ICRA

INDIAN ALCOHOLIC BEVERAGES INDUSTRY

Steady demand and premiumisation to result in 8-10% revenue growth in FY2025; OPM safeguarded at 12-13% due to stable input costs

SEPTEMBER 2024

Agenda

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1 Consumption and production trends

2 Input price trends

3 Dynamic regulatory landscape

4 Industry outlook

5 Key growth drivers and challenges for the industry

6 ICRA's ratings on alcobev companies

Highlights

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ICRA expects its sample set companies to report 8-10% YoY growth in revenues in FY2025 led by steady demand and increasing consumer preference for premium products.

The OPM is likely to remain intact at 12-13% in FY2025 on account of stable key input costs.

ICRA's sample set of alcoholic beverages (alcobev) companies are poised to report revenue growth of 8-10% in FY2025 backed by moderate volume growth of 5-7% in the beer segment and modest increase of 2-4% in consumption and premiumisation benefits in the spirits segment. The revenue growth in FY2025 will additionally be supported by the price hikes granted by state governments in the current fiscal.

In FY2024, ICRA's sample set of companies witnessed a volume decline of ~3% for spirits on account of rise in prices due to substantially higher taxes levied by some state governments, inflation and increasing consumer preference for premium products, which impacted volumes to a certain extent. Beer witnessed higher consumption growth than spirits in FY2024 with a YoY growth of ~8%.

The operating profit margin (OPM) for ICRA's sample set of companies revived by ~200 bps to 12.9% in FY2024 led by correction in input costs, mainly glass bottles. While alcobev manufacturers have received price hikes across many states to address the cost escalation this year, increase in non-basmati rice prices in H1 FY2025 is expected to keep the OPM under check in FY2025. However, the decline in packaging material costs (glass bottles) will compensate the increase in non-basmati rice prices. ICRA's sample set is, thus likely to witness largely stable OPM of 12-13% in FY2025 led by steady demand growth, improving product mix and gradual easing of cost pressures.

ICRA's sample set of companies undertook moderate capital expenditure (capex) at 3-4% of operating income (OI) in FY2024. However, the same is expected to moderate to 2-3% in FY2025 and FY2026 as key players have already enhanced their capacities recently. ICRA expects debt coverage metrics for its sample set to remain healthy over the near term supported by healthy cash accruals.

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; Spirits include Indian Made Foreign Liquor (IMFL) and Country Liquor (CL)

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Thank You!