

PRESS RELEASE
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Indian alcohol beverages industry to witness margin improvement in FY2025, aided by healthy demand and input price moderation: ICRA

- **Industry revenues to grow by 8-10% in FY2025**
- **Industry operating profit margin (OPM) to expand by ~50-100 bps in FY2025 due to moderation in input costs, primarily packaging materials such as glass bottles**

ICRA estimates revenue growth of 8-10% for its sample set of domestic alcohol beverages (alcobev) companies¹ in FY2025. While Indian made foreign liquor (IMFL) companies are expected to witness 11-13% revenue expansion supported by preference towards premium products amid volume growth of ~3-5% on a high base of FY2024, revenues for beer companies will witness a 9-11% YoY increase, largely led by ~4-6% expansion in volumes. ICRA expects beer to witness a good season in Q1 FY2025 in anticipation of a hot summer² compared to the previous fiscal, which had encountered unseasonal rainfall.

Ms. Kinjal Shah, Vice President and Co-Group Head – Corporate Ratings, ICRA, said: *“In addition to the healthy demand, the industry is expected to benefit from the moderation in input costs, especially packing material (such as glass bottles), which accounts for ~60-65% of an alcobev manufacturer’s cost, even though grain prices, particularly non-basmati rice, are not depicting a favourable trend”.*

With the increase in minimum support price (MSP) and higher procurement rates for recent crop arrivals, the cost is expected to remain elevated over the next few months. Diversion of grains towards ethanol could also keep prices firm and lead to costlier extra neutral alcohol (ENA). However, prices of barley, which is the key raw material for beer, are expected to continue to be fairly stable. On the packaging side, both aluminium (which forms the base for can price) and soda ash (which determines glass bottle prices) witnessed highs in Q4 FY2022 and H1 FY2023, respectively, owing to the significant pick-up in demand and rise in coal prices during the period. Aluminium prices have marginally softened in the current fiscal, while soda ash prices have also corrected by ~20% on a YoY basis in 9M FY2024.

“The OPM for ICRA’s sample set companies is expected to increase by ~50-100 bps in FY2025, owing to moderation in packaging material costs, coupled with price hikes approved by the state governments, partly offset by the increase in grain prices,” Ms. Shah added.

ICRA expects working capital requirements for the sample set companies to moderate in FY2024 and FY2025. The working capital requirements as on year end are largely towards maintaining finished goods inventory for the upcoming peak season. In the backdrop of lower input prices led by correction in packaging costs, funding requirements may be lower.

The credit metrics for ICRA’s sample set are expected to remain strong on account of healthy accruals and limited debt addition in the absence of any major capex plans. ICRA expects the Debt/OPBDITA for its sample set companies to remain at ~0.5 times and interest coverage at ~15-17 times for FY2024 and FY2025.

¹ Associated Alcohols & Breweries Limited, GM Breweries Limited, Mohan Meakin Limited, Radico Khaitan Limited, Som Distilleries & Breweries Limited, Tilaknagar Industries Limited, United Breweries Limited and United Spirits Limited

² As per forecast by Indian Meteorological Department

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For further information, please contact:

Media Contacts:

Naznin Prodhani

Head – Group Corporate Communications & Media Relations
ICRA Ltd
Tel: + (91 124) 4545300,
Dir - 4545860
Email:
naznin.prodhani@icraindia.com

Shreya Bothra

Manager - Corporate Communications & Media Relations
ICRA Ltd
Tel: + (91 022) 61693300,
Dir - 61693367
Email:
shreya.bothra@icraindia.com

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