



TM

SYSTEMATIX INSTITUTIONAL EQUITIES

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Institutional Equities

Tilaknagar Industries

12 August 2025

Strong volumes, expanding footprint, strengthening portfolio

Tilaknagar Industries (TLNGR) 1QFY26 revenue growth was above our expectations while operating performance was in-line with expectations.

Revenue/ volume/ NSR growth: Revenue grew 30.6% YoY to Rs 4,091 mn. Subsidy income stood at Rs 386 mn. Excluding subsidy, revenue grew 20.5% to Rs 3,705 mn. Volumes grew 26.4% YoY to 3.21 mn cases. NSR declined 4.7% YoY to Rs 1,193 due to price reduction taken in Andhra Pradesh.

Margins & Profitability: Gross margin expanded 231 bps YoY to 51.9%. Excluding subsidy, gross margin declined 179 bps YoY to 46.9%. EBITDA grew 88% YoY to Rs 945 mn. Excluding subsidy, EBITDA grew 25.1% YoY to Rs 558 mn. EBITDA margin expanded 705 bps YoY to 23.1%. Excluding subsidy, EBITDA margin expanded 56 bps YoY to 15.1%. Employee cost declined 186 bps YoY, other operating cost declined 48 bps YoY. Other income stood at Rs 43 mn vs Rs 17 mn in 1QFY25. PAT grew 121% YoY to Rs 885 mn. Excluding subsidy, PAT grew 44.7% YoY to Rs 499 mn.

Debt: Gross debt stood at Rs 391 mn. Net cash at Rs 1,634 mn.

Trademark ownership: The Hon'ble Bombay High Court has upheld TI's ownership of the Mansion House and Savoy Club trademarks. This achievement of legal milestone ensures the continued, uninterrupted, and exclusive sale of products under these brands.

TI acquires Imperial Blue: TI has signed a definitive agreement to acquire the Imperial Blue business from Pernod Ricard India for ~EUR 413 mn (~Rs 41.5 bn) on a slump sale basis, including Rs 7 bn in working capital and Rs 2.82 bn deferred consideration payable in FY30. Imperial Blue, launched in 1997, sold 22.4 million cases in FY25, generated Rs 30.67 bn revenue, and holds a 9% whisky market share across 27 states/UTs. The deal shifts TI's portfolio from >90% brandy to 65%+ whisky, reducing its Southern India dependence and making it a pan-India, multi-category player. The scope includes global trademark rights (Imperial Blue, Imperial Black, Imperial Red), recipe, technical know-how, goodwill, 16 manufacturing units, and transition agreements with PRI plus a long-term supply tie-up with Chivas Brothers. Funded via equity and debt, TI targets Net Debt/EBITDA <1.0x by FY29, with expected EPS accretion, margin expansion, and synergies from premiumization, scale, exports, and distribution efficiencies. Closing is expected within six months, subject to CCI approval by end-2025.

TI's investment in Spaceman Spirits: TI has increased its stake from 12.98% to 21.36% in Spaceman Spirits Lab through an investment of over Rs 100 mn, comprising both a previously announced funding round and a secondary acquisition from early shareholders. Under a usership agreement, Tilaknagar has commenced distribution of Spaceman's premium portfolio—Samsara Gin, Sitara Rum, and Ammara Vodka—leveraging its extensive distribution network to scale these high NSR brands across select Indian states and international markets. Positioned as key drivers of growth in the company's super-premium segment, these products hold strong long-term potential, although they currently form a small part of revenues. The agreement also provides Tilaknagar with an option to further increase its stake at a predetermined valuation upon Spaceman meeting pre-agreed milestones.

RESULT UPDATE

Sector: Alco-Beverage Rating: BUY

CMP: Rs 494 Target Price: Rs 568

Stock Info

Sensex/Nifty 80,425 / 24,540

Bloomberg TLNGR IN

Equity shares (mn) 194

52-wk High/Low Rs 524 / 199

Face value Rs 10

M-Cap Rs.96.4bn/US\$1.1bn

3-m Avg Turnover US\$ 15.3mn

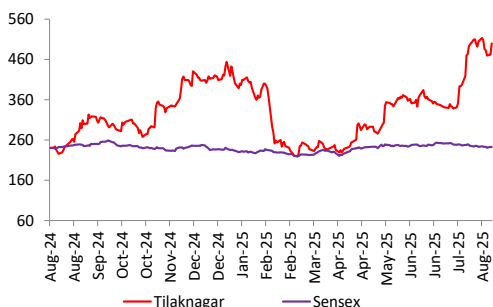
Financial Snapshot (Rs mn)

Y/E Mar	FY26E	FY27E	FY28E
Sales	16,748	19,503	22,653
Adj. PAT	2,011	2,324	2,809
Adj. EPS (Rs)	10.4	12.0	14.5
PE (x)	47.5	41.1	34.0
EV/EBITDA (x)	34.5	28.5	23.5
P/BV (x)	9.0	7.5	6.3
EV/Sales	5.6	4.8	4.0
RoE (%)	20.7	19.9	20.1
RoCE (%)	27.4	30.2	34.0
NWC (days)	108	108	108
Net gearing (x)	-0.1	-0.2	-0.3

Shareholding Pattern (%)

	Jun 25	Mar 25	Dec 24
Promoter	40.0	40.0	40.0
-Pledged	-	-	-
FII	15.3	15.3	14.0
DII	1.4	1.3	1.4
Others	43.4	43.4	44.7

Stock Performance(1-year)



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Investors are advised to refer disclosures made at the end of the research report.

Expansion of Prag Distillery : Tilaknagar Industries Limited (TI) has approved a six-fold capacity expansion at its Prag Distillery in Andhra Pradesh, increasing output from 6 lakh to 36 lakh cases annually. The Rs 590 mn investment, including Rs 340 mn in licence fees and interest, aims to secure supply in one of India's fastest-growing IMFL markets. Acquired between 2008–2014, Prag's earlier expansion was stalled from 2014–2017; this approval marks its revival. The facility is one of TI's three manufacturing units in Andhra Pradesh.

Valuation & view : TI is undergoing a strategic transformation by acquiring the Imperial Blue whisky business, moving beyond its brandy-first, Southern India concentration to become a pan-India, multi-category player. This acquisition diversifies its portfolio into whisky and strengthens its presence across non-Southern regions of India. The Hon'ble Bombay High Court has upheld TI's exclusive ownership of the Mansion House and Savoy Club trademarks, ensuring continued and uninterrupted sales under these brands. TI has demonstrated strong performance with robust volume growth. The company also maintains a strong balance sheet, achieving a net cash position of Rs 1.63 bn as of June 30, 2025. Furthermore, TI has approved an investment of Rs 590 mn to significantly expand its Prag Distillery in Andhra Pradesh from 6 lakh to 36 lakh cases annually, safeguarding supply in a key IMFL market. Stable input costs, cost optimization initiatives, continued premiumization, and a favorable shift in state and brand mix are expected to support margin expansion. We have introduced our FY28E estimates. We have not factored in projections for the acquired Imperial Blue business. We await disclosure of Imperial Blue's standalone financials from the company. We continue to value the standalone business of Tilaknagar Industries. We project a revenue CAGR of 16.5% over FY25-FY28E, primarily driven by a volume CAGR of 15.7% during the same period. We have built in EBITDA CAGR of 19.7%. In FY25, the operating margin (adjusted for subsidy income of c. Rs 290 mn for FY25) stood at 16.1%. We estimate margins to expand modestly to 16.3%/16.7%/ 17.1% for FY26E/ FY27E/ FY28E respectively. This limited margin expansion reflects our expectation that a substantial portion of the gains will be reinvested into marketing initiatives to support brand building. We have factored in taxation impact from 2QFY26 onward. At the PBT level, we project a CAGR of 22.6% over FY25–FY28E. We maintain our BUY rating on the stock with a revised target price of Rs 568 (vs Rs 438 earlier), based on 45x June 2027E EPS.

Conference call takeaways

Financial performance highlights

- **Net revenues:** Adjusted for subsidiary income of Rs 38.6 crores, growth remained robust at 20.5%.
- **EBITDA:** Adjusted for subsidiary income, EBITDA was INR 56 crores, a 25% YoY growth.
- **EBITDA margin:** EBITDA margin expanded to 15.1%, an improvement of 55 bps YoY. Achieved despite elevated legal expenses linked to trademark litigation. Management expects legal costs to normalize going forward, aiding margin expansion.
- **Gross margin:** Marginal decline from 47.1% to 46.9% QoQ (after adjusting for subsidiary income). The drop was primarily due to lower Net Sales Realization (NSR) in Andhra Pradesh.
- **Cash flow & Balance sheet:** Strong cash flow focus maintained; net cash position at Rs 163 crs.
- **Input costs:** ENA and glass prices remain stable. Management expects the favorable cost environment to continue.
- **Subsidy income:** Relates to the Industrial Promotion Subsidy under Maharashtra's 2007 Package Scheme of Incentives. Recognized on receipt basis; remaining quantum cannot be quantified.
- **Tax incidence:** Income tax appeal remains under discussion. For prudence, full tax incidence assumed from July 1, 2025. Strong cash flows and asset-light model mitigate growth concerns arising from tax obligations.

Operational performance & strategic highlights

- **Volume performance:** Achieved 26.5% YoY volume growth. Current demand trends remain strong; no visible slowdown in southern markets.
- **Net Sales Realization (NSR):** NSR improved from Rs 1,182 per case in Q4 FY25 to Rs 1,193 per case in Q1 FY26. Expected to grow by 1–2% annually in the existing business.
- **Regional Performance – South India:** Market share gains recorded in all key southern markets. TI is now the 3rd largest IMFL Prestige & Above (P&A) player in Telangana and Karnataka.
- **Karnataka:** Significant market share gains aided by excise duty reduction and strong P&A segment growth. Holds over 2% share in the overall IMFL market and nearly 25% share in the P&A IMFL market.
- **Telangana:** Market share expanded by over 50 bps YoY.
- **Portfolio Strategy:**
 - **Luxury & Super-Premium Segment:** Encouraging early signs.
 - **Monarch Legacy Edition Brandy:** Launched in Maharashtra, Goa, and Puducherry.

- **Spaceman Spirits Lab Partnership:** Commenced distribution of premium Samsara brands (Samsara Gin, Sitara Rum, Ammara Vodka). Increased equity stake from 12.98% to 21.36% with over Rs 10 crore investment. Agreement includes future investment/acquisition options linked to milestones.
- **Core Prestige Brands:** Mansion House & Courier Napoleon remain strong performers.
- **Advertising & Sales Promotion (A&SP):** Higher spends enhancing brand perception. Collaboration with a South Indian superstar for Mansion House packaged drinking water.
- **Mansion Whiskey:** Relaunched in redesigned packaging. Initially introduced in Northeast, now extended to Telangana, Odisha, and West Bengal. Targeting whiskey market of 6 mn cases in select East/Northeast states where TI's share is currently low single digits.
- **Trademark litigation:** Bombay High Court upheld TI's ownership of Mansion House and Savoy Club trademarks, ensuring continued exclusive rights.
- **Maharashtra market:** Evaluating eligibility for benefits under the new Maharashtra Made Liquor (MML) Policy. Current Maharashtra business remains small (low single-digit contribution).
- **Prag Distillery expansion:** Board approved ~Rs 59 crore investment for capacity expansion. Rs 34 crores allocated towards license fees and related government payments. Capacity to rise from 6 lakh to 36 lakh cases/month within 12 months. Expected to yield significant benefits in bottling cost efficiency.

Imperial Blue acquisition

- **Transaction overview:** Acquisition of Imperial Blue (IB) Business Division from Pernod Ricard India. Slump sale for ~€413 mn (includes €7 mn for normalized working capital). €28 mn deferred payment due in FY2030. Subject to regulatory approvals.
- **Brand positioning:** Imperial Blue 3rd largest whiskey brand in India by volume. Over 22 million cases sold annually across 27 states/UTs. Strong international footprint; 25+ years heritage.
- **Strategic rationale:** Transformational for TI – diversifies from brandy-focused to a two-category player (whiskey & brandy). Significantly enhances geographic presence and scale.
- **Financial profile of IB:** Net revenue exceeding Rs 3,000 crores (TTM ending March 2025, net of excise). Profitable at all levels; transaction is cash EPS accretive.
- **Operational synergies:** IB's pan-India distribution network complements TI's southern market strength. TI already present in most states where IB operates.
- **Manufacturing assets:** Acquisition includes 16 manufacturing units (2 owned).
- **Transition arrangements:** Transition Services Agreement (TSA) with Pernod Ricard for post-closing smooth transfer. Long-term supply agreement with Chivas Brothers for key raw material.

- **Financing:** Funded via an optimal equity-debt mix. Board approved preferential equity issue of ~Rs 2,300 crores. Balance to be financed through debt; target net debt/EBITDA below 1x by FY29.
- **Integration:** Integration process expected to take ~6 months.

Guidance & outlook

- **Volumes:** Q1 volume base of 3.2 mn cases expected to sustain or exceed going forward. FY26 volume guidance: ~14 mn cases.
- **Revenue growth:**
 - FY26: Mid-to-high teens.
 - FY27: Mid-teens.
- **Margins:**
 - FY26 EBITDA margin guidance: 15%–16.5% (pre-acquisition).
 - FY27 onwards: 15.5%–17.5% (pre-acquisition).
- **Margin drivers:**
 - Portfolio premiumization.
 - COGS optimization (packing material, logistics).
 - Reduction in legal expenses.
- **Post-acquisition portfolio mix:**
 - ~66% whiskey and >30% brandy, compared to current brandy-heavy mix.

Exhibit 1: Quarterly performance - Reported

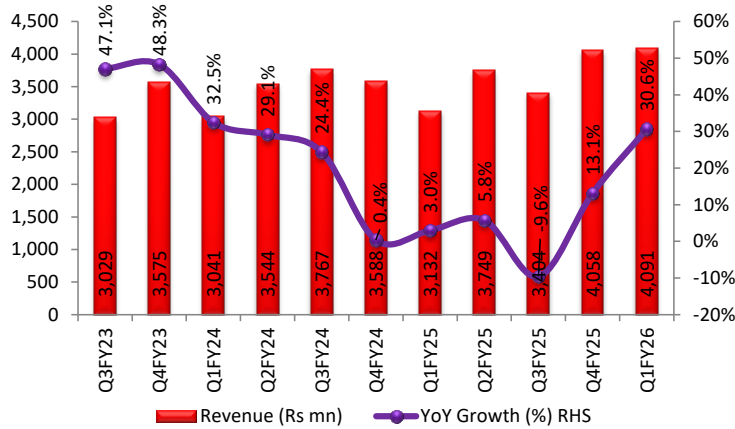
YE March (Rs mn)	Q1FY26	Q1FY25	Q4FY25	YoY (%)	QoQ (%)
Net Revenues	4,091	3,132	4,058	30.6	0.8
Cost of materials	1,968	1,578	2,079	24.7	(5.3)
(% of sales)	48.1	50.4	51.2		
Gross Profit	2,124	1,553	1,979	36.7	7.3
Gross margin (%)	51.9%	49.6%	48.8%	231bps	
Employee cost	140	131	137	6.9	2.1
(% of sales)	3.4	4.2	3.4	-76bps	
Other operating & Mfg Exp	1,039	920	1,058	13.0	(1.8)
(% of sales)	25.4	29.4	26.1	-398bps	
EBITDA	945	502	784	88.0	20.5
EBITDA margin (%)	23.1	16.0	19.3	705bps	
Other income	43	17	84	144.7	(49.6)
PBIDT	987	520	869	89.9	13.6
Depreciation	73	77	73	(5.7)	0.3
Finance cost	28	42	23	(32.5)	22.5
PBT	886	401	773	121.1	14.6
Tax	-	-	(0)		
ETR (%)	0.0	0.0	(0.0)		
Adjusted PAT before share of associates	886	401	773	121.1	14.6
Share of associates	(1)	0	0		
Adjusted PAT	885	401	773	120.8	14.4
PATAMI margin	21.7	12.8	19.1		
Exceptional item	0	0	0		
Reported PAT	885	401	773	120.8	14.4
No. of shares (mn)	193.8	192.8	193.6		
Adj EPS (Rs)	4.6	2.1	4.0		

Source: Company, Systematix Institutional Research

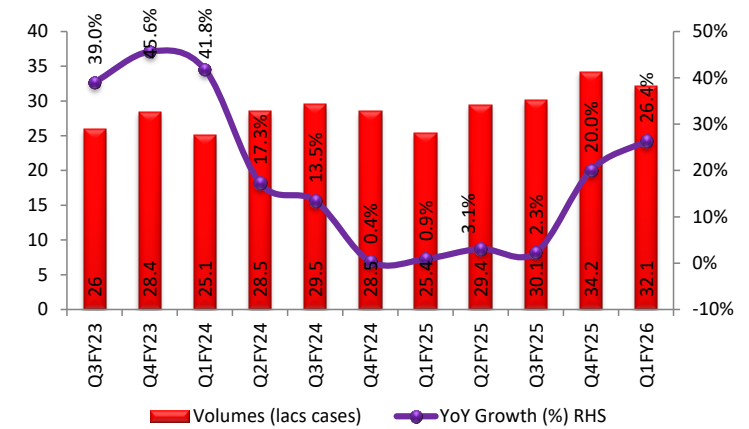
Exhibit 2: Quarterly performance – Nos. excluding subsidy income

YE March (Rs mn)	Q1FY26	Q1FY25	Q4FY25	YoY (%)	QoQ (%)
Net Revenues	3,705	3,076	3,927	20.5	(5.7)
Cost of materials	1,968	1,578	2,079	24.7	(5.3)
(% of sales)	53.1	51.3	52.9		
Gross Profit	1,737	1,498	1,849	16.0	(6.0)
Gross margin (%)	46.9%	48.7%	47.1%	-179bps	
Employee cost	140	131	137	6.9	2.1
(% of sales)	3.8	4.3	3.5	-48bps	
Other operating & Mfg Exp	1,039	920	1,058	13.0	(1.8)
(% of sales)	28.0	29.9	26.9	-186bps	
EBITDA	558	447	653	25.0	(14.5)
EBITDA margin (%)	15.1	14.5	16.6	55bps	
Other income	43	17	84	144.7	(49.6)
PBIDT	601	464	738	29.5	(18.5)
Depreciation	73	77	73	(5.7)	0.3
Finance cost	28	42	23	(32.5)	22.5
PBT	500	345	642	44.8	(22.1)
Tax	-	-	(0)		
ETR (%)	0.0	0.0	(0.0)		
Adj. PAT before share of asso.	500	345	642	44.8	(22.2)
Share of associates	(1)	0	0		
Adjusted PAT	499	345	643	44.5	(22.4)
PATAMI margin	13.5	11.2	16.4		
Exceptional item	0	0	0		
Reported PAT	499	345	643	44.5	(22.4)
No. of shares (mn)	193.8	192.8	193.6		
Adj EPS (Rs)	2.6	1.8	3.3		

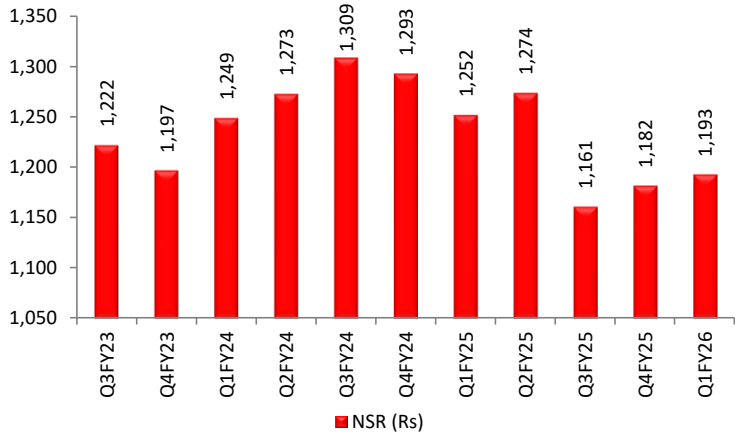
Source: Company, Systematix Institutional Research

Exhibit 3: Revenue grew by 30.6% YoY

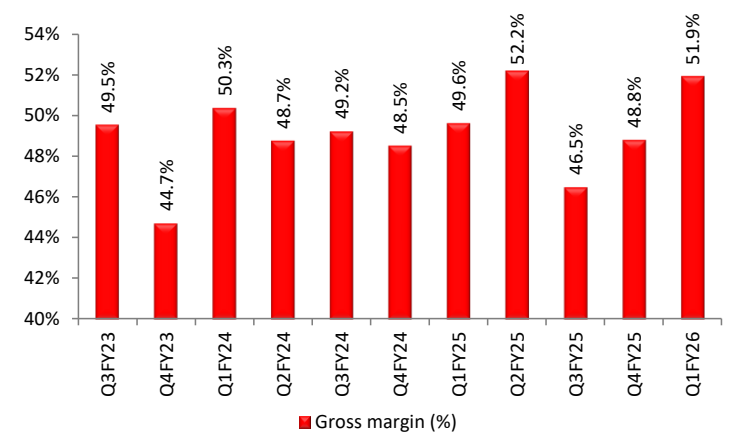
Source: Company, Systematix Institutional Research

Exhibit 4: Volumes grew 26.4% YoY

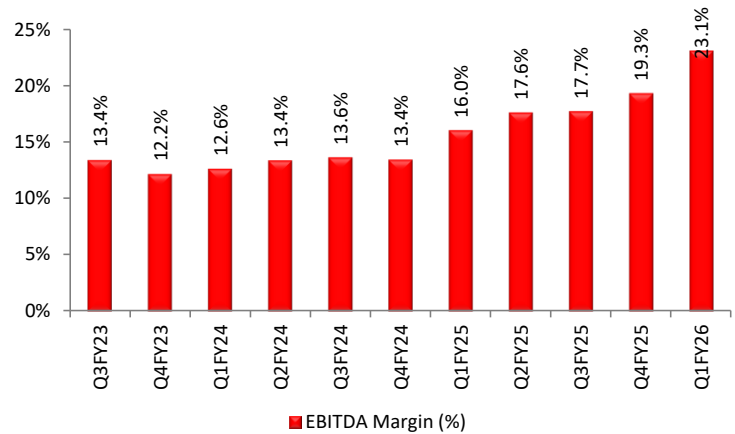
Source: Company, Systematix Institutional Research

Exhibit 5: Net sales realization dropped by 4.7% YoY

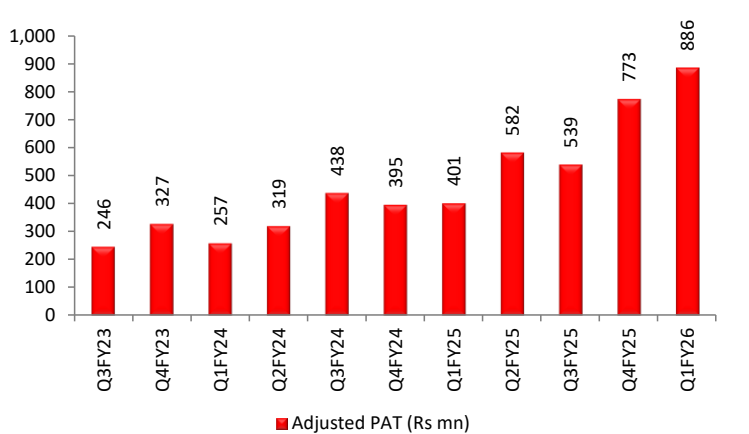
Source: Company, Systematix Institutional Research

Exhibit 6: Gross margin grew by 231 bps YoY

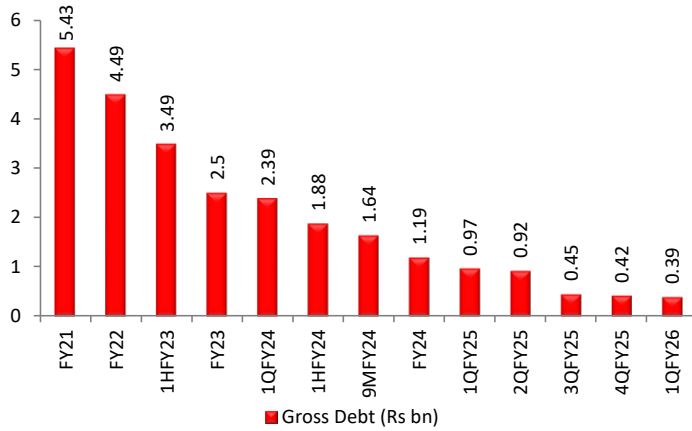
Source: Company, Systematix Institutional Research

Exhibit 7: EBITDA margin expanded by 705 bps YoY

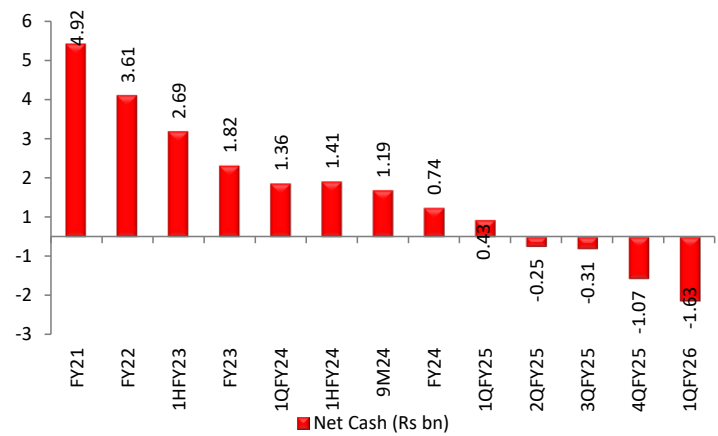
Source: Company, Systematix Institutional Research

Exhibit 8: Adjusted PAT at Rs 886 mn

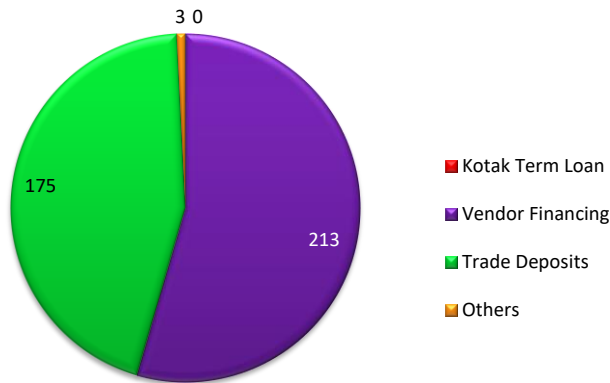
Source: Company, Systematix Institutional Research

Exhibit 9: Gross debt at Rs 0.39 bn

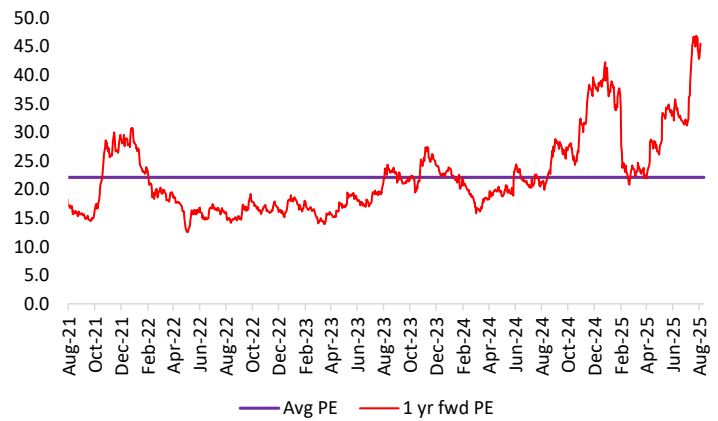
Source: Company, Systematix Institutional Research

Exhibit 10: Net Cash at Rs 1.63 bn

Source: Company, Systematix Institutional Research

Exhibit 11: Debt as on 30th Jun 2025 (Rs mn)

Source: Company, Systematix Institutional Research

Exhibit 12: Currently trading at 45.5x one year forward earnings

Source: Company, Systematix Institutional Research

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	13,940	14,342	16,748	19,503	22,653
Gross profit	6,851	7,069	8,290	9,752	11,394
GP margin (%)	49.2%	49.3%	49.5%	50.0%	50.3%
Operating profit	1,854	2,549	2,730	3,257	3,874
OP margin (%)	13.3%	17.8%	16.3%	16.7%	17.1%
Depreciation	319	305	333	351	358
EBIT	1,536	2,244	2,397	2,906	3,515
Interest expense	267	122	51	43	35
Other income	141	176	167	195	215
Profit before tax	1,410	2,298	2,514	3,058	3,695
Taxes	-	(0)	503	734	887
Tax rate (%)	0%	0%	20%	24%	24%
Minority/Associates					
Adj. PAT	1,410	2,298	2,011	2,324	2,809
Exceptional loss & Discontinued operations	(29)	-	-	-	-
Net profit	1,380	2,298	2,011	2,324	2,809
Adj EPS	7.3	11.9	10.4	12.0	14.5

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBIT	1,410	2,298	2,514	3,058	3,695
Depreciation	319	305	333	351	358
Tax paid	(11)	4	(503)	(734)	(887)
Working capital Δ	(745)	(988)	(672)	(811)	(927)
Other operating items	234	166	51	43	35
Operating cashflow	1,207	1,784	1,723	1,908	2,275
Capital expenditure	(82)	(69)	(750)	(200)	(200)
Free cash flow	1,125	1,716	973	1,708	2,075
Equity raised	324	55	-	-	-
Investments					
Debt financing/disposal	(1,310)	(796)	(107)	-	-
Interest Paid	(247)	(100)	(51)	(43)	(35)
Dividends paid	(48)	(96)	(194)	(194)	(387)
Other items	(89)	(708)	-	-	-
Net Δ in cash	(245)	71	622	1,471	1,653

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Equity capital	1,927	1,936	1,936	1,936	1,936
Reserves	4,612	6,886	8,704	10,834	13,255
Debt	1,193	424	318	318	318
Deferred tax liab (net)					
Other non current liabilities	608	547	574	603	633
Total liabilities	8,340	9,793	11,532	13,691	16,142
Fixed Asset	3,946	3,683	4,101	3,950	3,791
Investments	118	300	300	300	300
Other Non-current Assets	400	848	889	932	977
Inventories	1,008	1,652	1,698	1,977	2,296
Sundry debtors	4,185	4,105	4,910	5,717	6,641
Cash & equivalents	418	1,028	1,650	3,121	4,774
Loans and Advances	260	511	536	562	590
Sundry creditors	1,207	1,478	1,652	1,924	2,234
Other current liabilities	788	856	899	944	992
Total Assets	8,340	9,793	11,532	13,691	16,142

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY24	FY25	FY26E	FY27E	FY28E
Revenue growth (%)	19.7	2.9	16.8	16.5	16.2
Op profit growth (%)	35.2	37.4	7.1	19.3	18.9
Adj Net profit growth (%)	95.3	63.0	-12.5	15.6	20.8
OPM (%)	13.3	17.8	16.3	16.7	17.1
Net profit margin (%)	10.1	16.0	12.0	11.9	12.4
RoCE (%)	21.6	28.9	27.4	30.2	34.0
RoNW (%)	24.8	29.9	20.7	19.9	20.1
EPS Adj (Rs)	7.3	11.9	10.4	12.0	14.5
DPS (Rs)	0.5	1.0	1.0	2.0	2.0
BVPS (Rs)	33.8	45.6	54.9	66.0	78.5
Debtor days	110	104	107	107	107
Inventory days	26	42	37	37	37
Creditor days	32	38	36	36	36
P/E (x)	67.8	41.6	47.5	41.1	34.0
P/B (x)	14.6	10.8	9.0	7.5	6.3
EV/EBITDA (x)	52.0	37.3	34.5	28.5	23.5

Source: Company, Systematix Institutional Research

DISCLOSURES/APPENDIX

I. ANALYST CERTIFICATION

I, **Chetan Mahadik , Vijay Jangir**; hereby certify that (1) views expressed in this research report accurately reflect my/our personal views about any or all of the subject securities or issuers referred to in this research report, (2) no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report by **Systematix Shares and Stocks (India) Limited (SSSIL)** or its group/associate companies, (3) reasonable care is taken to achieve and maintain independence and objectivity in making any recommendations.

Disclosure of Interest Statement	Update
Analyst holding in the stock	No
Served as an officer, director or employee	No

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- SSSIL or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party in connection with this research report.
- The research analyst has not served as an officer, director or employee of the company(ies) covered in this research report.
- The research analyst and SSSIL have not been engaged in market making activity for the company(ies) covered in this research report.
- Details of SSSIL, research analyst and its associates pertaining to the companies covered in this research report:

Sr. No.	Particulars	Yes / No.
1	Whether compensation was received from the company(ies) covered in the research report in the past 12 months for investment banking transaction by SSSIL.	No
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