



# INDIAN ALCOHOL BEVERAGE INDUSTRY

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**Operating profit margin to expand  
by 50-100 bps in FY2025, aided by  
steady demand and moderation in  
key input costs**

**MARCH 2024**



## 1 Consumption and revenue trends



## 2 Input price trends



## 3 Industry outlook



## 4 Key growth drivers and challenges for the industry



## 5 ICRA's ratings on alcobev companies





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*ICRA expects its sample set companies to report ~10-12% and ~8-10% YoY growth in revenues in FY2024 and FY2025, respectively, led by healthy demand, increasing premiumisation and price hikes.*

*The OPM of its sample set will increase by ~10-50 bps in FY2024 and further by ~50-100 bps in FY2025 aided by moderation in key input costs, particularly packaging materials.*



For FY2025, ICRA expects the Indian alcohol beverages (alcobev) industry to witness a volume growth of ~4-5%, supported by growing urbanisation, rising disposable incomes and favourable demographics. In FY2024, ICRA expects the alcobev consumption to increase by ~4-6%, mainly led by healthy demand for beer, which saw a good Q2 and Q3 performance even though Q1 was subdued due to unseasonal rains. On the other hand, spirits volumes are expected to be marginally lower than previous high levels of FY2023.



ICRA expects the revenue growth for its sample set companies to be healthy at ~10-12% in FY2024 and ~8-10% in FY2025. While spirits' revenues would grow by ~11-13%, mainly led by price hikes and a strong preference for premium products, beer revenues are set to grow by ~9-11%, led by healthy volumes. The growth is expected to continue in FY2025 as well wherein beer could witness a good peak season (Q1 FY2025), given expectations of a hot summer.



Grain prices, particularly non-basmati rice, rallied over the last few quarters. With increase in MSP and higher procurement prices 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, barley prices are expected to continue to be fairly stable. Grain (for ENA manufacturing) and barley (for beer manufacturing) constitute ~25-35% of the spirits and beer manufacturers' cost structure, respectively, while packaging contributes to ~60-65%. Alcobev manufacturers are thus expected to benefit from moderating packaging costs, led by glass bottles.



The operating profit margin (OPM) for ICRA's sample set is expected to improve by ~10-50 bps to 11.5-12% in FY2024 owing to moderation in packaging material costs, coupled with price hikes approved by the state governments, partly offset by increase in grain prices. ICRA expects the OPM to increase further by ~50-100 bps to ~12.5-13.0% in FY2025 led by price hikes, particularly for spirits manufacturers and moderate volume growth.



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.



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