

# Alcoholic Beverages

## 2Q Preview: Spirit players to outperform; soft quarter for UBL

We expect our alcoholic beverage coverage universe revenue to grow by 9.5% in 2QFY26, faster vs. HPC staples and some of the large F&B players. In terms of segmental performance, we expect spirit players to outperform with higher volume/sales growth compared to United Breweries in the beer segment. Further, within individual companies, we forecast Radico Khaitan to outperform United Spirits as well as United Breweries across metrics with higher sales as well as EBITDA growth in the quarter. On the profitability front, with input cost environment largely stable to benign, we expect sequential improvement (stable YoY) in gross margin to continue across players. Strong sales growth-led operating leverage will aid EBITDA margin expansion for Radico Khaitan while scale deleverage will lead to lower EBITDA growth for United Spirits and decline for United Breweries for the quarter. Going forward, Radico's commentary on execution in the luxury segment, UNSP's assessment of Maharashtra policy impact and commensurate impact on its P&A guidance, and pace of margin expansion for United Breweries will be key monitorable. We maintain our positive stance on the space and Radico Khaitan remains our preferred pick in the alcoholic beverages segment.

- **Radico Khaitan – Outperformance vs. peers to continue:** We expect sales growth of c.26% YoY for Radico Khaitan led by c.33%/12% YoY growth in IMFL/Non-IMFL segment. Two of its large markets (Uttar Pradesh and Andhra Pradesh, which account for c.40% of sales) are seeing healthy growth due to favorable regulatory environment. Within the IMFL segment, we expect P&A sales growth of 27% (volume growth of c.25%) and regular segment to see much higher growth of c.53% (volume growth of c.57%). Revenue outperformance for Radico is led by sustained traction in the mainstay vodka segment, strong growth in the luxury segment, and continued benefit of route to market change in Andhra Pradesh. Stable RM and improved mix will aid sequential uptick in gross margins, which along with scale benefit will aid c.31% EBITDA growth with margin expansion of c.60bps YoY. This coupled with lower interest expense will result in higher PAT growth of c.47% YoY for the quarter, best in class growth within our consumer coverage universe.
- **United Spirits – Soft base, continued benefit of Andhra Pradesh market to support sales growth despite regulatory challenges in Maharashtra:** We estimate sales growth of c.7% YoY, moderation vs. 1QFY26 trend as benefit of soft base (base quarter volumes were weak due to front loading in 1QFY25), better growths in Karnataka, UP and route to market change in Andhra Pradesh is partially offset by regulatory headwind in the key market of Maharashtra (mid-high teen contribution to overall sales/EBITDA for United Spirits). We factor in P&A sales growth of 8% YoY led by 5% volume growth and better price/mix, indicative of a resilient performance. Popular segment is likely to see low-single-digit sales growth for the quarter. While benefit of stable input costs, productivity initiatives and tight control over other expenses are likely to continue, challenges in Maharashtra (better margin state) will weigh on profitability, resulting in c.6% EBITDA growth for the quarter as per our estimate.
- **United Breweries – Soft quarter, pace of margin expansion will be key:** We forecast sales growth of c.4% YoY (moderate vs. c.9-20% sales growth seen over the last 8 quarters). We estimate flat volumes for the quarter impacted by adverse monsoons, weakness in West Bengal, Rajasthan and regulatory headwind in key market of Karnataka (although MoM decline in beer volume for Karnataka has stopped in September). Benign RM and better price/mix will continue to aid gross margin which will be partially offset by weaker state mix/higher infusion of new glass bottles for the premium segment. Scale deleverage to result in c.4% decline EBITDA, which, along with higher interest expense, will result in PAT decline of c.13% YoY for the quarter.

**Exhibit 1. 2QFY26E earnings preview for our coverage universe**

INR mn	Net Revenue			EBITDA			Adjusted PAT		
	2QFY26E	2QFY25	YoY	2QFY26E	2QFY25	YoY	2QFY26E	2QFY25	YoY
United Breweries	21,993	21,147	4.0%	2,169	2,268	-4.4%	1,151	1,322	-13.0%
United Spirits	30,429	28,430	7.0%	5,370	5,070	5.9%	3,647	3,350	8.9%
Radico Khaitan	14,077	11,163	26.1%	2,144	1,632	31.4%	1,211	822	47.4%

Source: Company, JM Financial



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**Exhibit 2. Volume growth trend for coverage universe**

Volume (mn cases)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26E
United Breweries	53.3	46.3	42.7	48.7	56.0	48.6	46.1	51.1	61.6	48.6
United Spirits	13.2	16.1	16.5	15.6	13.7	15.4	18.2	16.7	15.0	16.1
Radico Khaitan	7.4	7.0	7.2	7.2	7.1	6.8	8.4	9.1	9.7	8.9

Source: Company, JM Financial

**Exhibit 3. Radico Khaitan to outperform United Spirits and United Breweries in terms of volume performance**

Volume growth (%)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26E
United Breweries	-12.3%	7.0%	8.0%	10.7%	5.0%	5.0%	8.0%	5.0%	10.0%	0.0%
United Spirits	-28.6%	-27.5%	-0.9%	3.5%	3.5%	-4.4%	10.2%	6.9%	9.4%	4.4%
Radico Khaitan	7.9%	-3.1%	3.6%	-1.0%	-4.1%	-2.4%	15.5%	27.5%	37.5%	30.5%

Source: Company, JM Financial

**Exhibit 4. Radico Khaitan: Strong revenue momentum to continue for both P&A and Regular segment**

Radico Khaitan	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26E
P&A volume (mn cases)	2.4	2.8	3.1	2.9	2.7	3.2	3.7	3.4	3.8	4.0
YoY	27.1%	21.9%	20.1%	14.5%	14.2%	12.7%	18.0%	16.4%	40.7%	25.0%
P&A realisation/case (INR)	1,755	1,724	1,671	1,724	1,830	1,806	1,765	1,808	1,857	1,840
YoY	10.4%	11.3%	7.5%	1.4%	4.2%	4.8%	5.6%	4.9%	1.5%	1.9%
P&A sales (INR mn)	4,195	4,897	5,197	5,035	4,995	5,780	6,479	6,148	7,132	615
YoY	40.3%	35.6%	29.1%	16.1%	19.1%	18.0%	24.7%	22.1%	42.8%	27.3%
Regular volume (mn cases)	4.2	3.2	3.1	3.0	3.6	2.8	3.5	5.3	5.4	4.4
YoY	-7.2%	-16.5%	-11.6%	-21.8%	-14.0%	-11.9%	13.5%	78.1%	51.8%	56.6%
Regular realisation/case (INR)	671	631	640	577	662	628	648	650	646	615
YoY	1.8%	0.0%	0.4%	0.9%	-1.3%	-0.5%	1.2%	12.6%	-2.5%	-2.1%
Regular sales (INR mn)	2,783	2,014	1,997	1,715	2,363	1,766	2,294	3,440	3,499	2,706
YoY	-5.5%	-16.5%	-11.2%	-21.1%	-15.1%	-12.3%	14.9%	100.6%	48.1%	53.2%
IMFL sales (INR mn)	7,055	6,991	7,294	6,875	7,455	7,639	8,931	9,692	10,697	10,131
YoY	18.9%	14.6%	14.9%	4.3%	5.7%	9.3%	22.4%	41.0%	43.5%	32.6%
Non IMFL sales (INR mn)	2,484	2,260	4,315	3,912	3,911	3,523	4,011	3,349	4,364	3,946
YoY	55.6%	49.4%	174.0%	126.3%	57.4%	55.9%	-7.0%	-14.4%	11.6%	12.0%

Source: Company, JM Financial

**Exhibit 5. United Spirits: We forecast resilient P&A performance despite headwinds in Maharashtra**

United Spirits	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26E
P&A volume (mn cases)	11.0	13.4	13.4	12.4	11.5	12.9	14.9	13.6	12.6	13.5
YoY	10.3%	3.1%	5.4%	3.4%	5.1%	-3.7%	11.2%	9.2%	9.0%	4.9%
P&A realisation/case (INR)	1,709	1,885	1,966	1,861	1,790	1,963	2,053	1,929	1,790	2,022
YoY	9.8%	8.3%	5.3%	2.7%	4.8%	4.1%	4.4%	3.7%	0.0%	3.0%
P&A sales (INR mn)	18,760	25,200	26,380	23,100	20,660	25,270	30,630	26,160	22,510	27,294
YoY	21.2%	11.7%	10.9%	6.2%	10.1%	0.3%	16.1%	13.2%	9.0%	8.0%
Regular volume (mn cases)	2.3	2.8	3.1	3.2	2.2	2.5	3.2	3.1	2.4	2.6
YoY	-73.7%	-70.2%	-21.4%	3.7%	-4.6%	-7.9%	5.9%	-2.2%	11.6%	2.3%
Regular realisation/case (INR)	999	993	998	972	1,019	1,004	1,032	1,003	1,037	1,014
YoY	50.9%	47.5%	13.1%	-0.7%	2.0%	1.1%	3.5%	3.2%	1.8%	1.0%
Regular sales (INR mn)	2,260	2,740	3,050	3,090	2,200	2,550	3,340	3,120	2,500	2,635
YoY	-60.3%	-56.1%	-11.1%	3.0%	-2.7%	-6.9%	9.5%	1.0%	13.6%	3.3%

Source: Company, JM Financial

**Exhibit 6. United Breweries: Extended monsoons and regulatory headwinds in Karnataka to impact revenue performance**

United Breweries	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26E
Volume	53.3	46.3	42.7	48.7	56.0	48.6	46.1	51.1	61.6	48.6
YoY	-12.3%	7.0%	8.0%	10.7%	5.0%	5.0%	8.0%	5.0%	10.0%	0.0%
Realisation/case	426	408	427	438	442	435	433	454	465	452
YoY	6.4%	5.1%	4.8%	9.1%	3.6%	6.7%	1.5%	3.7%	5.2%	4.0%
Net sales	22,732	18,880	18,227	21,315	24,730	21,147	19,984	23,214	28,624	21,993
YoY	-6.7%	12.4%	13.1%	20.8%	8.8%	12.0%	9.6%	8.9%	15.7%	4.0%

Source: Company, JM Financial

**Exhibit 7. Key financial metrics**

Company	Mcap (USD bn)	CMP	Target Price	Upside (%)	Rating	FY25-28E CAGR (%)			ROE (%)			ROCE (%) - post tax		
						Sales	EBITDA	EPS	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
United Breweries	5.3	1,790	1,990	11.2%	ADD	12.3%	24.6%	29.1%	12.6%	16.0%	19.3%	11.8%	15.1%	18.5%
United Spirits	11.1	1,350	1,475	9.3%	ADD	8.5%	10.8%	11.8%	18.4%	20.3%	21.1%	18.6%	20.1%	20.9%
<b>Radico Khaitan</b>	<b>4.5</b>	<b>2,997</b>	<b>3,515</b>	<b>17.3%</b>	<b>BUY</b>	<b>17.6%</b>	<b>25.8%</b>	<b>36.3%</b>	<b>17.8%</b>	<b>19.9%</b>	<b>21.5%</b>	<b>15.8%</b>	<b>18.4%</b>	<b>20.6%</b>

Source: Company, JM Financial

**Exhibit 8. Key valuation metrics**

Company	PE (x)			EV/EBITDA (x)			EV/Sales (x)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
United Breweries	84.1	62.4	47.8	47.0	36.5	29.2	4.7	4.2	3.8
United Spirits	65.1	54.5	48.3	44.3	38.3	34.2	7.9	7.1	6.5
<b>Radico Khaitan</b>	<b>77.4</b>	<b>58.8</b>	<b>45.8</b>	<b>45.1</b>	<b>36.4</b>	<b>29.6</b>	<b>6.8</b>	<b>5.9</b>	<b>5.0</b>

Source: Company, JM Financial

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Rating	Meaning
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SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

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