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INDIAN ALCOHOLIC BEVERAGES INDUSTRY

Steady demand and premiumisation to result in 10-12% revenue growth in FY2026; OPM safeguarded at 13-14% due to largely stable input costs

SEPTEMBER 2025

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 and annexures

Highlights

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ICRA forecasts its sample set of Indian alcobev companies to report 10-12% YoY growth in revenues in FY2026 led by steady demand and increasing consumer preference for premium products.

The OPM is likely to remain intact at 13-14% in FY2026 on account of stable key input costs.

ICRA forecasts the Indian alcoholic beverage (alcobev) industry to register a volume growth of around 1-2% in FY2026. The beer segment volumes are projected to grow by around 4-6% due to steady demand, while the spirits (IMFL and CL) segment volume may see a similar decline, attributed to relatively higher taxation and increased selling prices. ICRA expects its sample set of Indian alcobev companies to register a revenue growth of 10–12% in FY2026, driven by increase in the selling prices approved by various state governments and a shift in product mix to high value products, even though the volume growth is projected to remain modest.

In FY2025, spirits volumes had witnessed around 2% decline, following a similar 3% drop in FY2024. This was primarily due to price increases driven by significantly higher taxes imposed by certain state governments, inflationary pressures, and a growing consumer shift towards premium products. In contrast, beer consumption saw a year-on-year volume growth of around 3% in FY2025, outperforming spirits.

The operating profit margin (OPM) of ICRA's sample set of companies is expected to remain stable at 13-14% in FY2026 supported by largely stable input costs. The sample set's OPM witnessed a 100 bps expansion in FY2025, reaching 13.9%, as price hikes granted by various state governments helped offset the increase in non-basmati rice prices, one of the feedstocks for spirits manufacturing.

ICRA's sample set of companies undertook moderate capital expenditure (capex) amounting to 3–4% of operating income (OI) in FY2025. This is expected to increase to 4-5% in FY2026 and FY2027 due to the ongoing capacity additions. Despite the rise in capex, leverage and debt coverage metrics are projected to remain healthy, with total debt/ OPBDITA of 0.5-0.7 times and interest coverage ratio of 19-21 times for FY2026, supported by robust 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); OPBDITA: Operating profit before depreciation, interest and tax

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Thank You!