

PRESS RELEASE
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Indian alcoholic beverages industry likely to be in high spirits in FY2025; steady demand, premiumisation to see 8-10% revenue growth: ICRA

- **Operating profit margin (OPM) to remain stable at 12-13% in FY2025 due to decline in packaging material cost, despite increase in grain prices in H1 FY2025**

ICRA estimates its sample set¹ of alcoholic beverages (alcobev) companies to report revenue expansion of 8-10% in FY2025, led by steady demand for beer and a revival in consumption of spirits, along with increasing consumer preference for premium products. The revenue increase in FY2025 will additionally be supported by the price hikes granted by a few state governments in the current fiscal. During Q1 FY2025, the spirits industry reported ~9% YoY increase in revenues, supported by 5-7% improvement in realisations, while volumes grew by 2-4%. Being the peak season, the beer industry witnessed a higher revenue growth of ~12% in Q1 FY2025 owing to 3-5% increase in volumes and ~7-9% in realisations.

Commenting on the near-term expectations of the industry's volume, **Kinjal Shah, Senior Vice President and Co-Group Head – Corporate Ratings, ICRA**, said: *"ICRA expects the alcobev industry volume growth to improve to 5-6% in FY2025 from ~4% in FY2024. Spirits consumption had contracted by ~3% YoY in FY2024 on account of the rise in prices due to substantially higher taxes levied by some state governments, inflation, and increasing consumer preference towards premium products, which had impacted volumes to a certain extent. ICRA expects spirits volumes to grow at a moderate pace of 2-4% in FY2025 supported by favourable demographics and a limited increase in taxes anticipated for the year. Beer witnessed higher consumption growth than spirits in FY2024 with a YoY growth of ~8%. This was supported by stable demand and higher increase in taxes on spirits in some states. ICRA expects moderate growth of 5-7% for beer volumes in FY2025, on a high base".*

The OPM for ICRA's sample set companies revived by 200 bps to 12.9% in FY2024, led by corrections in glass bottle prices and largely stable grain prices. *"The alcobev manufacturers witnessed an increase in grain cost in H1 FY2025 due to 20-25% rise in non-basmati rice prices, while barley prices have been fairly stable. However, the non-basmati rice prices have started softening from July 2024 onwards. Further, the packaging material costs (glass bottles) declined in the current year due to a sharp correction in soda ash prices. This, along with price hikes received from various state governments at the start of the fiscal, is expected to keep the OPM for ICRA's sample set companies intact at 12-13% in FY2025. However, the availability and diversion of grains towards the production of ethanol, which is seeing increased demand due to the Government blending norms, will remain a key factor to monitor,"* added **Shah**.

Companies in ICRA's sample set incurred capital expenditure (CAPEX) of more than Rs. 1,000 crore each in FY2023 and FY2024, ~4% of their operating income, indicating an investment revival after the pandemic. This capex was primarily towards distilleries and brewery capacity additions and enhancement of manufacturing infrastructure, including maintenance. However, capex is expected to moderate to ~2-3% of their operating income in FY2025 and FY2026, as key players have enhanced their capacities recently. With modest debt-funded capex plans, strong cash accruals are expected to maintain stable debt levels for ICRA's sample set. Consequently, ICRA expects debt coverage metrics for this sample set to remain healthy over the near to medium term, as indicated by total debt/ OPBDITA of 0.3-0.5 times as on March 31, 2025, and interest coverage of 27-30 times in FY2025.

¹ ICRA's sample set includes 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

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