

## Striving for double digit volume growth and margin expansion

- **About the stock:** Allied Blenders & Distillers (ABDL), incorporated in 1988, is third largest IMFL company in terms of sales volumes between FY14-22. It has 17 IMFL brands in the portfolio; 4 out of it are Millionaire brands. Premiumisation is core of the long-term growth strategy. Prestige & Above (P&A) brands contribution increased to 37.2% in FY24 vs. 25% in FY18.
- EBIDTA margins improved to 11.3% in 9MFY25 from 7.1% in 9MFY24 (& 5.9% in FY23), driven by improved mix and operating efficiencies.

### Investment Rationale:

- **ICONiQ whiskey crosses sales of 5mn cases; other new launches scaling up well:** ICONiQ white whiskey surpassed sales of 5mn cases in FY25 vs. 2.3mn cases achieved in FY24, growing at 2x on back of strong traction. Management expects the brand to maintain the strong growth with expanding the reach of the brand in new states. Another brand which is gaining good traction is Shristi Select Collection Whiskey due to its distinctive price point of Rs1000 per bottle. The brand is seeing strong traction due to upgradation of consumers from mass premium brands priced at Rs550-650 per bottle. The company is likely to add couple of new brands in the next fiscal year.
- **Targets revenues to grow by low teens over FY24-27E:** Management targets revenues to grow by low teens over FY24-27E driven by low double digit volume growth. Steady growth in the established brands, strong traction to premium portfolio and widening portfolio in the non-whiskey segment will help to drive double digit volume growth in the coming years. Prestige & Above segment will grow in low teens while mass premium to grow in mid-single digit.
- **Premiumisation and backward integration to drive margin expansion:** Management expects gross margins to improve by 200-300bps to 44-45% by FY28 on back of premiumisation and planned capex improving backward integration capabilities in the coming years. Increase in gross margins and operating efficiencies will help EBIDTA margins to cross 15% by FY28.

### Rating and Target Price

- We have increased our earnings estimates for FY25E/FY26E/FY27E by ~3% each to factor in the better-than-expected sales volume of ICONiQ brand. Management's outlook of low teens revenue growth and consistent margin improvement provides further scope of earnings upgrade.
- Valuations look attractive post recent correction. We recommend Buy with a PT of Rs495.

### Key Financial Summary

Key Financials ( ₹ Crore)	FY22	FY23	FY24	2 year CAGR (FY22-24)	FY25E	FY26E	FY27E	3 year CAGR (FY24-27E)
Revenues	2685.7	3146.6	3327.9	11.3	3525.0	3948.1	4393.2	9.7
EBIDTA	196.3	185.0	242.1	11.1	404.3	491.9	573.7	33.3
EBIDTA Margins(%)	7.3	5.9	7.3		11.5	12.5	13.1	
Adjusted PAT	1.5	1.6	6.8	114.9	166.6	237.8	317.2	259.7
EPS (Rs.)	0.1	0.1	0.3		6.0	8.5	11.3	
PE (x)	-	-	-		55.4	38.8	29.1	
EV to EBIDTA (x)	49.1	51.8	41.0		24.3	19.6	16.2	
RoE (%)	0.4	0.4	1.7		10.6	13.1	14.9	
RoCE (%)	9.2	9.2	13.1		17.4	16.6	19.3	

Source: Company, ICICI Direct Research



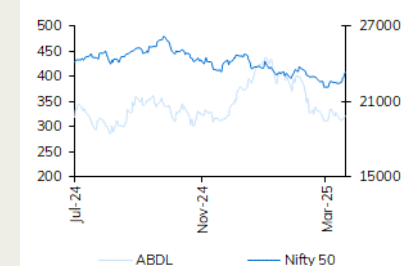
### Particulars

Particular	Amount
Market Capitalisation (₹ crore)	9230.4
Debt (FY24) -₹ crore	1016.8
Cash (FY24) - ₹ crore	75.3
EV (₹ crore)	10171.9
52 week H/L (₹)	445 / 282
Equity capital (₹ crore)	55.9
Face value (₹)	2

### Shareholding pattern

	Mar-24	Jun-24	Sep-24	Dec-24
Promoters	-	80.9	80.9	80.9
FII	-	3.8	2.8	2.6
DII	-	3.5	4.1	4.0
Others	-	11.7	12.1	12.5

### Price Chart



### Key risks

- Any delay in payment of dues of ~Rs400crore will put toll on the balance sheet.
- any significant in the excise duty or change in liquor policy.
- Volatility in the key input prices.

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## Management meets key highlights

- Brands outlook: AB DL operates in two key segments mass premium (price range Rs500-650) and premium segment (price range – Rs650 & above). In the mass premium segment Officers Choice brand is doing extremely well with sales of more than 5mn cases and growing in mid-single digit in terms volume. The brand is clocking gross margins of ~40% in-line with industry standards of 40-42%. Iconiq whiskey is growing at 2x and crossed sales of 5mn cases (our assumption was 4.0mn cases) in FY25. Another brand which is gaining strong traction is Shristi due to its distinctive price point of Rs1000 per bottle (no other brand in this price point). The brand is seeing good traction due to upgradation of consumers from mass premium brands priced at Rs550-650 per bottle. This along with recent launches in the premium segment will help P&A segment volumes to grow in double digits in the coming years. The company is planning to add couple of brands in next fiscal.
- Luxury segment to reach 16-18mn cases over the next three to four years: Luxury segment is around 3% of overall domestic liquor market (12-14mn cases). Management expects the segment to reach 16-18mn cases over the next three to four years on back of strong tractions amongst new age consumers, especially in top cities and metros.
- Focus on expanding non-whiskey segment: Non-whiskey segment such as flavoured rum and gin is gaining stronger acceptance amongst the youth (especially out-of-home consumption). Rock Paper Rum will see good volume growth in the rum category (price point Rs1500 per bottle).
- Capex plan: Existing 60mn litres ENA distillery unit addresses 1/3<sup>rd</sup> of captive requirement. The company acquired Minakshi Agro in Maharashtra with existing ENA capacity of 11mn litres (started operating from Feb,25) and will expand the capacity by 52mn litres pa to reach 63mn litres pa by FY28. The company is setting up 4mn single malt facility at Telangana and 615mn pa pet bottle facility. The capex will help the company to reach 100% captive consumption and will be margin accretive in the coming years.
- Gross margins to reach 44-45% by FY28: AB DL's gross margins stood at 42.5% in Q3FY25 from 37% in FY24. Out of the 600bps expansion in the gross margins, about 50% happened because of reset of payment terms with the suppliers and 50% due to favourable commodity mix and efficiencies. The upcoming capex plan to expand the capacities and increase the captive consumption of malt and growth in premiumisation would help in adding 200-300bps in the gross margins in the coming years to reach 44-45% by FY28.
- OPM to cross 15%+ over the next three years: Large part of gross margins savings will flow at the EBIDTA level and management expects the EBIDTA margins to be 15%+ over the next three years.

## Revision in earnings estimates

We have increased our earnings estimates for FY25E, FY26E and FY27E by ~3% each respectively to factor in 1) higher than expected in sales volume in ICONiq brand at 5.0mn cases vs. 4.0mn cases earlier and 3) marginally higher than earlier expected EBIDTA margins.

Exhibit 1: Change in headline estimates

(₹ crore)	FY25E			FY26E			FY27E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Net Revenues	3447.7	3525.0	2.2	3892.8	3948.1	1.4	4345.0	4393.2	1.1
EBIDTA	391.4	404.3	3.3	476.4	491.9	3.3	556.3	573.7	3.1
EBIDTA Margins (%)	11.5	11.5	-	12.2	12.5	30bps	12.8	13.1	30bps
PAT	161.4	166.6	3.2	230.6	237.8	3.1	306.9	317.2	3.4
EPS (Rs.)	5.8	6.0	3.2	8.2	8.5	3.2	11.0	11.3	3.4

Source: Company, ICICI Direct Research

## Exhibit 2: Key operating assumptions

Particulars	FY24	FY25E	FY26E	FY27E
<u>Sales volume (mn cases)</u>				
Prestige & Above (P&A)	11.8	13.8	15.7	17.8
Mass Premium	19.9	19.1	20.1	20.9
<b>Total Sales volume</b>	<b>31.7</b>	<b>32.9</b>	<b>35.8</b>	<b>38.7</b>
y-o-y%		3.8	8.7	8.0
<u>Average realisation</u>				
	1049.8	1070.8	1102.9	1136.0
y-o-y%		2.0	3.0	3.0
<u>Net Revenues</u>				
	<b>3327.9</b>	<b>3525.0</b>	<b>3948.1</b>	<b>4393.2</b>
y-o-y%		5.9	12.0	11.3

Source: Company, ICICI Direct Research

## Financial Summary

### Exhibit 3: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
<b>Total Operating Income</b>	<b>3327.9</b>	<b>3525.0</b>	<b>3948.1</b>	<b>4393.2</b>
Growth (%)	5.8	5.9	12.0	11.3
Raw Material Expenses	2097.9	2044.5	2270.2	2506.3
Gross Profit	1229.9	1480.5	1677.9	1886.9
Gross Profit Margins (%)	37.0	42.0	42.5	43.0
Employee Expenses	175.6	180.9	199.0	214.9
Other Expenditure	812.2	891.8	987.0	1098.3
<b>Total Operating Expenditure</b>	<b>3085.7</b>	<b>3117.3</b>	<b>3456.2</b>	<b>3819.5</b>
<b>EBITDA</b>	<b>242.1</b>	<b>407.8</b>	<b>491.9</b>	<b>573.7</b>
Growth (%)	30.9	68.4	20.6	16.6
Interest	172.8	124.6	105.3	69.1
Depreciation	57.9	64.4	77.5	90.3
Other Income	6.3	8.9	11.0	12.6
PBT	17.8	227.7	320.1	427.0
Less Tax	11.0	58.5	82.3	109.7
<b>Adjusted PAT</b>	<b>6.8</b>	<b>169.2</b>	<b>237.8</b>	<b>317.2</b>
Growth (%)	325.7	-	40.5	33.4
Exceptional item - gain / (loss)	-5	0	0	0
<b>Reported PAT</b>	<b>1.8</b>	<b>169.2</b>	<b>237.8</b>	<b>317.2</b>
Growth (%)	13.4	-	40.5	33.4
<b>EPS (Adjusted)</b>	<b>0.2</b>	<b>6.0</b>	<b>8.5</b>	<b>11.3</b>

Source: Company, ICICI Direct Research

### Exhibit 4: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Profit/(Loss) after taxation	0.6	160.3	226.8	304.6
Add: Depreciation & Amortization	57.9	64.4	77.5	90.3
Add: Other income	6.3	8.9	11.0	12.6
Net Increase in Current Assets	-66.6	-374.1	-90.3	-103.1
less: Net Increase in Current Liabilities	-115.0	214.5	-104.3	-112.1
<b>CF from Operating activities</b>	<b>113.0</b>	<b>-355.1</b>	<b>329.3</b>	<b>416.6</b>
Investments & Bank bal	-22.5	23.0	-75.0	35.0
(Purchase)/Sale of Fixed Assets	-130.2	-574.2	-44.4	-44.9
Intangible assets	2.0	0.0	0.0	0.0
Others	11.2	-4.2	-4.6	-5.1
<b>CF from Investing activities</b>	<b>-139.5</b>	<b>-555.4</b>	<b>-124.0</b>	<b>-15.0</b>
(inc)/Dec in Loan	32.2	-116.5	-180.0	-378.0
Change in equity & reserves	-6.0	1000.4	0.0	0.0
Dividend paid	0.0	0.0	0.0	0.0
<b>CF from Financing activities</b>	<b>26.2</b>	<b>883.8</b>	<b>(180.0)</b>	<b>(378.0)</b>
Net Cash Flow	-0.3	-26.7	25.3	23.6
Cash and Cash Equivalent	27.5	27.3	0.6	25.9
<b>Cash</b>	<b>27.3</b>	<b>0.6</b>	<b>25.9</b>	<b>49.5</b>
<b>Free Cash Flow</b>	<b>-17.2</b>	<b>-929.3</b>	<b>284.9</b>	<b>371.7</b>

Source: Company, ICICI Direct Research

### Exhibit 5: Balance sheet

₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Equity Capital	48.8	55.9	55.9	55.9
Reserve and Surplus	358.1	1520.6	1758.4	2075.6
Total Shareholders funds	406.9	1576.5	1814.3	2131.5
Total Debt	834.7	700.0	500.0	100.0
Other Non Current Liabilities	182.0	200.2	220.2	242.3
<b>Total Liabilities</b>	<b>1423.7</b>	<b>2476.7</b>	<b>2534.5</b>	<b>2473.8</b>
Gross Block - Fixed Assets	953.3	1123.3	1378.3	1533.3
Accumulated Depreciation	507.5	571.9	649.4	739.7
Net Block	445.8	551.4	728.9	793.6
Capital WIP	15.9	410.0	190.0	70.0
Right of use assets	122.7	130.0	136.5	143.4
Fixed Assets	584.3	1091.4	1055.4	1007.0
Goodwill & Other intangible assets	66.1	66.1	66.1	66.1
Other non-Current Assets	97.4	104.3	111.9	120.0
Inventory	418.8	482.9	540.8	577.7
Debtors	1243.7	1545.2	1568.4	1624.9
Other Current Assets	128.3	134.8	141.5	148.6
Loans & Advances	21.7	23.9	26.3	28.9
Cash	27.3	0.6	25.9	49.5
Bank balance	48.0	25.0	100.0	65.0
Total Current Assets	1887.9	2212.3	2402.9	2494.6
Creditors	702.4	436.9	485.1	535.6
Provisions	36.0	39.6	43.6	47.9
Other Current Liabilities	473.6	520.9	573.0	630.3
Total Current Liabilities	1212.0	997.5	1101.7	1213.9
Net Current Assets	675.9	1214.8	1301.2	1280.8
<b>Application of Funds</b>	<b>1423.7</b>	<b>2476.7</b>	<b>2534.5</b>	<b>2473.8</b>

Source: Company, ICICI Direct Research

### Exhibit 6: Key ratios

(Year-end March)	FY24	FY25E	FY26E	FY27E
Per share data (₹)				
Adjusted EPS	0.3	6.0	8.5	11.3
Cash EPS	2.6	8.3	11.3	14.6
BV per share	16.7	64.5	74.2	87.2
Operating Ratios (%)				
Gross Profit Margins	37.0	41.9	42.5	43.0
OPM	7.3	11.5	12.5	13.1
PAT Margins	0.2	4.7	6.0	7.2
Asset Turnover (x)	3.5	3.1	2.9	2.9
Return Ratios (%)				
RoE	1.7	10.6	13.1	14.9
RoCE	13.1	17.4	16.6	19.3
Valuation Ratios (x)				
P/E	1182.1	55.4	38.8	29.1
EV / EBITDA	41.0	24.3	19.6	16.2
EV / Net Sales	3.1	2.9	2.5	2.2
Market Cap / Sales	2.8	2.6	2.3	2.1
Price to Book Value	19.8	5.1	4.4	3.8
Solvency Ratios				
Debt / EBITDA	3.4	1.7	1.0	0.2
Debt / Equity	2.1	0.4	0.3	0.0
Inventory days	136	160	145	135
Debtor days	77	78	78	78
Creditor days	46	50	50	48
WC Days	168	188	173	165

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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