

ViewCube

February 2026



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In high spirits

The Alcoholic Beverages Sector

ViewCube on The Alcoholic Beverages Sector

ViewCube is a compilation of sector views expressed during Crisil Ratings webinars. These include Crisil Ratings views, that of stakeholders, and those emanating from a poll conducted during the webinar.

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Key messages

Revenue of alcoholic beverage players to grow at a steady 10-12% this fiscal, driven by premiumisation



- The Indian alcoholic beverages segment is expected to grow 10-12% this fiscal; the segment has been growing at compound annual growth rate (CAGR) of 11% for the past 3 years ended 2025
- Indian-made Foreign Liquor (IMFL) sales dominate, accounting for ~80% of the industry size, followed by beer and wine

Steady volume growth to continue this fiscal



- Consumption to grow at 4-6% over the next two fiscals, supported by rising incomes and a growing legal drinking age population
- Innovation and rising demand for low-alcohol drinks to drive beer volume growth by 6-7%

Operating margin to remain stable



- The operating margin is expected to be stable at 13-14% over the medium term with a marginal increase in raw material prices
- Wheat and barley prices are expected to go up, reducing the operating margin of brewers by 30 bps to 10%, while margin of IMFL players to remain at similar levels of 14%

Credit outlook across segments to remain stable



- Balance sheets to remain healthy despite debt-funded capital expenditure (capex) plan due to lower debt reliance in past
- Credit profiles of players to remain stable

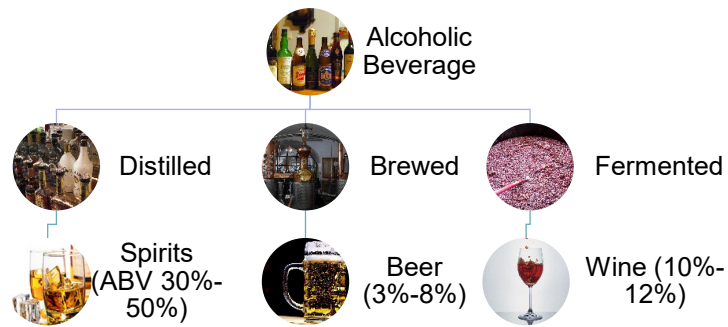
Key monitorables



- Regulatory and policy changes
- Raw material prices and availability

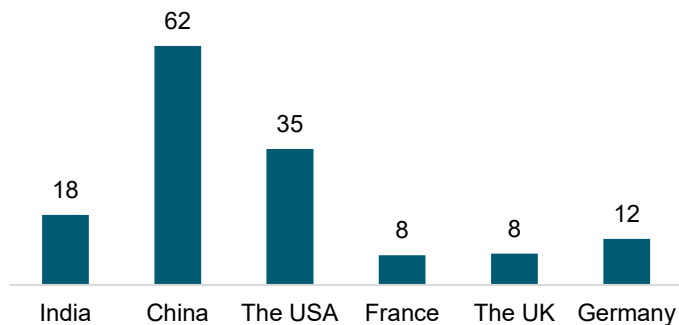
India continues to be a prominent player by market size; low per capita consumption to boost growth

Product segmentation



India is 3rd largest consumer of alcoholic beverages (total volume)

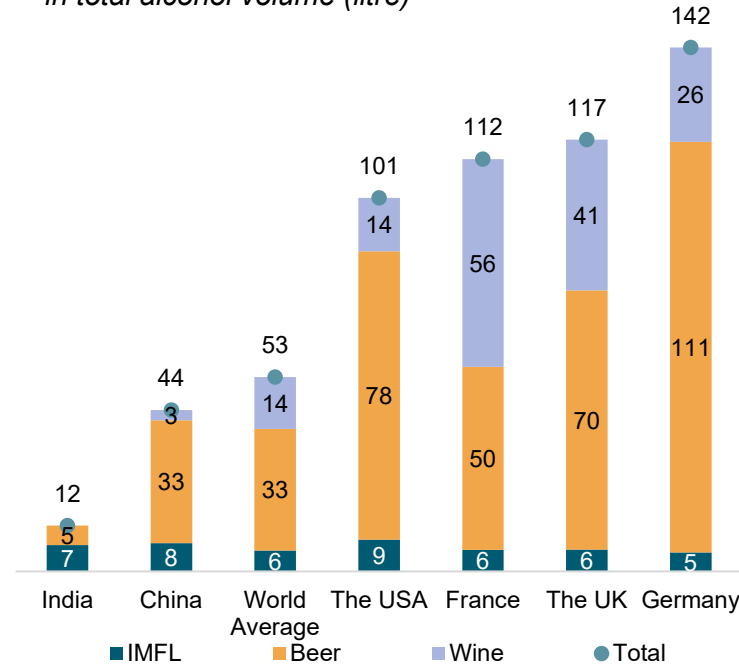
Bn litre during CY2024



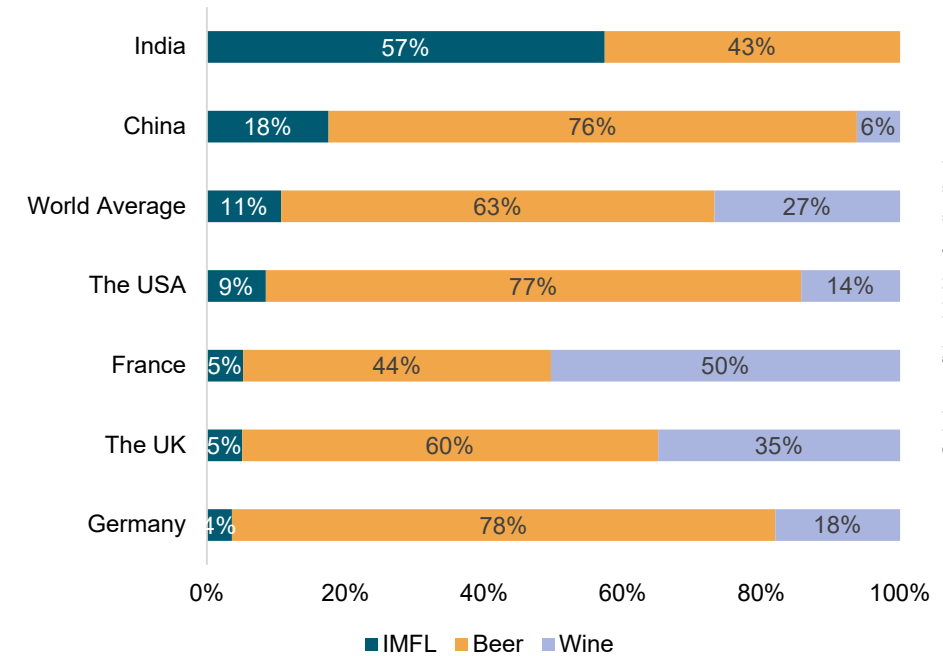
Source: WHO *ABV-alcohol by volume

IMFL consumption in line with global peer; Lags behind in Beer consumption

Per capita consumption per annum in total alcohol volume (litre)



Segment wise in % for total alcohol volume consumption



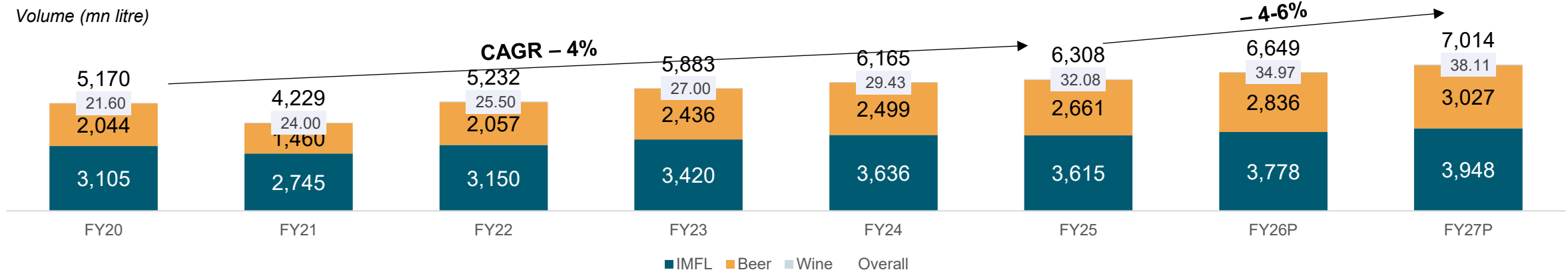
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- India's alcohol market is dominated by IMFL supported by scaling population compared to advanced economies
- Low per capita consumption and favourable demographics places India on a growth trajectory

Consumption to grow by 4-6% fueled by favourable demographics and stable duties

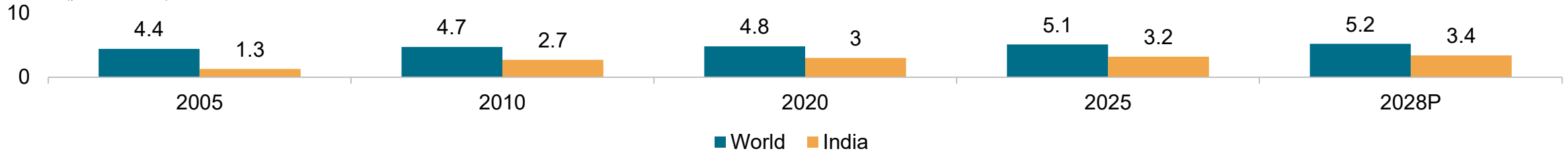
Industry to witness steady growth aided by growing young population and stability in excise duties

Volume (mn litre)



Increase in per capita intake to accelerate volumes; India lags world average in terms of pure alcohol

Litre (pure alcohol)



- Duties across states to remain largely unchanged supporting the volumes
- Per capita alcohol consumption, measured in pure alcohol terms, continues to rise but remains below global average

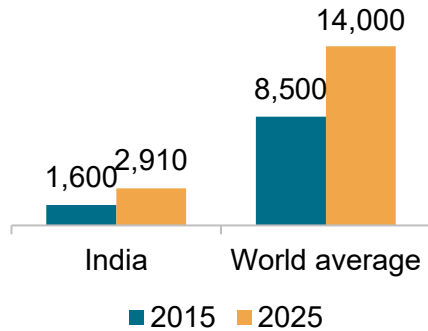
Source: CIABC, MOFPI

Growth levers for widening consumer base and higher uptake

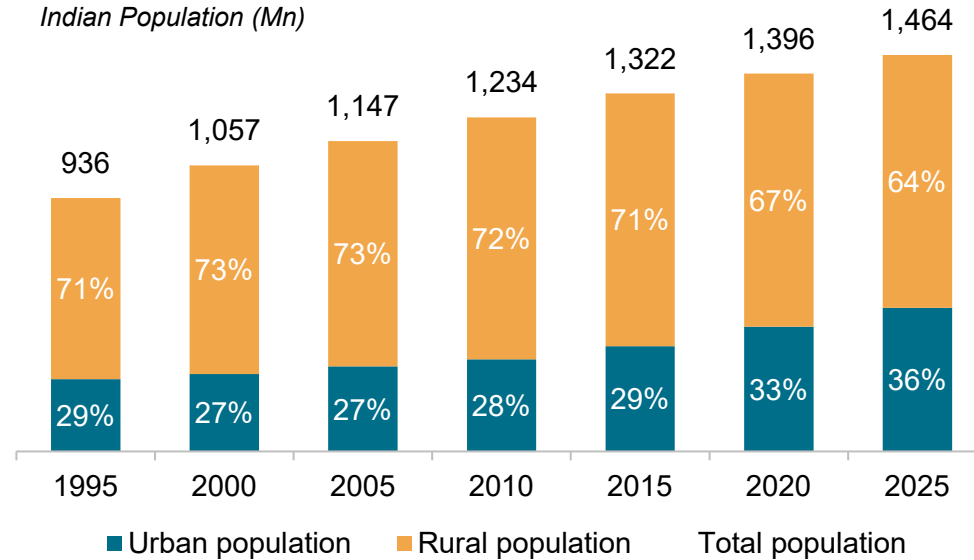
Uptake of alcohol to increase with rising per capita income and other supporting dynamics

\$ per capita income

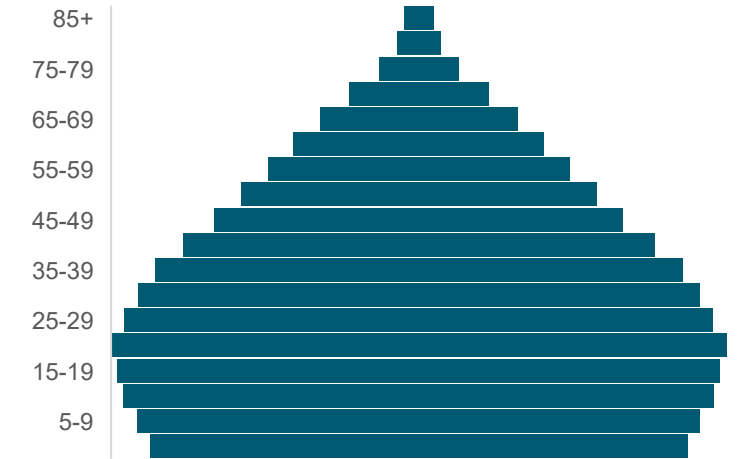
Per capita income for India grew at a CAGR of 6% vs. world average CAGR of 5%



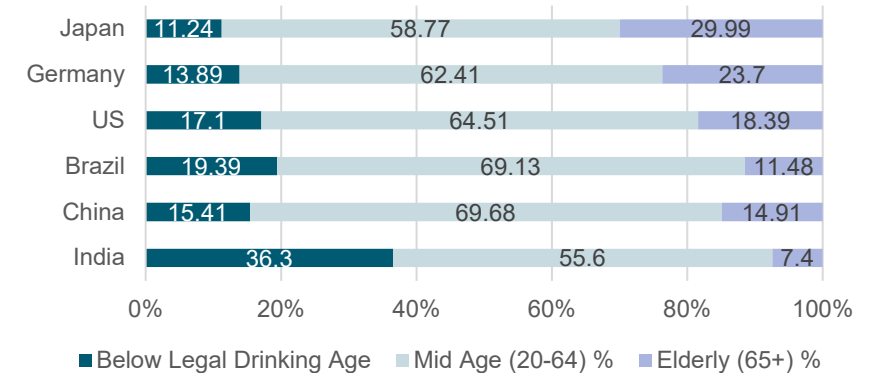
Indian Population (Mn)



Age Wise Distribution (Mn)



- Demographic benefits arising from 63% of the Indian population belonging to above legal drinking age as well as India is poised to deliver 10-12 Mn legal drinking population per year
- Rising per capita income to fuel consumer choice for higher quality offerings
- Urbanisation will drive increased consumption via shift from unorganized to organized market as well as new demand drivers such as destination weddings, higher acceptance of social drinking and emerging cocktail culture

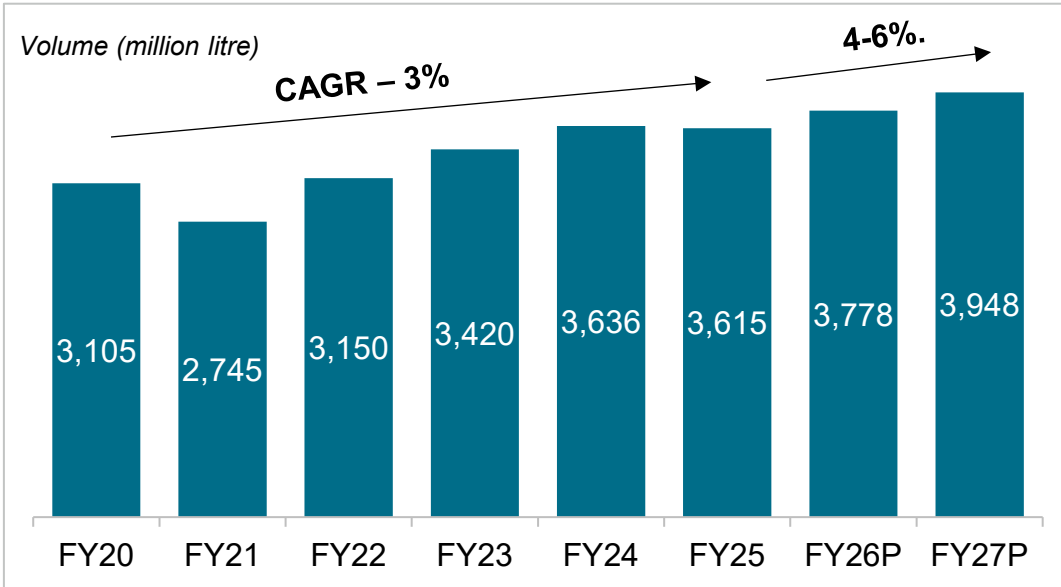




IMFL

IMFL to grow 4-6% on rising income, premiumisation, steady duties

No major hikes in duties for IMFL to support volume and consumer affordability

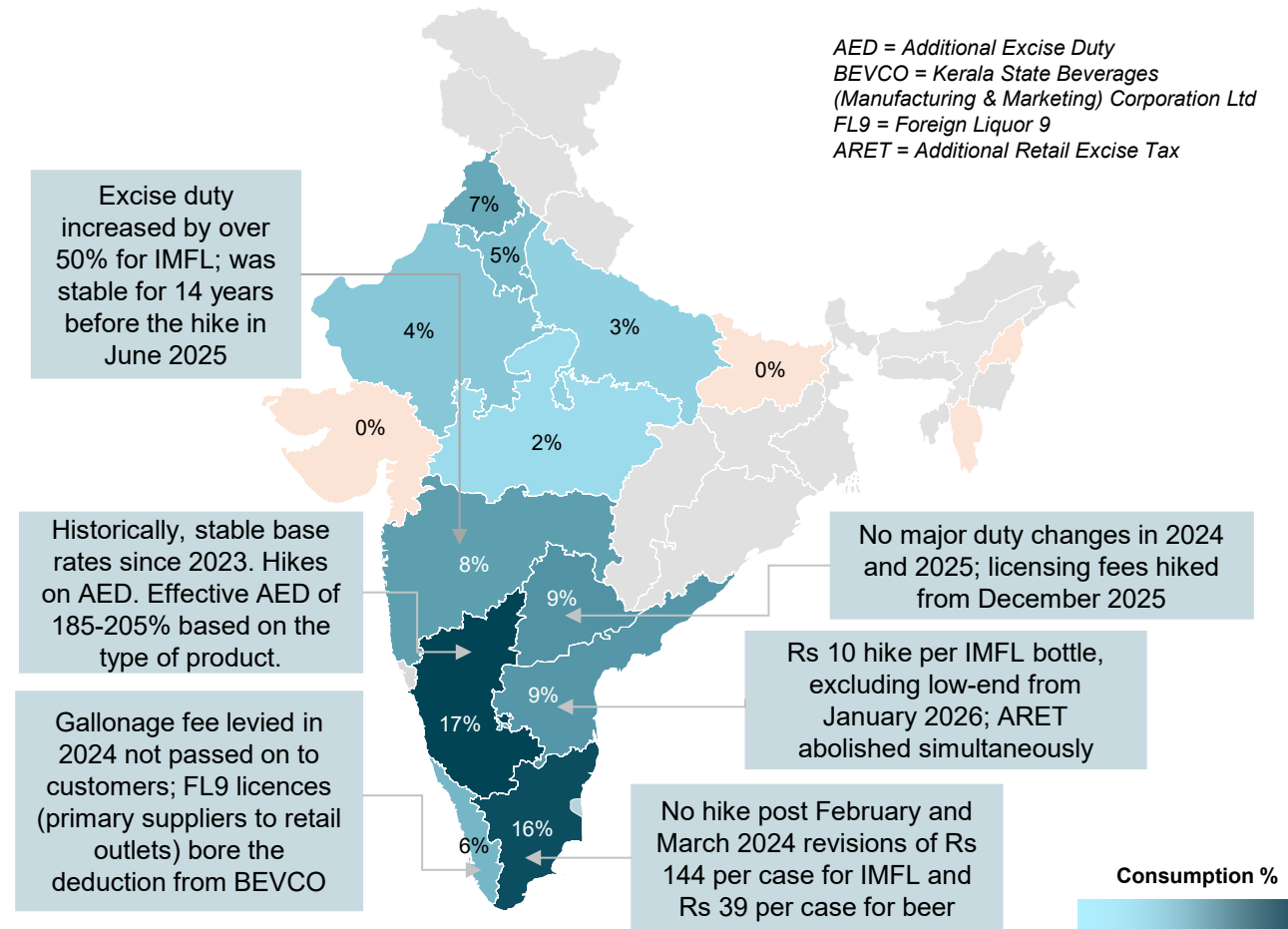


- IMFL volume dipped ~1% in fiscal 2025 owing to a weak first quarter as general elections disrupted consumption patterns. Excise policy changes and hikes in several states added to the pressure on volume in the short term
- With minimal or no major hikes to excise duties, consumer demand is likely to sustain over the medium term

Taxation **State wise mechanism**

Source: CIABC

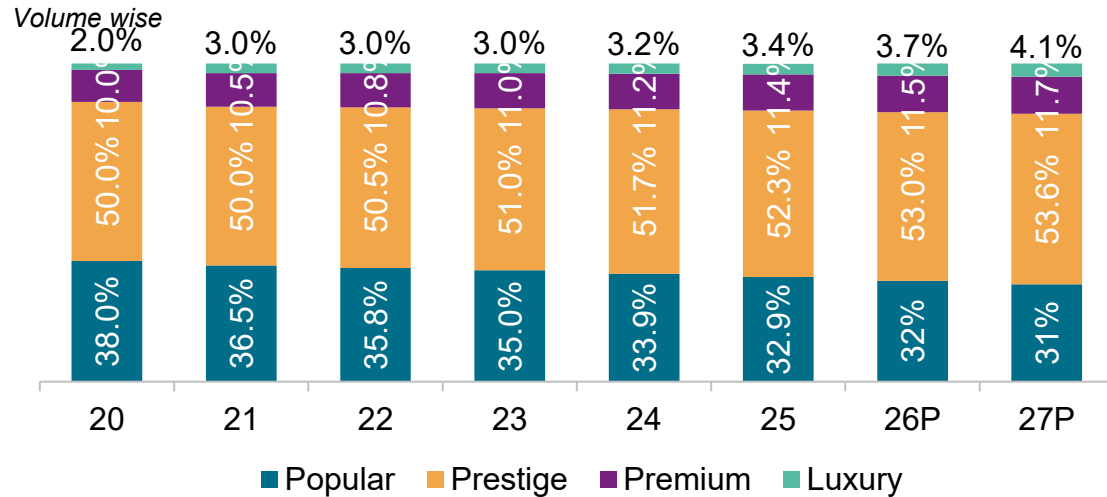
IMFL consumption pan-India



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Shift from Popular to Prestige & above segments continues, with Whiskey maintaining dominance in Indian market

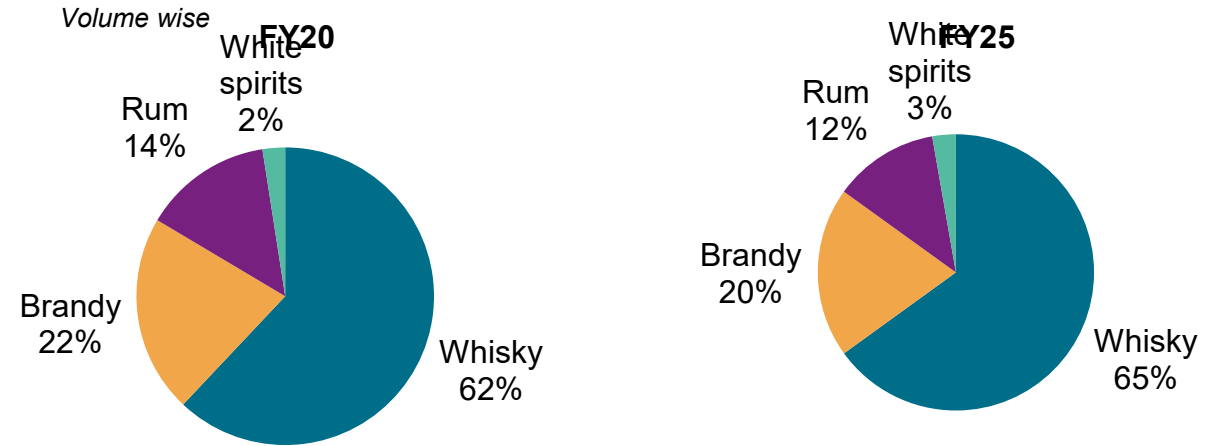
Share of Prestige and Above segment to rise in the near term



| Volume Growth Segment Wise | Popular | Prestige | Premium | Luxury |
|----------------------------|---------|----------|---------|--------|
| 2020-2025 CAGR | 0.20% | 4% | 5.80% | 14.60% |
| 2026-2027 CAGR | 1% | 6% | 6% | 15% |

| IMFL Category | Typical Price Range (Rs) for 750 ml Bottle |
|---------------|--|
| Popular | <700 |
| Prestige | 700-1500 |
| Premium | 1500-2500 |
| Luxury | 2500+ |

Whisky remains the mainstay of the IMFL segment

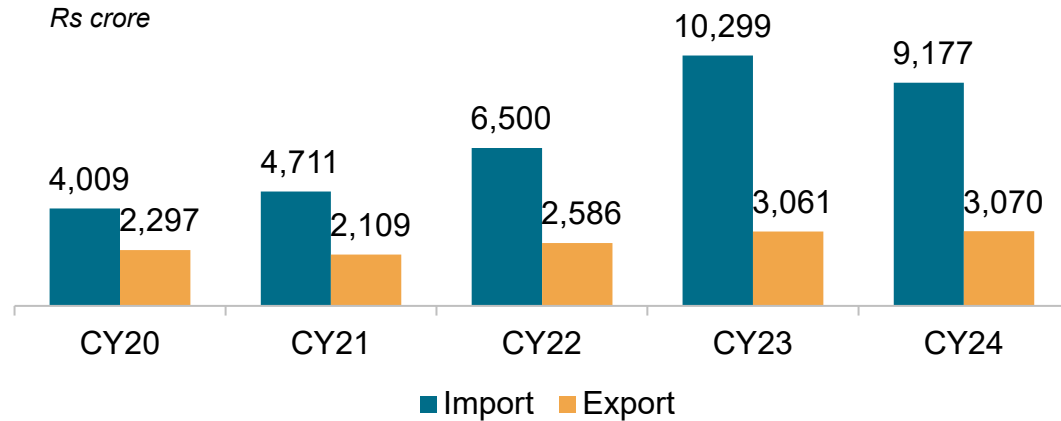


| Volume Growth Segment Wise | Whiskey | Brandy | Rum | White spirit |
|----------------------------|---------|--------|-------|--------------|
| 2020-2025 CAGR | 4.10% | 2% | 0.60% | 5.50% |
| 2026-2027 CAGR | 5% | 2% | 1% | 7% |

- Consumer preference from popular towards high priced bands will unlock value growth, leading to modest overall volume gains but significant value expansion
- Indian made foreign liquor (IMFL) is dominated by brown spirits including whisky, rum, and brandy with a small share of white spirits including vodka and gin.

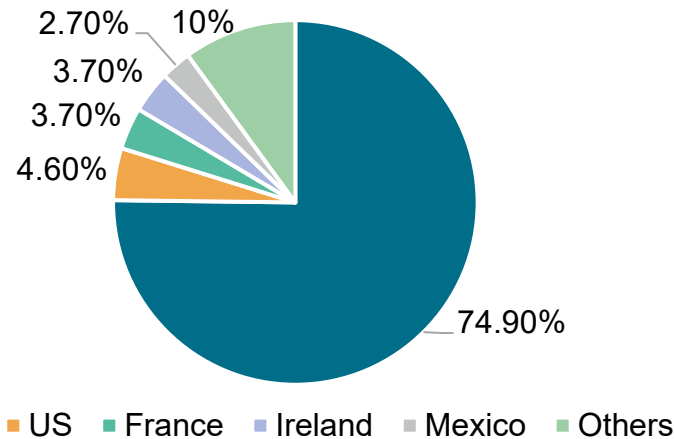
UK FTA expected to intensify competition for domestic luxury IMFL makers

Imported scotch whisky accounts for ~2% of the spirits market; market share in the premium segment to grow owing to lower duty



- The UK dominates India's imported spirits market, accounting for 74.9% of total imports, driven by scotch whisky.
- Under the free trade agreement (FTA), India will progressively reduce import duties on UK whisky and gin. Tariffs are slated to decline from 150% to 75% and further down to 40% over 10 years.

India's preference for diverse international spirits in fiscal 2024 , wherein IMFL imports accounted for ~Rs 6,100 crore



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Source: Dept of Commerce, Gol

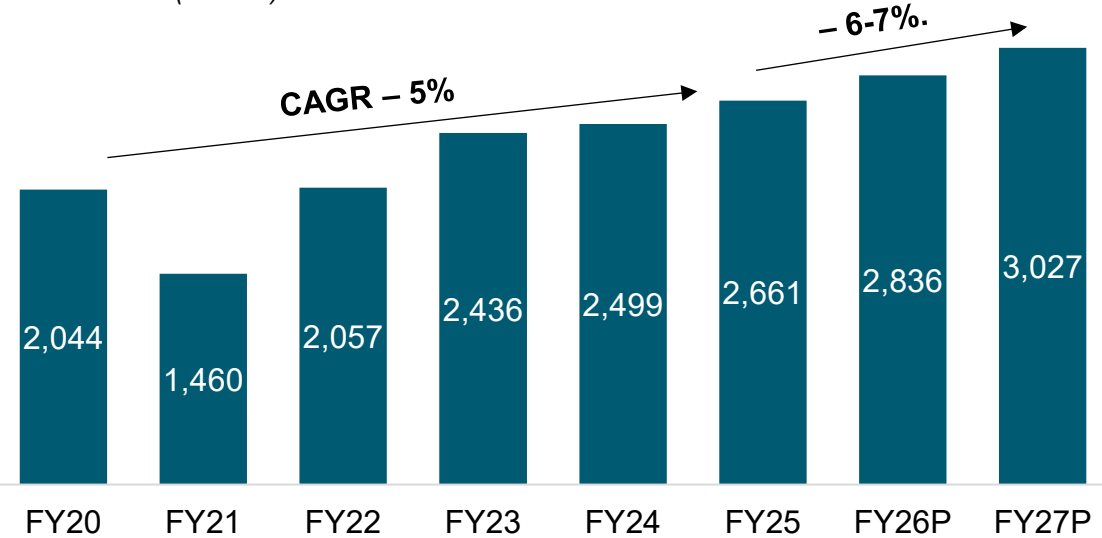


Beer & Wine

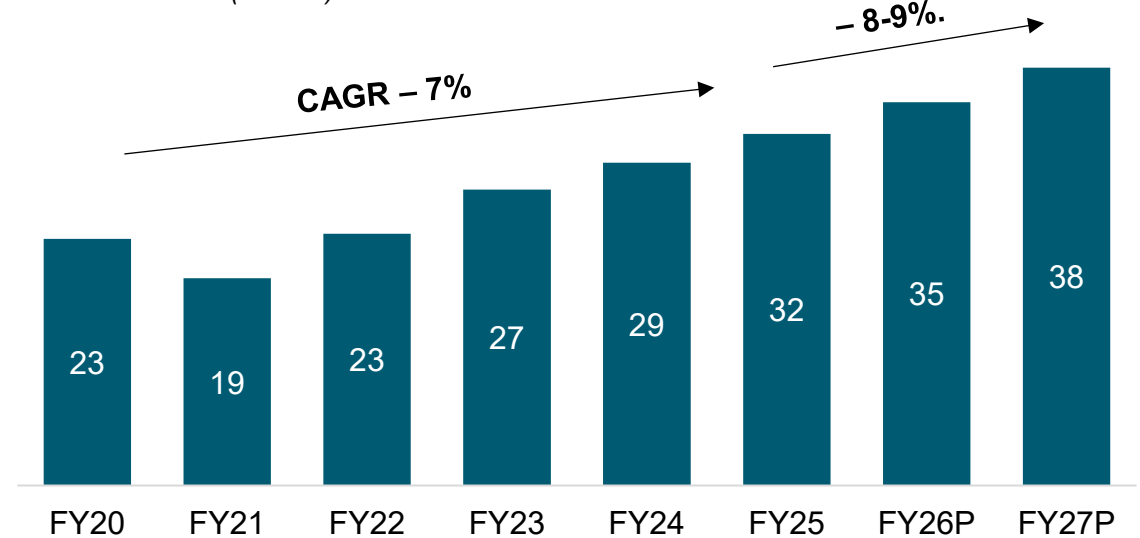
Demand for low alcohol content beverages to expand

Higher social drinking occasions and evolving social acceptance favour beer as it is milder and a casual alternative to IMFL

Beer Volume (mn litre)



Wine Volume (mn litre)



- Beer Volumes to jump by 6-7%, driven by rise in per capita consumption coupled with manufacturers' exploring flavoured beer to attract young generation
- The beer industry is highly seasonal, with peak demand during the summer and declines during monsoon seasons.
- Premium and craft beer innovations and larger pack sizes along with expanding pub culture and e-commerce availability have accelerated adoption
- Wine, occupying less than 1 % of the Indian landscape, is a rapidly growing segment

Source: Crisil Research

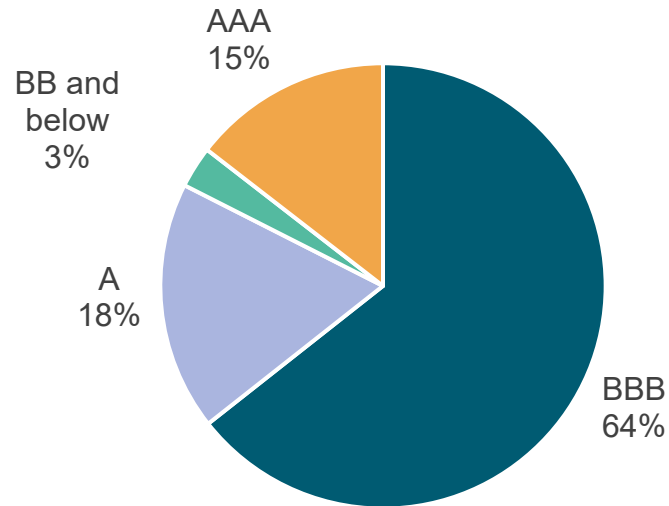
Credit outlook for our portfolio

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Coverage of Alco-bev sector

- Outstanding ratings on 21 companies, with revenue of ~Rs 23,879 crore and rated debt of ~Rs 7,460 crore
- Around 97% of the rated debt and 75% of the entities are in investment grade with median rating of 'Crisil BBB+'

Rating distribution (debt-weighted)



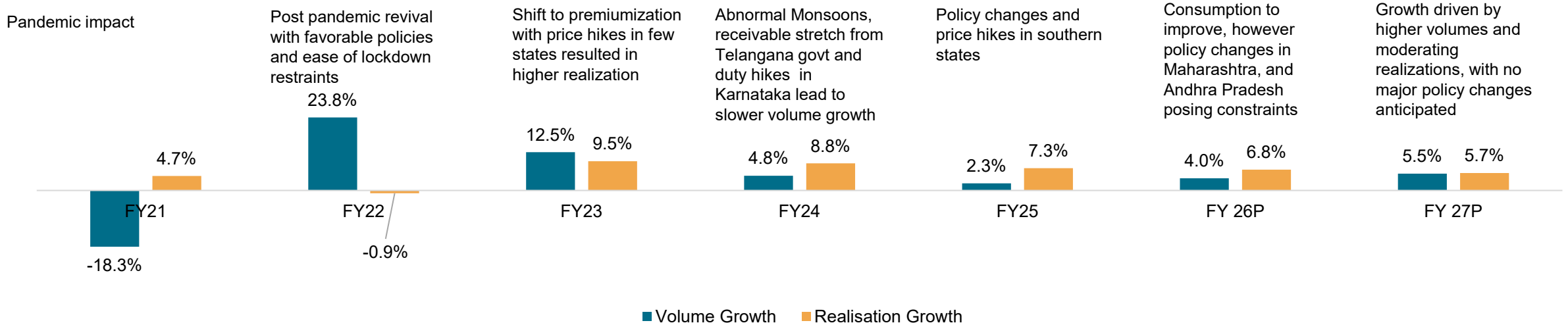
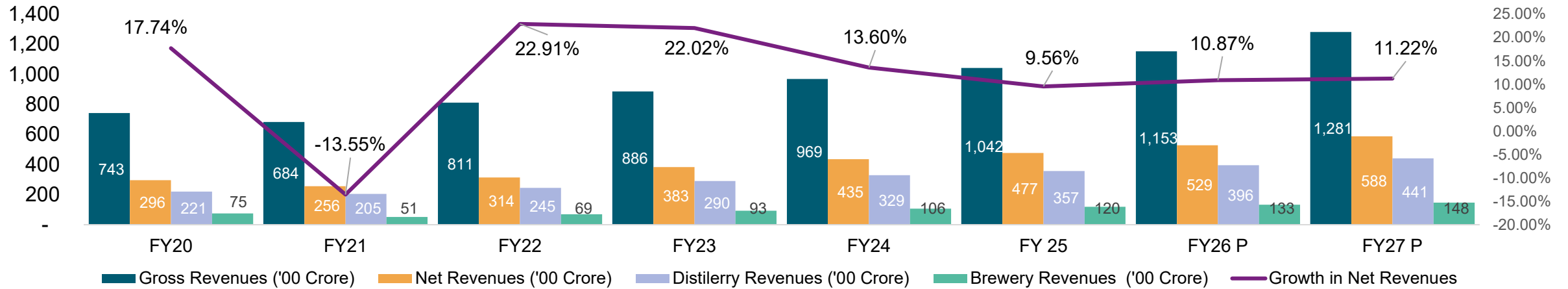
97% of the Companies (basis debt) are in investment grade

| Company | Long-term rating | Short-term rating | Outlook |
|---|------------------|-------------------|----------|
| United Spirits Limited | Crisil AAA | Crisil A1+ | Stable |
| Rajasthan Liquors Limited | Crisil A | Crisil A1 | Stable |
| Aarti Distilleries Private Limited | Crisil A | Crisil A1 | Stable |
| Alcobrew Distilleries India Private Limited | Crisil A | Crisil A1 (I) | Stable |
| SNJ Distillers Private Limited | Crisil A | Crisil A1 (I) | Stable |
| Associated Alcohols and Breweries Limited | Crisil A- | Crisil A2+ | Positive |
| Tilaknagar Industries Limited | Crisil A- | Crisil A2(I) | Stable |
| Mohan Everest Breweries Limited | Crisil BBB+ | Crisil A2 | Stable |
| Sona Beverages Private Limited | Crisil BBB+ | Crisil A2 (I) | Stable |

Source: Analysis covers sample of 31 companies (21 Crisil rated & 10 Listed) comparing of 30% of the industry size; either rated by us or listed

Continuing premiumization to fuel revenue growth of 10-12%

Steady increase in per capita consumption to drive revenue growth; led by spirits (distillers)

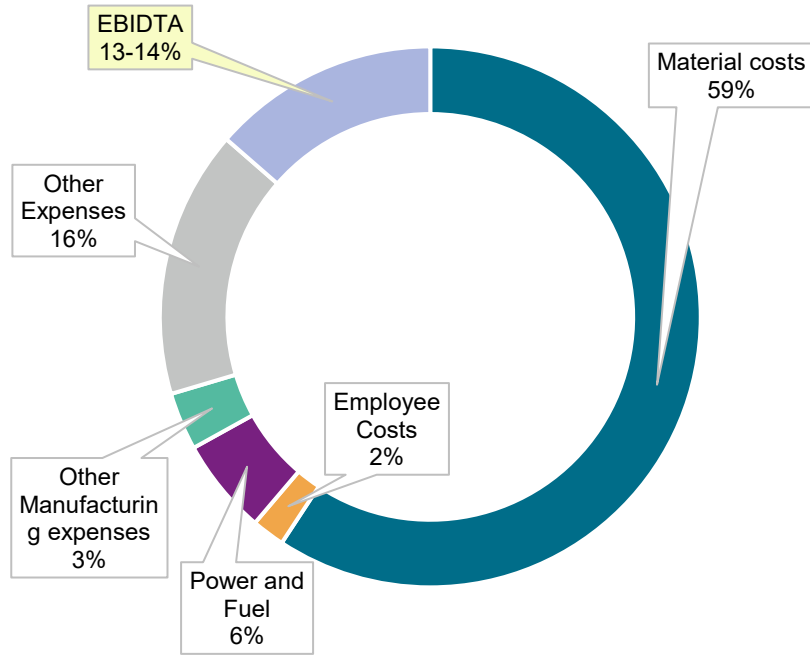


P – Projected

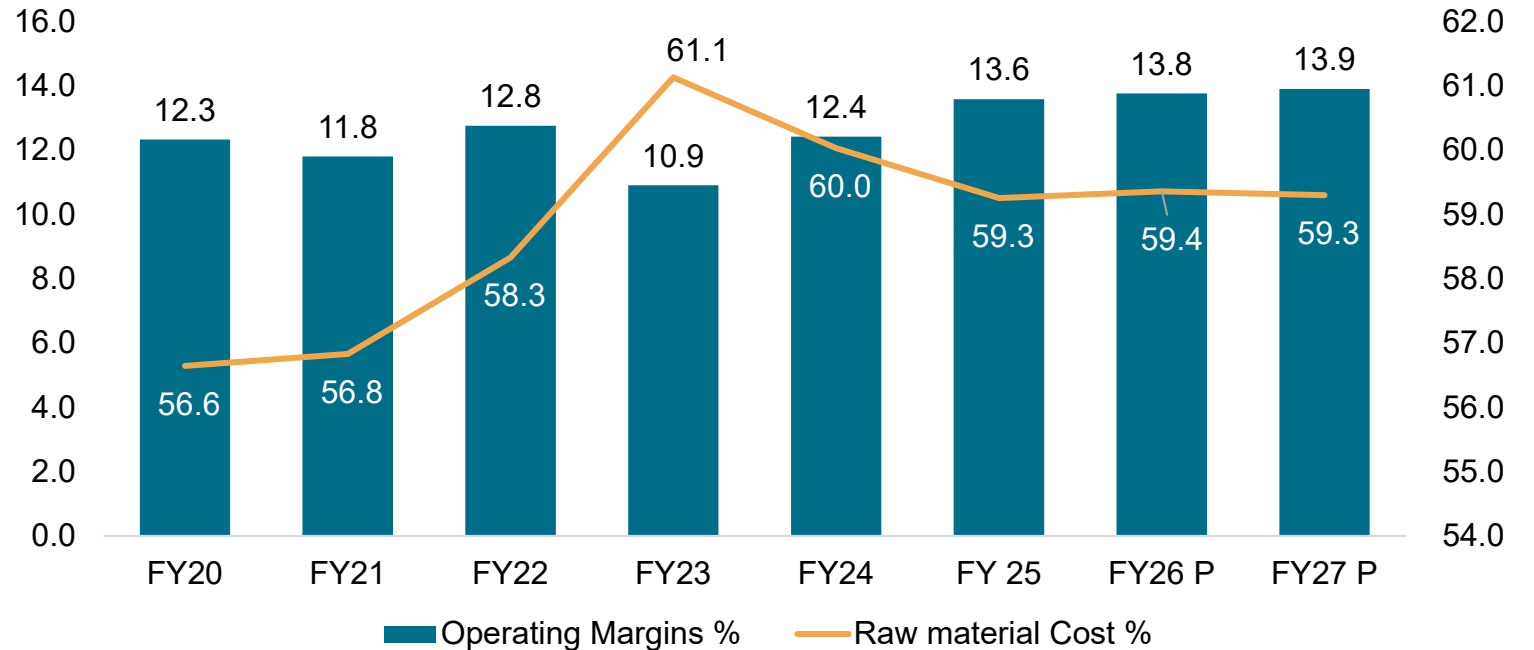
Source: Analysis covers sample of 31 Companies (21 Crisil rated & 10 Listed) comparing of 30% of the industry size; either rated by us or listed

Sector profitability to remain rangebound at 13.5-14%

Cost structure for FY 2025



Operating margin to improve, supported by premiumisation and volume growth



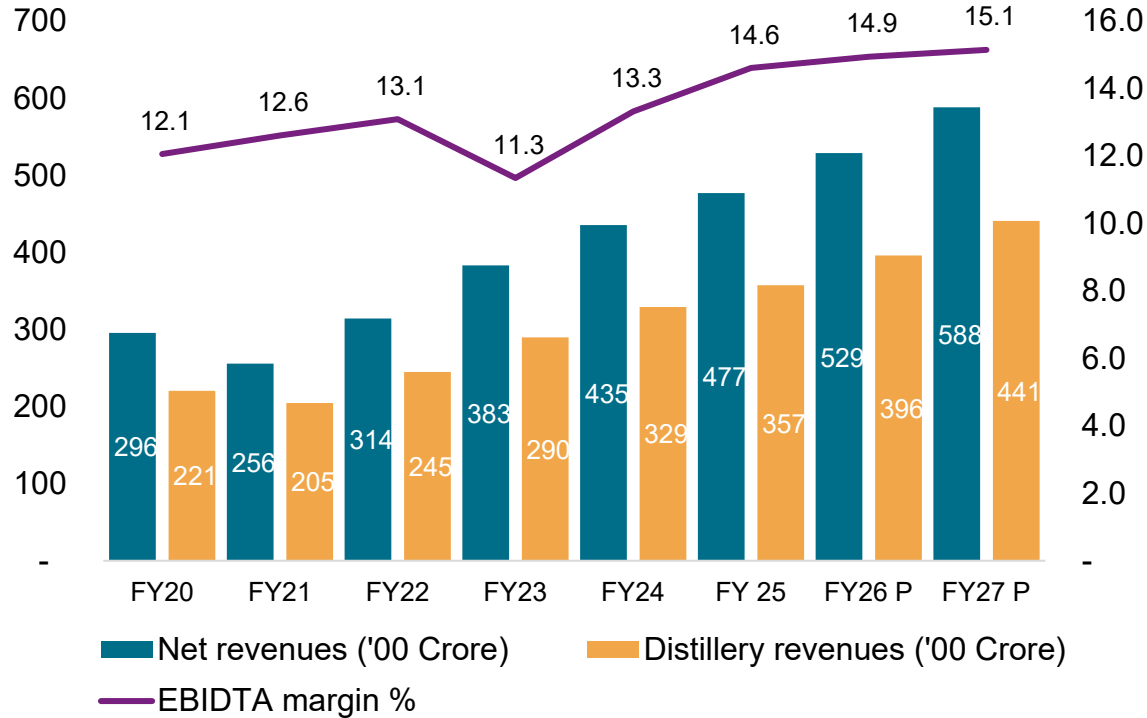
- Material costs continue to influence over 50% of overall cost structure, dependent on governmental policies, ENA and other grain prices
- With better fixed cost absorptions and realisations, it is to be noted that other expenses include marketing, advertising expenses and bottling expenses which moderated with base

P – Projected

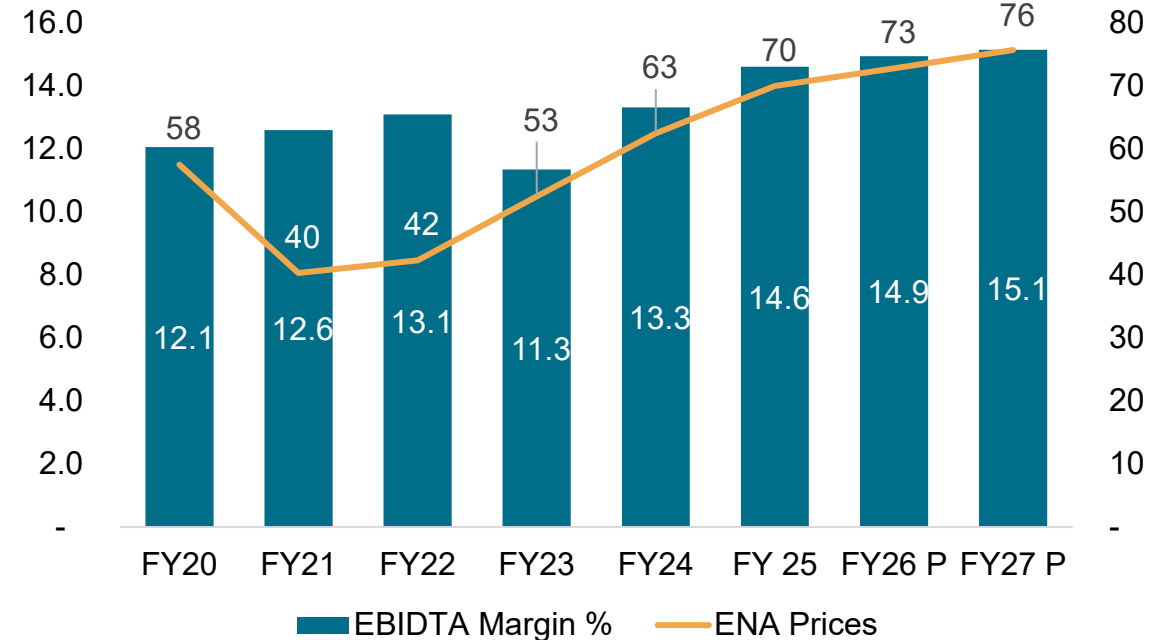
Source: Analysis covers sample of 31 Companies (21 Crisil rated & 10 Listed) comparing of 30% of the industry size; either rated by us or listed

Improving product mix and realisations to aid distillery margins despite higher ENA Prices

Improving realization & steady volume to aid the segment



Margins to improve despite ENA price hike



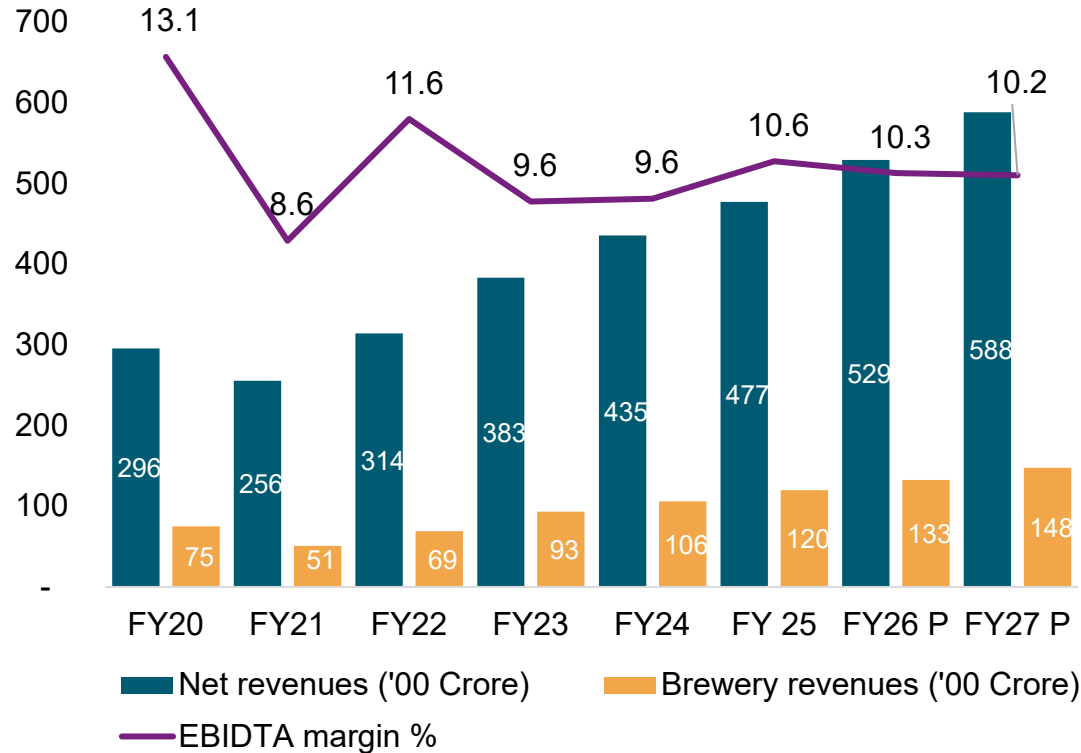
- With changing consumer pattern towards premium and luxury liquor and higher disposable income to drive the revenue growth
- Profitability of distilleries are majorly dependent on movement in extra-neutral alcohol (ENA) prices, influenced by government policies such as ethanol blending targets, regulatory bans levied on sugarcane, etc. However, improved operating efficiency with better fixed cost absorption to sustain the net margins.

P – Projected

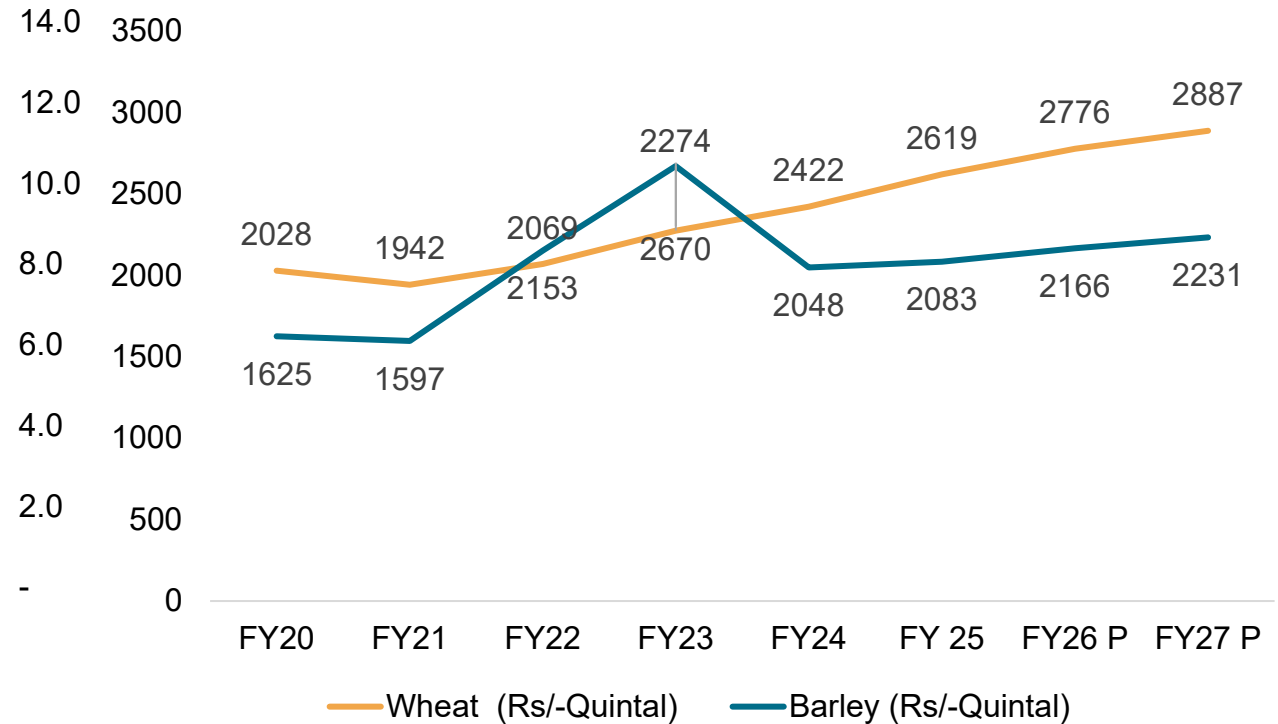
Source: Analysis covers sample of 31 companies (21 Crisil rated & 10 Listed) comparing of 30% of the industry size; either rated by us or listed, Industry

Breweries : Strong segmental growth to aid absorption of higher input cost

Profitability to moderate by ~30 bps owing to increase in material costs



Wheat and barley prices expected to rise moderately



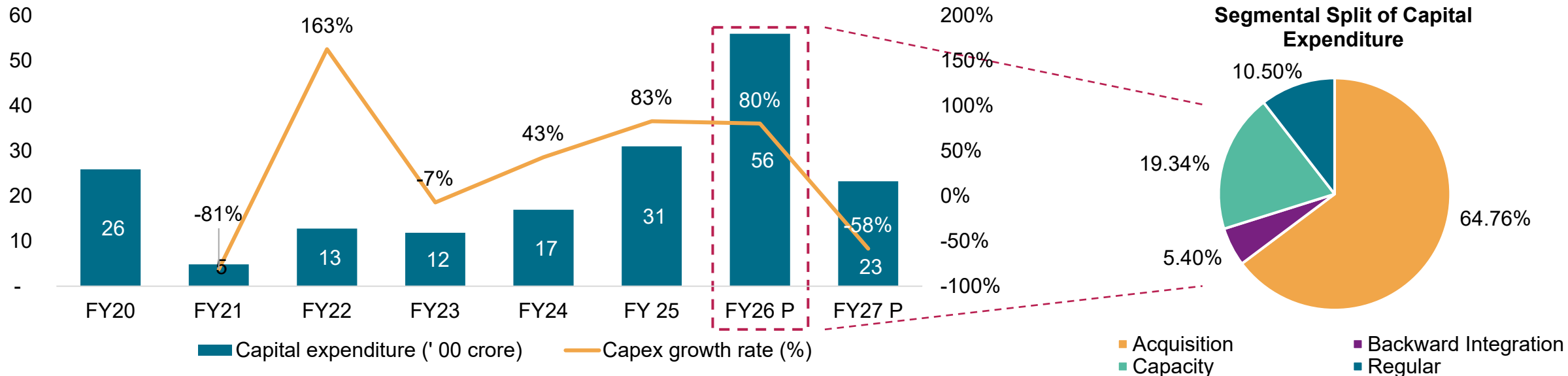
- Increased per capita consumption and rapid urbanization to drive strong volumes in the brewery segment
- With increase in raw material prices and delayed ability to pass on will result in moderation of margins (marginally) in the medium term, however government initiatives such as open market sales schemes, availability of stocks will offset adverse price volatility

P – Projected

Source: Analysis covers sample of 31 companies (21 Crisil rated & 10 Listed) comparing of 30% of the industry size; either rated by us or listed, Industry

Consolidation leading to higher capex with steady demand

Brownfield Acquisitions and backward integration to drive capex



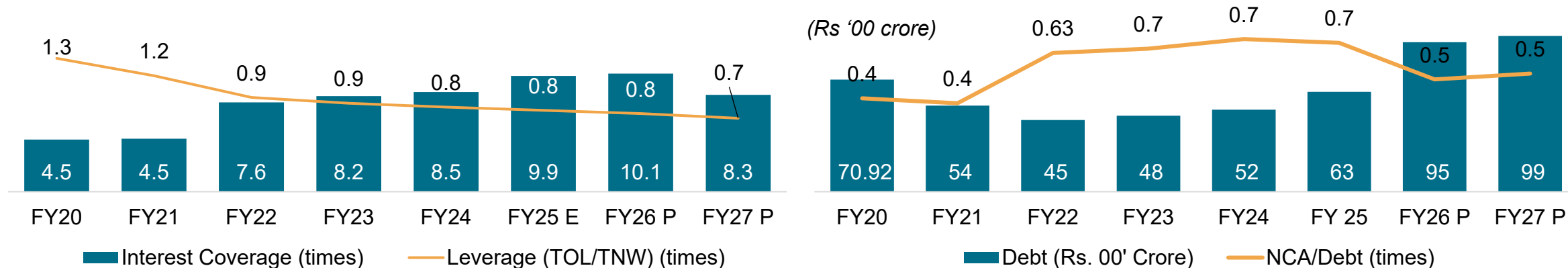
- In fiscal 2026, capital investments are primarily channelized towards strategic brand and facility acquisitions. Medium-term capital investments will be driven by additional capacities and backward integration.
- Acquisitions recently executed/announced in the sector
 - a) Tilaknagar Industries acquires Imperial Blue whisky business (₹4,475 cr) from Pernod Ricard India (December 25)
 - b) United Spirits Ltd acquires NAO Spirits & Beverages Pvt Ltd into Gin (June 25)
 - c) Allied Blenders & Distillers (ABD) acquires Fullarton Distilleries brands into Whisky, Rum and Gin (February 25) and Backward integration into ENA/Malt
 - d) Mount Everest Breweries Pvt Ltd acquired Cheers Breweries ' capacity facility (September 25)

P – Projected

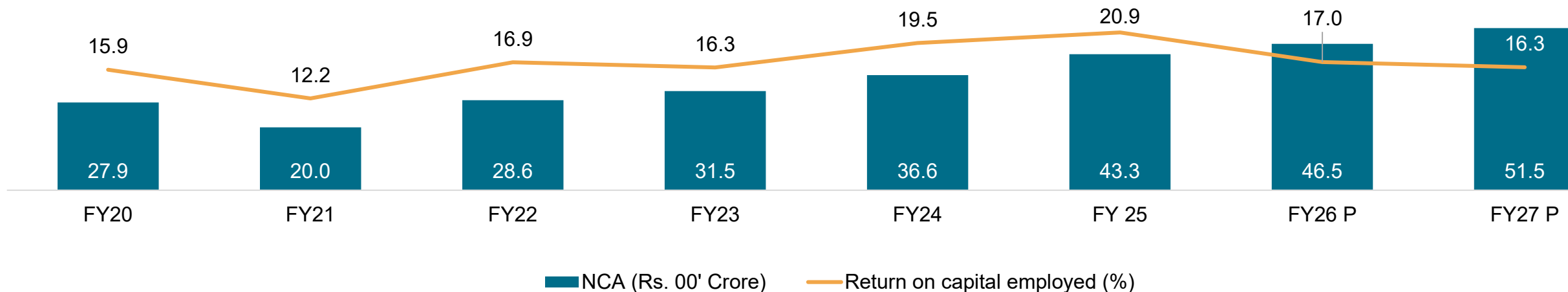
Source: Analysis covers sample of 31 companies (21 Crisil rated & 10 Listed) comparing of 30% of the industry size; either rated by us or listed

Healthy balance sheets to offset increased borrowings

Despite debt funded acquisitions, financial metrics remain comfortable due to improved cash accruals



Return metrics are expected to soften with acquisitions, supported by steady growth in cash accruals

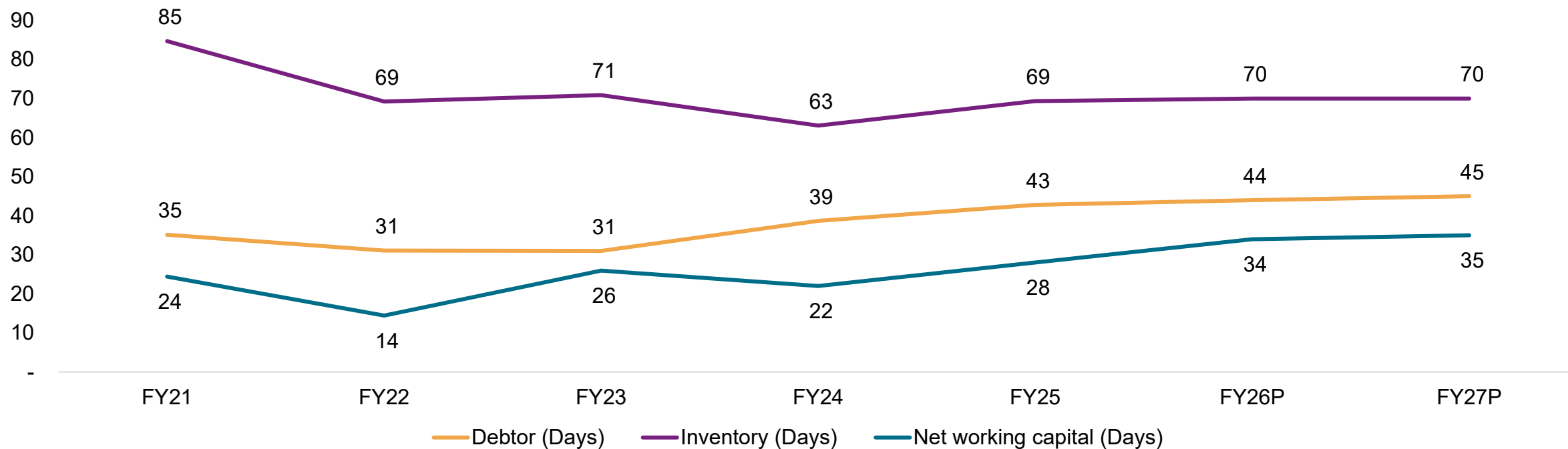


P – Projected

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Net working capital cycle expected to increase

Higher sales volume to drive inventory buildup and debtor levels



- Working capital cycle to increase due to stocking up of raw material during harvest season, finished goods and expansion in newer locations.
- Debtor receivables from state governments slowing collection efficiencies lead to higher working capital requirement. However with improvement in cash accruals, lower reliance on additional short term debt is expected.

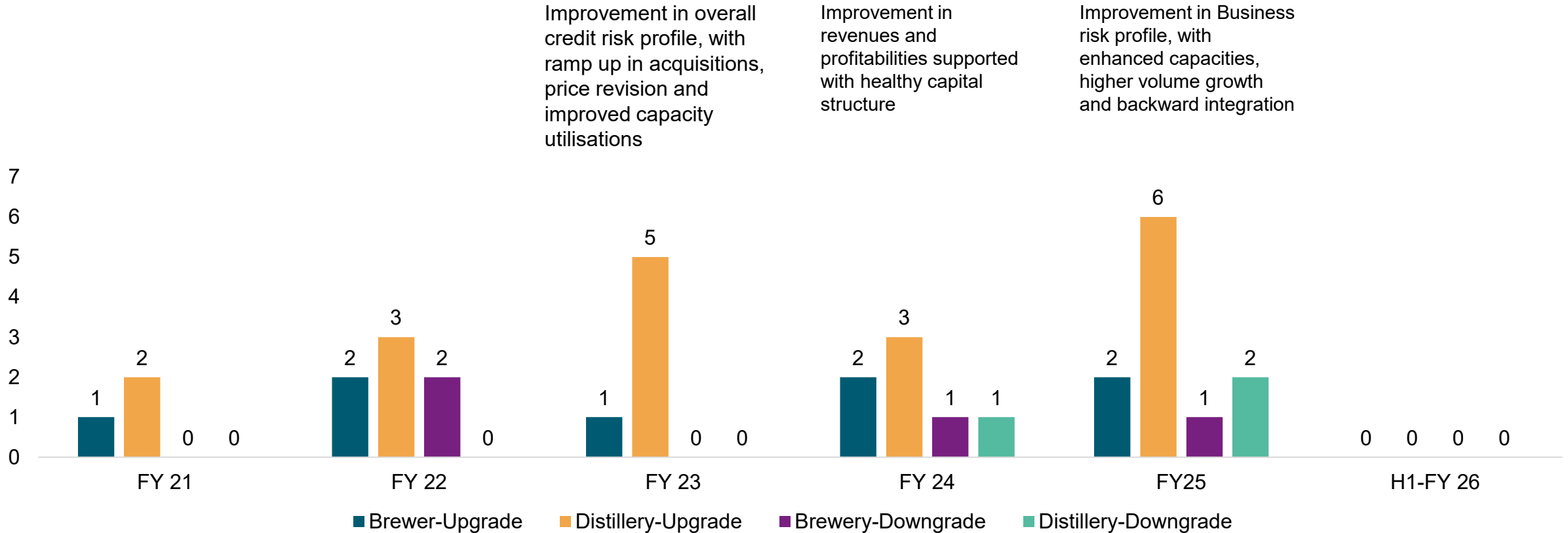
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Crisil outlook remains 'Stable'

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Credit outlook to remain stable next fiscal



- The first half year of FY 26 did not witness any rating actions in the sector
- Performance of companies in the sector has improved continuously with growing business risk profiles and healthy financial risk profiles
- Medium term outlook remains stable for the sector

Source: Crisil Ratings, Year to date (YTD) till November 2025

The road ahead



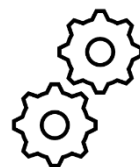
Double digit revenue growth to continue for next two fiscal. With premiumization, distillers to lead the growth followed by beer and wine

Higher disposable income, changing consumer pattern and demographics to see higher volume growth for the sector



Operating margins to remain largely rangebound at 13.5 -14% .

Higher capex this fiscal due to acquisition and backward integration mainly to add capacity. However, capex intensity to ease post expansion cycle



Credit profiles to remain **stable**, backed by **healthy balance sheets** and financial risk profile

Changes in regulatory and policy, prices volatility of raw material and their availability will bear watching

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