Allied Blenders & Distillers

A Strong Base, Ready for the Next Phase

INITIATING COVERAGE

BUY

26 May 2025

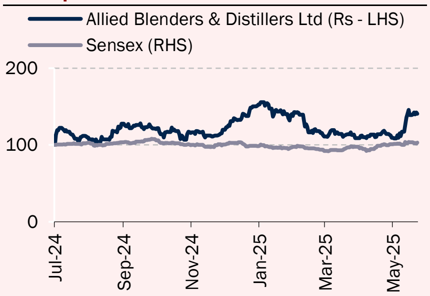
BSE Sensex: 81721

Sector: Alcoholic Beverages

Stock data

CMP (Rs)	395
Mkt Cap (Rs bn/USD m)	110.6 /1,298
Target Price (Rs)	525
Change in TP (%)	NA
Potential from CMP (%)	32.8
Earnings change (%)	
FY26E	NA
FY27E	NA
Bloomberg code	ABDL IN
1-yr high/low (Rs)	445/279
6-mth avg. daily volumes (m)	0.8
6-mth avg. daily traded value (Rsm/USDm)	290.5/3.4
Shares outstanding (m)	279.7
Free float (%)	19.1
Promoter holding (%)	80.9

Price performance – relative & absolute



(%)	3-mth	6-mth	1-yr
ABDL IN	19.1	25.4	-
BSE Sensex	8.5	3.3	8.4

Allied Blenders and Distillers (ABDL) is India's largest homegrown IMFL company by volume and one of only four spirits players with a pan-India distribution network. The company boasts a diverse brand portfolio, led by Officer's Choice, the world's third-largest whisky brand, along with ICONiQ White, its newest millionaire brand and the fastest-growing whisky globally. With a strengthened balance sheet post-IPO and enhanced financial flexibility, ABDL is entering a new phase of growth. It is undergoing a strategic shift towards premiumisation—underpinned by supply-chain efficiencies and disciplined cost management—positioning it to deliver volume-led expansion and sustained margin accretion. We had initiated coverage on Alcobev Sector (link) in October 2024. With visible operational turnaround, renewed focus on profitability, and an expanding premium portfolio, we now initiate coverage on ABDL with a *Buy* rating.

Accelerating premium portfolio expansion: ABDL's premiumization strategy is a long-term structural shift, aligning with evolving consumer preferences and the industry's increasing premium-mix trajectory. ABDL is strategically repositioning its portfolio to increase the P&A contribution. This transition is underpinned by high-growth premium brands like ICONiQ White, Sterling Reserve, and Zoya Gin, complemented by strategic acquisitions (Woodburns, Rock Paper Rum) and the establishment of ABD Maestro —a dedicated luxury spirits platform. We expect P&A volume growth of ~14% CAGR with ~volume/value saliency increasing to 44%/53% in FY27E (37%/47% in FY24).

Strengthening supply chain for margin gains: ABDL has earmarked a Rs 5.25 bn capex plan (FY25–27) to fortify supply chain security with backward integration. It has acquired a distillery in Maharashtra (11MLPA), with plans to expand capacity to 61MLPA within three years, taking total ENA capacity to ~120MLPA—adequate to meet around two-thirds of its captive requirement—incrementally covering 2/3rd of its ENA needs. Additionally, ABDL is investing in a 4MLPA malt maturation unit and a 615 mn PET bottle facility. These investments, funded through internal accruals and debt, will enhance cost efficiencies, margin resilience, and competitive strength.

Valuation and recommendation: ABDL's profitability had been subdued over the past five years due to higher saliency of mass-premium brands, persistent input cost inflation, and elevated debt. However, FY25 has marked a sharp turnaround, with EBITDA and PAT surging ~78% and 105x YoY, driven by premiumization, cost efficiencies, and debt restructuring. Looking ahead, ~14% P&A volume growth is set to drive revenue growth, while a favourable product mix and cost efficiencies will support ~120 bps EBITDA margin expansion. PAT likely to grow by ~28% CAGR over FY25-27E. We value the stock on DCF methodology with WACC assumption of 9% and terminal growth of ~5% to arrive at a target price of Rs 525/share.

Key valuation metrics

Year to 31 Mar	FY23	FY24	FY25	FY26E	FY27E
Net sales (Rs m)	**31,466**	**33,279**	**35,199**	**39,905**	**45,080**
EBITDA (Rs m)	1,850	2,421	4,306	5,126	6,071
Adj. net profit (Rs m)	16	68	1,948	2,389	3,170
Adj. EPS (Rs)	0.1	0.2	7.0	8.5	11.3
% change	8.4	325.9	2,759.0	22.6	32.7
PE (x)	6,911.0	1,622.6	56.8	46.3	34.9
Price/ Book (x)	27.2	27.2	7.1	6.5	5.9
EV/ EBITDA (x)	63.7	48.8	27.5	23.1	19.5
RoE (%)	0.4	1.7	19.8	14.7	17.8
RoCE (%)	10.4	14.9	19.7	17.0	19.6

Source: Company, DAM Capital Research

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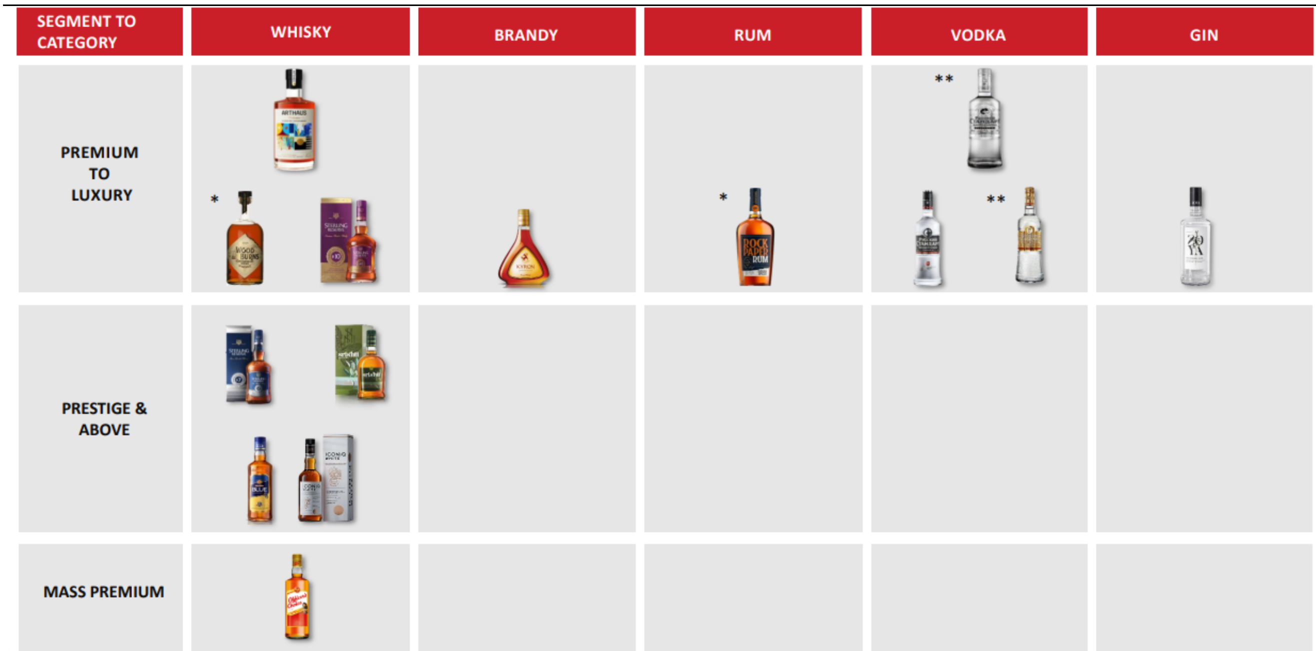
❑ Continued focus on growing premium portfolio

Historically, ABDL has been deeply entrenched in the mass-premium segment, with Officer's Choice as its flagship brand, driving high-volume sales and cementing its position as a market leader. The company successfully capitalized on the affordable whisky market, making Officer's Choice one of the world's largest-selling whisky brands.

However, recognizing shifting consumer preferences and the premiumization trend in India's alcobev industry, ABDL has strategically scaled up its presence in the P&A segments in recent years. The launch of Officer's Choice Blue (2011), Sterling Reserve (2017), and ICONiQ White (2022) has strengthened its foothold in the Prestige & Above categories, while Zoya Gin and ARTHAUS Blended Malt Scotch mark its entry into the luxury space.

Exhibit 1: ABDL's portfolio of key brands



Source: Company, DAM Capital Research

❑ Officer's Choice: margin-focused execution in mass premium

Officer's Choice remains a strategically vital asset within ABDL's portfolio, anchoring its leadership in the structurally resilient mass premium whisky segment. In contrast to peers who have de-emphasized this category due to margin compression, ABDL leverages a disciplined, margin-accretive approach—prioritizing geographies and SKUs exceeding predefined profitability thresholds. Notably, over 60% of its mass premium sales are derived from states yielding gross margins above 40%, and more than 80% from states delivering over 30%, reinforcing a sharply curated state-brand mix. With ~40% gross margin, 18.3 million cases sold in FY25, and a pan-India distribution spanning 79,000+ outlets, the brand combines scale with operating efficiency. Innovative cost measures like PET and tetra packaging—adopted in high-volume states such as Karnataka and Uttar Pradesh aid the profitability. Officer's Choice stands as both a defensive, cash-generative pillar and a latent growth lever, positioned to benefit from the ongoing consumer transition from country liquor to IMFL amid moderating competitive intensity.

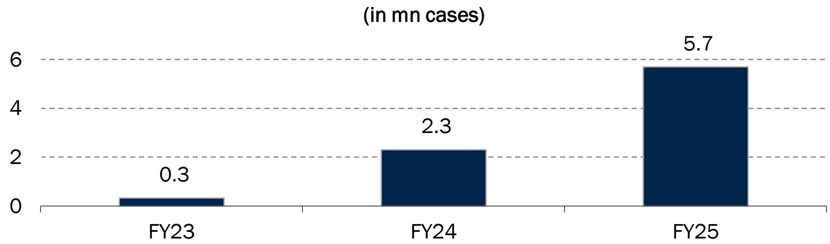
❑ ICONiQ White: strategic pricing and expansion driving momentum

ICONiQ White, launched in September 2022 by ABDL, has emerged as one of the fastest-growing spirits brands globally, achieving millionaire brand status within its first full year. In FY24, it had sold over 2.3 mn cases and doubled that to 5.7 mn cases in FY25.

The growth of ICONiQ White has been fuelled by several strategic initiatives. Its clutter-breaking design—a minimalist, all-white aesthetic—has distinguished it in the competitive whisky market, resonating with younger consumers and first-time whisky drinkers. Complementing its modern appeal is its strategic pricing, positioned above McDowell's No.1 and Imperial Blue yet below Royal Stag and Royal Challenge. This has enabled it to capture consumers trading up from mass-premium while remaining accessible within the semi-premium segment.

ABDL has rapidly expanded ICONiQ White's presence through a strategic and phased rollout, now reaching 23 states and union territories. The brand's entry into Karnataka and Andhra Pradesh has strengthened its foothold in key southern markets.

Exhibit 2: Iconiq White crossed 5 mn cases sales in FY25



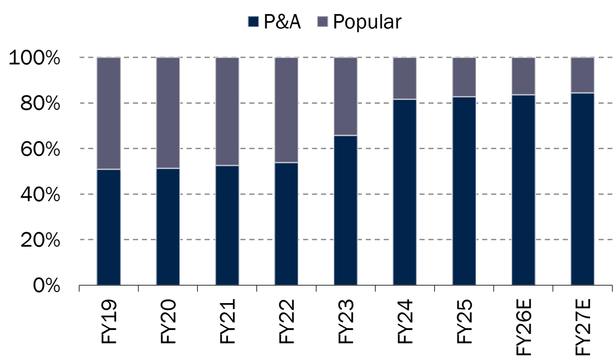
Source: Company, DAM Capital Research

❑ Strengthening P&A Mix: ABDL's Premiumization Playbook

ABD is under-indexed in its premium portfolio compared to other large competitors. P&A accounted for ~50%/~40% of IMFL value/volume in FY25, respectively. ABD has got three millionaire labels in the P&A category — Officer's Choice Blue and ICONiQ White in the Prestige segment and Sterling Reserve B7 in the Semi-premium segment.

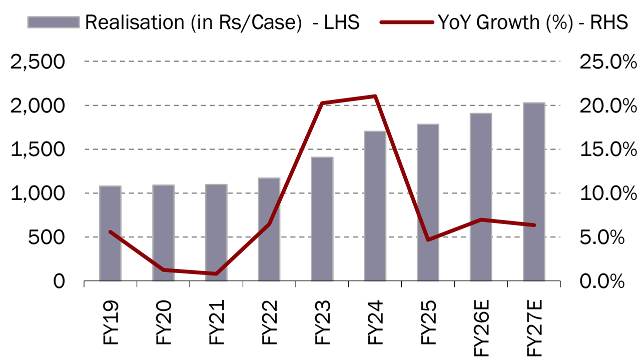
The company's strategy is to push P&A volume contribution towards 50%. ABDL is executing a three-pronged approach—Build, Buy, and Partner—to strengthen its premium & luxury presence.

Exhibit 3: UNSP Volume Mix



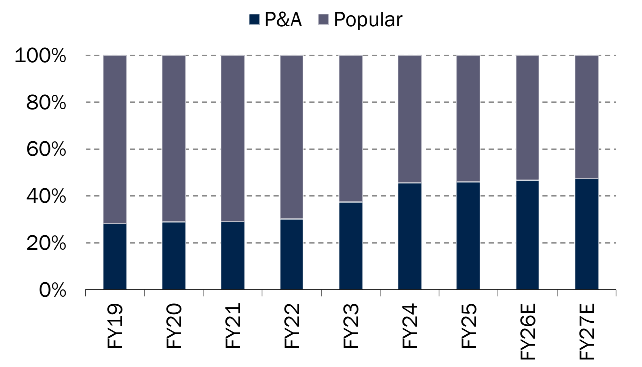
Source: Company, DAM Capital Research

Exhibit 4: UNSP – Realisation/case (in Rs) trends



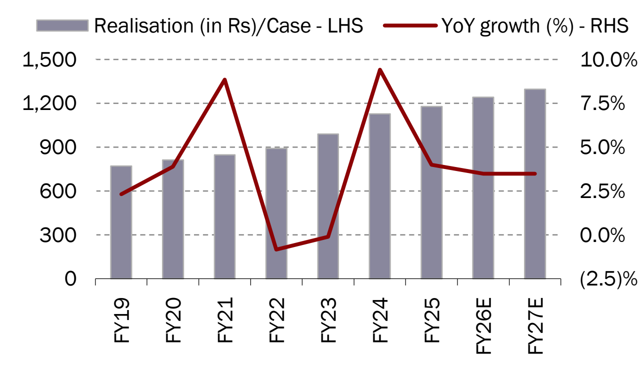
Source: Company, DAM Capital Research

Exhibit 5: Radico – Volume Mix



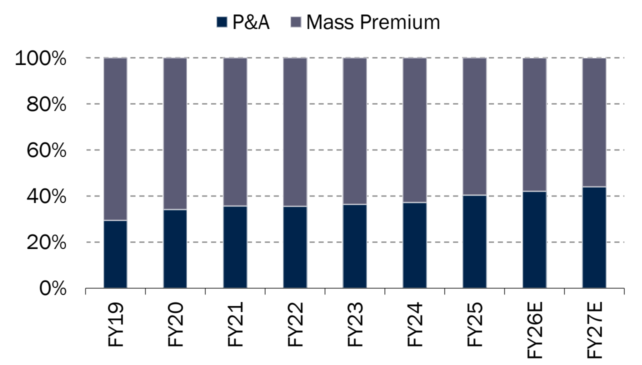
Source: Company, DAM Capital Research

Exhibit 6: Radico – Realisation/case (in Rs) trends



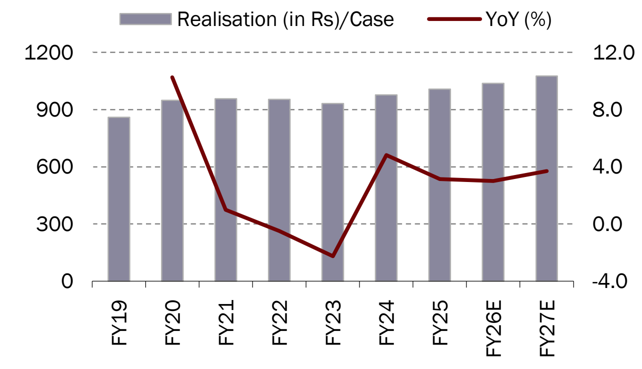
Source: Company, DAM Capital Research

Exhibit 7: ABDL – Volume Mix



Source: Company, DAM Capital Research

Exhibit 8: ABDL – Realisation/case (in Rs) trends



Source: Company, DAM Capital Research

❑ Foray into Super-Premium & Luxury Segments

Zoya Gin: Launched in January 2024, marking ABDL's entry into luxury spirits. The brand has expanded into eight states across India plus UAE exports with two new flavours launched in Q4FY25. Management plans to roll out brand in 3 additional markets in Q1 and Q2FY26

Woodburns Whisky: Acquisition of this super-premium Indian malt whisky for Rs 395 mn, It is currently available in 7 states and union territories.

Rock Paper Rum: Investment of Rs 90 mn for a 51% stake (Good Barrel Distillery Private Limited) in a premium rum brand, capitalizing on the mid-teen growth rate of the premium rum segment. It is positioned in the Rs 1,300-1,500 price range, directly competing with Bacardi's premium rum variants, a segment currently dominated by a single major player.

Arthaus Blended Malt Scotch: First luxury scotch offering, launched in Mumbai, Pune, Goa, Kolkata, and Gurgaon, crafted from Speyside and Highland single malts. Arthaus Blended Malt is priced at Rs 4,800 /750ml bottle in Mumbai, positioned at a premium to brands like Johnnie Walker Black Label and in line with Monkey Shoulder & Copper Dog. Besides Maharashtra, it is now available in key markets of Delhi, Uttar Pradesh, Haryana, Goa, West Bengal and Karnataka.

Pumori Gin: Premium craft gin acquired via Fullarton Distilleries; distilled in Goa with 12 botanicals. Positioned in the Rs 2,000–2,500 range, currently being scaled across metro markets through ABDL's premium channel.

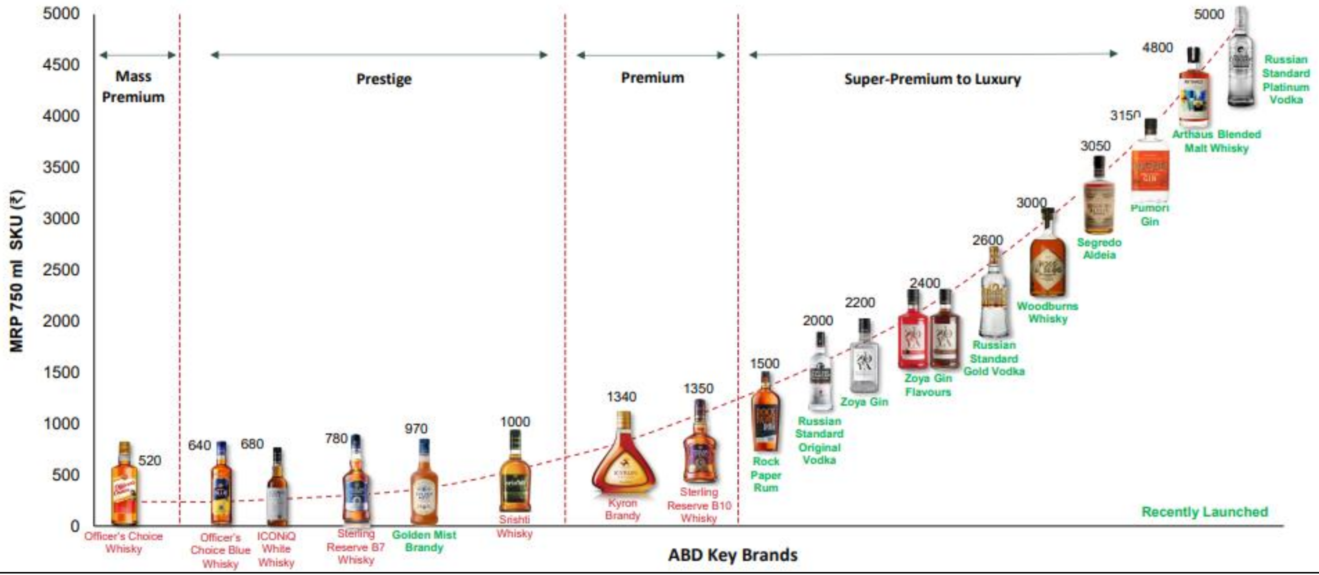
Segredo Aldeia: Artisanal rum brand with white and café variants; part of Fullarton acquisition. Available in Goa and select metros, targeting the fast-growing premium rum segment.

Russian Standard Vodka Partnership: ABDL partnered with Roust Corporation to bring Russia's No.1 premium vodka to India, set for launch in Q1FY26.

India's vodka market, exceeding 13 mn cases annually, is growing at over 20% YoY, driven by shifting consumer preferences and a rising cocktail culture. While the premium segment accounts for less than 10% of total sales, it delivers disproportionately high margins, making it a lucrative growth opportunity. ABDL aims to capture a double-digit market share in this segment by leveraging Russian Standard's global brand equity and its deep distribution network.

The Russian Standard portfolio—featuring Original (Rs 2,200), Gold (Rs 2,600), and Platinum (Rs 5,000)—positions ABDL against Absolut in mid-premium and Grey Goose in ultra-premium, ensuring competitive coverage across price points.

Exhibit 9: Continued expansion of premium and luxury portfolio



**MRP in Maharashtra state for all brands. For Srishti brand West Bengal MRP and for Kyron brand Kerala MRP considered*
Source: Company, DAM Capital Research

❑ ABD Maestro: A dedicated premium spirits venture for growth

ABD Maestro Pvt. Ltd. is a premium-to-luxury spirits venture launched by ABDL in partnership with Bollywood actor Ranveer Singh. The entity is structured as an independent subsidiary, with ABDL holding 80% stake, allowing agile decision-making, brand innovation, and targeted luxury market strategies.

Bikram Basu has been appointed as Managing Director of ABD Maestro Pvt Ltd, bringing over two decades of leadership experience in the spirits industry, including 6 years with United Spirits, 14 years with Pernod Ricard India, and with ABDL since 2015.

ABD Maestro will house a curated selection of premium and luxury spirits, comprising both owned, licensed, and distributed brands, ensuring a scalable and multi-layered business model. The portfolio currently includes Arthaus Blended Malt Scotch, Woodburns Indian Malt, Zoya Gin, Pumori Gin, Russian Standard Vodka, and Segredo Aldeia Rums targeting high-end retail, luxury bars, and export markets. ABD Maestro will leverage on ABDL's extensive pan-India network, ensuring rapid scaling and deep market penetration.

The prestige and luxury segments offer significantly higher gross margins compared to mass premium brands, making them structurally accretive to profitability. While new launches in the premium and luxury space involve upfront marketing investments, management expects brands to turn EBITDA accretive from the third year provided they achieve successful scale-up.

Unlike traditional endorsements, Ranveer Singh holds a direct equity stake, aligning his interests with the company's long-term success. His brand ideation and creative inputs, combined with his 47M+ social media following, will drive organic outreach and aspirational positioning.

Exhibit 10: ABD Maestro

Source: Company, DAM Capital Research

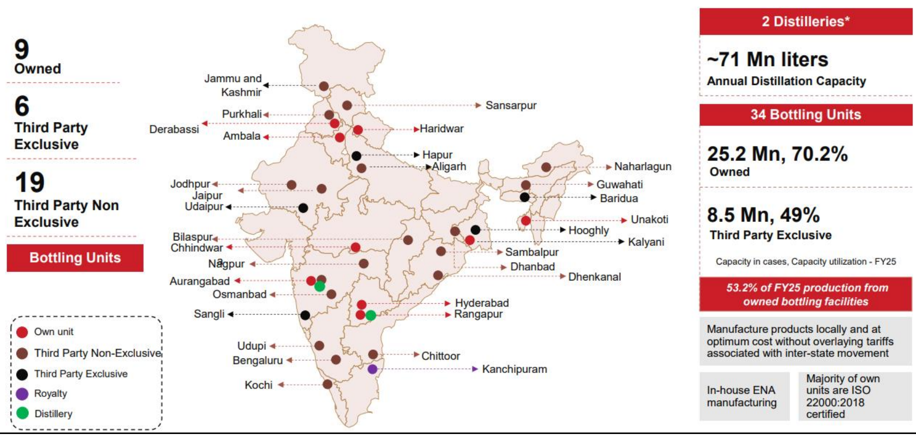
❑ Wide-spread distribution network: A key growth enabler

ABDL's pan-India presence across 79,000+ retail outlets ensures widespread market access in both urban and rural areas, making it one of only four IMFL players with a truly national footprint. Its 34 bottling units—including 9 owned, 6 third-party exclusive, and 19 third-party non-exclusive facilities—enable localized production and cost efficiency, reducing logistical complexities. This robust distribution network has facilitated the rapid rollout of new brands, as seen with ICONiQ White and Sterling Reserve, while its state-mix optimization strategy prioritizes high-margin states, improving per-case realizations and profitability.

India's liquor industry operates under stringent state-level regulations, requiring complex approvals for labelling, brand registration, and inter-state transport. ABDL's deep distribution network coupled with pan-India manufacturing network provide a significant competitive edge over new entrants, who often face lengthy approval cycles and regulatory barriers.

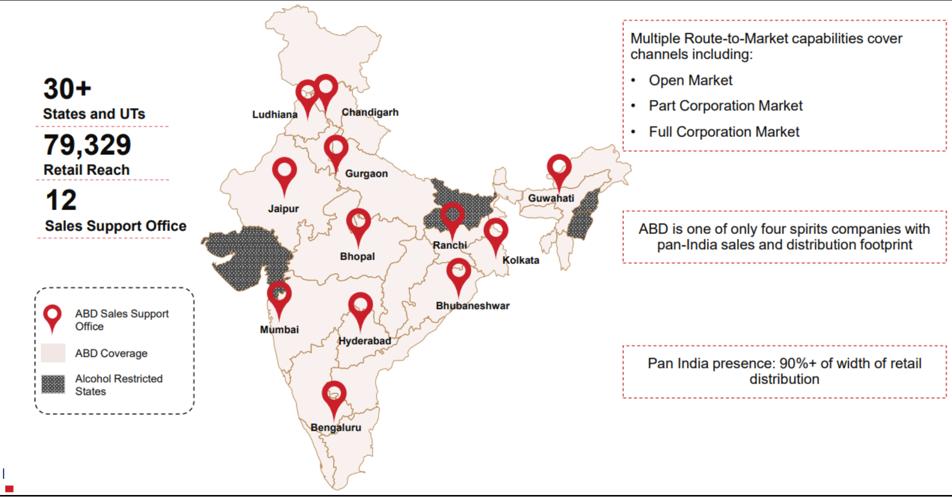
Driving premium market penetration through on-trade: ABDL's historically limited on-trade presence, due to its mass-premium focus, is now expanding through strategic acquisitions and premium brand launches. The company has acquired Woodburns Whisky and Rock Paper Rum, both with strong on-premise and premium retail visibility, while also launching Arthaus Blended Malt and Zoya Gin, targeting high-end bars and stores. To accelerate growth, ABDL is leveraging its acquired brands' reach and implementing curated tastings, influencer activations, and premium retail collaborations in key metro markets, aligning with its premiumization strategy.

Exhibit 11: ABDL has strong manufacturing presence



Source: Company, DAM Capital Research

Exhibit 12: ABDL has pan-India distribution network



Source: Company, DAM Capital Research

❑ Three-Year capex roadmap: strengthening cost & supply efficiency

ABDL has outlined a Rs 5.25 bn capex plan over FY25-27, aimed at strengthening supply chain security, setting up malt capacity, and driving operational efficiencies. The strategic investments are expected to enhance gross margins (target: 42 to 45%) and provide foundation for sustainable profit growth.

Acquisition and scale up of distillery in Maharashtra: As part of its Extra Neutral Alcohol (ENA) integration strategy, ABDL acquired an ~11.0 MLPA (Million Litres Per Annum) distillery in Aurangabad, Maharashtra, for Rs 0.72 bn in December 2024. Operations commenced in February 2025, and the distillery is now operating at full capacity. The company is in the process of securing regulatory approvals to expand capacity by an additional ~50.0 MLPA with a planned capital expenditure of ~Rs 2.6 bn. This will increase the operational ENA capacity of Maharashtra distillery to ~61.0 MLPA (from 11.0 MLPA) by Q4 FY27 and to ~120 MLPA combined with Telangana distillery. The acquisition and planned expansion aim to enhance captive ENA production, ensuring strategic supply chain security. Additionally, the location in Maharashtra—one of ABD's top four markets—provides logistical advantages that support cost efficiencies in both distribution and exports.

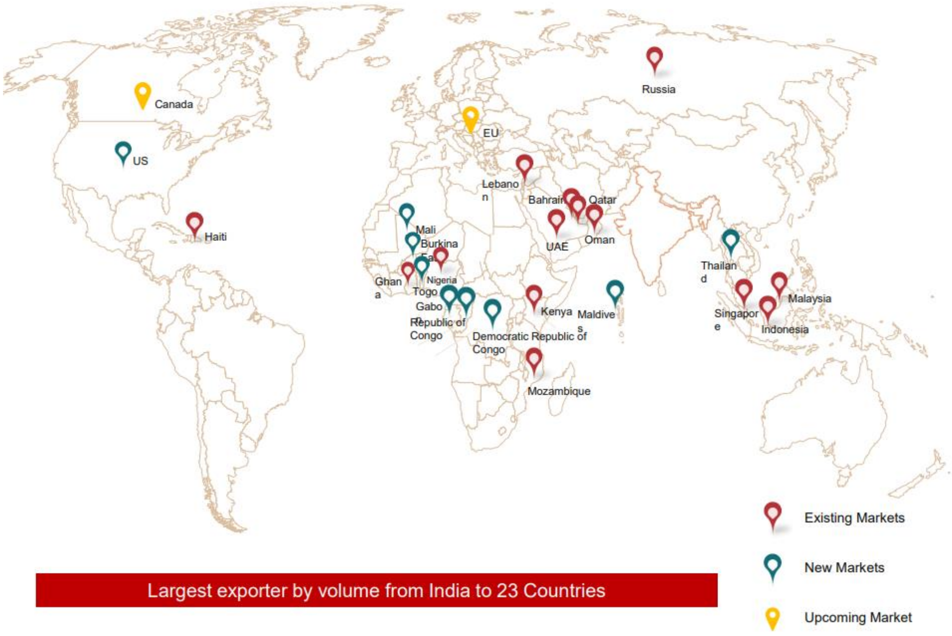
Setting up of malt plant: ABDL is setting up a single malt plant with a capacity of 4 mn liters p.a. at its existing ENA facility in Rangapur, Telangana at capex of Rs 0.75 bn. This strategic investment aims to cater to the growing demand for premium and luxury spirits particularly in the single malt besides securing malt for blending requirements. The plant is expected to commercialise by Q4FY26.

PET Bottle plant setup: ABDL is setting up a 615 million bottle per annum PET bottling plant at its Rangapur facility, Telangana, with a Rs 1.15 bn investment. Targeting cost optimization and supply chain efficiency, the plant will support mass-premium brands like Officer's Choice, especially in southern markets. The plant is expected to get commissioned in Q2FY26.

❑ Targets double-digit export growth

ABDL aims to achieve double-digit YoY growth in exports, driven by geographical expansion, premiumization, and strategic market penetration. The company has increased its presence from 14 to 23 countries. With a focus on high-growth markets in Africa, the Middle East, and Southeast Asia, ABDL expects exports to contribute a larger share of revenues over the next few years, supported by strong demand for premium and luxury spirits. Net export revenue for FY25 stood at Rs 2.06 bn (5.8% of FY25 net revenue)

Exhibit 13: ABDL's presence in export markets



Source: Company, DAM Capital Research

❑ Telangana payments gradually normalizing

Telangana, one of India's largest liquor markets, has been a key region for ABDL, contributing ~25-30% of its sales and housing a 60 mn litre distillery, making it a strategically important and profitable state. However, the state government's delayed payments to the liquor industry created a liquidity crunch, affecting ABDL's working capital cycle. This hindered ABDL's ability to meet demand and consequently, volume growth, especially in H2FY24 and Q1FY25 (pre-IPO). Overdues from Telangana had reached approximately ~Rs 4 bn by Q4FY25, with industry-wide overdue payments exceeding ~Rs 40 bn.

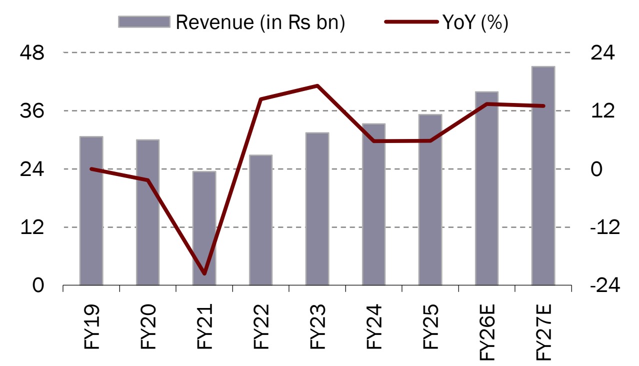
Since October 2024, the company has been receiving regular payments for ongoing supplies, though the resolution of past dues remains in progress. Management remains cautiously optimistic, expecting a significant reduction in overdue receivables in near future, which should ease working capital constraints and improve liquidity.

Financial Analysis

❑ Revenue to grow by ~13% CAGR over FY25-27E, driven by P&A segment

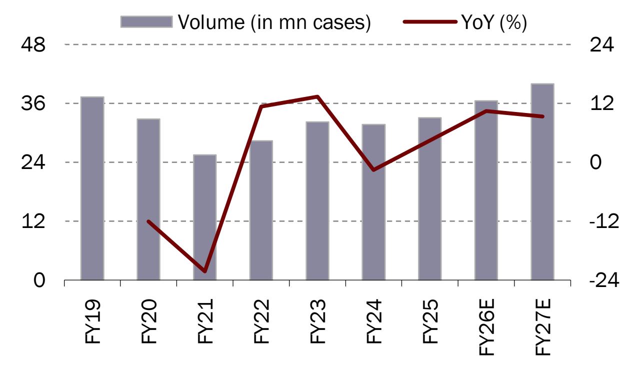
ABDL aspires double-digit revenue growth, driven by premiumization, state-mix optimization, and category expansion. The company aims to increase Prestige & Above (P&A) volume contribution beyond 50%, leveraging the success of ICONiQ White, Sterling Reserve, and new brands. The launch of ABD Maestro Pvt Ltd will further accelerate growth in the super-premium and luxury segments. We have built in ~14% volume growth for ABDL's P&A segment. Mass premium segment is expected to grow with a 7% CAGR volumes over FY25-27E. partly aided by low base and privatisation of retail in Andhra Pradesh. On an overall basis, we expect ABDL's IMFL segment to report 13.6% revenue CAGR driven by ~10% volume growth over FY25-27E.

Exhibit 14: Revenue to grow at ~13% CAGR over FY25-27E



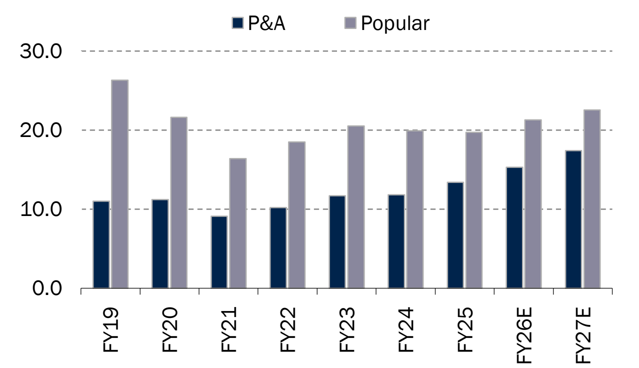
Source: Company, DAM Capital Research

Exhibit 15: IMFL Volumes to grow at ~10% CAGR over FY25-27E



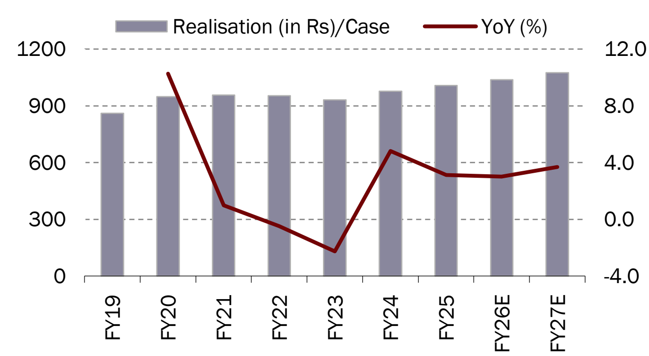
Source: Company, DAM Capital Research

Exhibit 16: P&A volumes to grow ~14% CAGR over FY25-27E



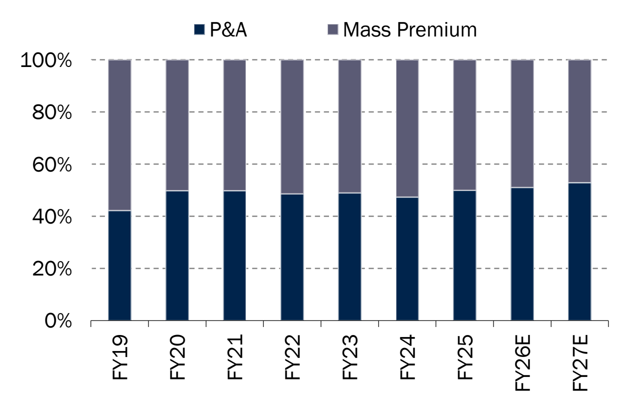
Source: Company, DAM Capital Research

Exhibit 17: Realisation to grow at 3.4% CAGR over FY25-27E



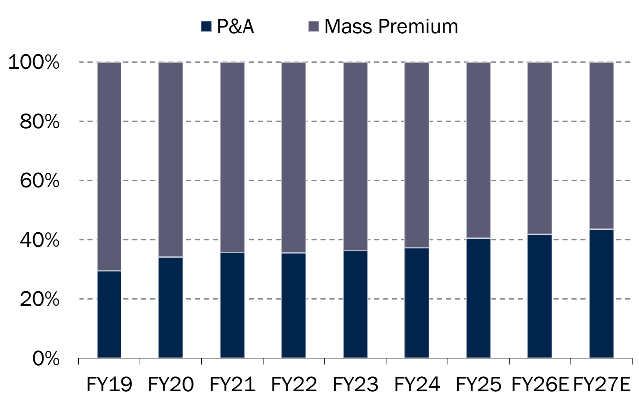
Source: Company, DAM Capital Research

Exhibit 18: IMFL Revenue Mix



Source: Company, DAM Capital Research

Exhibit 19: IMFL Volume Mix



Source: Company, DAM Capital Research

❑ Multiple levers for margin expansion

Following a 240 bps contraction in gross margin over FY22-24 due to elevated raw material costs, ABDL has achieved a 512 bps YoY expansion in FY25, driven by state-mix optimization, premiumization, and cost efficiencies. Going ahead, we expect company to report 92 bps expansion in gross margin over FY25-27E. Consequently, we pencil EBITDA margin expansion of ~120 bps over FY25-27E to 13.5% on the back of GPM expansion.

Cost optimisation in packaging: ABDL has taken decisive steps toward packaging cost rationalization across its portfolio: i) The transition from glass bottles to PET and tetra packs for *Officer's Choice* continues to gain traction, with glass now contributing only ~10% of *OC* whisky's volumes. ii) The company has already phased out mono-cartons for *Officer's Choice Blue* and *Sterling Reserve* and has confirmed a gradual withdrawal for ICONiQ White as the brand matures.

Market bottle utilisation: Targets to improve the utilisation of returned bottles from 13% in FY24 to ~20% in the near term, contributing to better cost efficiencies. ICONiQ's MBU is expected to normalize by FY26, as the reuse ecosystem develops across key markets.

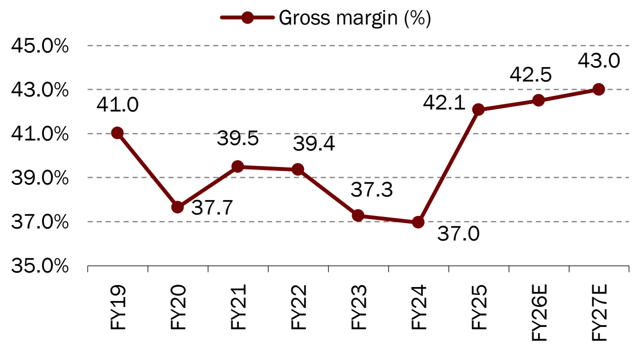
Backward integration: i) Aurangabad ENA distillery, now running at 100% capacity, has already begun contributing to captive use, ii) ENA expansion (~60mn litres), currently under regulatory approval, will push captive sourcing to ~66% once fully commissioned by FY27, with long-term plans targeting 100% integration, iii) PET bottle facility in Telangana, on track for Q2FY26 launch, will meet up to 75% of ABDL's internal PET requirements and be EBITDA accretive. These backward integration levers alone are expected to contribute ~300 bps EBITDA margin expansion over the medium term.

Input cost tailwinds: FCI procurement price for ethanol manufacturers has been reduced from Rs 28/kg to Rs 22.5/kg, improving the availability of Broken Rice and Maize for ENA production, easing cost pressures. ENA prices, after three years of inflation, have stabilized in recent quarters, while packaging material costs (glass bottles, cartons, etc.) have also been in a deflationary trend, further supporting margins.

Premiumization as a structural margin catalyst: i) P&A segment is now ~50% of revenues (up from 42%) and continues to gain salience with strong growth in high-margin brands, ii) management has guided to launch three more premium/Luxury brands in FY26, accelerating value accretive mix shift and, iii) Additionally, the UK-India FTA, once effective, is expected to generate Rs 0.75-0.80 bn in annual duty savings on bulk Scotch imports (~175–200 bps margin upside), which management views as potentially flowing directly to EBITDA.

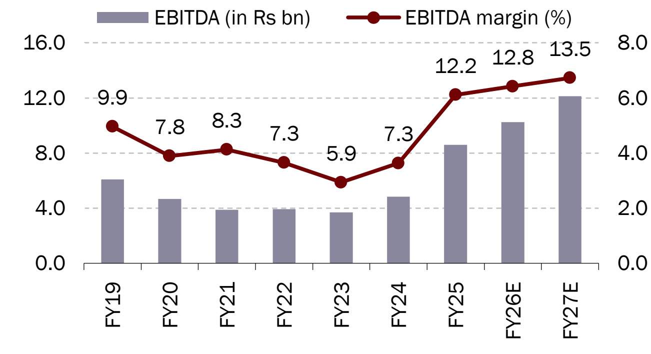
ICONiQ margin trajectory: Currently, *ICONiQ White* operates at a ~300 bps lower gross margin than the company average. This is driven by: i) premium packaging (mono-cartons) still in use for seeding new markets — set to be fully phased out by FY27, releasing direct cost pressure, ii) low market bottle utilisation, which will improve as the reuse ecosystem stabilizes — expected to align with legacy brands by FY26, and iii) operating leverage: as the brand crosses 8-9 mn case run-rate, fixed cost absorption will improve, further narrowing the margin gap. Combined, these levers are expected to bring *ICONiQ's gross margin in line with the corporate average* by FY27, adding significant value as it becomes a scaled driver of premium growth.

Exhibit 20: GPM to expand 92 bps over FY25-27E



Source: Company, DAM Capital Research

Exhibit 21: EBITDA to grow ~19% CAGR over FY25-27E



Source: Company, DAM Capital Research

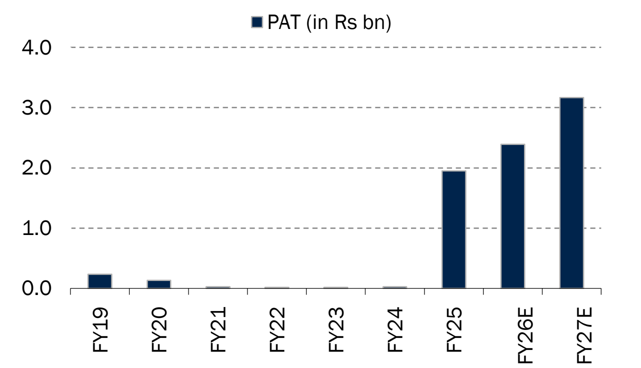
❑ Strengthened balance sheet will enable ABD to achieve volume growth

ABDL's total gross debt stood at ~Rs8.2 bn as on 31 March 2024, including short-term debt of ~Rs6.3 bn. In June 2024, the company completed the IPO of ~Rs15 bn, including fresh issue of ~Rs 10 bn. The IPO proceeds were utilised to pay off the debt. Besides the debt repayment, the company also cleared all outstanding VAT liabilities. The company has now raised ~Rs 3.25 bn in working capital debt at a reduced borrowing cost of 8.5%, compared to the previous 10-10.5%. ABDL's interest expense for FY24 stood at ~Rs 1.7 bn which came down to ~Rs 1.25 bn in FY25. Net debt as on March 31, 2025, was at Rs 6.58 bn. Notably, ABDL has ~Rs 4 bn due from Telangana which management is hopeful of receiving in near future, however, we haven't built this in our estimates given lack of clarity on timeline.

❑ Profitability improvements to accelerate return metrics

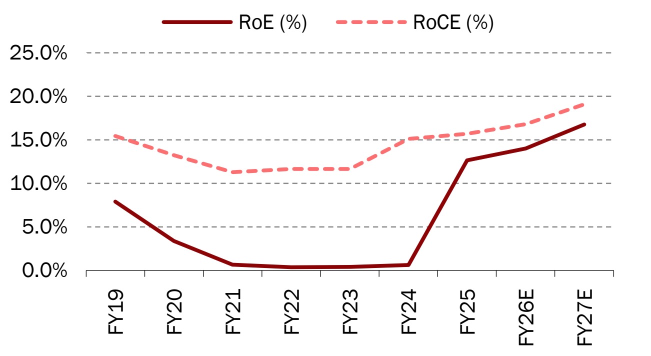
ABDL's return profile remained subdued over FY19–24, with an average RoE of just 2.2%, primarily due to weak operational performance and a heavy interest burden. Looking ahead, we project a ~26% CAGR surge in net profitability over FY25–27E to ~Rs 3.1 bn, underpinned by robust EBITDA growth. This strong earnings momentum is expected to translate into a sharp improvement in RoE to 16.8% by FY27E (FY24: 0.6%). Additionally, RoCE is projected to expand by ~400 bps, reaching 20.7% in FY27E,

Exhibit 22: PAT to grow ~28% CAGR over FY25-27E



Source: Company, DAM Capital Research

Exhibit 23: Robust improvement in return ratios



Source: Company, DAM Capital Research

Key Risks

Volatility in RM prices: ENA and packaging materials including glass, paper, PET, etc., are all key raw materials for the company. ENA (~50% of CoGS) remains volatile and continues to compress gross margins. Any further hikes in prices would be detrimental for maintaining the guidance on the operational performance front.

Increase in excise duty: Given the precarious finances of many state governments, the liquor industry could be the first target for increased taxation due to the relatively inelastic nature of demand. A substantial increase in profitability for spirits companies could lead state governments to impose further indirect levies on the industry.

Changing regulatory environment: The industry is exposed to multiple regulatory risks emanating from state taxes, adverse ruling from courts and changes in regulations with respect to pricing, licensing, working of operating facilities, manufacturing processes, marketing, advertising and distribution.

High dependence on Officer's Choice brand: The Officer's Choice umbrella brand accounts for >65% of ABDL's sales volume. Excessive dependence on one brand could become a liability in case of permanent damage to the brand image due to some unforeseen event.

Andhra Pradesh Liquor Policy investigation: According to media reports, ABDL could be named (Link) in connection with the ongoing SIT investigation into alleged irregularities under Andhra Pradesh's 2019–24 excise regime. However, we see limited adverse implication for the company. Notably, ABDL's market share in the state declined from 7.4% in FY19 to 5.2% in FY24, as highlighted in the Andhra Government's July 2024 White Paper (Link), which cites discriminatory procurement and brand suppression of major players in favor of new entrants. Andhra contributed ~5–6% of volumes in FY24, now trending toward 8–9%, with no working capital or pricing constraints under the current regime. Given this backdrop, we view the probe as a routine post-regime audit, with ABDL appearing more as a structurally disadvantaged participant during the previous administration than a beneficiary. We do not anticipate any material financial or reputational impact.

Valuation and Recommendation

Allied Blenders & Distillers Ltd (ABDL) is undergoing a structural renaissance. After a prolonged phase of subdued profitability, driven by a skewed portfolio mix toward mass-premium brands, input cost headwinds, and a leveraged balance sheet, FY25 marks a strategic inflection point. The company has delivered an emphatic turnaround—EBITDA surged ~78% YoY and PAT scaled up 105x—driven by an assertive pivot toward premiumization, prudent cost controls, and meaningful debt reduction.

Looking ahead, ABDL's medium-term growth prospects appear structurally robust. With Prestige & Above (P&A) volumes expected to grow at a ~14% CAGR over FY25–27E, revenue visibility remains strong, supported by growing traction in premium brands like ICONiQ, Sterling Reserve, and recent launches under Maestro. Further, the company is poised to unlock margin tailwinds from (i) deeper integration in ENA and packaging, (ii) disciplined route-to-market execution, and (iii) a higher salience of premium SKUs. Consequently, we forecast ~120 bps expansion in EBITDA margin over FY25–27E.

On profitability, we expect PAT to grow at a CAGR of ~28% over FY25–27E, underpinned by rising operating leverage and normalized interest outgo. The balance sheet has transitioned to a structurally stronger position, with net debt/EBITDA falling below 1x and cash flow visibility improving, allowing for growth reinvestment without leverage risk.

We value ABDL using a DCF approach, incorporating a WACC of 9% and a terminal growth assumption of 5%. This yields a target price of Rs 525/share (implied P/E 46x FY27E), offering ~33% upside from current levels. At 35x FY27E P/E and 19.5x EV/EBITDA, ABDL trades at a notable valuation gap vs. peers such as United Spirits (UNSP) and Radico Khaitan.

From a sectoral lens, as highlighted in our alcobev IC (Link), the Indian spirits industry is structurally positioned for an extended upcycle, led by rising incomes, urban aspirations, and premiumization. ABDL stands at the intersection of these macro tailwinds and company-specific catalysts. With a refreshed portfolio architecture, backward integration, and margin accretion drivers, it is well on course to achieve its medium-term EBITDA margin aspiration of 15%—with potential upside from FTA benefits and new brand traction.

Exhibit 24: Peer Valuation Table - Alcobev

Companies	Reco^	Price* (Rs)	TP (Rs)	Mkt Cap (Rs bn)	EPS (in Rs) FY25E	EPS (in Rs) FY26E	EPS (in Rs) FY27E	PE(x) FY25E	PE(x) FY26E	PE(x) FY27E	Price/Sales(x) FY25E	Price/Sales(x) FY26E	Price/Sales(x) FY27E	RoE (%) FY25E	RoE (%) FY26E	RoE (%) FY27E
United Spirits	Buy	1579	1750	1145	21.5	25.0	28.5	70.5	63.1	55.4	9.9	8.7	7.7	21.9	21.7	22.2
Radico Khaitan	Buy	2453	2900	328	25.8	37.9	49.7	95.0	64.7	49.4	6.8	5.9	5.2	13.3	17.1	19.1
ABDL	Buy	395	525	111	7.0	8.5	11.3	56.8	46.3	34.9	3.1	2.8	2.5	19.8	14.7	17.8
United Breweries	Neutral	2025	2300	533	17.7	30.2	36.3	114.6	67.0	55.7	6.0	5.4	4.8	10.9	17.5	19.0
Sula	Neutral	303	300	26	8.3	9.4	11.6	36.4	32.1	26.2	3.9	3.6	3.2	12.4	13.1	14.9

**price as on May 23, 2025*
Source: Company, DAM Capital Research

Income statement

Year to 31 Mar (Rs m)	FY23	FY24	FY25	FY26E	FY27E
Net sales	**31,466**	**33,279**	**35,199**	**39,905**	**45,080**
% growth	17.2	5.8	5.8	13.4	13.0
Operating expenses	29,616	30,857	30,893	34,779	39,009
EBITDA	**1,850**	**2,421**	**4,306**	**5,126**	**6,071**
% change	(5.8)	30.9	77.8	19.1	18.4
Other income	111	63	209	104	115
Net interest cost	1,350	1,728	1,251	1,215	1,102
Depreciation	551	579	606	821	846
Pre-tax profit	59	178	2,657	3,195	4,238
Deferred tax	0	0	0	0	0
Current tax	43	110	709	805	1,068
Profit after tax	**16**	**68**	**1,948**	**2,389**	**3,170**
Preference dividend	0	0	0	0	0
Minorities	0	0	0	0	0
Adjusted net profit	**16**	**68**	**1,948**	**2,389**	**3,170**
Non-recurring items	0	0	0	0	0
Reported net profit	**16**	**18**	**1,948**	**2,389**	**3,170**
% change	8.4	14.3	NA	22.6	32.7

Balance sheet

As on 31 Mar (Rs m)	FY23	FY24	FY25	FY26E	FY27E
Paid-up capital	**488**	**488**	**559**	**559**	**559**
Preference capital	0	0	0	0	0
Reserves & surplus	3,573	3,581	14,869	16,140	17,911
Shareholders' equity	**4,061**	**4,069**	**15,629**	**16,900**	**18,671**
Total current liabilities	12,789	13,740	10,477	11,097	12,536
Total debt	**7,762**	**8,241**	**8,978**	**8,678**	**8,478**
Deferred tax liabilities	0	0	0	0	0
Other non-current liabilities	265	306	262	262	262
Total liabilities	20,816	22,287	19,717	20,037	21,276
Total equity & liabilities	**24,877**	**26,357**	**35,347**	**36,936**	**39,947**
Net fixed assets	3,916	4,617	5,248	7,236	7,990
Investments	0	0	0	0	0
Cash	530	753	1,317	1,104	774
Other current assets	17,460	18,126	24,894	24,708	27,295
Deferred tax assets	121	98	120	120	120
Other non-current assets	2,850	2,764	3,768	3,768	3,768
Net working capital	5,201	5,138	15,733	14,716	15,533
Total assets	**24,877**	**26,357**	**35,347**	**36,936**	**39,947**

Cash flow

Year to 31 Mar (Rs m)	FY23	FY24	FY25	FY26E	FY27E
Pre-tax profit	59	178	2,657	3,195	4,238
Depreciation	551	579	606	821	846
Chg in Working capital	327	(655)	(10,493)	676	(1,736)
Total tax paid	0	0	0	(805)	(1,068)
Net Interest	1,350	1,728	1,251	1,215	1,102
Others	1,310	1,646	553	1,315	1,669
Operating cash flow	**2,299**	**1,857**	**(6,784)**	**5,230**	**3,970**
Capital expenditure	(195)	(446)	(1,278)	(2,809)	(1,600)
Free cash flow (a+b)	**2,103**	**1,411**	**(8,062)**	**2,421**	**2,370**
Chg in investments	(10)	(122)	(579)	0	0
Debt raised/(repaid)	(677)	380	698	(300)	(200)
Net interest	(1,351)	(1,702)	(1,240)	(1,215)	(1,102)
Capital raised/(repaid)	0	0	9,759	0	0
Dividend (incl. tax)	0	0	0	(1,119)	(1,399)
Other items	0	0	(43)	0	0
Net chg in cash	**79**	**(3)**	**765**	**(213)**	**(331)**

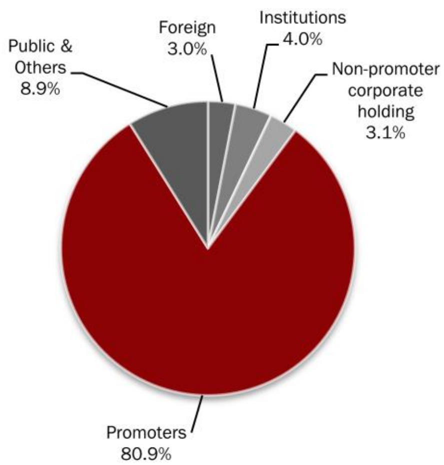
Key ratios

Year to 31 Mar	FY23	FY24	FY25	FY26E	FY27E
EBITDA margin (%)	5.9	7.3	12.2	12.8	13.5
EBIT margin (%)	4.1	5.5	10.5	10.8	11.6
PAT margin (%)	0.1	0.2	5.5	6.0	7.0
RoE (%)	0.4	1.7	19.8	14.7	17.8
RoCE (%)	10.4	14.9	19.7	17.0	19.6
Gearing (x)	1.8	1.8	0.5	0.4	0.4
Net debt/ EBITDA (x)	3.9	3.1	1.8	1.5	1.3
FCF yield (%)	1.9	1.3	(7.3)	2.2	2.1
Dividend yield (%)	0.0	0.0	(0.9)	(1.0)	(1.3)

Valuations

Year to 31 Mar	FY23	FY24	FY25	FY26E	FY27E
Reported EPS (Rs)	**0.1**	**0.1**	**7.0**	**8.5**	**11.3**
Adj. EPS (Rs)	0.1	0.2	7.0	8.5	11.3
PE (x)	6,911.0	1,622.6	56.8	46.3	34.9
Price/ Book (x)	27.2	27.2	7.1	6.5	5.9
EV/ Net sales (x)	3.7	3.5	3.4	3.0	2.6
EV/ EBITDA (x)	63.7	48.8	27.5	23.1	19.5
EV/ CE (x)	9.7	9.4	4.8	4.6	4.3

Shareholding pattern



As of Mar-25

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