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Sector Thematic

India Alcoholic Beverages

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India's Alcobev Sector at a Structural Inflection Point

India's alcoholic beverages industry is entering a decade of structural acceleration, driven by demographic tailwinds, rapid premiumization, and a clear regulatory pivot toward more progressive, transparent, and compliance focused state policies. Major resets in Uttar Pradesh, Karnataka and Andhra Pradesh — alongside early reform signals from Tamil Nadu — are creating a level playing field and enabling national brands to scale meaningfully faster. In this environment, companies with strong premium depth, sharper state alignment, and disciplined execution — United Spirits, Radico Khaitan and Tilaknagar — are best positioned for sustained value creation. Our on ground checks across Maharashtra, Karnataka, Telangana, Tamil Nadu and Haryana — including visits to distilleries, bottling units and single malt facilities — reinforce these insights and highlight state specific nuances shaping the next phase of industry growth.


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India Alcoholic Beverages

All eyes on India: policy evolution drives upside

India's alcoholic beverages industry is entering a decade of structural transformation, supported by favourable regulatory shifts in key states, strong demographic momentum, accelerating premiumization and a clear move toward more professional execution. At a time when global spirits markets show signs of fatigue, India remains the most resilient and fastest-growing market, driven by rising incomes, a young consumer base and a rapidly expanding aspirational middle class. With competitive barriers gradually narrowing, brands with the strongest consumer resonance and ability to interpret evolving taste preferences are positioned to lead. We initiate coverage on the sector with a positive stance, rating Radico Khaitan, United Spirits and Tilaknagar as BUY, Allied Blenders as ADD and United Breweries as REDUCE.

Regulation appears to be moving in a more supportive direction: While alcoholic beverages have long carried social stigma, post-pandemic trends point to broader acceptance and rising premiumization. With most volumes still in country liquor and regular IMFL/IML, the P&A segment offers substantial headroom for growth. Regulatory thinking is also evolving. Post GST and amid increased welfare priorities have been introduced, states have been adopting more pragmatic policies that expand availability, improve transparency, allow freer pricing, and accelerate label approvals. Key indicators of this shift include Uttar Pradesh's excise framework becoming a template for others, Karnataka's P&A surge following excise-slab simplification, Andhra Pradesh's market liberalization, and Tamil Nadu's new administration signaling openness. Tamil Nadu, being the country's largest spirits market, has a high probability of further market opening under the new government, along with potential fiscal benefits. The prospect of Bihar reopening stays firmly on the radar.

Execution remains central to winning with the consumer: We believe execution will matter more than regulation or category tailwinds in determining long-term leadership. National players must operate with a complete portfolio across price points to capture diverse consumption opportunities. As innovation accelerates, R&D will need to strongly align with both marketing and sales to ensure relevance and adoption. With limited capex requirements ahead, organizational focus is likely to shift to front-end capabilities. As companies drive premiumization, we expect a steady improvement in margins and returns.

Valuations will increasingly mirror opportunity and execution quality: Traditional moats such as distribution reach and regulatory navigation are gradually weakening. The emerging sources of competitive advantage will instead be: (a) depth and credibility in premium brands, (b) ability to operate effectively across price tiers, (c) participation in structurally high-growth categories such as vodka, gin, tequila, RTDs, and single malts, (d) regulatory alignment in progressive states, and (e) strong, professional execution. Over the coming decade, the core driver of value creation will be premiumization. In the near term, however, volume traction will remain critical for newer entrants as they expand toward a pan-India presence.

India Alcoholic Beverages – A fair opportunity for all players: In our coverage, we lean toward companies with robust local execution. Consumer preferences are shifting quickly, and Indian buyers increasingly value unique, locally resonant offerings. While MNCs continue to scale global brands in India, the narrative of "Indianness" remains a strong competing theme in the marketplace. We initiate coverage on Radico Khaitan, United Spirits and Tilaknagar Industries with BUY ratings, Allied Blenders with ADD, and United Breweries with REDUCE. Key risks to our positive sector stance include any material inflationary headwinds or regressive policy changes across major volume states.

HSIE Alcoholic Beverages Coverage

Company	TP (INR)	Upside	Reco.
Allied Blenders	685	12%	ADD
Radico Khaitan	5,300	16%	BUY
Tilaknagar Industries	700	29%	BUY
United Spirits	1,750	18%	BUY
United Breweries	1,325	4%	REDUCE

Source: Bloomberg, HSIE Research
Note: Based on closing price as of 4-Sep-2026

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Executive summary

India's alcoholic beverages sector is at the cusp of its most meaningful structural reset in decades. Unlike global markets facing stagnation or decline, India is poised for sustained expansion driven by favourable demographics, progressive policy shifts, broad-based premiumisation, and rapid evolution in consumer identity. While traditional growth engines such as popular whisky and brandy remain relevant, the next decade will be defined by new categories, new consumer cohorts, and new competitive moats. As regulatory volatility stabilises and industry professionalism deepens, we see value creation increasingly linked to capability, portfolio depth, and execution excellence.

India's consumption engine is now structurally superior to global peers.

Global spirits markets — the US, Europe, and China — are facing volume contraction, ageing populations, and shifting social habits. In contrast, India is likely to add nearly 100mn LDA consumers in next five years, with the median age at 28, rising affluence, urban exposure, and strong socio-cultural acceptance of modern drinking behavior. This young and aspirational base is driving experimentation in white spirits, cocktails, and RTDs, while simultaneously upgrading within whisky and brandy. India is already the world's largest whisky market by volume and one of the fastest-growing globally across vodka, gin and agave-based spirits.

Regulation is graduating from a constraint to a growth enabler

Progressive states such as Uttar Pradesh, Karnataka, Telangana, and Andhra Pradesh have modernized their excise frameworks — transparent licensing, composite retail models, pricing rationalization, supply-chain visibility, and duty structures that promote premiumization. These reforms are expanding legal consumption, improving mix, boosting compliance, and creating investor confidence. However, policy divergence persists: moves in Maharashtra underline how abrupt revenue-led actions can disrupt category economics. Over the decade, regulatory alignment and predictability will be central to sustaining category momentum.

Full-portfolio depth is key as India fragments into three consumption cohorts

India now effectively operates as three consumer segments: (1) India 1 mass aspirers driving regular/low prestige demand; (2) India 2 middle class driving mid prestige premiumization; and (3) India 3 affluent experimenters driving luxury, craft and imported spirits. Companies must, therefore, participate across price segments in whisky, brandy, rum, vodka, gin, tequila, and RTDs to remain relevant. Domestic players are expanding blends, formats, and flavors; MNCs are scaling Scotch, tequila and luxury single malts; and both groups are strengthening data-led activation to improve sharpness of execution across markets.

Premiumization and Indianness are rewriting competitive dynamics

White spirits have emerged as post-COVID winners, driven by cocktail culture, rising female participation, and increasing global exposure. Premium Indian single malts, craft gins, flavored vodkas and spiced rums are gaining strong traction, with Indian-origin brands now competitive with global peers in quality, design, and story. Premium and luxury segments are fragmenting further as affluent consumers seek experiences rather than familiarity — creating room for multiple niche brands and new-age entrants. Meanwhile, RTDs and flavored formats reflect a broader youth-led behavioral shift toward convenience and mixology, though long-term scalability depends on regulatory alignment.

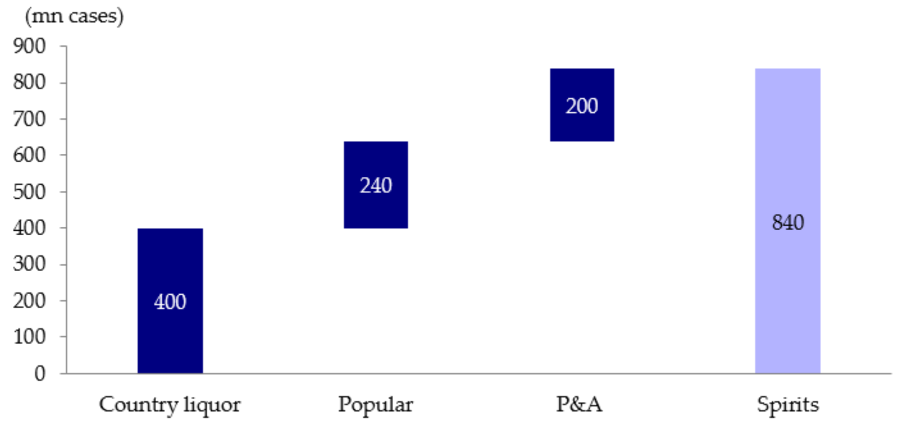
Focus charts

HSIE coverage valuations

	Rating	TP (INR/sh)	Upside	Mcap (USD bn)	P/E (x)			EV/EBITDA			EV/Sales		
					FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Allied Blenders	ADD	685	12%	1.8	53.0	39.1	32.7	29.4	23.4	19.4	4.2	3.8	3.4
Radico Khaitan	BUY	5,300	18%	6.5	63.1	50.9	43.4	41.2	34.0	29.0	8.5	7.3	6.3
Tilaknagar Industries	BUY	700	31%	1.4	45.2	29.9	24.5	22.3	18.5	15.0	3.4	3.0	2.6
United Spirits	BUY	1,750	19%	11.5	56.9	49.5	43.7	40.8	35.6	31.2	7.8	7.1	6.4
United Breweries	REDUCE	1,325	4%	3.6	85.2	55.7	39.6	39.9	30.1	23.3	3.4	3.1	2.8

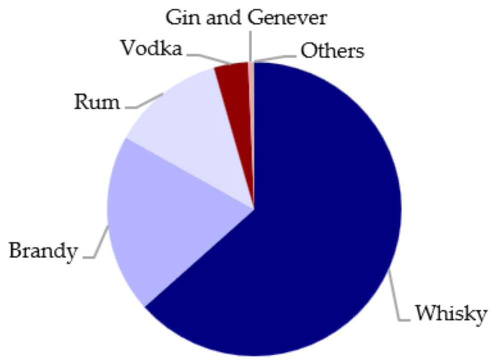
Source: Bloomberg, Company, HSIE Research
Note: Based on closing market price on 04-Sep-26

India Spirits opportunity



Source: Industry; HSIE Research

Estimated spirits volume salience by category in India



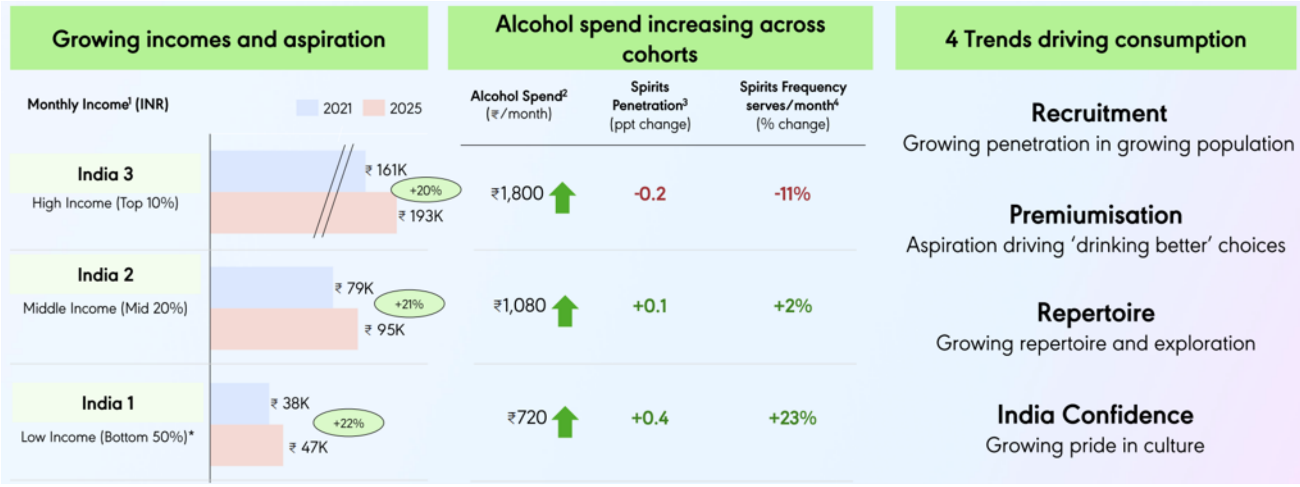
Source: Industry; HSIE Research

IWSR predicts India to be the fastest growing market for alcobev volumes between 2024-29, followed by Mexico

As per IWSR, over the next decade, the global beverage alcohol market will be shifting away from China, North America and Europe to India, South America and Africa.
India is forecast to surpass the United States in 2032 to become the second largest market for beverage alcohol in the world after China.

Source: IWSR; HSIE Research

India – Socio economic trends crucial for growth

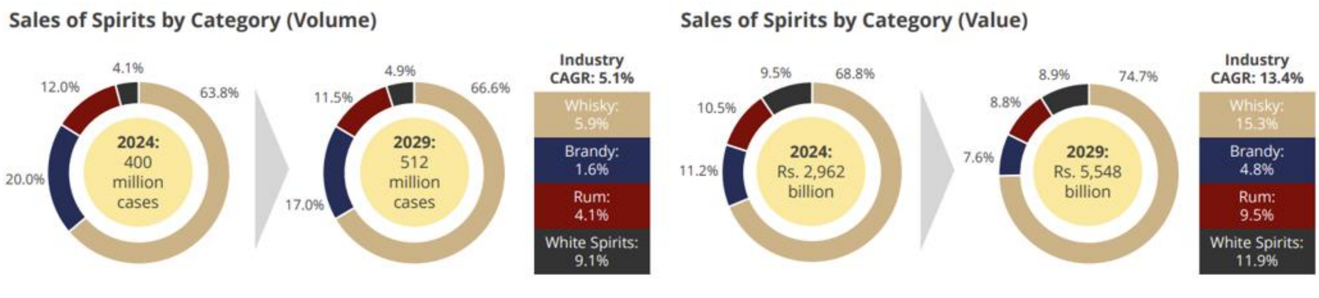


Source: Company, HSIE Research
Note: [1] Oxford Economics, * Lowest 20% HH not part of the target segment, [2] Alcohol Spend change between 2025 and 202, [3] Spirits penetration Jan25 vs Jan24, [4] Spirits frequency is % change between 2025 and 2023, BevTrac (IWSR)

India's income pyramid - Population with annual gross income >US$10,000 could record the highest growth (CAGR) in the next 5 years

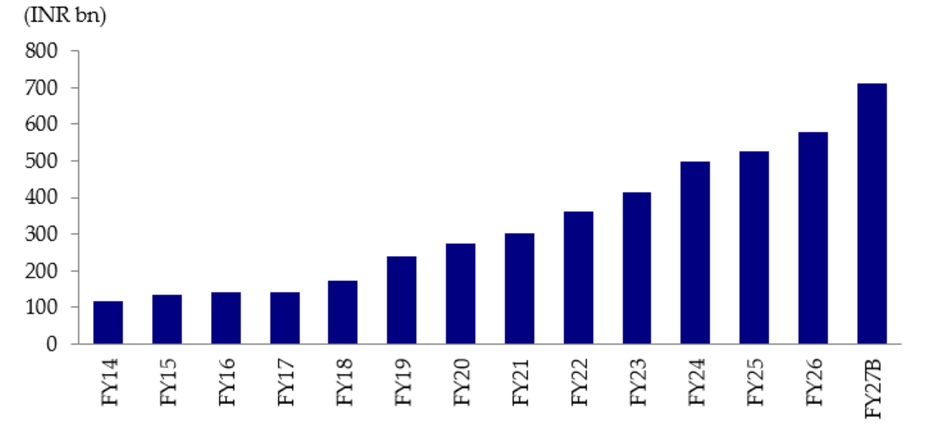
Source: Company, HSIE Research

India - Strong premiumisation trend is expected to continue to be driven by favourable demographics



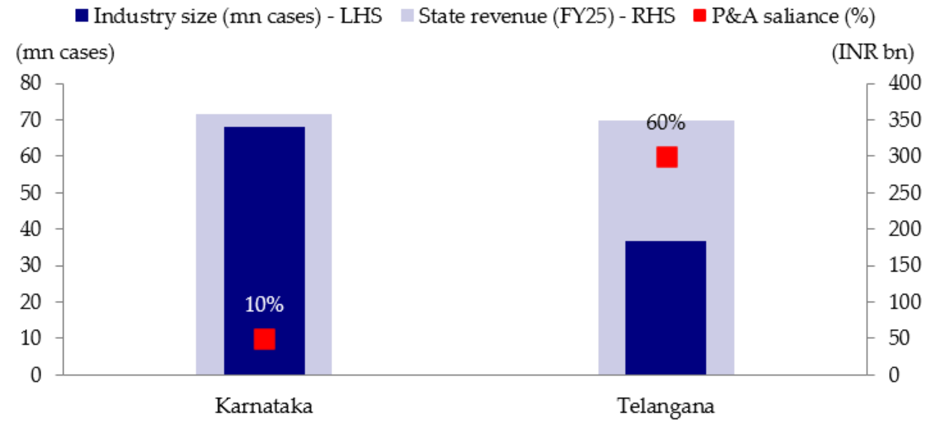
Source: Company, HSIE Research

Uttar Pradesh's progressive policies are supporting sector growth and accelerating the shift toward prestige-and-above segments. Other states are now looking to replicate this success through similar policy measures.



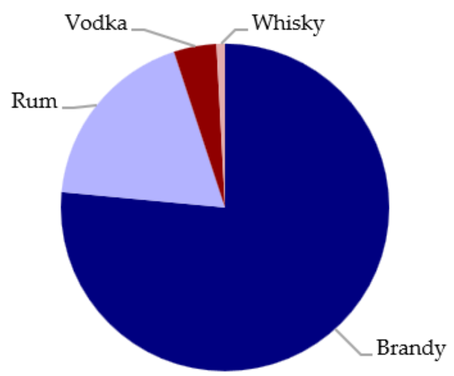
Source: State Government; HSIE Research

Anomaly between Karnataka and Telangana reflects the complexity of Karnataka's slab-based taxation regime. With annual retail targets measured in volume, popular brands retain a disproportionately large share in Karnataka.



Source: State Government; HSIE Research

Tamil Nadu, India's second-largest spirits market (~68 mn cases), is likely to pursue progressive reforms—tightening operational leakages, moving toward retail privatisation, and enabling national brands. This framework is expected to bolster government welfare funding.



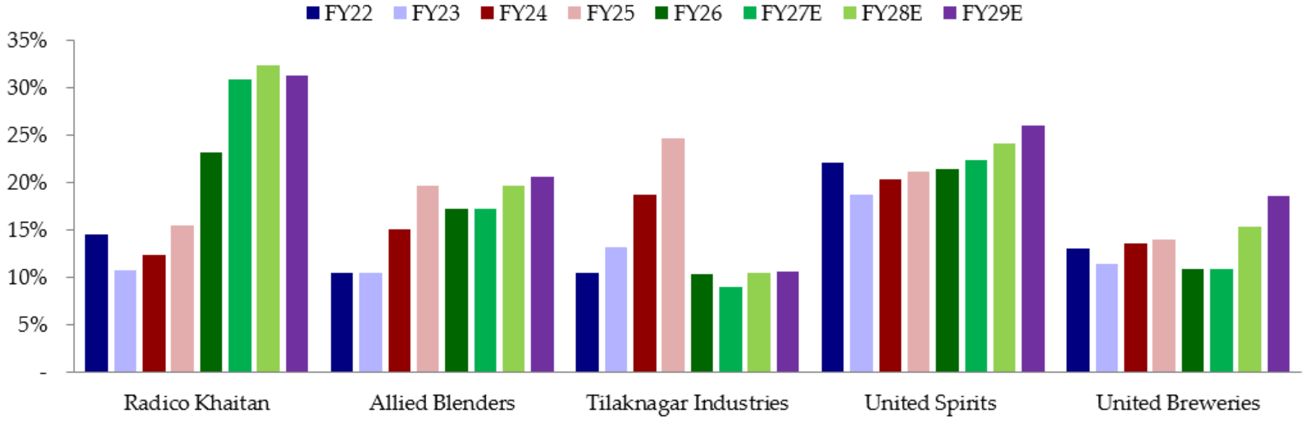
Source: Industry, HSIE Research

Global Comparison — Key regulatory features

Country	Regulator	Nutrition/Ingredients requirement	Health Warning requirements	Advertising Control
India	FSSAI	Not required	Generic safety warning; Standard-drink count (proposed)	Fragmented — excise + self-regulation (ASCI)
United States	TTB	Mandatory panel proposed (2025 NPRM, pending)	Statutory since 1988; cancer-warning update floated	Content rules; no broadcast ban
United Kingdom	FSA / DHSC	Exempt >1.2% ABV; mandatory panel committed (2025)	None mandatory yet; consultation pending	ASA codes; no health claims allowed
European Union	European Commission	Mandatory for wine only (e-label, since 2023)	Not EU-wide; Ireland mandates cancer warning from 2026	AVMSD floor; varies by member state
France	DGCCRF (+ EU rules)	Per EU wine rule	Pregnancy pictogram mandatory since 2007	Loi Évin — strictest; TV/cinema ads banned
China	NHC / SAMR	Phasing in via GB 7718 & GB 28050-2025 (by Mar 2027)	Not mandated	Advertising Law; enforcement-driven

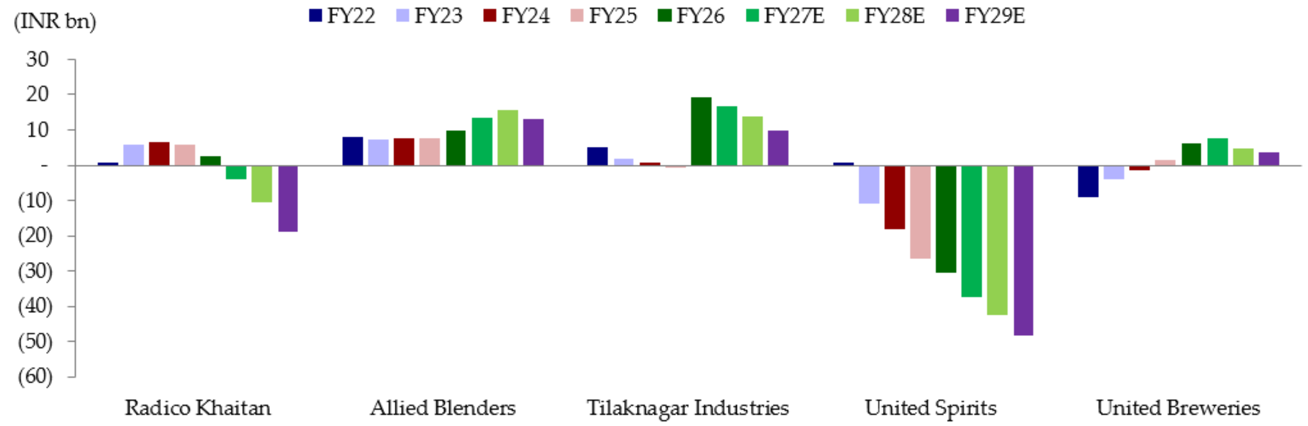
Source: Industry; HSIE Research

Return on capital employed: Most coverage companies should see a gradual improvement in return profiles; however, Tilaknagar is likely to remain a laggard given its leveraged position post the Imperial Blue acquisition



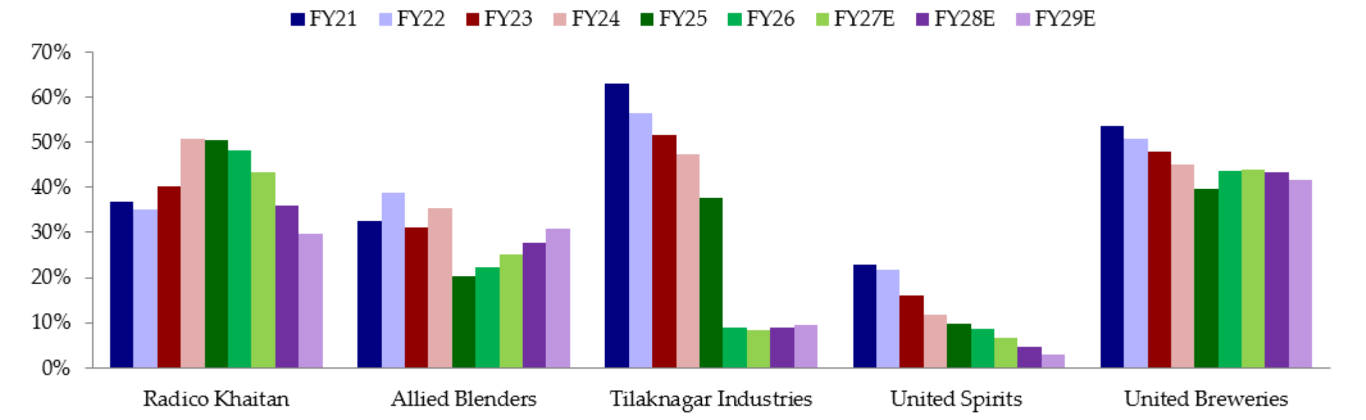
Source: Company, HSIE Research

Across our coverage, net-debt trends remain shaped by capex cycles and working-capital needs: United Spirits is already net-cash, Radico should turn net-cash in FY27, while Allied Blenders, Tilaknagar and United Breweries remain leveraged with varying reduction trajectories. Dividend payouts broadly align with balance-sheet strength, ranging from 73% for United Spirits, 20%+ for Radico, sub-40% for Allied Blenders, ~10% for Tilaknagar, and 60–65% for United Breweries.



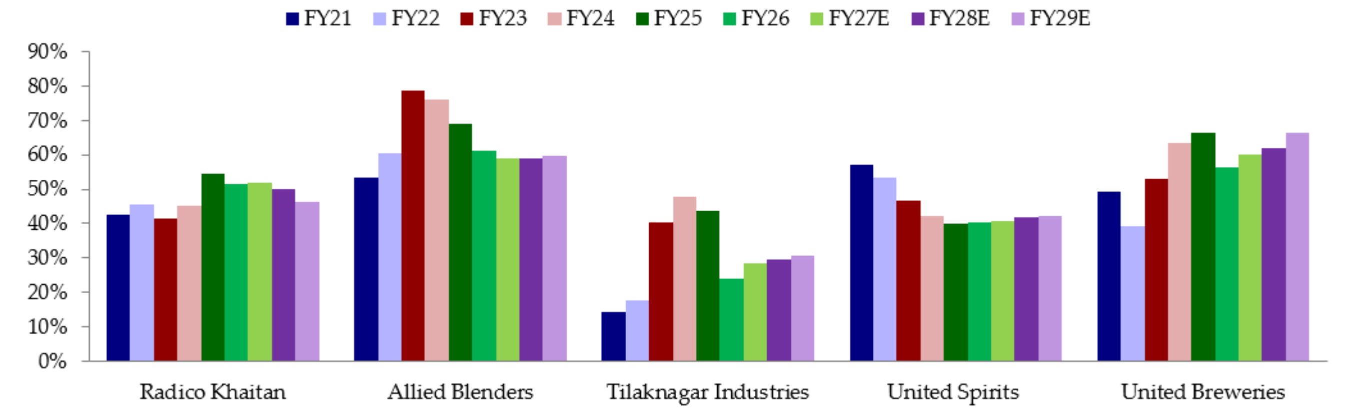
Source: Company, HSIE Research

Net block as a % of capital employed



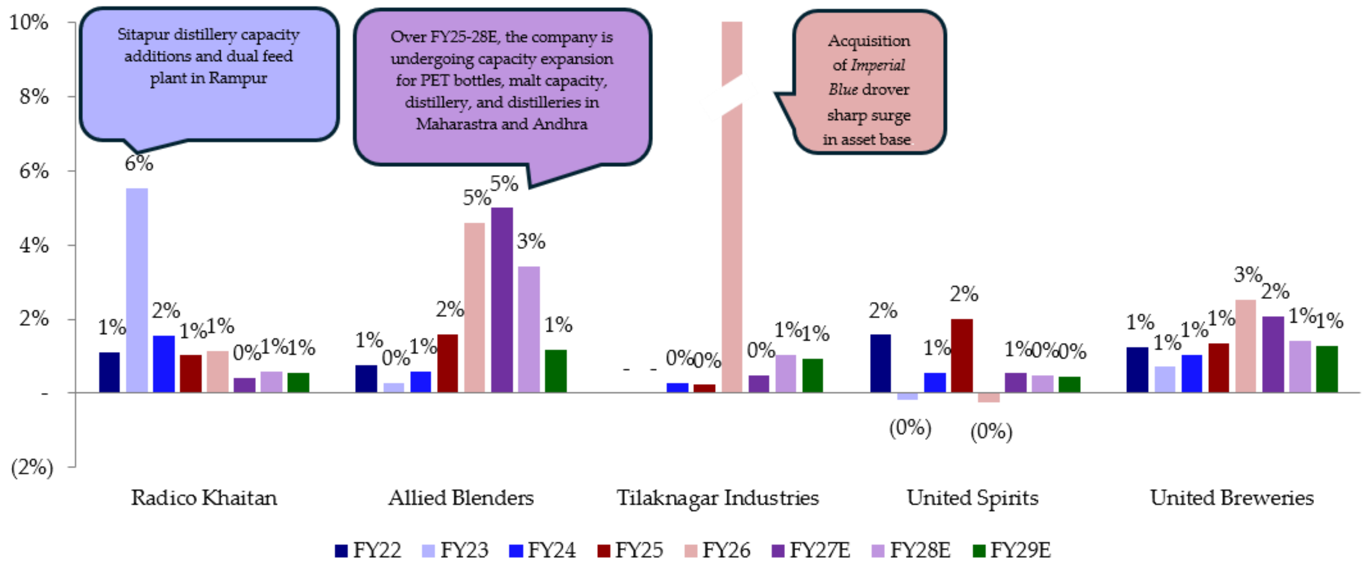
Source: Company, HSIE Research

Working capital as a % of capital employed



Source: Company, HSIE Research

Annual capital expenditure as a % of revenue



Source: Company, HSIE Research

Table of contents

Coverage

Diageo described India as the ***"Consumer Market of the Decade",*** *outlining long-term structural opportunity and strategic focus.*

*CEO of Pernod Ricard India, Jean Touboul, stated that their vision includes "****India emerging as a hub for premium malt spirits****", made during the announcement of Asia's largest malt distillery investment in Nagpur.*

"India, this is such a critical strategic pillar of the company now. It's probably the ***largest frontier market globally in terms of upsid****e…"*
— Dolf van den Brink, CEO, Heineken

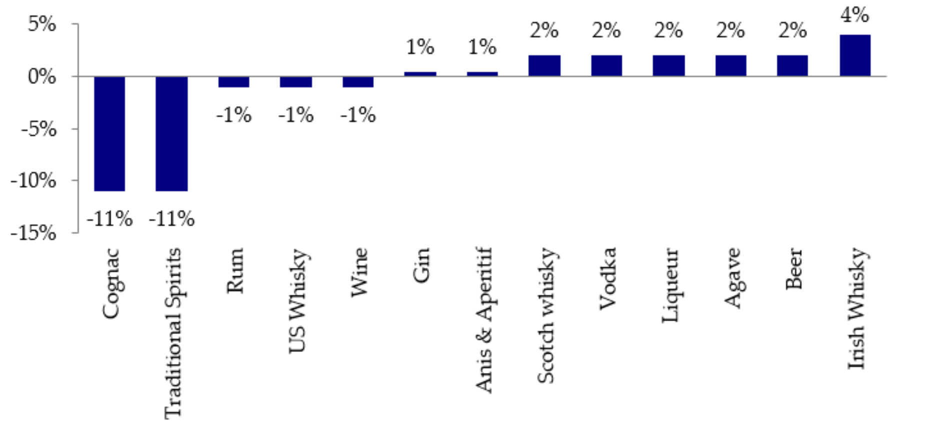
*Carlsberg CEO Jacob Aarup-Andersen: "****India is really a key market for us… it's now our key growth market. It's also a bigger growth market than China****."*

Theme 1: India fast growing: Regulatory limit alternatives

The regulatory environment has been crucial in developing and shaping the alcoholic beverages market across the world. From consumption point, India is a consumption market with growth, where most of the global players are active and are looking to gain foothold. We see the prime reason for India attention is due to deceleration in consumption across the world. Global spirits volume has seen 3% compounded annual decline rate in the last couple of years, with low single digit growth in whisky, gin, and agave-based drinks, while rum, brandy, and vodka have seen low single-digit decline. If we see three big markets for alcoholic beverages consumption:

- **United States:** According to Ansira's 2026 Alcohol Trends report, just 54% of Americans now drink alcohol, down from 67% in 2022. As legal cannabis availability expands, consumers have more alternatives for achieving a mild recreational effect.
- **Europe:** Ageing population is driving consumption of alcohol lower. At the same time, the younger generations are not consuming like older generations used to consume in their young age.
- **China:** Consumption slowdown is a factor of economic slowdown, changing consumer behavior, health-consciousness, and reduced business/government drinking occasions. Corporate/government gifting has been a big consumption trend, which is gradually waning, hurting consumption of the category. Local offering Baijiu is on a decline: 11% volume decline in 2025 vs 5% decline in 2024.

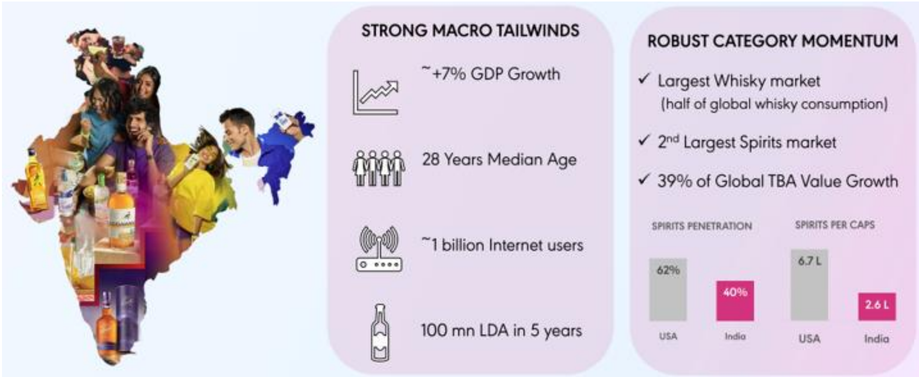
Exhibit 1: International spirits categories and global growth in retail sales value for 2025



Source: IWSR; HSIE Research

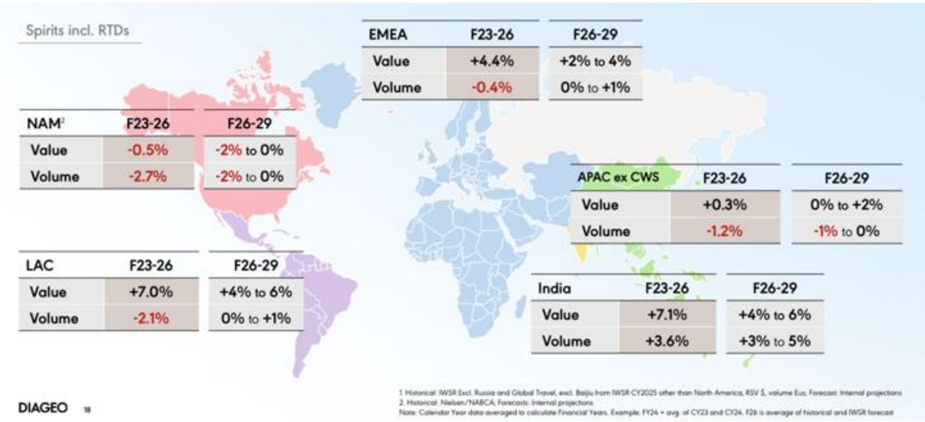
India remains a promising market for alcohol consumption, given wider price segmentations by type of drinks, restrictions on alternatives, and high state revenue dependency on the sector. Additionally, well-known brands in the India Made Foreign Liquor category have seen faster growth since Covid, as per Drinks International, all million case brands have seen growth if 30% since 2021 to 213.5mn cases, while other brands have seen growth at just 4.5%.

Exhibit 2: India – the share of volume and share of serves comparison, 2024



Source: Company; HSIE Research

Exhibit 3: Diageo predicts India to be the fastest growing market in the world over FY26-29



As per IWSR, over the next decade, the global beverage alcohol market will be shifting away from China, North America and Europe to India, South America and Africa.
India is forecast to surpass the United States in 2032 to become the second largest market for beverage alcohol in the world after China.

Source: Company; HSIE Research

Exhibit 4: IWSR predicts India to be the fastest growing market for alcobev volumes between 2024-29, followed by Mexico

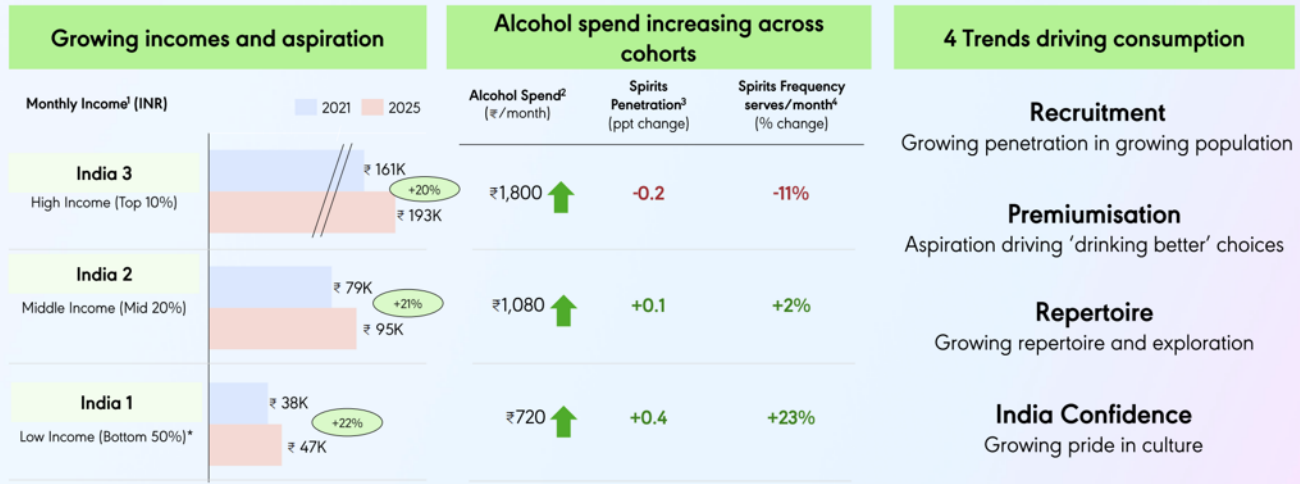
Source: IWSR; HSIE Research

India emerging market for the next decade

India is a promising consumption market across the globe, driven by multiple tailwinds like a) ~7% GDP growth, b) median age of 28 years, c) next 5-year 100mn legal drinking age consumer will be added (18 years in seven states; 25 years in five states), nearly ¼ of globe and d) strong internet penetration aiding socio-economic awareness.

India is the No. 1 whisky market by volume and No. 2 by value and is driving 39% of global growth. Spirits penetration in India is at ~40%, which is expected to see steady expansion. Additionally, its per capita consumption at 2.6 liters offers significant growth.

Exhibit 5: India – Socia economic trends crucial for growth



Source: Company, HSIE Research

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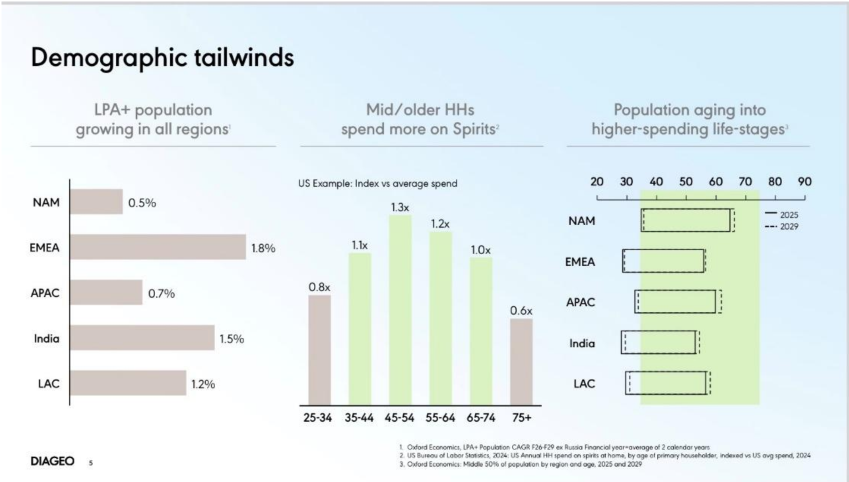
Spirits penetration across leading markets remains at or above pre-covid levels

35-74 age is where individual have elevated spends on spirits. As people age, there is a protection on consumption.

Exhibit 6: Demographic tailwinds in India

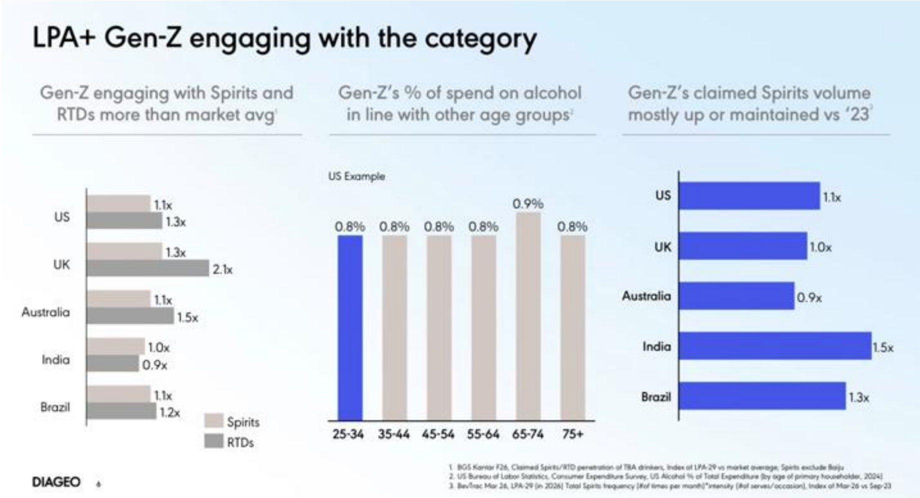


Source: Company; HSIE Research

Diageo in its recently held Global annual Capital Markets Day had noted that Gen Z penetration in the category is higher than general population across a range of markets. Claim consumption has been up over 2023.

In India 100mn legal drinking age population by 2030, creates a perfect opportunity for the medium-term alcoholic beverage sector prospects.

Exhibit 7: Demographic tailwinds in India



Source: Company; HSIE Research

Exhibit 8: Indian brands driving overall volume growth for spirits

BRAND	OWNER	CATEGORY	2021	2022	2023	2024	2025	GROWTH
Old Admiral	Radico Khaitan	Brandy	3.8	4.3	3.7	4.4	10.9	**147.7%**
Iconiq White	Allied Blenders & Distillers	Indian whisky		0.1	1.6	4.5	9.7	**115.6%**
Kenya Cane	Diageo	Rum	0.9	0.9	0.8	1.1	2.3	**109.1%**
Amrut XXX	Amrut Distilleries	Rum	0.1	0.2	0.4	0.9	1.7	**88.9%**
After Dark	Radico Khaitan	Indian whisky	0.6	0.6	0.9	1.6	3.0	**87.5%**
Fowler's	Ladoga Group	Russian whisky		0.2	0.5	1.1	1.7	**54.5%**
Olmeca	Pernod Ricard	Tequila	1.1	1.1	1.3	1.0	1.5	**50.0%**
Oaksmith	Suntory Global Spirits	Indian whisky	0.5	0.8	0.8	1.0	1.5	**44.6%**
Gilbeys	Diageo	Gin	1.0	1.2	1.0	1.0	1.4	**40.0%**
Lunazul	Heaven Hill	Tequila	0.6	0.9	1.3	1.7	2.3	**35.3%**
McDowell's	Diageo	Brandy	1.0	1.1	1.2	1.2	1.6	**33.3%**
Mansion House	Tilaknagar Industries	Brandy	4.5	7.1	8.3	7.8	9.7	**24.4%**
White Birch (Belaya Beriozka)	Alcohol Siberian Group	Vodka	0.9	1.3	2.0	2.4	2.9	**20.8%**
Ketel One	Diageo	Vodka	3.1	3.0	3.0	3.0	3.6	**20.0%**
Oxygenium	Bayadera Group	Vodka		0.3	0.7	1.0	1.2	**20.0%**
Aznauri	Global Beverage Trade Company	Brandy	0.5	0.6	1.1	1.6	1.9	**18.8%**
Signature	Diageo	Indian whisky	2.0	2.5	2.9	3.3	3.9	**18.2%**
Dreher	Gruppo Campari	Brandy	2.8	2.4	2.7	3.0	3.5	**16.7%**
Royal Challenge	Diageo	Indian whisky	4.7	7.1	8.6	9.1	10.6	**16.5%**
Soplica	Maspex/CEDC	Liqueurs	2.7	2.8	2.9	3.1	3.6	**16.1%**
Magic Moments	Radico Khaitan	Vodka	3.7	4.8	6.2	7.1	8.2	**15.5%**
Tsarskaya/Imperial	Ladoga Group	Vodka	1.4	1.6	2.3	3.3	3.8	**15.2%**
Old Parr	Diageo	Scotch whisky	1.2	1.5	1.3	1.4	1.6	**14.3%**
Teacher's Highland Cream	Suntory Global Spirits	Scotch whisky	1.5		1.4	1.4	1.6	**14.3%**
Torres	Miguel Torres	Brandy	1.1	1.1	1.1	1.1	1.3	**13.6%**

Source: Drinks International; HSIE Research

India consistently ranks as one of Diageo's top performance markets in annual reporting, given its scale, premiumisation trajectory, and leadership position across multiple whisky segments.

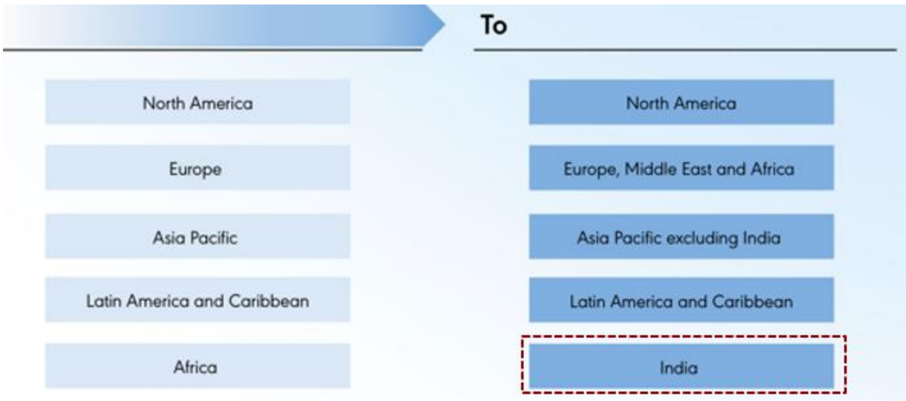
India is highlighted consistently in Diageo's annual and investor reporting as a strategic priority market.

Diageo India maintains an "outstanding portfolio of 50+ spirit brands", including iconic global brands. This indicates high strategic investment in brand development.

For Pernod Ricard, India is its second-largest market by sales. In CY25, the company highlighted continued premiumisation and market-share gains, with Jameson emerging as the number-one imported brand in the country (number two market by volume). Pernod Ricard is evaluating an India IPO.

"It is a clear growth driver for last year, for this year, for next year, for the foreseeable future, for the medium long term. What's happening in India is quite phenomenal."
- Alexandre Ricard, Chairman and CEO, Pernod Ricard

Exhibit 9: Given gaining relevance of India, Diageo to report India as a separate region in its future performance scorecard from FY27



Source: Company; HSIE Research

Exhibit 10: Pernod Ricard performance in India for FY26 (year-end Jun-26)

Source: Company; HSIE Research

Exhibit 11: Pernod Ricard global portfolio split for FY26 (year-end Jun-26)

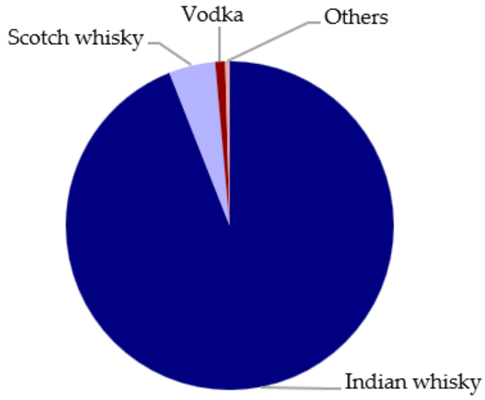
Source: Company; HSIE Research

Suntory, third largest spirits company after Diageo and Pernod, is looking to make India its third largest market by revenue (now positioned in lower end of top 10 markets; ~70% of business now is in United States and Japan) by turn of the decade. Earlier the company had set target of US$1bn in revenue in India by 2030.

As per media reports, Suntory has 95% share in Japanese whisky in India under brands The Yamazaki and Hibiki. They also have 44% share in the American Whisky, via brand Jim Beam.

Sazerac made a strategic investment (~60% stake) in John Distilleries in Oct-17 and has since been actively incubating its global brands in India. The company is now focused on educating consumers and developing the market for bourbon whisky.

Exhibit 12: Pernod Ricard India volume split



Source: HSIE Research

Exhibit 13: Suntory consider India to be third biggest market in revenue in next decade

ET INTERVIEW GREG HUGHES CEO, SUNTORY GLOBAL SPIRITS | Focus on scale to close gap with rivals Diageo and Pernord Ricard

Suntory Pegs India as 3rd Largest Mkt by 2030 with Local-Imports Blend

Aanya Thakur & Sagar Malviya

Mumbai: Suntory Global Spirits expects India to become its third-largest market by revenue by the turn of the decade by adopting a focused strategy of selling locally-made whiskies along with imported Japanese and American brands, said chief executive Greg Hughes.

The world's third-largest distiller has set an ambitious aim of closing the gap with rivals Diageo and Pernod Ricard in the expanding Indian market where it currently generates $150 million in annual sales. The maker of Jim Beam, Roku, and Yamazaki brands previously set a target of achieving $1 billion in annual sales in India by 2030. Hughes said the company has made progress on the target but declined to elaborate.

To be sure, India is currently near the lower end of Suntory's top ten markets by revenue, with Japan and the US occupying the top two positions. "Certainly by 2030, it should be our third largest market after Japan and the US," Hughes said in an interview. "If you think about our business as a three-legged stool. Right now, 70% of our P&L (profit and loss) sits between Japan and the US. We'd like India to be the third leg of our global business."

Suntory is stressing on scale to attain its goal. "We have the brands; we have the portfolio," said Hughes. "We need to be disciplined about how we scale. But it's really all about how we close that gap to the size and of our business that meets our aspiration."

IMFL Strategy ▸▸ 10

$150m Expected India sales this year

70% Suntory P&L currently from Japan & US

100m New legal drinking-age consumers expected in India by 2030

$1b Earlier India revenue target for 2030

Source: Media; HSIE Research

Exhibit 14: Sazerac expanded India portfolio with two blended whiskies

Source: Media; HSIE Research

Pepsi Co's Indian bottler has taken first step in India Alcoholic Beverages by creating a wholly owned subsidiary KIVA Spirits and Company.
The company has roped in Prathmesh Mishra as CEO and MD. Prathmesh began his career with Pernod in 2000 and then moved to Diageo in 2014. His last stint with Diageo was heading Korea and Japan business as Managing Director (since Jul-24), prior to this he was mostly in India.

Exhibit 15: Domestic Pepsi Co bottler is looking to enter Alcoholic Beverages

Varun Beverages to Foray into Alcohol Biz, Set Up Subsidiary

Taps ex-Diageo exec to lead entity, to also incorporate a JV in Tunisia

Our Bureau

New Delhi: Varun Beverages (VBL), PepsiCo's second-largest bottler globally, is set to enter the alcohol business, and has named former Diageo executive Prathmesh Mishra as chief executive officer and managing director of its proposed new subsidiary.

VBL will "incorporate a wholly-owned subsidiary company in India for ready-to-drink (RTD) alcoholic beverages and allied products, subject to requisite approvals," the company owned by Ravi Jaipuria's RJ Corp said in a stock exchange filing on Tuesday.

ET first reported in its July 25 edition that RJ Corp has tapped Mishra to steer the group's foray in alcoholic drinks. The company board has approved incorporation of the proposed entity, KIVA Spirits and Company, "with an authorised share capital of ₹10 crore and a paid-up equity share capital of ₹9 crore, with Varun Beverages holding the entire stake," the filing noted.

VBL will also incorporate a joint venture company in Tunisia for the production and distribution of

beverages including carbonated soft drinks, juices, water and dairy, subject to receipt of applicable requisite approvals.

The venture, to be named Varun Beverages Tunisia SA or another name approved by regulators, will be owned 75% by VBL and 25% by Bevanda Tunisia. The proposed share capital of the venture is Tunisian dinar 9 million, or about ₹29 crore, the company said. VBL, PepsiCo's exclusive bottling partner for nearly three decades, recently entered into a fresh agreement with the soft drinks company, removing restrictions to diversify into other drinks businesses.

Late last year, VBL had announced a distribution partnership with beer maker Carlsberg Breweries in Africa, a development which was widely seen as a precursor to a similar tie-up in India over time. Shares of VBL closed at ₹438 per script on the BSE on Tuesday, up 2.58% from the previous close.

India's alcoholic beverages market has regained momentum as well as higher competitive intensity in recent months, fuelled by rising demand for premium spirits. Spirits volumes increased nearly 4% in FY26 to 440 million cases, compared with 1.6% growth a year earlier.

Mishra, former managing director of Diageo Japan and Korea, has also held leadership roles at spirits makers Mohan Meakins and Pernod Ricard previously. He was part of Diageo's leadership team that oversaw the integration of United Spirits following its acquisition by the global liquor maker.

Source: Media; HSIE Research

Now having full portfolio is crucial for the companies to address needs of all channels and leverage growth opportunities. Indian players have adopted build, partner and acquisition strategy. With different consumer segmentations, now strategy is clear to address different consumers differently. We have seen continuous urge from brands to repackage offerings and improve blend in the drinks.

India alcoholic beverages market segmentation as per income profile

An apt strategy in the sector will be to divide India into four segments and relevant population into three. Bottom 20% of the population are income deprived, have social taboos and are prone to regional local drinks. For national players, balance 80% population, India is segmented into three, based on income profile. In the table above, United Spirits has defined sector dynamics around income level and its strategy. Given one of the largest players with leadership across key consumption segments, United Spirits strategy is apt from market context.

- **India 1 represents ~ 49% of the population, is ~ 49% in terms of value salience**. This consumer segment is highly aspirational, but income constrained. Therefore, it seeks affordable access to aspirational brands. This is what is driving penetration for India. This segment consumes offerings placed in mid prestige and below segments. 90ml and 180ml are the largest SKUs in the segment, addressing the needs of an individual and two consumers, respectively.
- **India 2, ~28% of the population and ~19% in terms of value salience is the core middle class**, driving consumption with a focus on value for money and is seen constantly premiumizing. This segment is driving volumes in the upper prestige segment offerings.
- **India 3, ~ 8% of the population and 7% of the value is affluent** and new wealth, seeking premium experiences, identity, self-expression and repertoire in usage.

Of the three relevant consumer segments, there is a continuous shift to Indian 2 and 3 from India 1, given rising income levels. This is shaping consumption trends in Alcoholic Beverages, which is where MNCs have now been focusing on for the future.

India 1 and 2 continue to see penetration gains and expansion in frequency. As the large players have started focusing on India 2 and 3, it has created opportunities for the Indian players to capture India 1. India 3 is seeing moderation in consumption frequency but are seeing experiences, which is where we see a surge in brands. Interestingly, India 3 has now been targeted by all market participants.

Now having full portfolio is crucial for the companies to address needs of all channels and leverage growth opportunities. Indian players have adopted build, partner, and acquisition strategy. With different consumer segmentations, now strategy is clear to address different consumers differently. We have seen continuous urge from brands to repackage offerings and improve blend in the drinks.

Theme 2: Regulatory - Two steps forward, one step back

Article 47 of the Constitution of India, enshrined under the Directive Principles of State Policy, directs the State to endeavor toward prohibition of consumption of intoxicating drinks and drugs, except for medicinal purposes, on the grounds that they are detrimental to public health.

The regulatory framework has played a pivotal role in shaping the evolution and development of the alcoholic beverages industry in India. Article 47 of the Constitution of India, enshrined under the Directive Principles of State Policy, directs the State to endeavor toward prohibition of consumption of intoxicating drinks and drugs, except for medicinal purposes, on the grounds that they are detrimental to public health. Consequently, the regulation of alcohol falls within the jurisdiction of individual states, resulting in considerable variation in laws governing the production, distribution, sale, and consumption of alcoholic beverages across the country.

At present, the sale and consumption of alcohol are prohibited in Bihar (since 2016), Gujarat (since 1960), and Nagaland (since 1989). Several other states have implemented prohibition policies in the past, including Andhra Pradesh (1994–1997), Haryana (1996–1998), and Mizoram (1996–2014), but subsequently repealed these measures. In Mizoram, although the broader prohibition regime has been lifted, the sale of locally produced fermented alcoholic beverages continues to be permitted under specific regulatory provisions. Such variations in state-level regulatory frameworks significantly influence the structure, accessibility, and growth trajectory of India's alcoholic beverages market.

To gauge on-ground realities and observe consumption patterns, we conducted field visits across key high-consumption states such as Tamil Nadu, Karnataka, Telangana, Haryana, and Maharashtra.

To gauge on-ground realities and observe consumption patterns, we conducted field visits across key high-consumption states such as Tamil Nadu, Karnataka, Telangana, Haryana, and Maharashtra. The following sections outline state-specific nuances, supportive policy developments, and areas where regulators may tighten oversight to create a more accretive environment for all stakeholders.

State leadership changes drive policy changes across many states

Recent shifts in political leadership have driven major revisions to alcohol policies, with states increasingly prioritising revenue mobilisation. In recent years, many have raised excise duties, modernised retail infrastructure, altered licensing norms, and reworked distribution systems to strengthen fiscal collections.

Recent changes in political leadership across several Indian states have resulted in significant revisions to alcohol policies, with a particular emphasis on augmenting state revenues. Over the past few years, many state governments have implemented measures such as increases in excise duties, modernization of retail infrastructure, revisions to licensing regimes, and modifications to retail distribution systems to enhance fiscal receipts from the alcoholic beverages sector.

Given that excise duties and sales tax on alcoholic beverages represent a major source of revenue for state governments, policy decisions at the state level have a direct and substantial impact on industry growth, pricing, market dynamics, and competitive structures. As a result, the operating environment of the alcoholic beverages industry remains highly influenced by state-specific regulatory priorities and fiscal considerations.

Further, in several high-consumption states, the distribution and retail sale of alcoholic beverages are managed or closely regulated by state-owned corporations. Operating within established regulatory and administrative frameworks, these entities significantly influence market access, product availability, pricing mechanisms, and supply-chain efficiency. Consequently, state government policies, regulatory institutions, and distribution frameworks continue to play a critical role in shaping the development and growth trajectory of India's alcoholic beverages market.

State policies are key for the development of categories and SKUs

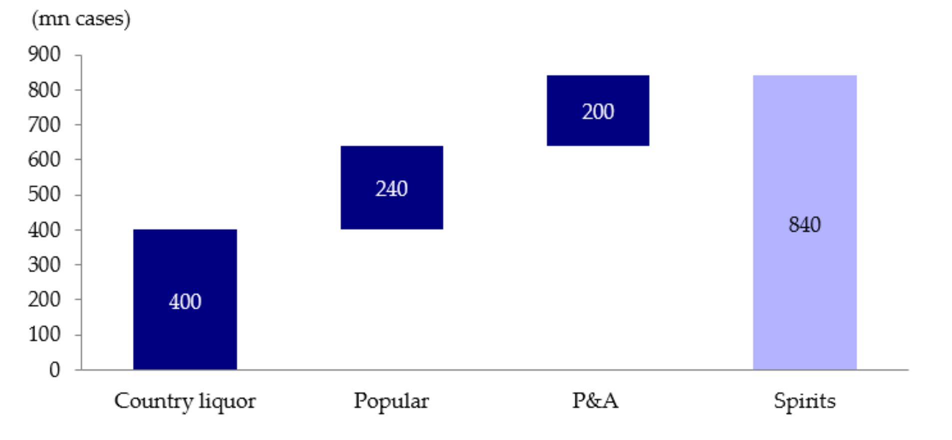
Alcohol consumption in each state remains shaped by its policy framework.

A closer understanding of the spirits volumes across states suggests, divergent trends, irrespective of income levels of consumers. In Spirits, top eight players account for >300cases volumes, implying ~70% of the industry volume. Here are few examples of state anomalies:

- Karnataka is one of the largest consumption markets, but here salience of prestige and above offering is ~10%, in comparison, in Telangana consumption is 55% of Karnataka, here salience of P&A is at ~60%. This anomaly reflects the complexity of Karnataka's slab-based taxation regime. With annual retail targets measured in volume, popular brands retain a disproportionately large share in Karnataka.
- Tamil Nadu, which has similar volume like Karnataka (two largest states), where whisky consumption is just 1%, vs in Karnataka it is ~80%. The anomaly primarily reflects Tamil Nadu's regulation permitting imports only for products with EDP above fixed sum per case, alongside distillation-capacity constraints that limit in-state production.
- Andhra Pradesh was on path of three-phased reduction, where erstwhile government had restricted national brands in the market. As the new government got to power, they have reversed the trend. As national players entered the market, their consumers embraced national brands.
- Andhra Pradesh faced disruption in its policy over 2019-24, wherein the state government planned for a three-phase restriction on alcohol. With change in government, policies have seen a U-turn.

Going ahead, we see states as more conducive to industry as most of the government formation is at the behest of welfare schemes. Historical malpractices are gradually ebbing. With Uttar Pradesh showcasing path to INR600bn in revenue from alcohol, many states have started adopting progressive policies.

Exhibit 16: India Spirits opportunity



Source: Industry; HSIE Research

Revenue position of State Governments remains a key determinant of Alcohol Taxation Policies

State governments increasingly rely on a few independent revenue sources—mainly excise on alcohol, VAT on fuel, property tax, and stamp duty.

The fiscal health of state governments has emerged as a critical factor influencing alcohol taxation policies in India. Following the implementation of the Goods and Services Tax (GST) regime in 2017, a substantial portion of states' indirect tax revenue was consolidated under the GST framework, with revenues being shared between the central and state governments through the Central GST (CGST) and State GST (SGST) mechanisms. Consequently, state governments became increasingly reliant on a limited set of independent revenue sources, primarily including excise duties on alcoholic beverages, value-added tax (VAT) on petroleum products, property taxes, and stamp duties associated with property registration.

Alcohol taxation represents one of the most significant revenue streams under the excise category for state governments. In addition to excise duties, certain states also impose VAT on alcoholic beverages, making the sector an important contributor to state finances alongside petroleum-related taxes. As a result, alcohol remains one of the few major commodities over which state governments retain substantial taxation authority.

Amid rising spending and welfare obligations, many states have increasingly leaned on alcohol taxation to bolster state revenues.

Amid rising expenditure commitments, welfare obligations, and efforts to strengthen fiscal balances, several states have increasingly relied on alcohol taxation to augment revenue collections. This has led to periodic increases in excise duties, license fees, and other levies across multiple states. Even fiscally progressive states such as Karnataka have implemented successive tax increases on alcoholic beverages as part of broader revenue-enhancement measures.

Beyond taxation, some states have introduced alternative mechanisms to maximize revenue generation from the alcohol sector. One such approach has been the auctioning of retail liquor licenses and outlets. Uttar Pradesh provides a notable example, where the auction of 27,308 liquor shops during March–April 2024 attracted ~418,000 applications and generated revenue of around INR20bn for the state. This additional revenue is estimated to contribute nearly 4% of the state's total liquor excise collections.

Given the sector's substantial contribution to state finances and the limited scope of alternative independent revenue sources, alcohol taxation and retail policy are expected to remain important fiscal tools for state governments. Consequently, future changes in excise structures, licensing frameworks, and distribution models are likely to be closely linked to the revenue requirements and fiscal priorities of individual states.

Uttar Pradesh emerging as a progressive alcohol market

UP has become one of India's most progressive excise markets over the past three years, outpacing Maharashtra and Karnataka in policy reform. The state has improved retail efficiency, boosted consumer access, strengthened compliance, and unlocked new revenue streams.

Over the past three years, Uttar Pradesh has emerged as one of India's most progressive states in terms of excise policy reforms, surpassing several traditionally advanced markets such as Maharashtra and Karnataka in both policy innovation and revenue growth. The state has implemented a series of measures aimed at improving retail efficiency, enhancing consumer accessibility, increasing regulatory compliance, and expanding revenue generation opportunities.

Introduction of composite liquor outlets

A key reform has been the introduction of composite liquor outlets, which allow the sale of both beer and Indian Made Foreign Liquor (IMFL) from a single retail location. This model has significantly improved consumer convenience and increased retail density, thereby supported higher legal consumption and reduced dependence on informal channels. Given the persistent challenge of limited outlet density in many states, the Uttar Pradesh model is increasingly being viewed by industry participants as a scalable framework that could be replicated across other markets.

Exhibit 17: A women friendly premium retail outlet in Uttar Pradesh

Source: HSIE Research

UP has made liquor licensing more transparent and market-driven, generating additional revenue through structured applications. The state has cut IMFL wholesale licence fees, relaxed export-bound label norms, and advanced packaging reforms such as tetra packs and smaller IMFL sizes to improve accessibility and safety.

Transparent liquor licencing norm

The state has also introduced a more transparent and market-oriented system for the allocation of retail liquor licenses. The adoption of a structured application and allotment process has not only enhanced transparency but has also created an additional revenue stream for the government through non-refundable application fees. This approach enables the state to augment revenues beyond conventional tax increases, offering a more sustainable mechanism for resource mobilization. The strong response to retail license allotments in recent years underscores the effectiveness of this model and has prompted interest from other states exploring similar reforms.

Reduced wholesale licence fees

From FY27, Uttar Pradesh government have reduced IMFL wholesale license fees from INR3.5mn to INR200k (which is ~0.4% ~Rs20/case). With this mode, the state wants to fragment distribution vs cartel/concentrated distribution. Wholesale is now relaxed from duty payout and receivable burdens.

Encouraging brand participations

Brand registration and label approval norms for export-bound liquor have been relaxed and the associated fees reduced to minimum levels. Label registration fees has been drastically reduced from INR600k/label to INR35k/label. Earlier, if a brand had six expressions with concentrated volume to one expression, payout for registration was hefty; this is now reduced. This will create a setting for more brand participation.

Packaging reforms

In addition to retail policy changes, Uttar Pradesh has undertaken significant packaging reforms to improve product safety, standardization, and accessibility. These initiatives include the transition of country liquor from traditional packaging formats to tetra packs, which help enhance product integrity and reduce the risk of adulteration. Further, the introduction of smaller pack sizes for IMFL—such as 90ml bottles in regular categories and 60ml and 90ml bottles in premium segments — has improved affordability and facilitated greater product accessibility across consumer segments.

Cash and carry model driving transparency

UP's new cash-and-carry model places duty payment responsibility on retailers and mandates all transactions through a central portal, improving transparency and pushing outlets to stock fast-moving brands. Alongside this, the state's three-year export framework sharply reduces bottling and export pass fees, making UP-made liquor cheaper to export and giving players like Radico a meaningful cost advantage.

Duty payout responsibility gradually shifted from the company two years ago to wholesalers last year, and now under the last state budget, it shifts with retailers. When retailers now procure orders, they will have to pay duty on the portal and need to pay for costs to wholesale in advance to get consignment. Earlier, duty payout was the wholesaler's responsibility, where retailer used to enjoy credit. But now, under new terms, the retailer will not get any credit. As such, retail will focus on fast-moving brands. State government is making it mandatory for the entire supply chain to use a centralized portal for financial transactions. This "Cash and Carry" model is designed to improve transparency

Developing export hub - export from state becomes cheaper

UP has introduced a dedicated three-year export framework (2026-29). To promote "UP-made" global brands, the state has slashed bottling fees and export pass fees to "minimum levels" (reduced from INR2.5/bulk litre to INR1/bulk litre) and reduced the export fee for grain-based ENA to just INR 1 per bulk litre. This is a major tailwind for Radico Khaitan, which already has a strong export footprint. Radico will have a cost advantage in exporting ENA from its Rampur and Sitapur facilities. As per media reports, Uttar Pradesh currently accounts for ~11% of India's total exports and the state is aiming to double this share in three years.

Policy changes for country liquor

UP has refined its country liquor and UPML frameworks by adjusting SKUs, rounding off MRPs, and tightening retail stocking caps to encourage more players. The introduction of a 100ml entry pack in UPML and Radico's strong market position further support category growth. Collectively, these moves enhance compliance, diversify participation, and position UP as a benchmark for excise reform nationally.

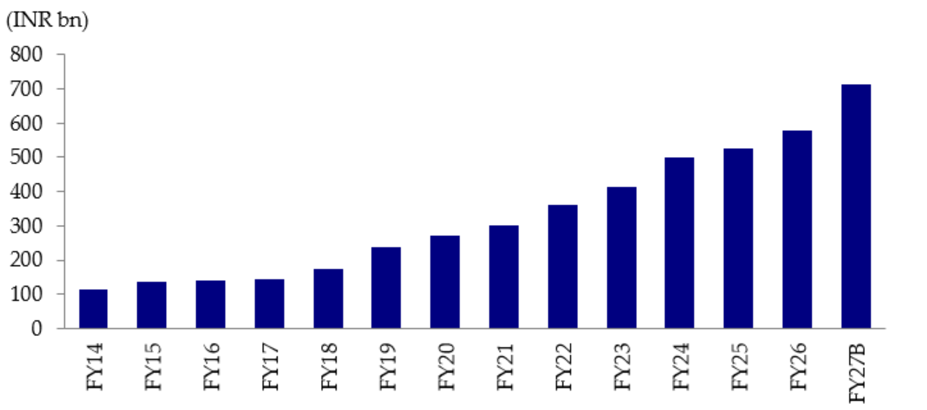
There is a standard 200ml SKU, where two offerings are in place with 25% and 36% strength. For 36% strength, product is priced at INR75; here government has rounded off the price to INR80. This INR5 MRP hike is offset by duty increases. To arrest the monopoly of brands, last year, retail stocking was capped at 85%, which is now reduced to 75%. This setting creates an opportunity for more players in the market.

Policy changes for UP made liquor (UPML)

There are two strength SKUs of 200ml – 28% and 42.8%. 200ml SKU price for 28% strength is INR60 and for 42.8% strength is INR90. For 42.8% strength, the government has allowed a new entry pack of 100ml SKU, which is priced at INR50. Radico is well-positioned to benefit, given its 50% market share in UPML.

Collectively, these reforms have strengthened the state's excise ecosystem, improved compliance levels, and enhanced revenue collections. As states increasingly seek to balance revenue generation with regulatory efficiency, Uttar Pradesh's policy framework is emerging as a potential benchmark for future alcohol sector reforms across India.

Exhibit 18: Uttar Pradesh – Annual Excise revenue trends



Source: State Government; HSIE Research

Karnataka's FY26–27 budget marks a major policy U-turn with AIB-based taxation, deregulated pricing, slab rationalisation, 24-hour plant operations, and an alcobev-tourism push. Effective Apr-26, these measures reverse three years of regressive policy actions and are widely seen as positive for sector revival.

Karnataka policy easing positive for the sector

We believe the Indian alcoholic beverage sector stands to benefit from Karnataka's bold policy U-turn in the 2026–27 budget. Effective Apr-26, these reforms—including the introduction of AIB taxation and price deregulation—are designed to fuel an industry revival after three years of regressive policy headwinds. The Karnataka government announced to overhaul the six-decade old alcohol policies. State budget clearly outlined select progressive measures like a) introduction of an AIB-based taxation system; b) deregulation of government-administered pricing; c) rationalization of pricing slabs; d) 24-hour operation and dispatch for distilleries and breweries; and e) alcobev tourism push. We consider all the announcements positive.

Exhibit 19: Karnataka – Excise duty changes favor prestige and above segments

	Old duty structure				New duty structure		
	Declared price/EDP (INR/case)	Excise Duty (INR/bl)	AED (INR/bl)		Declared price/EDP (INR/case)	Excise Duty (INR/litre of pure alcohol)	AED (INR/litre of pure alcohol)
1	0-450	50	215	1	0-470	1,000	50
2	451-500	50	294	2	471-520	1,000	220
3	501-550	50	386	3	521-570	1,000	525
4	551-650	50	523	4	571-650	1,000	750
5	651-750	50	620	5	651-750	1,000	850
6	751-900	50	770	6	751-1300	1,000	1,150
7	901-1050	50	870			1,000	1,150
8	1051-1300	50	970			1,000	1,150
9	1301-1800	50	1,200	7	1301-5000	1,000	1,750
10	1801-2500	50	1,400			1,000	1,750
11	2501-5000	50	1,600			1,000	1,750
12	5001-8000	50	2,000	8	5001+	1,000	3,700
13	8001-12500	50	2,400			1,000	3,700
14	12501-15000	50	2,600			1,000	3,700
15	15001-20000	50	2,800			1,000	3,700
16	20001+	50	3,000			1,000	3,700

Source: State Government, HSIE Research
Note: EDP = Ex Distillery price; AED = Additional Excise Duty

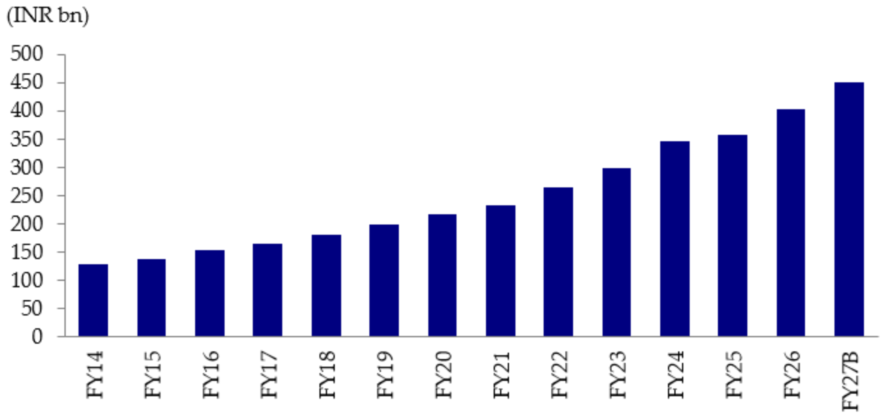
Historical slab reductions continue to support premiumization: Radico's Deluxe-and-above portfolio has surged, and Rampur's MRP has dropped from INR9,500 to ~INR6,400.

- **Excise Duty**: Now at INR1,000/litre of pure alcohol (9 ltr/case × 42.8% strength INR1,000/case = INR3,850/case), vs. earlier INR50/bulk litre (INR450/9 ltr case). This implies a sharp jump of INR3,400/case in excise duty.
- **Additional Excise Duty (AED)**: Now per liter of pure alcohol (vs. per bulk liter earlier), across eight slabs based on declared price. (refer above table for new vs. old slab comparison).
- **Duty impact**: As per our calculations (considering higher end of EDP), up to EDP of Rs1,050/case, overall duty surges by 11–60%. For EDP of Rs1,300+/case, overall duty incidence falls.
- **Premiumization tailwind**: Historical tax revisions with fewer slabs have supported premiumization in the state. For instance, after the slab reduction in Aug-24 (from 18 to 16 slabs), Radico's Deluxe-and-above portfolio recorded 130 percent growth in Karnataka, with premium mix expanding from 8%

(FY25) to 20% currently. Rampur Single Malt, earlier priced at INR9,500, was revised to INR7,200 post Aug-24 — and is expected to fall further to ~INR6,400 post current changes.

- **Market share (~68mn case spirits market)**: Large national players together accounted for ~15% market share in FY26. Balance held by regional players concentrated in the regular segment. Excise changes are expected to accelerate premiumization and faster growth for national players.

Exhibit 20: Karnataka – annual excise revenue trends



Source: State Government; HSIE Research

Karnataka's tax changes have narrowed the price gap between P&A and popular segments from INR95 to INR45, with P&A prices dropping to ~INR200/180ml and popular brands rising to INR155. This reduced differential is a strong catalyst for consumers to up-trade from popular to P&A offerings.

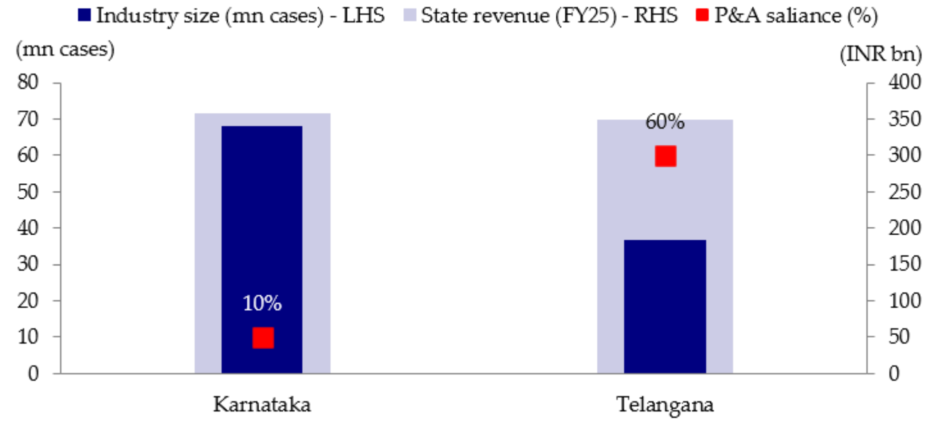
We expect P&A segment to see gradual volume shift from popular segment as consumers are now incentivized to up-trade in the category. Earlier, the gap in P&A and Popular was as high as INR100 for a low prestige offering like Imperial Blue. Post recent tax changes, prices have now reduced to ~INR200/180ml (not at par with neighboring markets) from INR230. Popular offerings like Bagpipers that were priced at INR135, after tax changes, are now priced at INR155. As such, the price gap has gradually reduced from INR95 to INR45, which is a big enabler for consumers to up-trade.

Exhibit 21: Karnataka – Amid incidence shift to alcohol content, for IMFL state allows retailing with 40% ABV, companies can reduce ABV and make product affordable

Source: HSIE Research

Anomaly between Karnataka and Telangana reflects the complexity of Karnataka's slab-based taxation regime. With annual retail targets measured in volume, popular brands retain a disproportionately large share in Karnataka.

Exhibit 22: Karnataka vs Telangana – spirits' volume and state revenue from alcohol



Source: State Government; HSIE Research

Unlike other markets where premium outlets /urban centres avoid stocking 90/180 ml SKUs and popular offerings, Karnataka shows wider availability—largely driven by volume-based annual growth targets.

Exhibit 23: Karnataka – Annual target set in volume, make relevance for all SKU and brands at the outlets

Source: HSIE Research

Under the new government, the state has adopted progressive excise measures inspired by Uttar Pradesh, including a fresh retail-store allotment cycle with non-refundable INR300k application fees, lottery-based allocation, and a capped outlet count of 2,720. It also introduced "walking stores" with an additional INR500k licence fee, supporting both revenue generation and premiumization.

Telangana considering progressive stance with new businesses

While the government is yet to clear the past dues, under new government, the state has turned progressive, taking cues from Uttar Pradesh. Some of the recently adopted measures are a) New retail allotment of stores (non-refundable application fees of INR300k, pave extra revenue stream for the government), with two-year tenure (December 1, 2025, to November 30, 2027), b) lottery-based allotments, c) restrict outlet count to 2,720 but allow walking store (with additional license fees of INR500k) concept with additional fees (aids premiumization). Telangana is the largest beer-consuming state by volume.

Exhibit 24: India – Private retail allotment process

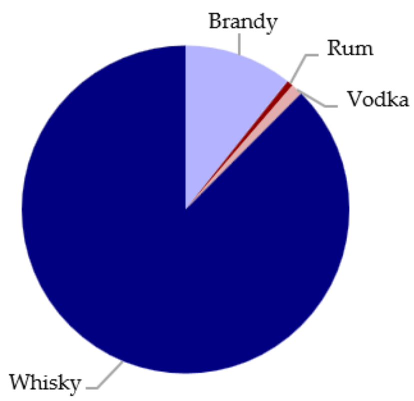
Auction States	Lottery States
Haryana	Uttar Pradesh
Karnataka	Telangana
Maharashtra	Jharkhand
Goa	West Bengal
Odisha	Kerala

Source: Company; HSIE Research

Exhibit 25: Telangana – Fast adoption of Walk-in stores in the urban centres

Source: HSIE Research

Exhibit 26: Telangana – Estimated spirits industry volume split

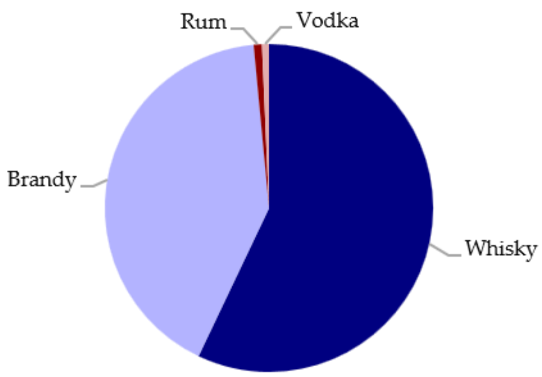


Source: Industry, HSIE Research

Andhra Pradesh policies revised to industry needs

Andhra Pradesh faced disruption in its policy over 2019-24, wherein the state government planned for a three-phase restriction on alcohol. With change in government, policies have seen a U-turn.

Exhibit 27: Andhra Pradesh – Estimated spirits industry volume split



Source: Industry, HSIE Research

Here are some of the measures undertaken by erstwhile government, which emerged negative for the industry in the state:

The previous Andhra Pradesh government implemented several policies that adversely impacted the state's alcoholic-beverages industry. These included restrictions on inter-state movement of alcohol, a state takeover of liquor retail, sharp price and duty hikes, stricter retail operating norms, and a phased pathway toward prohibition. Collectively, these actions reduced retail availability, elevated prices, constrained supply, and significantly compressed industry volumes across spirits and beer.

- **Restriction on alcohol from outside the state:** Over 2019-24, government had issued orders banning the transportation or carrying of alcohol from other states into Andhra Pradesh without a valid permit granted in advanc**e.**
- **Government takeover of liquor retail:** Private liquor shops were taken over by the state (AP Beverages Corporation). Private shops (~4,380) were replaced by government-run outlets (~3,317 opened initially).
- **Substantial price/duty hikes:** Liquor price increased by ~75% during COVID-19 lockdown periods. Sales volume declined by ~24% for liquor and ~55% for beer in certain periods after hikes.
- **Reduced hours/stricter sale rules:** Opening hours for shops have been reduced (e.g. shops open from 10am to 9pm). Per-person purchase limit cut from six bottles to three.
- **Phase-wise path toward prohibition:** Three-phase plan: first closing "belt shops" and shops near highways; then reduced the number of bars/outlets; and finally, limit the sale to only 5-star hotels. The number of wine shops were reduced by ~13%. The number of liquor retail outlets dropped from ~4,380 to ~2,934. The number of bars reduced by ~40% (from ~840 to ~530).

Under new government effective 2024, some of the anti-sector measures reversed:

The new government has rolled back several restrictive measures and initiated reforms aimed at normalising industry operations, expanding retail participation, improving price transparency, and improvement in excise revenues.

- **Re-entry of national and international brands**: Reversed earlier restrictions; allowed outside, national, and global brands to re-enter.
- **Privatized retail:** Government notified ~3,736 retail outlets under Excise Policy 2024–26, including 3,396 open-category (private), 340 reserved, and 12 premium outlets.
- **Application and license fees revived:** Application fees fixed at Rs0.2mn per shop; license fees rationalized by population slab (INR 5–8.5 mn). ~0.42 mn applications received vs ~0.15 mn in FY24; fees collected INR 23 bn (+190% YoY).

Key actions include reopening the market to national and international brands, re-privatising retail, revamping licensing and fee structures, introducing a transparent lottery-based allotment system, simplifying tax and pricing frameworks, and driving meaningful improvement in excise revenues.

- **Transparent lottery-based selection**: Introduced draw-of-lots mechanism for all retail and bar licenses. 3,736 outlets allotted; 466 bar licenses (388 open + 78 reserved)
- **Simplified tax and pricing structure:** Reduced tax heads, aligned MRP of foreign brands with neighbouring states. Achieved ~5-8% MRP rationalization for select premium SKUs.
- **Revenue growth and fiscal impact**: Excise revenue at INR 288.42 bn in FY25, up ~15% YoY, with a target of INR 338.82 bn in FY26.

Post national brand entry, consumers have embraced large brands. Case in sight is *Old Admiral Brandy* from Radico Khaitan, where consumers have made a quick switch from local brands to national. This trend has made *Old Admiral* the fastest-growing brand across the world in CY25. Prestige and Above segment volume, which is at present at ~35%, is likely to see further uplift ahead, in our view.

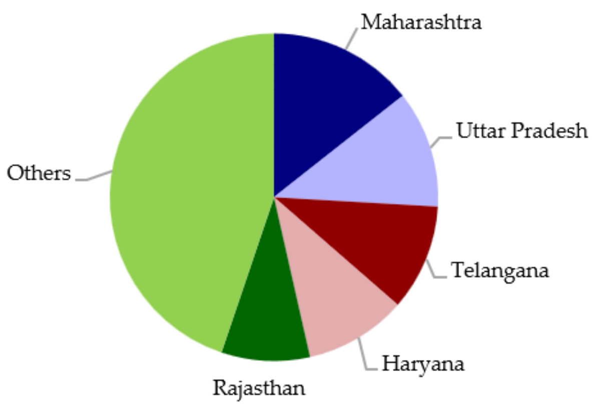
Maharashtra policy changes; state has lost 'progressive player' tag

Maharashtra's recent policy actions underline a shift from structural reform to revenue extraction. After nearly 50 years of static retail licensing (1,713 outlets since 1974), the government has only very recently proposed a 19% increase in shop licenses. Comparatively, other states have been increasing licensed retail outlets more regularly, expanding retail density, more representative of progressive reform. Maharashtra's decades-long freeze signals regulatory inertia.

Maharashtra has emerged as the largest BIO market following the 2021 duty cuts

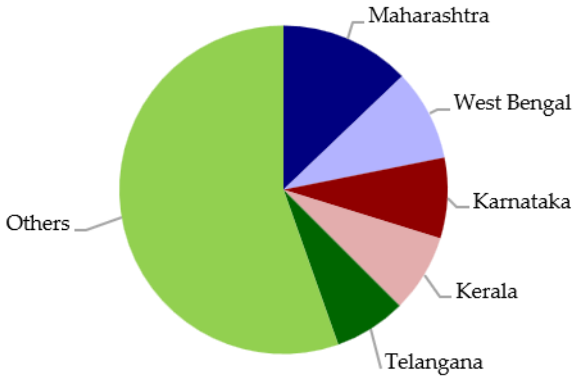
To curb smuggling and bootlegging of imported brands, Maharashtra cut excise duty by 50% (300% to 150%), leading to a 31–36% price drop. *Johnnie Walker Black Label's* MRP fell from INR 5,760 to INR 3,750 for a 750 ml bottle.

Exhibit 28: For Pernod Ricard, Maharashtra is estimated to be the largest volume state, supported by the company's substantial operational footprint in the state, including its Nashik distillery



Source: Company; HSIE Research

Exhibit 29: For United Spirits, Maharashtra is estimated to be the largest volume state



Source: Company, HSIE Research

Maharashtra's steep 2025 duty escalation aims to lift revenues by ~INR140bn but has already led to shortages, SKU disruptions, and industry protests. Added regulatory gaps—mis-assessed licence fees and delayed supervision-fee rollout—intensify pressure on margins and volumes. This marks a departure from states pursuing more balanced, reform-first excise strategies built on licensing innovation, transparency, and expanded retail access.

But sudden spike in excise for IMFL in Jun-25

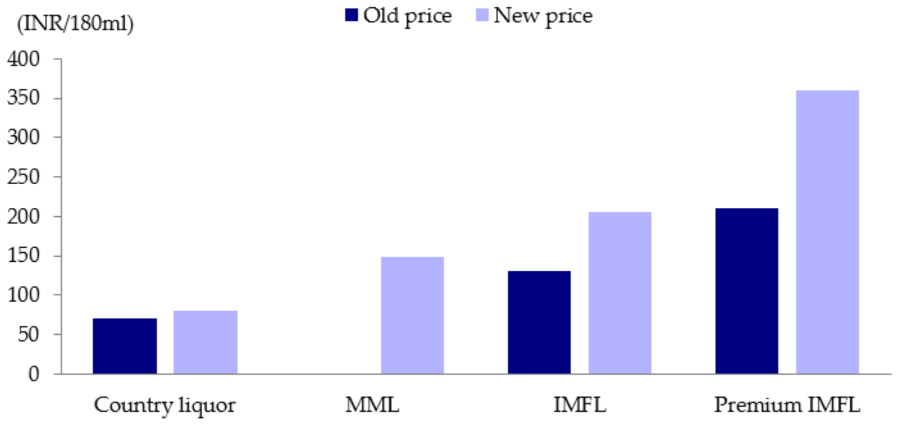
In Jun-25, Maharashtra approved a ~50% increase in excise duty on IMFL (from 3x to 4.5x of manufacturing cost) and raised duty on country liquor from INR180 to INR205 per proof-litre. Meanwhile, revenue growth has largely depended on aggressive hike in excise duties (IMFL duty up ~50%, country liquor duty raised), generating an expected INR140bn boost. However, early market feedback signals shortages, shrinking availability of popular pack sizes, protests from bars and restaurants alongside official findings of revenue loss from license fee mis-assessment (~INR200mn) and delayed supervision fee (~INR730mn) implementation suggest tightening margins, risk of volume drop, and weakening regulatory delivery. All these marks a departure from the more sustainable, reform-first progressive states, which rely on licensing innovation, transparency, and retail density expansion in addition to taxation.

Maharashtra introduces MML

Maharashtra has introduced Maharashtra Made Liquor (MML), a mid-segment category priced at a minimum of INR148/180ml to promote local manufacturing and widen the tax base. MML volumes have stabilised at ~450–500k cases per month, while IMFL volumes, initially hit by tax-driven disruptions, have recovered to ~1.8mn cases per month.

Alongside the tax hikes, Maharashtra introduced a new category called Maharashtra Made Liquor (MML), specifically designated mid-segment alcohol option manufactured within the state. MML is priced at a minimum of INR148 for a 180ml bottle and is distinct from IMFL and country liquor. This initiative is designed for promoting local liquor manufacturing, diversifying the state's alcohol portfolio, and expanding the tax base to include more local products. MML monthly industry volume now settles at ~450-500k per month, while the hit for the IMFL was 700-800k cases per month (now at ~1.8mn cases per month).

Exhibit 30: Maharashtra – price points across spirits and changes after Jun-25



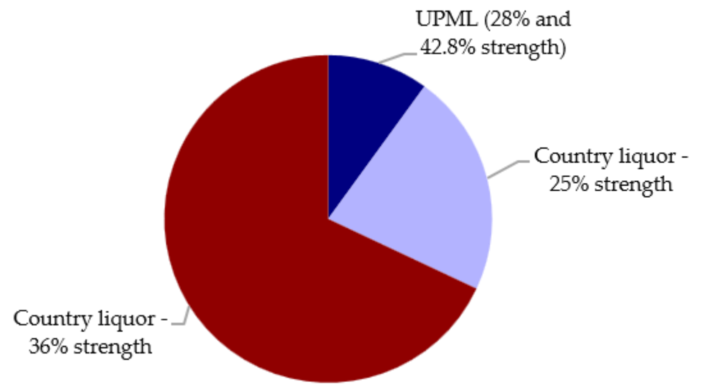
Source: Industry, HSIE Research

UP launched Uttar Pradesh Made Liquor (UPML) in Jul-24 as a grain-based, locally regulated segment with a state-set floor price. Positioned above country liquor but below IMFL, UPML offers an affordable upgrade path for value-seeking consumers and is expected to accelerate shifts from country liquor toward IMFL.

Before the MML and tax hikes, IMFL volume in Maharashtra was at ~2.4mn case/month. There was a hit of 700-800k case monthly volume. This gap was gradually filled with roll-out of MMLs – by Oct volume for MML was ~150k cases, in Nov at 350k cases and in Dec at 450k cases. In YTD CY26, volumes stabilized at ~450-500k/month. Important to note, in Maharashtra, this rollout is across IMFL segments, unlike a new grain-based sprit positioned above country liquor and below popular.

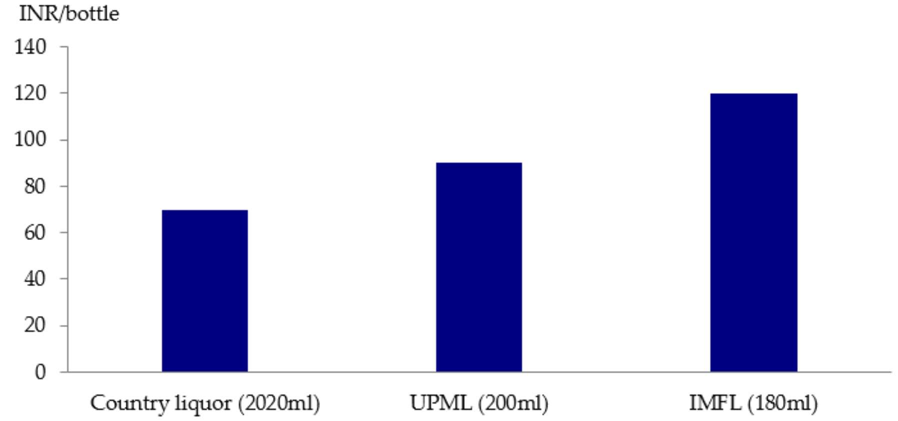
- **Uttar Pradesh state government launches UPML in Jul-24**: Uttar Pradesh Made Liquor (UPML) typically refers to grain-based spirits produced locally under state regulations. The state government sets a floor price for UPML, which is usually higher than traditional country liquor albeit significantly lower than that of premium IMFL brands, making it accessible to price-conscious consumers who seek an upgrade from country liquor. UPML is likely to help consumer upgrades from country liquor to IMFL.

Exhibit 31: Uttar Pradesh – mass-market non-IMFL offerings (~100mn cases) split



Source: Industry, HSIE Research
Note: UPML = Uttar Pradesh made Liquor

Exhibit 32: Uttar Pradesh – price points across spirits



Source: Industry, HSIE Research
Note: UPML = Uttar Pradesh made Liquor

Rajasthan-made liquor (RML), introduced in FY21 as a mid-segment ENA-based category (25 UP), has strengthened state excise revenues by effectively capturing demand above country liquor and curbing illicit trade. The segment has helped Rajasthan State Beverages Corporation plug leakages and drive consumer upgrades.

- **Rajasthan-made liquor helps the state enhance revenue**: Rajasthan-made liquor (RML) became effective as a distinct category around FY21, introduced as part of the Rajasthan excise policy to offer a mid-segment alcohol option with a strength of 25 UPs (units of proof) based on extra neutral alcohol (ENA) spirit. This policy has helped Rajasthan increase state excise revenue by capturing demand in the mid-price category more effectively and discouraging illicit liquor trade. This move has helped Rajasthan State Beverages Corporation Ltd to enhance its revenue as a consumer upgrade from country liquor, wherein plugging the revenue leakage is in place.

Tamil Nadu opening, a possibility now with new government

Our ground checks indicate possibility of Tamil Nadu market opening for national players, akin to some of the recent decisions hinting at reduction in malpractices. It is an active alcoholic beverages market with 100% control of state on distribution and retail of beverages. National players have trimmed operations in the state over the years, paving a bigger opportunity for local players.

What could change: A progressive shift in retail operations

People on the ground believe the new government will progressively improve TASMAC operations. The immediate priority is expected to be plugging leakages through tighter monitoring and enhanced digital ordering systems. Store-level interactions indicate that salesmen continue to charge INR 10–20 extra per bottle—seen locally as a way to supplement livelihoods given the modest payouts from the government. Our on-ground engagement also points to early progressive actions such as:

Tamil Nadu is set for a progressive shift in TASMAC operations, with early actions focused on plugging leakages, digitising store processes, and improving staff conditions. Salary hikes, digital onboarding for premium outlets, centralised bill payments, QR-based billing, and online inventory ordering mark a gradual move toward cleaner, technology-led retail governance.

- **Salary hike for store staff:** TASMAC outlets typically operate with two supervisors and 6–8 salesmen for stores doing around INR 100k per day. Store employees working on contract have been granted a 25% salary increase, although the revised payout structure is yet to be fully implemented.
- **Digital onboarding & monitoring at premium outlets**: Premium stores have received online onboarding, enabling the start of online ordering, where consumers place orders digitally and collect products in-store. These outlets are now equipped with CCTVs monitored centrally by TASMAC, improving oversight and reducing leakages.
- **Centralised payment of electricity bills**: Effective 1 September, TASMAC will directly pay electricity bills for all outlets. Previously, supervisors paid bills upfront and waited for reimbursements—often delayed, and in some cases not processed—creating operational friction and financial burden at the store level.
- **Digitisation of billing & bottle-level recording**: Consumer billing has shifted from manual entry to fully online systems. Stores are now equipped with scanning devices that capture bottle-level sales through QR-codes affixed on each bottle, improving transparency, reconciliation accuracy, and reducing scope for informal charges.
- **Online store replenishment requests**: Effective 1 September, TASMAC outlets will shift to online inventory ordering from depots, replacing the current manual indent process.

There are active discussions around partial privatisation of TASMAC.

Tamil Nadu's progressive shift in TASMAC operations—through salary hikes, digital onboarding, centralised payments, QR-based billing, and online inventory ordering—signals cleaner, tech-led retail governance. Yet national brands remain scarce due to restrictive excise rules: imports banned below fixed sum per case (except brandy), mandatory minimum sales thresholds, and opaque operational barriers that make the market commercially unviable.

Why national brands are scarce: Restrictive policies

National brands have limited presence in Tamil Nadu primarily due to restrictive excise conditions and operational constraints that make the market commercially unviable for most players. The key barriers include:

- **Import restriction based on EDP**: Brands with EDP below fixed sum per case cannot be imported into the state, except for brandy. This effectively blocks low and mid-prestige whisky from entering Tamil Nadu, especially since distillation and bottling capacities within the state are limited and largely used to promote local labels. This is also a key reason why the whisky segment remains disproportionately small in the state.
- **Mandatory sales threshold**: National brands must have achieved minimum threshold cases of sales in Tamil Nadu over the previous two years. This condition disproportionately affects brands priced above fixed sum per case, since most cannot reach this threshold under the prevailing import restrictions and limited consumer base.
- **Additional non-transparent barriers**: Over time, opaque operational constraints have emerged—rarely articulated in formal policy but widely cited in on-ground checks. These include procedural hurdles, cost structures, and approvals that make it commercially impractical for national brands to operate profitably, resulting in minimal or near-zero presence of many well-known brands in the state.

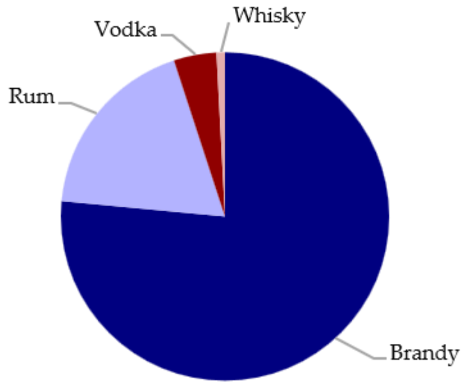
Brandy is the only fully open category in Tamil Nadu, enabling national participation in P&A, while the popular segment remains dominated by local distillers who seldom offer bottling support. As a result, national brand presence is restricted to select offerings such as Courrier Napoléon, Morpheus Blue, Mansion House, and Radico's Jaisalmer in gin. In beer, United Breweries leads with a quarter of the market via Kingfisher, alongside SNJ's British Empire.

Our ground checks indicate that brandy remains the only fully open category in Tamil Nadu, as EDP restrictions do not apply to it. National brands therefore participate largely in the Prestige & Above (P&A) segment, while the popular segment is dominated by local distillers, who are generally unwilling to extend bottling support to national players. As a result, the presence of national brands in the state is limited to a few key offerings: *Courrier Napoléon* (blended and bottled by M/S Golden VATs Private Limited), *Morpheus Blue* (blended and bottled by SNJ Distillers) and *Mansion House* (blended and bottled by Transworld Breweries & Distilleries). In gin, *Jaisalmer* from Radico is among the very few active national brands. In beer, United Breweries maintains strong presence with roughly a quarter of the market, led by *Kingfisher*, which typically commands at least two visi-coolers per store across major city outlets. *British Empire* from SNJ Distillers is another prominent beer brand, often seen in CSK-branded packaging.

How material is Tamil Nadu for IMFL? One of India's largest IMFL markets

Tamil Nadu is one of the largest IMFL market in India with ~68mn cases volume in FY26, of which over 85% of the industry volume is in popular/regular segment. Looking at the market construct, brandy and rum are the bigger segments, with ~75% and ~20% volume contribution, respectively. That makes whisky irrelevant in this market vs nationally, where it has a high-volume share.

Exhibit 33: Tamil Nadu – estimated spirits industry volume split



Source: Industry, HSIE Research

Following the election, Tamil Nadu has reduced TASMAC outlets by 717 and is considering widening its product mix by allowing more brands, including global labels. The state is modernising outlets, raising staff wages by 25%, tightening compliance, and boosting revenues through higher IMFS fees and doubled FL2 privilege fees. It has also enforced stricter bar rules, including licence revocation for entry of persons below 21.

Post election of new government, there has been a series of actions in Tamil Nadu:

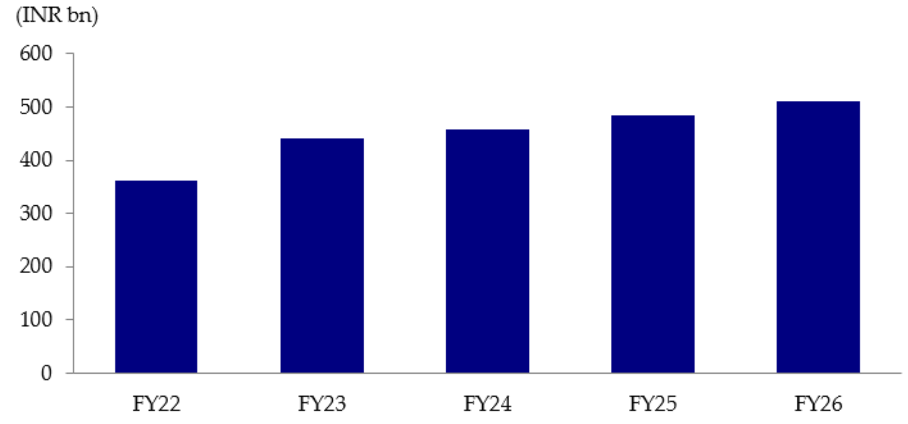
- The government has reduced liquor shop count by 717 outlets to 4,048 outlets across the state.
- Government is mulling the possibility of widening the product mix available in Tamil Nadu by allowing more liquor brands into the market, including global labels. This would be key, given outlet closures and consumer traveling to Bangalore and Puducherry for more wider options.
- As per media sources, the state is looking at modernizing the TASMAC outlets, which will help prevent leakages and enforce stricter compliance.
- To arrest malpractices at store by staff changing Rs10 extra per bottle, government has increased staff wages by 25%. This is the first hike staff has seen in last 20 years. As a directive, government has sent message to its staff that anyone charging extra from consumer will be suspended.
- Government has taken steps to boost current income. Under the revised levy, manufacturers of Indian-Made Foreign Spirits (IMFS) will have to pay an additional fee of Rs 90 per standard case. Additionally, The state government has doubled the annual privilege fee for FL2 licence holders in Chennai from INR1.5mn to INR3mn and substantially increased the fee for clubs in other urban local bodies.
- Another directive from government for the bars is that the bar licence will be revoked if persons below 21 years were allowed entry.

Opening of the market to aid P&A volumes

With progressive states clocking elevated revenue from alcohol, we believe other states will learn and adopt favorable practices, which will make quality products affordable. Selling Prestige and Above volume is positive for the overall ecosystem, where consumers consume better, company sells better, and government earns better.

Our industry check suggests market opening will have a sharper premium impact than we have seen in Andhra Pradesh. While there is an opportunity to grab in popular segments, we believe massive up-trade is a possibility, which will aid national players. Amid our coverage, both Radico Khaitan and Tilaknagar Industries are likely to not see material benefit in terms of growth.

Exhibit 34: Tamil Nadu – State revenue from alcohol



Source: Industry, HSIE Research

Historical Evolution of TASMAC

TASMAC (Tamil Nadu State Marketing Corporation) was established in May 1983 under the AIADMK government led by M. G. Ramachandran to manage the wholesale distribution of Indian Made Foreign Liquor. For nearly two decades, retail liquor sales were handled by privately licensed shops, while TASMAC functioned primarily as the state's wholesale distributor. A major policy shift occurred in 2003, when the Tamil Nadu government under Chief Minister J. Jayalalithaa amended the Prohibition Act and transferred all retail liquor vending to TASMAC, making it the exclusive state-run retail operator from November 2003. Although successive governments have reduced the number of outlets, shortened operating hours, and repeatedly spoken about phased prohibition, the state-controlled retail monopoly has remained largely unchanged for over 20 years. The state continues to restrict manufacturing licences to a limited group—currently around 11 IMFL distilleries and 7 breweries—effectively preventing new large scale private entrants.

FTAs to boost growth in Whisky

India's proposed FTA with the UK is the most impactful for the alco-bev industry, cutting import duties on UK whisky and gin from 150% to 75% from 15 July 2026, with a phased reduction to 40% over ten years. Industry bodies estimate this will translate into savings of roughly 10–12%.

India has discussed FTAs with Australia, the UK, the US, Europe, New Zealand, and Chile. Of this, FTA with the UK holds most promise for the industry, import duties on UK whisky and gin will be cut from 150% to 75%, with phased reductions bringing tariffs down to 40% over a 10-year period. The deal is effective 15-July-2026. Industry bodies feel the reduction in duty will help save around 10-12%.

Easing in Scotch prices an enabler for wider whisky segment

Either consumer would upgrade or it will help accelerate category growth (as companies pass benefit to consumer, making products relatively affordable). Scotch segment globally has been under pressure, which has led top excess capacities. With Indian market continuing to boom, India will see gravity post-FTA.

Competitive setting a watchout

FTA-led duty cuts will push MNCs to pass benefits through pricing and improve blends, while domestic players gain margin upside, with luxury volumes largely unchanged and competitive execution deciding Bottle-in-India outcomes.

While MNCs look to pass benefits to consumers and drive consumption, domestic players are looking at this as a margin enhancement opportunity. We expect MNCs to improve the blend in bulging low and mid prestige segment, where they have been defocusing in the quest to improve profitability.

There is a debate around price cuts in the luxury segment, which in our view is not going to enhance volume due to the wider price gap. Also, this segment's consumer is not deciding on pricing, but on differentiation and experience. As the UK FTA takes effect, in our coverage, United Spirits will take the price of its BIO brands down, where *Johnnie Walker Red Label* will become more affordable. Radico Khaitan has *Royal Ranthambore* in this price segment. In Bottle in India, we think the benefit will be equal for all; here competitive setting would be key.

Exhibit 35: Key BII and BIO offerings in India from our coverage companies

Company	Brand	SKU	Price
BIO			
UNSP	*Johnnie Walker Blue Label Scotch*	750ml	28,000
UNSP	*Johnnie Walker Gold Label Reserve*	750ml	8,250
UNSP	*Johnnie Walker Double Black*	750ml	5,400
UNSP	*Johnnie Walker Black Label*	750ml	4,200
UNSP	*Johnnie Walker Red Label*	750ml	2,400
UNSP	*The Singleton 12 years*	750ml	6,000
BII			
UNSP	*Black & White*	750ml	2,900
Radico	*Royal Ranthambore*	750ml	2,800
UNSP	*Black Dog Centenary*	750ml	2,800
UNSP	*VAT 69*	750ml	2,700

Source: Industry, HSIE Research

Reduced custom duty deterrent to states revenue, imply tax hikes

While some of the states have fixed levy per case, some have variable levy. In case of variable levy, reduced Custom Duty will make a case for lower base for excise levy, implying loss in revenue on absolute basis. The basic assumption companies are taking is that states will have apt revision in duty rates to pass benefit to them. But we see this may not be true for all the states, which means benefit of FTA may be partial.

With this view, we expect companies to initially absorb benefit and gradually pass benefits to consumers on confirmation of state actions.

FSSAI actions are focused to tighten string around labelling

FSSAI's crackdown on misleading labels is pushing smaller players into regulatory stress, creating room for stronger compliance and opportunities for larger brands.

Right at the time, when industry was having comfort in regulatory tightness, FSSAI came up with its directives to stop selling liquids, which are deceiving consumer with labels. In many of the states, getting approval for label change is a nightmare, which is why players have advocated for implementation time. Some of the players have been loosely using the setting to deceive consumer and premiums, which is now getting arrested. Our connect with alcoholic beverages highlighted half yearly approval of ingredients with FSSAI.

We see this shakeup is needed and may continue in the future to get rid of smaller brands who have been loosely using regulation to benefit at large. As the smaller players will have regulatory stress, some will emerge bigger, and some will create opportunity for large players.

FSSAI operations in India

FSSAI's 2025–26 regulatory overhaul—centrally framed but unevenly enforced by capacity-strained state teams—introduces new category definitions, tighter labelling norms, and phased compliance timelines, signalling a decisive shift toward stronger, more standardised regulation of alcoholic beverages.

The rules around what is allowed and what is not are passed by central FSSAI team based in Delhi. The implementations of these rules and checking compliance is the job of state FSSAI teams, who do not report to centre but to state government. Most often state FSSAI teams are riddled with various problems, incompetence, lack of testing equipment's, lack of knowledge of process for different types of food processing etc.

FSSAI regulates alcoholic beverages as "food" under the FSS Act, 2006, via the Food Safety and Standards (Alcoholic Beverages) Regulations, 2018 — while manufacture/sale/excise remain a State subject. Between June and November 2025, FSSAI issued its first major overhaul of this framework since 2018, through three linked instruments:

- First Amendment (Jun 2025, effective 1 Jan 2026): formally defines RTDs, Nitro Craft Beer, Honey Wine (Mead), and Plain/Blended Country-Indian Liquor.
- Draft Amendment (Oct 2025): proposes mandatory standard-drink labelling ("may" → "shall").
- Second Amendment + Labelling Direction (Nov 2025): raises the fruit-wine ester limit 15x (0.2→3.0 g/L) and defers labelling enforcement to 1 July 2026 (now a recurring annual date).

Ingredients labelling and warning a norm globally

Global regulators—from the US TTB to the UK's 10-Year Health Plan, China's GB 7718-2025, the EU's mandatory ingredient-and-nutrition rules, France's Évin Law, and Ireland's 2026 health-warning mandate—are converging toward compulsory nutrition, allergen, and health-risk labelling on alcoholic beverages.

Globally, Alcohol and Tobacco Tax and Trade Bureau (TTB) mandates standardized "Alcohol Facts" labelling on wine, distilled spirits, and malt beverages, in the **United States**. The **United Kingdom's** "Fit for the Future: 10-Year Health Plan for England" introduces mandatory nutritional and health warning labels for alcoholic beverages alongside tighter regulations for no- and low-alcohol products. **China's** updated food labelling standard GB 7718-2025 (to be mandatory from 16 Mar 2027) applies to alcoholic beverages and introduces specific rules, including conditional exemptions for production date markings on wines and certain alcohol products. All these regulations are moving towards mandatory nutrition / allergen labelling.

The **European Union** mandates that all wine and aromatised wine products sold in the market must provide full ingredient lists and nutritional declarations under Regulation (EU) 2021/2117. **France's** Évin Law (Loi Évin of 1991) strictly regulates and restricts the marketing, advertising, and content promotion of alcoholic beverages (and tobacco) to protect public health. **Ireland's** 2026 alcohol labelling law is the first in the world to mandate direct cancer and liver disease warnings on containers, setting a pioneering precedent that international health organizations view as a emerging global benchmark.

Exhibit 36: Global Comparison — Key regulatory features

Country	Regulator	Nutrition/Ingredients requirement	Health Warning requirements	Advertising Control
India	FSSAI	Not required	Generic safety warning; Standard-drink count (proposed)	Fragmented — excise + self-regulation (ASCI)
United States	TTB	Mandatory panel proposed (2025 NPRM, pending)	Statutory since 1988; cancer-warning update floated	Content rules; no broadcast ban
United Kingdom	FSA / DHSC	Exempt >1.2% ABV; mandatory panel committed (2025)	None mandatory yet; consultation pending	ASA codes; no health claims allowed
European Union	European Commission	Mandatory for wine only (e-label, since 2023)	Not EU-wide; Ireland mandates cancer warning from 2026	AVMSD floor; varies by member state
France	DGCCRF (+ EU rules)	Per EU wine rule	Pregnancy pictogram mandatory since 2007	Loi Évin — strictest; TV/cinema ads banned
China	NHC / SAMR	Phasing in via GB 7718 & GB 28050-2025 (by Mar 2027)	Not mandated	Advertising Law; enforcement-driven

Source: Industry; HSIE Research

India's reforms modernise product categories faster than most peers but have not yet touched nutrition panels, ingredient lists, cancer warnings, or advertising — its biggest remaining gaps, in our view.

Exhibit 37: FSSAI regulatory changes pertaining to Alcoholic beverages

Area	2018 (Old)	2025–26 (New)
RTD beverages	No definition; fit ambiguously under 0.5–8% ABV table	Defined: >0.5%–15.0% ABV; Table-4 renamed & rescoped
Country/Indian liquor	No statutory definition	Defined; split into Plain / Blended; new Annexure-1 lists 27 products
Honey wine (mead)	Wine from fruits other than grapes	Replaced with Fruit wine (other than grape wine) along with Joney Wine
Nitro craft beer	Not recognised	Newly defined; must be labelled distinctly
Fruit wine ester limit	Max 0.2 g/L ethyl acetate	Raised to 3.0 g/L (~15x increase)
Sparkling wine sugar	1.2% limit, no tolerance	+0.3% tolerance proposed (Brut)
Standard-drink labelling	Voluntary ("may")	Mandatory ("shall"); 12.7 ml = 1 standard drink
Statutory warning	Basic "Injurious to Health" text	Refined wording + minimum size rules
Wine origin/vintage claims	General, low granularity	≥75% origin/varietal; ≥85% vintage share thresholds
Wine allergen (egg/isinglass)	Not mandated	Mandatory non-veg logo + declaration
Import NOC validity (>10% ABV)	Shorter/undefined cycle	Extended to 365 days
Labelling enforcement date	N/A	Deferred 1 Jan → 1 Jul 2026; now annual compliance date

Source: Industry; HSIE Research

Overall, India is ahead on product-category modernisation (RTD, mead, nitro beer, Indian liquor) relative to most peers. On consumer transparency, it is catching up — mandatory standard-drink disclosure parallels the US/UK direction, though it stops short of full nutrition/ingredient panels already required in the EU (wine) and proposed in the US. On health warnings (no cancer/pregnancy-specific warning, unlike France since 2007 and Ireland from 2026), India lags and on advertising regulation, which remains fragmented versus France's codified Loi Évin.

India leads in product-category modernisation but is tightening labelling rules to protect consumers, with FSSAI's recent actions pushing non-compliant players toward fair, transparent disclosure.

We see recent tightness a call to protect consumer interest

As the setting unfolded, we see FSSAI taking harsh stance against some of the non-compliant brands would create a setting for others to abide by regulations. Series of actions between FSSAI and Diageo clears the picture around right labelling products. We expect incumbents to proactively align with regulatory requirements. Fair labelling can create fair opportunities.

Exhibit 38: FSSAI actions against Diageo heading for amenable solution

mint

Diageo to relabel brands but retain composition

FSSAI has given liquor makers 90 days to relabel products and clear existing stocks

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NEW DELHI

Diageo India will change the labels of several whisky and rum brands flagged by India's food safety regulator but retain their composition, even as the company gets 90 days to clear existing stocks in Maharashtra, company executives told Mint on Tuesday on condition of anonymity.

At around 8:20 pm on Wednesday, United Spirits informed the stock exchanges that the Food Safety and Standards Authority of India (FSSAI) had cancelled its 29 June order restricting the sale of one of the company's products made at its Baramati plant, McDowell's Celebration rum. The company had challenged the order in the Bombay High Court, saying the product's labels complied with applicable rules. The company said there is no material financial or operational impact from the latest development.

The cancellation came as Diageo and other liquor makers seek to comply with FSSAI directives to either remove disputed flavouring agents or relabel their drinks, according to three people aware of the matter.

The 90-day relaxation is intended to give companies time to transition, and is not a rollback of the regulator's position, they said.

The move means brands such as Royal Challenge, Antiquity Blue and McDowell's No.1 Celebration Matured XXX Rum could see changes in front-of-pack declarations such as "whisky-flavoured spirit" or "rum-flavoured spirit", according to company executives. Diageo will make the changes while separately challenging the regulator's position in the Bombay High Court.

"Our products have consistently met all applicable safety and quality standards. We have engaged with the FSSAI on their position of the existing guidelines and have since taken appropriate measures to align our products fully with the revised requirements. Diageo India remains committed to the highest standards of compliance and consumer safety," United Spirits told Mint in WhatsApp text messages, after Reuters first reported the development on Monday.

Subsequent queries emailed to Diageo on Tuesday remained unanswered till press time. Queries emailed to FSSAI on Tuesday evening were not immediately answered.

The issue dates back to July, when FSSAI notices were sent to companies across the alcobev industry, including Diageo and Mohan Meakin Ltd, alleging violations over added flavours and age claims on popular products such as whisky, rum, gin, etc.

Industry experts say FSSAI's reading of the rules could upend a long-standing manufacturing model for Indian whisky and rum, with implications for product costs, taste, pricing and availability.

Poonam Chandel, an industry expert and former managing director at companies like NeuWorld Spirits & Cobra Beer, and Vinod Giri, former head of the Confederation of Indian Alcoholic Beverage Companies (CIABC), both argue that India simply doesn't have the matured spirit stock to make such a change quickly, and that the disruption could touch everything from pricing to what falls under the "premium" label.

The industry's central argument is that there may not be enough matured spirits available to quickly overhaul India's mass-market whisky and rum brands.

"India's whisky, brandy and rum market is approximately 432 million cases annually, representing approximately 1.73 billion litres of actual alcohol content...If FSSAI's interpretation requires these categories to be fundamentally reformulated around category-specific character spirits, India simply does not have this scale of matured whisky spirit, grape-derived brandy spirit or character rum distillate available today. This cannot be achieved overnight. It requires raw materials, capacity, capital and, critically for whisky, years of maturation," said Chandel.

She said the move was surprising given the sector's longstanding compliance with FSSAI requirements. Changing established recipes could alter familiar taste profiles, hurt consumer acceptance and affect state excise revenues, she said.

She questioned whether state governments would allow brands to raise prices if longer maturation made products more costly to produce.

For an extended version of this story, go to livemint.com.


The arrangement is expected to apply to other liquor makers as well. AFP

LABEL VENDETTA

DIAGEO will make the changes while challenging the regulator's position in the court

EXPERTS argue that India doesn't have the matured spirit stock to make such a change quickly

INDIA'S whisky, brandy and rum market is approx 432 million cases annually

DIAGEO had earlier contested a Maharashtra order restricting sales of a particular product

Source: Media; HSIE Research

Exhibit 39: FSSAI action led Old Monk to drop the misleading label

mint

Old Monk agrees to drop '7 years old blended' from label under pressure

Yash Tiwari & Varuni Khosla
MUMBAI/NEW DELHI

Mohan Rocky Springwater, the makers of the popular rum brand Old Monk, informed the Bombay High Court on Monday that it is ready to relabel its product, removing the "7 years old blended" mention.

"I will in every single label blank out the line that states '7 years blend'," senior counsel Navroz H. Seervai for the firm, informed the court

A division bench headed by acting Chief Justice Ravindra V. Ghuge and Justice Gautam A. Ankhad, after hearing the arguments, asked the company to submit a reworked label by Thursday. The bench noted that a consumer could be misled into thinking the rum had been aged for seven years. The court also questioned the alcoholic beverage maker about some of the text on the label, which was "so small that nobody can read".

Counsel representing the regulator, the Food Safety and Standards Authority of India (FSSAI), argued that Old Monk was made by adding rum flavour to neutral spirit rather than acquiring the natural characteristics of rum and said they have acted in accordance with the law.

FSSAI had in June imposed restrictions on the sale of rum, requiring the company to label it as a "rum flavoured spirit".

The court also directed the food regulator to specify the requirements and details that should be included in the label to clearly distinguish the product. The court also told the excise department to check the revised label and start the approval procedure on an urgent basis. Old Monk, besides stating that it was willing to immediately submit revised labels and remove the reference to "7 years old blended". They also highlighted that they have suffered a loss of ₹1 crore per day for 120 days of the ban.

"The age declaration on a blended spirit must reflect the age of the youngest matured spirit in the blend." Poonam Chandel, an industry expert and former managing director of Neu-World Spirits, told *Mint*. "In this case, since the product contains spirit of a much younger age, the '7 years old' declaration clearly needed to be corrected....Old Monk has carried substantially the same label for years, and the declaration seems to have simply continued without being revisited as the product and regulatory environment evolved."

That may point to complacency in reviewing an old label, but it should not automatically be interpreted as deliberate misrepresentation, Chandel said. "The company agreeing to correct the label is, therefore, the appropriate step."

United Spirits, which faced a similar ban, withdrew its case on 24 August. Diageo, the parent company of United Spirits, and other liquor makers have agreed to comply with FSSAI directives to either remove the disputed flavouring agents or relabel their products, *Mint* reported on 18 August.

The change in label will take place, retaining the composition of the alcoholic beverage intact, people aware of the matter said.

yash.tiwari@livemint.com

For an extended version of this story, go to livemint.com.


FSSAI had in June imposed restrictions on the sale of rum, requiring the company to label it as a 'rum flavoured spirit.'

AGEING OUT

THE bench noted that people could be misled into thinking the rum had been aged for seven years

THE Old Monk maker said it had suffered a loss of ₹1 crore per day for 120 days of the ban

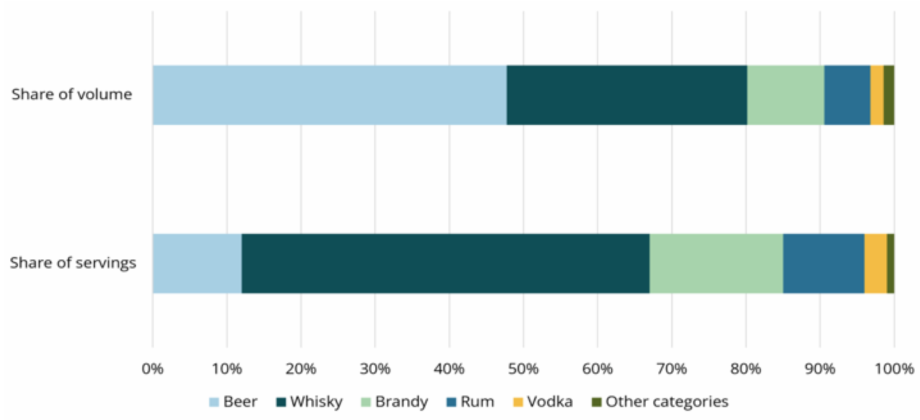
Source: Media; HSIE Research

Theme 3: Having full portfolio crucial for wider play

India's alcobev market comprises IMFL, Country Liquor, Beer, and Wine, with IMFL dominating at ~446 mn cases in FY26, followed by country liquor, while beer is mature and wine remains nascent.

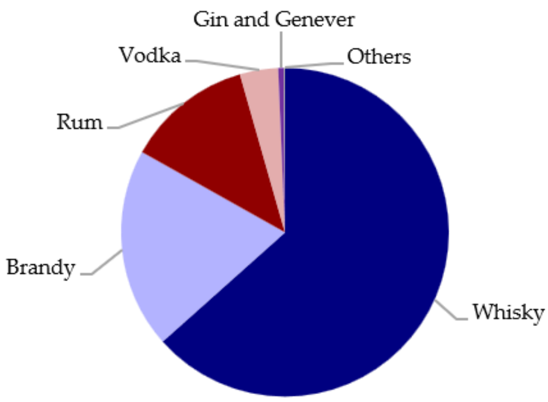
Indian alcoholic beverages market is divided into four – IMFL, Country Liquor, Beer and Wine. Of the four, IMFL is the biggest segment, with 446mn cases in FY26. Country liquor follows, with active presence across markets except South India. Beer and Wine are the low alcoholic beverages with developed market for beer; wine remains nascent.

Exhibit 40: India – Share of volume and share of serves comparison, 2024



Source: IWSR; HSIE Research

Exhibit 41: Estimated spirits volume salience by category in India



Source: HSIE Research

India's spirits category has grown at ~9% CAGR since Covid, with whisky and brandy in high single digits, vodka and gin in the low-20s, rum in low double digits, and tequila/agave surging at ~60% CAGR.

On Covid lows, overall Spirits category has seen volume growth at a CAGR of 9%. Whisky and brandy have seen high single-digit volume CAGR, where whisky underperformed while brandy volumes grew in line with the Spirits category CAGR. Vodka and gin saw CAGR in low 20%, while rum saw low double-digit volume CAGR since 2020. Taquila/Agave has seen fast volume surge at ~60% CAGR.

Whisky most developed alcoholic beverages segment in India

India's whisky market is the world's largest, now slowing to ~4% growth, with momentum shifting to low/mid-prestige Indian brands and super-premium blended scotch driven by rising affluence.

India is world's largest whisky market, with majority supply from local players. Historically, ENA-based whiskies have dominated demand, largely in value price segments. But with steady emergence of up-trading has seen bulk imports of Scotch and other whiskies incorporated as ingredients into better quality Indian variants. However, in the whisky segment we are seeing slowdown (~4% growth in CY25; vs 8% CAGR over 2020-25), where lower prestige and super premium are driving segment growth.

- **Low and mid-prestige segments see faster growth:** Sensing the limited profitability and gradual consumer upgrade, large players like Diageo and Pernod Ricard have rationalized portfolio offerings in the segment. This paves the opportunity for Indian players to gain share and drive portfolio momentum. *ICONiQ White* from Allied Blenders have seen fast scale, positioned in the low prestige segment, fastest growing whisky across the world for last three consecutive years. Radico's *After Dark* has also seen fast scale.

Exhibit 42: Low prestige continues to see revamped product relaunches

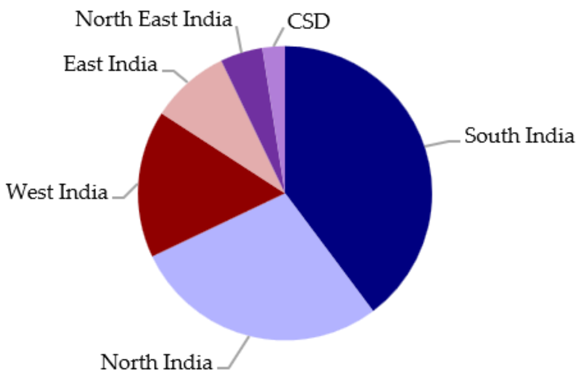
Source: Company, HSIE Research

- **Super premium segment benefit from affluency:** In the super premium, blended scotch is driver of growth, where sales is likely to double over the next decade, as per experts. The lack of age statements on Indian single malts is likely to lead to greater consumer acceptance on blended scotches that also don't carry them.

The biggest state by volume is Karnataka, followed by Telangana. Maharashtra, Andhra Pradesh, and Uttar Pradesh complete the top five states by volume.

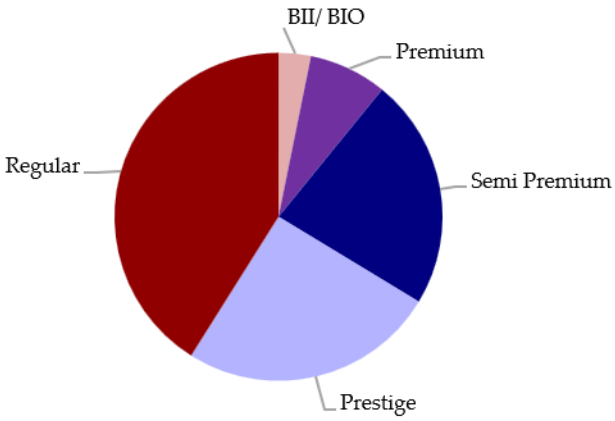
As per IWSR, Indian whisky is likely to see 4% volume CAGR over 2025-30, comparatively scotch whisky to see 6% CAGR.

Exhibit 43: India – Estimated whisky volume salience across regions in India



Source: HSIE Research

Exhibit 44: India – Estimated whisky volume segmentation by price segments



Source: Industry; HSIE Research

Exhibit 45: India – Whisky market segmentation and key brand offerings by each incumbent

Company	Popular / Regular (<INR 900)	Lower Prestige / Deluxe (INR 900-INR 1,000)	Mid Prestige / Semi-Premium (INR 1,000-INR 1,100)	Upper Prestige / Premium (INR 1,100-INR 1,500)	Luxury + Super Premium + BII (>INR 1,500)
United Spirits	*Bagpiper Deluxe* *Director's Special Black* (4 mn cases)	*McDowell's No 1* (32 mn cases)	*Royal Challenge* (11 mn cases)	*Royal Challengers* *American Pride* *Signature (Rare Supreme)*	*Antiquity Blue* *Black and White* *Black Dog* *Johnnie Walker; Signature (Rare Green and Premier)* *VAT 69*
Allied Blenders	*Officer's Choice* (18 mn cases)	*ICONiQ White* (10.7 mn cases); *Officer Choice Blue* (3 mn Cases)	*Sterling Reserve B7* (4 mn cases)	*Sterling Reserve B10;* *Srishti*	*Arthaus* *Woodburns* *Yello* *AODH* *The Collectives*
Radico Khaitan	*8 PM* (7 mn cases)	*After Dark* (2 mn cases)	*8 PM Premium Black* (2 mn cases)	*Morpheus*	*Rampur Single Malt* *Virasat* *Royal Ranthambore* *Sangam* *Spirit of Victory 1999*
Tilaknagar Industries	*Senate Royale*	*Imperial Blue* (21.5mn cases)	*Mansion House* (10mn cases)		*Seven Island*
Pernod Ricard			*Royal Stag* (33 mn cases)	*Royal Stag Barrel Select* *Royal Stag Double Dark* *Blenders Pride (10mn cases)*	*100 Pipers - 8/12 years* *Premium/Reserve* *Chivas Regal* *Jameson Black/Irish* *Ballantines* *Beefeater* *Glenlivet*

Source: HSIE Research
Note: Based on prices in Maharashtra sourced from Livcheers

Vodka, fastest growing IMFL segment in last 5 years

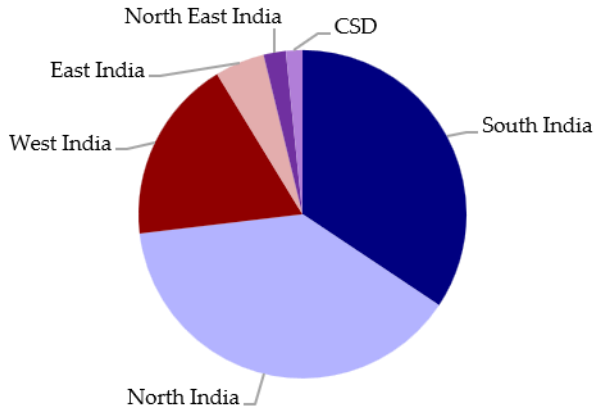
Vodka remains under-penetrated in India (<5% of IMFL) but is entering a multi-year growth phase driven by young LDA women, premiumization, cocktails, and strong category leadership from Radico Khaitan (60% share).

Vodka accounts for nearly 28-30% of global spirits consumption; its share within India's IMFL market remained below 5% in FY26. Changing consumer preferences, demographic tailwinds, premiumization trends, and evolving consumption occasions are key enablers for vodka category's multi-year structural growth phase. Younger LDA consumers (largely women) are the key drivers of Vodka demand in the country. The category relies on innovation and new flavors to stimulate growth, complemented by growing enthusiasm for cocktails at home and after work at commercial venues.

Radico is driving the category development with 60% share. Its brand *Magic Moments* is the fifth-largest brand globally by volume, with 20% revenue CAGR in the last five years. Diageo is also aggressive with offerings under *Smirnoff*, but market supplies have been limited.

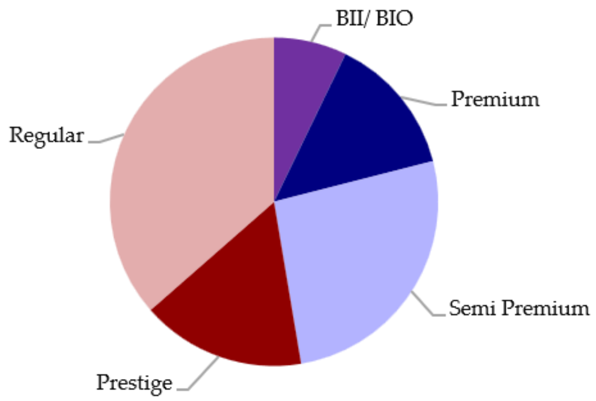
From an industry-volume standpoint, South and North India together account for 75% of vodka consumption. In the North, UP drives 50% of volumes, while in the South, Tamil Nadu contributes 50%. Maharashtra adds another 10% to overall category consumption.

Exhibit 46: India – Estimated vodka volume salience across regions in India



Source: HSIE Research

Exhibit 47: India – Estimated vodka volume segmentation by price segments



Source: HSIE Research

Exhibit 48: India – Vodka market segmentation and key brand offerings by each incumbent

Company	Popular / Regular (<INR 900)	Lower Prestige / Deluxe (INR 900-INR 1,000)	Mid Prestige / Semi-Premium (INR 1,000-INR 1,100)	Upper Prestige / Premium (INR 1,100-INR 1,500)	Luxury + Super Premium + BII (>INR 1,500)
United Spirits	-	-	-	*McDowell's Premium Vodka*	*Smirnoff*
Allied Blenders	-	-	-	-	*Russian Standard* (Original/Gold/Platinum) *Rangeela*
Radico Khaitan	-	*Magic Moments* Cocktail RTD (can)	*Magic Moments*	*Magic Moments Verve*	*Magic Moments Dazzle* *The Spirit of Kashmyr*
Tilaknagar Industries	-	-	-	-	*Amara*
Pernod Ricard	-	-	-	-	*Absolut* *Ostoya Vodka* *Wyborowa* *Lorbe*

Source: Company, HSIE Research
Note: Based on prices in Maharashtra sourced from Livcheers

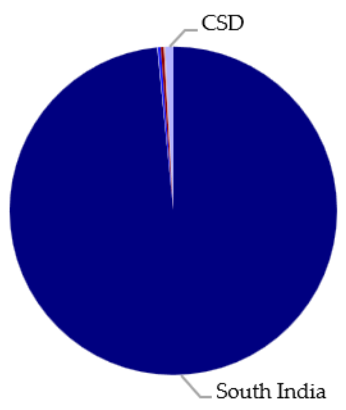
Brandy, mass market offering in South India

Brandy is a South-India-centric mass segment led by Tamil Nadu and Andhra Pradesh, growing fastest at 42% in CY25 with strong momentum from Honey Bee, Old Admiral, and Mansion House.

South India-focused brandies have been seeding share; one can consider the category a replacement for Country Liquor in the South, which is banned. Tamil Nadu drive 50% of the brandy category consumption, while Andhra Pradesh, Kerala, and Karnataka drive 40% of category consumption. In CY25, Brandy stood the fastest-growing segment in India with 42% growth, aided by faster growth in Andhra Pradesh.

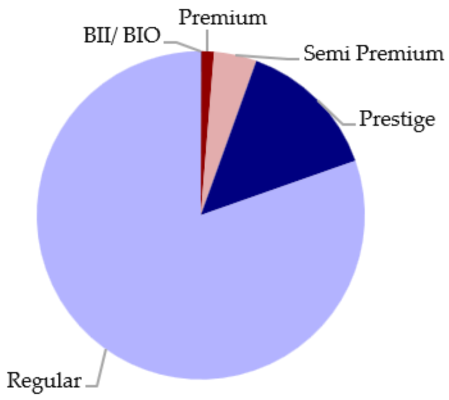
Spirits based brandies account for 80% of the category sales, where *Honey Bee* and *Old Admiral* emerged as strong brands. Radico's *Old Admiral* Brandy, positioned in the regular/popular segment, emerged as the fastest growing brand across the world, in CY25. Aided by opening retail to the private sector in the Andhra Pradesh. *Honey Bee No 1*, a brand from InBrew, is also a success, with fast surge in sales. Grape-based brandy is dominated by Tilaknagar Industries under its brand Mansion House. In brandy, Tilaknagar Industries leads in South India with 25% share (ex-Tamil Nadu).

Exhibit 49: India – Estimated brandy volume salience across regions in India



Source: HSIE Research

Exhibit 50: India – Estimated brandy volume segmentation by price segments



Source: HSIE Research

Exhibit 51: India – Brandy market segmentation and key brand offerings by each incumbent

Company	Popular / Regular (<INR 900)	Lower Prestige / Deluxe (INR 900-INR 1,000)	Mid Prestige / Semi-Premium (INR 1000-INR 1,100)	Upper Prestige / Premium (INR 1100-INR 1,500)	Luxury + Super Premium + BII (>INR 1,500)
United Spirits	*McDowell's VSOP* (CSD channel)	*Honeybee Premium*	-	-	-
Allied Blenders	*Officer Choice Brandy*	*Golden Mist*	-	*Kyron*	-
Radico Khaitan	*Old Admiral* (11mn cases)	*Whytehall*		*Morpheus* (1.3 mn cases)	*Morpheus Blue*
Tilaknagar Industries	*Courrier Napolean Gold*	*Mansion House Brandy* (10mn cases)	*Flandy* *Courrier Napolean Red*	*Courrier Napolean Green*	*Monarch Legacy Edition*
Pernod Ricard	-	-	-	-	Presence in Cognac: *Martell* *Ararat* *Cognac*

Source: Company, HSIE Research
Note: Based on prices in Maharashtra sourced from Livcheers

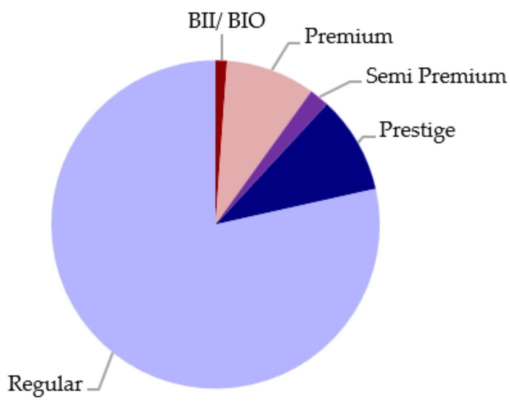
Rum, another mass market offering, dominant in south India

Rum holds ~12% IMFL share, dominated by South India where brandy-rum together form ~90–95% of consumption due to the absence of country liquor.

Rum ranks third in the India IMFL market with ~12% share. It's largely a south dominant consumption category (big in Tamil Nadu, Kerala and Karnataka), representing ~50% of category consumption, with concentration in regular price points. In north, consumption is largely concentrated in Oct to Feb, driving ~25% of the category volume. In the Military and Canteen Stores Department, rum is popular, driving ~10% of category volume. Demand is weakest in the west side of India.

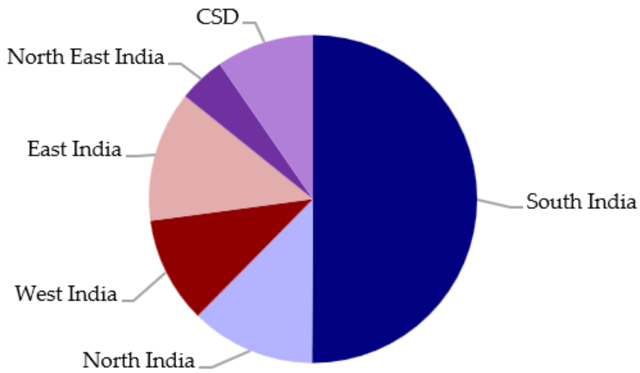
As explained above, given the absence of country liquor in south India, consumer penetration to alcoholic beverages starts with brandy and rum. In markets like Tamil Nadu and Kerala, the shares of brandy and rum together are ~95% and ~90%, respectively. Also, both categories have 78-80% salience in regular segments.

Exhibit 52: India – Estimated rum volume segmentation by price segments



Source: HSIE Research

Exhibit 53: India – Estimated rum volume salience across regions in India



Source: HSIE Research

Mohan Meakin's *Old Monk* is the biggest national brand in the category. Its portfolio comprises XO, Legend, and six flavors, together accounting for 1/3rd of India rum sales. Popularity of *Old Monk* is in its production model. Mohan Meakin handles production and distribution in the north; a franchise system drives its availability in the rest of India.

Exhibit 54: India – Rum market segmentation and key brand offerings by each incumbent

Company	Popular / Regular (<INR 900)	Lower Prestige / Deluxe (INR 900-INR 1,000)	Mid Prestige / Semi-Premium (INR 1000-INR 1,100)	Upper Prestige / Premium (INR 1,100-INR 1,500)	Luxury + Super Premium + BII (>INR 1,500)
United Spirits	*Captain Morgan McDowells*	-	-	*McDowells*	-
Allied Blenders	-	-	-	-	*Segredo Aldeia*
Radico Khaitan	*Contessa*	*Spirit of Victory – 1965*	*Spirit of Victory - 1965 - Lemon Dash*	-	*Kohinoor Indian Dark Rum*
Tilaknagar Industries	*Madiraa*	-	-	-	*Sitara Spiced & White Rum*
Pernod Ricard	-	-	-	-	*Malibu Havana Club*

Source: Company, HSIE Research
Note: Based on prices in Maharashtra sourced from Livcheers

Gin has premium segmentation, an urban phenomenon

Gin is a small, urban, premium-led category driven by imported brands and craft Indian gins, with Karnataka and MP leading consumption.

Gin remains a relatively small segment within India's IMFL market because of a combination of historical, cultural, and consumer-preference factors. Success in gin came from imported gins and local flavored products. Top three imported offerings in gin are *Bombay Sapphire*, *Tanqueray*, and *Beefeater*. At the same time local flavored brands also aid segment relevance. We see UK FTA to be an enabler for the segment, where duty reduction will enhance affordability for the imported offerings.

Gin is primarily consumed in cocktails rather than neat. This makes consumption dependent on bars, restaurants, and mixology culture. Many successful Indian gins are craft or premium products. Their pricing is often significantly higher than mainstream whisky and rum brands, restricting volume growth. From market perspective, while gin is nascent, Karnataka leads in consumption by volume (~40% of national share), followed by Madhya Pradesh (~30% of national share).

India's craft gin movement only started gaining momentum around 2015–2018 with brands such as *Greater Than*, *Hapusa* (brands from NAO Spirits, subsidiary of Diageo India), and Stranger & Sons. Under United Spirits, Nao Spirits offerings will see enhanced distribution, which may pave the category's development.

Exhibit 55: India – Gin market segmentation and key brand offerings by each incumbent

Company	Popular / Regular (<INR 900)	Lower Prestige / Delux (INR 900-INR 1,000)	Mid Prestige / Semi-Premium (INR 1000-INR 1,100)	Upper Prestige / Premium (INR 1,100-INR 1,500)	Luxury + Super Premium + BII (>INR 1,500)
United Spirits	-	-	-	*McDowell's Premium Dry*	*Gordon's London Dry* *Greater than London* *Hapusa Himalayan Dry* *Tanqueray* *Malfy*
Allied Blenders	-	-	-	-	*Pumori* *Zoya*
Radico Khaitan	-	-	-	-	*Jaisalmer* *Happiness in a bottle*
Tilaknagar Industries	-	*Blue Lagoon*	-	-	*Samsara*
Pernod Ricard	-	-	-	-	*Beefeater* *Monkey 47* *Plymouth* *Malfy* *Ungava* *Segram's* *Ki No Bi Gin*

Source: Company, HSIE Research
Note: Based on prices in Maharashtra sourced from Livcheers

Madhya Pradesh and Karnataka are the key states for gin. As per media reports, both states have gained 2/3rd concentration in 2025, vs ~50% concentration in 2024. In Karnataka, *Carnival Gin* from Kalpatharu Breweries and Distilleries has strong shelf visibility in the popular segment, priced at INR 105 for 180 ml. The company is a local multi-category player with presence across rum, whisky, and brandy.

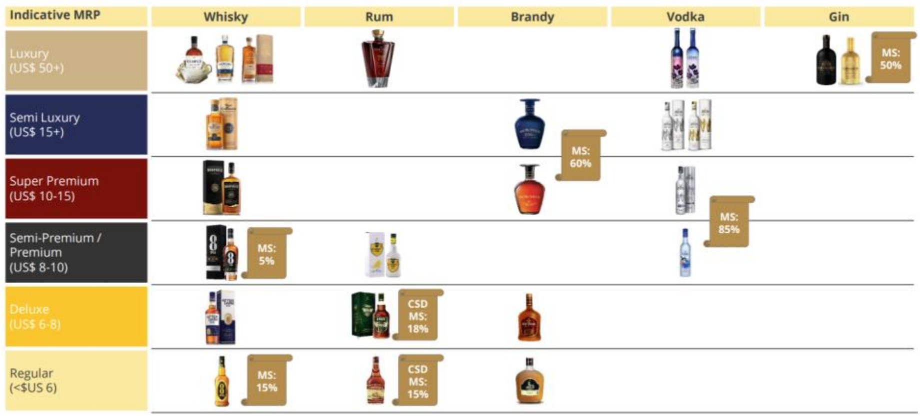
Carnival Gin from Kaplatharu Breweries has strong visibility in Karnataka's popular segment, positioned at INR105/180ml.

Exhibit 56: Gin – *Carnival* dry gin from Kalpatharu Breweries and Distilleries in Karnataka

Source: Media; HSIE Research

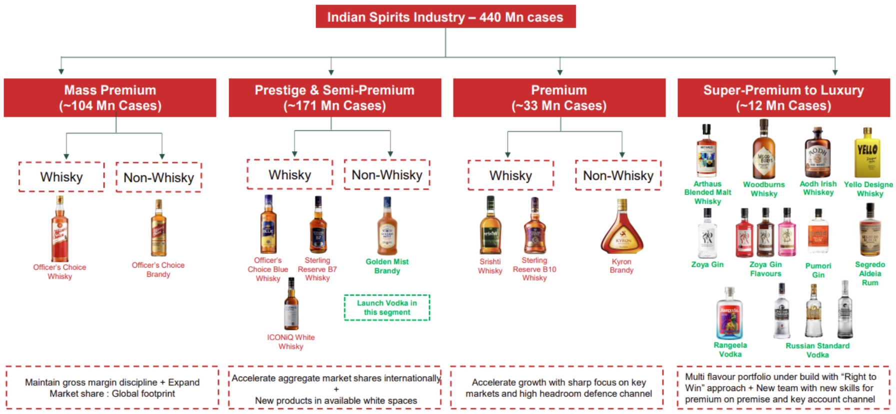
Domestic incumbents are widening portfolio play

Exhibit 57: Radico Khaitan – Brand portfolio by price points



Source: Company; HSIE Research

Exhibit 58: Allied Blenders – Brand portfolio by price points



Source: Company; HSIE Research

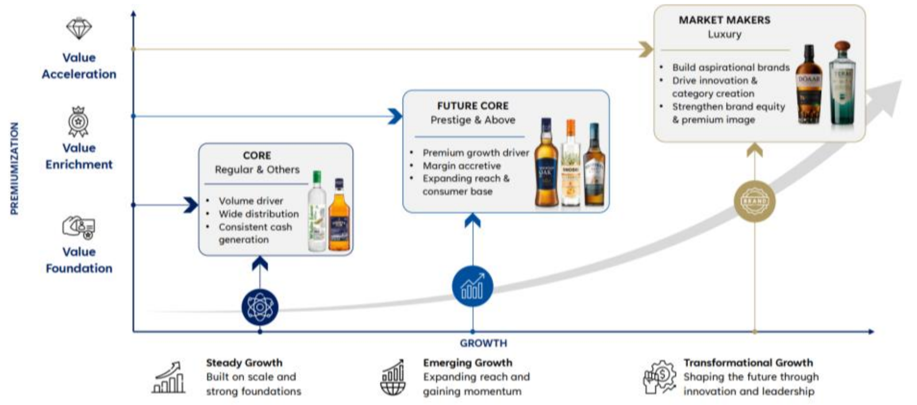
Exhibit 59: Tilaknagar Industries – Brand portfolio by price points

Source: Company; HSIE Research

Exhibit 60: Piccadilly Agro – Brand portfolio by price points

Source: Company; HSIE Research

Exhibit 61: Globus Spirits – Brand portfolio by price points



Source: Company; HSIE Research

Exhibit 62: Associated Alcohols & Breweries Limited – Brand portfolio across price points

Source: Company; HSIE Research

Theme 4: White spirits gain momentum post-Covid

India's white-spirits category is small but expanding rapidly, led by rising incomes, urban millennials, and growing female participation. Cocktail culture, modern retail, and preference for lighter, versatile spirits are accelerating adoption.

India's white spirits category—including vodka, gin, rum, and flavoured variants—is small but among the fastest-growing alco-bev segments. Growth is fuelled by urban millennials, rising incomes, gender diversification, and increasing preference for lighter, versatile spirits. Modern retail expansion, cocktail culture, and social acceptance further amplify adoption. Leading players—Radico Khaitan, Allied Blenders, and United Spirits are actively expanding their portfolios with premium and super-premium offerings, flavoured variants, and innovative formats to capture aspirational consumers and unlock higher price points.

Vodka a trend leveraged by Radico Khaitan

Like FMCG, in Alcoholic Beverages we have seen consumption trends are being leveraged by Indian players, while been developed globally. Vodka is one example, which initially introduced in India by MNCs, but never been pursued aggressively given faster growth in traditional offerings. Indian player like Radico Khaitan, leveraging its indigenous capacities have able to expand the share of Vodka market.

Radico has the widest offerings in Vodka, present across price points.

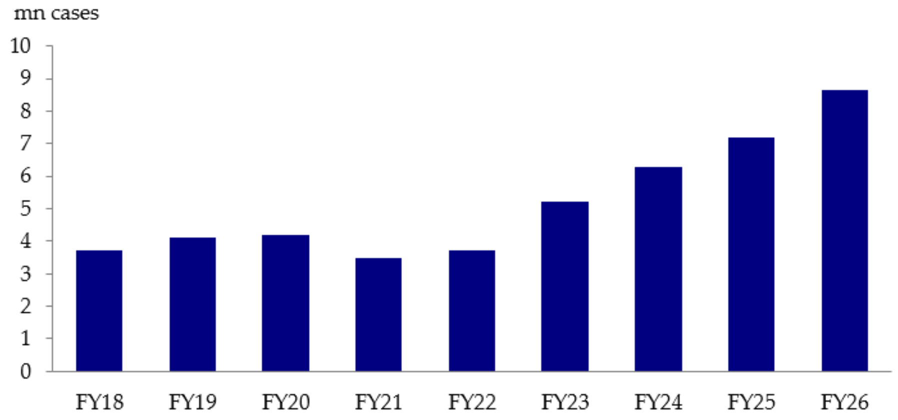
Radico Khaitan dominates India's vodka market through Magic Moments, which commands ~60% share and ranks as the 5th-largest vodka brand globally, powered by flavour-led innovation such as Jamun SpicyMint, Thandaai, Alphonso Mango and the new Aam Panna.

Exhibit 63: Vodka offerings in India by Radico Khaitan

Source: Company, HSIE Research

Flavoured vodka now drives over 75% of category volumes, helping Magic Moments scale to 8.6 mn cases in FY26 and 3.25 mn cases in Q1 FY27, reinforcing its leadership in a rapidly expanding segment.

Exhibit 64: Vodka – *Magic Moments* annual volume trend



Source: Company, HSIE Research

Exhibit 65: Vodka – *Magic Moments* continues to gain ranking in global Vodka market, now ranked 5th

BRAND	OWNER	2021	2022	2023	2024	2025	GROWTH
Smirnoff	Diageo	26.4	28.0	26.0	24.3	23.4	-3.7%
Absolut	Pernod Ricard	11.7	13.0	11.9	12.0	12.3	2.5%
Hlibny Dar	Bayadera Group	9.2	8.6	9.1	10.0	10.5	5.0%
Żubrówka	Maspex/CEDC	10.8	10.5	9.5	9.5	9.2	-3.2%
Magic Moments	Radico Khaitan	3.7	4.8	6.2	7.1	8.2	15.5%
Arkhangelskaya	Novabev Group	3.4	4.0	4.4	4.7	4.9	4.3%
Derevenka	Saranskiy Distillery	3.5	3.9	4.1	4.3	4.5	4.7%
Five Lakes (Pyat Ozer)	Alcohol Siberian Group	4.1	4.2	4.2	4.2	4.4	4.8%
Grey Goose	Bacardi	3.9	4.2	4.2	4.1	4.3	4.9%
Nemiroff	Nemiroff	5.6	2.4	3.4	4.1	4.3	4.9%
Finsky Ice	Elbrus Spirits	2.1	2.7	3.0	4.2	4.1	-2.4%
Talka	Roust	3.3	2.7	3.1	3.6	4.0	11.1%
Tsarskaya/Imperial	Ladoga Group	1.4	1.6	2.3	3.3	3.8	15.2%
Ketel One	Diageo	3.1	3.0	3.0	3.0	3.6	20.0%
Skyy	Gruppo Campari	3.3	3.4	3.3	3.2	3.5	9.4%

Source: Drinks International, HSIE Research

United Spirits catching up with consumption trend

United Spirits is regaining momentum in white spirits, shifting from a slow follower to stronger participation after addressing flavours. Smirnoff crossed 1 mn cases in FY26, boosted by a sharp >400k-case surge in Q4 and strong traction for the Jamun variant. India is now Smirnoff's fifth-largest market.

From being a pioneer, United Spirits is the follower in the category now. Actions have been delayed, but now with flavors addressed, United Spirits is seeing faster growth for its offering which holds uno position across the world.

Smirnoff has crossed 1mn case volume in FY26, with a sharp surge in offtake in Q4FY26, at >400k cases. India is now the fifth-largest market for the brand. In NSV terms, brands crossed INR3.5bn in FY27 (with >100% growth) and aspire to get to NSR of INR10bn in next 18 months. Riding on the craze of Jamun flavor, the company is seeing faster offtake for the *Smirnoff* brand.

Exhibit 66: Vodka – At the back of portfolio actions, India become 5th largest market for Smirnoff

Source: Company, HSIE Research

In premium outlets and tier 1 cities, Smirnoff has been seeing faster growth.

Exhibit 67: Vodka – In Karnataka, two variants are seeing faster growth

Source: Company, HSIE Research

Craft Gin has gained momentum after Covid

India's premium and craft gin segment is accelerating as young consumers embrace artisanal, flavour-forward spirits, prompting major players to scale global brands and invest in fast-growing homegrown distilleries. Bombay Sapphire leads the market, while Diageo (Tanqueray, Greater Than, Hapusa), Radico Khaitan (Jaisalmer, Jaisalmer Gold), Allied Blenders (Zoya) and Tilaknagar Industries (Samsara) are expanding aggressively across premium and craft offerings.

India's premium and craft gin segment is surging as young consumers embrace artisanal, flavor-forward spirits. Major industry players are heavily expanding their portfolios, either by scaling established international labels or by strategically investing in fast-growing homegrown, boutique distilleries. With India UK trade deal, there is a expectations of surge in imported brands.

- *Bombay Sapphire* from Bacardi is the market leader.
- Diageo participate in the segment under its *Tanqueray London Dry Gin* and under *Greater Than* and *Hapusa*, which were acquired with acquisition of Nao Spirits.

Exhibit 68: United Spirits – India Gin portfolio

Source: Company, HSIE Research

- Radico Khaitan leads the Indian-origin luxury space with *Jaisalmer Indian Craft Gin*, which features botanicals like Darjeeling green tea and lemongrass. Radico has also expanded with the super-luxury *Jaisalmer Gold Edition*.

Exhibit 69: Radico Khaitan – gin offerings

Source: Company, HSIE Research

- Allied Blenders competes with its contemporary range *Zoya* Gin, which features unique flavor variants like Watermelon, Espresso Coffee, and Pink Mix Berries.

Exhibit 70: Allied Blenders – gin offerings under ABD Maestro

Source: Company, HSIE Research

- Tilaknagar Industries leverages the Samsara brand of craft gins. Tilaknagar has consistently deepened its strategic investments in Spaceman Spirits Lab (the parent of Samsara) to distribute the popular craft spirit nationally and internationally.

Exhibit 71: Tilaknagar Industries – gin play under Samsara portfolio

Source: Company, HSIE Research

Tequila is emerging as India's next premium spirits growth story

India's tequila segment is expanding rapidly—volumes have nearly tripled since 2022—driven by premiumization, urban cocktail culture, at-home mixology, and shifting preferences toward Joven (favoured by women) and Reposado (favoured by men), as consumers increasingly view tequila as a versatile, lower-calorie premium spirit.

Tequila is a versatile liquid, with products that can appeal to both white and dark spirits drinkers. India's tequila market is benefiting from three reinforcing trends: premiumization, urban cocktail culture, and the rise of at-home mixology. While the category remains small relative to mainstream spirits, affluent consumers in major cities are rapidly adopting tequila as both a cocktail base and a premium sipping spirit. According to IWSR, India is the fastest-growing major tequila market globally, with volumes expanding at ~ 60% CAGR between 2020 and 2025, rising around 34% in the latest year, and projected to grow at about 13% CAGR through 2030. This growing popularity in India has coincided with a downturn in the category's fortune in the United States market, leading to increased availability.

As home cocktail preparation and experiential drinking continue to gain traction, tequila is likely to remain one of the fastest-growing premium spirits categories in India over the medium term. Amid variants, Joven is been favoured by female consumers and reposado by male. Consumers believe the products have lower-calorie benefits, leading to the shift.

Our ground checks indicate that consumers increasingly perceive tequila as causing fewer hangovers.

Exhibit 72: Tequila consumption trend

Source: Company, HSIE Research

India's tequila category—still small within IMFL—is one of the fastest-growing premium spirits segments, with agave-based sales more than tripling since pre-pandemic levels and driven by affluent, globally exposed millennials and Gen Z in metros like Mumbai, Delhi NCR, Bengaluru, Hyderabad and Pune, where tequila is increasingly viewed as a refined lifestyle spirit rather than a party shot.

Tequila remains small relative to other IMFL categories, but it is among the fastest-growing spirits categories in India. Industry data shows agave-based spirits sales have more than tripled versus pre-pandemic levels, driven by premiumization and increasing consumer experimentation. Growth is concentrated among affluent consumers who are willing to pay for international brands and authentic 100% agave products.

The Indian tequila boom is presently an urban premiumization phenomenon, led by affluent millennials and Gen Z consumers in large metropolitan markets. Mumbai, Delhi NCR, Bengaluru, Hyderabad, and Pune are the primary growth markets. Consumers in these cities are more exposed to global drinking trends through travel, international dining, luxury hospitality, and social media. Tequila is increasingly viewed as a sophisticated lifestyle drink rather than a party-shot category.

Exhibit 73: Key Tequila offerings

Source: Company, HSIE Research

Historically, tequila in India was associated with the salt-shot-lime ritual. Today, consumption is increasingly occurring through: Margaritas, Palomas, Picantes, Premium sipping serves (Reposado and Añejo expressions). Bartenders and premium bars have played a major role in consumer education and category development.

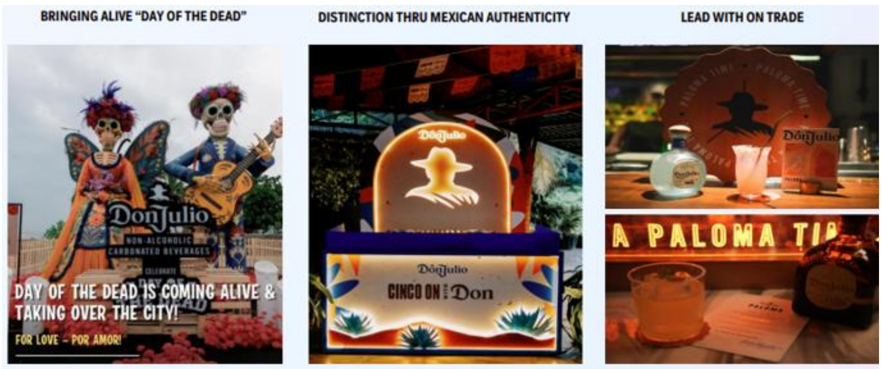
United Spirits riding the trend

United Spirits is riding India's tequila momentum, with Don Julio delivering standout traction, crossing INR 1 bn in revenue and sustaining high double-digit growth with continued share gains in the segment.

United Spirits has seen stand out success with its Don Julio offerings in India. Brand has attained revenue milestone of Rs1bn. The company in its recent Q4 earnings call had noted that the brand is seeing high double-digit growth and is seeing share gains in the category.

Diageo also owns minority stake in Indian agave spirit brand Maya Pistola.

Exhibit 74: Don Julio Tequila driving top-end and luxury spirits for United Spirits



Source: Company, HSIE Research

Radico invested in D'Yavol to complete its portfolio

Radico Khaitan's investment in D'YAVOL—its premium venture with Shah Rukh Khan's family and Nikhil Kamath—strengthens its luxury spirits play, enabling globally sourced, bottled-at-origin offerings and advancing its ambition to introduce tequila under the D'Yavol portfolio.

Radico Khaitan has partnered with Bollywood superstar Shah Rukh Khan, his son Aryan Khan, and entrepreneur Nikhil Kamath to launch a premium spirits venture – D'YAVOL Spirits. Under this strategic alliance, Radico Khaitan (acquired a stake for INR400mn) and Shah Rukh Khan's family hold 47.5% stake each in the company, while Nikhil Kamath owns the remaining 5%.

The venture aims to craft globally sourced, bottled-at-origin luxury spirits with rich regional provenance for both Indian and international markets. The collaboration responds to the rising trend of premiumization in the Indian alcohol market, where younger and affluent consumers are seeking quality, craftmanship, and cultural resonance in their spirit choices. Radico will be fulfilling its aspirations of having Tequila under D'Yavol spirits.

Exhibit 75: Radico Khaitan - D'YAVOL luxury spirit initiative

Source: Company, HSIE Research

Tilaknagar Industries to make inorganic entry

Tilaknagar Industries plans an inorganic entry into tequila through a strategic investment in Black Tiger Distilleries (BTD), the Indian spirits company behind *Bodega Suprema No. 5*. The company will invest INR220mn in two tranches (INR60mn upfront and INR160mn within 12 months) for a 30% fully-diluted stake. Management views this creeping acquisition as strategically important, with the core team focused on consolidating the position of *Imperial Blue* while building a larger premium brand alongside BTD's founder, who continues to lead operations.

Exhibit 76: Radico Khaitan - D'YAVOL luxury spirit initiative

Brand	Brand owner / Distributor	Product	Blanco / Silver (aged less than 2month)	Reposado (aged 2 months to 12 months)	Anejo (aged 1-3 years)
Bodega	Black Tiger Dist	Tequila	4,200	4,500	5,500
Jose Cuervo	Monika Alcobev	Mixto	3,500	3,650	
Camino	Bacardi	Mixto	3,300		
Don Julio	United Spirits	Tequila	9,350	10,450	12,500
Patron	Bacardi	Tequila	9,350	9,980	12,500
1800	Monika Alcobev	Tequila	7,950	8,450	9,500
Maya Pistola		Indian Agave		5,790	7,990

Source: HSIE Research
Note: Based on prices in Maharashtra sourced from Livcheers

Consumers have traditionally faced two choices in tequila: inexpensive mixto variants such as *Jose Cuervo*, or genuine 100% Blue Weber Agave tequilas like *Don Julio*, positioned firmly in the luxury segment. An authentic, 100% agave tequila at an accessible premium price point has largely been missing. Black Tiger Distilleries, founded by Mohnish Mehta and backed by Mexico-based Productos Finos de Agave (PFA) and the Mansha Group, aims to bridge this gap. Its flagship *Bodega Suprema No. 5* offers a 100% agave expression priced at INR 4,200–5,500, making authentic tequila more attainable for Indian consumers. The brand is well-placed to capture the sizeable INR 900–1,000 pour opportunity in bars, and to ride the surge in cocktail consumption in urban markets, where Bodega Suprema serves as an attractive, affordable premium alternative.

Every tequila comes from agave. But the agave world is far larger than tequila—only one agave species qualifies, and only spirits from specific Mexican regions can legally carry the name.

All Tequila are agave, all agaves are not tequila

Tequila is always made from the agave plant, but it can legally come from only one specific species: Blue Weber agave (Agave tequilana Weber). Mexican law mandates that all tequila must derive at least 51% of its fermentable sugars from this single agave variety, while premium tequilas use 100% blue agave, bottled at origin within designated regions of Mexico.

DesmondJi (Agave India) is India's pioneering agave-spirits producer, sourcing its agave from Agave americana plants that naturally grow across the Deccan Plateau, a semi-arid belt whose volcanic and red-black soils closely mirror Mexico's agave-growing terroir. These semi-wild agave plantations have been identified, mapped, and nurtured over two decades, forming the backbone of India's only field-to-bottle agave ecosystem. DesmondJi harvests, ferments, and pot-distills this Indian agave at its micro-distillery in Chittoor (now Annamayya district), Andhra Pradesh, producing 100% agave spirits, 51% agave blends, and oak-finished variants.

Exhibit 77: Agave - DesmondJi has created India's first structured agave supply ecosystem

Source: Company, HSIE Research

Cocktail boom simmering in India

Cocktails are creating new, lifestyle-driven drinking occasions for urban millennials and Gen Z, boosting engagement and premium experimentation—prompting many Indian brands to evaluate tequila additions to their portfolios as the next growth lever.

Unlike traditional spirits, which cater primarily to established consumption habits, cocktails unlock new occasions and experiences, enabling consumers to explore high-quality, convenient, and lifestyle-led drinking. Urban millennials and Gen Z are driving this trend, gravitating toward flavor diversity, high-ABV offerings, and aspirational brand experiences. Beyond margins, the cocktail segment allows brands to deepen engagement and loyalty. This is one of the main reasons most Indian brands are evaluating opportunities in getting Tequila into their portfolio.

Bartenders gained fame with cocktail mixes

Creative campaigns, influencer-led storytelling, and mixology-focused innovation are amplifying aspirational appeal, while globally recognised Indian bartenders continue to inspire the next generation and strengthen the country's cocktail culture.

Creative campaigns, influencer marketing, and social-media-led brand storytelling amplify consumer awareness, while limited-edition flavors and mixology-focused offerings reinforce aspirational positioning. India is brimming with keen bartenders displaying varying levels of talent and proficiency in the craft, and while some have journeyed on to make their mark internationally, the next generation of bartenders is diligently burning the midnight oil, walking the slow and steady path to a successful career as bartenders. With the likes of Indian origin bartenders like Aashish Sharma, Devender Kumar Sehgal, Sandeep Kumar, and Hemant Pathak (to name a few), and their global success stories inspiring a whole generation of bartenders in their home country, it is evident that the talent exists, as does the willingness and fortitude it takes to be the best in the business and be recognized for it.

Exhibit 78: India – Bartenders paving the cocktail boom

Source: Company, HSIE Research

Exhibit 79: Cocktails RTDs

Source: Company, HSIE Research

Theme 5: Indian-ness a force aiding Indian brands

India—long viewed as a volume-driven alcohol market—is now premiumizing rapidly, with domestic players gaining global traction across single malts, blended malts, aged rum, craft gin and boutique whiskies, supported by rising pride in "Indianness" among consumers and the diaspora; this shift is strong enough that even MNCs like United Spirits have launched Indian single malts such as Godawan to meet the growing demand.

India has always been seen as a volume market from an alcoholic beverages' perspective, though given the country's long alcohol history and capability enhancements, Indian incumbents have marched into international markets, wherein companies have premiumized with single malts, blended malts, aged rum, Indian craft gin, and crafted whiskey.

There is a growing Indianness with Indian consumer. This loyalty is also a theme with the Indian diaspora, which is being addressed by enhancing visibility on travel routes and key markets. Indian consumers are happy serving, consuming, and gifting Indian brands. With consumers giving Indian brands an equal chance, the barrier has been removed—and, in some cases, a positive bias towards Indian brands has emerged. Even an MNC such as United Spirits had to develop its own Indian single malt under the Godawan brand.

Indian Single malt gained strong footing

The global malt industry is long-established and dominated by Scotland, the US, and Japan, while newer producers like China, Thailand, Germany, and Taiwan are entering the space as luxury demand surges.

India's single malts—shaped by pioneers such as Amrut, Paul John, Rampur, Indri, Godawan, and Ugar—are gaining global recognition, though the segment remains 5–10 years away from its tipping point as capacity builds toward 2029.

The global malt industry is three decades old. Scotland, United States, and Japan have prominent offerings. Recently, China, Thailand, Germany, and Taiwan have also launched single malts. Macallan from Scotland is holding the highest demand in luxury single malt globally, dominating auctions and high-end bars, with sales reaching around £30mn in auctions recently. Glenlivet from Scotland leads in volume sales in the US market, while Glenfiddich, again from Scotland, has a large presence in the mainstream.

Indian single malt production started a decade ago and is still 5-10 years away from the tipping point. In this segment, visualization of the output is key (target audience and pricing), which dictates the production process (distillation, maturation, and casking are crucial). Right now, all new capacity has been focused based on output expectations in 2029, with the same process repeated every year. Three years is the minimum period for producing a single malt, though bottle quality maturing needs 4-5 years. Today, Indian single malts are globally recognized for their distinctive quality and craftsmanship, having carved a strong identity for India in the world Whisky landscape.

History of Indian Single Malt

- **1982 Amrut begins producing malt Whisky**, primarily for blends
- **2004 Amrut launches India's first single malt Whisky internationally** (in Glasgow, Scotland)
- 2009 Amrut Fusion launched, gaining major international acclaim
- 2010 Amrut Fusion named third-best Whisky in the world by Jim Murray's Whisky Bible
- **2008 John Distilleries (Paul John) starts malt Whisky production in Goa**
- **2012 Paul John single malt launched internationally**
- **2016 Radico Khaitan launches Rampur Single Malt**
- **2021 Indri officially launched**
- **2022: United Spirits has launched Godawan, single malt**
- **2025: Ugar entered the segment and was the first brand to declare age statements on its products**

In our coverage, **Radico Khaitan has expanded its Rampur Indian Single Malt**, now internationally awarded, and plans additional 'expressions' (i.e. variants) to strengthen its premium footprint. Rampur combines Himalayan barley with American and French oak maturing, appealing to domestic connoisseurs and export markets. For FY25, the brand saw 220k case sales; we see volume expanding to 500k in FY26. The company (offering starts from INR3k/bottle, has aspirational value attached) is yet to effect action in affordable single malt where some of the large players are placed with strong volumes. Of the total volume, ~3/5th is now from export markets.

Exhibit 80: Radico Khaitan – Rampur single malt addressing price points across the super-premium segment

Source: Company, HSIE Research

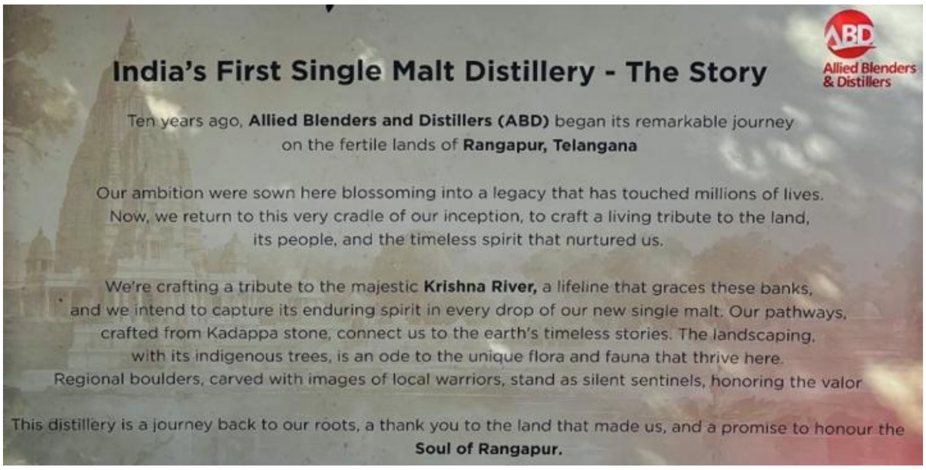
United Spirits growing single malts with Godawan Indian Single Malt (launched 2023) and upcoming limited editions in 2025. Godawan blends Indian grain traditions with Scottish techniques at competitive premium pricing, leveraging Diageo's scale and distribution.

Exhibit 81: United Spirits - Single malt offering under brand Godawan

Source: Company, HSIE Research

Allied Blenders is in the process of getting its act together in Single malt: Like Radico, we see Allied leveraging its long history in Rangapur for a single malt journey. At its facility in Rangapur, expected to commission in 1HFY27, the company will use a combination of casks from the US, Scotland and France. Initial thrust will be on 20k casks, which can be expanded. One cask will have 200 litres, that take capacity to ~4mn litres.

Exhibit 82: Allied Blenders - Calls its single malt capacity India's first single malt distillery



Source: Company, HSIE Research

Insights from Single malt visit - *Indri*

Piccadilly Agro has set ambition to move into the global top 10 within 2–3 years and top 5 in 4–5 years.

We have visited state of art single malt facility producing *Indri* single malt in Haryana. Indri is largest single malt brand in the country with malt capacity at 30KLPD. In 2022, Piccadilly Agro launched *Indri*, its single malt whisky, which sold 20k lakh cases in the first year (FY23), next year clocked 100k (FY24), then 140k (FY25) and finally last year 165k (FY26). With ~85k barrels capacity (aim to expand to 100k+ barrel by Mar-27), Piccadilly has largest barrel capacity in the country.

Exhibit 83: *Indri* product portfolio

Source: Company, HSIE Research

Indri commands 22% of the 740k-case Indian single-malt and ~38% share in domestic Indian single malt sized at 430k cases. Piccadilly Agro now aims to elevate *Indri's* global standing—moving from the top 15 to the top 10 worldwide within the next 2–3 years, and further into the top 5 global single-malt brands over the next 4–5 years.

Exhibit 84: Indri – Malt manufacturing process

Source: Company, HSIE Research

Indian Malt and Whisky Association: Amid the global surge in demand for Indian single malts, leading producers have come together to form the Indian Malt and Whisky Association (IMWA). The association has established clear guidelines defining what qualifies as an aged Indian single malt, drawing on Scotch whisky traditions while adapting production standards to suit India's climate, raw materials, and maturation conditions. With more distillers entering the space, single malt has only recently become a large and fast-growing category in India.

IMWA now sets India-specific standards for aged single malts—blending Scotch-style guidelines with local production conditions—as the category rapidly scales with new distillers entering the market.

Exhibit 85: Indian Single Malt – Key criteria

Source: Company, HSIE Research

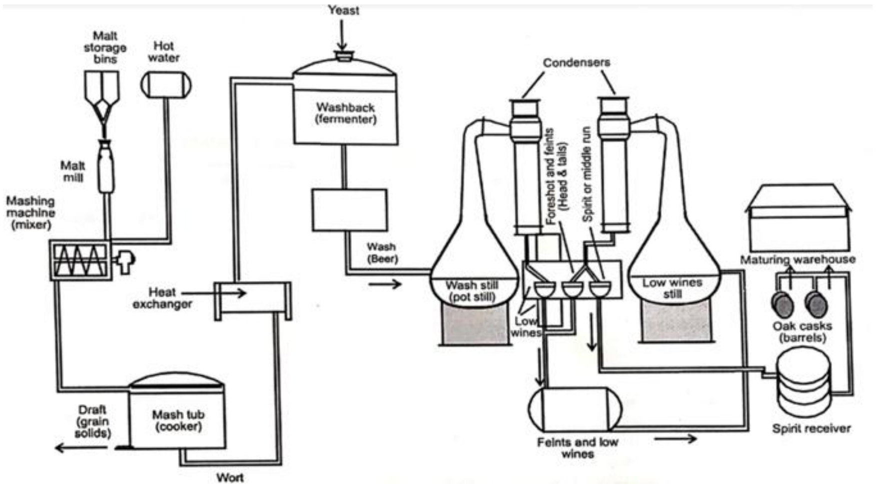
Indri facility visit: Surinder Kumar, who seeded India's single-malt legacy three decades ago at Amrut, now drives Indri's rise to a 22% share of the 740k-case market.

Execution team for Indri: We engaged with Surinder Kumar and his team, master blender at Piccadilly Agro and one of the earliest visionaries behind India's single-malt movement. Our interaction with him was particularly valuable given his foundational contribution to India's single-malt journey over three decades ago at Amrut Distilleries, where the country's first modern single malt programme began taking shape.

Indian single malt uses domestic six row barley as its primary ingredient, which are high on protein but low on starch. As such , one tonne of Indian barley typically yields around 340 alcoholic litres, compared with about 410 alcoholic litres from international malting barley. The gap is driven by larger grain size and higher starch content in international barley, which delivers superior extract efficiency and higher spirit yield. This gap does not matter much as blender look for diverse flavours and aroma in the final output.

The malt-whisky process at Piccadilly Agro involves cleaning and milling barley (70% grist, 20% husk, 10% fines), extracting wort through staged mashing, and conducting a long 70-hour natural-enzyme fermentation that produces a 7.5% alcohol —though individual distilleries may vary these steps to achieve specific malt styles.

Exhibit 86: Indian Single Malt – Production process outlined by IMWA



Source: Company, HSIE Research

The steps outlined below reflect the production methods followed by Piccadily Agro; other distilleries may adapt or modify the process to achieve specific malt styles and desired output profiles.

- **Grain cleaning:** Barley is thoroughly cleaned to remove dust, chaff, and lighter impurities through sieving and air classification.
- **Grain grinding**: The cleaned grain is stored in a hopper and then passed through a roller mill. The ideal milling profile targets 70% grist, 20% husk, and 10% fines, ensuring optimal lautering and extract efficiency.

Exhibit 87: Indian Single Malt – Ideal milling profile

Source: Company, HSIE Research

- **Mashing**: The milled grist is mixed with hot water in stages. This process extracts a sweet liquid called **wort**, which is cooled through a plate heat exchanger (PHE) before being transferred for fermentation.
- **Fermentation:** The **wort** ferments using natural enzymes (external enzymes are not permitted for single malt). The resulting wash reaches ~7.5% alcohol, broadly in line with Scotland's 8–9% wash strength.

Exhibit 88: Indian Single malt – Grinding to fermentation in steel tank

Source: Company, HSIE Research

Piccadilly Agro follows traditional double distillation in copper pot stills—first producing 18–19% low wines in the wash still, then separating heads, hearts and tails in the spirit still, with heads and tails recycled to maintain consistent distillery character.

Double distillation in copper pot stills:

- **First distillation – Wash still (low wines):** After extended hours of fermentation, the wash is transferred to the wash still. The liquid is boiled, vapours rise and condense, producing low wines with an alcohol strength of about 18–19%. This stage separates alcohol from the fermented wash and removes initial impurities.
- **Second distillation – Spirit still (fractional cuts):** The low wines undergo a second distillation in the spirit still, where the run is divided into three fractions:
    - **Heads:** Light, volatile compounds collected at the start.
    - **Hearts:** The clean, flavour-rich middle cut — the desired malt spirit.
    - **Tails:** Heavier compounds collected toward the end.
- The heads and tails are recycled back into the next batch of low wines, a continuous practice that helps maintain consistent distillery character and style across generations of production.

The heart spirit is collected at 70–71% ABV, diluted to 62.8% before barrelling, and aged for 3.5–11 years, with India's warm climate driving a high ~10% angel's share, after which malts are typically bottled at 42.8% ABV for India and 46% for exports.

Exhibit 89: Indri – Distillation in copper stills

Source: Company, HSIE Research

- **Aging**: Final spirit (Heart) collected at 70-71% ABV (vs scotch in Scotland at 66%), which with mix of demineralised water diluted to 62.8%. Final output gets stored in barrel and aged. During aging, due to climatic conditions, loss of liquid due to evaporation (angel share) is at ~10% in India. Generally aging varies from 3.5 years to 11 years. In India single malts are diluted to 42.8% ABV strength, while for exports strength has been kept at 46%.

Exhibit 90: Radico Khaitan – Aging of the liquid majorly in bourbon cask, followed by sherry casks at the end to get required output

Source: Company, HSIE Research

Exhibit 91: Transformation of liquid across stages of life cycle

Source: Company, HSIE Research

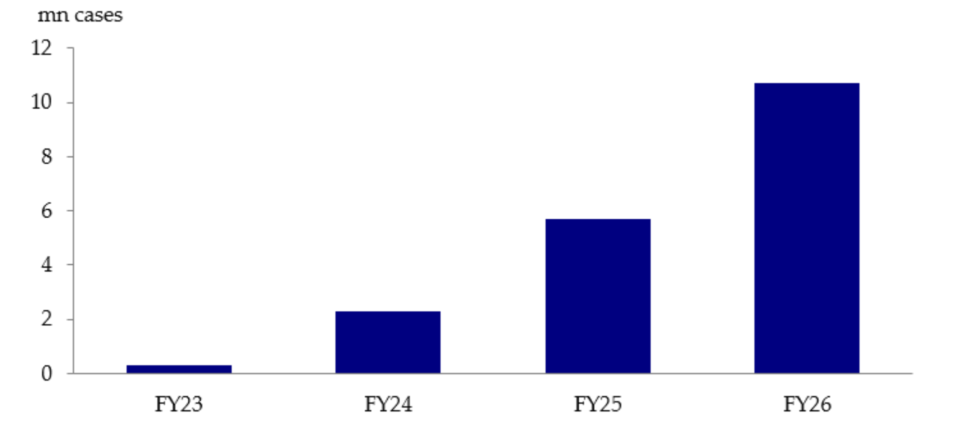
ICONiQ White, low prestige offering, become fastest growing whisky

Allied Blenders has rapidly scaled ICONiQ White to over 10 mn cases—now the world's 11th-largest whisky brand—while Radico's After Dark, United Spirits' upgraded McDowell's No. 1 blend, and Tilaknagar's push behind Imperial Blue highlight intensified activity in a segment where MNCs have largely pulled back through divestments and franchising.

Allied Blenders, known for its popular *Officer Choice* offering, has created *ICONiQ White* offerings in the low prestige segment in 2022 and in five years has been the fastest to achieve 10mn+ cases volume (rank 11 across the globe Whisky brands and 7th in Indian brands). Radico has also strengthened its play under *After Dark*, which has seen healthy growth in FY26. Important to note, this is the segment where MNCs have reduced thrust by divestment and franchising brand offerings.

United Spirits is enhancing scotch blend for its *McDowell's No 1* (second largest brand with 32mn case volume for CY25) by 30% increase in scotch, which offers smoother, richer taste. Radico Khaitan has relaunched its *After Dark Blue* (launched in 2023) under new packaging. Tilaknagar is also geared to address segments with acquired *Imperial Blue* offering.

Exhibit 92: Whisky – *ICONiQ White* annual volume trend



Source: Company, HSIE Research

Exhibit 93: Indian whisky segment is sized at 163.1mn cases for CY25, as per The Drinks International

BRAND	OWNER	2021	2022	2023	2024	2025	GROWTH
Royal Stag	Pernod Ricard	22.4	27.1	27.9	31.0	32.6	**5.2%**
McDowell's	Diageo	30.1	30.8	31.4	32.2	31.9	**-0.9%**
Officer's Choice	Allied Blenders & Distillers	23.2	24.9	23.4	21.3	20.7	**-2.8%**
Imperial Blue	Tilaknagar Industries	24.1	24.0	22.8	22.9	20.3	**-11.4%**
Royal Challenge	Diageo	4.7	7.1	8.6	9.1	10.6	**16.5%**
Blenders Pride	Pernod Ricard	8.0	9.5	9.6	10.1	10.1	**0.0%**
Iconiq White	Allied Blenders & Distillers		0.1	1.6	4.5	9.7	**115.6%**
8PM	Radico Khaitan	9.6	9.1	8.9	7.2	7.1	**-1.4%**
Royal Green	ADS Spirits	2.7	3.1	4.1	4.8	4.2	**-12.5%**
Signature	Diageo	2.0	2.5	2.9	3.3	3.9	**18.2%**
Director's Special	Diageo	2.9	3.0	3.3	3.6	3.7	**2.5%**
Sterling Reserve	Allied Blenders & Distillers	3.6	5.0	5.0	3.9	3.2	**-17.9%**
After Dark	Radico Khaitan	0.6	0.6	0.9	1.6	3	**87.5%**
8PM Premium Black	Radico Khaitan	1.8	2.8	3.3	2.4	2.1	**-12.5%**
Oaksmith	Suntory Global Spirits	0.5	0.8	0.8	1.0	1.5	**44.6%**

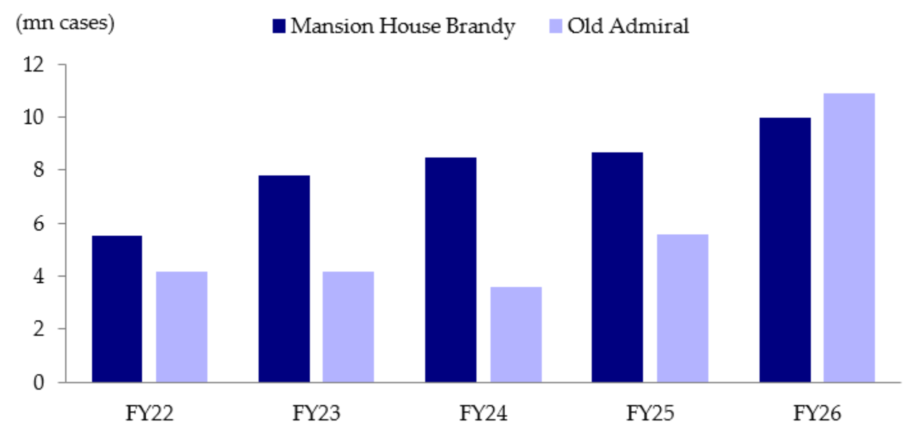
Source: Drinks International, HSIE Research

Brandy, south focused offering, developed by Indian players

Brandy forms 20% of the IMFL market, driven almost entirely by South India (99% of volumes), with Tamil Nadu alone contributing 55%—largely through local brands—while in the remaining market, Tilaknagar's Mansion House and Radico's Old Admiral together account for roughly half of national brandy growth.

Brandy represents 20% of IMFL market, with 99% of volumes concentrated in South India. Given country liquor, mass popular regional drink, is not active in South, Brandy and Rum are entry level opportunities in South. Tamil Nadu alone is driving 55% of India brandy sales, but here bulk of the sales is from local brands. In the remaining 45% of the market, Tilaknagar Industries and Radico Khaitan are driving volume growth (~50% of the category) under Marquee brands *Mansion House* and *Old Admiral*, respectively.

Exhibit 94: Brandy – *Mansion House* and *Old Admiral* annual volume trend



Source: Company, HSIE Research

Exhibit 95: Brandy – Indian brands gained leadership in the Brandy and Cognac in the last three years

BRAND	OWNER	CATEGORY	2021	2022	2023	2024	2025	GROWTH
Old Admiral	Radico Khaitan	Brandy	3.8	4.3	3.7	4.4	10.9	**147.7%**
Mansion House	Tilaknagar Industries	Brandy	4.5	7.1	8.3	7.8	9.7	**24.4%**
Hennessy	LVMH	Cognac	8.6	7.9	6.9	6.7	6.2	**-7.5%**
Dreher	Gruppo Campari	Brandy	2.8	2.4	2.7	3.0	3.5	**16.7%**
Aznauri	Global Beverage Trade Company	Brandy	0.5	0.6	1.1	1.6	1.9	**18.8%**
Martell	Pernod Ricard	Cognac	2.6	2.3	2.3	1.9	1.8	**-5.3%**
McDowell's	Diageo	Brandy	1.0	1.1	1.2	1.2	1.6	**33.3%**
Courier Napoleon	Tilaknagar Industries	Brandy	0.7	1.0	1.6	2.0	1.5	**-25.0%**
Silver Cup	Amrut Distilleries	Brandy	1.8	1.6	1.7	1.6	1.4	**-9.7%**
Torres	Miguel Torres	Brandy	1.1	1.1	1.1	1.1	1.3	**13.6%**
Morpheus	Radico Khaitan	Brandy	0.8	1.1	1.3	1.3	1.2	**-7.7%**

Source: Drinks International, HSIE Research

Category development efforts are shouldered by domestic players

Domestic players continue to drive brandy and flavored-spirit category development, with Tilaknagar pioneering flavored brandy through Flandy, and Radico and United Spirits accelerating the flavored-vodka trend—most notably with its hit Jamun variant—as flavored vodka volumes have more than tripled since 2020, filling gaps left by initially slow responses from global brands.

As can be seen in discussions above, Brandy as a category is dominant with Indian brands. Even adjusting for Tamil Nadu, where salience is high for local brands, Radico and Tilaknagar Industries have been developing brandy market. Tilaknagar with its wider stint in the category and leadership across markets in P&A segments, has pioneered flavors in brandy segment under its *Flandy* offering, which is active for last three years.

Exhibit 96: Brandy – Flavoured (Orange, Lemon and Green Apple) offerings from Tilaknagar

Source: Company, HSIE Research

Similarly, Radico Khaitan has been able to gauge the consumer pulse well and has expanded flavored offerings in Vodka. Indian-style expressions came from international brands like Smirnoff and Bacardi. But their inability to address demand initially, pave way for domestic players like Radico to leverage flavor opportunity. Jamun flavor introduction has been a rock star hit, which has now been adopted by most participants. As per industry reports, flavored vodka has more than tripled in size since 2020.

Exhibit 97: Voda flavours – From Radico Khaitan

Source: Company, HSIE Research

Theme 6: Fragmentation in the premium end

India's affluent, globally exposed consumers—largely Gen Z and Millennials—are increasingly experience-led and open to experimentation, creating space for Indian players to strengthen their hold through heritage-driven launches, even as MNCs pull back amid regulatory pressures and focus mainly on maintaining brand salience.

India's affluent is an international traveler and has akin interest in global consumption trends. This cohort is demanding and is seeking experiences. We see that opportunity is wide open for all, but large part of the market is with leading players, who continue to tighten grip with consumers. As the consumer of today comprises of GenZ and Millennials, there is lower brand loyalty and higher urge for experimentations.

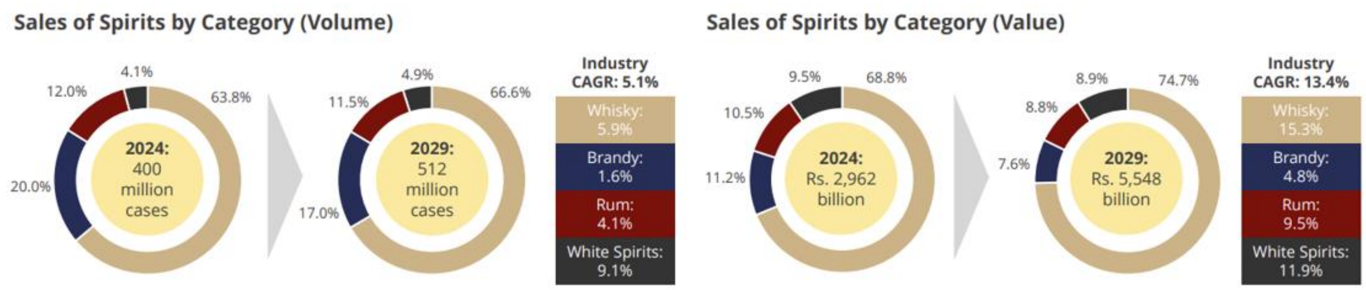
With tight regulatory setting focused on driving state revenue with increasing volume, MNCs have started distancing from regulatory hits. Premium offerings have capability to withstand any major headwinds with better connect with consumers. While MNCs are focusing on maintain share of mind, Indian players are looking to gain space with Indianization at work. This is the region why most of the new launches by Indian companies focuses on leveraging Indian heritage and legacy.

Exhibit 98: India's income pyramid - Population with annual gross income >US$10,000 could record the highest growth (CAGR) in the next 5 years

Source: Company, HSIE Research

Premiumization as a trend is likely to stay for long term, which is where most players are attentive. Management strategy of crossing companies is to strengthen base and gear for premium opportunity. This is a common trend, which each and all industry participants are looking to leverage. With stiff restrictions in place for the alternatives, we see premiumization is likely to be a mega decadal theme.

Exhibit 99: India - Strong premiumisation trend is expected to continue to be driven by favourable demographics



Source: Company, HSIE Research

United Spirits endeavors to strengthen connect

India market is number 3 globally by volume and number 4 by value for *Johnnie Walker*. Given its aged presence in India with thrust on category development, under Diageo the company is aggressive in maintaining and strengthening it connect with affluent consumer base. Given strong scotch capacity, we see strategy is largely tilted towards whisky, which is also a bigger IMFL segment in India.

India is a top-priority market for Diageo's whisky portfolio, with Johnnie Walker ranking #3 globally by volume and #4 by value here, supported by strong scotch credentials and high-impact cultural platforms that fuel brand salience across affluents.

- *Black & White* is the largest scotch brand in the country by volume, strengthened by a refreshed design and cultural platforms like table for everyone, along with the high-impact partnerships such as Premier League and Lollapalooza.
- *Black Dog* is also back to gaining traction with a renovated range rollout and the "Savour the Pause" campaign with Emilia Clarke, which is driving strong engagement.
- UNSP leads in scotch with *Johnnie Walker*, where it has entry-level scotch to luxury priced offerings. Its Keep Walking camping, on-trade experiences and cultural impacts associating with platforms like AP Dhillon and Sunburn have a strong connect with younger affluents.

Black & White, Black Dog, Johnnie Walker, Godawan and Don Julio continue to drive recruitment and premiumization, while Smirnoff—now past 1 mn cases—is being rebuilt toward an INR 10 bn vodka ambition over the next 18 months.

With FTA and evolving market opportunities, this creates a significant runway for recruitment and upgradation, which we are very, very well positioned to capture.

In the Vodka segment the company has been a laggard in execution. But the management has noted about building back the portfolio in *Smirnoff*, now crossed a million cases annually. In Vodka, the company has achieved NSV of INR3.5bn in FY26 and is aiming for revenue of INR10bn in next 1.5 years.

In Indian single malt, its purpose led brand Godawan has been winning accolades. Taquilla offerings under Don Julio have seen fast consumer adoption, making it being the fastest growing brand in portfolio to reach revenue milestone of INR1bn.

Exhibit 100: United Spirits: Premium brands gaining scale

Source: Company; HSIE Research

Exhibit 101: United Spirits: Pre-optimization reflects in improving salience of mid prestige and above portfolio

	FY21	FY22	FY23	FY24	FY25	FY26
Luxury + Premium (Black and White, Johnnie Walker and Black Label)	18%	27%	31%	32%	33%	35%
Upper Prestige (Signature, Royal Challenge American Pride)	8%	9%	10%	11%	12%	12%
Mid Prestige (Royal Challenge)	8%	9%	10%	11%	11%	13%
Lower Prestige (McDowell)	36%	39%	34%	33%	33%	30%
Popular (DSP Black)	27%	14%	12%	11%	10%	9%
NBR	3%	2%	3%	2%	1%	1%

Source: Company; HSIE Research

Radico has sharply accelerated premiumisation post-COVID, building India-centric luxury offerings that now generate INR 4.75 bn in FY26, contributing 11% of IMFL revenue and 16% of its Prestige-and-Above portfolio

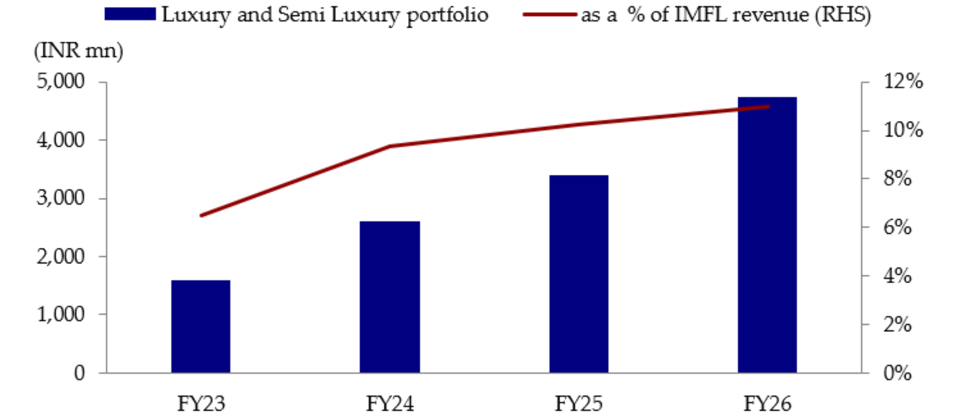
Radico Khaitan continues to craft its premium play

Radico has the widest portfolio presence across spirits / IMFL categories. Post COVID-19, the company has doubled down on its premiumisation strategy, where it has created portfolio offerings leveraging and advocating Indianness as a theme. Most of its offerings have received accolades across the world and its luxury and semi luxury portfolio is now sized at ~INR 4.75 bn in FY26, representing 11% of its IMFL and 16% to Prestige and above segment revenue.

Exhibit 102: Radico Khaitan: Crafted organic brand offerings

Source: Industry; HSIE Research

Exhibit 103: Radico Khaitan: Faster growth in luxury and semi luxury portfolio



Source: Company; HSIE Research

Allied Blenders house its premium offerings in ABD Maestro

Allied Blenders have adopted the path of buy, build and partner for its luxury and semi premium aspirations. It has created an 80% subsidiary (20% stake with Bollywood Superstar Ranveer Singh, who is a Business & Creative Partner for driving market appeal, will address needs of consumers in the semi premium and luxury price segments, under ABD Maestro.

Allied Blenders is pursuing a buy–build–partner strategy for its semi-premium and luxury ambitions through ABD Maestro, an 80% subsidiary (with Ranveer Singh holding 20% as Business & Creative Partner), which now operates a differentiated 10-brand premium portfolio with its own sales, marketing, and execution teams across ~5,000 premium touchpoints.

Exhibit 104: ABD Maestro: Ranveer Singh, a Business & Creative Partner

Source: Company; HSIE Research

ABD Maestro has established a differentiated 10 brands portfolio spanning multiple categories, flavour profiles and price points through brands such as *Arthaus Whisky, Yello Whisky, Woodburns Whisky, Aodh Irish Whiskey, Zoya Gin, Pumori Gin, Rangeela Vodka, Russian Standard Vodka portfolio and Segredo Aldeia Rum.*

This entity operates separately to Allied Blenders, with separate sales team (focus key accounts and on-premises channels; ~5000 premiums touchpoints across India) and marketing, ~70-member premium execution team. Business has been headed by Bikram Basu, with ABD for 11 years.

Exhibit 105: ABD Maestro: Semi premium and luxury offerings from Allied Blenders

Source: Company; HSIE Research

Tilaknagar's premium play via organic and inorganic actions

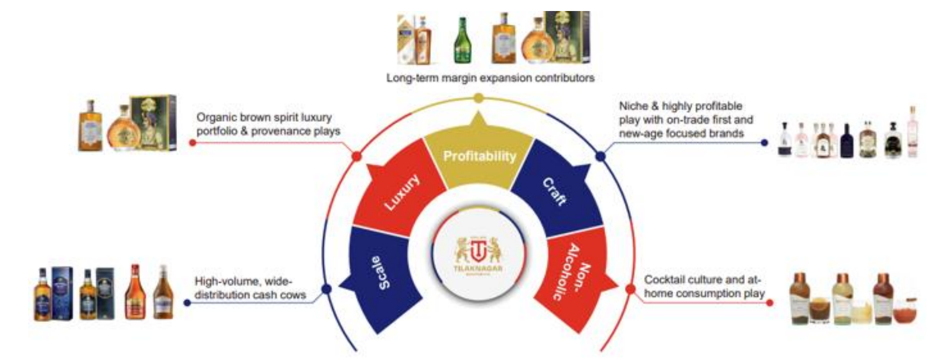
Mid domestic players, Tilaknagar operates with ~90% of the volumes in prestige and above segments, though most of the volumes are centered in Low and mid prestige segments. With Imperial Blue acquisition, management attention is on settling down large pan India base, post which the company will be looking to quickly share in the premium segments and enhance its relevance for the future.

Tilaknagar, with ~90% of its volumes in Prestige-and-Above, is strengthening its premium play through both organic growth and the Imperial Blue acquisition, first focusing on stabilising the brand's large pan-India base before accelerating its move into premium segments to enhance long-term relevance.

Exhibit 106: Tilaknagar Industries – Premium play via buy and build approach

Source: Company; HSIE Research

Exhibit 107: Tilaknagar Industries – Portfolio strategy with specific outcomes



Source: Company; HSIE Research

Celebrity endorsements on the rise, focus on leveraging fan pool

India's celebrities are increasingly launching premium alco-bev brands—such as D'YAVOL (Shah Rukh & Aryan Khan), ABD Maestro (Ranveer Singh), The Glenwalk (Sanjay Dutt) and The GlenJourneys (Ajay Devgn)—reflecting the rising normalization of alcohol and a growing trend of stars building entrepreneurial identities in whisky, vodka and tequila.

India's celebrities are increasingly betting on premium alcohol brands, bringing star power to everything from whisky and vodka to tequila. This is indicative of the growing acceptance of alcohol in India, or at least a normalization of its presence. As the alcobev market evolves, actors, musicians, and sports stars are carving out new identities as entrepreneurs. Here is the list of major celebrity-owned Alco-Bev Brands

- **D'YAVOL:** Co-founded by Shah Rukh Khan and Aryan Khan, this luxury lifestyle collective offers premium Scotch and single-estate vodka.
- **ABD Maestro:** A super-premium IMFLs brand launched by Bollywood star Ranveer Singh.
- **The Glenwalk:** A premium blended Scotch whisky backed and co-founded by Sanjay Dutt. Aged for three years and priced at INR1,600 for 700 ml, it sold one million bottles in first month across 15 states and over 10,000 outlets.
- **The GlenJourneys:** A premium Indian single malt and whisky Cask Series co-founded by actor Ajay Devgn. Starting with a limited 21-year-old Highland single malt. Only 600 bottles were released, priced at around INR60,000. First sold through travel retail. The brand focuses on age, balance, and quality.

Exhibit 108: Glenwalk and GlenJourneys offerings

Source: Media; HSIE Research

- **Loca Loka:** A 100% agave tequila crafted for the premium segment, co-owned by actor-producer Rana Daggubati, composer Anirudh Ravichander, and entrepreneur Harsha Vadlamudi. The trio launched in the US, expanded next into Southeast Asian markets like Singapore, and then brought it home. In India, the 750ml liquor bottle, roughly priced between INR4,500 to INR7,000, is available in Delhi, Mumbai, Bengaluru, and Hyderabad, as well as select airport duty-free stores.

Exhibit 109: Loca Loka a fusion of Mexican agave and Indian spices

Source: Media; HSIE Research

- **Shelter 6:** A premium party vodka co-founded by the rapper Badshah. Made in Russia, it goes through six rounds of distillation using glacial lake water, giving it a clean and smooth finish. Priced at INR1,999 in Maharashtra, it is aimed at party settings.

Exhibit 110: Shelter 6 vodka distilled in Russia

Source: Media; HSIE Research

- **FINO Tequila:** FINO (Failure Is Not an Option) entered in December-2025. This artisanal label is co-founded by cricketer Yuvraj Singh along with a group of Indian American entrepreneurs. The four variations, Blanco, Rosado, Reposado, and Añejo (all of 750ml each) are currently available in Delhi, Haryana, Maharashtra, and duty-free stores. The Blanco costs roughly around INR 14,750, Reposado at INR 16,850, Anejo at INR 18,550, while the Rosado crosses over INR 23,000.

Exhibit 111: FINO Tequila – 100% Blue Weber Agave

Source: Industry; HSIE Research

- **EL GOONDA:** Co-founded by actor Karan Tacker, featuring 100% Indian-grown agave spirits in traditional and flavored options. It comes in Silver and Reposado, along with Picante, Café, and Strawberry options. Prices start at INR1,499, with 180 ml bottles made for festivals and house parties.

Extensive on ground visibility drive for premium brands

Our ground checks in Maharashtra, Haryana, Karnataka, Telangana and Tamil Nadu clearly outlines premiumisation opportunity and execution by alcobev companies. Here are some of the insights we have picked from the ground.

Exhibit 112: Haryana – enhanced visibility for Single malts

Source: HSIE Research

Exhibit 113: Haryana – enhanced visibility by BIO brands

Source: HSIE Research

Source: HSIE Research

Exhibit 114: Karnataka – enhanced instore visibility by domestic incumbents

Source: HSIE Research

Theme 7: Connecting with the youth is key

Gen Z LDA+ drinking participation has stabilised at 74%, now almost at par with the overall adult rate of 76%, and they account for 17% of drinkers—a share set to rise as more reach legal age. In India's affluent urban cohort, participation has increased to 77%, with Gen Z at 80%, marking a sharp step-up versus three years ago.

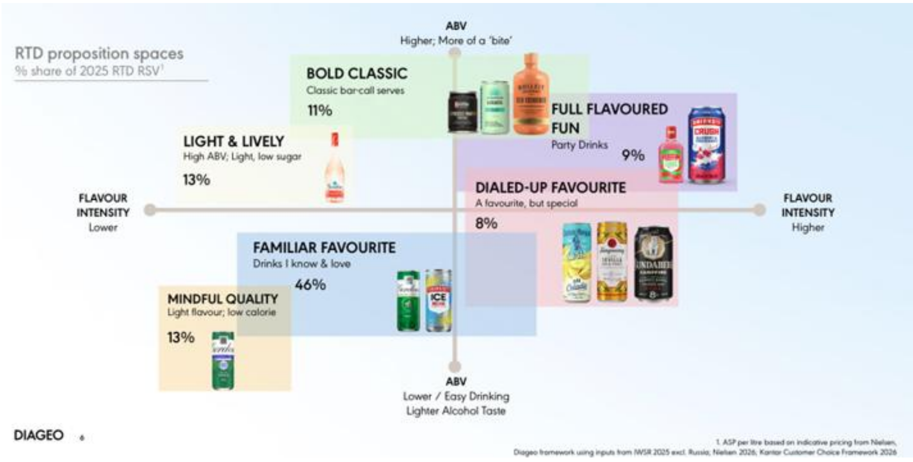
According to IWSR's twice yearly Bevtrac survey of consumer behaviour, the drinking rate among Gen Z legal drinking age (LDA+) consumers across fifteen key markets has stabilised at 74%. This rate, up from 66% three years ago, is now nearly identical to the total adult population drinking rate of 76%. Gen Z LDA+ drinking habits are distinct from previous generations. Gen Z LDA+ currently account for 17% of the total drinking population. This figure is expected to grow as more reach legal drinking age and the participation rate holds steady in the mid-seventies percentage range. In India, the beverage alcohol participation rate among high income earners in urban populations was 77% (up substantially from 67% three years ago). Participation among Gen Z adults over 21 in the same demographic was 80% (up significantly from 60% three years ago).

Indian youth continue to explore, at the same time are value conscious

Indian youth are increasingly non-brand-loyal, shifting rapidly from gin to tequila and now to flavored drinks led by RTDs, cocktails and vodka. RTDs have scaled fast—with ~45% on-trade mix and over 5mn cases—already surpassing wine, with Goa and southern states driving adoption. The trend mirrors global patterns, with new Indian and international players offering innovative formats, though uptake remains concentrated in select states.

Youth in India are not brand loyal and are keep exploring options. Five years back, there was a move for gin, which moved to tequila and recently moved to flavored drinks. Flavored drinks are driven by Ready-to-Drink (RTDs), cocktail and vodka. RTDs have relatively high share of on-trade sales at ~45% vs ~15% for spirits. Unlike wine, which is trying to gain salience in Indian Alcoholic Beverages, RTDs in a short span of time have become bigger than wine, with over 5mn case volumes. Goa and southern states have been the most important routes to market RTDs.

Exhibit 115: RTDs – Wider opportunity across flavor and ABV mix



Source: Company; HSIE Research

The RTD is emerging as a new trend in alcoholic beverages, where new Indian brands and international players with unique ideas are offering innovative products for the youth, and the adoption has been healthy, but in restricted to select states. RTDs are a global trend, which has been a rage where most alco beverage companies have been actively participating.

Exhibit 116: The spirit of collaboration

Source: Media; HSIE Research

Exhibit 117: RTDs emerging as a bigger segment globally

Source: Industry; HSIE Research

The segment is emerging as one of the fastest-growing categories in India's alcobev market, driven by urban youth, convenience-seeking consumers, and evolving lifestyle trends. RTD offers pre-mixed, high-alcohol beverages that combine the taste of spirits or beer or wine with easy-to-consume formats. It is tough to gauge if the experimentation is a structural theme, as such traditional players are still observing the space.

Indian RTDs are dominated by Bacardi and new-age brands

India's RTD market is expanding fast, dominated by Bacardi with ***80%+ share*** *in a ~5mn-case category. High-ABV fruit-malt RTDs, seltzers and canned cocktails are driving adoption, supported by convenience and evolving urban drinking habits.*

India's RTD alcohol market is booming, driven by modern convenience, changing urban drinking habits, and quick commerce. Like beer, a significant portion of RTD sales are of high ABV products. The offerings range from popular fruit-flavored malt bases and hard seltzers to premium canned cocktails and high-ABV shots, typically priced between INR115 and INR350. Bacardi is the largest player in the ~5mn case RTD market, with 80%+ market share.

- **Classic Malt and Cider**: Global favorites like *Bacardi Breezer* (INR130) and *Rio Spritzer* dominate the sweet, low-ABV segment. Brands like *Old Monk* also offer cola and mojito RTD rum variants.

Exhibit 118: Bacardi Breezer

Source: Industry; HSIE Research

Exhibit 119: Rio Spritzer and Old Monk RTDs

Source: Industry; HSIE Research

- **Craft Cocktails & G&Ts:** Startups have introduced premium, bar-style canned cocktails. Salud Beverages offers gin and tonics and agave-based cocktails, while *InACan* provides bar-quality mixes like Vodka Mules and Long Island Iced Teas.

Exhibit 120: Salud Beverages and InACan offerings

Source: Industry; HSIE Research

- **Differentiated pack cocktails**: *BuzzBallz*, owned by Sazerac, is known for its distinctive round shaped packaging, playful personality and bold 15% ABV. It adds a fresh, fun dimension to India's rapidly expanding RTD category.

Exhibit 121: Highball drinks containing Seltzer

Source: Industry; HSIE Research

- **Hard seltzers:** Brands like *Wild Drum* and *Kultur Hard Seltzer* provide low-calorie, crisp alternatives for health-conscious drinkers.

Exhibit 122: Highball drinks containing Seltzer

Source: Industry; HSIE Research

- **Shots & RTD Soju:** High-octane options like *Jigger Shots* and *OG Shots* give quick, double-serve options, while Soju canned offerings bring imported Korean drinking trends to India.

Exhibit 123: Highball drinks containing Seltzer

Source: Industry; HSIE Research

- **Crafted Brut**: *Bro Code* and *Shotgun* are potent, highly sought-after RTD (ready-to-drink) beverages popular across Mumbai. While packaged in traditional pint bottles to resemble strong beer, they are actually wine coolers infused with carbonation. Both beverages feature an intense 15% ABV (alcohol by volume), making them nearly twice as strong as a standard strong beer.

Exhibit 124: Wine based RTDs

Source: Industry; HSIE Research

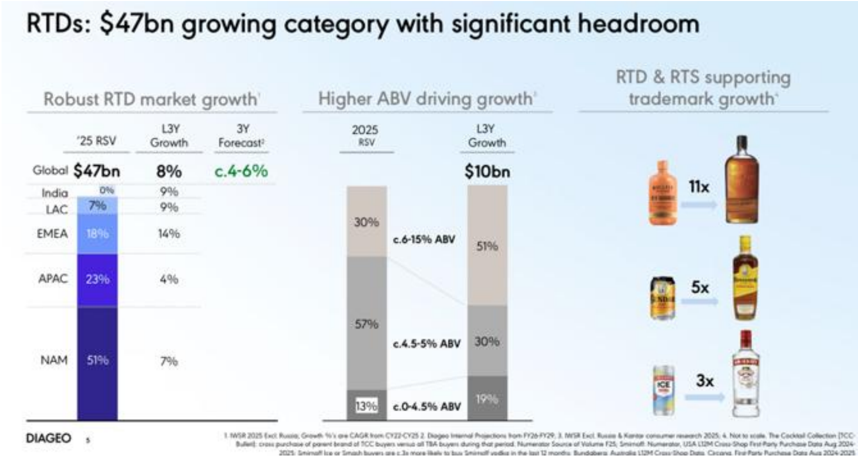
RTD's remained small relative to global context

RTDs in India are driven by experimentation and higher-kick formats (up to 15% ABV), but ABV-based taxation shifts—like in Karnataka—have recently pushed consumers back toward beer. The category remains wide open, yet meaningful scale will require large-player entry, with broader occasions offering clear expansion potential.

In India, RTDs have largely been adopted for experimentation and the higher kick they offer, given ABVs of up to 15%. A regulatory reset is needed, and FSSAI has only recently included RTDs in the formal product list and defined ABV norms. Since alcohol choices are commonly driven by cost per ml of alcohol, a large consumer base selects products based on perceived kick.

Karnataka illustrates this dynamic well: RTDs initially made solid inroads, but the state's shift to ABV-based taxation made beer more affordable, prompting consumers to move away from RTDs. The category remains wide open, with smaller players entering; however, participation from larger players will be critical to scale the segment. With broader consumption occasions and higher frequency potential, RTDs can expand the overall market for all stakeholders.

Exhibit 125: RTDs global market perspective



Source: Company; HSIE Research

Exhibit 126: RTDs are margin accretive

RTDs deliver 3x profit per serve versus Spirits[1]

	250 ml 1.1 serves	4 x 250 ml 4.4 serves	440 ml 2.6 serves	700 ml 26 serves
RSP (USD)	**$2.62**	**$7.88**	**$3.84**	**$20.55**
Price / Serve	$2.62	$1.97	$1.45	$0.78
Tax (% of RSV)	31%	35%	42%	76%
GP / Serve	$0.41	$0.25	$0.24	$0.08

1. Comparison of unit economics of Smirnoff No.21 Red Vodka & Smirnoff RTDs; Diageo Internal Financial Data, GPS, Tesco Retail Selling Price, HMRC. A serve is 1 unit of alcohol, which is equal to 25ml of 40% spirit. GBP to USD conversion rate of 1.37 used. Any references to pricing refer to Diageo's own pricing or recommended resale prices, as applicable. Customers are free to set their resale prices independently. Diageo does not fix, mandate, or control resale prices or customers' margins

DIAGEO 10

Source: Company; HSIE Research

Regulatory support key for development of RTDs

Formats like RTDs need wider distribution, as consumers need to experience and where modern retail channels would be crucial, but opening does not look likely. In West Bengal, where home delivery is allowed, there is not much traction for RTDs, while flavored vodka has been a hit. Here regulatory interventions are needed, where taxation can be relaxed for RTD offerings, plus it can contain relatively lower alcohol levels to promote responsible drinking.

Theme 8: Profitability improves, aids return profile

Alcoholic beverage companies have managed business with a mix of capital deployment and borrowings, which were required to fund growth needs and working capital. As the Balance sheet health is improving with limited capex needs, reduced working capital requirements and thrust on premiumization, we see profitability, liquidity and return profile to see improvement for most incumbents.

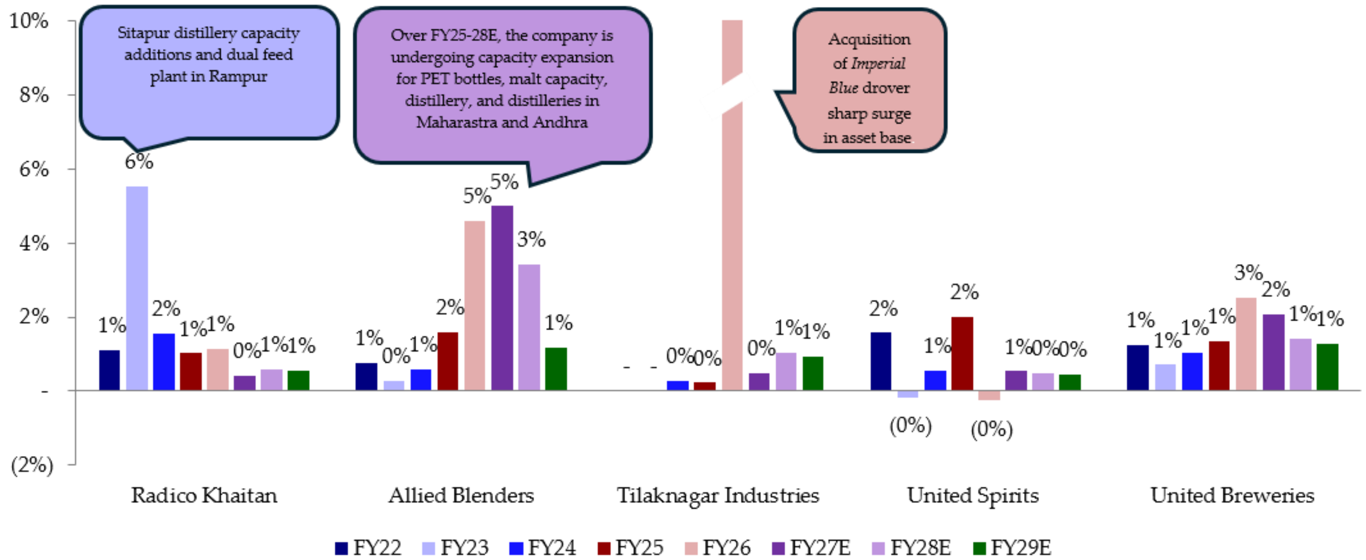
Capex intensity to be limited ahead

Most alco-beverage players will see only maintenance capex, with Allied Blenders as the key exception given its backend expansion plans; Radico's incremental capex is limited to Andhra Pradesh. Tilaknagar's backend upgrades are expected post-FY27, while United Breweries' capex remains focused on Uttar Pradesh and Telangana for capacity coming onstream in FY27.

Barring Allied Blenders, capex spends across alcoholic beverage companies are likely to be maintenance in nature. Allied Blenders are likely to be in a capex spree to enhance margin from backend capabilities. Radico Khaitan may look to add capacity in Andhra Pradesh, given sizable business in the state, but apart from this capex will be negligible.

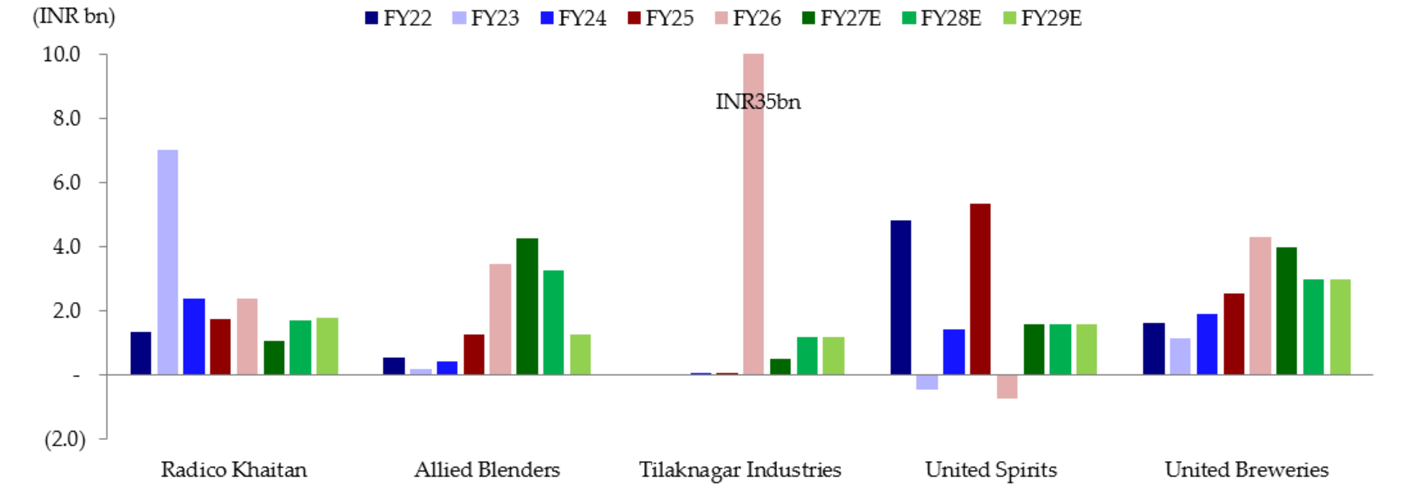
Given the scotch outlook, we expect companies to evaluate opportunities in UK, where the country has excess capacity. Tilaknagar has an agenda of enhancing the backend, but we expect the same to be executed beyond FY27, post stability and recovery in *Imperial Blue*. We do not see any major capacity expansion from United Spirits. For United Breweries, we see the bulk of capex directed toward Uttar Pradesh and Telangana, where new capacity is expected to come onstream in FY27.

Exhibit 127: Annual capital expenditure as a % of revenue



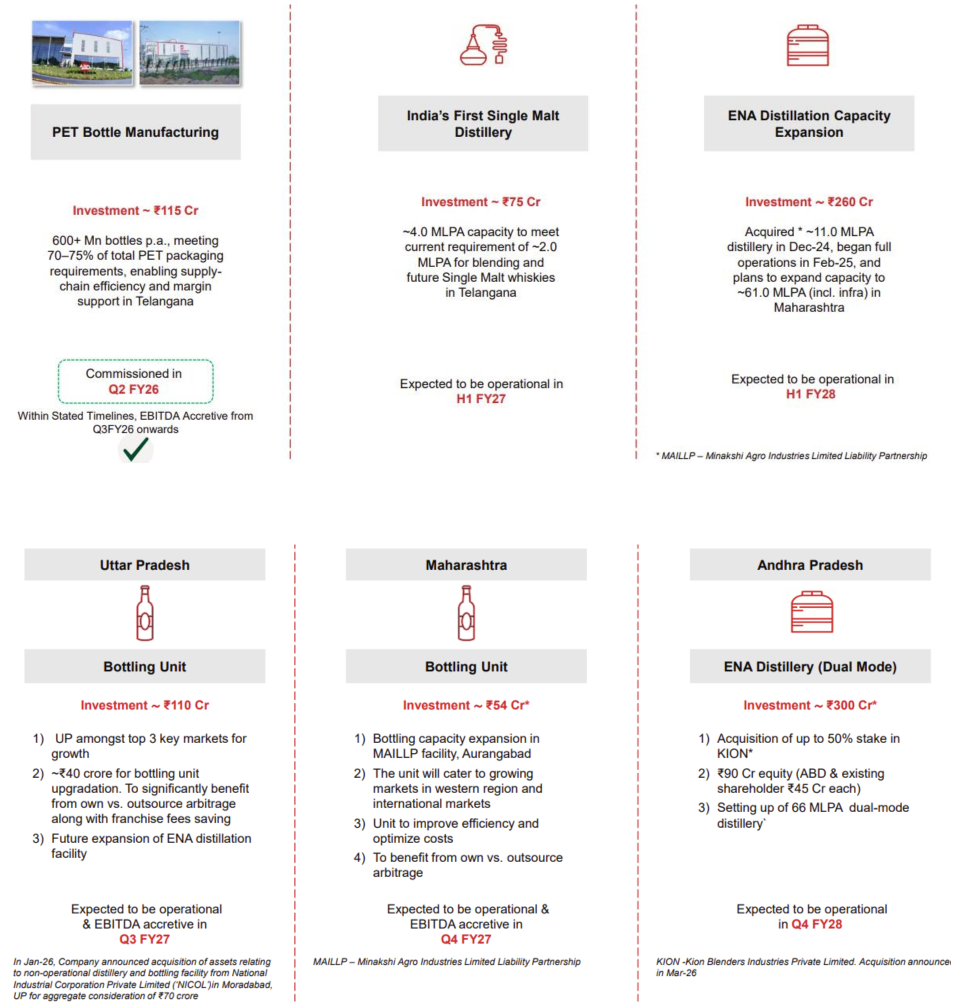
Source: Company, HSIE Research

Exhibit 128: Capex spends across alcoholic companies in our coverage



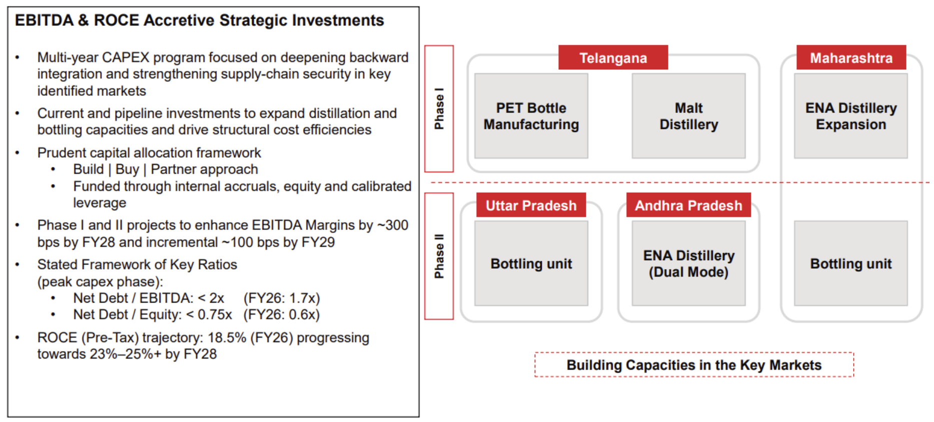
Source: Company, HSIE Research

Exhibit 129: Allied Blenders – Capex details



Source: Company; HSIE Research

Exhibit 130: Allied Blenders – Backward Integration



Source: Company; HSIE Research

Spirits is relatively asset-light business compared to beer

Alcoholic beverages remain capital-intensive, particularly beer where a brewery in each state is essential, while spirits require far lower investment due to ample third-party bottling and ENA availability; this has driven most large players to outsource mass offerings and retain premium production in-house. United Breweries continues to add and upgrade brewing lines to scale premium beer, whereas domestic spirits players pursue selective in-house capacity to capture INR 5–10/litre savings over external sourcing.

Alcoholic beverages is a capital-intensive business, where to abide by state norms and manage taxes and raw material costs well, players have managed market supply with own capacities. Having a brewery in each state is critical, with each facility requiring capex of INR 1.2–1.5 bn. Spirits, by contrast, entail significantly lower capital requirements. There are ample bottling units across India, who can help companies address demand on timely manner.

With bottling, supplies of ENA are also sufficient, which creates a level playing field for all. Some of the domestic alcobev companies see merit in having own capacity, where making saves INR5-10/liter vs sourcing from outside. Gradually, large players like United Spirits have disassociated themselves from capital deployment with gradual consolidation of production and reliance on third parties. There is a growing shift in volume to third-party, particularly in the mass end offerings. Large spirits players are looking to keep premium offerings in-house, given higher realization and profitability.

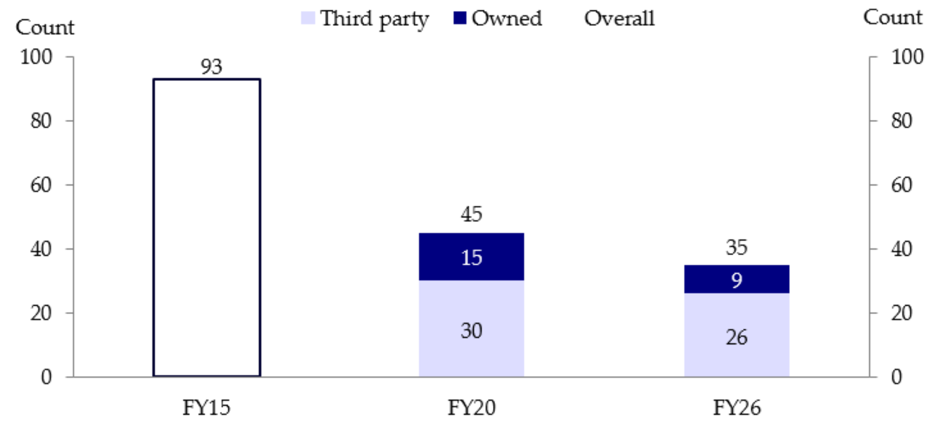
For beer, having dedicated brewing lines is essential to scale premium offerings. United Breweries is adding new capacity and upgrading existing plants to strengthen its premium-segment supply.

Exhibit 131: Backend capacities across spirit and beer companies

	Own bottling plant	Third party bottling plant	Distilleries / Breweries	PET bottle unit
United Spirits	9	26	-	-
ABDL	9	28	2	1
Radico Khaitan	5	39	8	2
Tilak Nagar Industries	6	35	1	-
United Breweries	15		17	

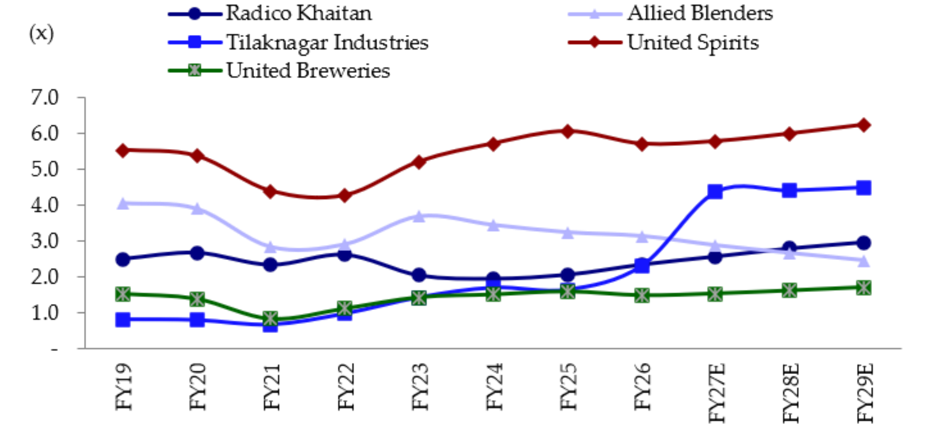
Source: Company; HSIE Research

Exhibit 132: United Spirits – Manufacturing footprint curtailed considerably



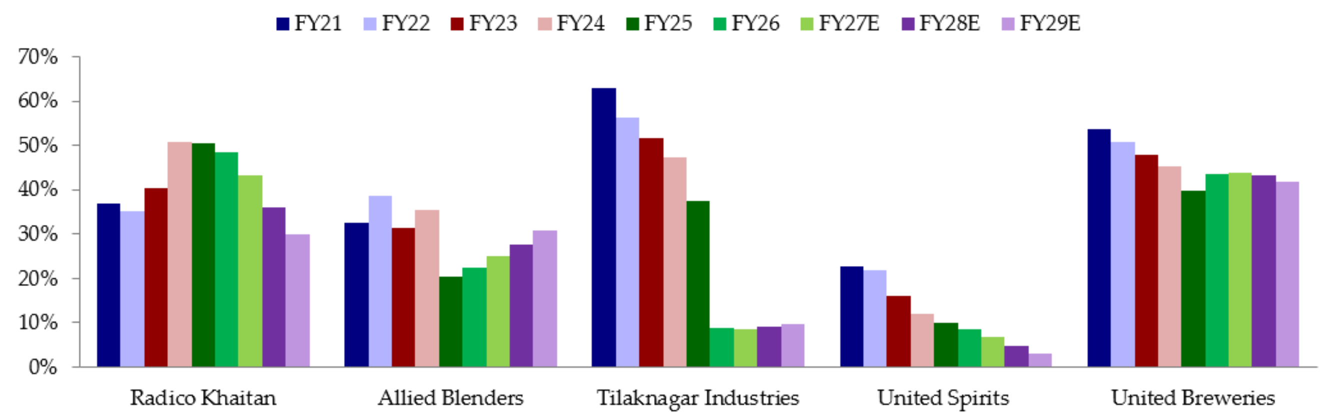
Source: Company; HSIE Research

Exhibit 133: Gross block turns for coverage companies



Source: Company; HSIE Research

Exhibit 134: Net block as a % of capital employed



Source: Company, HSIE Research

Working capital requirement likely to remain healthy

Around 65% of alcobev volumes flow through corporation markets, where payout delays are common because credit is based on retail sales rather than company dispatch dates.

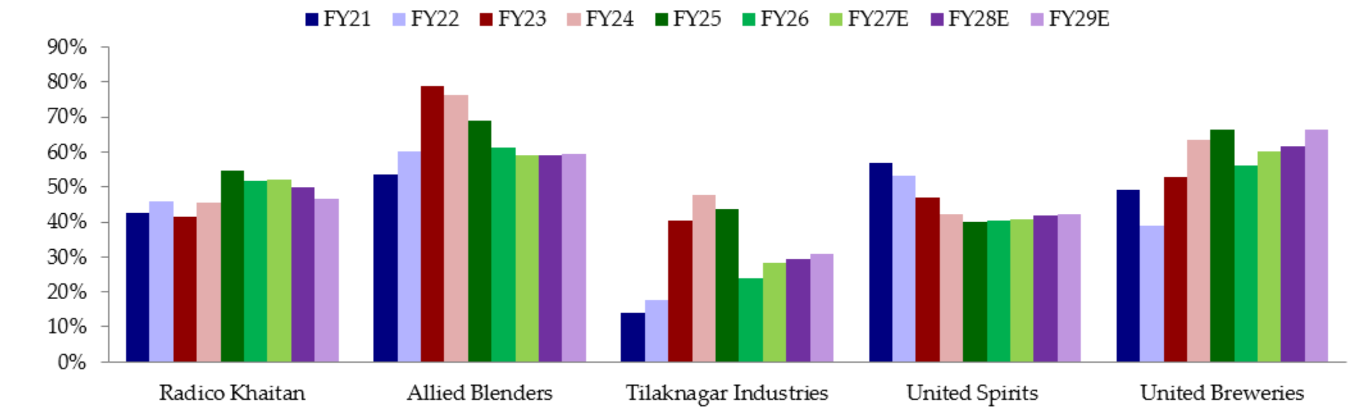
For the alcobev sector, given that ~65% of the volumes are concentrated in corporation markets, there is a delay in payouts. Interestingly, corporation markets consider credit from sales to retail, rather than products receiving dates from companies. Additionally, given the thrust on welfare schemes, select states have been delaying payouts, which stretches receivable days for companies.

Exhibit 135: Working capital requirement

(no of days)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Spirit companies											
Radico Khaitan	126	140	141	135	147	134	148	123	118	118	118
Allied Blenders	142	110	117	111	116	113	187	171	162	163	160
Tilaknagar Industries	118	82	84	57	73	95	109	137	134	133	129
United Spirits	124	118	128	114	101	102	108	114	113	111	108
Pernod Ricard	120	95	119	91	81	100	106				
Beer companies											
United Breweries	110	106	164	97	103	123	136	130	130	122	122
Carlsberg	101	60	96	62	24	29	37				
AB InBev	132	116	141	112	91	87	67				

Source: Company, HSIE Research

Exhibit 136: Working capital as a % of capital employed



Source: Company, HSIE Research

Exhibit 137: Inventory days across spirit companies

(no of days)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Spirit companies											
Radico Khaitan	63	56	74	68	83	69	82	71	70	70	70
Allied Blenders	51	47	56	51	68	49	63	73	70	70	70
Tilaknagar Industries	101	44	44	34	30	28	35	44	44	44	44
United Spirits	76	74	92	84	78	70	72	78	78	76	75
Pernod Ricard	62	37	51	44	47	49	40				
Beer companies											
United Breweries	58	61	98	58	69	61	66	85	85	80	80
Carlsberg	105	63	102	69	47	49	48				
AB InBev	118	111	168	140	118	110	88				

Source: Company, HSIE Research

Exhibit 138: Receivable days across spirit companies

(no of days)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Spirit companies											
Radico Khaitan	112	124	106	96	96	87	90	72	70	70	70
Allied Blenders	140	119	139	137	116	146	191	177	175	175	175
Tilaknagar Industries	115	135	141	97	90	99	110	131	128	125	120
United Spirits	102	92	100	89	84	94	103	105	105	105	103
Pernod Ricard	110	113	137	117	103	120	133				
Beer companies											
United Breweries	85	76	120	79	69	104	117	116	115	112	112
Carlsberg	55	58	91	72	39	42	50				
AB InBev	148	134	125	102	75	73	67				

Source: Company, HSIE Research

Exhibit 139: Payable days across spirit companies

(no of days)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Spirit companies											
Radico Khaitan	48	40	40	30	32	22	24	20	22	22	22
Allied Blenders	49	55	78	77	69	83	66	79	77	75	75
Tilaknagar Industries	98	98	101	74	47	33	35	38	38	36	35
United Spirits	54	47	64	59	61	62	68	70	70	70	70
Pernod Ricard	52	54	70	70	69	69	67				
Beer companies											
United Breweries	33	31	54	40	35	43	47	71	70	70	70
Carlsberg	59	61	97	80	62	62	60				
AB InBev	135	128	152	130	102	96	88				

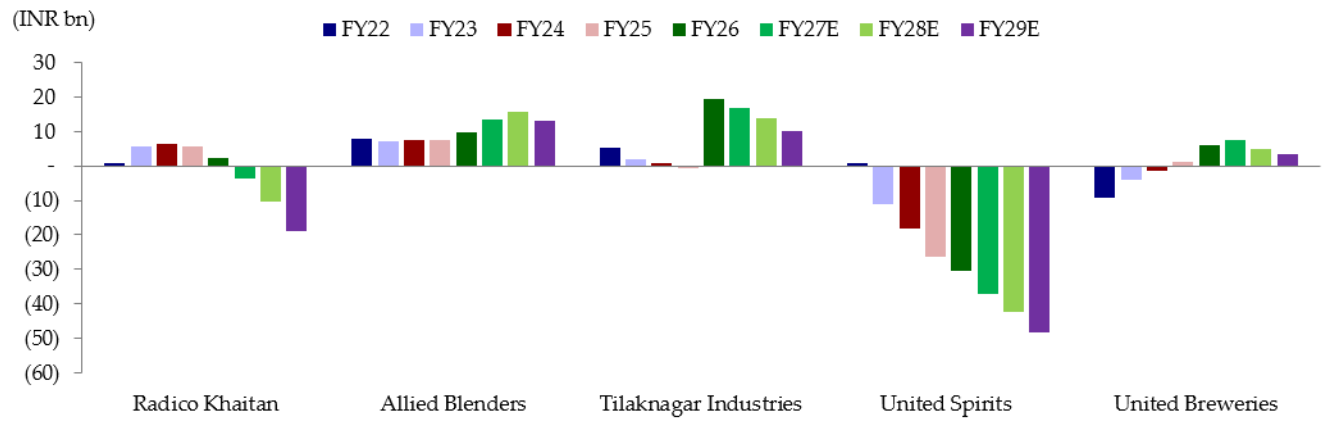
Source: Company, HSIE Research

Leveraged position attributed to capex and working capital needs

Across our coverage, net-debt trends remain shaped by capex cycles and working-capital needs: United Spirits is already net-cash, Radico should turn net-cash by FY28, while Allied Blenders, Tilaknagar and United Breweries remain leveraged with varying reduction trajectories. Dividend payouts broadly align with balance-sheet strength, ranging from 73% for United Spirits, 20%+ for Radico, sub-40% for Allied Blenders, ~10% for Tilaknagar, and 60–65% for United Breweries.

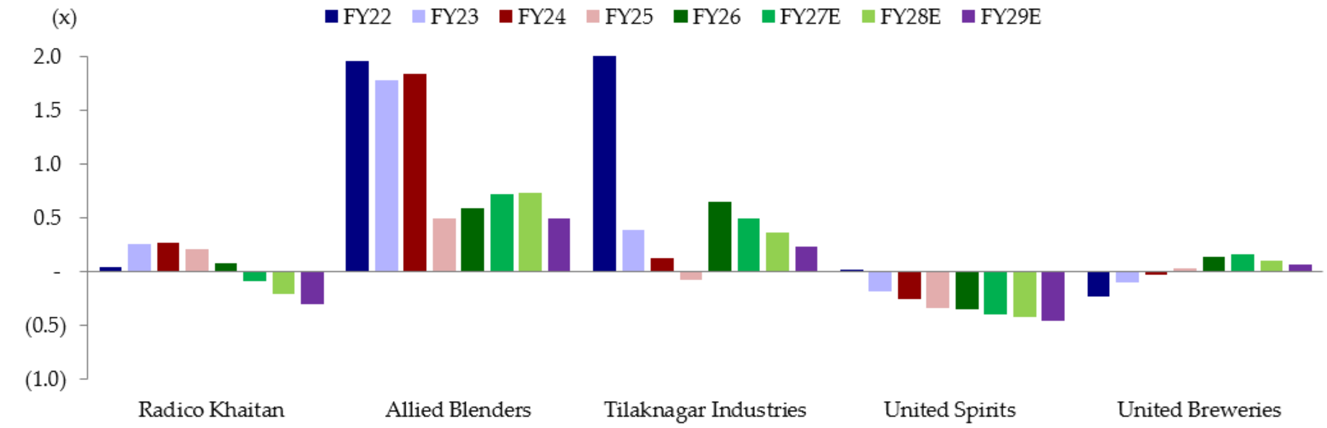
- **United Spirits** has strengthened its net cash position with the monetization of select brands in FY23, followed by easing working-capital requirements, which together supported the improvement. The company initiated dividend distribution in FY24, and we expect the payout to remain around 73%, in line with FY26.
- **Radico Khaitan** is likely to be the next in line, where we see a net cash situation emerging from FY28. Radico was compelled to take long-term debt of INR2.9bn in FY23, which is pared in FY26. At the same time, the company had to rely on working capital borrowings of INR2.3bn. With healthy profitability and 20%+ payout of dividend, the company will have sufficient cash to address working capital needs. The company has averaged 16% dividend payout in the last 5 years; we see the payout expanding, with its improving net cash position.
- For **Allied Blenders**, long-term debt is expected to decline through scheduled repayments, while short-term borrowings will continue to support working-capital needs as the company expands. We estimate ABD's net-debt position to increase to INR15.5 bn by FY28E. The company declared its first dividend payout of 52% in FY25, followed by 55% in FY26; however, we expect payouts to moderate to below 40% over FY27–29E.
- For **Tilaknagar Industries**, long-term debt carries scheduled repayments beginning FY29E; however, we expect the company to pursue faster deleveraging supported by improving cash generation. Its net-debt position stood at INR19 bn as of Mar-26, which, in our view, should reduce gradually to around INR10 bn by Mar-29E. Dividend payouts are likely to remain near 10% for the next couple of years, after which the company may consider increasing distributions depending on liquidity.
- For **United Breweries**, its net-debt position is likely to increase to INR7.5 bn by Mar-27, after which improving cash generation should help reduce leverage. Most of its capacity-augmentation programme is expected to conclude in FY27, following which capex should largely revert to maintenance levels. We expect dividend payouts to remain at the higher band of 60–65%.

Exhibit 140: Net debt situation across coverage companies



Source: Company, HSIE Research

Exhibit 141: Net debt to equity



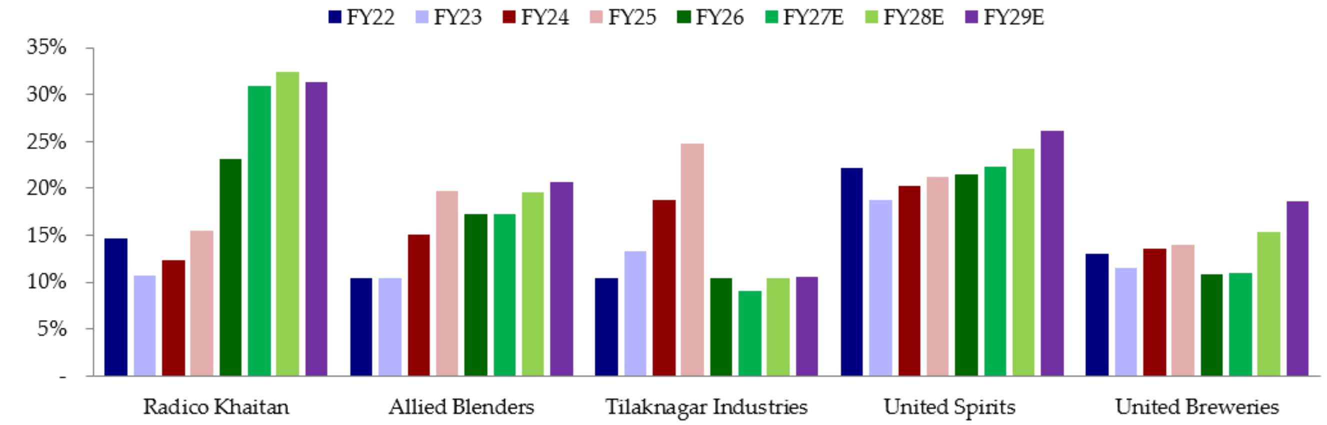
Source: Company, HSIE Research

Most coverage companies should see a gradual improvement in return profiles; however, Tilaknagar is likely to remain a laggard given its leveraged position post the Imperial Blue acquisition

Return profile to see expansion ahead

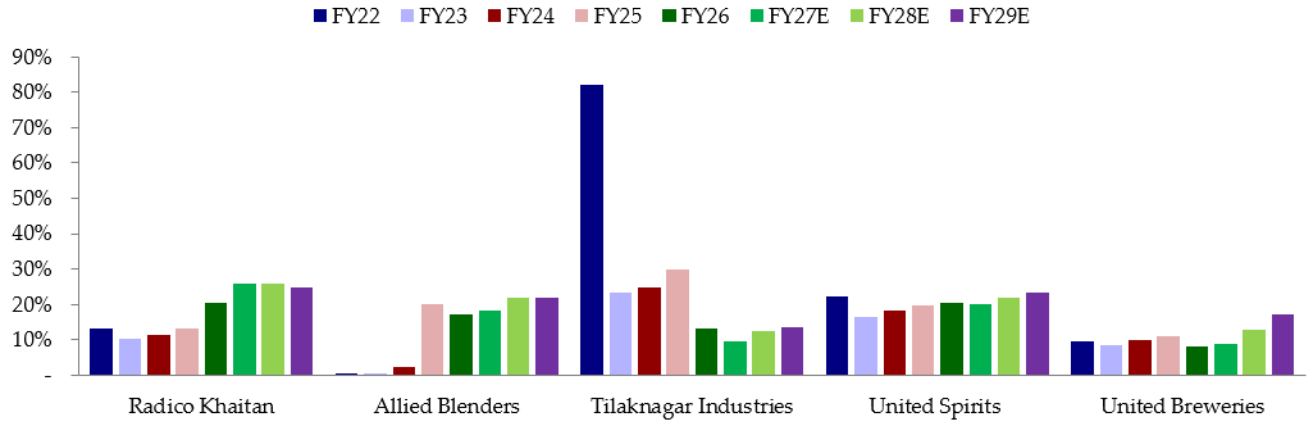
For most of our coverage companies, we expect a gradual improvement in return profiles. Tilaknagar is likely to remain a laggard, weighed down by its leveraged position following the *Imperial Blue* acquisition. In contrast, Radico Khaitan's stronger cash generation should support a better return profile and higher shareholder payouts; we have assumed a 21% payout over FY27–29E.

Exhibit 142: Return on capital employed for HSIE coverage companies



Source: Company, HSIE Research

Exhibit 143: Return on equity for HSIE coverage companies



Source: Company, HSIE Research

Theme 9: Professionals leading the execution

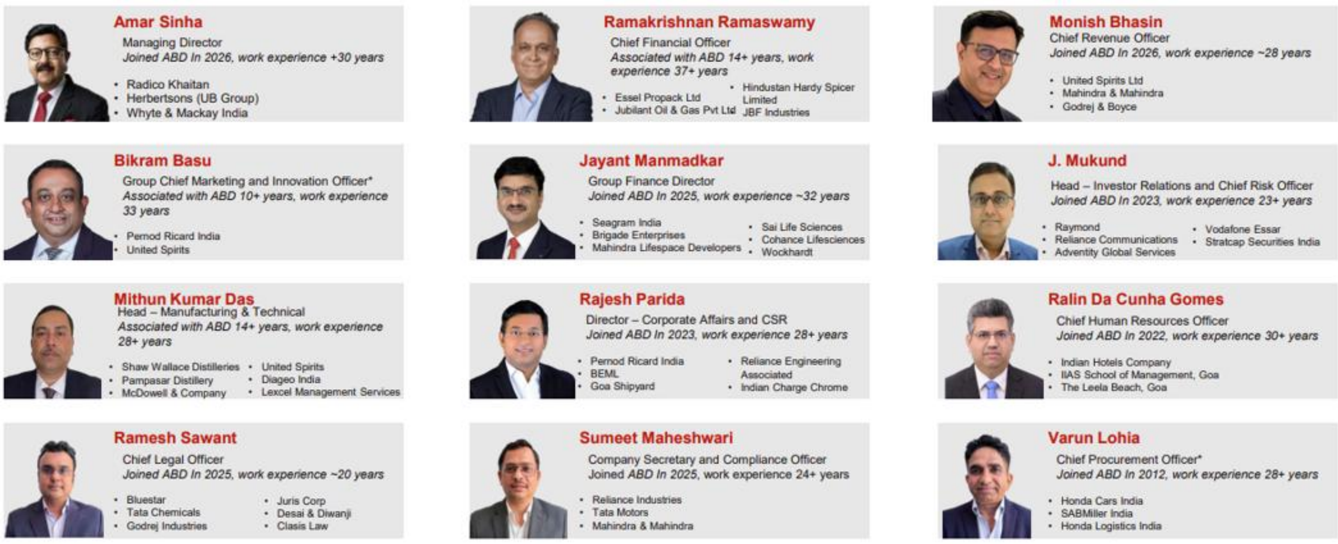
The alcobev sector has transitioned from promoter-led execution to professionally managed leadership, enabling stronger governance and a sharper focus on premiumization. United Spirits and Allied Blenders now rely fully on professional teams, while Radico Khaitan and Tilaknagar follow a dual model; as ethical practices strengthen across the industry, professional execution becomes increasingly critical.

From individual dominant leadership, Alcoholic Beverages Sector has seen execution been delegated to professionals. Most companies have onboarded a professional management team for navigating challenges and achieving profitable outcome. We see that the path ahead driving premiumization is possible with team of experts. In Our Coverage United Spirits and Allied Blenders have full execution reliant on professionals, while Radico Khaitan and Tilaknagar Industries operate with double engine of promoter and professionals. As the Alcoholic Beverages industry is gradually adopting ethical practices, it's creating a level playing field for all, which is where we see professional execution turning crucial.

Allied Blenders has seen rejig in management team

Allied Blenders has built a seasoned leadership team, combining industry veterans with fresh perspectives, to drive growth as India's largest domestic spirits company by volume. Recently the company has shifted its execution engine from Alok Gupta to Amar Sinha.

Exhibit 144: Allied Blenders – Execution team



Source: Company; HSIE Research

- **Amar Sinha, Managing Director:** Mr. Amar Sinha took charge as the Managing Director of Allied Blenders with effect from 2nd April, 2026. Mr. Alok Gupta's tenure as Managing Director nears completion, Mr. Amar Sinha's appointment aligns with ABD's strategy of value creation and long-term growth and underscores the Company's commitment to a seamless leadership transition. Mr. Amar Sinha brings over three decades of leadership experience across the alco beverage and consumer sectors. He joins ABDL from Radico Khaitan, where he had a successful stint as Chief Operating Officer (COO). Prior to Radico Khaitan he had a leadership stint in the companies such as Whyte & Mackay India and Herbersons (UB Group).

Exhibit 145: Allied Blenders – Amar Sinha, Managing Director

Source: Company; HSIE Research

- **Shekhar Ramamurthy joined as Executive Deputy Chairman in Jul-21**, bringing over three decades of experience with the UB Group, including his role as Managing Director of United Breweries Limited. His appointment marked a strategic move to leverage his deep alcobev industry expertise for driving growth and brand building.
- **Ramakrishnan Ramaswamy is redesignated as CFO of the company**, after his last stint as CFO from 2010-2024. Jayant Bhalchandra Manmadkar, who joined as Chief Financial Officer effective Oct25, has been designated Group Finance Director from Jan-26. Ramakrishnan holds a Bachelor's degree in Commerce from the University of Bombay and is an Associate Member of the Institute of Chartered Accountants of India (ICAI).
- **Jayant Bhalchandra Manmadkar joined as Chief Financial Officer effective Oct25**. Manmadkar brings over 32 years of cross-sectoral experience across financial services, pharmaceuticals, alcobev, manufacturing, real estate, and retail, with previous associations including Seagram India, Brigade Enterprises, Mahindra Lifespace Developers, and Reliance Retail. He is also a qualified Chartered Accountant, Cost and Works Accountant, and Company Secretary.
- **Arun Barik, master blender, has been with ABD since Feb-09**, initially as Vice President-Technical, and was promoted to Executive Director in August 22. With over 35 years in the alcobev industry, he started his career at Shaw Wallace & Company and has worked with Pernod Ricard India and Mason & Summers Alcobev. As a master blender, he is responsible for manufacturing strategy, innovation, supply chain management, and product development.
- **Bikram Basu's tenure at ABD spans a decade**, where he served as Chief Operating Officer from Jul-20 to Apr-25 and previously as Chief Innovation & Strategy Officer, from Mar-15 to Jul-20. Before joining ABD, Basu spent 14 years at Pernod Ricard (was the driving force behind Royal Stag, Blenders Pride, and Imperial Blue) as Vice President Marketing (2000-2014) and 6 years at United Spirits Limited (1994-2000) in various roles, including Regional Sales Manager and Group Product Manager. He has recently accepted the Managing Director position of ABD Maestro, in Apr-25. He has an MBA from XLRI Jamshedpur
- **Monish Bhasin is the Chief Revenue Officer effective 1st Jul 2026.**, He has 28 years of experience across the alcobev and consumer goods sectors. In his most recent role as Vice President – Sales, Southern Region at United Spirits Limited, he steered one of Diageo India's largest geographies by Net Sales Value (NSV), combining strategic foresight with granular market execution.

Radico Khaitan, a promoter driven professional set up

Radico is a promoter-driven organization where Lalit Kumar Khaitan is the chairman and his son Abhishek Khaitan is managing director. Promoter has created a team of professionals to look after the execution.

- **Abhishek Khaitan, Managing Director since Mar-15**, represents the second generation leading the company's branded business transformation. Joining the company in 1997 to spearhead the marketing division, Abhishek launched the company's first major brand, 8PM Whisky, which sold one million cases in its first year. His visionary approach led to the creation of Magic Moments Vodka, now India's largest selling vodka and the 5th largest globally. Under his leadership, Radico has launched over 18 successful brands, with 8 featuring in the millionaire's club. He holds a Bachelor's degree in Engineering from BMS College of Engineering, Bangalore, and has completed a Managerial Finance & Accounting course at Harvard, USA.

Exhibit 146: Radico Khaitan – Abhishek Khaitan, Managing Director

Source: Company; HSIE Research

- **Amar Singh joined as Whole-Time Director in 2022**, bringing over three decades of experience from companies including Pernod Ricard India Ltd, Mankapur Chini Mills, and the Sentini Group of Companies. He holds a Bachelor of Science from Meerut University, a Diploma in Industrial Fermentation & Alcohol Technology from NSI Kanpur, and a law degree from Meerut University.

- **Dilip Kumar Banthiya has served as Chief Financial Officer since Apr-08,** bringing over 35 years of corporate finance experience. He previously worked at Jindal Stainless Limited as Vice President (1997-2008) and has experience with Modern Threads, JK International, Modi Xerox, and Modiston.

- **Sanjeev Banga has been spearheading Radico's global expansion as President of International Business** since 2013, having joined the company in 2008. With 39 years of comprehensive FMCG experience, his career includes senior roles at Godfrey Philips, Nestlé, Seagram India, Mason & Summers Alcobev, and Kohinoor Foods. He has been instrumental in expanding Radico's presence to over 100 countries and creating luxury brands like Rampur Indian Single Malt Whisky and Jaisalmer Indian Craft Gin for global audiences.

- **Sudhir Upadhyay is the new Chief Sales Officer**, effective Apr-2026, after departure of Amar Sinha. He has been with Radico since Jan-17, with most of his stints in Sales. Prior to Radico, he was with United Spirits for a year, Pernod Ricard for eight years (as regional head and branch manager) and UB Group for eight and half years. He is an MBA from IIM Lucknow.
- **Kunal Madan is the new Chief Marketing Officer**, effective Jan-26. He has been with the company since Mar-14, managing international business and marketing. Prior to joining Radico, he was with LG Electronics for about 11 years. He has done his MBA from Symbiosis Pune.
- **Abhishek Joshi, joined in May-22**, has been elevated **as national head for on-trade** in May-24. In his previous jobs, he worked at Bacardi, Pernod Ricard, and SAB Miller. He has completed his Bachelor of Engineering from the University of Rajasthan and MBA in marketing from The Institute for Integrated Learning in Management, Gurgaon.

United Spirits has team of professionals under Diageo guidance

Under Diageo, United Spirits has a professional team managing India business. With divestment of popular and low prestige segment brands, the management is focused on driving the P&A volumes in India. Also management is looking to develop market for luxury and super premium offerings from the portfolio of Diageo.

- **Praveen Someshwar is the MD and CEO effective 1-Apr-25.** He has over 30 years of experience working as MD and CEO of HT Media (2019–2024), and has led its digital transformation; he boasts of 24 years at PepsiCo in leadership roles, covering general management, finance, and strategy across India & Asia Pacific, including CEO positions for India Foods and South Asia Beverages.

Exhibit 147: United Spirits – Praveen Someshwar, Managing Director and CEO

Source: Company; HSIE Research

Exhibit 148: United Spirits – Leadership history

Name	Tenure	Comments
Vijay Mallya	Chairman till Feb-16	While not holding the CEO title in the years leading up to his departure, Mallya was Chairman until he stepped down in February 2016 following a settlement with Diageo
Vijay Rekhi	Prior to 2011	Served as President and Managing Director before Anand Kripalu and the Diageo takeover. Stepped down in 2011
Anand Kripalu	May-14 to Jun21	Appointed following Diageo's acquisition of a controlling stake in United Spirits
Hina Nagarajan	Jul-21 to Mar-25	Drove strong growth and premiumization during her tenure
Praveen Someshwar	Effective Apr-25	Replaced Hina Nagarajan to become the new CEO and Managing Director.

Source: Company; HSIE Research

- **Pradeep Jain holds the position of Executive Director & CFO, joining the board on February 1, 2023**, though he had served in finance roles prior to his board appointment. With nearly 20 years of experience, Jain brings expertise in finance transformation and digital productivity initiatives within Diageo India.
- **Jagbir S Sidhu is the Chief Commercial officer effective Jul-24**. He has been with United Spirits for the last 8 years. Prior to United Spirits, he was with Pernod Ricard for 9 years as VP Operations and for 1 year with Carlsberg as Director Sales.

- **Ruchira Jaitly serves as Chief Marketing Officer since August 2023,** having initially joined Diageo India as Executive Vice President of Marketing in August 2021. She brings 25 years of marketing experience across prominent brands, including Unilever, PepsiCo, and HMD Global.
- **Vikram Damodaran serves as Chief Innovation Officer,** focusing on product innovation and development initiatives.
- **Jitendra Mahajan is the Chief Supply & Sustainability Officer** with approximately 3.5 years in the role, overseeing supply chain operations and sustainability initiatives
- **Amitabh Pande serves as Chief Strategy officer.** He leads the company's strategic growth agenda, shaping long-term business strategy. He also oversees key future portfolio and business transformation initiatives across the organization.

Tilaknagar Industries, a promoter driven professional set up

Like Radico, Tilaknagar is promoter-driven company with professional management committee in place for each function and vertical heads.

Exhibit 149: Tilaknagar Industries – Execution team

Source: Company; HSIE Research

- **Amit Dahanukar, the Chairman and Managing Director**, represents fourth generation of the Tilaknagar Industries. Mr. Dahanukar is a graduate in Electrical Engineering with a master's degree in engineering management from Stanford University, U.S.A. He provides strategic direction for TI's future initiatives and is also responsible for its various alliances and collaborations.

Exhibit 150: Tilaknagar Industries – Amit Dahanukar, Chairman and Managing Director

Source: Company; HSIE Research

- **Sanaya Dahanukar, Marketing Manager**, brings a sharp focus on brand transformation, design thinking, and digital innovation, helping modernise the company's portfolio and consumer narrative.
- **Nishant Jain, Chief Sales Officer,** is a seasoned sales leader with over 26 years of experience in the beverage industry. An alumnus of IIT Roorkee and IIM Lucknow, he has previously worked with Inbrew Beverages, Allied Blenders & Distillers, and Pernod Ricard India. As President – Sales at Tilaknagar Industries, he leads national sales, driving growth, efficiency, and market excellence across India.
- **Rajesh Choudhary, Chief Finance Officer,** is a seasoned finance leader with over two decades of experience across alcobev, retail, and consumer businesses. A qualified chartered accountant, he has held leadership roles at Pernod Ricard India & Flipkart in previous roles. As Chief Financial Officer at Tilaknagar Industries, he leads financial strategy, governance, and transformation, driving sustainable growth, capital efficiency, and enterprise-wide performance excellence.
- **Ameya Deshpande, Chief Strategy Officer,** has done his Post Graduate Diploma in Business Management and has a cumulative experience of 13 years as an investment banker and entrepreneur. Ameya started his career as an investment banker in 2008 with Deutsche Bank, working on equity fundraising and M&A transactions. His last investment banking stint was with BNP Paribas, post which he co-founded his own food travel startup, Authenticook; and then co-founded A-Square Advisors.
- **Ahmed Rahimtoola, Chief Marketing Officer, is an advertising and marketing professional** with over 25 years of work experience. He comes with strong knowledge in branding, customer marketing, advertising and NPD having worked with reputed companies like United Breweries, Reliance ADAG and Allied Blenders and Distillers. He has done his MBA from

Symbiosis Centre for Management and HRD and has also done an Executive MBA from the reputed Indian School of Business (PGPMAX).

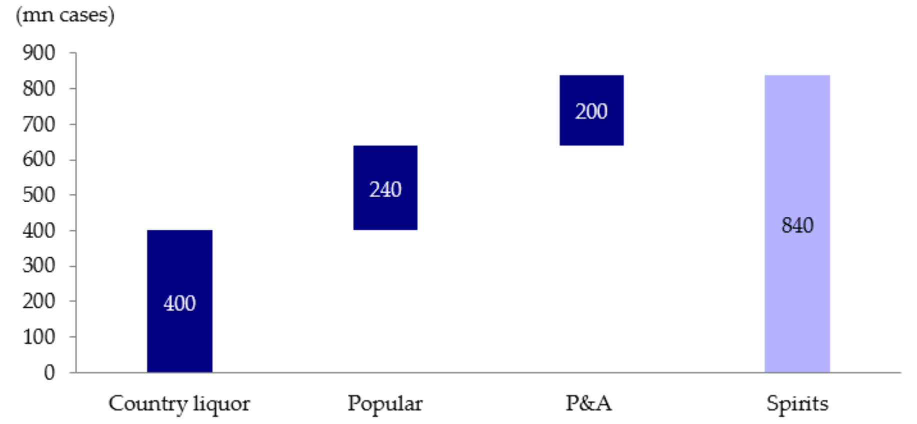
- **Yuvraj Singh Som, VP - Commercial and Operations**, is a Cost and Management Accountant from ICMAI & CA - Inter from ICAI, having over 15 years of experience in Finance & Accounts, MIS Reporting, and Planning & Analysis domain.
- **Tarun Behl, VP-Manufacturing and Projects,** has done B.E. in Chemical Engineering and has more than 20 years of work experience in Production & Operations domain in the Liquor industry.
- **Mr. Varadarajan Srinivasaraghavan, AVP – Production and Operations,** is B Tech. (Mechanical) and has over 26 years of experience in the liquor industry.

Theme 10: Valuations to reflect opportunity, execution

Sector valuations now mirror FMCG as firms leverage strong brands and push premiumization. A large mass-market base in country liquor and IMFL–Popular is fuelling faster growth in the ~200mn-case IMFL P&A segment.

Alcoholic Beverages sector valuations have been aligned with FMCG and discretionary companies, where strong brand and ability to manage headwinds have aided. Like FMCG, Alcoholic Beverages companies are looking to develop premium market with faster growth in the Prestige and Above segments. With ~400mn case country liquor and ~240mn case IMFL - Popular volume, there is a tailwind of premiumization for the ~200mn case IMFL - P&A segment.

Exhibit 151: India Spirits opportunity



Source: Company; HSIE Research

Fortunate for the domestic companies, in whisky (largest IMFL segment), MNCs have seeded ground in the mid and low prestige price points. While MNCs are eyeing for long-term asset light profitable opportunity, in the short to medium term, domestic peers have enhanced play in the low and mid prestige segments. As domestic players have been able to establish themselves in low and mid-prestige segments, they have also started premiumization journey by gradually incubating brands at higher price points.

Premiumization is the only tailwind

Premiumization is emerging as the sector's strongest structural hedge against regulatory volatility. MNCs are reshaping portfolios by trimming mass brands and scaling parent-led premium offerings, while Radico and ABD are already deepening luxury playbooks and Tilaknagar is stepping up post–Imperial Blue. With domestic players now led by seasoned professionals, execution depth is rising and franchise-building is accelerating.

Premiumization is the only opportunity that is likely to ward off regulatory pressures. MNCs have started the journey by rationalizing mass offerings from the portfolio and incrementally focusing on developing premium portfolio from parents. Radico is a more evolved player in the journey with an already sizable luxury and premium portfolio.

As noted in sections above, Allied Blenders has created the *Iconiq White* brand in the price segment where consumers needed a refresh. Additionally, under subsidiary ABD Maestro, it has created a portfolio with organic and inorganic initiative, which is addressing Super premium and Luxury price segment needs. Tilaknagar after gaining hold of *Imperial Blue*, helping it get pan-India exposure, is looking to address experiential needs of consumers. We expect enhanced participation from Tilaknagar Industries, in the prestige and above segment.

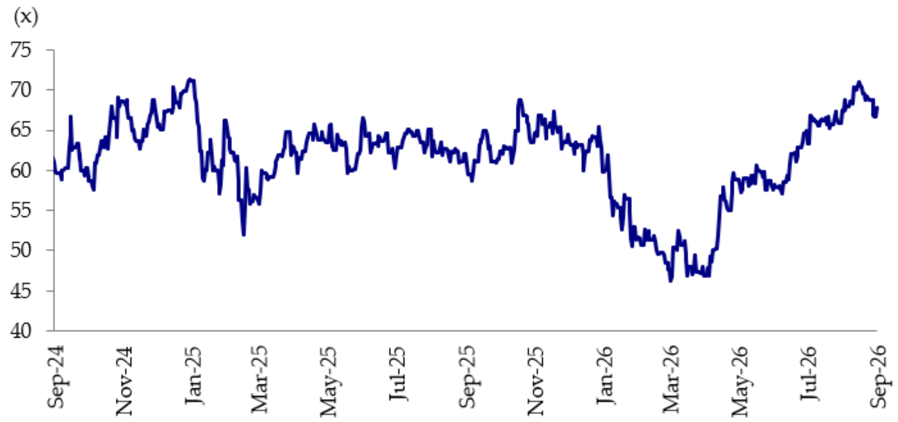
With MNCs levering their parent portfolios, execution is largely centered around sales and marketing, and to the contrary, domestic players have created teams of professionals to address business needs for the long term. This provides opportunities for professionals to build franchises against legacy businesses. Many of the professionals in the domestic companies have had their stint with MNCs in the past, providing relevant experience.

We initiate with BUY on Radico, United Spirits and Tilaknagar

We initiate Radico Khaitan with BUY and Sep-28E TP of INR 5,400, on 55x P/E.

- **Radico Khaitan** is a standout beneficiary of category evolution, supported by its favourable state-mix and a well-developed premium portfolio. Strong on-ground execution has consistently reinforced its fundamentals and sharpened its ability to capture emerging opportunities. We initiate coverage with **BUY and a Sep-28 TP of INR5,300**, assigning 55x P/E, a 10% premium to its five-year forward average and aligned with listed MNC valuations (United Spirits averaged 55x P/E over the past five years).

Exhibit 152: Radico Khaitan's one year forward P/E

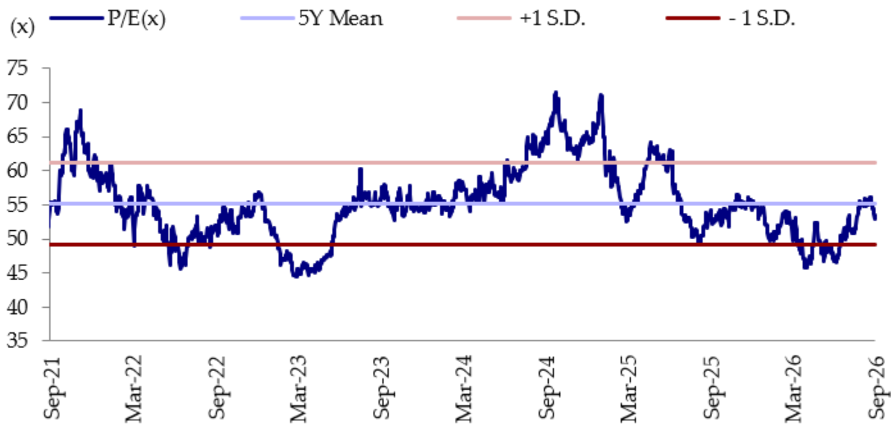


Source: Bloomberg, Company, HSIE Research

We initiate United Spirits with BUY and Sep-28E TP of INR 1,750, on 55x P/E.

- **United Spirits** is well positioned to benefit from the strong long-term outlook for Indian spirits and to scale premium categories by leveraging Diageo's global marquee portfolio. The Prestige & Above segment—60% of revenue—has delivered a healthy 14% CAGR, and we expect regulatory easing to support faster volume growth in lower-to-mid prestige tiers over the medium term. We initiate coverage on United Spirits (Diageo India) with a **BUY and a Sep-27 target price of INR 1,750,** based on 50x P/E for the core business (~INR 1,575) and INR 175/share attributed to the RCB stake.

Exhibit 153: United Spirits' one year forward P/E



Source: Bloomberg, Company, HSIE Research

We initiate Tilaknagar Industries with BUY and Sep-28E TP of INR 700, on 35x P/E.

- **Tilaknagar Industries** is attractively valued, with the discount largely reflecting its leveraged balance sheet. The recent stock rally (up 27% in last six months) stems from improving visibility on Tamil Nadu—the country's largest brandy market—which, once opened, should materially strengthen Tilaknagar's outlook. Alongside pan-India distribution gains through Imperial Blue, and innovation momentum after *Monarch* and *Seven Islands*, the franchise is positioned for broader scale-up. We initiate coverage with **BUY and a Sep-28 TP of INR700**, based on 35x P/E, a 10% discount to its five-year forward average**.**

Exhibit 154: Tilaknagar Industries' one year forward P/E

Source: Bloomberg, Company, HSIE Research

We initiate with Allied Blenders with ADD and United Breweries with REDUCE rating

We initiate Allied Blenders with ADD and Sep-28E TP of INR 700, on 45x P/E.

- **Allied Blenders** effectively leveraged the low-prestige gap when MNCs began stepping back and Imperial Blue was up for sale. Management is targeting 40% growth for ICONiQ White and expects a recovery across the wider portfolio, supported by multiple backend-strengthening initiatives. We remain cautious on the top-line outlook as focus may be split, though stronger execution could enable a Radico-like transition. We initiate coverage with **ADD and a Sep-28 TP of INR685,** assigning 45x P/E, a ~20% discount to Radico and United Spirits.

Exhibit 155: Allied Blender's one year forward P/E

Source: Bloomberg, Company, HSIE Research

We initiate United Breweries with REDUCE and Sep-28E TP of INR 700, on 45x P/E.

- **United Breweries** continues to command strong valuations, driven by its leadership in low-alcohol beverages, a long premiumization runway, and a scarcity premium stemming from limited free float and liquidity. Following Heineken's takeover, the company has overhauled its execution framework, shaping its performance over the past five years. We initiate coverage with **REDUCE and a Sep-28 TP of INR1,325**, based on 48x P/E, reflecting a ~25% discount to its historical five-year average forward P/E.

Exhibit 156: United Breweries' one year forward P/E

Source: Bloomberg, Company, HSIE Research

Exhibit 157: HSIE coverage valuations

	Rating	TP (INR/sh)	Upside	Mcap (USD bn)	P/E (x)			EV/EBITDA			EV/Sales		
					FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Allied Blenders	ADD	685	12%	1.8	53.0	39.1	32.7	29.4	23.4	19.4	4.2	3.8	3.4
Radico Khaitan	BUY	5,300	18%	6.5	63.1	50.9	43.4	41.2	34.0	29.0	8.5	7.3	6.3
Tilaknagar Industries	BUY	700	31%	1.4	45.2	29.9	24.5	22.3	18.5	15.0	3.4	3.0	2.6
United Spirits	BUY	1,750	19%	11.5	56.9	49.5	43.7	40.3	35.2	30.8	7.7	7.0	6.3
United Breweries	REDUCE	1,325	4%	3.6	85.2	55.7	39.6	39.9	30.1	23.3	3.4	3.1	2.8

Source: Company, HSIE Research
Note: Based on closing market price on 04-Sep-26

Exhibit 158: HSIE alcoholic beverage coverage – returns profile and dividend yield

	ROE (%)			ROCE (%)			Dividend pay-out (%)			Dividend yield (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Allied Blenders	18.0	21.6	21.7	17.3	19.6	20.6	39	38	40	0.7	1.0	1.2
Radico Khaitan	25.8	26.1	24.9	30.9	32.4	31.3	21	21	20	0.3	0.4	0.5
Tilaknagar Industries	9.4	12.6	13.7	9.0	10.5	12.4	8	10	15	0.2	0.3	0.6
United Spirits	20.9	22.5	24.0	23.0	24.9	26.8	73	72	74	1.3	1.4	1.7
United Breweries	8.6	12.8	17.0	9.2	13.6	18.5	67	65	65	0.8	1.2	1.6

Source: Company, HSIE Research

Exhibit 159: HSIE alcoholic beverage coverage – assessing free cash flow conversion and yield for coverage companies

	FCF per share			FCF/EBITDA (%)			FCF/PAT (%)			FCF yield		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Allied Blenders	-4.5	1.8	14.8	-20	6	44	-39	11	80	-0.7	0.3	2.4
Radico Khaitan	62.2	66.4	83.4	57	51	56	87	75	81	1.4	1.5	1.9
Tilaknagar Industries	11.2	20.9	24.8	41	64	63	94	117	114	2.1	3.8	4.6
United Spirits	29.2	30.0	34.9	82	74	76	113	101	104	2.0	2.0	2.4
United Breweries	8.0	28.2	28.3	24	65	51	53	123	88	0.6	2.2	2.2

Source: Company, HSIE Research
Note: Based on closing market price on 03-Sep-26

Exhibit 160: HSIE alcoholic beverage coverage – Growth and margin expectations for our coverage companies

	Sales growth			EBITDA growth			EBITDA margin			Earnings growth		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Allied Blenders	13%	11%	11%	16%	27%	19%	14%	16%	17%	16%	36%	19%
Radico Khaitan	17%	15%	13%	42%	20%	16%	21%	21%	22%	54%	24%	17%
Tilaknagar Industries	93%	13%	13%	67%	18%	21%	15%	16%	17%	16%	51%	22%
United Spirits	8%	10%	10%	10%	14%	13%	19%	20%	20%	11%	15%	13%
United Breweries	10%	10%	10%	8%	32%	28%	9%	10%	12%	11%	53%	40%

Source: Company, HSIE Research

Exhibit 161: HSIE revenue estimates for coverage vs consensus

(INR mn)	New estimates			Consensus Estimate			HSIE est vs Consensus		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Allied Blenders	44,344	49,298	54,776	55,270	59,491	95,195	(20%)	(17%)	(42%)
Radico Khaitan	70,670	81,562	91,879	69,039	79,085	88,080	2%	3%	4%
Tilaknagar Industries	45,222	50,972	57,403	45,783	50,593	55,862	(1%)	1%	3%
United Spirits	134,727	148,647	164,157	137,145	151,961	168,504	(2%)	(2%)	(3%)
United Breweries	101,727	111,691	122,687	103,438	113,938	125,633	(2%)	(2%)	(2%)

Source: Company, Bloomberg, HSIE Research

Exhibit 162: HSIE EBITDA estimates for coverage vs consensus

(INR mn)	New estimates			Consensus Estimate			HSIE est vs Consensus		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Allied Blenders	6,275	7,973	9,489	6,216	7,991	9,455	1%	(0%)	0%
Radico Khaitan	14,534	17,383	20,100	13,439	15,949	18,095	8%	9%	11%
Tilaknagar Industries	6,993	8,265	9,966	7,037	8,072	9,301	(1%)	2%	7%
United Spirits	25,860	29,493	33,468	25,413	29,035	32,834	2%	2%	2%
United Breweries	8,703	11,476	14,738	9,560	12,778	15,668	(9%)	(10%)	(6%)

Source: Company, Bloomberg, HSIE Research

Exhibit 163: HSIE earnings estimates for coverage vs consensus

(INR mn)	New estimates			Consensus Estimate			HSIE est vs Consensus		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Allied Blenders	3,218	4,362	5,210	3,118	4,324	5,350	3%	1%	(3%)
Radico Khaitan	9,544	11,823	13,852	8,660	10,563	12,162	10%	12%	14%
Tilaknagar Industries	3,014	4,545	5,548	2,958	4,227	5,809	2%	8%	(5%)
United Spirits	18,808	21,613	24,488	19,181	22,004	24,900	(2%)	(2%)	(2%)
United Breweries	3,973	6,078	8,534	4,636	6,910	9,178	(14%)	(12%)	(7%)

Source: Company, Bloomberg, HSIE Research

COMPANIES

United Spirits

Prepared for long haul; steering headwinds key

We initiate coverage on United Spirits (Diageo India) with a BUY and a Sep-27 target price of INR 1,750, based on 50x P/E for the core business (~INR 1,575) and INR 175/share attributed to the RCB stake. We expect the company to benefit from the strong long-term outlook for the Indian spirits industry and leverage its parent Diageo's global marquee portfolio in premium categories. That said, United Spirits will need to balance growth across its BIO and BII portfolios with profitability, given several brands are margin capped. Following its strategic reduction in the popular segment, it has delivered a 7% revenue CAGR over the last three years, with the Prestige & Above segment — which contributes 60% of revenue — growing at a robust 14% CAGR. In the medium term, we expect regulatory relaxation to support faster volume growth in the lower to mid-prestige segments. To capitalize on this opportunity, it will need to continue strengthening its execution capabilities.

- **Diageo has plans for India:** India is a key growth market for Diageo. The company has taken a bold step by divesting its non-accretive popular segment in FY23 and refocusing on the mid-prestige and above portfolio, where execution-led growth has been strong. With Diageo reducing emphasis on low-prestige segments amid regulatory constraints, domestic players have capitalized on the opportunity to gain share. As noted earlier, we see near-term volume acceleration in the low and mid-prestige segments, driven by regulatory-led consumer upgrades, while the long-term trajectory continues to favor mid-prestige and above categories. Diageo's BIO and BII offerings are well positioned, but rising consumer preference for "Indian-ness" needs to be addressed. A related case is *Smirnoff* Vodka, which has evolved well by adopting Indian flavor profiles.
- **Regulatory headwinds affect execution:** While some recent regulatory changes are structurally positive for the low and mid-prestige segments, the company's strategic defocus there has limited its ability to benefit. In key markets, category-level pressures have also weighed on performance. The UK FTA is viewed as a sector tailwind, but we do not expect a material impact. In BIO, tax savings are likely to be passed through, and in BII, brands may pass benefits to consumers to stimulate trade, limiting margin gains. However, the agreement should still support gradual consumer upgrades. With a progressively improving regulatory stance, we do not foresee major headwinds ahead. We model 10% revenue and 14% earnings CAGR over FY26-29E, with a strengthening earnings trajectory.
- **Better margin and limited cash needs to aid return profile:** Unlike domestic incumbents building pan-India operations with heavy backend investments, Diageo India remains focused on premiumization through an asset-light model. With limited capex requirements and a dividend payout expected at ~75%, we see scope for ~455 bps RoCE improvement, reaching ~27% by FY29E.

Financial Summary (Standalone)

YE March (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue	106,920	116,100	124,480	134,727	148,647	164,157
EBITDA	17,086	20,950	23,530	25,860	29,493	33,468
APAT	11,890	14,658	16,955	18,808	21,613	24,488
Adj. EPS (INR)	16.4	20.2	23.3	25.9	29.7	33.7
P/E (x)	90	73	63	57	50	44
EV / EBITDA (x)	62	50	45	40	35	31
RoE (%)	18.4	19.8	20.4	20.9	22.5	24.0

Source: Company, HSIE Research

BUY

CMP *(as on 4 Sep 26)*	INR 1,472
Target Price	INR 1,750
NIFTY	23,898

KEY CHANGES	OLD	NEW
Rating	NA	BUY
Price Target	NA	INR 1,750
	FY27E	FY28E
EPS %	NA	NA

KEY STOCK DATA	
Bloomberg code	UNITDSPR IN
No. of Shares (mn)	727
MCap (INR bn) / ($ mn)	1,070/11,328
6m avg traded value (INR mn)	1,560
52 Week high / low	INR 1,576/1,210

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	17.8	11.8	11.4
Relative (%)	14.9	15.1	16.6

SHAREHOLDING PATTERN (%)	Mar-26	Jun-26
Promoters	56.7	56.7
FIs & Local MFs	15.4	17.1
FPIs	14.4	12.9
Public & Others	13.5	13.3
Pledged Shares	0.7	0.7

Source : NSE

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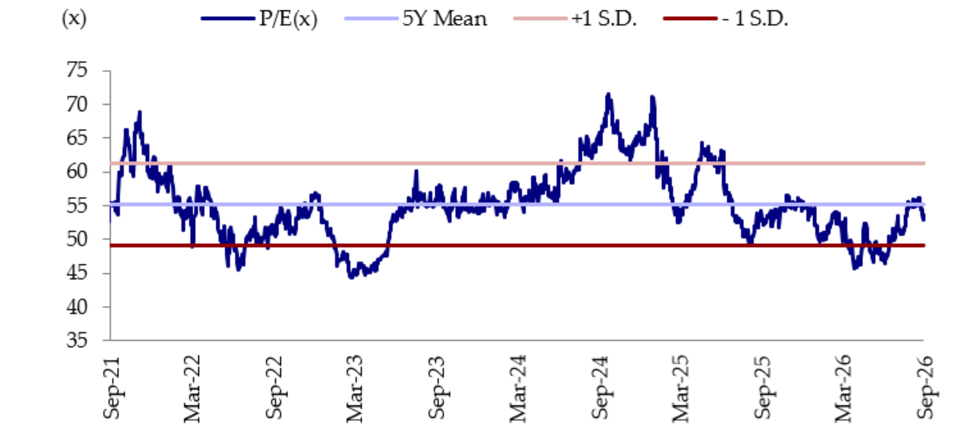
Exhibit 164: United Spirits' one year forward P/E



Source: Bloomberg, Company, HSIE Research

Exhibit 165: United Spirits - HSIE estimates vs Consensus estimates

(INR mn)	HSIE estimates			Consensus estimates			HSIE vs Consensus estimates		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	134,727	148,647	164,157	137,145	151,961	168,504	(2%)	(2%)	(3%)
Growth	8.2%	10.3%	10.4%	10.2%	10.8%	10.9%			
EBITDA	25,860	29,493	33,468	25,413	29,035	32,834	2%	2%	2%
Growth	9.9%	14.0%	13.5%	8.0%	14.3%	13.1%			
EBITDA margin	19.2%	19.8%	20.4%	18.5%	19.1%	19.5%	66bps	73bps	90bps
Adj. PAT	18,808	21,613	24,488	19,181	22,004	24,900	(2%)	(2%)	(2%)
Growth	10.9%	14.9%	13.3%	13.1%	14.7%	13.2%			
Adj. EPS (INR/Share)	25.9	29.7	33.7	26.4	29.6	33.6	(2%)	0%	0%

Source: Bloomberg, HSIE Research

Exhibit 166: United Spirits - Key assumptions

	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue assumptions							
P&A volume (mn case)	47.7	50.2	52.9	54.2	55.9	59.2	62.8
growth	11.7%	5.3%	5.4%	2.6%	3.0%	6.0%	6.0%
Popular Volume (mn case)	24.8	11.3	11.0	10.7	10.2	10.2	10.2
growth	(32.0%)	(54.6%)	(1.9%)	(3.5%)	(4.0%)	-	-
Overall volume (mn case)	72.5	61.4	63.9	64.9	66.1	69.5	73.0
growth	(8.4%)	(15.2%)	4.1%	1.5%	1.9%	5.1%	5.1%
P&A revenue growth	(25.3%)	(39.4%)	0.7%	(0.3%)	(6.9%)	-	-
IMFL revenue growth	10.1%	2.6%	8.9%	7.7%	9.1%	10.4%	10.5%
Profit and loss account assumptions							
Revenue growth	10.1%	3.1%	8.6%	7.2%	8.2%	10.3%	10.4%
EBITDA growth	(6.0%)	20.3%	22.6%	12.3%	9.9%	14.0%	13.5%
Adj. PAT growth	(12.4%)	34.8%	23.3%	15.7%	10.9%	14.9%	13.3%
Gross margin	41.5%	43.4%	44.9%	46.8%	47.3%	47.5%	47.8%
Employee costs as a % of revenue	5.9%	5.1%	5.2%	5.0%	4.9%	4.7%	4.6%
A&P as a % of revenue	8.9%	9.7%	9.7%	10.4%	10.7%	10.7%	10.7%
Opex as a % of revenue	13.1%	12.6%	11.9%	12.5%	12.5%	12.3%	12.1%
EBITDA margin	13.7%	16.0%	18.0%	18.9%	19.2%	19.8%	20.4%
Balance sheet							
Capex (INR mn)	463	(1,421)	(5,340)	720	(1,600)	(1,600)	(1,600)
Inventory days	78	70	72	78	78	76	75
Receivable days	84	94	103	105	105	105	103
Creditor days	61	62	68	70	70	70	70
ROE	16.3%	18.4%	19.8%	20.4%	20.9%	22.5%	24.0%
ROCE	19.7%	21.8%	23.2%	22.7%	23.0%	24.9%	26.8%

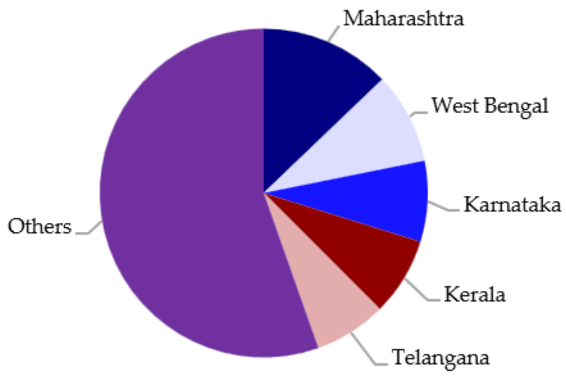
Source: Company, HSIE Research

Tailwinds in Karnataka: Following the shift to an ABV-based taxation structure, the state has turned increasingly progressive. United Spirits implemented 15-35% price cuts across its P&A portfolio and 17-18% price increases in the Popular segment. Our ground checks indicate that the company continues to maintain an ABV of 42.8%. Trade participants expect a further reduction to 40% ABV, which would help deliver lower consumer prices and aid category expansion.

Headwinds in Maharashtra: With tax increases in Jun-25 and the rollout of MML from Sep-25, United Spirits has seen its state volume share decline by ~500bps YoY to ~13% in FY26. Historically, the company's growth in Maharashtra was supported by significant duty cuts on BIOs (by 50% in Nov-21), making the recent shift a notable headwind.

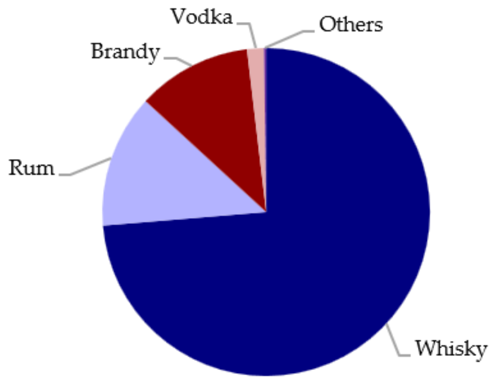
Opening up of Tamil Nadu to aid volume: Tamil Nadu's potential policy easing is likely to create meaningful opportunities for national brands, with United Spirits particularly well-positioned to capitalise given its strong franchise. As the market opens, we expect whisky share in the state to expand, supported by greater brand participation and improved consumer access.

Exhibit 167: United Spirits: Estimated state volume contribution



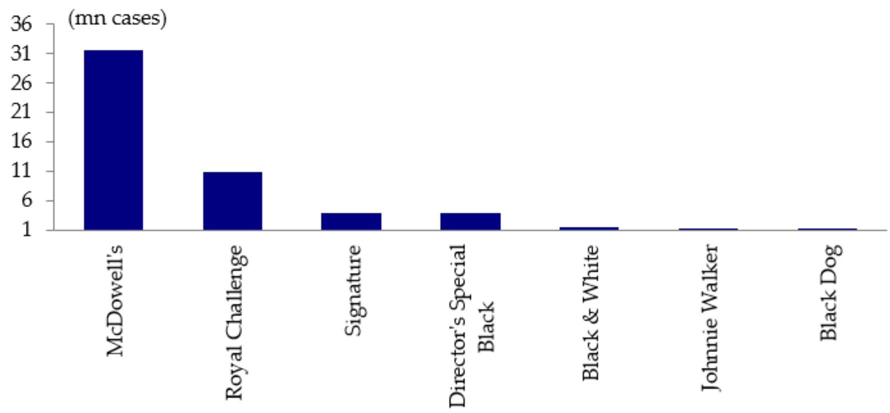
Source: HSIE Research

Exhibit 168: United Spirits: Estimated volume split by category



Source: HSIE Research

Exhibit 169: United Spirits: Million case brands in Whisky for CY25



Source: Company, HSIE Research

Exhibit 170: United Spirits – Product portfolio

Source: Company, HSIE Research

During FY26, Don Julio surpassed INR 1 bn — becoming the fastest brand in the portfolio to achieve this milestone. Signature has crossed the INR 10bn threshold.

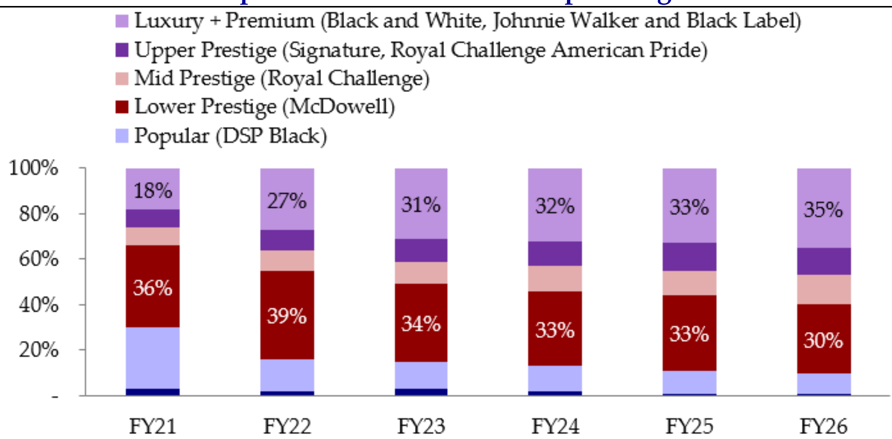
Exhibit 171: United Spirits: Brand lists with size above INR 1bn and above

Source: Company, HSIE Research

The Mid prestige and above portfolio have seen 14% revenue CAGR in last three years, while low prestige and below drove overall weakness (6% overall revenue CAGR) with just 1% CAGR.

Non branded revenue has seen 26% CAGR revenue decline over the last three years, as the company has reduced production and sales of molasses-based ENA from Pioneer Distilleries Limited.

Exhibit 172: United Spirits: Revenue mix across price segments



Source: Company, HSIE Research

Amid a surge in competition in popular segment, the company divested 32 brands to Inbrew in May-22.

Exhibit 173: United Spirits: 32 popular brands divested in FY22

Sl. No	Brand	Sl. No	Brand
1	Haywards Fine Whisky	17	Green Label Rum
2	Haywards Fine Brandy	18	Director's Special Whisky (except DS Black retained by USL)
3	Haywards Fine Rum	19	Director's Special Black Rum
4	Haywards Classic Whisky	20	High Commissioner Whisky
5	Old Tavern Whisky	21	Gold Riband Gin
6	Old Tavern Rum	22	Watson's Whisky
7	Honey Bee Brandy	23	Blue Riband Gin
8	White Mischief (Vodka)	24	Blue Riband Duet
9	White Mischief Ultra	25	Silk Whisky
10	Romanov Vodka	26	McDowell's No.1 Rum (older variants from Popular portfolio)
11	Zingaro Whisky	27	McDowell's No.1 Brandy (older variants from Popular portfolio)
12	Zingaro XXX Rum	28	Celebration XXX Rum (older popular variant)
13	Bol's Brandy	29	Contessa Rum (non-defense variants)
14	Chancellor Whisky	30	Boss XXX Rum
15	Golden Grape Brandy	31	Carlton Rum
16	Green Label Whisky	32	Gold Medal Whisky

Source: Company, HSIE Research

Exhibit 174: United Spirits: 11 popular brands franchisee arrangement

Sl. No	Brand
1	Bagpiper
2	Black Riband
3	Blue Riband
4	Carew's
5	Duet
6	Gold Riband
7	Old Cask
8	Red Riband
9	Silk Riband
10	Silver Riband
11	White Riband

Source: Company, HSIE Research

McDowell's has been relaunched with a 30% extra-scotch offering across Uttar Pradesh, Haryana and Rajasthan, effective through Q1FY27. The company aims to scale the relaunch to nearly 85% of states by August 2026, backed by a strict 120-day execution timeline. The brand, however, continues to face headwinds in Maharashtra, where volumes have been impacted following recent tax hikes.

Exhibit 175: United Spirits: McDowell's No.1 has been relaunched, with coverage expected to reach nearly 85% of the market by end-Aug 2026. Sustaining volumes in the low-prestige segment and benefiting from emerging tailwinds will be crucial in the period ahead.

Source: Company, HSIE Research

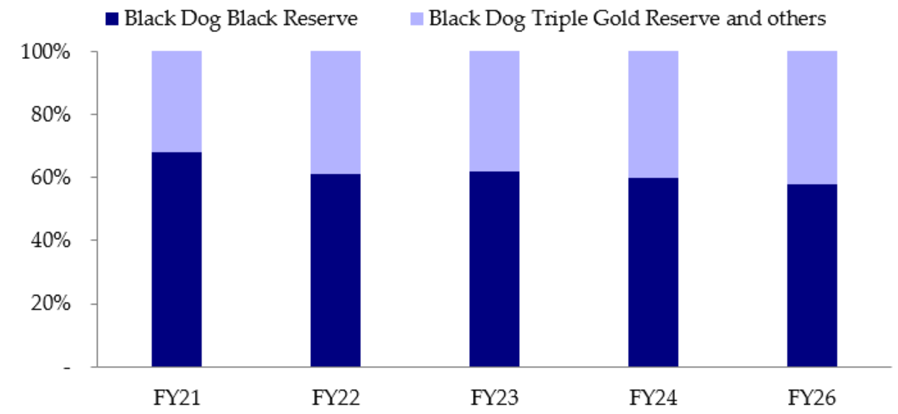
For Black & White, India is the largest consumption market. Diageo has allowed United Spirits to introduce local customisations, including the launch of a 180-ml hip-flask ("hipster") pack.

With Black Dog, United Spirits is focused on upgrading consumers within the premium whisky ladder.

Exhibit 176: United Spirits: BII offerings like *Black & White* and *Black Dog* driving scotch recruitments. *Black Dog* is historically the most profitable brand in the portfolio.

Source: Company, HSIE Research

Exhibit 177: United Spirits: *Black Dog* brands portfolio expansion



Source: Company, HSIE Research

Given its strong Scotch portfolio, the company historically placed limited emphasis on vodka, which constrained Smirnoff's scale-up in India. United Spirits has now secured approval from the parent for regionalise the global brand, and the launch of India-specific fruit flavours has resonated strongly with consumers. The brand generated INR 3.5 bn in revenue in FY26 and is on track to reach INR 8-10 bn in FY27, supported by Q1FY27 revenue of INR 2.5 bn. Vodka under the X-Series brand has not gained meaningful traction and continues to underperform.

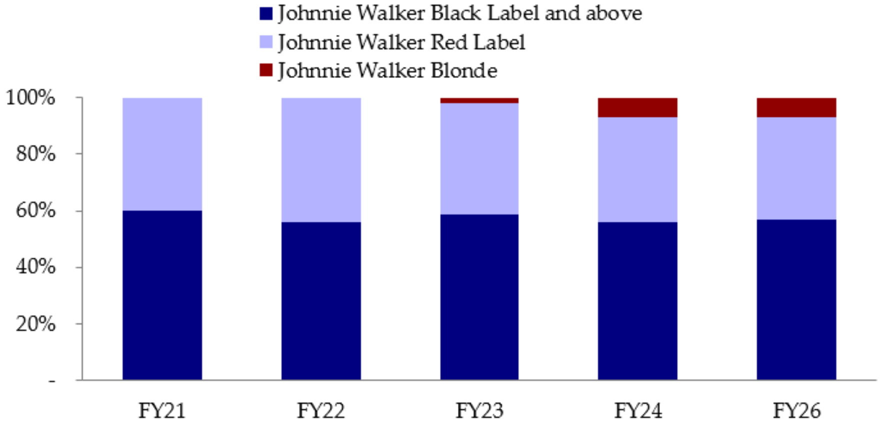
Exhibit 178: United Spirits: *Smirnoff*'s renewed focus is accretive to both growth and margins. The brand operates under a 5% royalty-payout structure, and vodka remains one of the company's highest-margin segments, supported by healthy unit profitability.

Source: Company, HSIE Research

Exhibit 179: United Spirits: *Johnnie Walker* has third largest volume base in India. In value term, India is the fourth largest market. Brand growth has been muted in last couple of years, affected by consumer trend of Irish Whisky.

Source: Company, HSIE Research

Exhibit 180: United Spirits: *Johnnie Walker* brands portfolio expansion

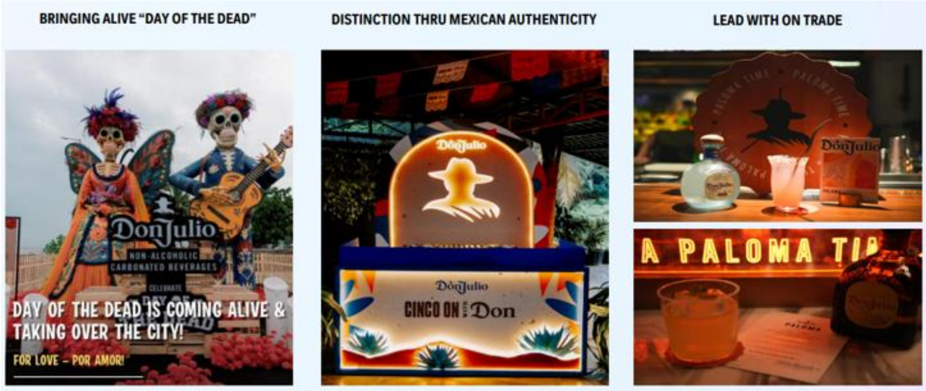


Source: Company, HSIE Research

Exhibit 181: United Spirits: *Godawan* Indian Single Malt is getting attention from execution team on the ground

Source: Company, HSIE Research

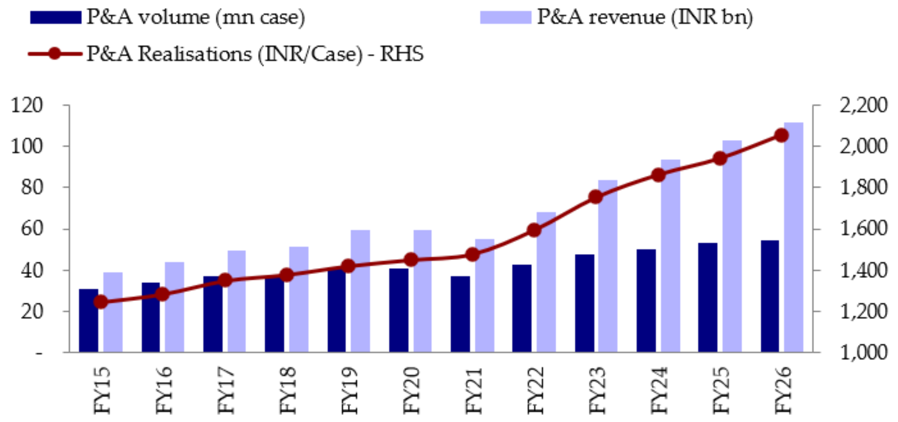
Exhibit 182: United Spirits: *Don Julio* Tequila is the fastest brand to cross INR 1bn in revenue for the company. The company has 1/3rd market share.



Source: Company, HSIE Research

Prestige and above segment – Focus on premiumization aided realization CAGR of 6% in last 6 years (FY20-26) vs 3% CAGR in previous 5 years (FY15-20). Volume growth have largely been in mid-single digits – 6%/5% over FY15-20/FY20-26

Exhibit 183: United Spirits: Prestige and above segment performance



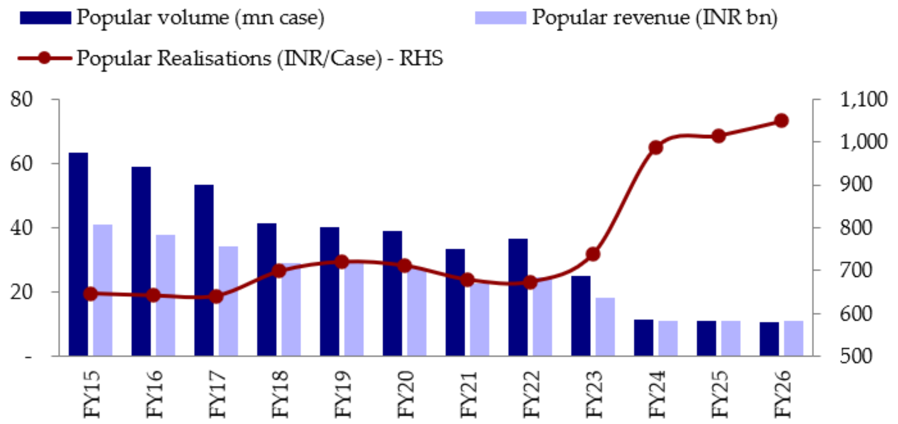
Source: Company, HSIE Research

Popular segment – Offloading of non-productive brands in FY23 aided with enhanced mix. As the consumer up trade, relevance for popular to come down.

This segment has seen widespread impact in volume in Maharashtra and Karnataka.

Volumes have declined at a CAGR of 15% in last decade, which with 4% realization CAGR, drove segment decline at 11% CAGR.

Exhibit 184: United Spirits: Popular segment performance



Source: Company, HSIE Research

BIO and BII margin capping:

- *As per global tax norms, since Scotch is GI-tagged and the brands are owned by a UK entity, United Spirits operates under a 10% distribution-margin arrangement with Diageo PLC (parent), with all branding and marketing support led by the parent.*
- *For brands without UK association, United Spirits can retain the full margin — for example, Black Dog, which is why it is one of the company's highest-margin brands.*
- *The same rule applies to tequila, as the category is also GI-tagged.*
- *Vodka is not GI-tagged, allowing United Spirits to operate Smirnoff under a 5% royalty structure. Interestingly, Smirnoff delivers better margins than Black Dog, despite Black Dog being historically known as one of the highest-margin products in the portfolio*

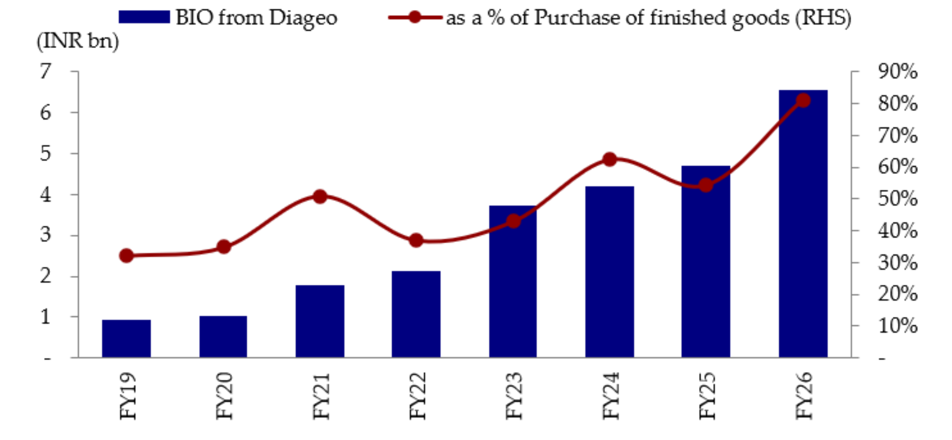
United Spirits relies on Diageo PLC for its Scotch fulfilment, operating under a cost-plus arrangement. Diageo controls nearly half of global Scotch supply, giving it strong leverage in pricing and inventory decisions.

The company sources three-year-aged malt from the parent, where Diageo's inventory sits at a relatively higher cost—reflecting investments made three years earlier. This creates an anomaly versus domestic peers, who currently procure Scotch at lower prices due to the global supply glut.

Exhibit 185: United Spirits: BIO and some of the BII offerings have 10% distribution margin arrangement. The company needs to balance portfolio for growth and margins.

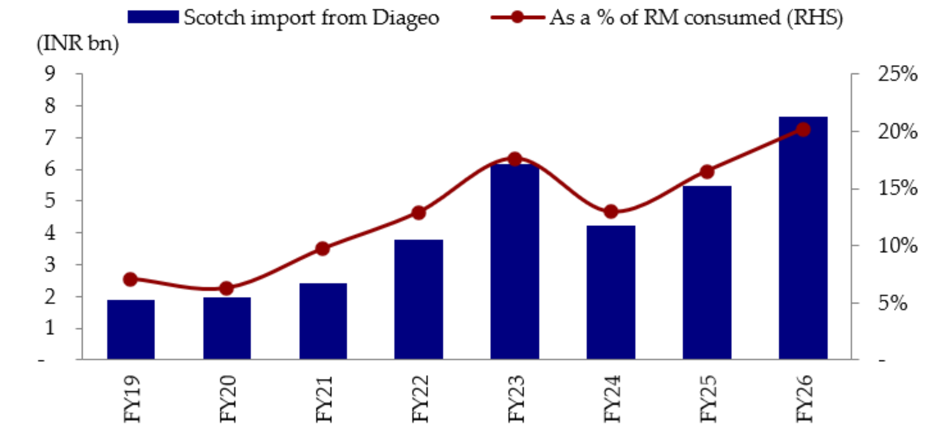
Source: Company, HSIE Research

Exhibit 186: United Spirits: BIO imports from Diageo



Source: Company, HSIE Research

Exhibit 187: United Spirits: Annual scotch import and scotch as a % of raw material consumed

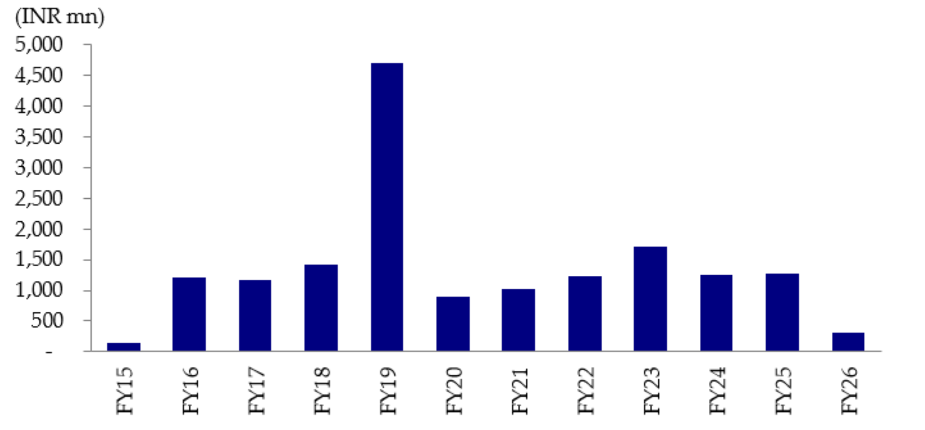


Source: Company, HSIE Research

Non-branded revenue on a decline: Pioneer Distilleries, a 100% subsidiary, has historically been engaged in producing molasses-based ENA (MENA). Since United Spirits increasingly relies on grain-based ENA (GENA), the company has been selling its MENA output in the open market. With a new grain-based ENA line now being set up, the business will shift toward captive GENA capacity, reducing dependence on external sourcing.

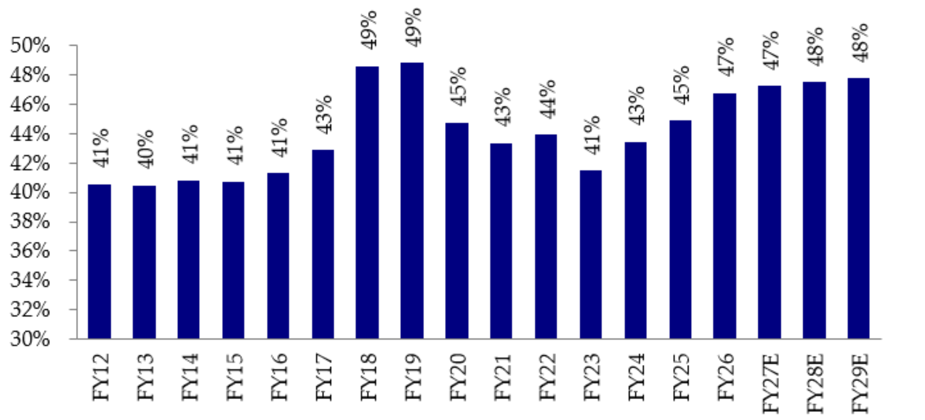
UK FTA to enhance market opportunity: With the agreement now in effect, the company has reduced BIO prices by 7–9%. As new inventory reaches shelves by the end of Sep-26, management expects a pick-up in volumes across both BIO and BII. For domestic IMFL, players are looking to expand margins; however, the benefit may be partially offset, as all incumbents are targeting healthy growth, which could intensify competitive pricing.

Exhibit 188: United Spirits: Non-branded business revenue continues to shrink



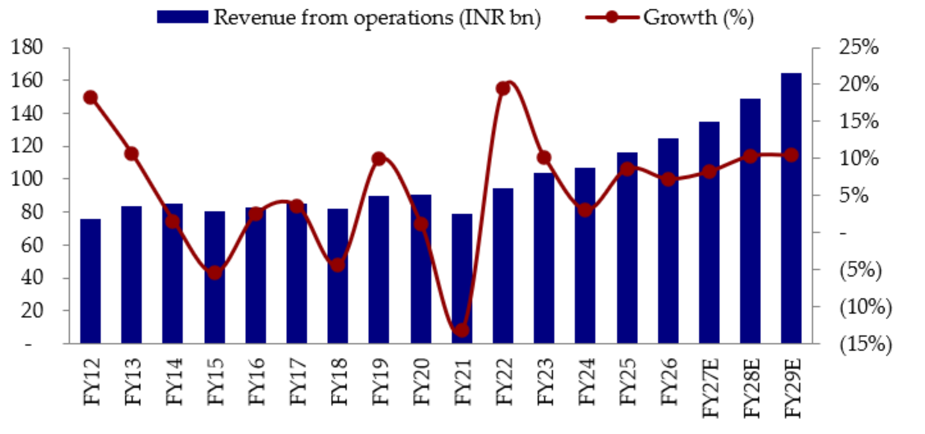
Source: Company, HSIE Research

Exhibit 189: United Spirits: Gross margin trends



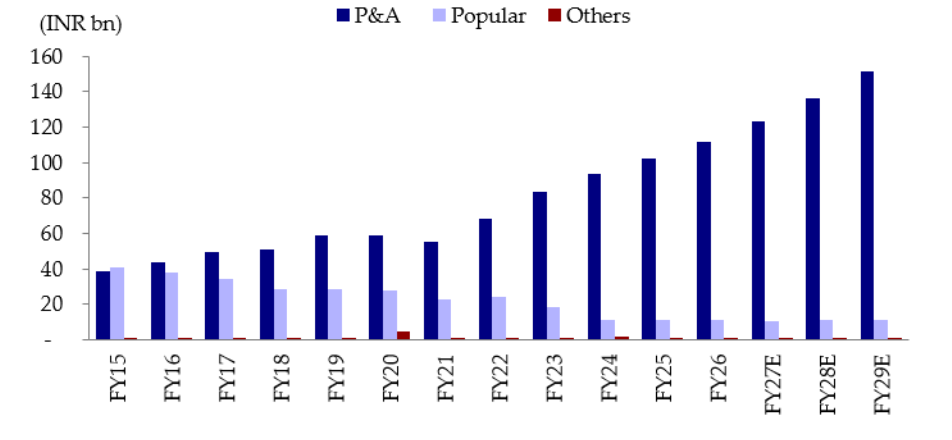
Source: Company, HSIE Research

Exhibit 190: United Spirits: Revenue from operations progressively get to double digit growth, with headwinds gradually getting into the base.



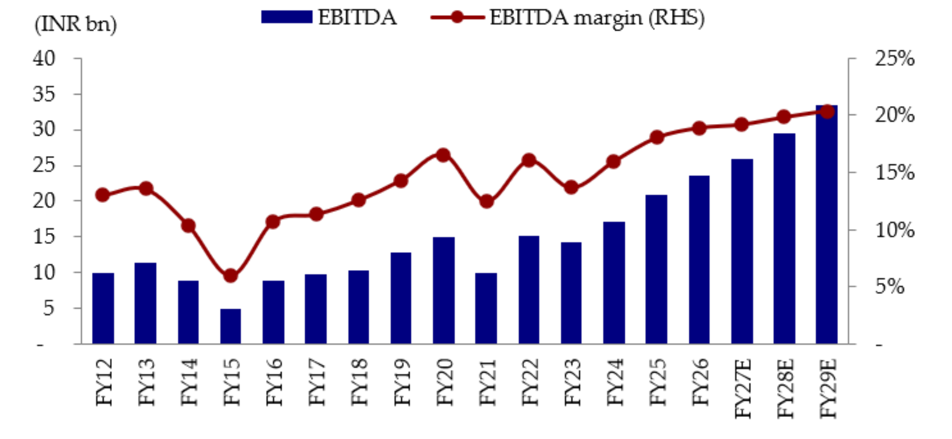
Source: Company, HSIE Research

Exhibit 191: United Spirits: We see 11% revenue CAGR for Prestige and above segment; while Popular segment is likely to remain flat.



Source: Company, HSIE Research

Exhibit 192: United Spirits: EBITDA and EBITDA margin trends – With tailwinds, EBITDA CAGR to be 12% over FY26-29E, aided by UK FTA, mix improvement and soft ENA costs

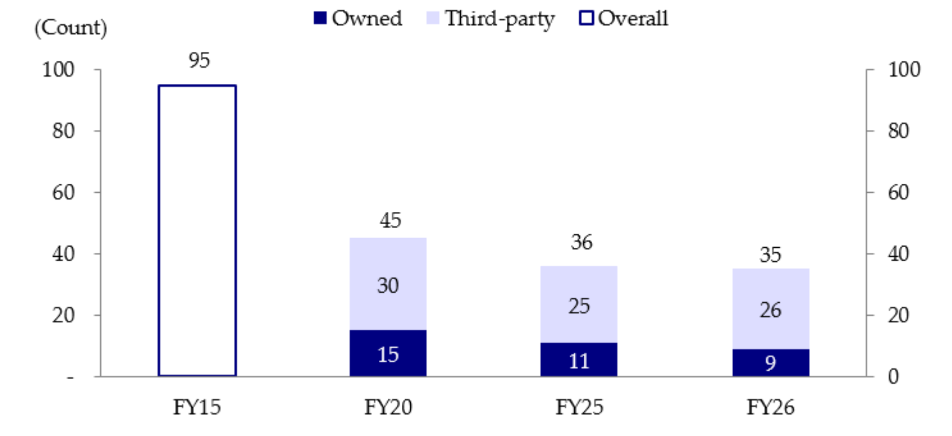


Source: Company, HSIE Research

In FY23, the company's Board of Directors approved a multi-year supply-chain agility program (with a target of generating savings of 100-150bps over the next 3Y). The program is primarily directed toward optimizing UNSP's manufacturing footprint, strengthening its end-to-end supply chain and making it fit for the future.

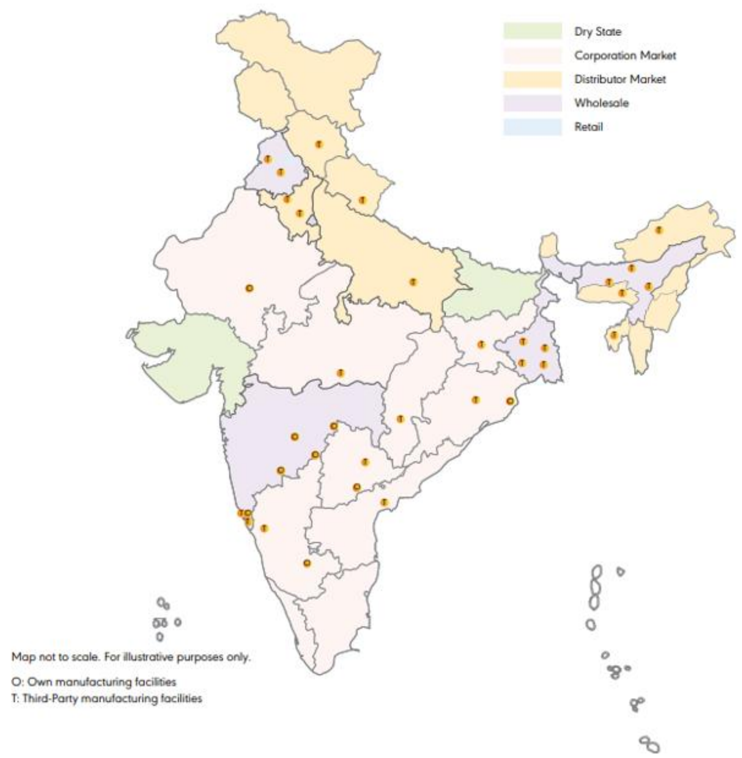
The company plans to wind down 2-3 more factories.

Exhibit 193: United Spirits: Manufacturing network optimized



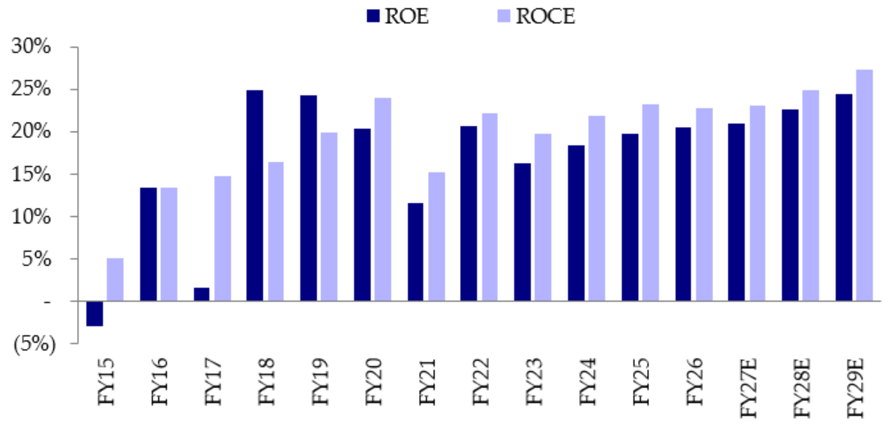
Source: Company, HSIE Research

Exhibit 194: United Spirits: Manufacturing footprint



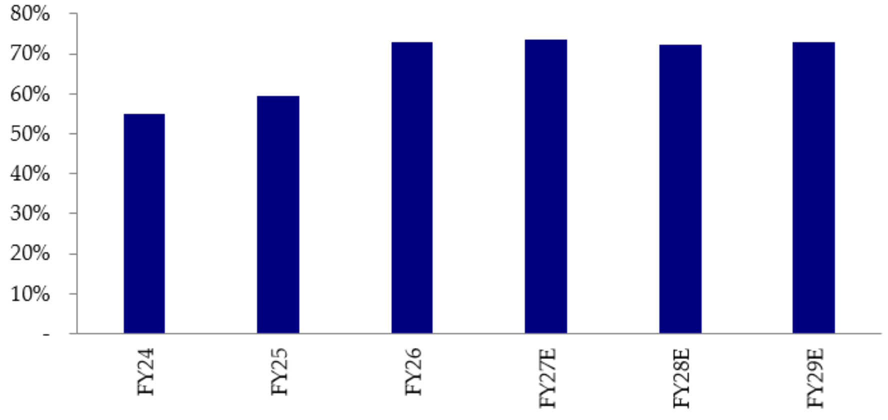
Source: Company, HSIE Research

Exhibit 195: United Spirits: Return profile



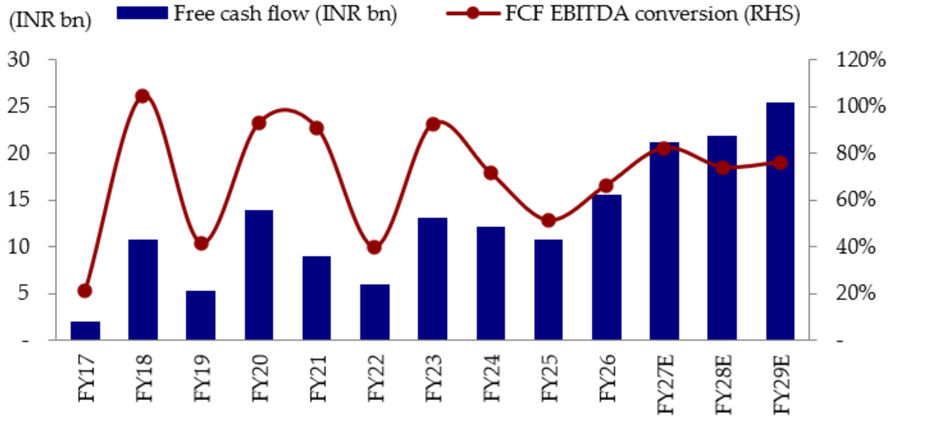
Source: Company, HSIE Research

Exhibit 196: United Spirits: Dividend distribution to see expansion to 70%+, in our view



Source: Company, HSIE Research

Exhibit 197: United Spirits: Free cash generation and conversion of EBITDA



Source: Company, HSIE Research

Income Statement (Standalone)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Revenues	**94,237**	**103,750**	**106,920**	**116,100**	**124,480**	**134,727**	**148,647**	**164,157**
Growth (%)		*10.1*	*3.1*	*8.6*	*7.2*	*8.2*	*10.3*	*10.4*
Material Expenses	52,839	60,720	60,480	63,970	66,260	71,068	78,040	85,772
Employee Expense	6,496	6,070	5,428	6,050	6,230	6,542	6,999	7,489
Other Expenses	19,798	22,760	23,926	25,130	28,460	31,257	34,114	37,428
EBITDA	**15,104**	**14,200**	**17,086**	**20,950**	**23,530**	**25,860**	**29,493**	**33,468**
EBITDA Growth (%)		*(6.0)*	*20.3*	*22.6*	*12.3*	*9.9*	*14.0*	*13.5*
EBITDA Margin (%)	**16.0**	**13.7**	**16.0**	**18.0**	**18.9**	**19.2**	**19.8**	**20.4**
Depreciation	2,886	2,710	2,641	2,740	2,830	2,975	3,173	3,371
EBIT	**12,218**	**11,490**	**14,445**	**18,210**	**20,700**	**22,885**	**26,320**	**30,097**
Other Income (Including EO Items)	337	740	2,098	2,070	2,120	2,747	3,032	3,325
Interest	880	1,040	909	890	820	1,000	1,100	1,200
PBT before extraordinary items	**11,675**	**11,190**	**15,634**	**19,390**	**22,000**	**24,632**	**28,252**	**32,221**
Extraordinary items	(1,560)	1,710	1,226	1,170	1,400	690	-	-
Total Tax	**1,606**	**2,370**	**3,744**	**4,980**	**5,100**	**5,824**	**6,639**	**7,733**
RPAT after MI	8,509	10,530	13,116	15,580	18,300	19,498	21,613	24,488
Adj. for tax on exceptional	-	-	-	(248)	(55)	-	-	-
Adjusted PAT	**10,069**	**8,820**	**11,890**	**14,658**	**16,955**	**18,808**	**21,613**	**24,488**
APAT Growth (%)		(12)	35	23	16	11	15	13
EPS	**13.9**	**12.1**	**16.4**	**20.2**	**23.3**	**25.9**	**29.7**	**33.7**
EPS Growth (%)		*(12.4)*	*34.8*	*23.1*	*15.7*	*10.9*	*14.9*	*13.3*

Source: Company, HSIE Research

Balance Sheet (Standalone)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS								
Share Capital - Equity	1,455	1,450	1,450	1,450	1,450	1,450	1,450	1,450
Other Equity	47,468	57,990	68,180	77,340	85,760	91,438	97,413	103,717
Total Shareholders' Funds	**48,923**	**59,440**	**69,630**	**78,790**	**87,210**	**92,888**	**98,863**	**105,167**
Total Debt	6,203	1,950	1,520	7,080	9,170	9,516	9,897	10,315
TOTAL CAPITAL EMPLOYED	**55,126**	**61,390**	**71,150**	**85,870**	**96,380**	**102,404**	**108,759**	**115,483**
APPLICATION OF FUNDS								
Tangible Assets	12,014	9,780	8,440	8,500	8,310	6,835	5,161	3,290
Intangible Assets	246	310	350	240	110	110	110	110
CWIP	957	830	370	720	700	800	900	1,000
Right of Use Assets	2,606	1,730	2,270	4,570	3,810	3,810	3,810	3,810
Other Non-Current Assets	19,507	20,840	25,810	24,980	27,670	28,023	29,049	30,178
Total Non-current Assets	**35,330**	**33,490**	**37,240**	**39,010**	**40,600**	**39,578**	**39,031**	**38,388**
Current Investments	2,221	2,560	5,990	8,730	11,530	11,530	11,530	11,530
Inventories	21,643	22,300	20,630	23,050	26,590	28,779	30,951	33,731
Debtors	23,021	23,830	27,630	32,880	35,920	38,877	42,894	46,324
Cash & Equivalents	328	8,490	12,090	17,730	18,820	25,805	30,875	36,885
Other Current Assets	4,684	5,040	3,840	5,780	5,180	7,541	8,320	9,188
Total Current Assets	**51,897**	**62,220**	**70,180**	**88,170**	**98,040**	**112,532**	**124,570**	**137,657**
Creditors	15,279	17,380	18,270	21,520	23,770	25,838	28,508	31,482
Other Current Liabilities & Provns	16,822	16,940	18,000	19,790	18,490	23,867	26,333	29,081
Total Current Liabilities	**32,101**	**34,320**	**36,270**	**41,310**	**42,260**	**49,705**	**54,841**	**60,563**
Net Current Assets	**19,796**	**27,900**	**33,910**	**46,860**	**55,780**	**62,827**	**69,729**	**77,094**
TOTAL APPLICATION OF FUNDS	**55,126**	**61,390**	**71,150**	**85,870**	**96,380**	**102,404**	**108,759**	**115,483**

Source: Company, HSIE Research

Cash Flow (Standalone)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	10,115	12,900	16,860	20,560	23,400	25,322	28,252	32,221
Depreciation	2,886	2,710	2,641	2,740	2,830	2,975	3,173	3,371
Working Capital Change	(1,422)	(1,641)	(3,050)	(6,400)	(8,880)	(648)	(2,478)	(2,066)
Tax Paid	(1,606)	(2,370)	(3,744)	(1,730)	(3,340)	(5,824)	(6,639)	(7,733)
Interest/Dividend received	880	1,040	909	890	820	1,000	1,100	1,200
OPERATING CASH FLOW (a)	**10,853**	**12,639**	**13,616**	**16,060**	**14,830**	**22,825**	**23,408**	**26,993**
Capex	(4,836)	463	(1,421)	(5,340)	720	(1,600)	(1,600)	(1,600)
Free Cash Flow (FCF)	*6,017*	*13,102*	*12,195*	*10,720*	*15,550*	*21,225*	*21,808*	*25,393*
Others	(2,369)	(480)	(4,750)	(4,160)	(4,070)	580	-	-
INVESTING CASH FLOW (b)	**(7,205)**	**(17)**	**(6,171)**	**(9,500)**	**(3,350)**	**(1,020)**	**(1,600)**	**(1,600)**
Debt Issuance/(Repaid)	(2,139)	(3,407)	(10)	(1,370)	(1,430)	-	-	-
Interest Expenses	(880)	(1,040)	(909)	(400)	(370)	(1,000)	(1,100)	(1,200)
FCFE	***4,758***	***10,735***	***13,094***	***9,750***	***14,490***	***22,225***	***22,908***	***26,593***
Change in net worth	(854)	(13)	3,624	-	-	-	(0)	-
Dividend	-	-	(6,550)	(3,500)	(12,630)	(13,820)	(15,638)	(18,184)
FINANCING CASH FLOW (c)	**(3,873)**	**(4,460)**	**(3,845)**	**(5,270)**	**(14,430)**	**(14,820)**	**(16,738)**	**(19,384)**
NET CASH FLOW (a+b+c)	**(225)**	**8,162**	**3,600**	**1,290**	**(2,950)**	**6,985**	**5,070**	**6,010**
Add: Beginning balance	**553**	**328**	**8,490**	**10,210**	**11,500**	**18,820**	**25,805**	**30,875**
Closing Cash & Equivalents	**328**	**8,490**	**12,090**	**11,500**	**8,550**	**25,805**	**30,875**	**36,885**

Source: Company, HSIE Research

Key Ratios

Year End (March)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
PROFITABILITY (%)								
GPM	43.9	41.5	43.4	44.9	46.8	47.3	47.5	47.8
EBITDA Margin (%)	16.0	13.7	16.0	18.0	18.9	19.2	19.8	20.4
EBIT Margin	13.0	11.1	13.5	15.7	16.6	17.0	17.7	18.3
PBT Margin	12.4	10.8	14.6	16.7	17.7	18.3	19.0	19.6
APAT Margin	10.7	8.5	11.1	12.6	13.6	14.0	14.5	14.9
RoE	20.6	16.3	18.4	19.8	20.4	20.9	22.5	24.0
RoIC (or Core RoCE)	20.0	17.6	21.2	24.1	25.4	26.7	30.6	34.3
RoCE	22.2	19.7	21.8	23.2	22.7	23.0	24.9	26.8
EFFICIENCY								
Tax Rate (%)	13.8	21.2	23.9	25.7	23.2	23.6	23.5	24.0
Fixed Asset Turnover (x)	4.3	5.2	5.7	6.1	5.7	5.8	6.0	6.2
Inventory (days)	84	78	70	72	78	78	76	75
Debtors (days)	89	84	94	103	105	105	105	103
Other Current Assets (days)	18	18	13	18	15	20	20	20
Payables (days)	59	61	62	68	70	70	70	70
Other Current Liab. & Provns (days)	65	60	61	62	54	65	65	65
Cash Conversion Cycle (days)	**67**	**59**	**54**	**64**	**75**	**69**	**67**	**64**
Net D/E (x)	0.1	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)
Interest Coverage (x)	13.9	11.0	15.9	20.5	25.2	22.9	23.9	25.1
PER SHARE DATA (INR)								
EPS	13.9	12.1	16.4	20.2	23.3	25.9	29.7	33.7
CEPS	17.8	15.9	20.0	23.9	27.2	29.9	34.1	38.3
Dividend	-	-	9.0	12.0	17.0	19.0	21.5	25.0
Book Value	67.3	81.8	95.8	108.3	119.9	127.7	135.9	144.6
VALUATION								
P/E (x)	106.2	121.2	89.9	73.0	63.1	56.9	49.5	43.7
P/BV (x)	21.9	18.0	15.4	13.6	12.3	11.5	10.8	10.2
EV/EBITDA (x)	71.0	74.7	61.6	50.2	44.6	40.3	35.2	30.8
EV/Revenues (x)	11.4	10.2	9.8	9.1	8.4	7.7	7.0	6.3
OCF/EV (%)	1.0	1.2	1.3	1.5	1.4	2.2	2.3	2.6
FCF/EV (%)	0.6	1.2	1.2	1.0	1.5	2.0	2.1	2.5
FCFE/Mkt Cap (%)	0.4	1.0	1.2	0.9	1.4	2.1	2.1	2.5
Dividend Yield (%)	-	-	0.6	0.8	1.2	1.3	1.5	1.7

Source: Company, HSIE Research

Radico Khaitan

Fortune favors the brave

We initiate coverage on Radico Khaitan (Radico) with a BUY rating and a Sep-27 target price of INR 5,300, valuing the stock at 55x P/E (~10% premium to its last 5Y avg. fwd. P/E). Radico has demonstrated rare conviction in premiumization, leading the Indianisation trend across spirits. It has not only built the vodka category but has also created a credible luxury play in Indian single malts. It remains the only IMFL company with millionaire brands across whisky (*8PM, After Dark*), vodka (*Magic Moments*), brandy (*Old Admiral, Morpheus*), and rum (*Contessa*). After sustaining mid-teen P&A volume CAGR over last six years (21% revenue CAGR), Radico now targets 25%+ P&A volume growth in FY27, against which we estimate 33% growth. Improving mix should help Radico consolidate EBITDA margins above 20%. The stock has enjoyed steady rerating in recent years on the back of consistent execution, a trend we believe can sustain so long as the regulatory environment remains conducive.

- **Enhanced execution aided broad-based scale-up:** Radico has carved out a strong position in an IMFL landscape traditionally dominated by MNCs. The company took bold portfolio decisions early, most notably in driving vodka category development, and has consistently sustained this thrust. As market opportunities have strengthened, Radico has made timely, well-judged calls to scale across regions and IMFL segments. Beneficially, its relatively low exposure to structurally challenged states has insulated growth and allowed it to outpace peers. Radico's execution discipline has also become a reference point for several emerging local AlcoBev players who now recognize the premiumization opportunity.
- **Better mix to enhance margins further:** Radico is positioned for a multi-stage margin expansion, supported by a structurally superior mix. The core IMFL business already delivers 24%+ EBITDA margins, well ahead of peers. In vodka—where Radico enjoys market leadership and a strong monthly run-rate—the company generates superior margins, offering a powerful margin tailwind as the category scales. In addition, Radico's luxury portfolio (INR 4.7 bn in FY26) is gaining traction, with management targeting 25% growth in FY27E. Consistent execution and relevant new launches continue to enrich the premium mix. Beyond mix improvements, the company has also realized ~200bps margin benefit from easing raw material costs and an attractive make-vs-buy opportunity in ENA. In an inflation-sensitive environment, state governments are likely to support industry viability, creating scope for price hikes. The proposed UK FTA could further act as a catalyst; although we expect most of the benefit to be passed through to consumers, rather than translating into margin gains, it should materially aid volume growth and reinforce portfolio premiumization.
- **Strong execution gets regulatory support; initiate coverage with BUY:** We believe Radico's enhanced execution will continue to get regulatory support and expect the opening of Bihar and Tamil Nadu to be an added lever for growth and margin. With a net cash position, we expect higher payouts.

Financial Summary (consolidated)

YE March (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue	41,185	48,512	60,504	70,670	81,562	91,879
EBITDA	5,061	6,736	10,215	14,534	17,383	20,100
APAT	2,622	3,456	6,210	9,544	11,823	13,852
Adj. EPS (INR)	19.6	25.8	46.4	71.3	88.3	103.4
P/E (x)	229	174	97	63	51	43
EV / EBITDA (x)	120	90	59	41	34	29
RoE (%)	11.3	13.3	20.5	25.8	26.1	24.9

Source: Company, HSIE Research

BUY

CMP *(as on 4 Sep 26)*	INR 4,494
Target Price	INR 5,300
NIFTY	23,898

KEY CHANGES	OLD	NEW
Rating	NA	BUY
Price Target	NA	INR 5.300
	FY27E	FY28E
EPS %	NA	NA

KEY STOCK DATA	
Bloomberg code	RDCK IN
No. of Shares (mn)	134
MCap (INR bn) / ($ mn)	602/6,372
6m avg traded value (INR mn)	1,678
52 Week high / low	INR 4,748/2,500

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	28.3	76.8	58.2
Relative (%)	25.4	80.1	63.4

SHAREHOLDING PATTERN (%)	Mar-26	Jun-26
Promoters	40.2	40.2
FIs & Local MFs	27.4	28.1
FPIs	17.6	18.2
Public & Others	14.8	13.5
Pledged Shares	-	-

Source : NSE

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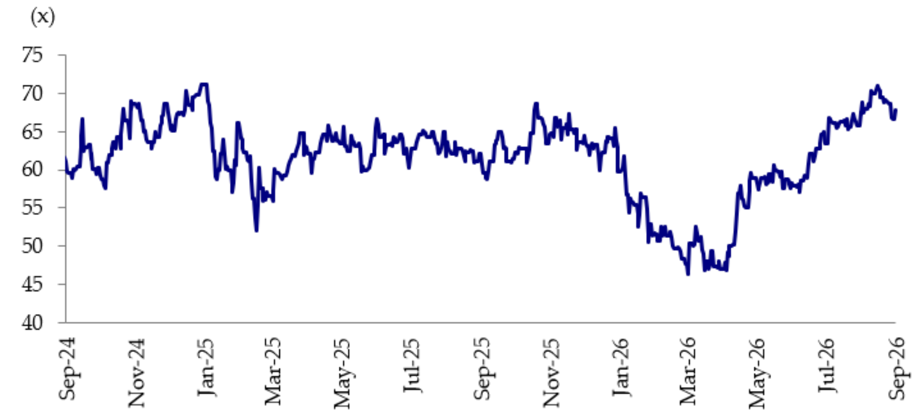
Exhibit 198: Radico Khaitan's one year forward P/E



Source: Bloomberg, Company, HSIE Research

Exhibit 199: Radico Khaitan - HSIE earnings estimates vs Consensus estimate

(INR mn)	HSIE estimates			Consensus estimates			HSIE vs Consensus estimates		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	70,670	81,562	91,879	69,039	79,085	88,080	2%	3%	4%
growth (%)	17%	15%	13%	14%	15%	11%			
EBITDA	14,534	17,383	20,100	13,439	15,949	18,095	8%	9%	11%
growth (%)	42%	20%	16%	32%	19%	13%			
EBITDA margin (%)	21%	21%	22%	19%	20%	21%			
Adj PAT	9,544	11,823	13,852	8,660	10,563	12,162	10%	12%	14%
growth (%)	54%	24%	17%	39%	22%	15%			
Adj EPS (INR/Share)	71.3	88.3	103.4	65.5	80.3	93.4	9%	10%	11%

Source: Bloomberg, HSIE Research

Exhibit 200: Radico Khaitan - Key assumptions

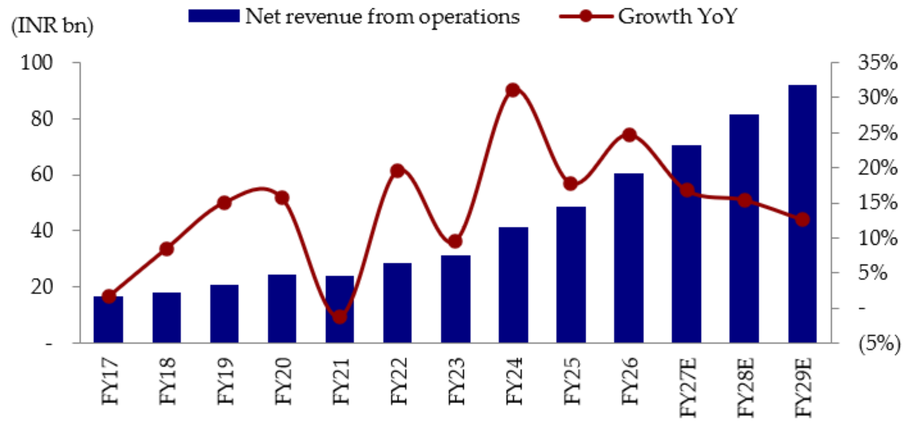
	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue assumptions							
P&A volume (mn cases)	9.4	11.3	13.0	16.7	22.2	26.7	30.7
Popular volume (mn cases)	15.6	13.4	15.2	19.9	18.7	19.1	19.5
IMFL volume (mn cases)	25.0	24.7	28.2	36.6	40.9	45.8	50.1
IMFL revenue (INR mn)	24,742	27,833	33,265	43,262	52,904	62,477	71,557
Growth	7%	12%	20%	30%	22%	18%	15%
Non IMFL revenue (INR mn)	6,687	13,353	15,246	17,243	17,766	19,085	20,322
As a % of revenue							
Gross margin	42%	43%	43%	45%	49%	49%	50%
Employee costs	5%	5%	4%	4%	4%	4%	4%
Marketing spends	10%	11%	10%	11%	11%	11%	11%
Administrative expenses	15%	15%	15%	14%	13%	13%	13%
EBITDA margin	11%	12%	14%	17%	21%	21%	22%
Balance sheet assumptions							
Capex (INR mn)	(7,045)	(2,391)	(1,735)	(2,385)	(1,051)	(1,700)	(1,800)
Inventory days	83	69	81	70	70	70	70
Receivable days	96	87	89	72	70	70	70
Creditor days	32	22	24	20	22	22	22
ROE	10%	11%	13%	20%	26%	26%	25%
ROCE	11%	12%	15%	23%	31%	32%	31%

Source: Company, HSIE Research

Exhibit 201: Radico Khaitan – History

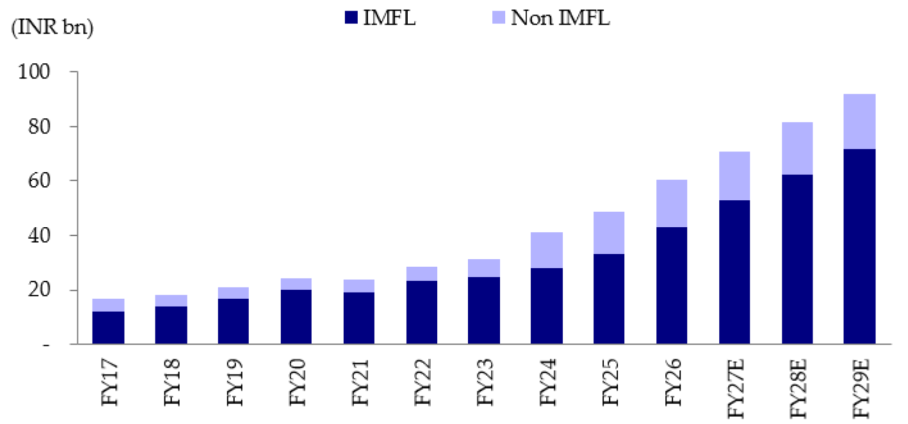
Source: Company, HSIE Research

Exhibit 202: Radico Khaitan – Net sales and growth trends



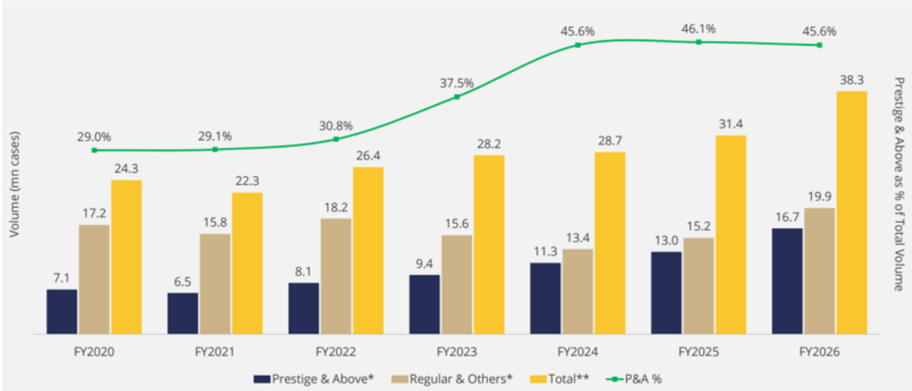
Source: Company, HSIE Research

Exhibit 203: Radico Khaitan – Revenue from IMFL and Non IMFL



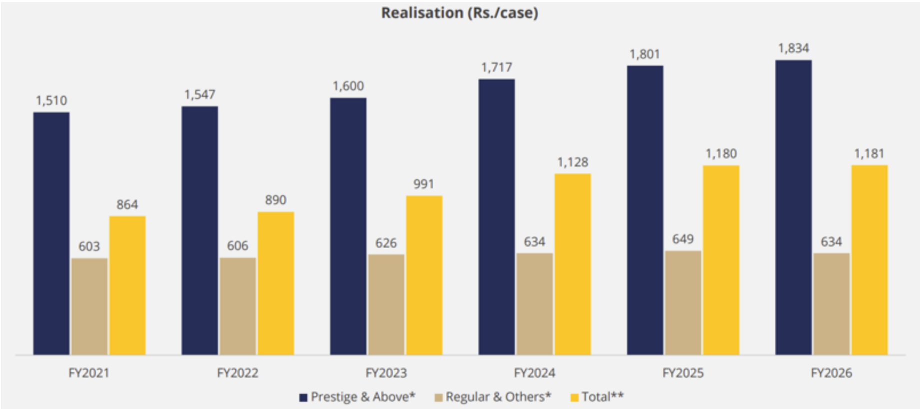
Source: Company, HSIE Research

Exhibit 204: Radico Khaitan – Volume trends across Prestige & Above and Regular



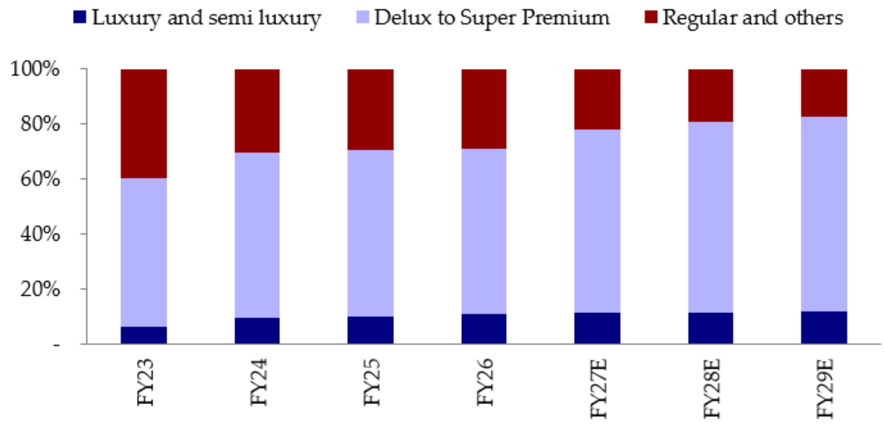
Source: Company, HSIE Research
Note: * Excluding Royalty brands for FY23 to FY26; ** Total including Royalty brands for FY23 to FY26

Exhibit 205: Radico Khaitan – Realizations per case



Source: Company, HSIE Research
Note: * Excluding Royalty brands for FY23 to FY26; ** Total including Royalty brands for FY23 to FY26

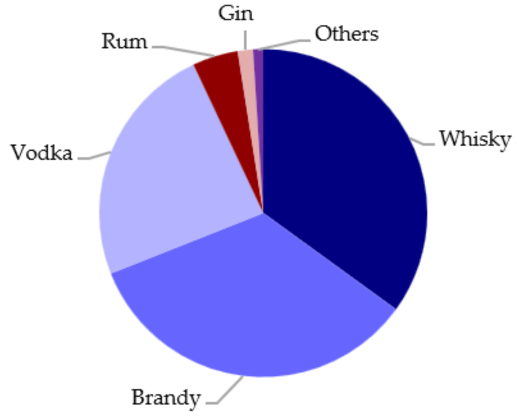
Exhibit 206: Radico Khaitan – IMFL revenue split across price segments



Source: Company, HSIE Research

In volume term, Whisky and Brandy have near similar contribution vs smaller share of Brandy in FY25 (~1/5th). Vodka is ~1/4th of the company volume.

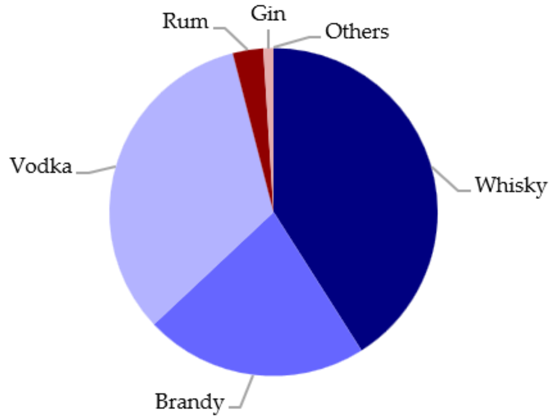
Exhibit 207: Radico Khaitan – Estimated IMFL category wise volume split



Source: HSIE Research

In revenue term, salience of whisky and Vodka goes up (vs in volume term), given better realisations. With concentration of brandy volumes in regular segment, revenue contribution (~1/4th) is relatively lower to volume contribution (~1/3rd).

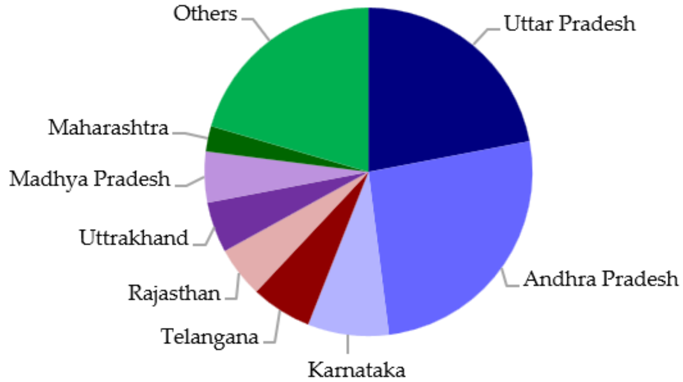
Exhibit 208: Radico Khaitan – Estimated IMFL category wise revenue split



Source: HSIE Research

With opening of Andhra Pradesh market from Q3FY25, Radico has highest mix of its IMFL volume from the state, followed by Uttar Pradesh, which historically has been the highest volume state for the company.
After tax rationalisation, the company is clocking faster growth in Karnataka, which is now third biggest state for the company by volume, followed by Telangana and Rajasthan.

Exhibit 209: Radico Khaitan – Estimated state wise volume split



Source: HSIE Research

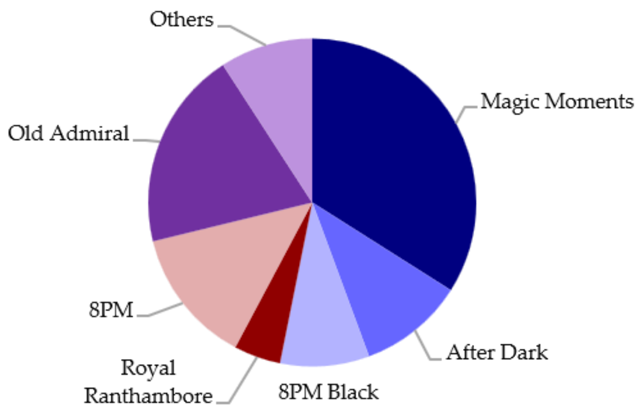
Exhibit 210: Radico Khaitan - The Millionaires' Club – Global Rankings 2026

Source: Company, HSIE Research

Exhibit 211: Radico Khaitan – Product portfolio

Source: Company, HSIE Research

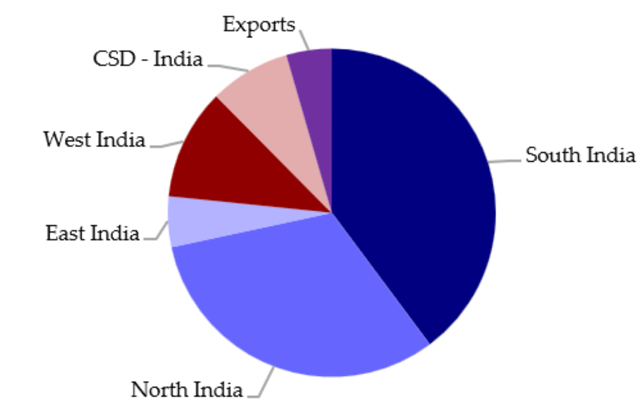
Exhibit 212: Radico Khaitan – Estimated brand wise revenue split



Source: HSIE Research

Share of South India surged in FY26, driven by the rapid scale-up of Old Admiral brandy in Andhra Pradesh. We estimate the salience of South Indian states at around 40 percent in FY26, compared with a similar contribution from the North in FY25.

Exhibit 213: Radico Khaitan – Estimated domestic revenue split by region

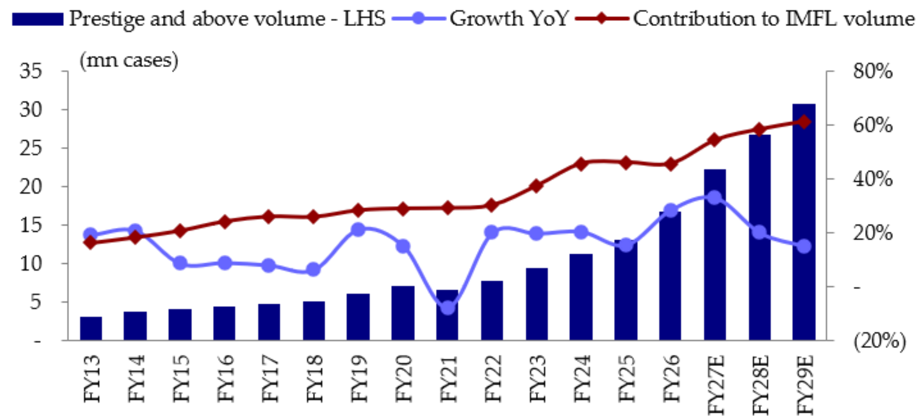


Source: HSIE Research

Prestige and above segment volumes for Radico to see 22% CAGR over FY26-29E, aided by faster growth in Magic Moments and After Dark Blue.

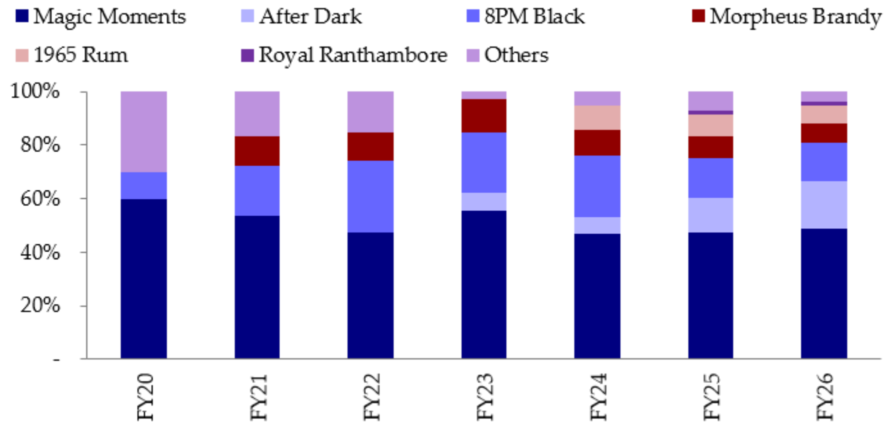
Management has guided for 25%+ volume growth in the prestige and above segment for FY27, we see ~33% growth.

Exhibit 214: Radico Khaitan – Prestige and above segment volumes likely to see 22% CAGR over FY26-29E, vs 15% CAGR in FY20-26



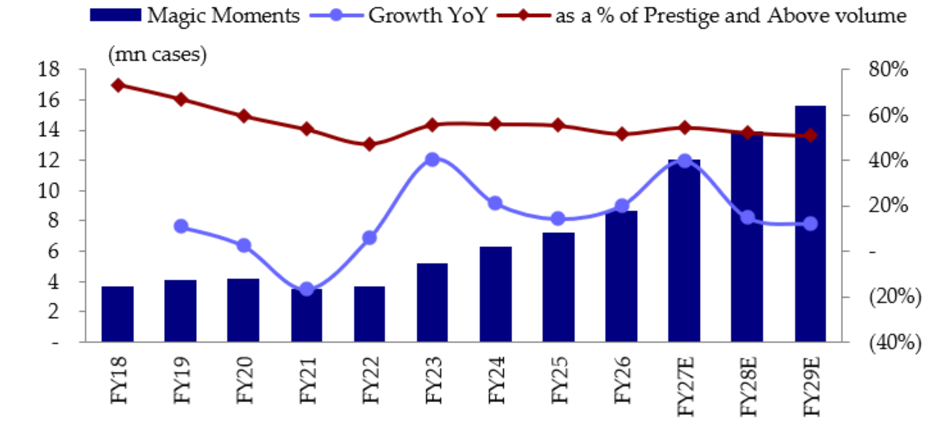
Source: Company, HSIE Research

Exhibit 215: Radico Khaitan – Prestige and above segment brand wise volume contribution



Source: Company, HSIE Research

Exhibit 216: Radico Khaitan – *Magic Moments* volumes likely to see 22% CAGR over FY26-29E, vs 15% CAGR in FY20-26



Source: Company, HSIE Research

Radico launched vodka in 2006. Much of the category development is attributed to Radico, as other MNC incumbents have not pursued the category aggressively.

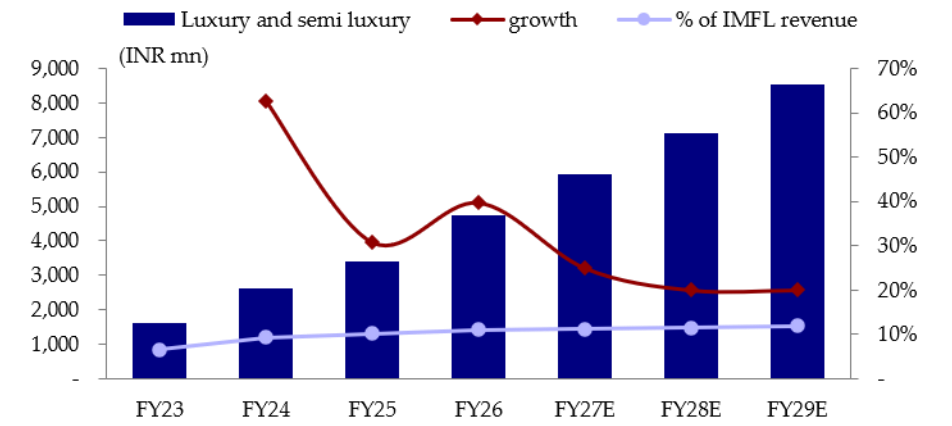
Compared to 28% of spirits category mix globally, in India share of category in IMFL is at ~6% for Q1FY27.
In FY27, the company now clocking mn case per month. Pioneered by United Spirits and leveraged by Radico, flavours in vodka are seeing faster growth. Now Radico's flavoured offering salience for Magic Moments is at 75%.

Exhibit 217: Radico Khaitan – Launch of flavors has been aiding overall growth and Radico's market share

Source: Company, HSIE Research

Radico's luxury and semi-luxury portfolio comprises the Rampur range of Indian single malts, Jaisalmer Gin, Kashmīr Vodka, Royal Ranthambore Whisky, Morpheus Brandy, and Magic Moments Verve. For FY26, the company has achieved revenue of INR4.75bn, which is likely to see 25% growth in FY27, as per the management.

Exhibit 218: Radico Khaitan – Revenue from luxury and semi luxury portfolio and its contribution to its overall IMFL revenue



Source: Company, HSIE Research

Rampur Single malt offerings generate ~40% of revenue from exports, 35% from CSD sales and ~25% is from India sales. As the salience expand in India, we expect faster growth ahead.

Exhibit 219: Radico Khaitan – *Rampur* Indian Single Malt

Source: Company, HSIE Research

Exhibit 220: Radico Khaitan – *Virasat* is positioned to provide affordability in Indian Single Malt

In the Indian Single Malt INR3500-4500 price point is key, where Radico has launched Virasat last year. In this price point, Indri from Piccadily Agro is category leader.

Product is active in Uttar Pradesh, Haryan, Delhi, Goa, Madhya Pradesh, Maharashtra, Uttarakhand, Rajasthan and Karnataka. The company is undertaking gradual roll out across markets.

Source: Company, HSIE Research

Exhibit 221: Radico Khaitan – *Royal Ramthambore*

The company has launched Royal Ranthambore on 21 Oct 2022. Brand now has a volume of ~30k and clocks revenue of ~INR2bn.

Source: Company, HSIE Research

After Dark: Launched in FY23, the brand has been adding around one million cases to its base YoY, taking volumes to 3.12 million cases in FY26.

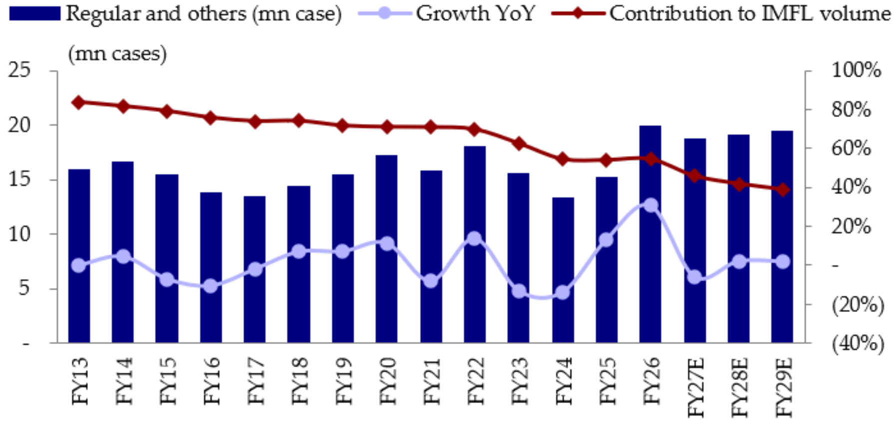
Amid multiple focus areas for the company, the brand has not received adequate attention. In this price segment, several new players have gained share, indicating an opportunity for Radico to sharpen its aggression. The company has recently relaunched the brand with refreshed packaging.

Exhibit 222: Radico Khaitan *After Dark* expected to get due attention ahead

Source: Company, HSIE Research

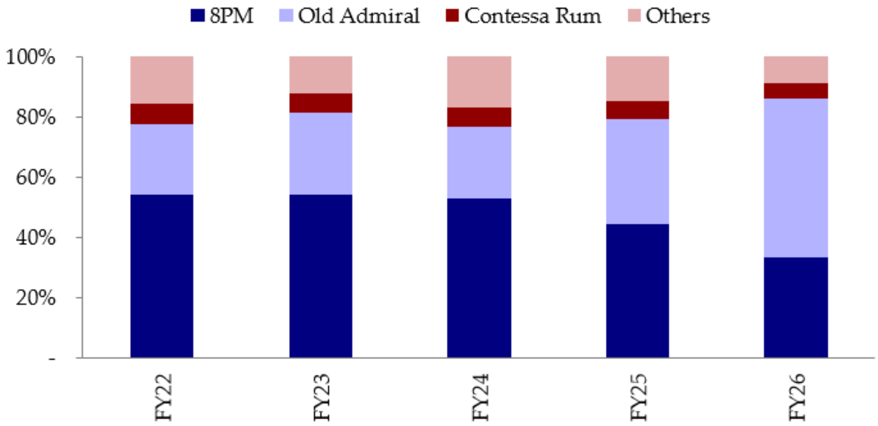
Regular and other segment volume growth has been ~2% in last six years, comparatively we expect volumes to largely remain flat in next three years. We expect contribution to overall volumes to see gradual easing.

Exhibit 223: Radico Khaitan – Regular and others segment volume growth trend



Source: Company, HSIE Research

Exhibit 224: Radico Khaitan – Regular and others segment brand wise volume contribution



Source: Company, HSIE Research

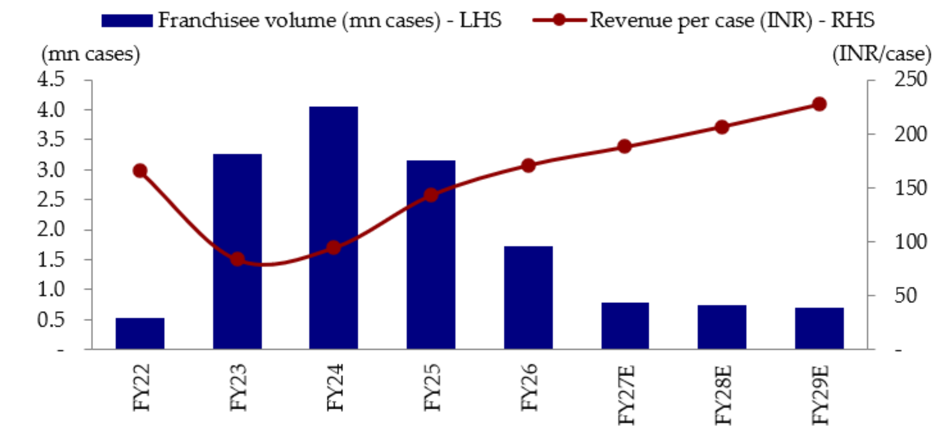
In Andhra Pradesh, given that bulk of the volume is in Brandy, and government has restricted new brand listings in Regular segment, Radico has capitalised opportunity well. Brand generate 80% of its volumes in Andhra Pradesh, while balance comes from Telangana and Karnataka. Over FY24-26, brand saw 74% volume CAGR to ~11mn cases in FY26.

Exhibit 225: Radico Khaitan – *Old Admiral*

Source: Company, HSIE Research

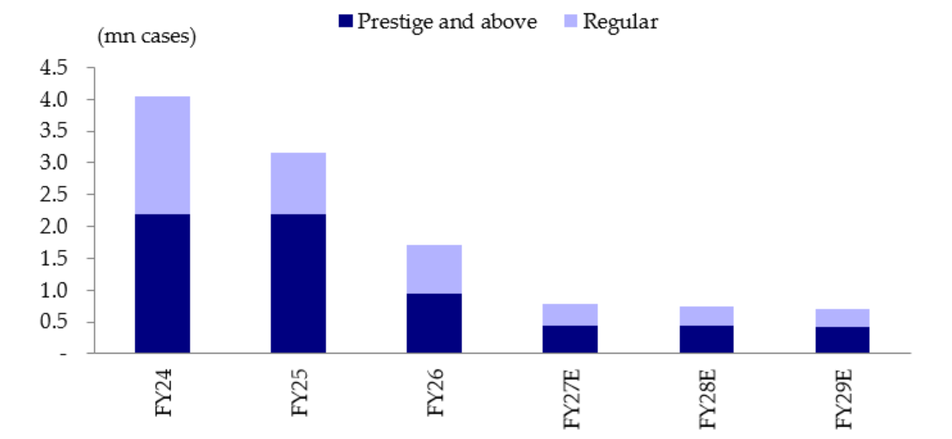
The company has business on a franchisee basis in Tamil Nadu, active for the last 15 years. In the past, it also had operations in Andhra Pradesh via a franchisee.

Exhibit 226: Radico Khaitan – Franchisee volume and royalty revenue per case



Source: Company, HSIE Research

Exhibit 227: Radico Khaitan – Franchisee volume and royalty revenue per case



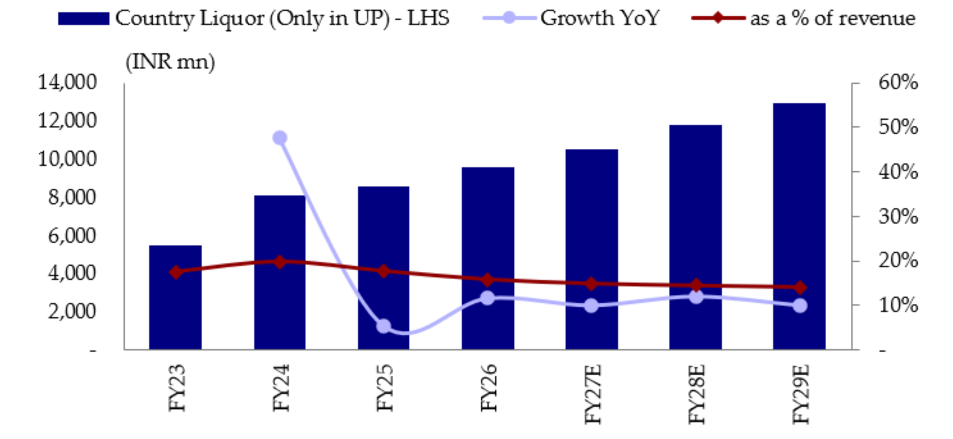
Source: Company, HSIE Research

With its distillation capacities in Uttar Pradesh, Radico has selective presence in Country Liquor (CL) and Uttar Pradesh Made Liquor (UPML).

On a combined basis, ~22% of the market is in 25% strength CL, ~68% of the market is in 36% strength CL, and ~10% of the market is in UPML.

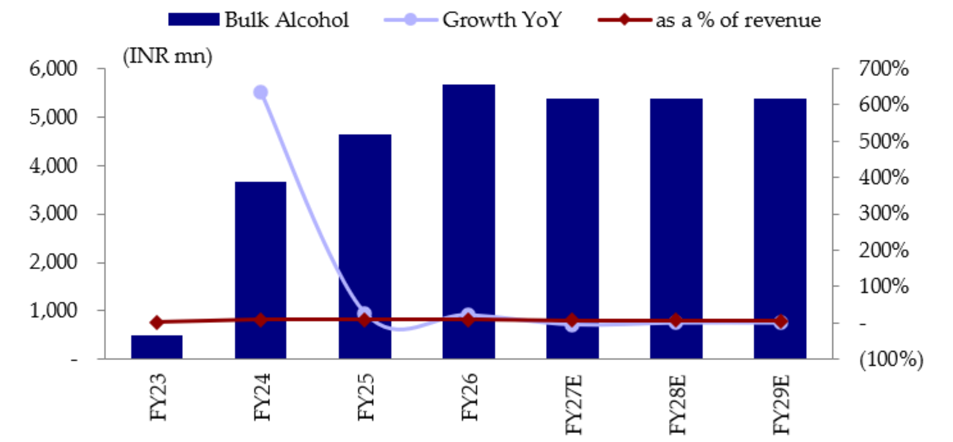
Radico has been an active participant in 78% of the market, with 28% share in 36% strength CL and 50% share in UPML.

Exhibit 228: Radico Khaitan – Country Liquor and Uttar Pradesh Made Liquor sales and growth trends



Source: Company, HSIE Research

Exhibit 229: Radico Khaitan – Bulk alcohol (ENA) sales and growth trends

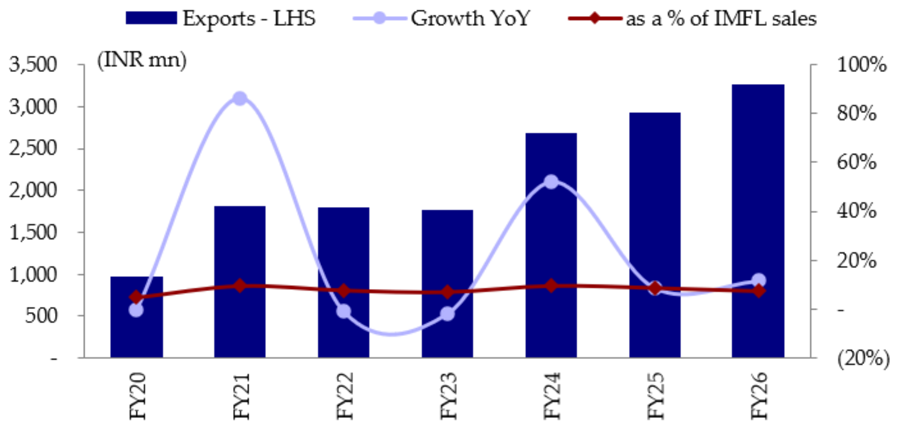


Source: Company, HSIE Research

Exhibit 230: Radico Khaitan – premiumization with new product launches

Source: Company, HSIE Research

Exhibit 231: Radico Khaitan – Exports revenue



Source: Company, HSIE Research

Exhibit 232: Radico Khaitan - Strong backward integration to secure quality long term raw material supply

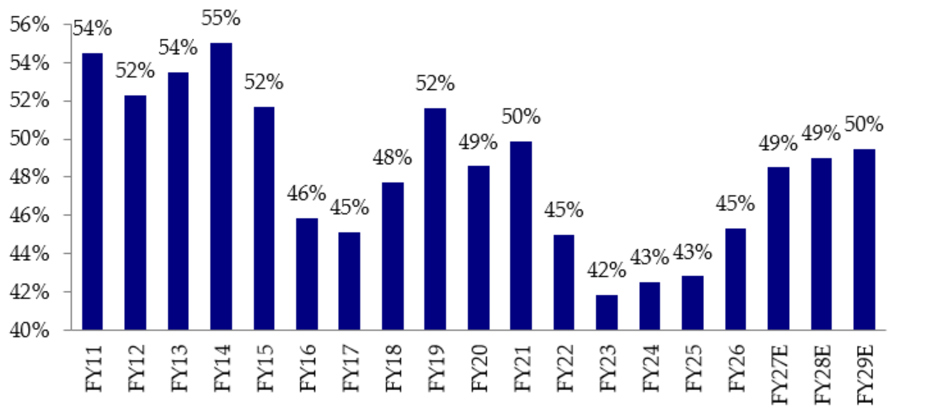
Source: Company, HSIE Research

Exhibit 233: Radico Khaitan – Export presence to >100 countries

Source: Company, HSIE Research

Radico's gross margin corrected to 42% in FY23 amid a surge in grain and glass-bottle prices. As grain inflation has cooled, the make-or-buy economics have turned favourable for the company. This, coupled with an improving product mix, will help it recoup margins by FY27E, in our view.

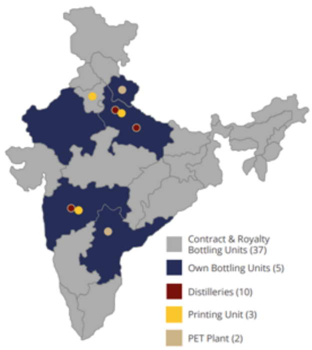
Exhibit 234: Radico Khaitan – Gross margin



Source: Company, HSIE Research

The company uses its captive ENA for most of its requirements, but given that ENA is a bulky item, it offloads excess production into the open market in Uttar Pradesh. As per the management's recent update, the company sells ~60–70 million litres and buys ~70–80 million litres.

Exhibit 235: Radico Khaitan – With respect to ENA, the company requires 280-300mn ltrs between IMFL and Non IMFL, where captive capacity is ~257mn ltrs



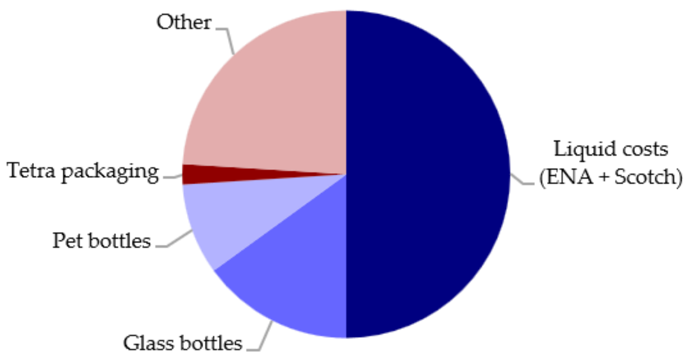
Location	Distilleries	Molasses	Grain	Malt	Total
		Capacity (million litres)			
Rampur	6	19.3	82.5*	4.6	106.4
Sitapur	1	NA	108.9	NA	108.9
Aurangabad (Joint Venture)	3	42.0	66.0	NA	108.0
Total	**10**	**61.3**	**257.4**	**4.6**	**323.3**

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

Source: Company, HSIE Research

Exhibit 236: Radico Khaitan – Breakup of COGS

UK FTA is likely to help Radico with lower Scotch costs. Management sees ~INR750-800mn annual benefits, while the benefit for FY27 will be limited to ~INR300-400mn, as the impact in 2HFY27 will flow through inventory

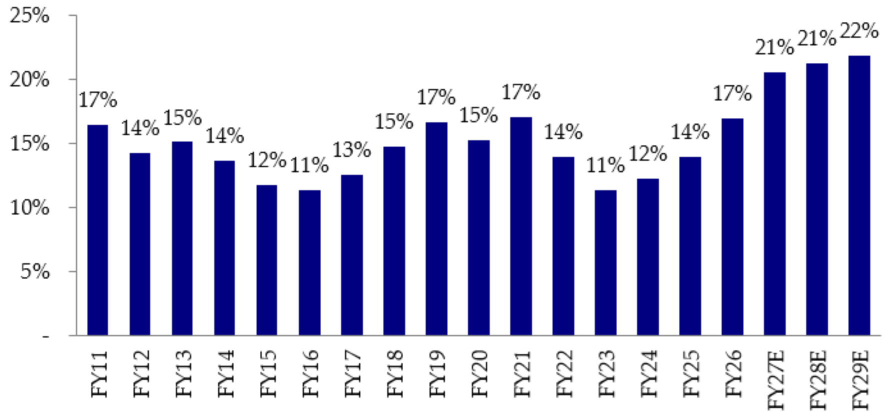


Source: Company, HSIE Research

Faster growth in Vodka is accretive to its overall margin. Easing in ENA, favourable mix and operating leverage benefits to aid sharp expansion in margin in FY27E.

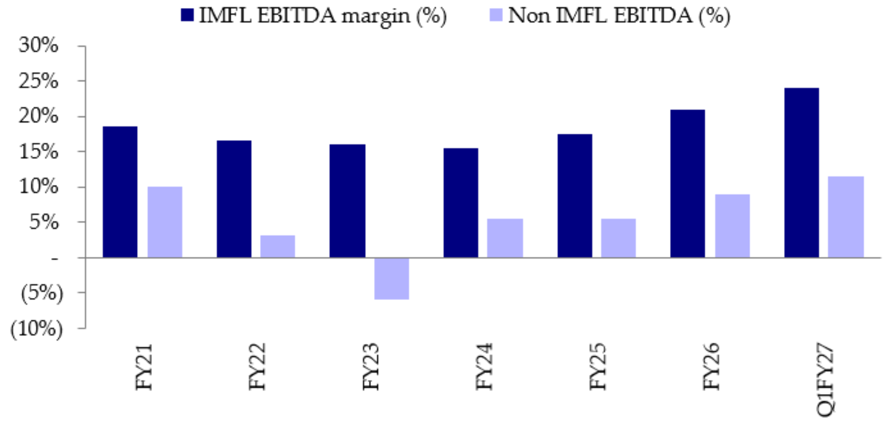
Management has guided for 20%+ EBITDA margin for FY27.

Exhibit 237: Radico Khaitan – EBITDA margin



Source: Company, HSIE Research

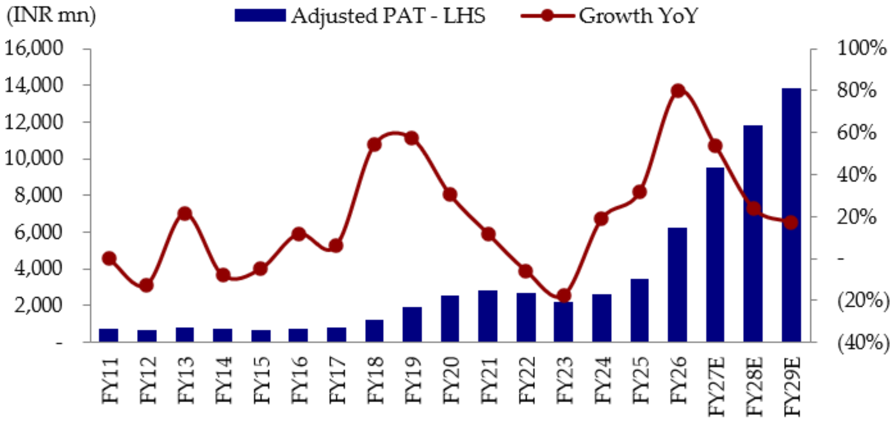
Exhibit 238: Radico Khaitan – EBITDA margin across IMFL and Non IMFL



Source: Company, HSIE Research

We expect enhanced thrust on premiumization and a strong backend to aid healthy earnings for the company over the next three years. We expect 31% earnings CAGR over FY26-29E.

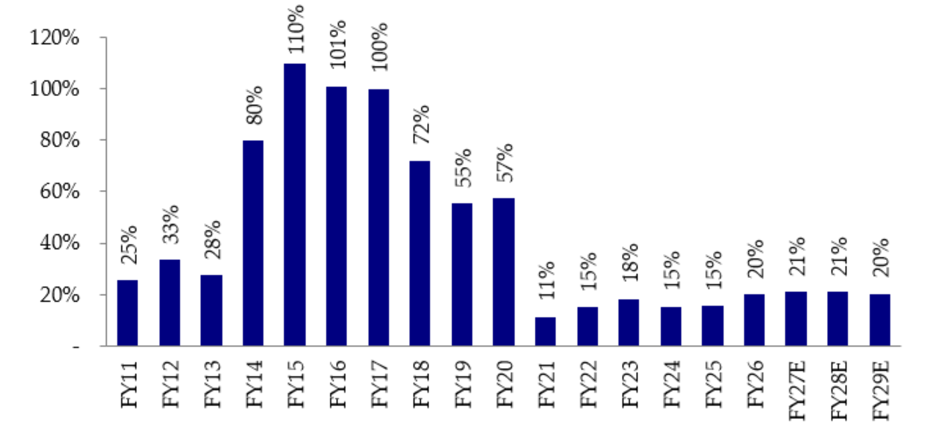
Exhibit 239: Radico Khaitan – Adjusted PAT and growth trend



Source: Company, HSIE Research

As Radico pares its debt through internal cash generation in the business, we expect it to increase dividend payouts. We conservatively build a ~20% payout ahead.

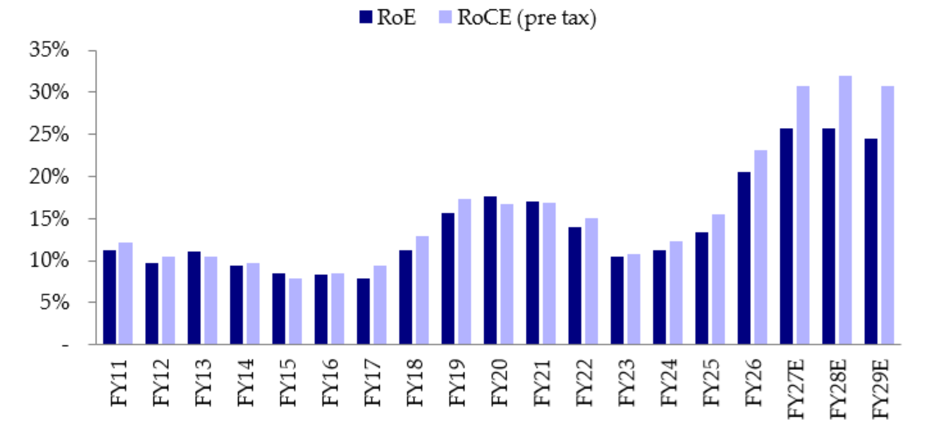
Exhibit 240: Radico Khaitan – Dividend payout



Source: Company, HSIE Research

On the back of enhanced profitability and limited capex needs in the business, we expect the return profile to see steady expansion ahead. The company has kept dividend payout in the mid-to-high teens band, which in our view will gradually expand ahead.

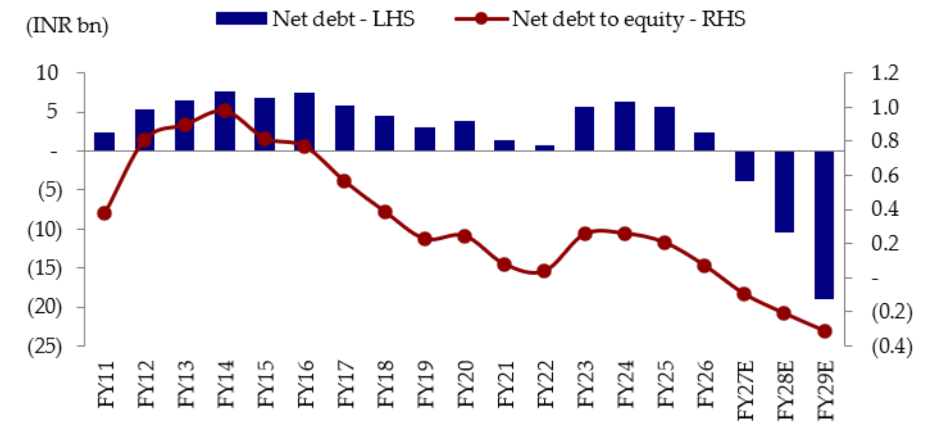
Exhibit 241: Radico Khaitan – Return profile



Source: Company, HSIE Research

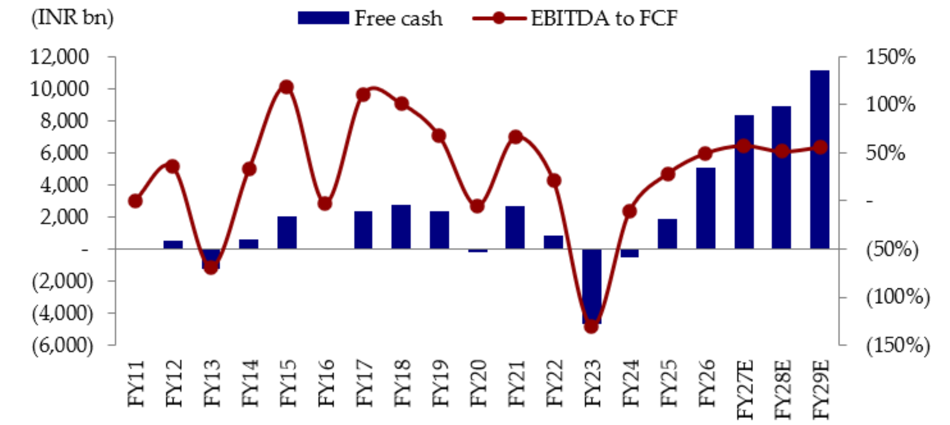
The company has seen elevated debt levels since FY23, given its capex and working capital needs. With internal cash generation improving, it is looking to attain a net cash position in FY27. We expect working capital situation to ease as well. Prior to this, it had reduced gross debt from INR9.5bn in FY16 to INR1.2bn in FY22.

Exhibit 242: Radico Khaitan – Net debt position



Source: Company, HSIE Research

Exhibit 243: Radico Khaitan – Free cash generation



Source: Company, HSIE Research

Income Statement (Consolidated)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Revenues	**28,680**	**31,428**	**41,185**	**48,512**	**60,504**	**70,670**	**81,562**	**91,879**
Growth (%)		*9.6*	*31.0*	*17.8*	*24.7*	*16.8*	*15.4*	*12.6*
Material Expenses	15,774	18,279	23,665	27,739	33,095	36,395	41,597	46,399
Employee Expense	1,413	1,689	1,958	2,169	2,440	2,745	3,020	3,322
Other Expenses	7,471	7,876	10,502	11,868	14,754	16,996	19,563	22,058
EBITDA	**4,022**	**3,583**	**5,061**	**6,736**	**10,215**	**14,534**	**17,383**	**20,100**
EBITDA Growth (%)		*(10.9)*	*41.2*	*33.1*	*51.6*	*42.3*	*19.6*	*15.6*
EBITDA Margin (%)	**14.0**	**11.4**	**12.3**	**13.9**	**16.9**	**20.6**	**21.3**	**21.9**
Depreciation	649	709	1,138	1,401	1,530	1,650	1,694	1,798
EBIT	**3,373**	**2,874**	**3,923**	**5,335**	**8,685**	**12,884**	**15,689**	**18,302**
Other Income (Including EO Items)	257	254	153	53	174	209	274	384
Interest	131	221	591	738	640	355	180	193
PBT before extraordinary items	**3,499**	**2,907**	**3,485**	**4,650**	**8,218**	**12,738**	**15,783**	**18,493**
Extraordinary items	-	-	-	-	(166)	-	-	-
Total Tax	**831**	**704**	**863**	**1,194**	**2,008**	**3,195**	**3,960**	**4,642**
RPAT after MI	2,668	2,204	2,622	3,456	6,045	9,544	11,823	13,852
Adjusted PAT	**2,668**	**2,204**	**2,622**	**3,456**	**6,210**	**9,544**	**11,823**	**13,852**
APAT Growth (%)		*(17.4)*	*19.0*	*31.8*	*79.7*	*53.7*	*23.9*	*17.2*
EPS	**20.0**	**16.5**	**19.6**	**25.8**	**46.4**	**71.3**	**88.3**	**103.4**
EPS Growth (%)		*(17.4)*	*19.0*	*31.7*	*79.6*	*53.7*	*23.9*	*17.2*

Source: Company, HSIE Research

Balance Sheet (Consolidated)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS								
Share Capital - Equity	267	267	267	268	268	268	268	268
Other Equity	20,001	21,812	24,129	27,269	32,890	40,425	49,770	60,810
Total Shareholders' Funds	**20,269**	**22,079**	**24,396**	**27,537**	**33,157**	**40,692**	**50,038**	**61,078**
Total Debt	2,855	8,320	8,904	8,172	6,191	3,273	2,873	2,873
TOTAL CAPITAL EMPLOYED	**23,123**	**30,399**	**33,301**	**35,710**	**39,349**	**43,966**	**52,911**	**63,951**
APPLICATION OF FUNDS								
Tangible Assets	8,112	12,262	16,935	18,038	19,019	19,069	19,075	19,077
Intangible Assets	107	93	82	70	89	89	89	89
CWIP	290	3,256	527	233	749	100	100	100
Other Non-Current Assets	1,431	857	819	821	1,524	1,524	1,524	1,524
Total Non-current Assets	**9,940**	**16,467**	**18,364**	**19,162**	**21,382**	**20,782**	**20,789**	**20,791**
Current Investments	1,755	1,914	1,978	1,983	2,399	2,399	2,399	2,399
Inventories	5,369	7,154	7,797	10,768	11,656	13,553	15,642	17,621
Debtors	7,558	8,241	9,782	11,822	11,896	13,553	15,642	17,621
Cash & Equivalents	1,101	1,313	1,006	577	883	4,229	10,397	18,924
Other Current Assets	2,089	2,102	2,024	2,078	1,500	1,500	1,500	1,500
Total Current Assets	**17,872**	**20,723**	**22,586**	**27,228**	**28,334**	**35,235**	**45,580**	**58,065**
Creditors	2,355	2,749	2,480	3,125	3,257	4,260	4,916	5,538
Other Current Liabilities & Provns	2,334	4,043	5,169	7,555	7,110	7,792	8,542	9,367
Total Current Liabilities	**4,689**	**6,792**	**7,649**	**10,680**	**10,367**	**12,051**	**13,458**	**14,905**
Net Current Assets	**13,183**	**13,932**	**14,937**	**16,548**	**17,967**	**23,183**	**32,122**	**43,160**
TOTAL APPLICATION OF FUNDS	**23,123**	**30,399**	**33,301**	**35,710**	**39,349**	**43,966**	**52,911**	**63,951**

Source: Company, HSIE Research

Cash Flow (Consolidated)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	3,316	2,747	3,485	4,650	8,052	12,678	15,716	18,420
Depreciation	649	709	1,138	1,401	1,530	1,650	1,694	1,798
Working Capital Change	(984)	(612)	(2,667)	(2,265)	(1,031)	(2,171)	(3,102)	(2,874)
Tax Paid	(912)	(719)	(726)	(904)	(1,796)	(3,195)	(3,960)	(4,642)
Interest/Dividend received	87	189	522	700	561	355	180	193
Other items	13	28	51	35	37	-	-	-
Extraordinary items	51	44	26	11	72	61	67	74
OPERATING CASH FLOW (a)	**2,220**	**2,386**	**1,829**	**3,629**	**7,426**	**9,378**	**10,594**	**12,969**
Capex	(1,363)	(7,045)	(2,391)	(1,735)	(2,385)	(1,051)	(1,700)	(1,800)
Free Cash Flow (FCF)	*857*	*(4,659)*	*(562)*	*1,894*	*5,042*	*8,327*	*8,894*	*11,169*
Others	283	(7)	(33)	20	(279)	-	-	-
INVESTING CASH FLOW (b)	**(1,081)**	**(7,052)**	**(2,424)**	**(1,715)**	**(2,664)**	**(1,051)**	**(1,700)**	**(1,800)**
Debt Issuance/(Repaid)	(906)	5,463	1,145	(1,383)	(3,474)	(2,918)	(400)	-
Interest Expenses	(123)	(188)	(543)	(680)	(540)	(355)	(180)	(193)
FCFE	***75***	***992***	***1,126***	***1,190***	***2,108***	***5,764***	***8,674***	***11,362***
Change in net worth	12	-	37	90	88	-	-	-
Dividend	(321)	(401)	(401)	(401)	(535)	(2,008)	(2,477)	(2,812)
FINANCING CASH FLOW (c)	**(1,338)**	**4,874**	**237**	**(2,374)**	**(4,462)**	**(5,281)**	**(3,057)**	**(3,005)**
NET CASH FLOW (a+b+c)	**(199)**	**208**	**(358)**	**(461)**	**301**	**3,046**	**5,837**	**8,164**
Add: Beginning balance	**1,211**	**1,012**	**1,221**	**862**	**402**	**703**	**3,748**	**9,585**
Closing Cash & Equivalents	**1,012**	**1,221**	**862**	**402**	**703**	**3,748**	**9,585**	**17,749**

Source: Company, HSIE Research

Key Ratios

	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
PROFITABILITY (%)								
GPM	45.0	41.8	42.5	42.8	45.3	48.5	49.0	49.5
EBITDA Margin (%)	14.0	11.4	12.3	13.9	16.9	20.6	21.3	21.9
EBIT Margin	11.8	9.1	9.5	11.0	14.4	18.2	19.2	19.9
PBT Margin	12.2	9.3	8.5	9.6	13.6	18.0	19.4	20.1
APAT Margin	9.3	7.0	6.4	7.1	10.3	13.5	14.5	15.1
RoE	13.2	10.4	11.3	13.3	20.5	25.8	26.1	24.9
RoIC (or Core RoCE)	12.7	9.2	10.3	12.5	19.0	26.3	30.3	33.1
RoCE	14.6	10.7	12.3	15.5	23.1	30.9	32.4	31.3
EFFICIENCY								
Tax Rate (%)	23.7	24.2	24.8	25.7	24.4	25.1	25.1	25.1
Fixed Asset Turnover (x)	2.6	2.0	2.0	2.1	2.3	2.6	2.8	3.0
Inventory (days)	68	83	69	81	70	70	70	70
Debtors (days)	96	96	87	89	72	70	70	70
Other Current Assets (days)	27	24	18	16	9	8	7	6
Payables (days)	30	32	22	24	20	22	22	22
Other Current Liab & Provns (days)	30	47	46	57	43	40	38	37
Cash Conversion Cycle (days)	**131**	**124**	**106**	**105**	**89**	**86**	**86**	**87**
Net D/E (x)	0.1	0.3	0.3	0.3	0.2	(0.0)	(0.2)	(0.3)
Interest Coverage (x)	25.7	13.0	6.6	7.2	13.6	36.3	87.1	94.8
PER SHARE DATA (INR)								
EPS	20.0	16.5	19.6	25.8	46.4	71.3	88.3	103.4
CEPS	24.8	21.8	28.1	36.3	57.8	83.6	100.9	116.9
Dividend	3.0	3.0	3.0	4.0	9.0	15.0	18.5	21.0
Book Value	151.6	165.2	182.4	205.8	247.6	303.9	373.7	456.1
VALUATION								
P/E (x)	225.1	272.6	229.2	174.0	96.9	63.1	50.9	43.4
P/BV (x)	29.6	27.2	24.6	21.8	18.1	14.8	12.0	9.9
EV/EBITDA (x)	149.4	169.1	119.9	90.1	59.2	41.2	34.0	29.0
EV/Revenues (x)	20.9	19.3	14.7	12.5	10.0	8.5	7.3	6.3
OCF/EV (%)	0.4	0.4	0.3	0.6	1.2	1.6	1.8	2.2
FCF/EV (%)	0.1	(0.8)	(0.1)	0.3	0.8	1.4	1.5	1.9
FCFE/Mkt Cap (%)	0.0	0.2	0.2	0.2	0.4	1.0	1.4	1.9
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.2	0.3	0.4	0.5

Source: Company, HSIE Research

Allied Blenders and Distillers

Expanding growth pillars key for aspirations

We initiate coverage on Allied Blenders and Distillers (ABD) with an ADD and a Sep-27 target price of INR 685, based on 45x P/E. The company has outlined its premiumization strategy and backend capability expansion beginning FY26, which will require increased on-ground execution and meaningful capex. Over FY26-29E, ABDL is planning capex of ~INR9bn, to be deployed toward bottling capacity expansion, ENA capacity augmentation, and a greenfield malt facility. Funding is expected to be a mix of internal accruals and debt. These backend initiatives are likely to support margin expansion to ~19% by FY29E, as guided by management. With the operational groundwork now clearly laid out, we believe the new management team should focus on broadening the growth engine, as the current mid-teen growth outlook remains heavily reliant on a single brand, increasing concentration risk. Current valuations already assume strong execution capabilities from the new leadership team, although this track record is yet to be demonstrated.

- **P&A volume growth trend encouraging (7% CAGR in last six years), but concentrated growth a worry:** ABD has done a decent job of getting a brand in largely a closed low-prestige whisky segment and charting fastest growth globally in whisky for three consecutive years. But once we adjust for *Iconiq White* from the portfolio, performance has been weak (-9% CAGR). New management is confident on transforming growth in *Sterling Reserve B7* (~3mn case brand) and *Officers Choice Blue* (~3mn cases) and is looking to get a Deluxe Vodka and Premium Whisky in FY27, which will aid broad-based growth. Additionally, the company now has 10 brand offerings in its ABD Maestro subsidiary, where it has 80% stake, which has a play in super premium and luxury segments. ABD Maestro, in its first year of operations, clocked ~INR 400mn in revenue and remains meaningfully behind segment incumbents. Management aims to double revenue by FY27 for the ABD Maestro portfolio.
- **Backend strengthening to hurt leverage position, but aid margin:** As the company has strengthened its execution team, it has charted aggressive capex journey with almost doubling of gross block over FY25 to FY29. This capex would be funded by a mix of internal accruals (may affect 50%+ dividend payout) and borrowings (aim for net debt to equity to be <0.75x and net debt/EBITDA at <2x). This opex to capex shift is likely to aid 300bps margin expansion in FY28 and ~100bps in FY29, as per the company. The company also expects its RoCE to expand from 18.5% in FY26 to 25% in FY28. We consider these aspirations are achievable in a non-disruption setting. On achieving the same, ABD will have a strong foundation for pan-India premiumization play for the long term, in our view.
- **Valuations factoring prospects; initiate with ADD:** The 39x P/E valuation for FY28E largely reflects ABD's embedded growth prospects, supported by its aim to deliver broad-based mid-teen expansion and continued market share gains in the prestige and above segment. We project a 12% revenue CAGR over FY26–29E, which with operating margin improvement, translates to a 21% EBITDA CAGR.

Financial Summary (Standalone)

YE March (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue	33,279	35,199	39,228	44,344	49,298	54,776
EBITDA	2,444	4,306	5,418	6,275	7,973	9,489
APAT	90	1,949	2,766	3,218	4,362	5,210
Adj. EPS (INR)	0.3	7.0	9.9	11.5	15.6	18.6
P/E (x)	1,888	88	62	53	39	33
EV / EBITDA (x)	73	41	33	29	23	19
ROE (%)	2.2	19.8	17.0	18.0	21.6	21.7

Source: Company, HSIE Research

ADD

CMP *(as on 4 Sep 26)*	INR 610
Target Price	INR 685
NIFTY	23,898

KEY CHANGES	OLD	NEW
Rating	NA	ADD
Price Target	NA	INR 685
EPS %	FY27E	FY28E
	NA	NA

KEY STOCK DATA	
Bloomberg code	ABDL IN
No. of Shares (mn)	280
MCap (INR bn) / ($ mn)	171/1,805
6m avg traded value (INR mn)	279
52 Week high / low	INR 720/382

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	6.7	35.5	23.5
Relative (%)	3.8	38.8	28.7

SHAREHOLDING PATTERN (%)

	Mar-26	Jun-26
Promoters	80.9	80.9
FIs & Local MFs	4.8	5.1
FPIs	3.2	3.2
Public & Others	11.1	10.8
Pledged Shares	-	-

Source : NSE

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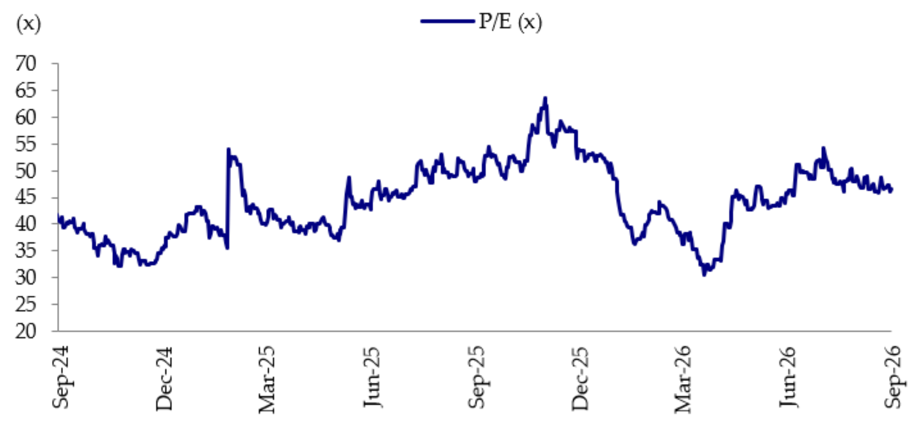
Exhibit 244: Allied Blenders' one year forward P/E



Source: Bloomberg, Company, HSIE Research

Exhibit 245: Allied Blenders - HSIE estimates vs Consensus estimates

(INR mn)	HSIE estimates			Consensus estimates			HSIE vs Consensus estimates		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	44,344	49,298	54,776	55,270	59,491	95,195	(20%)	(17%)	(42%)
growth	13.0%	11.2%	11.1%	40.9%	7.6%	60.0%			
EBITDA	6,275	7,973	9,489	6,216	7,991	9,455	1%	(0%)	0%
growth	15.8%	27.1%	19.0%	14.7%	28.6%	18.3%			
EBITDA margin	14.7%	16.7%	17.8%	11.2%	13.4%	9.9%			
Adj. PAT	3,218	4,362	5,210	3,118	4,324	5,350	3%	1%	(3%)
growth	16.3%	35.5%	19.4%	12.7%	38.7%	23.7%			
Adj. EPS (INR/Share)	11.5	15.6	18.6	11.2	15.6	19.3	2%	(0%)	(4%)

Source: Bloomberg, HSIE Research

Exhibit 246: Allied Blenders - Key assumptions

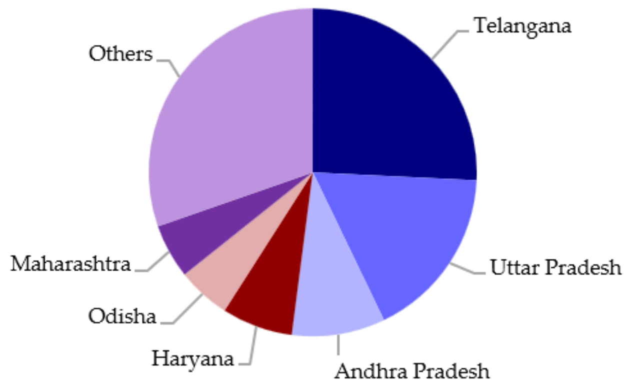
	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue assumptions							
P&A volume (mn cases)	11.7	11.8	13.4	17.0	20.2	23.1	26.0
Popular volume (mn cases)	20.5	19.9	19.7	19.0	19.3	19.3	19.7
IMFL volume (mn cases)	32.2	31.7	33.1	35.9	39.6	42.5	45.7
IMFL revenue (INR mn)	30,019	31,021	33,400	37,250	42,743	47,749	53,174
Growth	18.1%	3.3%	7.7%	11.5%	14.7%	11.7%	11.4%
Non IMFL revenue (INR mn)	1,180	1,956	1,518	1,431	1,258	1,170	1,182
Profit and loss account assumptions							
Gross margin	37.3%	37.0%	42.1%	45.6%	46.5%	48.0%	48.5%
Employee costs	6.0%	5.3%	4.8%	5.6%	6.0%	5.9%	5.8%
Marketing spends	7.9%	7.1%	7.2%	6.8%	7.4%	7.5%	7.4%
Administrative expenses	6.1%	5.5%	5.5%	5.8%	5.8%	5.7%	5.3%
Other operating spends	11.7%	12.0%	12.6%	13.8%	13.5%	13.0%	13.0%
EBITDA margin	6.2%	7.9%	12.9%	14.5%	14.7%	16.7%	17.8%
Balance sheet							
Capex (INR mn)	195	446	1,278	3,459	4,290	3,264	1,250
Inventory days	65	46	59	70	67	68	68
Receivable days	111	136	181	168	169	170	170
Creditor days	66	77	63	75	75	73	73
ROE	0.4%	2.2%	19.8%	17.0%	18.0%	21.6%	21.7%
ROCE	10.4%	15.1%	19.7%	17.3%	17.3%	19.6%	20.6%

Source: Company, HSIE Research

For ABD its captive ENA capacity is in Telangana, a state with ~1/4th of its volume concentration. The company leads in the market with Officers Choice whisky, where majority of volumes of the brand are concentrated.

Uttar Pradesh is the second largest state for ABD, where it has sizable volumes for ICONiQ White.

Exhibit 247: Allied Blenders – Estimated domestic state volume mix

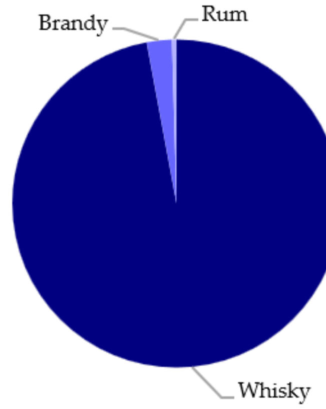


Source: HSIE Research

With millionaire brands in whisky, the company continues to have bulk of its revenues concentrated in whisky.

The company aims to launch deluxe vodka in 2HFY27, which is ~15mn cases market.

Exhibit 248: Allied Blenders – Estimated category volume mix

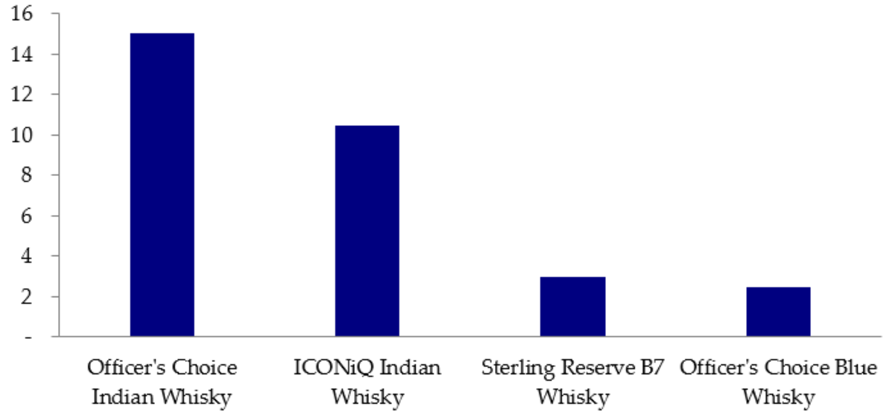


Source: HSIE Research

After legacy Officer Choice, the company has created two new millionaire brands – ICONiQ White and Sterling Reserve B7. Going into FY27, we may see Telangana dedicated mass premium brand Sumo into Millionaire club.

Officer's Choice brand launched in 1988, generate bulk of its revenue from Telangana. Brand has ~15mn cases volume in domestic and ~2mn cases in exports.

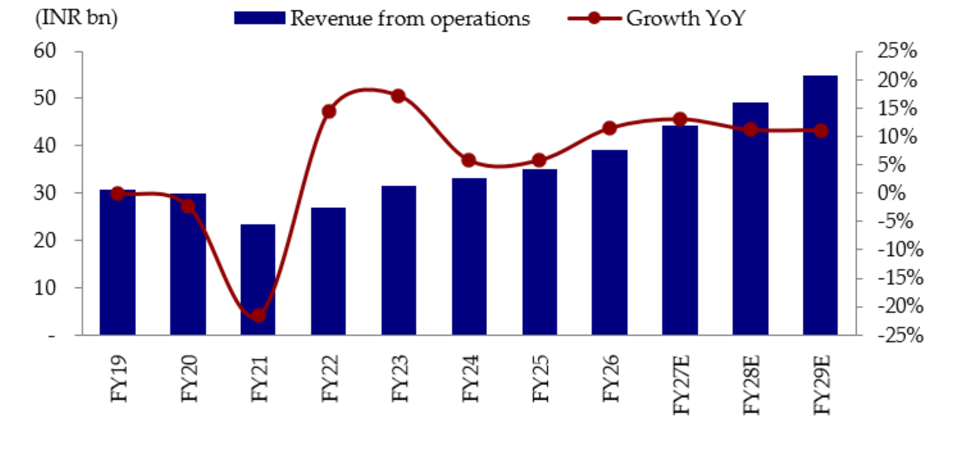
Exhibit 249: Allied Blenders – Four millionaire brands



Source: Company, HSIE Research

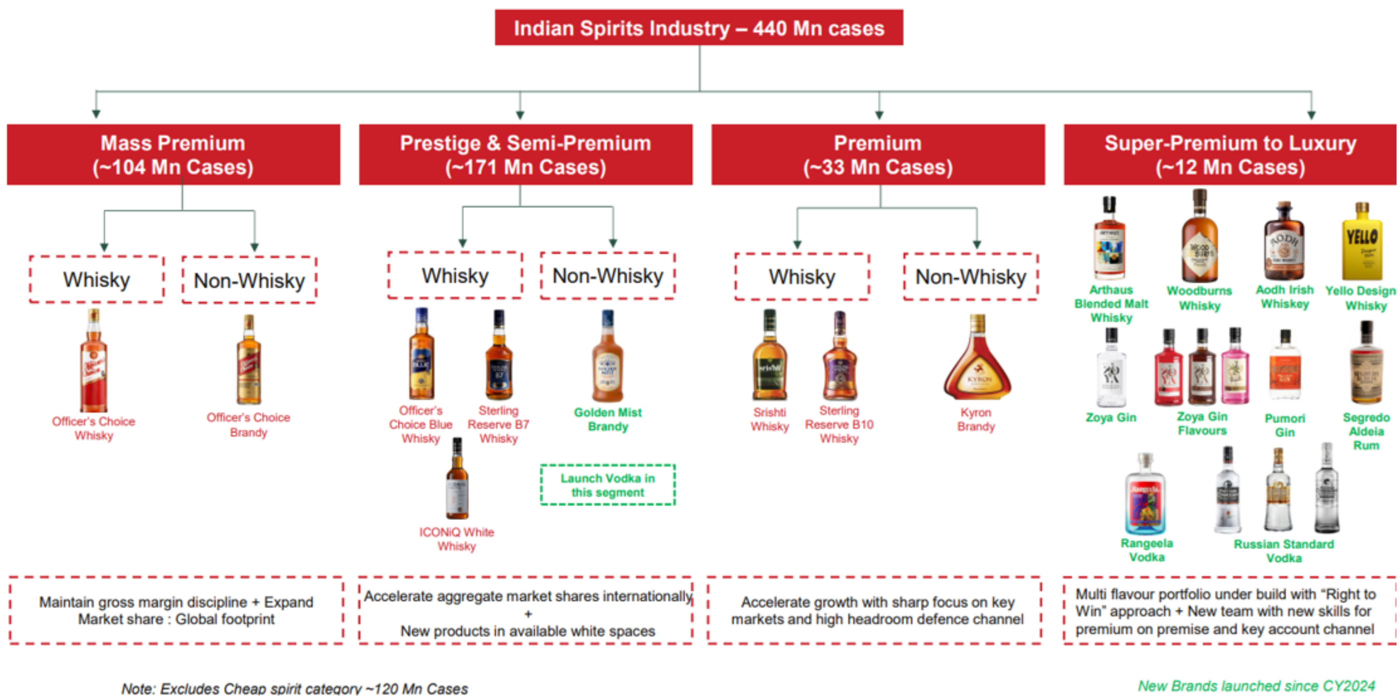
Management aspires for mid teen topline growth for FY27 and FY28, while we see 12% net sales CAGR over FY26-29E.

Exhibit 250: Allied Blenders – Net sales from operations and growth



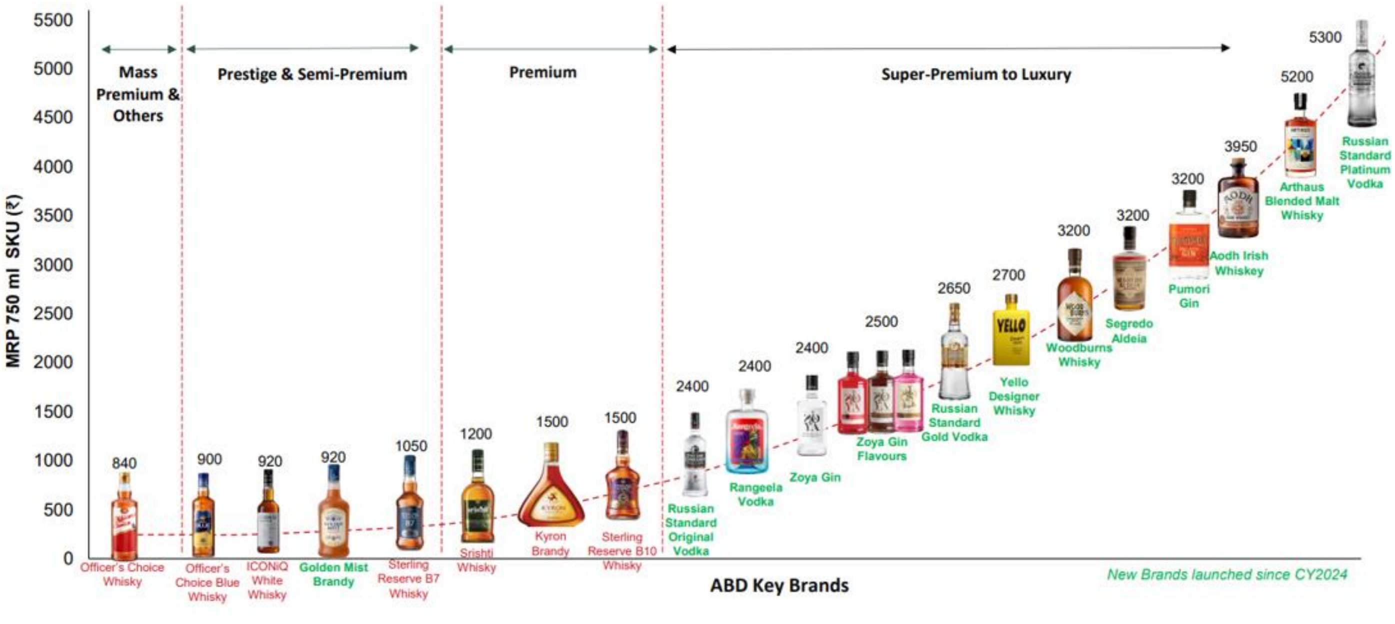
Source: Company, HSIE Research

Exhibit 251: Allied Blenders – Product portfolio



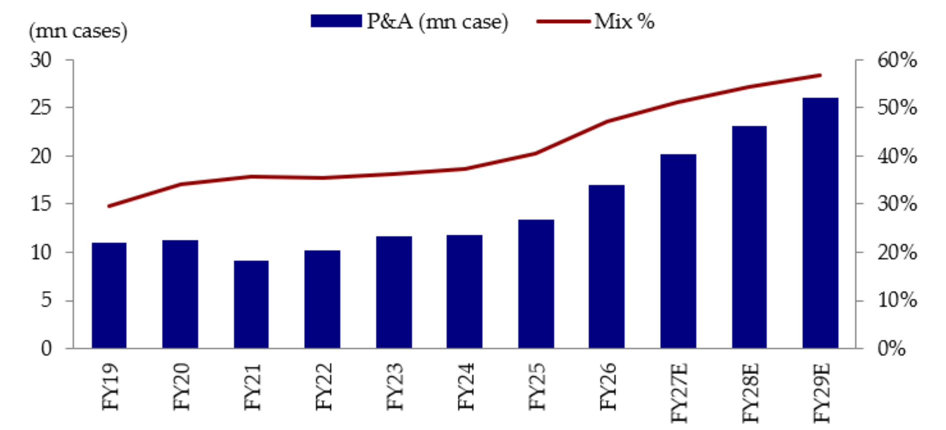
Source: Company, HSIE Research

Exhibit 252: Allied Blenders – Product launches have been focused on Super premium to luxury price points



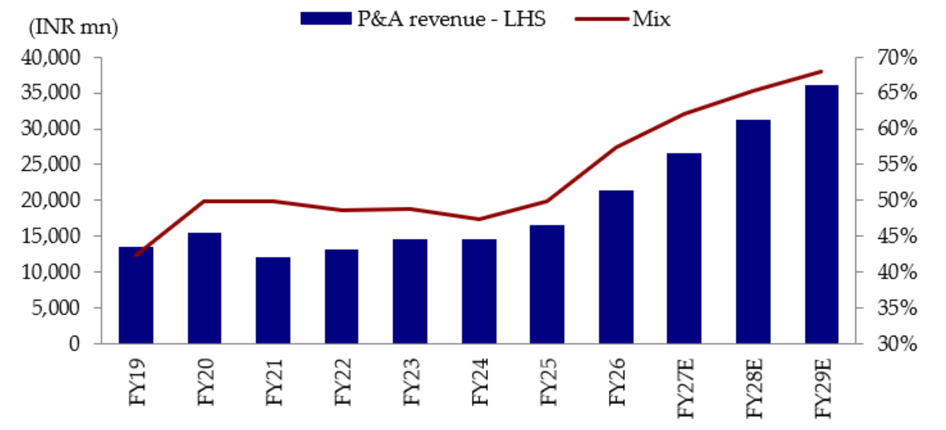
Source: Company, HSIE Research
Note: MRP in Maharashtra state for all brands. Srishti, Kyron and Golden Mist brands illustrative Maharashtra MRP

Exhibit 253: Allied Blenders – Prestige and above segment volume and contribution to overall IMFL volume



Source: Company, HSIE Research

Exhibit 254: Allied Blenders – Prestige and above segment revenue and contribution to overall IMFL revenue

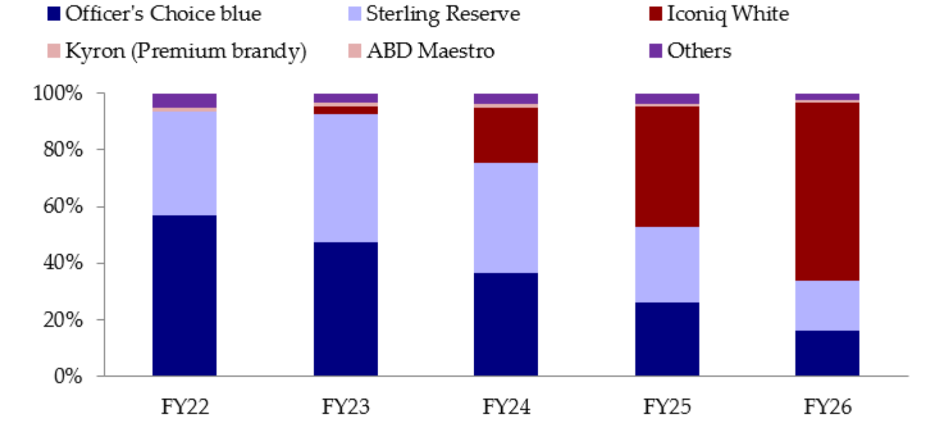


Source: Company, HSIE Research

Under new leadership, the company is looking to revive Officers Choice Blue, which has seen steady shrinkage. After piloted in select states, the company is now looking at new packaging and communication. Management expect multi fold growth in the brand.

Sterling Reserve B7 has undergone brand reset. Brand relaunched in Q2FY27.

Exhibit 255: Allied Blenders – Volume contribution in Prestige and above segment

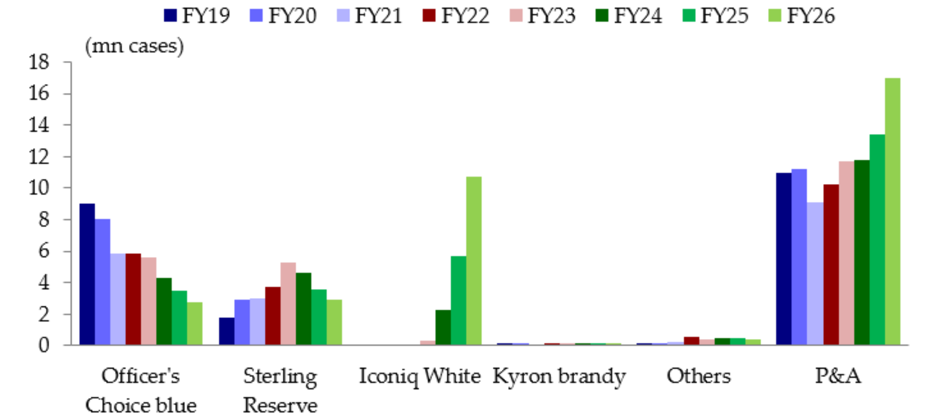


Source: Company, HSIE Research

Key volume growth pillar for the Company, ICONiQ White, is likely to sustain momentum. Management expects brand to clock 15mn cases volume in FY27 (in Q4FY26 it had Annual run rate of 12mn cases).

Going ahead the company is looking at price and flavour innovations. Thrust would be to enhance brand gross margin, which is now at sub-40%.

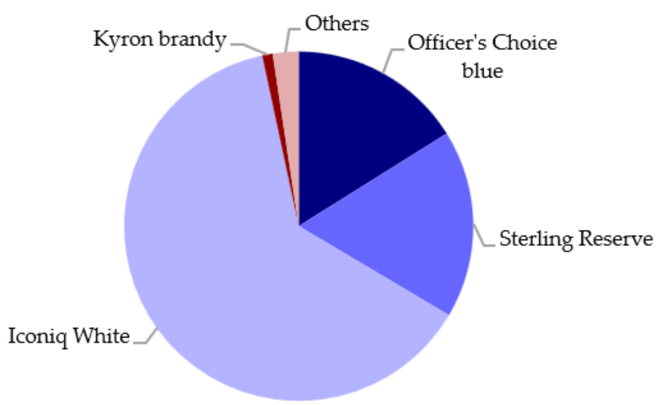
Exhibit 256: Allied Blenders – Volumes in P&A segment has high skew towards Iconiq White



Source: Company, HSIE Research

Under new leadership, the company is looking to launch premium whisky in 2HFY27.

Exhibit 257: Allied Blenders – Brand volume mix in P&A for FY26



Source: Company, HSIE Research

The company has created an 80% subsidiary, ABD Maestro, where it has housed Super Premium and Luxury offerings (with bottle costs > INR2,500).

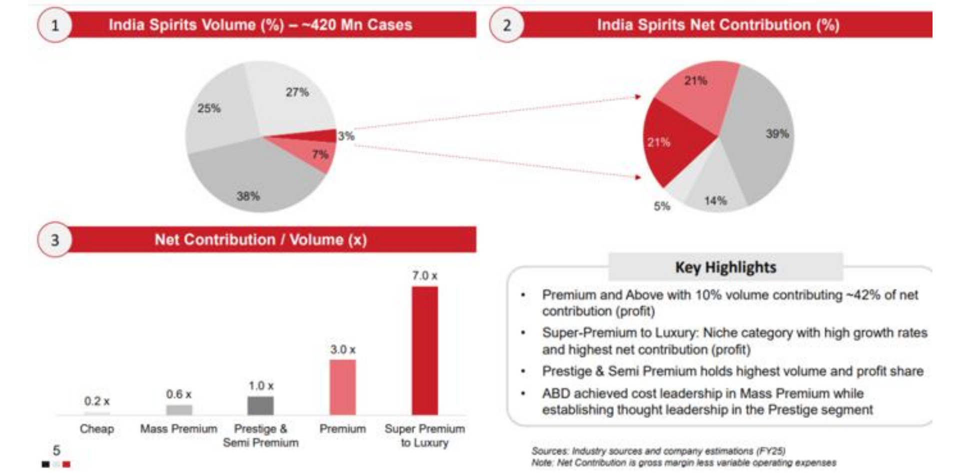
Balance 20% of the stake is with creative partner and Bollywood celebrity Ranveer Singh.

ABD Maestro clocked revenue of INR400mn in FY26 and aims to double the same in FY27.

The company now has 10 brands portfolio, where management is looking to add two more offerings in FY27E.

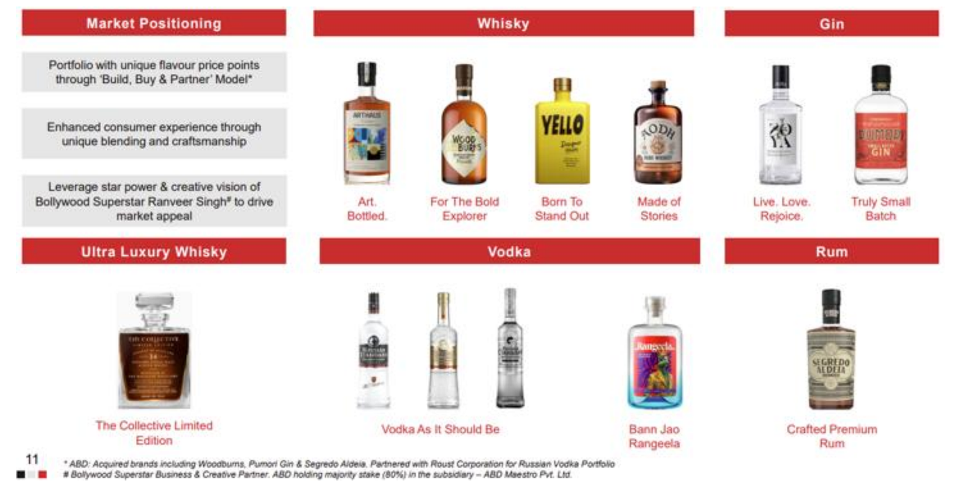
Management see subsidiary performance to be loss making in year one, expect contribution margin neutral in second year and aims to turn portfolio EBITDA neutral in third year of operations.

Exhibit 258: Allied Blenders – ABD Maestro focuses on Super Premium and Luxury price segment, which offers 7x better profitability



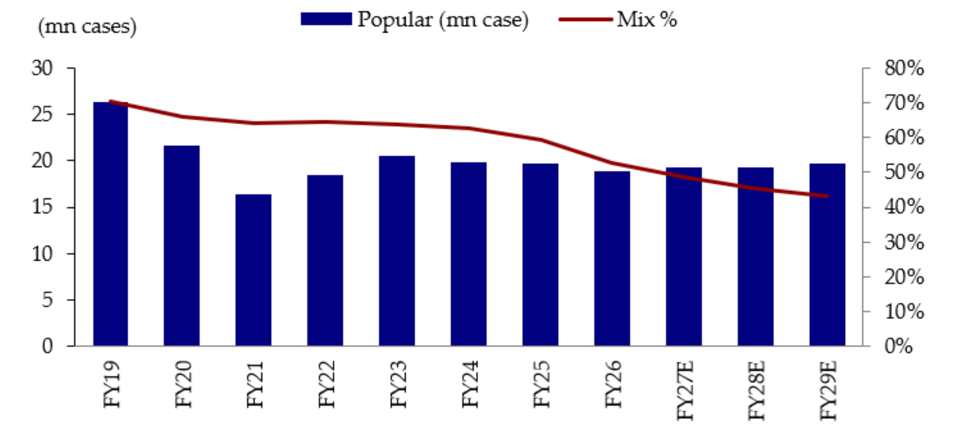
Source: Company, HSIE Research

Exhibit 259: Allied Blenders – ABD Maestro brands portfolio



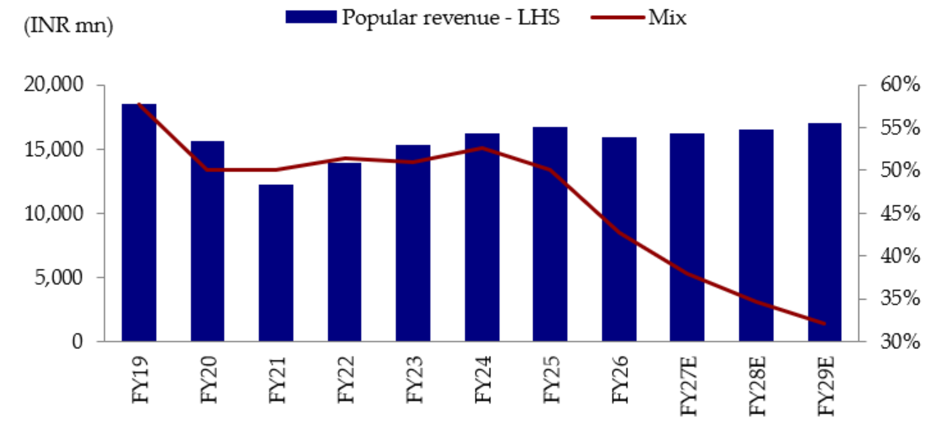
Source: Company, HSIE Research

Exhibit 260: Allied Blenders – Mass premium / popular segment volume and contribution to overall IMFL volume



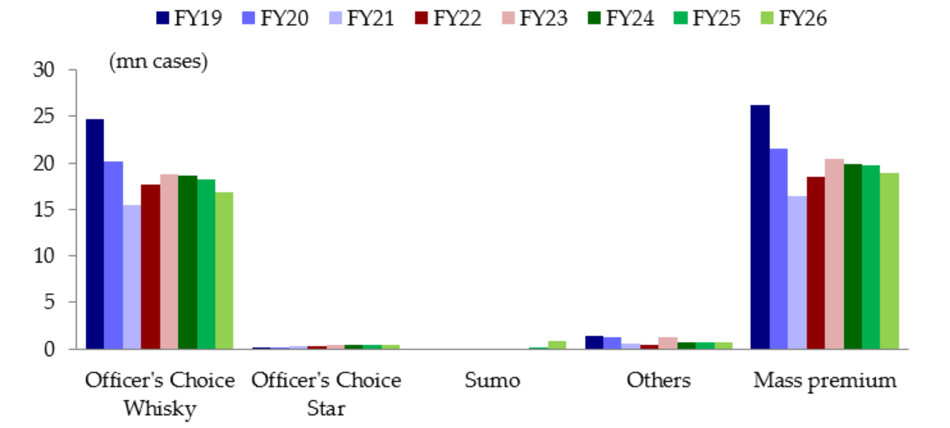
Source: Company, HSIE Research

Exhibit 261: Allied Blenders – Mass premium / Popular segment revenue and contribution to overall IMFL revenue



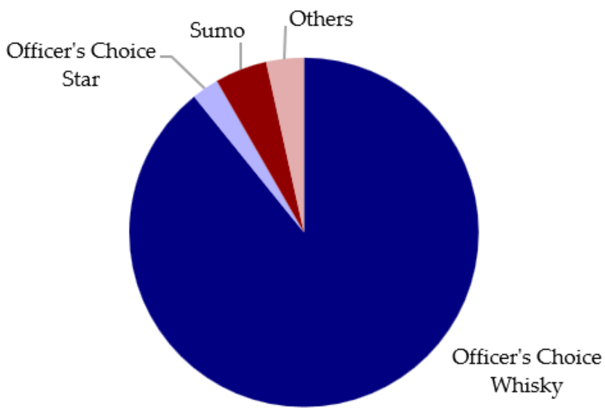
Source: Company, HSIE Research

Exhibit 262: Allied Blenders – Volumes in mass premium / popular segment has high skew towards *Officer's Choice* Whisky



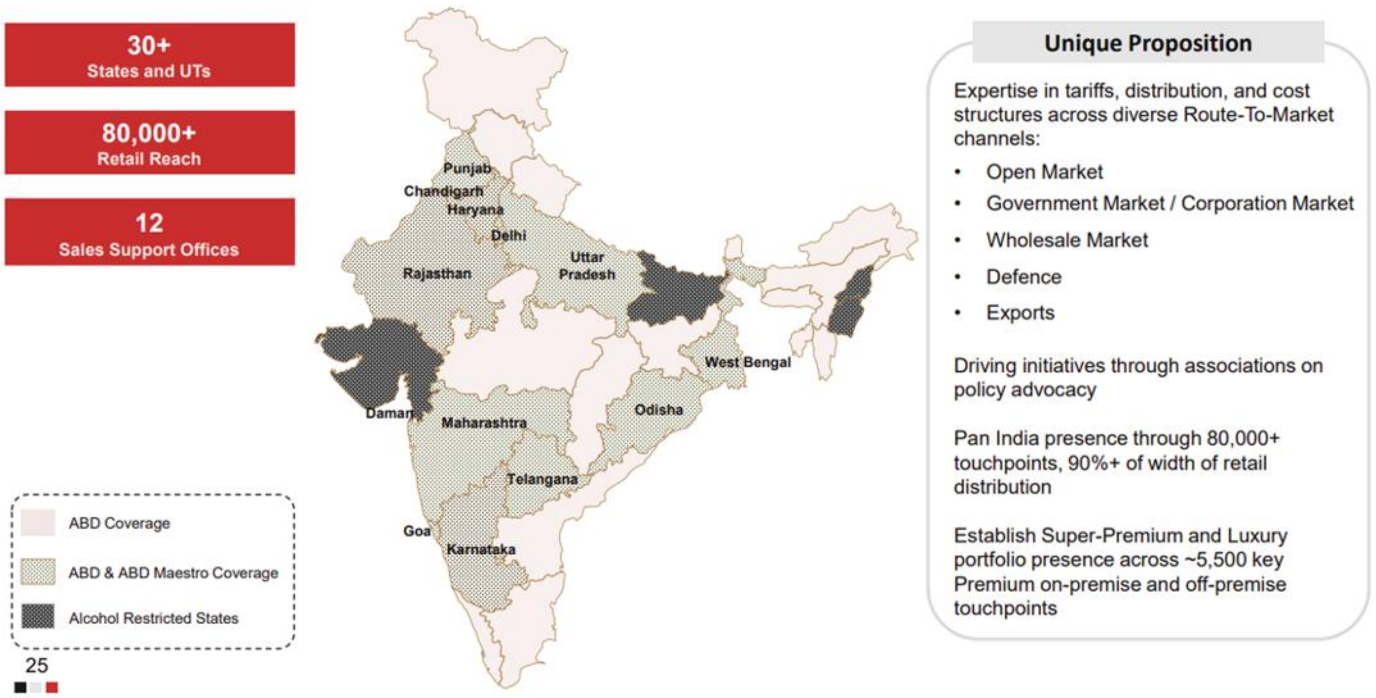
Source: Company, HSIE Research

Exhibit 263: Allied Blenders – Brand volume mix in mass premium for FY26



Source: Company, HSIE Research

Exhibit 264: Allied Blenders – Distribution depth



Source: Company, HSIE Research

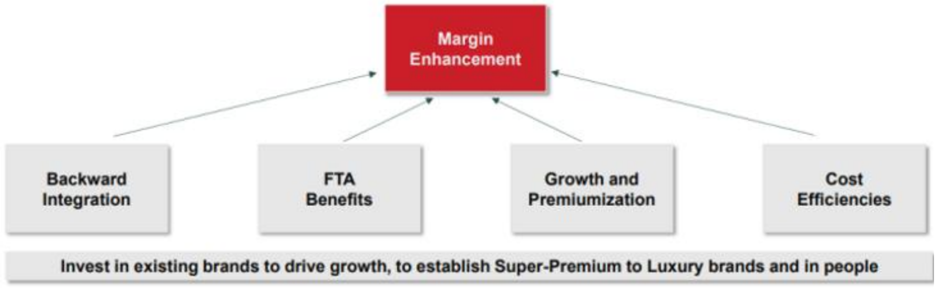
Exhibit 265: Allied Blenders - Guidance

Value Accretive Profitable Growth

	Initiative	Where were we? FY24	Where are we now? FY26	Way forward FY28
Topline growth with Portfolio Build - up	Revenue growth (YoY)	5.6%	11.5%	Revenue growth in mid-teens
	P&A Salience (Volume)	37.3%	47.2%	Overall growth in mid-teens (value) with P&A salience increasing to 50%
	Super-Premium to Luxury Portfolio	No presence	Built 10 brand portfolio with unique flavour price points through 'Build, Buy & Partner' Model	Continued range expansion in select categories
Backward Integration/ Operational synergies	ENA	33% captive 60 Mn pa liters	100% captive projects initiated	100% captive with growth
	Malt	-	100% Captive; ~4 Mn litres pa	100% captive Single Malt whisky capability
	PET	-	70-75% Captive; over 600 Mn bottles pa Commissioned in Sept-25	~70-75% captive
Margin Enhancement	Gross Margin %	37%	45.6%	~48%
	EBITDA %	7.5%	14.4%	~18%
ROCE (pre-tax)	Prudent Capital Allocation	16.5%	18.5%	23% - 25%

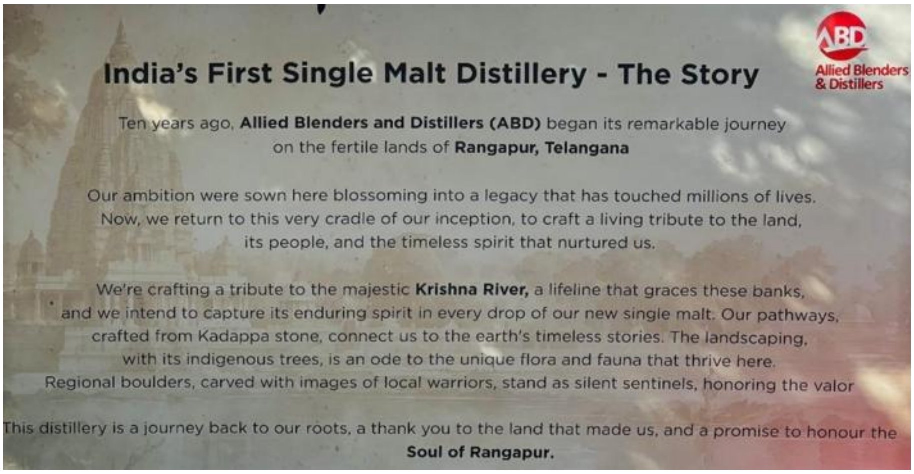
Source: Company, HSIE Research
Note: Note: ROCE calculated on EBIT (TTM) and closing Capital Employed basis

Exhibit 266: Allied Blenders – Margin enhancement strategy



Source: Company, HSIE Research

Exhibit 267: Allied Blenders – Singal Malt facility in Telangana

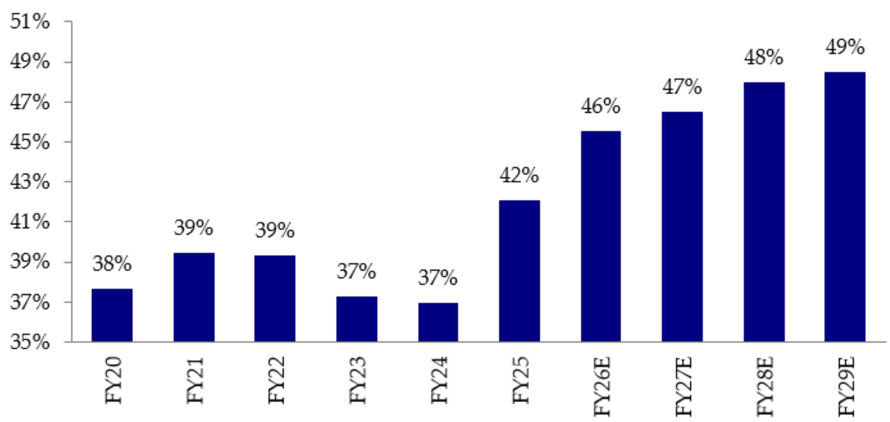


Source: Company, HSIE Research

With focus on leveraging make vs buy gap on ENA, the company is augmenting its captive ENA capacity from ~40% now to ~100% by FY28. With expected ~50mn cases volume, its ENA requirements would be ~200mn litres. It now has capacity of ~50mn litres and expects to have 120mn litres by FY27-end and is on path to scale captive capacity to 200mn litres by FY28.

Management is aspiring for FY28 gross margins at 48%, which we see as achievable.

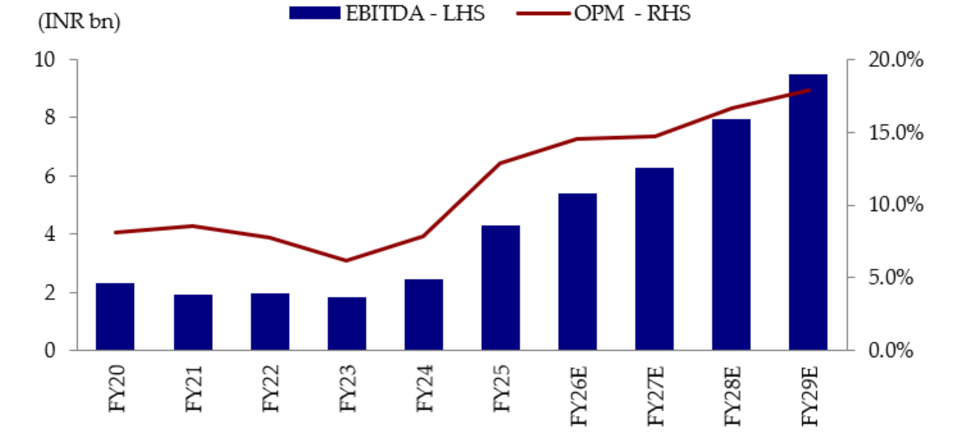
Exhibit 268: Allied Blenders – Gross margin trends and expectations



Source: Company, HSIE Research

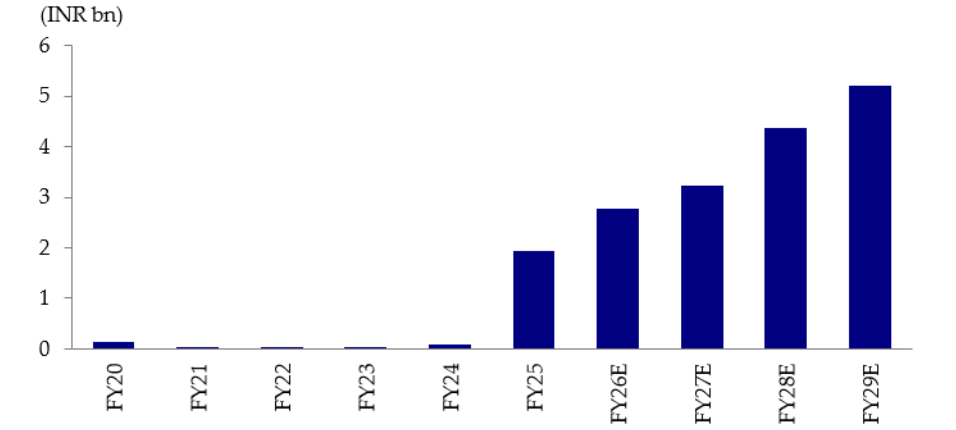
Management is aspiring for FY28 EBITDA margins at 18%, while we build 17%, as we see focus on strengthening revenue fundamentals to require higher brand spendings.

Exhibit 269: Allied Blenders – EBITDA and margin trends and expectations



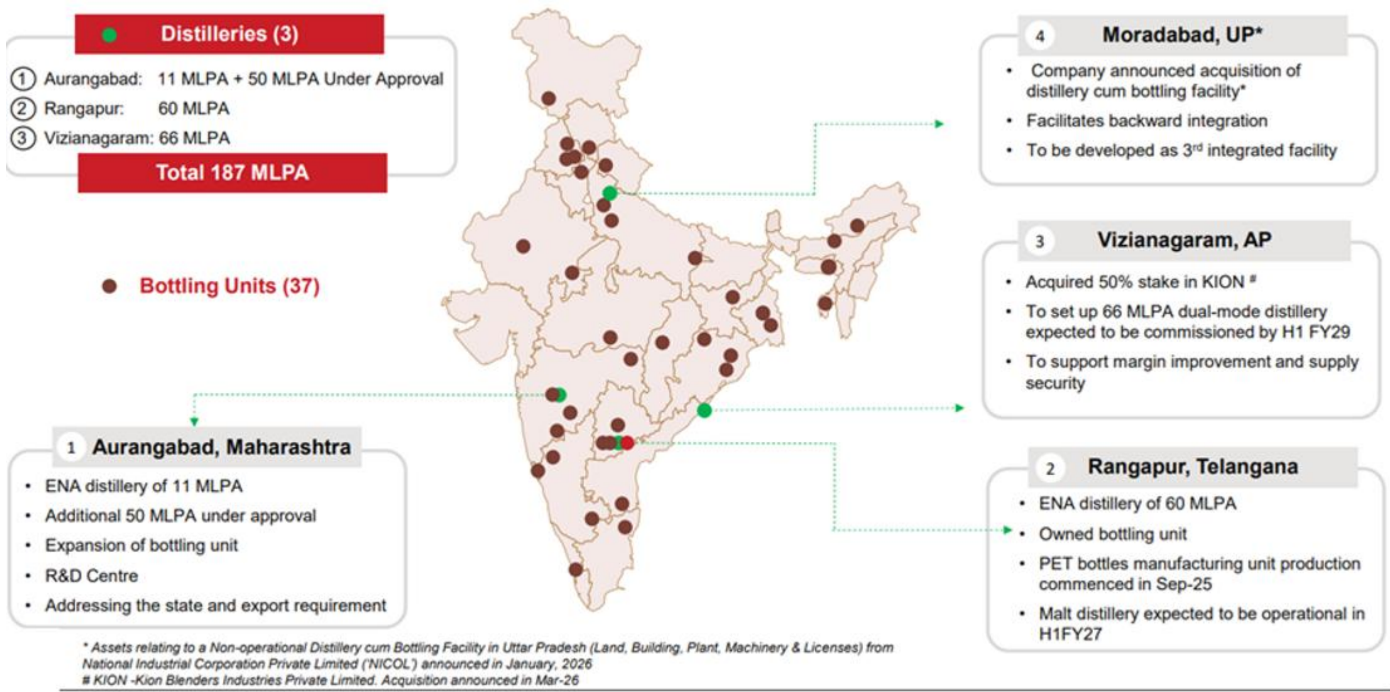
Source: Company, HSIE Research

Exhibit 270: Allied Blenders – Earnings trends and expectations



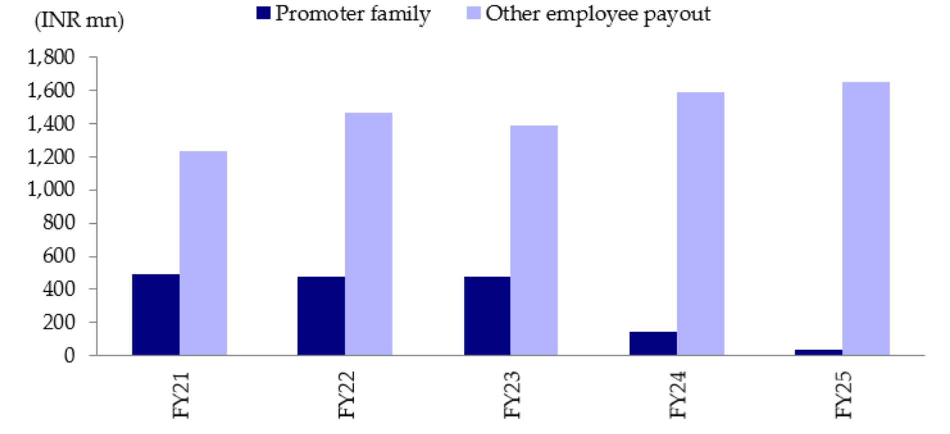
Source: Company, HSIE Research

Exhibit 271: Allied Blenders – Production capacities



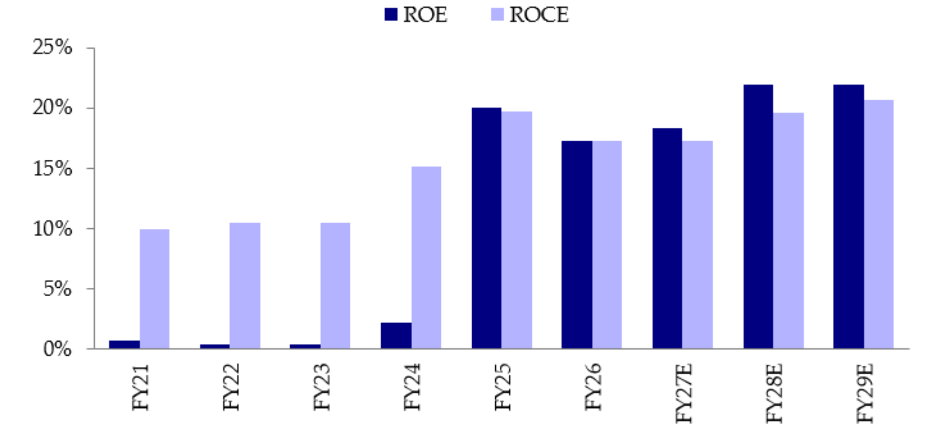
Source: Company, HSIE Research

Exhibit 272: Allied Blenders – Salary payout to promoter family reduced



Source: Company, HSIE Research

Exhibit 273: Allied Blenders – Return profile

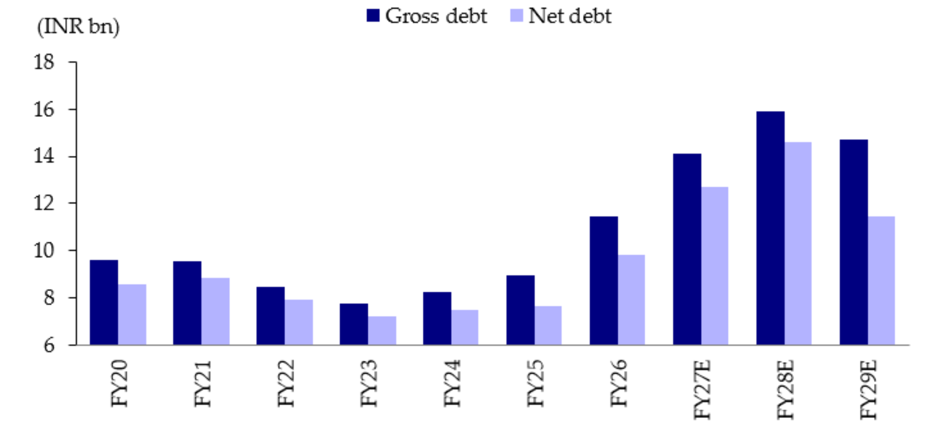


Source: Company, HSIE Research

The company utilized INR10bn IPO proceeds to repay high-cost debt, which was subsequently replaced with low-cost debt, resulting in gross debt remaining largely firm. Additionally, it used INR2bn of the proceeds to settle old dues.

Going ahead we see debt levels to expand, as the company is strengthening its backend capabilities.

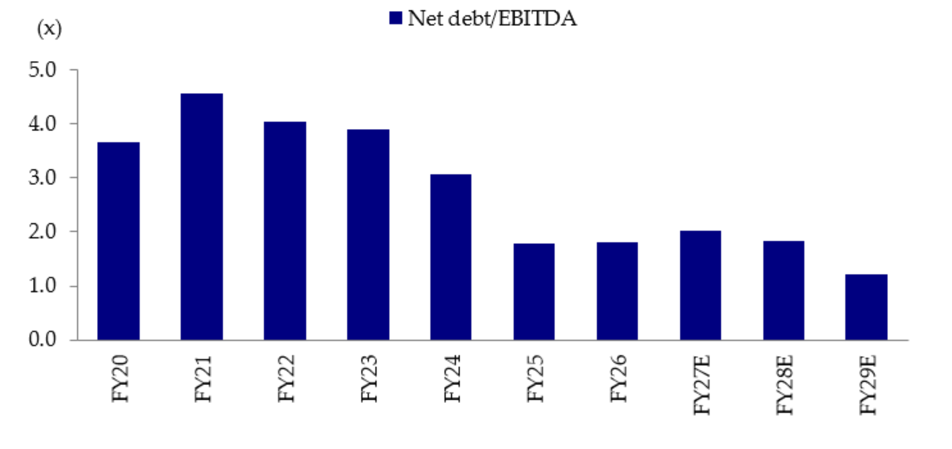
Exhibit 274: Allied Blenders – Borrowings likely to expand amid capex plans



Source: Company, HSIE Research

With capex needs, we see the company's net debt position expanding ahead. With improving EBITDA, we see improvement in its net debt-to-EBITDA to 1x by FY29E.

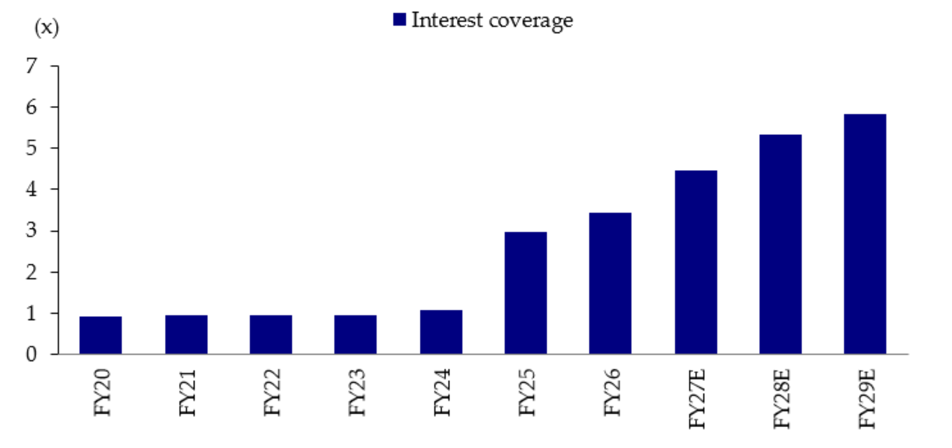
Exhibit 275: Allied Blenders – Net Debt to EBITDA



Source: Company, HSIE Research

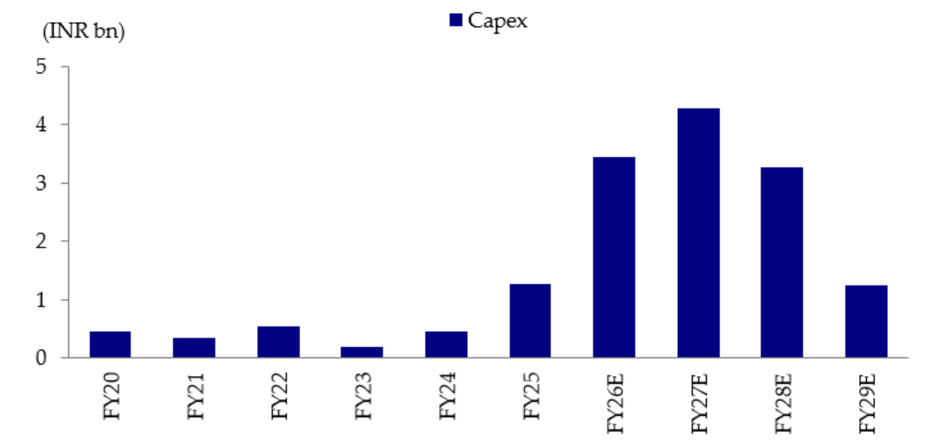
Its interest coverage ratio is likely to expand to 5.8x by FY29E vs 3.4x in FY25.

Exhibit 276: Allied Blenders – Interest coverage ratio



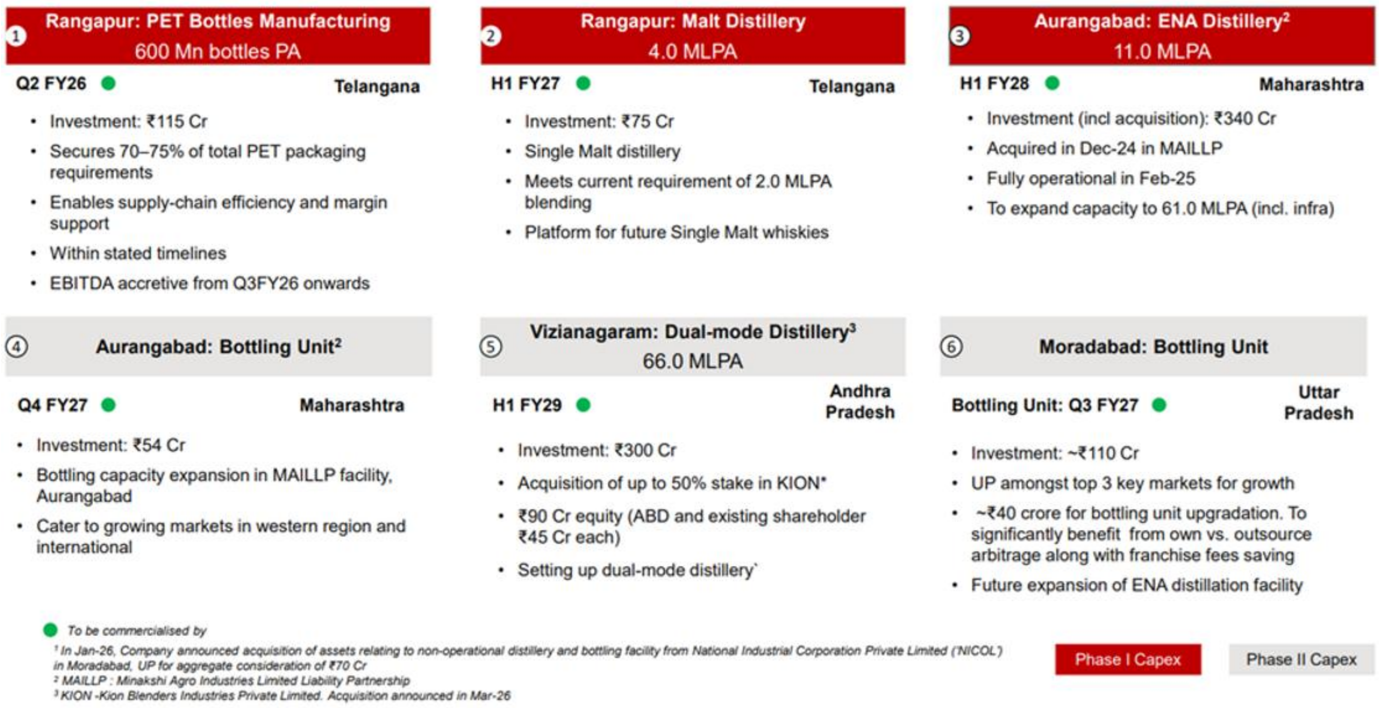
Source: Company, HSIE Research

Exhibit 277: Allied Blenders – Aggressive capex plans over FY26-29



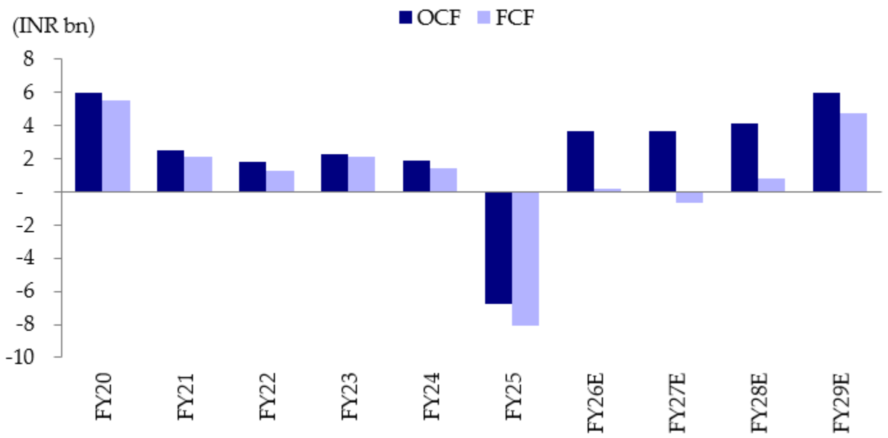
Source: Company, HSIE Research

Exhibit 278: Allied Blenders – Strategic capex plans to enhance backend



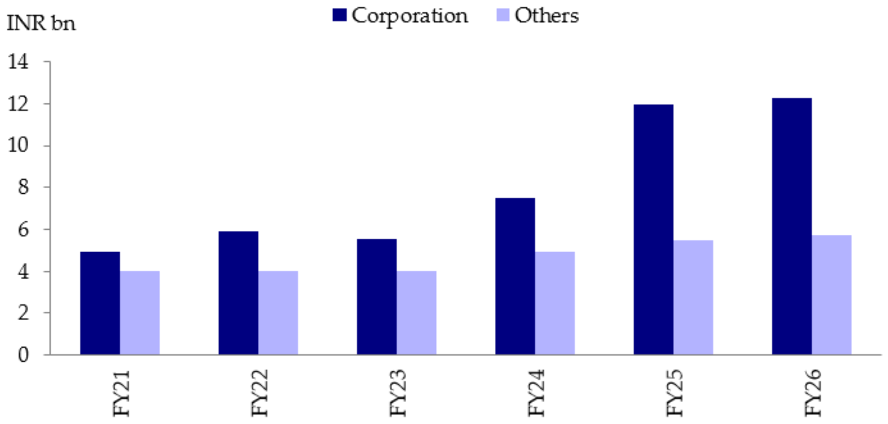
Source: Company, HSIE Research

Exhibit 279: Allied Blenders – Aggressive capex to keep FCF muted



Source: Company, HSIE Research

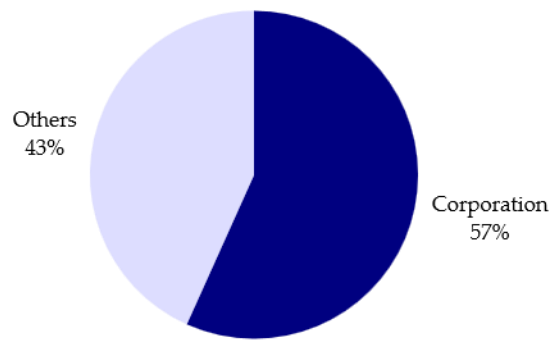
Exhibit 280: Allied Blenders – High Corporation market revenue concentration takes receivables higher



Source: Company, HSIE Research

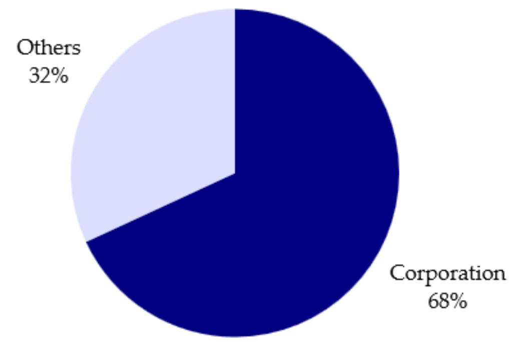
The company has the bulk of its revenue concentrated in corporation markets, where excise duty is paid upfront before sales and corporations demand 45 days of credit, even though retail is sold entirely on cash. As a result, collections from corporations take roughly 65 days, and delayed settlement pushes receivables to ~100 days.

Exhibit 281: Allied Blenders – Majority of revenue is concentrated in the corporation markets (for FY26)



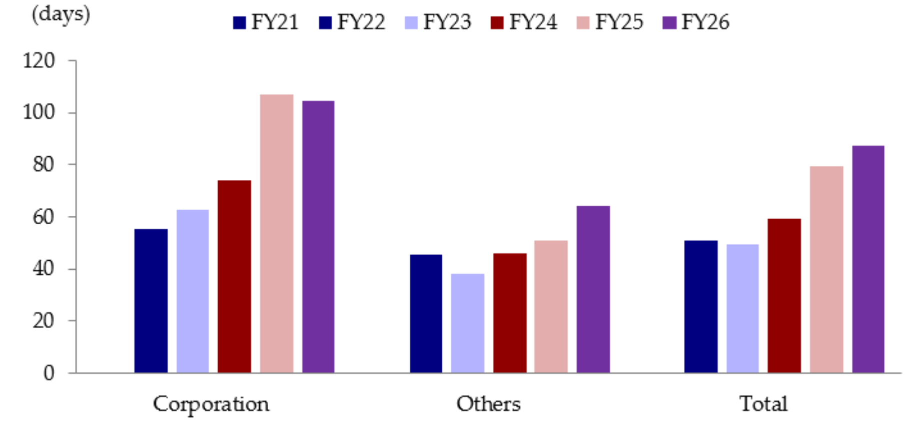
Source: Company, HSIE Research

Exhibit 282: Allied Blenders – Receivables from corporation market remained high (for FY26)



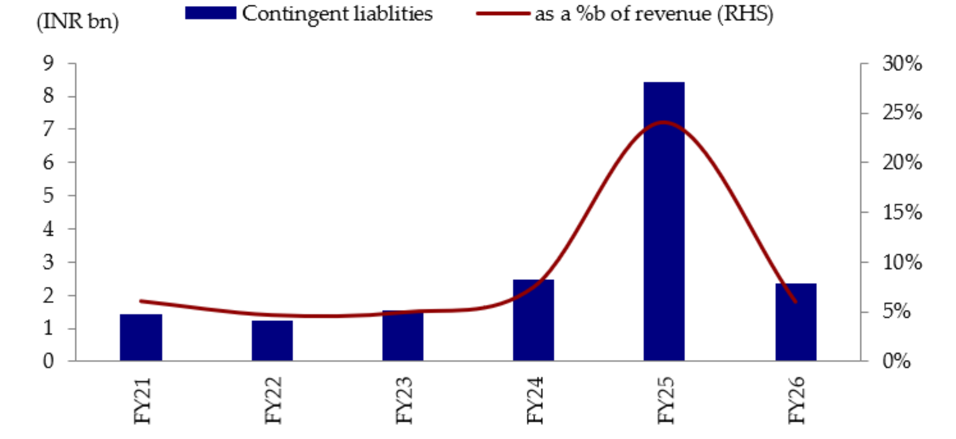
Source: Company, HSIE Research

Exhibit 283: Allied Blenders – Receivable days



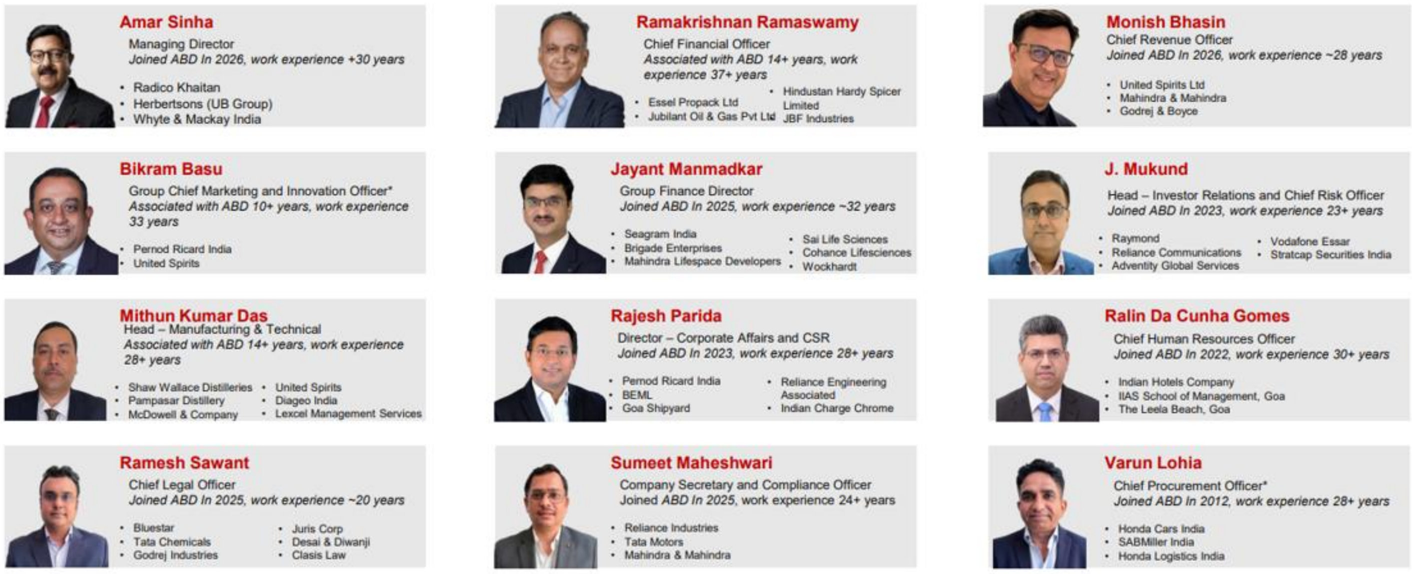
Source: Company, HSIE Research

Exhibit 284: Allied Blenders – Contingent Liabilities



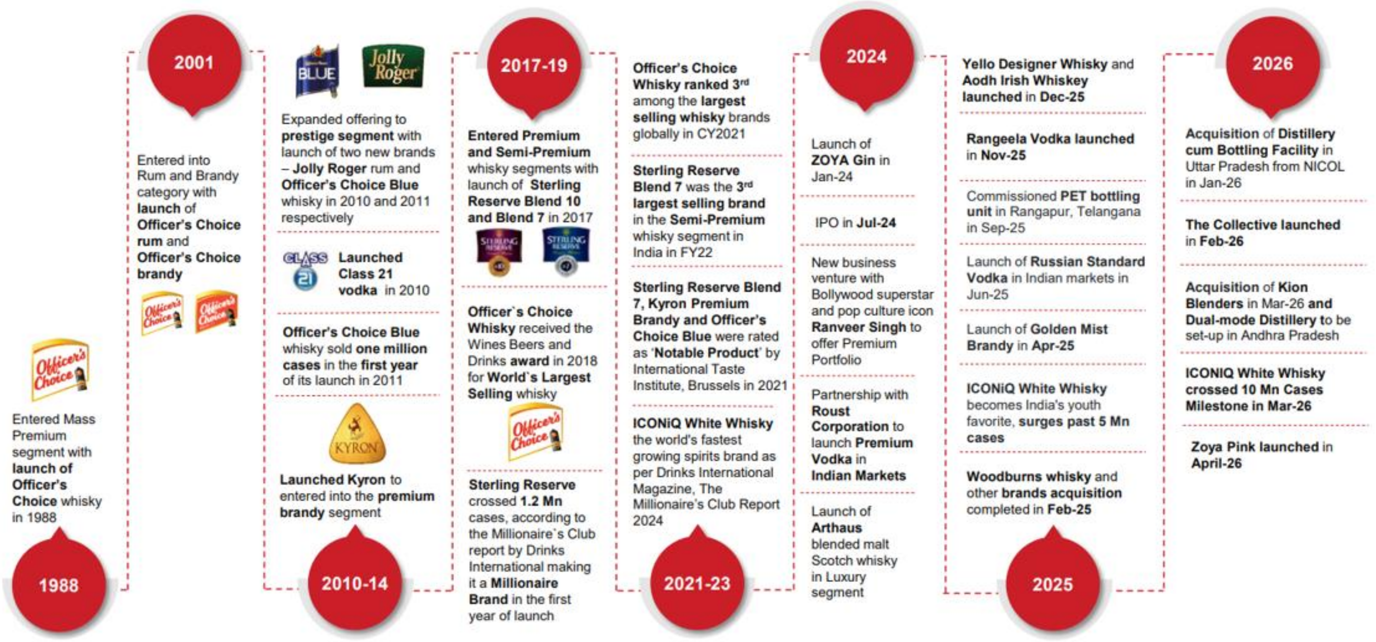
Source: Company, HSIE Research

Exhibit 285: Allied Blenders – Management team



Source: Company, HSIE Research

Exhibit 286: Allied Blenders – Key Milestones



Source: Company, HSIE Research

Income Statement (Consolidated)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenues	**26,857**	**31,466**	**33,279**	**35,199**	**39,228**	**44,344**	**49,298**	**54,776**
Growth (%)		*17.2*	*5.8*	*5.8*	*11.4*	*13.0*	*11.2*	*11.1*
Material Expenses	16,287	19,740	20,979	20,388	21,349	23,724	25,635	28,210
Employee Expense	1,935	1,859	1,734	1,689	2,189	2,627	2,889	3,178
Other Expenses	6,672	8,017	8,122	8,816	10,271	11,719	12,800	13,899
EBITDA	**1,963**	**1,850**	**2,444**	**4,306**	**5,418**	**6,275**	**7,973**	**9,489**
EBITDA Growth (%)		*(5.8)*	*32.1*	*76.2*	*25.8*	*15.8*	*27.1*	*19.0*
EBITDA Margin (%)	**7.3**	**5.9**	**7.3**	**12.2**	**13.8**	**14.2**	**16.2**	**17.3**
Depreciation	586	551	579	606	792	930	1,019	1,321
EBIT	**1,377**	**1,298**	**1,865**	**3,699**	**4,627**	**5,344**	**6,955**	**8,168**
Other Income (Including EO Items)	112	111	63	209	260	175	200	225
Interest	1,451	1,350	1,728	1,251	1,346	1,200	1,300	1,400
PBT before extraordinary items	**38**	**59**	**200**	**2,657**	**3,540**	**4,319**	**5,855**	**6,993**
Extraordinary items	-	-	(50)	-	(673)	-	-	-
Total Tax	**23**	**43**	**110**	**709**	**856**	**1,101**	**1,493**	**1,783**
RPAT after MI	-	-	-	(0)	(82)	-	-	-
Adj. for tax on exceptional	15	16	40	1,949	2,094	3,218	4,362	5,210
Adjusted PAT	**15**	**16**	**90**	**1,949**	**2,766**	**3,218**	**4,362**	**5,210**
APAT Growth (%)		*7.4*	*464.6*	*2,056.7*	*42.0*	*16.3*	*35.5*	*19.4*
EPS	**0.1**	**0.1**	**0.3**	**7.0**	**9.9**	**11.5**	**15.6**	**18.6**
EPS Growth (%)		*7.4*	*464.6*	*2,056.7*	*42.0*	*16.3*	*35.5*	*19.4*

Source: Company, HSIE Research

Balance Sheet (Consolidated)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS								
Share Capital - Equity	471	488	488	559	559	559	559	559
Other Equity	3,570	3,573	3,581	15,070	16,298	18,257	20,940	25,994
Total Shareholders' Funds	**4,041**	**4,061**	**4,069**	**15,629**	**16,857**	**18,816**	**21,500**	**26,553**
Total Debt	8,731	8,027	8,547	9,240	11,736	14,394	16,160	15,010
TOTAL CAPITAL EMPLOYED	**12,772**	**12,088**	**12,616**	**24,869**	**28,593**	**33,211**	**37,660**	**41,563**
APPLICATION OF FUNDS								
Tangible Assets	4,943	3,776	4,458	5,057	6,378	8,337	10,418	12,847
Intangible Assets	669	681	661	1,252	1,365	1,365	1,365	1,365
CWIP	149	140	159	191	1,086	2,486	2,650	150
Right of Use Assets	1,304	1,297	1,227	1,188	1,157	1,157	1,157	1,157
Other Non-Current Assets	844	992	974	1,447	2,244	2,244	2,244	2,244
Total Non-current Assets	**7,909**	**6,887**	**7,478**	**9,136**	**12,231**	**15,590**	**17,835**	**17,764**
Current Investments	0	0	0	0	0	0	0	0
Inventories	3,525	5,592	4,188	5,733	7,481	8,197	9,157	10,198
Debtors	9,540	9,576	12,437	17,468	18,018	20,493	22,893	25,495
Cash & Equivalents	547	530	753	1,317	1,652	833	367	1,814
Other Current Assets	962	2,292	1,500	1,692	2,156	2,371	2,607	2,607
Total Current Assets	**14,574**	**17,990**	**18,879**	**26,211**	**29,306**	**31,894**	**35,024**	**40,113**
Creditors	5,364	5,659	7,024	6,069	8,040	9,134	9,811	10,926
Other Current Liabilities & Provns	4,348	7,130	6,716	4,408	4,904	5,140	5,388	5,388
Total Current Liabilities	**9,711**	**12,789**	**13,740**	**10,477**	**12,944**	**14,274**	**15,199**	**16,314**
Net Current Assets	**4,863**	**5,201**	**5,138**	**15,733**	**16,362**	**17,620**	**19,825**	**23,799**
TOTAL APPLICATION OF FUNDS	**12,772**	**12,088**	**12,616**	**24,869**	**28,593**	**33,211**	**37,660**	**41,563**

Source: Company, HSIE Research

Cash Flow (Consolidated)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	38	59	128	2,657	3,512	4,319	5,855	6,993
Depreciation	586	551	579	606	792	930	1,019	1,321
Working Capital Change	(358)	327	(655)	(10,493)	(641)	(2,313)	(2,919)	(2,527)
Tax Paid	(55)	(40)	(82)	(697)	(1,457)	(1,101)	(1,493)	(1,783)
Interest/Dividend received	1,451	1,350	1,728	1,251	1,346	1,200	1,300	1,400
Other items	125	51	160	(108)	67	-	-	-
OPERATING CASH FLOW (a)	**1,788**	**2,299**	**1,857**	**(6,784)**	**3,620**	**3,035**	**3,761**	**5,404**
Capex	(543)	(195)	(446)	(1,278)	(3,459)	(4,290)	(3,264)	(1,250)
Free Cash Flow (FCF)	*1,245*	*2,103*	*1,411*	*(8,062)*	*161*	*(1,255)*	*498*	*4,154*
Others	864	11	(100)	(546)	148	-	-	-
INVESTING CASH FLOW (b)	**321**	**(184)**	**(545)**	**(1,824)**	**(3,311)**	**(4,290)**	**(3,264)**	**(1,250)**
Debt Issuance/(Repaid)	(1,073)	(677)	380	698	2,446	2,658	1,766	(1,150)
Interest Expenses	(1,485)	(1,351)	(1,702)	(1,240)	(1,340)	(1,200)	(1,300)	(1,400)
FCFE	***1,656***	***2,777***	***3,493***	***(6,124)***	***3,946***	***2,604***	***3,564***	***4,404***
Change in net worth	-	-	-	9,759	-	-	-	-
Dividend	-	-	-	-	(1,007)	-	-	-
Others	211	(7)	7	-	-	(1,510)	(1,259)	-
FINANCING CASH FLOW (c)	**(2,347)**	**(2,036)**	**(1,314)**	**9,216**	**99**	**(52)**	**(793)**	**(2,550)**
NET CASH FLOW (a+b+c)	**(238)**	**79**	**(3)**	**608**	**408**	**(1,307)**	**(295)**	**1,604**
Add: Beginning balance	**435**	**197**	**275**	**273**	**881**	**1,289**	**(18)**	**(313)**
Closing Cash & Equivalents	**197**	**275**	**273**	**881**	**1,289**	**(18)**	**(313)**	**1,291**

Source: Company, HSIE Research

Key Ratios

Year End (March)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
PROFITABILITY (%)								
GPM	39.4	37.3	37.0	42.1	45.6	46.5	48.0	48.5
EBITDA Margin (%)	7.3	5.9	7.3	12.2	13.8	14.2	16.2	17.3
EBIT Margin	5.1	4.1	5.6	10.5	11.8	12.1	14.1	14.9
PBT Margin	0.1	0.2	0.6	7.5	9.0	9.7	11.9	12.8
APAT Margin	0.1	0.1	0.3	5.5	7.1	7.3	8.8	9.5
RoE	0.4	0.4	2.2	19.8	17.0	18.0	21.6	21.7
RoIC (or Core RoCE)	4.4	2.9	7.2	15.3	13.9	13.4	14.9	15.8
RoCE	10.8	10.4	15.1	19.7	17.3	17.3	19.6	20.6
EFFICIENCY								
Tax Rate (%)	61.2	73.1	54.8	26.7	24.2	25.5	25.5	25.5
Fixed Asset Turnover (x)	2.9	3.7	3.5	3.3	3.2	2.9	2.7	2.5
Inventory (days)	48	65	46	59	70	67	68	68
Debtors (days)	130	111	136	181	168	169	170	170
Other Current Assets (days)	13	27	16	18	20	20	19	17
Payables (days)	73	66	77	63	75	75	73	73
Other Current Liab & Provns (days)	59	83	74	46	46	42	40	36
Cash Conversion Cycle (days)	**59**	**54**	**48**	**149**	**137**	**138**	**144**	**146**
Net D/E (x)	2.0	1.8	1.9	0.5	0.6	0.7	0.7	0.5
Interest Coverage (x)	0.9	1.0	1.1	3.0	3.4	4.5	5.3	5.8
PER SHARE DATA (INR)								
EPS	0.1	0.1	0.3	7.0	9.9	11.5	15.6	18.6
CEPS	2.1	2.0	2.4	9.1	12.7	14.8	19.2	23.3
Dividend	-	-	-	3.6	5.4	4.5	6.0	7.5
Book Value	14.4	14.5	14.5	55.9	60.3	67.3	76.9	94.9
VALUATION								
P/E (x)	11,454.1	10,660.4	1,888.2	87.6	61.7	53.0	39.1	32.7
P/BV (x)	42.2	42.0	41.9	10.9	10.1	9.1	7.9	6.4
EV/EBITDA (x)	91.1	96.3	73.0	41.5	33.3	29.4	23.4	19.4
EV/Revenues (x)	6.7	5.7	5.4	5.1	4.6	4.2	3.8	3.4
OCF/EV (%)	1.0	1.3	1.0	(3.8)	2.0	1.6	2.0	2.9
FCF/EV (%)	0.7	1.2	0.8	(4.5)	0.1	(0.7)	0.3	2.3
FCFE/Mkt Cap (%)	1.0	1.6	2.0	(3.6)	2.3	1.5	2.1	2.6
Dividend Yield (%)	-	-	-	0.6	0.9	0.7	1.0	1.2

Source: Company, HSIE Research

Tilaknagar Industries

Geared for pan-India play with IB takeover

We initiate coverage on Tilaknagar Industries (TIL) with a BUY and a Sep-27 TP of INR 700, valuing the company at 35x P/E. TIL is in the early innings of its national expansion, with *Imperial Blue* (IB) serving as the key catalyst for building a pan-India distribution footprint. As the IB franchise stabilizes by FY27E, we expect TIL to shift decisively toward accelerated innovation in the P&A portfolio while also strengthening its backend, supported by a favorable debt repayment structure, letting meaningful brand-building headroom. We model low-teen growth in FY28–29E, led by sustained low double-digit volume growth, which is a clear upside and should aid TIL deliver on its mid-teen volume aspiration. Margin targets appear well within reach: we see 16% in FY28E as achievable, with scope to expand toward ~17.5% in FY29E. If Tamil Nadu's opening to national brands materialises, it would serve as a major catalyst for the company and structurally strengthen its fundamentals.

- **A march from the south to pan-India:** TIL has bold ambitions in the IMFL landscape, where progressive state policies are creating conditions for healthier growth and a more level-playing field. It has long been a dominant force in the P&A segment in south India—deriving ~90% of its volumes from P&A—with over 40% share in brandy (ex-Tamil Nadu); post the IB acquisition, it now stands as the 3rd-largest P&A player nationally. Its decision to acquire IB, the world's 5th-largest whisky label, marks a bold strategic leap. Since the transition in Dec-25, TIL has already gained 150bps market share (in Q1FY27).
- **Focus beyond FY27 will be on addressing portfolio gaps, strengthening backend capabilities.** TIL derives > 90% of its volumes from the P&A segment, where it has a solid presence in brandy and whisky across key price points. Its premium and luxury ambitions are partially addressed through the Spaceman portfolio (has 21.36% stake, to be ~51% over the next 2-3 years) and Black Tiger Distilleries (looking to gain 30% strategic stake). Alongside this, the company has introduced organic brands such as *Monarch Legacy Brandy* and *Seven Island* to widen its premium play. We expect portfolio actions to accelerate meaningfully in FY28, supported by a strengthened sales team. As the revenue base expands, TIL may also turn its attention to reinforcing backend infrastructure, particularly distillation capacities, which should provide an additional lever for margin enhancement beyond FY29.
- **Improving leverage position to aid rerating:** TIL continues to trade at a meaningful discount to peers, a gap that in our view reflects concerns around its leveraged balance sheet and relatively high competitive intensity in a low prestige segment. However, discussions with the management and insights from on-ground teams reinforce confidence in the ongoing turnaround, with clear visibility on deleveraging, improving cash flows and strengthening brand architecture. As the balance sheet continues to strengthen and the premiumization roadmap gains traction, we believe the discount to peers should narrow, supporting a structural rerating. Key risks include adverse regulatory actions in core states that could impact its leveraged position.

Financial Summary (consolidated)

YE March (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue	13,940	13,805	23,456	45,222	50,972	57,403
EBITDA	1,854	2,549	4,192	6,993	8,265	9,966
APAT	1,410	2,296	2,528	3,014	4,545	5,548
Adj. EPS (INR)	7.3	11.8	10.2	11.9	17.9	21.8
P/E (x)	73	45	52	45	30	25
EV / EBITDA (x)	56	41	37	22	19	15
ROE (%)	24.8	29.9	13.1	9.4	12.6	13.7

Source: Company, HSIE Research

BUY

CMP (*as on 4 Sep 26*)	INR 535
Target Price	INR 700
NIFTY	23,898

KEY CHANGES	OLD	NEW
Rating	NA	BUY
Price Target	NA	INR 700
EPS %	FY27E	FY28E
	NA	NA

KEY STOCK DATA	
Bloomberg code	TLNGR IN
No. of Shares (mn)	247
MCap (INR bn) / ($ mn)	132/1,401
6m avg traded value (INR mn)	368
52 Week high / low	INR 595/372

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	28.3	27.0	16.4
Relative (%)	25.4	30.3	21.6

SHAREHOLDING PATTERN (%)	Mar-26	Jun-26
Promoters	31.7	31.6
FIs & Local MFs	5.9	6.3
FPIs	16.9	16.9
Public & Others	45.5	45.2
Pledged Shares	3.9	3.9

Source : NSE

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Exhibit 287: Tilaknagar Industries' one year forward P/E

Source: Bloomberg, Company, HSIE Research

Exhibit 288: Tilaknagar Industries - HSIE estimates vs Consensus estimates (Our earnings for factors 15% tax rate vs nil tax for previous years)

(INR mn)	HSIE estimates			Consensus estimates			HSIE vs Consensus estimates		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	45,222	50,972	57,403	45,783	50,593	55,862	(1.2%)	0.7%	2.8%
growth	92.8%	12.7%	12.6%	95.2%	10.5%	10.4%			
EBITDA	6,993	8,265	9,966	7,037	8,072	9,301	(0.6%)	2.4%	7.2%
growth	66.8%	18.2%	20.6%	67.9%	14.7%	15.2%			
EBITDA margin	15.5%	16.2%	17.4%	15.4%	16.0%	16.6%			
Adj. PAT	3,014	4,545	5,548	2,958	4,227	5,809	1.9%	7.5%	(4.5%)
growth	19.2%	50.8%	22.1%	17.0%	42.9%	37.4%			
Adj. EPS (INR/Share)	11.9	17.9	21.8	11.8	16.8	23.2	0.3%	6.1%	(6.0%)

Source: Bloomberg, HSIE Research

Exhibit 289: Tilaknagar Industries - Key assumptions

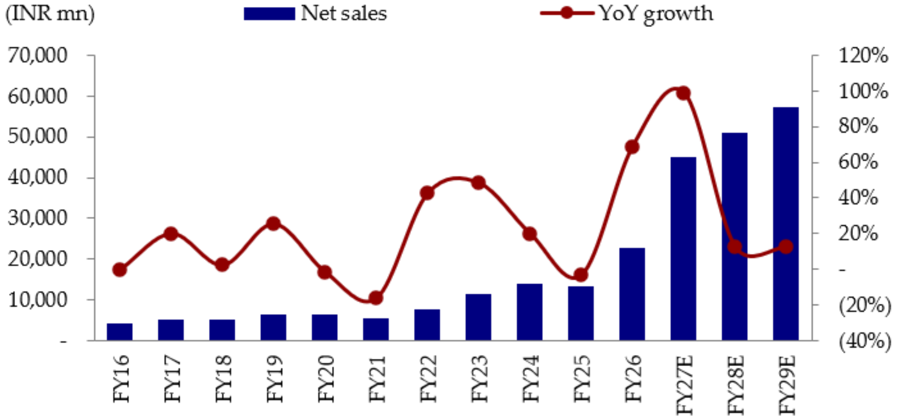
	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
P&L assumptions							
Revenue growth	48.6%	19.7%	(1.0%)	69.9%	92.8%	12.7%	12.6%
EBITDA growth	22.4%	35.2%	37.4%	64.5%	66.8%	18.2%	20.6%
Adj PAT growth	125.7%	95.3%	62.9%	10.1%	19.2%	50.8%	22.1%
Gross margin	47.1%	49.2%	47.3%	46.5%	45.0%	45.5%	46.5%
EBITDA margin	11.8%	13.3%	18.5%	17.9%	15.5%	16.2%	17.4%
Adj EPS (INR/share)	4.1	7.3	11.8	10.2	11.9	17.9	21.8
DPS (INR/Share)	0.3	0.5	1.0	1.0	0.9	1.8	3.3
Balance sheet							
Avg. RoE	23.4%	24.8%	29.9%	13.1%	9.4%	12.6%	13.7%
Avg. ROCE	13.2%	18.7%	24.7%	10.4%	9.0%	10.5%	12.4%
Inventory days	36	26	44	63	44	44	44
Receivable days	90	99	110	131	128	125	120
Payable days	40	32	39	52	38	36	35

Source: Company, HSIE Research

Exhibit 290: Tilaknagar Industries – Brand portfolio

Source: Company, HSIE Research

Exhibit 291: Tilaknagar Industries – Net sales and growth trends

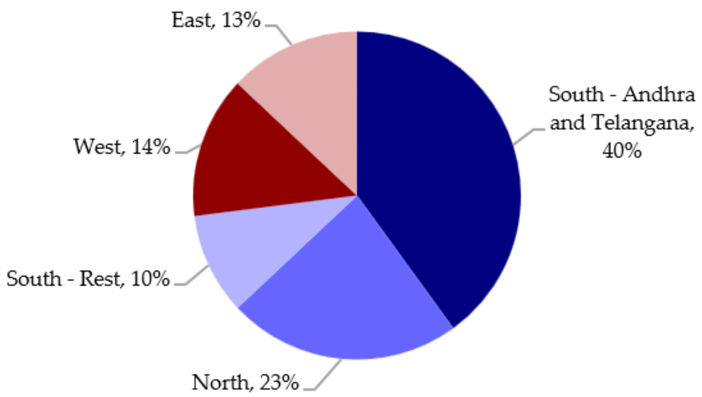


Source: Company, HSIE Research

Exhibit 292: Tilaknagar Industries – Regional revenue concentration

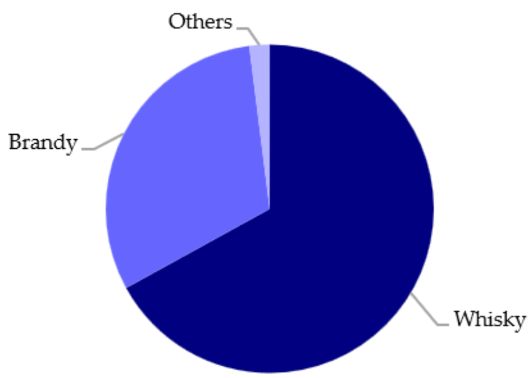
Tilaknagar revenue concentration:

- *For the traditional business Andhra Pradesh has been the biggest market, followed by Telangana, Karnataka and Pondicherry*
- *For Imperial Blue Telangana is the largest state, followed by Uttar Pradesh, Maharashtra, Assam and Haryana*



Source: Company, HSIE Research

Exhibit 293: Tilaknagar Industries – Category revenue concentration

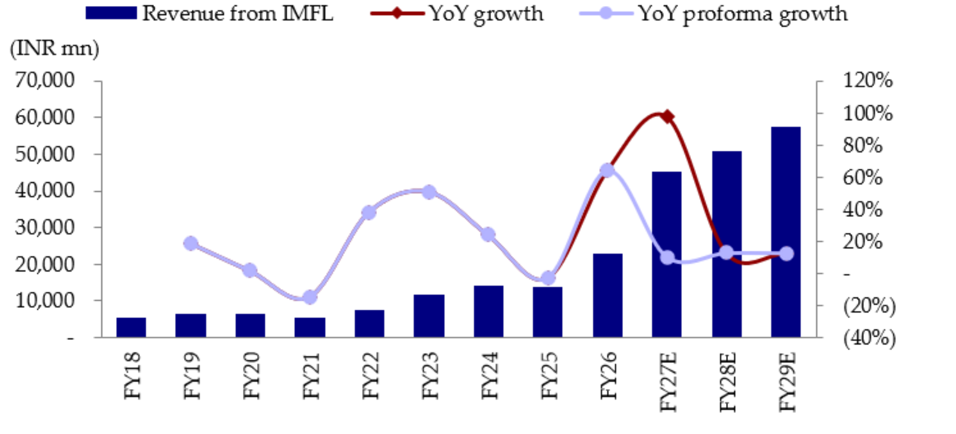


Source: Company, HSIE Research

We see Tilaknagar Industries' net revenue to see 12% CAGR over FY26-29E, on like for like basis. Compared to management aspirations for mid teen revenue growth over FY27-29E, we see low teen growth.

Our estimates do not factor any price hikes in Telangana, which is due in 2HCY26.

Exhibit 294: Tilaknagar Industries – Revenue from IMFL and growth trends

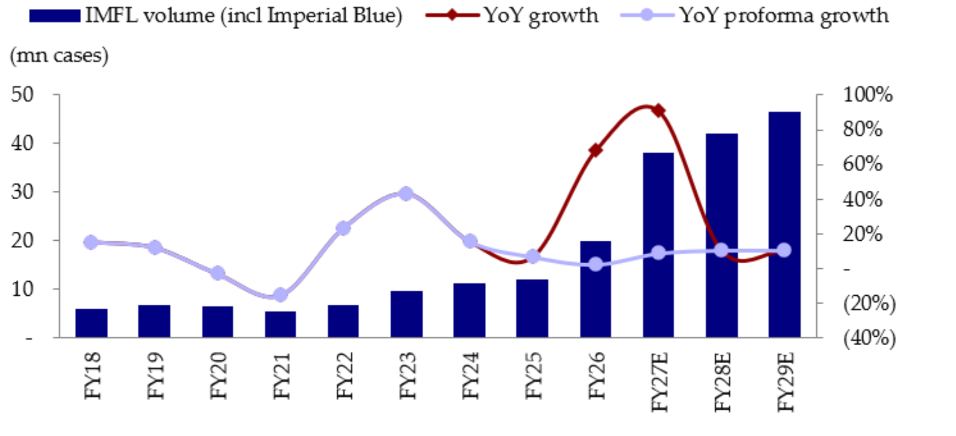


Source: Company, HSIE Research
Note: Proforma growth adjusts for IB business base

We see Tilaknagar Industries' IMFL volume to see 10% volume CAGR ahead, with 9% like for like growth in FY27E and low double-digit growth in FY28E and FY29E.

Management has guided for high single to low double digit volume growth for the combined business.

Exhibit 295: Tilaknagar Industries – IMFL volume and growth trends (Including IB)

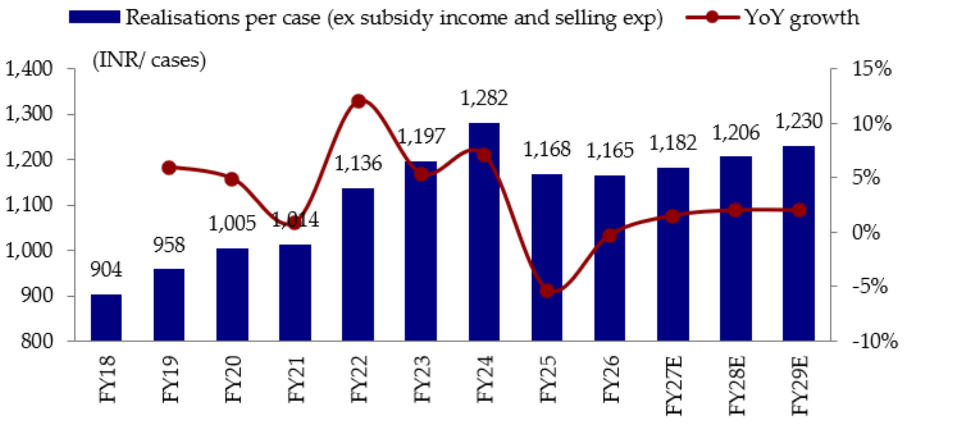


Source: Company, HSIE Research

Management has guided for 3% revenue growth driven from realisation improvements. While we have factored 2% realisation growth.

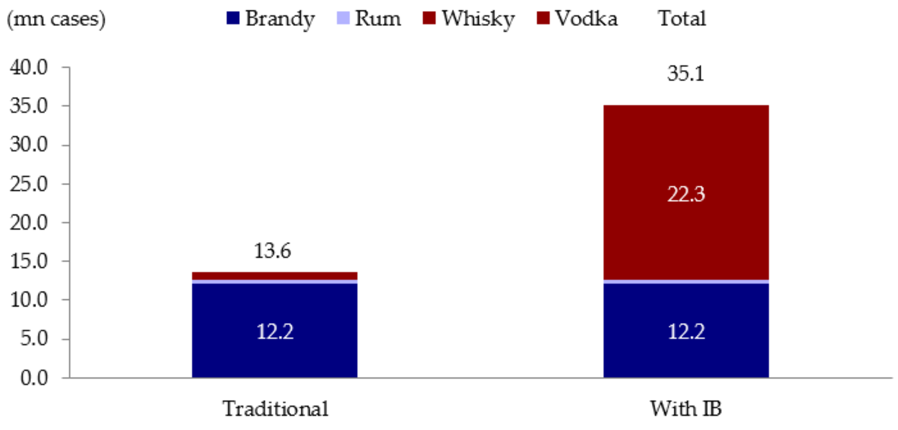
Realisation from FY25 is adjusted for selling expenses now netted off from revenue.

Exhibit 296: Tilaknagar Industries – IMFL realizations



Source: Company, HSIE Research
Note: Realization before FY25 and after are not comparable, as the company has adjusted for cash discounts, breakages, wastages, etc from FY25.

Exhibit 297: Tilaknagar Industries – Volume split for FY26



Source: Company, HSIE Research

We see Tilaknagar Industries' traditional business to see high single digit volume growth ahead.

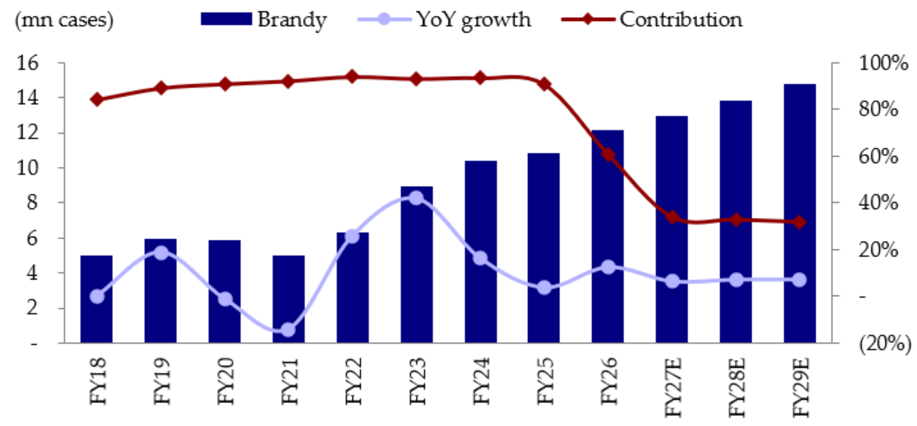
Exhibit 298: Tilaknagar Industries – Traditional business volume and growth trends

Source: Company, HSIE Research

Tilaknagar has 1/4th market share in Brandy, excluding Tamil Nadu While same for P&A stood at ~40%.

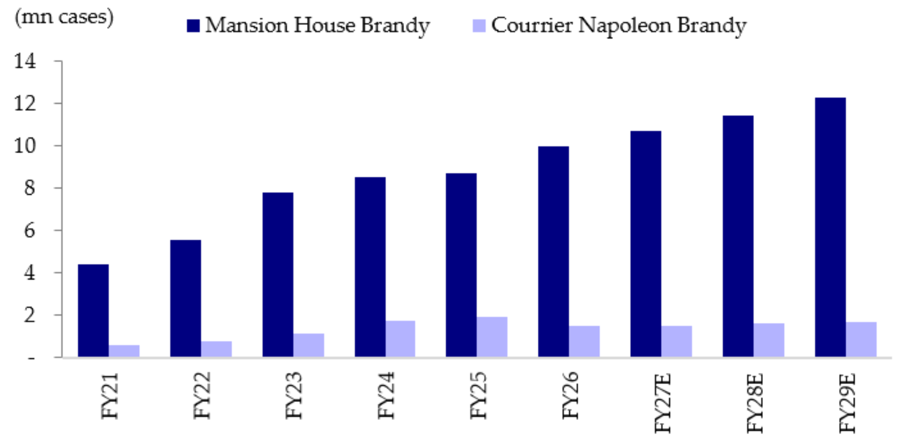
Amid traditional business, the company has 80% of the volumes concentrated in Andhra Pradesh, Telangana, Karnataka, Kerala, Pondicherry and CSD channel.

Exhibit 299: Tilaknagar Industries – Brandy volume, growth and contribution to overall IMFL volume



Source: Company, HSIE Research

Exhibit 300: Tilaknagar Industries – Volume trends for *Mansion House* Brandy and *Courrier Napoleon* Brandy



Source: Company, HSIE Research

Exhibit 301: Tilaknagar Industries – *Mansion House* is the highest selling and fastest growing premium brandy in the world

Source: Company, HSIE Research

Tilaknagar generate 40% of revenue for the brand in Andhra Pradesh, followed by 35% in Telangana and 10% in Pondicherry

Exhibit 302: Tilaknagar Industries – *Mansion House* range

Source: Company, HSIE Research

Balakrishna is a celebrity based in Telangana, he has been advocating for Mansion House Brandy, which has fast pace growth for the brand.

Exhibit 303: Tilaknagar Industries – Nandamuri Balakrishna (Bala) has been a bigger force driving consumption of *Mansion House* Brandy in Telangana

Source: Company, HSIE Research

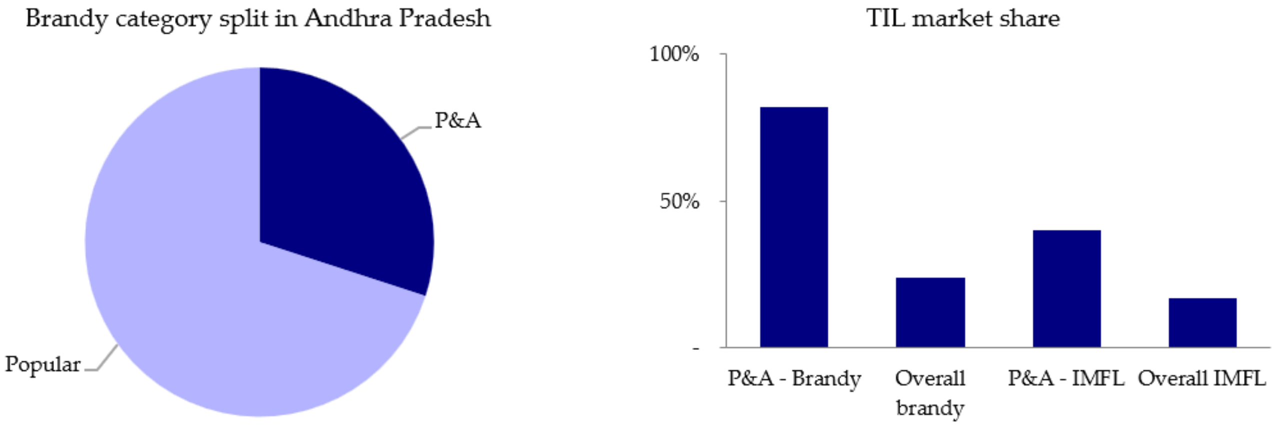
Tilaknagar predominantly has wider availability of Courrier Napoleon green offerings (premium segment offering), while in select market it has Red offering (positioned at semi-premium; price segment above Mansion House Brandy). Both Red and Green offerings are positioned in the Prestige and Above segment.

In the popular segment it has gold variant of Courrier Napoleon, active in Kerala and Pondicherry.

Exhibit 304: Tilaknagar Industries – *Courrier Napoleon* brandy

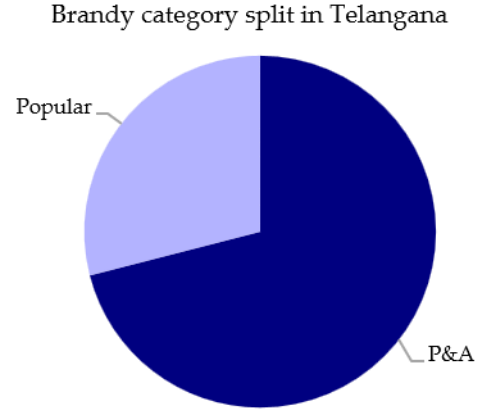
Source: Company, HSIE Research

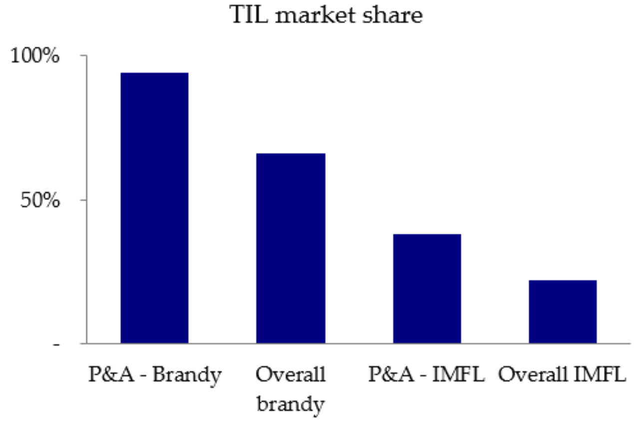
Exhibit 305: Tilaknagar Industries – Leadership in the Prestige and above segment in Andhra Pradesh



Source: Company, HSIE Research

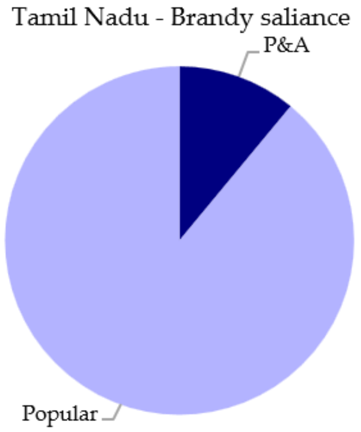
Exhibit 306: Tilaknagar Industries – Leadership in the Prestige and above segment in Telangana

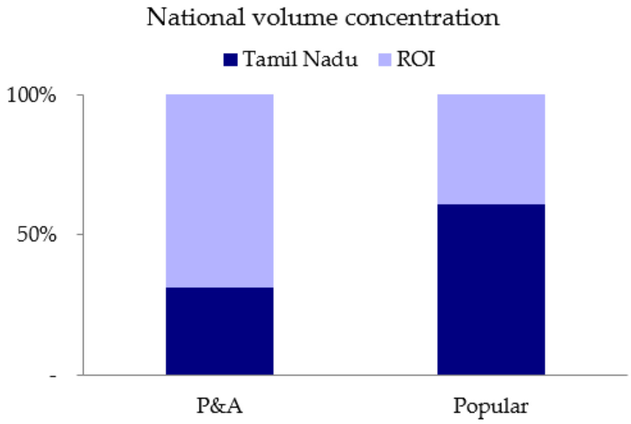




Source: Company, HSIE Research

Exhibit 307: Tilaknagar Industries – Tamil Nadu market opening to aid Tilaknagar brandy volumes





Source: Company, HSIE Research

Exhibit 308: Tilaknagar Industries – *Imperial Blue* is the third largest whisky brand globally

Source: Company, HSIE Research

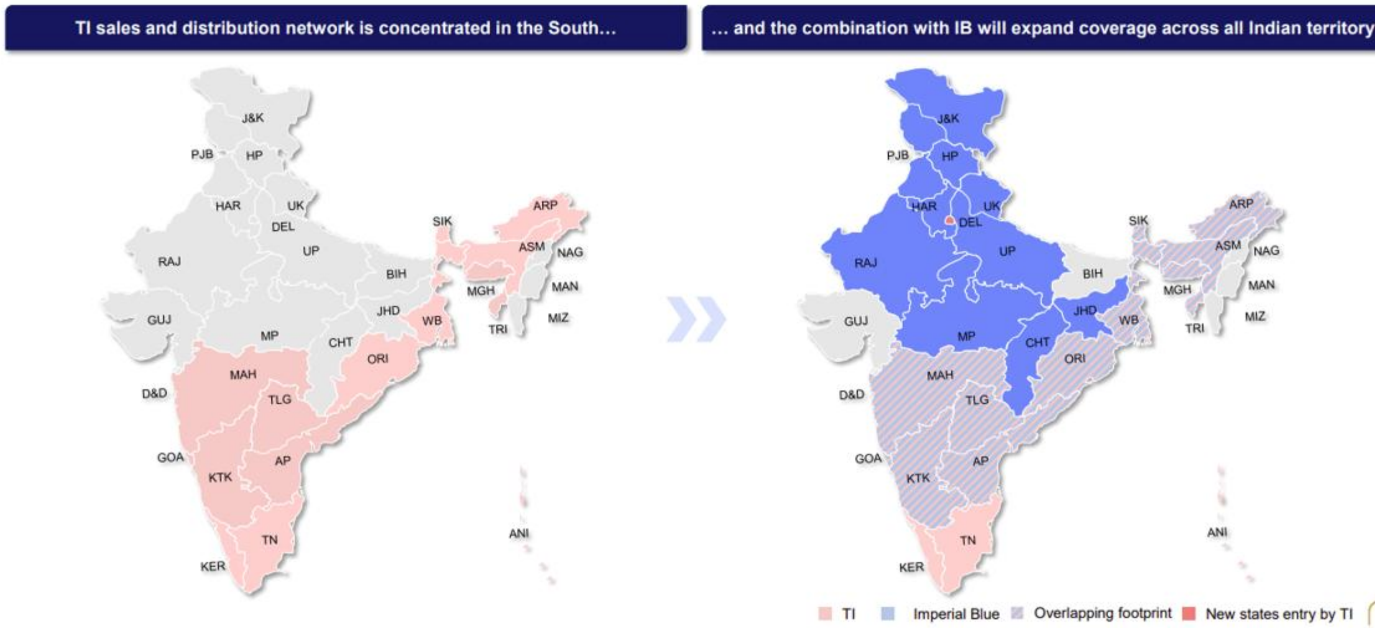
Tilaknagar got ownership of Imperial Blue on 30th Nov 2025.

The brand is relatively dilutive on margin with 11.7% OPM and 42.5% gross margin but enhances Tilaknagar positioning pan India. With efficiency efforts and relatively lower overhead and compliance costs, we see Tilaknagar enhancing its margin ahead.

Exhibit 309: Tilaknagar Industries – *Imperial Blue*

Source: Company, HSIE Research

Exhibit 310: Tilaknagar Industries – Imperial Blue helps expanding presence pan-India vs concentrated base in South



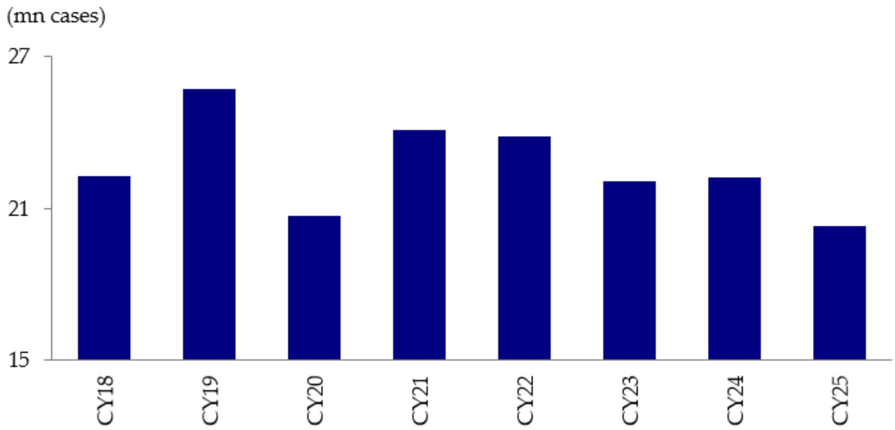
Source: Company, HSIE Research

At the time of acquisition, Imperial Blue had volumes at 21.5mn cases

To enhance opportunity, it has undertaking activation drive across 28k stores pan-India.

Tilaknagar got hold of Imperial Blue brand effective Dec-2025.

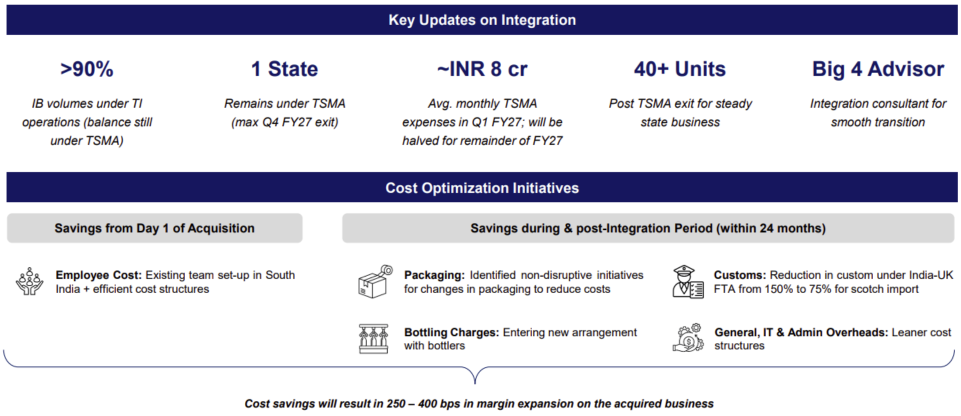
Exhibit 311: Tilaknagar Industries – *Imperial Blue* annual volume trends



Source: Industry, HSIE Research

Imperial Blue now has TSMA pending in Uttar Pradesh. As the business transitioned in Orissa, Punjab, Uttarakhand and Karnataka in Mar-26, there were hiccups in execution in Apr-26.

Exhibit 312: Tilaknagar Industries – *Imperial Blue* to see extensions ahead



Source: Company, HSIE Research

Post acquisition, the company has been quick to launch Imperial Black in Uttar Pradesh, extended availability beyond North-East India. The company has priced offering between low and mid prestige

Exhibit 313: Tilaknagar Industries – Roll out of *Imperial Black* in progress

Source: Company, HSIE Research

Karnataka ground checks:

- *Our ground checks indicate share gains in Karnataka; the company has enhanced salience of 90 ml SKU.*
- *Following the taxation revision in the state, Tilaknagar has been the quickest to revise prices and align with the 40% ABV requirement. With the reduced MRP (42.8% strength price reduced from INR260 to INR230 with ABV based taxation and now INR 200 with lower 40% ABV for 180ml SKU), the company is seeing healthy offtake.*
- *In the state, brand has started clocking volumes at 130-140k cases/month vs 80k cases with erstwhile owner*

Exhibit 314: Tilaknagar Industries – *Imperial Blue* revised MRP in Karnataka

Source: Company, HSIE Research

Rajasthan ground checks:

- *The company has seen enhanced market share gains in the market*
- *As per our trade checks, Imperial Blue share in the state expanded from low double digits to mid teen*

Exhibit 315: Tilaknagar Industries – *Imperial Blue* offtake enhanced in Rajasthan

Source: Company, HSIE Research

Haryana ground checks:

- *Post TSMA transition, with its revamped sales force, the company has enhanced its presence across Haryana market (expanded outlet presence).*
- *Unlike with erstwhile owner with wider portfolio, Tilaknagar has able to connect with chains with single brand and have able to pull sales.*
- *In the last six months brand has expanded share from low teen to high teen, in the state*

Exhibit 316: Tilaknagar Industries – *Imperial Blue* offtake gaining share in Haryana

Source: Company, HSIE Research

Telangana ground checks

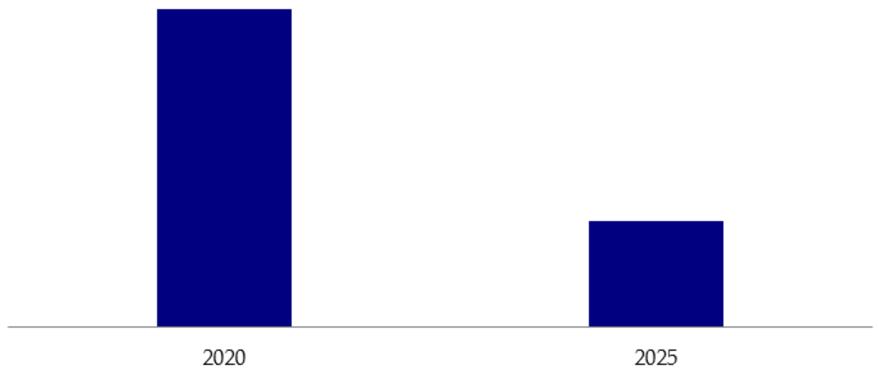
- *For Imperial Blue, Telangana is the biggest state.*
- *Vs 400-450k cases per month volume with erstwhile owner, Tilaknagar has able to pull volume to 560k cases in a month*
- *With erstwhile owner brand was present in select syndicates only. Now under Tilaknagar brand is present across state.*

Exhibit 317: Tilaknagar Industries – Enhanced visibility in Telangana

Source: Company, HSIE Research

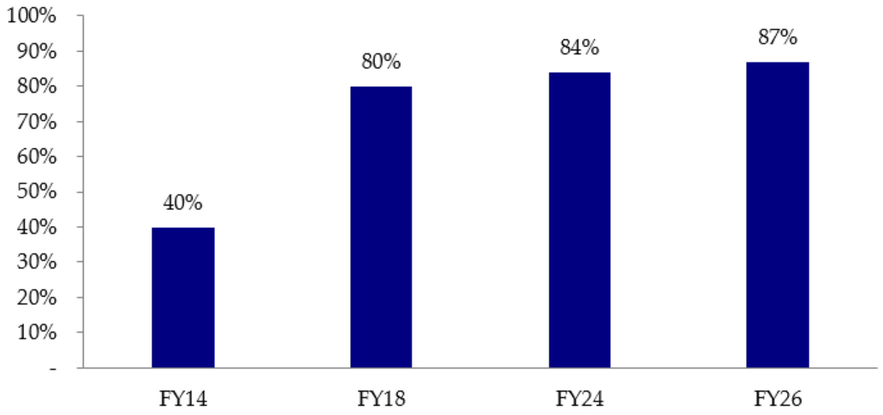
Since acquisition, Tilaknagar has able to regain 200bps share. We estimate its current share at 32-33% vs 31% at time of acquisition. With ICONiQ emerged as the bigger brand in the low Prestige segment we see recouping lost share to be tough, but with enhanced execution, it can outperform growth in the price segment

Exhibit 318: Tilaknagar Industries – Thrust on reclaiming historical peak market share for *Imperial Blue*



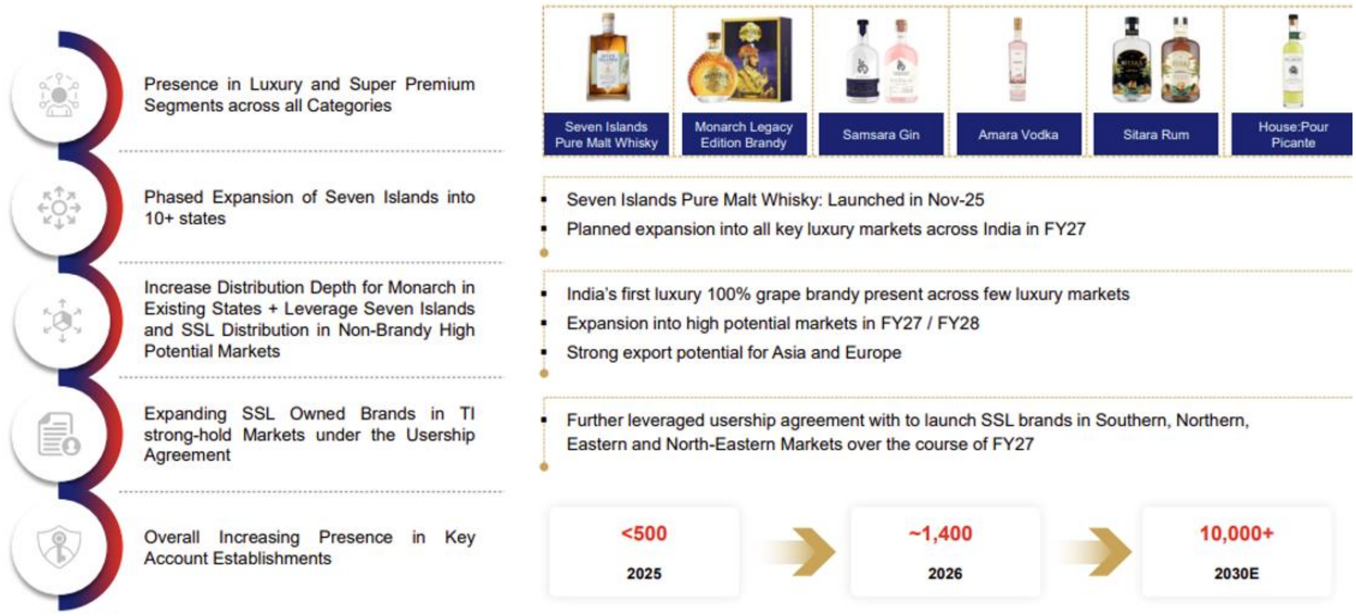
Source: Company, HSIE Research

Exhibit 319: Tilaknagar Industries – Prestige and above volume salience



Source: Company, HSIE Research

Exhibit 320: Tilaknagar Industries – Luxury push remains a central theme ahead



Source: Company, HSIE Research

Exhibit 321: Tilaknagar Industries – Forays into luxury price segment with the launch of *Monarch Legacy Edition* Brandy

Source: Company, HSIE Research

Exhibit 322: Tilaknagar Industries – Instore visibility drive for *Monarch Legacy Edition* Brandy

Source: Company, HSIE Research

Seven islands launched in Mumbai in Nov-25. Brand has four pure malts mixed in one and is positioned in the luxury price segment.

Exhibit 323: Tilaknagar Industries – Luxury segment plays with *Seven Islands*

Source: Company, HSIE Research

In the Luxury segment the company has play in Rum, Vodka and Gin via its 21.36% stake in Spaceman Spirits Lab, where the company is aiming at majority 51% stake in next 2-3 years.

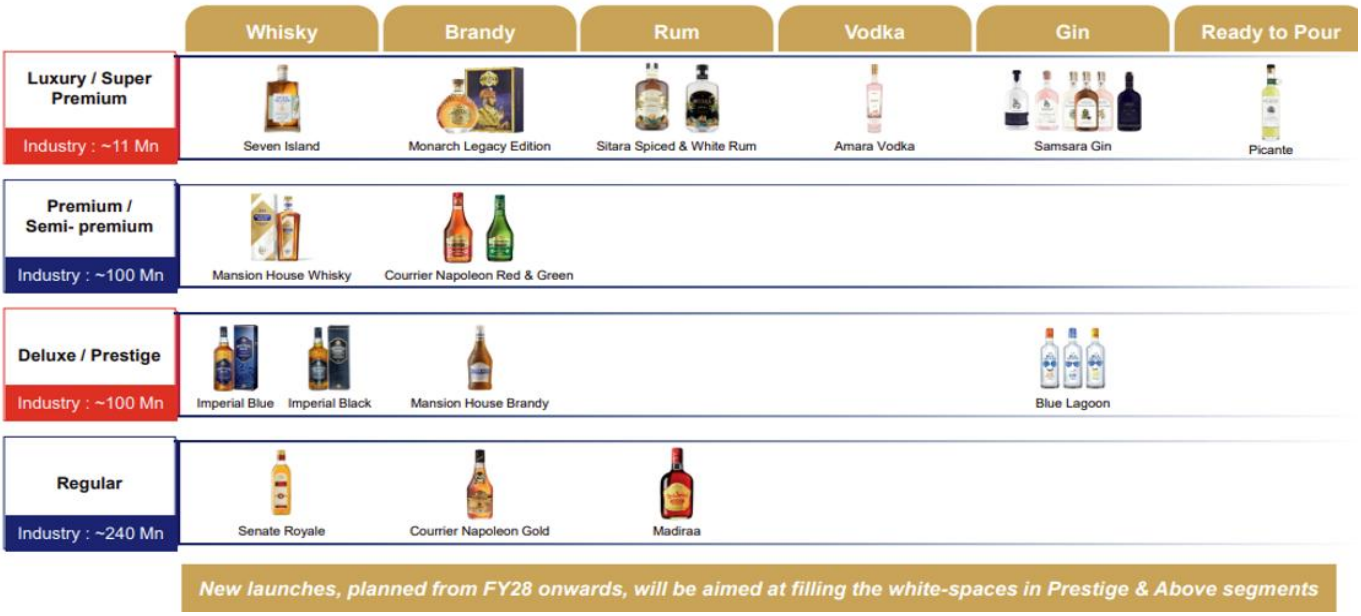
Given near term focus is on low prestige and premium segment, Tilaknagar does not want to miss out developing its play in Luxury segment.

Highest selling SKU is Pink Gin. Their Rum offering has high salience in exports, primarily to United Kingdom.

Exhibit 324: Tilaknagar Industries – Luxury plays via *Samsara* portfolio

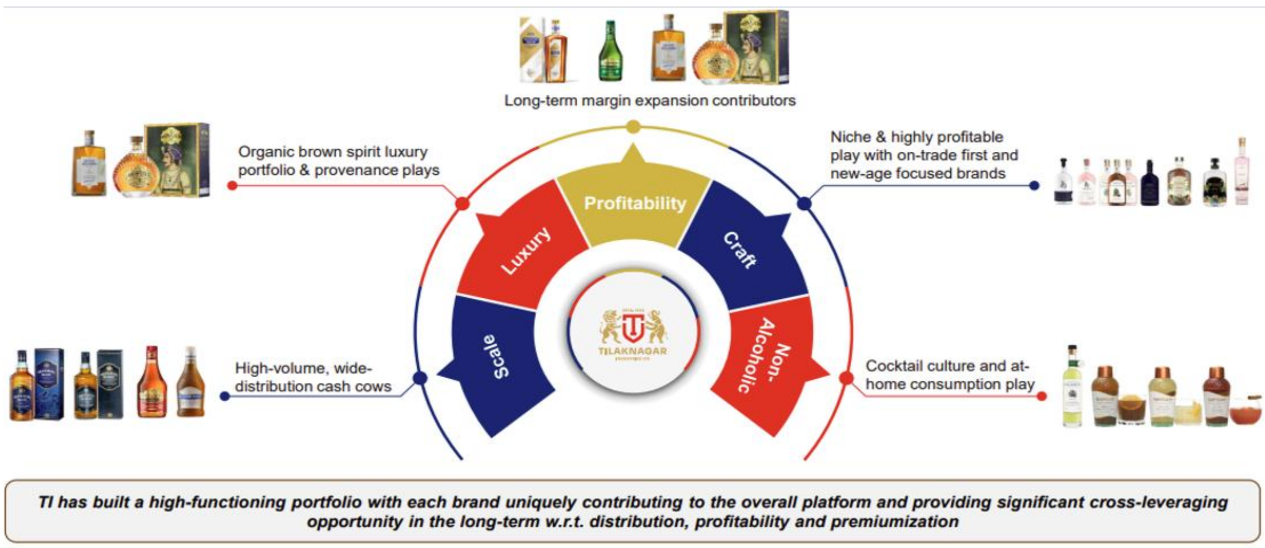
Source: Company, HSIE Research

Exhibit 325: Tilaknagar Industries – Portfolio presence across category price point



Source: Company, HSIE Research

Exhibit 326: Tilaknagar Industries – Portfolio addresses key objectives of the company



Source: Company, HSIE Research

Exhibit 327: Tilaknagar Industries – Management guidance ahead

Source: Company, HSIE Research

We see FY27 gross margin to be under pressure (down 150bps YoY), given inflationary glass bottle and cap prices. Cost pressure will partially offset in a) INR80/case price hikes in Assam, b) lower ENA and c) UK FTA benefits (expected to be INR200-220mn). Also, relatively lower margin for Imperial Blue to have negative effect on FY27 gross margin.

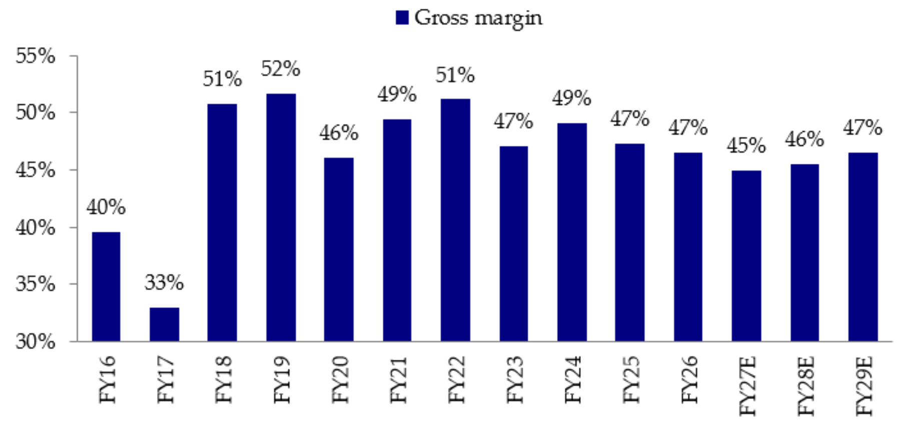
If Telangana price hikes come into effect in FY27, we see gross margin will largely be protected YoY. Every INR100 price hike will aid margin by 100bps for Tilaknagar.

From FY28 we see gross margin to have efficiency benefits.

Management is aspiring for 16% EBITDA margin in FY28E, which in our view is achievable.

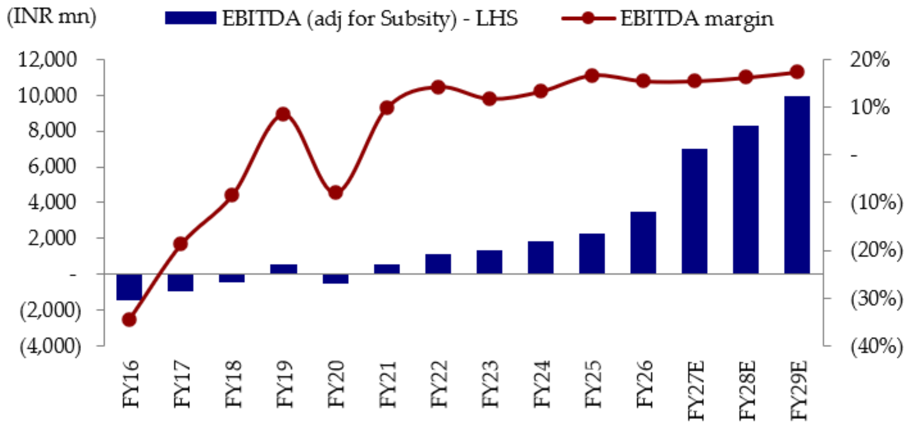
We build stable margin for FY27 and expect synergy benefits to reflect in margins from FY28E.

Exhibit 328: Tilaknagar Industries – Gross margin trends



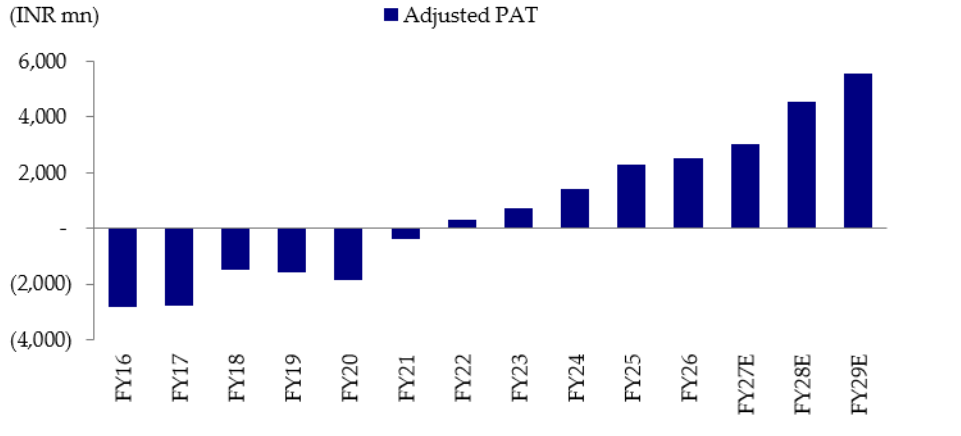
Source: Company, HSIE Research

Exhibit 329: Tilaknagar Industries – EBITDA (ex-subsidy) and growth trends



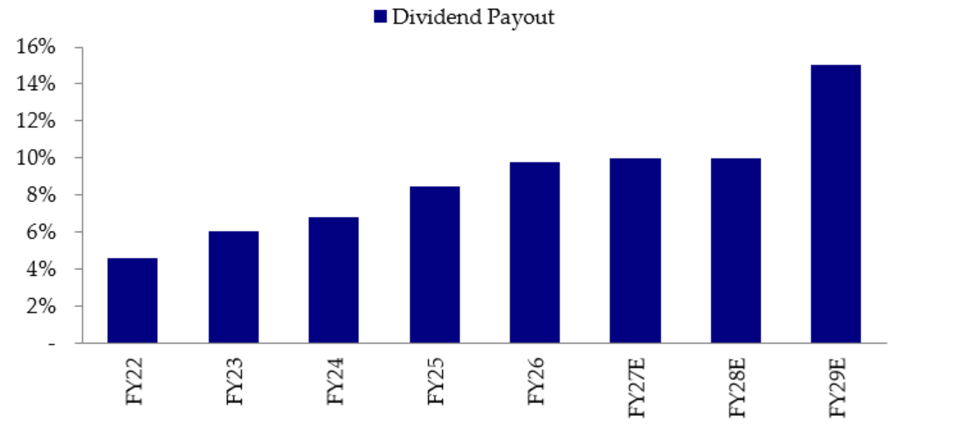
Source: Company, HSIE Research

Exhibit 330: Tilaknagar Industries – Adjusted PAT trends



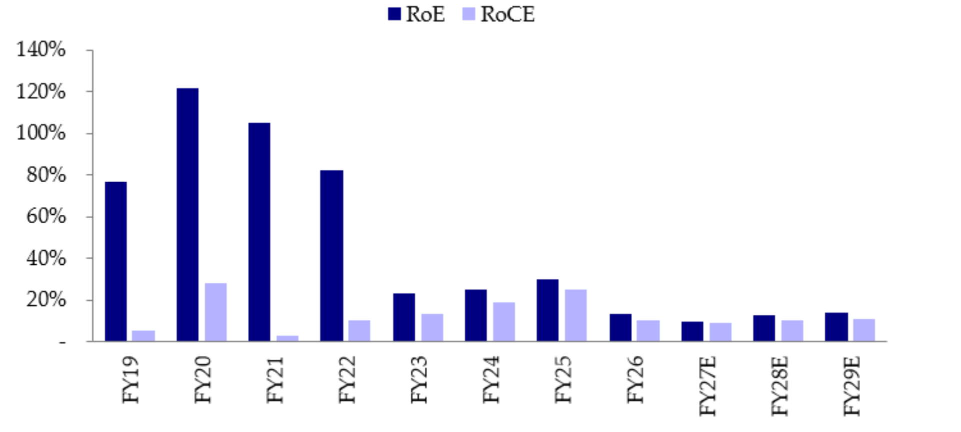
Source: Company, HSIE Research

Exhibit 331: Tilaknagar Industries – Dividend payout



Source: Company, HSIE Research

Exhibit 332: Tilaknagar Industries – Return profile likely to remain suppressed with mounting leverage position

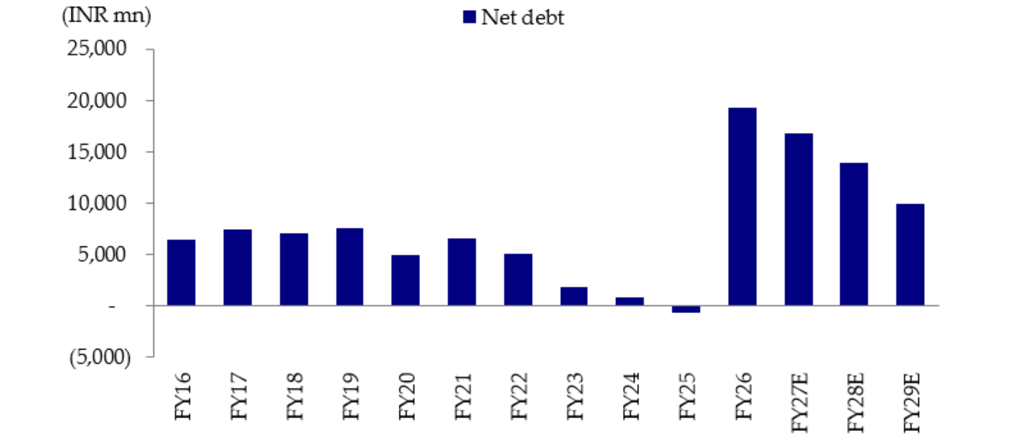


Source: Company, HSIE Research

Tilaknagar had net debt position at INR21bn as at Jun-26, which is largely attributed to Imperial Blue acquisition. As the company look to execute on the brand and expand pan India presence, it has availed attractive 80% ballooned payment requirements in last two years of its six-year debt, also first two years are moratorium period.

Net debt situation is expected to improve to INR17bn by Mar-27, utilising internal cash generations.

Exhibit 333: Tilaknagar Industries – Net debt position to be strained over medium term

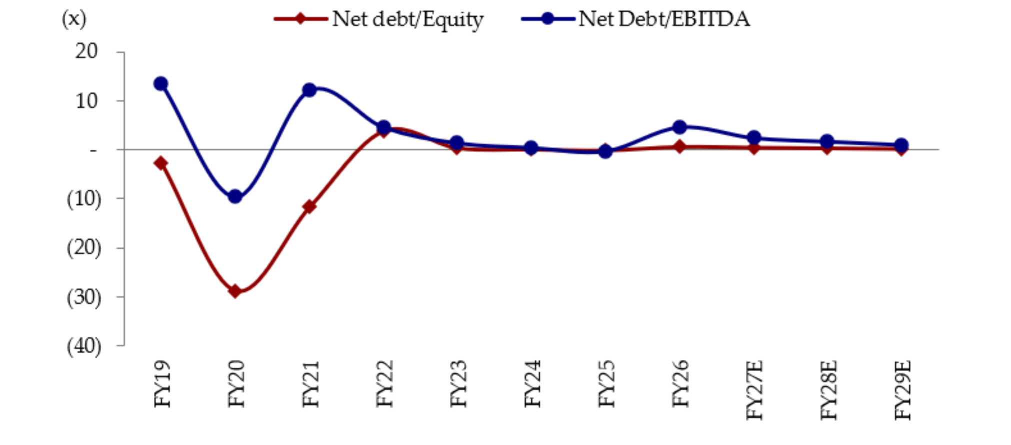


Source: Company, HSIE Research

Management is aiming to get net debt to EBITDA less than 1x, which in our view would be achieved in FY29E.

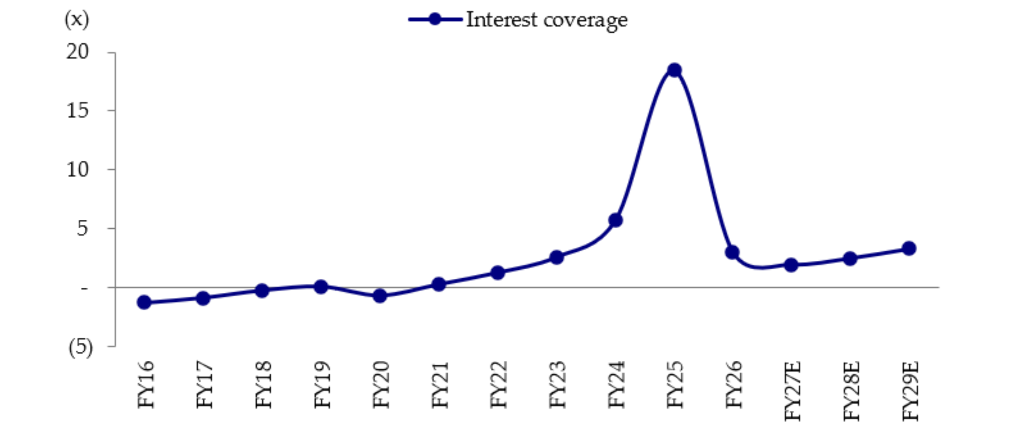
Effective interest for the term loan is at 10%-10.5%

Exhibit 334: Tilaknagar Industries – Net debt to Equity and Net debt to EBITDA



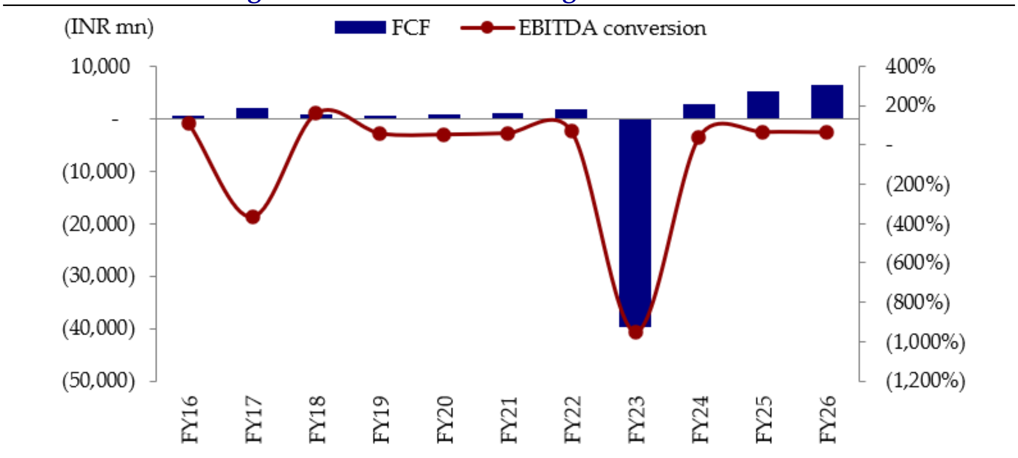
Source: Company, HSIE Research

Exhibit 335: Tilaknagar Industries – Interest coverage



Source: Company, HSIE Research

Exhibit 336: Tilaknagar Industries – Free cash generation and EBITDA conversion

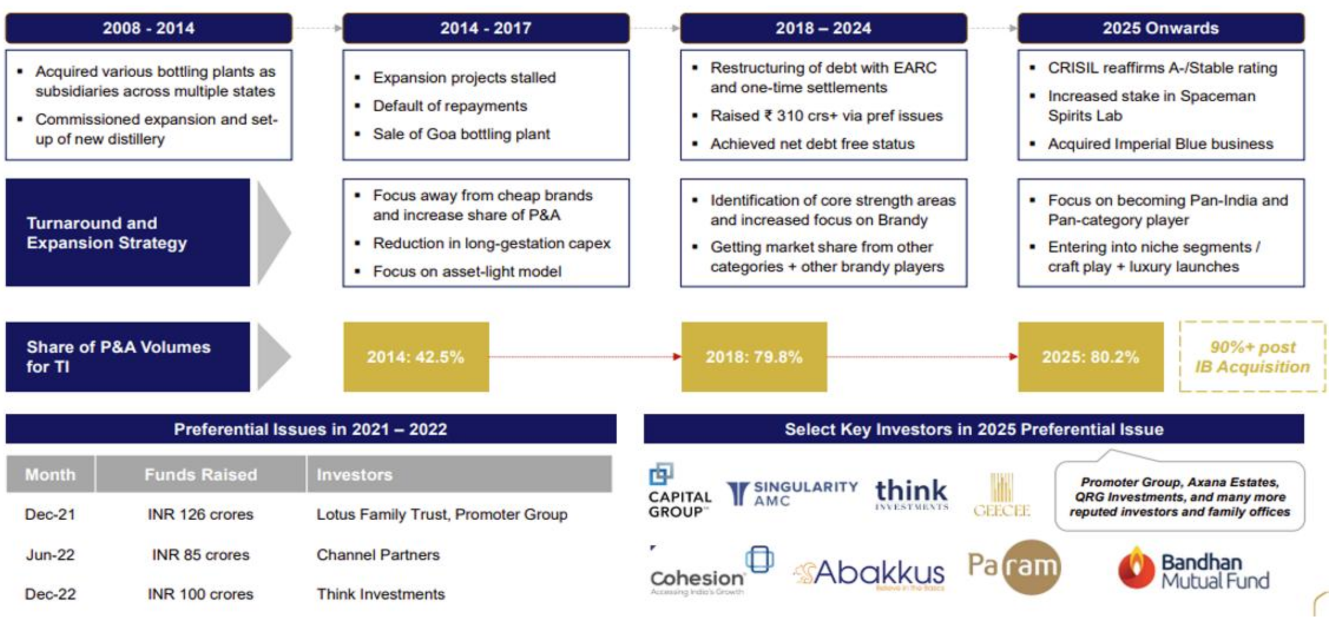


Source: Company, HSIE Research

Exhibit 337: Tilaknagar Industries – Execution team

Source: Company, HSIE Research

Exhibit 338: Tilaknagar Industries – History



Source: Company, HSIE Research

Income Statement (Consolidated)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenues	**7,834**	**11,644**	**13,940**	**13,805**	**23,456**	**45,222**	**50,972**	**57,403**
Growth (%)		*48.6*	*19.7*	*(1.0)*	*69.9*	*92.8*	*12.7*	*12.6*
Material Expenses	3,824	6,163	7,088	7,272	12,548	24,872	27,780	30,711
Employee Expense	321	376	468	550	969	1,890	2,155	2,457
Other Expenses	2,568	3,733	4,529	3,435	5,746	11,467	12,773	14,270
EBITDA	**1,121**	**1,372**	**1,854**	**2,549**	**4,192**	**6,993**	**8,265**	**9,966**
EBITDA Growth (%)		*22.4*	*35.2*	*37.4*	*64.5*	*66.8*	*18.2*	*20.6*
EBITDA Margin (%)	**14.3**	**11.8**	**13.3**	**18.5**	**17.9**	**15.5**	**16.2**	**17.4**
Depreciation	327	323	319	305	797	1,854	1,892	1,946
EBIT	**794**	**1,048**	**1,536**	**2,244**	**3,395**	**5,139**	**6,373**	**8,020**
Other Income (Including EO Items)	145	75	141	176	261	469	704	915
Interest	619	402	267	122	1,131	2,600	2,542	2,426
PBT before extraordinary items	**320**	**722**	**1,410**	**2,298**	**2,525**	**3,009**	**4,535**	**6,509**
Extraordinary items	132	777	(29)	-	(2,320)	(600)	-	-
Total Tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**976**
Share of loss of Joint Venture & Associates	-	-	-	(2)	3	5	10	15
RPAT after MI	452	1,499	1,380	2,296	209	2,414	4,545	5,548
Adjusted PAT	**320**	**722**	**1,410**	**2,296**	**2,528**	**3,014**	**4,545**	**5,548**
APAT Growth (%)		*125.7*	*95.3*	*62.9*	*10.1*	*19.2*	*50.8*	*22.1*
EPS	**2.2**	**4.1**	**7.3**	**11.8**	**10.2**	**11.9**	**17.9**	**21.8**
EPS Growth (%)		*89.1*	*77.3*	*61.6*	*(13.4)*	*15.9*	*50.8*	*22.1*

Source: Company, HSIE Research

Balance Sheet (Consolidated)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS								
Share Capital - Equity	1,586	1,853	1,927	1,936	2,472	2,543	2,543	2,543
Other Equity	(251)	2,976	4,612	6,886	27,345	31,447	35,537	40,253
Total Shareholders Funds	**1,335**	**4,829**	**6,539**	**8,822**	**29,817**	**33,989**	**38,080**	**42,795**
Total Debt	6,446	3,239	1,804	978	25,706	24,844	24,988	23,140
TOTAL CAPITAL EMPLOYED	**7,781**	**8,068**	**8,343**	**9,800**	**55,523**	**58,833**	**63,068**	**65,936**
APPLICATION OF FUNDS								
Net block	4,388	4,175	3,941	3,679	4,934	4,980	5,688	6,342
CWIP	1,002	1	3	34	603	603	603	603
Other Non Current Assets	543	424	538	962	34,160	32,723	31,378	30,036
Total Non-current Assets	**5,933**	**4,601**	**4,482**	**4,676**	**39,696**	**38,305**	**37,668**	**36,980**
Current Investments	-	221	10	86	0	0	0	0
Inventories	723	1,162	1,008	1,652	4,019	5,467	6,162	6,940
Debtors	2,368	3,388	4,185	4,105	12,718	15,859	17,456	18,872
Cash & Equivalents	706	442	385	1,028	3,604	5,113	8,071	9,973
Other Current Assets	403	302	264	580	1,563	1,641	1,724	1,810
Total Current Assets	**4,200**	**5,515**	**5,852**	**7,452**	**21,904**	**28,080**	**33,413**	**37,595**
Creditors	1,713	1,292	1,207	1,478	3,369	4,708	5,027	5,504
Other Current Liabilities & Provns	638	756	784	850	2,709	2,844	2,986	3,136
Total Current Liabilities	**2,351**	**2,047**	**1,991**	**2,328**	**6,078**	**7,552**	**8,014**	**8,640**
Net Current Assets	**1,849**	**3,468**	**3,861**	**5,124**	**15,827**	**20,528**	**25,400**	**28,955**
TOTAL APPLICATION OF FUNDS	**7,781**	**8,068**	**8,343**	**9,800**	**55,523**	**58,833**	**63,068**	**65,936**

Source: Company, HSIE Research

Cash Flow (Consolidated)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	412	1,499	1,380	2,298	206	2,409	4,535	6,509
Depreciation	327	323	319	305	797	1,854	1,892	1,946
Working Capital Change	(676)	(728)	(777)	(988)	(6,490)	(3,055)	(1,768)	(1,502)
Tax Paid	47	(12)	(11)	4	(37)	-	-	(976)
Interest/Dividend received	601	381	250	87	1,028	2,131	1,838	1,511
Other items	72	26	(15)	79	169	5	10	15
Extraordinary items	(132)	(777)	29	-	(119)	-	-	-
OPERATING CASH FLOW (a)	**651**	**713**	**1,175**	**1,784**	**(4,446)**	**3,343**	**6,506**	**7,503**
Capex	-	-	(82)	(69)	(35,334)	(500)	(1,200)	(1,200)
Free Cash Flow (FCF)	*651*	*713*	*1,093*	*1,716*	*(39,780)*	*2,843*	*5,306*	*6,303*
Others	(259)	(118)	(67)	(701)	(368)	507	649	858
INVESTING CASH FLOW (b)	**(259)**	**(118)**	**(149)**	**(769)**	**(35,702)**	**7**	**(551)**	**(342)**
Debt Issuance/(Repaid)	(750)	(2,267)	(1,316)	(803)	22,343	(1,000)	-	(2,000)
Interest Expenses	(584)	(373)	(247)	(100)	(884)	(2,600)	(2,542)	(2,426)
FCFE	***485***	***(1,181)***	***23***	***1,013***	***(16,552)***	***4,443***	***7,848***	***6,729***
Change in net worth	922	1,982	324	55	20,907	2,000	-	-
Dividend	(1)	(16)	(48)	(96)	(193)	(241)	(454)	(832)
FINANCING CASH FLOW (c)	**(413)**	**(674)**	**(1,287)**	**(944)**	**42,173**	**(1,841)**	**(2,997)**	**(5,258)**
NET CASH FLOW (a+b+c)	**(21)**	**(79)**	**(262)**	**71**	**2,025**	**1,509**	**2,959**	**1,902**
Add: Beginning balance	**449**	**427**	**348**	**87**	**157**	**2,182**	**3,691**	**6,650**
Closing Cash & Equivalents	**427**	**348**	**86**	**157**	**2,182**	**3,691**	**6,650**	**8,551**

Source: Company, HSIE Research

Key Ratios

Year End (March)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
PROFITABILITY (%)								
GPM	51.2	47.1	49.2	47.3	46.5	45.0	45.5	46.5
EBITDA Margin (%)	14.3	11.8	13.3	18.5	17.9	15.5	16.2	17.4
EBIT Margin	10.1	9.0	11.0	16.3	14.5	11.4	12.5	14.0
PBT Margin	4.1	6.2	10.1	16.6	10.8	6.7	8.9	11.3
APAT Margin	4.1	6.2	10.1	16.6	10.8	6.7	8.9	9.7
RoE	23.9	23.4	24.8	29.9	13.1	9.4	12.6	13.7
RoIC (or Core RoCE)	11.2	14.5	20.0	27.0	11.2	9.7	11.7	12.3
RoCE	10.2	13.2	18.7	24.7	10.4	9.0	10.5	12.4
EFFICIENCY								
Tax Rate (%)	-	-	-	-	-	-	-	15.0
Fixed Asset Turnover (x)	1.0	1.4	1.7	1.7	2.4	4.4	4.4	4.5
Inventory (days)	34	36	26	44	63	44	44	44
Debtors (days)	110	106	110	109	198	128	125	120
Other Current Assets (days)	19	9	7	15	24	13	12	12
Payables (days)	80	40	32	39	52	38	36	35
Other Current Liab & Provns (days)	30	24	21	22	42	23	21	20
Cash Conversion Cycle (days)	**53**	**88**	**91**	**106**	**190**	**124**	**124**	**121**
Net D/E (x)	4.3	0.6	0.2	(0.0)	0.7	0.6	0.4	0.3
Interest Coverage (x)	1.3	2.6	5.7	18.4	3.0	2.0	2.5	3.3
PER SHARE DATA (Rs)								
EPS	2.2	4.1	7.3	11.8	10.2	11.9	17.9	21.8
CEPS	4.4	6.0	9.0	13.4	13.5	19.1	25.3	29.5
Dividend	0.1	0.3	0.5	1.0	1.0	0.9	1.8	3.3
Book Value	9.1	27.6	33.9	45.4	120.6	133.7	149.7	168.3
VALUATION								
P/E (x)	245.5	129.8	73.2	45.3	52.3	45.2	29.9	24.5
P/BV (x)	58.8	19.4	15.8	11.8	4.4	4.0	3.6	3.2
EV/EBITDA (x)	75.1	70.2	56.4	40.8	36.8	22.3	18.5	15.0
EV/Revenues (x)	10.8	8.3	7.5	7.5	6.6	3.4	3.0	2.6
OCF/EV (%)	0.8	0.7	1.1	1.7	(2.9)	2.1	4.3	5.0
FCF/EV (%)	0.8	0.7	1.0	1.7	(25.8)	1.8	3.5	4.2
FCFE/Mkt Cap (%)	0.6	(1.3)	0.0	1.0	(12.5)	3.3	5.8	4.9
Dividend Yield (%)	0.0	0.0	0.1	0.2	0.2	0.2	0.3	0.6

Source: Company, HSIE Research

United Breweries

Execution must translate to delivery

We initiate coverage on United Breweries (UBL) with a REDUCE and a Sep-27 TP of INR 1,325, based on 48x P/E, ~25% below its 5Y average forward P/E. Valuation remains rich (64x 5Y average forward P/E) despite inconsistent earnings, supported by UBL's leadership in low-alcohol beverages, premiumization potential, and scarcity premium. The company continues to face regulatory hurdles and is rebalancing its supply between own and contract breweries. Under Heineken, premiumization remains a priority, but the surge in economy beer, need for new premium lines, inflation and competition have weighed on performance (FY20-26 revenue and earnings CAGR at +6% and -3%). With higher reliance on owned breweries, double-digit revenue growth looks achievable, with double-digit margins from FY28. The company aspires to achieve low- to mid-teen margins over the next 3–5 years. Given competitive intensity, we stay cautious, with earnings 11% below consensus for FY27-28E.

- **Reviving topline growth into double digits:** The company has been fixing its topline execution to align with profitable growth ahead. Its 6% revenue CAGR in last six years is underwhelming, where volume growth stood at 3%. We attribute the weaker performance to its increased reliance on contract brewers in structurally lower-profitability states, as well as dependence on tie-up units to handle sudden volume surges. We expect ramping up of market supply to be in place, and with the commissioning of the Telangana can line, Maharashtra can line and the greenfield capacity in Uttar Pradesh, the share of revenue from own breweries should expand, helping the company achieve double-digit growth. Build-up of 51k visi-cooler in a short span of time is likely to further aid visibility. Maharashtra, Karnataka, and Telangana are the company's key states, where faster growth could sustain. New launches are designed to address need for higher sessionability.
- **Improving margin would be key for return profile**: The company has struggled to recover gross margin after the sharp FY23 correction (down 680bps YoY and ~10ppt below its FY13-22 average gross margin of ~54%), settling at ~43%. This has also kept EBITDA margins in single digits. Management's focus is now on building margins to low- to mid-teen levels through a higher premium mix (now margin-accretive), an improved state mix, greater use of reused bottles, and ongoing productivity initiatives. Weak margins have dragged its return profile, but we see scope for improvement as margins recover and capex intensity moderates. On a low base, the earnings CAGR outlook remains strong at ~33% (vs ~37% consensus), though any inflationary or competitive shock pose a key delivery risk.
- **Outlook support valuation, negating patchy past key, initiate with ADD:** In the last 6/10Y, its sales and earnings CAGR stood at +6%/+7% and -3%/+6%, respectively. Despite historically inconsistent earnings, the stock's valuation (64x 5Y average forward P/E) remains elevated, reflecting its dominance in low alcohol beverages, premiumization runway, strong consumer traction, and a scarcity premium supported by limited free float and liquidity.

Financial Summary (consolidated)

YE March (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue	81,154	89,074	92,399	101,727	111,691	122,687
EBITDA	6,949	8,390	8,055	8,703	11,476	14,738
APAT	4,094	4,669	3,581	3,973	6,078	8,534
Adj. EPS (INR)	15.5	17.7	13.5	15.0	23.0	32.3
P/E (x)	83	72	94	85	56	40
EV / EBITDA (x)	49	41	43	40	30	23
ROE (%)	10.1	10.9	8.1	8.6	12.8	17.0

Source: Company, HSIE Research

REDUCE

CMP *(as on 4 Sep 26)*	INR 1,279
Target Price	INR 1,325
NIFTY	23,898

KEY CHANGES	OLD	NEW
Rating	NA	REDUCE
Price Target	NA	INR 1,325
	FY27E	FY28E
EPS %	NA	NA

KEY STOCK DATA	
Bloomberg code	UBBL IN
No. of Shares (mn)	264
MCap (INR bn) / ($ mn)	338/3,580
6m avg traded value (INR mn)	331
52 Week high / low	INR 1,853/1,275

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(5.3)	(21.5)	(30.3)
Relative (%)	(8.2)	(18.2)	(25.1)

SHAREHOLDING PATTERN (%)

	Mar-26	Jun-26
Promoters	70.8	70.8
FIs & Local MFs	18.1	17.8
FPIs	4.9	4.9
Public & Others	6.2	6.5
Pledged Shares	8.8	8.8

Source : NSE

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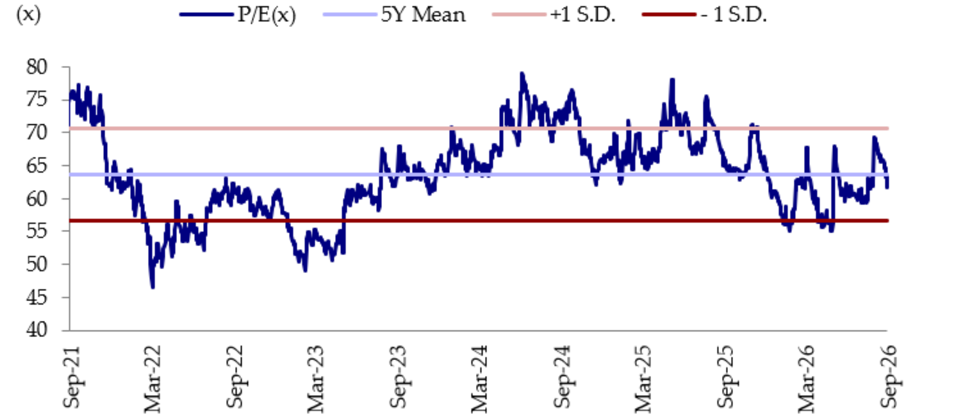
Exhibit 339: United Breweries' one year forward P/E



Source: Bloomberg, Company, HSIE Research

Exhibit 340: United Breweries' - HSIE estimates vs Consensus estimates

(INR mn)	HSIE estimates			Consensus estimates			HSIE vs Consensus estimates		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	101,727	111,691	122,687	103,438	113,938	125,633	(2%)	(2%)	(2%)
growth	10.1%	9.8%	9.8%	11.9%	10.2%	10.3%			
EBITDA	8,703	11,476	14,738	9,560	12,778	15,668	(9%)	(10%)	(6%)
growth	8.0%	31.9%	28.4%	18.7%	33.7%	22.6%			
EBITDA margin	8.6%	10.3%	12.0%	9.2%	11.2%	12.5%			
Adj. PAT	3,973	6,078	8,534	4,636	6,910	9,178	(14%)	(12%)	(7%)
growth	10.9%	53.0%	40.4%	29.5%	49.1%	32.8%			
Adj. EPS (INR/Share)	15.03	22.99	32.28	16.91	25.94	34.28	(11%)	(11%)	(6%)

Source: Bloomberg, HSIE Research

Exhibit 341: United Breweries' - Key assumptions

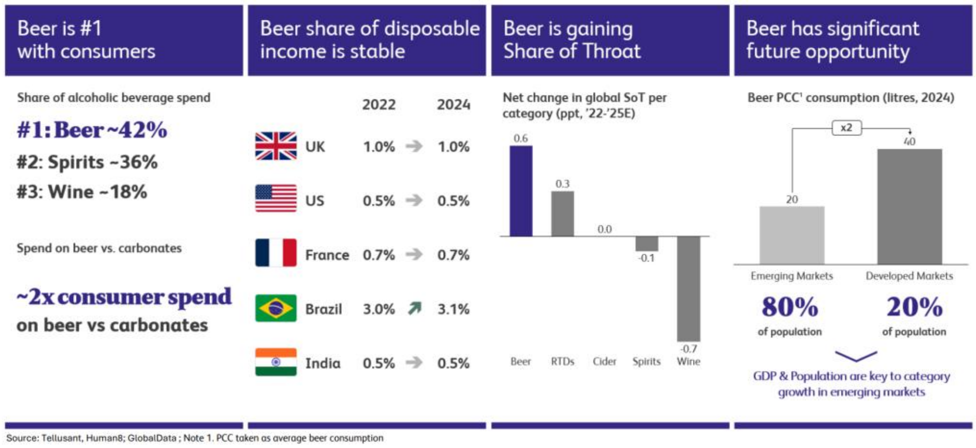
	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Profit and loss account							
Volume (mn cases)	188	191	202	208	225	240	257
Net realisation (INR/case)	388	412	425	427	435	448	462
Revenue growth	31%	8%	9%	3%	10%	10%	10%
EBITDA growth	(12%)	13%	21%	(4%)	8%	32%	28%
Adj PAT growth	13%	15%	18%	14%	15%	23%	32%
Gross margin	43%	43%	43%	44%	43%	44%	45%
EBITDA margin	8%	9%	9%	9%	9%	10%	12%
Adj EPS (INR/Share)	12.7	15.5	17.7	13.5	15.0	23.0	32.3
DPS (INR/Share)	7.5	10.0	10.0	10.0	10.0	15.0	21.0
Balance sheet							
ROE	8.5%	10.1%	10.9%	8.1%	8.6%	12.8%	17.0%
ROCE	11.5%	13.5%	14.0%	10.9%	10.9%	15.3%	18.5%
Gross block turns (x)	1.5	1.5	1.6	1.5	1.6	1.6	1.7
Inventory days	69	61	66	85	85	80	80
Receivable days	69	104	117	116	115	112	112
Payable days	35	43	47	71	70	70	70
Cash flow (INR bn)							
OCF	(1,184)	768	2,335	4,350	6,114	10,448	10,486
Capex	1,161	2,317	2,582	8,333	4,000	3,000	3,000
FCF	(2,342)	(1,135)	(211)	23	2,114	7,448	7,486

Source: Company, HSIE Research

Per-capita beer consumption is 2.5 litres in India, just 1/10 of the global average, and ~35% of India's per-capita spirits consumption.

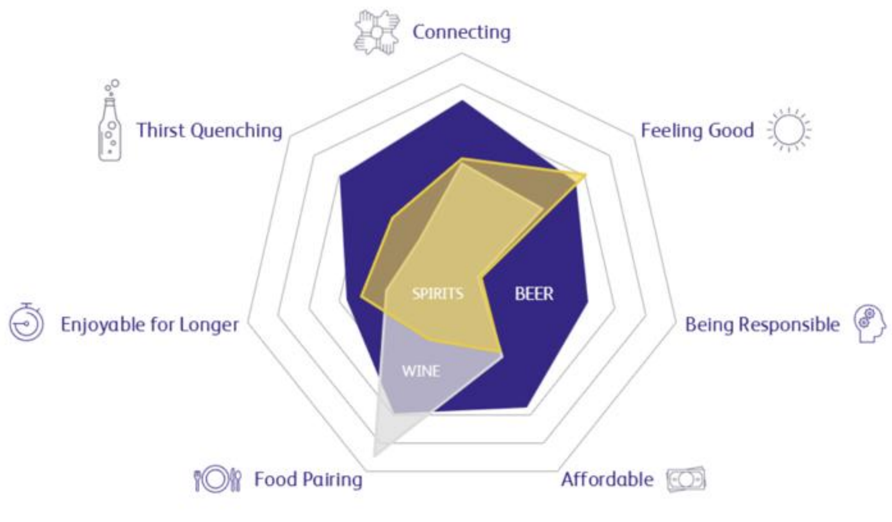
India is expected to be the key volume driver over the next 5 years for Heineken, with 3 of the top 4 brands active in the market.

Exhibit 342: United Breweries – Beer hold promise in India when compared to international consumption trends



Source: Company, HSIE Research

Exhibit 343: United Breweries – Beer meets consumer needs better than other alcoholic drinks



Source: Company, HSIE Research

Exhibit 344: United Breweries – Policy shift crucial for beer segment growth

Source: Company, HSIE Research

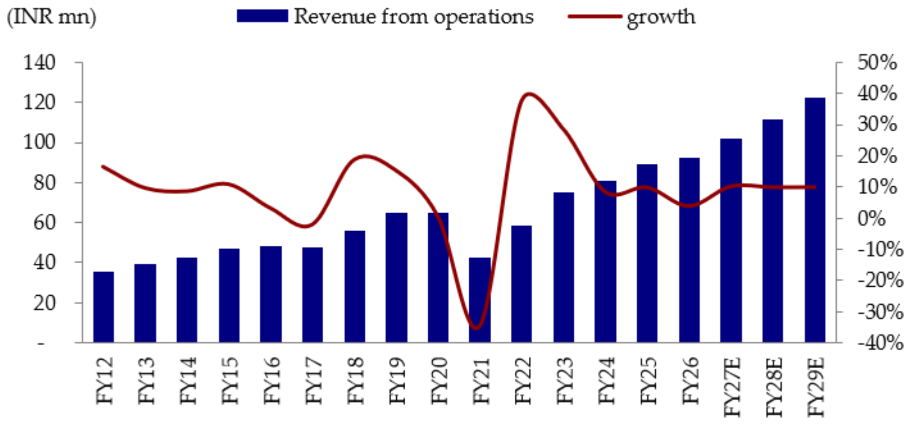
Exhibit 345: United Breweries – Thrust on winning across mainstream and premium

Source: Company, HSIE Research

Since Heineken's acquisition of United Breweries, the focus has been on strengthening operational execution. Alongside bringing global brands into India, the company has also been streamlining its own capacities.

Over the last three/six/ten years, its net sales grew at 7%/6%/7% CAGR. We expect most actions to enhance its own capacities to be largely in place. With the new can line and the greenfield facility in Uttar Pradesh coming on stream in FY27, we see revenue CAGR improving to ~10%.

Exhibit 346: United Breweries – Revenue from operations



Source: Company, HSIE Research

In the last couple of years, the company has seen faster expansion in income from contract-manufacturing units (units that are note exclusive), which, in our view, reflects leveraging 3P while simultaneously enhancing own capacities for the future.

In recent management calls, the company has highlighted faster growth in contract-sourced products, even as its endeavour has been to destock and repurpose its own capacities.

Salience of contract manufacturing stands at ~30% for the company.

This arrangement has a financial impact, as the company recognises net earnings from these contracts as other operating income.

Exhibit 347: United Breweries – Income from contract manufacturing

Source: Company, HSIE Research

Telangana: The company has invested in a high-capacity canning line and partnered with Crown, a global leader in beverage-can manufacturing. This will strengthen capabilities and support rising demand for premium and convenient formats.

The company has also undertaken network upgrades across Madhya Pradesh, Jharkhand, Odisha, and Puducherry through contract-manufacturing arrangements, further enhancing supply-chain agility and efficiency.

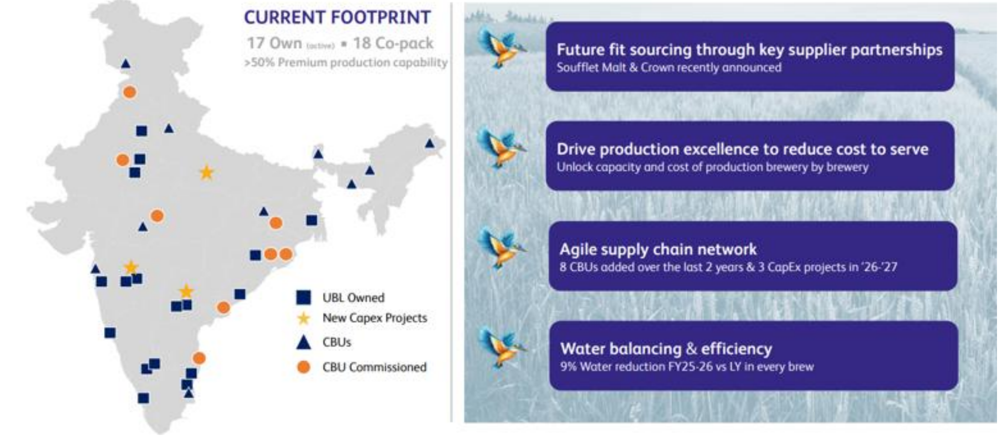
Given the capital-intensive nature of the industry, it operates with limited participants. In recent years, the company has increased its capex outlay, factoring in the need for premium and more efficient lines.

Of the 17 operational breweries, the company has completed value-engineering initiatives in packaging across 13 breweries.

Uttar Pradesh greenfield: The company has embarked on a greenfield capacity project in Uttar Pradesh (Unnao district), where it plans to install both can and bottle lines. The capacity will cater to the mainstream and premium segments.

Compared to the muted volume CAGR over the last decade, we see improvement ahead driven by a) a shift in mix towards its own capacities and b) the commissioning of new capacities.

Exhibit 348: United Breweries – Eight new contract breweries driving share of tie up sourcing higher



Source: Company, HSIE Research

Exhibit 349: United Breweries – India manufacturing locations

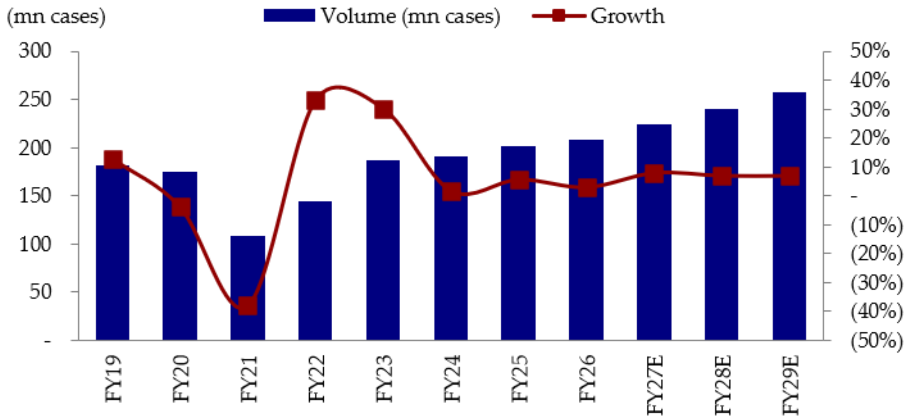
Manufacturing footprint

1. Ludhiana, Punjab	8. Ajanta (Aurangabad), Maharashtra	15. Nelamangala, Karnataka
2. Dharuhera, Haryana	9. Ellora (Aurangabad), Maharashtra	16. Nanjangud, Karnataka
3. Shahjahanpur, Rajasthan	10. Khordha, Odisha	17. Srikakulam, Andhra Pradesh
4. Chopanki, Rajasthan	11. Mallepally, Telangana	18. Cherthala, Kerala
5. Naubatpur, Bihar	12. Kothlapur, Telangana	19. Palakkad, Kerala
6. Kalyani, West Bengal	13. Ponda, Goa	20. Kuthambakkam, Tamil Nadu
7. Taloja, Maharashtra	14. Mangalore, Karnataka	21. Aranvoyal, Tamil Nadu

As on March 31, 2026 - Out of 21 owned manufacturing plants, 3 plants viz., Naubatpur, Cherthala and Mangalore are currently not operational.

Source: Company, HSIE Research

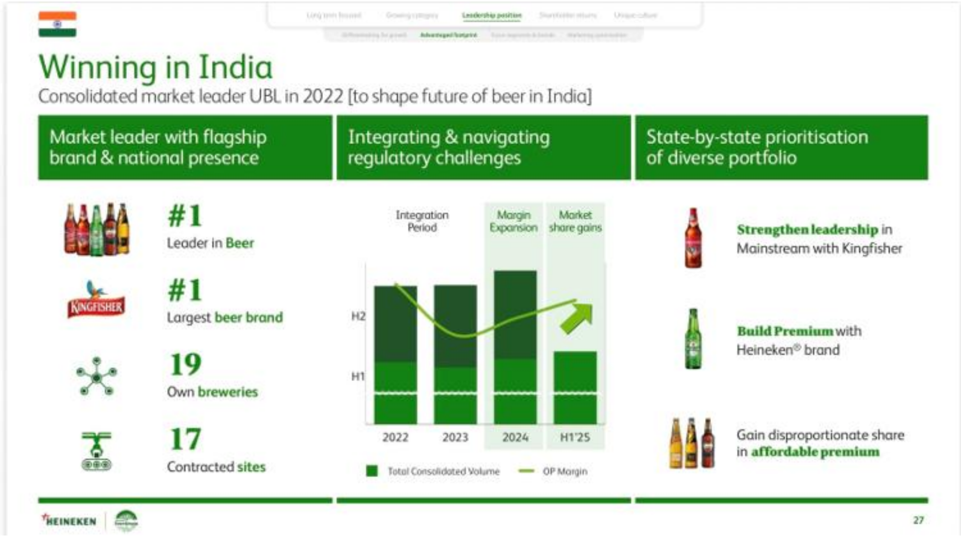
Exhibit 350: United Breweries – Volume and growth trend



Source: Company, HSIE Research

Heineken considers the India business a critical strategic pillar. India is the largest frontier market globally, both in terms of per-capita upside and absolute growth potential.

Exhibit 351: United Breweries – For Heineken winning in India is crucial



Source: Company, HSIE Research

Exhibit 352: United Breweries – India is at the heart of Heineken's growth agenda

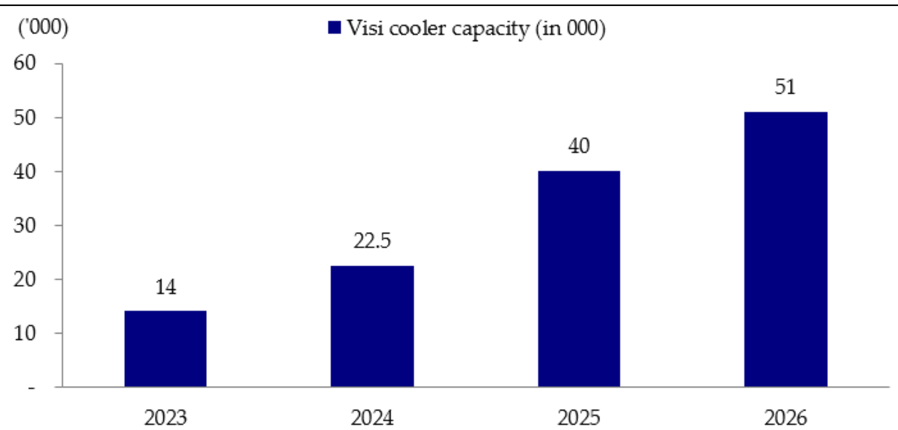
Source: Company, HSIE Research

Beer is consumed cold; hence having cooling infrastructure at the outlet is crucial. In the last couple of years, the company has substantially enhanced its cooling infrastructure.

The company now has ~51k coolers in the market across ~45k outlets. The expanded visi-cooler base is enhancing the consumer experience at the point of purchase.

The company is also looking to strike a trade-off between trade spend and visi-cooler deployment at retail outlets.

Exhibit 353: United Breweries – Visi cooler coverage enhanced across off trade outlets

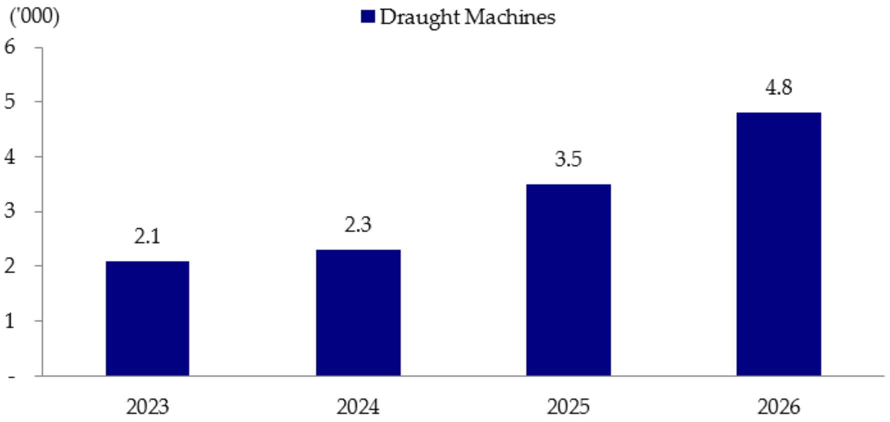


Source: Company, HSIE Research

Exhibit 354: United Breweries – Visi cooler coverage in South India

Source: Company, HSIE Research

Exhibit 355: United Breweries – Draught machine coverage expanded in on-trade outlets

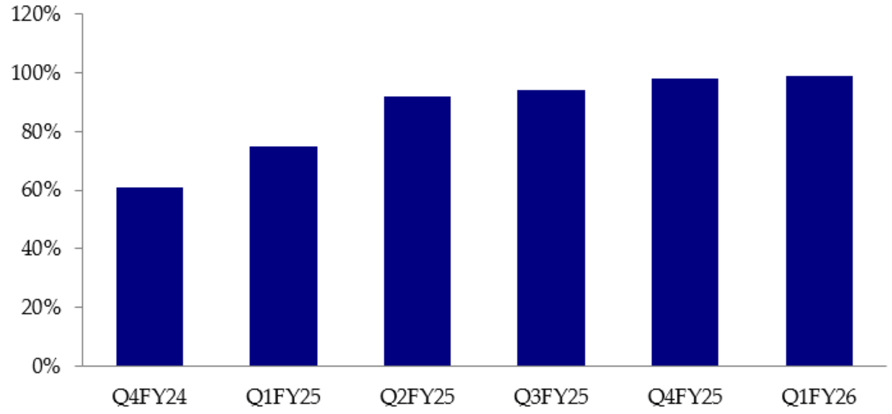


Source: Company, HSIE Research

Exhibit 356: United Breweries – Enhanced focus on winning at the store

Source: Company, HSIE Research

Exhibit 357: United Breweries – Direct coverage enhanced to near 100%, 1.6x increase in 15 months



Source: Company, HSIE Research

Key facts

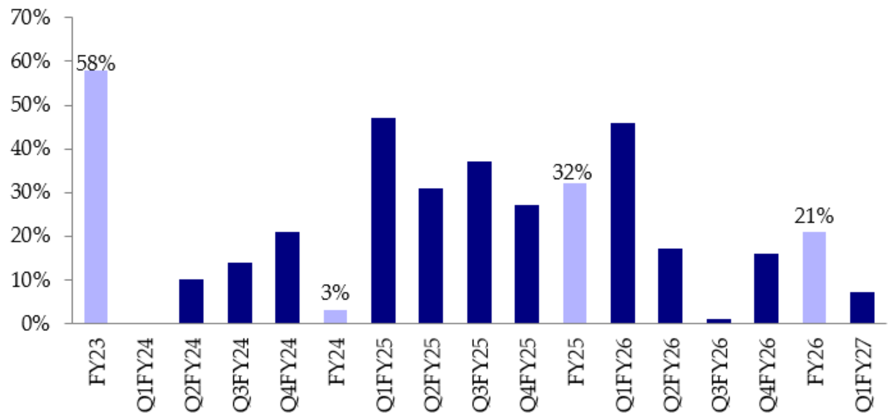
- *58% of consumers enter the alcoholic-beverages segment through the Kingfisher brand.*
- *The remaining 42% enter via competing beer brands or IMFL offerings.*
- *Heineken is the largest global beer brand, with presence across 193 countries; its product formulation has been consistent for 140 years, ensuring the same taste worldwide.*
- *Among regional brands globally, Kingfisher is the second-largest, after Mexico's Tecate.*
- *Premium offerings are active in only 60% of markets.*

Exhibit 358: United Breweries – decentralized regions for faster execution with local decision making

Source: Company, HSIE Research

From Q1FY27, the company's premium volumes have turned margin-accretive. Faster growth in this portfolio should help rebuild overall margins.

Exhibit 359: United Breweries – volume growth in the premium portfolio



Source: Company, HSIE Research

Note: Slower volume growth in last few quarters is attributed to destocking. Like for Q1FY27, adjusted for destocking, premium volume grew 17% (90% of the states), 10% pts better vs reported 7%

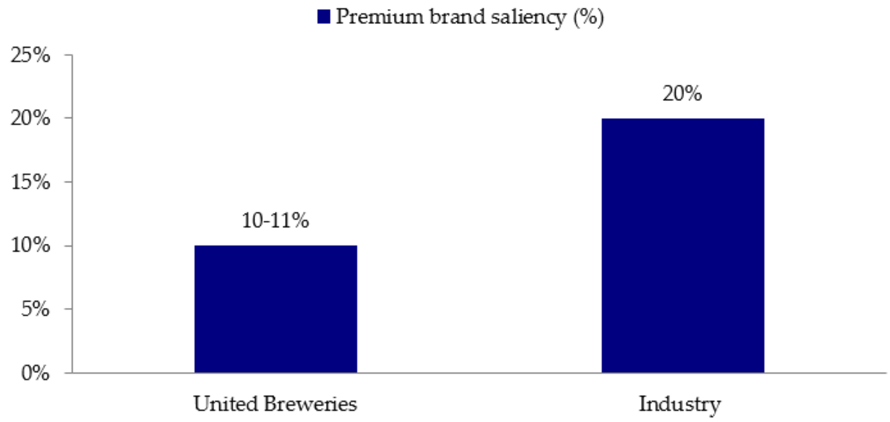
Exhibit 360: United Breweries – educating consumers on product quality and the key differentiators versus competition

Source: Company, HSIE Research

The premium segment accounts for ~20% of the category, while United Breweries remains under-indexed at 10–11%. The company's premium portfolio is currently active in only 60% of its markets.

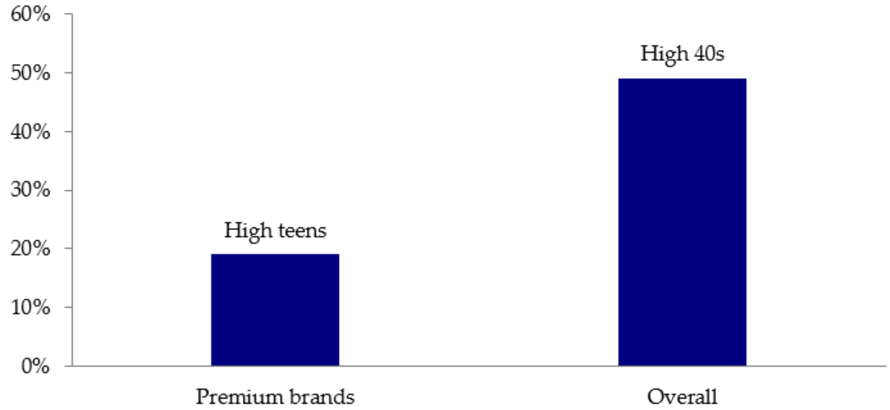
The company aspires to lift this share to ~20% over the medium term

Exhibit 361: United Breweries – Premium portfolio salience



Source: Company, HSIE Research

Exhibit 362: United Breweries – Beer volume market share



Source: Company, HSIE Research

Amstel Grande has built strong early momentum and received excellent consumer acceptance across Maharashtra, Kolkata, Bengaluru, and Uttar Pradesh during FY26, as per management.

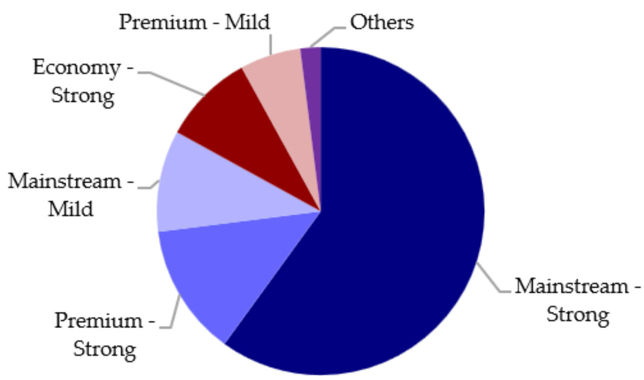
Heineken Silver is a recipe developed specifically for the APAC market — including India, China, and Vietnam — to meet demand for easier-to-drink, less bitter, lighter-bodied beer.

Heineken Silver has seen the strongest offtake among the three Heineken launches in India, gaining momentum in Goa, Karnataka, Maharashtra, Delhi, West Bengal, and Daman & Diu.

The company extended the brand to Haryana, Kerala, Orissa, and Madhya Pradesh in 2026 and aims to enter three additional states later this year.

Overall, Heineken is present in 60% of markets in India. Production infrastructure at breweries needs upgrades, including horizontal fermenters and pressure-sensitive specialty labelling equipment.

Exhibit 363: United Breweries – Share in the beer market across price points



Source: Company, HSIE Research

Exhibit 364: United Breweries – *Amstel Grande* Bier in India

Source: Company, HSIE Research

Exhibit 365: United Breweries – *Heineken Silver* bode will with India consumer

Source: Company, HSIE Research

The premium portfolio under the mainstream Kingfisher brand — Ultra and Ultra Max — is delivering faster growth for the company. The offerings are positioned as affordable premium choices.

The combined portfolio grew 27% in FY26, with Ultra Max delivering a robust 59% growth. The company gained 240bps share in FY26 across both brands, supporting the overall 170bps share gain for the Kingfisher franchise.

The company re-engineered packaging to unify the bird, trademark, and branding across Kingfisher and Ultra.

Exhibit 366: United Breweries – *Kingfisher* premium offerings Ultra and Ultra Max

Source: Company, HSIE Research

Kingfisher Smooth, launched in Jan-26, is positioned as a game-changing innovation (as per the company) designed to address evolving consumer preferences for a smoother and more approachable beer experience. This offering also carries relatively better margins than Kingfisher Strong.

Initial rollouts across Rajasthan, Karnataka, and Maharashtra have received encouraging consumer response, as per the company.

The use of aromatic hops ensures a cleaner finish, with no lingering after-smell.

Exhibit 367: United Breweries – *Kingfisher* premium offerings Ultra and Ultra Max

Source: Company, HSIE Research

During FY26, the company extended its economy offerings — Bullet beyond Karnataka, London Pilsner into Odisha after Karnataka, and Kalyani Black was relaunched in West Bengal.

Management highlighted that the new launches reflect evolving consumption patterns, and are being rolled out in a context where capacity is sufficient and the offerings are not margin-dilutive.

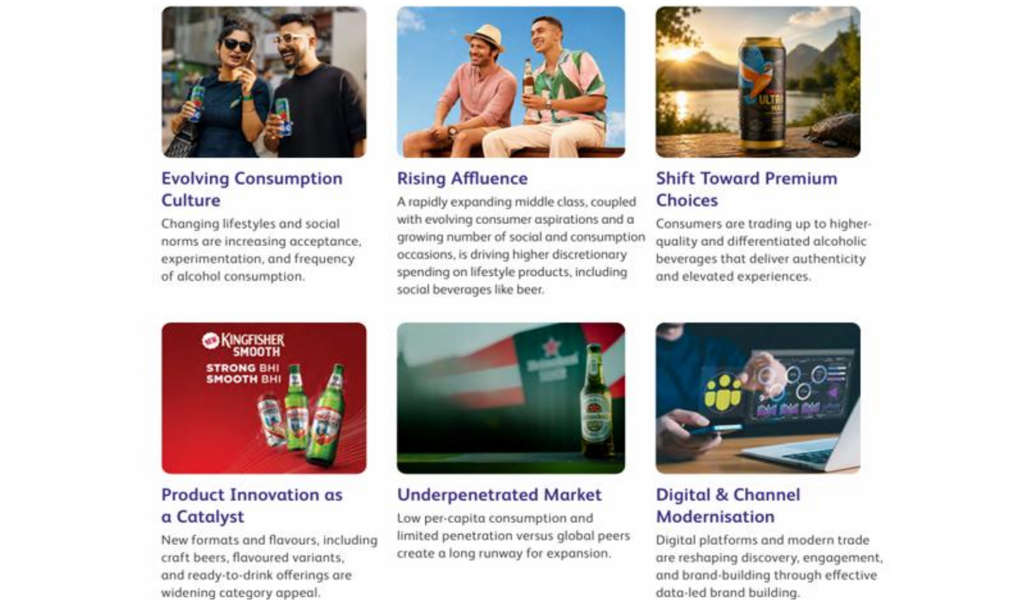
Exhibit 368: United Breweries – Economy offerings needed to ward competitive pressures

Source: Company, HSIE Research

Low per-capita beer consumption relative to global benchmarks underscores significant headroom for growth in India, particularly across emerging urban centres and Tier II and Tier III cities.

Premiumisation is gaining momentum as consumers increasingly seek differentiated, high-quality beer offerings, including craft, flavoured, and low-alcohol variants.

Exhibit 369: United Breweries – Structural drivers of alcohol market growth in India



Source: Company, HSIE Research

Exhibit 370: United Breweries – Key strategies

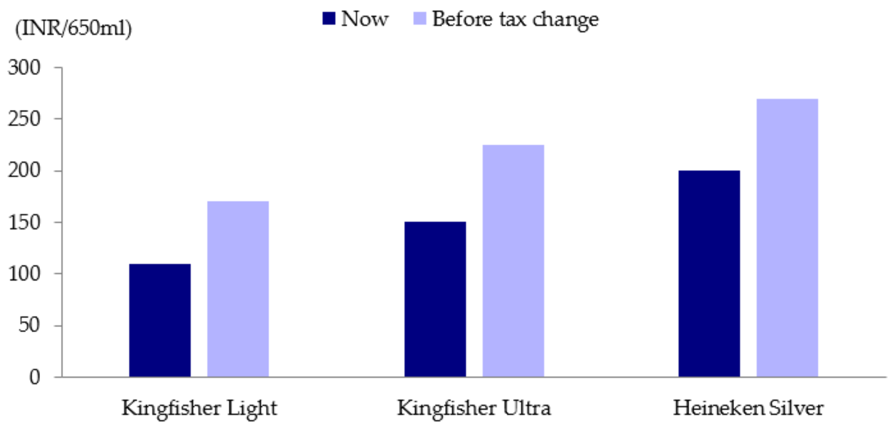
Source: Company, HSIE Research

Karnataka, historically the beer capital of India, has rationalised taxation through a shift to alcohol-based taxation. This has led to sharp price cuts for consumers. Post the price reduction, our ground checks indicate faster growth in Karnataka.

In Q1FY27, management noted 30% growth in the state, with recent months recording growth of 50%+

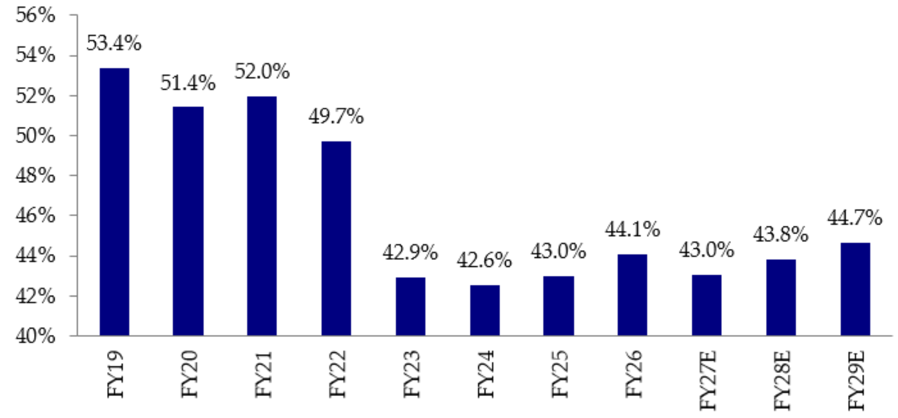
For the milder variant, the company implemented a deeper price cut from INR170 to INR110 (vs the actual market cut of ~INR130), which accelerated growth in Karnataka.

Exhibit 371: United Breweries – Alcohol based taxation in Karnataka aids volume growth



Source: Company, HSIE Research

Exhibit 372: United Breweries – Gross margin



Source: Company, HSIE Research

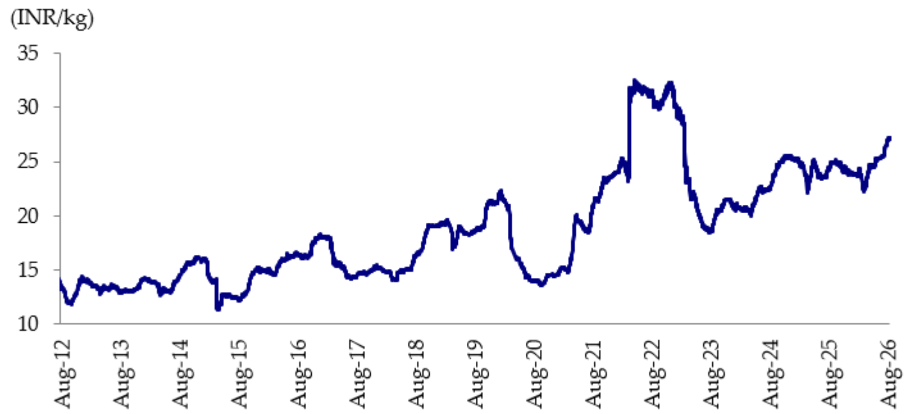
Exhibit 373: United Breweries – Regulatory control has a bearing on health of the business

	LOW MARGIN STATES	MID MARGIN STATES	HIGH MARGIN STATES
Gross Margin Range	25% - 35%	35% - 50%	50% - 65%
Industry Contribution	~35%	~30%	~35%
UBL Approach	Improve margins	Protect shares & improve margins	Grow shares & Expand

Source: Company, HSIE Research

Exhibit 374: United Breweries – Domestic barley prices

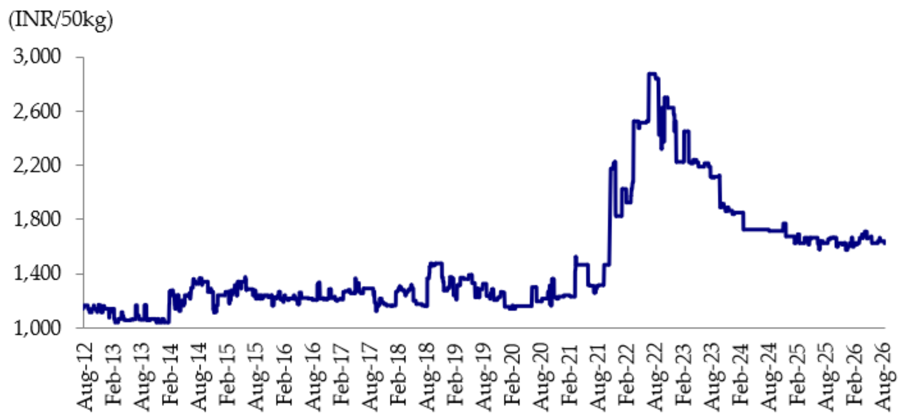
Barley prices have been inflationary in both the long and short term.



Source: NCDEX, HSIE Research

Soda ash prices have softened from 2022–23 levels, but supplier constraints have affected bottle prices. Additionally, amid gas-supply disruptions, overall costs have seen further inflation.

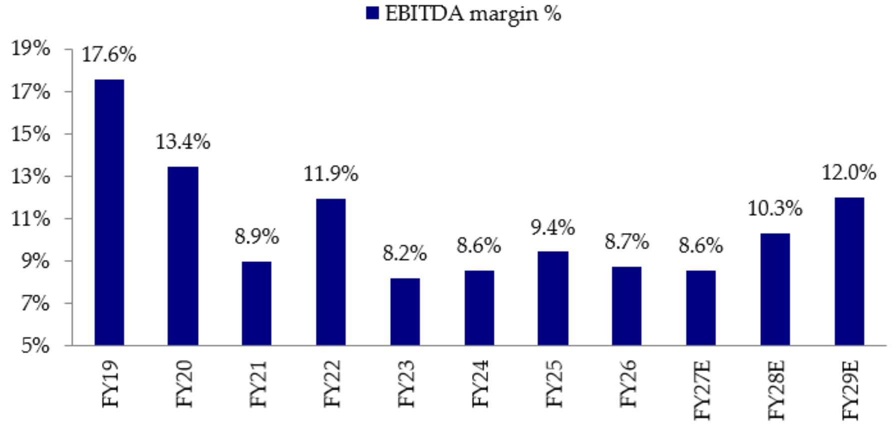
Exhibit 375: United Breweries – Domestic Soda Ash prices



Source: Bloomberg, HSIE Research

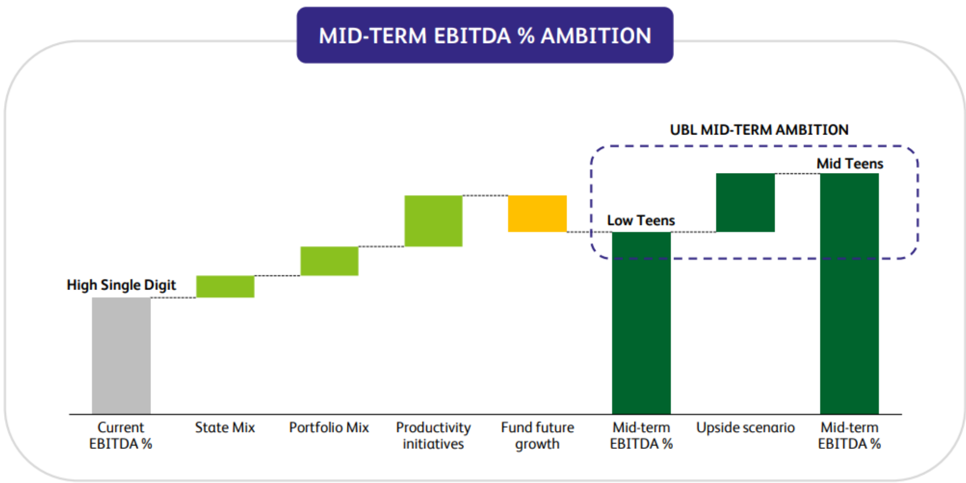
The company aspires to take margins to double-digit levels, which in our view is achievable by FY28, assuming no major raw-material disruptions.

Exhibit 376: United Breweries – EBITDA margin



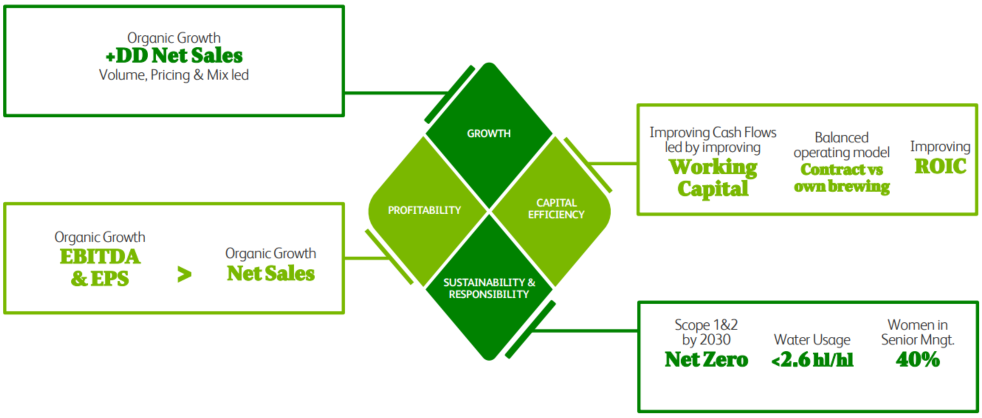
Source: Company, HSIE Research

Exhibit 377: United Breweries – Management aspire for low to mid teen EBITDA margin in over next 3-5 years



Source: Company, HSIE Research

Exhibit 378: United Breweries – Mid-term ambition

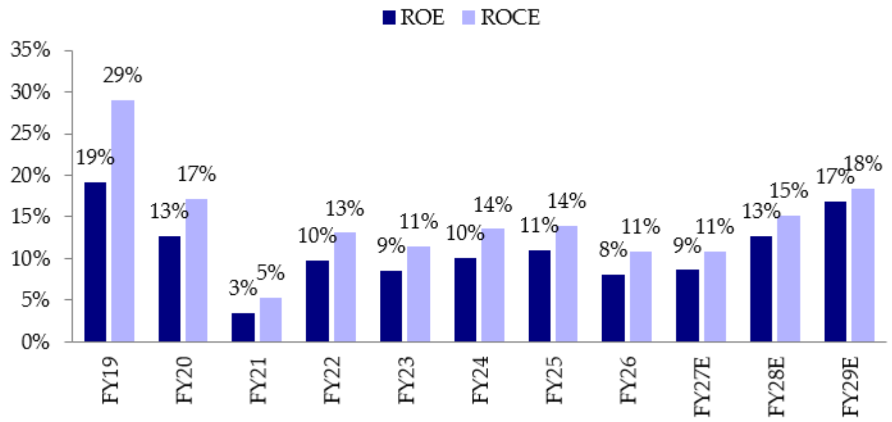


Source: Company, HSIE Research

Higher capex and a lower margin profile have weighed on the company's return profile. With the bulk of capex now in the base and profitability expected to improve, we see returns strengthening ahead.

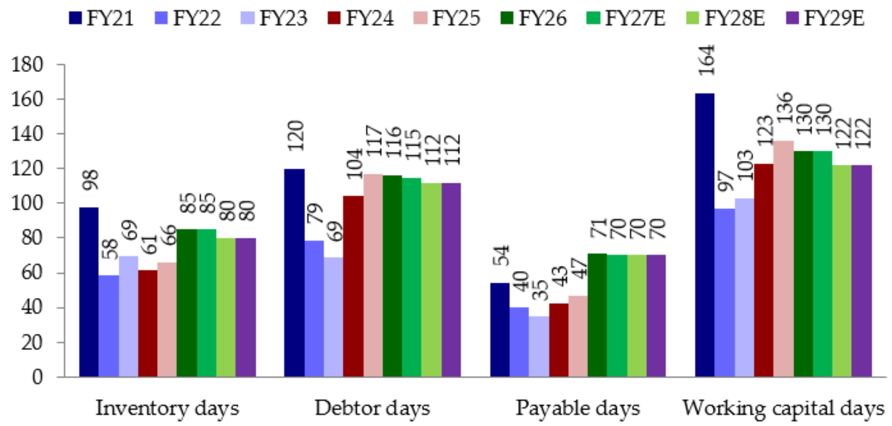
After its large greenfield project in 2014, the company has now undertaken another greenfield in Uttar Pradesh. In addition, it has brownfield projects in Maharashtra and Telangana.

Exhibit 379: United Breweries – Return profile



Source: Company, HSIE Research

Exhibit 380: United Breweries – Working capital requirements



Source: Company, HSIE Research

Exhibit 381: United Breweries – Heineken's build-up of stake in United Breweries

Year	Stake	Transaction/Event Details
2008	37.50%	Heineken acquired Scottish & Newcastle, which held 37.5% stake in UBL, marking its entry into UBL
2015	40.38%	United Spirits (UNSP) sold its entire 3.21% stake in UBL to Heineken for INR8.72bn.
2015-20	46.50%	Heineken acquired additional shares from promoters, banks, and the open market, increasing its ownership in the company.
2021	61.50%	Heineken bought out Vijay Mallya's 15% promoter stake from the Debt Recovery Tribunal for INR58.25bn.

Source: Company, HSIE Research

Exhibit 382: United Breweries – History

Source: Company, HSIE Research

A key margin difference for United Breweries versus its peers stems from its limited—or no—presence in India's largest beer-consuming state, Telangana, which accounts for a low double-digit share of national volumes.

Telangana's sales mix is a major factor behind United Breweries' lower gross margin relative to competition.

As the state mix improves, United Breweries is likely to regain margin, though macro headwinds remain an important watch-point.

Exhibit 383: United Breweries – Peer comparison – Income statement for FY25

(INR mn)	United Breweries	Carlsberg	AB Inbev
Gross Sales	**190,790**	**88,734**	**78,405**
Growth (%)	5.3%	12.3%	8.1%
Excise Duty	104,935	53,423	44,526
Growth (%)	2.3%	9.5%	5.2%
as a % of gross sales	55.0%	60.2%	56.8%
Net Sales	**85,855**	**35,311**	**33,879**
Growth (%)	9.1%	16.8%	12.1%
Operating Income	3,219	655	504
Growth (%)	31.2%	4.1%	7.7%
Revenue from operations	**89,074**	**35,966**	**34,383**
Growth (%)	9.8%	16.5%	12.0%
Raw materials consumed	49,457	17,437	17,312
Change	5.3%	10.0%	-4.5%
Purchase of goods	1,817	0	382
Change in Inventories	(506)	(70)	182
Cost of goods sold	50,768	17,367	17,876
Gross Profit	**38,305**	**18,599**	**16,507**
Gross Margin %	43.0%	51.7%	48.0%
bps change	44bps	239bps	1032bps
Employee cost	7,131	3,027	2,653
as a % of revenue from ops	8.0%	8.4%	7.7%
Other operating expenses	22,785	9,873	14,082
as a % of revenue from ops	25.6%	27.5%	41.0%
EBITDA	**8,390**	**5,699**	**(228)**
Growth	20.7%	36.6%	NM
EBITDA margin %	9.4%	15.8%	-0.7%
bps change	86bps	233bps	864bps
Depreciation and Amortization	2,327	735	2199
EBIT	**6,063**	**4,964**	**(2,427)**
Growth	25.4%	45.1%	NM
EBIT margin	6.8%	13.8%	-7.1%
Interest	129	96	1193
Other Income	357	1132	60
PBT	**6,291**	**6,000**	**(3,560)**
Growth (%)	14.5%	43.5%	NM
Tax	1,622	1571	0
effective tax rate	27%	26%	0%
Adjusted PAT	**4,669**	**4,429**	**(3,560)**
Growth (%)	14.1%	36.4%	NM
PAT Margin	5.2%	12.3%	-10.4%

Source: Company, HSIE Research

Income Statement (Consolidated)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Revenues	**58,319**	**74,917**	**81,154**	**89,074**	**92,399**	**101,727**	**111,691**	**122,687**
Growth (%)		*28.5*	*8.3*	*9.8*	*3.7*	*10.1*	*9.8*	*9.8*
Material Expenses	29,327	42,743	46,612	50,768	51,696	57,955	62,729	67,873
Employee Expense	5,194	5,914	6,428	7,131	7,622	8,041	8,443	8,865
Other Expenses	16,850	20,117	21,165	22,785	25,027	27,029	29,043	31,212
EBITDA	**6,949**	**6,143**	**6,949**	**8,390**	**8,055**	**8,703**	**11,476**	**14,738**
EBITDA Growth (%)		*(11.6)*	*13.1*	*20.7*	*(4.0)*	*8.0*	*31.9*	*28.4*
EBITDA Margin (%)	**11.9**	**8.2**	**8.6**	**9.4**	**8.7**	**8.6**	**10.3**	**12.0**
Depreciation	2,169	2,103	2,116	2,327	2,720	3,213	3,264	3,414
EBIT	**4,780**	**4,039**	**4,833**	**6,063**	**5,335**	**5,490**	**8,211**	**11,323**
Other Income (Including EO Items)	297	493	729	357	452	815	747	782
Interest	148	46	69	129	717	900	800	650
PBT before extraordinary items	**4,929**	**4,486**	**5,493**	**6,291**	**5,070**	**5,405**	**8,158**	**11,455**
Extraordinary items	-	(331)	-	(258)	553	-	-	-
Total Tax	**1,279**	**1,120**	**1,399**	**1,622**	**1,489**	**1,432**	**2,080**	**2,921**
RPAT after MI	3,650	3,035	4,094	4,412	4,134	3,973	6,078	8,534
Adjusted PAT	**3,650**	**3,366**	**4,094**	**4,669**	**3,581**	**3,973**	**6,078**	**8,534**
APAT Growth (%)		*(7.8)*	*21.6*	*14.1*	*(23.3)*	*10.9*	*53.0*	*40.4*
EPS	**13.8**	**12.7**	**15.5**	**17.7**	**13.5**	**15.0**	**23.0**	**32.3**
EPS Growth (%)		*(7.8)*	*21.6*	*14.1*	*(23.3)*	*10.9*	*53.0*	*40.4*

Source: Company, HSIE Research

Balance Sheet (Consolidated)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS								
Share Capital - Equity	264	264	264	264	264	264	264	264
Other Equity	39,056	39,348	41,476	43,327	45,014	46,343	48,454	51,436
Total Shareholders Funds	**39,320**	**39,613**	**41,741**	**43,592**	**45,278**	**46,607**	**48,719**	**51,700**
Total Debt	391	382	1,258	6,544	13,393	13,557	11,738	9,936
TOTAL CAPITAL EMPLOYED	**39,711**	**39,995**	**42,999**	**50,136**	**58,672**	**60,164**	**60,456**	**61,636**
APPLICATION OF FUNDS								
Tangible Assets								
Intangible Assets	18,884	18,309	17,586	17,330	20,377	21,164	20,900	20,485
CWIP	164	122	90	73	118	118	118	118
Other Non Current Assets	1,099	771	1,726	2,510	5,122	5,122	5,122	5,122
Total Non-current Assets	5,507	6,671	6,965	7,705	9,047	9,348	9,667	10,005
Inventories	**25,653**	**25,873**	**26,368**	**27,618**	**34,664**	**35,752**	**35,806**	**35,730**
Debtors	9,344	14,260	13,665	16,149	21,503	23,690	24,480	26,890
Cash & Equivalents	12,545	14,071	23,133	28,601	29,440	32,051	34,272	37,646
Other Current Assets	9,077	3,950	2,082	4,419	5,716	4,285	4,968	4,251
Total Current Assets	2,787	4,560	5,186	5,329	5,603	6,167	6,768	7,432
Creditors	**33,754**	**36,840**	**44,065**	**54,499**	**62,262**	**66,193**	**70,488**	**76,219**
Other Current Liabilities & Provns	6,377	7,164	9,482	11,492	17,992	19,509	21,420	23,529
Total Current Liabilities	13,319	15,553	17,952	20,488	20,262	22,271	24,418	26,784
Net Current Assets	**19,696**	**22,717**	**27,434**	**31,981**	**38,254**	**41,781**	**45,838**	**50,313**
TOTAL APPLICATION OF FUNDS	**14,058**	**14,123**	**16,631**	**22,518**	**24,007**	**24,412**	**24,650**	**25,906**
SOURCES OF FUNDS	**39,711**	**39,995**	**42,999**	**50,136**	**58,672**	**60,164**	**60,456**	**61,636**

Source: Company, HSIE Research

Cash Flow (Consolidated)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	4,929	4,155	5,493	6,034	5,623	5,405	8,158	11,455
Depreciation	2,169	2,103	2,116	2,327	2,720	3,213	3,264	3,414
Working Capital Change	2,844	(6,368)	(5,162)	(4,223)	(1,577)	(1,972)	306	(2,112)
Tax Paid	(1,279)	(1,120)	(1,384)	(1,913)	(2,144)	(1,432)	(2,080)	(2,921)
Interest/Dividend received	148	46	69	129	681	900	800	650
Other items	-	-	(364)	(18)	(952)	-	-	-
OPERATING CASH FLOW (a)	**8,811**	**(1,184)**	**768**	**2,335**	**4,350**	**6,114**	**10,448**	**10,486**
Capex	(1,615)	(1,159)	(1,903)	(2,546)	(4,326)	(4,000)	(3,000)	(3,000)
Free Cash Flow (FCF)	*7,195*	*(2,342)*	*(1,135)*	*(211)*	*23*	*2,114*	*7,448*	*7,486*
Others	(23)	3	426	162	236	-	-	-
INVESTING CASH FLOW (b)	**(1,638)**	**(1,156)**	**(1,477)**	**(2,385)**	**(4,091)**	**(4,000)**	**(3,000)**	**(3,000)**
Debt Issuance/(Repaid)	(2,502)	-	774	4,974	3,950	-	(2,000)	(2,000)
Interest Expenses	(148)	(46)	33	(26)	(546)	(900)	(800)	(650)
FCFE	***4,842***	***(2,296)***	***(394)***	***4,789***	***4,519***	***3,014***	***6,248***	***6,136***
Change in net worth	2,650	(759)	678	83	-	(0)	-	-
Dividend	(2,776)	(1,983)	(2,644)	(2,644)	(2,489)	(2,644)	(3,966)	(5,552)
FINANCING CASH FLOW (c)	**(2,776)**	**(2,789)**	**(1,159)**	**2,388**	**915**	**(3,544)**	**(6,766)**	**(8,202)**
NET CASH FLOW (a+b+c)	**4,397**	**(5,128)**	**(1,867)**	**2,338**	**1,174**	**(1,430)**	**682**	**(717)**
Add: Beginning balance	**4,681**	**9,077**	**3,950**	**2,082**	**3,427**	**5,716**	**4,285**	**4,968**
Closing Cash & Equivalents	**9,077**	**3,950**	**2,082**	**4,420**	**4,601**	**4,285**	**4,968**	**4,251**

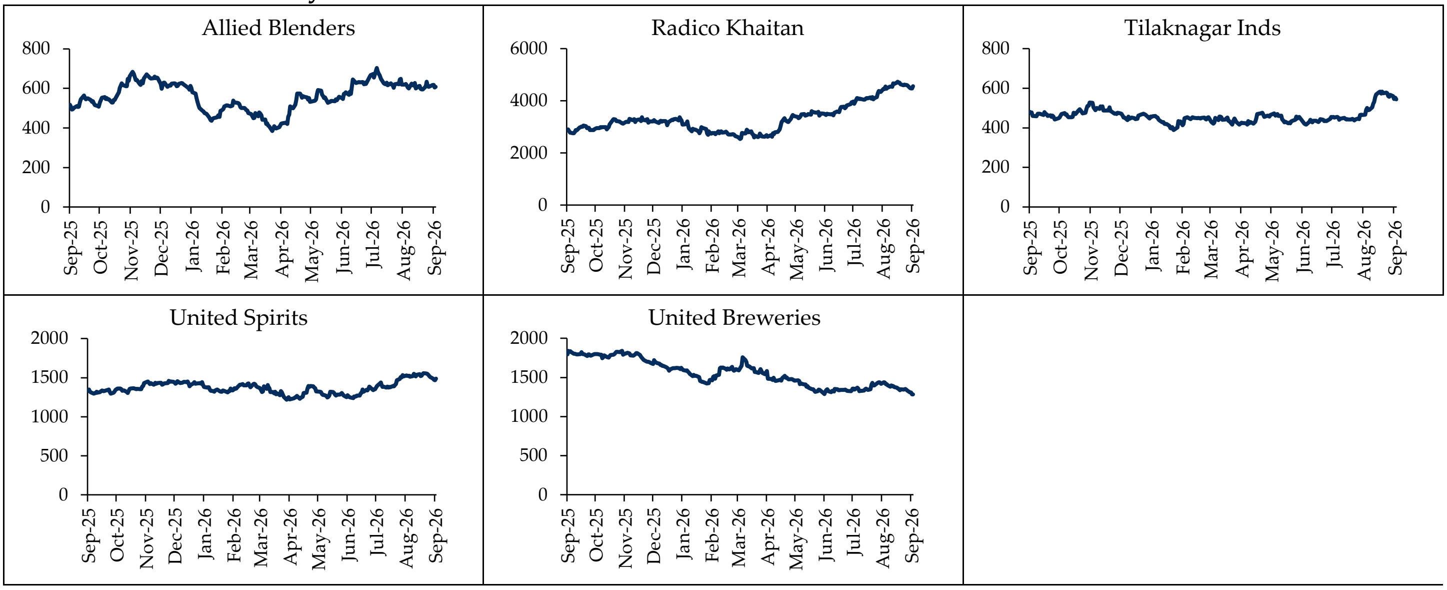
Source: Company, HSIE Research

Key Ratios

Year End (March)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
PROFITABILITY (%)								
GPM	49.7	42.9	42.6	43.0	44.1	43.0	43.8	44.7
EBITDA Margin (%)	11.9	8.2	8.6	9.4	8.7	8.6	10.3	12.0
EBIT Margin	8.2	5.4	6.0	6.8	5.8	5.4	7.4	9.2
PBT Margin	8.5	6.0	6.8	7.1	5.5	5.3	7.3	9.3
APAT Margin	6.3	4.5	5.0	5.2	3.9	3.9	5.4	7.0
RoE	9.3	8.5	10.1	10.9	8.1	8.6	12.8	17.0
RoIC (or Core RoCE)	11.6	9.1	9.4	10.4	7.6	7.4	11.0	14.9
RoCE	12.0	10.1	11.6	13.0	9.8	9.2	13.6	18.5
EFFICIENCY								
Tax Rate (%)	25.9	25.0	25.5	25.8	29.4	26.5	25.5	25.5
Fixed Asset Turnover (x)	1.2	1.5	1.6	1.6	1.5	1.6	1.7	1.8
Inventory (days)	58	69	61	66	85	85	80	80
Debtors (days)	79	69	104	117	116	115	112	112
Other Current Assets (days)	17	22	23	22	22	22	22	22
Payables (days)	40	35	43	47	71	70	70	70
Other Current Liab. & Provns (days)	83	76	81	84	80	80	80	80
Cash Conversion Cycle (days)	**31**	**50**	**65**	**74**	**72**	**72**	**64**	**64**
Net D/E (x)	(0.2)	(0.1)	(0.0)	0.0	0.2	0.2	0.1	0.1
Interest Coverage (x)	32.3	87.1	70.1	47.2	7.4	6.1	10.3	17.4
PER SHARE DATA (INR)								
EPS	13.8	12.7	15.5	17.7	13.5	15.0	23.0	32.3
CEPS	22.0	20.7	23.5	26.5	23.8	27.2	35.3	45.2
Dividend	10.5	7.5	10.0	10.0	10.0	10.0	15.0	21.0
Book Value	148.7	149.8	157.9	164.9	171.2	176.3	184.3	195.5
VALUATION								
P/E (x)	92.7	100.5	82.6	72.4	94.5	85.2	55.7	39.6
P/BV (x)	8.6	8.5	8.1	7.8	7.5	7.3	6.9	6.5
EV/EBITDA (x)	47.4	54.5	48.6	40.6	42.9	39.9	30.1	23.3
EV/Revenues (x)	5.7	4.5	4.2	3.8	3.7	3.4	3.1	2.8
OCF/EV (%)	2.7	(0.4)	0.2	0.7	1.3	1.8	3.0	3.0
FCF/EV (%)	2.2	(0.7)	(0.3)	(0.1)	0.0	0.6	2.2	2.2
FCFE/Mkt Cap (%)	1.4	(0.7)	(0.1)	1.4	1.3	0.9	1.8	1.8
Dividend Yield (%)	0.8	0.6	0.8	0.8	0.8	0.8	1.2	1.6

Source: Company, HSIE Research

Price History



Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: >10% Downside return potential

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