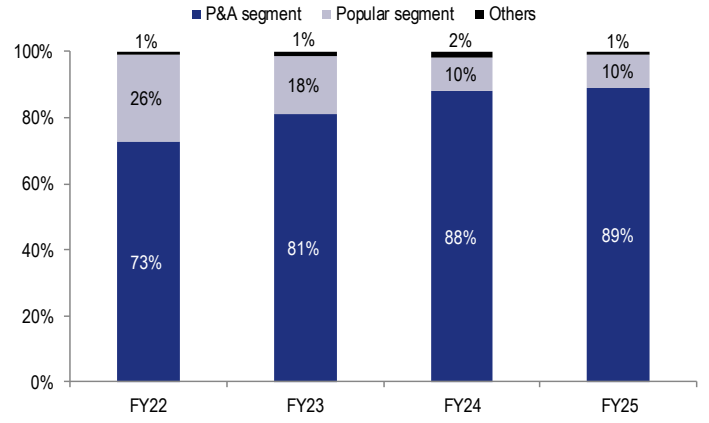
- **Premiumisation – Story so far:** As of FY25, United Spirits' P&A segment accounts for c.83%/89% its overall volume and sales. Within the P&A segment, its portfolio straddles from Lower/entry level P&A segment to luxury portfolio (comprising of Bottled in India and Bottled in Origin brands). Over the last decade, United Spirits has been focusing on premiumisation at various levels and undertook several initiatives to reshape the portfolio (especially in last 3-4 years) based on consumer trends. If we divide this period into two parts a) period prior to divestment of Popular portfolio (FY15-22) – P&A salience to overall volumes increased from 33% in FY15 to 54% in FY22 and b) post divestment (FY23-25) – it has increased from 65.7% in FY23 to 82.7% in FY25.

**Exhibit 29. P&A segment accounts of c.83% of UNSP's volume…**




Source: Company, JM Financial

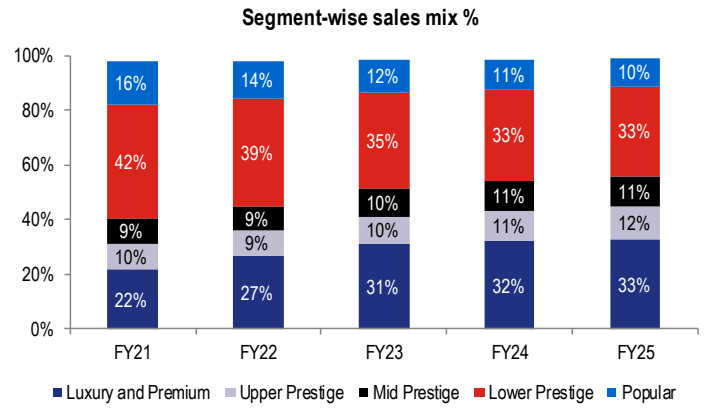
**Exhibit 30. …and c.89% of its revenue as of FY25**




Source: Company, JM Financial

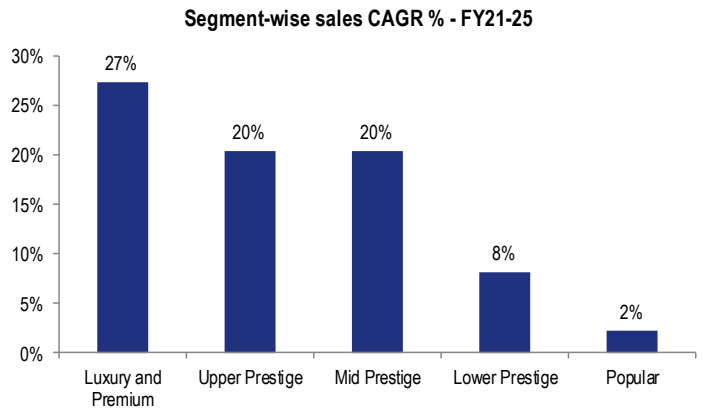
- **Driving premiumisation within sub-segments of P&A:** Over the last 5 years (FY21-25), within its P&A sub-segments, the Luxury and Premium portfolio has been the fastest growing (CAGR of 27%) followed by Upper prestige/Mid Prestige (which grew at a CAGR of 20% each) while the Lower Prestige segment has grown at a much slower pace of 8%. As a result, the mix within the P&A segment is now skewed to Luxury & Premium segment (value salience up c.1,000bps to 33% over FY21-25).

Exhibit 31. Premiumisation drives structural shift in product mix




Source: Company, JM Financial

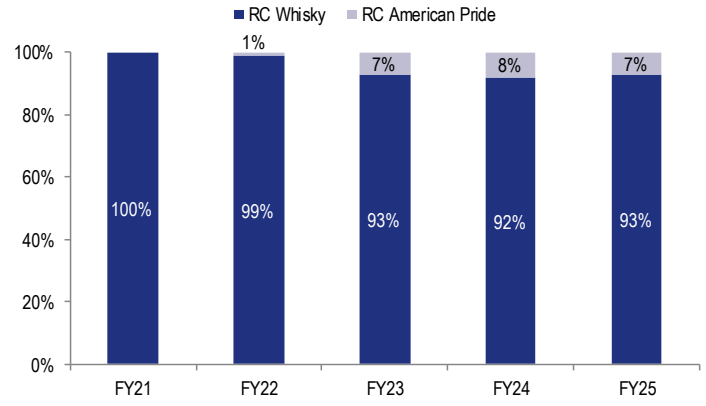
Exhibit 32. Luxury & Premium is the fastest-growing sub-segment




Source: Company, JM Financial

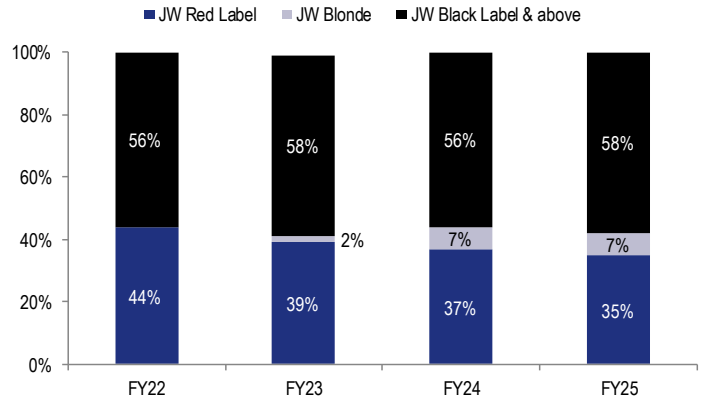
- **Premiumising within trademarks:** United Spirits is leveraging its large umbrella brands/trademarks to launch premium extensions – for e.g.: RC American Pride, Black Dog Gold Reserve, JW Blonde, and JW Red label, which have been launched at a premium to the base SKU. It also launched McDowell's X series (rum, vodka and gin) in the Mid-to-Upper prestige price point and McDowell's single malt whisky to further drive this trend. The strategy is to retain consumers when they premiumise by capitalising on the strong brand recall of its marquee brands.

Exhibit 33. Within trademarks, premiumisation is seen in RC…



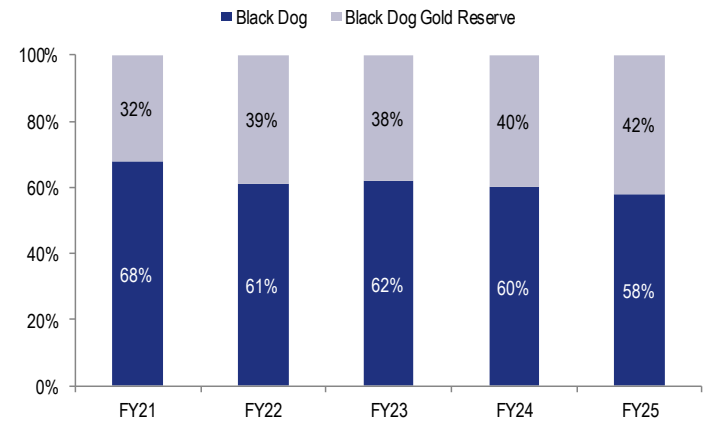

Source: Company, JM Financial

Exhibit 34. …and Johnnie walker through premium product extension




Source: Company, JM Financial

Exhibit 35. Mix improvement in another trademark brand via premium launches




Source: Company, JM Financial

Exhibit 36. Launch of McDowell's X series - anchor trademark expanding into new horizons




Source: Company, JM Financial

- **Introducing new categories:** The fourth lever is driving premiumisation by introducing/creating new categories: For e.g.: premiumising in the fast-growing white spirits segment through the launch of Don Julio (Tequila), and Tanqueray (capitalising on gin's growing Popularity).

Exhibit 37. Introduction of newer categories – deeper move into the premium segment

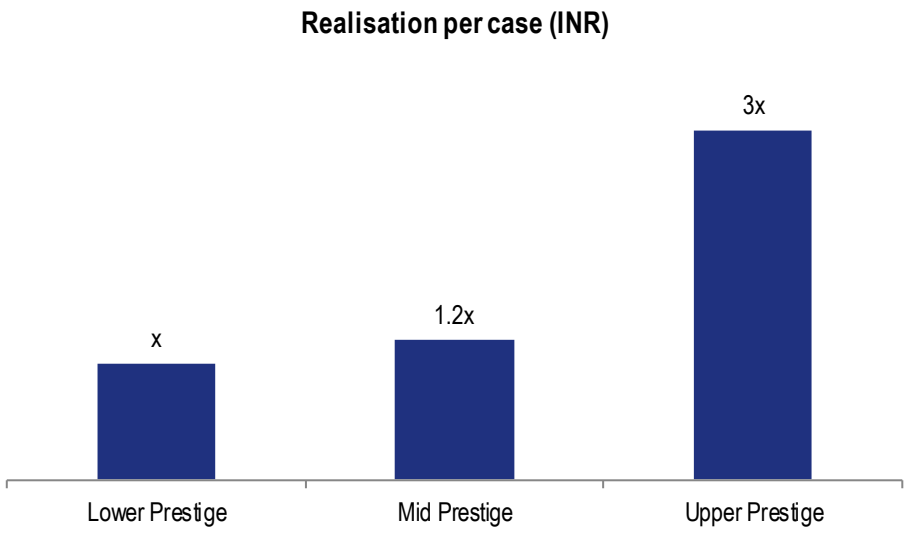



Source: Company, JM Financial

## Analysing key sub-segments of P&A: Leadership in luxury segment & lower prestige; gaining traction in Mid & Upper prestige segment

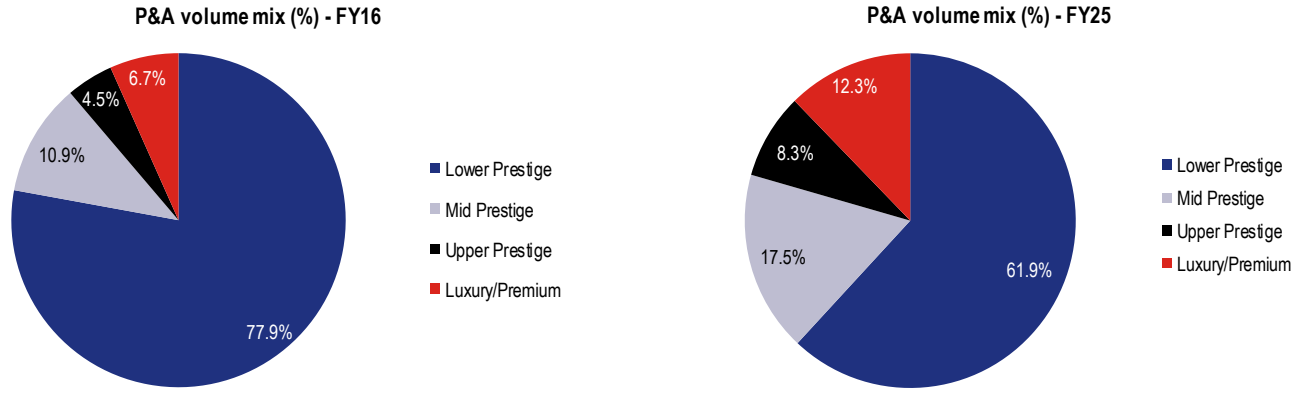
- **As per our industry checks and analysis of the P&A segment, United Spirits enjoys a dominant position at the entry level (Lower prestige) and top end (Luxury and premium)** of the P&A segment while Pernod Ricard enjoys leadership position in Mid and Upper prestige. A large part of the profit pool in the P&A segment sits in the Mid-Upper prestige segment. Realisation per case in Mid-prestige can be around c.1.2x of Lower prestige while for Upper prestige it can be around c.3x. As per our estimate, Lower prestige is largest segment for UNSP accounting for c.60%+ of its P&A volumes followed by Mid prestige, Luxury and Premium and Upper prestige segment with salience in high teens, high single digit and mid-single digit respectively.

Exhibit 38. Mid-Upper prestige segment account for major profit pool in P&A considering large size and higher realisation




Source: Industry, JM Financial estimate

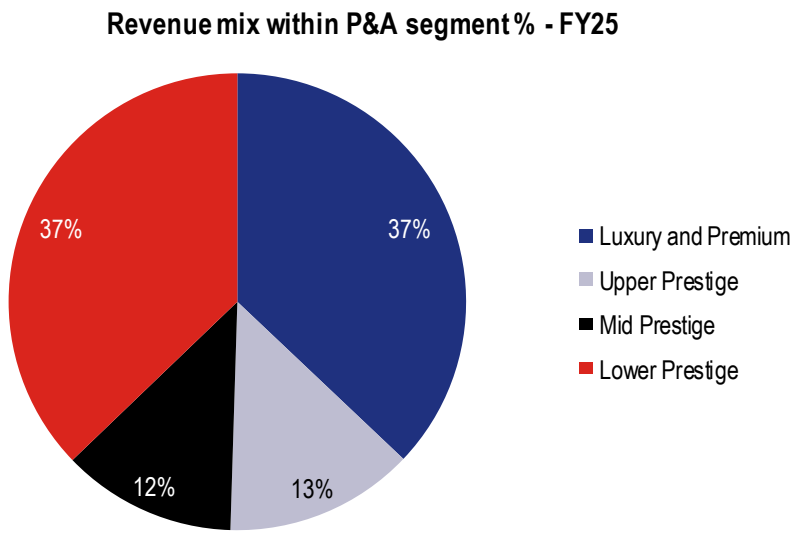
Exhibit 39. United Spirits is gaining traction in Mid and Upper prestige segments




Source: JM Financial estimate

- **United Spirits enjoys leadership position in Luxury and Premium as well as Lower prestige segment:** If we look at United Spirits portfolio construct in the P&A segment, it has a higher skew towards top end (Luxury and Premium) and bottom end (Lower prestige) with both accounting for c.37% of P&A sales (33% of its overall net revenue). The Mid/Upper prestige segment salience is lower at c.12%/13% of its overall net revenue.

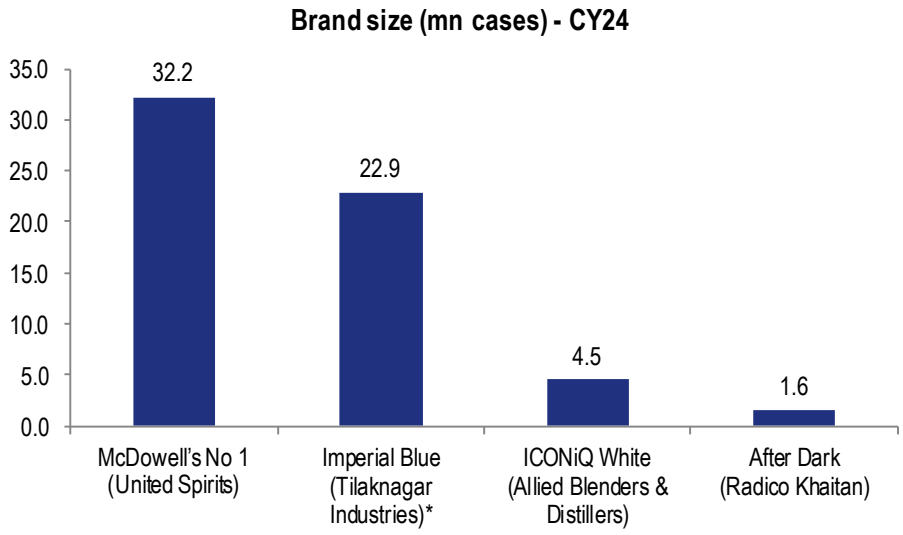
Exhibit 40. Revenue mix within P&A segment for FY25




Source: Company, JM Financial

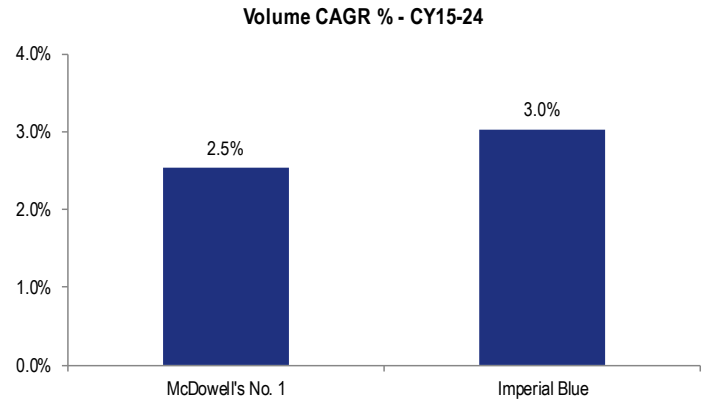
- **Largest player in lower prestige segment led by Mcdowell's No 1:** United Spirits enjoys leadership position in this segment through McDowell's No 1, which is the largest brand with a volume of c.32mn+ cases, followed by Imperial blue (volume of c.23mn cases; the brand was recently sold by Pernod Ricard to Tilaknagar Industries). As per our estimates, the industry size is c.70mn-80mn cases. In the last decade, the top two brands McDowell's No 1 and Imperial blue volume have grown at a CAGR of c.3%. In last 4 years, McDowell's No 1 has grown at a CAGR of 6%, much faster vs. 2% CAGR for Imperial blue. In our view, inflation over the past few years has also curtailed uptrading from the regular to lower prestige segment. This apart, regulatory headwind in Karnataka and Maharashtra also impacted growth in recent years. United Spirits' lower prestige segment grew in high single digits in FY25, largely aided by opening up of the Andhra Pradesh market. In our view, while McDowell's is still the largest brand the company was not able to benefit from the slowdown in Imperial Blue. Moreover, we have seen successful launches from competition – Allied Blenders' Iconiq white launched in CY22 and has gone on to become fastest-growing brand by reaching sales of 5mn cases in FY25. Radico Khaitan's After Dark reached 2mn cases (doubled in the last 1 year).

Exhibit 41. United Spirits rules the lower prestige segment with McDowell's No. 1



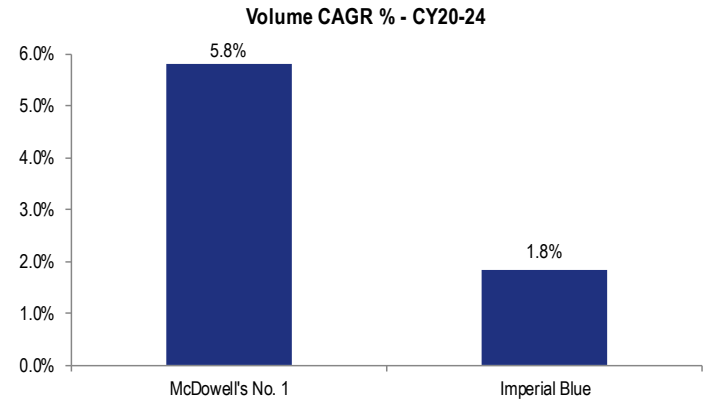

Source: Industry reports, JM Financial.
*Imperial Blue brand was recently acquired by Tilaknagar Industries from Pernod Ricard.

Exhibit 42. McDowell's, which was underperforming earlier…



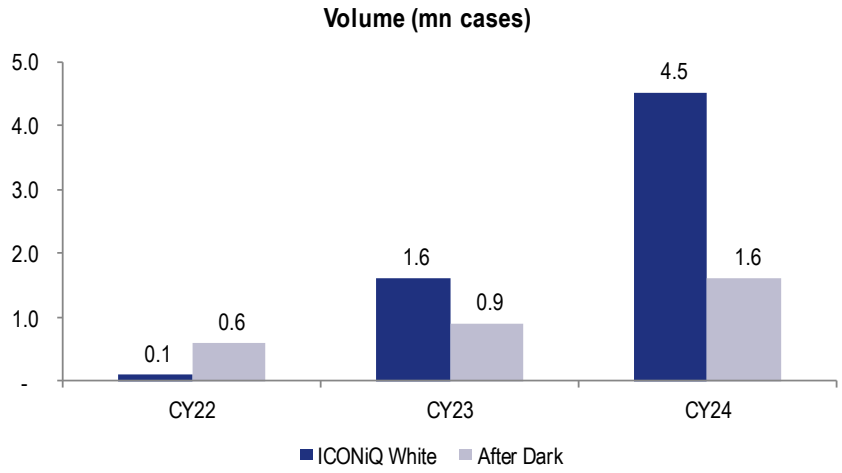

Source: Industry reports, JM Financial

Exhibit 43. ...has gained traction over last 4-5 years vs. Imperial blue




Source: Industry reports, JM Financial

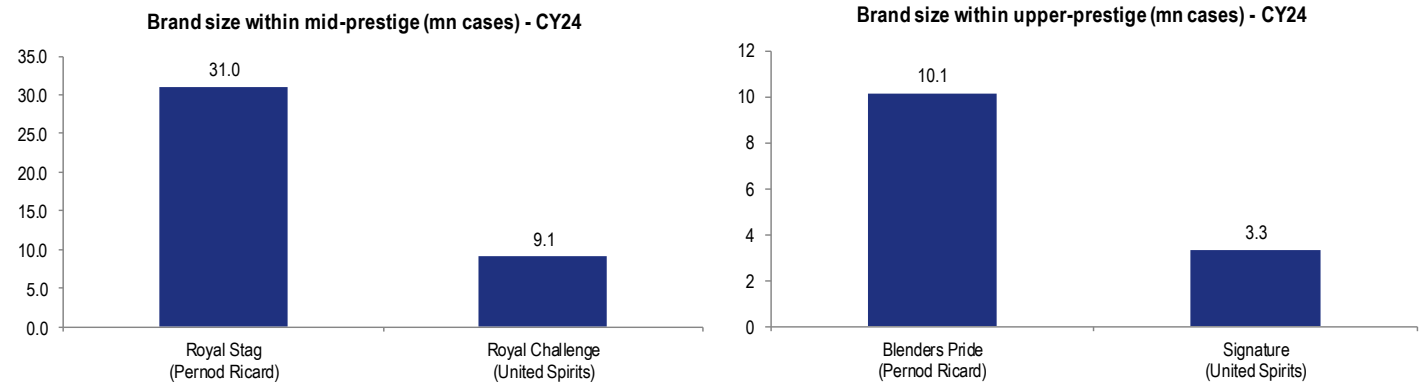
Exhibit 44. Peers too have capitalised on Imperial Blue's slowdown with new launches




Source: Industry reports, JM Financial

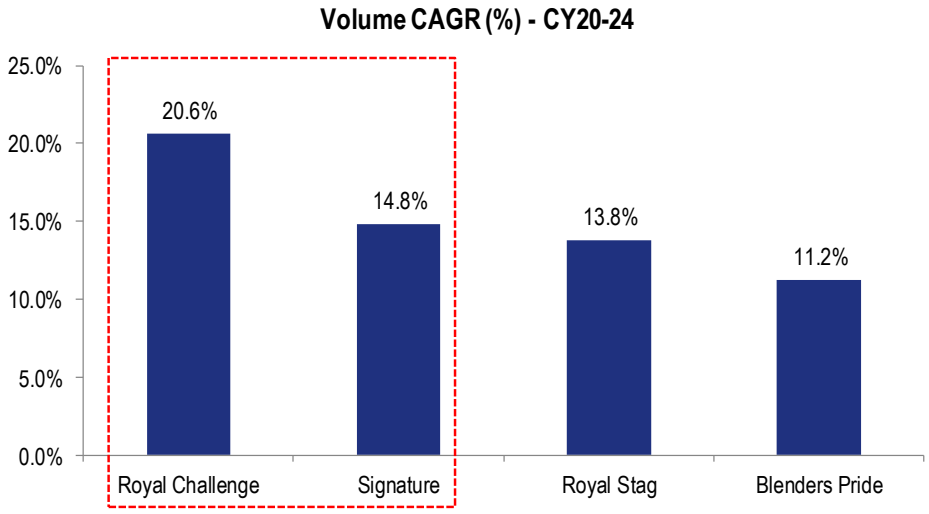
- **Strengthening presence in Mid and Upper Prestige through portfolio interventions; promising results so far:** In the Mid-prestige segment, United Spirits is under-indexed and Pernod Ricard had leadership position with its flagship Royal Stag brand. In the last 5 years, United Spirits has seen strong traction with volume of its key brand Royal Challenge doubling (volume CAGR of 21% over CY20-24 vs. 14% for Royal Stag), indicative of clear market share gains in the segment. Similarly, in the Upper-prestige segment, United Spirits' Signature has outperformed, growing at a CAGR of 9%/15% over CY15-24/CY20-24 vs. 7%/11% for Pernod Ricard's Blender's Pride. This apart, innovations like Royal Challenge American Pride and Antiquity blue have also helped strengthen its position in the Upper prestige segment. In terms of value growth, United Spirits' Mid-prestige and Upper prestige sales have grown at a healthy CAGR of 20% each over FY21-25 and now account for 11%/12% of its overall sales.

Exhibit 45. Pernod Ricard enjoys leadership position in Mid and Upper prestige segments




Source: Industry reports, JM Financial

Exhibit 46. UNSP has been gaining strength over the market leader in last 4-5 years

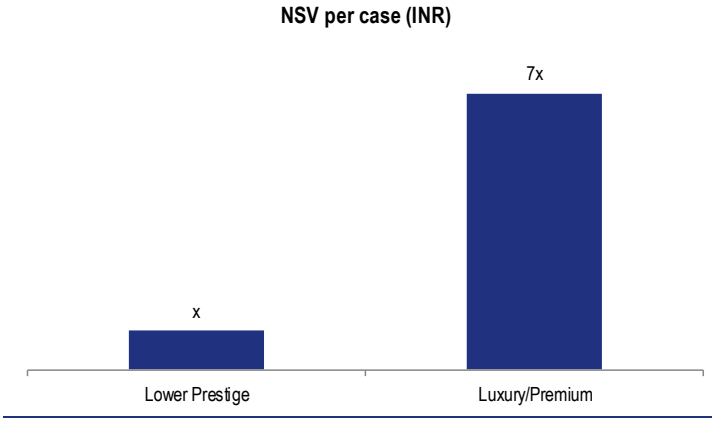



Source: Company, JM Financial, Note: Red box highlights brands owned by United Spirits

- **Accelerating growth in Luxury + Premium segment by capitalising on Diageo's global portfolio:** Of the overall c.400mn cases Indian spirits market, whisky is the largest segment, accounting for c.250mn cases (c.65-66% of the overall spirits market). The Scotch whisky market in India is close to c.9mn-10mn cases while single malts (Scotch whisky produced in single distillery and made from 100% malted barley) within that will be less than 1mn cases.
  - **United Spirits has a strong play in the Scotch whisky/single malt segment through its BIO/BII portfolio.** It has a distribution arrangement for Diageo brands – for the BII portfolio (Black Dog, Black & White, VAT 69, Smirnoff, Godawan), Diageo supplies the bulk Scotch and the bottling operation is done by United Spirits in India; the BIO portfolio (Johnnie walker, Talisker, Singleton Ciroc) comprises finished goods distributed by United Spirits. Over the last 4-5 years, United Spirits has taken several initiatives across Johnnie Walker (renovations, launch of JW blonde), Black & White (launch in hipster format), Black Dog and Singleton to further fortify its leadership position in this segment. Activations, new campaigns, consumer engagement activities have been stepped up across brands in the last few years. The segment has seen healthy sales CAGR of 20% for United Spirits and accounts for c.33% of its overall sales.
  - **On the BIO/BII portfolio (baring Black Dog, Godawan where UNSP owns the IP and Smirnoff which is on royalty model) as per the distribution arrangement, UNSP earns a 10% EBIDTA margin.** As UNSP doesn't invest much capital on them, the post-tax ROIC

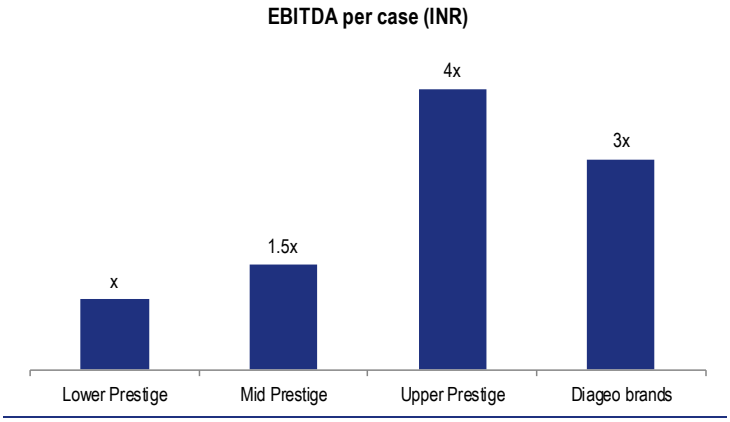
is quite high at c.30%+ with asset turns being 3.5-4x. Our analysis/industry checks suggest EBITDA/case for Diageo brands can be c.3x of the Lower Prestige portfolio.

Exhibit 47. Luxury/premium segment delivers ~7x NSV per case vs. lower prestige



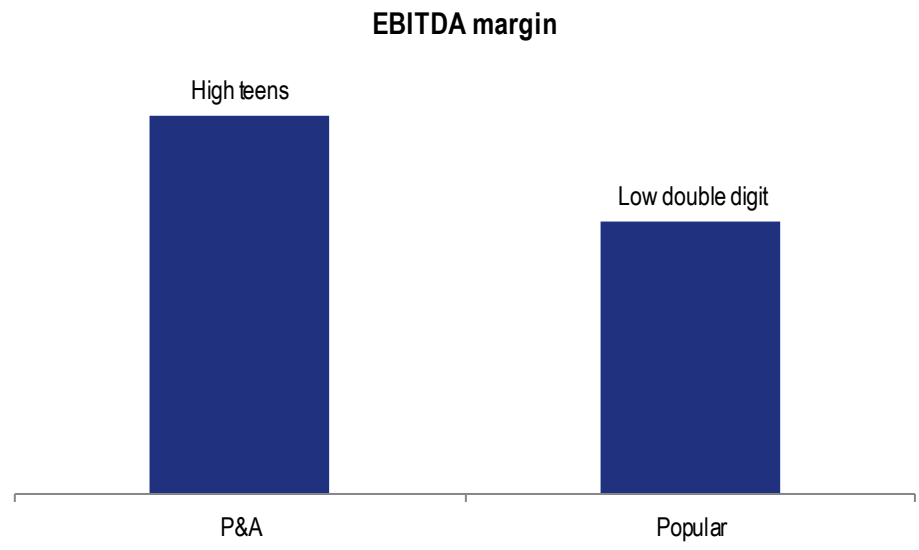

Source: JM Financial estimates

Exhibit 48. Profitability scales with prestige – Upper prestige yields 4x EBITDA per case vs. lower prestige




Source: JM Financial estimates

Exhibit 49. Premium drives profitability as P&A margins outperform Popular

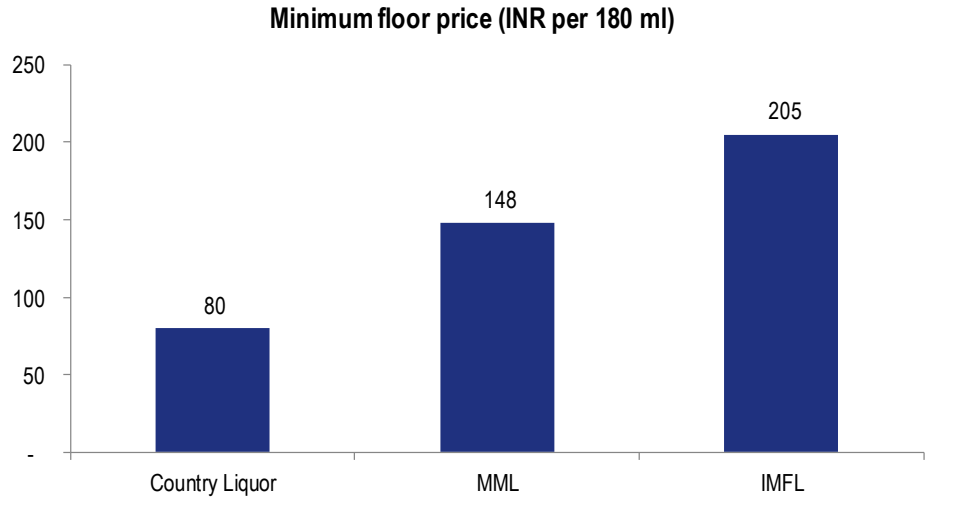



Source: JM Financial estimates

## State mix: Maharashtra duty hike a near-term headwind, favourable policies in Karnataka/UP/AP to provide some cushion

- **Significant upward revision in excise duty by Maharashtra:** With the aim of generating additional excise revenue, the Maharashtra government in 1QFY26 announced a significant hike in the excise duty on spirits. The key highlights/changes under the revised duty structure were: a) cut-off slab for manufacturing cost increased to INR 260 per bulk litre vs. INR 210 earlier, b) increase in excise duty to 450% of the manufacturing cost from 300% earlier for Popular, lower-prestige and Mid-prestige segment, c) Introduction of new category with lower taxation called MML (Maharashtra-made liquor) and d) Minimum/floor price for IMFL increased to INR 205 for 180ml (vs. INR 120-150 earlier).
- **Introduction of new category – MML needs to be watched:** It will be an exclusive Maharashtra product, with its manufacturing restricted to the state, requiring the producer's head office and a significant portion of the ownership to be in Maharashtra. The product will have strength of 42.8% ABV and will feature traditional flavours, priced at a minimum of INR 148 for 180ml bottle. As per the draft guidelines, UNSP is not permitted to participate in this category. While state specific liquor has not seen material success in other states (for e.g.: Rajasthan), the management remains cautious about the rollout, as the proposed measures could dilute the value proposition for the IMFL segment.
- **Implication for the industry:** On account of the excise hike, consumer level MRP has increased by c.30-45% for Popular, Lower and Mid-prestige segments. As per our understanding/industry checks, the IMFL industry is expected to see a decline from 2Q onwards. Further, with minimum floor price for IMFL increasing to INR 205, the gap vs. country liquor (where the minimum price is INR 80) has increased, which provides enough headroom for MML (minimum price at INR 148/180ml) to establish its presence. On a segmental basis, the price gap between Popular and lower prestige portfolio has narrowed, which provides some potential for upgradation while there was no material narrowing of gap between lower and Middle prestige portfolio.

Exhibit 50. Maharashtra's minimum floor price across product categories

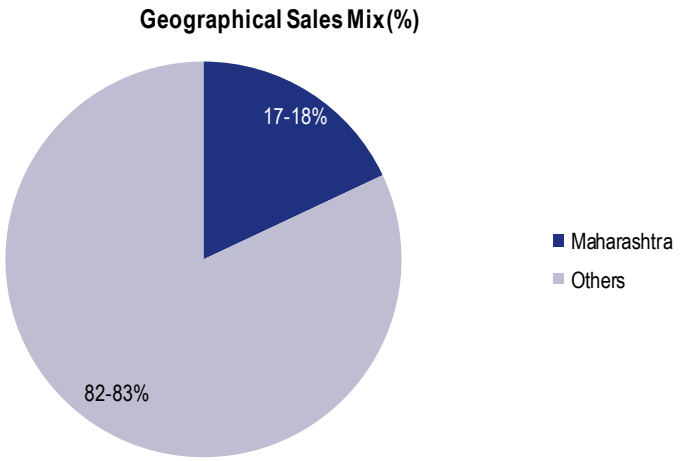



Source: Media reports, JM Financial

- **Impact for UNSP:** Maharashtra is a large market for United Spirits, accounting for Mid to high teens in terms of overall sales and a slightly higher contribution to EBITDA. In terms of IMFL industry mix, it is a low and Mid-prestige market. Our channel checks/commentaries from key players suggest industry is likely to see a c.15-20% decline. We believe impact is likely to be higher in Popular, lower and Mid prestige segments, which could negatively impact UNSP's FY26 sales growth. Factoring in the Maharashtra impact (assuming 20% decline in Maharashtra volumes) for the balance 9M, we expect P&A volume growth of 5.5% (vs. 9% seen in 1Q) and low single digit volume growth in the Popular segment (vs 12% seen in 1Q) for FY26E. Realisation/case in P&A segment could see moderation due to lower growth in luxury segment seen in 1QFY26

and UNSP's decision to absorb some of the impact by not fully passing on the hike in Mid and Upper prestige.

Exhibit 51. Saliency of Maharashtra to United Spirits' overall sales




Source: Company, JM Financial

- **Karnataka: Favourable policy especially for P&A segment:** Apart from Maharashtra, another key market for United Spirits is Karnataka. While Maharashtra has implemented a steep hike in excise duty for IMFL in 2025, Karnataka has seen a favourable policy for IMFL players with a) reduction in additional excise duty for P&A segment slabs announced in Sep'24 and b) increase in additional excise duty for lower end IMFL segments announced in 2025, which should aid premiumisation. Further, there has been increase in excise duty for the beer segment in Karnataka.

Exhibit 52. Government intervention in Karnataka favours premium brands with duty reduction vs. entry-level brands

| Declared Price Range | Additional ED per BL (w.e.f 20.07.23) |
|---|---|
| 000.00 - 449.00 | 215.0 |
| 450.00 - 499.00 | 294.0 |
| 500.00 - 549.00 | 386.0 |
| 550.00 - 599.00 | 497.0 |
| 600.00 - 699.00 | 668.0 |
| 700.00 - 799.00 | 816.0 |
| 800.00 - 899.00 | 870.0 |
| 900.00 - 999.00 | 938.0 |
| 1000.00 - 1099.00 | 982.0 |
| 1100.00 - 1199.00 | 1,102.0 |
| 1200.00 - 1299.00 | 1,325.0 |
| 1300.00 - 1399.00 | 1,541.0 |
| 1400.00 - 1799.00 | 1,667.0 |
| 1800.00 - 2199.00 | 1,860.0 |
| 2200.00 - 4924.00 | 2,124.0 |
| 4925.00 - 7650.00 | 2,483.0 |
| 7651.00 - 15000.00 | 3,571.0 |
| 15001.00 - Above | 5,358.0 |

| Declared Price Range | Additional ED per BL (w.e.f 27.08.24) |
|---|---|
| 000.00 - 450.00 | 215.0 |
| 451.00 - 500.00 | 294.0 |
| 501.00 - 550.00 | 386.0 |
| 551.00 - 650.00 | 523.0 |
| 651.00 - 750.00 | 620.0 |
| 751.00 - 900.00 | 770.0 |
| 901.00 - 1050.00 | 870.0 |
| 1051.00 - 1300.00 | 970.0 |
| 1301.00 - 1800.00 | 1,200.0 |
| 1801.00 - 2500.00 | 1,400.0 |
| 2501.00 - 5000.00 | 1,600.0 |
| 5001.00 - 8000.00 | 2,000.0 |
| 8001.00 - 12500.00 | 2,400.0 |
| 12501.00 - 15000.00 | 2,600.0 |
| 15001.00 - 20000.00 | 2,800.0 |
| 20001.00 - Above | 3,000.0 |

| Declared Price Range | Additional ED per BL (w.e.f 15.05.25) |
|---|---|
| 000.00 - 470.00 | 297.0 |
| 471.00 - 520.00 | 367.0 |
| 521.00 - 570.00 | 461.0 |
| 571.00 - 650.00 | 553.0 |
| 651.00 - 750.00 | 620.0 |
| 751.00 - 900.00 | 770.0 |
| 901.00 - 1050.00 | 870.0 |
| 1051.00 - 1300.00 | 970.0 |
| 1301.00 - 1800.00 | 1,200.0 |
| 1801.00 - 2500.00 | 1,400.0 |
| 2501.00 - 5000.00 | 1,600.0 |
| 5001.00 - 8000.00 | 2,000.0 |
| 8001.00 - 12500.00 | 2,400.0 |
| 12501.00 - 15000.00 | 2,600.0 |
| 15001.00 - 20000.00 | 2,800.0 |
| 20001.00 - Above | 3,000.0 |

Source: Company, JM Financial
Note: ED stands for excise duty and BL stands for bulk litre

- **Uttar Pradesh - Favourable policy to result in sharp increase in distribution network:** Apart from Maharashtra and Karnataka, Uttar Pradesh, due to its favourable excise policy, has emerged as a high-growth market for alcoholic beverage players. Recently, Uttar Pradesh introduced a reform with respect to liquor retail shops in its FY26 excise policy. Outlets that earlier sold only beer or foreign liquor will now be composite and are allowed to sell both in view of the policy change. This has almost doubled the reach for spirits, with a significant increase in the number of outlets.

## Execution on profitability – right-sizing and cost-saving initiatives have resulted in healthy margin improvement over FY15-25

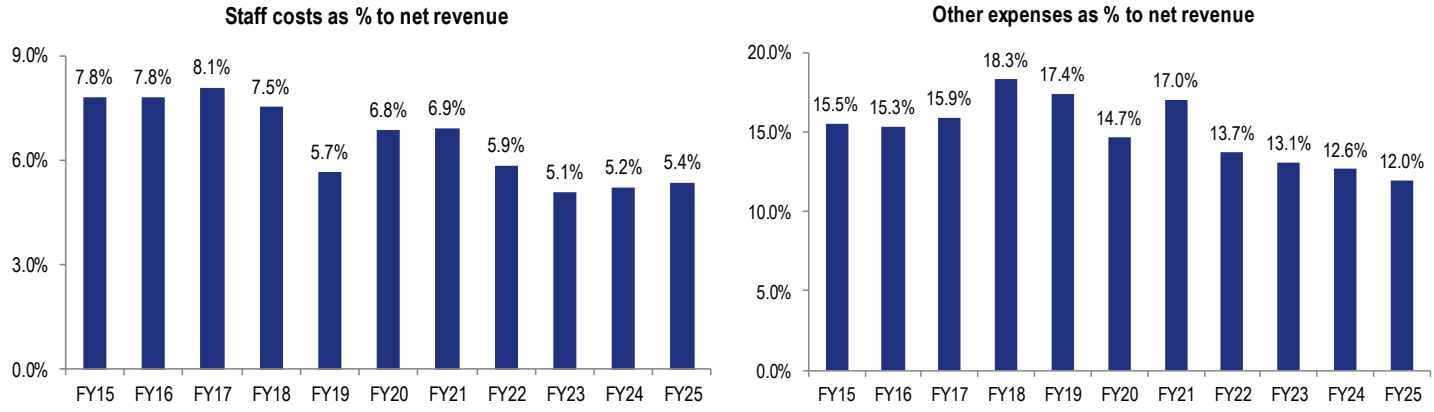
- **Focus on extracting cost efficiencies and strengthening balance sheet:** Apart from scaling up its P&A portfolio, another key focus area for United Spirits (post acquisition of controlling stake by Diageo) was improving profitability by driving cost efficiencies and strengthening the balance sheet (reduction in debt). Over the years, United Spirits has significantly rightsized its manufacturing footprint and launched several productivity initiatives to mitigate input cost inflation and drive overall profitability. In 2022-23, the company launched a supply chain agility programme (with the target of generating savings of 100-150bps over the next 3 years) that focused on conversion cost optimisation, better capacity utilisation, co-location with ENA distillation (100% benefit realised), footprint optimisation (c.70%+ benefit realised), ESG benefits and improving RoCE. As of end of FY25, UNSP was able to extract savings of INR 7bn on P&L and INR 1.5bn-2bn in working capital efficiencies. For FY25, savings stood at INR 4bn (vs. INR 5bn in FY24, which included INR 1.5bn benefit from non-recurring monocarton elimination).

Exhibit 53. Snapshot of United Spirits' strong manufacturing network

| Manufacturing footprint | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Owned | NA | NA | NA | NA | 19 | 15 | 15 | 15 | 12 | 11 | 11 |
| Third-Party | NA | NA | NA | NA | 31 | 30 | 32 | 32 | 25 | 25 | 25 |
| **Total** | **88** | **74** | **60** | **58** | **50** | **45** | **47** | **47** | **37** | **36** | **36** |

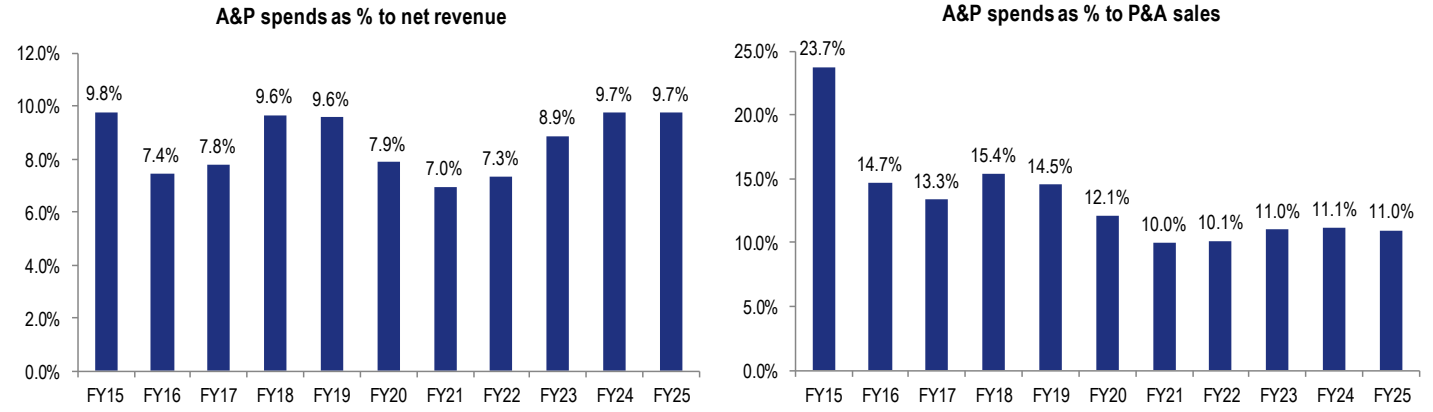
Source: Company, JM Financial

Exhibit 54. UNSP's execution to extract cost efficiencies from staff costs and other overheads ex A&P spends is impressive



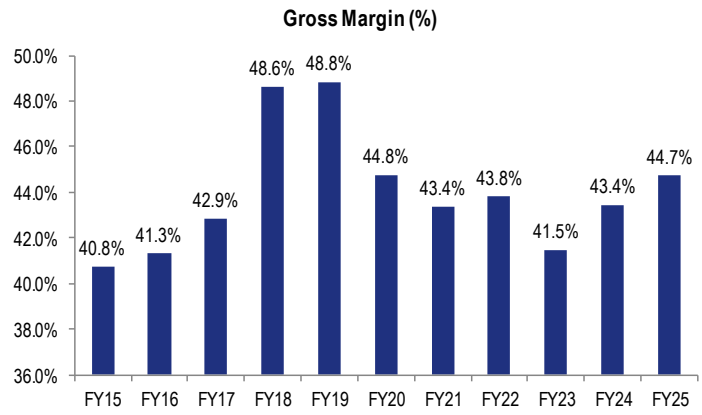

Source: Company, JM Financial.
Note:
1.Other expenses excludes A&P spends.
2.Net revenue is net-off excise duty but including other operating income.

Exhibit 55. UNSP has tightly controlled its brand investment not only as % to net revenue but also as % to P&A sales



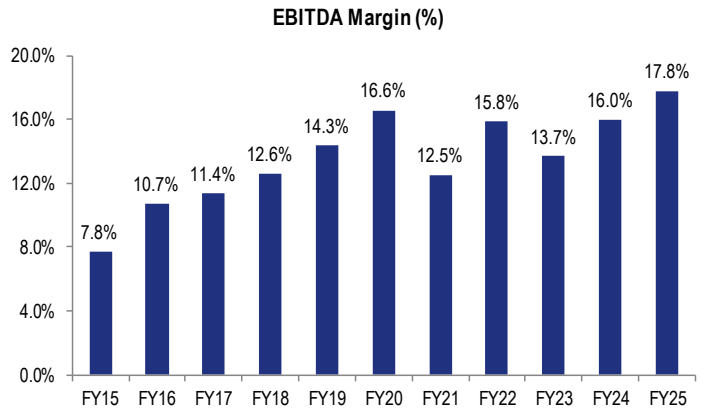

Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income.

## Exhibit 56. Gross margin is maintained at steady state levels



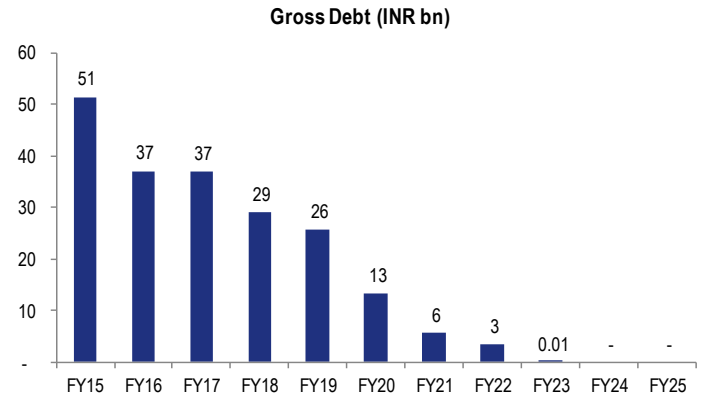

Source: Company, JM Financial. Note: Gross margin is calculated on net revenue.

## Exhibit 57. EBITDA margin saw sharp uptick led by cost efficiencies



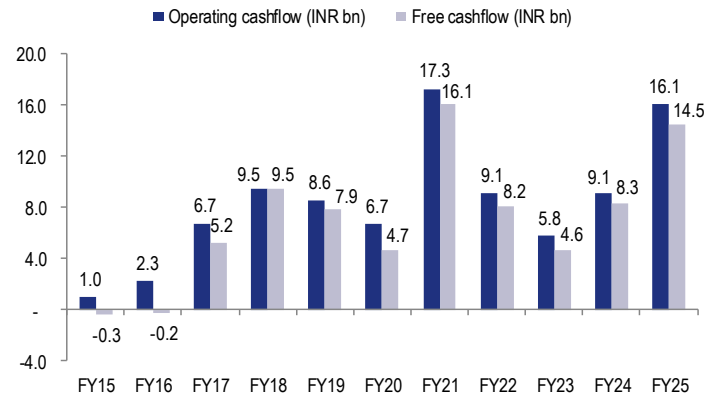

Source: Company, JM Financial

## Exhibit 58. Steady reduction in debt over last decade




Source: Company, JM Financial

## Exhibit 59. Robust improvement in cash flow generation

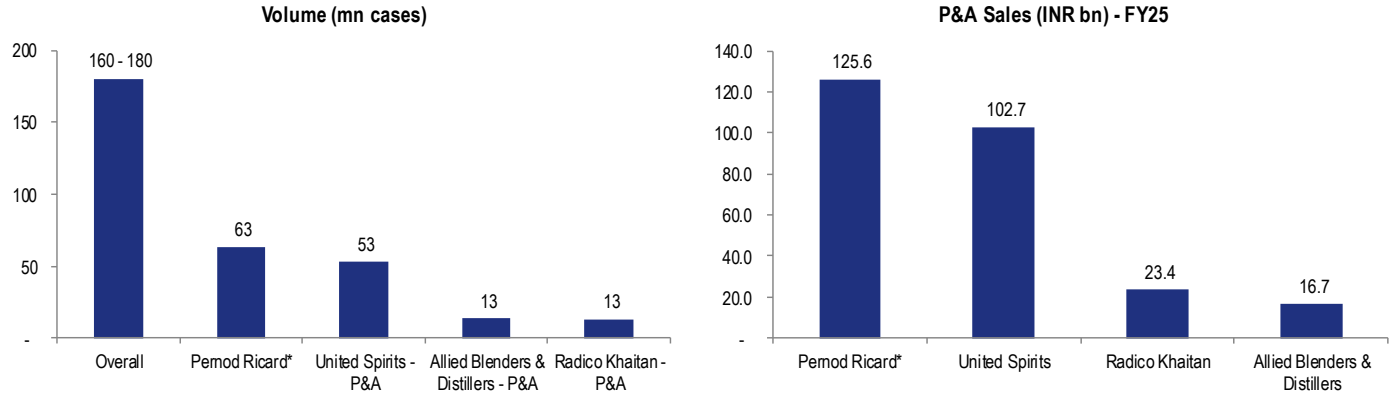



Source: Company, JM Financial

## Analysis of competitive landscape: UNSP has outperformed Pernod Ricard with share gains in Mid/Upper prestige

- **Post sale of Imperial blue by Pernod Ricard, United Spirits now becomes market leader in overall IMFL and P&A segment:** United Spirits and Pernod Ricard are the top two players in the IMFL segment. While United Spirits is the largest player in terms of volume, Pernod Ricard is largest in terms of value in the domestic IMFL segment. If we look at the P&A segment, as per our estimates, as of FY25, Pernod Ricard is the market leader both in volume and value followed by United Spirits. As per our checks and industry reports, the size of the IMFL industry in India is 400mn cases and the P&A segment accounts for c.40-45% of the volume share, which translates to c.160mn-180mn cases. As of FY25, basis our estimate, Pernod Ricard's market share stands at c.35-40%, followed by United Spirits at c.30-33%; Radico Khaitan's share would be in high single digits. However, post the recent sale of Imperial Blue (which had a volume of c.22mn-23mn cases) to Tilaknagar; United Spirits will become the largest player.

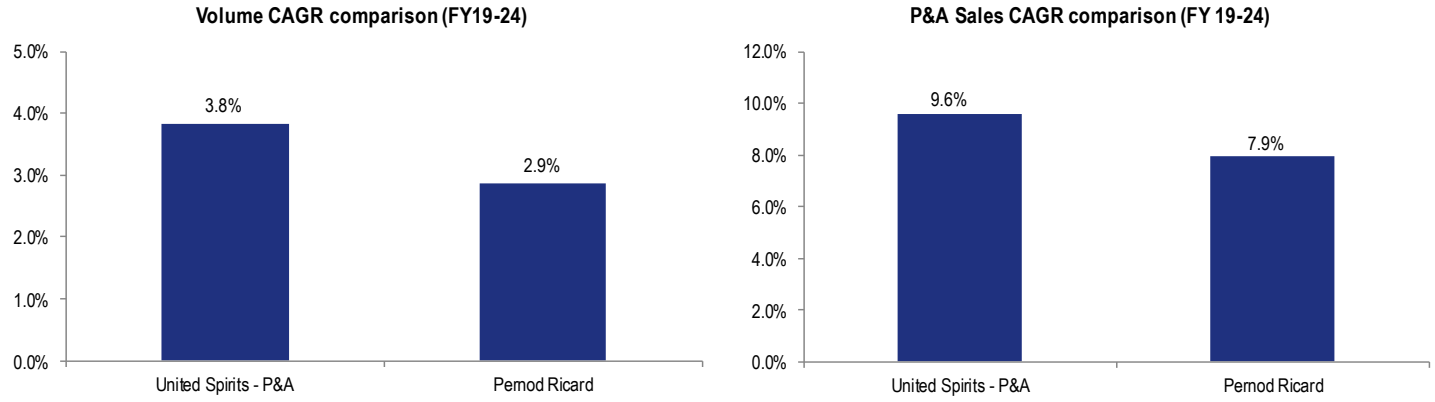
**Exhibit 60. Presently, Pernod Ricard is the largest player in the P&A segment in both volume and value**




Source: Company, JM Financial. *Data for Pernod Ricard pertains to FY24.

- **Over FY16-24, UNSP's P&A portfolio has marginally outperformed Pernod Ricard both in volume and value terms. However, the outperformance is higher in the last 5 years (FY19-24) – a function of portfolio interventions done by United Spirits across sub-segments in P&A.**

**Exhibit 61. United Spirits has outperformed Pernod Ricard in volume as well as value terms over the past 5 years (FY19-24)**

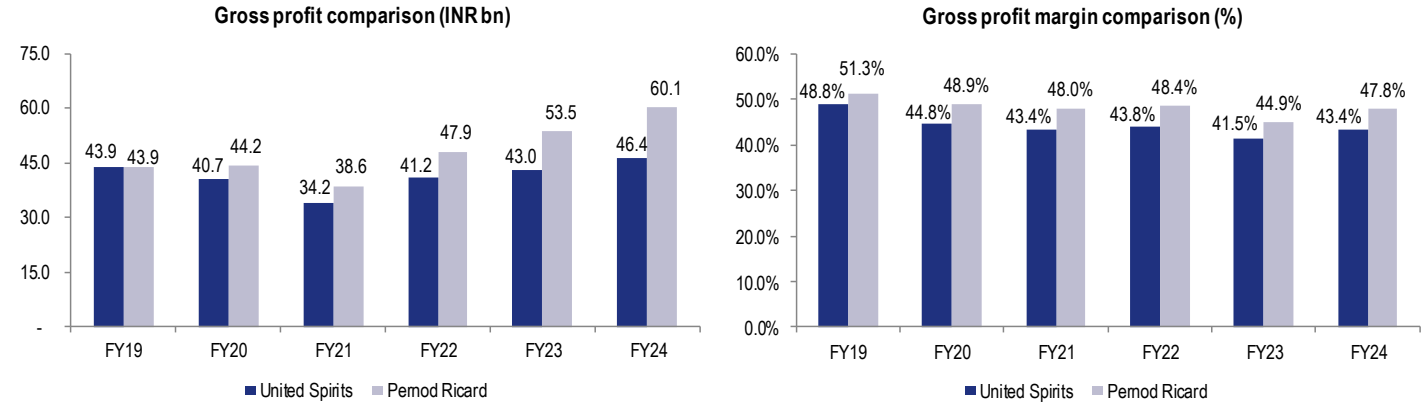



Source: Company, JM Financial

- **Pernod Ricard enjoys better profitability on overall basis due to better product mix:** While United Spirits has a presence in Popular and P&A segments, Pernod Ricard has a presence in the P&A segment only. Also within P&A segment, Pernod Ricard has higher salience in Mid and Upper prestige where margins are higher while UNSP has higher salience in lower prestige. As a result, it has relatively better profitability (gross margin/EBITDA margin) both in terms of % to sales as well as on per case basis. Another key thing to

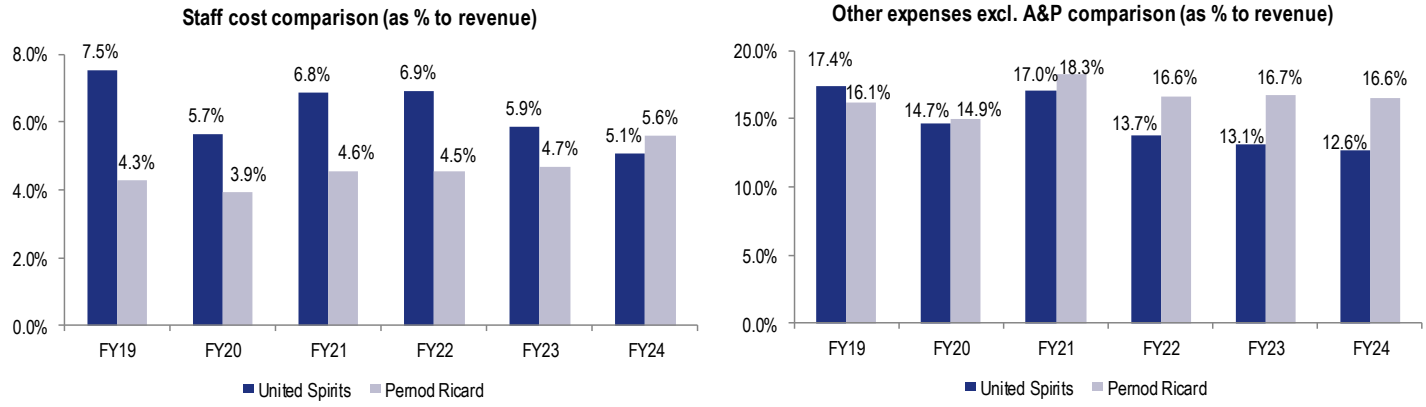
note is that United Spirits' overhead costs (staff cost + other expenses) as % to sales are lower vs. Pernod Ricard. The lower EBITDA margin is entirely a function of lower gross margin for United Spirits (due to weaker mix).

**Exhibit 62. Pernod Ricard delivers better gross profits and margins vs. UNSP due to favourable product mix**



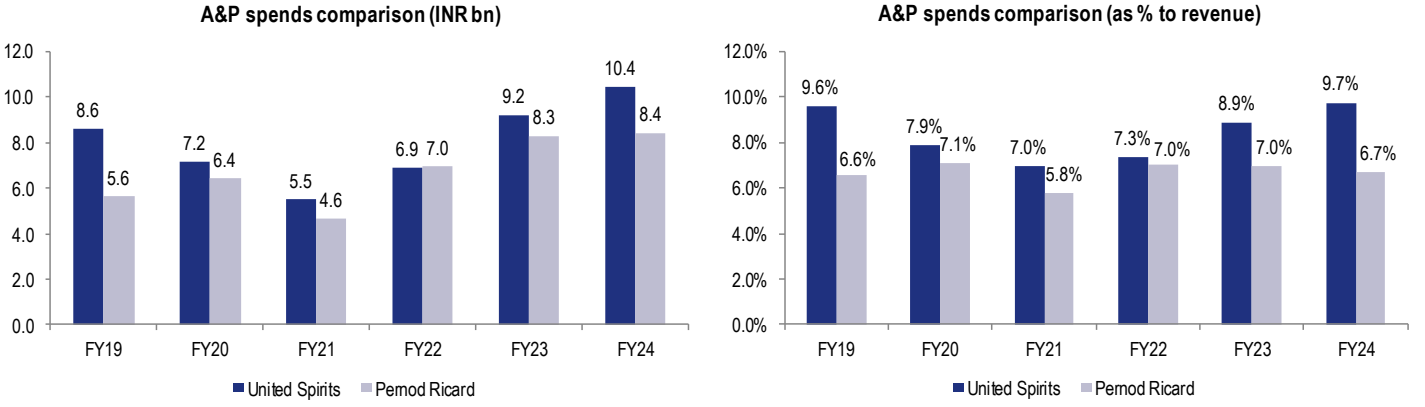

Source: Company, JM Financial

**Exhibit 63. On the cost front, UNSP has managed to extract efficiencies in its overhead costs (as % to sales) vs. Pernod Ricard**



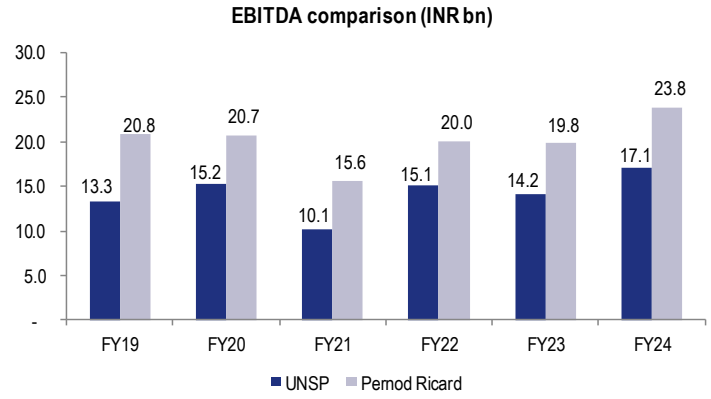

Source: Company, JM Financial. Note: Revenue is net-off excise duty but including other operating income.

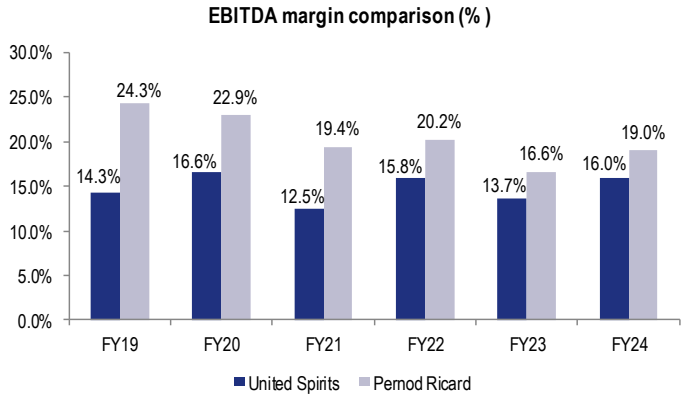
**Exhibit 64. However, higher A&P spends of UNSP drags relative cost competitiveness**




Source: Company, JM Financial. Note: Revenue is net-off excise duty but including other operating income.

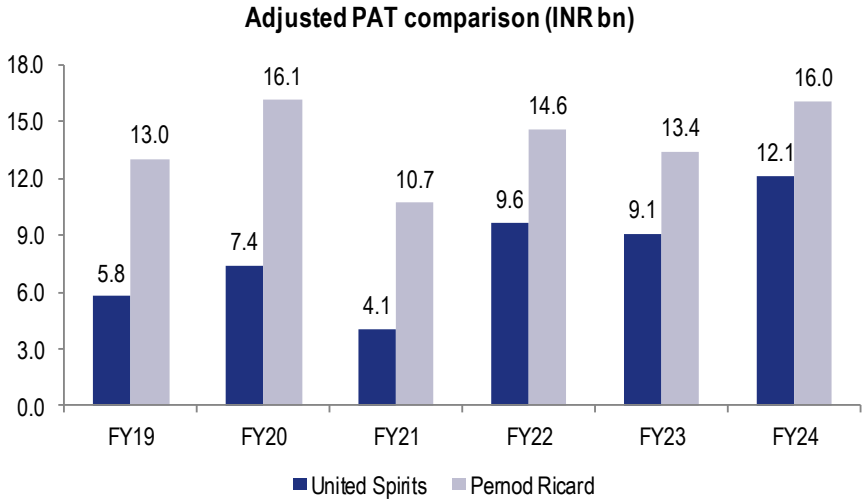
## Exhibit 65. UNSP's lower EBITDA margin is on account of lower gross margin and higher A&P spend vs. Pernod Ricard




Source: Company, JM Financial

## Exhibit 66. Pernod Ricard enjoys better profitability on overall basis




Source: Company, JM Financial

## Exhibit 67. On gross sales basis, UNSP has a leaner working capital cycle vs. Pernod Ricard

| Particulars (FY24) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|---|
| **United Spirits** | | | | | | |
| Inventory days | 24 | 23 | 27 | 26 | 30 | 30 |
| Debtor days | 32 | 29 | 29 | 27 | 32 | 45 |
| Creditor days | 17 | 15 | 19 | 18 | 23 | 26 |
| **Net working capital** | **39** | **38** | **37** | **35** | **38** | **48** |
| **Working capital as % to gross sales** | **10.7%** | **10.3%** | **10.2%** | **9.6%** | **10.4%** | **13.3%** |
| **Working capital as % to net revenue** | **34.1%** | **32.4%** | **35.0%** | **31.2%** | **27.7%** | **31.5%** |
| **Pernod Ricard** | | | | | | |
| Inventory days | 13 | 19 | 21 | 20 | 26 | 22 |
| Debtor days | 49 | 50 | 59 | 51 | 51 | 65 |
| Creditor days | 23 | 24 | 31 | 35 | 34 | 33 |
| **Net working capital** | **38** | **44** | **49** | **37** | **43** | **54** |
| **Working capital as % to gross sales** | **10.5%** | **12.1%** | **13.5%** | **10.1%** | **11.9%** | **14.7%** |
| **Working capital as % to net revenue** | **24.8%** | **28.8%** | **32.6%** | **23.2%** | **24.9%** | **31.3%** |

Source: Company, JM Financial.
Note: 1. Working capital days is calculated on gross sales basis. 2. Net revenue is net-off excise duty but including other operating income.

Exhibit 68. Pernod Ricard generates superior cash flows due to better profitability and lower capex intensity

| Cash flow generation (INR bn) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|---|
| **Operating cash flows** | | | | | | |
| United Spirits | 8.6 | 6.7 | 17.3 | 9.1 | 5.8 | 9.1 |
| Pernod Ricard | 13.9 | 13.3 | 16.7 | 15.4 | 8.9 | 12.0 |
| **Free cash flows** | | | | | | |
| United Spirits | 7.9 | 4.7 | 16.1 | 8.2 | 4.6 | 8.3 |
| Pernod Ricard | 12.3 | 12.1 | 15.3 | 13.4 | 6.7 | 9.8 |

Source: Company, JM Financial

## RCB – a key marketing tool

- Apart from core alcoholic beverage business, UNSP holds perpetual franchisee rights of Royal Challenger Bangalore (RCB) through its 100% subsidiary, Royal Challengers Sports Pvt.. Ltd (RCSPL). Franchisee rights for Men's IPL were bought in 2008 for INR 4.8bn, and for c.INR 9bn for Women's IPL in 2023. The subsidiary's revenue largely comes from central rights income, sponsorships and ticket sales. Central rights for IPL are auctioned every 5 years. Over FY23-28 the same were sold by BCCI for INR 484bn (3x the amount received in the previous cycle). While Men's IPL is profitable, Women's IPL team is currently making EBITDA losses of INR 700-800mn.

**Exhibit 69. Revenue break-up for RCSPL**

| Revenue (INR mn) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|---|---|---|---|---|---|---|
| Central rights income | 1,949 | 1,201 | 1,674 | 1,987 | 1,499 | 4,218 | 3,286 |
| Income from sponsorship | 733 | 513 | 558 | 828 | 831 | 1,237 | 1,258 |
| Income from ticket sales | 348 | 290 | - | - | 9 | 607 | 416 |
| Price money | - | - | 44 | 44 | 44 | 60 | 44 |
| Transfer fees | 22 | 22 | - | - | 20 | - | - |
| Royalty & licensing fee | 22 | 21 | 43 | 57 | 39 | 225 | 40 |
| **Total** | **3,074** | **2,046** | **2,319** | **2,916** | **2,442** | **6,347** | **5,044** |
| **Revenue mix (%)** | **FY19** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25** |
| Central rights income | 63.4% | 58.7% | 72.2% | 68.1% | 61.4% | 66.5% | 65.1% |
| Income from sponsorship | 23.9% | 25.1% | 24.1% | 28.4% | 34.0% | 19.5% | 24.9% |
| Income from ticket sales | 11.3% | 14.2% | 0.0% | 0.0% | 0.4% | 9.6% | 8.2% |
| Price money | 0.0% | 0.0% | 1.9% | 1.5% | 1.8% | 0.9% | 0.9% |
| Transfer fees | 0.7% | 1.1% | 0.0% | 0.0% | 0.8% | 0.0% | 0.0% |
| Royalty & licensing fee | 0.7% | 1.0% | 1.9% | 2.0% | 1.6% | 3.5% | 0.8% |
| **Total** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |

Source: Company, JM Financial

**Exhibit 70. Snapshot of RCSPL's profit and loss statement**

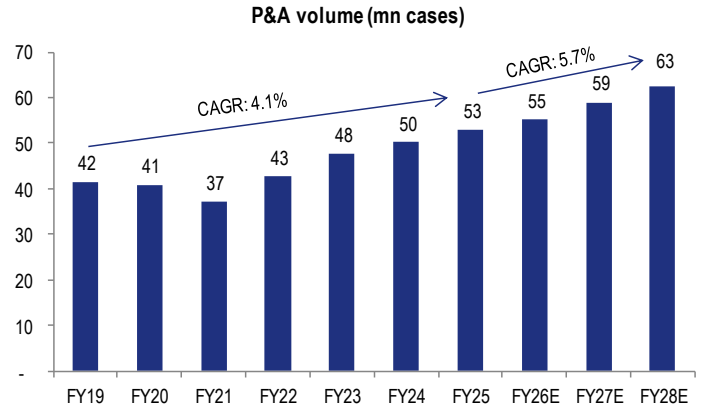
| Profit & loss statement (INR mn) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|---|---|---|---|---|---|---|
| **Revenue from operations** | **3,074** | **2,046** | **2,319** | **2,916** | **2,442** | **6,347** | **5,044** |
| YoY | 110.6% | -33.4% | 13.4% | 25.7% | -16.3% | 159.9% | -20.5% |
| Match playing expenses | 1,534 | 1,074 | 1,261 | 1,686 | 2,313 | 3,160 | 2,879 |
| YoY | 40.6% | -30.0% | 17.4% | 33.7% | 37.2% | 36.6% | -8.9% |
| Other expenses | 141 | 139 | 109 | 140 | 190 | 253 | 301 |
| YoY | 37.4% | -1.6% | -21.4% | 28.4% | 35.7% | 33.2% | 19.0% |
| **EBITDA** | **1,400** | **833** | **949** | **1,090** | **-61** | **2,934** | **1,864** |
| EBITDA margin % | 45.5% | 40.7% | 40.9% | 37.4% | -2.5% | 46.2% | 37.0% |
| Finance cost | 247 | 247 | 212 | 125 | 42 | 4 | 3 |
| Depreciation | 113 | 73 | 93 | 106 | 80 | 113 | 86 |
| Other income | 61 | 20 | 90 | 22 | 32 | 148 | 105 |
| **PBT** | **1,101** | **533** | **734** | **881** | **-151** | **2,965** | **1,880** |
| Tax expense | 253 | 495 | 192 | 220 | -35 | 747 | 480 |
| **PAT** | **848** | **38** | **542** | **661** | **-116** | **2,218** | **1,400** |

Source: Company, JM Financial

## Financial overview:

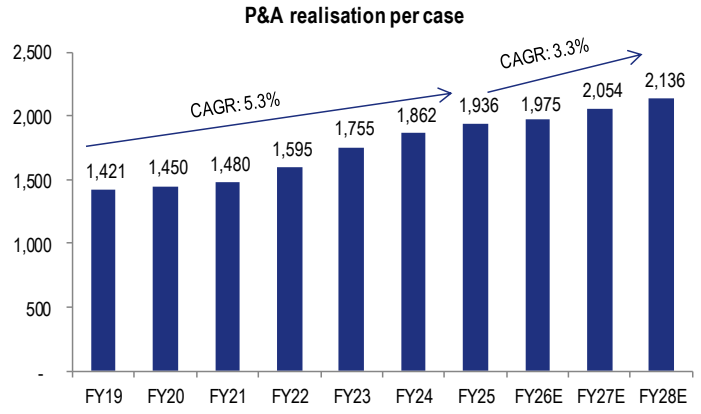
- **Revenue performance:** United Spirits' sales have grown at a CAGR of c.4% over FY19-25, impacted by Covid-led disruption and divestment/franchising of a large portion of its Popular segment portfolio. P&A segment sales grew at a CAGR of c.9.6% with a volume CAGR of c.4%. We expect a similar trajectory to continue in the P&A segment, and bake in c.9% sales CAGR over FY25-28E. We expect high-single-digit sales growth in the P&A segment in FY26 and bake in low-double-digit growth for FY27/28E (in line with management guidance). In the Popular segment, we expect muted growth of 0.5% (vs. 2% decline in FY25) largely due to the steep increase in excise duty in Maharashtra and weakness in Karnataka. As a result, we expect overall sales CAGR of c.8% for United Spirits over FY25-28E, led by volume CAGR of c.5% and price/mix growth of c.4%.

Exhibit 71. For P&A, we expect 5.7% volume CAGR trajectory…



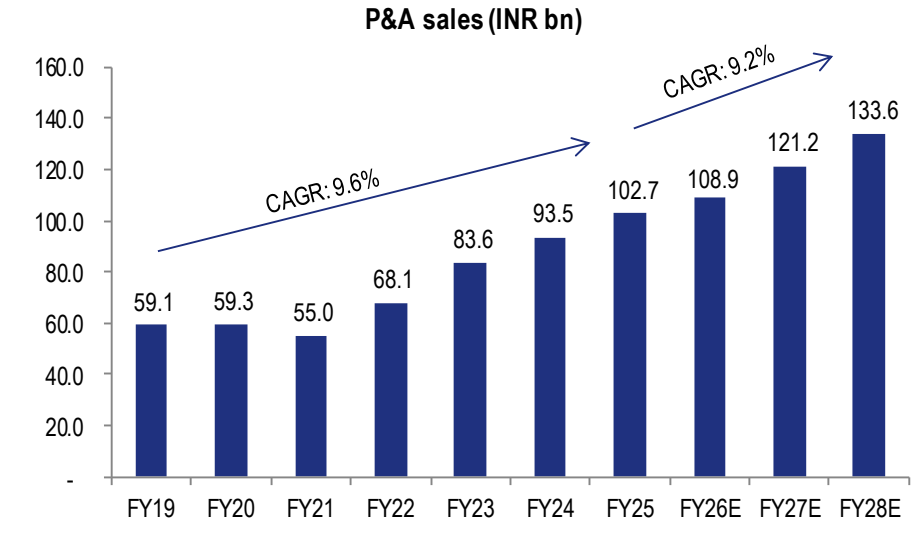

Source: Company, JM Financial

Exhibit 72. …and realisation per case CAGR of c.3% over FY25-28E



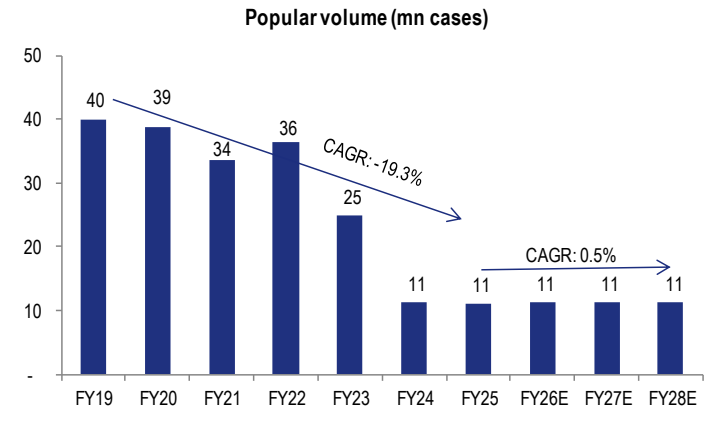

Source: Company, JM Financial

Exhibit 73. Steady improvement in volume and realisation to aid double-digit sales CAGR for P&A segment across FY25-28



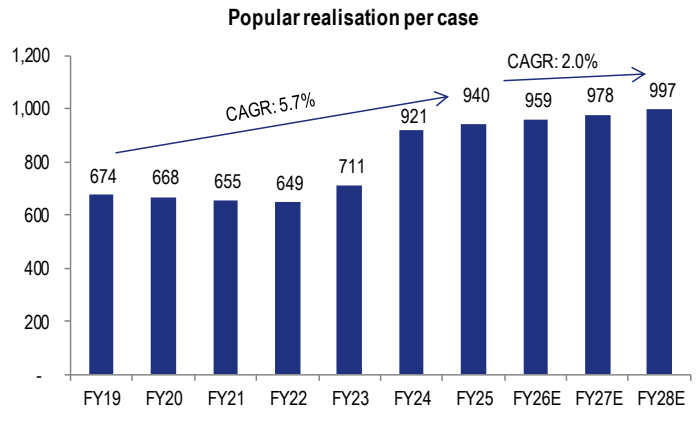

Source: Company, JM Financial

Exhibit 74. We expect Popular to remain under pressure in volume…



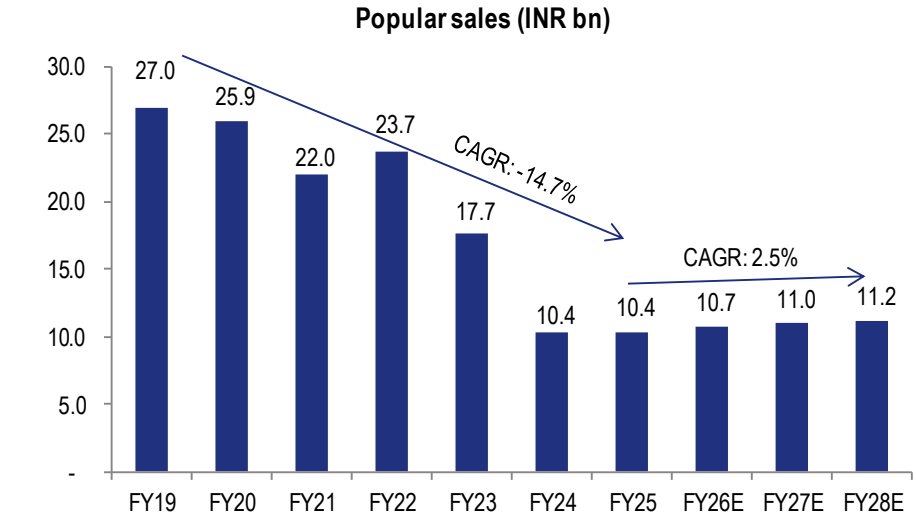

Source: Company, JM Financial

Exhibit 75. …as well as realisation per case




Source: Company, JM Financial

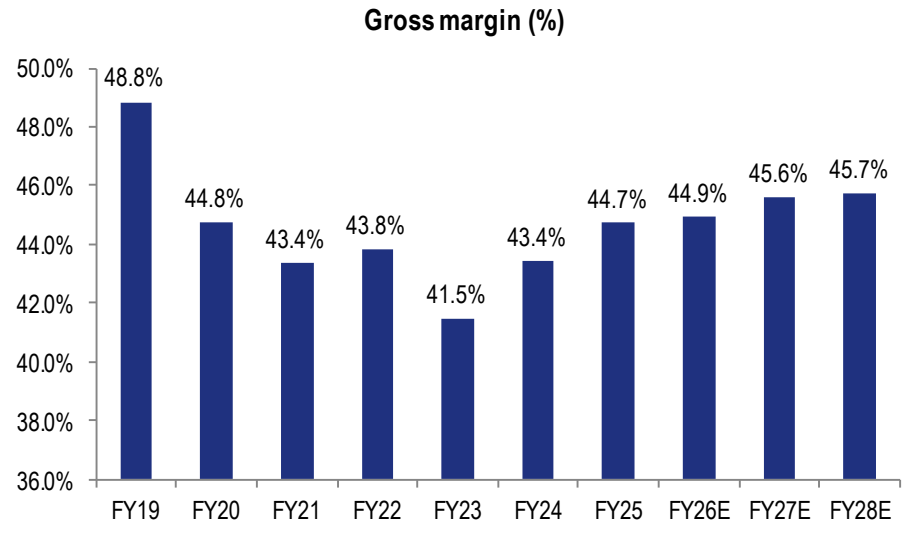
Exhibit 76. Sales CAGR for Popular segment to remain weak across FY25-28E due to state-level challenges in Maharashtra and Karnataka




Source: Company, JM Financial

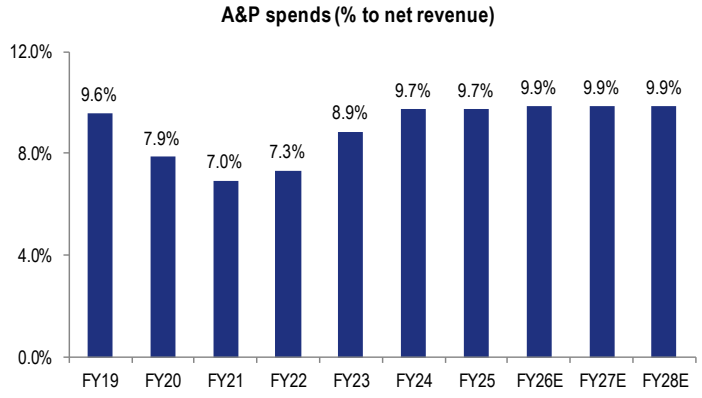
- **Scope for margin improvement exists, albeit at lower pace vs. FY23-25 trend:** After steep inflation in ENA as well as glass bottles impacted margins in FY23, United Spirits saw a healthy improvement in margins over the next 2 years. Gross margin improved by c.330bps to 44.7%; that, coupled with benefit from productivity programmes resulted in EBITDA margin expanding by c.410bps to 17.8% (in line with its guidance of high-teen margins), despite c.90bps increase in A&P spends (as % to net revenue). Going ahead, the pace of margin expansion is likely to be lower and margins are likely to remain range-bound at current high-teen levels. ENA prices are stable; however, the government's announcement on ethanol blending target in the coming months will be a key monitorable. Glass prices could see some temporary inflation due to planned maintenance shutdowns in the East and the West. A&P spends are likely to remain c.9.5-10% of sales. Hence, we expect moderate margin expansion of c.110bps over FY25-28E, resulting in low-double-digit EBITDA/PAT CAGR over the same period.

Exhibit 77. We expect gross margin to remain in the range of 45-46% on the back of stable RM environment



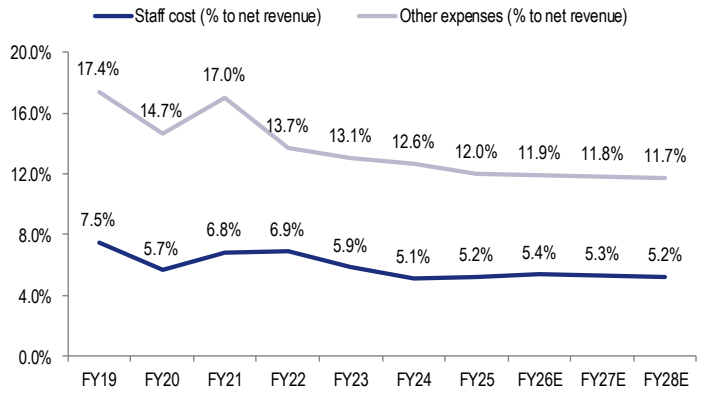

Source: Company, JM Financial. Note: Gross margin is calculated on net revenue.

Exhibit 78. We expect A&P spends to be steady at c.10% of net revenue



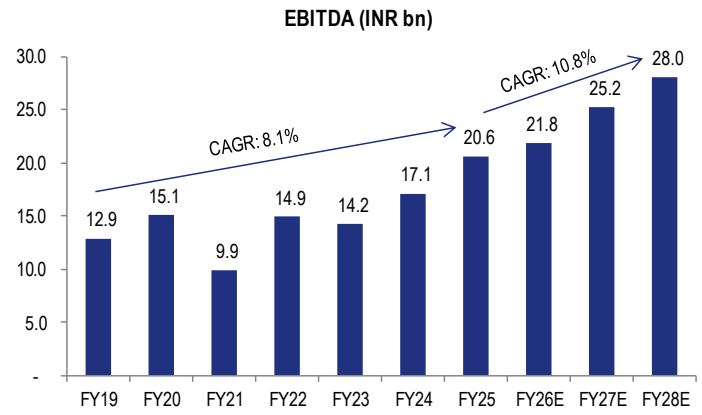

Source: Company, JM Financial.
Note: Net revenue is net-off excise duty but including other operating income.

Exhibit 79. Significant improvement in staff cost; other overheads to remain at current sustainable level



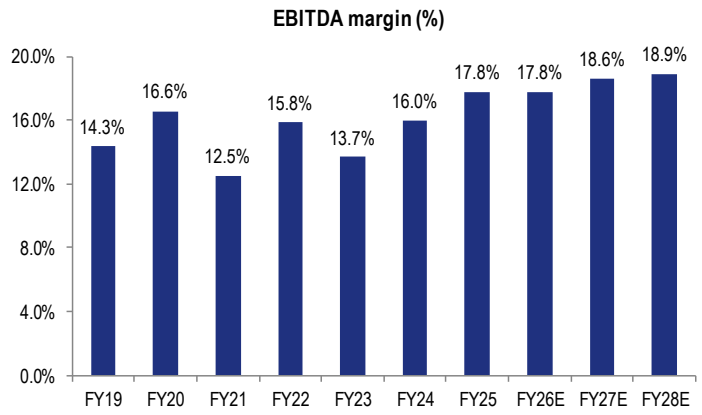

Source: Company, JM Financial.
Note: Net revenue is net-off excise duty but including other operating income.

Exhibit 80. We expect EBITDA CAGR growth of 10.8% with…



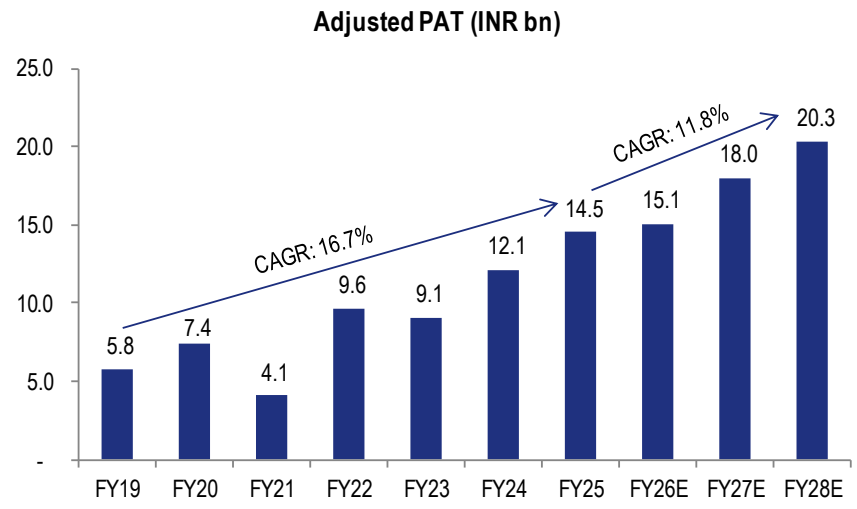

Source: Company, JM Financial

Exhibit 81. …EBITDA margin being range-bound in high teens




Source: Company, JM Financial

Exhibit 82. PAT growth to remain robust at 11.8% CAGR




Source: Company, JM Financial

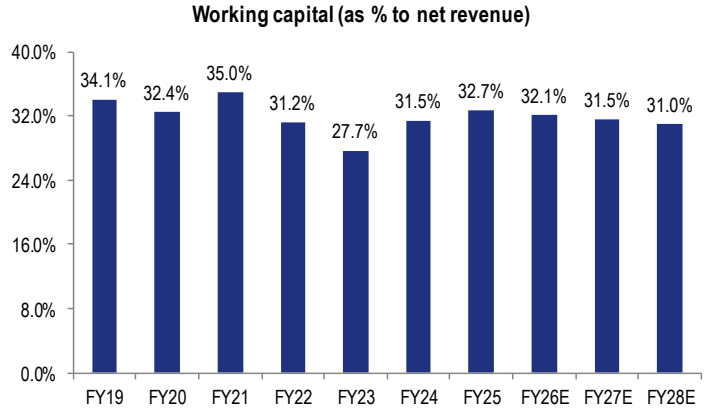
- **Cash generation and return profile to remain healthy:** Stable profitability and working capital along with lower capex intensity to result in healthy cash generation over FY25-28E, which should keep dividend payout ratio healthy and improve the overall return profile.

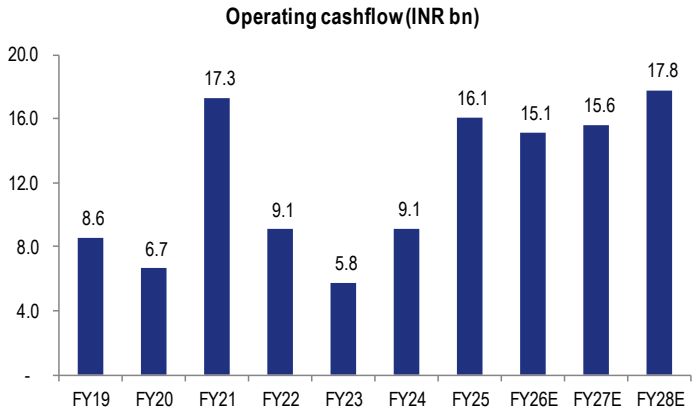
Exhibit 83. Snapshot of total working capital days calculated on gross sales

| Net working capital days (on gross sales basis) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|---|
| Inventory days | 24 | 23 | 27 | 26 | 30 | 30 | 31 | 30 | 30 | 30 |
| Debtor days | 32 | 29 | 29 | 27 | 32 | 45 | 50 | 48 | 46 | 45 |
| Creditor days | 17 | 15 | 19 | 18 | 23 | 26 | 29 | 28 | 28 | 27 |
| **Net working capital days** | **39** | **38** | **37** | **35** | **38** | **48** | **52** | **50** | **49** | **48** |

Source: Company, JM Financial

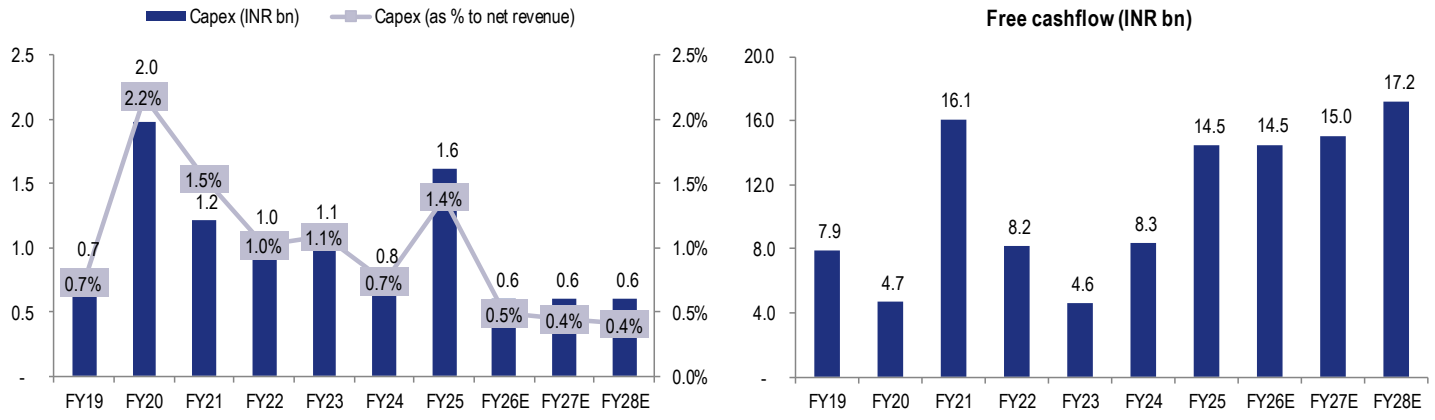
Exhibit 84. Steady profitability and working capital to aid operating cash flows…



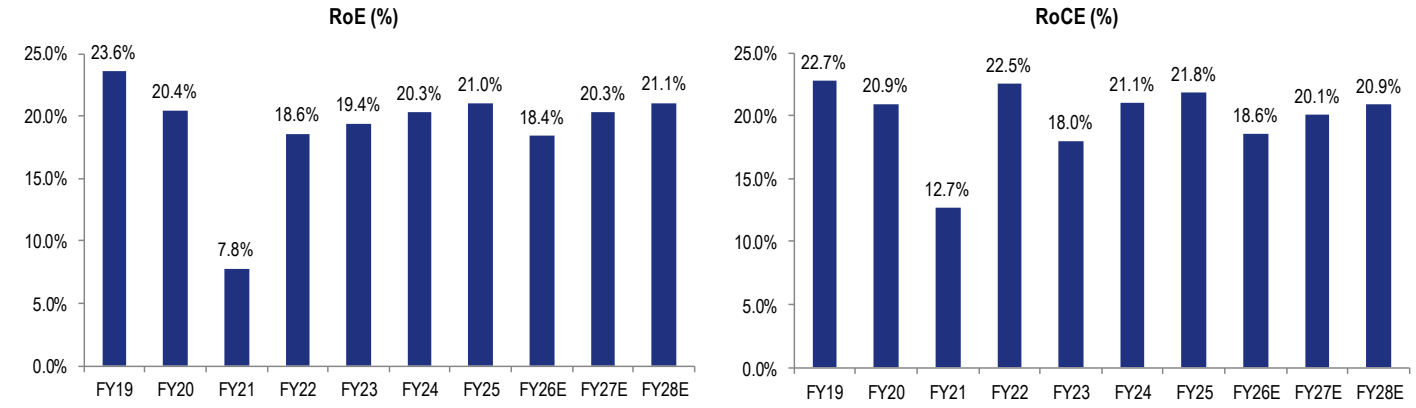

Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income.

## Exhibit 85. …which, along with lower capex intensity, could drive healthy free cash flow generation over FY25-28E




Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income.

## Exhibit 86. RoE/RoCE profiles to be largely stable over FY25-28E




Source: Company, JM Financial. Note: RoCE calculation is on post-tax basis.

# Management background

## Exhibit 87. Key management team

| Name | Designation | Qualification & experience |
|---|---|---|
| Mr. V K Vishwanathan | Chairperson & Independent Director | He is a Chartered Accountant and has completed several advanced leadership management programmes from many prestigious institutions, including Stanford University. He has over 40 years of experience in the automotive and consumer goods sectors and was Chairman of Bosch Ltd. He has held various leadership positions in Bosch Group, Hindustan Unilever and TCS across the globe including India, UK, Germany and USA. He was also on the board of several companies including Bharti Airtel, ABB India, HDFC Life Insurance Company, TransUnion CIBIL Ltd. |
| Mr. Praveen Someshwar | Managing Director & CEO | He is a Chartered Accountant, Cost Accountant (ICWA) and also holds a B.Com (Honors) from Delhi University. He is a dynamic business leader with over 30 years of experience in driving transformation, strategy and execution within the media and FMCG industries. He served as the Managing Director and CEO of HT Media Limited. Previously, he spent 24 years at PepsiCo, where he held various management, finance, and strategy roles across India and the Asia Pacific region including CEO of India Foods and South Asia Beverages. |
| Mr. Pradeep Jain | Chief Financial Officer | He is a Chartered Accountant and an alumnus of the SRCC, Delhi University. He has an outstanding track record of over 25 years across sectors. He is also a member of Diageo's Global Finance Leadership and Diageo India's Executive Committee. Prior to Diageo, he held leadership positions across well-known organisations such as Eicher Motors, PepsiCo, and Pidilite Industries. |
| Mr. Vikram Damodaran | Chief Innovation Officer | He is an engineering graduate and holds B.E. (Mech) degree from College of Engineering, Guindy. He has 25 years of experience and leads innovation and premium portfolio development at Diageo. Prior to Diageo, he worked as a Chief Product Officer in GE Healthcare. |
| Mr. Jagbir S Sidhu | Chief Commercial Officer | He has an outstanding track record of over 30 years in the alco-bev industry. An experienced business leader, he has spearheaded several transformative initiatives across sales and marketing. Prior to Diageo, he worked with Pernod Ricard India where he held key leadership roles across Commercial, Marketing and International Business Development. He also led the business delivery for North, West and Canteen Stores Department (Ministry of Defence) and East Zones. |
| Mr. Jitendra Mahajan | Chief Supply & Sustainability Officer | He is an engineering graduate from the Walchand College of Engineering, Sangli and holds an MBA from Sydenham Institute of Management Studies, Mumbai having over 27 years of experience. Prior to joining Diageo, he served as Chief Operating Officer – Supply Chain & IT at Marico Limited. He has also worked at various blue-chip companies such as Britannia Industries and Mahindra & Mahindra. |
| Ms. Ruchira Jaitly | Chief Marketing Officer | She holds an honours degree from St. Xavier's College, Mumbai and is an IIM, Ahmedabad alumnus. She is an experienced marketer who has played a pivotal role in building leading consumer brands over the last 25 years. Prior to Diageo, she was with PepsiCo India as Senior Director, Marketing. Previously, she has also been associated with brands such as Nokia devices and Royal DSM. |

Source: Company, JM Financial

## Key risks

- **Any adverse regulatory changes in key markets:** The spirits industry in India operates in a highly regulated environment, marked by diverse regional laws including varying production levies, complex tax structures, advertising restrictions and multiple licensing requirements for manufacturing, storage, and distribution. Any changes in state-specific regulations or lapses in compliance could disrupt operations, delay product movement and adversely impact the company's business operations and profitability. For United Spirits, the state of Maharashtra contributes to ~18% of its overall sales. The state has recently announced a steep excise duty hike of over 50% on the IMFL category, which could adversely impact the company's volume trajectory and profitability.
- **Volatility in input costs:** United Spirits' key raw materials includes grain, extra neutral alcohol (ENA) and packaging materials like glass. Price volatility in these inputs, driven by global commodity cycles, supply-demand imbalances or geopolitical factors, could lead to higher production costs. Since the company operates in a highly regulated environment where price flexibility is negligible, cost escalations may affect it adversely and potentially result into margin compression.
- **Intense competitive landscape:** The IMFL industry in India is highly competitive with many existing incumbents penetrating the market with diverse and differentiated offerings across whisky, brandy, rum and white spirits. Further, country liquor players are also diversifying and upgrading their portfolio with entry-level IMFL products, further increasing the competitive intensity.
- **Shift in consumer preference and decrease in population consuming alco-beverages:** Globally, there is an emerging consumption trend wherein consumers are becoming more health conscious and shifting towards non-alcoholic and/or low-alcohol drinks due to the impact of alcohol on health. If such a shift in consumer demand (especially younger generation) towards zero or low-alcohol alternatives occurs in India, then demand for United Spirits' products could reduce and impact it negatively.

# Financial Tables (Standalone)

## Income Statement (INR mn)

| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Net Sales | 106,300 | 115,170 | 121,885 | 134,499 | 147,248 |
| Sales Growth | 3.0% | 8.3% | 5.8% | 10.3% | 9.5% |
| Other Operating Income | 620 | 560 | 588 | 617 | 648 |
| **Total Revenue** | **106,920** | **115,730** | **122,473** | **135,116** | **147,896** |
| Cost of Goods Sold/Op. Exp | 60,480 | 63,970 | 67,464 | 73,532 | 80,291 |
| Personnel Cost | 5,430 | 6,050 | 6,564 | 7,119 | 7,717 |
| Other Expenses | 23,930 | 25,130 | 26,643 | 29,306 | 31,907 |
| **EBITDA** | **17,080** | **20,580** | **21,803** | **25,160** | **27,982** |
| EBITDA Margin | 16.0% | 17.8% | 17.8% | 18.6% | 18.9% |
| EBITDA Growth | 20.4% | 20.5% | 5.9% | 15.4% | 11.2% |
| Depn. & Amort. | 2,640 | 2,740 | 2,849 | 2,996 | 3,148 |
| EBIT | 14,440 | 17,840 | 18,954 | 22,164 | 24,834 |
| Other Income | 3,350 | 4,260 | 2,351 | 2,780 | 3,209 |
| Finance Cost | 760 | 890 | 1,051 | 753 | 775 |
| PBT before Excep. & Forex | 17,030 | 21,210 | 20,254 | 24,191 | 27,268 |
| Excep. & Forex Inc./Loss(-) | -170 | -650 | 0 | 0 | 0 |
| PBT | 16,860 | 20,560 | 20,254 | 24,191 | 27,268 |
| Taxes | 3,740 | 4,980 | 5,165 | 6,169 | 6,953 |
| Extraordinary Inc./Loss(-) | 0 | 0 | 0 | 0 | 0 |
| Assoc. Profit/Min. Int.(-) | 0 | 0 | 0 | 0 | 0 |
| Reported Net Profit | 13,120 | 15,580 | 15,089 | 18,022 | 20,314 |
| **Adjusted Net Profit** | **13,120** | **15,580** | **15,089** | **18,022** | **20,314** |
| Net Margin | 12.3% | 13.5% | 12.3% | 13.3% | 13.7% |
| Diluted Share Cap. (mn) | 727.4 | 727.4 | 727.4 | 727.4 | 727.4 |
| **Diluted EPS (INR)** | **18.0** | **21.4** | **20.7** | **24.8** | **27.9** |
| Diluted EPS Growth | 24.8% | 18.8% | -3.2% | 19.4% | 12.7% |
| Total Dividend + Tax | 6,546 | 8,728 | 8,752 | 10,813 | 12,189 |
| Dividend Per Share (INR) | 9.0 | 12.0 | 12.0 | 14.9 | 16.8 |

Source: Company, JM Financial

## Balance Sheet (INR mn)

| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Shareholders' Fund | 69,630 | 78,790 | 85,127 | 92,336 | 100,462 |
| Share Capital | 1,450 | 1,450 | 1,450 | 1,450 | 1,450 |
| Reserves & Surplus | 68,180 | 77,340 | 83,677 | 90,886 | 99,012 |
| Preference Share Capital | 0 | 0 | 0 | 0 | 0 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Total Loans | 0 | 0 | 0 | 0 | 0 |
| Def. Tax Liab. / Assets (-) | -1,770 | -1,550 | -1,550 | -1,550 | -1,550 |
| **Total - Equity & Liab.** | **67,860** | **77,240** | **83,577** | **90,786** | **98,912** |
| Net Fixed Assets | 12,820 | 14,780 | 13,893 | 13,022 | 12,182 |
| Gross Fixed Assets | 21,120 | 21,140 | 21,690 | 22,240 | 22,790 |
| Intangible Assets | 880 | 900 | 950 | 1,000 | 1,050 |
| Less: Depn. & Amort. | 11,820 | 12,550 | 13,835 | 15,147 | 16,484 |
| Capital WIP | 2,640 | 5,290 | 5,088 | 4,929 | 4,827 |
| Investments | 2,240 | 2,340 | 2,340 | 2,340 | 2,340 |
| Current Assets | 90,590 | 108,510 | 117,272 | 128,910 | 141,521 |
| Inventories | 20,630 | 23,050 | 23,709 | 26,144 | 28,602 |
| Sundry Debtors | 31,280 | 36,280 | 37,400 | 40,534 | 43,569 |
| Cash & Bank Balances | 10,210 | 11,500 | 16,474 | 20,390 | 25,199 |
| Loans & Advances | 0 | 0 | 0 | 0 | 0 |
| Other Current Assets | 28,470 | 37,680 | 39,689 | 41,842 | 44,151 |
| Current Liab. & Prov. | 37,790 | 48,390 | 49,928 | 53,486 | 57,132 |
| Current Liabilities | 19,640 | 24,860 | 25,250 | 27,605 | 29,987 |
| Provisions & Others | 18,150 | 23,530 | 24,677 | 25,881 | 27,144 |
| Net Current Assets | 52,800 | 60,120 | 67,344 | 75,424 | 84,390 |
| **Total – Assets** | **67,860** | **77,240** | **83,577** | **90,786** | **98,912** |

Source: Company, JM Financial

## Cash Flow Statement (INR mn)

| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Profit before Tax | 16,860 | 20,560 | 20,254 | 24,191 | 27,268 |
| Depn. & Amort. | 2,640 | 2,740 | 2,849 | 2,996 | 3,148 |
| Net Interest Exp. / Inc. (-) | 760 | 890 | 1,051 | 753 | 775 |
| Inc (-) / Dec in WCap. | -5,760 | -3,540 | -1,522 | -3,351 | -3,253 |
| Others | -2,240 | -2,860 | -2,351 | -2,780 | -3,209 |
| Taxes Paid | -3,130 | -1,730 | -5,165 | -6,169 | -6,953 |
| **Operating Cash Flow** | **9,130** | **16,060** | **15,116** | **15,640** | **17,775** |
| Capex | -790 | -1,610 | -600 | -600 | -600 |
| Free Cash Flow | 8,340 | 14,450 | 14,516 | 15,040 | 17,175 |
| Inc (-) / Dec in Investments | 2,980 | -9,230 | -873 | -960 | -1,056 |
| Others | 2,470 | 1,340 | 989 | 1,254 | 1,501 |
| **Investing Cash Flow** | **4,660** | **-9,500** | **-484** | **-306** | **-155** |
| Inc / Dec (-) in Capital | 0 | 0 | 0 | 0 | 0 |
| Dividend + Tax thereon | -2,910 | -3,500 | -8,752 | -10,813 | -12,189 |
| Inc / Dec (-) in Loans | 0 | 0 | 0 | 0 | 0 |
| Others | -1,480 | -1,770 | -907 | -604 | -623 |
| **Financing Cash Flow** | **-4,390** | **-5,270** | **-9,658** | **-11,418** | **-12,811** |
| **Inc / Dec (-) in Cash** | **9,400** | **1,290** | **4,974** | **3,916** | **4,809** |
| Opening Cash Balance | 810 | 10,210 | 11,500 | 16,474 | 20,390 |
| Closing Cash Balance | 10,210 | 11,500 | 16,474 | 20,390 | 25,199 |

Source: Company, JM Financial

## Dupont Analysis

| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Net Margin | 12.3% | 13.5% | 12.3% | 13.3% | 13.7% |
| Asset Turnover (x) | 1.6 | 1.5 | 1.4 | 1.5 | 1.5 |
| Leverage Factor (x) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| RoE | 20.3% | 21.0% | 18.4% | 20.3% | 21.1% |

## Key Ratios

| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| BV/Share (INR) | 95.7 | 108.3 | 117.0 | 126.9 | 138.1 |
| ROIC | 19.8% | 22.1% | 21.5% | 24.3% | 26.0% |
| ROE | 20.3% | 21.0% | 18.4% | 20.3% | 21.1% |
| Net Debt/Equity (x) | -0.1 | -0.1 | -0.2 | -0.2 | -0.3 |
| P/E (x) | 73.6 | 62.0 | 64.0 | 53.6 | 47.5 |
| P/B (x) | 13.9 | 12.3 | 11.3 | 10.5 | 9.6 |
| EV/EBITDA (x) | 55.9 | 46.3 | 43.5 | 37.5 | 33.6 |
| EV/Sales (x) | 8.9 | 8.2 | 7.7 | 7.0 | 6.4 |
| Debtor days | 107 | 114 | 111 | 109 | 108 |
| Inventory days | 70 | 73 | 71 | 71 | 71 |
| Creditor days | 74 | 83 | 79 | 80 | 80 |

Source: Company, JM Financial

# United Breweries | ADD

## Compelling opportunity, improving execution

**UBL's scale positions it as the largest beer player and gives it an edge over competition to tap the large India opportunity. Sales trajectory is improving; we expect this momentum to sustain led by stable growth in mainstream brands and c.25%+ growth in the premium portfolio. While Karnataka is facing excise hike-related headwinds, improving growth in Maharashtra and strengthening presence in UP and AP should provide some offsets. Further, UBL's historical performance and Carlsberg India's cost structure/margins definitely suggest that its current profitability is below the underlying potential of the business. While strategic initiatives undertaken by the new CEO entail higher initial investments, they are in the right direction and are laying building blocks for future growth. We are baking in a higher earnings trajectory (29% CAGR over FY25-28E) vs. historical performance, which, along with improving return profile/cash generation will help sustain premium valuations. Faster growth by competition and regulatory headwinds (in Karnataka) needs to be watched for as these could slowdown pace of margin expansion. We like UBL's moats and strategic initiatives initiate coverage with ADD and a Sep'26 TP of INR 1,990/share (60x Sep'27E).**

- **Industry opportunity compelling; UBL has necessary ingredients to capture the same:** The beer category has large headroom to increase share of throat (< 20%), gain share of occasions (c.25-30% currently) and gain shelf space at outlets (c.90% is occupied by spirits). Hence, 6-8% volume/low double-digit value growth is achievable in a stable regulatory environment. The attractiveness of geography is visible from global majors making it a priority market (4th largest market for Budweiser, key growth engine for Carlsberg/Heineken). While competition is enhancing presence, UBL is by far the largest in terms of scale and has a portfolio with strong brand recall, which gives it an edge. Its sustained dominance (market share of c.50%) over decades is a testament to this.
- **Strategic initiatives underway to accelerate growth and fortify leadership position:** Under new CEO Vivek Gupta, several strategic initiatives are being implemented to a) address portfolio gaps, b) enhance/localise manufacturing presence, c) accelerate premiumisation, where it is under-indexed vs. peers, and d) dial up execution in trade outlets (visi-cooler penetration). Initial results are promising - despite external headwinds, UBL's c.9% sales CAGR over FY23-25 and 16% in 1QFY26 is commendable. We expect momentum to sustain and build revenue CAGR of c.12% over FY25-28E (volume CAGR of c.8%).
- **Margin pressures to ease, underlying potential suggests enough headroom to expand:** Margin pressures for UBL are bottoming out (stable RM, improving salience of old bottles, supply chain optimisation). Although, in the near term, expansion could be more gradual due to external challenges (in Karnataka/Telangana), infusion of new bottles for premium portfolio (currently lower EBITDA/case vs mainstream brand) and capability investments. UBL's cost structure is leaner vs. Carlsberg India; however, the latter's EBITDA margin (c.13-14%) is higher due to better mix. Hence, we see headroom for expansion (we forcast 350bps expansion over FY25-28E) and execution on premiumisation can accelerate expansion over FY27/28E for UBL.

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| Recommendation and Price Target | |
|---|---|
| Current Reco. | ADD |
| Previous Reco. | NA |
| Current Price Target (12M) | 1,990 |
| Upside/(Downside) | 10.6% |
| Previous Price Target | NA |
| Change | NA |

| Key Data – UBBL IN | |
|---|---|
| Current Market Price | INR1,799 |
| Market cap (bn) | INR475.8/US$5.4 |
| Free Float | 28% |
| Shares in issue (mn) | 264.4 |
| Diluted share (mn) | 264.4 |
| 3-mon avg daily val (mn) | INR365.3/US$4.1 |
| 52-week range | 2,300/1,772 |
| Sensex/Nifty | 83,014/25,424 |
| INR/US$ | 88.1 |

| Price Performance | | | |
|---|---|---|---|
| % | 1M | 6M | 12M |
| Absolute | -5.4 | -5.3 | -12.2 |
| Relative* | -7.0 | -13.9 | -12.0 |

* To the BSE Sensex

| Financial Summary | | | | | (INR mn) |
|---|---|---|---|---|---|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Sales | 78,701 | 85,855 | 97,657 | 109,074 | 121,827 |
| Sales Growth (%) | 7.5 | 9.1 | 13.7 | 11.7 | 11.7 |
| EBITDA | 6,949 | 8,389 | 10,106 | 12,982 | 16,214 |
| EBITDA Margin (%) | 8.6 | 9.4 | 10.0 | 11.5 | 12.9 |
| Adjusted Net Profit | 4,094 | 4,603 | 5,625 | 7,585 | 9,898 |
| Diluted EPS (INR) | 15.5 | 17.4 | 21.3 | 28.7 | 37.4 |
| Diluted EPS Growth (%) | 24.8 | 12.4 | 22.2 | 34.8 | 30.5 |
| ROIC (%) | 9.5 | 10.4 | 12.3 | 15.7 | 19.2 |
| ROE (%) | 10.1 | 10.8 | 12.6 | 16.0 | 19.3 |
| P/E (x) | 116.2 | 103.3 | 84.6 | 62.7 | 48.1 |
| P/B (x) | 11.4 | 10.9 | 10.4 | 9.7 | 8.9 |
| EV/EBITDA (x) | 68.2 | 56.8 | 47.1 | 36.7 | 29.3 |
| Dividend Yield (%) | 0.6 | 0.6 | 0.7 | 0.9 | 1.2 |

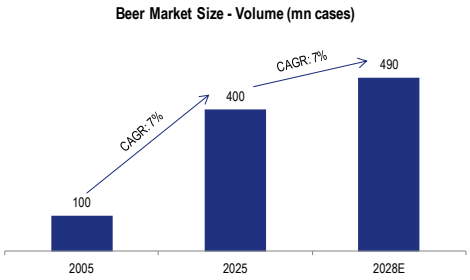
Source: Company data, JM Financial. Note: Valuations as of 18/Sep/2025

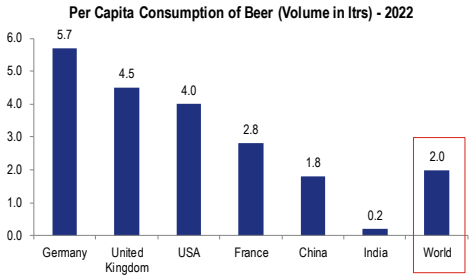
JM Financial Research is also available on:
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Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

# Focus charts

## Exhibit 1. India's beer opportunity is large & attractive, visible from India being a key focus market for global majors

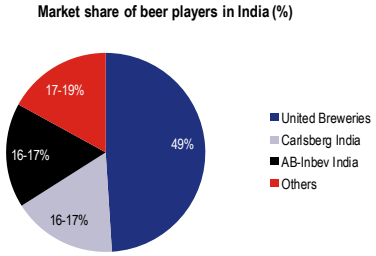


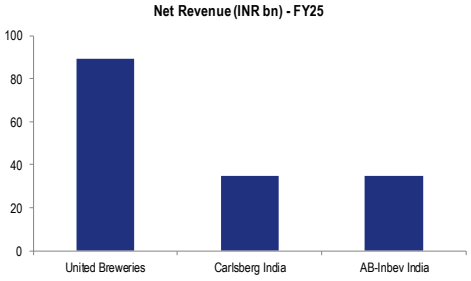



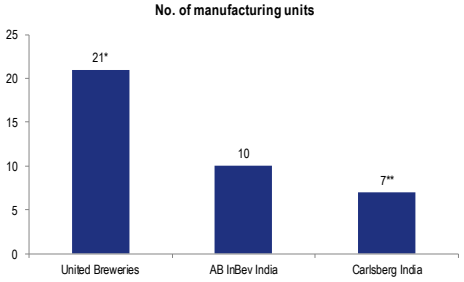

| Company | Comments on India |
|---|---|
| Carlsberg Group | India has a stronger growth impulse than some more mature Western European markets |
| AB Inbev | India market has a very long-term growth prospect because the beer industry is still very under developed |
| Heineken | We are working hard to keep investing in growth markets like India |

Source: Company, JM Financial

## Exhibit 2. United Breweries is by far a dominant player (c.49-50% market share) with much larger size and scale vs. next two players

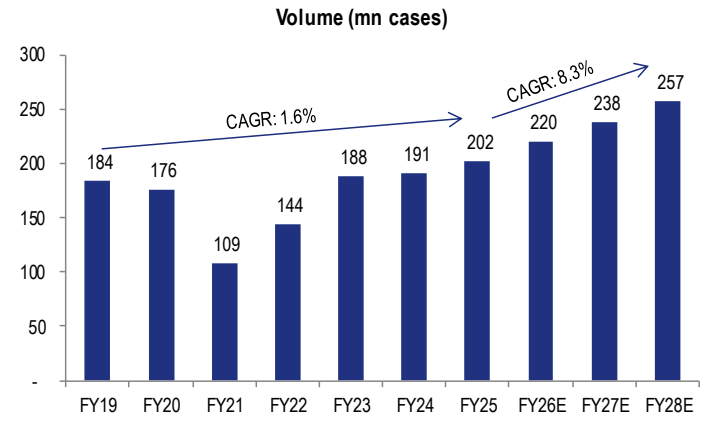


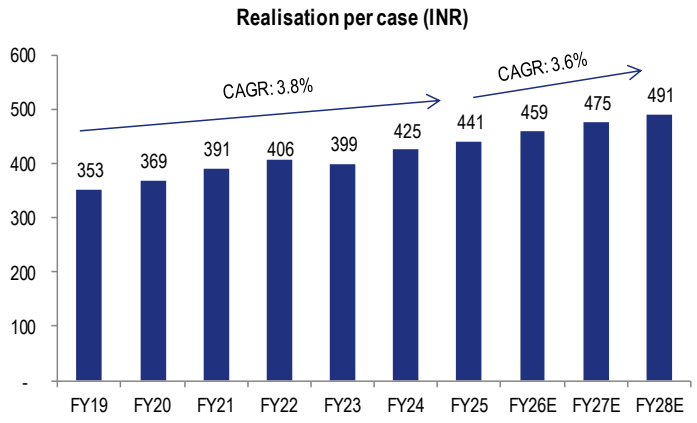

Source: Company, JM Financial. Note: Net Revenue is net-off excise duty but including other operating income.
*As on March 31, 2025, out of 21 owned manufacturing plants, 2 plants viz.,1 at Naubatpur and 1 at Cherthala are not operational. In addition, UBL operates 15 contract manufacturing units.
**In addition, Carlsberg India operates 8 co-packers/licensees.

## Exhibit 3. We expect volume CAGR of c.8%...



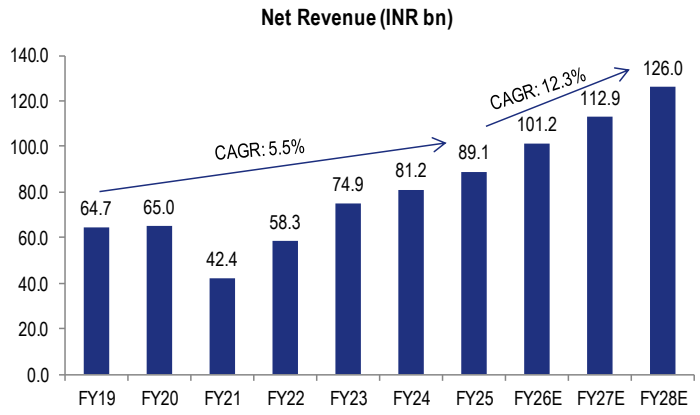

Source: Company, JM Financial

## Exhibit 4. ... and price/mix led realisation growth of c.3-4%...



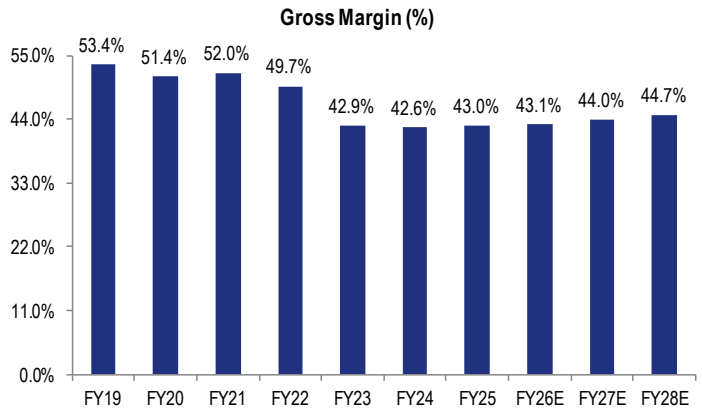

Source: Company, JM Financial

## Exhibit 5. …resulting in sales CAGR of c.12% over FY25-28E



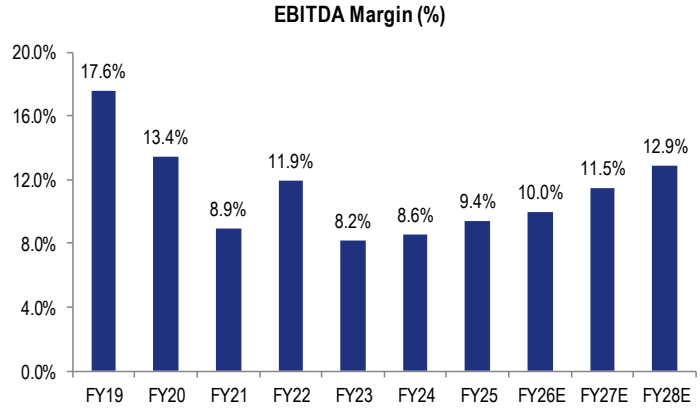

Source: Company, JM Financial.
Note: Net Revenue is net-off excise duty but including other operating income.

## Exhibit 6. Easing GM pressures…



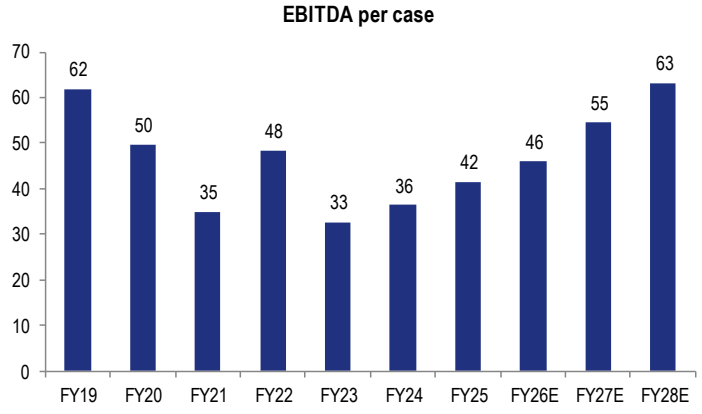

Source: Company, JM Financial. Note: Gross margin is calculated on net revenue

## Exhibit 7. … along with leverage benefit to drive margin expansion…



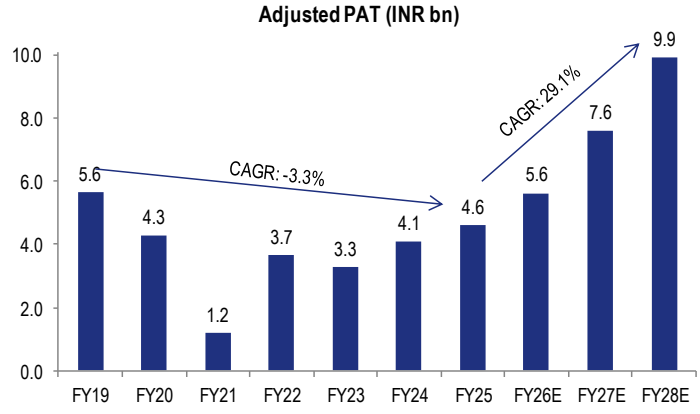

Source: Company, JM Financial

## Exhibit 8. …and improve EBITDA per case




Source: Company, JM Financial

## Exhibit 9. We expect strong PAT growth over FY25-28E




Source: Company, JM Financial

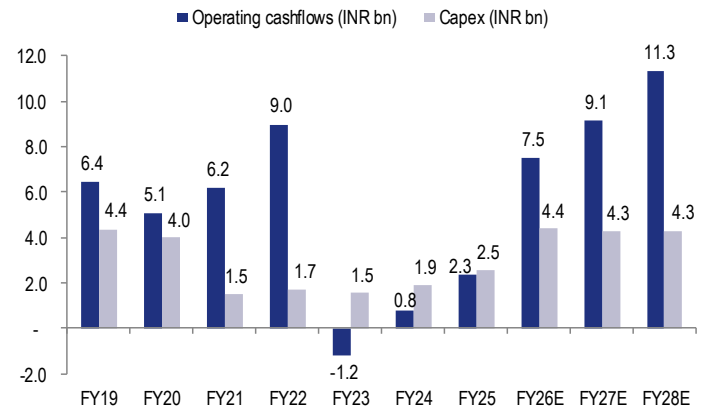
## Exhibit 10. WC cycle to improve to 60 days by FY28E

| Net working capital days (on gross sales) | FY19 | FY20 | FY21 | FY22 | FY23 |
|---|---|---|---|---|---|
| Inventory days | 27 | 28 | 41 | 26 | 32 |
| Debtor days | 40 | 34 | 51 | 36 | 31 |
| Creditor days | 16 | 14 | 23 | 18 | 16 |
| **Net working capital days** | **51** | **48** | **69** | **44** | **47** |

| Net working capital days (on gross sales) | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Inventory days | 28 | 31 | 31 | 31 | 31 |
| Debtor days | 47 | 55 | 56 | 52 | 50 |
| Creditor days | 19 | 22 | 22 | 22 | 22 |
| **Net working capital days** | **55** | **64** | **65** | **62** | **60** |

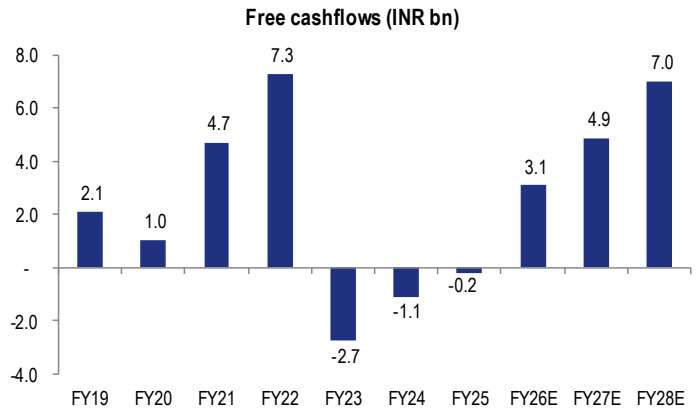
Source: Company, JM Financial

## Exhibit 11. Healthy operating cash flows to support capex…



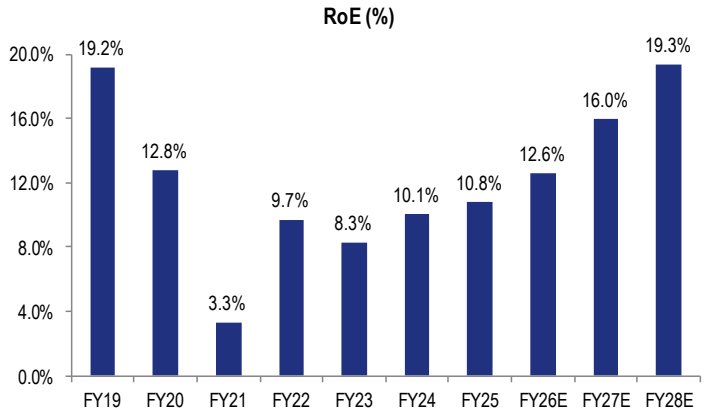

Source: Company, JM Financial

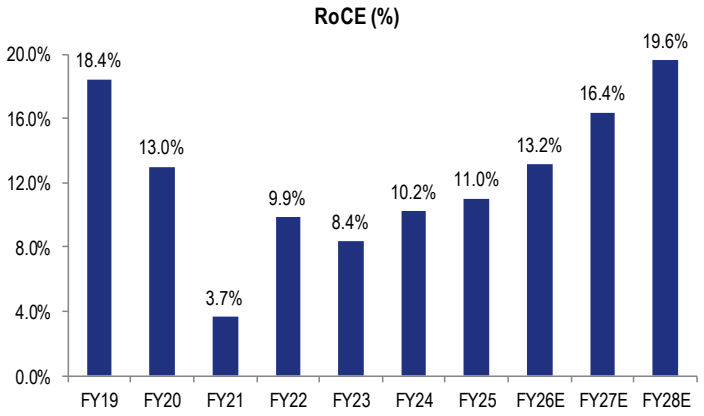
## Exhibit 12. …with positive FCF generation over FY25-28E




Source: Company, JM Financial

## Exhibit 13. Improving profitability and working capital to aid uptick in return ratio




Source: Company, JM Financial. Note: RoCE calculation is on post-tax basis.

## Investment thesis

- **Industry opportunity is large, which makes India a key growth engine for Heineken:** The growth opportunity for the beer category is large with enough headroom to increase share of throat (< 20%), gain share of occasions (c.25-30% currently) and gain shelf space at outlets (c.90% is occupied by spirits). Also, as we traverse down the pop-strata in India, the beer to spirit ratio in volume terms is more skewed towards spirits (unlike other global markets where it is 1:1 or more skewed to beer). As a result, double-digit value growth is achievable for the industry, which makes India a top priority market for Heineken within its global footprint. Having said that, it is essential to ensure affordability (higher taxation on beer) and increase penetration (invest on infrastructure), which are the key challenges currently for the industry. UBL is undertaking a lot of initiatives both on the internal and external fronts to overcome these barriers and unlock the underlying market potential.
- **Market dominance to sustain led by well-established capabilities:** UBL (a subsidiary of Heineken NV) is a dominant market leader in the Indian beer industry with a volume and value market share of c.50%. Over the last many decades, it has sustained its leadership position and we expect that to continue considering its strong capabilities in terms of a) a wide portfolio comprising of strong umbrella brands (Kingfisher/Heineken – synonymous to beer category) and presence across economy, mainstream and premium segments and b) well-established manufacturing set-up across India – much larger in size (19 active owned manufacturing units/15 CMU) vs. key competitors (10 for AB Inbev, 7 active breweries/6 co-packers & 2 licensee for Carlsberg India), which is another key moat.
- **Maharashtra/UP/AP seeing better growth, pace of recovery in Karnataka (impacted by increase in excise duty) a key monitorable:** Maharashtra and Karnataka are among the large and better profitable markets for UBL. The beer industry in Maharashtra has seen an uptick in growth (high-single-digit growth) over the last 2 years vs. flat sales a decade prior to that. A combination of UBL's strong manufacturing capabilities in the state, focused route-to-market (RTM) strategy and recent policy changes (higher taxation on spirits), we believe, should continue to drive higher-than-industry growth for UBL in Maharashtra. Similarly, UP with a favourable policy environment is seeing healthy growth for the overall alco-bev industry. However, Karnataka saw a high-teen industry decline in 1HCY25 due to adverse regulation (increase in excise duty in beer especially for the new economy segment where UBL has presence through London Pilsner & Bullet which are 25% of its volume) and favourable policy for premium spirits. While the government did revoke some of the adverse measures in May, which impacted the new economy segment, stabilisation in industry volume is yet to be seen. Having said that, UBL's high single digit/low double digit volume/value growth despite weakness in Karnataka (mid-teen volume decline for UB in 1H) and disruption in Telangana (in 4QFY25) is quite commendable. We believe the weakness in state mix should bottom out gradually.
- **Stepping up efforts to drive premiumisation; margin accretion to happen as premium portfolio gains scale over medium term:** Apart from strengthening its supply chain capabilities, another key focus area for UBL is driving premiumisation. Currently, it is under-indexed in the premium beer segment with market share of c.20% vs. its overall market share of c.50%. It is working on both expanding its premium portfolio offerings (launch of Heineken brands) as well as enhancing manufacturing capabilities (localising production) to ensure better supply of its premium products. A combination of both has led to strong growth in the premium portfolio over the last 5-6 quarters. We expect premium portfolio sales to grow at 2.5-3x of the balance portfolio and achieve a salience of c.14-15% by FY28E (management target is to reach c.25%+ over next 3-5 years) vs. the current contribution of c.10% of top line for UBL. The portfolio currently has lower gross margin due to injection of new bottles, but as it reaches adequate scale (c.15%) in a state with localised production margin accretion should follow. In normalised operations with localised manufacturing and optimum scale, EBITDA/case in premium segment is 2x of the mainstream brands.

- **Margin pressure to ease, underlying potential suggests enough headroom to expand:** UBL's gross and EBITDA margins are lower compared to Carlsberg India on account of better product and state mix for the latter. UBL's EBITDA margin has moderated from mid-teen levels pre-Covid to high single digit in FY25 impacted by higher input costs (barley/glass bottles), lower salience of returnable bottles vs. pre-Covid levels leading to higher infusion of new bottles, and adverse regulatory changes in large markets like Karnataka/Telangana. UBL has partially mitigated the gross margin pressure through tight control over other expenses – visible from other expenses as % to net sales at c.22% in FY25 vs. c.25-27% during pre-Covid years. We expect gross margin pressure to ease and improvement to be gradually led by stable RM prices, localisation of manufacturing, premiumisation, improvement in recovery of glass bottles and potential price hikes. This along with tight control over overhead costs/scale benefit should help UBL achieve low-double-digit EBIT margin by FY28E. Regulatory environment and how volume trajectory evolves in Karnataka will be key monitorables. We are baking in EBITDA CAGR of 25% over FY25-28E, with higher expansion in margins over FY27/28E.
- **Low-double-digit sales growth and margin expansion to drive strong earnings print:** UBL delivered mid-single-digit sales CAGR over FY19-25, largely impacted by weakness seen during the Covid period of FY20-22, with volume recovering to pre-Covid levels in FY23. Over FY23-25, sales momentum improved as UBL clocked a sales CAGR of 9%, but that was largely driven by realisation growth as volume growth was modest. Going ahead, we expect volume momentum to improve to high single digits - a function of improving macro and its own internal initiatives around portfolio, premiumisation and supply chain infrastructure. We expect healthy growth in the North (led by UP, Rajasthan), West (Maharashtra, Goa) and certain markets in the South (AP, Telangana) to continue, and lower decline in Karnataka. This coupled with stable realisation/case growth of c.3-4% should result in low-double-digit sales CAGR over FY25-28E. A largely stable input cost environment, improvement in state mix (led by Maharashtra and gradual recovery in Karnataka), premiumisation, localisation of manufacturing, likely price hikes and operating leverage should aid margin expansion. We expect c.350bps EBITDA margin expansion over FY25-28E, resulting in EBITDA/Adj PAT CAGR of c.25%/29% over the same period.

Exhibit 14. Key assumptions table

| Particulars | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|
| **Volume (mn cases)** | **188** | **191** | **202** | **220** | **238** | **257** |
| % growth | 30.7% | 1.8% | 5.7% | 9.0% | 8.0% | 8.0% |
| **Realisation per case** | **399** | **425** | **441** | **459** | **475** | **491** |
| % growth | -1.7% | 6.4% | 3.8% | 4.2% | 3.3% | 3.3% |
| **Net Revenue (INR bn)** | **74.9** | **81.2** | **89.1** | **101.2** | **112.9** | **126.0** |
| % growth | 28.5% | 8.3% | 9.8% | 13.6% | 11.6% | 11.6% |
| Gross Profit (INR bn) | 32.2 | 34.5 | 38.3 | 43.6 | 49.7 | 56.4 |
| **Gross Margin %** | **42.9%** | **42.6%** | **43.0%** | **43.1%** | **44.0%** | **44.7%** |
| **EBITDA (INR bn)** | **6.1** | **6.9** | **8.4** | **10.1** | **13.0** | **16.2** |
| % growth | -11.6% | 13.1% | 20.7% | 20.5% | 28.5% | 24.9% |
| EBITDA per case | 33 | 36 | 42 | 46 | 55 | 63 |
| % growth | -32.4% | 11.1% | 14.2% | 10.5% | 18.9% | 15.6% |
| **EBITDA margin %** | **8.2%** | **8.6%** | **9.4%** | **10.0%** | **11.5%** | **12.9%** |

Source: Company, JM Financial. Note: Gross margin is calculated on net revenue

## Valuation: Improving execution; near term headwinds an opportunity to ADD

- After 5 years of modest sales and earnings CAGR, UBL is showing signs of an uptick in volume as well as recovery in margins with initiatives under the new CEO Vivek Gupta yielding results – visible from improvement in volume growth trajectory (1QFY26 volume growth at 10% despite an adverse summer vs. c.6% volume growth in FY25), strong growth in the premium portfolio and market share gains (both in mainstream and premium segments in 1QFY26). We like UBL's strengths in terms of strong brand, portfolio width, large manufacturing and supply chain infrastructure, which are also key moats in the business that has enabled it to sustain dominant leadership position for decades in the domestic market.
- We like the strategic interventions being undertaken by the new CEO in terms of addressing portfolio gaps, accelerating premiumisation and investing in fortifying the supply chain infrastructure. We expect revenue momentum to sustain and build in high-single-digit volume CAGR over FY25-28E, which along with better price/mix should result in low double-digit sales CAGR over the same period.
- We believe the current margin profile does not fully reflect the underlying potential of the business and see headroom to improve margins. The pace of margin expansion is likely to be lower in FY26E considering recent challenges in the key markets of Karnataka and Telangana, which, we believe, should ease over the medium term. This along with scale-up in the premium portfolio and leverage benefit, we believe, should help achieve double-digit EBIT margins by FY28E.
- Our forecasts bake in higher earnings trajectory vs. recent historical performance, which, along with an improving balance sheet (expects to be net cash positive by FY28E) and return profile/FCF generation will help sustain premium valuations. Hence, we initiate coverage with ADD and a Sep'26 TP of INR 1,990/share (60x Sep'27E).
- **Key risks to our investment thesis:** Some of the risks faced by the company include a) Any adverse regulations in key markets; b) volatility in input costs especially glass bottles; c) increasing competitive intensity; d) slower-than-expected recovery in Karnataka.

**Exhibit 15. UB's 5yr avg. PE band**




Source: Bloomberg, Company, JM Financial. Note: Valuation as on 18th Sep'25

**Exhibit 16. UB's 10yr avg. PE band**



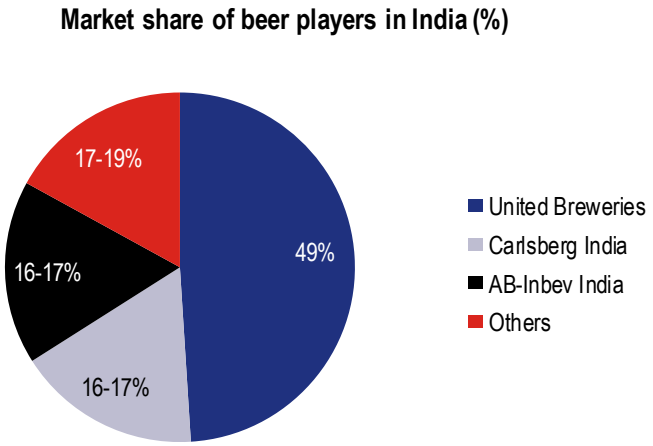

Source: Bloomberg, Company, JM Financial. Note: Valuation as on 18th Sep'25

# Business analysis

## Dominant leader with strong capabilities

- **Dominant leader with iconic brands and robust supply chain capabilities:** Incorporated in 1999, UBL (subsidiary of Heineken NV) is a dominant market leader in the Indian beer industry with a volume and value market share of c.50%. In terms of revenue scale and manufacturing infrastructure too, it is much larger compared to key competitors like Carlsberg India, Ab-Inbev India and B9 Beverages. Further it has a wide portfolio comprising national brands, regional brands as well as offerings from Heineken's global portfolio. The strength of its capabilities is visible from the fact that despite challenging regulatory conditions and competition, UBL has been able to sustain its leadership position in the beer segment over decades now, which is rare in our view.

Exhibit 17. UBL is a dominant market leader in the Indian beer industry…




Source: Company, JM Financial

Exhibit 18. …with much larger scale and manufacturing infrastructure vs. peers

| Company | Total no. of manufacturing units | Total no. of states |
|---|---|---|
| **United Breweries** | **21* owned + 15 CMU** | **20** |
| Carlsberg India | 8 owned + 6 co-packers + 2 Licensee | 14 |
| AB InBev India | 10 | NA |

Source: Companies website and annual report, JM Financial
Note: Data for Carlsberg as per Annual report for FY24 and Data for AB Inbev from company website.
* Out of 21 owned manufacturing plants, 2 plants viz., 1 at Naubatpur and 1 at Cherthala are currently not operational.

Exhibit 19. Wide product portfolio across price points comprising Heineken brands, Kingfisher range as well as regional brands

| Product segment | Price range | Key products |
|---|---|---|
| New Economy | INR 120 to INR 150 | London Pilsner, London Strong, Bullet, Bullet Strong |
| Economy | INR 150 to INR 170 | UB Export |
| Mainstream | INR 170 to INR 200 | Kingfisher Premium, Kingfisher Strong |
| Premium | >INR 200 | Heineken Original, Heineken Silver, Kingfisher Ultra, Kingfisher Ultra Max, Kingfisher Ultra Witbier, Amstel and Amstel Grande |

Source: Company, JM Financial
Note: Classification done based on prices in the state of Karnataka for 650ml bottle.

# State mix: Analysing key markets of UBL

## Karnataka: Large and profitable market; however, adverse regulatory changes to weigh on near-term industry volume

- **Large and most profitable market for the beer industry:** As per our industry checks, Karnataka is one of the top three markets for beer, accounting for c.11-12% of industry volumes (c.50mn cases p.a., equivalent to c.4-5mn hectolitre p.a). Further, it has been the most profitable state for the industry.
- **Adverse regulatory environment with multiple tax hikes over last 2 years is impacting industry volume:** Over the last 2 years, the regulatory environment has not been favourable in the state for beer players. The beer industry in the state saw implementation of two significant tax hikes in FY24 (which resulted in an increase in additional excise duty from 175% to 195%). Moreover, in 1HCY25, the duty structure was changed twice.

**Exhibit 20. Karnataka's regulatory landscape remains volatile with frequent hikes in duty levy over the past 2 years…**

| Declared Price Range (INR) | ED per BL | Additional ED per BL | |
|---|---|---|---|
| | w.e.f 01.04.16 | For FY22-23 | w.e.f 01.02.24 |
| 125 - 139 (in case of 330ml bottles) | 10 | 175% of DP | 195% of DP |
| 140 - Above | 10 | | |

Source: Karnataka State Beverages Corporation Limited' excise duty slab schedule, Company, JM Financial

- **First in Jan'25, additional excise duty was changed to 195% of basic price or INR 130 per bulk litre, whichever is higher.** Hence, with this notification, beer is taxed under two slabs based on alcohol content—beers with 5% alcohol content and those with alcohol content of 5-8%. This has led to higher tax incidence on economy brands versus mainstream brands. As per our understanding, the prices for the new economy segment (which is the entry level economy segment) increased by c.50% while the price increase in mainstream and premium segments were still manageable. As per our industry checks, the economy segment and, within that, the new economy segment is a large part of the Karnataka beer market. Hence, Karnataka, which had grown at a volume CAGR of 20% in the last 4 years, saw industry volume decline of high teens in 1HCY25.

**Exhibit 21. … and has changed twice in a span of 6 months**

| Declared Price Range (INR) | ED per BL | Additional ED per BL | |
|---|---|---|---|
| | w.e.f 20.01.25 | w.e.f 20.01.25 | w.e.f 15.05.25 |
| 300 and above | | 195% of DP or Rs. 130 per BL whichever is higher | 200% of DP |
| Alcohol content <= 5% | 12 | | |
| Alcohol content >= 5% to <=8% | 20 | | |

Source: Karnataka State Beverages Corporation Limited' excise duty slab schedule, Company, JM Financial

- As a result, UBL strategically decided to absorb some of the impact in the mainstream brands (Kingfisher & KF Ultra) while fully passing on the impact in the economy brands. The idea was to incentivise consumers to uptrade to mainstream brands as the price gap between mainstream and economy brands had halved.
- **Post representation from beer players/associations, government decided to do away with the INR 130 per bulk litre in May'25.** Additional excise duty was increased from 195% to 200% for all brands (lower vs. earlier plan to increase it to 205%). The excise duty had been doubled from INR 10 per bulk litre to INR 20 on strong beer. This should bring some respite with prices of new economy brands coming down vs. Jan'25 levels and help arrest the sharp decline in economy brands in our view.

Exhibit 22. While MRP remained same, DP/Case reduced as UBL decided to absorb some of the impact of excise hike

| Kingfisher Strong | Apr-24 | Sep-24 | Jan-25 | May-25 | May-25 |
|---|---|---|---|---|---|
| Declared price per case (INR) | 601 | 601 | 616 | 616 | 574 |
| MRP per bottle (INR) | 185 | 185 | 185 | 190 | 190 |

Source: Company, JM Financial.
Note: Current price taken from livcheers.com and historical price taken from alcoholpricelist.blogspot.com

Exhibit 23. Prices of economy segments saw steep hike in Jan and saw correction post change in excise policy in July

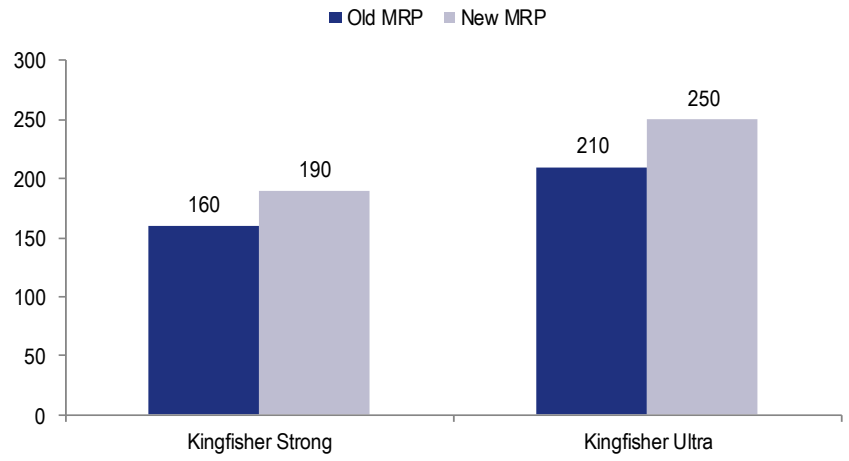
| MRP per bottle (INR) | 01-Aug-24 | 01-Jan-25 | 01-Jul-25 |
|---|---|---|---|
| UB Export | 145 | 160 | 165 |
| Bullet | 120 | 150 | 125 |
| London Pilsner | 130 | 155 | 140 |
| Power Cool | 125-130 | 155 | 125 |

Source: Company, JM Financial.
Note: Current prices are taken from livcheers.com

## Telangana: Largest market by consumption but profitability remains a challenge

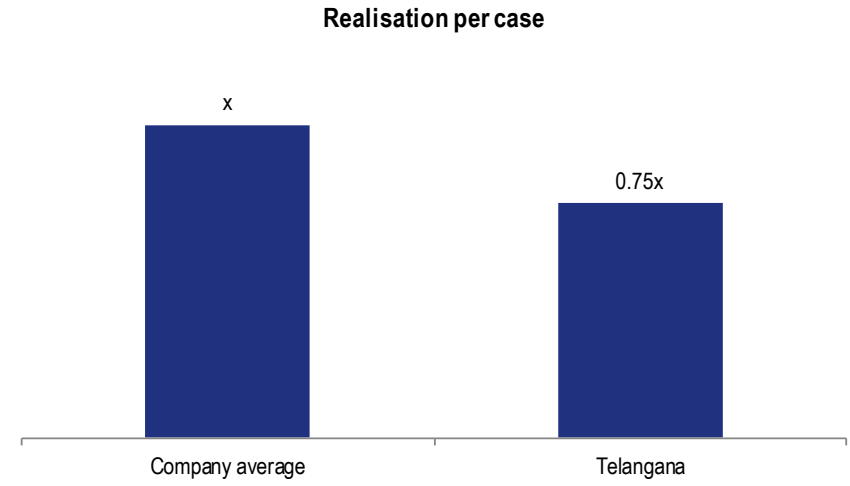
- Telangana is the largest beer market in India, accounting for c.13-15% of industry volume; however, unlike Maharashtra and Karnataka, it is much lower in terms of profitability due to lower realisations/case and higher taxation in the state. As per our checks, UBL enjoys a dominant market share of c.70%+ in this state. Given the lower realisation per case vs. other key markets, UBL was making EBIT loss in the state despite a dominant position with large scale.
- In Jan'25, UBL stopped beer supply to Telangana State Beverage Corporation on account of pending price hikes (no hike in the last 5 years) and increasing receivables (c.INR 9bn in Jun'24). In order to have profitable/sustainable operations, UBL required a price hike of c.30%. However, post active engagement with the state government, the industry secured a 15% price hike in Feb'25, and the company has also started getting regular payments on the receivables front. While the hike is lower vs. the actual demand, it will help in reducing EBIT loss (breakeven currently). Having said that, the tax structure was not altered or rationalised; as a result, the hike led to an increase in consumer prices, which has impacted the volume trajectory in the state. Moreover, a further price hike will be required in the medium term; otherwise, the operations in the state can again go back into the red assuming some inflation in input and other operating costs.

Exhibit 24. Post numerous representations, some price hikes effected by Telangana government have partially curbed the challenges faced




Source: Media Reports

Exhibit 25. Realisation per case in Telangana is lower than the company's average

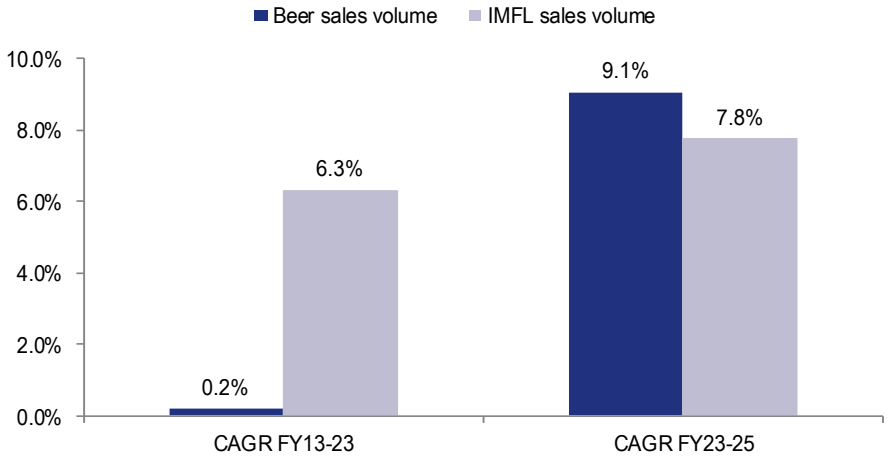



Source: JM Financial estimate

## Maharashtra: Large market with better profitability; industry growth showing signs of improvement

- **Beer industry seeing healthy recovery in growth over FY23-25:** Apart from Karnataka, Maharashtra is another key market (among top 5 states) for alcoholic beverages. For beer players, it accounts for c.12-13% of the industry, has a high liquor outlet density (20,000+ outlets) and is also better in terms of profitability. However, due to higher taxation on beer, industry growth had been flat over FY13-23. Over the last 2 years, the category has seen some traction growing in high single digits.
- **UBL taking several initiatives to capitalise on momentum:** UBL is the dominant market leader with c.50% share and has a strong manufacturing presence in the state with three breweries. As a part of its strategy to capitalise on this large market, UBL has implemented a sharper route-to-market plan to optimise its operations in the state. It is addressing distribution gaps (had 13 districts with zero distribution point of coverage), improving distributor/retailer servicing, enhancing cooler placement (currently only c.10-15% outlets) to 50% of the outlets over the next 2 years. A combination of UBL's internal initiatives on distribution as well as the recent tax hike on IMFL, the management expects beer category growth to further improve in the state.

Exhibit 26. Decade-long flat growth ends as Beer sales see healthy growth over FY23-25




Source: Media reports, JM Financial estimate

## Uttar Pradesh: Large and fast-growing market led by favourable policy environment

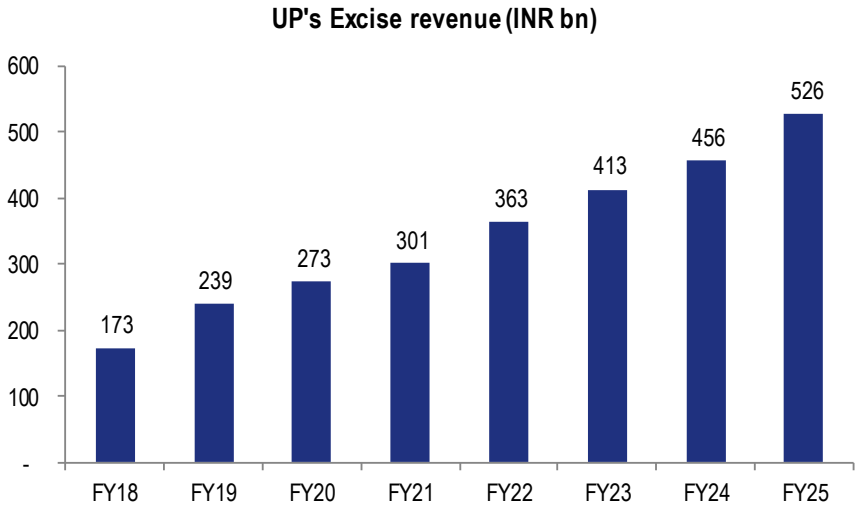
- Uttar Pradesh is one of the fast-growing markets for alcoholic beverages led by progressive government policies – stable consumer prices, increase in number of stores (from 6K to 10k+), better availability of key raw material and favourable demographics.
- The state currently accounts for c.10% of UBL's business and is currently being serviced through contract manufacturers. As a part of its strategy to step up manufacturing capabilities and also address supply needs in the state, UBL announced the setting up of a new greenfield unit (after a decade) with a capex outgo of INR 7.5bn – this will be one of the largest breweries with capabilities to produce both mainstream as well as premium brands. The plant is expected to start commercial production in CY27E.

**Exhibit 27. Uttar Pradesh's huge market opportunity and progressive policy developments has compelled UBL's first brewery investment**

| Classification | Key policy developments |
|---|---|
| Sale and License related interventions | Sale of IMFL and beer at separate shops have been replaced by composite shops - i.e. beer, IMFL and wine will now be sold from a single counter. This will boost retail density without increasing the number of shops. |
| | No distinct beer license required to make beer sales from composite shops. |
| | Country liquor shops have the option to sell beer as well. |
| Shop allocation | Country liquor shops, composite shops, model shops and cannabis retail shops will be allocated through an e-lottery system instead of renewal process followed earlier. |

Source: Media reports, Company, JM Financial

**Exhibit 28. Uttar Pradesh's excise revenue from alco-beverages has almost doubled over the last 7 years, growing at a CAGR of 17% led by favourable regulatory environment**

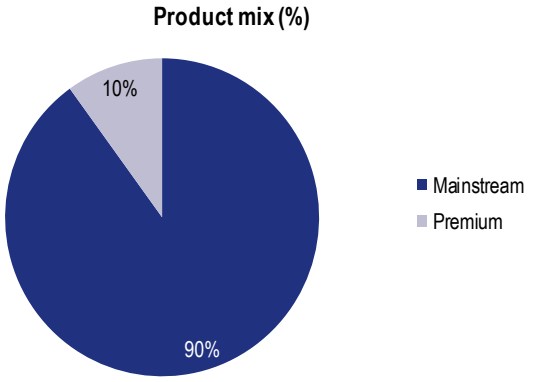



Source: Uttar Pradesh State Beverages Corporation, Company, JM Financial

## Increased focus on premiumisation; initial results encouraging

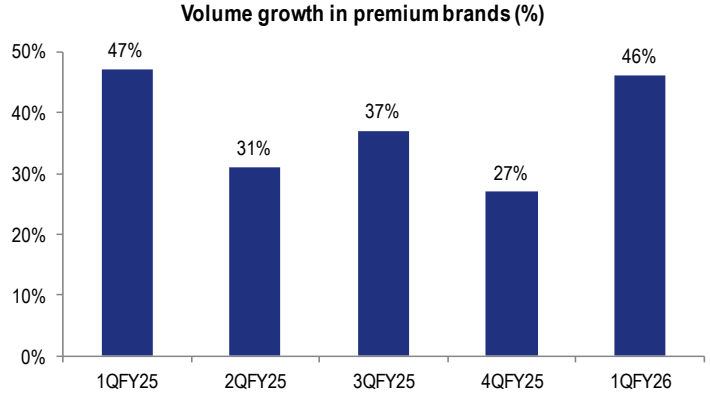
- **Step-up in efforts behind premium portfolio where UBL is currently under-indexed:** After muted growth in FY24, UBL's premium portfolio saw a strong bounce-back in FY25 with strong growth in Kingfisher Ultra max and Heineken Silver. The company gained c.200bps share in the premium segment, which was led by a) unlocking supplies (started local production of its premium brands at six locations in 1HCY25, and four more units are expected to commence operations in FY26), b) extending premium brands into newer markets and c) innovations/new launches. Currently, the salience of the premium portfolio stands in high single digit in volume terms and low double digit in value terms. The management targets to increase this to c.25% over the medium term.
- **Realisation/case higher but profitability is lower currently due to infusion of new glass bottles:** Having said that, capacity is still getting ramped up for the same. Further, the portfolio is still in the investment phase and requires higher new glass bottle infusion and marketing spends. As a result, it is margin dilutive – margin for this portfolio is 2/3rd of the rest of the portfolio's margin. However, in states with an optimum scale, EBITDA per case for premium brands is c.2x of the mainstream beer portfolio.
- **MNC peers have higher salience of premium products, which also adds to their gross margin profile:** As per our industry checks, Carlsberg and Ab-Inbev India have higher salience in the premium segment compared to UBL. Also, our analysis of Carlsberg India's financials provides some indication of the margin potential with increasing salience of premium brands. Currently, Carlsberg India has the highest realisation/case, gross and EBITDA margin compared to other two players, UBL and AB-Inbev India, which is a function of higher salience of premium brands in its overall portfolio.

**Exhibit 29. UBL remains focused on improving premium mix…**



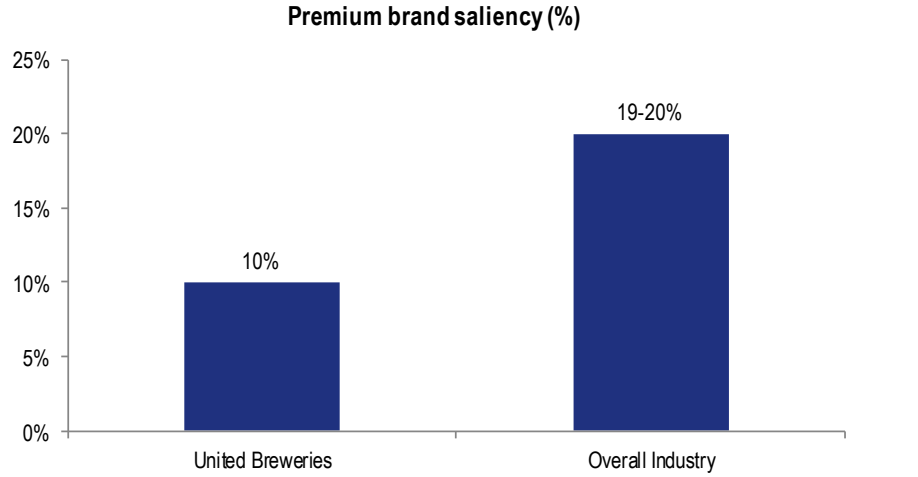

Source: Company, JM Financial

**Exhibit 30. …visible from strong growth seen in FY25/1QFY26**



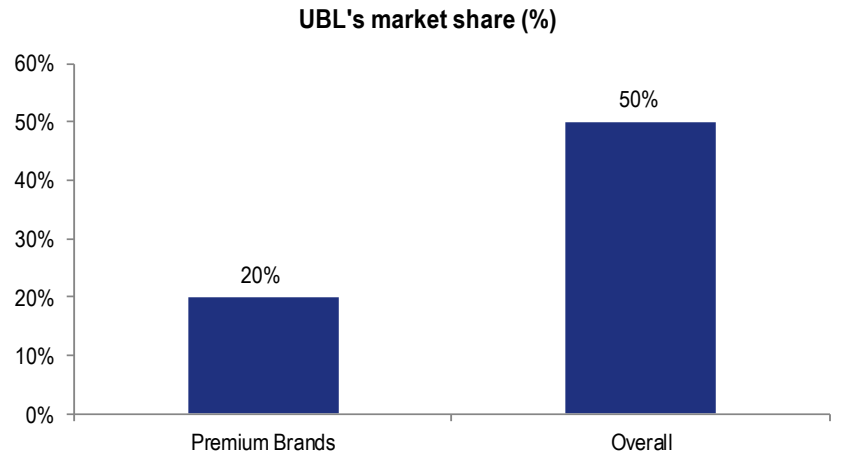

Source: Company, JM Financial. Note: Volume growth is reflected in hectolitres

**Exhibit 31. Headroom for improving premium mix - UBL is currently under-indexed vs. salience of premium brands for the industry**




Source: Company, JM Financial

Exhibit 32. UBL's market share in premium brands is lower vs. its overall market share in beer segment



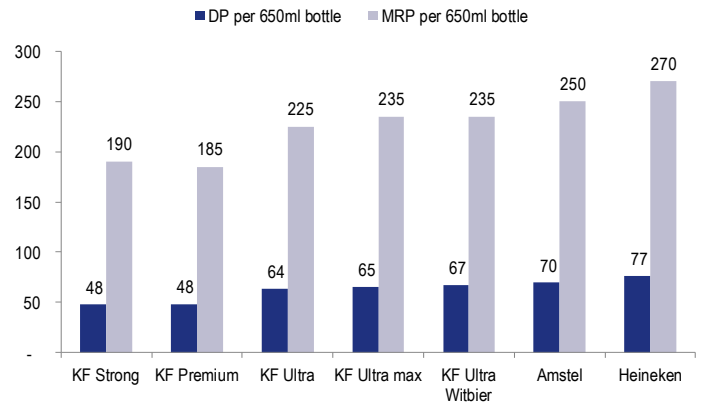

Source: Company, JM Financial

Exhibit 33. UBL has a wide range of offerings in the premium segment under Kingfisher brand as well as from Heineken portfolio



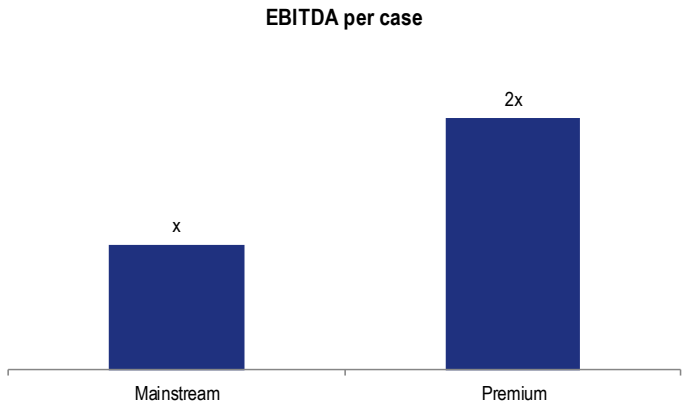

Source: Company Annual Report, JM Financial

Exhibit 34. Realisation per bottle for premium brands is much better vs. mainstream brands…




Source: Company, JM Financial
Note: DP means declared price before levy of excise duty.

Exhibit 35. …and at optimum scale can generate 2x EBITDA per case vs. mainstream

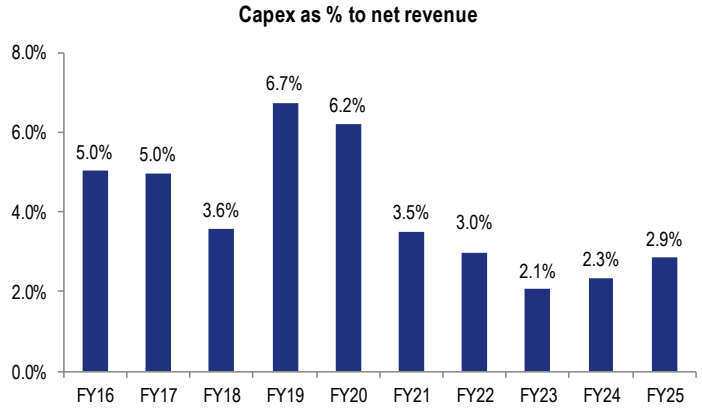



Source: Company, JM Financial estimate

## Strengthening supply chain capabilities

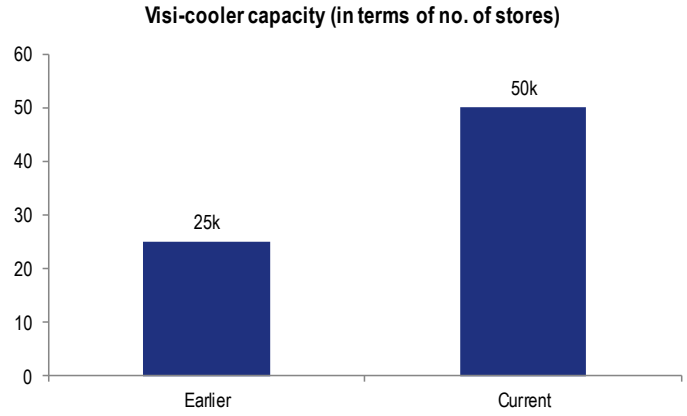
- **Increasing capex intensity:** Excluding Covid years, UBL's capex intensity over FY23-25 has been lower compared to pre-Covid years – capital expenditure (as per CF) as % to sales has averaged around c.2-3% over FY23-25 compared to c.5-7% over FY16-20. Also, capacity constraints in market such as UP and AP result in interstate transfers that weigh on margins (as seen in 1QFY26). The management acknowledged the need to step up intensity to ensure better servicing of the markets as well as scale-up premium brands. As part of this strategy UBL announced a capex of INR 7.5 bn towards setting up a new greenfield unit in UP. The plant will be one of the largest breweries globally with a capacity of 1mn-3mn HLPA and will have lines for manufacturing both mainstream and premium brands. It will take at least 2 years to start commercial production.
- In addition to capacity expansion, UB is also accelerating expansion of visi-cooler network – the addition in 1HCY25 is similar to the expansion done in CY24. Going ahead, the management plans to step this up to mid-high single digits in the coming years.

**Exhibit 36. Gradual step up in capex seen…**




Source: Company, JM Financial. Net revenue is net-off excise duty but including other operating income

**Exhibit 37. …along with acceleration in visi-cooler capacity**

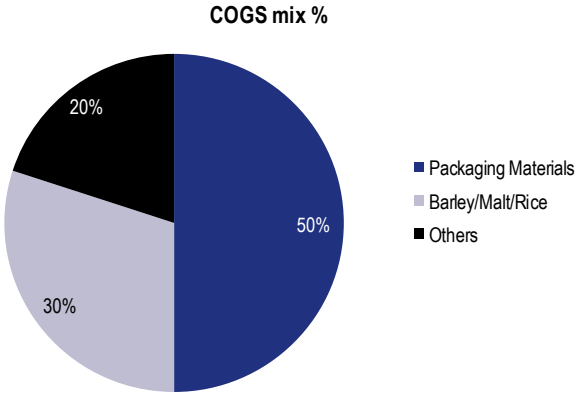



Source: Company, JM Financial

# Enough headroom for margin expansion

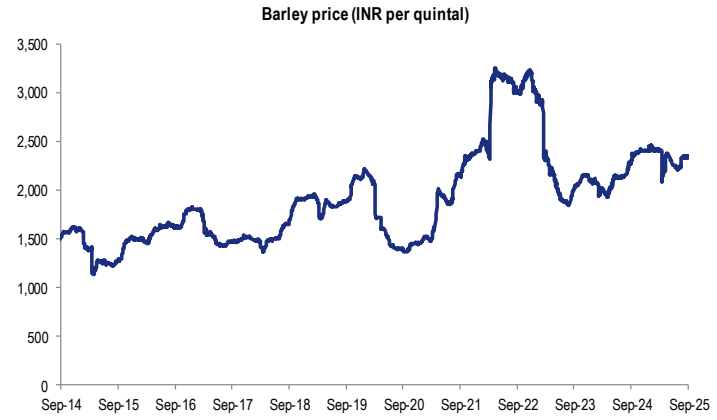
- **Sharp input cost inflation has impacted margins especially over FY20-25:** UBL's gross margin has come off sharply in the last decade from c.54-56% in FY16/17 to c.43% in FY25. The margin compression has been a function of lower growth in realisation/case compared to increase in COGS/case. Over FY15-25, UBL's realisation/case has grown at a CAGR of 3.8% while COGS/case has grown at higher rate of 6.8%, resulting in flattish CAGR for gross profit/case over the same period. If we further breakdown the COGS, both RM consumed per case as well as packing material/case has increased by a CAGR of c.6-7%.
- **Larger impact coming from inflation in packaging costs (glass bottles):** On the RM side, barley (one of the key raw materials, accounting for 30% of COGS) prices in the past have been impacted by unseasonal rainfall and higher prices for competitive crops, leading to farmers shifting production to other crops. The management expects barley prices to be largely stable in the coming quarters. On the bottles (key packaging material accounting for 50% of COGS) front, consumption cost has been impacted by tight supply market because the recycled bottle chain, which was disturbed during Covid, has not fully come back, and also due to higher cullet demand. Inflationary pressure in energy, soda ash also led to higher bottle cost.
- **Salience of used bottles seeing gradual improvement:** UBL's share of recovered bottles stands at c.70%; an improvement vs. c.65% a year back but still lower vs. pre-Covid levels of c.80%+. The management is targeting to increase the share to c.73% by end of FY26. This, apart from increasing the scale of the premium portfolio, currently requires infusion of new bottles, which leads to margin dilution. Over the medium term, as the premium portfolio reaches adequate scale in states with localised production and salience of recovered bottles improve, the margin benefit should start to accrue.

**Exhibit 38. UBL's current COGS mix**



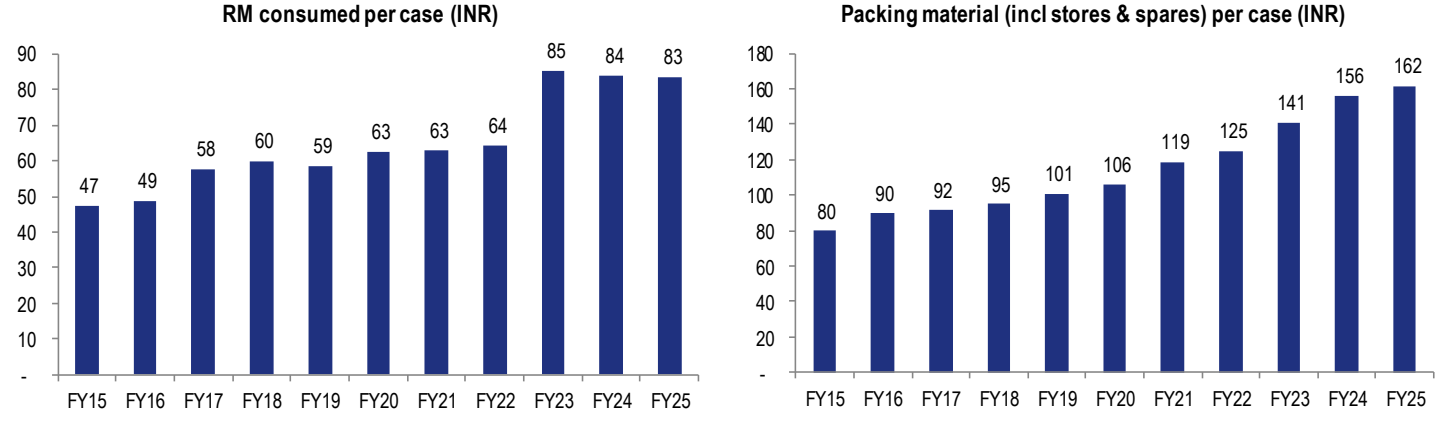

Source: Company, JM Financial

**Exhibit 39. Barley is one of the key RMs consumed**



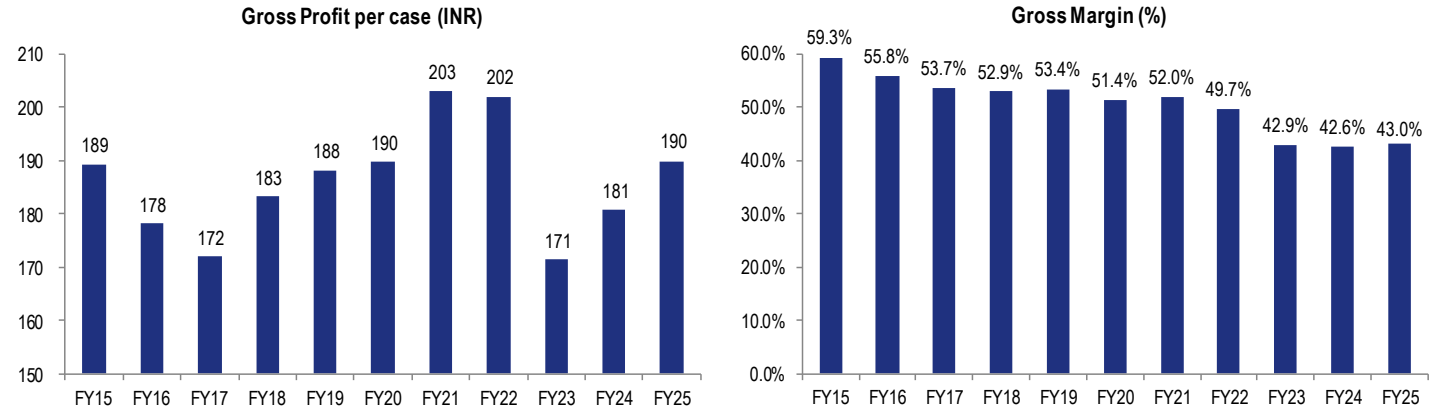

Source: Bloomberg, Company, JM Financial

**Exhibit 40. Over FY15-25, RM consumed & packing material per case continued on its upward trend, steep inflation seen since Covid…**



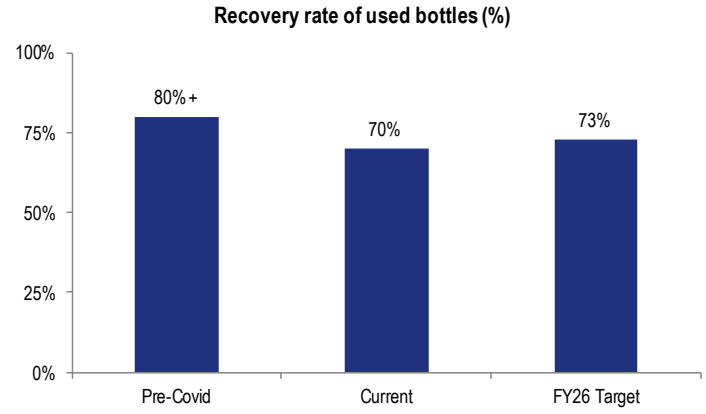

Source: Company, JM Financial

Exhibit 41. …resulting in flattish gross profit per case and steep margin compression



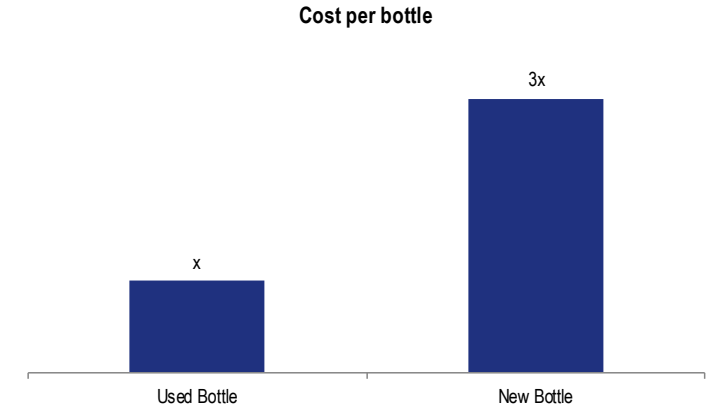

Source: Company, JM Financial. Gross margin is calculated on net revenue

Exhibit 42. Gradual improvement in recovery rate of used bottles post-Covid…




Source: Company, JM Financial

Exhibit 43. …will help reduce packaging costs considering large difference in cost/bottle vs. new bottles




Source: Company, JM Financial

- **Execution on premium portfolio can accelerate margin expansion:** Despite leaner cost structure, UBL's EBITDA margins are lower vs Carlsberg India primarily due to lower salience of premium portfolio. Currently UBL's premium portfolio is growing much faster than mainstream brands; however, margins are 2/3rd of balance portfolio due to infusion of new bottles. At optimum scale, with localised manufacturing and stabilised new bottle infusion EBITDA/case for premium portfolio can be 2x of mainstream brands. Hence, execution here can be a significant margin driver over the medium term for UBL.
- **In our view, current margins do not fully reflect the underlying potential of the business.** Over the medium term, we expect margins to improve led by a) stability in input costs, b) improving recovery rates of glass bottles, c) optimising supply chain with localisation of manufacturing operations, d) improving performance in highly profitable markets of Maharashtra and Karnataka (together account for c.25% of UBL's overall volume), e) premiumisation and f) possible price hikes. The management is targeting to achieve double-digit EBIT margin (vs. high single digit currently) over the medium term.

# Analysis of competitive landscape in beer industry

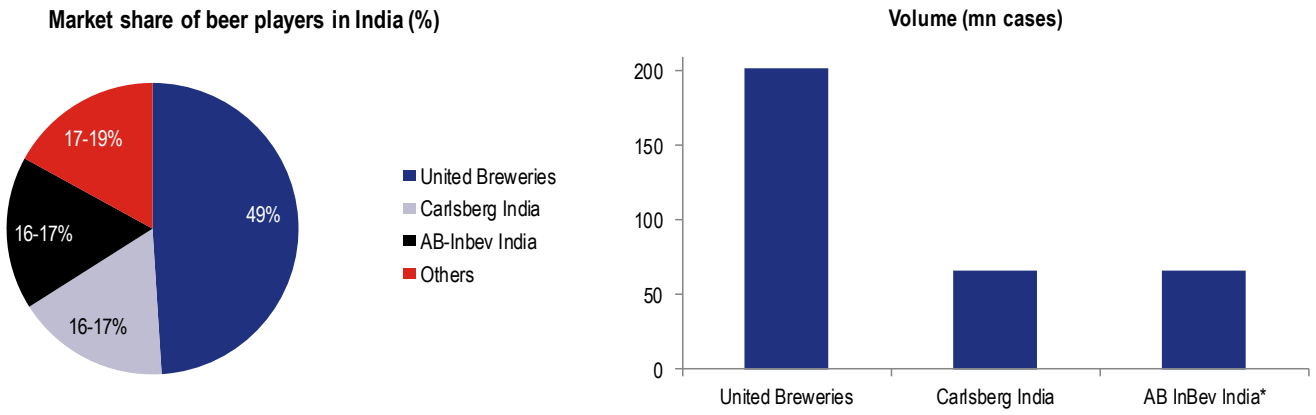
- **Oligopolistic market:** India's beer industry is dominated by the top 3 players, who together account for 80-85% of the market. Our comparative analysis of UBL with other key competitors in the Indian market (Carlsberg India, AB-Inbev, B9 Beverages) suggests it is by far the largest in terms of manufacturing footprint, portfolio as well as revenue.
- **UBL is largest player in terms of scale; Carlsberg India leads in terms of growth, realisation/case and profitability due to better mix:** As per our analysis/checks in terms of realisation/case and gross/EBITDA margins, Carlsberg India leads the pack followed by UBL and AB-Inbev India. In our view, this is predominantly on account of higher salience of premium/super-premium brands for Carlsberg India vs. the other two, who have decent salience coming from mainstream/regional brands.
- **Cost structure-wise UBL is much leaner** as seen with UBL's staff cost as % to sales is lower vs. Carlsberg & AB-Inbev India. Also, UBL's freight cost as % to sales is lower due to its much wider manufacturing presence.

**Exhibit 44. United Breweries is by far the largest in terms of manufacturing set-up…**

| Company | No. of manufacturing units |
|---|---|
| **United Breweries** | **21 owned* + 15 contract manufacturing** |
| Carlsberg India | 8 owned + 6 co-packers + 2 licensee |
| AB Inbev | 10 breweries |
| B9 Beverages | 5 leased |

Source: Companies websites and annual report, News article, JM Financial
*As on March 31, 2025 - Out of 21 owned manufacturing plants, 2 plants viz., 1 at Naubatpur and 1 at Cherthala are currently not operational.

**Exhibit 45. …reflective from its dominant market share, volume…**



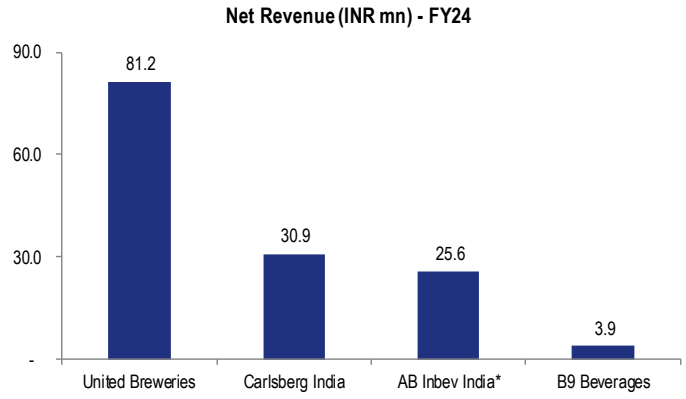

Source: Company, JM Financial, *Data for AB Inbev pertains to FY23

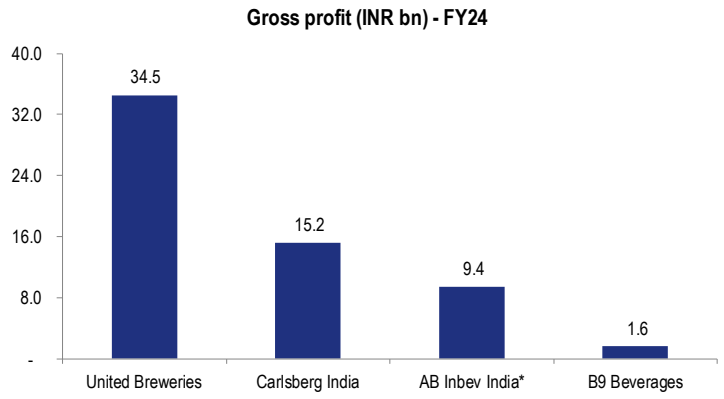
**Exhibit 46. …brand positioning across peer group…**

| Company | Economy/Mainstream (up to INR 200) | Premium (> INR 200) |
|---|---|---|
| United Breweries | London Pilsner, London Strong, Bullet, Bullet Strong, UB Export, Kingfisher Premium Light, Kingfisher Strong | Heineken Original, Heineken Silver, Kingfisher Ultra, Kingfisher Ultra Max, Kingfisher Ultra Witbier, Amstel and Amstel Grande |
| Carlsberg India | Tuborg Strong, Tuborg Light | Carlsberg Light, Carlsberg Elephant Strong, Tuborg Classic Black Strong |
| AB InBev India | Knockout, Haywards 5000, Royal Challenge | Budweiser Light, Budweiser Magnum, Corona, Hoegaarden |
| B9 Beverages | Bira Boom | Bira White, Bira 91 Rise Rice Strong Lager Beer, Bira Blonde, Bira Gold |

Source: Company, JM Financial. Note: Classification is based on MRP in Karnataka state

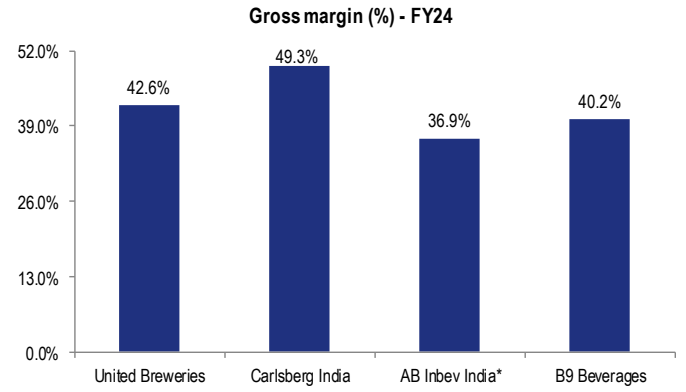
## Exhibit 47. ...and revenue scale among peers

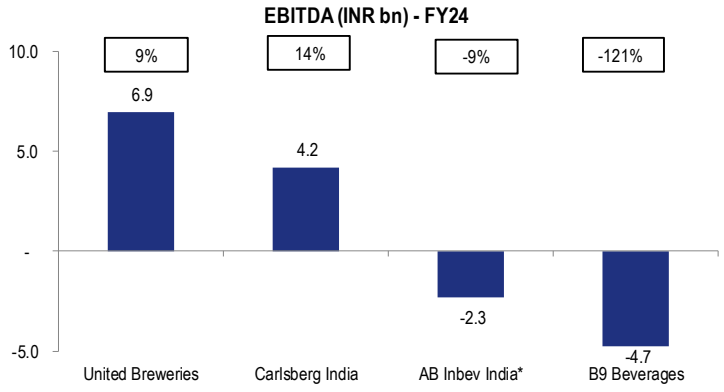



Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income.
*Data for AB Inbev pertains to FY23

## Exhibit 48. However, in terms of % margin performance, Carlsberg India ranks higher due to favourable mix



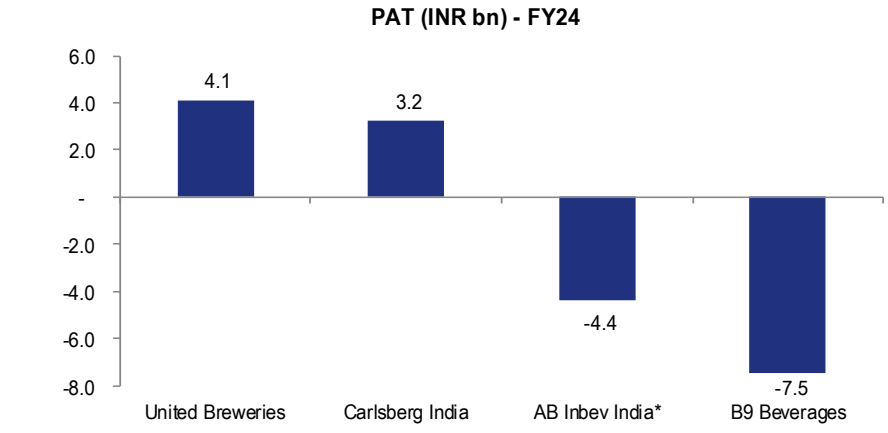

Source: Company, JM Financial. Note: 1. Gross margin is calculated on net revenue. 2. The figures in the box pertains to EBITDA margin for FY24 except in case of AB Inbev.
*Data for AB Inbev pertains to FY23

## Exhibit 49. United breweries has a much leaner cost structure vs. peers

| as % to net revenue - (FY24) | United Breweries | Carlsberg India | AB Inbev India* |
|---|---|---|---|
| Staff cost | 7.9% | 9.0% | 9.0% |
| Other expenses (ex-A&P spends and freight cost) | 17.0% | 18.1% | 22.5% |
| A&P spends | 4.2% | 3.1% | 6.0% |
| Freight cost | 4.9% | 5.6% | 8.4% |

Source: Company, JM Financial, Note: Net revenue is net-off excise duty but including other operating income.
*Data for AB Inbev pertains to FY23

## Exhibit 50. UBL and Carlsberg maintain profitable growth within the peer group




Source: Company, JM Financial. *Data for AB Inbev pertains to FY23

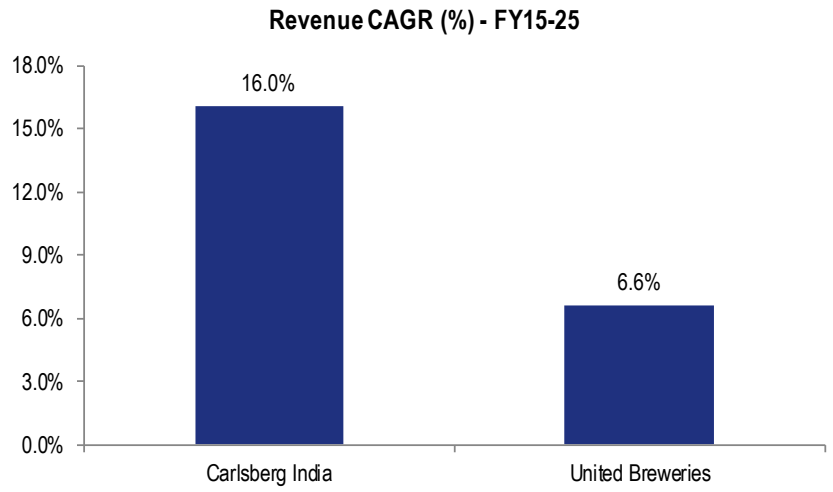
- **Carlsberg India has grown faster vs. UBL over FY15-25:** Further, recent commentaries from Carlsberg & AB-Inbev as well as our checks suggest that Carlsberg India has seen higher sales/volume growth in CY23-1HCY25 compared to UBL and AB-Inbev India. UBL sales in CY24 were impacted by RTM changes in Tamil Nadu, AP & Delhi and stoppage of supply in Telangana in 1QCY25.

**Exhibit 51. Carlsberg has seen higher volume growth than UBL over CY23/24/1HCY25**

| Volume Growth (%) | CY23 | CY24 | 1HCY25 |
|---|---|---|---|
| United Breweries | 0.0% | 7.0% | 7.7% |
| Carlsberg India | High-single digit | 12% | Double-digit |

Source: Company PPT, JM Financial

**Exhibit 52. Carlsberg India has seen faster sales growth over FY15-25 vs. UBL**




Source: Companies Data, JM Financial . Note: Revenue figure of Carlsberg India for FY25 is as per internal estimates.

- **Step-up in investments in India market by all 3 MNC majors:** Also, the commentaries from parent companies for all the top 3 MNC players clearly highlight that India is one the key focus markets for them globally, indicative of the attractiveness of the opportunity size. Hence, all three players have also announced step-up in capex investment to strengthen their supply chain capabilities.

**Exhibit 53. Capex announcements in India by top 3 MNC players**

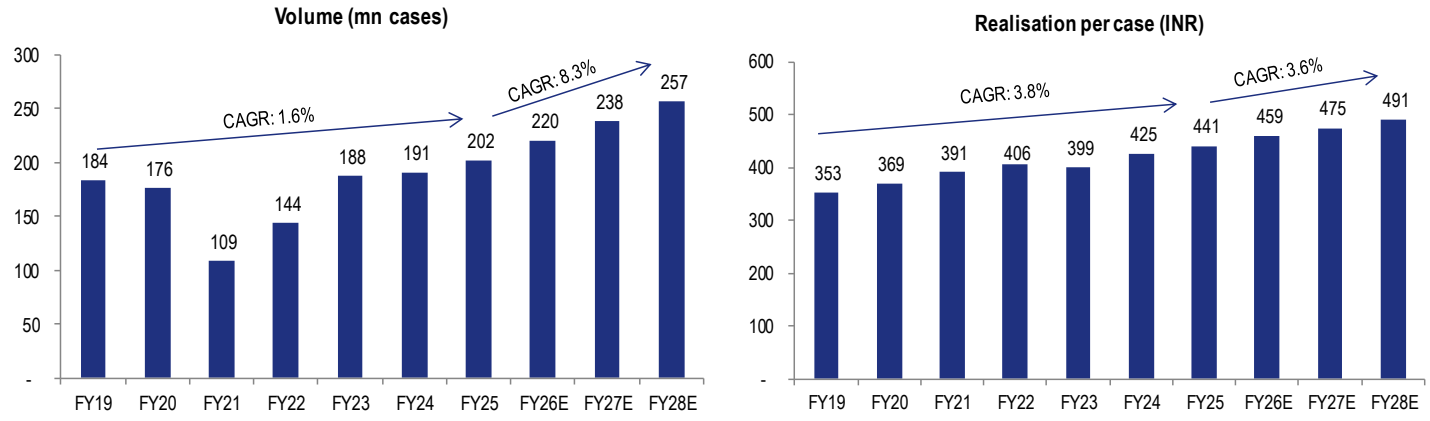
| United Breweries | Carlsberg India | AB InBev India |
|---|---|---|
| We are excited to announce an **INR 750 crores investment in a new greenfield brewery in Uttar Pradesh,** expected to be operational by Q4 FY27. Proposed capacity is 1.0-2.0mhl. UP offers healthy potential, accounting for ~17% of India's population. Expect healthy traction from UP upon capacity addition. | Carlsberg India has signed a memorandum of understanding with the Karnataka government **to invest INR 350 crores to expand its existing brewery in Mysuru**. Carlsberg further plans to open up to three new breweries in India to bolster its supply chain capabilities in this growing market. | AB InBev has planned **to invest USD 250 million in India's beverage market in the next two to three years.** The company will sign a Memorandum of Understanding in due time. |

Source: Company, JM Financial

## Financial analysis

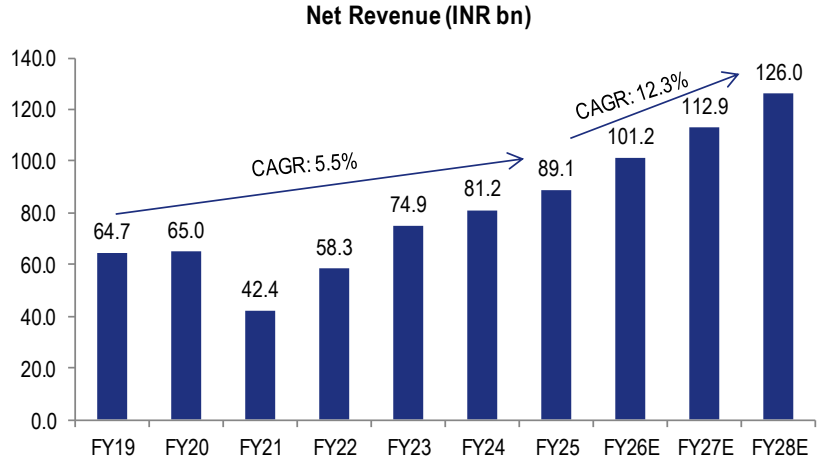
- **Higher volume growth and price/mix led uptick in realisations/case to accelerate sales growth over FY25-28E:** We bake in sales CAGR of c.12% over FY25-28E as we expect UBL's volume trajectory to accelerate over FY25-28E to c.8% (vs. low-single-digit CAGR seen over FY19/25/FY23-25) along with stable realisation. FY26 has started on a strong note with c.10% volume growth despite the adverse summer and mid-teen volume decline in the key market of Karnataka. We expect revenue momentum to continue - a function of improving macro, its own internal initiatives around portfolio/distribution/manufacturing, healthy growth in key markets like UP, Telangana, Maharashtra, Rajasthan, TN, AP and gradual recovery in Karnataka.

Exhibit 54. We expect improvement in volume growth momentum vs. previous years along with steady uptick in realisation/case…




Source: Company, JM Financial

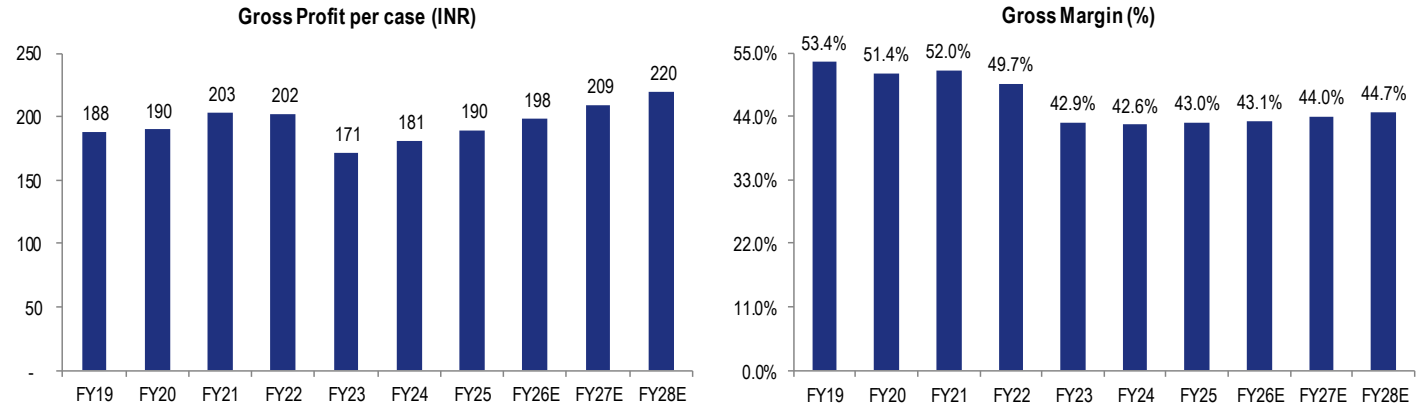
Exhibit 55. …resulting in sales CAGR growth of c.12% across FY25-28E




Source: Company, JM Financial. Note: Net revenue from operations is net-off excise duty but including other operating income.

- **Stable input cost, premiumisation and recovery in state mix to aid gross margin expansion:** UBL's gross margin movement is dependent on state mix, input costs (barley and glass bottles) and price hikes. The state mix has been adverse primarily on account of decline in Karnataka and higher growth in Telangana/AP. Pricing environment has been healthy with price hike in Telangana, and UP. On the input front, barley prices are stable to benign; however, packaging costs depend on the salience of returnable bottles. While the share of returnable bottles is improving gradually, there is also infusion of new bottles (which are costlier vs. returned bottles) due to much faster growth in the premium portfolio. Hence, gross margin shrank YoY in 1Q. We expect GM for the balance 9M to be better vs. 1QFY26. We are factoring in a healthy uptick in GM in FY27/28 assuming a better state mix (Karnataka comes back to normalised growth, Maharashtra continuing to do well), stable RM prices, improving share of returnable bottles and normalisation of premium portfolio growth.

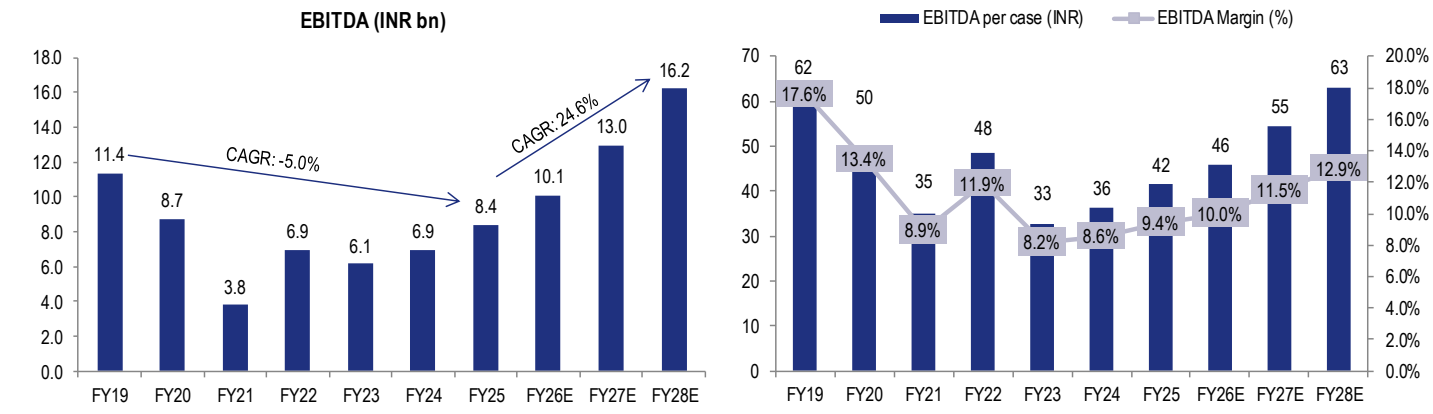
Exhibit 56. After flattish GP per case and margin compression over FY19-25, we expect gradual recovery in GP per case (CAGR: 5%, FY25-28E) and gross margin expansion (c.170bps over 3 years)…




Source: Company, JM Financial.

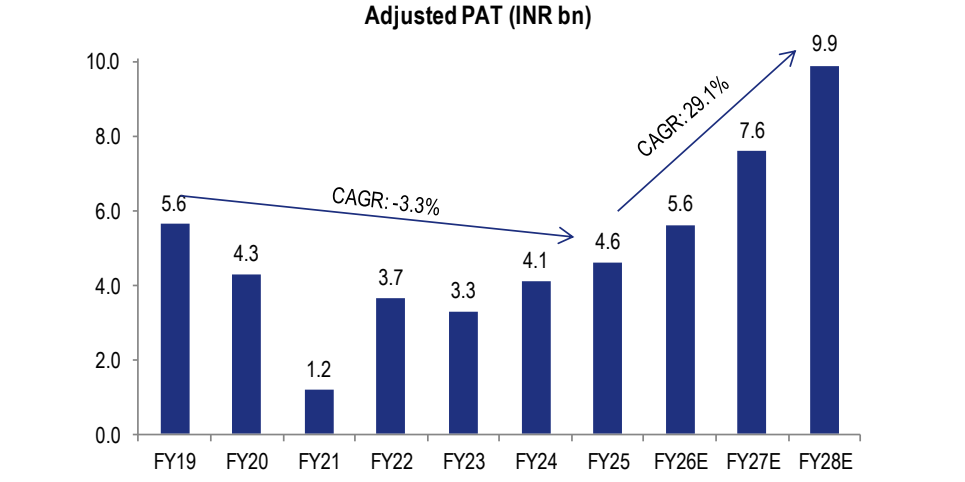
- **Gross margin expansion and scale-led efficiencies to provide fuel for investments as well as drive margin improvement:** Despite muted revenue growth over FY18-25, UBL has been able to derive cost efficiencies with other expenses (incl. A&P spends) as % to net revenue seeing a reduction of c.430bps over the same period. With double-digit sales growth over FY25-28E, we expect better fixed cost absorption, which, along with gross margin expansion, should drive higher EBITDA (we forecast CAGR of c.25% over FY25-28E) as well as PAT growth (we forecast CAGR of c.29% over FY25-28E).

Exhibit 57. …which along with scale leverage will aid EBITDA growth (CAGR: 24.6%) and margin improvement (c.350bps) over FY25-28E




Source: Company, JM Financial

Exhibit 58. We also expect robust growth in net profitability (CAGR: 29% over FY25-28E)




Source: Company, JM Financial

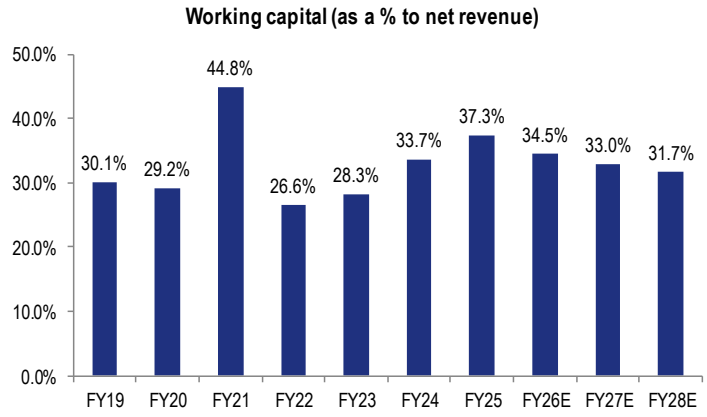
- **Improving profitability and working capital to enable funding higher capex generate FCF and improve return profile.** With uptick in profitability (we estimate c.350bps uptick in EBITDA margin) as well as improving working capital, we expect OCF to improve, which should allow the company to fund its higher capex requirements, generate FCF and improve overall RoE/RoCE profile over FY25-28E.

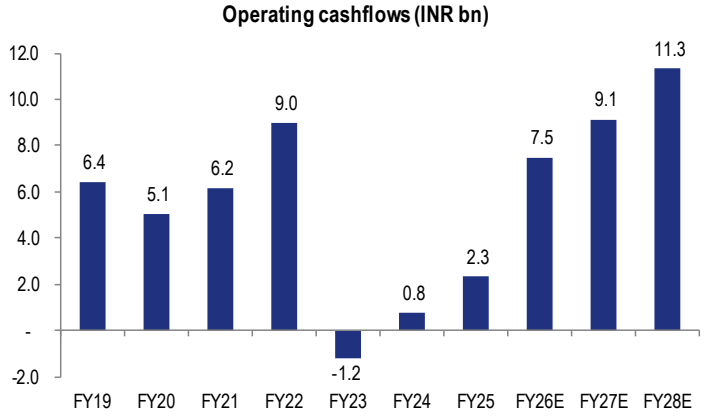
**Exhibit 59. Working capital days**

| Net working capital days (on gross sales) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|---|
| Inventory days | 27 | 28 | 41 | 26 | 32 | 28 | 31 | 31 | 31 | 31 |
| Debtor days | 40 | 34 | 51 | 36 | 31 | 47 | 55 | 56 | 52 | 50 |
| Creditor days | 16 | 14 | 23 | 18 | 16 | 19 | 22 | 22 | 22 | 22 |
| **Net working capital days** | **51** | **48** | **69** | **44** | **47** | **55** | **64** | **65** | **62** | **60** |

Source: Company, JM Financial

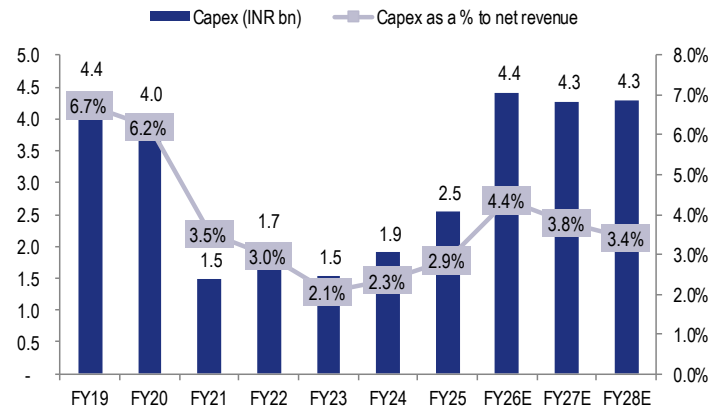
**Exhibit 60. Improving profitability and working capital to boost operating cash flows…**

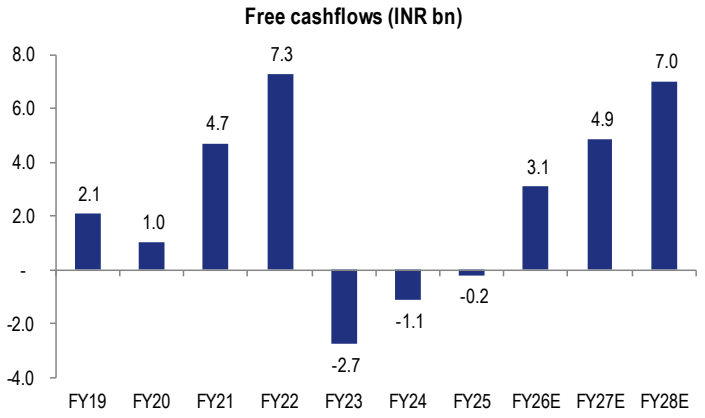



Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income.

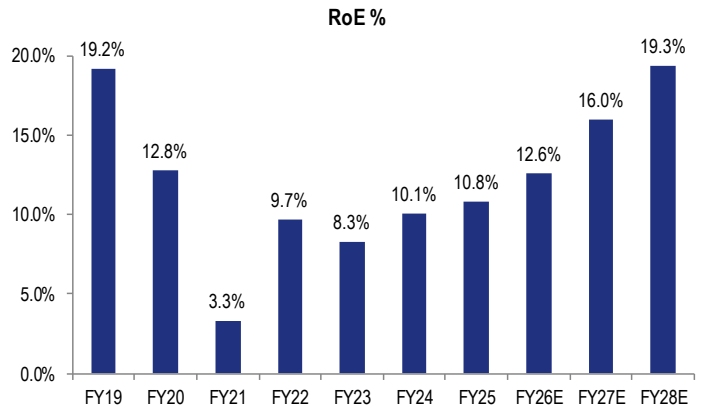
**Exhibit 61. …supporting increased capex intensity while maintaining positive FCF over FY25-28E**

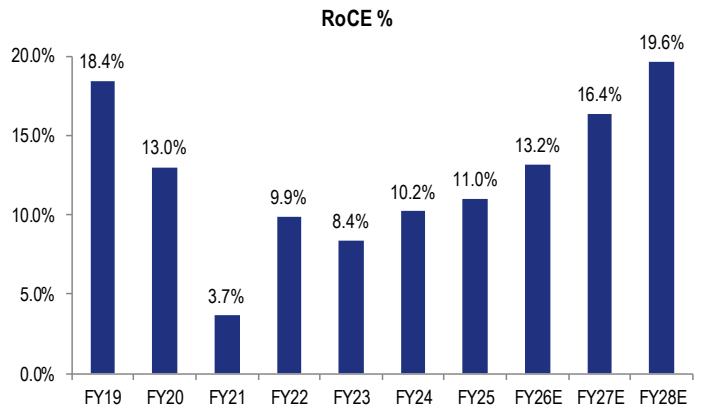



Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income.

Exhibit 62. RoE/RoCE profiles to see steady improvement over FY25-28E




Source: Company, JM Financial. Note: RoCE calculation is on post-tax basis.

# Management background

## Exhibit 63. Key Management Team

| Name | Designation | Qualification & experience |
|---|---|---|
| Mr. Anand Kripalu | Chairperson – Non-Executive Independent Director | He has a B.Tech in Electronics from IIT, Madras, an MBA from IIM, Calcutta and has completed Advanced Management programme from Wharton Business School. He has over 30 years of experience in the FMCG industry. Prior to EPL Ltd, he spent 7 years as the Managing Director and CEO of Diageo India. He was also a Member of Diageo's Global Executive Committee. Currently, he is also the Non-Executive Chairman of Swiggy. Before joining Diageo, he served as the President of the Indian and Southeast Asia business for Mondelez International. Before that, he played several key roles and spent 22 years at Unilever. |
| Mr. Vivek Gupta | Managing Director & Chief Executive Officer | He is an engineering graduate with an MBA from IIM, Ahmedabad. He has solid and broad experience from commercial and leadership roles in MNCs and new-age start-ups, both in international markets and India. Prior to United Breweries, he served as Chief Business Officer at Udaan.com. Before that, he has spent two decades in leadership and commercial roles at P&G with last position being Managing Director of Australia and New Zealand. |
| Mr. Jorn Elimar Kersten | Director & Chief Financial Officer (Appointment w.e.f. August 1, 2024) | He is a Dutch National holding an MSC in Economics and Management Control from the University of Amsterdam. He has also completed his Executive Master of Finance & Control from Nyenrode Business University. He has over 18 years of experience. He has been associated with Heineken since 2007 and previously served as Finance Director – Ethiopia and Regional Business Control Manager for the American Region. He held various other roles in HEINEKEN Netherlands and Head Office before joining the American Region. |
| Mr. Xavier Jadin | Senior Director – Supply Chain (Appointment w.e.f. July 1, 2025) | He is Bio-engineer specialised in Brewery from UCLouvain, Belgium with two decades of experience. He has been associated with Heineken since 2013 and has held several key supply chain leadership roles including his most recent position as Director for the Caribbean, Panama, Ecuador, and Peru. Previously, he has led supply chain at BRANA (Haiti) and Brassivoire (Ivory Coast) and began his HEINEKEN journey in France after years of experience across Africa. |
| Mr. Vikram Bahl | Director – Marketing | He graduated from St. Stephen's College, New Delhi and holds an MBA from IIM, Bangalore. He has over 30 years of rich marketing experience. Prior to UBL, he was leading the nutrition business of Unilever as the Global Brand Vice President. He has previously worked with organizations like P&G, Gillette, Kellogg, GSK Consumer and Unilever across local, regional and global assignments. |
| Mr. Rakesh Kumar | Director – Sales | He is an Economics Graduate from Delhi University and an MBA from IMT-Ghaziabad. He has 22 years of experience in commercial sales & marketing, scaling businesses and P&L Management across Alco-Bev, Food & Beverages, and Home Care Categories. Before, UBL he has worked with Diageo, where he was heading their South and East business. Prior to joining Diageo, he worked as the MD & CEO of SC Johnson Products for South Asia and Sales Director of PepsiCo for various regions. |
| Mr. Suresh Mandalika | Director – Digital & Technology | He holds a B.Tech in Computer Science from JNTUH College of Engineering Hyderabad and also holds an MBA from IIM, Lucknow. He has 19 years of rich experience in Alcobev, BFSI and consumer goods sectors and has previously worked with Capgemini and Unilever. In his last role, he was leading Unilever's global digital transformation programme and driving innovation, marketing and commerce. |

Source: Company, JM Financial

## Key risks

- **Adverse regulatory environment:** The beer industry in India operates in a highly regulated environment, characterised by complex state-level policies, high excise duties, and advertising restrictions. These regulatory challenges not only create barriers to market expansion but also pricing flexibility. With every state having its independent excise regulation and governing provisions, overall risk exposure remains high due to lack of uniformity. Karnataka is one of core markets where UBL operates that has seen frequent policy interventions due to which the overall category has declined during 1HCY25. As UBL remains over-indexed in this state, any unfavourable regulatory changes and policy framework to negatively impact the company's operations and profitability.
- **Volatility in input costs:** UBL's key raw materials includes a) packaging material like glass, aluminium and b) agri-commodities like barley, malt, rice which accounts for c.80% of its COGS. Price volatility in these inputs driven by global commodity cycles, supply-demand imbalances or geopolitical factors could lead to higher production costs. Since, the company operates in a highly regulated environment where price flexibility is negligible, it faces challenges in passing on the impact of increased costs to its consumers, potentially resulting in margin compression.
- **Increasing competitive intensity:** Even though competition fosters category growth, the competitive environment is intensifying with both domestic and international players expanding their presence in India. Moreover, the emergence of microbreweries, craft beer brands and global entrants is also reshaping consumer expectations. As a market leader, increasing competition will always be a key risk factor for UBL.

# Financial Tables (Standalone)

## Income Statement (INR mn)

| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Net Sales | 78,701 | 85,855 | 97,657 | 109,074 | 121,827 |
| Sales Growth | 7.5% | 9.1% | 13.7% | 11.7% | 11.7% |
| Other Operating Income | 2,453 | 3,219 | 3,508 | 3,824 | 4,168 |
| **Total Revenue** | **81,154** | **89,074** | **101,166** | **112,898** | **125,996** |
| Cost of Goods Sold/Op. Exp | 46,612 | 50,768 | 57,564 | 63,226 | 69,621 |
| Personnel Cost | 6,428 | 7,131 | 7,773 | 8,470 | 9,227 |
| Other Expenses | 21,165 | 22,785 | 25,723 | 28,219 | 30,933 |
| **EBITDA** | **6,949** | **8,389** | **10,106** | **12,982** | **16,214** |
| EBITDA Margin | 8.6% | 9.4% | 10.0% | 11.5% | 12.9% |
| EBITDA Growth | 13.1% | 20.7% | 20.5% | 28.5% | 24.9% |
| Depn. & Amort. | 2,116 | 2,327 | 2,505 | 2,694 | 2,880 |
| EBIT | 4,833 | 6,063 | 7,601 | 10,288 | 13,335 |
| Other Income | 729 | 357 | 329 | 164 | 168 |
| Finance Cost | 69 | 129 | 380 | 271 | 217 |
| PBT before Excep. & Forex | 5,493 | 6,291 | 7,550 | 10,181 | 13,286 |
| Excep. & Forex Inc./Loss(-) | 0 | -258 | 0 | 0 | 0 |
| PBT | 5,493 | 6,033 | 7,550 | 10,181 | 13,286 |
| Taxes | 1,399 | 1,622 | 1,925 | 2,596 | 3,388 |
| Extraordinary Inc./Loss(-) | 0 | 0 | 0 | 0 | 0 |
| Assoc. Profit/Min. Int.(-) | 0 | 0 | 0 | 0 | 0 |
| Reported Net Profit | 4,094 | 4,412 | 5,625 | 7,585 | 9,898 |
| **Adjusted Net Profit** | **4,094** | **4,603** | **5,625** | **7,585** | **9,898** |
| Net Margin | 5.0% | 5.2% | 5.6% | 6.7% | 7.9% |
| Diluted Share Cap. (mn) | 264.4 | 264.4 | 264.4 | 264.4 | 264.4 |
| **Diluted EPS (INR)** | **15.5** | **17.4** | **21.3** | **28.7** | **37.4** |
| Diluted EPS Growth | 24.8% | 12.4% | 22.2% | 34.8% | 30.5% |
| Total Dividend + Tax | 2,644 | 2,644 | 3,262 | 4,399 | 5,741 |
| Dividend Per Share (INR) | 10.0 | 10.0 | 12.3 | 16.6 | 21.7 |

Source: Company, JM Financial

## Balance Sheet (INR mn)

| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Shareholders' Fund | 41,741 | 43,592 | 45,954 | 49,140 | 53,297 |
| Share Capital | 264 | 264 | 264 | 264 | 264 |
| Reserves & Surplus | 41,476 | 43,327 | 45,690 | 48,875 | 53,032 |
| Preference Share Capital | 0 | 0 | 0 | 0 | 0 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Total Loans | 774 | 5,749 | 3,749 | 2,749 | 2,249 |
| Def. Tax Liab. / Assets (-) | -529 | -667 | -667 | -667 | -667 |
| **Total - Equity & Liab.** | **41,986** | **48,673** | **49,036** | **51,221** | **54,878** |
| Net Fixed Assets | 19,403 | 19,912 | 21,822 | 23,401 | 24,820 |
| Gross Fixed Assets | 48,789 | 50,506 | 54,506 | 58,506 | 62,506 |
| Intangible Assets | 1,179 | 1,193 | 1,253 | 1,253 | 1,253 |
| Less: Depn. & Amort. | 34,091 | 36,285 | 38,680 | 41,256 | 44,012 |
| Capital WIP | 3,526 | 4,498 | 4,743 | 4,897 | 5,073 |
| Investments | 156 | 155 | 155 | 155 | 155 |
| Current Assets | 50,345 | 61,382 | 61,851 | 65,248 | 70,845 |
| Inventories | 13,665 | 16,149 | 16,856 | 18,826 | 21,011 |
| Sundry Debtors | 23,133 | 28,601 | 29,966 | 31,377 | 33,377 |
| Cash & Bank Balances | 2,082 | 4,419 | 2,206 | 1,580 | 2,319 |
| Loans & Advances | 0 | 0 | 0 | 0 | 0 |
| Other Current Assets | 11,466 | 12,212 | 12,823 | 13,464 | 14,137 |
| Current Liab. & Prov. | 27,918 | 32,776 | 34,793 | 37,582 | 40,942 |
| Current Liabilities | 9,889 | 12,194 | 12,647 | 13,749 | 15,287 |
| Provisions & Others | 18,030 | 20,583 | 22,145 | 23,833 | 25,656 |
| Net Current Assets | 22,427 | 28,606 | 27,059 | 27,666 | 29,903 |
| **Total – Assets** | **41,986** | **48,673** | **49,036** | **51,221** | **54,878** |

Source: Company, JM Financial

## Cash Flow Statement (INR mn)

| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Profit before Tax | 5,493 | 6,291 | 7,550 | 10,181 | 13,286 |
| Depn. & Amort. | 2,116 | 2,327 | 2,505 | 2,694 | 2,880 |
| Net Interest Exp. / Inc. (-) | 69 | 129 | 380 | 271 | 217 |
| Inc (-) / Dec in WCap. | -5,162 | -4,223 | -677 | -1,244 | -1,509 |
| Others | -364 | -276 | -329 | -164 | -168 |
| Taxes Paid | -1,384 | -1,913 | -1,925 | -2,596 | -3,388 |
| **Operating Cash Flow** | **768** | **2,335** | **7,504** | **9,142** | **11,317** |
| Capex | -1,903 | -2,546 | -4,415 | -4,272 | -4,299 |
| Free Cash Flow | -1,135 | -211 | 3,089 | 4,869 | 7,018 |
| Inc (-) / Dec in Investments | -12 | -13 | 0 | 0 | 0 |
| Others | 438 | 174 | 329 | 164 | 168 |
| **Investing Cash Flow** | **-1,477** | **-2,385** | **-4,085** | **-4,108** | **-4,131** |
| Inc / Dec (-) in Capital | 0 | 0 | 0 | 0 | 0 |
| Dividend + Tax thereon | -1,983 | -2,644 | -3,262 | -4,399 | -5,741 |
| Inc / Dec (-) in Loans | 774 | 4,974 | -2,000 | -1,000 | -500 |
| Others | -91 | -157 | -369 | -260 | -206 |
| **Financing Cash Flow** | **-1,300** | **2,174** | **-5,632** | **-5,659** | **-6,447** |
| **Inc / Dec (-) in Cash** | **-2,009** | **2,124** | **-2,213** | **-626** | **740** |
| Opening Cash Balance | 4,091 | 2,296 | 4,419 | 2,206 | 1,580 |
| Closing Cash Balance | 2,082 | 4,419 | 2,206 | 1,580 | 2,319 |

Source: Company, JM Financial

## Dupont Analysis

| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Net Margin | 5.0% | 5.2% | 5.6% | 6.7% | 7.9% |
| Asset Turnover (x) | 2.0 | 1.9 | 2.0 | 2.2 | 2.3 |
| Leverage Factor (x) | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 |
| RoE | 10.1% | 10.8% | 12.6% | 16.0% | 19.3% |

## Key Ratios

| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| BV/Share (INR) | 157.9 | 164.9 | 173.8 | 185.9 | 201.6 |
| ROIC | 9.5% | 10.4% | 12.3% | 15.7% | 19.2% |
| ROE | 10.1% | 10.8% | 12.6% | 16.0% | 19.3% |
| Net Debt/Equity (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| P/E (x) | 116.2 | 103.3 | 84.6 | 62.7 | 48.1 |
| P/B (x) | 11.4 | 10.9 | 10.4 | 9.7 | 8.9 |
| EV/EBITDA (x) | 68.2 | 56.8 | 47.1 | 36.7 | 29.3 |
| EV/Sales (x) | 5.8 | 5.3 | 4.7 | 4.2 | 3.8 |
| Debtor days | 104 | 117 | 108 | 101 | 97 |
| Inventory days | 61 | 66 | 61 | 61 | 61 |
| Creditor days | 47 | 52 | 48 | 47 | 48 |

Source: Company, JM Financial

# APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081
Member of BSE Ltd. and National Stock Exchange of India Ltd.
SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610
Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.
Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com
Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: sahil.salastekar@jmfl.com
Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: instcompliance@jmfl.com

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| New Rating System: Definition of ratings | |
|---|---|
| Rating | Meaning |
| BUY | Expected return >= 15% over the next twelve months. |
| ADD | Expected return >= 5% and < 15% over the next twelve months. |
| REDUCE | Expected return >= -10% and < 5% over the next twelve months. |
| SELL | Expected return < -10% over the next twelve months. |

| Previous Rating System: Definition of ratings | |
|---|---|
| Rating | Meaning |
| BUY | Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields. |
| HOLD | Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months. |
| SELL | Price expected to move downwards by more than 10% from the current market price over the next twelve months. |

* REITs refers to Real Estate Investment Trusts.

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The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:
All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and
No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

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