INSTITUTIONAL RESEARCH

Tilaknagar Industries

Muted Q2, H2 acceleration crucial for momentum

We maintain BUY on Tilaknagar Industries with a Sep-27 TP of INR700 (based on 35x P/E). Execution continues to strengthen, heading into the festive-heavy H2FY27, with improving scale supporting margin delivery; we remain watchful of inflation risks. Cost-optimization initiatives are encouraging and should aid near-term gross margins. The recent stock derating reflects broader market correction and uncertainty around UK-FTA benefits. Management has maintained most of its guidance. Near-term catalysts—Telangana price hikes and progressive relaxations for national brands in Tamil Nadu—are not yet built into our estimates or management guidance. Q2 was a marginal miss: revenue grew 1% QoQ (secondary up in high single digits), while EBITDA and earnings declined 2% and 30%, respectively. Lower earnings stemmed from higher Ind-AS–linked interest charges. Overall volumes stood at 8.9mn cases, with *Imperial Blue* volumes at 5.5mn cases and organic business volumes at 3.4mn cases.

- **Q2 topline moderated by softer primary offtake:** Consolidated revenue grew 172% YoY and 1% QoQ to INR 10.3bn (3% miss). NSR at INR1,174 was 1% lower QoQ, up 3% YoY, reflecting an adverse state mix. Overall volumes at 8.9mn cases (1% miss) rose 2% QoQ. *Imperial Blue* delivered 5.5mn cases, in line, while organic business volumes at 3.4mn cases were flat YoY and up 3% QoQ. *Imperial Blue* gained 100bps market share in Q2. Primary volumes rose 2% QoQ, while secondary grew 8.5%, led by strength across Karnataka, Andhra Pradesh, Uttarakhand, Assam, and Rajasthan. Organic business primary volumes increased 3%, with secondary up 7% QoQ. *Mansion House Brandy* posted 2.6mn cases, up 1% YoY (secondary +3.5%) and QoQ (secondary +7.1%). Other brands declined 6% YoY (largely on Pondicherry price hikes) but grew 11% QoQ.
- **Q2 OPM at 14.1%; higher non-operating spends drove earnings miss:** Adjusted gross margin stood at 41.8%, down 30bps QoQ. Adjusted for inflation, gross margin comes to ~44%, with no UK FTA benefits for the company in Q2. Glass costs remained stable, while ENA prices spiked toward Q2-end, partly offset by improved bottle utilization. EBITDA margin (ex-subsidy) at 14.1% contracted 30bps QoQ, in line with gross margin movement, and declined 175bps YoY. A&P intensity increased 60bps QoQ. Adjusted EBITDA of INR 1.46bn (3% miss) grew 143% YoY but slipped 2% QoQ. Adj. PAT at INR 332mn fell 37% YoY and 30% QoQ, pressured by higher interest cost (INR 693mn) and weaker non-operating income (INR 8mn) on elevated working capital. Incorporating higher finance charges, we cut FY27 earnings by ~15%, while FY28-29 estimates remain unchanged. Management is awaiting clarity on UK FTA and has factored ~100bps benefit in 16-18% OPM guidance for FY29.
- **Leverage position improvement to aid rerating; Tamil Nadu opening can enhance prospects:** Tilaknagar's net debt stood at INR19bn as of Jun-26 (vs INR21bn in Mar-26), largely reflecting the *Imperial Blue* acquisition. We expect net debt to moderate to INR17bn by Mar-27, supported by internal cash generation and promoter warrant conversion. Any move by Tamil Nadu to open the market to national brands could significantly enhance Tilaknagar's growth prospects and strengthen its balance sheet.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY27	Q2 FY26	YoY (%)	Q1 FY26	QoQ (%)	FY26	FY27E	FY28E	FY29E
Revenue	10,353	3,796	172.8	10,460	(1.0)	23,456	45,222	50,972	57,403
Adj. EBITDA	1,461	602	142.6	1,485	(1.6)	4,192	6,742	8,301	9,992
EBITDA Margin (%)	14.1	15.9	-176bps	14.2	-9bps	17.9	14.9	16.3	17.4
Adj. PAT	332	527	(36.9)	617	(46.2)	2,528	2,566	4,543	5,558
Adj. EPS (INR)	1.3	2.5	(47.0)	2.5	(46.3)	10.2	10.1	17.9	21.9
P/E (x)						47	48	27	22

Source: Company, HSIE Research

BUY

CMP *(as on 30 Oct 2026)*	INR 481
Target Price	INR 700
NIFTY	23,053

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 700	INR 700
EPS %	FY27E (15%)	FY28E (0%)

KEY STOCK DATA

Bloomberg code	TLNGR IN
No. of Shares (mn)	248
MCap (INR bn) / ($ mn)	119/1,255
6m avg traded value (INR mn)	406
52 Week high / low	INR 608/372

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	2.9	3.6	(6.1)
Relative (%)	7.4	6.8	5.7

SHAREHOLDING PATTERN (%)

	Jun-26	Sep-26
Promoters	31.6	31.6
FIs & Local MFs	6.3	8.2
FPIs	16.9	17.3
Public & Others	45.2	42.9
Pledged Shares	3.9	3.9

Source : NSE

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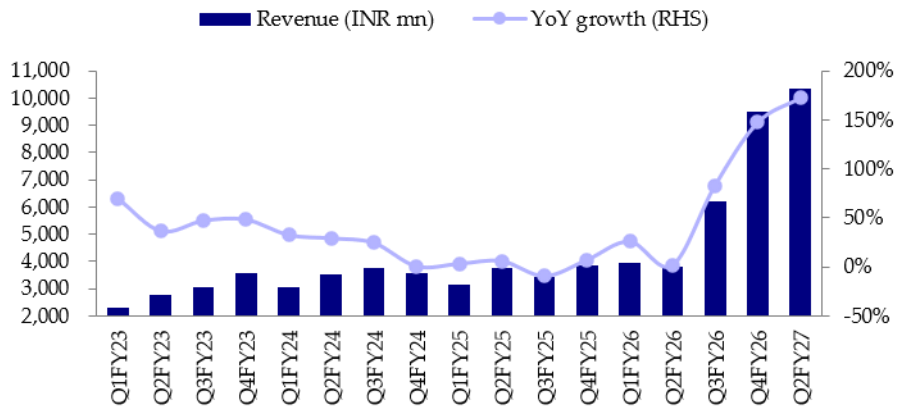
Quarterly result review

Exhibit 1: Quarterly and Half-Yearly P&L summary

(INR mn)	2QFY27	2QFY26	YoY (%)	1QFY27	QoQ (%)	HSIE Est	Act vs Est	H1FY27	H1FY26	YoY (%)
Revenue	10,353	3,796	172.8	10,460	(1.0)	10,626	(3)	20,813	7,735	169.1
Cost of goods	6,013	2,061	191.8	5,935	1.3	5,844	3	11,948	4,028	196.6
Employee expenses	470	164	186.4	457	2.8	455	3	928	304	204.9
Other expenses	2,390	969	146.7	2,379	0.5	2,815	(15)	4,769	1,856	157.0
EBITDA	**1,480**	**602**	**145.8**	**1,689**	**(12.4)**	**1,512**	**(2)**	**3,169**	**1,547**	**104.9**
EBITDA Margin (%)	**14.3**	**15.9**	**-160bps**	**16.1**	**-190bps**	**14.2**	**10bps**	**15.2**	**20.0**	**-480bps**
Depreciation	462	73	529.5	455	1.6	460	0	917	146	527.0
EBIT	**1,018**	**529**	**92.5**	**1,234**	**(17.6)**	**1,052**	**(3)**	**2,252**	**1,400**	**60.8**
EBIT Margin (%)	**9.8**	**13.9**	**-410bps**	**11.8**	**-200bps**	**9.9**	**-10bps**	**10.8**	**18.1**	**-730bps**
Interest cost	693	21	3205.2	664	4.4	650	7	1,356	49	2665.3
Other income	8	22	(64.0)	45	(82.9)	80	(90)	53	64	(17.1)
PBT	**332**	**529**	**(37.2)**	**616**	**(46.0)**	**482**	**(31)**	**949**	**1,415**	**(33.0)**
Tax	0	0		0		0		0	0	
Non-recurring items	-109	0		-301	(63.7)	-100	9	0	0	
PAT	**223**	**527**	**(57.7)**	**316**	**(29.5)**	**382**	**(42)**	**949**	**1,412**	**(32.8)**
Adj. Profit	**332**	**527**	**(36.9)**	**617**	**(46.2)**	**482**	**(31)**	**949**	**1,412**	**(32.8)**
Adj. profit margin (%)	**3.2**	**13.9**	**-1070bps**	**5.9**	**-270bps**	**4.5**	**-130bps**	**4.6**	**18.3**	**-1370bps**
EPS (INR)	1.3	2.5	(47.0)	2.5	-46.3	1.9	45	3.8	7.1	-45.9

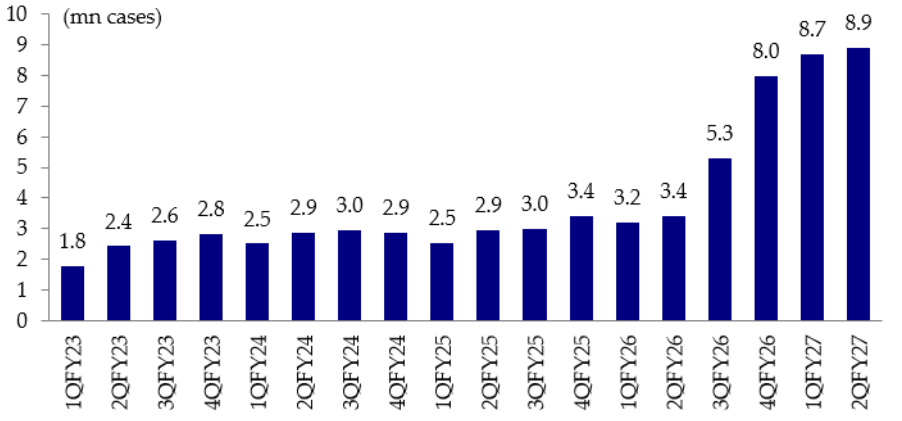
Source: Company, HSIE Research

Exhibit 2: Quarterly revenue and growth trend



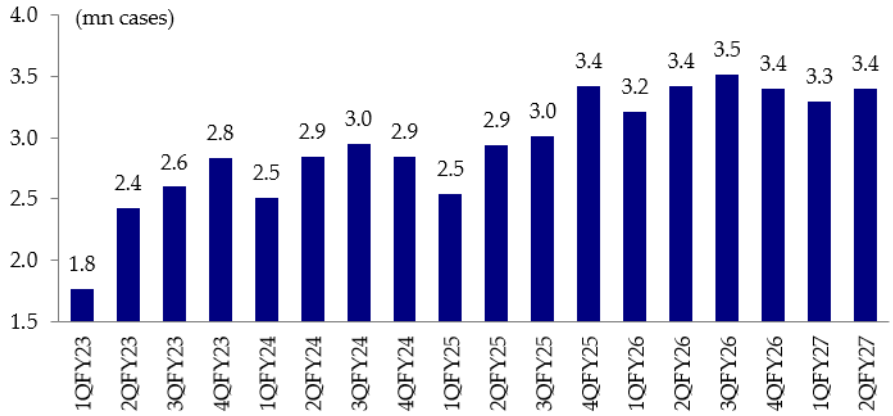
Source: Company, HSIE Research

Exhibit 3: Quarterly volume trend for the overall business



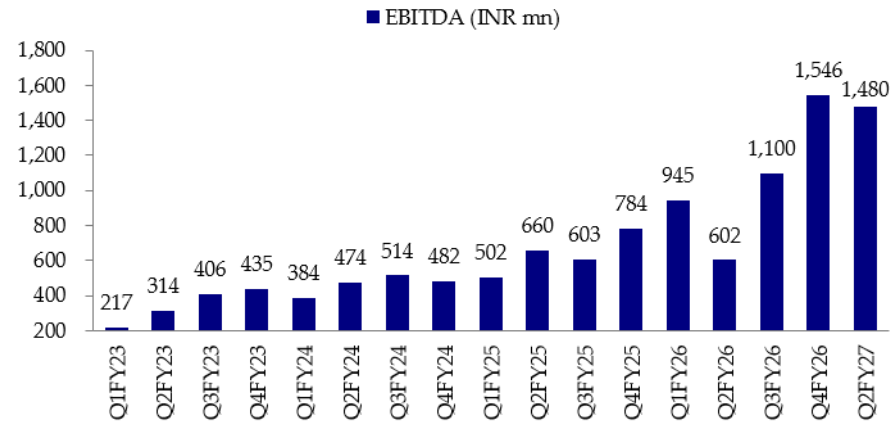
Source: Company, HSIE Research

Exhibit 4: Quarterly volume trend for the organic business



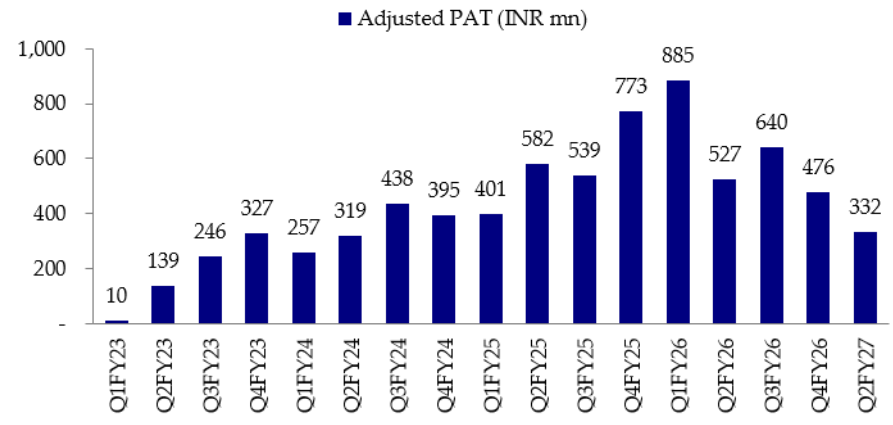
Source: Company, HSIE Research

Exhibit 5: Quarterly EBITDA and growth trend



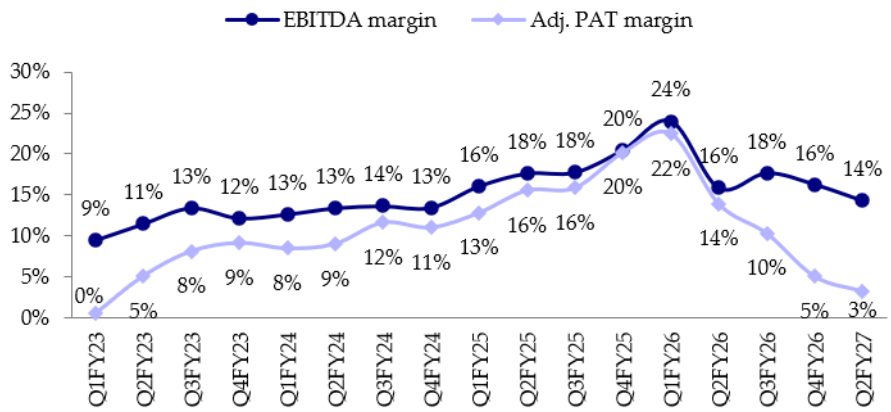
Source: Company, HSIE Research

Exhibit 6: Quarterly adjusted PAT and growth trend



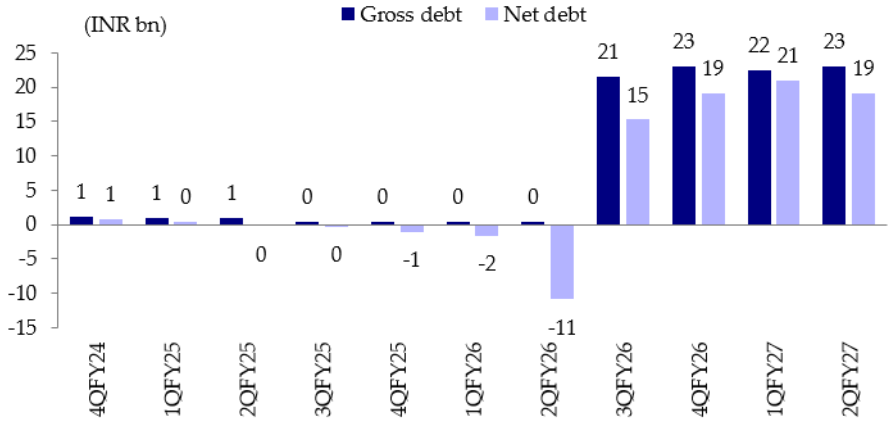
Source: Company, HSIE Research

Exhibit 7: Quarterly EBITDA and PAT margin



Source: Company, HSIE Research

Exhibit 8: Quarterly gross and net debt situation



Source: Company, HSIE Research

Valuations

Exhibit 9: Tilaknagar Industry's one year forward P/E



Source: Bloomberg, Company, HSIE Research

Exhibit 10: Change in estimates

(INR mn)	New estimates			Old estimates			Changes to estimate		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	45,222	50,972	57,403	45,222	50,972	57,403	-	-	-
growth (%)	92.8%	12.7%	12.6%	92.8%	12.7%	12.6%			
EBITDA	6,742	8,301	9,992	6,993	8,265	9,966	(3.6%)	0.4%	0.3%
growth (%)	60.8%	23.1%	20.4%	66.8%	18.2%	20.6%			
EBITDA margin (%)	14.9%	16.3%	17.4%	15.5%	16.2%	17.4%			
Adj. PAT	2,566	4,543	5,558	3,014	4,545	5,548	(14.9%)	(0.0%)	0.2%
growth (%)	1.5%	77.1%	22.3%	19.2%	50.8%	22.1%			
Adj. EPS (INR/Share)	10.1	17.9	21.9	11.9	17.9	21.8	(14.9%)	(0.0%)	0.2%

Source: HSIE Research

Exhibit 11: 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	45,222	50,972	57,403	45,299	50,796	56,914	(0.2%)	0.3%	0.9%
growth (%)	92.8%	12.7%	12.6%	93.1%	12.1%	12.0%			
EBITDA	6,742	8,301	9,992	6,946	8,047	9,453	(2.9%)	3.2%	5.7%
growth (%)	60.8%	23.1%	20.4%	65.7%	15.8%	17.5%			
EBITDA margin (%)	14.9%	16.3%	17.4%	15.3%	15.8%	16.6%			
Adj. PAT	2,566	4,543	5,558	2,876	4,287	5,717	(10.8%)	6.0%	(2.8%)
growth (%)	1.5%	77.1%	22.3%	13.8%	49.0%	33.4%			
Adj. EPS (INR/Share)	10.1	17.9	21.9	10.8	17.1	22.8	(7.0%)	4.7%	(3.9%)

Source: Bloomberg, HSIE Research

Exhibit 12: 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%	60.8%	23.1%	20.4%
Adj PAT growth	125.7%	95.3%	62.9%	10.1%	1.5%	77.1%	22.3%
Gross margin	47.1%	49.2%	47.3%	46.5%	42.3%	43.5%	44.5%
EBITDA margin	11.8%	13.3%	18.5%	17.9%	14.9%	16.3%	17.4%
Adj EPS (INR/share)	4.1	7.3	11.8	10.2	10.1	17.9	21.9
DPS (INR/Share)	0.3	0.5	1.0	1.0	0.8	1.8	3.3
Balance sheet							
Avg. RoE	23.4%	24.8%	29.9%	13.1%	8.1%	12.8%	13.9%
Avg. ROCE	13.2%	18.7%	24.7%	10.4%	8.6%	10.9%	13.3%
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

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	26,116	28,799	31,859
Employee Expense	321	376	468	550	969	1,890	2,117	2,371
Other Expenses	2,568	3,733	4,529	3,435	5,746	10,474	11,755	13,181
EBITDA	**1,121**	**1,372**	**1,854**	**2,549**	**4,192**	**6,742**	**8,301**	**9,992**
EBITDA Growth (%)		*22.4*	*35.2*	*37.4*	*64.5*	*60.8*	*23.1*	*20.4*
EBITDA Margin (%)	**14.3**	**11.8**	**13.3**	**18.5**	**17.9**	**14.9**	**16.3**	**17.4**
Depreciation	327	323	319	305	797	1,854	1,892	1,946
EBIT	**794**	**1,048**	**1,536**	**2,244**	**3,395**	**4,889**	**6,409**	**8,046**
Other Income (Including EO Items)	145	75	141	176	261	292	511	511
Interest	619	402	267	122	1,131	2,620	2,387	2,036
PBT before extraordinary items	**320**	**722**	**1,410**	**2,298**	**2,525**	**2,561**	**4,533**	**6,521**
Extraordinary items	132	777	(29)	-	(2,320)	(600)	-	-
Total Tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**978**
Share of loss of Joint Venture & Associates	-	-	-	(2)	3	5	10	15
RPAT after MI	452	1,499	1,380	2,296	209	1,966	4,543	5,558
Adjusted PAT	**320**	**722**	**1,410**	**2,296**	**2,528**	**2,566**	**4,543**	**5,558**
APAT Growth (%)		*125.7*	*95.3*	*62.9*	*10.1*	*1.5*	*77.1*	*22.3*
EPS	**2.2**	**4.1**	**7.3**	**11.8**	**10.2**	**10.1**	**17.9**	**21.9**
EPS Growth (%)		*89.1*	*77.3*	*61.6*	*(13.4)*	*(1.4)*	*77.1*	*22.3*

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	31,044	35,133	39,857
Total Shareholders' Funds	**1,335**	**4,829**	**6,539**	**8,822**	**29,817**	**33,586**	**37,676**	**42,400**
Total Debt	6,446	3,239	1,804	978	25,706	24,844	21,988	19,140
TOTAL CAPITAL EMPLOYED	**7,781**	**8,068**	**8,343**	**9,800**	**55,523**	**58,430**	**59,664**	**61,540**
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	4,710	4,667	5,578
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**	**27,677**	**30,009**	**33,200**
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**	**20,125**	**21,995**	**24,560**
TOTAL APPLICATION OF FUNDS	**7,781**	**8,068**	**8,343**	**9,800**	**55,523**	**58,430**	**59,664**	**61,540**

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	1,961	4,533	6,521
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)	-	-	(978)
Interest/Dividend received	601	381	250	87	1,028	2,328	1,875	1,525
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)**	**3,093**	**6,542**	**7,527**
Capex	-	-	(82)	(69)	(35,334)	(500)	(1,200)	(1,200)
Free Cash Flow (FCF)	*651*	*713*	*1,093*	*1,716*	*(39,780)*	*2,593*	*5,342*	*6,327*
Others	(259)	(118)	(67)	(701)	(368)	330	456	453
INVESTING CASH FLOW (b)	**(259)**	**(118)**	**(149)**	**(769)**	**(35,702)**	**(170)**	**(744)**	**(747)**
Debt Issuance/(Repaid)	(750)	(2,267)	(1,316)	(803)	22,343	(1,000)	(3,000)	(3,000)
Interest Expenses	(584)	(373)	(247)	(100)	(884)	(2,620)	(2,387)	(2,036)
FCFE	***485***	***(1,181)***	***23***	***1,013***	***(16,552)***	***4,213***	***4,729***	***5,364***
Change in net worth	922	1,982	324	55	20,907	2,000	-	-
Dividend	(1)	(16)	(48)	(96)	(193)	(197)	(454)	(834)
FINANCING CASH FLOW (c)	**(413)**	**(674)**	**(1,287)**	**(944)**	**42,173**	**(1,817)**	**(5,841)**	**(5,870)**
NET CASH FLOW (a+b+c)	**(21)**	**(79)**	**(262)**	**71**	**2,025**	**1,106**	**(42)**	**911**
Add: Beginning balance	**449**	**427**	**348**	**87**	**157**	**2,182**	**3,288**	**3,245**
Closing Cash & Equivalents	**427**	**348**	**86**	**157**	**2,182**	**3,288**	**3,245**	**4,156**

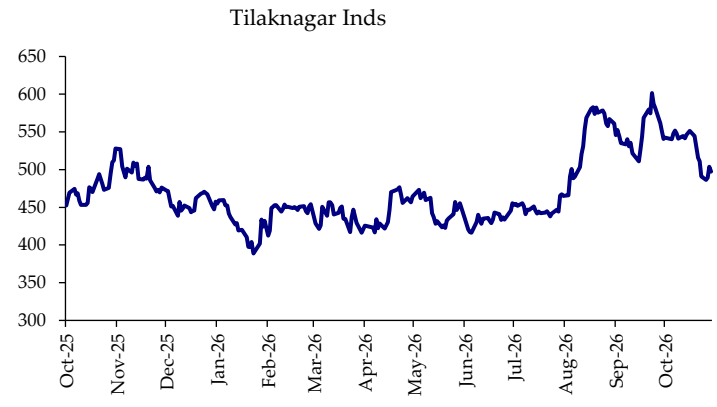
Source: Company, HSIE Research

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	42.3	43.5	44.5
EBITDA Margin (%)	14.3	11.8	13.3	18.5	17.9	14.9	16.3	17.4
EBIT Margin	10.1	9.0	11.0	16.3	14.5	10.8	12.6	14.0
PBT Margin	4.1	6.2	10.1	16.6	10.8	5.7	8.9	11.4
APAT Margin	4.1	6.2	10.1	16.6	10.8	5.7	8.9	9.7
RoE	23.9	23.4	24.8	29.9	13.1	8.1	12.8	13.9
RoIC (or Core RoCE)	11.2	14.5	20.0	27.0	11.2	9.3	11.8	12.3
RoCE	10.2	13.2	18.7	24.7	10.4	8.6	10.9	13.3
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	0.5	0.3
Interest Coverage (x)	1.3	2.6	5.7	18.4	3.0	1.9	2.7	4.0
PER SHARE DATA (Rs)								
EPS	2.2	4.1	7.3	11.8	10.2	10.1	17.9	21.9
CEPS	4.4	6.0	9.0	13.4	13.5	17.4	25.3	29.5
Dividend	0.1	0.3	0.5	1.0	1.0	0.8	1.8	3.3
Book Value	9.1	27.6	33.9	45.4	120.6	132.1	148.2	166.7
VALUATION								
P/E (x)	220.6	116.7	65.8	40.7	47.0	47.7	26.9	22.0
P/BV (x)	52.8	17.4	14.2	10.6	4.0	3.6	3.2	2.9
EV/EBITDA (x)	68.0	63.2	50.8	36.6	33.6	21.1	16.8	13.6
EV/Revenues (x)	9.7	7.5	6.8	6.8	6.0	3.1	2.7	2.4
OCF/EV (%)	0.9	0.8	1.2	1.9	(3.2)	2.2	4.7	5.5
FCF/EV (%)	0.9	0.8	1.2	1.8	(28.2)	1.8	3.8	4.7
FCFE/Mkt Cap (%)	0.7	(1.4)	0.0	1.1	(13.9)	3.4	3.9	4.4
Dividend Yield (%)	0.0	0.1	0.1	0.2	0.2	0.2	0.4	0.7

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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