India

Overweight *(Initiating coverage)*

Highlighted Companies

India Glycols Ltd

ADD, TP Rs2768, Rs1756 close

Three focused platforms - alcobev with biofuels, chemicals, and biopharma - each aligned to a distinct regulatory environment and growth drivers. We Initiate coverage on the stock with an ADD rating and a TP of Rs2,768 based on a P/E of 22x FY27F EPS (Rs2,515) and a 49% stake in Clariant-IGL (Rs253).

Radico Khaitan Ltd

ADD, TP Rs3405, Rs2725 close

Having distilled growth, its fundamentals now aged to perfection, set the stage for a full-bodied bottom-line revival in FY26F. With raw material prices easing and premium brands maturing, FY26F would be the year when Radico Khaitan uncorks its margin reversal and toasts to stronger profitability. We initiate coverage on the stock with an ADD rating and a target price of Rs3,405, or 60x FY27F EPS.

Summary Valuation Metrics

P/E (x)	Mar26-F	Mar27-F	Mar28-F
India Glycols Ltd	22.2	17.9	15.6
Radico Khaitan Ltd	65.6	48.0	40.9

P/BV (x)	Mar26-F	Mar27-F	Mar28-F
India Glycols Ltd	2.1	1.9	1.6
Radico Khaitan Ltd	11.2	9.1	7.4

Dividend Yield	Mar26-F	Mar27-F	Mar28-F
India Glycols Ltd	0.0%	0.0%	0.0%
Radico Khaitan Ltd	0.0%	0.0%	0.0%

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Brewers

Uttar Pradesh lifts its spirits!

- With ~230m people & out of its ~42m alcohol consumers, Uttar Pradesh (UP) is India's largest liquor market. UP now leads the world in alcohol production.
- Excise duty revenue grew by ~10x to over Rs550bn in FY25 from FY10, the highest in India. ~100,000 retail outlets are moving to an all-product format.
- We are positive on UP-based liquor players, with an ADD rating on India Glycols and Radico Khaitan, backed by scale, cost leadership & export growth.

Uttar Pradesh ranks first in India in liquor excise duty revenue…

Uttar Pradesh (UP) leads India's liquor industry, with its excise duty (liquor tax) revenue rising from Rs56.6bn in FY10 to Rs550bn in FY25, the highest in the country. The state has ~85 distilleries, with ~33 more coming up. Ranked second in the ease of doing business, UP saw Rs40bn of Memorandums of Understanding or MoUs signed at the earlier Investors Summit, with strong interest in the alcohol beverage or alcobev space. The state excise department offers policy clarity and fast licencing, while 25% of the retail shops are women-run. With a robust logistics set-up, UP is fast evolving as the most strategic liquor market.

…and is also the largest liquor market in the country

With over 230m people, UP is India's largest alcohol market and home to 42m drinkers, nearly triple that of West Bengal, the next biggest state in this regard. The branded country liquor business has grown by 160% in five years to 91m cases, with a 100m-case target achieved in FY24. UP is also the world's top alcohol producer, doubling its output to 1,767mL (million litre) since FY18, while ethanol production rose by 135%. With 85 distilleries, 100,000+ retail outlets, and rising capacity, UP offers unmatched scale and opportunity for alcobev players.

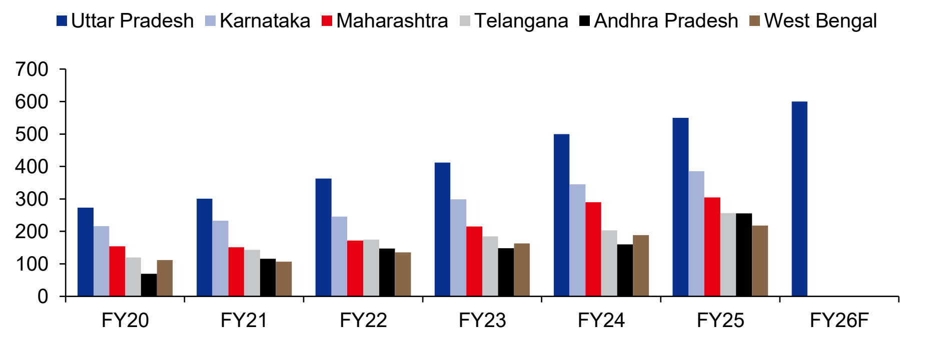
Cost-efficient liquor production base with a rising export thrust

UP offers a unique advantage with abundant raw materials and growing export momentum. As India's largest sugarcane producer, it ensures steady molasses supply while the extensive cultivation of maize supports grain-based distilleries. Flexible feedstock policies have diversified sourcing and reduced input risk, making UP one of the most cost-effective and secure liquor and ethanol production hubs. Simultaneously, UP is emerging as a leading export centre, with alcoholic beverage exports jumping from 292mL in 2017-18 to 743mL in 2022-23 (a CAGR of 27%). Indian companies like Radico Khaitan and India Glycols have expanded by riding on UP's strengths.

Initiating coverage on UP-based liquor companies with a +ve view

We initiate coverage on the liqour sector in UP, with an ADD rating on India Glycols and Radico Khaitan. While UP's liquor industry presents strong structural tailwinds in terms of demographics, rising incomes, and premiumization, it retains the risk faced by this industry throughout India, being highly policy-dependent, socially regulated, and cost-sensitive. Investors must navigate with a region-specific, risk-adjusted lens, with an eye on regulatory agility, supply chain resilience, and portfolio diversification.

Figure 1: Uttar Pradesh racing ahead in excise duty revenue collection (Rs bn)



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Peer comparison

Company	Bloomberg Ticker	Rating	Target Price (LC)	% Upside	Market Cap (INR b)	EPS FY25	EPS FY26F	EPS FY27F	P/E FY25	P/E FY26F	P/E FY27F
United Spirits Ltd	UNSP IN	NR	NA	NA	977	21.7	25.7	30	61.5	51.9	44.5
United Breweries Ltd	UBBL IN	NR	NA	NA	539	16.7	26.9	36.2	120.9	75.1	55.8
Radico Khaitan Ltd	**RDCK IN**	ADD	**3405**	**25%**	**369**	25.8	41.6	56.7	105.5	65.6	48.0
Allied Blenders & Distillers Ltd	ABDL IN	NR	NA	NA	135	7.0	8.9	11.4	67.4	52.8	41.2
Tilaknagar Inds Ltd	TLNGR IN	NR	NA	NA	91	11.9	10.0	11.5	41.6	49.3	42.9
Piccadily Agro Industries Ltd	PCAI IN	NR	NA	NA	57	10.9	NA	NA	57.1	NA	NA
India Glycols Ltd	**IGLY IN**	ADD	**2768**	**58%**	**55**	73.9	95.1	114.3	23.8	18.5	15.4
Globus Spirits Ltd	**GBSL IN**	ADD	**1,646**	**37%**	**32**	7.6	73.6	109.8	157.9	16.3	10.9

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Uttar Pradesh lifts its spirits!

Scale, reforms & revenue

Excise duty revenue leadership & financial contribution ➤

The liquor industry has become a pillar of Uttar Pradesh's fiscal architecture. Over 97.5 per cent of Uttar Pradesh's excise receipts come from duties (on IMIL, IMFL, and beer) and licence fees from retail liquor shops. The remaining share comes from miscellaneous sources such as tree tax & surcharges, duties on intoxicants (bhaang), and fines or confiscations. The state's excise duty revenue has increased multi-fold over the years, rising from Rs56.6bn in FY10 to Rs550bn FY25, making it the leading contributor to excise duty collections in India. This performance surpasses even that of industrially advanced states like Maharashtra and Karnataka. A significant driver of this revenue is the branded country liquor (BCL) segment, which accounts for over 90% of potable liquor production in the state. This rapid and consistent growth reflects not only market demand but also the state's strategic focus on the liquor sector as a revenue-generating engine.

Infrastructure, policy, and ease of doing business ➤

UP complements its excise duty revenue strength with a progressive business environment. Ranked second in India (15th in FY17) in the ease of doing business, the state has implemented ~185 reforms aimed at simplifying regulations and encouraging investment. It currently has ~85 operational distilleries, with another ~33 in the pipeline, a clear indication of investor confidence and state support. Reinforcing this momentum, the state has attracted over Rs40bn, a sizeable share of which is being earmarked for alcobev investments. The excise department has emerged as an enabler, offering transparent licencing, streamlined procedures, and proactive facilitation. Notably, the government's push for inclusive retail practices has resulted in 25% of the liquor shops now being operated by women. Strong multimodal connectivity through extensive roadways, rail networks, and a growing air infrastructure, further enhances the state's readiness for large-scale industrial and retail operations.

- With an unmatched excise revenue leadership, a booming liquor production base, and a progressive policy framework, Uttar Pradesh offers a compelling case as India's most strategic alcobev destination.
- The state's commitment to infrastructure, inclusivity, and ease of doing business cements its role not just as a consumption powerhouse, but as a sustainable and future-ready growth hub for the liquor industry.

India's leading liquor market state

Massive consumer base & liquor demand metrics ➤

Uttar Pradesh is the single-largest alcohol-consuming state in India, backed by a population of over 230m, accounting for nearly 16% of the nation's consumer base (Aadhaar data-FY23). As of FY23-end, 42m individuals consume alcohol in the state, nearly three times more than that of the next biggest market, West Bengal. This vast consumer base has driven exceptional volume growth, particularly in the branded country liquor (BCL) segment, which surged from 35m cases in FY18 to 91m cases in FY23, a staggering 160% rise in just five years. In FY24, the state targeted a production of 100m cases, equivalent to an estimated 45bn unit packs, a volume that could rival global records in this category. Complementing this is UP's expansive distribution infrastructure, with over 100,000 licenced liquor retail outlets and the **highest per capita alcohol consumption** among Indian states, reinforcing its position as the country's most intense liquor demand centre. The Centre for Monitoring Indian Economy or CMIE's Consumer Pyramids Household Survey (SPHS) indicates that households in Telangana witness the highest average annual per capita consumption expenditure at Rs1,623 (current prices for 2022-23), compared to the lowest consumption expenditure in Uttar Pradesh at Rs49 (Source: NIPFP Working Paper).

Liquor segment landscape in Uttar Pradesh: Dominance of spirits with rising diversification ➤

IMFL (incl. branded country liquor or BCL) dominates the liquor market in Uttar Pradesh by a wide margin. Nationally, spirits account for over 90% of pure alcohol consumption, and UP mirrors this trend. BCL has seen rapid growth, rising from 35m cases in FY18 to 91m cases in FY23, highlighting its significant scale. IMFL, encompassing whisky, rum, and other spirits, maintains a strong presence, especially in urban and semi-urban areas. Overall, spirits are likely to contribute ~60–70% or more to the total liquor volume in UP and are presumed to lead in value terms as well.

Beer forms the second-largest segment and is witnessing consistent growth, particularly in urban markets. **The FY26 excise policy, which merges beer and foreign liquor into composite retail shops and allows beer sales through country liquor outlets, is expected to enhance accessibility and drive volume.** Beer likely holds 20–30% of the market by volume, although its share in value terms is lower due to pricing differential.

Wine and ready-to-drink (RTD) beverages represent smaller but expanding categories. Wine consumption is primarily concentrated in large cities, aided by new policies that permit on-site tasting at wineries, a move that is likely to boost consumer engagement. RTD beverages are emerging as a convenient, youth-oriented option, with rising demand in urban and semi-urban areas. Both wine and RTDs currently contribute less than 5% each in volume terms, but their contribution in value terms could be marginally higher due to premium pricing.

Global leader in alcohol production and distillery capacity ➤

On the supply side, Uttar Pradesh has rapidly evolved as the **world's largest alcohol producer**, overtaking international benchmarks. Total alcohol production more than doubled from 896mL in FY18 to 1,767mL in FY22, registering a robust CAGR of 20%. The number of distilleries has grown from ~61 in FY18 to ~85 by FY23. Production capacity has also doubled to 348bnL (bn litre), growing at a sharp 40% YoY rate. This expansion has been supported by progressive government policies allowing the use of multiple feedstocks such as maize, enhancing supply chain resilience and reducing the dependence on any single raw material.

- Uttar Pradesh offers a perfect blend of unmatched demand and global-scale supply.
- The state's massive and growing consumer base, coupled with a high-growth production ecosystem and feedstock flexibility, positions it as the demand-supply capital of India's liquor industry.
- For any serious alcobev player, UP is not just a market — it is **a major market.**

India's leading liquor market state's cost-efficient liquor production base with rising export thrust

Abundance of raw materials & feedstock flexibility

Uttar Pradesh offers a powerful raw material base that directly supports cost-effective and scalable liquor and extra neutral alcohol or ENA production. As India's largest producer of sugarcane, the state ensures a steady supply of molasses, a key input for making both liquor and ENA. In addition, the state has extensive cultivation of maize, which forms the backbone of grain-based distillation. This agricultural diversity is further supported by progressive feedstock policies, which allow the use of multiple raw materials and create a flexible, resilient supply chain. The result is a state that offers not just abundant inputs but also lower input risks, making it one of the most cost-efficient and secure liquor production hubs in India.

Export hub potential

Building on its production strength, Uttar Pradesh (UP) is also rapidly transforming into a major export hub for alcoholic beverages. The state's alcohol exports surged from 292mL in FY18 to 743mL in FY23, registering a CAGR of 27%. UP-made spirits are gaining global recognition, with established players like Radico Khaitan expanding their international footprint. A key enabler of this export potential is the state's strategic location, proximity to national highways and access to ports via inland container depots (ICDs) which ensure efficient logistics for both domestic and international movement.

Strategic role in India's single malt whisky boom

Uttar Pradesh (UP) is emerging as a strategic node in this premiumization trend, both as a producer and a consumer market. The state already has one of the most successful Indian single malt whisky companies, i.e. Radico Khaitan's Rampur Indian Single Malt Whisky, which is crafted in UP and has won global accolades for its unique character and smooth profile. The distillery leverages the region's climate for faster aging and distinct maturation, giving Rampur Indian Single Malt a competitive edge over global peers.

As India's largest alcohol-consuming state, UP's rising urban middle class is also becoming a significant demand driver for premium spirits. Metro cities like Lucknow, Kanpur, and Noida are witnessing a growing shelf presence and footfall for high-end liquor categories, including single malt. The state's liquor retail reforms, including modernized stores and improved product mix, are enabling greater visibility and accessibility for premium labels.

Wine culture - a policy-led push towards premiumization

Uttar Pradesh's excise duty policies have actively encouraged wine production and tourism through targeted incentives. The Excise Policy FY23 and subsequent updates have introduced several progressive provisions to catalyze investment in the wine segment:

- Wineries are now allowed to conduct on-site wine tasting and direct retail sales to visitors — a first in UP, modelled after global wine tourism formats.
- No licence fee is charged for establishing wineries for the first five years, with 100% exemption on excise duty for locally produced wines.
- Wine units are permitted to sell their products at state-run liquor outlets, ensuring direct market access without middlemen.
- The policy allows setting up vineyards and wine production units on agricultural land, reducing land conversion bottlenecks.
- Composite shops are permitted to sell wine along with beer and foreign liquor, improving shelf visibility and consumer accessibility.

As a direct outcome of these policies, wineries are studying their feasibility in UP.

First Fruit Winery has started operations in Malihabad, the winery established by Mr. Madhvendra Singh of Mbrosia Nature Living LLP, which aims to produce natural wines from mangoes and other locally available fruits. Several more proposals are under active consideration for wine and fruit-based fermentation units.

The Bundelkhand region is being explored for its semi-arid suitability for grape cultivation, while areas around Saharanpur and Western UP, already strong in fruit farming, are being tapped for fruit wines and fortified wines, broadening the category beyond grapes.

- UP has firmly established itself as the backbone of India's liquor industry, not just in terms of scale, but also in versatility, cost-efficiency, and future-readiness.
- From its unmatched raw material availability and progressive feedstock flexibility to its emergence as a fast-growing export hub, the state offers end-to-end production strength.
- Simultaneously, UP is playing an increasingly pivotal role in India's premiumization journey, driving demand and recognition for Indian single malts and wines, supported by forward-thinking policies, retail reforms, and rising urban affluence.

For any alcobev company with a long-term ambition, UP is not just an attractive market but a strategic imperative.

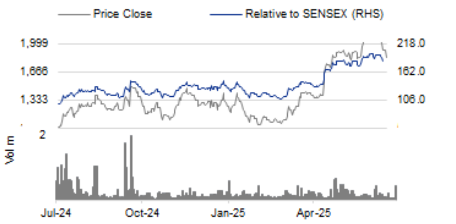
India

ADD *(Initiating coverage)*

Consensus ratings*:	Buy 2	Hold 0	Sell 0

Current price:	Rs1,756
Target price:	Rs2,768
Previous target:	NA
Up/downside:	57.6%
EIP Research / Consensus:	57.7%
Reuters:	
Bloomberg:	IGLY IN
Market cap:	US$629m
	Rs54,356m
Average daily turnover:	US$4.2m
	Rs362.3m
Current shares o/s:	31.0m
Free float:	39.0%

**Source: Bloomberg*



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(10.7)	24.3	61.3
Relative (%)	(10.9)	20.7	57.3

Major shareholders	% held
Promoter & Promoter Group	61.0

India Glycols Ltd

Restructuring to unlock value, drive growth

- Three focused platforms - alcobev with biofuels, chemicals, and biopharma - with each aligned to a distinct regulatory environment and growth drivers.
- With tailwinds like the government's ethanol blending mandate, health-related spending, and alcobev premiumization, the tide is firmly on IGL's side.
- We initiate coverage on IGL with an ADD rating and a TP of Rs2,768 based on a P/E of 22x FY27F EPS (Rs2,515) and a 49% stake in **Clariant-IGL** (Rs253).

Strategic business restructuring to drive growth & value creation

India Glycols or IGL has restructured its businesses into three focused entities: IGL Spirits (potable spirits & biofuels), IGL (chemicals & industrial gases), and Ennature Bio Pharma (bio pharma & polymers). This restructuring, in our view, will lead to enhanced operational efficiency, attract segment-specific investments, and accelerate growth in each business along with dedicated management focus, thereby leading to higher profitability and scalability.

IGL Spirits (potable spirits business)

IGL's liquor segment is a cash-rich, high-barrier business riding strong in Uttar Pradesh & Uttarakhand. With a growing IMFL presence, institutional supply (Canteen Stores Department or CSD, paramilitary), and premiumization tailwinds, the segment is well-placed for a spirited standalone run post-demerger. Strategic tie-ups (like Bacardi) and rural demand resilience further boosts its long-term appeal.

IGL Spirits (biofuels business)

Backed by policy support and rising capacity, IGL's ethanol arm has quadrupled revenue, emerging as a high-growth, grain-flexible cash engine. With India targeting 20% blending and biodiesel opportunities unlocking cost synergies, the segment promises a sustainable, high-octane future.

Valuation and risks

We have initiated coverage on IGL, valuing it at 22x FY27F EPS to arrive at our target price of Rs2,768 based on a P/E of 22x FY27F EPS (Rs2,515) and a 49% stake in **Clariant IGL Specialty Chemicals Private Limited** (Rs253) and assign an ADD rating to it. Downside risks: There are two types of risks in the liquor industry – raw material-related risk and regulatory risk. Raw material risk: Prices of IGL's products are normally set once a year and hence, any sudden spurt in raw material cost cannot be passed on over the short- to medium-term. Regulatory risk: Liquor is a state subject in India and the whole value chain via taxes, including the sale of liquor itself, is subject to regulations. IGL faces market concentration risk. The Uttar Pradesh concentration risk, in our view, is likely to get mitigated after the addition of new states.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	32,940	37,676	42,650	48,616	51,456
Operating EBITDA (Rsm)	4,024	5,090	5,923	6,652	6,985
Net Profit (Rsm)	1,563	1,824	2,444	3,039	3,482
Core EPS (Rs)	50.5	58.9	78.9	98.2	112.4
Core EPS Growth	47.6%	16.7%	34.0%	24.3%	14.6%
FD Core P/E (x)	34.77	29.80	22.24	17.89	15.61
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	15.83	14.07	12.22	10.37	9.25
P/FCFE (x)	20.17	(12.78)	9.67	23.61	51.93
Net Gearing	45.6%	76.6%	70.0%	50.0%	30.8%
P/BV (x)	2.65	2.41	2.11	1.86	1.63
ROE	7.9%	8.5%	10.1%	11.0%	11.1%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Restructuring to unlock value, drive growth

Structural overhaul-led value unlocking focusing on growth

Key restructuring highlights

Demerger of core business verticals:

- Potable spirits and biofuel businesses to be demerged into IGL Spirits (ISL).
- Biopharma business to be carved as Ennature Bio Pharma (EBPL).

Consideration for the demerger:

- ISL and EBPL will issue equity shares to the existing shareholders of IGL, thereby maintaining continuity and proportionate economic interest.

Why this matters: Key benefits of the proposed scheme

1. **Business focus & strategic clarity**

   Each vertical will operate as an independent company, enabling:
   - Tailored management suited to business-specific challenges and opportunities.
   - More effective decision-making and resource deployment.
2. **Capital efficiency**

   Post-demerger, each company will:
   - Manage its own capital structure, funding strategy, and capex.
   - Align capital allocation with business-specific returns profile.
3. **Investor targeting & value unlocking**
   - Focused entities attract **domain-specific investors** (e.g., FMCG/alcobev, green energy, pharmaceuticals).
   - Valuation rerating is possible as **market assigns discrete multiples** to high-growth segments.
4. **Risk segregation**
   - Isolating cyclical or regulated businesses from each other reduces cross-contamination of risk.
   - Enables **better resilience and agility** under adverse sector-specific conditions.
5. **Compliance tailoring**
   - Industry-specific regulatory needs (e.g., ethanol blending mandates, liquor licences, pharma certifications) can be better addressed by dedicated entities.
6. **Independent growth platforms**
   - Each new entity will pursue **a standalone growth path, partnerships, and capital raising** without being constrained by the priorities of the conglomerate.

Why this matters: Key benefits of the proposed scheme

IGL's demerger move aligns with global best practices in value unlocking through corporate restructuring. With India's **biofuel push, ethanol blending targets, and premiumization in alcobev** — the timing appears opportune. The scheme sets the stage for a long-term **rerating and shareholder wealth creation**, as each business scales independently.

IGL Spirits (potable spirits & biofuels)

Potable spirits (ENA, IMFL, IMIL)

The segment benefits from high entry barriers, branding synergy, and stable cash flow, making it a powerful standalone business post-demerger.

- FY25 net revenue: Rs55.58bn (up from Rs47.05bn).
- Market leader in Uttar Pradesh & Uttarakhand's IMIL market.
- Growing IMFL footprint and institutional supply (Canteen Stores Department or CSD, paramilitary).

Figure 3: Presence of IGL Spirits in IMFL segment

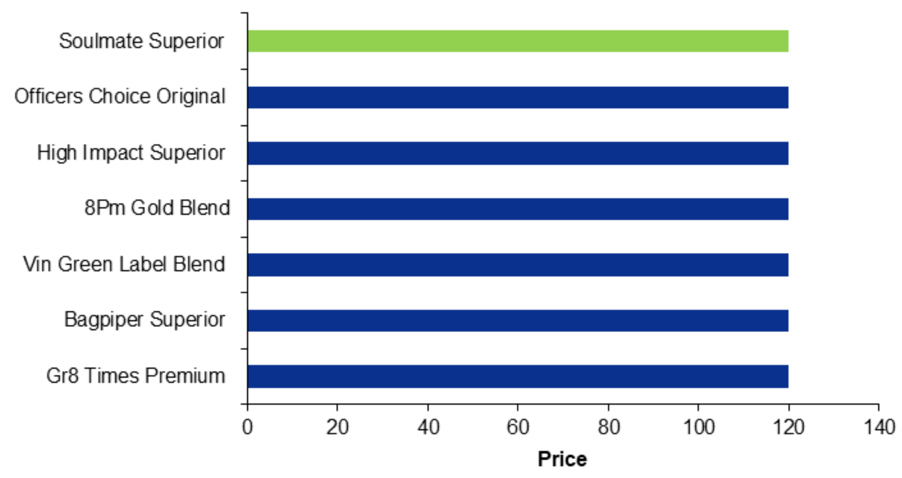
		Whisky	Vodka	Rum
Luxury	**>Rs4,200**			
Semi-Luxury	**>Rs1,250**			
Super- Premium	**<Rs1,250**	Amruts Maqintosh		
Semi- Premium	**<Rs840**	Amazing Deluxe		Zumba Lemoni Rare, Zumba Naturally Citrus
Deluxe	**<Rs675**	Soulmate Blu, Amrut's Green	Amazing Premium Grain, Amazing Premium Grain Cranberry, Amazing Premium Grain Green Apple, Amazing Premium Grain Orange	Zumba Black Spiced
Regular	**>Rs675**	Soulmate Superior	Bunty Green Apple	Bunty Gold

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Whisky – Regular

Soulmate Superior Whisky
MRP – Rs120 (180ml)

Figure 4: Presence of IGL Spirits in Regular segment: Whisky

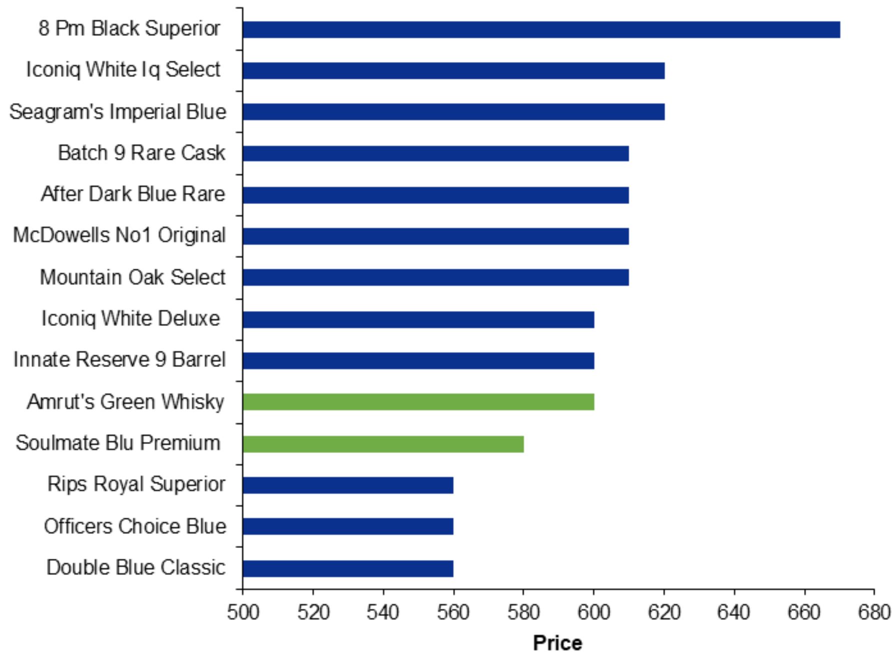


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Soulmate Blu
MRP – Rs580 (750ml)

Whisky – Deluxe

Figure 5: Presence of IGL Spirits in IMFL: Whisky – Deluxe

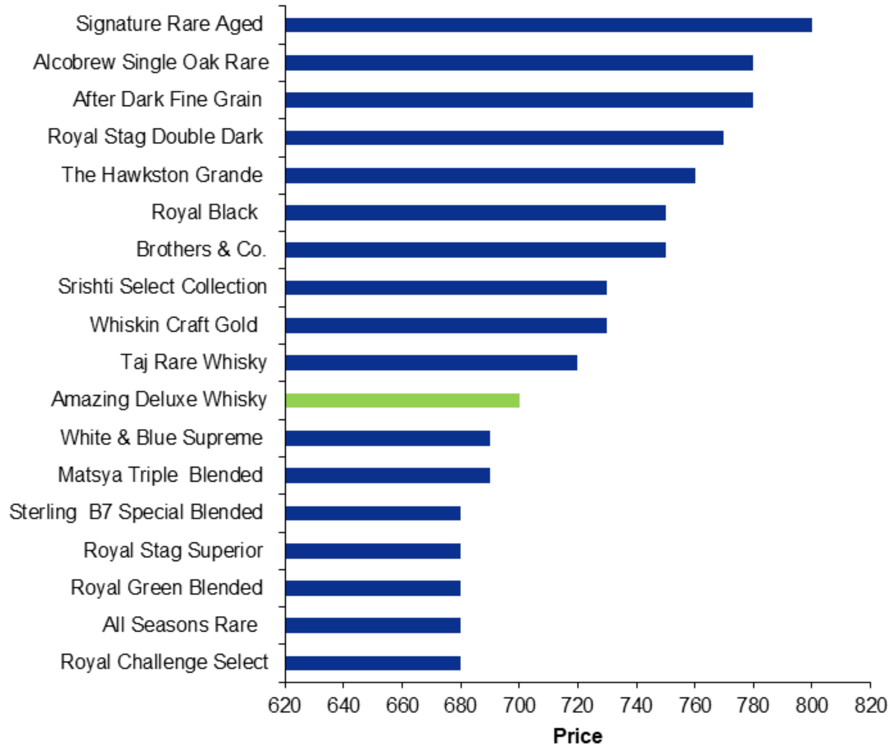


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Amazing Deluxe Whisky
MRP – Rs700 (750ml)

Whisky: Semi-premium

Figure 6: Presence of IGL Spirits in IMFL segment: Whisky – Semi-premium

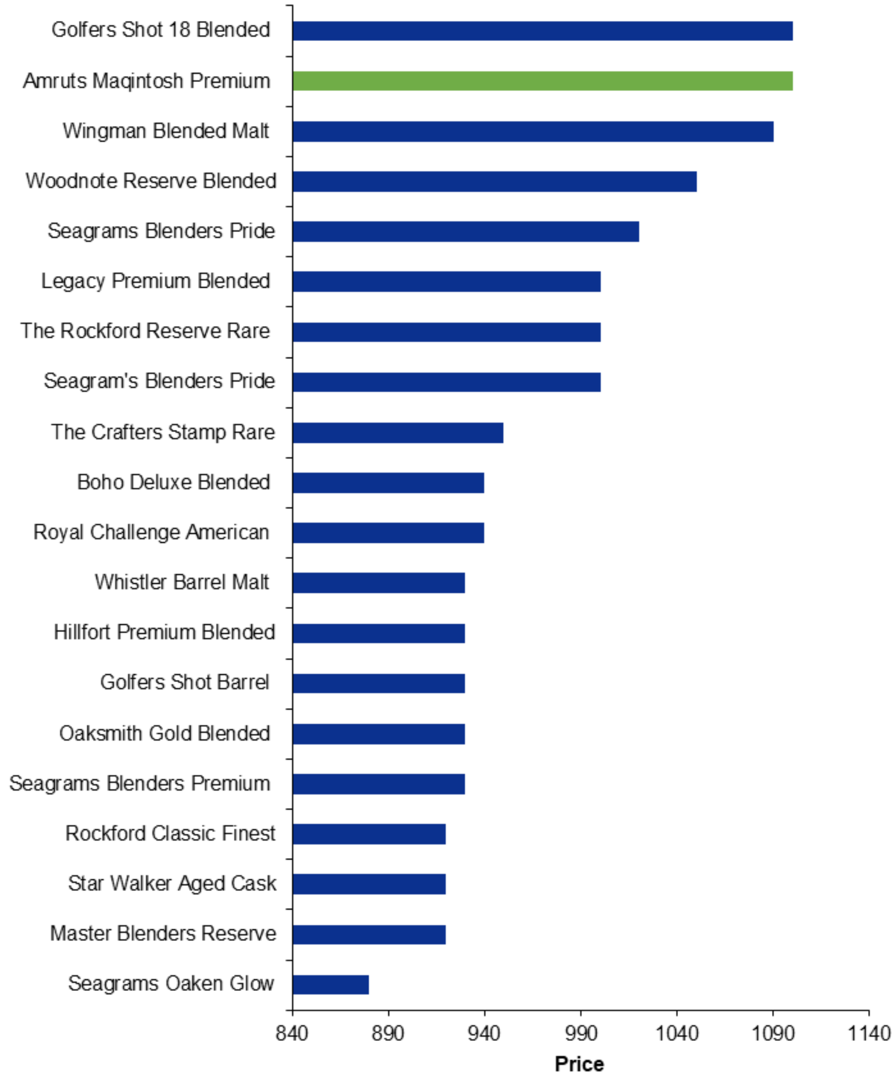


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Amruts Maqintosh
MRP – Rs1,100 (750ml)

Whisky – Super-premium

Figure 7: Presence of IGL Spirits in IMFL segment: Whisky – Super-premium

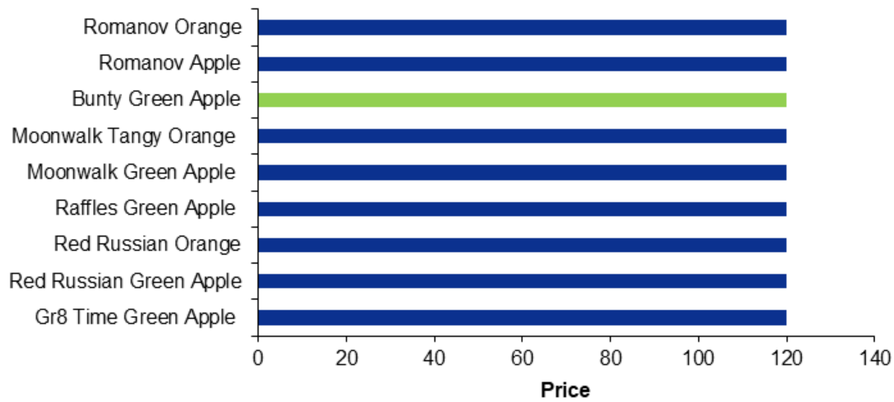


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Bunty Green Apple
MRP – Rs120 (180ml)

Vodka – Regular

Figure 8: Presence of IGL Spirits in Regular segment: Vodka

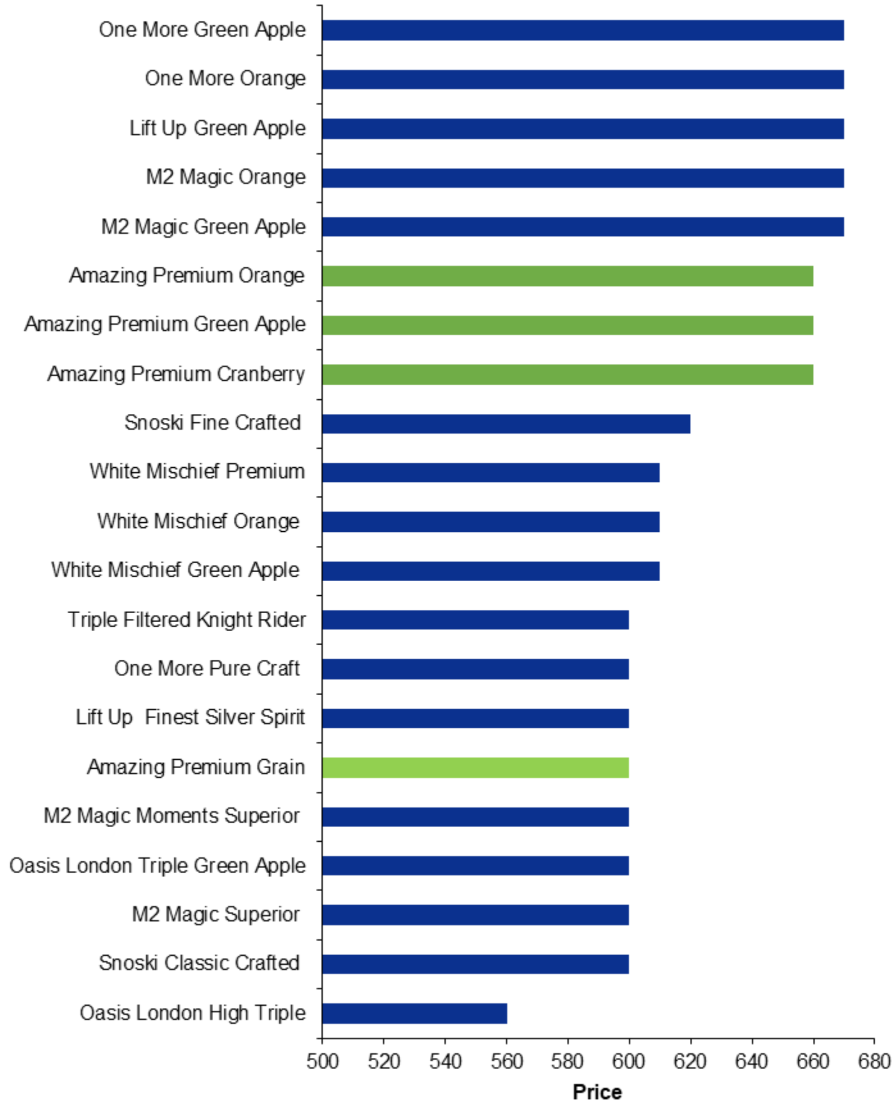


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Amazing Premium – MRP – Rs660 (750ml)

Vodka – Deluxe

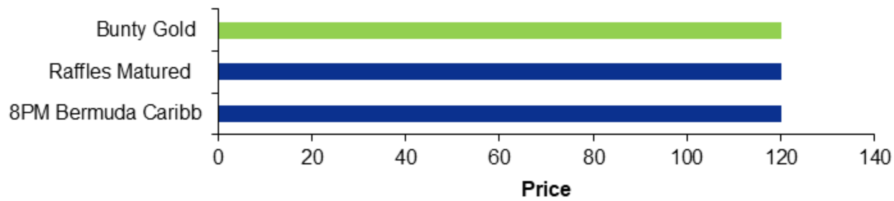
Figure 9: Presence of IGL Spirits in IMFL segment: Vodka – Deluxe



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Rum – Regular

Figure 10: Presence of IGL Spirits in Regular segment: Rum

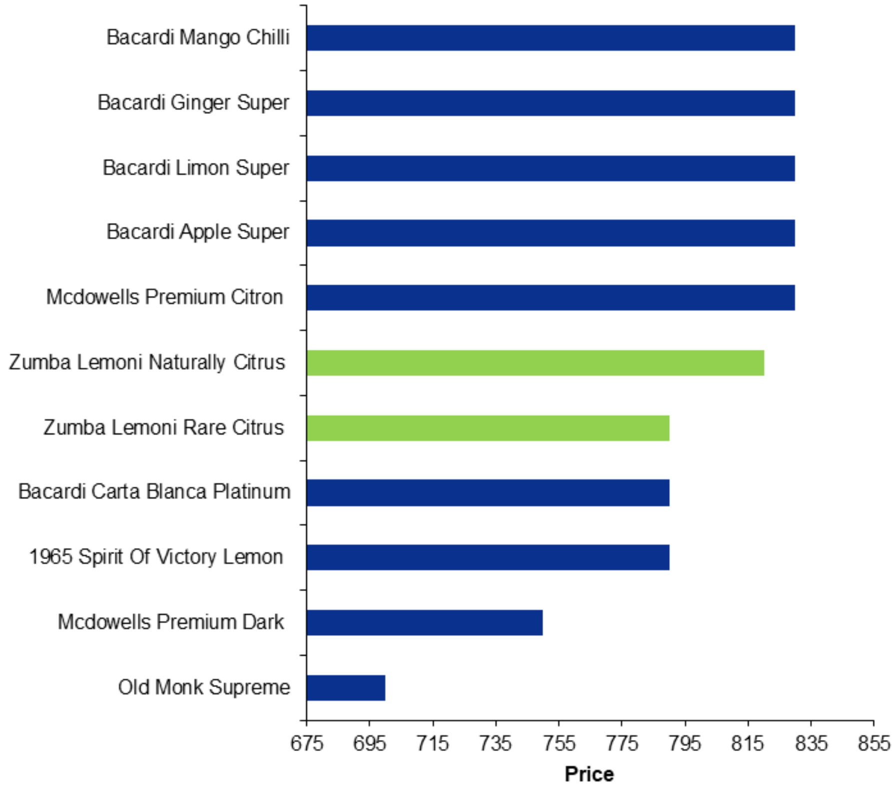


SOURCE: INCRED RESEARCH, COMPANY REPORTS

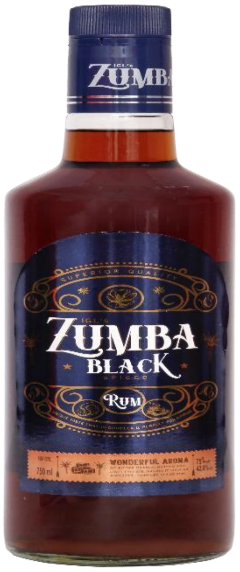
Zumba Lemoni Rare
MRP – Rs790 (750ml)

Rum – Semi-pemium

Figure 11: Presence of IGL Spirits in IMFL segment - Rum – Semi-premium



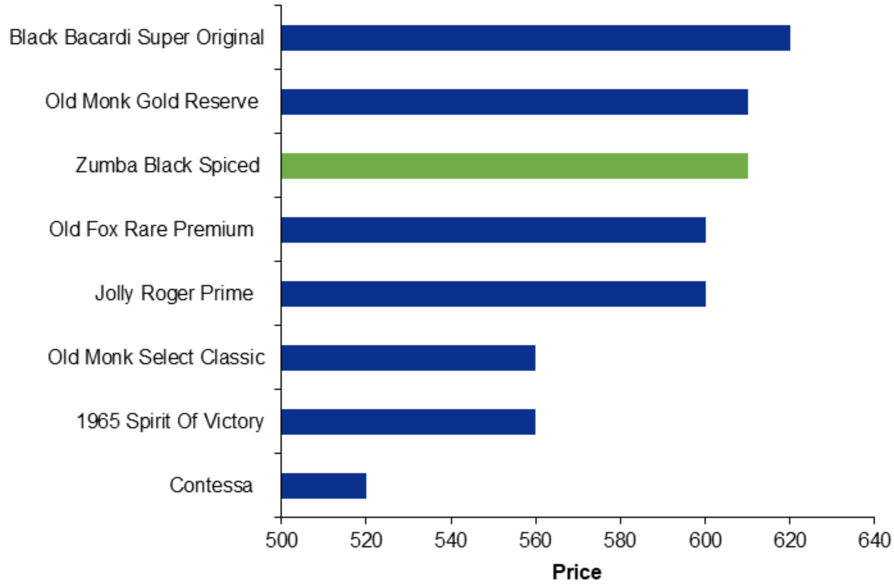
SOURCE: INCRED RESEARCH, COMPANY REPORTS



Zumba Black
MRP – Rs610 (750ml)

Rum – Deluxe

Figure 12: Presence of IGL Spirits in IMFL segment: Rum – Deluxe



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Uttar Pradesh Made Liquor

Figure 13: Presence of IGL in Spirits in UPML

UPML – 28%

Dabang 28 & Bunty Babli 28

UPML – 42.8%

Dabang Gold

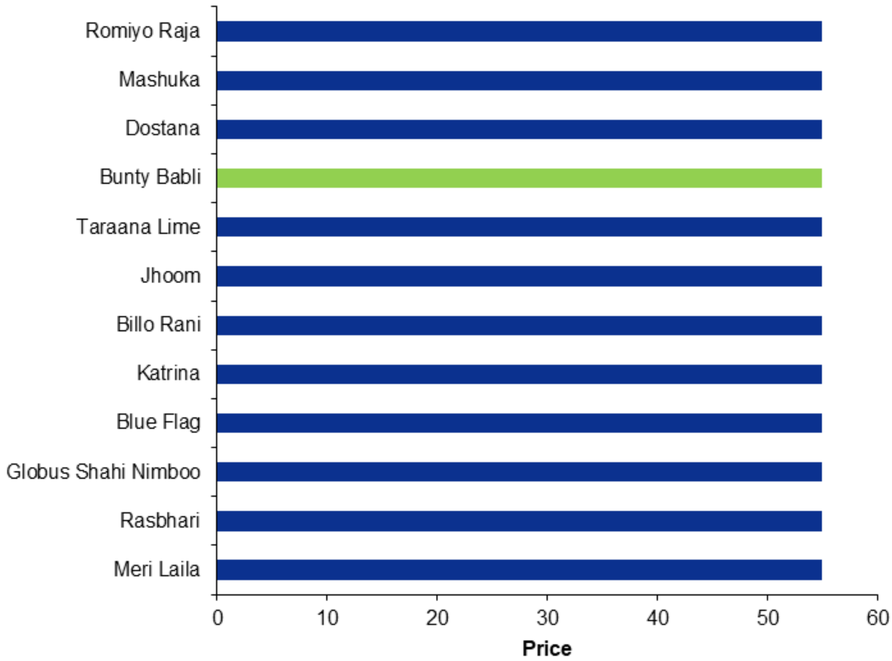
Power House

Bunty Babli Gold

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Country liquor - flavoured

Figure 14: Presence of IGL Spirits in IMIL segment – Country liquor



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Bunty Babli
MRP – Rs55 (200ml)

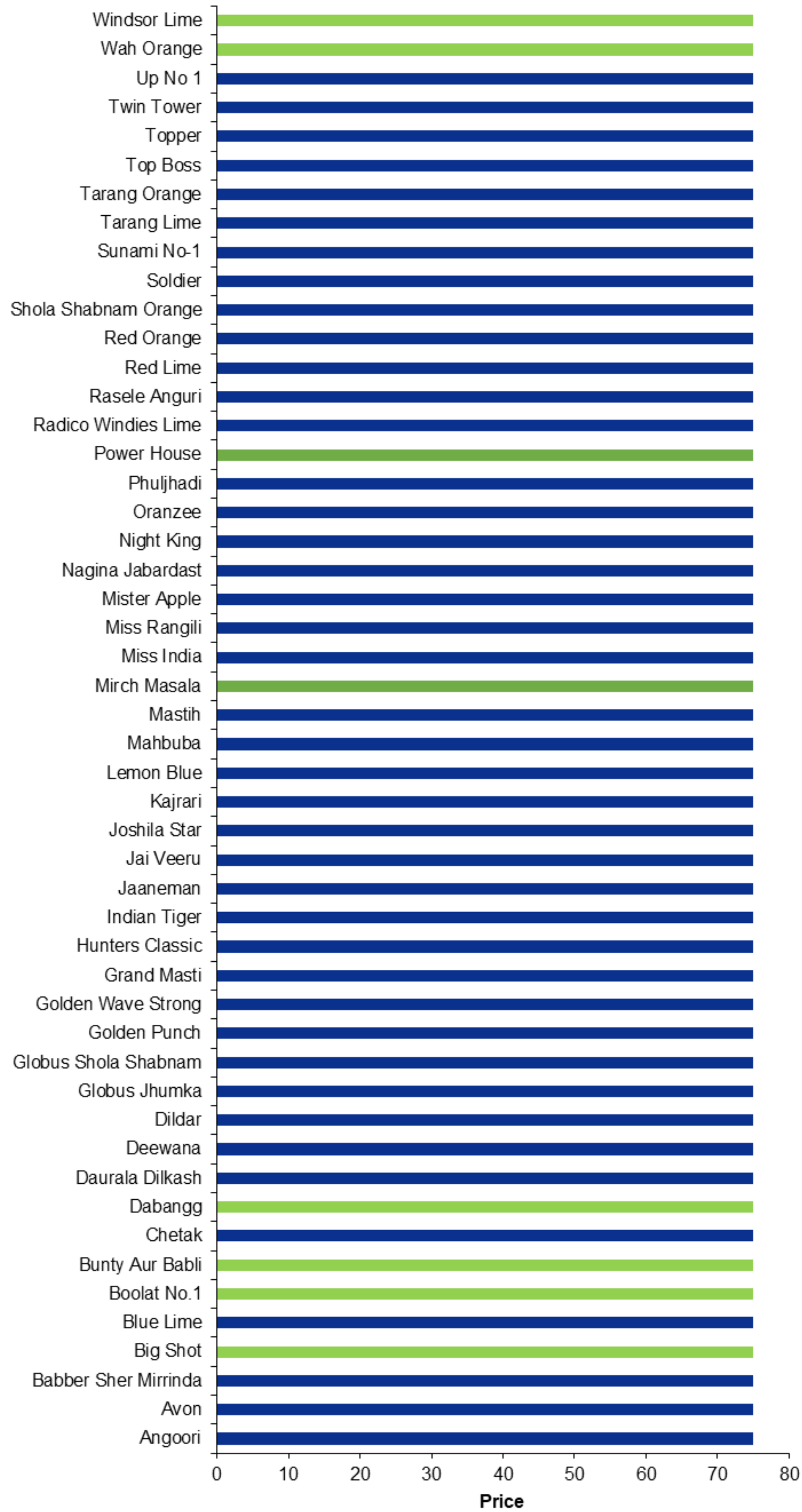
Bunty Babli

Dabangg Masala
Mirch Masala

Wah Orange
Windsor Lime
MRP – Rs75 (200ml)

Country liquor - spiced

Figure 15: Presence of IGL Spirits in IMIL segment: Country liquor-spiced



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Outlook & innovation strategy

- **The premiumization trend in liquor** continues with younger, aspirational consumers.
- **Favourable state excise policies** in Delhi and Uttar Pradesh for new IMFL entrants.
- **Rural demand resilience** supports country liquor (CL) volume.
- **Institutional channels (CSD, paramilitary)** provide consistent volumes and branding reach.
- **Tie-ups with global brands (e.g., Bacardi)** expand the operating leverage.

Power alcohol (biofuels)

IGL- Spirts ethanol operations have quadrupled in revenue terms, thanks to policy tailwinds and expanded capacity. With demand visibility and grain-based flexibility, this segment is a critical value contributor and a major long-term cash engine.

- FY25 revenue: Rs10.4bn (vs. Rs5.12bn YoY)
- Current capacity – 1,000klpd

Outlook & innovation strategy

- **E20 ethanol blending mandate to be met in ESY25F**, with all eyes on policies towards ESY25-ESY30F.
- **Bio-diesel 5% blending from corn oil is a key industry for the grain ethanol eco-system, as it would reduce raw materials for ethanol because the by-product would be used to create bio-diesel.**

IGL (chemicals & industrial gases)

Bio-based specialty & performance chemicals

IGL's specialty chemical strategy diversifies away from commodity glycols, moving toward higher-margin, customized molecules. The new unit enables portfolio expansion into bio-amines and green solvents, aligning with customer sustainability mandates.

- The company is among the few global producers of bio-based MEG.
- FY25 revenue from chemicals (including industrial gases): Rs13bn vs. Rs12bn YoY.
- Commissioned 5,000mt specialty unit for value-added green chemistries.

Growth drivers & tailwinds

- **Global ESG push** is fueling the demand for renewable glycols in textiles, packaging, and automotive sectors.
- **Substitution of petro-based MEG** with bio-MEG is supported by FMCG and textile sustainability mandates.
- India's **'green chemicals' production-linked incentive or PLI scheme** (proposed) could aid capex and margin.
- Guar-based biopolymers benefit from **domestic agri-linkages** and import substitution.

Outlook & innovation strategy

IGL's R&D-led approach to the specialty chemicals segment is central to its strategy going ahead. Investments in pilot-scale production, partnerships, and green innovation ensure sustained relevance and margin expansion in a fast-evolving global chemicals ecosystem.

- The company has a deep pipeline of specialty molecules under development.
- **Global ESG mandate** pushes up the demand for green solvents and bio-based surfactants.

- **The focus on performance chemicals and value-added stock-keeping units or SKUs** improves the margin profile.

Industrial gases ›

The industrial gases business, although small, is high-margin and scalable. Quality-focused positioning and rising demand in bottling, food, and fermentation industries make this a strategic niche for future expansion.

- Growth in liquid CO_2 and specialty industrial gases.
- Focused on quality leadership and international standards.

Outlook & innovation strategy

- **Carbon capture and reuse (CCR)** is gaining attention—IGL's CO_2 platform is well-positioned.
- Food processing & pharmaceutical companies, and breweries are driving **steady demand for purified CO_2.**
- **The government's green hydrogen mission** indirectly supports gas handling infrastructure development.

Ennature Bio Pharma (bio pharma & polymers)

Ennature Bio Pharma is an intellectual property or IP-heavy, high-margin company anchored in plant-derived active pharmaceutical ingredients r API business and supported by a world-class facility. With patents, premium exports, and regulatory moats, this business is poised to scale significantly with low capital intensity.

- FY25 revenue: Rs2.18bn vs. Rs2.24bn YoY.
- Leader in thiocolchicoside API and a global supplier of nicotine APIs.
- Advanced manufacturing facility (SCFE, cGMP, EDQM-certified) in Dehradun.

Outlook & innovation strategy

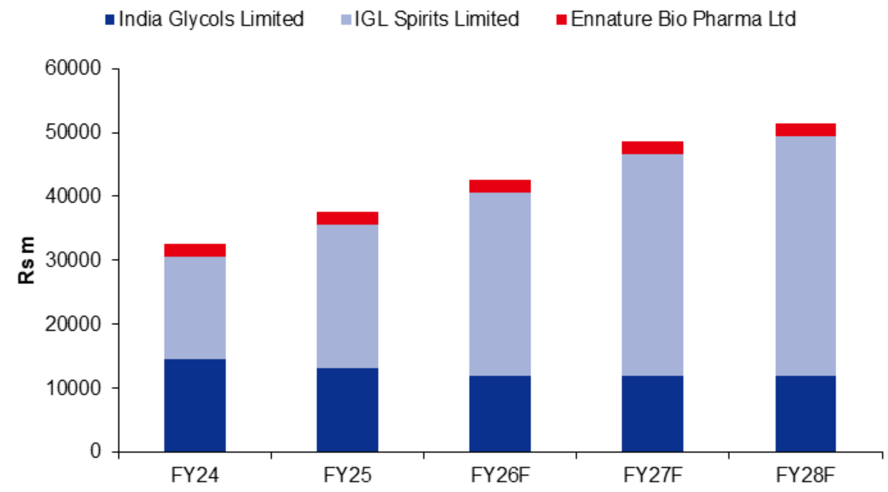
- **There is a global shift towards plant-based APIs and nutraceuticals.**
- **Export demand for natural muscle relaxants and NRTs** (Nicotine Replacement Therapies) is rising.
- **Regulatory tailwinds,** with India's push for domestic API leadership (import substitution).
- **Patent-backed products and innovation platforms (LIMAN, SCEMOD)** create high-margin intellectual property or IP assets.
- **Production-linked incentive or PLI schemes in chemicals, active pharmaceutical ingredients or APIs, and nutraceuticals** can aid expansion.
- **India's nutritional ingredient market** is growing at ~15% CAGR, thereby opening new export opportunities.

Earnings growth

Revenue and earnings growth

In our view, IGL will clock a revenue CAGR of 11% over FY25-28F. We believe the growth will be volume-led post expansion in IGL Spirits. IGL and Ennature Bio Pharma would remain flat, and IGL Spirits would propel at ~19% growth over FY25-28F due to the growth in ethanol, IMIL and IMFL volumes.

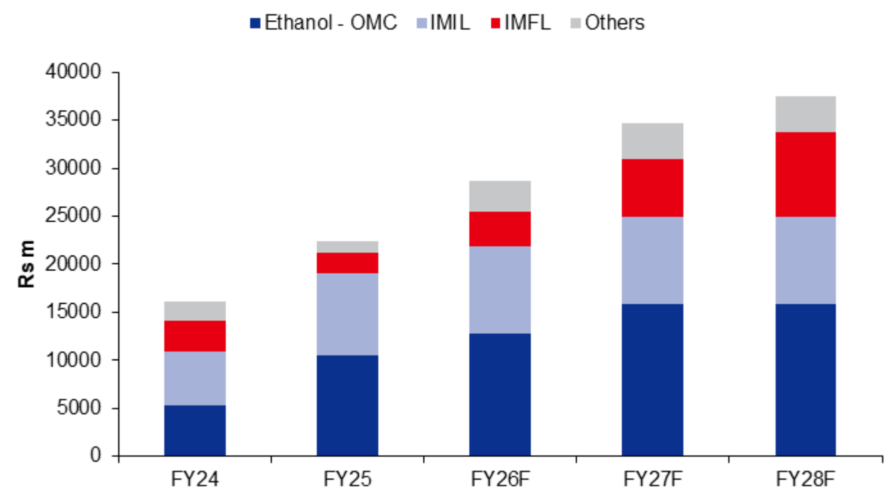
Figure 16: Revenue growth, in our view, for IGL will be at a CAGR of 11% over FY25-28F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Within IGL Spirits, the immediate gains would be seen in ethanol sales for petrol blending, as it is a function of capacity addition and the entire 1,000klpd capacity available in ESY26, with IMFL volumes set to rise in the later period of FY25-28F.

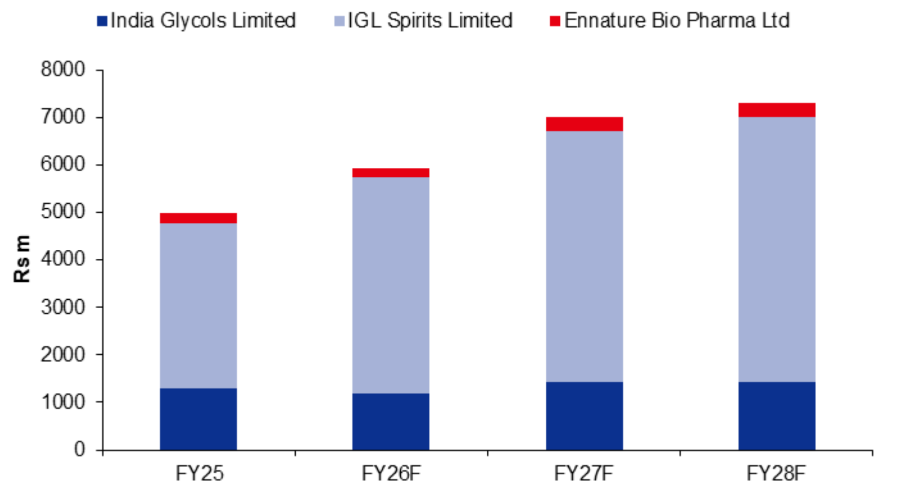
Figure 17: Revenue growth, in our view, for IGL Spirts will be at a CAGR of 19% over FY25-28F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

In our view, IGL's EBITDA CAGR of 11% over FY25-28F will be driven by growth and expansion in IGL Spirits.

Figure 18: EBITDA growth, in our view, for IGL will be at a CAGR of 11% over FY25-28F, with a major contribution coming from IGL Spirits

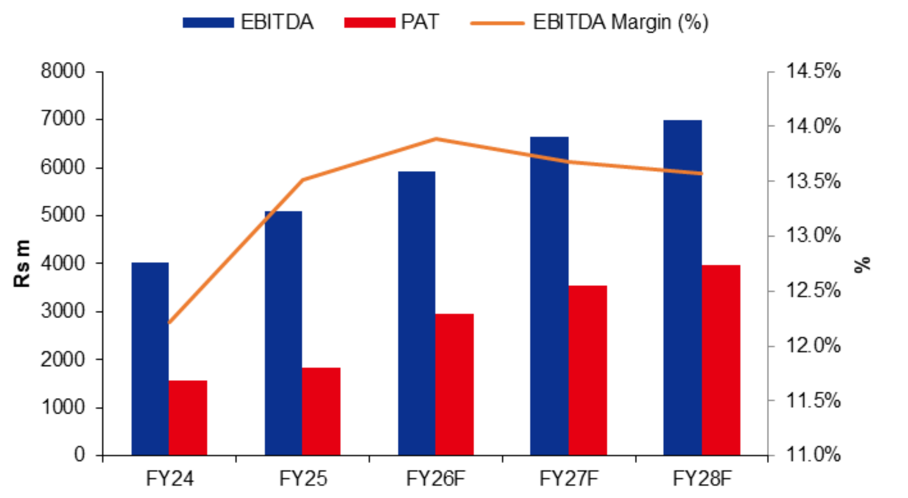


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Earnings growth ➤

EBITDA growth is expected to be at a 11% CAGR over FY25-FY28F, in line with sales growth, because of higher realization going ahead. PAT growth is expected to be at a 30% CAGR over FY25-28F, higher than revenue and EBITDA growth, due to interest costs not rising in proportion to the revenue, and repayment from excess cash over the period.

Figure 19: EBITDA and PAT, in our view, to post CAGR of 11% and 30%, respectively, over FY25-28F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key assumptions ➤

- Ethanol OMC volume – 15% CAGR over FY25-FY28F.
- IMIL volume – flat over FY25-FY28F.
- IMFL volume - 34% CAGR over FY25-FY28F.

Valuation & risks

Valuation

- IGL stock trades at a P/E of 16x FY27F EPS, and 19x FY26F EPS.
- In our view, IGL is leading in various business segments but missing synergies among these segments led to a poor P/E multiple in the past. The potential split of the company would start the rerating of the P/E assigned to IGL.
- The company is a major IMIL player in Uttar Pradesh & Uttarakhand. As it strengthens the IMFL segment in these two states and is adding other states as well, the spirits division will get rerated further.
- We initiate coverage on IGL with an ADD rating and a target price of Rs2,768 based on a P/E of 22x FY27F EPS (Rs2,515) and a 49% stake in **Clariant IGL Specialty Chemicals Private Limited** (Rs253)**.**
- IGL traded at a forward P/E of 12x over the past five years.
- We have assigned an ADD rating to the stock due to capacity expansion that will help in generating better growth.
- We have assigned a P/E multiple of 22x FY27F EPS to arrive at our target price of Rs2,768.
- We justify the premium purely based on restructuring of IGL's businesses into three focused entities: IGL Spirits (potable spirits & biofuels), IGL (chemicals & industrial gases), and Ennature Bio Pharma (bio pharma & polymers).

Figure 20: One-year forward P/E

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Risks

Industry –

- Regulatory risk: Liquor business in India is widely a state subject and the whole value chain through taxes, including the sale of liquor itself, is subject to regulations.
- Raw material risk: As the pricing, in most cases, for the products of the company are state regulated, any rise in raw material prices cannot be passed on to consumers immediately.

Company –

- Market concentration: The company currently faces market concentration risk because most of its operations are in Uttar Pradesh.
- The concentration risk is likely to mitigate, in our view, after the addition of newer states.

Business description and management profile

Company profile

India Glycols (IGL) is a pioneering Indian company engaged in the production of bio-based chemicals, industrial gases, potable spirits, and pharmaceuticals. Established in 1983, IGL is recognized for its commitment to sustainability and innovation, with a strong emphasis on biofuels and green chemicals. Headquartered in Noida, the company has manufacturing facilities in Kashipur (Uttarakhand), Gorakhpur (Uttar Pradesh), and various other locations.

IGL operates through the following major business divisions:

1. **Bio-based specialties and performance chemicals (BSPC)**
   - Manufacture of mono-ethylene glycol (MEG), ethylene oxide derivatives, bio-based glycols, and industrial gases.
2. **Potable spirits (IMFL and country liquor) & biofuels**
   - Leading producer of Indian Made Foreign Liquor (IMFL) and country liquor.
   - Expanding product portfolio and market presence across India and international markets.
   - Strong focus on biofuels, with expansion plans in ethanol production.
3. **Ennature Biopharma**
   - Specializes in pharmaceutical intermediates, biopolymers, and nutraceutical ingredients.
   - Focused on high-value thiocolchicoside, nicotine derivatives, and plant-based extracts.

Strategic Restructuring

IGL has restructured its business into three separate entities to enhance operational efficiency and unlock growth potential:

1. **India Glycols (IGL)** – Focus on chemicals and industrial gases.
2. **IGL Spirits (ISL)** – Handles potable spirits and biofuel businesses.
3. **Ennature Bio Pharma (EBL)** – Focus on pharmaceuticals and bio-polymers.

Key milestones

Figure 21: Key milestones

1983: Incorporated on 19th November as UP Glycols Limited.
1986: Renamed as India Glycols Limited on 28th August.
1989: Commenced commercial production at the mono-ethylene glycol (MEG) plant on 25th April with a capacity of 20,000mtpa.
1994: Commissioned a 13,000mtpa ethylene oxide (EO) purification plant and a 20,000mtpa ethoxylate plant.
1995: Increased MEG facility capacity from 20,000 to 25,000mtpa through de-bottlenecking.
1997: Commissioned a 10,000mtpa formulation plant.
1998: Further de-bottlenecked MEG facility to 30,000mtpa and commissioned a 6,000mtpa sulphation plant.
1999: Commissioned a new continuous process distillery with a capacity of 85,000bnlpd, de-bottlenecked MEG facility to 33,000mtpa, and increased power generation capacity from 6MW to 18MW.
2001: Commissioned a glycol ether plant and a guar gum facility with a capacity of 12,000mtpa.
2002: Commissioned a bottling plant and expanded the MEG plant capacity to 60,000mtpa.
2003: Added a glycol ether acetate facility and commissioned an Extra Neutral Alcohol (ENA) plant.
2010: The biomass-based cogeneration project at Gorakhpur was registered under the Clean Development Mechanism (CDM) by the UN Framework Convention on Climate Change (UNFCCC).
2013: Established a subsidiary in the United States.
2015: Expanded bio-polymer production.
2019: Expanded production of thiocolchicoside and nicotine.
2020: Initiated production of sanitizers.
2021: Formed a joint venture with Clariant and introduced Indian Made Foreign Liquor (IMFL) brands.
2022: Commissioned new grain-based ethanol plants in Gorakhpur and Kashipur.

SOURCE: INCRED RESEARCH, COMPANY REPORTS

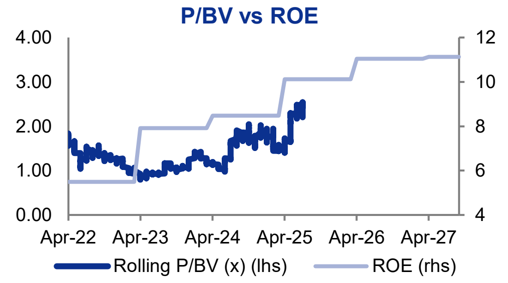
Management profile

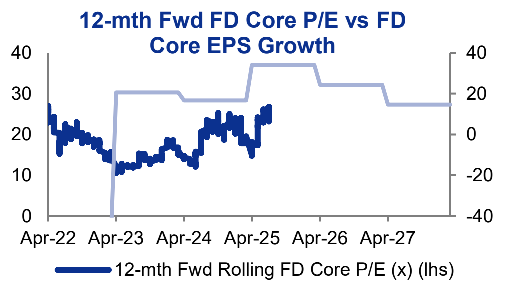
Figure 22: Key management profile

Name	Designation	Profile
Rupark Sarswat	Chief Executive Officer	Mr. Rupark Saraswat is the Chief Executive Officer. He joined the organization on 21 Dec 2020. Mr. Saraswat is based at Noida corporate office. An engineering graduate (chemical engineering) from IT- BHU, Varanasi, he has done his 3TP Senior Leaders General Management Program from IIM, Ahmedabad. Mr. Saraswat has more than 31 years of rich experience in leading diversified roles such as Executive Director, Country MD, Managing Director, and Vice President - Operations and Plant Operations. Before joining the company, he had worked with Transpek - Silox Industries, Croda, & ICI India.
Anand Singhal	Chief Financial Officer	Mr. Anand Singhal is the Chief Financial Officer. He joined the organization on 2 Jan 2008. He is based at Noida corporate office. Mr. Singhal is a qualified chartered accountant and has more than 35 years of rich experience in the finance domain. Before joining the company, he had worked with Trident Group (Abhishek Industries), Ace Diagnostics & Biotech, Rajasthan Spinning & Weaving Mills, & Kajaria Ceramics.
S. K. Shukla	Head - Liquor Business	Mr. S.K. Shukla, a management graduate having over 37 years of experience in business management, holds the Business Head position at the company's Gorakhpur plant. Additionally, he is President of U.P. Distillers' Association, New Delhi since Dec 2018. Mr. Shukla has also been involved in various social works under the company's CSR activities.
Rajesh Marwaha	Head BSPC	Mr. Rajesh Marwaha is the Head – Sales & Marketing for bio-based specialties and performance chemicals. He joined the organization on 5 Oct 2006. He is based at Noida corporate office. Mr. Marwaha has more than 35 years of rich experience handling marketing and exports, specializes in international business, and has travelled extensively to various geographies and created new businesses. Before joining the company, he had worked at DCM Shriram Industries for almost 15 years. Mr. Marwaha has done Executive Masters in International Trade from Indian Institute of Foreign Trade, New Delhi and Bachelor of Science (Physics-Honours) Degree from Delhi University. He also holds Six-Sigma Green Belt Quality Certification.
Akshay Bansal	Head Ennature Biopharma	Mr. Akshay Bansal is the Head – Sales & Marketing. He joined the organization on 17 Jan 2022. He is based at Noida corporate office. Mr. Bansal has Master of Business Administration and Bachelor of Hospital Administration degrees from DAV, Indore. He has more than 25 years of rich experience in leading diversified roles such as heading global API sales & marketing, overall product portfolio management, and new market expansions. Before joining the company, he had worked with Mankind Pharma, Glenmark Pharmaceuticals, Dishman Carbogen Amcis (earlier Dishman Chemicals and Pharmaceuticals), Alembic, Orchid Chemicals and Pharmaceuticals, and Claris Lifesciences.

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	**32,940**	**37,676**	**42,650**	**48,616**	**51,456**
Gross Profit	**11,602**	**13,607**	**15,477**	**17,542**	**18,511**
Operating EBITDA	**4,024**	**5,090**	**5,923**	**6,652**	**6,985**
Depreciation And Amortisation	(1,008)	(1,152)	(1,110)	(1,125)	(1,130)
Operating EBIT	**3,016**	**3,938**	**4,813**	**5,527**	**5,855**
Financial Income/(Expense)	(949)	(1,498)	(1,510)	(1,420)	(1,150)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	**2,067**	**2,440**	**3,303**	**4,107**	**4,705**
Exceptional Items					
Pre-tax Profit	**2,067**	**2,440**	**3,303**	**4,107**	**4,705**
Taxation	(503)	(616)	(859)	(1,068)	(1,223)
Exceptional Income - post-tax					
Profit After Tax	**1,563**	**1,824**	**2,444**	**3,039**	**3,482**
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**1,563**	**1,824**	**2,444**	**3,039**	**3,482**
Recurring Net Profit	1,563	1,824	2,444	3,039	3,482
Fully Diluted Recurring Net Profit	**1,563**	**1,824**	**2,444**	**3,039**	**3,482**

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	4,024	5,090	5,923	6,652	6,985
Cash Flow from Invt. & Assoc.					
Change In Working Capital	2,412	(8,494)	545	(1,081)	(515)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	411	506			
Other Operating Cashflow					
Net Interest (Paid)/Received	285				
Tax Paid	(503)	(616)	(859)	(1,068)	(1,223)
Cashflow From Operations	**6,629**	**(3,514)**	**5,610**	**4,503**	**5,247**
Capex	(5,487)	(7,591)	14	(200)	(200)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(167)	(462)			
Cash Flow From Investing	**(5,654)**	**(8,053)**	**14**	**(200)**	**(200)**
Debt Raised/(repaid)	1,719	7,315		(2,000)	(4,000)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(897)	10,587	(7,216)	(3,534)	(5,264)
Cash Flow From Financing	**823**	**17,902**	**(7,216)**	**(5,534)**	**(9,264)**
Total Cash Generated	1,798	6,335	(1,592)	(1,231)	(4,217)
Free Cashflow To Equity	**2,695**	**(4,252)**	**5,623**	**2,303**	**1,047**
Free Cashflow To Firm	**975**	**(11,567)**	**5,623**	**4,303**	**5,047**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	1,378	768	29	1,412	1,809
Total Debtors	3,841	3,650	6,924	7,892	8,353
Inventories	11,063	11,709	12,129	13,825	14,633
Total Other Current Assets	3,231	6,474	927	986	1,015
Total Current Assets	**19,513**	**22,601**	**20,008**	**24,115**	**25,809**
Fixed Assets	32,819	39,245	38,135	37,210	36,280
Total Investments	3,351	3,813	3,813	3,813	3,813
Intangible Assets		14			
Total Other Non-Current Assets	485	511	384	438	463
Total Non-current Assets	**36,655**	**43,583**	**42,332**	**41,460**	**40,556**
Short-term Debt	3,476	7,642	7,642	6,642	4,642
Current Portion of Long-Term Debt					
Total Creditors	20,244	15,537	14,097	15,789	16,594
Other Current Liabilities					
Total Current Liabilities	**23,720**	**23,178**	**21,738**	**22,431**	**21,236**
Total Long-term Debt	7,251	10,400	10,400	9,400	7,400
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	676	5,592			
Total Non-current Liabilities	**7,926**	**15,992**	**10,400**	**9,400**	**7,400**
Total Provisions	4,012	4,455	4,459	4,464	4,466
Total Liabilities	**35,658**	**43,625**	**36,597**	**36,294**	**33,102**
Shareholders Equity	20,510	22,559	25,742	29,281	33,263
Minority Interests					
Total Equity	**20,510**	**22,559**	**25,742**	**29,281**	**33,263**

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	24.3%	14.4%	13.2%	14.0%	5.8%
Operating EBITDA Growth	36.1%	26.5%	16.4%	12.3%	5.0%
Operating EBITDA Margin	12.2%	13.5%	13.9%	13.7%	13.6%
Net Cash Per Share (Rs)	(301.94)	(557.89)	(581.77)	(472.52)	(330.51)
BVPS (Rs)	662.43	728.60	831.42	945.72	1,074.31
Gross Interest Cover	2.44	2.40	2.96	3.60	4.63
Effective Tax Rate	24.4%	25.2%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	45.12	36.28	45.24	55.62	57.62
Inventory Days	159.09	172.66	160.10	152.43	157.64
Accounts Payables Days	158.34	186.07	172.22	152.03	157.23
ROIC (%)	10.3%	12.6%	10.4%	12.4%	13.1%
ROCE (%)	9.9%	10.2%	10.6%	11.5%	12.0%
Return On Average Assets	4.8%	5.4%	6.2%	7.0%	7.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

India

ADD *(Initiating coverage)*

Consensus ratings*:	Buy 9	Hold 3	Sell 2

Current price:	Rs2,725
Target price:	Rs3,405
Previous target:	NA
Up/downside:	25.0%
EIP Research / Consensus:	25.0%
Reuters:	
Bloomberg:	RDCK IN
Market cap:	US$4,222m
	Rs364,789m
Average daily turnover:	US$7.8m
	Rs677.8m
Current shares o/s:	133.6m
Free float:	59.8%

**Source: Bloomberg*

Source: Bloomberg

Price performance	*1M*	*3M*	*12M*
Absolute (%)	1.6	10.3	58.5
Relative (%)	1.4	7.1	54.6

Major shareholders	% held
Promoter & Promoter Group	40.2
Nippon AMC	3.4
Kotak AMC	2.8

Radico Khaitan Ltd

Margin party on the rocks in FY26F

- Having distilled growth, its fundamentals are now aged to perfection, setting the stage for a full-bodied bottom-line growth revival in FY26F.
- With raw material costs easing & premium brands maturing, FY26F to be the year when the company uncorks margin reversal and toasts to stronger profits.
- We initiate coverage on Radico Khaitan with an ADD rating and a target price of Rs3,405 or 60x FY27F EPS.

From scale to sophistication – the margin moment arrives

FY26F is set to mark an inflection point as the full benefits of operating leverage, premium brand maturity, and raw material price normalization converge to boost profitability. We believe Radico Khaitan's premiumization strategy—anchored by high-margin franchises like Rampur Indian Single Malt Whisky, Magic Moments Vodka, Morpheus Brandy, and Royal Ranthambore Whisky to drive a structural uplift in gross margin & EBITDA per case.

Cost tailwinds from easing raw material costs, backward integration

With extra neutral alcohol or ENA and glass bottle prices softening after two years of inflation-led margin stress, and the Sitapur distillery now fully operational, Radico Khaitan stands to benefit from both raw material cost normalization and supply-side efficiency. Backward integration ensures ENA security, better fixed-cost absorption, and reduced input volatility—setting the stage for a margin reset in FY26F. Although the company has taken price hikes in IMFL and IMIL segments (in Uttar Paresh), the price hikes have been lower than inflation, but FY26F will be the starting year of expansion in spreads.

From Magic Moments Vodka to Rampur Indian Single Malt Whisky

Much like Japanese malts rose from a niche position to global acclaim, India's unique terroir, ageing conditions, and growing distilling expertise position it for a similar breakout in the premium whisky segment. Radico Khaitan, with its award-winning *Rampur Indian Single Malt Whisky* and global distribution reach across 85+ countries, is well-placed to emerge as a flagship Indian-origin alcobev brand. As premium consumption rises globally and India gains recognition for its craft credentials, Radico Khaitan could become a true Indian multinational in the premium spirits space—blending heritage, scale, and aspirational branding.

Valuation and risks

We initiate coverage on Radico Khaitan, valuing it at 60x FY27F EPS to arrive at our target price of Rs3,405 based on a P/E of 60x FY27F EPS and assign an ADD rating to it. Downside risks: There are two types of risks in the liquor industry – raw material-related risk and regulatory risk. Raw material risk: Prices of Radico Khaitan's products are normally set once a year and hence, any sudden spurt in raw material cost cannot be passed on over the short- to medium-term. Regulatory risk: Liquor is a state subject in India and the whole value chain via taxes, including the sale of liquor itself, is subject to regulations.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	41,185	49,033	55,350	63,453	71,775
Operating EBITDA (Rsm)	5,030	6,737	9,649	12,399	14,195
Net Profit (Rsm)	2,558	3,452	5,556	7,584	8,913
Core EPS (Rs)	19.1	25.8	41.6	56.7	66.7
Core EPS Growth	25.1%	35.0%	60.9%	36.5%	17.5%
FD Core P/E (x)	142.43	105.52	65.57	48.03	40.87
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	73.42	54.92	37.94	28.99	24.77
P/FCFE (x)	29.78	425.18	75.18	50.38	42.90
Net Gearing	21.1%	21.3%	5.7%	(11.9%)	(25.8%)
P/BV (x)	15.33	13.53	11.22	9.09	7.44
ROE	11.3%	13.6%	18.7%	20.9%	20.0%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Margin party on the rocks in FY26F

From scale to sophistication: Radico Khaitan's margin moment arrives

FY26F is an inflection point for profitability ➤

Radico Khaitan is entering a new profitability cycle, with FY26F set to be a pivotal year. After multiple years of high input costs, capacity ramp-up, and muted operating leverage, the company is now positioned to **benefit from the convergence of multiple margin tailwinds**. These include softening raw material prices, a stronger product mix, and maturing capacities, post capacity addition, especially at Sitapur. The full impact of these operational and macro-level shifts should begin to reflect meaningfully in FY26F financials, marking a decisive inflection point for bottom-line growth.

Operating leverage begins to deliver results ➤

Radico Khaitan's capital investments over the past few years, particularly in capacity expansion, bottling infrastructure and ENA backward integration, have largely been front-loaded. With volumes rising and premium brands scaling, **fixed costs will now be spread across a broader base**, enabling a more efficient cost structure. The margin gap between premium and regular IMFL also means that incremental revenue disproportionately benefits the EBITDA line. The Sitapur unit's full absorption into the supply chain further improves internal sourcing, logistics efficiency, and reduces working capital intensity, enhancing the overall leverage.

Premiumization strategy unlocks margin boost ➤

Radico Khaitan's long-term premiumization push is starting to pay off. Flagship brands like **Rampur Indian Single Malt Whisky**, **Morpheus Brandy**, **Magic Moments Verve Vodka**, and **Royal Ranthambore Whisky** are gaining traction in both domestic and export markets. These brands carry **superior gross margin** due to their pricing power, aspirational positioning, and lower discounting needs. As premium and luxury brands form a growing share of the volume mix (currently ~33% of IMFL), they are driving a **structural uplift in gross margin and EBITDA per case**, improving the company's margin quality and earnings predictability.

Cost tailwinds from easing raw material costs & backward integration

Raw material prices normalize after two years of stress ➤

For the past two years, Radico Khaitan's margins were squeezed by elevated input costs—particularly Extra Neutral Alcohol (ENA), glass bottles and other packaging materials—driven by supply chain disruption and commodity inflation. However, recent trends show a meaningful softening in both ENA and glass bottle prices, offering the long-awaited relief. This input cost deflation provides a strong base for margin recovery, starting FY26F.

Sitapur distillery adds to strategic backward integration ➤

The commissioning of the +100mL (million litre) grain-based distillery at Sitapur marks a structural shift in Radico Khaitan's cost architecture. With this facility fully operational, the company now enjoys greater control over ENA sourcing—de-risking supply shocks and insulating itself from market-linked volatility. The backward integration also improves cost visibility, inventory planning, and unlocks scale-led operational efficiency. This expansion includes a new 350klpd (kilo litres per day) greenfield grain distillery and a 15MW captive power plant. The new distillery has increased the company's annual ENA or absolute alcohol production capacity to over 100mL. Additionally, the bottling capacity has been expanded to over 15m cases, and a malt maturation capacity of 10,000bbls has been established at the Sitapur complex.

Fixed-cost absorption & operating leverage to play out

The Sitapur plant not only improves raw material security but also drives better fixed-cost absorption as capacity utilization ramps up. Combined with existing manufacturing assets at Rampur and other units, Radico Khaitan is now positioned to enjoy stronger operating leverage—particularly as premium brand volumes grow faster than base IMIL.

Margin expansion in sight despite modest price hikes

While Radico Khaitan has taken price hikes in both IMFL and IMIL segments (notably in Uttar Pradesh), these have lagged cumulative inflation. That said, with cost pressure easing and operating scale improving, FY26F is set to be a year of gross spread expansion. The improved input-cost environment—combined with a better product mix and internal efficiency—should translate into a visible EBITDA margin uplift, kicking off a more profitable cycle.

From Magic Moments Vodka to Rampur Indian Single Malt Whisky

India's rise in the premium malt segment - the next frontier

India is poised for a breakthrough in single malts, akin to Japan's meteoric rise. Favourable ageing conditions, unique terroir, and growing distilling expertise are now converging to elevate Indian malt whisky—especially *Rampur Indian Single Malt Whisky*—onto the global premium stage.

Learning from the Japanese malt whisky miracle

Japanese whisky experienced an extraordinary surge over the past two decades:

Exports grew from around ¥4bn in CY13 to over ¥50bn in CY23, translating to a nearly 12-fold increase in export value and a 9–11% volume CAGR in recent years. The Japanese whisky market was estimated at **US$4.3bn in CY24** and is projected to reach US$7.3bn by CY33F, growing at a CAGR of ~6.1%. Globally, US imports of Japanese whisky surged by **nearly 700% between CY13 and CY23**, reflecting expanding consumer interest.

Favoured for its craftsmanship and consistent international accolades—including Yamazaki's *Whisky of the Year* in 2015—Japanese whisky became a global benchmark. Japan's embrace of terroir, precision distillation, and global branding lifted whisky exports and built premium brand equity.

Radico Khaitan's play: Building India's response

Radico Khaitan is already setting the blueprint for India's premium whisky story:

- Its flagship *Rampur Indian Single Malt Whisky* has gained awards and visibility across **85+ export markets**, including retail and travel channels.
- Radico Khaitan's expanding premium portfolio—including *Royal Ranthambore Whisky*, *Magic Moments Vodka*, and *Jaisalmer Gin*—reinforce its global-ready brand credentials.

With increased international attention on Indian terroir and premium spirits, Radico Khaitan is positioned to replicate Japan's path—from niche interest to global acclaim.

Emerging path to global Indian distillery status

As premium consumption accelerates worldwide, Radico Khaitan leverages:

- Strong brand legacy from *Magic Moments Vodka*, now transitioning towards *Rampur Indian Single Malt Whisky* and other premium expressions.
- Operational scale and backward integration (Sitapur distillery) to support consistent quality and cost control.
- Aspirational India-origin branding that resonates with both domestic loyalty and global curiosity.

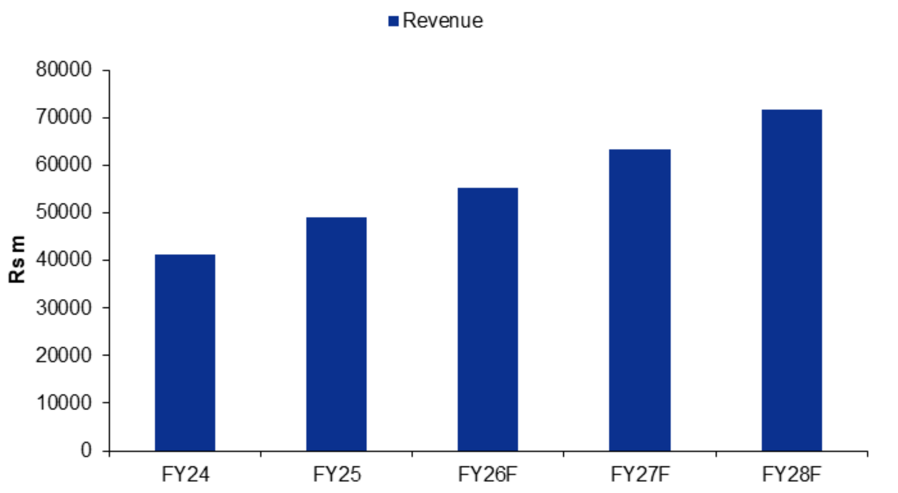
Just as Japanese whisky matured into international prestige, Radico Khaitan stands to become India's ambassador in the fine spirits sector—an Indian-based alcobev multinational blending heritage, craft, and scale on the world stage.

Earnings growth

Revenue and earnings growth ➤

In our view, Radico Khaitan will clock a revenue CAGR of 13.4% over FY25-28F. We believe the growth will be volume-led post expansion amid higher volume growth in the IMFL segment.

Figure 23: Revenue growth, in our view, will be at a CAGR of 13.4% over FY25-28F

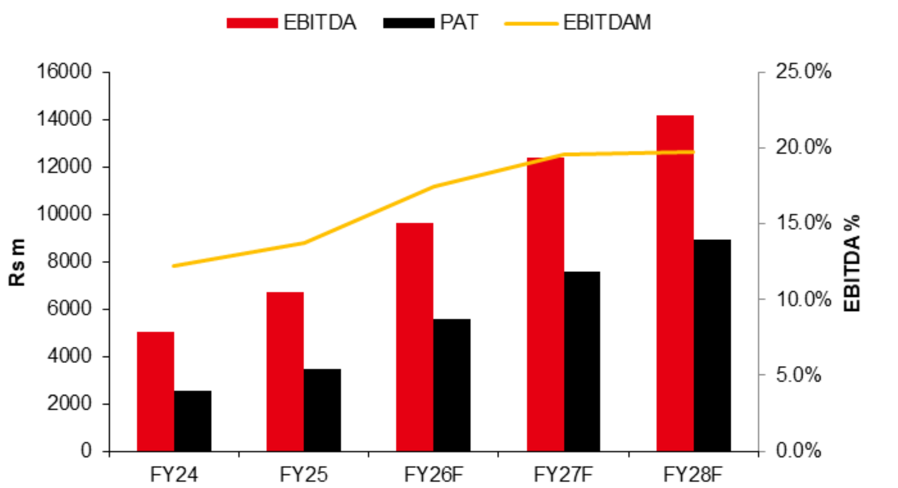


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Earnings growth ➤

EBITDA growth is expected to be at a 28.2% CAGR over FY25-FY28F, far higher than sales growth, because of a higher margin going ahead due to lower raw material costs, and any price hike in the IMIL segment in FY26F will be a large contributor to the said growth. PAT growth is expected to be at a 37.5% CAGR over FY25-28F, higher than revenue and EBITDA growth, because of interest costs not rising in proportion to the revenue, and repayment from excess cash over the period.

Figure 24: EBITDA and PAT, in our view, to post CAGR of 28.2% and 37.5%, respectively, over FY25-28F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key assumptions ➤

- IMIL volume – 8% CAGR over FY25-FY28F.
- IMFL volume - 14% CAGR over FY25-FY28F.

Valuation & risks

Valuation ➤

- Radico Khaitan stock trades at a P/E of 48x FY27F EPS, and 66x FY26F EPS.
- In our view, Radico Khaitan is a leading IMIL player in Uttar Pradesh and a prominent IMFL player across India. As it continues to strengthen its IMFL portfolio nationwide and expands margins within the IMIL segment in Uttar Pradesh, both businesses are set to become mutually reinforcing—creating a flywheel of scale, profitability, and distribution leverage.
- We initiate coverage on Radico Khaitan with an ADD rating and a target price of Rs3,405 based on a P/E of 60x FY27F EPS**.**
- Radico Khaitan traded at a forward P/E of 42x over the past five years.
- We have assigned an ADD rating to the stock due to capacity expansion that will help in generating better growth and margin expansion.

Figure 25: One-year forward P/E chart

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Risks ➤

Industry –

- Regulatory risk: Liquor business in India is widely a state subject and the whole value chain through taxes, including the sale of liquor itself, is subject to regulations.
- Raw material risk: As the pricing, in most cases, for the products of the company are state regulated, any rise in raw material prices cannot be passed on to consumers immediately.

Business description and management profile

Company profile

Radico Khaitan, founded in 1943, is one of India's oldest and most prominent liquor manufacturers, headquartered in New Delhi. Originally a bulk supplier of Extra Neutral Alcohol (ENA), the company has evolved into a leading branded IMFL (Indian Made Foreign Liquor) player with a diverse portfolio that includes popular names like 8PM Whisky, Magic Moments Vodka, Morpheus Brandy, and Rampur Indian Single Malt Whisky. With a strong presence across India and exports to over 85 countries, Radico Khaitan has built deep capabilities in manufacturing, branding, and distribution, enabling it to scale both mass and premium segments.

Under the leadership of Dr. Lalit Khaitan and Abhishek Khaitan, the company has undergone significant transformation, investing heavily in capacity expansion (notably its new grain-based distillery in Sitapur) and premiumization. The company has consistently focused on innovation, sustainability, and brand-building, positioning itself as a long-term beneficiary of India's expanding alcobev consumption and evolving consumer preferences.

Figure 26: Products of Radico Khaitan in various categories currently sold in Uttar Pradesh

TYPE	SUB-TYPE	BRAND NAME	SIZE (ml)	MRP (Rs)
FL	Brandy	Morpheus Blue XO	750	1,120
FL	Brandy	Morpheus XO Blended	750	870
FL	Brandy	Brihans Napoleon	750	570
FL	Gin	Jaisalmer Indian Craft Gin	750	4,000
FL	Rum	1965 Spirit of Victory Lemon	750	790
FL	Rum	1965 Spirit of Victory	750	560
FL	Rum	Contessa	750	520
FL	Rum	8PM Bermuda	750	460
FL	Vodka	Kashmyr Saffron	750	3,000
FL	Vodka	Kashmyr Natural	750	2,500
FL	Vodka	M2 Magic Dazzle Special Edition	750	1,110
FL	Vodka	M2 Magic Verve Magic Super	750	830
FL	Vodka	M2 Magic Verve Green Apple	750	760
FL	Vodka	M2 Magic Verve Lemon Lush	750	760
FL	Vodka	M2 Magic Verve Cranberry	750	760
FL	Vodka	M2 Magic Verve	750	720
FL	Vodka	M2 Magic Remix Pink	750	710
FL	Vodka	M2 Magic Remix Lemon	750	670
FL	Vodka	M2 Magic Remix Superior Green	750	670
FL	Vodka	M2 Magic Remix Orange	750	670
FL	Vodka	M2 Magic Superior	750	600
FL	Whisky	Rampur Single Malt Asava	750	10,000
FL	Whisky	Rampur Indian Single Malt Barrel	750	10,000
FL	Whisky	Rampur Single Malt Double	750	8,510
FL	Whisky	Sangam World Malt	750	5,000
FL	Whisky	Spirit of Victory 1999	750	5,000
FL	Whisky	Royal Ranthambore Heritage	750	1,660
FL	Whisky	Morpheus Rare Luxury	750	1,190
FL	Whisky	After Dark Fine Grain	750	780
FL	Whisky	8 PM Black Superior	750	670
FL	Whisky	After Dark Blue Rare Grain	750	610
FL	Whisky	8PM Gold Blend of Scotch	750	460
UPML	UPML	Windies	200	90
UPML	UPML	Nagina	200	90
UPML	UPML	Jhoom Baraabar	200	60
UPML	UPML	Mastih Gold	200	60
UPML	UPML	Windies Gold	200	60
CL	Flavoured CL	Jhoom	200	55
CL	Spice CL	Windies Mazedaar	200	75
CL	Spice CL	Nagina Jabardast	200	75
CL	Spice CL	Windies Lime	200	75

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key milestones

Figure 27: Key milestones

1943	Founded as Rampur Distillery & Chemical Company Ltd in Uttar Pradesh.
1972	Company taken over by Dr. Lalit Khaitan and family.
1997	Foray into branded IMFL (Indian Made Foreign Liquor) with the launch of 8PM Whisky – first brand in India to sell 1m cases in its first year.
1999	Company name changed to Radico Khaitan Ltd.
2003	Launched Contessa Rum, a dominant brand in defence canteens (Canteen Stores Department).
2005	Foray into the vodka market with Magic Moments, which later on became one of India's leading vodka brands.
2008	Launched Morpheus Brandy, now a top-selling premium brandy in India.
2011	Introduced After Dark Whisky in the semi-premium whisky segment.
2015	Entered the premium vodka segment with Magic Moments Verve.
2016	Launched Morpheus Blue (premium version of Morpheus brandy).
2017	Launched Rampur Indian Single Malt Whisky, Radico Khaitan's entry into the luxury global whisky market.
2018	Debuted Jaisalmer Indian Craft Gin, targeting the growing gin segment and exports.
2021	Began construction of a greenfield grain-based distillery at Sitapur, Uttar Pradesh (Rs5.55bn capex).
2022	Introduced Royal Ranthambore Heritage Collection Whisky, a premium Indian blend.
2023	Sitapur distillery became operational; company achieved eight brands in Drinks International's Millionaire's Club.
2024	Launched Sangam World Malt Whisky and Magic Moments RTD (Ready-to-Drink).

SOURCE: INCRED RESEARCH, COMPANY REPORTS

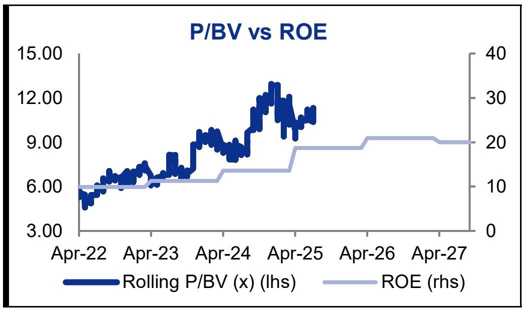
Management

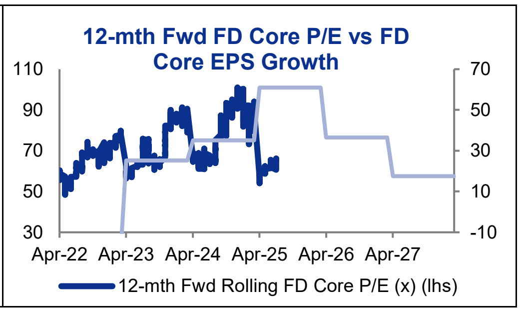
Figure 28: Key management profile

Name	Designation	Profile
Dr. Lalit Khaitan	Chairman & Managing Director	Dr. Lalit Khaitan is the principal architect of Radico Khaitan's transformation from a bulk spirits supplier to a premium IMFL brand house. His leadership has guided the company's vision, regulatory navigation, and sustained shareholder value creation. With decades of experience, he remains the strategic anchor in Radico Khaitan's growth journey.
Abhishek Khaitan	Managing Director	Abhishek Khaitan has been instrumental in the company's shift towards premium branded liquor. He spearheaded the development of brands like Magic Moments and Rampur Indian Single Malt, focusing on product innovation, distribution depth, and capacity expansion. His leadership is central to the company's modernization and market-led focus.
Amar Sinha	Chief Operating Officer	Amar Sinha oversees operations and execution across geographies. With deep FMCG and alcobev experience, his mandate includes driving distribution efficiency, channel expansion, and execution of Radico Khaitan's premiumization strategy. He plays a critical role in on-the-ground brand scaling and market penetration.
Dilip K. Banthiya	Chief Financial Officer	Dilip K. Banthiya brings financial discipline and long-term planning to the fore. He manages capital allocation, compliance, budgeting, and risk management. Under his guidance, Radico Khaitan has maintained a robust balance sheet while funding aggressive capex and brand investments.

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	**41,185**	**49,033**	**55,350**	**63,453**	**71,775**
Gross Profit	**14,006**	**20,826**	**24,308**	**28,706**	**32,498**
Operating EBITDA	**5,030**	**6,737**	**9,649**	**12,399**	**14,195**
Depreciation And Amortisation	(1,138)	(1,402)	(1,514)	(1,522)	(1,522)
Operating EBIT	**3,892**	**5,335**	**8,135**	**10,877**	**12,673**
Financial Income/(Expense)	(472)	(689)	(628)	(628)	(628)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	**3,420**	**4,646**	**7,507**	**10,249**	**12,045**
Exceptional Items					
Pre-tax Profit	**3,420**	**4,646**	**7,507**	**10,249**	**12,045**
Taxation	(863)	(1,194)	(1,952)	(2,665)	(3,132)
Exceptional Income - post-tax					
Profit After Tax	**2,558**	**3,452**	**5,556**	**7,584**	**8,913**
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**2,558**	**3,452**	**5,556**	**7,584**	**8,913**
Recurring Net Profit	2,558	3,452	5,556	7,584	8,913
Fully Diluted Recurring Net Profit	**2,558**	**3,452**	**5,556**	**7,584**	**8,913**

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	5,030	6,737	9,649	12,399	14,195
Cash Flow from Invt. & Assoc.					
Change In Working Capital	2,667	(2,845)	(2,922)	(2,503)	(2,571)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense		66			
Other Operating Cashflow					
Net Interest (Paid)/Received					
Tax Paid	726	(1,194)	(1,952)	(2,665)	(3,132)
Cashflow From Operations	**8,422**	**2,763**	**4,775**	**7,231**	**8,492**
Capex	2,392	(2,203)	70		
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	81				
Cash Flow From Investing	**2,473**	**(2,203)**	**70**		
Debt Raised/(repaid)	1,339	296			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(401)				
Preferred Dividends					
Other Financing Cashflow	1,811	(1,084)	(1,013)	(694)	(694)
Cash Flow From Financing	**2,749**	**(788)**	**(1,013)**	**(694)**	**(694)**
Total Cash Generated	13,644	(227)	3,832	6,537	7,798
Free Cashflow To Equity	**12,234**	**857**	**4,845**	**7,231**	**8,492**
Free Cashflow To Firm	**10,895**	**561**	**4,845**	**7,231**	**8,492**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	1,000	570	4,468	11,071	18,935
Total Debtors	9,782	11,821	14,513	16,638	18,820
Inventories	7,797	10,768	12,600	14,444	16,339
Total Other Current Assets	3,191	2,436	1,075	1,156	1,239
Total Current Assets	**21,769**	**25,595**	**32,656**	**43,309**	**55,333**
Fixed Assets	17,099	17,830	16,317	14,795	13,273
Total Investments	1,354	1,354	1,354	1,354	1,354
Intangible Assets		70			
Total Other Non-Current Assets	91	1,270	83	95	108
Total Non-current Assets	**18,545**	**20,524**	**17,754**	**16,244**	**14,735**
Short-term Debt	3,114	4,767	4,767	4,767	4,767
Current Portion of Long-Term Debt					
Total Creditors	8,804	11,354	10,377	11,896	13,457
Other Current Liabilities					
Total Current Liabilities	**11,918**	**16,121**	**15,144**	**16,663**	**18,224**
Total Long-term Debt	2,900	1,543	1,543	1,543	1,543
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	614	319			
Total Non-current Liabilities	**3,514**	**1,862**	**1,543**	**1,543**	**1,543**
Total Provisions	1,121	1,225	1,256	1,296	1,337
Total Liabilities	**16,553**	**19,208**	**17,944**	**19,502**	**21,103**
Shareholders Equity	23,760	26,910	32,466	40,050	48,964
Minority Interests					
Total Equity	**23,760**	**26,910**	**32,466**	**40,050**	**48,964**

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	31.0%	19.1%	12.9%	14.6%	13.1%
Operating EBITDA Growth	42.5%	33.9%	43.2%	28.5%	14.5%
Operating EBITDA Margin	12.2%	13.7%	17.4%	19.5%	19.8%
Net Cash Per Share (Rs)	(37.50)	(42.95)	(13.78)	35.62	94.43
BVPS (Rs)	177.71	201.35	242.83	299.67	366.22
Gross Interest Cover	6.52	6.81	11.72	15.67	18.26
Effective Tax Rate	25.2%	25.7%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	79.86	80.40	86.83	89.59	90.16
Inventory Days	100.39	120.12	137.38	142.04	143.03
Accounts Payables Days	36.39	37.54	46.88	54.59	54.97
ROIC (%)	14.5%	18.3%	24.8%	31.8%	36.0%
ROCE (%)	13.5%	16.7%	22.2%	25.1%	24.6%
Return On Average Assets	7.9%	9.6%	12.8%	14.9%	14.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.